2019 ANNUAL REPORT

DEŽELNA BANKA SLOVENIJE

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DEŽELNA BANKA SLOVENIJE GROUP 2019 ANNUAL REPORT

BANK MANAGEMENT BOARD:

Member of the Management Board:
Barbara Cerovšek Zupančič MSc

President of the Management Board:
Marko Rozman

DEŽELNA BANKA SLOVENIJE d.d.
LJUBLJANA
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Ljubljana, April 2020

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I.1. KEY FINANCIAL DATA FOR THE DEŽELNA BANKA SLOVENIJE GROUP

	Deželna banka Slovenije Group	2019	2018	2017
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	1,047,141	1,014,673	957,221
	Total deposits by non-banking sector measured at amortised cost	888,304	857,834	802,603
	- Corporates	162,269	161,755	146,796
	- Individuals	726,035	696,079	655,807
	Total loans to non-banking sector (not held for trading)	747,012	744,355	710,040
	- Corporates	552,669	569,097	558,620
	- Individuals	194,343	175,258	151,420
	Total equity	68,720	68,502	60,982
	Impairments of financial assets and provisions	(17,109)	(27,643)	(40,487)
	Off-balance sheet operations (B.1. to B.4.)	64,285	63,930	68,106
2.	**Income statement** (in EUR thousand)			
	Net interest income	17,274	17,468	17,505
	Net non-interest income	5,446	13,018	15,852
	Employee benefits cost, overhead and administrative expenses	(16,614)	(16,758)	(22,844)
	Depreciation and amortisation	(1,466)	(1,106)	(1,819)
	Impairments and provisions (credit losses)	(2,549)	(701)	(3,099)
	Profit/loss from continuous and discontinued operations before tax	1,459	8,921	5,615
	Corporate income tax from continuous and discontinued operations	(203)	(1,349)	(858)
3.	**Comprehensive income after tax** (in EUR thousand)			
	Comprehensive income for the year after tax	1,077	7,539	4,609
4.	**No. of employees** (at end of period)			
	No. of employees	606	584	588
5.	**Shares**			
	No. of shareholders (at end of period)	287	306	304
	No. of shares (at end of period)*	4,230,997	4,230,997	4,228,995
	Par value (in EUR)	4.172926	4.172926	4.172926
	Book value (in EUR)	14.865025	14.935309	13.800792
6.	**Selected indicators**			
a)	**Capital adequacy** (in %)			
	Common equity tier I capital ratio	14.74	13.11	12.81
	Tier I capital ratio	14.74	13.11	12.81
	Total capital ratio	15.76	14.52	14.72
b)	**Quality of assets and commitments** (in %)**			
	Non-performing (on- and off-balance sheet) exposures/Classified on- and off-balance sheet exposures	4.77	6.26	8.59
	Non-performing loans and other financial assets/Classified loans and other financial assets	6.24	7.34	10.24
	Value adjustments and provisions for credit losses/Non-performing exposures	(32.45)	(31.99)	(36.03)
	Received collateral/Non-performing exposures	67.17	46.93	32.65
c)	**Profitability** (in %)			
	Interest margin	1.65	1.74	1.83
	Financial intermediation margin	2.17	3.04	3.48
	Return on assets (ROA) after tax	0.12	0.75	0.50
	Return on equity (ROE) before tax	2.06	13.49	9.10
	Return on equity (ROE) after tax	1.78	11.45	7.71
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	(1.73)	(1.78)	(2.57)
e)	**Liquidity**			
	Liquidity coverage ratio (in %)			
	- January-March	240.50	226.95	305.14
	- April-June	253.08	229.36	278.85
	- July-September	269.70	230.16	262.05
	- October-December	284.08	232.70	240.94
	Liquidity buffer (in EUR thousand)			
	- January-March	167,417	152,112	166,751
	- April-June	177,395	152,709	162,863
	- July-September	187,360	155,120	157,161
	- October-December	195,397	160,785	153,580
	Net liquidity outflows (in EUR thousand)			
	- January-March	69,613	67,024	54,647
	- April-June	70,095	66,582	58,405
	- July-September	69,470	67,395	59,975
	- October-December	68,782	69,094	63,743

Note: The indicators have been calculated in compliance with the Bank of Slovenia Regulation on the Books of Account and Annual Reports of Banks and Savings Banks.
* The number of shares is in accordance with the records of the Slovene Central Securities Clearing Corporation KDD, less treasury shares.
** New indicators are based on the Bank of Slovenia Regulation on the Books of Account and Annual Reports of Banks and Savings Banks in use since 3 December 2019.
*** The profit and loss figures and related indicators of the DBS Group for 2018 are adjusted due to the reclassification of the equity investment in Semenarna under non-current assets held for sale and discontinued operations.

I.2. KEY FINANCIAL DATA FOR DEŽELNA BANKA SLOVENIJE d. d.

	Deželna banka Slovenije d. d.	2019	2018	2017
1.	**Statement of financial position** (in EUR thousand)			
	Total assets	1,017,938	990,798	931,030
	Total deposits by non-banking sector measured at amortised cost	888,566	858,234	802,871
	- Corporates	162,531	162,155	147,064
	- Individuals	726,035	696,079	655,807
	Total loans to non-banking sector (not held for trading)	745,587	743,173	710,310
	- Corporates	554,383	570,936	561,645
	- Individuals	191,204	172,237	148,665
	Total equity	62,894	63,191	58,363
	Impairments of financial assets and provisions	(15,229)	(16,322)	(29,991)
	Off-balance sheet operations (B.1. to B.4.)	66,197	64,517	68,819
2.	**Income statement** (in EUR thousand)			
	Net interest income	17,029	17,288	17,813
	Net non-interest income	8,179	12,068	8,719
	Employee benefits cost, overhead and administrative expenses	(16,241)	(16,461)	(16,441)
	Depreciation and amortisation	(1,334)	(951)	(1,089)
	Impairments and provisions (credit losses)	(2,819)	37	(4,339)
	Profit/loss from continuous and discontinued operations before tax	919	6,722	4,663
	Corporate income tax from continuous and discontinued operations	(193)	(1,281)	(857)
3.	**Comprehensive income after tax** (in EUR thousand)			
	Comprehensive income for the year after tax	603	5,380	3,671
4.	**No. of employees** (at end of period)			
	No. of employees	354	340	348
5.	**Shares**			
	No. of shareholders (at end of period)	287	306	304
	No. of shares (at end of period)*	4,231,682	4,231,682	4,229,680
	Par value (in EUR)	4.172926	4.172926	4.172926
	Book value (in EUR)	14.862618	14.932892	13.798557
6.	**Selected indicators**			
a)	**Capital adequacy** (in %)			
	Common equity tier I capital ratio	14.71	13.09	12.77
	Tier I capital ratio	14.71	13.09	12.77
	Total capital ratio	15.72	14.50	14.68
b)	**Quality of assets and commitments** (in %)**			
	Non-performing (on- and off-balance sheet) exposures/Classified on- and off-balance sheet exposures	4.42	5.66	7.98
	Non-performing loans and other financial assets/Classified loans and other financial assets	5.77	6.62	9.56
	Value adjustments and provisions for credit losses/Non-performing exposures	(30.20)	(27.30)	(32.89)
	Received collateral/Non-performing exposures	69.40	50.25	34.07
c)	**Profitability** (in %)			
	Interest margin	1.67	1.78	1.93
	Financial intermediation margin	2.48	3.03	2.87
	Return on assets (ROA) after tax	0.07	0.56	0.42
	Return on equity (ROE) before tax	1.41	10.85	8.12
	Return on equity (ROE) after tax	1.11	8.79	6.63
d)	**Operating expenses** (in %)			
	Operating expenses/Average assets	(1.73)	(1.80)	(1.90)
e)	**Liquidity**			
	Liquidity coverage ratio (in %)			
	- January-March	239.68	225.80	305.29
	- April-June	252.28	228.04	278.41
	- July-September	269.13	228.76	261.24
	- October-December	283.19	232.02	239.68
	Liquidity buffer (in EUR thousand)			
	- January-March	167,417	151,695	166,751
	- April-June	177,395	152,292	162,863
	- July-September	187,360	154,703	157,161
	- October-December	195,397	160,785	153,163
	Net liquidity outflows (in EUR thousand)			
	- January-March	69,851	67,181	54,620
	- April-June	70,318	66,782	58,498
	- July-September	69,617	67,626	60,159
	- October-December	68,998	69,299	63,903

Note: The indicators have been calculated in compliance with the Bank of Slovenia Regulation on the Books of Account and Annual Reports of Banks and Savings Banks.
* The number of shares is in accordance with the records of the Slovene Central Securities Clearing Corporation KDD, less treasury shares
** New indicators are based on the Bank of Slovenia Regulation on the Books of Account and Annual Reports of Banks and Savings Banks in use since 3 December 2019.

II. THE MANAGEMENT

II.1. REPORT OF THE MANAGEMENT BOARD

Deželna banka Slovenije has had another year of strong performance. However, the positive economic trends that indicated another successful year ahead were interrupted by the global COVID-19 epidemic in early 2020, putting us all on into the unknown.

The traditional and universal Deželna banka Slovenije has maintained its extensive business network. With 79 branches, it is still firmly in third place in terms of the number of banking branches in Slovenia. Comprehensive financial support to Slovenian agriculture and rural areas remains our principal guideline. Alongside its traditional orientation, the bank has been increasingly addressing other target groups: by offering competitive services and advanced marketing channels to reach the general population, it has been continuing to achieve its goals, which is reflected in the constant growth of its number of customers and other performance indicators.

In 2019, the Bank increased its balance sheet total by 3% to EUR 1,018 million (2018: EUR 991 million). The business result also followed the trend of successful business operations. At the end of the year, the Bank reported EUR 919 thousand of profit before tax.

Alongside active asset and liability management, we were continually monitoring market conditions and investment opportunities. The negative effect of low interest rates is being neutralised with a rise in the number of customers and a partial increase in non-interest income. Attention of all the Bank employees has to be devoted to improving business processes, streamlining operations and cost control.

The Group's capital adequacy suffices to counterbalance all potential risks arising out of the operations of the DBS Group, our capital adequacy ratios meet all the requirements imposed by the Bank of Slovenia.

in 2019, funds collected from households – again the most important source of financing – were up 4%, and loans to households increased by 6%.

Financial leases of farming and commercial vehicles and machinery implemented under subsidiary DBS Leasing perfectly complement the Bank's comprehensive range of services.

Monitoring and controlling financial risks remain our priorities, therefore, we continued to upgrade risk management methodologies and approaches in 2019. We have continually improved the quality of our credit portfolio, decreased the amount of non-performing exposures and minimised impairment charges against current transactions. Careful attention was invested in obtaining adequate collateral for credit transactions, both when entering into new credit arrangements and for existing ones.

The Bank’s healthy and stable growth provides us with the strength and motivation for long-term viability. We are constantly alert to banking trends, adapting to them by updating various applications and tools. We put our customers at the forefront, striving to get to know them as much as possible. Only in this way can we tailor our services, regarding which we focus on high-quality, integrity and above all security, to the needs and wishes of both existing and potential customers. Our moves have been confirmed in various media analyses; last year, we were again ranked among the very best providers of affordable and attractive services.

We have preserved our function of the authorised reseller of commemorative and collector coins, which brings us close to yet another specialised segment of population.

With our donations and sponsorships, we also fulfil the role of a socially responsible institution. We support various cultural, sports, agricultural, humanitarian, and educational events that result in a better quality of life, both at the local and national levels. These activities give us the opportunity to keep giving back to the environment in which we operate. For a series of years, we have been the main sponsor of events such as Woman of the Year and Wine

Queen. Both projects highlight positive aspects and the importance of the rural sector of Slovenia. In 2019, the Bank joined the Chain of Good People and assisted project promoters in their selfless support to families who have hit rock bottom socially and economically to gradually solve the problems they have encountered and to stand on their own two feet and integrate back into society.

With our offer we are engaged in all segments of the population and legal entities. We are constantly adapting to the target segment: with our universal financial services we want to approach it to be seen as a long-term partner. Being aware that the future is in the hands of the youth, we have a special offer prepared for them, which comprises housing loans and products for young farm transferees. Young people who choose to remain in the countryside will ensure the authenticity and conservation of the Slovenian species, and also enable continuous development and innovations in the countryside. For this reason, we have been a partner of the Agrobiznis project for several years, which hand-picks such creative young individuals and gives others the opportunity to become ambitious and develop in their own direction. We support various projects aimed at creating a better quality of life, new jobs, better use of renewable resources, emphasising the importance of green tourism, and ecological and local food production.

We are proud to say that these results in all areas could not have been achieved were it not for our committed, highly skilled and professional employees. In our work, we constantly strive to consider each task, idea and proposal with utmost responsibility and implement them to fulfil the Bank's development strategy.

At this point we wish to express our gratitude to all stakeholders composing our mosaic, i.e. owners, business partners and colleagues. May our previous good work serve as motivation for us to tackle all future challenges and seize the opportunities that we encounter on a daily basis.

Ljubljana, 17 April 2020

BANK MANAGEMENT BOARD:

Member of the Management Board:
Barbara Cerovšek Zupančič MSc

President of the Management Board:
Marko Rozman

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II.2. REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Deželna banka Slovenije d. d. monitors and oversees the Bank's management and its operations. The framework for its work and its competences and responsibilities is based on the Banking Act, the Companies Act, Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, other applicable regulations and bank's internal acts.

The composition of the six-member Supervisory Board of Deželna banka Slovenije d. d. did not change in 2019. It was composed of Chair Peter Vrisk, Vice-Chair Ivan Lenart and members Nikolaj Maver, Iris Dežman, Tomaž Petrovič and Jure Kvaternik.

In 2019, the Supervisory Board met at 12 regular and 2 extraordinary meetings, and additionally convened two correspondence meetings. Regular reports and other pressing matters as well as major issues related to the Bank's operations were discussed. Decisions were made regarding transactions within the Board's competence. All meetings were quorate. President and the female member of the Board were present at all regular and extraordinary meetings. Two regular meetings were held in the absence of one member of the Supervisory Board. In order to avoid conflicts of interest, some members of the Supervisory Board were occasionally eliminated at individual items.

The following are the main topics that the Supervisory Board discussed in 2019:

The Bank's financial operations

The Board regularly reviewed and discussed the Bank's financial operations, and promptly reviewed periodic operations reports of the Bank and its subsidiaries in 2019. It approved the 2018 Deželna banka Slovenije Group Annual Report. It kept a close watch on the Management Board's activities aimed at increasing profitability and cutting operations costs. It monitored and analysed the Bank's performance indicators against the Slovenian banking average and against peers.

Development strategy

The Supervisory Board gave its consent to the Development Strategy of Deželna banka Slovenije d. d. until 2024.

Risk

The Supervisory Board reviewed and approved the Bank's risk profile. It took note of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) and endorsed the assessment. On a quarterly basis it discussed a detailed credit risk analysis In 2019, it discussed the Risk-Taking and Risk Management Strategy and gave its consent; together with the Management Board it adopted the Concise Risk Statement Approved by the Management Body; and discussed all the reformed policies, which altogether represent the basic framework for risk management in the Bank, and gave consent to them. It reviewed Management Board's reports on activities associated with non-performing receivables and reports on reprogrammed loans and the restructuring of corporate customers. It monitored the Bank's activities with companies in bankruptcy proceedings and adopted the relevant decisions when so stipulated by the Bank's the Statutes. It promptly monitored capital adequacy projections, compliance with capital guidelines and various capital management activities.

Management of the Bank

Together with the Management Board, the Supervisory Board convened for 31 May 2019 the Bank's 36th Annual General Meeting, and for 17 December 2019 the 1st Extraordinary General Meeting. The Supervisory Board reviewed and approved the Bank's 2018 annual report, and offered a positive opinion with respect to the certified auditor's report. Within the framework of its powers, it delivered a favourable opinion on the suitability of Management Board members as prepared by the Nomination Committee and gave a positive assessment of the suitability of the Management Board as a whole. The Board informed the General Meeting of Shareholders of the Bank about two assessments of an individual not being eligible for a Supervisory Board member. It discussed two votes of no confidence regarding a member of the Management Board, expressed by the General Meeting of Shareholders, and on both occasions adopted the decision that the vote was not justified, and the member not was recalled from office. It discussed the number of members of the Bank's Management Board and carried out several related activities. To the previous member of the Management Board whose five-year term expires in July 2020, the Supervisory Board renewed her five-year term at its December meeting.

Internal audit of the Bank

In 2019, the Supervisory Board reviewed the 2018 annual report on the Bank’s Internal Audit Department, half-year reports on its activities in the second half of 2018 and the first half of 2019, and quarterly reports of the Internal Audit Department on outstanding recommendations. It took note of the report on external assessment of the Bank's internal audit function.

Regular and extraordinary external audit

The Supervisory Board conducted the procedure of selecting the auditor of the financial statements of the DBS Group for the years 2019-2022. It also discussed the issue of special audits of certain transactions in accordance with the decisions of the General Meeting or the Court.

Operations of subsidiaries

The Supervisory Board discussed the financial performance of subsidiaries regularly. In 2019, activities began for the divestment of the Bank's share in the company Semenarna Ljubljana, d. o. o., which the Supervisory Board monitored with particular attention.

The Bank's internal acts

The Board reviewed and gave its consent to amendments to internal acts of the Bank. Numerous Bank’s acts were updated, which included the Policy for the Selection of Members of the Bank Management Body, and the Policy for the assessment of the Suitability of Members of the Management Body and Key Function Holders.

Other relevant activities

The Board reviewed letters and oversight measures imposed by the Bank of Slovenia and other regulators and audit firms. In this regard, it monitored the progress and results of an independent investigation into the perceived risks implemented by PwC and the Special Audit Report devised by EY. It examined the related response letters from the Management Board. It was provided with information on the abandonment of activities of providing investment services and services to clients and the transfer of such operations to another offeror. It noted the materially relevant judicial proceedings involving the Bank, decided on giving its consent to the decisions of the Management Board when so stipulated by the legislation and the Statutes, and discharged other required tasks.

Internal organisation of the Supervisory Board

In 2019, the Board received expert support from the Audit Committee, Risk Committee and Nomination Committee. The tasks and competences of each committee are laid down in the Bank’s Statutes and in the terms of reference and rules of procedure of each committee. Members of committees are Supervisory Board members. The internal organisation of the Supervisory Board is described in Chapter IV.4. Composition and operations of the management and supervisory bodies and their committees.

Based on adequate and timely reports and information as well as additional clarifications and explanations at the meetings themselves, the Board was able to monitor and oversee the management responsibly, and direct it based on what is in the Bank’s best interest considering the circumstances. The Board feels to have collaborated well and constructively with the Management Board, the Bank’s expert departments, and the special auditors. All this has contributed to the Bank’s stable operations and a favourable budget outturn.

As at 17 April 2020, the Management Board provided the Supervisory Board with the Deželna banka Slovenije Group 2019 Annual Report, which consists of the business report and financial report, the latter containing audited standalone financial statements of the Bank and consolidated statements of the Group, along with the auditor’s report. The auditor believes the financial statements with notes give a true and fair view of the financial position of the Bank and the Group as at 31 December 2019, as well as profit or loss and cash flow for the financial year ended in accordance with the International Financial Reporting Standards.

At its meeting on 28 April 2020, the Supervisory Board confirmed the Deželna banka Slovenije Group 2019 Annual Report.

Chair of the Supervisory Board:
Ivan Lenart

Ljubljana, 28 April 2020

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The Supervisory Board's resolution on reviewing and confirming the Annual Report

Pursuant to the provisions of the Companies Act and Article 41 of the Deželna banka Slovenije d. d. Statutes, the DEŽELNA BANKA SLOVENIJE d. d. Supervisory Board adopted, at its 43rd regular meeting held on 28 April 2020, the following

RESOLUTION

Based on its review, the Deželna banka Slovenije d. d. Supervisory Board hereby confirms the DEŽELNA BANKA SLOVENIJE GROUP 2019 Annual Report, and expresses its positive opinion of the Auditor's Report by MAZARS d. o. o., Ljubljana, for financial year 2019.

Ljubljana, 28 April 2020

Chair of the Supervisory Board:
Ivan Lenart

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III. GENERAL INFORMATION ON THE BANK

III.1. THE BANK'S ROOTS AND HISTORICAL DEVELOPMENT

The roots of Deželna banka Slovenije d. d. go back to the era of the early agricultural credit unions and savings and loan undertakings.

1872	• The first credit union in Ljutomer
1883	• The first Slovene cooperative association (Celje Slovenian Credit Union Association)
1920	• *Cooperative business bank* Zadružna gospodarska banka
1949	• Savings and credit sections of agricultural cooperatives
1954	• Cooperative savings banks (the first new cooperative savings bank in Kranj)
1971	• *The association of savings and loan undertakings* Zveza hranilno-kreditnih služb Slovenije
1990	• *The agricultural cooperative bank* Slovenska zadružna kmetijska banka d. d.
2004	• Deželna banka Slovenije d. d.
2005	• DBS Leasing d. o. o.
2013	• DBS Nepremičnine d. o. o.
2014	• DBS Adria d. o. o. • Semenarna d. o. o.

III.2. BANK'S SERVICES

Deželna banka Slovenije d. d. is licensed to provide banking services, which include accepting deposits and other repayable funds from the public and lending for the banks' own account, and it is also licensed to provide mutually recognised and ancillary financial services.

In 2019, the Bank was licensed to provide the following mutually recognised financial services under Article 5 of the Slovene Banking Act (ZBan-2):

Service

1. Accepting deposits and other repayable funds;
2. Lending, which includes:
   - Consumer credits,
   - Mortgage credits,
   - Factoring, with or without recourse,
   - Financing of commercial transactions, including forfeiting;
4. Payment transactions;
5. Issuing and managing other payment instruments (such as travellers cheques and bank bills) that do not fall under the services of the preceding item;
6. Issuing of guarantees and other commitments;
7. Trading for own account or for accounts of customers in:
   - Foreign exchange, including currency exchange transactions;

   Trading for own account:
   - Money market instruments,
   - Financial futures and options,
   - Foreign exchange and interest-rate instruments,
   - Transferable securities;

   Trading for accounts of customers (licence valid until 31 Jan 2019 inclusive):
   - Money market instruments,
   - Financial futures and options,
   - Foreign exchange and interest-rate instruments,
   - Transferable securities;
8. Participation in securities issues and the provision of services related to such issues (licence valid until 31 Jan 2019 inclusive);
9. Counselling and services relating to mergers and the purchase of undertakings (licence valid until 31 Jan 2019 inclusive);
11. Portfolio management and counselling (licence valid until 31 Jan 2019 inclusive);
12. Safekeeping of securities and other services relating to safekeeping;
13. Credit rating services: collection, analysis and provision of information on creditworthiness.

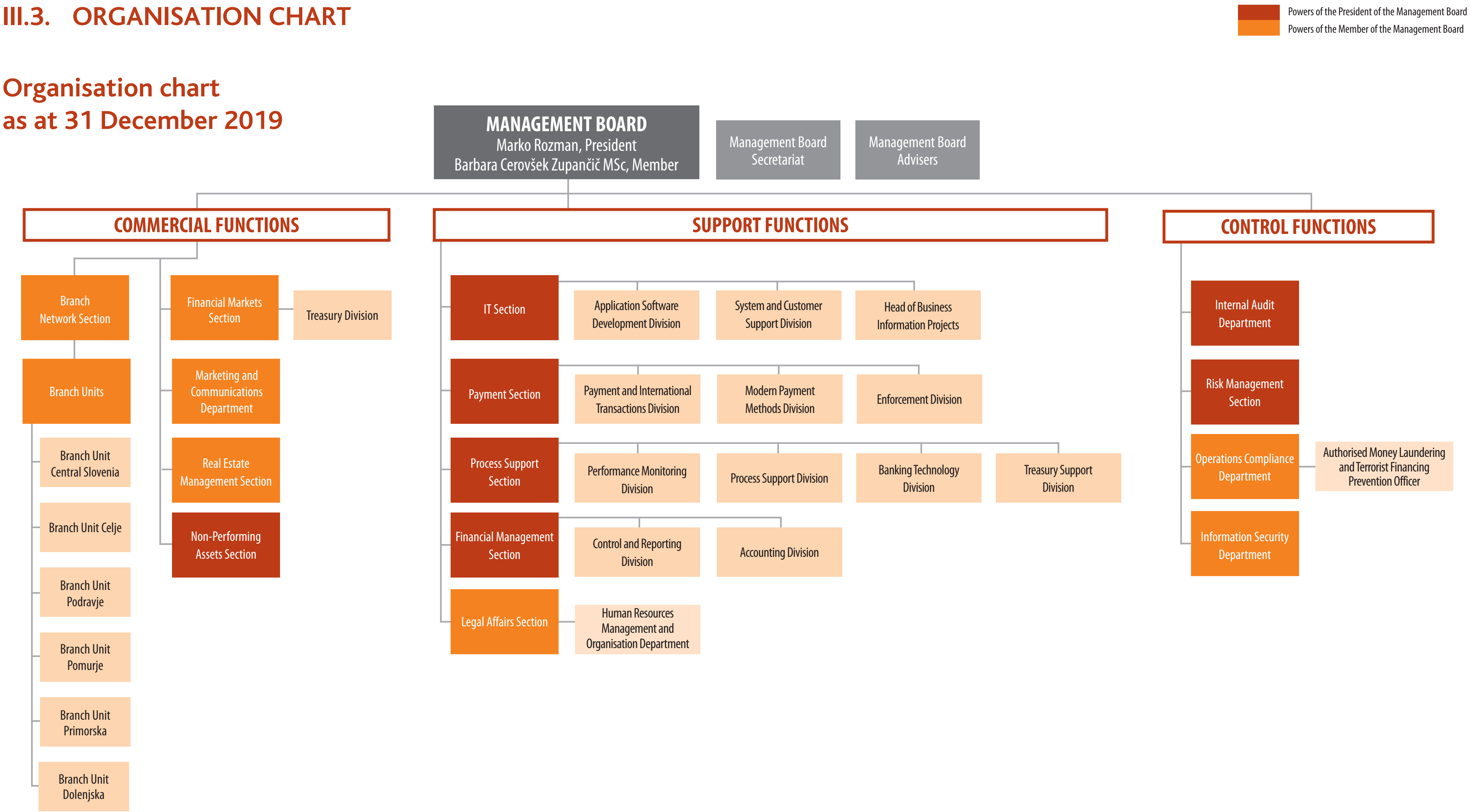
It was also licensed to provide the following ancillary financial services under Article 6 of ZBan-2:

Service

1. Insurance brokerage pursuant to the act governing the insurance business;
6. Leasing.

III.3. ORGANISATION CHART

Organisation chart as at 31 December 2019



Such an organisation structure allows the Bank to implement its strategy, streamline business processes and facilitate risk and human resource management. Its organisation has been tailored to the planned scope of operations, taking into account the front- and back office as well as the management function.

IV. DEŽELNA BANKA SLOVENIJE BANKING GROUP

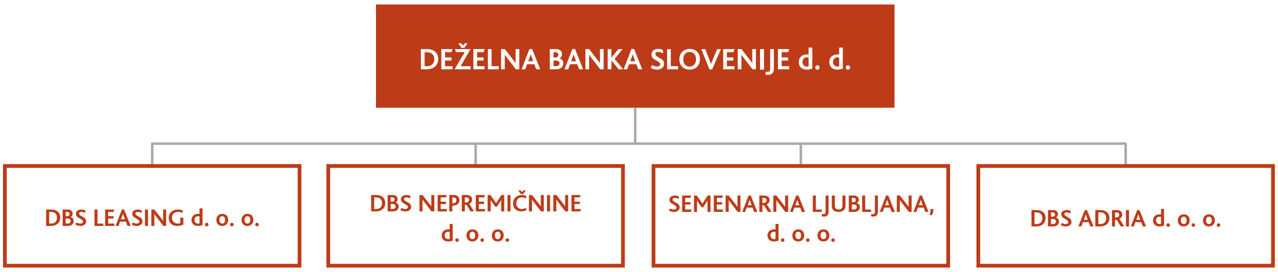
Deželna banka Slovenije d. d. is the controlling company in the Deželna banka Slovenije Group ("Group"). As at 31 December 2019, the Group included the following subsidiaries: the leasing company DBS Leasing d. o. o. ("DBS Leasing"), the real estate company DBS Nepremičnine d. o. o., which trades in the Group's property ("DBS Nepremičnine"), the seed-producer Semenarna Ljubljana, proizvodnja in trgovina, d. o. o. ("Semenarna"), and the real estate company DBS Adria d. o. o. ("DBS Adria").

Deželna banka Slovenije d. d. draws up consolidated financial statements for the entire Group.

Group companies as at 31 December 2019

	Status	DBS's stake in %
DBS d. d.	Controlling company	-
DBS Leasing d. o. o.	Subsidiary	100
DBS Nepremičnine d. o. o.	Subsidiary	100
Semenarna Ljubljana, d. o. o.	Subsidiary	100
DBS Adria d. o. o.	Subsidiary	100

DBS Group organisation chart as at 31 December 2019



Performance indicators of the Group's subsidiaries for 2019

Company	DBS Leasing d. o. o.		DBS Nepremičnine d. o. o.		Semenarna Lj., d. o. o.		DBS Adria d. o. o.	
	2019	2018	2019	2018	2019	2018	2019	2018
Total assets (in EUR thousand)	14,629	14,015	1,543	1,505	27,015	23,396	163	172
Equity (in EUR thousand)	2,681	2,757	1,534	1,504	2,596	4,158	0	0
Profit/loss before tax (in EUR thousand)	(73)	50	30	(5)	(1,459)	605	(8)	(4)
Income tax (in EUR thousand)	-	-	-	-	-	(61)	0	0
Profit/loss after tax (in EUR thousand)	(73)	50	30	(5)	(1,459)	544	(8)	(4)
Return on assets (ROA) before tax (in %)	(0.50)	0.40	1.97	(0.33)	(5.28)	2.14	(4.73)	(2.31)
Return on equity (ROE) before tax (in %)	(2.65)	1.82	1.98	(0.33)	(32.10)	16.47	-	-
No. of employees (at end of period)	7	7	0	0	245	237	0	0
Total assets/No. of employees (at end of period) (in EUR thousand)	2,090	2,002	-	-	110	99	-	-

DBS Leasing d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Registration number: 2160854
Business: 64.910 Financial leasing
Initial capital: EUR 3,484 thousand
CEO: Srečko Korber

DBS Leasing is a universal leasing company offering mainly movable property leases (for tractors, farming and forest machines and equipment, and cars). It complements the range of the Bank's and Group's financial services mainly by financing agricultural machinery and equipment.

A loss of EUR 73 thousand was reported for financial year 2019. The company's total assets were up 4% in 2019, to EUR 14,629 thousand. The majority of investments are finance lease receivables. The main sources of assets are equity and founding company's loans.

The company actively manages financial risk, and credit risk is controlled by checking customers' creditworthiness before approving each transaction pursuant to the methodology adopted at Group level. Interest rate risk is controlled through a balanced application of the variable rate in the remuneration of assets and liabilities, and liquidity risk is controlled by balancing the maturity periods of liabilities and assets. The company also devotes numerous efforts to ensuring timely payments from lessees, and has reduced the volume of bad receivables, especially in the area of vehicle and equipment leases, by undertaking vigilant monitoring of missing payments.

DBS Nepremičnine d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Registration number: 6290540
Business: 68.100 Buying and selling of own real estate
Initial capital: EUR 2,000 thousand
CEO: Tomo Sokolić

DBS Nepremičnine was founded in January 2013 and is wholly-owned by DBS d. d. In the past, the company's core businesses included selling the Group's property, renting and developing real estate projects, whereas in 2019, the company's core businesses included other production of electricity.

A major part of balance sheet assets is a short-term loan to a subsidiary, and among sources of assets it is equity.

A profit of EUR 30 thousand was reported for financial year 2019.

Semenarna Ljubljana, d. o. o.

Registered address: Kolodvorska ulica 9, 1000 Ljubljana, Slovenia
Registration number: 5005574
Business: 46.210 Wholesale of grain, unmanufactured tobacco, seeds and animal feeds
Initial capital: EUR 8,796 thousand
CEO: Gregor Kopriva

The company's core business includes retailing, wholesale and growing of grain, seeds and animal feeds; retail trade in specialized gardening equipment and pet stores; growing vegetable crops, melons and root crops, producing the seeds of vegetables, seasonal herbs and green vegetables, growing flowers and other ornamental plants; production of seeds, seedling vegetables, fruit tree nursery plants, vine grafts and ornamental plants.

Semenarna is the largest seed-producer, seed-wholesaler and seed-retailer, and seed exports company in Slovenia and the region, with a 110 year tradition. In 2019, it generated EUR 25.2 million of revenues, up 1% from the previous year. A negative net result of EUR 1,459 thousand was reported for financial year 2019.

DBS Adria d. o. o.

Registered address: Cvjetno naselje 26, Samobor, Croatia
Registration number: 0103191000 (court ID number: 080906254)
Business: 68.320 Management of real estate on a fee or contract basis
Initial capital: EUR 18 thousand
CEO: Jožef Berdnik

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

In 2019, the company reported EUR 8 thousand of loss for the year. Total assets were EUR 163 thousand at the end of 2019. The majority of investments were inventories of real estate abroad, while the majority of liabilities were borrowings from banks.

V. THE BANK'S PERFORMANCE IN 2019

V.1. GENERAL ECONOMIC ENVIRONMENT[1]

The growth of global economic activity has been slowing in 2019, thus increasing the risks originating in the international environment. The slowdown in growth was largely influenced by rising trade and geopolitical tensions, which enhanced the insecurity, in turn reducing confidence and investment as well as the global trade growth. International institutions have been forecasting further economic slowdown for the world's largest economies. The most important factors behind the weaker economic activity in the euro area are the downturn in world trade growth and uncertainty over the UK's exit from the EU. Towards the end of 2019, a steady growth in activity continued in the euro area, and expectations for early 2020 suggest a similar development. After the economic growth in the euro area slowed down to 1.9% in 2018, the European Commission forecast a growth of 1.1% for 2019 and 1.2% for 2020.

The rapid slowdown in the economic growth of Slovenia's largest trading partners is already showing in weaker growth of the Slovenian economy, which slowed to 2.3% in the third quarter. Economic growth, which began to moderate last year (4.1%) after the peak in 2017 (4.9%), will further slow to 2.8% this year and remain similar in the next two years (3.0% and 2.7%). The growth of domestic consumption will remain relatively high, however, the contribution of exports to economic growth will be smaller. The relatively high growth of private consumption will continue, driven by favourable labour market conditions and rising disposable income. The growth of private and government consumption will gradually slow down.

Employment growth remains high in 2019, but has started to slow to an extent as a result of a smaller number of suitable job seekers and also the slowdown in economic activity. The number of unemployed is expected to decline further over the next two years, but at a slower pace than in the previous period. Wage growth has accelerated in 2019 and will continue to rise slightly in the next two years.

The 2019 inflation rate was 1.8% (1.4% in 2018), driven mostly by higher prices of services and food, whereas the growth of energy prices has slowed. In the coming years, with continued good demand growth and the gradual pick-up of cost pressures, price increases are expected to continue.

The growth of loans to households is stable. The high growth in consumer loans has slowed down slightly, largely as a result of the entry into force of the Decision on Macro-Prudential Measures on Retail Loans. Growth in housing loans also accelerated in November, suggesting that part of consumer lending has shifted to housing. With the introduction of the macro-prudential measure, high growth in consumer loans is expected to be reduced and their maturity shortened. The volume of new corporate lending is no longer declining, but is still low. In line with the ECB's monetary policy guidelines, very favourable bank financing conditions will continue for at least another year.

The situation in the banking system remains stable. Its capital adequacy is relatively good. Credit activity is on the increase, which has contributed to the growth of interest income. This had a positive effect on the growth of banks' profits, which was largely due to higher non-interest income and was also a result of a decrease in provisions and impairments. In 2019, banks further reduced the proportion of non-performing exposures, thereby reducing the burden of past bad investments on the portfolio. The generation of non-performing exposures under new loans is small. Among sources of financing, the share of foreign sources has increased slightly, but remains small. The growth of deposits from non-banking sectors also remains stable. Low interest rates continue to affect the deterioration in the maturity structure of the banking system's funding sources. Only overnight deposits are increasing, accounting for more than 70% of deposits by domestic non-banking sectors.

[1] Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD).
Bank of Slovenia, Summary of macroeconomic developments, January 2020, Financial Stability Review.

V.2. THE BANK'S BUSINESS OPERATING POLICY

The Deželna banka Slovenije d. d. business policy pursues objectives that bring the Bank closer to its key strategic objectives. The Bank's priorities remain strengthening our capital base and ensuring capital adequacy, preserving liquidity and stability of operations, increasing all types of revenue, and efficient risk management.

As a matter of priority market focus, the Bank is targeting households and young customers, especially loans to individuals and farmers. The Bank is boosting the utilisation of its business network and thereby strengthening marketing activities – customers are treated holistically, both individuals and corporates. Other financial services are also marketed, including insurance and leases of farming machines and equipment, with emphasis placed on increasing interest and all types of non-interest income. It will continue activities to increase the number of transaction accounts, sight deposits and deposits. The Bank plans to develop banking products to service the financing of agriculture, organic food production, renewable energy sources, green economy, and increased food chain self-sufficiency. In cooperation with a contractual insurance company, the Bank will market insurance services, particularly insofar as they are related to banking services. In rendering services, the Bank is striving for excellent responsiveness both in terms of quality and time. In developing new products, it will opt for products that bring adequate added value at an acceptable risk. The Bank is devoted to preserving stability and an adequate maturity of its financial resources, and with respect to investments it intends to increase the quality of its portfolio, placing a major focus on ensuring adequate collateral covers for its receivables, the safety of investments and limiting risks in lending. The Bank will effectively manage all types of risk and seek to ensure that credit exposure is adequately diversified. It will continue to sell numismatic values, i.e. collector and commemorative coins. Marketing activities will be performed by providing communication support to the Bank's key products. The Bank will undertake an active recovery of non-performing loans. It will attend to the efficient management and accelerated marketing of unnecessary property held by the Bank or the Group. The Bank will continue to complement and develop its information support to existing and new services and processes, which will enable operations based on modern banking information technology that is better, faster, sales efficient and more accessible to customers. The streamlining of work processes and departments will continue, and operating efficiency will be enhanced across all segments of business. The Bank is leading a wise human resources policy and ensuring life-long education and training of employees.

By reaching its objectives, DBS d. d. will preserve its market share in Slovenia's banking system at the year-end of 2020, and reaffirm its place among the top three banks according to stage of development and branching. DBS d. d. will remain Slovenia's leading bank provider of banking and other financial services to the agro-food sector and rural areas, and it will remain the leader in servicing the manufacturing sector, hi-tech industries, tourism, ecology-related disciplines, and energetics.

V.3. THE BANK'S PERFORMANCE

V.3.1. CORPORATE BANKING

Corporate lending

The main principles used in soliciting new customers are the following: knowing the company well, understanding its operations, understanding the risks it is exposed to in its operations, identifying its needs for financing and other banking products. We cross-market all our services for corporate customers, including treasury, payment transactions, and modern banking solutions.

The Bank pursued a conservative investment policy and dispersed its exposure among family-owned companies, SMEs and cooperatives operating in the manufacturing industry, high-tech industries, ecology-related industries, the energy sector, the tourism industry and the agro-food sector. Sales efforts were dispersed selectively, with the Bank allowing exposure to corporates and cooperatives with adequate credit ratings and operations that generate enough cash-flow to repay loans. Attention was devoted to acquiring adequate collateral for loans. With customers identified as posing increased risk, action for recovery was intensified or additional collateral demanded.

The Bank's investments into loans to non-financial companies, the state and other financial companies totalled EUR 434,734 thousand at the end of 2019. This was a decrease by EUR 13,070 thousand compared to the year-end of 2018.

In 2019, the Bank's non-performing exposures continued to decrease, and yet remain one of its major activities. Its non-performing exposures decreased by EUR 11 million, thereby reducing their share to 4.42% at the end of 2019. Reduction of non-performing exposures is a relevant factor conditioning the growth of corporate lending and thus the recovery of the (private) investment cycle. Consistent with the Slovene principles of renegotiation adopted by the Bank Association of Slovenia, and the recommendations of the Bank of Slovenia, the Bank continued to restructure receivables from customers with adequate business models and market potential for further operations, and was actively engaged in interbank agreements on renegotiating loans to customers exposed to several creditor banks. Where it was estimated that repayment would be higher if seizing the collateral rather than upon renegotiation, it stepped up action for recovery.

Running accounts, and electronic banking for corporate customers – DBS PRONET

The number of active corporate transactional accounts increased by 8% in 2019, with almost 92% of its corporate customers that have an active transactional account with the Bank using DBS PRONET at the end of 2019.

Payment transactions

In 2019 the Bank followed trends in state-of-the-art developments in payment transactions and complied with legal requirements. In addition to individual credit transfers, it offers its customers SEPA mass payments, SEPA direct debit, payment cards, and the issuing and paying of e-invoices. In 2019, it joined the new BIPS payment system: BIPS IKP now integrates SEPA IKP payments (credit payments between bank accounts in Slovenia), and BIPS IP for instant payments. Integration in the BIPS IP payment system will enable the execution of instant payments, which will be offered by the banks as part of the Slovenian project of establishing a domestic instant payment scheme.

Last year, in accordance with the Payment Services Directive (PSD2), the Bank introduced a payment ordering service and an account information provisioning service within open banking, and upgraded security mechanisms for online payments by introducing strong authentication to ensure the bank's compliance with that directive.

The Bank's integration into modern payment systems is based on extensive maintenance and upgrades of its information support, thereby offering its customers high-quality services. The majority of payments transacted for its corporate customers in the past year were internal and domestic transactions via the BIPS IKP payment scheme and via TARGET2, and international and cross-border transactions via the SEPA EKP system.

With respect to international operations, the Bank offers its customers guarantees, letters of credit, and collection, and maintains good business relations with other banks by adequately servicing its current account and correspondent banking network as well as by offering services to other banks.

Corporate deposits

Corporate term deposits, including deposits by foreign entities, deposits by the state, and deposits with characteristics of subordinated debt, amounted to EUR 56,908 thousand as at 31 December 2019, up 7% compared to the previous year. The Bank adjusted its activity aimed at collecting corporate deposits to the liquidity situation, thereby monitoring markets and investment opportunities. Corporate demand deposits, including deposits by the state, and deposits by foreign entities amounted to EUR 63,224 thousand as at 31 December 2019, down 9% compared to the previous year.

V.3.2. RETAIL BANKING AND BUSINESS NETWORK

The Bank's operations with households in 2019 benefited from the positive impact of the economic situation and public optimism, which boosted economic activities of households – the general public, farmers and private entrepreneurs.

Collected funds

The balance of collected funds from households, including foreign entities and non-profit institutions serving households, and deposits with characteristics of subordinated debt, amounted to EUR 774,855 thousand at the end of 2019. This was up EUR 32,892 thousand, or 4%, compared to the end of 2018. Funds collected from households total EUR 726,565 thousand. An increase in collected assets was reported despite the fact that interest rates are still at very low levels.

The Bank managed to keep sight deposits stable and retain a satisfactory volume of long-term deposits.

Lending

The balance of loans and advances to retail customers amounted to EUR 312,415 thousand at the end of 2019, an increase by EUR 17,046 thousand, or 6%, compared to the year-end of 2018.

Despite difficult conditions and increased competition in the lending market, the Bank managed to preserve the quality of its credit portfolio in the segment of households. Safety and limitation or risks were again at the forefront in 2019. Expedient and intensified daily debtor treatment have helped the Bank keep the volume of overdue receivables from our retail customers at a manageable level.

Transaction accounts

In 2019, the Bank continued to actively open transaction accounts. The opening of accounts is closely related to the cross-marketing of products. The Bank offers its products in packages that enable customers to expand their cooperation with the Bank to several areas and banking services. In an effort to increase the number of transaction accounts, the Bank continued marketing special offers, such as: Sowing Package, Harvest Package, Secondary On-farm Activity Package, Transferee of a Farm Package, and Package for private entrepreneurs, associations and other legal persons governed by private law. The Bank's primary focus is with customers that ask for full-functionality accounts.

In 2019, the Bank was regularly closing inactive transaction accounts.

Administering payment transactions via the business network

Compared to the previous year, the total number of processed payment orders decreased slightly, whereas the contribution of electronic banking was on the rise, which is in line with the Bank's strategy. The share of payment orders processed via E-banking has increased and now represents over 56%. In 2019, the Bank's fee and commission income increased as compared to 2018. The market is still witnessing public cash registers and non-banking providers of payment transactions, which offer payment services at low prices. Some of them have accounts at and conduct payment transactions via the Bank.

Numismatics

The Bank continues to sell numismatic – collector and commemorative – coins, numismatics representing an important contribution to maintaining the Bank's visibility in its environment. Two sets of collector and commemorative coins were issued in 2019: the EUR 2 commemorative coin to celebrate the centenary of the foundation of the University of Ljubljana, and collector coins to mark the centenary of the annexation of the Prekmurje region to its mother country. Two issues are also expected for 2020: the EUR 2 commemorative coin to celebrate the 500th anniversary of Adam Bohorič's birth, and collector coins to mark the 30th anniversary of the Plebiscite on the Sovereignty and Independence of the Republic of Slovenia.

Electronic banking for individuals – DBS NET

In 2019, the Bank again witnessed increases in both the number of transaction accounts with the electronic banking functionality, and the number of E-bank users. This is the result of a larger number of younger customers, and the Bank actively redirecting existing customers to process payment transactions via the E-bank.

Insurance brokerage

In 2019, the Bank maintained cooperation with the business partners – insurance companies – for which it provides insurance brokerage. In order to optimize its operations, the Bank issued an invitation to insurance companies to cooperate in the distribution of insurance products.

The Bank's ATM network

As at the year-end of 2019, the Bank's ATM network consisted of 38 machines, the same as the year before.

Payment cards

The Bank's active marketing of a wide range of services related to transaction accounts resulted in an increase in the number of issued bank cards. Both the number of issued Activa Maestro debit cards and Activa Mastercard credit cards were up, and the instalment plan option was added to the credit card. We still witnessed considerable interest in the pre-pay bank card in 2019.

Marketing UPN forms via outsourcers

In 2019, the Bank outsourced the marketing of standard payment order forms (so-called UPN forms) to seven providers. Compared to 2018, both the volume of payment order processing and the Bank's resulting income were up.

V.3.3. OPERATIONS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Operations with domestic and foreign banks in 2019 comprised deposits placed and conversions. A proportion of these operations included transactions with which the Bank managed net open foreign exchange positions.

In 2019, the Bank did not borrow funds in the interbank market. As to investments, exposure to the banking sector was negligible.

V.3.4. SECURITIES TRANSACTIONS

Debt securities

The Bank's portfolio of debt securities as at 31 December 2019 was worth EUR 117,757 thousand. In line with our adopted strategy, the Bank partly replaced matured and sold debt securities with new ones, focusing mainly on top-rated securities that meet the criteria for eligible underlying assets of the Eurosystem.

In purchasing new debt securities, decisions were based on the Bank's needs, which depended on the maturity periods of our liabilities, the liquidity coverage ratio (LCR), the liquidity ratio, the capital adequacy ratio, safety, and return on investment. The Bank's investment policy was highly conservative in general.

Equity investments

The total value of equity investments as at 31 December 2019 amounted to EUR 8,062 thousand, of which investments in subsidiaries represented a 62% share, investment in the Bank Resolution Fund a 34% share, and other investments a 4% share.

V.3.5. PROPERTY MANAGEMENT

In 2019, the Bank reduced the volume of its investment property and inventory of properties by a total of EUR 9.8 million or 36%. Alongside active marketing, this was a result of the property market upturn, favourable lending conditions in the banking sector, solid economic situation, relatively high economic growth, historically low interest rates as well as the growth of recruitment and salaries, and thereby purchasing power.

V.4. FINANCIAL RESULTS AND FINANCIAL POSITION

V.4.1. FINANCIAL RESULTS

DEŽELNA BANKA SLOVENIJE GROUP

As of December 31, 2019, due to the selling process of the subsidiary Semenarna, the Bank reclassified its equity investment under non-current assets held for sale and discontinued operations, and subsequently, in the consolidation process, the effects of Semenarna's profit or loss were reported on the balance sheet item of net profit or loss from discontinued operations. Effects of operations of Group companies recorded under items of ordinary operations of the Group thus exclude Semenarna.

Profit for the year from ordinary or discontinued operations amounted to EUR 1,256 thousand (2018: EUR 7,572 thousand). In 2019, the Group reported EUR 4,314 thousand of profit from ordinary operations before tax, which is a 47% or EUR 3,824 thousand decrease year-on-year (2018: EUR 8,138 thousand). After tax, net profit from ordinary operations amounted to EUR 4,117 thousand (2018: EUR 6,857 thousand). Net loss from discontinued operations amounted to EUR 2,861 thousand after tax and showed the effects of consolidating the profit or loss of Semenarna (2018: EUR 715 thousand net profit). Lower result reported by the Group was the result of lower profits from one-off events of placement of securities, and to a great deal also of the reported loss of Semenarna in 2019. DBS Nepremičnine improved its performance slightly and recorded a profit, while DBS Leasing and DBS Adria recorded a smaller loss.

Group net interest income amounted to EUR 17,274 thousand, a decrease by EUR 194 thousand year-on-year. The majority of interest income results from the Bank's operations, including loans, borrowings, deposits and securities. The consolidation of subsidiaries into Group statements has increased financing income and net interest income by EUR 245 thousand.

Net gains from the derecognition of assets and liabilities not measured at fair value through profit or loss included EUR 884 thousand of income from the sale of non-performing loans (2018: EUR 5,653 thousand of income from the sale of government debt securities).

Net fee and commission income amounted to EUR 8,197 thousand, up EUR 527 thousand from a year earlier. The majority of net fees and commissions refer to the operations of the Bank, and are attributable mainly to income from fees and commissions on payment transactions and the administrative services provided.

Net gains on the derecognition of non-financial assets totalled EUR 673 thousand (2018: EUR 209 thousand). Most of the net gains from sales relate to profits from selling the Bank's properties.

Net impairment charges for financial assets measured at amortised cost and for non-financial assets amounted to EUR 3,121 thousand. Impairment charges for loans and debt securities amounted to EUR 2,526 thousand, up EUR 1,719 thousand compared to the previous year. The impairment charge against investment property contributed EUR 595 thousand of net expenses. Net provision expenses totalled EUR 60 thousand, an increase by EUR 5 thousand compared to 2018.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank recorded a positive result in 2019, achieving profit before tax of EUR 919 thousand (2018: EUR 6,722 thousand) and profit after tax of EUR 726 thousand (2018: EUR 5,441 thousand).

The operating result in 2019, and especially in the comparative year 2018, was significantly influenced by one-off events of the placement of securities and non-performing loans. The comprehensive income after tax amounted to EUR 603 thousand (2018: EUR 5,380 thousand). Operating profit before impairments and provisions was EUR 7,633 thousand; excluding sales of loans and investment banking operations, it amounted to EUR 6,577 thousand (2018: EUR 11,944 thousand, excluding profit from sales of debt securities, it amounted to EUR 6,291 thousand).

The result in 2018 and 2019 was also significantly influenced by impairments and provisions, which in 2019 were slightly higher than in the preceding year and amounted to EUR 6,714 thousand. The highest were impairments of loans and equity investments in subsidiaries, whereas impairments of property were considerably lower.

Net interest income in 2019 amounted to EUR 17,029 thousand, a decrease by EUR 259 thousand year-on-year (2018: EUR 17,288 thousand). Interest income was lower by EUR 267 thousand, mostly due to lower interest received on government debt securities, while interest income from loans to households was higher. Interest expense was down EUR 8 thousand year-on-year, attributable to lower interest on household deposits.

Net fee and commission income totalled EUR 8,224 thousand, up EUR 522 thousand year-on-year (2018: EUR 7,702 thousand). Fee and commission income increased by EUR 558 thousand, mainly on account of higher revenues from payment transactions and administrative services, while fees and commissions on securities trading for customers, guarantees given, and agency and consignment services were down. Fee and commission paid was up EUR 36 thousand year-on-year.

Net gains from the derecognition of assets and liabilities not measured at fair value through profit or loss included EUR 884 thousand of income from the sale of non-performing loans.

Net impairments amounted to EUR 6,678 thousand and were higher than in the previous year (2018: EUR 5,220 thousand). Impairment charges were the highest against equity investments in subsidiaries (EUR 3,265 thousand), loans and debt securities (EUR 2,818 thousand), and investment property (EUR 595 thousand). There were EUR 36 thousand of net expenses for provisions formed in 2019 (2018: EUR 2 thousand). Provisions for off-balance-sheet liabilities totalled EUR 1 thousand of net expenses, and other provisions amounted to EUR 35 thousand of net expenses.

Other net operating losses totalled EUR 1,808 thousand (2018: EUR 1,704 thousand). Gains included EUR 348 thousand of lease income. Losses included EUR 1,299 thousand paid into the deposit guarantee scheme (2018: EUR 1,013 thousand), and EUR 966 thousand of financial transaction tax (2018: EUR 907 thousand).

The Bank's operating expenses in 2019 amounted to EUR 17,575 thousand (2018: EUR 17,412 thousand). Employee benefits cost totalled EUR 11,203 thousand, up EUR 263 thousand from 2018. Costs of material and services totalled EUR 5,038 thousand, down EUR 483 thousand from 2018, mainly due to a large part of the cost of rents, which are no longer recognized under the costs of services due to the transition to the new IFRS 16 standard. The greater part of the lease effect is recorded as higher depreciation expense and a smaller portion as interest expense. Amortisation and depreciation expenses amounted to EUR 1,334 thousand, up EUR 383 thousand compared to 2018, mainly due to the depreciation of right-of-use assets.

V.4.2. FINANCIAL POSITION

DEŽELNA BANKA SLOVENIJE GROUP

The Group's total assets amounted to EUR 1,047,141 thousand at the end of 2019, up EUR 32,468 thousand since the beginning of the year. The total assets of subsidiaries amounted to EUR 41,869 thousand, and represent 4% of the Group's total assets (31 Dec 2018: 4%). After the elimination of inter-company relationships, the Group's total assets exceeded the Bank's total assets by EUR 29,203 thousand, i.e. 3%.

As at 31 December 2019, the effects of the consolidation of Semenarna arising from individual items of the statement of financial position are recorded under the balance sheet item Non-current assets held for sale and discontinued operations in the amount of EUR 30,820 thousand.

Loans and other financial assets[2] of the Group amounted to EUR 758,406 thousand at the end of December, up EUR 3,880 thousand. Loans and advances to banks decreased slightly to EUR 6,618 thousand, while loans and advances to customers (including the state) were up EUR 5,176 thousand to EUR 747,012 thousand. The consolidation of Semenarna decreased loans and advances and other financial assets at Group level by 2,088 thousand, mainly attributable to trade receivables.

The carrying amount of tangible assets totalled EUR 28,715 thousand as at 31 December 2019. During the consolidation process, investments in subsidiaries were eliminated from equity investments in the total amount of EUR 5,021 thousand, of which EUR 806 thousand were equity investments in Semenarna under non-current assets held for sale.

Financial liabilities measured at amortised cost (including deposits, loans, subordinated liabilities and other financial liabilities) totalled EUR 951,010 thousand at the end of December. Deposits and borrowings from banks and the central bank were down EUR 13,581 thousand year-on-year, to EUR 51,837 thousand, and deposits from customers, including deposits from the state increased by EUR 30,474 thousand to EUR 894,724 thousand. Borrowings from customers decreased by EUR 503 thousand. The consolidation of Semenarna is disclosed in liabilities under non-current assets held for sale and discontinued operations in the amount of EUR 23,777 thousand.

DEŽELNA BANKA SLOVENIJE d. d.

The Bank's total assets amounted to EUR 1,017,938 thousand at the end of December 2019. This is an increase by EUR 27,140 thousand year-on-year, attributable mainly to higher deposits by households and the state.

Corporate deposits, including foreign entities and state deposits, were down by EUR 2,555 thousand by the end of December, which was due to a decrease in corporate deposits, including foreign entities by EUR 5,628 thousand, while deposits by the state increased by EUR 3,073 thousand. Under investments, loans and advances in this segment were down EUR 13,070 thousand.

Household deposits increased by EUR 32,892 thousand in 2019, with loans and advances to households up EUR 17,046 thousand.

As to borrowings from banks, there were no significant changes. As to investments, balances with the central bank increased, and totalled together with the minimum reserve EUR 85,617 thousand at the end of December.

Equity investments in subsidiaries totalled EUR 5,021 thousand at the end of 2019, down EUR 3,266 thousand from the beginning of the year. The largest changes occurred with the equity investment in Semenarna Ljubljana, which was impaired by EUR 3,220 thousand to the value of EUR 806 thousand and reclassified under non-current assets held for sale and discontinued operations. The equity investment in the DBS Leasing subsidiary decreased by EUR 76 thousand due to impairment, totalling EUR 2,681 thousand at the end of 2019. After the reversal impairment charge, the equity investment in DBS Nepremičnine increased by EUR 30 thousand and totalled EUR 1,534 thousand at the end of the year. As there were no changes in the equity investment in DBS Adria in 2019, it amounted to EUR 0 thousand at the end of the year.

In 2019, the Bank reduced the volume of its inventory of properties and investment property by a total of EUR 9,821 thousand or 36%. At the year-end of 2019, the total value of property amounted to EUR 17,551 thousand.

[2] Together with loans at fair value through profit or loss, not held for trading.

V.5. SHAREHOLDERS' EQUITY

The Group's equity as at 31 December 2019 amounted to EUR 68,720 thousand, up EUR 218 thousand year-on-year.

The Bank's equity as at 31 December 2019 amounted to EUR 62,894 thousand, down EUR 297 thousand year-on-year. Net profit contributed EUR 726 thousand to the increase. Moreover, equity decreased by EUR 892 thousand due to dividends paid for 2018 following the resolution of the General Meeting of Shareholders in May 2019 and by EUR 123 thousand due to an increase in losses under accumulated other comprehensive income from actuarial losses and changes in the fair value of equity investments measured at fair value through other comprehensive income, and by EUR 8 thousand as a result of the loss under sales of equity investment measured at fair value through other comprehensive income.

The audited share book value as at 31 December 2019 was EUR 14.862618. It is calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the central securities register of the Slovene Central Securities Clearing Corporation (KDD) less treasury shares.

The Bank's 10 largest shareholders as entered in the KDD central securities register as at 31 December 2019:

Shareholder	Number of shares	Stake in %, considering all shares in KDD
Kapitalska zadruga, z. b. o.	894,158	21.002
KD Group d. d.	821,144	19.287
Skupina Prva d. d.	422,557	9.925
Kritni sklad PRVA+ ZAJAMČENI	422,557	9.925
Banca Popolare di Cividale S.C.p.A.	228,289	5.362
ČZD Kmečki glas, d. o. o.	200,000	4.698
BNP Paribas Securities Services S.C.A. - fiduciarni račun	185,110	4.348
Zadružna zveza Slovenije, z. o. o.	171,848	4.036
Raiffeisen Bank International AG (RBI) - fiduciarni račun	106,118	2.493
Kritni sklad PRVA IN PRVA+ DINAMIČNI	95,304	2.239
Total	**3,547,085**	**83.314**

The Bank's share capital amounts to EUR 17,811,083.54 and is divided into 4,268,248 ordinary no par value shares of the same class. The KDD central registry has on record 4,257,483 no par value shares. The difference of 10,765 shares is due to the fact that certain shareholders have not yet changed their paper stock into dematerialised securities. As at 31 December 2019 the Bank held 25,801 repurchased treasury shares, which is 0.61% of all issued shares.

VI. CORPORATE GOVERNANCE STATEMENT OF DEŽELNA BANKA SLOVENIJE d. d. FOR THE YEAR ENDED 31 DECEMBER 2019

Pursuing a high level of transparency in corporate governance, Deželna banka Slovenije d. d., as the controlling company in the Deželna banka Slovenije Group, is hereby making a corporate governance statement pursuant to the provision of Article 70 (5) of the Companies Act.

VI.1. STATEMENT OF INTERNAL GOVERNANCE ARRANGEMENTS

Based on Article 70 (5) of the Companies Act, Deželna banka Slovenije d. d. is hereby, as part of the Business Report inside its Annual Report, making the following Statement of internal governance arrangements.

Deželna banka Slovenije d. d. pursues an internal governance arrangement, including corporate governance, pursuant to the legislation valid in the Republic of Slovenia, while also abiding by its internal acts.

Deželna banka Slovenije d. d. thereby fully complies with the acts listed in Article 9 (2) of the Banking Act[3].

With a view to strengthening our internal governance arrangements we abide by the following, in particular, in conducting our operations:
1) the provisions of the valid Banking Act on internal governance arrangements, especially the provisions of Chapters 3.4 (Governance System of a Bank) and 6 (Internal Governance Arrangements and Internal Capital Adequacy) referring to banks and members of the management body,
2) Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks[4], and
3) EBA guidelines on internal governance, the assessment of the suitability of members of the management body and key function holders, and remuneration policies and practices, all on the basis of the relevant Bank of Slovenia resolutions on the application of these guidelines[5].

By signing this declaration we also undertake to continue acting pro-actively towards strengthening and promoting an adequate internal governance arrangement and corporate integrity in the professional public, financial and economic sector, and the general public.

VI.2. OUTLINE OF MAIN CHARACTERISTICS OF INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Deželna banka Slovenije d. d. has an efficient system of internal controls and risk management functioning at all levels of its organisation structure, including at the level of business, control and support functions and at the level of each financial service. To this end the Bank strives to pursue a sturdy and reliable governance system which entails:
- a clear organisation structure with precisely defined, transparent and consistent internal relationships as to responsibility;
- efficient processes for detecting, measuring and assessing, controlling and monitoring risk;
- adequate internal control system that includes the relevant administrative and accounting procedures (work procedures to ensure and preserve timely, comprehensive and reliable data, reporting, limits restricting exposure to risk, and physical and automatic controls).

[3] Banking Act (ZBan-2), Official Gazette RS 25/15, with amendments.
[4] Bank of Slovenia Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, Official Gazette of the RS No 73/15, with amendments.
[5] https://www.bsi.si/financna-stabilnost/predpisi/seznam-predpisov/razkritja-revizija-in-poslovne-knjige

The Bank's objective is to ensure that its business objectives, strategies and policies are adequately balanced with its Risk-taking and Risk Management Strategy and with its policies of risk-taking and risk management for different types of risks that the Bank is or could be exposed to in its operations.

To obtain an independent and objective assessment of the efficiency and compliance with internal controls, the Bank has set up internal control functions (risk management, operations compliance, internal audit activity).

Risk management in relation to the financial reporting process includes processes for ensuring the authenticity, accuracy, integrity and completeness of accounting information, and processes for ensuring that financial disclosures are timely and fair in both internal and external reports. In accounting procedures, internal controls are based on an adequate delimitation of powers and responsibilities.

Books of account, business documentation and other administrative records are kept in a manner so as to reveal systematically and at any time whether the Bank's operations comply with risk management regulations.

The Bank has set up an efficient system of risk management also in relation to the prevention of money laundering and terrorist financing, which includes the function of the prevention of money laundering and terrorist financing.

Compliance of our internal control system and risk management with banking rules is inspected annually by external auditors that examine the Bank's annual report.

VI.3. OPERATIONS AND KEY COMPETENCES OF THE GENERAL MEETING, AND A DESCRIPTION OF SHAREHOLDERS' RIGHTS AND HOW THEY CAN BE EXERCISED

The General Meeting (GM) is composed of the Bank's shareholders. It is convened by the Management Board at least once a year and additionally when this is urgent for the Bank's best interest. It may also be convened by the Supervisory Board, especially when the Management Board had not done so in due time or when this is necessary to ensure the Bank's smooth operations. It may also be convened upon demand of the shareholders whose aggregated shares amount to one twentieth of equity.

Pursuant to the Deželna banka Slovenije d. d. Statutes, the General Meeting adopts decisions on the appropriation of distributable profit as proposed by the Management Board and Supervisory Board; endorsing the annual report in case it was not approved by the Supervisory Board or if the Management Board and Supervisory Board leave this decision to the GM; the Internal Audit Department annual report and the related Supervisory Board opinion; discharging the Management Board and Supervisory Board from liability; nominating and recalling Supervisory Board members; capital increases and decreases, except in cases when the Statutes stipulate the decision to be in the competence of the Management Board; adopting amendments and supplements to the Statutes (the GM adopts amendments and supplements to the Statutes by a three-quarters majority of the votes cast); the dissolution of the Bank and changes of its status; appointing auditors; the General Meeting Rules of Procedure, and other matters as provided for by the Statutes and the law. The GM adopts decisions on issues related to managing the Bank's business if so requested by the Management Board after the Supervisory Board had refused its consent.

The GM adopts decisions with a majority of the votes cast, except in cases where the law or the Statutes stipulate a three-quarters majority of the votes cast.

Those shareholders may attend the General Meeting and cast their votes who hold ordinary shares and are recorded in the central registry of dematerialised securities at the end of the fourth day prior to the General Meeting and who have confirmed their attendance in writing not later than at the end of the fourth day prior to the General Meeting. They may exercise their rights at the General Meeting in person or through their agent or authorised representative.

Pursuant to the Statues and the law, shareholders may propose that additional items be added to the GM agenda or file counterproposals to individual items of the agenda.

The Deželna banka Slovenije d. d. dividend policy is based on the main objectives defined in strategic plans, statutory provisions and recommendations of the Bank of Slovenia and European Central Bank. The recommendations stipulate that the Bank form a conservative dividend policy based on which to be able to comply with minimum capital requirements. The Bank's management and owners are aware at all times that capital adequacy, the related statutory provisions and growth of the volume of business are crucial for the Bank's long-term viability and continual increase of the value of assets invested in its operations.

Deželna banka Slovenije d. d. has devised a dividend payment policy for the period 2020-2024. In the said business period, it will strive for the following:

- regular payment of the dividend if:
  - the bank's capital adequacy is not jeopardized,
  - the payment does not violate the regulator's recommendations or requirements;
- subject to the conditions set out in the preceding indent, after each audited annual report and following a decision of the GM, the Bank will pay the dividend, as a rule, amounting to not more than 25% of net profits.

VI.4. COMPOSITION AND OPERATIONS OF MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

Deželna banka Slovenije d. d. operates under a two-tier system of governance. The Bank is run by the Management Board, and their work is overseen by the Supervisory Board. The Bank's internal governance and organisational structure are implemented pursuant to the Slovene and European legislation in force, internal acts, and best practice standards in corporate governance.

Management Board

In 2019, the Bank Management Board was composed of:

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

The Management Board runs and manages the Bank autonomously and at its own responsibility, which they have to perform with due professional care and thus ensure for the Bank to operate in compliance with the requirements of the Banking Act as well as with highest ethical and professional standards of governance, while also being attentive to prevent potential conflicts of interest. Pursuant to the Slovene Banking Act, the two members of the Management Board represent the Bank jointly.

The members and president of the Management Board are appointed and discharged by the Supervisory Board. They are appointed for a maximum five-year renewable term. The Management Board has two members, who hold meetings once a week. The function of member of the Bank's Management Board may only be performed by a person who has obtained the requisite licence. The Supervisory Board must make a decision regarding the appointment of an individual as member of the Bank's Management Board – and obtain, to that end, the Nomination Committee's estimate on the suitability of this person to act as member of the Management Board – prior to this person filing for the licence for acting as member of the board.

The Management Board is fully responsible for the Bank's operations and its risk management, including for approving the Bank's strategic goals and overseeing their implementation, for defining, adopting and regularly revising the strategy on risk-taking and risk management, for internal governance arrangements, for ensuring the integrity of accounting and financial reporting systems, and for overseeing information disclosure procedures and reporting to the competent authorities. The Management Board is also responsible for providing efficient supervision of senior management.

Activity of the Management Board is governed by the Deželna banka Slovenije d. d. General Meeting Rules of Procedure. The Management Board may transfer certain rights. Important roles are also assigned to different boards and committees which make decisions in line with their respective powers and competences: Credit Board, Asset Liability Management Board, Non-performing Loans Board, Liquidity Committee, Property Board, Investment Board, Operational Risk Board, Safety Board and Crisis Team.

Members of the Supervisory Board are elected by the Bank's General Meeting at the recommendation of the Supervisory Board, with a simple majority of the votes cast, for a four-year re-electable term. The GM recalls members of the Supervisory Board with a three-quarter majority of the votes cast.

Supervisory Board

In 2019, the Supervisory Board was composed of:
- Peter Vrisk, Chair,
- Ivan Lenart, Vice-Chair,
- Nikolaj Maver, member,
- Tomaž Petrovič, member,
- Jure Kvaternik, member,
- Iris Dežman, member.

The Supervisory Board supervises how the Bank's business is being run. Members of the Supervisory Board, who represent shareholders, are elected by the GM for a maximum four-year renewable term. The GM may recall members of the Supervisory Board it had elected prior to their term expiring. The Supervisory Board, particularly, oversees the implementation of the Bank's strategic goals, designs, adopts and regularly revises the strategies of risk-taking and risk management, and contributes to setting up and coming to life of a stable internal governance arrangement in the Bank, thereby taking into account the policies and measures aimed at preventing the occurrence of conflicts of interest.

The Supervisory Board makes decisions on nominating and recalling members of the Management Board, approval of loans to members of the Management Board, Holders of Procuration and other persons regarding whom it is thus laid down by law, and approval of contracts between members of the Supervisory Board and the Bank, adopts the Remuneration Policy and oversees its implementation, proposes to the General Meeting members of the Supervisory Board for election and auditors for appointment, verifies the annual report and proposal for the distribution of the distributable profit and submits to the General Meeting a related written report, confirms the annual report and verifies financial and other reports composed by the Management Board and gives opinion on any such report. The Supervisory Board gives its consent to the Bank regarding the matters laid down in law or statutes.

Supervisory Board committees

The Supervisory Board appoints committees acting as its advisory bodies. They have three or, exceptionally, four members each, who are also members of the Supervisory Board and who act in line with the relevant Rules of Procedure.

The Audit Committee provides the Supervisory Board with expertise related to operations compliance, internal audit and the system of internal controls, and it offers professional support in assessing the composition of annual reports. It monitors the financial reporting process and oversees the accuracy of financial information, helps determine areas of audit and undertakes other related tasks. In 2019, the Committee met at seven meetings.

The Committee was composed of:
- Jure Kvaternik, President,
- Peter Vrisk, member,
- Iris Dežman, member.

The Risk Committee attends to efficient and prudent risk management at all levels of the Bank's operations, monitors the efficiency of risk management systems, and advises the Supervisory Board on what are current and future acceptable risks for the Bank. In 2019, the Committee met at four meetings.

Until 26 June 2019, the Committee has been composed of:
- Nikolaj Maver, President,
- Ivan Lenart, member,
- Tomaž Petrovič, member.

Since 24 September 2019, the Committee has been composed of:
- Nikolaj Maver, President,
- Ivan Lenart, member,
- Iris Dežman, member.

The Nomination Committee is the Supervisory Board's expert working body charged with appointing members of the management body, determining the tasks and conditions to be met in order to win an appointment, assessing the suitability of individual members and the management body as a whole, and with different advisory HR tasks and other related assignments. In 2019, the Committee met at fourteen meetings.

In 2019, it was first composed of (initially four, later on three members):
- Ivan Lenart, President,
- Peter Vrisk, member,
- Tomaž Petrovič, member,
- Nikolaj Maver, member (until 26 June 2019).

Number of directorships held by members of the Management Board and Supervisory Board in other companies and organisations

	Number of directorships in other companies and organisations pursuant to Article 435 (2) (a) of the CRR Regulation	Number of directorships in other companies and organisations pursuant to Article 36 of the ZBan-2
Management Board		
Marko Rozman	0	0
Barbara Cerovšek Zupančič	1	1
Supervisory Board		
Peter Vrisk	3	1
Ivan Lenart	1	1
Nikolaj Maver	4	4
Tomaž Petrovič	2	2
Jure Kvaternik	5	3
Iris Dežman	1	1

VI.5. DESCRIPTION OF THE DIVERSITY POLICY

In accordance with the Policy for the Selection of Members of the Management Body in Deželna banka Slovenije d. d., the complementarity and diversity of competencies of individual members of the management body should be achieved. Diversity in the body's composition is reflected in its members' diverse professional experience and know-how, age, education, expertise and personal characteristics. The later includes gender balance in the management body, which is achieved by increasing the number of members of under-represented gender.

VI.6. INFORMATION UNDER ARTICLE 70 (6) OF THE COMPANIES ACT

Major direct and indirect shareholdings

As at 31 December 2019, the Bank had five shareholders with qualified stakes (of over 5%), as follows:

1. Kapitalska zadruga, z. b. o., Ljubljana	894,158 shares (21.002%)
2. KD Group d. d.	821,144 shares (19.287%)
3. Prva osebna zavarovalnica, d. d.*	644,506 shares (15.138%)
4. Skupina Prva d. d.	422,557 shares (9.925%)
5. Banca Popolare di Cividale S.C.p.A.	228,289 shares (5.362%)

* The insurer Prva osebna zavarovalnica, d. d., holds shares in its own name and for the account of pension guarantee funds it manages, as follows:

• KRITNI SKLAD PRVA+ ZAJAMČENI	422,557 shares (9.925%)
• KRITNI SKLAD PRVA IN PRVA+ DINAMIČNI	95,304 shares (2.239%)
• KRITNI SKLAD PRVA IN PRVA+ URAVNOTEŽENI	80,884 shares (1.900%)
• KRITNI SKLAD PRVA ZAJAMČENI	45,761 shares (1.074%)

As at 31 December 2019, the Bank had two shareholders on qualified stakes (above 5%):

1. Alenka Žnidaršič Kranjc	1,068,660 shares (25.101%)
2. Zadružna zveza Slovenije, z. o. o.	371,848 shares (8.734%)

Special control rights

All Bank's issued shares are of the same class and carry the same rights. None of the shareholders have special control rights.

Restrictions related to voting rights

Pursuant to Article 8 of the Bank's Statutes, the shares of Deželna banka Slovenije have limited transferability. Any person acquiring shares needs a prior approval from the Bank's Management Board if their purchase is resulting in a holding of up to 5% and the prior approval of the Supervisory Board if their purchase is resulting in a holding of over 5%. Details on how and when voting rights can be exercised, are given in Chapter VI.3. Operations and key competences of the general meeting, and a description of shareholders' rights and how they can be exercised, p. 26.

The Bank's rules on appointments and replacements of members of management and supervisory bodies, and on amendments of the Statutes

Rules on appointments and replacements of members of management and supervisory bodies are given in Chapter VI.4. Composition and operations of the management and supervisory bodies and their committees, p. 27.

Rules on amendments of the Statutes are outlined in Chapter VI.3. Operations and key competences of the general meeting, and a description of shareholders' rights and how they can be exercised, p. 26.

Employee Share Scheme

The Bank has no employee share scheme.

Restrictions related to voting rights

There are currently no restrictions on voting rights.

Agreements among shareholders known to the Company that may result in limitation of share transfer or voting rights

The Bank has no knowledge of any shareholder agreements that could result in a restriction of share transfer or voting rights.

Authorisation of members of the management regarding issue or purchase of treasury shares

The Management Board is not authorised to issue or purchase treasury shares or issue authorised capital.

Ljubljana, 28 April 2020

Management Board:

Marko Rozman
President of the Management Board

Barbara Čerovšek Zupančič MSc
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

VII. NON-FINANCIAL STATEMENT OF THE DEŽELNA BANKA SLOVENIJE GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

The non-financial statement of the Deželna banka Slovenije Group has been devised pursuant to the requirements of the Companies Act (ZGD-1) and Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

VII.1. INTRODUCTION

Deželna banka Slovenije d. d. has always been the financial pillar supporting the Slovene agriculture sector and rural areas. Its operations and development have primarily been directed to supporting farmers, the agricultural activity, cooperatives, SMEs, associations, members of cooperatives and agro-food companies. Having diverse ownership, the bank exploits mutual advantages and strives towards economic, social and cultural development of local communities. The Bank has a major impact on the preservation of natural and cultural heritage. The success of our Group is crucially influenced by customers, employees and other stakeholders.

VII.2. BUSINESS MODEL

The Deželna banka Slovenije Group (Group) consists of the Bank and four subsidiaries: leasing company DBS Leasing d. o. o., real-estate company DBS Nepremičnine d. o. o., seed-producer Semenarna Ljubljana, d. o. o., and the Croatia-based real estate company DBS Adria d. o. o. In the implementation of strategic orientation and sustainable development targets, the Group acts as one.

The Group is consistent in respecting the fundamental principles and values, which include:
- ethical, responsible, professional and fair business conduct,
- fair and equal treatment of employees,
- responsible environmental management,
- close links with local communities, and social responsibility,
- respect for fundamental human rights,
- accessibility in meeting the needs of customers, buyers, owners and the wider environment.

The Bank is a universal all-Slovenian bank. With the third most widespread network of branches in the country it operates across Slovenia, providing a wide range of banking and financial services. Its subsidiaries are active in the leasing of moveable property, including farming machines and equipment, trading and management of immovable properties, and the retail, wholesale and production of seeds based on own development.

The current model has proven successful in terms of business performance, with the Bank constantly supplementing its services to the, primarily, rural client, and thus offering a complete solution. We are thus using mutual advantages and aiming at economic, social and cultural development of local communities. This has a major impact on the preservation of natural and cultural heritage.

In order to achieve profitability and Bank's long-term performance, we are constantly upgrading our business model, adapting it to challenges of the external environment where we operate, and to expectations of all stakeholders integrated in the Bank's operation.

Rapid technological development, changing customers' demands and needs, and competitive providers of financial services are making the Bank adapt actively to changes in the financial market. For the third year in a row, the bank has been following the digital trends and effectively adapting to new developments in the market. The major part of activities is implemented in the area of improving the user experience, rationalising the Bank's business processes, introducing new products and services, while also using all opportunities provided by the latest information technology and ensuring safe banking operations.

In performing business activities, employees in the Group follow the principles of sustainable development and social responsibility, as described below.

VII.3. MATERIAL ASPECTS (environment)

a) Social corporate responsibility

We are a socially responsible Group, placing a strong emphasis on close ties with the environment and coordinating the activities of local communities and the economy, thus contributing to the development of society.

As a Group, we are a link in the chain ensuring the sustainable development of Slovenian rural areas, participating with our services and products in numerous projects that are of vital importance for ensuring a better quality of life, new jobs, use of renewable resources, green tourism, high quality ecologically produced food, a range of indigenous Slovene varieties and orderliness of the living environment and landscape. Approximately a half of all agricultural subsidies being directed through our Bank, we are an important distributor of aid for rural development from European and national funds.

The Group is a recognisable donor and sponsor of various agricultural, charitable, cultural, educational and sports events across Slovenia. Our support goes to societies, non-profit making organisations, projects, clubs, individuals and institutes. When making decisions to choose the recipients of sponsor or donor funds, we take into consideration the partnership with the recipient, their consistency with the values and objectives of the Group, enhancement of visibility and reputation, and social responsibility. We support projects that emphasise positive values and tradition, and contribute to a better quality of life.

The Bank has joined the Chain of Good People project as a donor. It is a program of The Association of Friends of Youth Ljubljana Moste-Polje, which is based on five pillars of assistance, enabling families at the bottom of society to strengthen their competencies, find the courage to tackle their situation and become active members of society once more.

We have supported the Slovenian Rural Youth Association for several years, encouraging the young to see and pursue their future in the rural areas, driving them to use their knowledge, ambition and innovative drive to follow global trends and bring added value to this segment. This will consequently enhance the appeal of agriculture as a profession, encouraging the young to take over farms to the fullest possible extent and preserve agricultural activity in Slovenia.

By annually supporting the Agrobiznis (Agro-business) project, run by the Slovene financial daily Finance, we help encourage entrepreneurship and innovation in the area of food self-sufficiency.

Being a Group deeply incorporated in the agro-food sector and rural areas, for us the importance of the Wine Queen event is in building the public image of Slovenian wines and vine growing regions, the mission of the reigning title holder. We are the general sponsor of the event.

By participating at annual fairs and presenting our new products and services there, we help co-create these fairs, which are of paramount importance in this segment. They include the international agricultural and food fair Agra in Gornja Radgona, the agriculture and crafts fair in Komenda, Gregor's fair in Novo mesto, and others.

b) Concern for the environment

All employees in the Group abide by environmental regulations. We encourage our employees to have a positive attitude towards the natural environment, e.g. by recommending them to use the train and other public transport to commute, and reimbursing the costs of such transport. To reduce out impact on the environment, we have centralised printers, reducing their number by approximately 50 (prior to which each office had their own machine). Employees are encouraged to use electronic means of communication only.

In 2019, the two main network switches were replaced with newer ones. The old switches consumed 4000 W each, while the new four consume 1400 W each. Our electricity consumption has thus reduced by approximately 5%.

Already in 2018, we began gradually replacing outdated monitors with LED ones, which also consume only half the energy. Such replacements continued in 2019.

The Group established a separate waste collection system at eco points several years ago, thereby to increase the awareness among employees on how to prevent environmental pollution. Waste that poses ecological concern is submitted to a relevant authorised organisation for recycling or destruction.

Plasticware has been replaced by glassware at hospitality events, thus reducing waste. We use around 1,800 items of different-sized glass drinkware a year, which we return so that it is 100% recycled. This saves energy and, above all, reduces the amount of plastic waste. Whenever possible we only use glass water jugs at meetings.

The subsidiary Semenarna Ljubljana also respects the fundamental principles of social responsibility and strives to have a beneficial environmental impact. In 2019, they focused on two Slovenian products, the Šeška ecological paper candle and the Evergreen biodegradable compostable candle. With the new products, they wish to communicate that by using a plastic candle we actually light a candle to our planet. The October 2019 advertising campaign was aimed at changing habits, calling for reduced use of candles and their replacement with greener alternatives.

VII.4. HUMAN RESOURCE MANAGEMENT

Since employees of the Group spend most of our time at work, the Group has undertaken to ensure a healthy and safe working environment. The companies in the Group have therefore adopted various programmes for protection and maintenance of health at the workplace.

The following measures were introduced in the working process: flexible working hours and working from home at workplaces that should allow it, encouraging employees to take active breaks at workplaces, the option of working part-time, encouraging employees to drink a sufficient volume of soft drinks, participation at sports events held by ŠKD Zadružnik, such as cycling, hiking, and swimming events, visits to theatre performances, participation at Bank’s sports games and at winter and summer banking games. In the framework of health promotion at work, the Bank occasionally also offers seasonal fruits of local production to employees, enables them to take cholesterol tests and have their blood pressure measured, etc.

Group employees meet twice a year at informal get-togethers, at an outdoor picnic in May, and for the New Year's event in December. Both events are relaxed and give employees the opportunity to meet with other co-workers, especially between colleagues that normally do not see each other much due to remote locations.

The Bank considers human resource risk to be a material risk, and has therefore set up procedures to monitor and manage it in compliance with the adopted HR Risk-taking and Risk Management Policy. Given the available resources, the Bank resolved human resource needs with internal staff, trying to motivate employees by promoting them at their current employer and thus have them work their best as well as build their loyalty to the Bank and its values. When it was not possible or relevant to redeploy existing employees, the Bank recruited off the market.

As at 31 December 2019, the Bank had 354 employees, 14 more than in 2018. As to gender, 79% were women and 21% men. The average age of the Bank's employees is 46 and has decreased by one year compared to the previous year.

42% of all employees, i.e. 148 people, work at the Bank's headquarters, while the business network employs a further 58%, i.e. 206 employees.

In 2019, the Bank hired 42 new employees, 20 at the headquarters and 22 across the business network. 27 employees left the Bank, either due to retirement, termination of work on a fixed-term basis, or by mutual agreement.

Subsidiary Semenarna Ljubljana, d. o. o. had 245 employees at the end of 2019. As to gender, 73% were women and 27% men. The average age of employees is 44. In 2019, the company hired 58 new employees while 44 left, either due to retirement or termination of work on a fixed-term basis.

Subsidiary DBS Leasing d. o. o. had 7 employees at the end of 2019. There were no new recruitments and no departures in 2019.

In the Bank and the Group:
- all employees are responsible for working professionally and with due care, respecting the rules, internal acts and standards of operation in force; compliance with professional standards and ethical values strengthens relationships between employees and other stakeholders; based on open communication and collaboration we ensure commitment to common goals; employees put the Bank's interests before their own;
- there is zero tolerance of unlawful and unethical conduct, and disrespect for the Bank's values that might damage its reputation;
- we avoid all circumstances the related financial interests and benefits of which could be contrary to the interests and benefits of the Bank and which could compromise the impartial and objective performance of tasks; the Bank is strictly committed to protecting confidential information and banking secrecy, and we are consistent in implementing measures to prevent their abuse and safeguard them permanently;
- we perform our duties fairly, prudently, diligently – according to the principles of due commercial care and in accordance with banking regulations.

Number of Group employees as at 31 December 2019

Year	2019	2018	2017
Number of employees*	606	584	588

* DBS Nepremičnine d. o. o. and DBS Adria d. o. o. have no employees.

Average number of Group employees by education profile as at 31 December 2019

Staff education profiles	Average number of employees			
	Semenarna Ljubljana, d. o. o.	DBS Leasing d. o. o.	Deželna banka Slovenije d. d.	Total
Level VIII/1	1	0	10	11
Level VII	5	2	54	61
Level VI/2	53	2	87	142
Level VI/1	34	1	50	85
Level V	93	2	140	235
Less than or level IV	54	0	7	61
Total	**240**	**7**	**348**	**595**

Age structure of Group employees as at 31 December 2019

Age	Number of employees			
	Semenarna Ljubljana, d. o. o.	DBS Leasing d. o. o.	Deželna banka Slovenije d. d.	Total
Under 30	35	0	18	53
30 to 40	50	2	74	126
40 to 50	71	4	103	178
50 to 60	87	1	133	221
Over 60	2	0	26	28
TOTAL	**245**	**7**	**354**	**606**

Throughout the year, employees in the Group actively participate in various training courses. Internal training courses that we provide are run by experts assisted by external advisers or contractors who are invited to individual companies as required. Periodical training courses for employees cover the following areas: safety at work, prevention of money laundering, service and product marketing, and new legislative features. The major part of external training courses is executed in cooperation with the Training Centre of the Bank Association of Slovenia, Slovene Chamber of Commerce and other authorised institutions.

Information regarding human resource management is stated in Chapter IX.5. Human resource management, p. 51.

a) Respect for human rights

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

Bank employees take utmost account of provisions of the Deželna banka Slovenije d. d. Code of Conduct, the Deželna banka Slovenije d. d. Rules on Prevention of Sexual and Other Harassment and Workplace Mobbing, and the Employment Relationship Act, which stipulate respectful treatment of employees and protection of human rights, among other things. In this context, the Bank has established a method of identifying, preventing and dealing with the consequences of sexual and other harassment and maltreatment at the workplace.

The fundamental values and principles of corporate integrity are enshrined in the Deželna banka Slovenije d. d. Code of Conduct. They are complied with by the members of the management and supervisory bodies and other Bank employees. The Bank has adopted the Policy for Safeguarding Integrity in Deželna banka Slovenije d. d., which aims to protect the integrity, core values and reputation of the Bank, and all employees abide by it. The Policy for Safeguarding Integrity provides that in order to uphold the core professional and ethical standards and standards of integrity, all wrongdoings and reports of suspected wrongdoing by any Bank employee must be dealt with. There is zero tolerance in the Bank of unlawful and unethical conduct, and of disrespect of the Bank's values.

We have set up a system of controlling and managing this Policy, since it should prevent any form of unlawful practice constituting a violation of the rules in terms of operations compliance. The system enables employees to report suspected violations of regulations and wrongdoing, assuring them the report does not have negative effects. The report can be anonymous. In 2019, a link to the rapid and anonymous reporting of violations was established on the Bank's intranet, both within the Bank and directly to the Bank of Slovenia through a "whistleblowing" link. Employees were made aware of the possibility of anonymous reporting of all forms of misconduct through a special circular and internal training.

Special attention is devoted to the following types of wrongdoing: deception, fraud and business fraud, corruption and unauthorised receipt and giving of gifts, misuse of inside information and abuse of the market in financial instruments, money laundering and terrorist financing, conflict of interests, misuse of personal data, disclosure or unjustified acquisition of business secrets, hacking into business information systems, falsifying or destroying business documents, secret agreements and abuse of position or trust, embezzlement and unjustified use of foreign assets, and extortion and harassment at the workplace.

These wrongdoings can adversely affect the Bank's reputation, cause financial loss, and regulatory sanctions can affect employees, customers, suppliers, shareholders and other stakeholders.

With its Money Laundering and Terrorist Financing Risk Management Policy, the Bank has established a system for the implementation of measures to prevent and detect money laundering and terrorist financing. It enables the Bank to effectively manage operational and legal risk and the risk of loss of reputation potentially caused by financial crime related to money laundering or terrorist financing. The Bank's approach is based on an internal risk assessment, in turn based on knowing the customer, and in the detection and prevention of money laundering and terrorist financing, and the operation of internal controls and internal controls over the implementation of measures. The responsibilities of employees in carrying out these tasks are accurately delimited. Relevant employees are regularly trained in this respect, this being one of the key elements for the effective implementation of the established system and risk management in the Bank. Protecting against the negative effects that might ensue from being engaged in money laundering or terrorist financing is a matter of the Bank's strategic orientation, since any abuse in this respect would not only compromise the reputation of the Bank but the reputation of the country's entire financial system.

The Bank implements procedures for verifying customers before entering into business transactions with them as part of review of the customer and other records as required by applicable legislation, and follows the KYC principle – Know Your Customer.

The Internal Audit Department regularly reviews the applicable system in order to identify potential weaknesses and strengthen the relevant internal controls.

In order to effectively implement the Policy and manage the risk of abuse, we have set up various reporting lines between individual stakeholders involved in the prevention and detection of money laundering and terrorist financing.

The Bank carefully carries out measures for the prevention of money laundering and terrorist financing, successfully supporting risk management with in-house software that is constantly being updated with the latest findings on the forms of and trends in money laundering.

b) Diversity Policy

In the Group, we are aiming at equal and balanced representation of men and women at all levels.

The Group's management structure is balanced, having both genders represented fairly equally. We also guarantee to possess diverse knowledge and experience as required for efficient operation and long-term risk management.

At the year-end of 2019, the Bank's management body comprised six men and two women. The Policy for the selection of members of the management body prescribes for diversity of members of the management body to show in diverse professional experience, age, education and expertise, and in diverse characteristics of members of the management body. Information regarding the Policy for the selection of members of the management body of the Bank is given in Chapter IX.5.2. Recruitment Policy, p. 52.

The average age of employees in the Group is above 45, which is why the Group's HR policy aims at acquiring younger employees in the future, who are trained, particularly in fields of new technologies and specialist knowledge. The fundamental aim, however, is to select employees who possess diverse knowledge, adequate qualifications and relevant experience.

c) Learning, growth

To excel at non-financial performance indicators, the Bank provides the necessary infrastructure (people, systems and procedures) that enables it to reach its targets. We invest in additional employee training, in improving information technology and process optimisation, in short, in growth and learning.

Employees continually build on their skills via internal and external training courses, thus maintaining and increasing the quality of their work. Ideas for improving processes and customer service come directly from employees, as they are the ones that know internal processes and Bank customers best. Employee performance is monitored as part of their productivity and satisfaction assessment, a basis for which are annual development interviews.

The fluctuation level in the Bank is below the Slovenian average, the largest number of employees leaving the bank due to retirement or mutual termination of the employment relationship. Successful employees being keepers ensures that intellectual capital remains in the Bank; their departure would be a great loss for the Bank.

Quality and timely information is paramount for successful work in today's financial environment. We provide it to our employees by continuously upgrading our information system capacity, which is a prerequisite for risk management and process improvement.

VII.5. NON-FINANCIAL PERFORMANCE INDICATORS

a) Retail banking

In dealing with customers, we monitor the levels of their satisfaction, loyalty, customer retention, and how profitable they are for the Bank.

The Bank's market share is stable, meaning that the existing customer base is stable and increasing.

By digitising the Bank, we have been introducing various innovations in the use of modern marketing channels to enable our services anywhere and anytime, in real time.

We are acutely aware of the importance of banking in person and of the fact that our customers also include generations with an aversion to modern ways of doing business. At the same time, other users are provided with faster and more cost-effective online and mobile banking solutions. Our employees act as professionals and are quick to respond to customer inquiries. In designing and introducing new services, special attention is devoted to safety of operations. Changes also increase all risks, which the Bank manages and safeguards from effectively.

Bank employees strive to fulfil the wishes and meet the needs of customers by abiding by the operating rules, policies and strategic objectives of the Bank. We build trust by delivering on given promises, with honesty, protecting the rights and benefits of our customers, mutual respect, accessibility, and ensuring the protection of personal and confidential information. Our customers are briefed comprehensively, including on risks related to a service or product. We accept responsibility for our actions and are always looking for common solutions that lead to long-term cooperation.

Being aware that knowing your customer is essential for the successful operation of the Bank, we ensure it by having a customer relationship management (CRM) system. It helps keep customer details up to date, helps us regularly and actively track every customer interaction, and manage the customer's needs, wishes, compliments and complaints. We do not enter into business relationships with customers that do business unlawfully and unethically. If such a customer is identified, it is evaluated on the basis of a risk assessment, whereupon we act in accordance with the procedures envisaged for these cases. We are constantly striving to maintain and strengthen our customers' trust. The Bank has set up a system for monitoring customer proposals, complaints and comments, based on the Deželna banka Slovenije d. d. Rules on Extrajudicial Settlement of Customer Complaints.

Customer complaints are attended to with special care and resolved quickly, taking into account both the benefits of the customer and the Bank's reputation. Written replies are always sent within a reasonable time. In 2019, all customer complaints were resolved in extrajudicial procedures.

Customers are informed regularly and in a timely manner of all changes in the terms and conditions of the Bank's operations. They are familiarised in a transparent and comprehensible way with the types of our services, pricing and other conditions, in accordance with the fair rules of marketing communication and establishing connections with customers. We do this using channels such as the Bank's website, regular monthly statements, and similar.

We received over 3,500 messages via e-channels – the web form or e-mail – from either existing or potential customers or external third parties (for example, information on garnishment). These messages refer to our range of services, requests for calculations of loans, requests for assistance in entering the E-bank, requests for data on properties sold by the Bank, inquiries about garnishment and bankruptcy procedures, open positions, and other. The Marketing and Communication Department, which receives these messages, forwards them regularly, on a daily basis, either to the branch nearest to the customer or to the competent department in the Bank, for resolving.

One of the most important indicators of a successful customer service is offering solutions for our target customer segments. To this end, the Bank has developed tailor-made products and services. Being a banking specialist for rural customers, we focus on servicing farmers, cooperatives, agro-food companies, SMEs, sole traders and young people. These are the segments that we adjust marketing processes and product and service development to, to the greatest extent possible. Despite being a universal banking institution, the Bank devotes special attention to agriculture. For new customers, we have the Sowing Package, and we offer existing, long-standing customers the Harvest Package. We also have custom-made solutions for young farm transferees and a banking package for secondary activities on farms. Customers can choose between short-term and long-term loans of different maturities, tailored to the agricultural activity. We provide cash and special purpose loans, seasonal loans, eco loans and livestock loans.

In line with its strategic objectives, the Bank has decided to support projects from areas designated as having priority in the future longer term: increasing the productivity and self-sufficiency in Slovenian agriculture; market organisation of agriculture; strengthening the food and agro-food chains; increased visibility and quality of organic and locally produced products; promoting agricultural practices that have a positive impact on the conservation of natural and renewable energy sources; adaptation to climate change; green jobs; coherent and sustainable rural development; organic farming; green tourism; and social entrepreneurship.

In 2019, the Bank devoted special attention to housing loans. Having granted especially favourable loans, it financed quite a number of purchases, constructions and renovations of residential properties.

The Bank has maintained a large network of branches (79), providing people outside urban areas with access to financial services.

b) Improving the internal customer relationship management process

In 2017, the Bank had started implementing improvements to customer relationship management (CRM), unifying work processes across the business network in processing different types of customers, and automating the processing of applications and requests by the users of our services.

The CRM application provides an insight into operations with customers and activities of the sales staff. CRM is defined as a corporate activity fostering the acquisition of new customers and the preservation of existing ones. The CRM management tool enables us to join all CRM activities, centralising and managing all messages, reminders and comments that had previously been recorded in various different places. The CRM application is aimed at soliciting new customers, upgrading the existing customer data bases, offering a comprehensive overview of a customer, monitoring the profitability of individual customers, monitoring customer habits and customer satisfaction, identifying customers' needs, and measuring the quality of customer relationships. We have started adding potential customers into CRM application, recording sales projects and identifying activities for each customer. Every Bank employee monitors the realisation of sales activities on a daily basis, and on the other hand, the application allows the Bank's management to monitor sales activities across the network. The CRM application is constantly being updated and upgraded.

The following internal business processes have been designated for upgrades in the future:

- approval and activation of mass transactions (extraordinary limits, credit cards, quick loans, changes in ATM and card limits),
- automatic processing of orders and requests submitted via the E-bank (deposits, requests for SMS notifications, My BA, requests to change ATM limits, requests to change card limits...),
- possibility of making changes to cards (orders of new cards, early replacement, card blocks),
- possibility of scanning and archiving cash register records upon data entry into banking applications,
- adding "interactive instructions" when using and entering data,
- introduction of electronic signing for deposits, claims, contracts between the Bank and customers.

The Bank nevertheless continues to place great emphasis on the personal touch and one-on-one treatment of customers.

VII.6. PREVENTION OF CORRUPT ACTS AND FRAUD

Employees of each company in the Group are committed to protect the integrity, fundamental values and reputation of the Group. It is the task and responsibility of all employees in the Group to ensure zero tolerance of unlawful conduct, which also includes fraud and corrupt acts.

The Bank has established a system enabling its employees to report, in good faith, any suspicion of unlawful conduct, while ensuring them that there will be no negative consequences resulting from the report.

Unlawful conduct, the mode of reporting and investigation procedure are detailed in the Bank's internal acts.

The Bank is a party to the Declaration of Fair Business, which was devised by the United Nations Global Compact Slovenia, and has thus committed to transparent and fair business, and to rejection of any corrupt activity. We have also undertaken to include the anti-corruption clause in our legal transactions and to take account of anti-bribery principles in our business.

Examples of fraud and abuse identified in the Bank in 2019, were of external origin. All cases were identified in time and adequate measures were taken to prevent any negative consequences.

As one of a few companies in Slovenia, Deželna banka Slovenije d. d. signed an agreement with the Financial Administration of the Republic of Slovenia to be part of a programme promoting voluntary compliance with tax liabilities, as it pursues a tax payment optimisation policy and prevention of propensity for aggressive tax planning or deliberate increase of tax risk.

Management Board:

Marko Rozman
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

Ljubljana, 28 April 2020

VIII. RISK MANAGEMENT

VIII.1. RISK MANAGEMENT OBJECTIVES AND POLICIES (Article 435 of the CRR, items 1a, 1b, 1c, and 1d)

Pursuant to provisions of the regulatory framework, the Group considers the following risks as banking risks: credit, market, operational, interest, liquidity, capital, strategic risk, profitability risk, reputation risk, financial leverage risk and other property portfolio risks.

Risk-taking and risk management strategies and policies share the objectives of ensuring the Group's stable and safe operations and compliance with risk management standards, achieving appropriate investment quality, preventing and limiting losses resulting from individual risks. The acceptable risk level is defined as moderate (i.e. low to medium), meaning that the Group pursues a conservative approach in its operations. To measure exposure to different types of risk, the Group uses internal methodologies and approaches in addition to regulatory ones, which facilitates a close monitoring of risks and their management.

The Group estimates that credit risk is the most important risk it is exposed to. It therefore devotes special attention to this type of risk. To this end, it regularly monitors its customers on the basis of numerous reports, among them reports on overdrafts, the early warning system for increased credit risk (EWS), blacklists, reports on activities related to customers with non-performing loans, on restructuring claims to debtors, on meeting commitments from restructuring plans for business entities. Some of these reports are presented to the Credit Committee and Non-performing Loans Committee – which also includes Management Board – on a weekly basis and others at least quarterly.

The Bank's strategy for taking and managing liquidity risk is established in the Risk-taking and Risk Management Policy for Liquidity Risk. To manage liquidity risk, the Bank applies rules and measures to implement the procedures for mitigating and diversification of liquidity risk.

The Bank identifies and measures liquidity risk using the system of internal limits and quantitative indicators from the restoration plan, establishing the liquidity position on a daily basis, making cash flow projections and calculating liquidity ratios.

The function of monitoring and managing liquidity risk is the responsibility of the Risk Management Section. In order to provide a basis for making management decisions related to liquidity risk, the Bank performs the following internal reporting forms daily or monthly: daily liquidity report, monthly liquidity plan, liquidity ratio movement simulation, calculations of the ratio of highly liquid assets and liabilities, calculations of growth levels of retail deposits, liquidity coverage ratio (LCR), net stable funding ratio (NSFR), liquidity ratio (LR), stress tests for exceptional scenarios, the minimum level of unencumbered liquid assets, reports on structural liquidity risk ratios and other reports. The management body and the Asset and Liability Management Board have to be informed of major reports.

To mitigate liquidity risk, the Bank has adopted:

- an internal limit system in which all major liquidity risk factors are taken into account, including liquidity gaps, currency mismatch, sources of funds, off-balance sheet liabilities, the DBS Group composition and intraday liquidity, as well as findings of liquidity stress tests;
- liquidity buffers that strengthen the Bank's resistance to liquidity risks in crisis situations.

Disclosure of LCR indicator on an individual basis

in EUR million

	Scope of consolidation (on an individual basis)	Unweighted total (average)	Weighted total (average)			
	Quarter ended		31. 3. 2019	30. 6. 2019	30. 9. 2019	31. 12. 2019
	Number of data points used to calculate average values		12	12	12	12
21	LIQUIDITY BUFFER		167	177	187	195
22	TOTAL NET LIQUIDUTY OUTFLOWS		70	70	70	69
23	LIQUIDITY COVERAGE RATIO (in %)		239.68	252.28	269.13	283.19

Disclosure of LCR indicator on a consolidated basis

in EUR million

	Scope of consolidation (on a consoli-dated basis)	Unweighted total (average)	Weighted total (average)			
	Quarter ended		31. 3. 2019	30. 6. 2019	30. 9. 2019	31. 12. 2019
	Number of data points used to calculate average values		12	12	12	12
21	LIQUIDITY BUFFER		167	177	187	195
22	TOTAL NET LIQUIDUTY OUTFLOWS		70	70	69	69
23	LIQUIDITY COVERAGE RATIO (in %)		240.50	253.08	269.70	284.08

The major part of other risks are monitored monthly in the context of the Bank's operations analysis, which is prepared by the Financial Management Section, Risk Management Section and Financial Markets Section and is discussed at the ALM Board, which includes the Management Board. In addition, there is a series of other reports the purpose of which is to inform the management body of different types of risk. The Risk Management Section therefore prepares a comprehensive risk analysis, which includes an analysis of the current credit portfolio and inherent credit risk, analyses of market risk, liquidity risk, interest rate risk and exchange rate risk, profitability risk, and an analysis of regulatory capital and capital adequacy. The risk analysis is prepared on a quarterly basis, and is reviewed by the Management Board, the Supervisory Board Risk Committee, and the Supervisory Board. For the Management Board, the Risk Management Section also prepares quarterly reports on overdrafts and on operational risk events, and proposed limits of large exposure and exposure to persons (and their groups) in a special relationship with the Group, being prepared as required but at least once a year, to be reviewed by the Management Board, the Supervisory Board Risk Committee, and the Supervisory Board. The capital adequacy report (ICAAP) used to estimate the capital needed to cover all major risks, the liquidity adequacy report (ILAAP) used to estimate liquidity and liquidity risk management, and the risk profile report are reviewed by the Management Board, the Supervisory Board Risk Committee, and the Supervisory Board at least once a year or as required.

Associated with individual types of risk, policies operationalise the starting points of the risk-management strategy, detailing organisational rules, procedures for establishing, measuring, assessing and monitoring risks, and internal risk reporting, establishing the rules for the internal controls system and for activities associated with calculating the internal capital requirements assessment.

Regarding risk management, control environment and capital adequacy, the Group has adopted the following framework documents (that were confirmed by the Bank's Supervisory Board) to establish risk management guidelines:

- The Risk-taking and Risk Management Strategy and Concise Risk Statement Approved by the Management Body,
- The Risk-taking and Risk Management Policy for Credit Risk,
- The Risk-taking and Risk Management Policy for Market Risk,

- The Risk-taking and Risk Management Policy for Operational Risk,
- The Risk-taking and Risk Management Policy for Interest Rate Risk,
- The Risk-taking and Risk Management Policy for Liquidity Risk,
- The Risk-taking and Risk Management Policy for Compliance Risk,
- The Risk-taking and Risk Management Policy for Profitability Risk,
- Disclosure Policy,
- The Risk-taking and Risk Management Policy for Strategic Risk,
- The Risk-taking and Risk Management Policy for Reputation Risk,
- The Risk-taking and Risk Management Policy for the Risk of Capital Inadequacy,
- The Policy on Using External Service Providers,
- The Financial Leverage Management Policy,
- The Integrity Safeguarding Policy.

To monitor its operations and the related major risks that could affect its existence, the Group has laid down an array of quantitative indicators in the Group Restoration plan. Limit values have been set for each indicator, marking the point of commencement for internal processes based on the restoration plan. The document provides an array of measures to be carried out by the Group for reestablishment and normalisation of its operations.

VIII.2. DECLARATION APPROVED BY THE MANAGEMENT BODY ON THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS (Article 435 of the CRR, item 1e)

Declaration approved by the management body on the adequacy of risk management arrangements

Pursuant to Article 435 (e) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on Prudential Requirements for Credit Institutions and Investment Firms (CRR), the management body – which consists of the Management Board:

Marko Rozman, President of the Management Board, and Barbara Cerovšek Zupančič MSc, Member of the Management Board,

and the Supervisory Board:

Ivan Lenart, Chair of the Supervisory Board,

confirms, by signing this declaration, that the Bank's risk management arrangements are adequate. The Bank has set up a risk management function as independent in terms of organisation and functionality from the Bank's other functions, ensuring that risk management arrangements reflect the Bank's risk profile and its risk-taking and risk management strategy.

Ljubljana, 28 April 2020

Management Board:

Marko Rozman
President of the Management Board

Barbara Cerovšek Zupančič MSc
Member of the Management Board

Supervisory Board:

Ivan Lenart
Chair of the Supervisory Board

VIII.3. CONCISE RISK STATEMENT APPROVED BY THE MANAGEMENT BODY (Article 435 of the CRR, item 1f)

Risk management

The Bank’s Management Board and Supervisory Board approved the Concise Risk Statement Approved by the Management Body (Risk Appetite Statement – RAS), which stipulates the aggregate level of risk, including the levels of individuals risks that Deželna banka Slovenije d. d. ("Bank") and the Deželna banka Slovenije Group ("Group") are exposed to or are still willing to assume in order to meet their strategic goals while minding their risk tolerance.

The Group seeks to meet its strategic objectives within the framework of predefined levels of acceptable risk. The acceptable risk level is defined as moderate (i.e. low to medium), meaning that the Bank pursues a conservative approach in its operations.

The predefined common level of acceptable risk represents an important element of the decision-making process and is intended to ensure that the Group performs with sufficient profitability even in exceptional situations.

The main risk categories connected with the Bank's operations are credit risk, market risks, operational risk, interest rate risk, liquidity risk, the risk of capital inadequacy, strategic risk, profitability risk, reputation risk, the risk of high financial leverage. The purpose of risk management is to ensure that the Bank's operations are stable and safe, that the standards for risk management are met, and that the quality of investments is suitable.

The Group monitors the Bank's risk profile on the basis of quantitative and/or qualitative assessments of measurable and immeasurable risks that the Bank assumes in its operations. The key parameters along which the Bank's risk profile is monitored are the total capital ratio, the common equity tier 1 ratio, the quality of assets and loan commitments given, and return on assets before tax.

Systems of limits provide clear limits of acceptable risk-taking. Efficient risk management that includes regular monitoring and reporting of risks, enables timely responses upon predetermined levels of risk acceptability, even before the top limit value is reached. Risks are promptly presented to the management body, Bank management, the Internal Audit Department and the Operations Compliance Department.

Within a prudent credit process, the Group runs a conservative policy on assuming and managing **credit risk**. To this end it aims to:

- increase the diversification of its credit portfolio so that i) capital requirements and needs for credit risk, and ii) the expected losses are as low as possible, which will be achieved by pursuing the following orientations:
  - increase exposure to large businesses, where exposure does normally not exceed EUR 3 million;
  - increase exposure to individuals, farmers and SMEs, where exposure does normally not exceed EUR 1.5 million;
  - increasing the quality of insurance and their suitability for reducing capital requirements;
  - increasing the proportion of customers with credit ratings A and B;
- focus primarily on clients to whom it can provide independent and comprehensive financing, together with all other related banking services;
- assess, in the process of approving a loan or concluding another contract, the debtor's capacity to meet its obligations to the Bank (i.e. creditworthiness) and quality of collateral according to type and scope of collateral, in accordance with the Bank’s internal rules;
- monitor, throughout the duration of the business relationship with a customer, the customer’s operations and adequacy of received collateral;
- steer its credit portfolio and commercial activity into transactions, groups of businesses and regions which turn out to be characterised by a relatively lower credit risk and a relatively higher expected non-interest income;
- make use of the Early Warning System (EWS) for increased credit risk;
- intensify action for the recovery of past due default claims and/or the restructuring of non-performing exposures.

Save in exceptional circumstances and only on the basis of compelling arguments, the Group will not:
- finance acquisitions and new purchases of securities, business stakes and mutual fund shares when assessing increased risk;
- enter into new financing of heavily indebted customers, customers with bad credit ratings and customers that do not display adequate creditworthiness;
- grant loans when the only or predominant collateral is such with a strong correlation between the customer's creditworthiness and the value of collateral;
- finance legal entities engaged in shadow banking;
- finance projects associated with the speculative financing of property.

In risk-taking and managing **market risks**, the Group will:
- maintain the volume of its securities investments portfolio at a level that makes impact on capital requirements acceptable from the perspective of available capital.

The Group will not:
- increase its volume of equities above those stipulated in the Deželna banka Slovenije Group System of Limits;
- place liquidity surpluses into long-term debt securities that require in the calculation of capital requirements a risk weight for credit risk of more than 20% and increase the risk-based capital requirement for credit risk.

In risk-taking and managing **operational risks**, the Group will:
- consistently record and intensely monitor operational risk events;
- implement activities to reduce the frequency and impact of similar loss events arising out of operational risk;
- regularly examines and updates its business continuity plan.

The Group will not:
- engage in new transactions or spread its operations if that were to cause a considerable increase in the possibility of operational risk (loss) events.

In risk-taking and managing **interest rate risks**, the Group will:
- maintain the Bank's balance sheet interest rate structure so that it is adequately hedged against interest rate risk; in particular, it will use techniques of the so-called natural hedge against interest rate risk, without the use of derivatives;
- ensure that the maximum loss of total or Tier I capital in any of the six stress scenarios, calculated in accordance with the Methodology for Calculating Internal Capital Requirements does not exceed 10% of the total or Tier I capital.

In risk-taking and managing **liquidity risk**, the Group will:
- adapt its liquidity risk taking and managing strategy to its size, taking into account the nature, scale and complexity of the business it conducts;
- maintain such a liquidity position and volume of liquidity reserves to meet the survival criteria in all stress scenarios as defined in the Methodology for Liquidity Stress Scenarios and Calculation of Liquidity Ratios, and identify appropriate measures to prevent and eliminate the causes of potential liquidity shortages;
- maintain a diversified pool of liquidity reserves in the form of cash and other highly liquid assets that are free from encumbrances and at the Bank's disposal at any time;
- review at least once a year the adequacy of its liquidity risk management strategy, policies, and procedures and the relevant liquidity position of the Bank.

In risk-taking and managing **profitability risk**, the Group will:
- ensure appropriate revenue composition or dispersion and proper expense management so as to maintain adequate profitability;
- intensively monitor all relevant internal and external factors affecting the Bank's profitability and take appropriate measures to prevent or reduce the negative impact on profitability;

- consistently abide by the tax legislation provisions and implement them in all areas of business. By having set up adequate internal control mechanisms and by correctly and timely filling in returns and paying due levies, it will make sure it is exposed to as low tax risks as possible.

In risk-taking and managing **capital risk**, the Group will:
- maintain such a volume of regulatory capital with which it could cover all potential risks it is exposed to according to the internal assessment of capital requirements and needs in accordance with the Methodology for Calculating Internal Capital Requirements;
- maintain the volume of regulatory capital as required by the regulator.

In risk-taking and managing **strategic risk**, the Group will:
- implement a conservative business strategy, thereby limiting exposure to strategic risk;
- intensely monitor its business environment and promptly respond to changes in it in order to decrease the Bank's exposure to strategic risk.

In risk-taking and managing **reputation risk**, the Group will:
- operate so as to reduce reputation or goodwill risk to the minimum. This means it will act ethically, in accordance with good business customs and practices, taking into account to the greatest extent possible the needs and expectations of the environment in which it operates (as to violations of regulations, legal disputes, involvement in money laundering and financing of terrorism and corruption, failure to comply with embargoes, international conventions and business regulations), and abide by its Code of Conduct.

The Group will not:
- pursue business practices and actions that could cause it to lose it reputation or goodwill.

In risk-taking and managing **leverage risk**, the Group will:
- maintain such a structure of financing that its financial leverage ratio remains above 3%. The stated percentage has not yet been specified by law and will only take effect with the implementation of CRR2 as at 28 June 2021. Notwithstanding the aforementioned, the Group will be monitoring the fulfilment of the required ratio on the principle of prudence as of now.

The Group has put in place a system of internal controls to control and limit the mentioned risks, which includes:
- internal controls: for this purpose it has adopted rules and procedures defined by the relevant instructions, rulebooks and other internal acts, and internal controls over the implementation of organisational, business procedures and work procedures; it has also set up a system of reporting with internal controls in the area of reporting, and a limit system including measures in case of breaches;
- internal control functions, which include the Risk Management Section, the Internal Audit Department, and the Operations Compliance Department.

The following is also of key importance to ensure long-term performance of the Group: distribution of competence and responsibility among management and supervisory bodies and other stakeholders; relations between them, and other factors, such as the Group's responsibility to environmental and societal interests of the community in which it operates, based on which the Group operates pursuant to applicable regulations, best practice standards in corporate governance and highest standards of professional ethics.

To monitor its operations and the related major risks that could affect its existence, the Group has laid down an array of quantitative indicators in the Group Restoration plan, which are capital and capital adequacy, liquidity, profitability, asset quality and macroeconomic indicators. Limit values have been set for each indicator, marking the point of commencement for internal processes based on the restoration plan. Recovery measures are stipulated to be intensified depending on achieving yellow or red limit values, enabling the Bank to react timely to the emergence of factors that could threaten its operation.

Quantitative Risk Indicators

Indicator	Category	Unit	Early intervention limit (Yellow Level)	Recovery decision-making limit (Red level)
Common Equity Tier 1 ratio (CET-1)	Equity	%	12.20	12.00
Total capital ratio	Equity	%	14.40	14.15
Leverage ratio	Equity	%	4.50	3.50
Liquidity coverage ratio (LCR)	Liquidity	%	125.00	110.00
Net stable funding ratio (NSFR)	Liquidity	%	125.00	110.00
Wholesale funding costs	Liquidity	T EUR	1000.00	2000.00
Return on assets (ROA)	Profitability	%	0.10	0.02
Return on equity (ROE) before tax	Profitability	%	1.50	0.01
Considerable operating losses	Profitability	T EUR	400.00	800.00
Net interest margin	Profitability	%	2.18	2.00
Gross non-performing loans growth rate	Asset quality	%	5.00	15.00
Coverage rate	Asset quality	%	25.00	20.00
Gross non-performing loans/total loans	Asset quality	%	20.00	25.00
GDP change	Macroeconomic indicators	%	0.00	(0.20)
Credit default swaps (CDS) related to sovereign debt	Macroeconomic indicators	b.p.	150.00	300.00

VIII.4. DESCRIPTION OF INFORMATION FLOW ON RISK TO THE MANAGEMENT BODY (Article 435 of the CRR, items 2d and 2e)

The description of the information flow on risk to the management body is disclosed in the annual report pursuant to Article 435 (2) (e). The Risk-taking and Risk Management Strategy defines, among other things, the responsibilities of the Supervisory Board, the Management Board and senior management regarding risk management. The Group's Risk Management Plan, which is an annex of the said Strategy, defines for each type of risk the types of reports to be made, the bodies that review them, the persons in charge, and frequency of reporting. Efficient risk management that includes the regular monitoring and reporting of risks, enables timely responses upon predetermined levels of risk acceptability, thus even before the top limit value is reached. Risks are promptly presented to the management body, senior management, the Internal Audit Department and the Operations Compliance Department.

The Management Board actively takes part in risk management through relevant committees and based on materials prepared to this effect by the Risk Management Section. The Group has also adopted the Concise Risk Statement Approved by the Management Body, establishing and describing the predefined overall risk profile, including individual risk levels that the Group is ready to take with a view to realising its strategic objectives given its risk tolerance. The Concise Risk Statement Approved by the Management Body is presented in detail in Chapter VIII.3. The Group regularly updates its Risk-taking and Risk Management Strategy, a uniform document stating its objectives and general orientations for taking and managing key risks that the Group is exposed to in its operations. Risk is monitored by the Risk Management Section, which is in charge of, among other things, designing and updating individual strategies and policies of risk-taking and risk management, overseeing their implementation, continually improving the system of monitoring and controlling all major types of risk, and preparing in-house reports and reports for regulators. The Group has also set up the Asset and Liability Management Board (ALM Board) and the Risk Committee of the Supervisory Board, which – together with the Supervisory Board and senior management – promptly monitor the Group's exposure to risk, its risk profile and its risk appetite.

The Supervisory Board gives consent to the Bank's business policy and financial plan as proposed by the Management Board, assesses the adequacy of risk-taking and risk management strategies and policies with the establishment of an internal controls system and gives consent to planned excesses over the threshold of large exposure. The Bank's

Management Board approves and reviews strategies and policies, and ensures that they remain up to date regarding the changes in the internal and external environment. The Board also ensures their coherence, and proportionality within risks that the Group is or could be exposed to in its operation. On a regular basis, or at least once a year, the Management Board also monitors and verifies the effectiveness of the management system, ensures a clear and documented decision-making process for major issues and establishes a clear delimitation of competences and tasks, approves or confirms the limit system, encourages improvements of organisational culture, which contributes to fair and proper execution of business operations, and keeps the Bank's Supervisory Board informed of the management system. Senior management devises and implements the strategy and policies, informs management bodies of risks, establishes and maintains the risk management process and internal control system, establishes procedures and devised instructions or orientations to execute the Bank's risk-taking business operations, and establishes and controls limits for reducing risk exposure.

Providing information to relevant organisational units is ensured by having decisions of the Management Board and the related documents sent to directors or heads of units that the amendments concern when such documents are amended. Each document also states which organisational units are responsible to devise, or take part in devising, amendments to the document. The Bank's Management Board has also appointed an Operations Compliance Officer who participates in preparing amendments to internal acts, including those related to risks.

IX. DEVELOPMENT OF THE BANK

IX.1. INVESTMENTS

For several years now, the Bank has devoted a lot of attention to refurbishing its branches or moving them to technically and spatially more appropriate locations, as well as into making them compliant with security and other banking standards. The level of security maintained is consistent with the security standards of the Bank Association of Slovenia.

In addition to the Bank's branch network, the most investment funds in 2019 were dedicated to IT. In line with the updated information technology development strategy and information technology investment plan for 2019, it upgraded the banking information and communication infrastructure to establish a comprehensive redundancy infrastructure to ensure the continuous operation of the bank's information system in high availability mode. The investments primarily included the replacement of outdated and worn out peripheral equipment, the refurbishment of the bank's email system, the overhaul of the backup and data recovery system, the replacement of central switches on the banking backbone network, the upgrading of the email security device, the optimisation of the safety information and occurrences management system, and other investments in communications equipment to ensure information security. At the end of the year, the Bank began refurbishing ATMs in its network in line with the adopted ATM strategy. Activities related to the ATM network revamp will continue in 2020.

IX.2. INFORMATICS AND BANKING TECHNOLOGY

In the area of application software development, the Bank made all necessary adjustments to application support within its own banking information system, thus meeting both regulatory requirements and the needs of its business processes. Major projects include the adaptation of the system for immediate reporting to the SISBON system, integration in the BIPS IP payment system, the implementation of a project to adapt the banking information system to introduce payment services in accordance with the new PSD2 Payment Services Directive, i.e. payment ordering services and services of providing information on billing, and the introduction of a new strong authentication process using Rekono, which is based on e-identification and two-factor authentication, providing a high level of reliability in proving the identity of users of online and mobile banks. Regarding the data warehouse, the Bank has captured the missing resources and produced new area repositories and reports, while updating the document system to a higher version and optimising document flows. In 2019, it automated the collection and deletion or anonymisation of data in accordance with the requirements of the General Data Protection Regulation. Some projects, such upgrading the online banking site, introducing a user portal to activate the Flik Pay application, adapting application support for prompt reporting of corporate data to SISBIZ, reporting detailed information on securities financing transactions, risk assessment for managing money laundering and terrorist financing risks, and other adjustments that the bank has launched in 2019 will continue in 2020.

IX.3. INFORMATION AND CYBER SECURITY

With the development and digitisation of banking, new forms of information security and cyber threats are emerging that are changing constantly at the global level. The Bank is aware of the presence of these threats and provides adequate security to manage such risks by following the technological development and trends oriented towards connectivity, online presence and use and provision of online services also with regard to security.

Through information and cyber security measures and activities, the Bank is always striving to ensure the confidentiality, integrity and availability of data and its information system. The resilience of the banking information system against cyber threats is regularly assessed and evaluated, and appropriate corrective measures are taken accordingly to address the security risks exposed.

Based on the above, the Bank introduces and implements organisational and technical measures based on a sound management framework in line with the guidelines, expectations and recommendations of the European

Banking Authority and the Bank of Slovenia and good practice in the field of information security and technology.

To monitor and control information security procedures aimed at preventing unauthorised access to or alteration of information in storage, processing, or transfer, including the management of related risks, in 2019, the Bank established the Information Security Management position within its Information Security Department.

In 2019, however, the Bank continued to invest regularly in the development of information and cyber security. In addition, it continues to ensure that cyber security is not adversely affected by business processes and the organisation of work, and that cyber security is always considered as an important aspect in evaluating the viability and the way in which a particular business process is implemented.

IX.4. MARKETING AND COMMUNICATION

In 2019, the Bank devoted the majority of its marketing and sales activities to attracting new customers, while also informing its existing customers of the current offers, novelties and changes in the Bank's operations. Having been traditionally devoted to the agro-food sector and the countryside, the Bank still pays special attention to these sectors consistent with its strategic orientation. Operating a business network of 79 branches across Slovenia, the Bank has maintained an image of a universal bank, while also approaching the general population.

One of the information channels the Bank uses for external communication is its website, which the Marketing and Communications Department updates regularly with relevant information regarding the Bank's operation. The bank is also present on Facebook and LinkedIn and a YouTube channel. All these channels and the e-bank enable two-way communication with customers, who have the opportunity to submit questions, suggestions, compliments and complaints online, and the Bank tries to answer them promptly and professionally. An intranet portal is used for internal communication in the Bank.

Publications and analyses of individual media and institutions again ranked the Bank among the lowest-cost banking providers in Slovenia. Studies of various media found the Bank the most cost-effective for cash loans, and it was ranked among the top three in the category "most favourable bank in 2019" and in the offer for high school and college students. It was also ranked third overall in the "best basic range of banking services for high school and college students" category.

The Bank's presence in fairs in 2019 was no different than in previous years. It was traditionally part of the central agricultural and agro-food event in Slovenia, the International Agricultural and Food Fair Agra in Gornja Radgona, with its stand and presentation. For the occasion, a special offer was formed in the Bank and promotional gifts were given to numerous visitors to the fair. The fair is also an important occasion for the Bank, enabling us numerous commercial and individual meetings with our customers. In spring and autumn of 2019, the Bank also participated in the agriculture and crafts fair in Komenda, and in spring also in the Gregor's Fair in Novo mesto.

As a socially responsible institution, in 2019 the Bank has continued to give back to the environment in which it operates through sponsorships and donations. Local sponsorships are aimed at strengthening relationships with local communities and stimulating their development, whereas those at the national level are complementary to co-operation at the local level. The projects we have supported include the Ognjišče Radio Gala evening, the Woman of the Year event and the Wine Queen event. Last year, the bank supported with a financial donation the humanitarian project Chain of Good People run by The Association of Friends of Youth Ljubljana Moste-Polje. It is a country-wide project whose primary goal is for families that are socially and economically disadvantaged to gradually solve the problems that they encounter and to stand on their own two feet. The Bank included its employees in the project and introduced the so-called voluntary entrance fee in the form of foods with a longer shelf life at the traditional May picnic. To the pleasant surprise of all, more than 250 kilograms of essential foods were collected. With this, Bank employees have shown extraordinary warmth and understanding for families with children who are fighting the battle for survival every day and are in dire need of food aid.

We again participated as a sponsor in the Agrobiznis project, which is implemented by the Finance paper. It is a project that purposefully and actively promotes the development of entrepreneurship and the introduction of new technologies in agriculture, and presents examples of good practices to the general and business public, while also awarding the best of them. Participation in this project is positive for the Bank in terms of positioning and strengthening the brand in the wider business community in the agri-food market. We further expanded our cooperation by sponsoring the Agrobiznis Hi-tech competition, which seeks providers and users of high-tech solutions for efficient and environmentally friendly production and processing of food with reduced consumption of natural resources, energy (electricity and heat) and basic resources. As part of this competition, as a bank, we participated in the final selection of the winner and in the closing round table discussion.

We have performed three different media campaigns to promote sales in areas of transaction accounts, housing loans and Activa MasterCard with the instalment payment option. Through campaigns, we highlighted the benefits of individual services, thereby increasing the awareness in the general population our specific offer. We were focusing primarily on digital advertising, which is measurable and allows adjustments over the course of the campaign to meet the goals set.

Coverage in various Slovenian media is monitored daily. Based on media coverage, an analysis of the Bank's media appearances is made annually to assess the reputation indicators and plan our corporate communication. Due to the increased interest in reporting on the Bank's owners, we expanded the number of keywords, and taking into account the aspect of managing the reputation risk, began to monitor the owners also in the part that is not connected to our Bank.

In 2019, we recorded over 880 different media reports related to the Bank, and over 1100 reports overall. The majority of coverage was from the field of Bank operations, activities of representatives of the Bank's owners, and the Bank as a sponsor of various events or projects.

IX.5. HUMAN RESOURCE MANAGEMENT

IX.5.1. HUMAN RESOURCE POLICY

Due to rapid changes in the business environment, the Bank's needs for capabilities and knowledge change rapidly as well, which requires constant adaptations. HR management activities are in line with the Bank's development strategy and tailored to the daily needs of the extensive branch network and changing legislation.

The Bank has adopted the Risk-taking and Risk Management Policy for HR Risk, which is adapted to the size of the Bank, taking into consideration the nature and complexity of our activities. Within this process, the Human Resources Management and Organisation Department assesses continually the competence, education and experience of staff with regard to the task they perform, defines key members of staff, proposes changes to the Remuneration Policy, records potential breaches of labour legislation and other acts, and proposes the adoption of measures to prevent repeat violations. Together with the Management Board and managerial staff, the Department assesses the HR risk level by holding regular interviews with the employees.

As at 31 December 2019, the Bank had 354 employees, 14 more than the previous year-end. The Bank replaced absent staff selectively: hiring new staff from the market only happened when the Bank did not have suitable existing employees that could be reassigned to other posts. In 2020, the HR policy will rest on top quality professionals, the promotion of loyalty to the Bank and its values, and the gradual increase in the proportion of younger staff.

Employees by education profile are presented in Chapter VII.4. Human Resource Management.

Employees by gender, for the Bank
31 Dec 2019

	Women	Men	Total
No. of staff	280	74	354
Share of staff (in %)	79	21	100

31 Dec 2018

	Women	Men	Total
No. of staff	270	70	340
Share of staff (in %)	79	21	100

The average age of employees as at 31 December 2019 was 46, whereby 3.39% of staff had limited capability for work.

As assessed by the Bank, the education profile of all employees in the Bank is adequate with regard to the needs of the business process; 60% of the Bank's employees having at least higher education, and 40% having intermediate or lower education.

The fluctuation level in the Bank is below the Slovenian average, the largest number of employees leaving the bank due to retirement or mutual termination of the employment relationship.

IX.5.2. RECRUITMENT POLICY

Disclosure of Recruitment Policy for the Selection of Members of the Management Body in Deželna banka Slovenije d. d.

The selection and appointment of members of the management body of Deželna banka Slovenije d. d. are regulated pursuant to the Slovene legislation in force, recommendations of the Bank of Slovenia, the European Banking Authority (EBA) regulation and Bank's internal acts.

The Bank's Recruitment Policy for the Selection of Members of the Management Body lays down the criteria for the selection and appointment of members of the management body, a body which consists of the Bank's Management Board and Supervisory Board. The overall composition must ensure that members of the management body have the requisite expertise, skills and experience needed for an in-depth understanding of the Bank's operations and the risks it is exposed to, and that members are able to commit sufficient time to working in the Bank. Composition of the management body has to be ensured to comprise complementary and diverse competences of its individual members. Diversity in the body's composition is reflected in its members' diverse professional experience and know-how, age, education, expertise and personal characteristics.

Adequate knowledge, skills and experience are considered to comprise theoretical experience gained through education and training, practical experience gained at previous positions, and knowledge and skills gained and proven by the member through their business conduct.

The Supervisory Board Nomination Committee identifies and recommends to the Supervisory Board candidates for members of the Management Board, and identifies and recommends to the Bank's General Meeting candidates for members of the Supervisory Board. It also determines the tasks and requirements for each appointment, and assesses the estimated time needed for the member of a management body to perform their function. The Bank informs the member of the estimated time they should dedicate to their duties, and may require confirmation from the member that they can in fact allocate sufficient time to working in the Bank.

The Supervisory Board Nomination Committee assesses once a year the structure, size, composition, and efficacy of the Management Board and Supervisory Board, and based on that devises recommendations with regard to potential changes.

IX.5.3. EMPLOYEE TRAINING

In 2019, the Bank's employees attended various training and education courses to gain adequate expert competence. The major part of education was held to ensure improvement and training to meet the requirements of various work processes, for areas of banking and finance, marketing of non-bank products, information technology, and due to various legislative changes and developments.

Internal training courses were held in the Bank in cooperation with our expert colleagues, and external courses were held in cooperation with the Bank Association of Slovenia Education Centre and other expert institutions. We were also using e-learning courses.

Staff development is also ensured based on annual development interviews that are used to assess the set tasks and employee competences, and to devise goals for the upcoming financial period.

In the recruitment procedure for vacant posts, existing employees are prioritised, thus given the opportunity to acquire new knowledge and be promoted, while the staff structure of each organisational unit is also restructured internally.

The employees achieving above average work results are rewarded each three months pursuant to the Rules on Employee Performance, Promotions and Remuneration in Deželna banka Slovenije d. d. Each year, employees are rewarded for having worked in the bank continuously for a period of time by receiving performance bonuses. There is also a scholarship system for children of deceased employees and a solidarity aid system for employees that might need it.

IX.5.4. REMUNERATION POLICY

Information concerning the decision-making process used for determining the remuneration policy (Article 450 (a) of Regulation (EU) No 575/2013)

The Policy, which is applied at Group level, was designed on the basis of the Banking Act (ZBan-2), the Bank of Slovenia Resolution on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, Commission Delegated Regulation (EU) No 604/2014 and Delegated Regulation (EU) No 527/2014, as well as Guidelines on Sound Remuneration Policies in accordance with articles 74(3) and 75(2) of the Directive 2013/36/EU, and disclosures in accordance with Article 450 of the Regulation (EU) No 575/2013.

The Bank's remuneration policy reflects the Bank's position inside the Slovene banking sector, its internal organisation, the nature, volume and complexity of the Bank's business and the Bank's financial standing, and is based on the results of the Bank, an individual organisational unit and individual employees.

Its objective is to set up a remuneration framework defining remuneration types and the criteria and rules on the basis of which employees receive payment.

The Supervisory Board has the authority to approve the Remuneration Policy once it is adopted by the Management Board, and it also has the competences that the Banking Act (ZBan-2) provides for a remuneration committee. The Supervisory Board makes independent professional assessments of remuneration policies and practices. These assessments constitute a basis for its forming and adopting proposals for the management body to make decisions regarding the remuneration that impacts risk, risk management, capital and liquidity. The Supervisory Board also oversees the remuneration of senior management and employees with control functions.

Information on the link between pay and performance (Article 450 (b) of Regulation (EU) No 575/2013)

Remuneration of staff with work of a special nature is defined in their contract of employment, and consists of a fixed and variable component. The variable component is not a major factor in the overall remuneration amount but it represents an efficient motivation pushing employees to reach or even exceed targets. Fixed remuneration is a high enough share of total employees' earnings for the Bank to be able to pursue an entirely flexible variable pay policy.

The total variable remuneration depends on the achievement of the projected results of the Bank.

The most important design characteristics of the remuneration system (Article 450 (c) of Regulation (EU) No 575/2013)

Having been devised pursuant to national and European legislation and taking into account the principle of proportionality, the Remuneration Policy of Deželna banka Slovenije d. d. reflects the size, internal organisation, nature, scope and complexity of transactions, i.e. the Bank's activity.
These are the fundamental principles of the Remuneration Policy:
- the remuneration policy is compatible with and encourages wise and efficient risk management; exposure to risks above the risk levels acceptable for the Bank is not stimulated;
- the remuneration policy complies with the Bank's business strategy, goals, values and long-term interests, and it includes measures to prevent conflicts of interest;
- employees with control functions are independent from the business units they oversee; they have the required competences and receive adequate remuneration proportionate to meeting targets associated with their functions, independent of the performance of the business units they oversee.

The Bank has determined – taking into account its size, nature, volume and complexity of its operations – that the total variable pay amount for all Identified Staff, if not exceeding EUR 50,000 annually, does not represent variable remuneration for the purposes from Article 170 (1), items 7 and 8, of the Banking Act (ZBan-2).

Variable remuneration, including deferred components, is paid and becomes payable only if this is financially sound considering the financial standing of the Bank as a whole, and if it is justified with the Bank's and each individual's performance.

The ratio between fixed and variable remuneration (Article 450 (d) of Regulation (EU) No 575/2013

The Remuneration Policy clearly differentiates between the criteria for determining::
- fixed remuneration, which should particularly reflect professional experience and level of the person's responsibility in the Bank, as laid down in the description of a person's duties, which constitute conditions of employment, and
- variable remuneration, which must reflect sustainable and risk-weighted performance above the expected performance level, as laid down in the description of a person's duties, which constitute conditions of employment. The variable component is based on a combination of the performance review of an individual and their business and organisational unit, and the Bank's overall financial result.

The necessary preconditions for variable pay are the Bank's reporting a profit and its reaching all fundamental targets.

Variable remuneration of Identified Staff may not exceed 100% of their fixed remuneration, and the remuneration of the holders of independent internal controls may not exceed 50% of their fixed remuneration.

Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based
(Article 450 (e) of Regulation (EU) No 575/2013)

Performance criteria are laid down at the beginning of a financial year for the ongoing financial year. They are tailored to an individual's level of responsibility and the Bank's risks and capital requirements. Performance criteria in respect of other forms of variable remuneration for Identified staff are determined subject to the conditions and rules for variable remuneration.

Criteria to evaluate each individual's performance level

In addition to financial performance, other, non-financial criteria are also relevant to the Bank's generation of long-term value and are therefore taken into account; they include compliance with the valid rules and ethical standards, fostering innovation, acquired knowledge, personal development, respect of internal controls, devotion to the Bank's strategy and policies, successful risk management and internal controls, cooperation with other organisational units, particularly with internal control functions, contribution to teamwork, contribution to the development of junior staff, staff and customer satisfaction, concern for the Bank's reputation, attainment of own objectives, results-oriented approach, proper, diligent, professional and timely performance of work tasks, quality of written materials, concern for transfer of knowledge, and education.

Employees with control functions are independent from the business units they oversee; they have the required competences and receive adequate remuneration proportionate to meeting targets associated with their functions, independent of the performance of the business units they oversee.

Criteria at the level of an organisational unit

Commercial functions
a) Quantitative criteria: account shall be taken of meeting or exceeding the sales plan and the planned action for recovery, the success rate of streamlining the organisational unit, profitability of operations.
b) Qualitative criteria: criteria important for creating long-term value of the Bank, including respect of rules and ethical standards, proposals made and proposed innovations, respect of internal controls, dedication to the strategy and policies of the Bank, effectiveness of risk management and internal control, collaboration skills, particularly with internal control functions, teamwork and motivation, concern for the transfer of know-how, quality of written products, compliance with deadlines, satisfaction of employees and customers, concern for the Bank's reputation.

Control or oversight functions
a) Qualitative criteria: non-financial criteria, including compliance with the valid rules and ethical standards, proposed innovations or their number, respect of internal controls, devotion to the Bank's strategy and risk policies, successful risk management and internal controls, quality of cooperation, teamwork and motivation, concern for the transmission of knowledge, quality of written materials, respect for time limits, staff and customer satisfaction, concern for the reputation of the Bank.

Unethical behaviour and behaviour incompatible with regulations and internal acts cannot be replaced by financial success.

The main parameters and rationale for any variable component scheme and any other non-cash benefits
(Article 450 (f) of Regulation (EU) No 575/2013)

The methodology for calculating pay under the collective labour agreement, the method of forming and distributing the aggregate volume of variable pay, and the system of promotions and remuneration for employees are governed by the Rules on Employee Performance, Promotions and Remuneration in Deželna banka Slovenije d. d.

Eligibility criteria for variable remuneration of staff with work of a special nature are stipulated in the Remuneration

Policy. They are based on a combination of collective and individual performance criteria, taking into account the Bank's performance, the performance of an individual's organisational unit and the individual employee's performance. The criteria and their weight depend on whether Identified Staff have a commercial or control function.

The methodology for the assessment of Identified Staff is detailed in the internal Rules on the Annual Development Interview and Assessment of Identified Staff

Bank's performance	Criteria	Assessment				
	Quantitative criteria	Objectives not achieved	Objectives achieve			
Performance of the parent bank	Quantitative criteria and qualitative criteria	Objectives not achieved (1)	Objectives achieved (2)	Objectives exceeded (3)	Objectives mostly exceeded (4)	Objec-tives fully exceeded (5)
Individual's performance	Quantitative criteria and qualitative criteria	Objectives not achieved (1)	Objectives achieved (2)	Objectives exceeded (3)	Objectives mostly exceeded (4)	Objec-tives fully exceeded (5)

Business success of the bank is a prerequisite for variable remuneration.

Identified Staff meet the criteria for variable remuneration when the following has been achieved:
- average score of 4 when assessing tasks, assignments and projects,
- at least two realised internal or external training courses, and
- average score of 4 when assessing competences.

The impact of these criteria on the total variable remuneration percentage equals 20%, and 50% when the employee has control functions.

The remuneration condition is fulfilled when the total score of an organisational unit:
- when using quantitative criteria, exceeds the average score of 3 - objectives exceeded, and
- when using qualitative criteria, exceeds the average score of 4.

For commercial functions, the impact of quantitative and qualitative criteria on the total variable remuneration percentage equals 40%. For control or oversight functions, the impact of qualitative criteria on the total variable remuneration percentage equals 50%.

Aggregate quantitative information on remuneration, broken down by business area (Article 450 (g) of Regulation (EU) No 575/2013)

	Supervisory Board	Management Board	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	Other
Members (number of employees)	6	2						
Number of identified staff in terms of FTE				7.99		5.80	2.70	4.00
Number of identified staff in senior management positions				9		7	5	5
Total fixed remuneration (in EUR)	125,993.38	327,103.20		507,709.50		366,219.83	158,370.21	250,644.24
Total fixed in cash	125,993.38	327,103.20		507,709.50		366,219.83	158,370.21	250,644.24
Total fixed in equity								
Total fixed in other instruments								

	Supervisory Board	Management Board	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	Other
Total variable remuneration (in EUR)		6,325.36		2,353.17		1,537.80	775.22	1,230.16
Total variable in cash		6,325.36		2,353.17		1,537.80	775.22	1,230.16
Total variable in equity								
Total variable in other instruments								
Total amount of variable remuneration deferred in year N (in EUR)								
Additional information on amount of total variable remuneration								
No. of employees eligible to severance pay								
Total severance paid in year N (in EUR)								
Maximum severance paid to individual (in EUR)								

The table shows remuneration amounts for 2019, aggregated according to business segments.

Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the Bank's risk profile, and total remuneration for each member of the management body or senior management (Article 450 (h) of Regulation (EU) No 575/2013)

The required information is disclosed in the Financial Report (Chapter 4.36. Related party transactions).

X. INTERNAL AUDIT DEPARTMENT

The Internal Audit Department operates in accordance with the Banking Act, the International Standards for the Professional Practice of Internal Auditing, the Code of Professional Ethics of Internal Auditors, and the Internal Audit Code of Ethics. The Department's operations are based on the Rules of Operation of the Deželna banka Slovenije d. d. Internal Audit Department, which stipulate its powers, responsibilities and operations.

It is a standalone independent organisational unit, functionally and organisationally separate from other units and directly subordinated to the Management Board, which ensures it can act independently. It regularly reports its findings and on its operations to the Management Board, Audit Committee and Supervisory Board.

The Internal Audit Department makes independent and impartial assurances with regard to the quality and effectiveness internal governance arrangement, risk management, and the functioning of internal controls, thus contributing to improved functioning of the Bank and achieving its objectives. Its duties and responsibilities are carried out in accordance with the annual work plan approved by the Bank's Management Board and confirmed by the Supervisory Board.

In 2019, the Department carried out 17 periodic and 5 extraordinary internal audits. All internal audit reports were discussed by the Bank's Management Board, with half-yearly reports also reviewed by the Audit Committee and Supervisory Board. The planned audits were based on risk analysis and regulatory requirements. The audits focused on credit risk auditing, including the management of non-performing exposures and operational risk, auditing of the subsidiary, information technology risks, outsourcing and property management. An audit of the remediation plan and the implementation of the remuneration policy was carried out. The Department monitored compliance with the recommendations made on a monthly basis. The Internal Audit Department submitted quarterly reports on the implementation of recommendations to the Management Board, the Audit Committee and the Supervisory Board.

The Department also engaged in advisory activities in 2019, and coordinated the audits carried out by external supervisory institutions. It also coordinated the process of selecting the external auditor of the financial statements, signing the contract with the external auditor and the course of the final audit.

The Department had a staff of four internal auditors at the end of 2019. They all have a deep insight into banking processes, key risks and the auditing profession, and regularly attend trainings. Three employees have acquired professional titles in the field of auditing. In 2019, an external quality assurance of operation of the Internal Audit Department was also carried out, which confirmed the compliance of the Department's work with the International Standards for the Professional Practice of Internal Auditing, its independence and impartiality.

XI. EVENTS AFTER THE 2019 FINANCIAL YEAR

In 2019, the Bank initiated the sale of its subsidiary Semenarna Ljubljana, d. o. o., which was completed in March 2020.

At the beginning of March 2020, the first case of the new SARS-CoV-2 infection emerged in Slovenia, and the virus began to spread rapidly across the country. In this regard, the Bank immediately introduced all the preventive measures recommended by the National Institute of Public Health and those it deems necessary. It duly called upon employees to implement increased hygiene and protective measures, made recommendations to customers regarding banking operations, prepared a DBS Emergency Plan during the Epidemic, envisaged additional measures to ensure smooth operations, convened a Crisis Team and further adopted appropriate decisions and related measures also based on the current decisions of the Government of the Republic of Slovenia, depending on the spread of the new virus.

On 18 March, the Government of the Republic of Slovenia approved the so-called intervention legislative proposal, which for companies, cooperatives, sole proprietors and farmers defers payment of obligations for 12 months, and sent it to parliament to be adopted under the urgent procedure. The conditions laid down by law for the bank to grant a deferral of payment are: the company must be solvent, have no tax debt, and prove that it has suffered damage due to the epidemic. Banks are obliged to grant a deferral to everybody who has ceased business in order to protect the population from the spread of the new virus. Otherwise, the borrowers, companies and sole proprietors have to arrange the deferral of obligation in agreement with the individual bank and file an appropriate application with regard to the current situation.

Given the EBA's interpretations, due to the systemic nature of the measure, the moratorium on loans does not constitute a default event, nor does it constitute restructuring or increased credit risk, which would be the reason for the transfer to stage 2 under IFRS9. From this point of view, we estimate that the current credit risk will not be increased; rather, we believe that it will be shifted to the period after the moratorium. However, the actual impact of the crisis will depend primarily on the duration of the crisis, as well as on the country's mitigation measures to help the affected businesses and the population. Due to the adopted intervention act, which gives clients the right to moratorium, and the banks the obligation to approve it, the banks will not receive the principal during the approved moratoriums, but interest will continue to be charged, based on which there will be no impact on the bank's revenues.

The intervention act and the one-year deferral of repayments will not have a significant impact on the Bank's liquidity, since the Bank has already envisaged an increase in lending in the annual plan for 2020, which also includes the full replacement of existing maturities. In the event of loss of estimated inflows and their effects on the liquidity, the Bank has formed reserves composed of the assets in the bank's account, the portfolio of bonds that the bank may sell or pledge in the event of liquidity needs to obtain adequate liquidity, and bank loans to the state that the bank may at any time use or pledge to obtain liquidity through operations of the central bank.

The Bank has an adequate amount of formed capital ratios, including the so-called capital buffer, which is intended primarily for crisis situations. The ultimate impact on the Bank's operations will depend primarily on the duration of the epidemic and its impact on the economy itself, which cannot be predicted. The state has been preparing measures to help companies overcome the situation.

No other relevant events occurred between the end of the reporting period and the date of the financial statements, such as would have an impact on the operations of the DBS Bank and Group.

FINANCIAL STATEMENTS

CONTENTS

Deželna banka Slovenije Group
and
Deželna banka Slovenije d. d.

Financial Statements under International Financial Reporting Standards for the year ended 31 December 2019

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management Board hereby approves the financial statements of the Deželna banka Slovenije Group and Deželna banka Slovenije d. d. for the year ended 31 December 2019 (pages 70 to 74 of the Annual Report), along with the accounting policies used and notes to the financial statements (pages 75 to 172 of the Annual Report).

We hereby reaffirm our responsibility for the Annual Report, which is a true and fair presentation of financial standing of the Group and the Bank as at 31 December 2019, and for the results of their operations for the year ended on the same day.

The Management Board confirms that suitable accounting policies were consistently adhered to, and that accounting estimates were conducted in accordance with fair value. The financial statements were drawn up on the assumption of going concern and pursuant to the legislation and stipulations of International Financial Reporting Standards as adopted by the European Union.

The Management Board is responsible for the appropriate management of accounts, for the adoption of the measures required to safeguard company assets, and for the detection and prevention of fraud and other irregularities and illegal activities.

The Tax Authority may conduct a tax inspection of the current reporting period any time within the following five years, and in this connection impose additional tax assessments and penalties. The Management Board knows of no circumstances that could give rise to a potential material liability in this regard.

BANK MANAGEMENT BOARD:

Member of the Management Board:
Barbara Cerovšek Zupančič MSc

President of the Management Board:
Marko Rozman

Ljubljana, 17 April 2020

INDEPENDENT AUDITOR'S REPORT

MAZARS

Independent Auditor's Report

To the shareholders of DEŽELNA BANKA SLOVENIJE d.d.

Opinion

We have audited the separate financial statements of DEŽELNA BANKA SLOVENIJE d.d. (the Company) and the consolidated financial statements of DBS Group (the Group), which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2019, the income statement and the consolidated income statement, the statement of other comprehensive income and the consolidated statement of other comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the company DEŽELNA BANKA SLOVENIJE d.d. and DBS Group as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis for Opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters and the audit procedures in connection to the key audit matters are described below.

Impairment of loans to customers

As at 31 December 2019, the Company presented in the separate financial statements, gross loans to customers, measured at amortised costs, in the total amount of EUR 759,6 Mio and related impairment allowance of 14,1 EUR Mio. As at 31 December 2019, the Group presented in the consolidated financial statements, gross loans to customers, measured at amortised costs, in the total amount of EUR 762,5 Mio and related impairment allowance of 15,5 EUR Mio.

Impairment allowances represent the Management Board's best estimate of the expected credit losses within the loans to customers at the reporting date. We have focused on this area as the determination of impairment allowances requires a significant amount of judgment from the Management Board over both the timing of recognition and the amounts of any such impairment. In calculating allowances, the Bank and the Group apply the financial instruments standard IFRS 9 Financial Instruments, whose impairment requirements are based on the expected credit loss (ECL) model. The model uses a dual-measurement approach, under which the impairment allowance is measured as either 12-months expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

Our audit procedures in this area included, among others:

- Overviewing the Bank's and the Group's ECL provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9.
- As part of the above, we challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level risks;
- Making relevant inquiries of the Bank's and the Group's risk management and information technology (IT) personnel to obtain an understanding of the provisioning process,
- Gathering additional information about provisioning process, IT applications used therein, as well as key data sources and assumptions for data used in the ECL model.

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Mazars d. o. o., Verovškova ulica 55a, 1000 Ljubljana
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Osnovni kapital: 15.000,00 EUR • Matična številka: 3959023000 • Davčna št.: SI88105571

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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- Assessing and testing of IT control environment for data security and access, assisted by our own IT specialist;
- Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the identification of loss events and default, appropriateness of classification of exposures between performing and non-performing and their segmentation into homogenous groups, calculation of days past due, collateral valuations and calculation of the impairment allowances;

Impairment allowances for performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing retail exposures (Stage 3) are determined by modelling techniques.

Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment are incorporated into the model assumptions. The Bank is continuously recalibrating the model parameters which also required our increased attention in the audit.

With respect to the impairment accounting under IFRS 9:

- Assessing whether the definition of default and the IFRS 9 staging criteria were consistently applied;
- Evaluating the overall modelling approach of calculation of ECLs, including the calculation of main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD);
- Performing an analysis of the ECL-based impairment allowances and assessing their reasonableness based on inquiries of the credit risk management personnel.

For collective impairment allowance:

- Obtaining an understanding of the key internal rating models for loans, and assessing the reasonableness of the underlying assumptions, and the sufficiency of the data used by the management;
- Testing the underlying impairment models, assessed as significant, including approval and validation processes models;
- Obtaining the relevant forward looking information and macroeconomic forecasts used in the Bank's ECL assessment. Independently assessing the information by means of corroborating inquiries of the risk management;
- Challenging LGD and PD parameters, assessed as significant, by performing back-testing of historical default and by reference to historical realized losses on defaults;
- For a sample of exposures, assessing the appropriateness of the staging;
- For a sample of exposures, assessing the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;
- Critically assessing the rationale for the changes made to the model parameters in 2019, by reference to our understanding of the business, current economic trends and market practices;
- Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage;
- Evaluating the accuracy and completeness of the financial statement disclosures as required by standards.

For non-performing corporate exposures impaired individually, the impairment assessment is based on the analysis of each individual borrower and often on estimation of the fair value of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows analysis. For the above reasons, impairment of loans to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be our key audit matter.

For impairment allowances that are calculated individually:

- Selecting a sample of individual exposures, with focus on those with the greatest potential impact on the financial statements due to their magnitude and risk characteristics, as well as lower value items, which we independently assessed as high-risk, such as restructured or rescheduled exposures, loans to clients operating in higher risk and specific industries, non-performing exposures with low provision coverage, exposures with most significant changes in provision compared to 31 December 2018 and unsecured exposures;
- For the sample selected, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for transfer to other stages;
- For those loans where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Bank's estimates of future cash flows used in the impairment calculation, such as discount rates and collateral values, where relevant, with the assistance of independent valuation specialists engaged from our side;

Other information

Management is responsible for the other information. Other information comprise the information included in the Annual Report other than the separate and the consolidated financial statements and auditor`s report thereon.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements, legal requirements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the separate and consolidated financial statements is, in all materials respects, consistent with the separate and consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation;
- Based on the knowledge and understanding of the Company and Group obtained in the audit, on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, audit committee and the supervisory board for the separate and the consolidated financial statements

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

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

The audit committee and supervisory board are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the separate and the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and Regulation (EU) No 537/2014 of the European Parliament and of the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISA and Regulation (EU) No 537/2014 of the European Parliament and of the Council, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the separate and the consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We have sole responsibility for the audit opinion expressed.

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

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We communicate with the audit committee and the supervisory board 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 the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the supervisory board, we determine those matters, that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting obligations in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

Appointment and Approval of the Auditor

We were appointed as the statutory auditor of the Company's and Group's separate and consolidated financial statements by the Companies shareholders at the shareholders' meeting held on 31 May 2019 for the first time for financial years 2019 – 2022.

Consistence with the Additional Report to the 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 Company and Group, which we issued on 17 April 2020.

Provision of Non-Audit Services

We hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council to the audited Company and the Group, and that we ensured our independence from the audited Company and Group in conducting the audit.

Apart from statutory audit services and the services disclosed in the annual report and in the separate and consolidated financial statements, no other services which were provided by us to the Company and its controlled undertakings.

Ljubljana, 17. April 2020

MAZARS d.o.o.

Jure Marko
Certified auditor

This auditor's report is a direct translation from the Slovenian original enclosed to the financial statements for the financial year then ended and the summary of significant accounting policies and other explanatory information. The translation is for information purposes only and is not signed.

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I. Financial statements as at 31 December 2019

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

in EUR thousand

Code	Items	Note	Group DBS 1-12 2019	Group DBS 1-12 2018	DBS d. d. 1-12 2019	DBS d. d. 1-12 2018
1	Interest income		18,921	19,123	18,677	18,944
2	Interest expense		(1,647)	(1,655)	(1,648)	(1,656)
3	**Net interest income** (1 - 2)	3.1.	**17,274**	**17,468**	**17,029**	**17,288**
4	Dividends	3.2.	29	30	29	30
5	Fee (commission) income		10,153	9,589	10,173	9,615
6	Fee (commission) expense		(1,956)	(1,919)	(1,949)	(1,913)
7	**Net fee (commission) income** (5 - 6)	3.3.	**8,197**	**7,670**	**8,224**	**7,702**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	3.4.	895	5,697	895	5,697
9	Net gains/losses from financial assets and liabilities held for trading	3.5.	164	139	165	140
10	Foreign exchange translation	3.6.	3	(2)	2	(1)
11	Net gains/losses on derecognition of assets	3.7.	673	209	672	204
12	Other net operating gains/losses	3.8.	(1,672)	(1,527)	(1,808)	(1,704)
13	Administrative expenses	3.9.	(16,614)	(16,758)	(16,241)	(16,461)
14	Depreciation and amortisation	3.10.	(1,466)	(1,106)	(1,334)	(951)
15	Provisions	3.11.	(60)	(55)	(36)	(2)
16	Impairment charge	3.12.	(3,121)	(3,646)	(6,678)	(5,220)
17	Net gains/losses from non-current assets held for sale and related liabilities	3.13.	12	19	0	0
18	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + 7 + 8 + 9 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 17)		**4,314**	**8,138**	**919**	**6,722**
19	Income tax	3.14.	(197)	(1,281)	(193)	(1,281)
20	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (18 + 19)		**4,117**	**6,857**	**726**	**5,441**
21	Profit/loss from discontinued operations, net of tax	3.15.	(2,861)	715	0	0
22	**PROFIT/LOSS FOR THE YEAR** (20 + 21)		**1,256**	**7,572**	**726**	**5,441**
	a) Attributable to owners of the parent		1,256	7,572	726	5,441

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

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

in EUR thousand

Code	Items	Note	Group DBS 1-12 2019	Group DBS 1-12 2018	DBS d. d. 1-12 2019	DBS d. d. 1-12 2018
1	**PROFIT/LOSS FOR THE YEAR AFTER TAX**		**1,256**	**7,572**	**726**	**5,441**
2	**OTHER COMPREHENSIVE INCOME AFTER TAX** (3)		**(179)**	**(33)**	**(123)**	**(61)**
3	**ITEMS NOT TO BE RECLASSIFIED TO PROFIT/LOSS** (3.1 + 3.2 + 3.3 + 3.4)		**(179)**	**(33)**	**(123)**	**(61)**
3.1	Actuarial gains/losses on defined benefit pension plans	4.30.	(198)	63	(195)	63
3.2	Gains/losses associated with changes in the fair value of investments into equity instruments mesaured at fair value through other comprehensive income	4.4. b	66	(146)	66	(146)
3.3	Income tax relating to components of items not be reclassified to profit or loss		6	22	6	22
3.4	Gains/losses relating to non-current assets held for sale		(53)	28	0	0
4	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX** (1 + 2)		**1,077**	**7,539**	**603**	**5,380**
	a) Attributable to owners of the parent		1,077	7,539	603	5,380

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

in EUR thousand

			Group DBS		DBS d. d.	
Code	Items	Note	2019	2018	2019	2018
1	Cash, balances at central banks, and sight deposits at banks	4.1.	98,951	77,289	98,944	77,008
2	Financial assets held for trading	4.2.	110	0	110	0
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	4.3.	1,562	2,519	1,562	2,519
4	Financial assets measured at fair value through other comprehensive income	4.4.	3,041	2,994	3,041	2,993
5	Financial assets measured at amortised cost		874,601	859,755	873,099	856,449
	- Debt securities	4.5.	117,757	107,748	117,757	107,748
	- Loans and advances to banks	4.6.	6,618	6,698	6,618	6,698
	- Loans and advances to customers	4.7.	747,012	741,836	745,587	740,654
	- Other financial assets	4.8.	3,214	3,473	3,137	1,349
6	Long-term equity participation in subsidiaries, associates and joint ventures	4.9.	0	0	4,215	8,287
7	Tangible assets		28,715	52,789	28,209	33,713
	- Property, plant and equipment	4.10.	11,475	28,282	10,969	9,206
	- Investment property	4.11.	17,240	24,507	17,240	24,507
8	Intangible assets	4.12.	591	765	529	445
9	Income tax assets	4.13.	5,306	5,104	5,306	4,613
	- Current tax assets		528	0	528	0
	- Deferred tax assets		4,778	5,104	4,778	4,613
10	Other assets	4.14.	3,444	13,296	2,117	4,771
11	Non-current assets held for sale, and discontinued operations	4.15.	30,820	162	806	0
12	**TOTAL ASSETS** (from 1 to 11)		**1,047,141**	**1,014,673**	**1,017,938**	**990,798**
13	Financial liabilities held for trading	4.16.	110	0	110	0
14	Financial liabilities measured at amortised cost		951,010	941,000	951,249	924,156
	- Deposits by banks and central banks	4.17.	339	758	339	746
	- Deposits by customers	4.18.	894,724	864,250	894,987	864,650
	- Borrowings from banks and central banks	4.19.	51,498	64,660	51,498	53,758
	- Borrowings from customers	4.20.	0	503	0	0
	- Subordinated liabilities	4.21.	0	1,082	0	1,082
	- Other financial liabilities	4.22.	4,449	9,747	4,425	3,920
15	Provisions	4.24.	1,753	2,490	2,198	2,505
16	Income tax liabilities	4.25.	76	1,750	76	512
	- Current tax liabilities		73	566	73	510
	- Deferred tax liabilities		3	1,184	3	2
17	Other liabilities	4.26.	1,695	931	1,411	434
18	Liabilities relating to non-current assets held for sale and discontinued operations	4.27.	23,777	0	0	0
19	**TOTAL LIABILITIES** (from 13 to 18)		**978,421**	**946,171**	**955,044**	**927,607**
20	Share capital	4.28.	17,811	17,811	17,811	17,811
21	Share premium	4.29.	31,257	31,257	31,257	31,257
22	Accumulated other comprehensive income	4.30.	(752)	(573)	(670)	(547)
23	Revenue reserves	4.31.	14,378	11,701	14,378	11,701
24	Treasury shares	4.32.	(601)	(612)	(601)	(601)
25	Retained earnings (including profit/loss for the year)	4.33.	6,627	8,918	719	3,570
26	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 20 to 25)		**68,720**	**68,502**	**62,894**	**63,191**
27	TOTAL EQUITY (26)		68,720	68,502	62,894	63,191
28	**TOTAL EQUITY AND LIABILITIES** (19 + 27)		**1,047,141**	**1,014,673**	**1,017,938**	**990,798**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Group DBS

in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/loss for the year)	Treasury shares (deduction)	Equity attributable to owners of the parent (from 3 to 8)	Total equity (9)
1	2	3	4	5	6	7	8	9	10
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(573)**	**11,701**	**8,918**	**(612)**	**68,502**	**68,502**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(573)**	**11,701**	**8,918**	**(612)**	**68,502**	**68,502**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**(179)**	**0**	**1,256**	**0**	**1,077**	**1,077**
4	Dividends paid (accounted)	0	0	0	0	(892)	0	(892)	**(892)**
5	Allocation of net profit to revenue reserves	0	0	0	2,677	(2,677)	0	0	**0**
6	Other	0	0	0	0	22	11	33	**33**
7	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6)	**17,811**	**31,257**	**(752)**	**14,378**	**6,627**	**(601)**	**68,720**	**68,720**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Group DBS

in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/ loss for the year)		Equity attributable to owners of the parent (from 3 to 8)	Total equity (9)
1	2	3	4	5	6	7	8	9	10
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(390)**	**7,230**	**5,731**	**(657)**	**60,982**	**60,982**
2	Effects of transition to IFRS 9	0	0	(150)	0	574	0	424	**424**
3	**OPENING BALANCE FOR THE PERIOD** (1 + 2)	**17,811**	**31,257**	**(540)**	**7,230**	**6,305**	**(657)**	**61,406**	**61,406**
4	**Comprehensive income for the year (net of tax)**	**0**	**0**	**(33)**	**0**	**7,572**	**0**	**7,539**	**7,539**
5	Dividends/share bonuses paid (accounted)	0	0	0	(26)	0	44	18	**18**
6	Dividends paid (accounted)	0	0	0	(423)	(846)	0	(1,269)	**(1,269)**
7	Allocation of net profit to revenue reserves	0	0	0	4,920	(4,920)	0	0	**0**
8	Other	0	0	0	0	807	1	808	**808**
9	**CLOSING BALANCE FOR THE PERIOD** (3 + 4 + 5 + 6 + 7 + 8)	**17,811**	**31,257**	**(573)**	**11,701**	**8,918**	**(612)**	**68,502**	**68,502**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

DBS d. d. in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/ loss for the year)	Treasury shares (deduction)	Total equity (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(547)**	**11,701**	**3,570**	**(601)**	**63,191**
2	**OPENING BALANCE FOR THE PERIOD** (1)	**17,811**	**31,257**	**(547)**	**11,701**	**3,570**	**(601)**	**63,191**
3	**Comprehensive income for the year (net of tax)**	**0**	**0**	**(123)**	**0**	**726**	**0**	**603**
4	**Dividends paid (accounted)**	0	0	0	0	(892)	0	**(892)**
5	Allocation of net profit to revenue reserves	0	0	0	2,677	(2,677)	0	**0**
6	Other*	0	0	0	0	(8)	0	**(8)**
7	**CLOSING BALANCE FOR THE PERIOD** (2 + 3 + 4 + 5 + 6)	**17,811**	**31,257**	**(670)**	**14,378**	**719**	**(601)**	**62,894**
8	**ACCUMULATED PROFIT FOR THE YEAR**	**0**	**0**	**0**	**0**	**719**	**0**	**719**

* Losses on equities through other comprehensive income.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

DBS d. d. in EUR thousand

Code	Items	Share capital	Share premium	Accumulated other comprehensive income	Revenue reserves	Retained earnings (including profit/ loss for the year)	Treasury shares (deduction)	Total equity (from 3 to 8)
1	2	3	4	5	6	7	8	9
1	**OPENING BALANCE FOR THE PERIOD (before adjustment)**	**17,811**	**31,257**	**(335)**	**7,230**	**3,045**	**(645)**	**58,363**
2	Effects of transition to IFRS 9	0	0	(151)	0	635	0	**484**
3	**OPENING BALANCE FOR THE PERIOD** (1 + 2)	**17,811**	**31,257**	**(486)**	**7,230**	**3,680**	**(645)**	**58,847**
4	**Comprehensive income for the year (net of tax)**	**0**	**0**	**(61)**	**0**	**5,441**	**0**	**5,380**
5	Dividends/share bonuses paid (accounted)	0	0	0	(26)	0	44	**18**
6	Dividends paid (accounted)	0	0	0	(423)	(846)	0	**(1,269)**
7	Allocation of net profit to revenue reserves	0	0	0	4,920	(4,920)	0	**0**
8	Other*	0	0	0	0	215	0	**215**
9	**CLOSING BALANCE FOR THE PERIOD** (3 + 4 + 5 + 6 + 7 + 8)	**17,811**	**31,257**	**(547)**	**11,701**	**3,570**	**(601)**	**63,191**
10	**ACCUMULATED PROFIT FOR THE YEAR**	**0**	**0**	**0**	**0**	**3,570**	**0**	**3,570**

* Gains on equities through other comprehensive income.

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

in EUR thousand

Code	Items	Group DBS		DBS d. d.	
		2019	2018	2019	2018
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
a)	**Interest received**	**18,266**	**20,650**	**17,959**	**20,508**
	Interest paid	(2,117)	(2,157)	(2,117)	(1,775)
	Dividends received	29	30	29	30
	Fee and commission received	10,169	9,605	10,189	9,634
	Fee and commission paid	(1,956)	(2,689)	(1,949)	(1,913)
	Realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,046	119	1,046	82
	Realised losses on financial assets and liabilities not measured at fair value through profit or loss	(139)	0	(139)	0
	Net trading income	164	0	165	0
	Cash payments to employees and suppliers	(17,393)	(22,392)	(17,019)	(15,584)
	Other income	851	1,033	705	536
	Other expenses	(2,524)	(2,462)	(2,515)	(2,241)
	Cash flows from operating activities before changes in operating assets and liabilities	**6,396**	**1,737**	**6,354**	**9,277**
b)	**(Increases)/decreases in operating assets (no cash equivalents)**	**(8,712)**	**(28,480)**	**(8,931)**	**(34,216)**
	Net (increase)/decrease in financial assets held for trading	(98)	377	(98)	377
	Net (increase)/decrease in financial assets designated at fair value through profit or loss	962	0	962	0
	Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	11	641	11	641
	Net (increase)/decrease in loans and other financial assets measured at amortised cost	(7,917)	(33,569)	(7,732)	(33,560)
	Net (increase)/decrease in non-current assets held for sale	(12)	0	0	0
	Net (increase)/decrease in other assets	(1,658)	4,071	(2,074)	(1,674)
c)	**Increases/(decreases) in operating liabilities**	**30,880**	**53,607**	**30,280**	**53,889**
	Net increase/(decrease) in liabilities with central bank	108	(225)	108	(225)
	through profit or loss	29,646	54,408	29,744	54,233
	Net (increase)/decrease in liabilities from non-current assets held for sale	1,126	(576)	428	(119)
č)	**(Increases)/decreases in non-current assets held for sale and discontinued operations**	**1,134**	**4,309**	**0**	**0**
d)	**Cash flows from operating activities** (a + b + c + č)	**29,687**	**31,756**	**27,703**	**28,950**
e)	**Income taxes (paid)/received**	**(1,314)**	**(546)**	**(1,314)**	**(546)**
f)	**Net cash from operating activities** (d + e)	**28,373**	**31,210**	**26,389**	**28,404**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
a)	**Investing inflows**	**29,105**	**41,183**	**28,990**	**40,988**
	Proceeds from sale of property, plant and equipment, and investment property	9,175	4,818	9,175	4,623
	Proceeds from sale of intangible assets	115	0	0	0
	Proceeds from sale of investments in debt securities measured at amortised cost	19,815	32,759	19,815	36,365
	Other investing inflows	0	3,606	0	0
b)	**Investing outflows**	**(29,891)**	**(18,853)**	**(29,842)**	**(18,991)**
	(Purchase of property, plant and equipment, and investment property)	(961)	(1,623)	(940)	(1,788)
	(Purchase of intangible long-term assets)	(267)	(54)	(239)	(26)
	(Purchase of debt securities measured at amortised cost)	(28,663)	(17,176)	(28,663)	(17,177)
c)	**Inflows/(outflows) from non-current assets held for sale and discontinued operations**	**(267)**	**(299)**	**0**	**0**
č)	**Net cash from investing activities** (a + b + c)	**(1,053)**	**22,031**	**(852)**	**21,997**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
b)	**Outflows from financing activities**	**(3,892)**	**(1,269)**	**(3,892)**	**(1,269)**
	(Dividends paid)	(892)	(1,269)	(892)	(1,269)
	(Other outflows from financing activities)	(3,000)	0	(3,000)	0
c)	**Inflows/(outflows) from non-current assets held for sale and discontinued operations**	**(2,057)**	**(2,722)**	**0**	**0**
č)	**Net cash from financing activities** (b + c)	**(5,949)**	**(3,991)**	**(3,892)**	**(1,269)**
D.	**Effects of exchange rates on cash and cash equivalents**	**220**	**201**	**220**	**201**
E.	**Net increase in cash and cash equivalents** (Af + Bč + Cč)	**21,371**	**49,250**	**21,645**	**49,132**
F.	**Opening balance of cash and cash equivalents** (Note 4.1. b)	**83,773**	**34,322**	**83,492**	**34,159**
G.	**Closing balance of cash and cash equivalents** (D + E + F) (Note 4.1. b)	**105,364**	**83,773**	**105,357**	**83,492**

The accompanying notes form an integral part these financial statements.

The Management Board of Deželna banka Slovenije d. d. hereby approves the financial statements and the notes to the statements.

BANK MANAGEMENT BOARD:

Member of the Management Board:
Barbara Cerovšek Zupančič MSc

President of the Management Board:
Marko Rozman

Ljubljana, 17 April 2020

II. Notes to financial statements for 2019

1. GENERAL INFORMATION

The Deželna banka Slovenije Group ("Group") consists of the bank Deželna banka Slovenije d. d. ("Bank") and its subsidiaries DBS Leasing d. o. o. ("DBS Leasing"), real estate company DBS Nepremičnine d. o. o. ("DBS Nepremičnine"), seed-producer Semenarna Ljubljana, proizvodnja in trgovina, d. d. ("Semenarna"), and real estate company DBS Adria d. o. o., družba za poslovanje z nepremičninami ("DBS Adria").

Deželna banka Slovenije d. d. is a Slovenian private company limited by shares, with its business address Deželna banka Slovenije d. d., Kolodvorska 9, Ljubljana, Slovenia.

Deželna banka Slovenije d. d. is no longer a public company under Article 99 of the Slovene Markets in Financial Instruments Act after its entire bond issue, which used to trade on the regulated market, matured in 2015. Its shares are not traded in any regulated market.

DBS Leasing is a universal leasing company engaged in financial leases of vehicles, equipment and real estate. DBS Nepremičnine is a company engaged in selling the Group's real estate, renting it out, and developing real estate projects. DBS Adria is a company engaged in real estate activities, based abroad.

At the beginning of 2014, Deželna banka Slovenije d. d. injected additional capital into Semenarna, gaining control over it and recognising it as a subsidiary.

Semenarna is the largest seed-producer, seed-wholesaler and seed-retailer, and seed exports company in Slovenia and the region. After increasing the capital of Semenarna with cash contributions during its compulsory composition in 2013 and 2014, the Bank became Semenarna's 100% owner in July 2014. In June 2015, the company transformed from a joint stock company to a limited liability company. Semenarna also consists of several subsidiaries, but those are not consolidated due to being either in liquidation or not operational.

In 2019, the Bank initiated the sale of its subsidiary Semenarna Ljubljana, d. o. o., which it completed in March 2020.

As at 31 December 2019, due to the process of selling Semenarna, the Bank reclassified its equity investment in its subsidiary under the balance sheet item Non-current assets held for sale and discontinued operations. As a result, in the consolidation process, it eliminated the effects of the Semenarna consolidation from individual items of the Group's statement of financial position and reported the combined effects from the consolidation of the Semenarna financial statement on the assets side of the balance sheet item under Non-current assets held for sale and discontinued operations, and on the equity and liabilities side under Liabilities from non-current assets held for sale and discontinued operations. Effects of operations of Group companies recorded under items of ordinary operations of the Group thus exclude Semenarna. The effects of the consolidation of Semenarna's profit or loss were recorded under the balance sheet item Net profit or loss from discontinued operations.

The Group prepares disclosures subject to prudential consolidation (Chapter 5 and Section on Risk and Capital Management in this Annual Report). In addition to the controlling company DBS d. d., subsidiaries DBS Leasing and DBS Nepremičnine have been included in prudential consolidation under Directive 2013/36/EU (CRD IV) and Regulation EU No 575/2013 (CRR).

In 2019, the consumer price index was up 1.8% (2018: 1.4%). From 1 January 2007, Slovenia's national currency has been the euro, which has thus also become the functional and presentation currency of the Bank's financial statements. All amounts in the financial statements and related notes are given in euro thousands, unless specified otherwise.

2. CRITICAL ACCOUNTING POLICIES

2.1. Basis for presentation of financial statements

Financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the EU. Consolidated financial statements record the subsidiaries as fully consolidated.

The Group also prepared consolidated financial statements pursuant to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), for the parent company and subsidiaries (Group).

In order to obtain a comprehensive view of the financial position of the Group as a whole, users of these financial statements should read individual statements together with consolidated financial statements.

The policies set out below have been consistently applied in the financial statements for all the years presented.

The preparation of financial statements under IFRS as adopted by the EU requires the use of certain critical accounting estimates, which influence the value of reported assets and liabilities, the disclosure of potential assets and liabilities, the reporting date, and the amount of income and expenditure in the reported period. It also requires the Management to select accounting policies according to its own judgment.

Changes in accounting policies

In financial year 2019, the Group did not adopt or apply any new accounting policies different from those applied in previous periods, such as would have a material effect on the financial statements of the current year, except for accounting standards and other amendments that entered into force as at 1 January 2019 and have been adopted by the EU.

Initial use of new amendments to standards, applicable in the current reporting period

- *IFRS 16 'Leases' ((new standard), adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).*

Upon the adoption of IFRS 16 from 1 January 2019, lessees will report assets under long-term lease as a lease right (higher assets), while at the same time they will report all debt as a lease liability under a lease contract under long-term liabilities (higher liabilities). The right to use an asset will be treated in a similar way to other non-financial assets and will be, consequently, subject to amortisation. Upon recognition, a lease obligation is initially measured at the current value of the lease paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. If it cannot be determined immediately, the standard stipulates that the lessee must use the assumed lease interest rate.

Depreciation of lease rights and interest from lease liabilities will be recorded in the income statement. In the long run, until the lease expires, depreciation and interest costs will be equal to the sum of all rents paid.

Under the new accounting method for leases introduced by IFRS 16, a lessor defines a lease as a business or financial depending on its nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. Whether it is a financial or operating lease depends on the substance of the transaction and not on the type of contract. From the lessee's perspective, IFRS 16 eliminates the distinction between finance and operating leases in recognizing the lease asset in the balance sheet. The standard applies to all leases, except for some examples, such as licences of intellectual property granted by a lessor, which fall under the scope of IFRS 15 Revenue from Contracts with Customers, and rights held by a lessee under licensing agreements within the scope of IAS 38 Intangible Assets for items such as films, videos, plays, manuscripts, patents and copyrights.

Under IFRS 16, lessor accounting remains substantially unchanged from its predecessor, IAS 17.

Disclosures upon introduction of IFRS 16 – Leases

When transitioning from IAS 17 to IFRS 16 as at 1 January 2019, there are two options, from which the lessee selects one and applies it consistently to all leases under which it is a lessee. The second options allows two ways of measuring the asset or right-of-use. The first option is to apply the standard retrospectively for each prior reporting period. This means that operating leases are measured using the assumed leas interest rate at the effective date of application of the standard. Thus, the amounts of the right-of-use and the lease liability differ in the financial statements at the date of transition. The difference is recognized in equity under profits from previous years. The other option is to apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. With this option, there are two ways to measure an asset. The first option allows the lessee for each lease to opt for measuring the asset that represents the right-of-use at book value, as if this standard had been applied from the effective date of the lease. Under the second option, the right-of-use equals the calculated lease liability upon transition. The measurement of lease liability is measured is the same for both options. Upon recognition, a lease liability is initially measured at the current value of the lease paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. If it cannot be determined immediately, the standard stipulates that the lessee must use the assumed lease interest rate.

The Group made the transition to IFRS 16 by applying the standard retrospectively with the cumulative effect of applying the standard recognised at the date of initial application, i.e. 1 January 2019, using the option of measuring the asset or right-of-use in an amount equal to lease liability. To calculate the present value of lease payments, it used the assumed lease interest rate over a period equal to the lease term. The Group has designated the application of IFRS 16 for operating leases of business premises and cars. The standard does not apply to software licenses and intangible assets – copyright. The Group has decided to apply exemptions for short-term leases and leases where the leased asset is of low value.

Upon the adoption of IFRS 16 from 1 January 2019, the Group reports assets under long-term lease as a lease right under its assets, while at the same time reporting all debt as a lease liability under a lease contract under long-term liabilities. The right to use an asset is treated in a similar way to other non-financial assets and is, consequently, subject to amortisation. Depreciation of lease rights and interest from lease liabilities are recorded in the income statement. In the long run, until the lease expires, depreciation and interest costs will be equal to the sum of all rents paid under the lease contract.

At the date of transition to IFRS 16 on 1 January 2019, the Group recognized EUR 5,687 thousand of lease right-of-use and EUR 5,687 thousand of lease liabilities. At the date of transition on 1 January 2019, the Bank recognized EUR 2,371 thousand of lease rights and EUR 2,371 thousand of lease liabilities.

As at 31 December 2019, the Group's right of use from leases amounted to EUR 1,927 thousand, and liabilities to EUR 1,784 thousand. As at 31 December 2019, the Bank’s right of use from leases amounted to EUR 1,928 thousand, and liabilities to EUR 1,785 thousand. In 2019, the Group recognized EUR 453 thousand of depreciation and amortization expenses for the right of use and EUR 43 thousand of interest expenses. In 2019, the Bank recognized EUR 457 thousand of depreciation and amortization expenses for the right of use and EUR 43 thousand of interest expenses. Costs related to short-term leases amounted to EUR 4 thousand. Costs related to low-value leases amounted to EUR 15 thousand. The total cash outflow for leases in 2019 was EUR 406 thousand.

- **IFRS 9 Financial Instruments** – Prepayment Features with Negative Compensation, adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19 Employee Benefits** – Plan Amendment, Curtailment or Settlement, adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 Investments in Associates and Joint Ventures** – Long-term Interests in Associates and Joint Ventures, adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to different standards Improvements of IFRS (2015–2017 cycle)**, issued under the annual improvements of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23), mainly eliminating inconsistencies and interpreting the text, adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019);

- **IFRIC 23 Uncertainty over Income Tax Treatments**, adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

Our adoption of these new standards, amendments to valid standards and interpretations has not caused major changes in the financial statements.

Standards and amendments to valid standards issued by the IASB and adopted by the EU; not yet effective

By the date of approval of these financial statements, the IASB has issued the following amendments to valid standards, which have been adopted by the EU and are not yet effective:

* **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Material, which were adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
* **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures** – Interest Rate Benchmark Reform, adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
* **Amendments to references to the Conceptual Framework in IFRS**, which the EU adopted on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

New standards and amendments to valid standards, issued by the IASB but not yet adopted by the EU

International Financial Reporting Standards as adopted by the EU do currently not differ in any major respect from the regulations adopted by the International Accounting Standards Board (IASB), apart from the following new standards and amendments to valid standards:

* **IFRS 14 Regulatory Deferral Accounts** (effective for annual periods starting on or after 1 January 2016) – the European Commission decided to not commence the endorsement procedure for this interim standard and rather wait for its final version;
* **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021);
* **Amendments to IFRS 3 Business Combinations** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
* **Amendments to 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, and subsequent amendments (the effective date has been deferred for an indefinite period until the equity method research project is completed).

The Group assumes that the adoption of the new standards and amendments to existing ones will not have a major effect on its financial statements over the initial period of use.

2.2. Consolidation

Subsidiaries have been fully consolidated from the day the Bank gained control over them. The Groups' consolidated statements do not include the intra-group transactions and unrealised gains and losses. In order to ensure compliance with the Bank's guidelines, the accounting policies of subsidiaries have been adjusted as appropriate.

2.3. Critical accounting estimates

Certain assumptions and estimates are needed in preparing financial statements, which affect the amounts of assets and liabilities reported for the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and receivables and potential off-balance sheet liabilities

The Group's credit risk management includes monthly assessments of whether there is any objective evidence of impairment for each individually significant loan. If so, a detailed impairment is calculated to determine whether an impairment loss should be recognised in the income statement.

The Group assesses expected credit losses based on the impairment model in accordance with IFRS 9. For the purpose of assessing credit losses, financial assets measured at amortised cost – loans, debt securities, other receivables, debt instruments measured at fair value through other comprehensive income, and off-balance sheet exposures from credit commitments and financial guarantee contracts, to which impairment requirements apply – are classified as at each reporting date into one of three stages. In this context, the allowance covers lifetime expected credit losses. Financial instruments for which there is objective evidence of impairment are classified as Group 3 (impairment on an individual basis, except in the case of non-credit transactions and some exceptions), and a value adjustment is also formed on the basis of expected lifetime credit losses, whereby the expected cash flows also take into account the possibility of the liquidation of collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly, in order to reduce any differences between loss estimates and actual loss experience.

Loans that were individually assessed for impairment and for which no signs of impairment exist are then grouped together with loans with similar credit risk characteristics, based on historical loss experience.

For purposes of assessing credit losses, off-balance sheet exposures from assumed liabilities under financial guarantee contracts, regarding which the impairment requirements are to be used, are classified at each reporting day into one of the three transaction phases for purposes of calculating the expected credit losses for the period of validity of the financial guarantee.

(b) Fair value of investment property

The fair value of investment property reflects market conditions as at the date of the statement of financial position. The estimated value of investment property is based on mean value calculated using the comparable sales method and on the income valuation approach.

(c) Impairment charge on investments in subsidiaries

In assessing impairments against its investments, the Group considers objective evidence of impairment and indications that an investment may be impaired. If any such indication exists, the Bank/Group determines the impairment charge as the difference between the investments' carrying value and its recoverable amount. The recoverable amount is fair value less the cost of disposal, or value in use, whichever is higher, whereby value in use is the present value of the future cash flows expected to be derived from the respective investment, discounted at current market returns for similar financial assets. If future cash flows cannot be estimated, the impairment charge is calculated using the subsidiary net asset value method (asset accumulation method) or as the difference between the asset's carrying amount and the carrying amount of the subsidiary's equity, proportionate to participation in equity.

(d) Taxes

The Group is subject to income taxes only in Slovenia. To determine the amount of income tax payable, some estimates are required. The Group recognises income tax and deferred tax liabilities based on estimates of whether it will have to settle them. Should the final tax outcome be different from the amounts recognised by the Group, such differences will impact the income tax and deferred tax provisions in the respective period.

2.4. Segment reporting

As at 31 January 2019, the Group has no issued securities traded on a regulated capital market, therefore it does not prepare segment reporting.

2.5. Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank and its subsidiaries operate. The financial statements are presented in euros, which is the functional and presentation currency of the Bank and its subsidiaries.

(b) Transactions and balances
Foreign currency transactions are translated into functional currency using exchange rates effective at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences in equities measured through other comprehensive income are recognised with valuation gains/losses as other comprehensive income or as fair value reserves.

Income and expenses in foreign currency are translated into euro-equivalent applying the exchange rates effective at the date of the transaction.

Gains and losses resulting from purchases and sales of foreign exchange are recognised in the income statement under foreign exchange translation differences.

2.6. Interest income and expense

Interest income and expense is recognised in the income statement for all instruments measured at amortised cost, using the effective rate method.

The effective rate method is a method of calculating financial assets' or liabilities' amortised cost and a method of allocating interest income and expense over a requisite period.

The effective interest rate is the interest rate used to precisely discount the future cash flows for the entire period of the expected useful life of a financial instrument or for a shorter period when needed, up to the net current value of a financial asset or liability.

In calculating the effective interest rate, the Group must estimate cash flows taking into account all contractual conditions of the transaction in the relevant financial instrument, but cannot consider future credit losses. The calculation of the effective interest rate includes all paid amounts: instalments, fees, costs.

Once a financial asset or a group of similar financial assets has decreased as a result of impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss and eliminated from interest income referring to the impaired financial asset. The Bank will halt the accrual of contractual interest and interest on arrears as well as costs of running non-performing loans and guarantees for non-performing assets if given the expected cash flow it no longer expects payment.

2.7. Fee and commission income and expense

Fee and commission is generally recognised when the service has been provided. Fee and commission for agency services in a transaction or for participation in the agency of a transaction for a third person is recognised when the transaction has been concluded. Fee and commission for portfolio management and other consultancy services is recognised on the basis of requisite service agreements when the services have been provided. Fee and commission for international and domestic payment transactions is recognised when the respective service has been provided.

Fee and commission included into the calculation of the effective interest rate is recognised under interest income or expense.

2.8. Financial assets

2.8.1. Accounting policies under IFRS 9

The Group classifies its financial assets into the following groups: financial instruments at fair value through profit or loss, financial instruments at amortised cost, and financial instruments at fair value through other comprehensive income. The management determines the classification of investments upon initial recognition.

(a) Financial assets measured at fair value through profit or loss
This category has two sub-categories: financial assets held for trading and financial instruments designated at fair value through profit or loss.

The Group only holds financial assets held for trading.

(b) Financial assets measured at amortised cost
A financial asset has to be measured at amortised cost if the following two conditions are met:
(a) a financial asset is held within a business model the aim of which is to hold financial instruments with the purpose of receiving contractual cash flows, and
(b) in compliance with contractual terms of the financial instrument, cash flows occur on certain dates that comprise repayments of principal and interest on the outstanding principal exclusively.

As well as loans fulfilling the conditions of the cash flow test, the Group classifies into this category all debt securities intended for the collection of contractual cash flows.

(c) Financial assets measured at fair value through other comprehensive income
Financial asset measured at fair value through other comprehensive income are those the Group intends to hold for an indefinite period of time, and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices of financial instruments.

(d) Measurement and recognition
Purchases and sales of financial instruments at fair value through profit or loss, financial instruments at amortised cost, and financial instruments at fair value through other comprehensive income are recognised as at the date the transaction was concluded – the date on which the Group commits to carry out the purchase or sale of the respective instrument. Derivatives are recognised on the trade date.

Financial assets, apart from financial instruments at fair value through profit or loss, are initially recognised at fair value plus transaction costs. Financial assets at fair value through profit and loss are initially recognised at fair value, while the transaction costs are expensed in the income statement. A financial asset is derecognised when the contractual rights to cash flows have expired, or if all risks and benefits of the ownership of a financial asset are transferred. A financial liability is derecognised solely when the contractual obligation has been met, revoked or has lapsed.

Financial assets measured at fair value through other comprehensive income and financial instruments at fair value through profit or loss are measured at fair value. Loans and receivables are measured at amortised cost applying the effective interest rate. Gains and losses from changes in the fair value of the financial instruments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses from changes in the fair value of the financial instruments at fair value through other comprehensive income are recognised directly in equity until the financial asset is sold or impaired, at which time they are recognised in the income statement.

With debt securities classified into this category, expected credit losses and differences resulting from foreign currency translation are recognised in the income statement, and the difference to fair value is recognised in other comprehensive income until derecognition. Upon derecognition of a debt financial instrument, the cumulative profit or loss recognised in other comprehensive income is reclassified into the income statement.

Upon derecognition of an equity instrument for which upon initial recognition the option for measured at fair value through other comprehensive income was chosen irrevocably, cumulative gains or losses are never recognised in the income statement.

Interest from the effective interest rate and exchange differences for financial instruments measured through other comprehensive income are recognised in the income statement. Dividends from financial instruments are recognised in the income statement, upon the establishment of the holder's right to payment.

Fair values of financial instruments traded in an active market are based on market prices.

If a financial instrument is not traded in an active market, the Group determines its fair value by using valuation models.

2.9. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there exists a legal right to offset the amounts and the intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10. Impairment of financial assets

2.10.1. Impairment of financial assets under IFRS 9

(a) Financial assets measured at amortised cost

Measurement of impairment loss under IFRS 9 is based on the expected credit losses concept. Financial instruments measured at amortised cost in accordance with the SPPI test are impaired either on a collective basis (financial instruments in groups 1 and 2, and some exceptions in group 3) or on an individual basis (financial instruments in group 3).

Collective assessment of credit losses

Collective impairment is calculated as the sum of discounted monthly weighted expected credit losses, and an individual (monthly) unit is calculated as the product of probability of default (PD), loss given default (LGD), exposure at default (EAD) and, in the case of off-balance-sheet receivables, also conversion factor (CCF). In collective assessment of losses, the Group also considers forward- looking information, which is included in the calculation through forward-looking PD.

Individual assessment of credit losses

As a rule, the Group assesses group 3 financial instruments individually in accordance to how a default is considered to have happened pursuant to Article 178 of the CRR.

The expected exposure loss is calculated as the difference between the asset’s carrying amount and estimated future cash flows that are discounted at the original effective interest rate of the financial asset. Expected cash flows are evaluated against the type of scenario, i.e. according to whether the approach used is that of business as a going concern or a not going concern.

Calculation of credit losses under IFRS 9 is presented in more detail in sections 2.1. and 5.1.3.

(b) Financial assets measured at fair value through other comprehensive income

As financial instruments at fair value through other comprehensive income are measured at fair value, gains and losses resulting from valuation are recognised directly in equity, and when a debt security is sold or impaired, they are recognised in the income statement.

2.11. Property, plant and equipment, and intangible assets

All property, plant and equipment as well as intangible assets are initially stated at cost. In accordance with IFRS 16, long-term lease assets are recognized under operating fixed assets as right-of-use assets. The cost of property, plant and equipment is composed of its purchasing price and all the costs that can be directly attributed to the asset.

Assessments are made each year whether there are indications that property, plant and equipment may be impaired. If any such indication exists, the Group estimates the recoverable amount. If value in use exceeds the carrying value, assets are not impaired. If the asset's carrying amount is higher than its estimated recoverable amount, the carrying amount is decreased to its recoverable amount. The recoverable amount is fair value less the cost of selling, or value in use, whichever is higher. After initial recognition, property, plant and equipment is measured at the cost model less depreciation. The right-of-use asset is recorded as a fixed operating asset and is amortized on a monthly basis using the straight-line method of depreciation over the remaining term of the lease. The Group defines the lease term as the non-cancellable period of the lease together with the periods allowing the option of extending the lease, if there is high certainty that the lessor will exercise this option, or the periods allowing the option of terminating the lease, if there is high certainty that the lessor will not exercise this option. For leases concluded for an indefinite period, the lease term is established as 5 years. Upon recognition, a lease liability is initially measured at the current value of the lease that will be paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. Where the interest rate cannot be determined clearly, the assumed lease interest rate shall be used.

The following are the annual depreciation and amortization rates used:

	Group DBS		DBS d. d.	
	2019 %	2018 %	2019 %	2018 %
Buildings	2.0-4.0	2.0-4.0	2.0-4.0	2.0-4.0
Computer equipment	20.0-30.0	20.0-30.0	20.0-30.0	20.0-30.0
Software	10.0-20.0	10.0-20.0	10.0-20.0	10.0-20.0
Motor vehicles	12.5-20.0	12.5-20.0	12.5-20.0	12.5-20.0
Other equipment	4.0-50.0	4.0-50.0	4.0-50.0	4.0-50.0
Property lease right	11.2-57.1	-	11.2-57.1	-
Motor vehicle lease right	75.0	-	75.0	-

Intangible assets, which mainly include software, are stated in the statement of financial position at cost less depreciation and accumulated impairment losses.

Depreciation of intangible assets is provided on a straight-line basis. General software is amortised over five years, with dedicated software being amortised over ten.

Assets in the course of transfer or manufacture/implementation are not depreciated until they are available for use.

The Group assesses the remaining value of assets upon each reporting period as well as their useful lives, and adjusts their values as appropriate.

Gains and losses incurred upon disposal of property, plant and equipment are determined by reference to the difference between their carrying amount and net profit upon disposal, and are taken into account in determining operating profit. Maintenance and repairs are charged to the income statement during the financial period in which they are incurred. Should these assets increase the Group's future economic benefits, their carrying amount shall also recognise subsequent costs.

2.12. Investment property

Upon acquisition, the Group recognised investment property at cost, which includes the purchase price and all related costs.

After initial recognition, investment property was restated at fair value.

In determining the fair value of investment property, the income approach (capitalised cash flow method, discounted future gains method) or sales comparison approach was used.

Fair value is based on market prices as at the date of the statement of financial position.

Investment property is assets not used directly by the Group for its operations but held with the purpose of giving it into operating lease or selling at a later date. Any gain or loss arising from a change in fair value is recognised in the income statement. If there is a change in use due to the commencement of owner occupation, investment property is transferred to owner occupied property.

Assets received for repayment of claims are initially measured at fair value. After initial recognition the Group measures assets received for repayment of claims at fair value, using the fair value method.

2.13. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets are classified as held for sale if the owner is committed to the sale and this commitment is stated in writing, whereupon the sale must be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

2.14. Inventories

Inventories are classified under Other assets and consist of moveable and immovable property held for sale in the near term. They are recognised either at cost amounts or net realisable value, whichever is lower. An inventory unit is measured at cost, which comprises the purchase price, import duties and direct costs of purchase. The purchase price is reduced by trade discounts. The first-in, first-out method is used for inventories.

2.15. Leases

The accounting treatment of leases is determined by the new standard IFRS 16 Leases, effective from 1 January 2019. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) The Group is the lessee

In the Group, the application of IFRS 16 is designated for operating leases of business premises and cars.

Subject to exemptions permitted under IFRS 16, the Group will not apply IFRS 16 for short-term leases and leases where the leased asset is of low value (such as tablets and PCs, small office furniture, telephones, and ATM locations). Lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

The standard does will not be used for software licenses and intangible assets – copyright (IAS 38). It will not apply to those leased printers that are replaced over the lease period, therefore, there is no identifiable asset.

The Group defines the lease term as the non-cancellable period of the lease together with the periods allowing the option of extending the lease, if there is high certainty that the lessor will exercise this option, or the periods allowing the option of terminating the lease, if there is high certainty that the lessor will not exercise this option. For leases concluded for an indefinite period, the lease term is established as 5 years.

In accordance with IFRS 16, long-term lease assets are recognized under operating fixed assets as right-of-use assets, and under equity and liabilities as a lease liability under the lease contract. The right-of-use asset is recorded as a fixed operating asset and is amortized on a monthly basis using the straight-line method of depreciation over the remaining term of the lease. Upon recognition, a lease liability is initially measured at the current value of the lease that will be paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. Where the interest rate cannot be determined clearly, the assumed lease interest rate shall be used. The lease liability is reduced during the lease term by lease payments and transferring interest into costs. Depreciation of lease rights and interest from lease liabilities are recorded in the income statement. In the long run, until the individual lease contract expires, cumulative depreciation and interest costs will be equal to the sum of all rents paid.

(b) The Group is the lessor

The Group gives business premises and motor vehicles into operating lease. In case of assets given into operating lease, all payments made under operating leases constitute income generated from investment property, and shall be included into the income statement proportionate to the period of the lease agreement. The costs incurred in obtaining lease payments are recognised as costs. Initial direct costs incurred by the lessor in negotiating and agreeing an operating lease are added to the leased asset's book value and recognised as costs in the period of the lease on the same basis as lease income.

When assets are leased out under a finance lease, the present value of lease payments is recognised as a receivable from a finance lease. The difference between the gross receivable and the present value of the receivable is recognised as long-term deferred costs. Finance lease income is recognised systematically over the entire term of the lease and reflects a constant periodic rate of return. It is only the subsidiary DBS Leasing d. o. o. that gives assets into finance lease in the Group.

2.16. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise: cash and balances at central bank, loans to banks with less than 90 days maturity from the date of acquisition, treasury bills and debt securities with less than 90 days maturity from the date of acquisition.

2.17. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow will be required to settle it, and a reliable estimate of the amount of the obligation can be made. Risks arising out of contingent liabilities and commitments are assessed similarly to risks arising out of loans. All increases in liabilities arising out of estimated expenses required to settle the liabilities under contractual terms, are included into provisions.

2.18. Provisions for severance pays and long-service awards

Pursuant to the Slovenian legislation, employees retire upon meeting certain predetermined criteria, whereupon they are entitled to severance pay, which is paid out in a single amount. Employees are likewise entitled to long-service awards upon every 10 years of employment.

Provisions have been made for long-service awards, severance pays upon retirement and other long-term benefits.

Provisions are measured as the current value of future cash flows. Gains and losses are recognised in the income statement, apart from actuarial gains and losses, which are included in the accumulated other comprehensive income.

2.19. Income tax

Taxation has been provided for in the income statement pursuant to the Slovenian legislation in force. The tax item in the income statement comprises current tax and deferred tax. Current tax is calculated on the basis of taxable profit for the year, applying the tax rates enacted at the date of the statement of financial position.

Corporate income tax is levied on taxable profits at the rate of 19%.

Pursuant to the Slovenian Corporate Income Tax Act, current corporate income tax is charged at the rate of 19% of the established tax base (2018: 19%).

Deferred tax is provided on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are reliably expected to be effective in the financial year in which deferred tax assets will be received and deferred tax liabilities settled, and are based on tax rates (and tax regulations) enacted at the date of the statement of financial position.

The most important temporary differences arise from tax loss, impairment of investments in subsidiaries, valuation of financial assets at fair value through other comprehensive income, and provisions. An estimation of the amount of taxable profit for the future period is made at least once a year.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary deductible differences can be utilised. An estimation of the amount of taxable profit for the future period is made at least once a year.

Deferred tax related to the revaluation of financial assets measured at fair value through other comprehensive income to fair value is recognised directly in equity and subsequently transferred to the income statement together with the deferred revaluation profit or loss, except for equity investments that upon initial recognition were determined irrevocably as measured through other comprehensive income.

Deferred tax liabilities are recognised under revaluation of financial assets measured at fair value through other comprehensive income.

The competent tax office may conduct a tax inspection of the current accounting period anytime within the following five years, and in this connection impose additional taxes and penalties. The Bank management knows of no circumstances that could give rise to additional liabilities in this regard.

2.20. Borrowings

Borrowings are initially recognised in the statement of financial position at the value of their issue proceeds net of transaction cost incurred. Borrowings are subsequently stated at amortised cost.

2.21. Capital

(a) Share issue costs

Additional costs that the Group can directly attribute to the issue of new shares or options or a concluded transaction are shown in equity in their net amount as a direct deduction from equity (without the related amount of income tax).

(b) Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are approved by the Bank's owners.

Dividends for the year past are declared at the AGM after the date of the statement of financial position.

(c) Treasury shares

If the Group purchases treasury shares, the consideration paid is deducted from total shareholders' equity. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

2.22. Financial guarantee contracts

Financial guarantee contracts are contracts that require the contract issuer to make agreed payments to reimburse the contract holder for a loss it incurs due to a borrower's defaulting. The Group issues such financial guarantees to other banks, financial institutions and other customers to secure loans, limits and other banking facilities.

Financial guarantee contracts are initially recognised at fair value plus the fee received. Fee income is recognised in the income statement on a straight-line basis, over the entire term of the financial guarantee contract. The Group subsequently recognises them at the higher of the initial measurements less fee income received, on a straight-line basis over the entire term of the financial guarantee contract, and less the best estimate of the expenditure required to settle the obligation under the financial guarantee as at the reporting date. For purposes of assessing credit losses, off-balance sheet exposures from assumed liabilities under financial guarantee contracts, regarding which the impairment requirements are to be used, are classified at each reporting day into one of the three transaction phases for purposes of calculating the expected credit losses for the period of validity of the financial guarantee.

2.23. Fiduciary activities

As of 1 February 2019, the Bank ceased to provide investment services and activities to clients while still providing lending under authorisation. Details are explained in Note 4.35. a. These assets are not included into the statement of financial position of the Bank and the Group.

3. NOTES TO THE INCOME STATEMENT

3.1. Interest income and expense

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Interest income				
Financial assets measured at fair value through other comprehensive income	91	0	91	0
Debt securities measured at amortised cost	1,063	1,501	1,063	1,501
Loans to banks	42	53	42	53
Loans to customers	17,026	16,804	17,271	17,025
Financial leasing	489	400	0	0
Other financial assets	7	7	7	7
Interest in relation to financial liabilities with a negative interest rate	203	358	203	358
TOTAL	**18,921**	**19,123**	**18,677**	**18,944**
Interest expense				
Deposits by banks and borrowings from banks	29	0	29	4
Deposits by customers	397	805	398	815
Borrowings from customers	0	13	0	0
Certificates of deposit	79	82	79	82
Subordinated liabilities	225	229	225	229
Subordinated deposits and loans	591	336	591	336
Other liabilities	43	0	43	0
Interest in relation to financial assets with a negative interest rate	283	190	283	190
TOTAL	**1,647**	**1,655**	**1,648**	**1,656**
NET INTEREST INCOME	**17,274**	**17,468**	**17,029**	**17,288**

In 2019, the Group recognized EUR 43 thousand of interest expenses from the right of use and the Bank 43 thousand.

Interest income and expenses from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 297 thousand and for the year 2018 in the amount of EUR 341 thousand (Note 3.15.).

3.2. Dividends

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Dividends on financial assets measured at fair value through other comprehensive income	29	30	29	30
TOTAL	**29**	**30**	**29**	**30**

3.3. Fee and commission income and expense

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Fee and commission income				
Payment transactions	5,193	4,719	5,199	4,729
Agency services	138	161	135	157
Administrative services	4,220	3,791	4,161	3,739
Guarantees issued	259	303	259	303
Securities trading	12	284	12	284
Credit operations	329	331	330	331
Services to subsidiaries	0	0	75	72
Foreign exchange transactions	2	0	2	0
TOTAL	**10,153**	**9,589**	**10,173**	**9,615**
Fee and commission expense				
Banking services	835	868	835	867
Securities trading	86	144	86	144
Payment transactions	1,020	891	1,020	891
Other services	15	16	8	11
TOTAL	**1,956**	**1,919**	**1,949**	**1,913**
NET FEE AND COMMISSION INCOME	**8,197**	**7,670**	**8,224**	**7,702**

Fee and commission expense from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 742 thousand and for the year 2018 in the amount of EUR 770 thousand (Note 3.15.).

3.4. Net gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Realised gains/losses from financial assets measured at amortised cost	**923**	**5,720**	**923**	**5,720**
Gains from financial assets measured at amortised cost	1,078	5,733	1,078	5,733
Losses from financial assets measured at amortised cost	155	13	155	13
Realised net gains/losses from financial liabilities measured at cost	**(28)**	**(23)**	**(28)**	**(23)**
Gains from financial liabilities measured at amortised cost	4	1	4	1
Losses from financial liabilities measured at amortised cost	32	24	32	24
REALISED GAINS/LOSSES	**895**	**5,697**	**895**	**5,697**

In 2019, the realised net gains amounted to EUR 895 thousand (2018: EUR 5,697 thousand), of which EUR 884 thousand were net gains on loans, and EUR 28 thousand were net losses on cleared deposits and transactional accounts.

Net gains / losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax in the amount of EUR 4 thousand net loss for the year 2019 and EUR 31 thousand net loss for 2018 (Note 3.15.).

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Net gains/losses from foreign exchange trading	164	139	165	140
TOTAL	**164**	**139**	**165**	**140**

3.6. Foreign exchange translation

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Positive translation differences	1,033	1,048	1,031	1,051
Negative translation differences	1,030	1,050	1,029	1,052
TOTAL	**3**	**(2)**	**2**	**(1)**

Foreign exchange gains/losses from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax in the amount of EUR 4 thousand net loss for 2018 (Note 3.15.).

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Gains				
- Derecognition of property, plant and equipment	3	6	0	0
- Derecognition of investment property	447	121	447	121
- Derecognition of other assets	428	113	428	113
TOTAL	**878**	**240**	**875**	**234**
Losses				
- Derecognition of property, plant and equipment	3	8	2	8
- Derecognition of investment property	202	23	201	22
TOTAL	**205**	**31**	**203**	**30**
TOTAL NET GAINS/LOSSES	**673**	**209**	**672**	**204**

Net gains/losses on derecognition of non-financial assets from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 7,145 thousand and for the year 2018 in the amount of EUR 8,897 thousand (Note 3.15.).

3.8. Other net operating gains/losses

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Gains				
Income from non-banking services	29	32	31	32
Leases and rents (Note 4.11. a)	271	307	348	337
Other	552	392	327	167
TOTAL	**852**	**731**	**706**	**536**
Losses				
Taxes	7	24	7	17
Contributions	129	146	129	146
Membership fees and similar	96	104	91	99
Financial services tax	969	912	966	907
Deposit guarantee scheme	1,299	1,013	1,299	1,013
Bank resolution fund	11	3	11	3
Other operating expenses	13	56	11	55
TOTAL	**2,524**	**2,258**	**2,514**	**2,240**
OTHER NET OPERATING GAINS/LOSSES	**(1,672)**	**(1,527)**	**(1,808)**	**(1,704)**

Other operating revenues of the Bank in 2019 include revenues from the sale of investment banking operations in the amount of EUR 172 thousand.

Other net operating gains/losses from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 75 thousand net gains, and for the year 2018 in the amount of EUR 99 thousand net gains (Note 3.15.).

3.9. Administrative expenses

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Employee benefits cost				
Gross wages	8,486	8,232	8,283	8,065
Social security contributions	608	603	593	591
Pension insurance contributions	748	742	730	728
Other contributions depending on gross wages	11	(6)	11	(6)
Severance pays and compensations	16	135	16	135
Other labour costs	1,598	1,451	1,570	1,427
TOTAL	**11,467**	**11,157**	**11,203**	**10,940**
Overhead and administrative expenses				
Costs of material	528	529	518	514
Costs of services	4,619	5,072	4,520	5,007
TOTAL	**5,147**	**5,601**	**5,038**	**5,521**
TOTAL	**16,614**	**16,758**	**16,241**	**16,461**

The Group's costs of services for 2019 include costs of the audit of the annual report amounting to a total of EUR 75 thousand, of which EUR 53 thousand for the audited statements of the Bank, EUR 8 thousand for the audited consolidated statements and EUR 14 thousand for the audited annual report of Semenarna (2018: EUR 58 thousand). This includes a 2020 payment by the Group to the auditor for the recalculated extra hours of auditing the annual report in the amount of EUR 8 thousand. The Bank's costs of services for 2019 include costs of the audit of the annual report amounting to EUR 61 thousand, of which EUR 53 thousand for the audited statements of the Bank, and EUR 8 thousand for the audited consolidated statements (2018: EUR 58 thousand). This includes a 2020 payment by the Bank to the auditor for the recalculated extra hours of auditing the annual report in the amount of EUR 5 thousand.

For the additional agreed assurance processes, the Bank paid EUR 11 thousand and the Group EUR 13 thousand.

Administrative expenses from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 6,188 thousand and for the year 2018 in the amount of EUR 6,596 thousand (Note 3.15.).

3.10. Depreciation and amortisation

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Property, plant and equipment (Note 4.10.)	851	943	721	793
Right-of-use - property (Note 4.10.)	453	0	457	0
Intangible assets (Note 4.12.)	162	163	156	158
TOTAL	**1,466**	**1,106**	**1,334**	**951**

In 2019, the Group recognized EUR 453 thousand of depreciation and amortization expenses from the right of use and the Bank EUR 457 thousand.

Depreciation and amortization from the consolidation of Semenarna was transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 992 thousand and for the year 2018 in the amount of EUR 458 thousand (Note 3.15.).

3.11. Provisions

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Net provisions for off-balance sheet liabilities (Note 4.24. a and d)	**23**	**(106)**	**1**	**(159)**
Expenses for created provisions	192	66	679	260
Income from released provisions	169	172	678	419
Net other provisions	**37**	**161**	**35**	**161**
Net provisions for pensions and other employee benefits (Note 4.24. c)	**89**	**43**	**87**	**43**
Expenses for created provisions	89	50	87	50
Income from released provisions	0	7	0	7
Net provisions for tax suits and other pending legal cases (Note 4.24. e)	**0**	**(423)**	**0**	**(423)**
Income from provisions released for dividend payments for 2015	0	423	0	423
Net provisions for other provisions (Note 4.24. f)	**(52)**	**541**	**(52)**	**541**
Expenses for created provisions	0	541	0	541
Income from released provisions	52	0	52	0
NET PROVISIONS	**60**	**55**	**36**	**2**

Other provisions included provisions formed for changed taxation on sale of property.

Provisions from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 64 thousand and for the year 2018 in the amount of EUR 13 thousand (Note 3.15.).

3.12. Impairment charge

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Net impairments of financial assets not measured at fair value through profit or loss	**2,526**	**807**	**2,818**	**122**
Net impairments of debt securities	**(9)**	**3**	**(9)**	**3**
Impairments of debt securities	5	12	5	12
Reversal of impairments on debt securities	14	9	14	9
Net impairments of loans	**2,535**	**804**	**2,827**	**119**
Impairments of loans	6,804	6,568	7,862	6,856
Reversal of loan impairments	4,269	5,764	5,035	6,737
Net impairments of equity investments in subsidiaries (Note 4.9.)	**0**	**0**	**3,265**	**2,272**
Impairment of equity investments in subsidiaries	0	0	3,295	2,966
Reversal of impairment of equity investments in subsidiaries	0	0	30	694
Net impairments of other assets	**595**	**2,839**	**595**	**2,826**
Net impairments (revaluations) of property, plant and equipment	**0**	**13**	**0**	**0**
Impairments (revaluations) of property, plant and equipment	0	13	0	0
Net impairments (revaluations) of investment property (Note 4.11. b)	**595**	**2,769**	**595**	**2,769**
Impairment (revaluation) of investment property	670	2,807	670	2,807
Reversal of investment property impairments (revaluations)	75	38	75	38
Net impairments (revaluations) of other assets	**0**	**57**	**0**	**57**
Impairments (revaluations) of property inventories (Note 4.14. b)	0	57	0	57
NET IMPAIRMENTS	**3,121**	**3,646**	**6,678**	**5,220**

Impairment charges from the consolidation of Semenarna were transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 1,788 thousand (Note 3.15.).

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Gains on non-current assets held for sale	12	19	0	0
TOTAL	**12**	**19**	**0**	**0**

3.14. Tax

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Income tax	350	725	350	725
Deferred tax (Note 4.25. d)	(153)	556	(157)	556
TOTAL	**197**	**1,281**	**193**	**1,281**
Profit/loss before tax	867	6,763	919	6,722
Tax under the 19% tax rate	165	1,285	175	1,277
Non-taxable income	(27)	(154)	(14)	(138)
Non-deductible expense	590	1,156	560	1,142
Tax reliefs	(531)	(1,006)	(528)	(1,000)
TOTAL	**197**	**1,281**	**193**	**1,281**
Effective tax rate (in %)	23	19	21	19

* The last tax inspection was in 2005 for financial year 2004.

The competent Tax Office may conduct a tax inspection of the current accounting period any time within the following five years after the reported tax year, and in this connection impose additional taxation and penalties. The Group's management knows of no circumstances that could give rise to additional liabilities in this regard.

Corporate tax from operations from the consolidation of Semenarna was transferred to the item Profit/loss from discontinued operations, net of tax, for the year 2019 in the amount of EUR 6 thousand net expenses and for the year 2018 in the amount of EUR 68 thousand net expenses (Note 3.15.).

3.15. Profit/loss from discontinued operations, net of tax

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Profit/loss from discontinued operations before tax	(2,855)	783	0	0
Tax expense or gain on discontinuance	(6)	(68)	0	0
TOTAL	**(2,861)**	**715**	**0**	**0**

For the Group, the item Profit/loss from discontinued operations, net of tax represents the gain/loss of the subsidiary for sale in the amount of EUR 2,861 thousand net loss for 2019 and EUR 715 thousand net gain for 2018, and includes all consolidated items of the Semenarna Ljubljana, d. o. o. income statement.

Net profit/loss from discontinued operations by item of the income statement

Code	Items	Group DBS 1-12 2019	1-12 2018
1	Interest income	20	33
2	Interest expense	(317)	(374)
3	**Net interest income** (1 + 2)	**(297)**	**(341)**
4	Dividends	0	0
5	Fee (commission) income	0	0
6	Fee (commission) expense	(742)	(770)
7	**Net fee (commission) income** (5 + 6)	**(742)**	**(770)**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	(4)	(31)
9	Net gains/losses from financial assets and liabilities held for trading	0	0
10	Foreign exchange translation	0	(4)
11	Net gains/losses on derecognition of assets	7,145	8,897
12	Other net operating gains/losses	75	99
13	Administrative expenses	(6,188)	(6,596)
	- Employee benefits cost	(4,834)	(4,793)
	- Overhead and administrative expenses	(1,354)	(1,803)
14	Depreciation and amortisation	(992)	(458)
	- Property, plant and equipment	(939)	(412)
	- Intangible assets	(53)	(46)
15	Provisions	(64)	(13)
16	Impairment charge	(1,788)	0
17	Net gains/losses from non-current assets held for sale and related liabilities	0	0
18	**Profit/loss from discontinued operations** (3 + 4 + 7 + 8 + 9 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 17)	**(2,855)**	**783**
19	Income tax	(6)	(68)
20	**Profit/loss from discontinued operations, net of tax** (18 + 19)	**(2,861)**	**715**

3.16. Earnings per share (EPS)

Basic EPS is calculated by dividing net profit by the weighted average number of issued ordinary shares of the Bank:

	Group DBS 2019	Group DBS 2018	DBS d. d. 2019	DBS d. d. 2018
Net profit (in EUR thousand)	1,256	7,572	726	5,441
Comprehensive income after tax (in EUR thousand)	1,077	7,539	603	5,380
Weighted average number of ordinary shares	4,230,997	4,230,497	4,231,682	4,231,182
Basic earnings per share (in EUR per share)	0.30	1.79	0.17	1.29
Comprehensive income per share after tax (in EUR per share)	0.25	1.78	0.14	1.27

Basic EPS of the Group in 2019 amounts to EUR 0.30 (2018: EUR 1.79). The after-tax comprehensive income per share is EUR 0.25 (2018: EUR 1.78). The weighted average number of issued ordinary shares recorded in the central registry of the KDD Central Securities Clearing Corporation for 2019, with treasury shares deducted, was 4,230,997 (2018: 4,230,497).

Basic EPS of the Bank in 2019 amounts to EUR 0.17 (2018: EUR 1.29). The after-tax comprehensive income per share is EUR 0.14 (2018: EUR 1.27). The weighted average number of issued ordinary shares recorded in the KDD central securities register for 2019, with treasury shares deducted, was 4,231,682 (2018: 4,231,682).

The Group's share book value as at 31 December 2019 was EUR 14.865025 (31 December 2018: EUR 14.935309). It is calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the central registry of the KDD Central Securities Clearing Corporation less treasury shares.

The Bank's share book value as at 31 December 2019 was EUR 14.862618 (31 December 2018: EUR 14.932892). It is calculated as follows: share capital less treasury shares, divided by the number of shares recorded in the central registry of the KDD Central Securities Clearing Corporation less treasury shares.

The Group and the Bank have not issued any financial instruments convertible into shares.

4. NOTES TO THE STATEMENT OF FINANCIAL POSITION

4.1. Cash, balances at central banks, and sight deposits at banks

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Cash				
Cash	11,711	11,681	11,711	11,673
Bank balances at central bank	85,625	61,947	85,618	61,674
Sight deposits at banks	1,616	3,662	1,616	3,662
Revaluation allowance	(1)	(1)	(1)	(1)
TOTAL (Note 4.1. b)	**98,951**	**77,289**	**98,944**	**77,008**

As at 31 December 2019, cash on hand from the Semenarna consolidation in the amount of EUR 289 thousand was transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

The Group has met its obligation regarding the minimum reserve on the settlement account at the central bank. The amount of minimum reserves is adjusted to the system of the European Central Bank (ECB). Its amount is calculated pursuant to regulations – 0% for: time deposits with agreed maturity of over 2 years, sight deposits with maturity of over 2 years, repurchase agreements and debt securities with agreed maturity of over 2 years; and 1% for: overnight deposits, deposits with agreed maturity of up to 2 years, sight deposits with maturity of up to 2 years and debt securities with agreed maturity of up to 2 years.

The Bank must ensure that the settlement account is credited on a daily basis with a specific amount calculated for each period. Minimum reserves for compliance period from 1 January to 31 December 2019 amounted to EUR 8,136 thousand on average for the period, with excess reserves totalling EUR 69,913 thousand on average for the period.

The annual interest rate for assets deposited on the minimum reserves account was 0.00% from 1 January to 31 December 2019. For excess assets deposited on the minimum reserves account, the annual interest rate was –0.40% from 1 January to 17 September 2019, and –0.50% from 18 September to 29 October 2019. As at 30 October 2019, however, the Governing Council introduced a two-tier system for excess reserve remuneration. Part of excess reserves up to a six times of the institutions' reserve requirements is remunerated at annual rate of 0%, and any remaining excess reserves at –0.50% (deposit facility rate, if negative).

Movements in revaluation allowance for balances at central bank and demand deposits at banks are disclosed in section 5.1.5. (Note b).

b) Movements

Group DBS

	As at 1 January 2019	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2019
Cash and balances at central banks, and sight deposits at banks (Note 4.1. a)	77,289	57	21,605	98,951
Loans and advances to banks (Note 4.6. b)	6,484	163	(234)	6,413
TOTAL	**83,773**	**220**	**21,371**	**105,364**

DBS d. d.

	As at 1 January 2019	Foreign exchange differences	Net increase/ (decrease)	As at 31 December 2019
Cash and balances at central banks, and sight deposits at banks (Note 4.1. a)	77,008	57	21,879	98,944
Loans and advances to banks (Note 4.6. b)	6,484	163	(234)	6,413
TOTAL	**83,492**	**220**	**21,645**	**105,357**

4.2. Financial assets held for trading

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Loans held for trading	110	0	110	0
TOTAL	**110**	**0**	**110**	**0**

b) Movements

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Loans*				
As at 1 January	0	227	0	227
- Increase	29,457	18,894	29,457	18,894
- Sale	(29,347)	(19,121)	(29,347)	(19,121)
As at 31 December	**110**	**0**	**110**	**0**

* Loans include receivables from the purchase and sale of foreign exchange.

4.3. Non-trading financial assets mandatorily measured at fair value through profit or loss

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Loans and other financial assets	1,562	2,519	1,562	2,519
TOTAL	**1,562**	**2,519**	**1,562**	**2,519**

Fair value is disclosed in section 5.4.2.

b) Movements

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	2,519	0	2,519	0
Repayments	(957)	0	(957)	0
Reclassification from Financial assets at amortised cost as at 31 December 2018	0	2,519	0	2,519
As at 31 December	**1,562**	**2,519**	**1,562**	**2,519**

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

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Equities				
Equity investments	3,041	2,994	3,041	2,993
Bank resolution fund	2,709	2,697	2,709	2,697
Other equity investments	332	297	332	296
TOTAL	**3,041**	**2,994**	**3,041**	**2,993**

In 2019, the Bank reduced its position of investments into securities measured at fair value through other comprehensive income by EUR 48 thousand, of which EUR 11 thousand due to selling of equity instruments. The Bank Resolution Fund balance was up EUR 12 thousand to EUR 2,709 thousand in 2019 (2018: EUR 2,697 thousand).

As at 31 December 2019, financial assets measured at fair value through other comprehensive income from the consolidation of Semenarna in the amount of EUR 1 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.)

b) Movements

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	2,994	3,567	2,993	3,565
Transfer to Non-current assets held for sale	(1)	0	0	0
Sale	(11)	(641)	(11)	(641)
Revaluation	66	(146)	66	(146)
Margin	(7)	214	(7)	215
As at 31 December	**3,041**	**2,994**	**3,041**	**2,993**

A list of equity investments recorded as measured at fair value through other comprehensive income, and a statement of fair values of investments at the end of the reporting period are given in the table below.

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Equity instruments				
Equity investments				
- Bank resolution fund	2,709	2,697	2,709	2,697
- Total other equity investments	332	297	332	296
Bankart d. o. o.	21	21	21	21
Las MDD z. b. o.	1	1	1	1
Marles d. d., Limbuš	13	8	13	8
Primorska hranilnica Vipava d. d.	164	121	164	121
Vorpo d. o. o.	0	0	0	0
Zadružna zveza Slovenije, z .o. o.	0	1	0	0
Gorenjska banka d. d.	0	11	0	11
Regia Group d. d.	45	45	45	45
Elektro Ljubljana d. d.	88	89	88	89
TOTAL	**3,041**	**2,994**	**3,041**	**2,993**

As these investments are not strategic in nature, meaning that they cannot be controlled by the Group, they were classified irrevocably as measured at fair value through other comprehensive income after the introduction of IFRS 9. Changes in fair value of such equity investments shall never be recognised through profit or loss, which also applies to the effects in case of sale. In 2019, the Group received EUR 29 thousand in dividends, of which dividends from investments held by the Group at the year-end of 2019: EUR 25 thousand, from Bankart d. o. o., EUR 3 thousand from Elektro Ljubljana d. d., and EUR 1 thousand from Primorska hranilnica Vipava d. d.

In accordance with its business policy and a business opportunity, the Group sold its equity investments that were not strategic investments. The cumulative loss from other comprehensive income was transferred to retained earnings for the current year due to the cumulative effects of derecognition upon sale of equity investments. The equity investment in Vorpo d. d. was cancelled due to the winding up of the company.

Fair value of investments as at derecognition date and cumulative gains or losses upon disposal are given in the table below.

2019	Group DBS		DBS d. d.	
Company	Fair value of investments as at derecognition date	Cumulative gains upon disposal	Fair value of investments as at derecognition date	Cumulative gains upon disposal
Gorenjska banka d. d.	10	(7)	10	(7)
Vorpo d. o. o. - share	0	0	0	0
TOTAL	**10**	**(7)**	**10**	**(7)**

2018	Group DBS		DBS d. d.	
Company	Fair value of investments as at derecognition date	Cumulative gains upon disposal	Fair value of investments as at derecognition date	Cumulative gains upon disposal
Hranilnica Lon d. d., Kranj	23	3	23	3
Primorska hranilnica Vipava d. d.	8	(2)	8	(2)
Sava d. d.	395	214	395	214
TOTAL	**426**	**215**	**426**	**215**

4.5. Debt securities measured at amortised cost

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Long-term bank debt securities	3,690	0	3,690	0
Long-term government debt securities	112,479	105,969	112,479	105,969
Long-term debt securities issued by non-financial institutions	1,602	1,802	1,602	1,802
Revaluation allowance	(14)	(23)	(14)	(23)
TOTAL	**117,757**	**107,748**	**117,757**	**107,748**

Movements in revaluation allowance for debt securities measured at amortised cost are disclosed in section 5.1.5. (Note c).

b) Movements

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	107,748	123,552	107,748	123,552
Purchases	30,943	18,618	30,943	18,618
Sale	0	(27,437)	0	(27,437)
Maturities	(20,943)	(6,982)	(20,943)	(6,982)
Revaluation allowance	9	(3)	9	(3)
As at 31 December	**117,757**	**107,748**	**117,757**	**107,748**

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

a) Breakdown according to type

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Loans to the central bank	1,166	2,318	1,166	2,318
Loans to domestic banks	2,694	2,599	2,694	2,599
Loans to foreign banks	2,758	1,781	2,758	1,781
TOTAL	**6,618**	**6,698**	**6,618**	**6,698**

b) Breakdown according to maturity

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Short-term loans	6,413	6,484	6,413	6,484
Long-term loans	205	214	205	214
TOTAL	**6,618**	**6,698**	**6,618**	**6,698**

Loans and advances to banks with the original maturity of up to three months, in the amount of EUR 6,413 thousand (2018: EUR 6,484 thousand) are recognised in the cash flow statement as cash equivalents (Note 4.1. b).

4.7. Loans and advances to customers measured at amortised cost

a) Breakdown according to type

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Loans and advances	728,053	731,099	738,283	735,248
Financial lease	13,504	14,869	0	0
Working capital loans	20,989	19,663	21,372	20,578
Revaluation allowance	(15,534)	(23,795)	(14,068)	(15,172)
TOTAL	**747,012**	**741,836**	**745,587**	**740,654**

As at 31 December 2019, financial assets – loans and advances to customers from the Semenarna consolidation in the amount of EUR 31 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

Movements in revaluation allowance for loans and advances to customers measured at amortised cost are disclosed in section 5.1.5. (Note d).

b) Loans and advances to customers include financial lease receivables

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Gross financial lease receivables				
Past due up to 1 year	2,600	4,840	-	-
Past due from 1 to 5 years	7,042	5,843	-	-
Past due over 5 years	3,862	4,186	-	-
TOTAL	**13,504**	**14,869**	**-**	**-**
Revaluation allowance	(1,164)	(3,348)	-	-
Net financial lease receivables	**12,340**	**11,521**	**-**	**-**

4.8. Other financial assets

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Trade receivables	3,144	3,726	2,662	51
Interest receivable	51	52	52	52
Fee and commission due	138	152	138	154
Other receivables	427	2,355	426	1,215
Other prepayments and deferred income	9	10	0	0
Revaluation allowance	(555)	(2,822)	(141)	(123)
TOTAL	**3,214**	**3,473**	**3,137**	**1,349**

As at 31 December 2019, other financial assets from the Semenarna consolidation in the amount of EUR 2,057 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

Movements in revaluation allowance for other assets are disclosed in section 5.1.5. (Note d).

4.9. Equity investments in subsidiaries, joint ventures, and associates

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Long-term equity investments in other domestic financial institutions				
As at 1 January	0	0	2,757	2,683
Impairments	0	0	(76)	0
Reversal of impairment	0	0	0	74
As at 31 December	**0**	**0**	**2,681**	**2,757**
Long-term equity investments in domestic non-financial institutions				
As at 1 January	0	0	5,530	7,004
Capital increase	0	0	0	870
Impairments	0	0	(3,220)	(2,964)
Reversal of impairment	0	0	30	620
Reclassification as Non-current assets held for sale and discontinued operations (Note 4.15.)	0	0	(806)	0
As at 31 December	**0**	**0**	**1,534**	**5,530**
Long-term equity investments in foreign non-financial institutions				
As at 1 January	0	0	0	2
Impairments	0	0	0	(2)
As at 31 December	**0**	**0**	**0**	**0**
TOTAL	**0**	**0**	**4,215**	**8,287**

Equity investments in subsidiaries totalled EUR 4,215 thousand at the end of 2019. An impairment test was conducted for the capital investment in Semenarna due to the existence of indicators that the financial investment may be impaired. The recoverable amount (fair value less cost of selling) has been estimated in accordance with IAS 36. The equity investment in Semenarna was impaired by EUR 3,220 thousand and reclassified to the item Non-current assets held for sale and discontinued operations in the amount of EUR 806 thousand as at 31 December 2019. The equity investment in the DBS Leasing subsidiary also decreased by EUR 76 thousand due to impairment, totalling EUR 2,681 thousand at the end of 2019. Based on the reversal of impairment, the equity investment in DBS Nepremičnine increased by EUR 30 thousand and totalled EUR 1,534 thousand at the end of December. As there were no changes in the investment in DBS Adria in 2019, it amounted to EUR 0 thousand at the end of the year.

4.10. Property, plant and equipment

Group DBS

2019	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Operating fixed assets - without lease rights						
Cost						
As at 31 December 2018	34,857	3,826	16,066	1,129	0	55,878
Increases	0	0	0	0	585	585
Transfer from PPE under construction	0	185	163	0	(348)	0
Decreases	0	(74)	(223)	(271)	0	(568)
Transfer to non-current assets held for sale	(22,252)	(617)	(5,191)	(163)	0	(28,223)
As at 31 December	12,605	3,320	10,815	695	237	27,672
Revaluation allowance						
As at 1 January	9,114	3,474	14,649	359	0	27,596
Decreases	0	(74)	(223)	(140)	0	(437)
Transfer to non-current assets held for sale	(4,558)	(533)	(4,722)	(73)	0	(9,886)
Depreciation and amortisation	335	127	252	137	0	851
As at 31 December	4,891	2,994	9,956	283	0	18,124
Net carrying value						
As at 1 January	25,743	352	1,417	770	0	28,282
As at 31 December	7,714	326	859	412	237	9,548
Lease rights						
Cost						
As at 1 January 2019 from the recognition of lease rights	5,684	0	0	3	0	5,687
Transfer to non-current assets held for sale	(3,319)	0	0	(3)	0	(3,322)
Increases	133	0	0	0	0	133
Decreases	(128)	0	0	0	0	(128)
As at 31 December	2,370	0	0	0	0	2,370
Revaluation allowance						
As at 1 January	0	0	0	0	0	0
Decreases	(10)	0	0	0	0	(10)
Depreciation from lease rights	453	0	0	0	0	453
As at 31 December	443	0	0	0	0	443
Net carrying value						
As at 1 January	5,684	0	0	3	0	5,687
As at 31 December	1,927	0	0	0	0	1,927
Net carrying value total						
As at 1 January	31,427	352	1,417	773	0	33,969
As at 31 December	9,641	326	859	412	237	11,475

The net carrying value of the Group's real estate held as collateral for loans is EUR 6,768 thousand.

As at 31 December 2019, property, plant and equipment from the Semenarna consolidation in the amount of EUR 20,393 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

Group DBS

2018	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Cost						
As at 1 January	34,379	4,065	16,742	1,150	0	56,336
Increases	54	48	187	174	856	1,319
Transfer from PPE under construction	588	118	150	0	(856)	0
Decreases	(164)	(405)	(1,013)	(195)	0	(1,777)
As at 31 December	34,857	3,826	16,066	1,129	0	55,878
Revaluation allowance						
As at 1 January	8,544	3,718	15,224	305	0	27,791
Decreases	(36)	(404)	(1,001)	(109)	0	(1,550)
Depreciation and amortisation	606	160	426	163	0	1,355
As at 31 December	9,114	3,474	14,649	359	0	27,596
Net carrying value						
As at 1 January	25,835	347	1,518	845	0	28,545
As at 31 December	25,743	352	1,417	770	0	28,282

* Due to the transfer of assets held for sale, the depreciation amount is adjusted in the income statement for 2018.

The net carrying value of the Group real estate held as collateral for loans is EUR 6,799 thousand.

DBS d. d.

2019	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Operating fixed assets - without lease rights						
Cost						
As at 31 December 2018	12,605	3,191	10,664	97	0	26,557
Increases	0	0	0	0	585	585
Transfer from PPE under construction	0	185	163	0	(348)	0
Decreases	0	(74)	(223)	(45)	0	(342)
As at 31 December	12,605	3,302	10,604	52	237	26,800
Revaluation allowance						
As at 1 January	4,556	2,924	9,840	31	0	17,351
Decreases	0	(74)	(223)	(16)	0	(313)
Depreciation and amortisation	335	127	246	13	0	721
As at 31 December	4,891	2,977	9,863	28	0	17,759
Net carrying value						
As at 1 January	8,049	267	824	66	0	9,206
As at 31 December	7,714	325	741	24	237	9,041
Lease rights						
Cost						
As at 1 January 2019 from the recognition of lease rights	2,365	0	0	6	0	2,371
Increases	133	0	0	0	0	133
Decreases	(128)	0	0	0	0	(128)
As at 31 December	2,370	0	0	6	0	2,376
Revaluation allowance						
As at 1 January	0	0	0	0	0	0
Decreases	(9)	0	0	0	0	(9)
Depreciation from lease rights	452	0	0	5	0	457
As at 31 December	443	0	0	5	0	448
Net carrying value						
As at 1 January	2,365	0	0	6	0	2,371
As at 31 December	1,927	0	0	1	0	1,928
Net carrying value total						
As at 1 January	10,414	267	824	72	0	11,577
As at 31 December	9,641	325	741	25	237	10,969

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

DBS d. d.

2018	Land and buildings	Computers	Furniture and other equipment	Motor vehicles	PPE under construction	Total
Cost						
As at 1 January	12,594	3,287	10,976	97	0	26,954
Increases	0	0	0	0	279	279
Transfer from PPE under construction	11	118	150	0	(279)	0
Decreases	0	(214)	(462)	0	0	(676)
As at 31 December	12,605	3,191	10,664	97	0	26,557
Revaluation allowance						
As at 1 January	4,221	3,018	9,968	19	0	17,226
Decreases	0	(213)	(453)	0	0	(666)
Depreciation and amortisation	335	119	325	12	0	791
As at 31 December	4,556	2,924	9,840	31	0	17,351
Net carrying value						
As at 1 January	8,373	269	1,008	78	0	9,728
As at 31 December	8,049	267	824	66	0	9,206

4.11. Investment property

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Long-term investments into investment property				
- Land	9,076	11,360	9,076	11,360
- Buildings	8,164	13,147	8,164	13,147
TOTAL	**17,240**	**24,507**	**17,240**	**24,507**

b) Movements

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	24,507	29,629	24,507	29,629
Increase	279	336	279	336
Transferred from inventories	467	382	467	382
Decrease	(7,664)	(3,071)	(7,664)	(3,071)
Reversal of impairment (revaluations) (Note 3.12.)	75	38	75	38
Impairments (revaluations) (Note 3.12.)	(670)	(2,807)	(670)	(2,807)
Losses upon derecognition	(201)	0	(201)	0
Income upon derecognition	447	0	447	0
As at 31 December	**17,240**	**24,507**	**17,240**	**24,507**

Lease contracts may be terminated during the lease period. A transfer of EUR 467 thousand was made from inventories to investment property in respect of the Bank's property not sold within one year. The Bank recorded EUR 670 thousand worth of impairment charges against investment property in 2019 (2018: EUR 2,807 thousand) (Note 3.12.).

Investment property is categorised into Level 3 of the fair value hierarchy. In determining fair value, the comparable sales method is used. Fair value is determined on the basis of data on market prices.

4.12. Intangible assets

Group DBS

	2019			2018		
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	4,526	0	4,526	4,392	0	4,392
Increases	27	239	266	140	0	140
Decreases	(364)	(239)	(603)	(6)	0	(6)
Transfer to Discontinued operations	(1,080)	0	(1,080)	0	0	0
Transfer from intangible assets under construction	239	0	239	0	0	0
As at 31 December	3,348	0	3,348	4,526	0	4,526
Revaluation allowance						
As at 1 January	3,761	0	3,761	3,558	0	3,558
Depreciation and amortisation	163	0	163	209	0	209
Decreases	(365)	0	(365)	(6)	0	(6)
Transfer to Discontinued operations	(802)	0	(802)	0	0	0
As at 31 December	2,757	0	2,757	3,761	0	3,761
As at 1 January	**765**	**0**	**765**	**834**	**0**	**834**
As at 31 December	**591**	**0**	**591**	**765**	**0**	**765**

* Due to the transfer of assets held for sale, the depreciation amount is adjusted in the income statement for 2018.

As at 31 December 2019, intangible assets from the Semenarna consolidation in the amount of EUR 227 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

The Group holds no intangible assets received as guarantee for liabilities, and holds no assets with limited ownership rights. The Group's intangible assets do not include licences under lease.

DBS d. d.

	2019			2018		
	Intangible assets	Intangible assets under construction	Total	Intangible assets	Intangible assets under construction	Total
Cost						
As at 1 January	3,225	0	3,225	3,199	0	3,199
Increases	0	239	239	26	26	52
Decreases	(364)	(239)	(603)	0	(26)	(26)
Transfer from PPE under construction	239	0	239	0	0	0
As at 31 December	3,100	0	3,100	3,225	0	3,225
Revaluation allowance						
As at 1 January	2,780	0	2,780	2,623	0	2,623
Depreciation and amortisation	156	0	156	157	0	157
Decreases	(365)	0	(365)	0	0	0
As at 31 December	2,571	0	2,571	2,780	0	2,780
As at 1 January	**445**	**0**	**445**	**576**	**0**	**576**
As at 31 December	**529**	**0**	**529**	**445**	**0**	**445**

The Bank holds no intangible assets received as guarantee for liabilities, and holds no assets with limited ownership rights. The Bank's intangible assets do not include licences under lease.

4.13. Corporate income tax assets

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Tax assets	528	0	528	0
Deferred tax assets (Note 4.25. b)	4,778	5,104	4,778	4,613
TOTAL	**5,306**	**5,104**	**5,306**	**4,613**

As at 31 December 2019, the Group discloses a tax asset in the amount of EUR 528 thousand, arising from the surplus of advances payments over the established corporate tax base for 2019. In 2019, the Bank made monthly advance payments for corporate income tax of EUR 73 thousand due to the positive tax base for 2018.

As at 31 December 2019, corporate income tax assets from the Semenarna consolidation in the amount of EUR 522 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

4.14. Other assets

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
VAT refund receivables for the tax period	0	173	0	0
Accrued and short-term deferred costs	210	490	203	464
Long-term deferred operating costs	25	178	25	25
Materials inventory	0	6,709	0	0
Property inventory (Note 4.14. b)	1,620	4,160	311	2,865
Stock of coins held for sale	157	155	157	155
Advances receivable - construction works	221	0	221	0
Advances to suppliers for operating current assets	11	152	1	0
Other advances	25	0	25	0
Input VAT receivable	1	0	0	33
Other tax refund receivables	1	54	1	51
Advance suretyship, security receivables	89	36	89	17
Consideration receivable	1,086	1,156	1,086	1,156
Other	0	33	0	5
Revaluation allowances	(2)	0	(2)	0
TOTAL	**3,444**	**13,296**	**2,117**	**4,771**

As at 31 December 2019, other assets from the Semenarna consolidation in the amount of EUR 7,127 thousand were transferred to the item Non-current assets held for sale and discontinued operations (Note 4.15.).

Movements in revaluation allowance for other assets are disclosed in section 5.1.5. (Note f).

b) Movements in inventories of property

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	4,160	3,849	2,865	2,542
Increase	239	2,328	217	2,328
Transferred to investment property	(467)	(382)	(467)	(382)
Decrease	(2,312)	(1,578)	(2,304)	(1,566)
Revaluation	0	(57)	0	(57)
As at 31 December	**1,620**	**4,160**	**311**	**2,865**

The Bank recorded no impairment charges against property inventories in 2019 (2018: EUR 57 thousand) (Note 3.12.).

4.15. Non-current assets held for sale and discontinued operations

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Property, plant and equipment held for sale	173	162	0	0
Equity investment - transfer from Equity investments in subsidiaries, joint ventures, and associates (Note 4.9.)	0	0	806	0
Assets of subsidiaries held for sale	30,647	0	0	0
TOTAL	**30,820**	**162**	**806**	**0**

The item Property, plant and equipment of the Group includes property held for sale by the subsidiaries DBS Leasing and DBS Adria.

The Bank's item equity investment includes the equity investment in Semenarna Ljubljana, d. o. o., which the Bank reclassified under Non-current assets held for sale and discontinued operations due to the sale shortly after 31 December 2019.

The Group's item assets of subsidiaries held for sale amounting to EUR 30,647 thousand includes all consolidated items comprising assets from the statement of financial position of Semenarna Ljubljana, d. o. o. as at 31 December 2019.

Assets of subsidiaries held for sale

	Group DBS
	2019
Cash, balances at central banks, and sight deposits at banks	**289**
- Cash	20
- Bank balances at central bank	269
Financial assets mesaured at fair value through other comprehensive income	**1**
- Equities	1
Financial assets measured at amortised cost	**2,088**
- Loans and advances to customers	31
- Other financial assets	2,057
Tangible assets	**20,393**
- Property, plant and equipment	20,393
Intangible assets	**227**
Income tax assets	**522**
- Current tax assets	52
- Deferred tax assets	470
Other assets	**7,127**
Non-current assets held for sale, and discontinued operations	**30,647**

4.16. Financial liabilities held for trading

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Other trading liabilities	110	0	110	0
TOTAL	**110**	**0**	**110**	**0**

The item other financial liabilities includes foreign currency trading liabilities, with which the Group regulated net open positions in foreign currencies.

4.17. Deposits by banks and central banks

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Sight deposits by banks	339	758	339	746
TOTAL	**339**	**758**	**339**	**746**

As at 31 December 2019, financial liabilities – deposits by banks and central banks from the consolidation of Semenarna in the amount of EUR 11 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations.

4.18. Deposits by customers

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Sight deposits	696,346	654,841	696,572	655,205
Short-term deposits	69,560	63,967	69,562	63,967
Long-term deposits	128,818	145,442	128,853	145,478
TOTAL	**894,724**	**864,250**	**894,987**	**864,650**

As at 31 December 2019, financial liabilities – deposits by customers from the consolidation of Semenarna in the amount of EUR 3 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations.

Long-term deposits also include deposits with characteristics of the Bank's subordinated liabilities (Note 4.23.).

4.19. Borrowings from banks and central banks

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Short-term borrowings from banks	0	8,804	0	0
Long-term borrowings from banks	2,058	6,213	2,058	4,115
Long-term borrowings from central bank	49,440	49,643	49,440	49,643
TOTAL	**51,498**	**64,660**	**51,498**	**53,758**

As at 31 December 2019, financial liabilities – borrowings from banks and central banks from the consolidation of Semenarna in the amount of EUR 10,113 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.).

Long-term loans also include loans with characteristics of the Bank's subordinated liabilities (Note 4.23.).

4.20. Loans and advances from customers

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Long-term borrowings from customers	0	503	0	0
TOTAL	**0**	**503**	**0**	**0**

As at 31 December 2019, financial liabilities – loans from customers from the consolidation of Semenarna in the amount of EUR 337 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.).

4.21. Debt securities measured at amortised cost

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Certificates of deposit				
- To other financial institutions	0	1,082	0	1,082
TOTAL	**0**	**1,082**	**0**	**1,082**

The item debt securities measured at amortized cost includes certificates of deposit with characteristics of subordinated liabilities (Note 4.23.), which matured in 2019 in the amount of EUR 1,082 thousand and amounted to EUR 0 thousand at the end of 2019.

4.22. Other financial liabilities

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Profit sharing - dividend payments	0	6	0	6
Wages and salaries	571	778	557	498
Taxes and contributions	300	362	293	264
Suppliers	682	3,919	684	1,549
Lease liabilities	1,784	0	1,785	0
Other liabilities	463	1,063	463	1,011
Charges being collected	19	21	19	21
Accrued costs	308	277	302	262
Accrued expenses	215	180	215	180
Other long-term liabilities	5	3,005	5	125
Other	102	136	102	4
TOTAL	**4,449**	**9,747**	**4,425**	**3,920**

As at 31 December 2019, other financial liabilities from the consolidation of Semenarna in the amount of EUR 11,353 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.).

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

4.23. Subordinated liabilities

a) Breakdown by statement of financial position item

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Deposits by customers - long-term deposits (Note 4.18.)	6,421	6,416	6,421	6,416
Borrowings from banks and central banks - long-term borrowings from banks (Note 4.19.)	2,057	4,116	2,057	4,116
Debt securities mesured at amortised cost - certificates of deposit (Note 4.21.)	0	1,082	0	1,082
TOTAL	**8,478**	**11,614**	**8,478**	**11,614**

b) Breakdown by sector

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Subordinated liabilities				
- To banks	2,057	4,116	2,057	4,116
- To non-financial institutions	1,628	1,623	1,628	1,623
- To other financial institutions	4,263	5,345	4,263	5,345
- To households	530	530	530	530
TOTAL	**8,478**	**11,614**	**8,478**	**11,614**

	Date subscribed	Amount	Currency	Interest rate (%)	Maturity date
Subordinated liabilities					
	23. 10. 2013	531	EUR	6.20	3. 11. 2020
	23. 10. 2013	53	EUR	6.20	3. 11. 2020
	23. 10. 2013	85	EUR	6.20	3. 11. 2020
	23. 10. 2013	85	EUR	6.20	3. 11. 2020
	23. 10. 2013	96	EUR	6.20	3. 11. 2020
	23. 10. 2013	32	EUR	6.20	3. 11. 2020
	23. 10. 2013	106	EUR	6.20	3. 11. 2020
	30. 10. 2013	106	EUR	6.20	10. 11. 2020
	30. 10. 2013	712	EUR	6.20	10. 11. 2020
	30. 10. 2013	531	EUR	6.20	10. 11. 2020
	30. 10. 2013	32	EUR	6.20	10. 11. 2020
	30. 10. 2013	319	EUR	6.20	10. 11. 2020
	30. 10. 2013	79	EUR	6.20	10. 11. 2020
	29. 5. 2015	2,057	EUR	6m Euribor + 6.00	31. 5. 2022
	29. 9. 2015	105	EUR	4.70	30. 9. 2021
	29. 9. 2015	52	EUR	4.70	30. 9. 2021
	29. 9. 2015	742	EUR	6.00	30. 9. 2022
	29. 9. 2015	106	EUR	6.00	30. 9. 2022
	30. 9. 2015	530	EUR	6.00	30. 9. 2022
	9. 10. 2015	159	EUR	6.00	10. 10. 2025
	9. 10. 2015	530	EUR	6.00	10. 10. 2025
	9. 10. 2015	848	EUR	6.00	10. 10. 2025
	9. 10. 2015	583	EUR	6.00	10. 10. 2025
TOTAL		**8,478**			

Subordinated liabilities include the Bank's subordinated deposits, loans and certificates of deposit eligible for inclusion into Tier II capital consistent with the CRR (Note in Chapter 5 and in Section Risk and Capital Management). Subordinated debt was issued over the years in order to maintain the required capital adequacy.

4.24. Provisions

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Provisions for pensions and similar payables to employees (Note 4.24. b and c)	1,604	1,823	1,587	1,354
Provisions for off-balance sheet liabilities (Note 4.24. d)	149	126	611	610
Group 1	77	72	78	72
Group 2	19	4	19	4
Group 3	53	50	514	534
Other provisions (Note 4.24. f)	0	541	0	541
TOTAL	**1,753**	**2,490**	**2,198**	**2,505**

b) Provisions for pensions and similar payables to employees

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Provisions for severance pays	1,419	1,646	1,405	1,180
Provisions for long-service awards	185	177	182	174
TOTAL	**1,604**	**1,823**	**1,587**	**1,354**

The actuarial calculation of provisions for severance pays and long-service awards to employees included the following assumptions: average earnings growth in the Republic of Slovenia is expected to total an annual 2.5% in 2020 and in subsequent years; the calculation of liabilities for severance pays takes into account an employee's period of employment; the selected discount factor is 0.59% annually. Assumptions on employment fluctuations and the company's related payables: it is assumed that employment fluctuation depends primarily on the employees age; the mortality rates used are from the Slovenian reference population mortality table for 2007; it is assumed that employees will exercise their right to retire upon reaching their full retirement age, and therefore the employer will not incur liabilities for long-service awards projected to fall due at a later date.

As at 31 December 2019, provisions for pensions and similar payables to employees from the consolidation of Semenarna in the amount of EUR 521 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.). Provisions for tax-related legal actions and other pending legal cases from the consolidation of Semenarna in the amount of EUR 34 thousand were also transferred (Note 4.27.).

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	1,823	1,978	1,354	1,451
Provisions made during the year	85	84	81	63
Provisions released	203	(120)	203	(84)
Provisions utilised during the year	(51)	(119)	(51)	(76)
Transfer to Discontinued operations	(456)	0	0	0
As at 31 December	**1,604**	**1,823**	**1,587**	**1,354**

The Group's recalculated payables to employees total EUR 1,604 thousand, for which additional provisions of EUR 20 thousand had to be released as at 31 December 2019. Higher provisions for severance pays, which represent costs for the period, and an increase in provisions for long-service awards in the total amount of EUR 42 thousand, were charged to the income statement. The actuarial deficit for severance pays was released in other comprehensive income in the amount of EUR 63 thousand (Note 4.30.).

The Bank's recalculated payables to employees total EUR 1,587 thousand, for which we had to form as at 31 December 2019 additional provisions of EUR 283 thousand. Higher provisions for severance pays, which represent costs for the period, and an increase in provisions for long-service awards in the total amount of EUR 88 thousand, were charged to the income statement. The actuarial deficit for severance pays was formed in other comprehensive income in the amount of EUR 195 thousand (Note 4.30.).

d) Movements in provisions for commitments and guarantees given

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	72	4	50	126	112	4	117	233
Transferred to Group 1	1	(1)	0	0	1	(1)	0	0
Transferred to Group 2	(1)	6	(5)	0	0	13	(13)	0
Transferred to Group 3	(1)	(1)	2	0	0	(1)	1	0
Enhancements through issuing and acquisition	3	0	1	4	2	0	0	2
Decreases through derecognition	(3)	0	(5)	(8)	(18)	0	(6)	(24)
Changes due to change in credit risk (net)	6	11	10	27	(25)	(11)	(49)	(85)
As at 31 December	**77**	**19**	**53**	**149**	**72**	**4**	**50**	**126**

DBS d. d.				2019				2018
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	72	4	534	610	112	4	653	769
Transferred to Group 1	1	(1)	0	0	1	(1)	0	0
Transferred to Group 2	(1)	6	(5)	0	0	13	(13)	0
Transferred to Group 3	(1)	(1)	2	0	0	(1)	1	0
Enhancements through issuing and acquisition	3	0	1	4	2	0	3	5
Decreases through derecognition	(3)	0	(396)	(399)	(18)	0	(246)	(264)
Changes due to change in credit risk (net)	7	11	378	396	(25)	(11)	136	100
As at 31 December	**78**	**19**	**514**	**611**	**72**	**4**	**534**	**610**

e) Movements in provisions for pending legal cases

		Group DBS		DBS d. d.
	2019	2018	2019	2018
As at 1 January	0	423	0	423
Provisions utilised during the year for dividend payments for 2015	0	(423)	0	(423)
As at 31 December	**0**	**0**	**0**	**0**

f) Movements in other provisions

		Group DBS		DBS d. d.
	2019	2018	2019	2018
As at 1 January	541	0	541	0
Provisions created during the year	0	541	0	541
Provisions released during the year	(52)	0	(52)	0
Provisions utilised during the year	(489)	0	(489)	0
As at 31 December	**0**	**541**	**0**	**541**

4.25. Tax liabilities

a) Breakdown

		Group DBS		DBS d. d.
	2019	2018	2019	2018
Current tax liabilities	73	566	73	510
Deferred tax liabilities	3	1,184	3	2
TOTAL	**76**	**1,750**	**76**	**512**

Pursuant to the Corporate Income Tax Act (ZDDPO-2), the corporate income tax payable for 2019, applying the 19% tax rate, amounts to EUR 76 thousand.

As at 31 December 2019, tax liabilities from the consolidation of Semenarna in the amount of EUR 1,190 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.).

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
1. Deferred tax liabilities				
Financial assets measured at fair value through other comprehensive income	3	2	3	2
Land valuation	0	1,182	0	0
TOTAL	**3**	**1,184**	**3**	**2**
2. Deferred tax assets				
Provisions for severance pays and long-service awards	152	187	152	133
Impairment of securities	224	69	224	69
Impairment of equity participation	3,780	3,350	3,780	3,350
Tax loss	622	1,066	622	1,061
Valuation of buildings	0	432	0	0
TOTAL (Note 4.13.)	**4,778**	**5,104**	**4,778**	**4,613**
Net deferred tax (2 - 1)	**4,775**	**3,920**	**4,775**	**4,611**

The outstanding tax loss of the Group totals EUR 27,517 thousand. For the Group, deferred tax assets arising from the impaired equity investment, loans, financial leasing, unspent allowances, non-deductible depreciation, provisions for employees and tax losses, were formed in the amount of EUR 10,137 thousand, impairments of deferred tax assets totalling EUR 5,359 thousand. Elimination of the transfer of the equity investment in Semenarna to Non-current assets held for sale has been taken into account in the amount of EUR 470 thousand from deferred tax assets, and EUR 1,190 thousand from deferred tax liabilities.

The Bank's outstanding tax loss amounts to a total of EUR 13,090 thousand. Deferred tax assets were formed in the amount of EUR 7,121 thousand, impairments of deferred tax assets totalling EUR 2,343 thousand.

c) Movements in deferred taxes

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	3,920	4,473	4,611	5,146
Transfer to Non-current assets held for sale	695	0	0	0
Financial assets measured at fair value through other comprehensive income	(12)	27	(12)	27
Land valuation	0	(7)	0	0
Depreciation and amortisation	0	(7)	0	0
Impairment of securities	(2)	0	(2)	0
Impairment of equity participation	598	391	598	391
Provisions for severance pays and long-service awards	19	(19)	19	(14)
Tax loss	(443)	(938)	(439)	(939)
As at 31 December	**4,775**	**3,920**	**4,775**	**4,611**

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Provisions for employee benefits	0	(9)	0	(9)
Other provisions	0	1	0	1
Tax loss	(443)	(939)	(439)	(939)
Impairment of equity participation	598	391	598	391
Impairment of securities	(2)	0	(2)	0
TOTAL (Note 3.14.)	**153**	**(556)**	**157**	**(556)**

Deferred tax assets and liabilities for 2019 were calculated using the tax rate of 19%, which is expected to apply in the period a particular receivable is collected.

4.26. Other liabilities

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Payments received in advance	1,295	452	1,136	124
Taxes payable	266	333	239	271
Accruals	134	146	36	39
TOTAL	**1,695**	**931**	**1,411**	**434**

As at 31 December 2019, other liabilities from the consolidation of Semenarna in the amount of EUR 226 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.).

4.27. Liabilities from non-current assets held for sale and discontinued operations

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Liabilities relating to assets of subsidiaries held for sale (Note 4.15.)	23,777	0	0	0
TOTAL	**23,777**	**0**	**0**	**0**

Liabilities from assets of subsidiaries held for sale

	Group DBS
Liabilities	2019
Financial liabilities measured at amortised cost	**21,817**
- Deposits by banks and central banks	11
- Deposits by customers	3
- Borrowings from banks and central banks	10,113
- Borrowings from customers	337
- Other financial liabilities	11,353
Provisions	**555**
Pensions and other defined post-employment benefit liabilities	521
Tax suits and other pending legal cases	34
Income tax liabilities	**1,190**
- Deferred tax liabilities	1,190
Other liabilities	**226**
Treasury shares	**(11)**
Non-current liabilities held for sale and discontinued operations	**23,777**

4.28. Share capital

a) Breakdown

	Group DBS		DBS d. d.	
	No. of ordinary shares	Subscribed value	No. of ordinary shares	Subscribed value
As at 31 December 2018/1 January 2019	4,268,248	17,811	4,268,248	17,811
As at 31 December 2019	**4,268,248**	**17,811**	**4,268,248**	**17,811**

The Bank's share capital is divided into 4,268,248 ordinary no par value shares of class A, of which 4,257,483 are recorded in the central registry of dematerialised securities held by the Slovenian Central Securities Clearing Corporation – KDD. At the year-end of 2019, the Bank's share capital totals EUR 17,811,083.54.

b) Shareholders with over 5% of share capital

				2019
	Group DBS		DBS d. d.	
Shareholder	No. of shares	Stake in shareholders' equity in KDD	No. of shares	Stake in shareholders' equity in KDD
Kapitalska zadruga, z. b. o., Ljubljana	894,158	21.002	894,158	21.002
KD Group d. d., Ljubljana	821,144	19.287	821,144	19.287
Prva osebna zavarovalnica, d. d.*	644,506	15.138	644,506	15.138
Skupina Prva d. d.	422,557	9.925	422,557	9.925
Banca Popolare di Cividale S.C.p.A., Cividale del Friuli	228,289	5.362	228,289	5.362

* The insurer Prva osebna zavarovalnica d. d., holds shares in its own name and for the account of pension guarantee funds it manages (note in Business Report, Section VI.6).

At the year-end of 2019, 287 shareholders of Deželna banka Slovenije d. d. were recorded in the KDD central securities register (2018: 306), of which 104 were domestic legal entities, 178 domestic individuals, and five foreign entities. The number of the Bank's shareholders decreased by 19 in 2019.

4.29. Share premium

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	31,257	31,257	31,257	31,257
As at 31 December	**31,257**	**31,257**	**31,257**	**31,257**

As at 31 December 2019 and 31 December 2018, share premium amount to EUR 31,257 thousand and represent payments in excess of par value of paid-in shares (paid-in surplus).

4.30. Accumulated other comprehensive income

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	**(573)**	**(540)**	**(547)**	**(486)**
Items not to be reclassified to profit or loss	**(179)**	**(33)**	**(123)**	**(61)**
Actuarial gains/losses on defined benefit pension plans	(251)	91	(195)	63
Changes in the fair value of investments into equity instruments measured at fair value through other comprehensive income (Note 4.4. b)	66	(146)	66	(146)
Income tax relating to components of items not be reclassified to profit or loss	6	22	6	22
As at 31 December	**(752)**	**(573)**	**(670)**	**(547)**

Items not restated in the income statement refer to the actuarial deficit for severance pays (Note 4.24. b) and the surplus from the change in the fair value of investments in equity instruments.

a) Movements

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	(573)	(390)	(547)	(335)
Increase in actuarial deficit for severance pays	0	86	0	57
Decrease in actuarial deficit for severance pays	(233)	0	(177)	0
Changes in the fair value of securities measured at fair value through other comprehensive income	54	(269)	54	(269)
As at 31 December	**(752)**	**(573)**	**(670)**	**(547)**

4.31. Revenue reserves

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Reserves for treasury shares	601	601	601	601
Reserves under Statutes	1,924	1,924	1,924	1,924
Other revenue reserves	11,853	9,176	11,853	9,176
TOTAL	**14,378**	**11,701**	**14,378**	**11,701**

Statutory and other revenue reserves can only be formed from net profit amounts for the current year and from retained earnings.

Share premium and statutory reserves can only be used up under the following conditions:
1. if the total amount of these reserves is less than 10% of share capital, they can only be used to:
   - cover net loss for the financial year, if it cannot be covered from retained earnings or other revenue reserves;
   - cover retained loss, if it cannot be covered from net profit for the financial year or other revenue reserves;
2. if the total amount of these reserves is at least 10% of share capital, the surplus amounts of these reserves can be used to:
   - increase share capital;
   - cover net loss for the financial year, if it cannot be covered from retained earnings and if at the same time revenue reserves are not used for dividend payments to shareholders;
   - cover retained loss, if it cannot be covered from net profit for the financial year and if at the same time revenue reserves are not used for dividend payments to shareholders.

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

b) Reserves for treasury shares

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	601	645	601	645
Reversals	0	(44)	0	(44)
As at 31 December	**601**	**601**	**601**	**601**

c) Reserves under Statutes

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	1,924	1,924	1,924	1,924
As at 31 December	**1,924**	**1,924**	**1,924**	**1,924**

d) Other revenue reserves

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
As at 1 January	9,176	4,661	9,176	4,661
Appropriation based on the decision of the General Meeting	2,677	2,199	2,677	2,199
Transferred from net profit	0	2,721	0	2,721
Impact of derecognition of treasury shares	0	18	0	18
Dividend payments	0	(423)	0	(423)
As at 31 December	**11,853**	**9,176**	**11,853**	**9,176**

4.32. Treasury shares

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Repurchase of treasury shares - ordinary	(601)	(612)	(601)	(601)
TOTAL	**(601)**	**(612)**	**(601)**	**(601)**

Treasury shares were bought back due to: employee share remuneration, protection from hostile takeovers, and reasons from indents 1 and 2 of Article 247 (1) of the Companies Act.

As at 31 December 2019, treasury shares from the consolidation of Semenarna in the amount of EUR 11 thousand were transferred to the item Non-current liabilities held for sale and discontinued operations (Note 4.27.).

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

a) Breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Net profit for the year	1,256	4,851	726	2,720
Retained earnings	5,371	4,067	(7)	850
TOTAL	**6,627**	**8,918**	**719**	**3,570**

b) Distributable profit

	DBS d. d.	
	2019	2018
Net profit for the year	726	5,441
Utilisation of net profit for the year		
- Other revenue reserves	0	(2,721)
Retained earnings	(7)	850
TOTAL	**719**	**3,570**

The Bank's distributable profit as at 31 December 2019 amounts to EUR 719 thousand and consists of net profit of EUR 726 thousand and losses from the sale of equity investments in the amount of EUR 7 thousand, reported in retained earnings. The appropriation of distributable profit will be decided by the General Meeting. The Management Board and Supervisory Board recommend that the total of EUR 719 thousand be appropriated to other revenue reserves.

4.34. Off-balance sheet liabilities

a) Breakdown by type of contingent liabilities and commitments

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Guarantees	19,715	21,155	20,080	21,671
Commitments to extend credit	44,570	42,775	46,117	42,846
TOTAL	**64,285**	**63,930**	**66,197**	**64,517**
Provisions (Note 4.24. a and d)	(149)	(126)	(611)	(610)

4.35. Fiduciary activities

The Group manages assets in the total amount of EUR 895 thousand (2018: EUR 130,151 thousand) in the name and for the accounts of third parties. Assets under management are accounted for separately from the Group's assets. Income and expenses from operations in the name of third parties and for the accounts of third parties are credited or charged to the originator, therefore no liabilities arise for the Group from these operations. The Group charges the related service fees to the originator. In 2019, fees and commissions from intermediation in concluding credit transactions and from securities investment services for customers amounted to EUR 13 thousand (2018: EUR 281 thousand). For acting as agent in the sale of numismatic coins, the Group charged fees in the amount of EUR 13 thousand in 2019 (2013: EUR 12 thousand).

As at 1 February 2019, the Bank ceased to provide investment services to customers.

a) Investment and ancillary investment services for customers

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Fee (commission) income associated with investment and ancillary investment services and transactions for clients	**11**	**285**	**11**	**285**
Reception, transmission and execution of orders	11	285	11	285
Fee (commission) expense associated with investment and ancillary investment services and transactions for clients	**48**	**114**	**48**	**114**
Fees associated with KDD and similar organisations	47	100	47	100
Fees associated with the stock exchange and similar organisations	1	14	1	14

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
ASSETS	**0**	**128,551**	**0**	**128,551**
Claims on settlement account and current accounts for clients' assets	0	127,451	0	127,451
- From financial instruments	0	127,157	0	127,157
- From the KDD or the Bank's settlement account for sold financial instruments	0	165	0	165
- From other settlement systems and institutions for sold financial instruments	0	129	0	129
Clients' cash	0	1,100	0	1,100
- On the settlement account for clients' assets	0	605	0	605
- On banks' current accounts	0	495	0	495
LIABILITIES	**0**	**128,551**	**0**	**128,551**
Liabilities of settlement account and of current accounts for clients' assets	0	128,551	0	128,551
- With clients from cash and financial instruments	0	128,389	0	128,389
- With KDD or the Bank's settlement account for purchased financial instruments	0	6	0	6
- With other settlement systems and institutions for purchased financial instruments	0	127	0	127
- With the Bank and the Bank's settlement account for fees, expenses, etc	0	29	0	29

Other agency services

The Group's item other agency services includes EUR 895 thousand from intermediation in concluding credit transactions for the customers' account (2018: 1,435 thousand).

4.36. Related party transactions

The ordinary course of business includes numerous banking transactions with related parties. These transactions are carried out on commercial terms and conditions, and at market rates.

a) Volume of banking transactions among related parties

Group DBS

	Management Board/CEO		Senior management		Close family members of Management Board/CEO/ Members of Supervisory Board		Companies related to members of Management Board/CEO/ Members of Supervisory Board and close family members		Bank's shareholders* (holders of qualifying stake in the Bank)		Supervisory Board members		Members of management or supervisory body, or holder of procuration of a legal person who is a shareholder in the Bank – holding a qualified stake	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Loans and deposits														
As at 1 January	73	211	316	281	19	1	2,168	2,029	5	0	56	123	0	0
Increase	12	49	74	357	1	31	4,714	4,774	2	5	1	5	153	0
Decrease	(26)	(187)	(175)	(322)	(4)	(13)	(5,002)	(4,635)	(7)	0	(25)	(72)	(82)	0
As at 31 December	59	73	215	316	16	19	1,880	2,168	0	5	32	56	71	0
Interest income	1	2	3	9	1	1	56	63	0	0	1	1	2	0
Revaluation allowance	0	0	0	0	0	0	8	10	0	0	0	0	0	0
Deposits and borrowings														
As at 1 January	91	62	211	249	8	77	1,695	1,882	4,593	10	82	106	0	0
Increase	1,820	569	1,630	1,481	103	178	14,443	10,396	9,817	5,196	456	218	294	0
Decrease	(1,763)	(540)	(1,434)	(1,519)	(97)	(247)	(14,352)	(10,583)	(11,047)	(613)	(388)	(242)	(252)	0
As at 31 December	148	91	407	211	14	8	1,786	1,695	3,363	4,593	150	82	42	0
Interest expense	0	0	0	0	0	0	78	160	272	276	0	0	0	0
Guarantees issued	0	0	0	0	0	0	0	1,500	0	0	0	0	0	0
Fee and commission received	0	0	2	3	0	0	52	42	1	77	1	0	1	0
Full operational lease granted														
As at 1 January	0	0	0	0	0	0	3	3	0	0	0	0	0	0
Increase	0	0	0	0	0	0	39	45	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(41)	(45)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	1	3	0	0	0	0	0	0
Lease income	0	0	0	0	0	0	21	28	0	0	0	0	0	0
Full operational lease received														
As at 1 January	0	0	0	0	0	0	1	1	0	0	0	0	0	0
Increase	0	0	0	0	0	0	40	37	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(40)	(37)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	1	1	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	40	37	0	0	0	0	0	0
Other receivables	0	0	0	0	0	0	9	7	0	0	0	0	0	0
Other income	0	0	9	0	0	0	90	67	77	27	0	0	0	0
Other liabilities	0	0	0	0	0	0	80	0	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	304	129	2	1	0	0	0	0

* Only the Bank's qualified shareholders are included.

DBS d. d.

	Management Board		Senior management		Close family members of members of the Management Board, Supervisory Board		Companies associated with members of the Management Board, Supervisory Board, and their close family members		Bank's shareholders* (holders of qualifying stake)		Supervisory Board members		Members of management or supervisory body, or holder of procuration of a legal person who is a shareholder in the Bank – holding a qualified stake	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Loans and deposits placed														
As at 1 January	26	37	209	281	1	1	2,168	2,029	5	0	56	123	0	0
Increase	10	22	74	245	1	2	4,714	4,774	2	5	1	5	153	0
Decrease	(19)	(33)	(165)	(317)	(1)	(2)	(5,002)	(4,635)	(7)	0	(25)	(72)	(82)	0
As at 31 December	17	26	118	209	1	1	1,880	2,168	0	5	32	56	71	0
Interest income	0	1	3	7	0	0	56	63	0	0	1	1	2	0
Revaluation allowance	0	0	0	0	0	0	8	10	0	0	0	0	0	0
Deposits and borrowings														
As at 1 January	36	15	211	249	8	77	1,695	1,882	4,593	10	82	106	0	0
Increase	1,775	401	1,630	1,481	103	178	14,443	10,396	9,817	5,195	456	218	294	0
Decrease	(1,716)	(380)	(1,434)	(1,519)	(97)	(247)	(14,352)	(10,583)	(11,047)	(612)	(388)	(242)	(252)	0
As at 31 December	95	36	407	211	14	8	1,786	1,695	3,363	4,593	150	82	42	0
Interest expense	0	0	0	0	0	0	78	160	272	276	0	0	0	0
Guarantees issued	0	0	0	0	0	0	0	1,500	0	0	0	0	0	0
Fee and commission received	0	0	2	3	0	0	52	42	1	77	1	0	1	0
Full operational lease received														
As at 1 January	0	0	0	0	0	0	1	1	0	0	0	0	0	0
Increase	0	0	0	0	0	0	40	37	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	(40)	(37)	0	0	0	0	0	0
As at 31 December	0	0	0	0	0	0	1	1	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	40	37	0	0	0	0	0	0
Other income	0	0	0	0	0	0	4	0	77	27	0	0	0	0
Other liabilities	0	0	0	0	0	0	76	0	0	0	0	0	0	0
Other expenses	0	0	0	4	0	0	278	114	0	0	0	0	0	0

* Only the Bank's qualified shareholders are included.

Disclosures of transactions among related parties include all changes taking place during the year. Each individual related party is considered as of the date of being entered in the related party list up to the date of exit or until the end of the year of reference.

b) Subsidiaries DBS Leasing, DBS Nepremičnine, Semenarna and DBS Adria

	Subsidiaries - DBS Leasing, DBS Nepremičnine, Semenarna, DBS Adria		Subsidiaries - related parties - Management Board/CEO/Holder of Procuration		Subsidiaries - related parties - Companies related to members of the Management or Supervisory Board/CEO/Holder of Procuration, or their close family members	
	2019	2018	2019	2018	2019	2018
Loans and deposits placed						
As at 1 January	11,355	9,499	46	174	0	0
Increase	16,214	24,558	1	27	0	0
Decrease	(13,623)	(22,702)	(5)	(155)	0	0
As at 31 December	13,946	11,355	42	46	0	0
Interest income	146	203	1	1	0	0
Revaluation allowance	993	628	0	0	0	0
Deposits and borrowings						
As at 1 January	403	270	54	48	0	0
Increase	4,755	10,043	46	167	0	0
Decrease	(4,895)	(9,910)	(46)	(161)	0	0
As at 31 December	263	403	54	54	0	0
Interest expense	2	1	0	0	0	0
Guarantees issued	364	515	0	0	0	0
Fee and commission received	192	131	0	0	0	0
Full operational lease granted						
As at 1 January	0	0	0	0	0	0
Increase	77	35	0	0	0	0
Decrease	(77)	(35)	0	0	0	0
As at 31 December	0	0	0	0	0	0
Lease income	77	35	0	0	0	0
Full operational lease received						
As at 1 January	0	0	0	0	0	0
Increase	5	7	0	0	0	0
Decrease	(5)	(7)	0	0	0	0
As at 31 December	0	0	0	0	0	0
Lease expense	5	0	0	0	0	0
	1	0	0	0	0	0
Other income	16	28	0	0	0	0
Other liabilities	9	0	0	0	0	0
Other expenses	12	8	0	0	0	0

c) Remuneration of Senior Management

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Wages and other short-term benefits	1,324	1,238	1,185	1,141
Variable remuneration	12	114	10	112
Variable remuneration - severance pays	0	167	0	126
TOTAL	**1,336**	**1,519**	**1,195**	**1,379**

The remuneration of the Management Board and others on management contracts includes gross wages, pay for annual leave, fringe benefits (statutory severance pays, long-service awards, compensations), cost reimbursement and supplementary pension insurance. The variable component of remuneration includes the variable component of performance, fringe benefits and severance pays under contract. The variable remuneration amounting to EUR 12 thousand is composed of monetary remuneration and other fringe benefits (use of a car, accident and health insurance). The senior management category comprises the Management Board and employees subordinated to it directly.

The Management Board and others on management contracts held 1,784 shares (0.042% of share capital) as at 31 December 2019. As at 31 December 2018 they held 1,933 shares (0,045% of share capital).

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

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Wages and other short-term benefits	126	112	126	103
TOTAL	**126**	**112**	**126**	**103**

The amount includes the earnings of Supervisory Board members and those of the members of the Supervisory Board Nomination, Audit and Risk Committee.

e) Remuneration of members of management and supervisory bodies in 2019

	Group DBS							DBS d. d.						
	Fixed remuneration				Variable remuneration			Fixed remuneration				Variable remuneration		
Position/ Remuneration type	Fixed remu-neration	Cost re-imburse-ment	Supple-ment pension insurance	Total	Variable remu-neration	Other pay-ments	Total	Fixed remu-neration	Cost reimburse-ment	Supple-ment pension insur-ance	Total	Variable remu-neration	Other pay-ments	Total
Management Board of the Bank	**319**	**3**	**5**	**327**	**0**	**6**	**6**	**319**	**3**	**5**	**327**	**0**	**6**	**6**
- Marko Rozman, President	174	2	3	179	0	0	0	174	2	3	179	0	0	0
- Barbara Cerovšek Zupančič MSc, member	145	1	2	148	0	6	6	145	1	2	148	0	6	6
Supervisory Board of the Bank	**120**	**6**	**0**	**126**	**0**	**0**	**0**	**120**	**6**	**0**	**126**	**0**	**0**	**0**
- Peter Vrisk, Chair	28	2	0	30	0	0	0	28	2	0	30	0	0	0
- Ivan Lenart, Vice-Chair	22	2	0	24	0	0	0	22	2	0	24	0	0	0
- Nikolaj Maver, member	18	1	0	19	0	0	0	18	1	0	19	0	0	0
- Jure Kvaternik, member	17	0	0	17	0	0	0	17	0	0	17	0	0	0
- Iris Dežman, member	17	0	0	17	0	0	0	17	0	0	17	0	0	0
- Tomaž Petrovič, member	18	1	0	19	0	0	0	18	1	0	19	0	0	0
Senior management in subsidiaries	**135**	**3**	**0**	**138**	**2**	**0**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Gregor Kopriva, CEO, Semenarna Ljubljana, d. o. o.	84	2	0	86	2	0	2	-	-	-	-	-	-	-
- Jožef Berdnik, Holder of Procuration (since 9 July 2019), Semenarna Ljubljana, d .o. o.	7	0	0	7	0	0	0	-	-	-	-	-	-	-
- Srečko Korber, CEO, DBS Leasing d. o. o.	41	1	0	42	0	0	0	-	-	-	-	-	-	-
- Tomo Sokolič, Senior Executive, DBS Nepremičnine d. o. o.	3	0	0	3	0	0	0	-	-	-	-	-	-	-
- Jožef Berdnik, CEO, DBS Adria d. o. o.	0	0	0	0	0	0	0	-	-	-	-	-	-	-
TOTAL	**574**	**12**	**5**	**591**	**2**	**6**	**8**	**439**	**9**	**5**	**453**	**0**	**6**	**6**

The table shows the earnings of Management Board members of the Bank, and of Supervisory Board members and CEOs of subsidiaries, pursuant to the requirement of Article 294 of the Slovenian Companies Act. Management and supervisory bodies are specified in the Business Report, chapter VI.4. Composition and operations of the management and supervisory bodies and their committees.

f) Remuneration of Identified Staff in 2019

Group DBS

Position/Remuneration type	Number of beneficiaries	Fixed earnings	Variable remuneration	Cost reimbursement	Insurance premiums	Total
TOTAL REMUNERATION	**26**	**1,219**	**6**	**46**	**18**	**1,289**

DBS d. d.

Position/Remuneration type	Number of beneficiaries	Fixed earnings	Variable remuneration	Cost reimbursement	Insurance premiums	Total
TOTAL REMUNERATION	**24**	**1,174**	**6**	**45**	**18**	**1,243**

The category of Identified Staff comprises the Management Board, directors of Sections and Departments and of Branch units.

4.37. Remuneration system and important business contacts

Remuneration system

The system of remuneration in the Group is based on the Remuneration Policy for employees ("Remuneration Policy"), which lays down the system of remuneration and performance bonuses for employees in the Bank and the banking Group. The necessary preconditions for variable pay are the Bank's reporting a profit for the assessment period and its reaching all basic objectives. In 2019, a total of EUR 12 thousand was allocated to the variable component of remuneration for Identified Staff.

Important business contacts

A significant indirect business contact exists if a member of the Management Board or Supervisory Board, or their close family member, is a business partner, holder of a qualifying stake in Group companies, CEO or member of the senior management in a company or organisation that is in a business relationship with the Group. In this respect the Group promotes the culture of avoiding significant direct and indirect business contacts.

Disclosures in accordance with Article 88 of the Banking Act and Section 8 of Regulation (EU) No 575/2013 are included in the Annual Report of the Deželna banka Slovenije Group for 2019 in Chapter VI.4, which is published on the Bank's website www.dbs.si.

4.38. Events after the statement of financial position date

In 2019, the Bank initiated the sale of its subsidiary Semenarna Ljubljana, d. o. o., which it completed in March 2020.

At the beginning of March 2020, the first case of the new SARS-CoV-2 infection emerged in Slovenia, and the virus began to spread quickly across the country. In this regard, the Bank rapidly introduced all the preventive measures recommended by the National Institute of Public Health and those it deems necessary. It duly called upon employees to implement increased hygiene and protective measures, made recommendations to customers regarding banking operations, prepared a DBS Emergency Plan during the Epidemic, envisaged additional measures to ensure smooth operations, convened a Crisis Team and further adopted appropriate decisions and related measures also based on the current decisions of the Government of the Republic of Slovenia, depending on the spread of the new virus.

On 18 March, the Government of the Republic of Slovenia approved the so-called intervention legislative proposal, which for companies, cooperatives, sole proprietors and farmers defers payment of obligations for 12 months, and sent it to parliament to be adopted under the urgent procedure. The conditions laid down by law for the bank to grant a deferral of payment are: the company must be solvent, have no tax debt, and prove that it has suffered damage due to the epidemic. Banks are obliged to grant a deferral to everybody who has ceased business in order to protect the population from the spread of the new virus. Otherwise, the borrowers, companies and sole proprietors have to arrange the deferral of obligation in agreement with the individual bank and file an appropriate application with regard to the current situation.

Given the EBA's interpretations, due to the systemic nature of the measure, the moratorium on loans does not constitute a default event, nor does it constitute restructuring or increased credit risk, which would be the reason for the transfer to stage 2 under IFRS9. From this point of view, we estimate that the current credit risk will not be increased; rather, we believe that it will be shifted to the period after the moratorium. The actual effect of the crisis depends on its duration, as well as on the mitigation measures introduced by the government to help the affected companies and the population. Due to the adopted intervention act, which gives clients the right to moratorium, and the banks the obligation to approve it, the banks will not receive the principal during the approved moratoriums, but interest will continue to be charged, based on which there will be no impact on the Bank's revenues.

The intervention act and the one-year deferral of repayments will have no significant impact on the Bank's liquidity, since the Bank has already envisaged an increase in lending in the annual plan for 2020, which also includes the full replacement of existing maturities. In the event of loss of estimated inflows and their effects on the liquidity, the Bank has formed reserves composed of the assets in the bank's account, the portfolio of bonds that the bank may sell or pledge in the event of liquidity needs to obtain adequate liquidity, and bank loans to the state that the bank may at any time use or pledge to obtain liquidity through operations of the central bank.

The Bank has an adequate amount of formed capital ratios, including the so-called capital buffer, which is intended primarily for crisis situations. The final impact on the Bank's operations will depend mainly on the duration of the epidemic and the impact on the economy itself, which cannot be predicted. The government has been preparing measures to help companies overcome the situation.

No other relevant events occurred between the end of the reporting period and the date of the financial statements, such as would have an impact on the operations of the DBS Bank and Group.

5. RISK CONTROL

The Group devotes particular attention to the risks it is or could be exposed to in its line of business. For this purpose it has set up an independent risk management function, whose independence, autonomy, and effectiveness are guaranteed by a transparent organisation structure and delimitation of competences. Risk is monitored by the Risk Management Section, which is in charge of, among other things, designing and updating individual strategies and policies of risk-taking and risk management, overseeing their implementation, continually improving the system of monitoring and controlling all major types of risk, and preparing in-house reports and reports for regulators. The Group has also set up an Asset and Liability Management Board (ALM Board) and a Supervisory Board Risk Committee, which – together with the Supervisory Board and senior management – promptly monitor the Group's exposure to risk, its risk profile and its risk appetite.

The common objective of risk-taking and risk-management strategies and policies is to prevent and limit losses due to individual risks. The risk-management strategy includes objectives and general guidelines for risk-taking and risk management for individual risks, and the responsibilities of the Supervisory Board, Management Board and senior management in the area of risk management. To measure exposure to different types of risk, the Group uses internal methodologies and approaches in addition to regulatory ones, which facilitates a close monitoring of risks and their management. The Group pursues a moderate risk-taking policy.

The risks that the Group is exposed to are identified at the level of prudential consolidation, and the manner and intensity of their management depend on the risk profile and risk of the environment. The risk profile involves assessments of credit risk, market risk, interest rate risk, liquidity risk, operational risk, strategic risk, reputation risk, capital risk, profitability risk and elements of the control environment. For those risk and control environment elements that receive lower ratings, senior management has to propose actions to be taken with a view to improving the risk profile, and implement them. The risk profile is reviewed and updated once a year at a minimum, being discussed by the Management Board, the Risk Committee of the Supervisory Board, and the Supervisory Board.

In 2019, the Group complied with the requirements of the capital accord and other requirements of the regulatory framework at the level of prudential consolidation. Risk management was additionally upgraded, in particular in the area of interest rate risk, as the Group complied with the new EBA guidelines on the interest rate risk of the banking book. In the field of credit risk, it also included in its business practices the principles of responsible lending of the Bank Association of Slovenia as of 2019. The Supervisory Board noted the risk profile and risk-taking capacity, and promptly monitored the exposure to risks. All critical risk management internal acts were revised in 2019.

Under Directive 2013/36/EU (CRD IV) and Regulation (EU) No 575/2013 (CRR), the controlling company DBS d. d. and the two subsidiaries, DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. are included in prudential consolidation. Both subsidiaries had also been included in prudential consolidation under the previous legislation in force. Consistent with the provisions of Article 4(1) and 4(18) of the Regulation, DBS Nepremičnine d. o. o. is considered an ancillary services undertaking and therefore one of the financial sector entities under Article 4(1) and 4(27c) of the Regulation.

Risk control has been presented within prudential consolidation, and not for the whole Group. In addition to DBS d. d. and the two subsidiaries, DBS Leasing d. o. o. and DBS Nepremičnine d. o. o., consolidation for accounting purposes also includes the subsidiaries DBS Adria d. o. o. and Semenarna Ljubljana, d. o. o., which are excluded from prudential consolidation per Article 19 of the Regulation. Notwithstanding their exclusion, they are estimated not to have significant risks, and the impact of their share of interest, liquidity and foreign exchange risk on the Group is estimated as negligible or, in any event, not greater than any similar exposure. Following the successful completion of financial rehabilitation and the obtained state aid in the form of a long-term loan amounting to EUR 3 million, in 2019 the bank began the sale process for its subsidiary Semenarna Ljubljana, d. o. o. In view of the above fact, the investment was reclassified to the category Non-current assets held for sale and discontinued operations as at 31 December 2019 in accordance with the accounting standard IFRS 5. The sale process was completed in March 2020.

The entire Chapter 5 of this Annual Report has been prepared using prudential consolidation data.

Group statement of financial position – comparison of regulatory and prudential consolidation as at 31 December 2019

		2019		
Code	Items	Accounting consolidation	Prudential consolidation	Difference between accounting and prudential consolidation
1	Cash, balances at central banks, and sight deposits at banks	98,951	98,944	7
2	Financial assets held for trading	110	110	0
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	1,562	0
4	Financial assets measured at fair value through other comprehensive income	3,041	3,041	0
5	Financial assets measured at amortised cost	874,601	875,624	(1,023)
	- Debt securities	117,757	117,757	0
	- Loans to banks	6,618	6,618	0
	- Loans to customers	747,012	748,035	(1,023)
	- Other financial assets	3,214	3,214	0
6	Tangible assets	28,715	28,715	0
	- Property, plant and equipment	11,475	11,475	0
	- Investment property	17,240	17,240	0
7	Intangible assets	591	591	0
8	Income tax assets	5,306	5,306	0
	- Current tax assets	528	528	0
	- Deferred tax assets	4,778	4,778	0
9	Other assets	3,444	3,443	1
10	Non-current assets held for sale, and discontinued operations	30,820	824	29,996
11	**TOTAL ASSETS** (from 1 to 10)	**1,047,141**	**1,018,160**	**28,981**
12	Financial liabilities held for trading	110	110	0
13	Financial liabilities measured at amortised cost	951,010	951,064	(54)
	- Deposits by banks and central banks	339	339	0
	- Deposits by customers	894,724	894,769	(45)
	- Borrowings from banks and central banks	51,498	51,498	0
	- Other financial liabilities	4,449	4,458	(9)
14	Provisions	1,753	2,215	(462)
15	Income tax liabilities	76	76	0
	- Current tax liabilities	73	73	0
	- Deferred tax liabilities	3	3	0
16	Other liabilities	1,695	1,695	0
17	Liabilities relating to non-current assets held for sale and discontinued operations	23,777	0	23,777
18	**TOTAL LIABILITIES** (from 12 to 17)	**978,421**	**955,160**	**23,261**
19	Share capital	17,811	17,811	0
20	Share premium	31,257	31,257	0
21	Accumulated other comprehensive income	(752)	(664)	(88)
22	Revenue reserves	14,378	14,378	0
23	Treasury shares	(601)	(601)	0
24	Retained earnings (including profit/loss for the year)	6,627	819	5,808
25	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 19 to 24)	**68,720**	**63,000**	**5,720**
26	TOTAL EQUITY (25)	68,720	63,000	5,720
27	**TOTAL EQUITY AND LIABILITIES** (18 + 26)	**1,047,141**	**1,018,160**	**28,981**

The Group is most exposed to credit risk in its operations, and additionally to interest, liquidity, operational and capital risk.

Credit risk

Credit risk is the risk that a borrower will cause a financial loss to the Group by failing to fully discharge an obligation when due without calling on collateral, for whatever reason, whether this obligation be of a financial nature or another contractual obligation. In line with its portfolio and its risk-taking and risk-management strategy, the Group takes into account that credit risk can potentially arise out of increased concentration of exposure. Credit risk management involves the timely and adequate detection, measurement, assessment, control, monitoring and reporting of credit risk. The objective is to ensure an adequate mechanism of taking on and managing credit risk. Such a mechanism has to reflect the Group's readiness and capacity to take on credit risk in compliance with regulatory demands, the regulatory framework for banks and regulatory capital requirements. The objectives and general guidelines of taking on and managing credit risk are laid down in the Risk-taking and Risk Management Strategy. The process of credit risk management involves looking at all risky balance sheet and off-balance sheet assets.

In order to manage credit risk, the diversification of the credit portfolio and exposure to the retail sector, farmers and SMEs are increasing, at the same time improving the quality of collateral and its adequacy, while debtors' operations are also monitored regularly with the help of the early warning system for increased credit risk (EWS).

Market risk

Market risk is the risk of decreased asset value or profitability due to adverse changes in market variables (prices, interest rates, foreign exchange rates). Market risk appears when the Group acts as market maker, if it trades or takes positions in bonds, shares, foreign currencies, commodities and derivatives. The Group has in place a proprietary methodology and policy for determining, measuring and managing market risk, and for determining the level of exposure. The Group's risk management policy for market risk is based on the current and expected market conditions, realised and planned financial data, valid regulations and existing risk management systems. With its methodology for measuring and mitigating market risk for trading positions in equities the Group operates its system of limits, the calculation of opportunity loss for a particular trading position as a basis for position stop-loss limits, and the calculation of value at risk (VaR) as a basis of the capital requirement for market risk. The Group has in place a system of limits to limit market risk, and the relevant committees, board and organisational units participate in discharging the function of market risk management as laid down in the Rules of Organisation.

Foreign exchange risk

Foreign exchange risk is present when the Group is directly or indirectly exposed to changes in currency exchange rates in global markets. Adverse global FX changes may result in losses in domestic currency. Exposure to foreign exchange risk arises out of a mismatch between assets and liabilities in different currencies. It involves mainly the risk of an instrument's potential decreased value due to changes in currency exchange rates. The Group pursues a closed currency positions policy. Accordingly, individual currency positions are monitored daily and potential overruns are reported to decision makers in line with instructions.

Interest rate risk

Interest rate risk is the risk of loss (i.e. lower interest income, higher interest expenses, decreased value of investments, opportunity loss) on interest-sensitive on-balance sheet and off-balance sheet positions due to a change in the level of market interest rates. Interest rates changes have a significant effect on the revenues and expenses as well as the value of individual items and thus the economic value of core equity capital. Interest rate risk is measured, managed, overseen and monitored in line with the Methodology for Assessing Risk and the Risk-taking and Risk

Management Policy for Interest Rate Risk. For measuring the risk of interest rates changing, a gap analysis is used to calculate the potential impacts of interest rate stress scenarios on net interest income and the sensitivity of the equity capital economic value. Interest rate risk is measured monthly for the entire banking book, separately for different currencies and applied reference interest rates. For internal needs and to calculate the risk-based capital requirement, six interest rate stress scenarios for current interest rate risk management are being implemented, summarized by the Group in accordance with the Basel standards on Interest Rate Risk in the Banking Book (IRRBB) risk management and the final guidelines of the European Banking Authority (EBA). The result of the scenario that has the worst impact on the sum of the economic value of equity (EVE) represents the capital requirement for interest rate risk. The analysis also considers the distribution of sight deposits consistent with the internal model. Based on the scenarios, the maximum negative change in the economic value of the equity core capital may not exceed 10% of the economic value of the Bank's core equity capital. Due to the precautionary principle, the internally set limit of 10% of the economic value of the Bank's equity is set lower than required by the EBA, namely 15%.

Liquidity risk

Liquidity risk is the risk of providing sources of liquidity in cases of potential loss when the Group is unable to discharge all its matured liabilities or when, due to its inability to provide sufficient funds to settle its matured liabilities, the Group is forced to obtain liquidity at significantly higher costs. The management of liquidity is a critical component of safe and prudent operations. Careful management of liquidity includes prudent management and matching of assets and liabilities, both with respect to financing and cash flows, and with respect to their concentration. The Risk-taking and Risk Management Policy for Liquidity Risk has been adopted for this purpose, which defines the methods and procedures for determining, measuring, controlling and monitoring liquidity risk, the objective of which is being able to settle due obligations in time. The policy is tailored to the Group's size, the nature, scope and complexity of its business, and the extent of acceptable risk levels.

Adequate cash inflows must be ensured to account for the expected (and potential) cash outflows. To this end, the adequacy of its disaster plan is tested and four liquidity stress scenarios are regularly implemented every three months. The scenarios are detailed in the Methodology for Liquidity Stress Scenarios and Calculation of Liquidity Ratios. The maximum liquidity shortage for up to one month is calculated based on the stress scenarios, which serves to determine the minimum level of unencumbered liquid assets, which the Group need to have at its disposal at all times. With a view to determining its structural liquidity position, certain liquidity ratios are calculated and trends in selected structural liquidity position ratios are monitored.

In 2019, the Group fully complied with the regulations on the minimum requirements for ensuring an adequate liquidity position, which stipulate as mandatory the achievement of the regulatory liquidity coverage ratio (LCR).

The Group also calculates and meets the NSFR ratio for information purposes, although not yet in force. The NSFR enters into force with the implementation of the Regulation (EU) 2019/876 (CRR2) as at 28 June 2021.

Operational risk

Operational risk is the risk of loss due to an inappropriate or unsuccessful implementation of internal processes, the human factor, system operations or external factors. It also includes information technology risk, cyber risk, outsourcing risk and legal risk. The Group manages operational risk by recording and closely monitoring (loss) events associated with operational risk, by decreasing the frequency and impact of such loss events, by keeping the total amount of evaluated loss events at a minimum, and by regularly checking and updating its disaster recovery and business continuity plan. For this purpose, the Group has in place a Risk-taking and Risk Management Policy for Operational Risk, which defines, among other things, the methods and procedures for determining, measuring, managing, monitoring, reporting and mitigating exposure to operational risk. The policy is tailored to the Group's size, the nature, scope and complexity of its business, and the method for the calculation of capital requirements. Integrated into the reporting system for events associated with operational risk are measures to resolve such events and prevent repeat events. Reports of events associated with operational risk and of measures to resolve them are promptly submitted to the Management Board and Internal Audit, and quarterly also to the Operational Risk Committee. Operational risk control is also subject to an annual review by the Internal Audit Department.

Capital risk

The Bank's capital risk equals its capital adequacy risk as it must always have at its disposal sufficient and adequate capital in terms of the services it provides and in terms of the risks it is, or could be, exposed to. Capital risk is associated with insufficient capital, with inadequate capital structure in relation to the volume and type of operations, or with difficulties in obtaining fresh capital. Capital risk is monitored on a monthly basis, when the amount of capital, capital requirements and capital adequacy ratios are calculated. These calculations are communicated monthly to members of the ALM Board, and the Bank's Management Board and quarterly to the Supervisory Board and the Risk Committee of the Supervisory Board in the context of a comprehensive risk analysis. One of their tasks is to monitor the implementation of measures for ensuring that the capital adequacy ratios imposed by the legislation and the Bank of Slovenia are met. Several internal acts are used in the process of controlling and mitigating capital risk, including the Risk-taking and Risk Management Strategy, and the Risk-taking and Risk Management Policy for Capital Risk.

5.1. Credit risk

The Group estimates its largest exposure to be associated with credit risk. Credit risk is determined and measured by analysing data on exposures causing credit risk. Factors taken into account are the classification of balance sheet and off-balance sheet assets, migrations among credit rating grades, operations and the financial standing of customers to which the Group has major exposure, late payments and non-performing exposures, the proportion of hedged receivables, diversification or concentration of the credit portfolio, concentration of received collateral and other important facts associated with credit risk. Risk reporting is based on regular and exceptional reports as laid down in the Risk Management Plan. Processes are in place to foster the production of a structured report on credit risk for relevant management levels. Results of these analyses are taken into account when forming the Risk-taking and Risk Management Strategy and Policy for Credit Risk.

To protect itself from expected losses, the Group forms provisions and impairments. However, significant changes in the economy or in the health of a particular industry segment that represents a concentration in the credit portfolio can result in losses that are different from those determined on date of the statement of financial position. The management therefore pursue a prudent credit risk management strategy.

The Group manages the level of credit risk it is willing to undertake by capping the amount of risk it is willing to take in relation to one borrower or a group of borrowers, and by capping the amount of risk it is willing to take in relation to individual geographical and industry segments. These risks are regularly monitored and reviewed.

The portfolio exposed to credit risk includes on-balance sheet receivables (loans, debt securities, equity investment, interest, fee and commission, etc.) and off-balance sheet liabilities (guarantees, letters of credits, working capital loans, etc.) with companies, banks, financial institutions, the public sector, individuals and other customers.

Depending on the risk category of a borrower, as expressed by their credit rating, and the risk of a particular business, which is also influenced by the guarantees provided, the Group forms appropriate impairments and provisions. In order to reduce capital requirements for credit risk, the Group only accepted first-class and appropriate guarantees in 2019, consistent with provisions of the Regulation EU 575/2013.

5.1.1. Measuring credit risk

(a) Loans and receivables
In 2019, the Group determined credit risk pursuant to the valid regulations. To this end it drew up its credit portfolio quality analyses, into which it included data on:
- migration of customers among credit rating classes,
- movements of impairments,
- provisioning of impairments for individual types of credit exposure, and
- past due defaulting receivables and non-performing exposures.

More on forming provisions and impairments in Chapter 5.1.3.

(b) Debt securities
In assuming exposure to credit risk when buying debt securities in 2019, the Group used the classification into credit rating classes according to issuing states and other issuers, the kind used by i.e. Standard & Poor's or credit rating agencies of their level, whereby it specified the minimum acceptable credit rating limit for the respective securities. To determine the risk weights for the calculation of the capital requirement for credit risk for the category of exposures to central governments and central banks, it appointed the credit rating agency Standard & Poor's.

5.1.2. Control over limiting credit risk, and guidelines on mitigating credit risk

The Group manages, limits and controls credit risk concentration wherever it is detected, especially in relation to individual customers and groups of customers, economy sectors, businesses and geographical regions.

Exposure to credit risk is managed with a system of limits, which stipulates the maximum acceptable credit risk limit. The risk is regularly monitored and examined. Limits of exposure are set for individual debtors, sectors, businesses and regions. The maximum possible total exposure of the Group towards a corporate customer is defined by the Risk Management Section. When the threshold of large exposure is greatly exceeded and in case of clients in a special relationship with the Bank, the proposed level of permissible exposure must also be approved by the Bank's Supervisory Board. Limits of exposure are determined by considering the basic principles of banking, especially safety.

(a) Collateral
The Group employs a variety of ways to mitigate credit risk, pursuant to its internal rules on collateral, which stipulate the acceptability of different types of collateral.

Internal rules on collateral define:
- types and extent of collateral accepted,
- minimum eligibility criteria that collateral must normally meet,
- methodology for determining the type and amount of, and the order of calling on collateral,
- methodology for verifying and monitoring collateral, and
- detecting and preventing risks associated with accepted collateral.

As a rule, the Group will never fail to investigate a debtor's creditworthiness, even if exposure is collateralised. In agreeing on the type of collateral for an exposure, both the principles on credit risk reduction techniques and the principles on capital requirements should be adhered to, to the greatest extent possible.

The main types of collateral used by the Group are property as collateral and insurance covers, guarantees, bank deposits and assignments of claims. Personal collateral issuers are assessed for eligibility on the basis of their credit ratings, obtained using an internal methodology.

As a rule, the Group collateralises all loans. Most collateral is property evaluated according to appraisals by certified appraisers in compliance with the International Valuation Standards (IVS) or an internal methodology.

(b) Off-balance sheet commitments

Guarantees and letters of credit as well as unused loans granted represent the same credit risk for the Group as loans. The Group regularly monitors maturity dates of loan commitments, since especially long-term commitments represent a higher credit risk than short-term commitments.

5.1.3. Guidelines on forming impairments and provisions

Pursuant to the regulatory framework for banks, and the provisions of the International Financial Reporting Standards (IFRS 9, effective from 1 January 2018), the Group classifies financial assets and off-balance sheet commitments ("exposures") into groups according to their risk profile, and assesses the amount of expected losses associated with these exposures. While the calculation of impairments under IAS 39 was based on the incurred loss model, IFRS 9 introduces the expected credit loss model also taking into account forward-looking information. The Group has set up its own model for calculating impairments and implemented the necessary adjustments to applications. In 2019, the model was validated by an external auditor who confirmed its correct functioning.

The credit rating system

The Group has in place a system of credit rating grades for categorising exposure. Eleven credit rating grades are used for measuring credit exposure of business entities, and five grades are used for natural persons. To categorise an entity into a credit rating grade, four groups of criteria are used with business entities, i.e. selected financial ratios (based on balance sheet and income statement data), soft or subjective factors (additional information on entity's performance in the business environment), other risk factors (delays, compulsory composition, bankruptcy, restructuring, blockage, outstanding tax liabilities, etc.) and an assessment acquired through an in-depth analysis of its operations. With natural persons, the decision to classify them into a credit rating grade mainly depends on the length of material default, but also on other criteria (personal bankruptcy, renegotiating claims, etc.).

For establishing an increase in credit risk, the Group has harmonised the credit rating grades for business entities and natural persons in the context of forming impairments based on the model, and thus uses five individual grades as shown in the table below.

Credit rating grades

Group DBS

Harmonised credit rating grades	Business entities	Natural persons and farmers	Risk	Estimated annual conditional PD (from – to)
A	A1, A2, A3	A	Low credit risk	0.14-1.70%
B	B1, B2, B3	B	Medium credit risk	2.34-3.83%
C	C1, C2, C3	C	High credit risk	11.64-29.24%
D	D	D	Defaulted obligor	100%
E	E	E	Defaulted obligor	100%

DBS d. d.

Harmonised credit rating grades	Business entities	Natural persons and farmers	Risk	Estimated annual conditional PD (from – to)
A	A1, A2, A3	A	Low credit risk	0.14-1.70%
B	B1, B2, B3	B	Medium credit risk	2.34-3.83%
C	C1, C2, C3	C	High credit risk	11.64-29.24%
D	D	D	Defaulted obligor	100%
E	E	E	Defaulted obligor	100%

Classification of financial assets

At each reporting date, the Group classifies the exposures for which impairment requirements are used into groups 1, 2 and 3, depending on whether credit risk has increased significantly since initial recognition.

The Group classifies as group 1 all exposures whose credit risk has not increased significantly since initial recognition or which are considered low-credit risk transactions (this includes sovereign exposure, exposure to institutions, the public sector, as well as local and regional authorities). For such exposures, the Group measures 12-month expected credit losses.

If the Group establishes that the credit risk of an exposure has increased significantly since initial recognition, the instrument is classified as group 2, and expected credit losses are measured as full lifetime expected credit losses.

Exposures for which there is objective evidence of impairment (i.e. transactions by customers with the status of defaulted obligors) are classified as group 3. Their credit losses are measured based on estimated future cash flows reflecting the current value of estimated cash flows or based on the assessment of the repayable amount of collateral based on the not-going concern principle. For exposures approved after 26 April 2019, which are defined as NPEs, Regulation (EU) 2019/630 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the minimum loss coverage for non-performing exposures ("Regulation 2019/630") shall be strictly taken into account when calculating individual impairments.

At each reporting date, the Group estimates whether the credit risk of a financial instrument has increased significantly since initial recognition, taking into account appropriate and demonstrable information that can be acquired without entailing excessive costs or efforts. Credit insurance is not taken into account in classifying exposures as group 1, 2 or 3. The tables below show the classification of balance sheet exposures by receivables credit rating and groups as at 31 December 2019 and as at 31 December 2018.

Classification of balance sheet exposures by receivables credit rating and groups as at 31 December 2019 and 31 December 2018 for the Group and the Bank

Group DBS	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
Receivable's credit rating A	830,887	1,935	0	0	832,822	776,951	1,461	0	0	778,412
Receivable's credit rating B	89,260	1,213	0	0	90,473	96,063	2,033	0	0	98,096
Receivable's credit rating C	1,425	9,229	0	0	10,653	526	9,425	0	0	9,951
Receivable's credit rating D	0	0	1,140	0	1,140	0	0	113	0	113
Receivable's credit rating E	0	0	181	0	181	0	0	1,203	0	1,203
Receivable's credit rating P	0	0	44,789	694	45,484	0	0	56,851	761	57,612
Gross carrying amount of classified balance sheet exposures	921,571	12,377	46,110	694	980,753	873,540	12,919	58,167	761	945,387
Revaluation allowance for classified balance sheet exposures	(1,063)	(700)	(14,702)	(1)	(16,466)	(719)	(548)	(18,701)	0	(19,968)
Net carrying amount of classified balance sheet exposures	920,508	11,677	31,408	693	964,287	872,820	12,371	39,466	761	925,419

DBS d. d.					2019					2018
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
Receivable's credit rating A	823,671	1,839	0	0	825,511	769,832	1,461	0	0	771,293
Receivable's credit rating B	96,290	940	0	0	97,231	103,074	1,904	0	0	104,978
Receivable's credit rating C	1,420	8,818	0	0	10,238	507	9,019	0	0	9,526
Receivable's credit rating D	0	0	1,131	0	1,131	0	0	100	0	100
Receivable's credit rating E	0	0	130	0	130	0	0	1,153	0	1,153
Receivable's credit rating P	0	0	41,044	694	41,738	0	0	50,470	761	51,231
Gross carrying amount of classified balance sheet exposures	921,382	11,598	42,305	694	975,979	873,413	12,384	51,723	761	938,281
Revaluation allowance for classified balance sheet exposures	(1,155)	(614)	(12,456)	(1)	(14,226)	(810)	(505)	(14,005)	0	(15,320)
Net carrying amount of classified balance sheet exposures	920,227	10,984	29,849	693	961,753	872,603	11,879	37,718	761	922,961

Significant increase of credit risk

For all financial assets subject to impairment requirements, the Group estimates whether a significant increase of credit risk has occurred since initial recognition. If so, full lifetime expected credit losses are used instead of 12-month expected credit losses. The Group considers for a significant increase of credit risk to have occurred when at least one of the following criteria is fulfilled:

a) at the time of approving the transaction, the customer's credit rating is A or B, and as at the reporting date, their credit rating is C;
b) material default in the transaction exceeds 30 days;
c) in the trial period, the customer was restructured profitably (group 2), or restructured unprofitably (group 3);
d) the customer is included on the last watch list due to enforcement or non-permitted negative balances;
e) comparison of the cumulative probability of default (PD) on the day of approving the transaction and as at the reporting date: cumulative (lifetime) PD representing the default risk for the duration of the financial instrument will be used by the Group as a criterion in the classification of transactions into groups beginning with 1 January 2020, i.e. for transactions approved after 1 January 2018; if there is a significant increase of the cumulative PD compared with the cumulative PD upon approval of the transaction, the transaction will be classified as group 2, and vice-versa (transfer from group 2 to group 1 in case of a significant decrease of the cumulative PD).

The Group has decided not to use the rebuttable presumption of material default in the transaction that is more than 30 days past due, and rather classify all transactions with the material default of more than 30 days as group 2 and recognise for them full lifetime expected credit losses.

If the customer's credit rating is D or E (exposure will be recognised as a non-performing exposure when it is considered there to have been a default in accordance with article 178 of CRR, or when it has been found to have been impaired in accordance with an effective accounting standard), the transaction will be considered credit impaired and therefore classified as group 3 regardless of the credit rating grade upon initial recognition.

COLLECTIVE ASSESSMENT OF CREDIT LOSSES

Use of forward-looking information

In measuring the expected credit losses (ECL), the Group uses forward-looking information which is available without undue cost or effort. External information includes economic data and forecasts published by state institutions It then forms the most likely outcome for future behaviour of economic variables, and also the best-case and the worst-case scenario. Each scenario is ascribed a weight that represents a percentage of its probability to materialise. The use of forward-looking information and determination of scenarios is described further below.

Measurement of expected credit losses (ECL)

Exposures classified as group 1 or 2 are, as a rule, impaired on a collective basis, and exposures classified as group 3 on an individual basis, with certain exceptions, such as limits that are subject to an action, service and payment guarantees, and non-credit transactions, for which, even if classified as group 3, impairment is recognised on a collective basis.

Collective impairment is calculated as the sum of discounted monthly weighted expected credit losses, and an individual (monthly) unit is calculated as the product of probability of default (PD), loss given default (LGD), exposure at default (EAD) and, in the case of off-balance-sheet receivables, also conversion factor (CCF).

Calculation of limit probability of default (PD)

In accordance with IFRS 9, the calculation of expected credit losses is based on the monthly limit PD that comprises expectations for the future and takes into consideration the probability of viability up to a certain month and the default event in this certain month. Forward-looking PD is calculated for the most likely outcome as well as the best-case and worst-case scenarios, and is based on the forecast for the chosen macroeconomic variable.

Calculation of forward-looking PS is based on the Z-shift method that enables forecasts for migration matrices in the coming periods using the forecast for macroeconomic variables. Using the forecast migration matrices, we can discern the probability of transfer to grades D and E, which stands for the probability of default (PD). In PD calculations, expectations for the future are comprised in the Z variable that is related to the chosen macroeconomic variable.

PD calculations use annual migration matrices, whereas macroeconomic variables also refer to the annual level. Migration matrices for farmers and natural persons are combined, and estimated PD values are thus acquired using two models: (I) the business entity model, and (II) the natural persons and farmers model. The source of past data and forecasts for macroeconomic variables is the Autumn Forecast of Economic Trends of the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia ("IMAD").

Forecasts for Z values are acquired with the regression model based on the ordinary least squares method (OLS). Z values are then translated back into migration matrices. For the years for which forecasts for the macroeconomic variable are no longer available, the last available Z value is used and decreased gradually to 0 (which results in an average matrix) by continually subtracting a fifth of the latest Z value and multiplying the latest cumulative matrix with the average matrix. This is based on the assumption that migration matrices have the characteristics of Markov chains, meaning that each time the probability of migration depends only on the current situation.

The annual conditional PD is then translated to the monthly level and in turn used to calculate the monthly limit PD. Foe each type of customer (corporate customers, natural persons, farmers) and each grade (A, B, and C), a time series of monthly PD is calculated taking into account the most likely outcome, the best-case and the worst-case scenario for the movement of the macroeconomic variable. Scenario weights are calculated based on the share of past errors in IMAD's forecasts for the chosen macroeconomic variable.

Calculations of PD for sovereign exposure and exposure to institutions and public sector entities are based on the Pluto-Tasche method, which is used to calculate PD for low- or zero-rate default portfolio. The PD values calculated for the purpose of measuring the expected credit losses are also translated to the monthly level.

Calculation of loss given default (LGD)

Loss given default (LGD) is the share the Group loses on average within seven years of the occurrence of default with respect to the exposure at default.

As of 31 October 2019, the calculation of LGD is based on forward looking recovery rates. The past annual recovery rates are linked to chosen macroeconomic variables and, based on their forecast, predictions for future recovery rates are formed.

Recovery rate used in the calculation is the share acquired by the Group after the occurrence of default either from calling on collateral or repayments by the customer. Calculations of the recovery rate take into account the actual cash flows received, and not the expected repayments from outstanding transactions.

In the ECL calculation, the annual prediction LGD is taken into account and can differ by year (depending on the forecast of macroeconomic variables that were used in forming the prediction).

The LGD parameter is calculated for (i) collateralised exposures, and (ii) exposures for receivables without collateral, which also includes receivables with types of collateral that are not taken into account in the calculation of LGD for the collateralised portion of the receivable. The LGD parameter is calculated separately for corporate customers and jointly for natural persons, farmers and private individuals without a registration number.

Calculations of expected credit losses for sovereign exposure are based on LGD values laid down in Article 161(1) of Regulation (EU) No 575/2013 (CRR).

Calculation of exposure at default (EAD)

As at the reporting day, the actual exposure (EAD) is taken into account for each financial Instrument. If in the future, the exposure of a financial instrument changes in accordance with the contractually agreed repayment of interest and the principal, all future expected exposures of a financial instrument until its maturity are recalculated on the reporting day. If a delay in the payment of individual financial instruments should occur as at the reporting day, it is assumed that any delay will be repaid within the month following the reporting day. In the event of overpayment of instalment loans, the expected future exposure does not decrease until overpayments are equivalent to the expected exposure under the amortisation schedule. In the event of overpayment of annuity loans, the expected future exposure is regularly decreased by the amount of annuity, which results in advance repayment of loan.

If in the future, the exposure of a financial instrument is not liable to change in accordance with the contractually agreed repayment of interest and the principal, i.e. if the movement of exposure of a financial instrument is not known in advance (in case of a revolving loan, overdraft loan, limit, etc.), the actual exposure of a financial instrument as at the reporting day is taken into account in all months until the instrument's maturity.

Calculation of credit conversion factor (CCF)

Used as a conversion factor is the regulatory defined CCF as laid down in Article 111(1) of the CRR, which corresponds to the off-balance sheet item based on being classified into a risk category pursuant to the Annex 1 to the CRR.

Calculation of discount factor

Monthly weighted expected credit losses are discounted using a discount factor calculated from the effective interest rate, or the contractual interest rate if the Group has no information on the effective interest rate.

The Group regularly examines the methodology for assessing credit risk losses, and the assumptions used in assessing losses.

INDIVIDUAL ASSESSMENT OF CREDIT LOSSES

In accordance with the definition of a non-performing exposure, the Group assesses expected credit losses individually. Non-performing exposures are all exposures regarding which a default is considered to have happened pursuant to Article 178 of the CRR, and exposures which have been found impaired pursuant to the valid accounting standard.

The expected exposure loss is calculated as the difference between the asset's carrying amount and estimated future cash flows that are discounted at the original effective interest rate of the financial asset. Expected cash flows are evaluated against the type of scenario, i.e. whether the approach used is that of business as a going concern or a not going concern.

For exposures approved after 26 April 2019, which are defined as NPEs, Regulation (EU) 2019/630 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards the minimum loss coverage for non-performing exposures ("Regulation 2019/630") shall be strictly taken into account when calculating individual impairments.

Changes to assessment techniques and material assumptions

Since December 2019, deductions from market value of property are also taken into account when calculating individual expected credit losses. These are calculated separately for residential, commercial and other property. Also in December 2019, the method of calculating LGD was changed, in which forward-looking information is included in accordance with the new methodology.

Impact of the value of collateral on the calculation of expected credit losses

For collateral, the Group only accepts property that conforms to its internal rules on collateral and complies with the conditions for mitigating credit risk as stipulated in Section 4 of CRR. In granting new transactions, the Group consistently follows its internal rules determining the loan-to-value ratio (LTV). When exposures are protected with residential property, the required LTV is 66%, and when protected with commercial property, the required LTV is normally 50%. With respect to housing loans intended for the construction of residential property, the Group also takes into account the growing mortgage value principle, with the required LTV having to be reached by the completion of construction.

The value of collateralised assets affects the calculation of expected credit losses using the LGD parameter. The LGD parameter is assessed using a defaulted obligors sample and used in the collective assessment of credit losses (for non-defaulted obligors, i.e. groups 1 and 2). In the calculation of expected credit loss, LGD is used with respect to the type of customer and type of collateral. If an exposure has several types of collateral, the calculation of expected credit loss is based on weighted LGD.

The table below shows the shares of the Group's receivables for classification according to credit rating grades, and the shares of those for which impairments and provisions have been formed under IFRS.

	Group DBS				DBS d. d.			
	2019		2018		2019		2018	
Credit rating grade	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)	Total receivables for classification (%)	Receivables impairments and provisions for classification under IFRS (%)
1. A	84.0	0.0	80.8	0.0	83.6	0.0	80.6	0.0
2. B	10.2	0.7	12.0	0.4	11.0	0.7	12.8	0.5
3. C	1.1	6.1	1.0	5.5	1.1	5.7	1.0	5.3
4. D	0.1	5.9	0.0	45.1	0.1	5.6	0.0	44.7
5. E	0.0	83.0	0.0	80.6	0.0	78.4	0.0	74.7
6. P	4.5	31.9	6.2	31.8	4.1	29.6	5.6	27.2
	100.0	1.6	100.0	2.1	100.0	1.4	100.0	1.7

Total receivables for classification at the Group level were up 3.3% in 2019 compared to 2018, and total impairments and provisions decreased by 20.9% as a result of successfully completed cases of restructuring, repayments received for non-performing exposures, and also due to the transfer of 100%-impaired receivables off the balance sheet and the write-off of unrecoverable receivables. At the year-end of 2019, the majority, i.e. 84.0%, of the Group's receivables for classification were given an A credit rating, followed by receivables for classification given a B credit rating, which represented 10.2% of all receivables for classification, and individually impaired receivables from customers in category P, which represented 4.5% of all receivables for classification. Impairments and provisions were formed for the latter under IFRS 9 on the basis of the amounts of collateral and expected future cash flows.

At the Bank level, the total amount of receivables for classification increased by 3.6%, while the total amount of formed impairments and provisions decreased by 12.4%. At the year-end of 2019, individually impaired receivables for classification were considerably down compared to 2018, both in terms of volume and share, a result of successfully completed cases of restructuring, repayments received for non-performing exposures, and also due to the transfer of 100%-impaired receivables off the balance sheet and the write-off of unrecoverable receivables. At the year-end of 2019, the majority, i.e. 83.6%, of the Bank's receivables for classification were given an A credit rating, followed by receivables for classification given a B credit rating, which represented 11.0% of all receivables for classification, and individually impaired receivables from customers in category P, which represented 4.1% of all receivables for classification. Impairments and provisions were formed for the latter under IFRS 9 on the basis of the amounts of collateral and expected future cash flows.

5.1.4. Loans and receivables

Consistent with its strategy, in 2019, the Group focused on banking for the retail segment, farmers and SMEs. Those clients were prioritised which, in addition to exhibiting creditworthiness, provided adequate collateral, so as to minimise the possible increase in the exposure to credit risk.

(a) Loans and receivables non past due and not impaired, and loans and receivables collectively assessed as impaired

	Group DBS				DBS d. d.			
	2019		2018		2019		2018	
	Loans to customers	Loans to banks	Loans to customers	Loans to banks	Loans to customers	Loans to banks	Loans to customers	Loans to banks
Non past due and not impaired	529	6,618	1,714	6,698	529	6,618	1,714	6,698
Impaired	747,512	0	760,654	0	759,133	0	754,121	0
Non-trading loans mandatorily measured at fair value through profit or loss	2,565	0	3,526	0	2,565	0	3,526	0
Gross amounts	766,493	6,618	765,878	6,698	762,220	6,618	759,347	6,698
Revaluation allowance for impairments of loans	(15,893)	0	(19,371)	0	(14,068)	0	(15,172)	0
Accumulated changes in fair value due to credit risk	(1,003)	0	(1,002)	0	(1,003)	0	(1,002)	0
Net amounts	**749,597**	**6,618**	**745,505**	**6,698**	**747,149**	**6,618**	**743,173**	**6,698**

The table above shows the amounts of drawn loans to customers and to banks, with loans that are neither due nor impaired including all transactions which will mature in periods after 31 December 2019 and whose impairment percentage equals 0. Loans whose impairment charge is higher than 0 are recorded under impaired loans. Value adjustment is also shown only for the balance sheet portion of exposure.

The total value of the Group's loans and receivables in financial year 2019 was up 0.07% from 2018, with loans to customers increasing and loans to banks slightly decreasing. The reported impairments of loans and receivables totalled EUR 16,896 thousand (2018: EUR 20,373 thousand). Pursuant to IFRS 9, the Group also measures impairments for receivables from banks, however, the related credit risk having been assessed as low, the total impairment charge for such exposures is negligible.

The total value of the Bank's loans and receivables in financial year 2019 was up 0.36% from 2018, with loans to customers increasing and loans to banks slightly decreasing. The reported impairments of loans and receivables totalled EUR 15,071 thousand (2018: EUR 16,174 thousand).Pursuant to IFRS 9, the Bank also measures impairments for receivables from banks, however, the related credit risk having been assessed as low, the total impairment charge for such exposures is negligible.

(b) Loans and receivables individually assessed as impaired

Loans and advances to customers (loans and receivables)

Individually impaired loans to customers and receivables from customers, without individually impaired loans to banks (upon transition to IFRS 9, receivables from banks are no longer classified as individually impaired, resulting from which individually impaired loans to banks equal 0) and before considering cash flows from collateral held by the Group, amount to EUR 46,942 thousand (2018: EUR 62,609 thousand).

As opposed to 2018, exposure to large corporate clients decreased the most in 2019, by 31.4%, followed by exposure to micro, small and medium-sized enterprises down 20.9%. In absolute terms, exposure to micro, small and medium-sized enterprises decreased the most (by EUR 9,778 thousand). Exposure to individuals whose receivables are individually impaired increased by 3.7%. As can be seen from the table below, this is a relatively low amount (EUR 162 thousand).

The total amount of individually impaired loans and receivables according to categories, together with the fair value of their collateral that the Group and the Bank hold as a guarantee, breaks down into:

Group DBS

	Retail	Corporate		Banks	Total
2019	Loans and receivables	Large	SME*		
Individually impaired loans	4,484	5,528	36,930	0	46,942
- Past due up to 15 days	1,388	5,528	15,390	0	22,306
- Past due 16 to 30 days	0	0	0	0	0
- Past due 31 to 90 days	25	0	25	0	50
- Past due over 90 days	3,071	0	21,515	0	24,586
Impairment charge	1,417	2,763	10,796	0	14,976
Fair value of collateral	6,591	832	42,682	0	50,105

* Micro, small and medium enterprises.

	Retail	Corporate		Banks	Total
2018	Loans and receivables	Large	SME*		
Individually impaired loans	4,322	8,058	46,708	0	62,609
Impairment charge	1,099	4,336	13,551	0	19,988
Fair value of collateral	7,047	1,170	51,984	0	63,715

* Micro, small and medium enterprises.

DBS d. d.

2019	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	3,313	5,528	34,357	0	43,198
- Past due up to 15 days	1,388	5,528	15,355	0	22,271
- Past due 31 to 90 days	0	0	25	0	25
- Past due over 90 days	1,924	0	18,977	0	20,901
Impairment charge	898	2,763	9,125	0	12,786
Fair value of collateral	5,589	832	41,439	0	47,860

* Micro, small and medium enterprises.

2018	Retail	Corporate		Banks	Total
	Loans and receivables	Large	SME*		
Individually impaired loans	3,109	8,051	41,667	0	56,348
Impairment charge	613	4,333	9,448	0	15,396
Fair value of collateral	6,036	1,170	50,473	0	61,193

* Micro, small and medium enterprises.

Loans and advances to banks (loans and receivables)

With respect to exposure to the banking sector, the Group formed no impairments on individual basis in 2019. Pursuant to IFRS 9, revaluation allowance is formed also for less credit risk-prone exposures, which includes banks; however, in the event of a default event, they are impaired collectively and are therefore not shown in the table.

(c) Restructured loans and receivables

Consistent with the Regulation on the Management of Credit Risk Losses of Banks and Savings Banks, the Group treats restructured financial assets as financial assets received – due to the debtor's inability to pay their debt under the initially agreed terms of the original loan agreement – under amended terms (by means of an additional agreement) or under a new loan agreement that stipulates a partial or full repayment of the original debt. Agreements with a restructuring clause also fall into this category. The criteria for identifying performing and non-performing exposures, and restructured and non-restructured exposures, the treatment and management of restructured exposures, restructuring measures for debtors and the reporting system in the Group are all governed by the internal Rules on Managing Non-performing and Restructured Exposures to Debtors.

Performing and non-performing exposures as at 31 December 2019 and 31 December 2018 are shown in the tables below for the Group and the Bank.

Group DBS

2019	Gross book value of performing and non-performing exposures							Accumulated impairments, provisions, and accumulated negative changes in fair value due to credit risk				
	Total	Performing exposures		Non-performing exposures				Total	for performing exposures		for non-performing exposures	
		Performing total	of which restructured performing	Non-performing total	of which outstanding	of which impaired	of which restructured		Total for performing	of which restructured	Total for non-performing	of which restructured
Debt securities	**117,770**	117,770	0	0	0	0	0	**(14)**	(14)	0	0	0
Loans and other financial assets	**864,114**	815,668	3,861	48,446	48,446	48,339	35,375	**(17,452)**	(1,730)	(259)	(15,722)	(11,179)
Off-balance sheet exposures	**65,579**	64,076	40	1,503	1,503	-	0	**611**	97	0	514	0

Group DBS

	Gross book value of performing and non-performing exposures							Accumulated impairments, provisions, and accumulated negative changes in fair value due to credit risk				
	Total	Performing exposures		Non-performing exposures				Total	for performing exposures		for non-performing exposures	
2018		Per-forming total	of which restruc-tured perform-ing	Non-per-forming total	of which outstand-ing	of which impaired	of which restruc-tured		Total for perfor-ming	of which restruc-tured	Total for non-per-forming	of which restruc-tured
Debt securities	**107,770**	107,770	0	0	0	0	0	**(23)**	(23)	0	0	0
Loans and other financial assets	**839,948**	778,329	4,761	61,619	61,619	61,425	45,617	**(20,952)**	(1,241)	(274)	(19,711)	(13,531)
Off-balance sheet exposures	**64,447**	63,665	23	782	782	-	0	**609**	75	0	534	0

DBS d. d.

	Gross book value of performing and non-performing exposures							Accumulated impairments, provisions, and accumulated negative changes in fair value due to credit risk				
	Total	Performing exposures		Non-performing exposures				Total	for performing exposures		for non-performing exposures	
2019		Per-forming total	of which restruc-tured perform-ing	Non-per-forming total	of which out-standing	of which impaired	of which restruc-tured		Total for perfor-ming	of which restruc-tured	Total for non-per-forming	of which restruc-tured
Debt securities	**117,770**	117,770	0	0	0	0	0	**(14)**	(14)	0	0	0
Loans and other financial assets	**859,349**	814,779	3,861	44,570	44,570	44,535	35,375	**(15,212)**	(1,751)	(259)	(13,461)	(11,179)
Off-balance sheet exposures	**66,197**	64,694	40	1,503	1,503	-	0	**611**	97	0	514	0

DBS d. d.

	Gross book value of performing and non-performing exposures							Accumulated impairments, provisions, and accumulated negative changes in fair value due to credit risk				
	Total	Performing exposures		Non-performing exposures				Total	for performing exposures		for non-performing exposures	
2018		Per-forming total	of which restruc-tured perform-ing	Non-per-forming total	of which out-standing	of which impaired	of which restruc-tured		Total for perfor-ming	of which restruc-tured	Total for non-per-forming	of which restruc-tured
Debt securities	**107,770**	107,770	0	0	0	0	0	**(23)**	(23)	0	0	0
Loans and other financial assets	**832,859**	777,719	4,761	55,140	55,140	54,981	45,617	**(16,304)**	(1,290)	(274)	(15,014)	(13,531)
Off-balance sheet exposures	**64,516**	63,734	40	782	782	-	0	**610**	75	0	534	0

5.1.5. Movements in revaluation allowance and gross value of financial assets and provisions for off-balance sheet liabilities

Movements in revaluation allowance and provisions for off-balance sheet liabilities

a) Movements in revaluation allowance for financial assets measured at amortised cost – loans and other financial assets, debt securities, other assets and demand deposits at banks

Group DBS	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	719	548	18,701	0	19,968	569	1,202	29,519	0	31,290
Transferred to Group 1	84	(78)	(6)	0	0	116	(116)	0	0	0
Transferred to Group 2	(26)	82	(56)	0	0	(27)	171	(144)	0	0
Transferred to Group 3	(3)	(61)	64	0	0	(1)	(66)	67	0	0
Enhancements through issuing and acquisition	59	5	75	0	139	68	0	87	0	155
Decreases through derecognition	(42)	(60)	(4,905)	0	(5,007)	(104)	(76)	(1,933)	0	(2,113)
Changes due to change in credit risk (net)	272	265	4,076	1	4,614	98	(401)	2,309	0	2,006
Write-downs*	0	0	(3,248)	0	(3,248)	0	(166)	(10,202)	0	(10,368)
Other adjustments	0	0	0	0	0	0	0	(1,002)	0	(1,002)
As at 31 December	**1,063**	**701**	**14,701**	**1**	**16,466**	**719**	**548**	**18,701**	**0**	**19,968**
Repayments of previous write-downs recorded directly in the income statement	(1)	0	0	0	(1)	0	0	80	0	80
Write-downs recorded directly in the income statement	(1)	0	(153)	0	(154)	0	(1)	(12)	0	(13)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

In 2019, there were no loans and advances regarding which modification or change effects should be recognised.

DBS d. d.	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	810	505	14,005	0	15,320	625	1,158	24,785	0	26,568
Transferred to Group 1	72	(66)	(6)	0	0	111	(111)	0	0	0
Transferred to Group 2	(21)	58	(37)	0	0	(20)	164	(144)	0	0
Transferred to Group 3	(3)	(34)	37	0	0	(1)	(44)	45	0	0
Enhancements through issuing and acquisition	29	1	64	0	94	28	0	85	0	113
Decreases through derecognition	(38)	(58)	(2,429)	0	(2,525)	(103)	(65)	(1,911)	0	(2,079)
Changes due to change in credit risk (net)	306	208	4,070	1	4,585	170	(431)	2,349	0	2,088
Write-downs*	0	0	(3,248)	0	(3,248)	0	(166)	(10,202)	0	(10,368)
Other adjustments	0	0	0	0	0	0	0	(1,002)	0	(1,002)
As at 31 December	**1,155**	**614**	**12,456**	**1**	**14,226**	**810**	**505**	**14,005**	**0**	**15,320**
Repayments of previous write-downs recorded directly in the income statement	(1)	0	0	0	(1)	0	0	80	0	80
Write-downs recorded directly in the income statement	(1)	0	(153)	0	(154)	0	(1)	(12)	0	(13)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

In 2019, there were no loans and advances regarding which modification or change effects should be recognised.

b) Movements in revaluation allowance for balances at central bank and demand deposits at banks

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	1	0	0	1	0	0	0	0
Enhancements through issuing and acquisition	0	0	0	0	1	0	0	1
As at 31 December	**1**	**0**	**0**	**1**	**1**	**0**	**0**	**1**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	1	0	0	1	0	0	0	0
Enhancements through issuing and acquisition	0	0	0	0	1	0	0	1
As at 31 December	**1**	**0**	**0**	**1**	**1**	**0**	**0**	**1**

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

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	23	0	0	23	20	0	0	20
Enhancements through issuing and acquisition	4	0	0	4	2	0	0	2
Decreases through derecognition	(1)	0	0	(1)	(5)	0	0	(5)
Changes due to change in credit risk (net)	(12)	0	0	(12)	6	0	0	6
As at 31 December	**14**	**0**	**0**	**14**	**23**	**0**	**0**	**23**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	23	0	0	23	20	0	0	20
Enhancements through issuing and acquisition	4	0	0	4	2	0	0	2
Decreases through derecognition	(1)	0	0	(1)	(5)	0	0	(5)
Changes due to change in credit risk (net)	(12)	0	0	(12)	6	0	0	6
As at 31 December	**14**	**0**	**0**	**14**	**23**	**0**	**0**	**23**

d) Movements in revaluation allowance for loans and other financial assets measured at amortised cost

Group DBS	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	695	548	18,701	0	19,944	549	1,202	29,516	0	31,267
Transferred to Group 1	84	(78)	(6)	0	0	116	(116)	0	0	0
Transferred to Group 2	(26)	82	(56)	0	0	(27)	171	(144)	0	0
Transferred to Group 3	(3)	(61)	64	0	0	(1)	(66)	67	0	0
Enhancements through issuing and acquisition	53	5	75	0	133	65	0	81	0	146
Decreases through derecognition	(41)	(60)	(4,905)	0	(5,006)	(99)	(76)	(1,926)	0	(2,101)
Changes due to change in credit risk (net)	284	265	4,077	1	4,627	92	(401)	2,311	0	2,002
Write-downs*	0	0	(3,248)	0	(3,248)	0	(166)	(10,202)	0	(10,368)
Other adjustments	0	0	0	0	0	0	0	(1,002)	0	(1,002)
As at 31 December	**1,046**	**701**	**14,702**	**0**	**16,449**	**695**	**548**	**18,701**	**0**	**19,944**
Repayments of previous write-downs recorded directly in the income statement	(1)	0	0	0	(1)	0	0	80	0	80
Write-downs recorded directly in the income statement	(1)	0	(153)	0	(154)	0	(1)	(12)	0	(13)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	786	505	14,005	0	15,296	605	1,158	24,782	0	26,545
Transferred to Group 1	72	(66)	(6)	0	0	111	(111)	0	0	0
Transferred to Group 2	(21)	58	(37)	0	0	(20)	164	(144)	0	0
Transferred to Group 3	(3)	(34)	37	0	0	(1)	(44)	45	0	0
Enhancements through issuing and acquisition	23	1	64	0	88	25	0	79	0	104
Decreases through derecognition	(37)	(58)	(2,429)	0	(2,524)	(98)	(65)	(1,904)	0	(2,067)
Changes due to change in credit risk (net)	318	208	4,070	1	4,597	164	(431)	2,351	0	2,084
Write-downs*	0	0	(3,248)	0	(3,248)	0	(166)	(10,202)	0	(10,368)
Other adjustments	0	0	0	0	0	0	0	(1,002)	0	(1,002)
As at 31 December	**1,138**	**614**	**12,456**	**1**	**14,209**	**786**	**505**	**14,005**	**0**	**15,296**
Repayments of previous write-downs recorded directly in the income statement	(1)	0	0	0	(1)	0	0	80	0	80
Write-downs recorded directly in the income statement	(1)	0	(153)	0	(154)	0	(1)	(12)	0	(13)

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

e) Movements in revaluation allowance for other assets

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	0	0	0	0	0	0	3	3
Enhancements through issuing and acquisition	2	0	0	2	0	0	6	6
Decreases through derecognition	0	0	0	0	0	0	(7)	(7)
Changes due to change in credit risk (net)	0	0	0	0	0	0	(2)	(2)
As at 31 December	**2**	**0**	**0**	**2**	**0**	**0**	**0**	**0**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	0	0	0	0	0	0	3	3
Enhancements through issuing and acquisition	2	0	0	2	0	0	6	6
Decreases through derecognition	0	0	0	0	0	0	(7)	(7)
Changes due to change in credit risk (net)	0	0	0	0	0	0	(2)	(2)
As at 31 December	**2**	**0**	**0**	**2**	**0**	**0**	**0**	**0**

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

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	72	4	534	610	112	4	653	769
Transferred to Group 1	1	(1)	0	0	1	(1)	0	0
Transferred to Group 2	(1)	6	(5)	0	0	13	(13)	0
Transferred to Group 3	(1)	(1)	2	0	0	(1)	1	0
Enhancements through issuing and acquisition	3	0	1	4	2	0	3	5
Decreases through derecognition	(3)	0	(396)	(399)	(18)	0	(246)	(264)
Changes due to change in credit risk (net)	6	11	379	396	(25)	(11)	136	100
As at 31 December	**77**	**19**	**515**	**611**	**72**	**4**	**534**	**610**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	72	4	534	610	112	4	653	769
Transferred to Group 1	1	(1)	0	0	1	(1)	0	0
Transferred to Group 2	(1)	6	(5)	0	0	13	(13)	0
Transferred to Group 3	(1)	(1)	2	0	0	(1)	1	0
Enhancements through issuing and acquisition	3	0	1	4	2	0	3	5
Decreases through derecognition	(3)	0	(396)	(399)	(18)	0	(246)	(264)
Changes due to change in credit risk (net)	7	11	378	396	(25)	(11)	136	100
As at 31 December	**78**	**19**	**514**	**611**	**72**	**4**	**534**	**610**

Movements in gross value of financial assets and off-balance sheet liabilities

a) Movements in gross value of financial assets measured at amortised cost – loans and other financial assets, debt securities, other assets and demand deposits at banks

Group DBS	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	873,540	12,919	58,167	761	945,387	787,253	25,584	81,503	0	894,340
Transferred to Group 1	6,657	(6,644)	(13)	0	0	13,267	(13,266)	(1)	0	0
Transferred to Group 2	(12,340)	12,922	(582)	0	0	(8,639)	9,585	(946)	0	0
Transferred to Group 3	(969)	(2,699)	3,668	0	0	(141)	(1,584)	1,725	0	0
Enhancements through issuing and acquisition	209,741	402	1,336	0	211,479	260,735	1,753	4,003	761	267,252
Decreases through derecognition	(75,271)	(2,569)	(7,542)	0	(85,382)	(154,754)	(4,288)	(14,134)	0	(173,176)
Write-downs*	0	0	(3,392)	0	(3,392)	(12)	(170)	(10,740)	0	(10,922)
Other changes	(79,787)	(1,954)	(5,531)	(67)	(87,339)	(24,169)	(4,695)	(3,243)	0	(32,107)
As at 31 December	**921,571**	**12,377**	**46,111**	**694**	**980,753**	**873,540**	**12,919**	**58,167**	**761**	**945,387**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.	2019					2018				
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	873,413	12,384	51,723	761	938,281	787,470	25,081	75,021	0	887,572
Transferred to Group 1	6,403	(6,390)	(13)	0	0	13,069	(13,068)	(1)	0	0
Transferred to Group 2	(11,619)	11,836	(217)	0	0	(7,932)	8,859	(927)	0	0
Transferred to Group 3	(958)	(2,385)	3,343	0	0	(134)	(1,363)	1,497	0	0
Enhancements through issuing and acquisition	205,293	380	1,336	0	207,009	232,062	1,753	3,596	761	238,172
Decreases through derecognition	(74,638)	(2,490)	(5,025)	0	(82,153)	(153,945)	(4,218)	(14,089)	0	(172,252)
Write-downs*	0	0	(3,392)	0	(3,392)	(12)	(170)	(10,740)	0	(10,922)
Other changes	(76,513)	(1,736)	(5,450)	(67)	(83,766)	2,835	(4,490)	(2,634)	0	(4,289)
As at 31 December	**921,381**	**11,599**	**42,305**	**694**	**975,979**	**873,413**	**12,384**	**51,723**	**761**	**938,281**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

b) Movements in gross value of balances at central bank and demand deposits at banks

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	65,336	0	0	65,336	20,838	0	0	20,838
Enhancements through issuing and acquisition	5,000	0	0	5,000	44,355	0	0	44,355
Other changes	16,897	0	0	16,897	143	0	0	143
As at 31 December	**87,233**	**0**	**0**	**87,233**	**65,336**	**0**	**0**	**65,336**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	65,336	0	0	65,336	20,838	0	0	20,838
Enhancements through issuing and acquisition	5,000	0	0	5,000	44,355	0	0	44,355
Other changes	16,897	0	0	16,897	143	0	0	143
As at 31 December	**87,233**	**0**	**0**	**87,233**	**65,336**	**0**	**0**	**65,336**

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

Group DBS				2019				2018
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	107,770	0	0	107,770	123,572	0	0	123,572
Enhancements through issuing and acquisition	28,670	0	0	28,670	17,056	0	0	17,056
Decreases through derecognition	(18,089)	0	0	(18,089)	(31,573)	0	0	(31,573)
Other changes	(581)	0	0	(581)	(1,285)	0	0	(1,285)
As at 31 December	**117,770**	**0**	**0**	**117,770**	**107,770**	**0**	**0**	**107,770**

DBS d. d.				2019				2018
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	107,770	0	0	107,770	123,572	0	0	123,572
Enhancements through issuing and acquisition	28,670	0	0	28,670	17,056	0	0	17,056
Decreases through derecognition	(18,089)	0	0	(18,089)	(31,573)	0	0	(31,573)
Other changes	(581)	0	0	(581)	(1,285)	0	0	(1,285)
As at 31 December	**117,770**	**0**	**0**	**117,770**	**107,770**	**0**	**0**	**107,770**

d) Movements in gross value of loans and other financial assets measured at amortised cost

Group DBS					2019					2018
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	700,269	12,919	57,137	761	771,086	642,835	25,584	81,440	0	749,859
Transferred to Group 1	6,657	(6,644)	(13)	0	0	13,267	(13,266)	(1)	0	0
Transferred to Group 2	(12,340)	12,922	(582)	0	0	(8,639)	9,585	(946)	0	0
Transferred to Group 3	(969)	(2,699)	3,668	0	0	(141)	(1,584)	1,725	0	0
Enhancements through issuing and acquisition	175,672	402	1,336	0	177,410	199,076	1,753	974	761	202,564
Decreases through derecognition	(57,037)	(2,569)	(7,542)	0	(67,148)	(123,181)	(4,288)	(12,072)	0	(139,541)
Write-downs*	0	0	(3,392)	0	(3,392)	(12)	(170)	(10,740)	0	(10,922)
Other changes	(96,087)	(1,954)	(5,531)	(67)	(103,639)	(22,936)	(4,695)	(3,243)	0	(30,874)
As at 31 December	**716,165**	**12,377**	**45,081**	**694**	**774,317**	**700,269**	**12,919**	**57,137**	**761**	**771,086**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

DBS d. d.					2019					2018
	Group 1	Group 2	Group 3	POCI	Total	Group 1	Group 2	Group 3	POCI	Total
As at 1 January	700,159	12,384	50,693	761	763,997	643,052	25,081	74,958	0	743,091
Transferred to Group 1	6,403	(6,390)	(13)	0	0	13,069	(13,068)	(1)	0	0
Transferred to Group 2	(11,619)	11,836	(217)	0	0	(7,932)	8,859	(927)	0	0
Transferred to Group 3	(958)	(2,385)	3,343	0	0	(134)	(1,363)	1,497	0	0
Enhancements through issuing and acquisition	171,231	380	1,336	0	172,947	170,421	1,753	567	761	173,502
Decreases through derecognition	(56,404)	(2,490)	(5,025)	0	(63,919)	(122,372)	(4,218)	(12,027)	0	(138,617)
Write-downs*	0	0	(3,392)	0	(3,392)	(12)	(170)	(10,740)	0	(10,922)
Other changes	(92,828)	(1,736)	(5,450)	(67)	(100,081)	4,067	(4,490)	(2,634)	0	(3,057)
As at 31 December	**715,984**	**11,599**	**41,275**	**694**	**769,552**	**700,159**	**12,384**	**50,693**	**761**	**763,997**

* Write-downs include write-offs and transfers (write-downs) of receivables to off-balance sheet in accordance with Article 32 of the Decision on Credit Risk Management for Banks and Savings Banks.

e) Movements in gross value of other assets

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	165	0	1,030	1,195	8	0	63	71
Enhancements through issuing and acquisition	399	0	0	399	248	0	3,029	3,277
Decreases through derecognition	(145)	0	0	(145)	0	0	(2,062)	(2,062)
Other changes	(16)	0	0	(16)	(91)	0	0	(91)
As at 31 December	**403**	**0**	**1,030**	**1,433**	**165**	**0**	**1,030**	**1,195**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	147	0	1,030	1,177	8	0	63	71
Enhancements through issuing and acquisition	392	0	0	392	230	0	3,029	3,259
Decreases through derecognition	(145)	0	0	(145)	0	0	(2,062)	(2,062)
Other changes	0	0	0	0	(91)	0	0	(91)
As at 31 December	**394**	**0**	**1,030**	**1,424**	**147**	**0**	**1,030**	**1,177**

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

Group DBS	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	63,365	301	782	64,448	67,110	318	1,293	68,721
Transferred to Group 1	462	(462)	0	0	254	(254)	0	0
Transferred to Group 2	(474)	1,118	(644)	0	(256)	292	(36)	0
Transferred to Group 3	(702)	(12)	714	0	(51)	(21)	72	0
Enhancements through issuing and acquisition	37,293	581	1,758	39,632	117,168	672	2,833	120,673
Decreases through derecognition	(36,804)	(589)	(1,108)	(38,501)	(120,811)	(758)	(3,377)	(124,946)
As at 31 December	**63,140**	**937**	**1,502**	**65,579**	**63,414**	**249**	**785**	**64,448**

DBS d. d.	2019				2018			
	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
As at 1 January	63,433	301	782	64,516	67,208	318	1,293	68,819
Transferred to Group 1	462	(462)	0	0	254	(254)	0	0
Transferred to Group 2	(474)	1,118	(644)	0	(256)	292	(36)	0
Transferred to Group 3	(702)	(12)	714	0	(51)	(21)	72	0
Enhancements through issuing and acquisition	38,293	581	1,758	40,632	117,168	672	2,833	120,673
Decreases through derecognition	(37,254)	(589)	(1,108)	(38,951)	(120,841)	(758)	(3,377)	(124,976)
As at 31 December	**63,758**	**937**	**1,502**	**66,197**	**63,482**	**249**	**785**	**64,516**

5.1.6. Debt securities and bills

To assets the risk associated with debts the Group uses either its internal credit ratings for issuers or the credit ratings of Standard & Poor's, Moody's and Fitch. Owing to the system of limits, investments are made into debts with good ratings.

The table below shows the Group's exposure with respect to its debt securities according to Standard & Poor's ratings, as at 31 December 2019 and 31 December 2018.

Group DBS	2019				2018			
	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total
AA	15,214	0	0	15,214	15,265	0	0	15,265
A+	100,941	0	0	100,941	90,684	0	0	90,684
Unrated	1,602	0	0	1,602	1,799	0	0	1,799
Total	**117,757**	**0**	**0**	**117,757**	**107,748**	**0**	**0**	**107,748**

DBS d. d.	2019				2018			
	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total	Debt securities at amortised cost	Debt securities held for trading	Debt securities measured at fair value through other comprehensive income	Total
AA	15,214	0	0	15,214	15,265	0	0	15,265
A+	100,941	0	0	100,941	90,684	0	0	90,684
Unrated	1,602	0	0	1,602	1,799	0	0	1,799
Total	**117,757**	**0**	**0**	**117,757**	**107,748**	**0**	**0**	**107,748**

Both in 2019 and 2018, the largest proportion of the debts portfolio were Slovene state bonds, which totalled EUR 97 million (the year-end of 2018: EUR 91 million). In the context of state bonds, they are followed by French state bonds totalling EUR 15 million. Alongside state bonds, the Group’s portfolio also included institutions’ bonds totalling slightly less than EUR 4 million. The remainder of the nearly EUR 2 million worth portfolio consists of commercial papers and bonds that were issued by major Slovene companies but not rated by prominent rating agencies. The Group's proprietary portfolio did not include subordinated, structured and non-investment grade debt securities.

5.1.7. Collateral acquired by prescription

In 2019, the Group acquired assets by calling on the collateral held as guarantee, namely:

	Carrying amount			
	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Property	355	2,081	355	2,081
Total	**355**	**2,081**	**355**	**2,081**

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

The table below gives the remaining maturities according to categories of exposure.

Group DBS

		Remaining maturity as at 31 December 2019			Remaining maturity as at 31 December 2018		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	88,318	392,552	480,870	85,829	365,306	451,135
02	Regional and local government	93	4,945	5,038	8	6,080	6,088
03	Public sector entities	5,000	5,462	10,462	6,880	8,871	15,751
06	Institutions	24,686	3,900	28,586	35,720	304	36,024
07	Corporate	20,305	9,782	30,087	16,049	12,506	28,555
08	Retail exposures	65,037	147,018	212,055	66,964	131,389	198,353
09	Secured by mortgages of immovable property	23,809	235,599	259,408	25,982	230,505	256,487
10	Exposures in default	11,833	960	12,793	19,055	1,676	20,731
11	Regulatory high risk categories	14,387	1,653	16,040	6,605	5,221	11,826
14	Investments in investment funds	0	2,709	2,709	1	2,697	2,698
15	Other exposure	23,684	479	24,163	22,199	586	22,785
16	Equity exposure	4,165	0	4,165	7,567	0	7,567
	As at 31 December	281,317	805,059	1,086,376	292,859	765,141	1,058,000

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		Remaining maturity as at 31 December 2019			Remaining maturity as at 31 December 2018		
	Exposure category	Up to 1 year	Over 1 year	TOTAL	Up to 1 year	Over 1 year	TOTAL
01	Central government and central banks	88,314	392,758	481,072	85,801	365,306	451,107
02	Regional and local government	93	4,945	5,038	8	6,080	6,088
03	Public sector entities	5,000	5,388	10,388	6,878	8,799	15,677
06	Institutions	24,686	3,900	28,586	35,720	304	36,024
07	Corporate	19,910	17,058	36,968	15,736	18,403	34,139
08	Retail exposures	64,725	138,278	203,003	66,610	123,385	189,995
09	Secured by mortgages of immovable property	24,993	234,964	259,957	27,241	229,891	257,132
10	Exposures in default	11,059	841	11,900	18,233	1,619	19,852
11	Regulatory high risk categories	13,728	1,652	15,380	6,003	5,221	11,224
14	Investments in investment funds	0	2,709	2,709	1	2,697	2,698
15	Other exposure	23,179	479	23,658	21,459	586	22,045
16	Equity exposure	8,380	0	8,380	11,829	0	11,829
	As at 31 December	284,067	802,972	1,087,039	295,519	762,291	1,057,810

At the year-end of 2019, 26.0% of the Group's exposure had maturities of up to one year and 74.0% over one year. In 2019, in absolute terms, the value to have decreased most was that of past due exposures, and exposure increased the most towards units of the central government and central banks. In conformity with its internal policies, the Group has removed balance sheet exposures from the statement of financial position to keep them in off-balance sheet records. This relates to exposures for which it has ensured to cover the total exposure by applying revaluation allowance or provisions for credit risk losses. These are not comprised in the table showing exposure categories. The exposure categories shown include prudential consolidation, the basis for which are financial statements on such prudential basis rather than regulatory consolidation of the balance sheet.

5.1.9. Capital requirements according to exposure categories

The Group calculates the capital requirement for credit risk according to the standardised approach. The ratings of an external credit rating agency are used to determine exposure towards the central government and central banks.

Group DBS

	Exposure category	2019 Net exposure	2019 Capital requirement	2018 Net exposure	2018 Capital requirement
01	Central government and central banks	480,870	831	451,135	710
02	Regional and local government	5,038	81	6,089	97
03	Public sector entities	10,462	587	15,751	940
06	Institutions	28,586	1,522	36,024	2,328
07	Corporate	30,088	1,892	28,555	1,706
08	Retail exposures	212,055	10,613	198,353	9,829
09	Secured by mortgages of immovable property	259,408	9,294	256,486	9,347
10	Exposures in default	12,793	1,121	20,731	1,995
11	Regulatory high risk categories	16,039	1,678	11,826	1,375
14	Investments in investment funds	2,709	29	2,698	27
15	Other exposure	24,163	980	22,785	874
16	Equity exposure	4,165	333	7,567	605
	As at 31 December	1,086,376	28,961	1,058,000	29,834

The capital requirement dynamics for credit risk followed the change in the structure of net exposure by category.

5.1.10. Bank's exposure to credit risk: net exposure values, and average exposure amounts as at 31 Dec 2019 and 31 Dec 2018

The table below illustrates the net values, and average amount of the Bank's exposure to credit risk – whereby not considering any collateral held by the Bank or any other enhancements of credit quality – as at 31 December 2019 as compared to the balance at 31 December 2018. The table is broken down according to different categories of exposure.

The exposure levels for on-balance sheet and off-balance sheet assets are given on the basis of net carrying amounts as reported in the statement of financial position, including off-balance sheet figures, and grouped into categories of exposure pursuant to CRR/CRD IV.

DBS d. d.

	Exposure category	2019 Net exposure	2019 Average exposure	2018 Net exposure	2018 Average exposure
01	Central government and central banks	481,072	476,724	451,107	439,457
02	Regional and local government	5,038	5,554	6,088	5,532
03	Public sector entities	10,388	13,734	15,677	15,106
06	Institutions	28,586	32,309	36,024	37,526
07	Corporate	36,968	34,403	34,139	38,871
08	Retail exposures	203,003	198,787	189,995	186,872
09	Secured by mortgages of immovable property	259,957	257,740	257,132	254,443
10	Exposures in default	11,900	15,474	19,852	21,801
11	Regulatory high risk categories	15,380	13,080	11,225	6,237
14	Investments in investment funds	2,709	2,713	2,698	2,699
15	Other exposure	23,658	22,986	22,045	21,635
16	Equity exposure	8,380	10,972	11,829	11,496
	As at 31 December	1,087,039	1,084,476	1,057,810	1,041,675

5.2. Market risk

In managing market risk, the Group relies on the Risk-taking and Risk Management Policy for Market Risk. In compliance with its policy, market risk management is a collaboration of:

- front office (Financial Markets Section),
- various sections (Financial Management Section, Risk Management Section),
- various boards and committees (Liquidity Commission, Investment Committee, Asset and Liability Management Board).

Each organisation unit taking part in market risk management has clearly defined competences and responsibilities. The basic principle applied by the Group in doing so is a clear division of the work processes each of them carries out:

- front office: carrying out trading transactions, analysing market prospects or trends, brokering trade in financial Instruments for customers, providing investment counselling to customers;
- back office: submitting and accepting clearances of transactions, implementation of a material and/or cash settlement, preparing underlying documents for accounting and recording transactions to compose bank position records, performing completeness checks for documentation received from trading sections, verification of transactions for compliance with market conditions and for documentation of deviations allowed, preparation of reports for senior management;
- Risk Management Section: measuring and analysing the Bank's exposure due to taking market positions, defining and monitoring set limits, implementation of stress scenarios, evaluation of unlisted securities, informing the senior management through the Asset and Liability Management Board, etc.;
- Financial Management Section: plans, analyses, controlling, reporting, registries.

The Group's exposure to market risk is low. Market risk exposure in 2019, as in 2018, primarily included exposure to interest rate risk due to Euribor changes and, to a lesser degree, foreign exchange risk. In any case, the Group pursues a policy of portfolio diversification and investing in highly liquid assets from countries with a high credit rating, avoiding investments with speculative-grade ratings.

The Group calculates the capital requirement for market risk under the standardised approach, pursuant to the provisions of Regulation (EU) No 575/2013.The table below shows that the Group had no market risk exposure at the year-end of 2019 and consequently did not have capital requirements for market risk.

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Equity instruments	0	0	0	0
Debt instruments	0	0	0	0
SUM OF CAPITAL REQUIREMENTS FOR MARKET RISK	**0**	**0**	**0**	**0**

Even though the Group had no market risk exposure as at 31 December 2019, a description of how such exposure is monitored is presented below. The Group monitors market risk by means of:

- prompt data on trading positions, spending of limits and overdrafts, and exposure to different risks,
- prompt data on currency positions,
- daily reporting on securities trading,
- end-of day reporting on overdrafts,
- monthly reporting on capital requirements for market risk, and
- quarterly risk analyses.

To manage market risks, the Group has:

- adopted the Risk-taking and Risk Management Strategy, which also includes a chapter on market risk,
- established relevant internal controls in implementing transactions,
- introduced quantitative analytic methods to measure individual types of market and foreign exchange risks with the growing complexity and scope of trading, and monthly performance of stress tests for exceptional yet likely situations.

Market risk management is based on a diversified system of limits (limits on equity and debt security positions, limits on exposure to individual types of issuers, limits of maximum possible loss, limits according to individual authorised persons, etc.), which the Group regularly reviews and adjusts, if necessary.

Due to the increased volatility of capital markets (compared to bond markets and money markets), the Group devotes special attention to its equity positions. To this end, it has in place the additional »stop-loss« limit system for each position on both the domestic and foreign markets, which daily examines the set limits. Value-at-Risk is calculated over a time horizon (on a monthly basis in the reports to the ALM Board) for each position as well as for both sub-portfolios (domestic and foreign equities) and the joint portfolio, in order to detect any potential increased risk due to exposure to increased volatility.

With respect to the bond portfolio on the trading book, the Group calculates the time profile for each position and the related extent of exposure to loss in economic value in the event of an interest rate shock (so-called »basis point value«). The value of the average-duration bond portfolio on the trading book over a time horizon is also monitored. All these calculations are conducted once per month, and their results are included into the report to the ALM Board.

The rigorous system of limits, which requires that the securities portfolio be diversified and highly liquid as well as that issuers have good credit ratings, keeps the Group's appetite for assuming market risk at a low level.

The Group's exposure to market risk might potentially increase in the event of calling on collateral in credit deals and due to debt-to-equity swaps in case of non-performing debts.

5.2.1. Methods for measuring risk related to trading in trading portfolio equities

To measure and control market risk, the Group applies the Value-at-Risk method (VaR) for its equity trading portfolio. VaR measures the risk of loss on a specific portfolio of financial assets for a 10-day time horizon, with a 99% level of confidence. As at 31 December 2019, the Group had no equities in its equity trading portfolio.

5.2.2. Methods for measuring risk related to trading in trading portfolio debt securities

The Group measures these risks using Basis Point Value (BPV), which denotes the change in the market value of a trading book position, attributable to the parallel movement in the yield curve. BPV tells us how much value financial instruments will gain or lose depending on the market interest rate, i.e. change in yield. As at 31 December 2019, the Group had no debts in its bond trading portfolio.

5.2.3. Foreign exchange risk

Foreign exchange risk is monitored and managed on a daily basis. Limits of maximum acceptable exposures to foreign exchange risk are clearly defined and monitored daily.

The Financial Markets Section balances currency positions and exposure to foreign exchange risk by taking the following measures:
- spot and forward purchases and sales of foreign exchange in the interbank market,
- setting daily mean rates and exchange rates,
- entering into purchases and sales of foreign exchange with legal entities and individuals.

In 2019, the Group promptly balanced the differences between purchases and sales of foreign exchange, which were mainly the result of payment and foreign exchange transactions. Exposure towards financial instruments denominated in foreign currencies was very low and consistent with the set limits.

The tables below show assets and liabilities as at 31 December 2019 and 31 December 2018 by currency:

Group DBS

FOREIGN EXCHANGE RISK as at 31 December 2019					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	96,719	520	1,160	545	98,944
Financial assets held for trading	0	98	0	12	110
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	0	0	0	1,562
Financial assets measured at fair value through other comprehensive income	3,041	0	0	0	3,041
Financial assets measured at amortised cost	870,197	1,789	2,938	700	875,624
- Debt securities	117,757	0	0	0	117,757
- Loans to banks	1,371	1,789	2,758	700	6,618
- Loans to customers	747,855	0	180	0	748,035
- Other financial assets	3,214	0	0	0	3,214
Tangible assets	28,715	0	0	0	28,715
- Property, plant and equipment	11,475	0	0	0	11,475
- Investment property	17,240	0	0	0	17,240
Intangible assets	591	0	0	0	591
Income tax assets	5,306	0	0	0	5,306
- Current tax assets	528	0	0	0	528
- Deferred tax assets	4,778	0	0	0	4,778
Other assets	3,443	0	0	0	3,443
Non-current assets held for sale, and discontinued operations	824	0	0	0	824
TOTAL ASSETS (1)	**1,010,398**	**2,407**	**4,098**	**1,257**	**1,018,160**
Financial liabilities held for trading	110	0	0	0	110
Financial liabilities measured at amortised cost	943,461	2,395	4,087	1,121	951,064
- Deposits by banks and central banks	339	0	0	0	339
- Deposits by customers	887,263	2,301	4,087	1,118	894,769
- Borrowings from banks and central banks	51,498	0	0	0	51,498
- Other financial liabilities	4,361	94	0	3	4,458
Provisions	2,214	0	0	1	2,215
Income tax liabilities	76	0	0	0	76
- Current tax liabilities	73	0	0	0	73
- Deferred tax liabilities	3	0	0	0	3
Other liabilities	1,695	0	0	0	1,695
TOTAL LIABILITIES (2)	**947,556**	**2,395**	**4,087**	**1,122**	**955,160**
MISMATCH (1) less (2)	**62,842**	**12**	**11**	**135**	**63,000**
Off-balance sheet liabilities	**65,423**	**0**	**0**	**156**	**65,579**

FOREIGN EXCHANGE RISK as at 31 December 2018					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	981,165	2,327	3,823	1,262	988,577
Total liabilities	920,412	2,341	3,905	1,117	927,775
MISMATCH (1) less (2)	**58,463**	**(6)**	**(42)**	**180**	**58,595**
Off-balance sheet liabilities	**60,753**	**(14)**	**(82)**	**145**	**60,802**

As at 31 December 2019, the Group did not report capital requirements for foreign exchange risk, as its net currency position did not exceed 2% of the Group's capital.

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FOREIGN EXCHANGE RISK as at 31 December 2019					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Cash, balances at central banks, and sight deposits at banks	96,719	520	1,160	545	98,944
Financial assets held for trading	0	98	0	12	110
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	0	0	0	1,562
Financial assets measured at fair value through other comprehensive income	3,041	0	0	0	3,041
Financial assets measured at amortised cost	867,668	1,789	2,942	700	873,099
- Debt securities	117,757	0	0	0	117,757
- Loans to banks	1,371	1,789	2,758	700	6,618
- Loans to customers	745,403	0	184	0	745,587
- Other financial assets	3,137	0	0	0	3,137
Long-term equity participation in subsidiaries, associates and joint ventures	4,215	0			4,215
Tangible assets	28,209	0	0	0	28,209
- Property, plant and equipment	10,969	0	0	0	10,969
- Investment property	17,240	0	0	0	17,240
Intangible assets	529	0	0	0	529
Income tax assets	5,306	0	0	0	5,306
- Current tax assets	528	0	0	0	528
- Deferred tax assets	4,778	0	0	0	4,778
Other assets	2,117	0	0	0	2,117
Non-current assets held for sale, and discontinued operations	806	0	0	0	806
TOTAL ASSETS (1)	**1,010,172**	**2,407**	**4,102**	**1,257**	**1,017,938**
Financial liabilities held for trading	110	0	0	0	110
Financial liabilities measured at amortised cost	943,646	2,395	4,087	1,121	951,249
- Deposits by banks and central banks	339	0	0	0	339
- Deposits by customers	887,481	2,301	4,087	1,118	894,987
- Borrowings from banks and central banks	51,498	0	0	0	51,498
- Other financial liabilities	4,328	94	0	3	4,425
Provisions	2,197	0	0	1	2,198
Income tax liabilities	76	0	0	0	76
- Current tax liabilities	73	0	0	0	73
- Deferred tax liabilities	3	0	0	0	3
Other liabilities	1,411	0	0	0	1,411
TOTAL LIABILITIES (2)	**947,440**	**2,395**	**4,087**	**1,122**	**955,044**
MISMATCH (1) less (2)	**62,732**	**12**	**15**	**135**	**62,894**
Off-balance sheet liabilities	**66,041**	**0**	**0**	**156**	**66,197**

FOREIGN EXCHANGE RISK as at 31 December 2018					
Balance sheet items	**EUR**	**USD**	**CHF**	**OTHER**	**TOTAL**
Total assets	983,299	2,327	3,910	1,262	990,798
Total liabilities	920,239	2,341	3,905	1,122	927,607
Mismatch (1) less (2)	**63,060**	**(14)**	**5**	**140**	**63,191**
Off-balance sheet liabilities	**64,517**	**0**	**0**	**0**	**64,517**

As at 31 December 2019, the Bank did not report capital requirements for foreign exchange risk, as its net currency position did not exceed 2% of the Bank's capital.

5.2.4. Interest rate risk

In managing interest rate risk, the Group relies on the Risk-taking and Risk Management Policy for Interest Rate Risk. Taking interest rate risk and managing it within the Group is a collaboration of:
- front office (Branch Network, Financial Markets Section),
- various sections (Financial Management Section, Risk Management Section),
- various boards (Lending Committee, Liquidity Commission, Asset and Liability Management Board).

The Group additionally monitors exposure to interest rate risk with reference to items in the banking book. It does this by using the methodology of interest rate sensitivity gap reports according to type of maturity and time periods relative to the following setting of interest rates (gap analysis). Interest rate gaps show the difference between the cash flows of interest-sensitive assets and interest-sensitive liabilities according to time periods. In the analysis of interest rate risk, the Group takes into consideration the distribution of stable demand deposits separately for corporate customers and natural persons, and savings deposits in accordance with the internal model, i.e. by transferring them from the O/N basket to other baskets with regard to continuity. In accordance with guidelines for managing interest rate risk originating in the operations of a non-trading book as prescribed by EBA, the Group distributes stable sight deposits for natural persons and bank's savings deposits into time buckets of up to 10 years, and sight deposits for corporate customers into time buckets of up to 5 years. For deposits without an agreed maturity, the maximum average maturity of 5 years might be used in conformity to the mentioned guidelines, whereas the actual average maturity used by the Group for deposits without an agreed maturity is considerably lower than the maturity mentioned. Reports on exposure to interest rate risk are reviewed by the Bank's ALM Board on a monthly basis, and are noted quarterly by the Management Board, Risk Committee of the Supervisory Board, and the Supervisory Board in the context of a risk management analysis.

Measuring, monitoring and examining interest rate risk in the Group is kept separate from adopting decisions on banking positions, which prevents conflicts of interest. This is conducted by the Risk Management Section, which regularly monitors all activities in this area.

With the gap analysis, the Group performs sensitivity tests to determine the effect of changes in market interest rates on the amount of net interest income in the following 12 months, in the event of a standard parallel 200-basis-point interest rate shock. To measure the economic value of equity (EVE), six stress scenarios based on the final EBA guidelines are used. The result of the scenario having the worst impact on the EVE sum is used by the Group as the basis for forming additional capital requirement for interest rate risk under Pillar 2; it is computed as the 6-month mean exposure with the most significant change of the banking book economic value. For the purposes of balancing interest rate risk on the banking book, the Group has in place a two-stage system of limits for each interest rate gap. The first stage is a position limit for each established gap, calculated using a proprietary methodology, while the second is a limit for the total exposure of the economic value of equity with the final risk limit set at 10% of the Group's equity, which, due to the precautionary principle is set lower than required by EBA, i.e. at 15%.

According to the balance as at 31 December 2019, the Group had at its disposal an adequate amount of capital to offset the potential losses from interest rate risk. according to six stress scenarios, in the event of a movement of the yield curve the effect of the changed interest rate never exceeded 10% of the economic value of equity.

The result with the most significant negative change of the economic value of equity out of six stress test scenarios amounted to EUR 2,520 thousand as at 31 December 2019, which is 4.16% of the Bank's equity capital (2018: EUR 2,508 thousand); in both years the result was within the regulatory limit. Higher exposure of the economic value of equity in 2019 is mainly due to higher values of stable demand deposits by natural persons which are distributed into time buckets by their continuity, and to the redistribution of debt securities into a shorter time bucket.

Interest income sensitivity to interest rate movements as at 31 December 2019

Group DBS

Scenario*	Expected net interest	Absolute change in baseline scenario	Relative change in baseline scenario
Baseline scenario	17,566		
One-time curve shift (+2%) - immediate shock	26,461	8,895	50.64%
One-time curve shift (-2%) - immediate shock	5,786	(11,780)	(67.06%)
Curve shift (+2%) - gradually over 12 months	22,163	4,597	26.17%
Curve shift (-2%) - gradually over 12 months	11,544	(6,022)	(34.28%)
Curve shift (+2%) - immediate shock, only money market interest (EURIBOR)	29,588	12,022	68.44%
Curve shift (-2%) - immediate shock, only money market interest (EURIBOR)	8,660	(8,906)	(50.70%)
Curve shift (+2%) - gradually over 12 months, only money market interest (EURIBOR)	23,659	6,093	34.69%
Curve shift (-2%) - gradually over 12 months, only money market interest (EURIBOR)	12,972	(4,594)	(26.15%)

* The scenario presupposes that the interest rate cannot be negative.

DBS d. d.

Scenario*	Expected net interest	Absolute change in baseline scenario	Relative change in baseline scenario
Baseline scenario	17,288		
One-time curve shift (+2%) - immediate shock	26,118	8,830	51.08%
One-time curve shift (-2%) - immediate shock	5,648	(11,640)	(67.33%)
Curve shift (+2%) - gradually over 12 months	21,843	4,555	26.35%
Curve shift (-2%) - gradually over 12 months	11,345	(5,943)	(34.38%)
Curve shift (+2%) - immediate shock, only money market interest (EURIBOR)	29,258	11,970	69.24%
Curve shift (-2%) - immediate shock, only money market interest (EURIBOR)	8,434	(8,854)	(51.21%)
Curve shift (+2%) - gradually over 12 months, only money market interest (EURIBOR)	23,353	6,065	35.08%
Curve shift (-2%) - gradually over 12 months, only money market interest (EURIBOR)	12,722	(4,566)	(26.41%)

* The scenario presupposes that the interest rate cannot be negative.

Assuming that the Group's investments and liabilities as at 31 December 2019 remained unchanged and held-to-maturity, and that the Group did not actively influence the structure of investments and liabilities in order to modify exposure to interest rate risk, a 2% drop in market interest rates (immediate shock) would cause an almost EUR 12 million decrease in net interest income over a one-year period (2018: just over EUR 12 million).

The following tables outline exposure to interest rate risk as at 31 December 2019 and 31 December 2018. Financial instruments are recorded at carrying amounts and categorised into time gaps according to the subsequent change in interest rate or maturity. Sight loans to customers (O/N) also include loans linked to six-month Euribor rate, for which interest rates are fixed each 1 January.

Group DBS

INTEREST RATE RISK as at 31 December 2019									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash, balances at central banks, and sight deposits at banks	98,944	0	98,944	89,659	0	9,285	0	0	0
Financial assets held for trading	110	110	0	0	0	0	0	0	0
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	1,562	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	3,041	3,041	0	0	0	0	0	0	0
Financial assets measured at amortised cost	875,624	6,769	868,855	306,392	19,469	192,647	167,437	117,160	65,750
- Debt securities	117,757	1,543	116,214	0	0	0	1,007	57,699	57,508
- Loans to banks	6,618	6	6,612	1,165	2,487	2,760	200	0	0
- Loans to customers	748,035	2,006	746,029	305,227	16,982	189,887	166,230	59,461	8,242
- Other financial assets	3,214	3,214	0	0	0	0	0	0	0
Other assets	3,443	3,443	0	0	0	0	0	0	0
Non-current assets held for sale, and discontinued operations	824	824	0	0	0	0	0	0	0
TOTAL ASSETS	**983,548**	**15,749**	**967,799**	**396,051**	**19,469**	**201,932**	**167,437**	**117,160**	**65,750**
Financial liabilities held for trading	110	110	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	951,064	5,724	945,340	643,553	94,857	37,194	90,498	76,970	2,268
- Deposits by banks and central banks	339	0	339	339	0	0	0	0	0
- Deposits by customers	894,769	1,209	893,560	643,214	94,857	37,194	90,498	27,529	268
- Borrowings from banks and central banks	51,498	57	51,441	0	0	0	0	49,441	2,000
- Other financial liabilities	4,458	4,458	0	0	0	0	0	0	0
Other liabilities	1,695	1,695	0	0	0	0	0	0	0
TOTAL LIABILITIES	**952,869**	**7,529**	**945,340**	**643,553**	**94,857**	**37,194**	**90,498**	**76,970**	**2,268**
Net exposure to interest rate risk	**30,679**	**8,220**	**22,459**	**(247,502)**	**(75,388)**	**164,738**	**76,939**	**40,190**	**63,482**

INTEREST RATE RISK as at 31 December 2018									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Total assets	951,538	17,832	933,706	361,089	20,952	220,972	174,077	112,769	43,847
Total liabilities	924,746	6,132	918,614	608,927	89,066	41,019	101,604	75,719	2,279
Net exposure to interest rate risk	**26,792**	**11,700**	**15,092**	**(247,838)**	**(68,114)**	**179,953**	**72,473**	**37,050**	**41,568**

DBS d. d.

INTEREST RATE RISK as at 31 December 2019									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Cash, balances at central banks, and sight deposits at banks	98,944	0	98,944	89,659	0	9,285	0	0	0
Financial assets held for trading	110	110	0	0	0	0	0	0	0
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	1,562	0	0	0	0	0	0	0
Financial assets measured at fair value through other comprehensive income	3,041	3,041	0	0	0	0	0	0	0
Financial assets measured at amortised cost	873,099	6,288	866,811	298,035	20,052	193,942	168,790	120,242	65,750
- Debt securities	117,757	1,543	116,214	0	0	0	1,007	57,699	57,508
- Loans to banks	6,618	6	6,612	1,165	2,487	2,760	200	0	0
- Loans to customers	745,587	1,602	743,985	296,870	17,565	191,182	167,583	62,543	8,242
- Other financial assets	3,137	3,137	0	0	0	0	0	0	0
Long-term equity participation in subsidiaries, associates and joint ventures	4,215	4,215	0	0	0	0	0	0	0
Other assets	2,117	2,117	0	0	0	0	0	0	0
Non-current assets held for sale, and discontinued operations	806	806	0	0	0	0	0	0	0
TOTAL ASSETS	**983,894**	**18,139**	**965,755**	**387,694**	**20,052**	**203,227**	**168,790**	**120,242**	**65,750**
Financial liabilities held for trading	110	110	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	951,249	5,909	945,340	643,553	94,857	37,194	90,498	76,970	2,268
- Deposits by banks and central banks	339	0	339	339	0	0	0	0	0
- Deposits by customers	894,987	1,427	893,560	643,214	94,857	37,194	90,498	27,529	268
- Borrowings from banks and central banks	51,498	57	51,441	0	0	0	0	49,441	2,000
- Other financial liabilities	4,425	4,425	0	0	0	0	0	0	0
Other liabilities	1,411	1,411	0	0	0	0	0	0	0
TOTAL LIABILITIES	**952,770**	**7,430**	**945,340**	**643,553**	**94,857**	**37,194**	**90,498**	**76,970**	**2,268**
Net exposure to interest rate risk	**31,124**	**10,709**	**20,415**	**(255,859)**	**(74,805)**	**166,033**	**78,292**	**43,272**	**63,482**

INTEREST RATE RISK as at 31 December 2018									
Balance sheet item	TOTAL	Non-interest bearing	Total accrued interest	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Total assets	952,027	20,206	931,821	353,575	22,274	221,196	175,739	115,190	43,847
Total liabilities	924,590	5,777	918,813	609,126	89,066	41,019	101,604	75,719	2,279
Net exposure to interest rate risk	**27,437**	**14,429**	**13,008**	**(255,551)**	**(66,792)**	**180,177**	**74,135**	**39,471**	**41,568**

The Group's largest exposure as at 31 December 2019 was in euro, with exposures in other currencies negligible and immaterial. Interest rate risk in 2019 arose mainly out of the imbalance between the maturities of interest-rate-sensitive investments and liabilities, and out of the subsequent determination of interest rates. In 2020, the Group plans to continue matching interest rate gaps, the emphasis being on sight time periods of longer maturity, and to maintain a low exposure to interest rate risk. The Group will also continue to upgrade its methodology for establishing and measuring interest rate risk, while also fulfilling the guidelines for managing interest rate risk originating in the operations of a non-trading book as prescribed by EBA.

5.2.5. Average interest rates as at 31 December

	Group DBS				DBS d. d.			
	2019		2018		2019		2018	
	EUR	USD	EUR	USD	EUR	USD	EUR	USD
Assets		%		%		%		%
Cash, balances at central banks, and sight deposits at banks	(0.32)	0.05	(0.21)	0.04	(0.32)	0.05	(0.21)	0.04
Investment securities - debt	1.99	0.00	2.36	0.00	1.99	0.00	2.36	0.00
Loans to banks	0.79	1.46	1.13	2.32	0.79	1.46	1.13	2.32
Loans to customers	2.04	0.00	2.10	0.00	2.04	0.00	2.10	0.00
Liabilities								
Borrowings from banks and central banks	(0.40)	0.00	(0.40)	0.00	(0.40)	0.00	(0.40)	0.00
Deposits by customers	0.05	0.04	0.08	0.01	0.05	0.04	0.08	0.01
Subordinated liabilities	5.98	0.00	6.16	0.00	5.98	0.00	6.16	0.00

5.3. Liquidity risk

In managing liquidity risk, the Group applies the Risk-taking and Risk Management Policy for Liquidity Risk. Liquidity risk management in the Group is a collaboration of:

- Management Board,
- front office (Financial Markets Section),
- various sections (Financial Management Section, Risk Management Section, Payments Section, Treasury Section),
- various boards and commissions (Liquidity Commission, Asset and Liability Management Board).

The Group's liquidity situation depends on the set of activities for meeting required cash flows as well as on the availability of liquidity assets that at all times ensure immediate fulfilment of matured financial obligations with customers. For this purpose, the Group holds on its portfolio adequate amounts of cash and highly liquid securities that can be liquidated immediately and without loss in carrying value.

The Group maintains a diversified pool of liquidity reserves in the form of cash and other highly liquid assets that are free from encumbrances and available at any time. To this end, the Group continually monitors the amount and composition of its liquidity reserves, preparing a list of all liquid assets, including what proportions can be collected and are encumbered or free from encumbrances.

The Group has in place a set of stress scenarios, which are applied to the current liquidity gaps on a monthly basis, as stipulated by future cash flows ordered according to contractual maturity. All stress test scenario outcomes have designated limits, with the critical limit being defined at one-month's survival. A critical outcome represents the minimum amount of the Group's liquidity reserves and spans the period from the first day of the analysis to the moment the cumulative liquidity gap turns negative and exceeds the Group's total unencumbered liquidity assets.

If a critical outcome is confirmed, the Risk Management Section informs the Treasury Division, which must present liquidity balancing measures and report them to the Liquidity Committee. The Bank Management Board, the Internal Audit Department and the Risk Management Section need to be informed of the recovery plan and its planned implementation.

Further, the Group monitors a wide array of interim liquidity trends and structural liquidity ratios. It has requisite limits designated for all values of the monitored ratios, and regularly examines them.

At least once a year, the Group also stress tests the liquidity contingency plan using the liquidity shock scenario prepared by the Risk Management Section. On the basis of this scenario the Treasury Division prepares the Group's response, and diligently notes the duration and implementation of the simulated post-shock recovery process, including an estimate of potential financial consequences. The harmonised report on stress testing of the liquidity continuity plan is presented to the Liquidity Commission.

Liquidity risk is evaluated comprehensively at the Group level once a year within the internal liquidity adequacy assessment process (ILAAP), which is used to assess liquidity and liquidity risk management.

In 2019, the Group had at its disposal an adequate pool of liquidity reserves, which can be utilised to settle any liabilities as well as off-balance sheet liabilities. In addition, it has at its disposal adequate secondary liquidity (liquid debt securities, domestic loans eligible as collateral with the European Central Bank, etc.) which it could easily and efficiently liquidate and use in case of a liquidity stress event that compromised the daily system of liquidity management, such as e.g. an unexpected large-scale withdrawal of deposits.

To monitor its operations and the related major risks that could affect its existence, the Group has laid down an array of quantitative indicators in its Restoration plan. The following restoration plan liquidity indicators were selected: liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and indicator of wholesale funding costs (SGF). Limit values have been set for each indicator stated, marking the point of commencement for internal processes based on the restoration plan. As well as in the aforementioned Group Restoration plan, the array of indicators with set limits has also been summarised in the Risk-taking and Risk Management Strategy.

As at 31 December 2019 and 31 December 2018, the first class liquidity ratio, which is only for information purposes, was 1.22 and 1.21 respectively. Monitoring the level of liquidity ratios and adopting measures for their improvement fall under the responsibility of the Liquidity Commission, which also verifies assumptions based on which decisions are made regarding the facilitation of the Group's liquidity.

The Group calculates on a regular basis the LCR liquidity coverage ratio, which has been defined as the ratio of the stock of high-quality liquid assets and the expected total net cash outflows over a 30 day period. The indicator has been regulated, and thus not allowed to fall below 100%. As at 31 December 2019, the liquidity coverage ratio was 281%.

All results of monitoring liquidity risk are reported to the Bank's ALM Board on a monthly basis, while the Management Board and Supervisory Board are presented with reports on exposure to liquidity risk each quarter in the context of a risk management analysis.

The following tables summarise the Group's and Bank's exposure to liquidity risk as at 31 December 2019 and 31 December 2018. Financial instruments are recorded at undiscounted amounts according to remaining contractual maturity as at 31 December 2019, which in addition to the asset's carrying value includes expected future cash flows from interest.

Group DBS

LIQUIDITY RISK as at 31 December 2019							
Balance sheet item	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash, balances at central banks, and sight deposits at banks	89,659	0	9,285	0	0	0	98,944
Financial assets held for trading	0	110	0	0	0	0	110
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	0	0	0	0	0	1,562
Financial assets measured at fair value through other comprehensive income	332	0	0	0	2,709	0	3,041
Financial assets measured at amortised cost	22,150	6,182	25,180	98,021	301,179	511,079	963,791
- Debt securities	0	220	1,614	1,380	61,614	57,905	122,733
- Loans to banks	1,165	2,490	2,760	6	226	0	6,647
- Loans to customers	20,657	3,404	19,076	95,627	239,287	453,146	831,197
- Other financial assets	328	68	1,730	1,008	52	28	3,214
Other assets	0	0	0	3,443	0	0	3,443
Non-current assets held for sale, and discontinued operations	824	0	0	0	0	0	824
TOTAL ASSETS	**114,527**	**6,292**	**34,465**	**101,464**	**303,888**	**511,079**	**1,071,715**
Financial liabilities held for trading	0	110	0	0	0	0	110
Financial liabilities measured at amortized cost	645,713	94,911	37,317	90,980	80,390	2,533	951,844
- Deposits by banks and central banks	339	0	0	0	0	0	339
- Deposits by customers	640,954	94,910	37,317	90,980	30,937	296	895,394
- Borrowings from banks and central banks	0	0	0	0	49,440	2,213	51,653
- Other financial liabilities	4,420	1	0	0	13	24	4,458
Other liabilities	1,624	35	6	11	16	3	1,695
TOTAL LIABILITIES	**647,337**	**95,056**	**37,323**	**90,991**	**80,406**	**2,536**	**953,649**
Net exposure to liquidity risk	**(532,810)**	**(88,764)**	**(2,858)**	**10,473**	**223,482**	**508,543**	**118,066**

LIQUIDITY RISK as at 31 December 2018							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	111,027	6,845	75,647	102,078	343,643	511,709	1,150,949
Total liabilities	608,811	89,537	41,195	104,628	79,709	2,695	926,575
Net exposure to liquidity risk	**(497,784)**	**(82,692)**	**34,452**	**(2,550)**	**263,934**	**509,014**	**224,374**

DBS d. d.

LIQUIDITY RISK as at 31 December 2019							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash, balances at central banks, and sight deposits at banks	89,659	0	9,285	0	0	0	98,944
Financial assets held for trading	0	110	0	0	0	0	110
Non-trading financial assets mandatorily measured at fair value through profit or loss	0	0	0	0	1,562	0	1,562
Financial assets measured at fair value through other comprehensive income	332	0	0	0	2,709	0	3,041
Financial assets measured at amortised cost	20,653	6,641	25,985	97,302	299,373	510,841	960,795
- Debt securities	0	220	1,614	1,380	61,614	57,905	122,733
- Loans to banks	1,615	2,490	2,760	6	226	0	7,097
- Loans to customers	18,787	3,863	19,881	94,908	237,481	452,908	827,828
- Other financial assets	251	68	1,730	1,008	52	28	3,137
Long-term equity participation in subsidiaries, associates and joint ventures	4,215	0	0	0	0	0	4,215
Other assets	0	0	0	2,117	0	0	2,117
Non-current assets held for sale, and discontinued operations	806	0	0	0	0	0	806
TOTAL ASSETS	**115,665**	**6,751**	**35,270**	**99,419**	**303,644**	**510,841**	**1,071,590**
Financial liabilities held for trading	0	110	0	0	0	0	110
Financial liabilities measured at amortised cost	645,898	94,911	37,317	90,980	80,390	2,533	952,029
- Deposits by banks and central banks	339	0	0	0	0	0	339
- Deposits by customers	641,172	94,910	37,317	90,980	30,937	296	895,612
- Borrowings from banks and central banks	0	0	0	0	49,440	2,213	51,653
- Other financial liabilities	4,387	1	0	0	13	24	4,425
Other liabilities	1,340	35	6	11	16	3	1,411
TOTAL LIABILITIES	**647,238**	**95,056**	**37,323**	**90,991**	**80,406**	**2,536**	**953,550**
Net exposure to liquidity risk	**(531,573)**	**(88,305)**	**(2,053)**	**8,428**	**223,238**	**508,305**	**118,040**

LIQUIDITY RISK as at 31 December 2018							
Balance sheet items	Sight	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Total assets	114,503	7,857	57,464	100,367	285,283	475,429	1,040,903
Total liabilities	608,811	89,182	41,195	104,628	79,709	2,695	926,220
Net exposure to liquidity risk	**(494,308)**	**(81,325)**	**16,269**	**(4,261)**	**205,574**	**472,734**	**114,683**

The liquidity gap for the demand bracket is indeed deeply in the negative, however, financial liabilities in this group include total sight deposits, and this despite the fact that according to the calculation of the liquidity coverage ratio as at 31 December 2019 (LCR), the Group attains a 93% stability of deposits. In simulating liquidity stress tests, sight deposits and demand deposits in the Sight time period are categorised according to their stability/instability calculated using an in-house model. Additionally, the simulation of liquidity stress tests also takes into account the actual and potential future cash flows based on an analysis of funds drawn from off-balance sheet arrangements, the actual share of repayments from loans, and the share of renewed deposits.

Based on the conducted analyses, the Group estimates that its off-balance-sheet positions do not contribute particularly to its exposure to liquidity risk, which is why they were not included into the above table.

As at 31 December 2019, the Group had EUR 282 million of unencumbered liquidity reserves, i.e. of eligible assets available for use in ECB credit operations, which substantially exceed liquidity shortages in case of stress scenarios.

In the future, the Group will maintain the minimum required amount of liquid assets as estimated using stress scenarios, in the form of top-rated debt securities. In addition, attention will be devoted to the new banking liquidity regulation, especially to monitoring the LCR and NSFR indicators and to meeting their required values.

5.4. Fair value of financial assets and liabilities

5.4.1. Financial assets not measured at fair value

Group DBS

	2019					2018				
		Fair value					Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total
Assets										
Debt securities at amortised cost	117,757	102,435	19,645	988	123,068	107,748	93,546	15,447	1,794	110,787
Loans and advances to banks	6,618	0	0	6,618	6,618	6,698	0	0	6,698	6,698
Loans and advances to customers	747,012	0	0	817,228	817,228	741,836	0	0	782,701	782,701
Other financial assets	3,214	0	0	3,214	3,214	3,473	0	0	3,473	3,473
Total assets	**874,601**	**102,435**	**19,645**	**828,048**	**950,128**	**859,755**	**93,546**	**15,447**	**794,666**	**903,659**
Liabilities										
Deposits by banks	339	0	0	339	339	758	0	0	758	758
Deposits by customers*	894,724	0	0	894,724	894,724	864,250	0	0	864,250	864,250
Borrowings from banks and central banks*	51,498	0	0	51,498	51,498	64,660	0	0	64,660	64,660
Debt securities at amortised cost*	0	0	0	0	0	1,082	0	0	1,082	1,082
Other financial liabilities	4,449	0	0	4,449	4,449	9,747	0	0	9,747	9,747
Total liabilities	**951,010**	**0**	**0**	**951,010**	**951,010**	**940,497**	**0**	**0**	**940,497**	**940,497**

* According to the Methodology for Preparing a Recapitulation of the Statement of Financial Position, in 2019 and 2018, deposits by customers, borrowings from banks and debt securities at amortised cost include deposits, loans and advances, and certificates of deposits with characteristics of subordinated debt.

DBS d. d.

	2019					2018				
		Fair value					Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total
Assets										
Debt securities at amortised cost	117,757	102,435	19,645	988	123,068	107,748	93,546	15,447	1,794	110,787
Loans and advances to banks	6,618	0	0	6,618	6,618	6,698	0	0	6,698	6,698
Loans and advances to customers	745,587	0	0	815,279	815,279	740,654	0	0	780,641	780,641
Other financial assets	3,137	0	0	3,137	3,137	1,349	0	0	1,349	1,349
Total assets	**873,099**	**102,435**	**19,645**	**826,022**	**948,102**	**856,449**	**93,546**	**15,447**	**790,482**	**899,475**
Liabilities										
Deposits by banks	339	0	0	339	339	746	0	0	746	746
Deposits by customers*	894,987	0	0	894,987	894,987	864,650	0	0	864,650	864,650
Borrowings from banks and central banks*	51,498	0	0	51,498	51,498	53,758	0	0	53,758	53,758
Debt securities at amortised cost*	0	0	0	0	0	1,082	0	0	1,082	1,082
Other financial liabilities	4,425	0	0	4,425	4,425	3,920	0	0	3,920	3,920
Total liabilities	**951,249**	**0**	**0**	**951,249**	**951,249**	**924,156**	**0**	**0**	**924,156**	**924,156**

* According to the Methodology for Preparing a Recapitulation of the Statement of Financial Position, in 2019 and 2018, deposits by customers, borrowings from banks and debt securities at amortised cost include deposits, loans and advances, and certificates of deposits with characteristics of subordinated debt.

(a) Loans and advances to banks

The estimated fair value of loans and advances to banks is based on the discounted cash flows method using prevailing market interest rates for debts with similar credit risk and remaining maturity. The fair value of loans to commercial banks is estimated to closely resemble their carrying amount. Fixed-rate credit operations are short-term, meaning the contractual interest rates do not differ considerably from end-of-year market interest rates, while the Group does not have any long-term loans to banks. This is why the fair value of loans to commercial banks is the same as their carrying amount.

(b) Loans and advances to customers

Loans and advances are net of provisions for impairment. The calculated fair value of loans and advances to customers is based on discounting the future cash flows until maturity less the impairment losses, whereby the discount curve has been based on a zero curve as at 31 December 2019.

(c) Debt securities measured at amortised cost

The Group discloses debt securities in its accounting records at amortized cost. Their fair value as at 31 December 2019 was calculated using actual market prices formed in the markets where they are listed.

(d) Deposits and borrowings

The Group's long-term debt has no market value. Fair value is estimated as the discounted amount of future cash flows, taking into account market interest rates that the Group would currently have to pay for new deposits with similar characteristics and the same residual maturity. Since most borrowings are linked to changing market interest rates, the fair value of deposits does not substantially differ from their carrying amounts.

The fair value of demand deposits to the depository institution depends on the expectations of the timing and amounts of withdrawals of the existing balance, the level of prevailing interest rates with similar terms, the costs of servicing these deposits and the depository institution's – thus the Group's – own credit risk. This is especially important for sight deposits.

The estimated fair value of other deposits is based on discounted contractual cash flows using market interest rates that the Group would currently have to pay for new deposits with similar remaining maturity.

For deposits from banks and deposits from other customers, there are no differences between carrying amount and fair value.

5.4.2. Financial and non-financial assets measured at fair value

Valuation methods for financial instruments measured at fair value in the financial statements

	Group DBS				DBS d. d.			
2019	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held for trading (Note 4.2. a)	0	0	110	**110**	0	0	110	**110**
Non-trading financial assets mandatorily measured at fair value through profit or loss (Note 4.3.)	0	0	1,562	**1,562**	0	0	1,562	**1,562**
Financial assets measured at fair value through other comprehensive income (Note 4.4. a)	0	0	3,041	**3,041**	0	0	3,041	**3,041**
Non-financial assets								
Investment property (Note 4.11. a)	0	0	17,240	**17,240**	0	0	17,240	**17,240**
Financial liabilities								
Financial liabilities held for trading (Note 4.16.)	0	0	110	**110**	0	0	110	**110**

	Group DBS				DBS d. d.			
2018	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets held for trading (Note 4.2. a)	0	0	0	**0**	0	0	0	**0**
Non-trading financial assets mandatorily measured at fair value through profit or loss (Note 4.3.)	0	0	2,519	**2,519**	0	0	2,519	**2,519**
Financial assets measured at fair value through other comprehensive income (Note 4.4. a)	0	0	2,993	**2,993**	0	0	2,993	**2,993**
Non-financial assets								
Investment property (Note 4.11. a)	0	0	24,507	**24,507**	0	0	24,507	**24,507**
Financial liabilities								
Financial liabilities held for trading (Note 4.16.)	0	0	0	**0**	0	0	0	**0**

The fair value of investments is measured at three levels:
Level 1: Level 1 includes investments in equity and debt securities listed on a regulated securities market and whose fair value equals their market price, i.e. the last official closing price.

Level 2: Level 2 includes investments in unlisted debt securities and derivatives. Fair value for Level 2 investments is determined through an internal methodology. The value of unlisted debt securities for which fair value cannot be calculated even from external data sources is determined using the discounted value method. Unlisted mutual fund shares are measured at their net asset value, which is published daily. If a transaction is concluded in the market and thereafter a market price forms for a security previously measured according to the Bank's internal methodology, the security is restated at the market price.

Level 3: Level 3 includes unlisted equities (EUR 2.7 million is the investment into the Bank Resolution Fund), bonds, receivables and payables associated with the purchase and sale of foreign exchange, loans and advances, and investment property at fair value. The valuation of equities that do not have quoted prices is based on market observables. Key parameters are compared with those of similar assets and liabilities traded in an active market, with the data coming from Bloomberg or another reliable source. Own interest in a private limited liability company is calculated based on carrying value of equity multiplied by the percentage of own share in equity and the liquidity deduction of 25%. In determining their fair value, the Group applies the same internal methodologies as for Level 2 instruments. The fair value of investment property is determined on the basis of appraisal reports prepared by independent appraisers working in compliance with International Valuation Standards (IVS).

Level 3: Financial assets measured at fair value through other comprehensive income – breakdown

	Group DBS		DBS d. d.	
	2019	2018	2019	2018
Equities				
Bank resolution fund	2,709	2,697	2,709	2,697
Equity investments at cost	332	296	332	296
TOTAL	**3,041**	**2,993**	**3,041**	**2,993**

In 2019, the Bank Resolution Fund total amounted to EUR 2,709 thousand. Pursuant to the Bank Resolution Authority and Fund Act, the Group paid EUR 2,702 thousand into the Bank Resolution Fund in 2016. These assets are managed by the Bank of Slovenia consistent with the Regulation on the Investment Policy and Management Fees of the Bank Resolution Fund. The Bank of Slovenia sends regular monthly reports on the value of the investment, which serves as the basis for its valuation and which is why the Group categorises it as Level 3. The Group additionally categorises as Level 3 capital assets worth EUR 0.3 million for which market value does not exist and which are measured at fair value through other comprehensive income.

There were no transfers between different valuation levels in 2019 and 2018.

5.5. Managing operational risk

In managing operational risk, the Group applies the Risk-taking and Risk Management Policy for Operational Risk. Operational risk management in the Group is a collaboration of:

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

To monitor its operations and the related major risks that could affect its existence, the Group has laid down an array of quantitative indicators in its Restoration plan. For monitoring operational risk, it has selected the indicator of significant operational loss. The indicator is monitored monthly at the Bank's ALM Board. The array of indicators with set limits has been laid down in the Restoration plan and also summarised in the Risk-taking and Risk Management Strategy. Operational risk management at the Group level is also assessed once a year within the internal capital adequacy assessment process (ICAAP process).

Regular reporting on (loss) events associated with operational risk has been in place since 1 April 2007. The Group has proprietary application support for systematic monitoring of loss events arising out of operational risk, which is regularly updated and upgraded. The Resolution on Internal Governance, Governance Body and Internal Capital Adequacy Assessment Process for Banks and Savings Banks allows each employee of the Group to report a (loss) event into the loss events database. 341 (loss) events associated with operational risk were reported in this manner in 2019, which is more than in 2018 when there were 290. The realised net loss in 2019 was lower than in 2018. it only amounted to EUR 49.3 thousand in 2019 (2018: EUR 699.1 thousand). The total reported net loss was immaterial considering the capital requirement for operational risk, which for the Group was EUR 3,884 thousand.

The system of reporting operational risk events includes measures to resolve such events and prevent repeat events. Since the final quarter of 2010, operational risk (loss) events have been additionally monitored according to key risk indicators. Reports on operational risk (loss) events with the financial impact over EUR 500 and operational risk events that might affect the Bank's reputation are promptly presented to the Bank's Management Board, whereas the Internal Audit Department and the Operations Compliance Department are briefed on all the events recorded.

In 2019, the Bank regularly updated its business continuity plan BCP I (alternative provision of services in case of shorter or longer interruptions of regular operations), BCP II (Bank's operations in case of natural disasters, break-ins, burglaries, earthquakes, communication failures and blackouts, min. twice a year) and BCP III (operations of a back-up computer centre and data restoration). The BCP I, BCP II and BCP III are being tested regularly, with test reports being presented to the Operational Risk Board and the Bank Management Board once a year. In 2019, the Bank staged 17 BCP I tests, 81 BCP II tests and 13 BCP III tests.

The Group calculates and reports the capital requirement for operational risk using the simple approach. The capital requirement for operational risk is calculated as the three-year average of the sum of net interest income and net non-interest income, minus extraordinary income, the result then multiplied with the weight of 15%. Using the said simple approach, the 2019 capital requirement for operational risk totalled EUR 3,884 thousand (2018: EUR 3,947 thousand. In 2019, the Group also calculated the capital requirement for information purposes using the standardised approach.

The Bank calculates and reports the capital requirement for operational risk using the simple approach. The capital requirement for operational risk is calculated as the three-year average of the sum of net interest income and net non-interest income, minus extraordinary income, the result then multiplied with the weight of 15%. Using the said simple approach, the Bank's 2019 capital requirement for operational risk totalled EUR 3,813 thousand (2018: EUR 3,870 thousand). In 2019, the Bank also calculated the capital requirement for information purposes using the standardised approach.

5.6. Capital management

In managing capital risk, the Group applies the Risk-taking and Risk Management Policy for Capital Risk. Capital risk management in the Group is a collaboration of:
- Management Board,
- Risk Committee of the Supervisory Board,
- Supervisory Board,
- all commercial sections in the Group,
- Risk Management Section,
- Financial Management Section,
- various boards and committees (Asset and Liability Management Board, Lending Committee, Non-performing Loans Committee, Real Estate Management Board).

With regard to capital risk management and in relation to policies of managing other inherent risks within the Group, the following is adopted and implemented where necessary:
- measures to increase the Group's regulatory capital,
- measures to reduce risk-adjusted items, including measures to improve the quality of credit and market portfolios,
- measures to improve the Group's risk profile, and
- measures to reduce the requirements regarding adequate regulatory capital.

To ensure appropriate capital risk management in accordance with the devised Restoration plan, the Group has laid down an array of quantitative indicators to monitor its operations and the related major risks in key areas that could affect its existence. To monitor capital risk, it has selected two indicators, the common equity tier 1 capital ratio and the total capital ratio, whereas the level of financial leverage is also being monitored although not yet binding. The indicators are monitored monthly at the Bank's ALM Board, and quarterly at the Bank's Management Board, the Risk Committee of the Bank's Supervisory Board, and the Bank's Supervisory Board. The array of indicators with set limits has been laid down in the Restoration plan and also summarised in the Risk-taking and Risk Management Strategy.

Capital risk management at the Group level is also assessed once a year within the internal capital adequacy assessment process (ICAAP process).

Capital management is a continuous process of determining and maintaining the sufficient scope and quality of capital. The Group must always have at its disposal an adequate amount of capital and capital adequacy, which is stipulated by law and depends on the scope and type of services performed by the Group as well as on the risks these services expose the Group to. In determining the amount and categories of capital, the Group abides by statutory provisions related to capital as stipulated since 1 January 2014 by the Regulation (CRR), the Directive (CRD), EBA guidelines and requirements of the Bank of Slovenia, which the latter prescribes to the Group based on the annual SREP review.

The Group's regulatory capital consists of tier I and tier II capital. Under the Regulation, tier I capital consists of common equity tier I and additional tier I capital. The calculation of common equity tier 1 capital is based on: paid capital instruments meeting conditions for inclusion into common equity tier I, share premium, revenue reserves, retained earnings/loss, accumulated other comprehensive income, treasury shares, intangible assets, deferred tax assets associated with future returns and not arising out of temporary differences, as well as a special credit risk adjustment and an adjustment for prudent valuation of financial assets. The following constitute deductions from common equity tier 1 capital: loss, treasury shares, intangible assets, deferred tax assets associated with future returns and not arising out of temporary differences, special credit risk adjustment and adjustment for prudent valuation of financial assets.

The Group did not have additional tier I capital neither according to the balance as at 31 December 2019 nor as at 31 December 2018.

The Group's tier II capital consists of subordinated debt (subordinated liabilities with contractual maturities of 5 years and 1 day, or longer). The amount of subordinated debt included into tier II capital decreases on a straight-line basis over the final five years prior to maturity (i.e. prior to repayment).

Capital may never drop below the amount stipulated by the Regulation (EU) No 575/2013 and must always equal at least the sum of minimum capital requirements as stated in the Regulation.

The table below shows the calculation of the Group’s and Bank’s capital and capital adequacy ratios.

		Group DBS		DBS d. d.	
		2019	2018	2019	2018
COMMON EQUITY TIER I CAPITAL: INSTRUMENTS AND RESERVES					
1	Capital instruments and the related share premium	17,811	17,811	17,811	17,811
	of which: instrument type 1	17,811	17,811	17,811	17,811
2	Retained earnings and revenue reserves	14,378	8,980	14,378	8,980
3	Accumulated other comprehensive income and other reserves	30,593	30,720	30,587	30,711
4	**Common equity tier I capital before regulatory adjustments**	**62,782**	**57,511**	**62,776**	**57,502**
COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS					
5	Additional fair value and credit risk adjustments	(434)	(16)	(427)	(27)
6	Intangible assets (deductions for associated tax liabilities)	(591)	(486)	(529)	(445)
7	Deferred tax assets associated with future profits and not arising out of temporary differences (deductions for associated tax liabilities if conditions from Article 38(3) are met)	(622)	(1,061)	(622)	(1,061)
8	Direct and indirect holdings in own common equity tier I capital instruments	(601)	(601)	(601)	(601)
9	Total regulatory adjustments to common equity tier I capital	(2,248)	(2,165)	(2,179)	(2,135)
10	Common equity tier I capital	60,535	55,346	60,597	55,367
11	**TIER I CAPITAL (common equity tier I + additional tier I)**	**60,535**	**55,346**	**60,597**	**55,367**
TIER II CAPITAL: INSTRUMENTS AND PROVISIONS					
12	Capital instruments and the related share premium account	4,179	5,971	4,179	5,971
13	Tier II capital before regulatory adjustments	4,179	5,971	4,179	5,971
14	**TIER II CAPITAL**	**4,179**	**5,971**	**4,179**	**5,971**
15	**TOTAL CAPITAL (tier I + tier II)**	**64,714**	**61,317**	**64,776**	**61,338**
16	Total risk-weighted assets	410,547	422,275	411,942	423,049
CAPITAL RATIOS AND CAPITAL BUFFERS					
17	**Common equity tier I capital** (in %)	**14.74**	**13.11**	**14.71**	**13.09**
18	**Tier I capital** (in %)	**14.74**	**13.11**	**14.71**	**13.09**
19	**Total capital** (in %)	**15.76**	**14.52**	**15.72**	**14.50**
20	Common equity tier I capital that qualifies as capital buffer (in %)	14.74	13.11	14.71	13.09
21	Institution-specific buffer requirement (in %)	2.500	1.875	2.500	1.875
22	of which: capital conservation buffer requirement (in %)	2.500	1.875	2.500	1.875
23	Direct and indirect equity holdings in financial sector entities where the institution does not have a significant investment (amount below 10% threshold, reduced by permitted short positions)	2,893	2,849	2,893	2,849
24	Direct and indirect equity holdings in common equity tier I capital instruments of financial sector entities where the institution has a significant investment (amount below 10% threshold, reduced by permitted short positions)	0	0	4,215	4,261
25	Deferred tax assets arising out of temporary differences (amount under 10% threshold, reduced by associated tax liabilities if conditions from Article 38(3) are met)	3,949	3,552	3,949	3,552

The Group's regulatory capital as at 31 December 2019 amounted to EUR 64,714 thousand, up EUR 3,397 thousand year-on-year. The quality of capital structure improved at the year-end of 2019 as compared to 2018, the share of tier I capital having increased to 93.5% (from 90.3% in 2018). Total capital requirements at Group level totalled EUR 32,844, thousand at the year-end of 2019, down EUR 938 thousand year-on-year. Capital requirements for credit risk mostly decreased due to a decrease in non-performing exposures, and lower exposure to institutions and to public sector entities. In 2019, as in 2018, exposure decreased the most in terms of defaulting items. At the same time, the Group mainly increased exposure to retail banking and also to corporate customers in accordance with the adopted 2019 Strategy and Plan. The total capital ratio as at 31 December 2019 thus stood at 15.76%, up 1.24 of a percentage point year-on-year, and by 1.76 of a percentage point higher than what had been imposed by the Bank of Slovenia. Tier 1 capital ratio and common equity tier 1 capital ratio as at 31 December 2019 were 14.74%, up 1.63 of a percentage point year-on-year, and by 3.24 of a percentage point higher than what had been imposed by the Bank of Slovenia.

Given the Group's internal capital adequacy assessment established in the ICAAP process, the reported capital adequacy ratio is considered appropriate for managing the risk of potential losses. The Group will continue to operate an adequate amount of capital to sustain their normal operations in the future. As at 1 March 2019, the Bank of Slovenia imposed minimum capital adequacy ratios for the Group on the basis of the SREP process: capital adequacy ratio of 14% (in 2018, the target was 13.38%) and tier I capital adequacy ratio of 11.5% (the same as in 2018). At the year-end of 2019, the Group thus met all the capital adequacy ratios imposed by the Bank of Slovenia.

For 2020, the Bank of Slovenia imposed new minimum capital adequacy ratios for the Group on the basis of the SREP process: the overall capital adequacy ratio of 15% (of which 1% for the capital guideline) and the common equity tier I capital adequacy ratio unchanged at 11.5%.

The Bank's regulatory capital as at 31 December 2019 amounted to EUR 64,776 thousand, up EUR 3,438 thousand year-on-year. The quality of capital structure improved at the year-end of 2019 as compared to 2018, the share of tier I capital in the capital structure having increased to 93.5% (from 90.3% in 2018). Total capital requirements at the level of the Bank totalled EUR 32,955 thousand at the year-end of 2019, down EUR 889 thousand year-on-year.

The Bank’s capital requirements for credit risk mostly decreased due to a decrease in non-performing exposures, and lower exposure to institutions and to public sector entities. In 2019, as in 2018, exposure decreased the most in terms of defaulting items. At the same time, the Bank mainly increased exposure to retail banking and also to corporate customers in accordance with the adopted 2019 Strategy and Plan.

The total capital ratio as at 31 December 2019 thus stood at 15.72%, up 1.22 of a percentage point year-on-year. Tier 1 capital ratio and common equity tier 1 capital ratio as at 31 December 2019 were 14.71%, up 1.62 of a percentage point year-on-year.

As part of the SREP process, the Bank of Slovenia imposed no minimum capital adequacy ratios for 2019 for the Bank, but only imposed these ratios at the Group level.

As at 31 December 2019, the Bank's equity holdings in financial sector entities where it had a significant investment (100% of capital), were DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. The equity investment in DBS Leasing totalled EUR 2,681 thousand as at 31 December 2019; consistent with Article 49(2) of the Regulation it was not deduced from capital, but was included in the calculation of the capital requirement for credit risk. The equity investment in DBS Nepremičnine d. o. o. totalled EUR 1,534 thousand as at 31 December 2019; consistent with the provisions of Article 4(1) and 4(18) of the Regulation, DBS Nepremičnine d. o. o. is considered an ancillary services undertaking and therefore one of the financial sector entities under Article 4(1) and 4(27c) of the same. In the calculation of capital and capital requirements for credit risk, Article 49(2) of the Regulation applies to DBS Nepremičnine d. o. o. the same as to DBS Leasing d. o. o.

Under Regulation (EU) No 575/2013, the Bank also had two 100% investments in a qualified holding outside the financial sector: in DBS Adria d. o. o. with EUR 0 thousand following impairment and in Semenarna Ljubljana, d. o. o. with EUR 806 thousand. These investments were not included in prudential consolidation and were not deduced from capital per Article 89 of the Regulation. They were therefore included in the calculation of the capital requirement for credit risk.

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

Code	Items	Prudential consolidation 2019	Inclusion into calculation of capital for the purpose of CA as at 31 December 2019	Note
1	Cash, balances at central banks, and sight deposits at banks	98,944		
2	Financial assets held for trading	110	0	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562		
4	Financial assets measured at fair value through other comprehensive income	3,041	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
5	Financial assets measured at amortised cost	875,624		
	- Debt securities	117,757		
	- Loans to banks	6,618		
	- Loans to customers	748,035		
	- Other financial assets	3,214		
6	Tangible assets	28,715		
	- Property, plant and equipment	11,475		
	- Investment property	17,240		
7	Intangible assets	591	(591)	deduction item Article 36 b - fully
8	Income tax assets	5,306		
	- Current tax assets	528		
	- Deferred tax assets	4,778		
	Depending on future profitability and not arising out of temporary differences	622	(622)	deduction item Article 36 c - 100% of item's value during transitional period
	Depending on future profitability and arising out of temporary differences	4,156		
9	Other assets	3,443		
10	Non-current assets held for sale, and discontinued operations	824		
11	**TOTAL ASSETS** (from 1 to 10)	**1,018,160**		
12	Financial liabilities held for trading	110	0	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
13	Financial liabilities measured at amortised cost	951,064		
	- Deposits by banks and central banks	339		
	- Deposits by customers	894,769	3,213	included on the basis of Articles 62 and 63
	- Borrowings from banks and central banks	51,498	967	included on the basis of Articles 62 and 63
	- Other financial liabilities	4,458		
14	Provisions	2,215		
15	Income tax liabilities	76		
	- Current tax liabilities	73		
	- Deferred tax liabilities	3		
16	Other liabilities	1,695		
17	**TOTAL LIABILITIES** (from 12 to 16)	**955,160**		
18	Share capital	17,811	17,811	fully included; Article 26
19	Share premium	31,257	31,257	fully included; Article 26
20	Accumulated other comprehensive income	(664)	(664)	100% of unrealised losses included since 2018, Article 467
21	Revenue reserves	14,378	14,378	fully included; Article 26
22	Treasury shares	(601)	(601)	deduction item, Article 36 f - fully
23	Retained earnings (including profit/loss for the year)	819	819	conditions for inclusion not yet met
	Retained earnings	113	113	
	Profit for the period	706	706	
24	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 18 to 23)	**63,000**		
25	TOTAL EQUITY (24)	63,000		
26	**TOTAL EQUITY AND LIABILITIES** (17 + 25)	**1,018,160**		
			65,144	**Regulatory capital (sum of capital from SFP)**
			(431)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			64,714	**Regulatory capital**

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

Code	Items	2019	Inclusion into calculation of capital for the purpose of CA as at 31 December 2019	Explanation from Regulation 575/2013
1	Cash, balances at central banks, and sight deposits at banks	98,944		
2	Financial assets held for trading	110	0	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562		
4	Financial assets measured at fair value through other comprehensive income	3,041	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
5	Financial assets measured at amortised cost	873,099		
	- Debt securities	117,757		
	- Loans to banks	6,618		
	- Loans to customers	745,587		
	- Other financial assets	3,137		
6	Long-term equity participation in subsidiaries, associates and joint ventures	4,215	(4)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
7	Tangible assets	28,209		
	- Property, plant and equipment	10,969		
	- Investment property	17,240		
8	Intangible assets	529	(529)	deduction item Article 36 b - fully
9	Income tax assets	5,306		
	- Current tax assets	528		
	- Deferred tax assets	4,778		
	Depending on future profitability and not arising out of temporary differences	622	(622)	deduction item Article 36 c - 100% of item's value during transitional period
	Depending on future profitability and arising out of temporary differences	3,950		
10	Other assets	2,117		
11	Non-current assets held for sale, and discontinued operations	806		
12	**TOTAL ASSETS** (from 1 to 11)	**1,017,938**		
13	Financial liabilities held for trading	110	0	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
14	Financial liabilities measured at amortised cost	951,249		
	- Deposits by banks and central banks	339		
	- Deposits by customers	894,987	3,213	included on the basis of Articles 62 and 63
	- Borrowings from banks and central banks	51,498	967	included on the basis of Articles 62 and 63
	- Other financial liabilities	4,425		
15	Provisions	2,198		
16	Income tax liabilities	76		
	- Current tax liabilities	73		
	- Deferred tax liabilities	3		
17	Other liabilities	1,411		
18	**TOTAL LIABILITIES** (from 13 to 17)	**955,044**		
19	Share capital	17,811	17,811	fully included; Article 26
20	Share premium	31,257	31,257	fully included; Article 26
21	Accumulated other comprehensive income	(670)	(670)	100% of unrealised losses included since 2018, Article 467
22	Revenue reserves	14,378	14,378	fully included; Article 26
23	Treasury shares	(601)	(601)	conditions for inclusion not yet met
24	Retained earnings (including profit/loss for the year)	719	719	
	Retained earnings	(7)	(7)	
	Profit for the period	726	726	
25	**TOTAL EQUITY** (from 19 to 24)	**62,894**		
26	**TOTAL EQUITY AND LIABILITIES** (18 + 25)	**1,017,938**	**65,196**	**Regulatory capital (sum of capital from SFP)**
			(420)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			64,776	**Regulatory capital**

5.7. Asset encumbrance

(a) Assets

Group DBS

	2019				2018			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**62,172**	**-**	**955,988**	**-**	**62,751**	**-**	**928,345**	**-**
Sight deposits	0	-	89,725	-	0	-	67,324	-
Equities	0	0	3,041	3,041	0	0	2,993	2,993
Debt securities	2,732	2,732	115,025	120,336	3,108	3,108	104,640	107,680
Loans and other financial assets other than demand loans	59,440	-	697,606	-	59,643	-	692,028	-
Other assets	0	-	50,591	-	0	-	61,360	-

DBS d. d.

	2019				2018			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	**62,172**	**-**	**955,766**	**-**	**62,751**	**-**	**928,047**	**-**
Sight deposits	0	-	89,725	-	0	-	67,324	-
Equities	0	0	3,041	3,041	0	0	2,993	2,993
Debt securities	2,732	2,732	115,025	120,336	3,108	3,108	104,640	107,680
Loans and other financial assets other than demand loans	59,440	-	695,081	-	59,643	-	689,588	-
Other assets	0	-	52,894	-	0	-	63,502	-

(b) Collateral received

Group DBS

	2019		2018	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**	**0**	**0**
Equity instruments	0	0	0	0
Debt securities	0	0	0	0
Loans and other financial assets other than demand loans	0	0	0	0
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**	**0**	**0**

DBS d. d.

	2019		2018	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of received collateral or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**0**	**0**	**0**	**0**
Equity instruments	0	0	0	0
Debt securities	0	0	0	0
Loans and other financial assets other than demand loans	0	0	0	0
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**	**0**	**0**

(c) Encumbered assets/collateral received and related liabilities

Group DBS

	2019		2018	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**49,440**	**49,440**	**49,643**	**49,643**

DBS d. d.

	2019		2018	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**49,440**	**49,440**	**49,643**	**49,643**

(d) Information on the importance of encumbrance

The Group's encumbered assets include investments in debt securities measured amortised cost and held to maturity, and non-marketable assets (loans to the state).

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

CONTENTS

1. INTRODUCTION

European banks have to disclose many types of information to enable stakeholders a more precise estimate of the risks the banks are exposed to in their operations. Part 8 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms (Regulation (EU) No 575/2013) provides minimum disclosure requirements for information concerning risk management and capital adequacy, and it is directly binding for all members states. Some disclosure requirements do not apply to the Group – because they refer to different approaches to calculating capital requirements, or because they refer to lines of business not conducted by the Group – and therefore they are not included in this report.

In calculating its regulatory capital requirements, the Group uses the following approaches:
- credit risk – standardised approach,
- market risk – standardised approach,
- operational risk – simple approach.

2. SCOPE OF APPLICATION

Pursuant to the capital requirements legislation, the Group has to disclose information about its risk management and capital management on a consolidated basis. Calculations at Group level are based on prudential consolidation, which includes DBS d. d. and the subsidiaries DBS Leasing d. o. o. and DBS Nepremičnine d. o. o. Subsidiaries are included in prudential consolidation using the full consolidation method.

Consolidation for accounting purposes includes DBS d. d., DBS Leasing d. o. o., DBS Nepremičnine d. o. o., DBS Adria d. o. o. and Semenarna Ljubljana, d. o. o.

The table below contains a list of Group companies, their main features and the method of consolidation. More on individual companies is available in the Business Report of the Annual Report under section IV.

Subsidiaries	Business activity	Group's share of voting rights	Registered office	Consolidation method for financial reporting	Prudential consolidation method
DBS Leasing d. o. o.	Finance	100%	Republic of Slovenia	Full	Full
DBS Nepremičnine d. o. o.	Buying and selling of own real estate	100%	Republic of Slovenia	Full	Full
Semenarna Ljubljana, d. o. o.	Wholesale trade	100%	Republic of Slovenia	Full	-
DBS Adria d. o. o.	Management of real estate	100%	Republic of Croatia	Full	-

Group statement of financial position as at 31 December 2019 – comparison of consolidation for accounting purposes, and prudential consolidation

Code	Items	Accounting consolidation		Prudential consolidation		Difference between accounting and prudential consolidation	
		2019	2018	2019	2018	2019	2018
1	Cash, balances at central banks, and sight deposits at banks	98,951	77,289	98,944	77,008	7	281
2	Financial assets held for trading	110	0	110	0	0	0
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562	2,519	1,562	2,519	0	0
4	Financial assets measured at fair value through other comprehensive income	3,041	2,994	3,041	2,993	0	1
5	Financial assets measured at amortised cost	874,601	859,755	875,624	858,890	(1,023)	865
	- Debt securities	117,757	107,748	117,757	107,748	0	0
	- Loans to banks	6,618	6,698	6,618	6,698	0	0
	- Loans to customers	747,012	741,836	748,035	742,986	(1,023)	(1,150)
	- Other financial assets	3,214	3,473	3,214	1,458	0	2,015
	Long-term equity participation in subsidiaries, associates and joint ventures	-	-	0	4,025	0	(4,025)
6	Tangible assets	28,715	52,789	28,715	34,453	0	18,336
	- Property, plant and equipment	11,475	28,282	11,475	9,946	0	18,336
	- Investment property	17,240	24,507	17,240	24,507	0	0
7	Intangible assets	591	765	591	486	0	279
8	Income tax assets	5,306	5,104	5,306	4,613	0	491
	- Current tax assets	528	0	528	0	0	0
	- Deferred tax assets	4,778	5,104	4,778	4,613	0	491
9	Other assets	3,444	13,296	3,443	6,103	1	7,193
10	Non-current assets held for sale, and discontinued operations	30,820	162	824	6	29,996	156
11	**TOTAL ASSETS** (from 1 to 10)	**1,047,141**	**1,014,673**	**1,018,160**	**991,096**	**28,981**	**23,577**
12	Financial liabilities held for trading	110	0	110	0	0	0
13	Financial liabilities measured at amortised cost	951,010	941,000	951,064	924,164	(54)	16,836
	- Deposits by banks and central banks	339	758	339	746	0	12
	- Deposits by customers	894,724	864,250	894,769	864,451	(45)	(201)
	- Borrowings from banks and central banks	51,498	64,660	51,498	53,758	0	10,902
	- Borrowings from customers	0	503	0	0	0	503
	- Subordinated liabilities	0	1,082	0	1,082	0	0
	- Other financial liabilities	4,449	9,747	4,458	4,127	(9)	5,620
14	Provisions	1,753	2,490	2,215	2,518	(462)	(28)
15	Income tax liabilities	76	1,750	76	511	0	1,239
	- Current tax liabilities	73	566	73	509	0	57
	- Deferred tax liabilities	3	1,184	3	2	0	1,182
16	Other liabilities	1,695	931	1,695	582	0	349
17	Liabilities relating to non-current assets held for sale and discontinued operations	23,777	0	0	0	23,777	0
18	**TOTAL LIABILITIES** (from 12 to 17)	**978,421**	**946,171**	**955,160**	**927,775**	**23,261**	**18,396**
19	Share capital	17,811	17,811	17,811	17,811	0	0
20	Share premium	31,257	31,257	31,257	31,257	0	0
21	Accumulated other comprehensive income	(752)	(573)	(664)	(538)	(88)	(35)
22	Revenue reserves	14,378	11,701	14,378	11,701	0	0
23	Treasury shares	(601)	(612)	(601)	(601)	0	(11)
24	Retained earnings (including profit/loss for the year)	6,627	8,918	819	3,691	5,808	5,227
25	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 19 to 24)	**68,720**	**68,502**	**63,000**	**63,321**	**5,720**	**5,181**
26	TOTAL EQUITY (25)	68,720	68,502	63,000	63,321	5,720	5,181
27	**TOTAL EQUITY AND LIABILITIES** (18 + 26)	**1,047,141**	**1,014,673**	**1,018,160**	**991,096**	**28,981**	**23,577**

Group income statement as at 31 December 2019 – comparison of consolidation for accounting purposes, and prudential consolidation

Code	Items	Accounting consolidation		Prudential consolidation		Difference between accounting and prudential consolidation	
		1-12 2019	1-12 2018	1-12 2019	1-12 2018	1-12 2019	1-12 2018
1	Interest income	18,921	19,123	18,979	19,221	(58)	(98)
2	Interest expense	(1,647)	(1,655)	(1,648)	(1,656)	1	1
3	**Net interest income** (1 + 2)	**17,274**	**17,468**	**17,331**	**17,565**	**(57)**	**(97)**
4	Dividends	29	30	29	30	0	0
5	Fee (commission) income	10,153	9,589	10,176	9,614	(23)	(25)
6	Fee (commission) expense	(1,956)	(1,919)	(1,956)	(1,919)	0	0
7	**Net fee (commission) income** (5 + 6)	**8,197**	**7,670**	**8,220**	**7,695**	**(23)**	**(25)**
8	Realised gains/losses from financial assets and liabilities not measured at fair value through profit or loss	895	5,697	895	5,697	0	0
9	Net gains/losses from financial assets and liabilities held for trading	164	139	164	140	0	(1)
10	Foreign exchange translation	3	(2)	4	(4)	(1)	2
11	Net gains/losses on derecognition of assets	673	209	673	209	0	0
12	Other net operating gains/losses	(1,672)	(1,527)	(1,606)	(1,476)	(66)	(51)
13	Administrative expenses	(16,614)	(16,758)	(16,622)	(16,779)	8	21
14	Depreciation and amortisation	(1,466)	(1,106)	(1,466)	(1,106)	0	0
15	Provisions	(60)	(55)	(38)	(3)	(22)	(52)
16	Impairment charge	(3,121)	(3,646)	(6,697)	(5,286)	3,576	1,640
17	Net gains/losses from non-current assets held for sale and related liabilities	12	19	12	19	0	0
18	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS BEFORE TAX** (3 + 4 + 7 + 8 + 9 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 17)	**4,314**	**8,138**	**899**	**6,701**	**3,415**	**1,437**
19	Tax	(197)	(1,281)	(193)	(1,281)	(4)	0
20	**PROFIT/LOSS FROM CONTINUOUS OPERATIONS AFTER TAX** (18 + 19)	**4,117**	**6,857**	**706**	**5,420**	**3,411**	**1,437**
21	Profit/loss from discontinued operations, net of tax	(2,861)	715	0	0	(2,861)	715
22	**PROFIT/LOSS FOR THE YEAR** (20 + 21)	**1,256**	**7,572**	**706**	**5,420**	**550**	**2,152**

3. CAPITAL

Pursuant to Regulation (EU) No 575/2013 (Article 492.2), the Group has to disclose three different capital adequacy ratios, the minimum values of which [1]are the following:

- common equity tier 1 capital ratio: 4.5%, or 7% with the capital conservation buffer,
- tier 1 capital ratio: 6%, and
- total capital ratio: 8%.

Pursuant to Article 437 (d) (e) of the Regulation, elements of capital are presented in the form stipulated by the EBA Implementing Technical Standard, published as Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2014, along with the realised capital adequacy ratios.

The Group calculates capital and capital adequacy ratios pursuant to the legislation. In 2019, the tier 1 capital ratio, the common equity tier 1 capital ratio and the total capital adequacy ratio improved year-on-year. The Group also met all requirements imposed by the Bank of Slovenia for 2019 in the context of the Supervisory Review and Evaluation Process (SREP).

For 2020, the Bank of Slovenia imposed new minimum capital adequacy ratios for the Group on the basis of the SREP process: the overall capital adequacy ratio of 15% (of which 1% for the P2G capital guideline) and the common equity tier I capital adequacy ratio of 11.5%.

[1] The supervisory authority has the discretionary power to impose, in the context of the SREP process, on a bank or banking group higher target values of capital adequacy ratios.

Elements of regulatory capital and capital adequacy:

		2019	2018	Reference to articles in Regulation (EU) 575/2013
COMMON EQUITY TIER I CAPITAL: INSTRUMENTS AND RESERVES				
1	Capital instruments and the related share premium account	17,811	17,811	26(1), 27, 28, 29, 26(3), EBA list
	of which: instrument type 1	17,811	17,811	26(3), EBA list
2	Retained earnings and revenue reserves	14,378	8,980	26(1)(c)
3	Accumulated other comprehensive income and other reserves	30,593	30,720	26(1)
4	**Common equity tier I capital before regulatory adjustments**	**62,782**	**57,511**	
COMMON EQUITY TIER I CAPITAL: REGULATORY ADJUSTMENTS				
5	Additional fair value and credit risk adjustments	(434)	(16)	26(2), 34, 105, Delegated Regulation 183/2014
6	Intangible assets (deductions for associated tax liabilities)	(591)	(486)	36(1)(b), 37, 472(4)
7	Deferred tax assets associated with future profits and not arising out of temporary differences (deductions for associated tax liabilities if conditions from Article 38(3) are met)	(622)	(1,061)	36(1)(c), 38, 472(5)
8	Direct and indirect holdings in own common equity tier I capital instruments	(601)	(601)	36(1)(f), 42, 472(8)
9	Total regulatory adjustments to common equity tier I capital	(2,248)	(2,165)	
10	Common equity tier I capital	60,535	55,346	
11	**TIER I CAPITAL (common equity tier I + additional tier I)**	**60,535**	**55,346**	
TIER II CAPITAL: INSTRUMENTS AND PROVISIONS				
12	Capital instruments and the related share premium account	4,179	5,971	62, 63
13	Tier II capital before regulatory adjustments	4,179	5,971	62, 63
14	**TIER II CAPITAL**	**4,179**	**5,971**	
15	**TOTAL CAPITAL (tier I + tier II)**	**64,714**	**61,317**	
16	Total risk-weighted assets	410,547	422,275	
CAPITAL RATIOS AND CAPITAL BUFFERS				
17	**Common equity tier I capital** (in %)	**14.74**	**13.11**	
18	**Tier I capital** (in %)	**14.74**	**13.11**	
19	**Total capital** (in %)	**15.76**	**14.52**	
20	Common equity tier I capital that qualifies as capital buffer (in %)	14.74	13.11	
21	Institution-specific buffer requirement	2.500	1.875	440
22	of which: capital conservation buffer requirement	2.500	1.875	440
23	Direct and indirect equity holdings in financial sector entities where the institution does not have a significant investment (amount below 10% threshold, reduced by permitted short positions)	2,893	2,849	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)
24	Deferred tax assets arising out of temporary differences (amount under 10% threshold, reduced by associated tax liabilities if conditions from Article 38(3) are met)	3,949	3,552	36(1)(c), 38, 48, 470, 472(5)

3.1. Reconciliation of regulatory capital to financial statements

Regulatory capital and capital adequacy ratios are calculated using data from the Group's financial statements. Disclosure on the reconciliation of regulatory capital to the balance sheet was prepared according to Articles 437 (a) (f) and 447 (e) of the Regulation (EU) No 575/2013.The Group's capital consists of the majority of capital items from the statement of financial position, and subordinated debt, and it is additionally lowered by deduction items. The table below shows the proportions of individual items that are included in the calculation of regulatory capital.

Reconciliation of statement of financial position items with regulatory capital for the purpose of the Group's capital adequacy as at 31 December 2019.

		Prudential consolidation	Inclusion into calculation of capital for the purpose of CA as at 31 December 2019	Note
Code	Items	2019		
1	Cash, balances at central banks, and sight deposits at banks	98,944		
2	Financial assets held for trading	110	0	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
3	Non-trading financial assets mandatorily measured at fair value through profit or loss	1,562		
4	Financial assets measured at fair value through other comprehensive income	3,041	(3)	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
5	Loans and advances	875,624		
	Held-to-maturity investments	117,757		
	- Loans and advances to banks	6,618		
	- Loans and advances to customers	748,035		
	- Other financial assets	3,214		
6	Tangible assets	28,715		
	- Property, plant and equipment	11,475		
	- Investment property	17,240		
7	Intangible assets	591	(591)	deduction item Article 36 b - fully
8	Income tax assets	5,306		
	- Current tax assets	528		
	- Deferred tax assets	4,778		
	Depending on future profitability and not arising out of temporary differences	622	(622)	deduction item Article 36 c - 100% of item's value during transitional period
	Depending on future profitability and arising out of temporary differences	4,156		
9	Other assets	3,443		
10	Non-current assets held for sale, and discontinued operations	824		
11	**TOTAL ASSETS** (from 1 to 10)	**1,018,160**		
12	Financial liabilities held for trading	110	0	deduction item Article 34 - additional value adjustments, 0.1% of carrying amount
13	Financial liabilities measured at amortised cost	951,064		
	- Deposits by banks and central banks	339		
	- Deposits by customers	894,769	3,213	included on the basis of Articles 62 and 63
	- Borrowings from banks and central banks	51,498	967	included on the basis of Articles 62 and 63
	- Other financial liabilities	4,458		
14	Provisions	2,215		
15	Income tax liabilities	76		
	- Current tax liabilities	73		
	- Deferred tax liabilities	3		
16	Other liabilities	1,695		
17	**TOTAL LIABILITIES** (from 12 to 16)	**955,160**		
18	Share capital	17,811	17,811	fully included; Article 26
19	Share premium	31,257	31,257	fully included; Article 26
20	Accumulated other comprehensive income	(664)	(664)	100% of unrealised losses included since 2018, Article 467
21	Revenue reserves	14,378	14,378	fully included; Article 26
22	Treasury shares	(601)	(601)	deduction item, Article 36 f - fully
23	Retained earnings (including profit/loss for the year)	819	819	conditions for inclusion not yet met
	Retained earnings	113	113	fully included; Article 26
	Profit for the period	706	706	conditions for inclusion not yet met
24	**EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** (from 18 to 23)	**63,000**		
25	TOTAL EQUITY (24)	63,000		
26	**TOTAL EQUITY AND LIABILITIES** (17 + 25)	**1,018,160**		
			65,144	**Regulatory capital (sum of capital from SFP)**
			(431)	deduction item Article 26(2) and Delegated Regulation No 183/2014
			64,714	**Regulatory capital**

3.2. Detailed presentation of regulatory capital items

Pursuant to Article 437 (d) (e) of the Regulation (EU) No 575/2013, this is a detailed presentation of regulatory capital items. The form of presentation is stipulated by the EBA Implementing Technical Standard published as Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2014 (Annex VI – Transitional own funds disclosure template).

Differences between capital for accounting purposes, and capital in the calculation of the Group's capital adequacy as at 31 December 2019

Item in statement of financial position			Item in calculation of regulatory capital
Share capital	17,811	17,811	Paid capital instruments
Share premium	31,257	31,257	Share premium
Accumulated other comprehensive income	(664)	(664)	Accumulated other comprehensive income
Revenue reserves, including retained earning	14,378	14,378	Reserves and retained earnings
Treasury shares	(601)	(601)	Treasury shares
Net profit for the year	706	0	Net profit for the year
		(622)	Deferred tax assets associated with future profits and not arising out of temporary differences
		(591)	Intangible assets
		(431)	Special credit risk adjustments
		(3)	Prudent valuation of financial assets in the banking and trading book
		60,535	**Common equity tier I (CET 1)**
		0	Additinal tier I (AT 1)
		60,535	**Total tier I**
		4,179	Tier II (T2)
Total capital for accounting purposes	**62,887**	**64,714**	**Total regulatory capital**

3.3. Capital instruments included in capital

In 2019, the Bank's regulatory capital consisted of common equity tier I capital and capital instruments that met the criteria for inclusion into tier II capital, for which the Bank obtained the relevant decisions from the Bank of Slovenia. As at 31 December 2019, the Bank had no capital instruments meeting the criteria for inclusion into additional tier I capital. Tables below show the main features of capital instruments included into tier I and tier II capital, pursuant to Article 437 (b) (c) of Regulation (EU) No 575/2013.

The table below shows the main features of the Group's and Bank's ordinary shares.

Main features of tier I capital	
	DEŽELNA BANKA SLOVENIJE d. d., Ljubljana
Unique identifier (CUSIP, ISIN or Bloomberg code)	SZBR; ISIN SI0021110083
Legislation governing instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Common equity tier I
Post-transitional CRR rules	Common equity tier I
Eligible at solo / (sub)consolidated basis	Solo and consolidated
Instrument type (types specified by individual jurisdiction)	Ordinary shares
Amount recognised in regulatory capital (as at the last reporting date)	Paid capital: EUR 17,811 thousand
Nominal amount of instrument	Par value shares; no.: 4,268,248
Issue price	NA
Redemption price	NA
Accounting classification	Shareholders' equity
Original date of issuance	16 April 1990 (Bank's entry in court register)
Perpetual or dated	Perpetual
Original maturity date	No maturity
Issuer call subject to prior supervisory approval	No
"Optional call date, contingent call dates and redemption amount"	NA
Subsequent call dates, if applicable	NA
Coupons / dividends	
Fixed or variable dividend / coupon interest rate	Dividend
Coupon interest rate and any related index	NA
Possibility of unpaid earnings	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
Existence of step up or other incentive to redeem	Yes
Noncumulative or cumulative	NA
Convertible or non-convertible	NA
If convertible, conversion trigger(s)	NA
If convertible, fully or partially	NA
If convertible, conversion rate	NA
If convertible, mandatory or optional conversion	NA
If convertible, specify instrument type convertible into	NA
If convertible, specify issuer of instrument it converts into	NA
Write-down features	No
If write-down, write-down trigger(s)	NA
If write-down, full or partial	NA
If write-down, permanent or temporary	NA
If temporary write-down, description of write-down mechanism	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	First instrument to cover loss subordinated to all other instruments
Non-compliant transitioned features	No
If yes, specify non-compliant features	NA

'Enter "NA" if not applicable.

The main features of the Group's tier II capital are presented in the following five tables. It is included in the calculation of regulatory capital on the date of maturity stipulated in the contracts.

Tier II capital paid in 2013 with date of maturity 3 November 2020

Main features of tier II capital	
Issuer	DEŽELNA BANKA SLOVENIJE d. d., Ljubljana
Unique identifier (CUSIP, ISIN or Bloomberg code)	NA
Legislation governing instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Tier II capital
Post-transitional CRR rules	Tier II capital
Eligible at solo / (sub)consolidated basis	Solo and consolidated
Instrument type (types specified by individual jurisdiction)	EU 575/2013, Article 63
Amount recognised in regulatory capital (as at the last reporting date)	Tier II capital instruments
Nominal amount of instrument	EUR 930 thousand
Issue price	NA
Redemption price	NA
Accounting classification	Subordinated liabilities
Original date of issuance	23 October 2013
Perpetual or dated	Dated
Original maturity date	3 November 2020
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	NA
Subsequent call dates, if applicable	NA
Coupons / dividends	
Fixed or variable dividend / coupon interest rate	6.20%
Coupon interest rate and any related index	NA
Possibility of unpaid earnings	NA
Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	NA
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	NA
If convertible, fully or partially	NA
If convertible, conversion rate	NA
If convertible, mandatory or optional conversion	NA
If convertible, specify instrument type convertible into	NA
If convertible, specify issuer of instrument it converts into	NA
Write-down features	No
If write-down, write-down trigger(s)	NA
If write-down, full or partial	NA
If write-down, permanent or temporary	NA
If temporary write-down, description of write-down mechanism	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors
Non-compliant transitioned features	No
If yes, specify non-compliant features	NA

Enter "NA" if not applicable.

Tier II capital paid in 2013 with date of maturity 10 November 2020

Main features of tier II capital	
Issuer	DEŽELNA BANKA SLOVENIJE d. d., Ljubljana
Unique identifier (CUSIP, ISIN or Bloomberg code)	NA
Legislation governing instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Tier II capital
Post-transitional CRR rules	Tier II capital
Eligible at solo / (sub)consolidated basis	Solo and consolidated
Instrument type (types specified by individual jurisdiction)	EU 575/2013, Article 63
Amount recognised in regulatory capital (as at the last reporting date)	Tier II capital instruments
Nominal amount of instrument	EUR 1,670 thousand
Issue price	NA
Redemption price	NA
Accounting classification	Subordinated liabilities
Original date of issuance	30 October 2013
Perpetual or dated	Dated
Original maturity date	10 November 2020
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	NA
Subsequent call dates, if applicable	NA
Coupons / dividends	
Fixed or variable dividend / coupon interest rate	6.20%
Coupon interest rate and any related index	NA
Possibility of unpaid earnings	NA
Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	NA
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	NA
If convertible, fully or partially	NA
If convertible, conversion rate	NA
If convertible, mandatory or optional conversion	NA
If convertible, specify instrument type convertible into	NA
If convertible, specify issuer of instrument it converts into	NA
Write-down features	No
If write-down, write-down trigger(s)	NA
If write-down, full or partial	NA
If write-down, permanent or temporary	NA
If temporary write-down, description of write-down mechanism	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors
Non-compliant transitioned features	No
If yes, specify non-compliant features	NA

Enter "NA" if not applicable.

Tier II capital paid in 2015 with date of maturity 30 September 2021

Main features of tier II capital	
Issuer	DEŽELNA BANKA SLOVENIJE d. d., Ljubljana
Unique identifier (CUSIP, ISIN or Bloomberg code)	NA
Legislation governing instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Tier II capital
Post-transitional CRR rules	Tier II capital
Eligible at solo / (sub)consolidated basis	Solo and consolidated
Instrument type (types specified by individual jurisdiction)	EU 575/2013, Article 63
Amount recognised in regulatory capital (as at the last reporting date)	Tier II capital instruments
Nominal amount of instrument	EUR 150 thousand
Issue price	NA
Redemption price	NA
Accounting classification	Subordinated liabilities
Original date of issuance	29 September 2015
Perpetual or dated	Dated
Original maturity date	30 September 2021
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	NA
Subsequent call dates, if applicable	NA
Coupons / dividends	
Fixed or variable dividend / coupon interest rate	4.70%
Coupon interest rate and any related index	NA
Possibility of unpaid earnings	NA
Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	NA
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	NA
If convertible, fully or partially	NA
If convertible, conversion rate	NA
If convertible, mandatory or optional conversion	NA
If convertible, specify instrument type convertible into	NA
If convertible, specify issuer of instrument it converts into	NA
Write-down features	No
If write-down, write-down trigger(s)	NA
If write-down, full or partial	NA
If write-down, permanent or temporary	NA
If temporary write-down, description of write-down mechanism	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors
Non-compliant transitioned features	No
If yes, specify non-compliant features	NA

Enter "NA" if not applicable.

Tier II capital paid in 2015 with date of maturity 30 September 2022

Main features of tier II capital	
Issuer	DEŽELNA BANKA SLOVENIJE d. d., Ljubljana
Unique identifier (CUSIP, ISIN or Bloomberg code)	NA
Legislation governing instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Tier II capital
Post-transitional CRR rules	Tier II capital
Eligible at solo / (sub)consolidated basis	Solo and consolidated
Instrument type (types specified by individual jurisdiction)	EU 575/2013, Article 63
Amount recognised in regulatory capital (as at the last reporting date)	Tier II capital instruments
Nominal amount of instrument	EUR 2,000 thousand / EUR 1,300 thousand
Issue price	NA
Redemption price	NA
Accounting classification	Subordinated liabilities
Original date of issuance	29 May 2015
Perpetual or dated	Dated
Original maturity date	30 September 2022
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	NA
Subsequent call dates, if applicable	NA
Coupons / dividends	
Fixed or variable dividend / coupon interest rate	6-month Euribor + 6% / 6.00%
Coupon interest rate and any related index	NA
Possibility of unpaid earnings	NA
Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	NA
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	NA
If convertible, fully or partially	NA
If convertible, conversion rate	NA
If convertible, mandatory or optional conversion	NA
If convertible, specify instrument type convertible into	NA
If convertible, specify issuer of instrument it converts into	NA
Write-down features	No
If write-down, write-down trigger(s)	NA
If write-down, full or partial	NA
If write-down, permanent or temporary	NA
If temporary write-down, description of write-down mechanism	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors
Non-compliant transitioned features	No
If yes, specify non-compliant features	NA

Enter "NA" if not applicable.

Tier II capital paid in 2015 with date of maturity 10 October 2025

Main features of tier II capital	
Issuer	DEŽELNA BANKA SLOVENIJE d. d., Ljubljana
Unique identifier (CUSIP, ISIN or Bloomberg code)	NA
Legislation governing instrument	Slovene
Regulatory treatment	
Transitional CRR rules	Tier II capital
Post-transitional CRR rules	Tier II capital
Eligible at solo / (sub)consolidated basis	Solo and consolidated
Instrument type (types specified by individual jurisdiction)	EU 575/2013, Article 63
Amount recognised in regulatory capital (as at the last reporting date)	Tier II capital instruments
Nominal amount of instrument	EUR 2,000 thousand
Issue price	NA
Redemption price	NA
Accounting classification	Subordinated liabilities
Original date of issuance	9 October 2015
Perpetual or dated	Dated
Original maturity date	10 October 2025
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	NA
Subsequent call dates, if applicable	NA
Coupons / dividends	
Fixed or variable dividend / coupon interest rate	6.00%
Coupon interest rate and any related index	NA
Possibility of unpaid earnings	NA
Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
Existence of step up or other incentive to redeem	No
Noncumulative or cumulative	NA
Convertible or non-convertible	Non-convertible
If convertible, conversion trigger(s)	NA
If convertible, fully or partially	NA
If convertible, conversion rate	NA
If convertible, mandatory or optional conversion	NA
If convertible, specify instrument type convertible into	NA
If convertible, specify issuer of instrument it converts into	NA
Write-down features	No
If write-down, write-down trigger(s)	NA
If write-down, full or partial	NA
If write-down, permanent or temporary	NA
If temporary write-down, description of write-down mechanism	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors
Non-compliant transitioned features	No
If yes, specify non-compliant features	NA

Enter "NA" if not applicable.

4. CAPITAL BUFFERS

Disclosure details for capital buffers are laid down in Article 440 (a) (b) of Regulation (EU) No 575/2013 and in Commission Delegated Regulation (EU) No 1555/2015. EU capital requirements legislation introduced already in 2016 a system of capital buffers, which represent and additional requirement in determining the amount of regulatory capital. In addition to the requirements imposed to mitigate risks of Pillars 1 and 2 of the Basel Accord, banks' top quality capital – common equity tier I – must now also meet the capital buffer requirements.

(a) Capital conservation buffer

in 2019, the Group had to meet the capital conservation buffer in full, i.e. 2.5% (2018: 1.875%), with common equity tier I capital as imposed by the Bank of Slovenia.

(b) Countercyclical capital buffer

The Bank of Slovenia also introduced the countercyclical capital buffer in 2016. Commission Delegated Regulation (EU) No 2015/155 of 28 May 2015 stipulates the form of templates for disclosures in the annual report. The objective of the countercyclical capital buffer is to provide a buffer of capital to banks in periods of excess aggregate credit growth, which they can use in stress periods and periods of unfavourable lending conditions. When the defined buffer rate is higher than 0%, or when the set rate is raised, the new buffer rate enters into use 12 months after the announcement. Buffer rate values can range between 0% and 2.5% of the total amount of risk exposure. The value of the buffer for exposures in Slovenia, effective since 1 January 2017, is 0%. In defining the buffer rate, the Bank of Slovenia followed the methodology of the Basel Committee on Banking Supervision (BCBS) and the European Systemic Risk Board (ESRB), and used an assessment of the credit cycle status in Slovenia. Buffer rates for exposures in other countries of the European Economic Area are listed on the ESRB website, where they are updated quarterly. Buffer rates for credit exposures in countries not listed on the ESRB website and not defined by the Bank of Slovenia or a competent authority in the relevant country, are 0%.

Regulatory disclosures on the geographical distribution of credit exposures subject to the countercyclical buffer, capital requirements and levels of the bank-specific countercyclical buffer, have to be made on a quarterly basis. The information has to be publicly disclosed at least once a year in the annual report, the obligation effective from 1 January 2016.

The calculation of the bank-specific countercyclical buffer requirement is done on a standalone and consolidated basis: the bank geographically distributes credit exposures subject to the calculation of capital requirements for credit risk according to the standardised approach, and determines specific risk or default risk, and migrations of exposure from the trading book and capital requirements for securitisation.

The bank-specific countercyclical capital buffer rate consists of the weighted average countercyclical capital buffer rates used in countries in which the institution has the relevant credit exposure.

The table below shows the geographical distribution of credit exposures used in the computation of the countercyclical buffer for the Group in 2019.

	General credit exposures		Trading book exposure		Securitisation exposure		Capital requirements					
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading boo	Value of trading book exposure for internal models	Exposure value for SA	Exposure value IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securiti-sation exposures	Total	Capital re-quirements weights	Countercyclical capital buffer rate
Breakdown by country	010	020	030	040	050	060	070	080	090	100	110	120
BELGIUM	6	0	0	0	0	0	0	0	0	0	0.00	0.00
CROATIA	176	0	0	0	0	0	14	0	0	14	0.05	0.00
GERMANY	13	0	0	0	0	0	1	0	0	1	0.00	0.00
HUNGARY	7	0	0	0	0	0	1	0	0	1	0.00	0.00
ITALY	406	0	0	0	0	0	32	0	0	32	0.12	0.00
THE NETHERLANDS	17	0	0	0	0	0	1	0	0	1	0.00	0.00
SAINT KITTS AND NEVIS	12	0	0	0	0	0	1	0	0	1	0.00	0.00
SLOVENIA	323,358	0	0	0	0	0	25,869	0	0	25,869	99.73	0.00
UNITED ARAB EMIRATES	228	0	0	0	0	0	18	0	0	18	0.07	0.00
UNIT. KINGD. OF GREAT BRIT. AND NORTH IRELAND	7	0	0	0	0	0	1	0	0	1	0.00	1.00
UNITED STATES OF AMERICA	11	0	0	0	0	0	1	0	0	1	0.00	0.00

The table below shows the geographical distribution of credit exposures used in the computation of the countercyclical buffer for the Group in 2018.

	General credit exposures		Trading book exposure		Securitisation exposure		Capital requirements					
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading boo	Value of trading book exposure for internal models	Exposure value for SA	Exposure value IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Capital requirements weights	Countercyclical capital buffer rate
Breakdown by country	010	020	030	040	050	060	070	080	090	100	110	120
ALGERIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
AUSTRIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
BELGIUM	5	0	0	0	0	0	0	0	0	0	0.00	0.00
BOSNIA AND HERZEGOVINA	2	0	0	0	0	0	0	0	0	0	0.00	0.00
BULGARIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
CROATIA	172	0	0	0	0	0	14	0	0	14	0.05	0.00
DENMARK	0	0	0	0	0	0	0	0	0	0	0.00	0.00
FRANCE	0	0	0	0	0	0	0	0	0	0	0.00	0.00
GERMANY	0	0	0	0	0	0	0	0	0	0	0.00	0.00
HUNGARY	6	0	0	0	0	0	0	0	0	0	0.00	0.00
ITALY	221	0	0	0	0	0	18	0	0	18	0.07	0.00
LATVIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
THE NETHERLANDS	20	0	0	0	0	0	2	0	0	2	0.01	0.00
ROMUNIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
SAINT KITTS AND NEVIS	12	0	0	0	0	0	1	0	0	1	0.00	0.00
SERBIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
SLOVAKIA	0	0	0	0	0	0	0	0	0	0	0.00	0.00
SLOVENIA	321,013	0	0	0	0	0	25,681	0	0	25,681	99.80	0.00
SWITZERLAND	0	0	0	0	0	0	0	0	0	0	0.00	0.00
UNITED ARAB EMIRATES	187	0	0	0	0	0	15	0	0	15	0.06	0.00
UKRAINE	0	0	0	0	0	0	0	0	0	0	0.00	0.00
UNIT. KINGD. OF GREAT BRIT. AND NORTH IRELAND	5	0	0	0	0	0	0	0	0	0	0.00	0.00
UNITED STATES OF AMERICA	7	0	0	0	0	0	1	0	0	1	0.00	0.00
KOSOVO	0	0	0	0	0	0	0	0	0	0	0.00	0.00

The table below shows the amount of the institution-specific countercyclical buffer; the Group-specific countercyclical buffer for 2019 was EUR 0 (the same as in 2018).

	2019	2018
Total risk exposure amount	410,547	422,275
Institution specific countercyclical buffer rate	0	0
Institution specific countercyclical buffer requirement	0	0

5. CAPITAL REQUIREMENTS

5.1. Summary of the Group's approach to assessing the adequacy of its internal capital to support current and future activities

Article 438 (a) of Regulation (EU) No 575/2013 requires that institutions disclose their approach to assessing the adequacy of their internal capital to support current and future activities. In determining its level of adequate internal capital (internal capital adequacy assessment process – ICAAP), the Group abides by the requirements of:
- Regulation (CRR),
- Directive (CRD),
- Guidelines on ICT Risk Assessment under the Supervisory Review and Evaluation process,
- Guidelines on ICAAP and ILAAP information for purposes of supervisory review and evaluation,
- ECB guide to the internal capital adequacy assessment process,
- recommendations of the Bank of Slovenia,
- best banking practices.

For making an internal assessment of its risk-based capital requirements and internal capital adequacy, the Group employs an in-house methodology based on requisite internal instructions for implementing stress tests. These are used to assess the Group's risk-based capital requirements under Pillar 2 of the Basel Capital Accord, and are included in a collective risk assessment. The Group thereby takes into account the capital need for credit risk, which is not included in the calculation of the capital requirement for credit risk under Pillar 1 (portfolio downgrade risk due to changed economic conditions, concentration risk and remaining risk from hedging), as well as its need for interest rate, liquidity, market liquidity risk, equity risk, capital risk, reputation risk and profitability risk, strategic risk, Bank management risk, investment property requirements and additional requirements related to compliance with the Bank of Slovenia regulations. Once a year, the Group prepares stress test calculations according to the instructions of the Bank of Slovenia and EBA, and includes them into its calculation of internal capital requirements. Each calculation of capital adequacy includes an assessment of the impact of the planned volume of activities on the Group's future capital and capital ratios. Also once a year, the Group implements the ICAAP process in accordance with EBA guidelines. The ICAAP process is approved by the Bank's Management Board, reported to the Risk Committee of the Supervisory Board, submitted for approval to the Supervisory Board and then submitted to the Bank of Slovenia.

On a monthly basis, the Group reports the internal capital adequacy assessment and capital adequacy ratios to the Asset Liability Management (ALM) Board and the Management Board, and quarterly also to the Risk Committee of the Supervisory Board and the Supervisory Board.

The Group maintains an adequate amount, type and allocation of requisite capital tailored to suit its risk profile, so it can discharge all its liabilities. Its risk profile is examined once a year and special attention is also devoted to the assessment of internal control areas.

Consistent with EBA guidelines, the Group also undertakes the internal liquidity adequacy assessment process (ILAAP), a comprehensive assessment of how well liquidity risk is controlled based on qualitative and quantitative criteria. The ILAAP process is approved by the Bank's Management Board, reported to the Risk Committee of the Supervisory Board, submitted for approval to the Supervisory Board and then submitted to the Bank of Slovenia.

5.2. Result of the Bank's internal capital assessment process

Article 438 (b) of the Regulation requires that institutions disclose the result of their internal capital adequacy assessment process. As at 1 March 2019, the Bank of Slovenia imposed new minimum capital adequacy ratios for the Group on the basis of the SREP process: the capital adequacy ratio of 14.0% (2018: 13.38%), and the common equity tier I capital adequacy ratio of 11.5%, the same as in 2018.

5.3. Capital requirements

The Group's capital requirements are disclosed pursuant to Articles 438 (c) (e) (f) and 445 of Regulation No 575/2013.In calculating its regulatory capital requirements, the Group uses the following approaches:

- credit risk – standardised approach,
- market risk – standardised approach,
- operational risk – simple approach.

The capital requirement for individual risks totals 8% of the total exposure to a particular type of risk. The table below shows the breakdown of the Group's individual capital requirements at the year-ends of 2019 and 2018.

Table: Group's capital requirements

	2019	2018
Capital requirement for credit risk	**28,959**	**29,835**
Exposure to central government and central banks	831	710
Exposure to regional and local government	81	97
Exposure to public sector	587	940
Exposure to institutions	1,522	2,328
Exposure to corporate customers	1,892	1,706
Exposure to retail customers	10,613	9,829
Exposure secured by mortgages on residential property	9,294	9,347
Outstanding items	1,121	1,995
Regulatory high risk categories	1,678	1,375
Collective investment undertakings	29	27
Equity exposure	333	605
Other exposure	980	874
Capital requirement for the risk of credit valuation adjustment (CVA)	**0**	**0**
Capital requirement for market risk	**0**	**0**
Capital requirement for debts	0	0
Capital requirement for equities	0	0
Capital requirement for commodities	0	0
Capital requirement for foreign exchange risk	**0**	**0**
Capital requirement for operational risk	**3,884**	**3,947**
Total capital requirements	**32,843**	**33,782**
Total risk-weighted assets (RWA)	**410,547**	**422,275**

6. CREDIT RISK ADJUSTMENTS

The Group's credit risk policy derives from the regulatory framework – which consists of requirements and recommendations regarding risk-taking, measuring and controlling credit risk in banks, including hedging with financial instruments and loan commitments given – and the Group's aspirations to manage and control credit risk efficiently and rationally. The policy is tailored to the Group's size, and the nature and complexity of its activities.

6.1. Total exposure to credit risk before collateral held or other credit enhancements

The table below illustrates total exposure amounts, net exposure values, and average exposure amounts for credit risk as at 31 December 2019 and 31 December 2018, whereby not considering any collateral held by the Group or any other enhancements of credit quality. The table is broken down according to different categories of exposure.

The exposure levels for on-balance sheet and off-balance sheet assets are given on the basis of net carrying amounts as reported in the statement of financial position, including off-balance sheet figures, and grouped into categories of exposure pursuant to CRR/CRD IV.

Table: Group's exposure to credit risk: total exposure amounts, net exposure values, and average exposure amounts as at 31 December 2019 and 31 December 2018

		2019			2018		
	Exposure category	Total exposure	Net exposure	Average exposure	Total exposure	Net exposure	Average exposure
01	Central government and central banks	480,870	480,870	476,767	451,135	451,135	439,579
02	Regional and local government	5,039	5,038	5,554	6,091	6,089	5,532
03	Public sector entities	10,524	10,462	13,811	15,760	15,751	15,166
06	Institutions	28,586	28,586	32,309	36,025	36,024	37,527
07	Corporate	33,869	30,088	27,495	32,580	28,555	33,853
08	Retail exposures	214,211	212,055	207,948	199,803	198,353	194,074
09	Secured by mortgages of immovable properties	260,807	259,408	257,125	259,257	256,486	253,782
10	Exposures in default	16,577	12,793	16,143	27,943	20,731	22,701
11	Regulatory high risk categories	21,892	16,039	13,564	17,869	11,826	6,821
14	Investments in investment funds	2,709	2,709	2,713	2,698	2,698	2,023
15	Other exposure	24,163	24,163	23,571	22,784	22,785	22,444
16	Equity exposure	4,165	4,165	6,722	7,567	7,567	7,990
	As at 31 December	1,103,412	1,086,376	1,083,722	1,079,512	1,058,000	1,041,492

The Group controls and will continue to maintain credit risk exposure consistent with the Bank's strategy and in line with capital restrictions.

6.2. Risk concentration of financial assets exposed to credit risk

(a) Geographical distribution of exposure

The table below shows the Group's exposures at the year-ends of 2019 and 2018, given at their carrying value and broken down according to categories of exposure and geographical areas. Counterparties are grouped according to domicile. The table also provides amounts of impaired and past due exposure. As is shown clearly in the table, the Group conducts its business primarily in Slovenia.

Table: Geographical distribution of the Group's exposure broken down into major categories of exposure as at 31 December 2019 and 31 December 2018

		As at 31 December 2019				As at 31 December 2018			
	Exposure category	Slovenia	Other EU member	Other countries	TOTAL	Slovenia	Other EU member	Other countries	TOTAL
01	Central government and central banks	465,656	15,214	0	480,870	435,871	15,264	0	451,135
02	Regional and local government	5,038	0	0	5,038	6,089	0	0	6,089
03	Public sector entities	10,462	0	0	10,462	15,751	0	0	15,751
06	Institutions	25,289	3,297	0	28,586	32,826	3,198	0	36,024
07	Corporate	29,900	182	5	30,087	28,374	180	1	28,555
08	Retail exposures	211,552	484	19	212,055	197,990	202	161	198,353
09	Secured by mortgages of immovable properties	259,178	230	0	259,408	255,987	282	217	256,486
10	Exposures in default	12,552	0	241	12,793	20,719	0	12	20,731
11	Regulatory high risk categories	16,040	0	0	16,040	11,826	0	0	11,826
14	Investments in investment funds	2,709	0	0	2,709	2,698	0	0	2,698
15	Other exposure	24,163	0	0	24,163	22,785	0	0	22,785
16	Equity exposure	4,165	0	0	4,165	7,567	0	0	7,567
	As at 31 December	1,066,704	19,407	265	1,086,376	1,038,483	19,126	391	1,058,000
	Impaired exposure	16,795	5	276	17,076	20,415	7	156	20,578
	Past due exposure as at 31 December,	22,996	1	174	23,171	27,954	4	172	28,130
	of which impaired exposure as at 31 December	7,019	0	159	7,178	9,202	0	158	9,360

At the year-end of 2019, the share of exposure to EU member states stood at 1.8%, the same as at the previous year-end, and the share of exposure to other countries was even smaller, in both periods.

(b) Economy sectors – industries

The two tables below show the Group's exposures at the year-ends of 2019 and 2018, given at their carrying value and broken down according to categories of exposure and sectors of the economy. The tables also provide amounts of impaired and past due exposure.

Table: Group exposure according to economy sectors – industries, broken down into major exposure categories, as at 31 December 2019

	Exposure category	Finances and insuran.	Trade industry	Manufa-cturing	Constru-ction	Expert, scient. & technical activities.	Foreign persons	Real-estate services	Catering	Publ. admin. and def.	Agric. and hunting	Transp. and ware-housing	Cuture, entert. &recreat. activi-ties	Other various busin. activities	Inform. & commu-nication activi-ties	Other activi-ties	House-holds	TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	Central government and central banks	90,760	0	0	0	0	0	0	0	390,110	0	0	0	0	0	0	0	480,870
02	Regional and local government	0	0	0	0	0	0	0	0	5,038	0	0	0	0	0	0	0	5,038
03	Public sector entities	994	448	0	0	327	0	11	3	188	4	0	63	0	20	8,404	0	10,462
06	Institutions	28,586	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28,586
07	Corporate	2,855	13,096	4,987	3,993	752	0	440	60	30	1,389	33	48	38	758	1,608	0	30,087
08	Retail exposures	168	13,759	6,044	3,861	4,050	484	739	1,396	79	1,342	3,440	477	1,470	1,376	2,006	171,364	212,055
09	Secured by mortgages of immovable properties	403	38,062	21,572	6,855	2,666	230	2,854	6,303	659	6,766	1,834	2,150	1,033	1,293	8,058	158,670	259,408
10	Exposures in default	0	4,925	2,020	367	42	1	208	2,893	0	156	21	30	0	0	2	2,128	12,793
11	Regulatory high risk categories	2,604	2	638	2,188	4,101	0	6,481	22	0	0	0	0	3	0	1	0	16,040
14	Investments in investment funds	2,709	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,709
15	Other exposure	0	0	0	0	0	0	0	0	145	0	0	0	0	0	0	24,018	24,163
16	Equity exposure	163	0	0	0	58	0	0	0	3,834	0	0	0	0	21	89	0	4,165
	As at 31 December 2019	129,242	70,292	35,261	17,264	11,996	715	10,733	10,677	400,083	9,657	5,328	2,768	2,544	3,468	20,168	356,180	1,086,376
	Impaired exposure	88	5,467	348	591	3,788	2	2,372	1,488	44	204	120	11	26	136	630	1,761	17,076
	Past due exposures,	8	4,499	2,180	805	7,609	3	823	4,000	0	308	88	2	4	5	24	2,814	23,172
	of which impaired exposures	1	589	83	240	3,432	1	402	1,032	0	127	68	0	1	2	13	1,187	7,178

Table: Group exposure according to economy sectors – industries, broken down into major exposure categories, as at 31 December 2018

	Exposure category	Finances and insuran.	Trade industry	Manufa-cturing	Constru-ction	Expert, scient. & technical activities	Foreign persons	Real-estate services	Cater-ing	Publ. admin. and def.	Agric. and hunting	Transp. and ware-housing	Cuture, entert. &rec-reat. activi-ties	Other various busin. activities	Inform. & commu-nication activi-ties	Other activi-ties	House-holds	TOTAL
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
01	Central government and central banks	67,545	0	0	0	0	0	0	0	383,590	0	0	0	0	0	0	0	451,135
02	Regional and local government	0	0	0	0	0	0	0	0	6,089	0	0	0	0	0	0	0	6,089
03	Public sector entities	0	603	0	0	324	0	25	3	241	4	0	3	0	66	14,482	0	15,751
06	Institutions	36,024	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	36,024
07	Corporate	2,844	11,636	4,067	3,959	623	0	339	140	56	1,665	135	81	71	2,270	669	0	28,555
08	Retail exposures	197	13,470	6,791	3,719	4,207	204	561	1,387	36	1,641	4,103	221	1,277	1,833	1,655	157,051	198,353
09	Secured by mortgages of immovable properties	460	38,968	19,683	4,318	3,133	282	7,691	6,302	726	6,860	2,391	3,441	877	1,253	5,976	154,125	256,486
10	Exposures in default	0	8,137	2,235	116	3,900	0	224	3,638	0	121	2	1	0	0	0	2,357	20,731
11	Regulatory high risk categories	3,539	885	733	1,892	1,741	0	2,721	21	0	266	0	0	0	0	28	0	11,826
14	Investments in investment funds	2,697	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2,698
15	Other exposure	1	0	0	0	0	0	0	0	125	0	0	0	0	0	0	22,659	22,785
16	Equity exposure	131	4,025	0	0	54	0	0	0	3,247	0	0	0	0	21	89	0	7,567
	As at 31 December 2018	113,438	77,724	33,509	14,004	13,982	486	11,561	11,491	394,111	10,557	6,631	3,747	2,225	5,443	22,899	336,192	1,058,000
	Impaired exposure	1,612	5,841	877	2,572	4,848	0	1,899	830	83	343	73	8	16	149	48	1,379	20,578
	Past due exposures,	1,182	7,410	3,008	2,837	3,803	4	838	4,190	0	690	1,014	4	2	19	20	3,109	28,130
	of which impaired exposures	770	1,280	702	2,416	1,888	0	386	528	0	293	35	2	0	12	12	1,036	9,360

In absolute terms, exposure towards the financial and insurance industry increased the most in 2019 as compared to 2018, while the most significant decrease was the exposure towards the trade industry.

7. LEVERAGE

The disclosure requirement regarding leverage is stipulated in Article 451 of Regulation (EU) No 575/2013 and in Commission Implementing Regulation (EU) No 200/2016. It is calculated under the provisions of the Capital Requirements Regulation and Directive (CRR/CRD IV) since 1 January 2014, and since January 2015 it is being calculated under supplements regarding computation as published in Commission Delegated Regulation (EU) No 2015/62; the disclosure requirement for the leverage ratio has been effective since 1 January 2015.

The leverage ratio equals the Group's capital measure divided by its total exposure measure, and it is given in per cents. The capital measure is tier 1 capital, and the total exposure measure is the sum of the exposure values of all on-balance sheet and off-balance sheet items not deducted when determining the capital measure. For the purposes of controlling and managing risks associated with financial leverage, the Group had adopted a Leverage Policy back in 2015. The Policy imposes a leverage ratio of above 3% at all times.

At the year-end of 2019, the leverage ratio for the Group was 5.78%, thus exceeding the 3% threshold as imposed by the Regulation EU 2019/876 (CRR2).

Calculation of the leverage ratio

	2019	2018
Leverage ratio - using the definition of tier I capital without transitional provisions (in %)	5.78	5.68
Leverage ratio - using the definition of tier I capital with transitional provisions (in %)	5.78	5.68

The leverage ratio is disclosed pursuant to Commission Implementing Regulation (EU) No 2016/200 of 15 February 2016, and is displayed in tables LRSum, LRCom, LRSpl and LRQua.

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

LRSum	Summary reconciliation of accounting assets and leverage ratio exposures	2019	2018
1	Total assets as per published financial statements	1,019,037	991,096
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	28,227	30,775
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013 "CRR")	0	0
4	Adjustments for derivatives	0	0
5	Adjustments for securities financing transactions "SFTs"	0	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	28,227	30,775
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0	0
7	Other adjustments	28,227	0
8	Total leverage ratio exposure	1,047,264	1,021,871

Template LRCom: Leverage ratio common disclosure

LRCom: Leverage ratio common disclosure	2019	2018
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,023,344	994,024
(Asset amounts deducted in determining tier 1 capital)	(1,817)	(2,155)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	1,021,527	991,868
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,194	4,052
Counterparty credit risk exposure for SFT assets	302	287
Total securities financing transaction exposures	2,497	4,339
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	64,968	63,838
(Adjustments for conversion to credit equivalent amounts)	(41,728)	(38,175)
Other off-balance sheet exposures	23,240	25,663
Capital and total exposures		
Tier 1 capital	60,535	58,076
Total leverage ratio exposures	1,047,264	1,021,871
Leverage ratio		
Leverage ratio (in %)	5.78	5.68

Template LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs, and exempt exposures)

LRSpl:	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	2019	2018
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,024,222	994,024
EU-2	Trading book exposures	110	0
EU-3	Banking book exposures, of which:	1,024,112	994,024
EU-5	Exposures treated as sovereigns	490,455	459,500
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4,826	6,567
EU-7	Institutions	24,891	35,864
EU-8	Secured by mortgages of immovable properties	248,333	250,106
EU-9	Retail exposures	172,073	163,292
EU-10	Corporate	22,848	18,228
EU-11	Exposures in default	11,662	21,031
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	49,024	39,435

Explanation of LRQua

Processes used to manage the risk of excessive leverage

In 2019, the Group calculated its leverage ratio on a monthly basis, together with the calculation of capital, capital requirements, needs, and capital adequacy ratios. An improvement in tier I capital adequacy ratio will improve the leverage ratio. Movements in the leverage ratio are monitored monthly by the ALM Board, and quarterly by the Management Board, the Risk Committee of the Supervisory Board and Supervisory Board. The leverage ratio is also assessed once a year as part of the internal capital adequacy assessment process (ICAAP), and the leverage ratio level is monitored as one of the indicators within the Restoration plan. The minimum leverage ratio level for 2019 was set at 3%, which is also the threshold. If the Group's leverage ratio does not meet target levels, remedial measures are adopted first by the ALM Board and then also by the Management Board and Supervisory Board. The leverage ratio can improve by increasing tier I capital or by decreasing risk-weighted assets.

Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

In 2019, the monthly value of the leverage ratio ranged between 5.25% and 5.86% (with the average value of 5.63%), thus exceeding the value imposed in the Regulation EU 2019/876 (CRR2).

8. USE OF ECAI (Article 444 of CRR)

The Group uses the ECAI credit ratings pursuant to Article 114 (2) of CRR with regard to the ECAI long-term credit rating mapped to credit quality steps, and only for receivables in the category of exposure towards the central government. When defining risk weights in the calculation of the capital requirement for the category of exposure towards the central government and to central banks, the Group uses the credit ratings of Standard & Poor's. Pursuant to Article 114 (2) of CRR, the Bank should take into account a higher risk weight, however, due to complying with Article 114 (4) of CRR, it applied the risk weight of 0% to the exposures towards the central government and to central banks that have been denominated and financed in its domestic currency.

9. DISCLOSURE REQUIREMENTS, AS PROVIDED BY SECTION 8 OF REGULATION (EU) NO 575/2013

Article	Requirement	Published in AR section	Section
435.	**Risk management policies and objectives**		
1	**Risk management objectives and policies**		
	a. strategies and processes to manage risks	BR	VIII.1.
	b. structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements	BR	VIII.1.
	c. scope and nature of risk reporting and measurement systems	BR	VIII.1.
	d. policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	BR	VIII.1.
	e. declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	BR	VIII.2.
	f. concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy; the statement includes key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.	BR	VIII.3.
2	**Information regarding governance arrangements**		
	a. number of directorships held by members of the management body	BR	VI.4.
	b. recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	BR	IX.4.
	c. policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	BR	IX.4.
	d. whether or not the institution has set up a separate risk committee, and the number of times the risk committee has met	BR	VIII.4.
	e. description of the information flow on risk to the management body	BR	VIII.4.
3	**Non-financial statement**	BR	VII.
436.	**Scope of application**		
	a. name of the institution to which the requirements of the Regulation apply	RCM	2.
	b. outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are fully consolidated; proportionally consolidated; deducted from own funds; neither consolidated nor deducted	FS RCM	5. 2.
	c. any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	/	/
	d. aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	/	/
	e. if applicable, the circumstances of making use of the provisions laid down in Articles 7 (Derogation to the application of prudential requirements on an individual basis) and 9 (Individual consolidation method)	/	/
437.	**Capital**		
	a. full reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution	FS RCM	5.6. 3.2.
	b. description of the main features of the common equity tier 1 and additional tier 1 instruments and tier 2 instruments issued by the institution	RCM	3.4.
	c. full terms and conditions of all common equity tier 1, additional tier 1 and tier 2 instruments	RCM	3.4.
	d. separate disclosure of the nature and amounts of the following: 1. each prudential filter applied pursuant to Articles 32 to 35; 2. each deduction made pursuant to Articles 36, 56 and 66; 3. items not deducted in accordance with Articles 47, 48, 56, 66 and 79	FS RCM	5.6. 3.2.
	e. description of all restrictions applied to the calculation of own funds in accordance with the Regulation and the instruments, prudential filters and deductions to which those restrictions apply	FS RCM	5.6. 3.2.
	f. where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in the Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated	/	/

438	**Capital requirements**		
	a. summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	RCM	5.1.
	b. upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU	RCM	5.2.
	c. standardised approach for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8% of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112 (= standardised approach classes)	RCM	5.3.
	d. IRB approach	/	/
	e. capital requirements calculated in accordance with items (b) and (c) of Article 92(3), (1) position risk; (2) large exposures exceeding the limits specified in Articles 395 to 401, to the extent an institution is permitted to exceed those limits; (3) foreign-exchange risk; (4) settlement risk; (5) commodities risk	RCM	5.3.
	f. capital requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately (operational risk)	FS	5.5.
439	**Exposure to counterparty credit risk**	/	/
	Capital buffers		
440	Countercyclical buffers: a. geographical distribution of the institution's credit exposures relevant for the calculation of its countercyclical capital buffer	RCM	4.
	b. amount of institution specific countercyclical capital buffer	RCM	4.
441	G-SII buffers: 1. institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article	/	/
442	**Credit risk adjustments**		
	a. definitions for accounting purposes of 'past due' and 'impaired'	FS	5.1.3.
	b. description of the approaches and methods adopted for determining specific and general credit risk adjustments	FS	5.1.3.
	c. total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes	RCM	6.1.
	d. geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate	RCM	6.2.
	e. distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate	RCM	6.2.
	f. residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate	FS	5.1.4.
	g. by significant industry or counterparty type, the amount of: – impaired exposures and past due exposures, provided separately; – specific and general credit risk adjustments; – charges for specific and general credit risk adjustments during the reporting period	RCM	6.2.
	h. amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area	RCM	6.2.
	i. reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately; the information comprises: – description of the type of specific and general credit risk adjustments; – opening balances; – amounts taken against the credit risk adjustments during the reporting period; – amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments; – closing balances	RCM	6.2.
	Specific credit risk adjustments and recoveries recorded directly to the income statement are disclosed separately.	/	/
443	**Unencumbered assets**	FS	5.7.
444	**Use of ECAI**	RCM	8.
445	**Exposure to market risk**		
	separately for each risk; in addition, the own funds requirement for specific interest rate risk of securitisation positions is also disclosed separately	FS	5.2.

446	**Operational risk**		
	institutions disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used	FS	5.5.
447	**Exposures in equities not included in the trading book**		
	a. differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices	FS	4.3(a)(b), 2.3(b), 5.4.2.
	b. balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value	FS	2.3(b), 5.4.2.
	c. types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures	FS	4.3(a)
	d. cumulative realised gains or losses arising from sales and liquidations in the period	FS	4.3(b)
	e. total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds	RCM	3.2.
448	**Exposure to interest rate risk on positions not included in the trading book**		
	a. nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk	FS	5.2.4.
	b. variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency	FS	5.2.4.
449	**Securitisation**	/	/
450	**Remuneration policy**		
	for the categories of staff whose professional activities have a material impact on its risk profile: a. information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders	BR	IX.4.4.
	b. information on the link between pay and performance	BR	IX.4.4.
	c. the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	BR	IX.4.4.
	d. ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU	BR	IX.4.4.
	e. information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	BR	IX.4.4.
	f. the main parameters and rationale for any variable component scheme and any other non-cash benefits	BR	IX.4.4.
	g. aggregate quantitative information on remuneration, broken down by business area	BR	IX.4.4.
	h. aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries; (ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types; (iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions; (iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments; (v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments; (vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person	BR	IX.4.4.
	i. number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500,000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	BR	/
	j. upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management	FS	4.32(d)(e)
451	**Leverage**		

	a. leverage ratio and how the institution applies Article 499(2) and (3)	RCM	7.
	b. breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	RCM	7.
	c. where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11)	RCM	7.
	d. description of the processes used to manage the risk of excessive leverage	RCM	7.
	e. description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	RCM	7.
452	**Use of the IRB approach to credit risk**	/	/
453	**Use of credit risk mitigation techniques**		
	a. policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting	/	/
	b. policies and processes for collateral valuation and management	FS	5.1.2.
	c. description of the main types of collateral taken by the institution	FS	5.1.2.
	d. main types of guarantor and credit derivative counterparty and their creditworthiness	/	/
	e. information about market or credit risk concentrations within the credit mitigation taken	FS	5.1.2. 5.2.
	f. for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral	/	/
	g. for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives; for the equity exposure class, this requirement applies to each of the approaches provided in Article 155	/	/
454	**Use of the advanced measurement approaches to operational risk**	/	/
455	**Use of internal market risk models**	/	/
492	**Transitional provisions for disclosure of own funds**		
4	During the period from 1 January 2014 to 31 December 2021, institutions shall disclose the amount of instruments that qualify as Common Equity Tier 1 instruments, Additional Tier 1 instruments and Tier 2 instruments by virtue of applying Article 484 (capital instruments not meeting the criteria for inclusion into own funds under the new legislation; their removal may be gradual).	RCM	3.4.

Sections of the annual report (AR)
BR = Business Report
FS = Financial Statements of the Deželna banka Slovenije Group
RCM = Risk and Capital Management

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