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A word from the Governor



In 2022 Banka Slovenije faced a situation dominated by the geopolitical tensions in connection with the Russian military aggression against Ukraine, and the resulting shocks on energy markets and other commodity markets. The issues relating to the pandemic faded into the background. The economy nevertheless proved itself more resilient to the new challenges than initially expected. Alongside the sharp rise in energy prices, the continuing economic growth, albeit at a slower pace, also drove a rise in inflation last year, which remains the main economic challenge.

As inflation strengthened further, last year we opted for a switch to restrictive monetary policy at the ECB. Inflation began to rise in the second half of 2021 under the influence of the rapid economic recovery and the continuing disruption to supply chains, and was driven higher by the shocks to energy markets and other commodity markets that followed Russia's attack on Ukraine and the resulting sanctions. The normalisation of supply chain functioning moved the centre of gravity of inflationary factors from the supply side to the demand side. The Eurosystem began a cycle of interest rate hikes in July of last year amid rising inflation in the region and further afield. Further rises from the previous exceptionally low levels were made at all the subsequent monetary policy meetings, raising the ECB's key interest rates by a total of 3.75 percentage points by May of this year. The first half of last year had earlier seen the discontinuation of additional asset purchases, while second half of the year brought changes to the terms on longer-term loans to banks (TLTRO-III), which encouraged faster repayment. These measures were a key factor in tightening the broader financing conditions, which is necessary to gradually reduce the demand-side pressure on prices. Given the broad-based nature of inflation, it remains a key awareness that monetary policy measures alone will not suffice, and that coordinated action by all economic policy is required.

The rise in interest rates had a positive impact on last year's bank profitability in Slovenia, which helped to maintain the solid capitalisation levels. There was a significant increase in the stock of loans to households and non-financial corporations in 2022. Together with the rise in the net interest margin, which was still in decline even in the spring of last year, this had a favourable impact on Slovenian banks' profitability, which again significantly outperformed the euro area average. The pre-tax ROE of almost 11% was also a reflection of the modest creation of impairments and provisions at Slovenian banks; had this been at its long-term average, ROE would have been just half of that. Having seen it decline over the course of last year as a result of the revaluation of securities whose prices were driven down significantly by the global rise in interest rates, the banks ended the year with regulatory capital slightly higher than at the end of 2021 thanks to retained earnings and issuance of capital instruments. The capital position of the banking system thus remains solid, although there are considerable variations in the capital surpluses at individual banks, and in their capacity to absorb the adverse consequences of any economic shocks and other systemic risks. Careful liquidity management and monitoring of the economic situation and of the competition in the sector remain vital to bank stability, as evidenced by the recent upheaval in the US banking market.

Last year the majority of the risks to the banking system remained unchanged from 2021, although the interest rate risk assessment was raised to elevated, and this was taken into account in guiding our supervisory activities at the banks.

The assessments of credit risk and the risk inherent in the real estate market were held at elevated last year. The interest rate risk assessment was raised to elevated, as the large increase in fixed-rate loans and the strengthened lending activity increased the banks' interest sensitivity, while the income risk assessment was lowered to moderate amid the rapid growth in interest income in the second half of the year. Funding risk in the banking system remained moderate, although the relatively large maturity gap widened further in 2022 as a result of increases in long-term loans and sight deposits. These assessments have been left unchanged this year. Last year we faced uncertainty in late February and early March in connection with the sanctions imposed on Russia by western countries. After their announcement, banks in the region under Russian ownership faced a loss of confidence and a run on deposits. This led to a decision to wind up the Sberbank Europe Group, although a different solution was adopted for the subsidiary bank in Slovenia and its customers: the bank was sold, which helped to maintain the stability of the financial system. The banking system's resilience to systemic risks remained high from the perspective of liquidity, and medium from the perspective of solvency and profitability.

Given the rise in risks in the real estate market and in broader cyclical risks to the banking system, last year we increased the capital buffer requirements. After several years of rising real estate prices, which surged in the second half of 2021 and the early part of last year, we introduced two sectoral systemic risk buffers for banks in the spring of last year. Their introduction was augmented by an adjustment to the macroprudential measure restricting household lending. One effect of this was to increase the level of allowable exemptions from the cap on the loan instalment amount versus the borrower's income, which was thus extended to borrowers on the lowest incomes. This measure's impact on these borrowers had grown significantly since its introduction as a result of the sharp rise in the minimum wage. Growth in residential real estate prices began to slow in the second half of the year, thanks in part to a slowdown in housing lending from the surging heights seen before the first rises in interest rates. At a time of rising cyclical risks to the banking system, like the majority of European countries we took the decision at the end of last year to impose a positive countercyclical capital buffer rate, which was set at 0.5%. This will force banks to maintain higher capital adequacy, which will additionally increase the resilience of the Slovenian banking system.

In addition to the aforementioned activities, we undertook a range of other work at Banka Slovenije that forms part of our mandate, and many tasks of critical importance to the functioning of the economy and the financial system. In my judgment we were successful in fulfilling our legal mandate in 2022. This applies equally to the macroeconomic stabilisation that we helped to bring about as part of the Eurosystem through decisive monetary policy action to address inflation that was higher and more persistent than expected, and to the maintenance and strengthening of financial stability, where in addition to introducing and raising capital buffer requirements for banks last year we also successfully carried out the first resolution of a bank since the creation of the single resolution mechanism in the banking union. The resolution of Sberbank banka, which ended in the sale of the bank, ensured that the bank was able to continue operating without disruption, and maintained financial stability in Slovenia, without burdening other banks or the taxpayer. In the area of microprudential supervision we concentrated on early warning of risks, tailoring our supervision to the economic and financial circumstances, and also focused on risk management and internal governance at banks. We will also work consistently to fulfil our mandate in the future.

ABOUT BANKA SLOVENIJE

Banka Slovenije is the central bank of Slovenia. It was established by the Bank of Slovenia Act adopted on 25 June 1991. It has legal personality under public law, and freely and independently disposes of its own assets. Banka Slovenije is under exclusive state ownership, with autonomy in finances and governance. Banka Slovenije's financial statements are audited by an independent international auditor. Banka Slovenije's primary objective is price stability.



BANKA SLOVENIJE'S KEY AREAS OF WORK AND TASKS

MONETARY POLICY

Banka Slovenije pursues the Eurosystem's fundamental objective of maintaining price stability.

9.3
%

average headline inflation
in 2022, as measured
by the HICP.

€8.5
billion

excess liquidity of the
Slovenian banking system
at the end of 2022.

€771
million

stock of the TLTRO III
in Slovenia at the end
of 2022.

3.2
tonnes

gold held in Banka
Slovenije's intl. reserves.
Gold and gold receivables
amounted to €174 million
at the end of 2022.

MICROPRUDENTIAL SUPERVISION

We supervise banks and savings banks for the purpose of promptly identifying risks.

158
findings

of irregularities and
deficiencies in the
supervision of significant
banks in 2022.

141
findings

of irregularities and
deficiencies in the
supervision of less
significant banks
in 2022.

68
procedures

of licensing completed
with an authorisation
being granted.

26
procedures

procedures for licensing
members of management
bodies completed with
an authorisation being
granted.

MACROPRUDENTIAL POLICY

We identify, monitor and assess systemic risks to financial stability, and put in place the requisite measures to prevent and mitigate specific risks.

€50.6
billion

at the end of 2021 was
the balance sheet total of
the banking system which
generated a pre-tax profit
of €562 million in 2021.

1.1
%

NPE ratio in the banking
system at the end of 2022
(down from 1.2% at the
end of 2021).

10.0
%

year-on-year growth in
loans to the non-banking
sector.

18.5
%

total capital ratio of the
banking system on a
consolidated basis.

BANK RESOLUTION AND DEPOSIT GUARANTEE SCHEME

We provide for the orderly resolution of banks in difficulties, minimising the impact on the economy and on the public finances.

€182.4
million

assets under
management of the bank
resolution fund at the end
of 2022.

€148.2
million

assets under
management of the
deposit guarantee fund
at the end of 2022

€32.2
million

the banks' total
contributions to the
deposit guarantee
fund in 2022.

€11.0
million

total contributions by
Slovenian banks in 2022
to the Single Resolution
Fund managed by the
Single Resolution Board.

PAYMENTS AND INFRASTRUCTURE

Banka Slovenije is responsible for ensuring that payment systems and securities settlement systems function undisturbed.

1,175,094

transactions with a total value of
€440.39 billion were settled in
the TARGET2-Slovenija payment
system in 2022.

€11.54 billion

of transactions in securities
settled by Slovenian market
participants in T2S cash
accounts in 2022.

24/7/365

businesses and individuals
across the EU are able
to exchange euro payments
via TIPS.

269,392

transactions with a total
value of €170.29 million
settled in TIPS in 2022.

BANKNOTES AND COINS

Banka Slovenije ensures that the Slovenian market is supplied with authentic and fit currency.

€14.7 billion

net total of cash issued into
circulation by 31 December
2022 by Banka Slovenije since
the introduction of the euro.

€31.6 million

total value of tolar
banknotes and payment
notes still in circulation
at the end of 2022.

952

counterfeit euro banknotes
and 6,320 counterfeit
euro coins withdrawn from
circulation in 2022.

131.6 million

banknotes and coins
counted by our processing
unit in 2022.

1.1 International situation

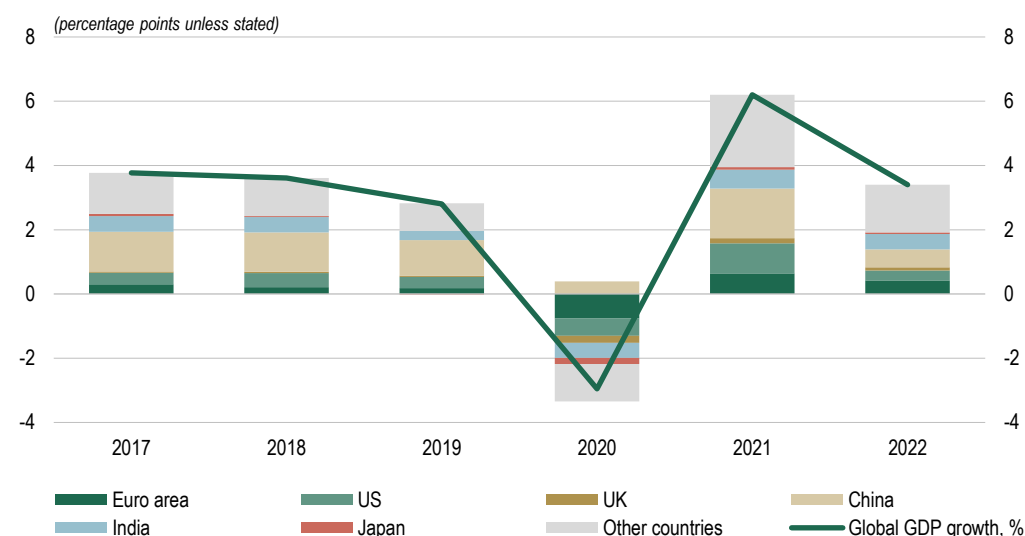
After rebounding strongly in 2021, global economic growth slowed last year under the influence of the war in Ukraine, the zero-covid policy in China, and high inflation. The growth momentum in the international environment began to weaken in the second half of 2021 as a result of a resurgence in the pandemic, disruptions to supply chains, and sharp rises in energy prices and other input raw materials. The global economy nevertheless saw a record rebound of 6.3%, followed by a significant slowdown in growth last year, reaching 3.4% according to IMF estimates and standing 0.3 percentage points lower than the average rate observed in the period 2010–2020 (see Figure 1). The easing of the pandemic in the first half of last year allowed governments to gradually lift containment measures, which bolstered demand for services. The outbreak of the war in Ukraine on 24 February brought a sharp increase in uncertainty in geopolitical environment, while the imposition of sanctions against Russia and the shocks on (European) energy markets resulted in further sharp rises in the prices of energy and other non-energy commodities. Manufacturing growth was further curtailed in the first half of the year by the disruption to supply chains, before weaker demand and high production costs saw firms limit production in the second half of the year.

Economic growth in all major economies slowed last year. As China stuck to its zero-covid policy, GDP growth in the world's second-largest economy slowed to 3.0%, the lowest rate since 1976 with the exception of the pandemic year of 2020. India recorded one of the highest rates, at 6.8%, while GDP in the US grew by 2.1%. Economic activity in the UK remained down on its pre-pandemic level, having strengthened by 4.0% last year. Euro area GDP increased by 3.5%, exceeding the average rate in the previous period of stable growth (2014 to 2019) by 1.6 percentage points. The economic slowdown was smaller than expected in a number of economies, a reflection of the resilience to the deteriorating situation exhibited by private consumption and investment amid a robust labour market and economic policy support.

Global inflation averaged 8.7% last year according to the IMF estimate. While prices were already rising sharply in the second half of 2021 as a result of the strong post-pandemic recovery and the accompanying disruption to supply chains, the rise in inflation and medium-term inflation expectations gained further pace after the outbreak of the war in Ukraine. After having peaked over the summer months, global inflation as measured by the CPI began to gradually decline, thanks to falling energy prices and normalisation of supply chains. The reversal in the monetary policy stance was also a significant factor. At the same time there remained wide differences in the inflation rates across countries: annual average inflation was relatively low in certain Asian countries, including China and Japan, but very high in Turkey and Argentina. The energy-related inflationary pressures slightly eased late in the year as the situation on the energy markets stabilised, but the pressures relating to core inflation remained strong, as higher input costs continued to pass through into final services prices in particular amid the robust demand.

In the uncertain economic situation global GDP increased by 3.4% in 2022, slightly less than the annual average over the decade before the outbreak of the pandemic.

Figure 1: **Contributions to global GDP growth from various economies**



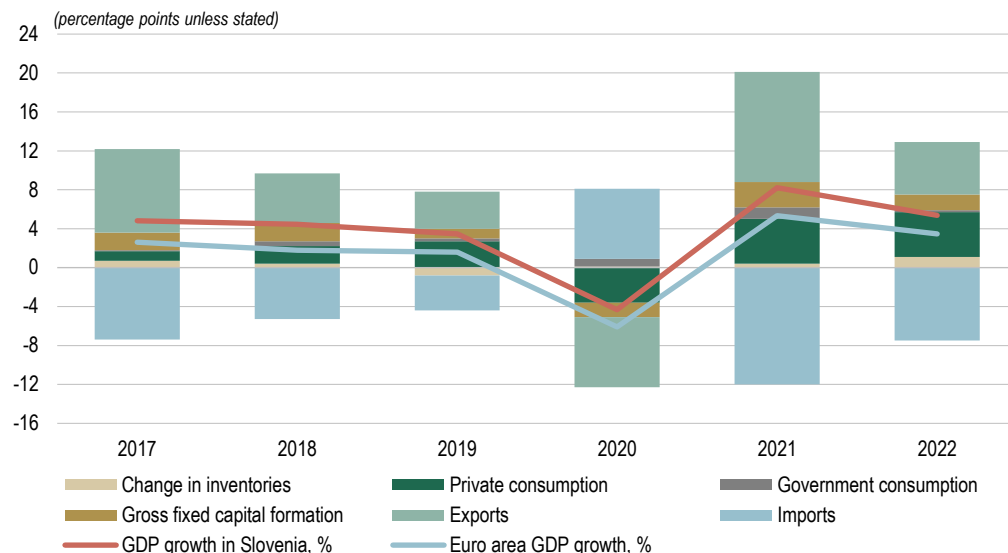
Sources: IMF, Banka Slovenije calculations

1.2 Slovenian economy

The economy performed well in 2022, with the private sector showing its resilience to high inflation, uncertainty, and the deteriorating conditions in international trade. With the economy slowing over the course of the year, GDP nevertheless increased by 5.4% last year, again significantly outperforming the euro area average (see Figure 2). Growth was particularly high in sectors dependent primarily on domestic demand, which remained strong last year. With employment continuing to rise, unemployment at a record low, and government measures in place to mitigate energy price rises, the conditions remained favourable for final household consumption, which recorded growth of 9.1%. The GDP growth was in 2022 additionally importantly supported by strong government investment activity and to a lesser extent by government consumption. Construction projects recorded pronounced growth, which coincided with the election year and the expiration of the European financial framework. Growth in investment in machinery and equipment also remained encouraging, although confidence declined, foreign demand dried up, and interest rates rose as a part of monetary policy normalisation. Amid signs of weaker demand for goods on EU markets in the second half of the year, growth in merchandise exports slowed sharply last year, but aggregate exports were still up 6.5% in real terms thanks to strong foreign demand for services, particularly tourism. In line with buoyant domestic demand, the growth in imports was even stronger, resulting in a negative contribution of net trade to GDP growth. The uncertainty in international supply chains saw a build-up of inventories in the first half of the year, which accounted for 1.2 percentage points of last year's GDP growth (see Figure 2).

Economic growth remained high in 2022 amid favourable conditions on the domestic market.

Figure 2: **Breakdown of annual GDP growth in Slovenia: expenditure side**



Sources: SORS, Banka Slovenije calculations

Employment reached a new record high last year. According to national accounts data, it stood at 1,079 thousand, which was 25.7 thousand higher than in 2021. Employment recorded growth of 2.4%, outperforming the euro area average by 0.2 percentage points (see Figure 3), and up 1.1 percentage points on the previous year. It was present in vast majority of sectors, with the highest rate once again in construction. The surveyed unemployment rate ended the year below 4% for the first time, and averaged 4.0% over the year, which was also one of the lowest rates in the euro area (see Figure 3). The labour force participation rate and total employment rate also increased last year in line with movements in employment and unemployment: the respective rates of 76.2% and 73.1% measured in the 15 to 64 age group exceeded the euro area averages. With increasing tightness in the labour market, the share of companies facing employment difficulties has increased, leading them to employ more foreign nationals.¹

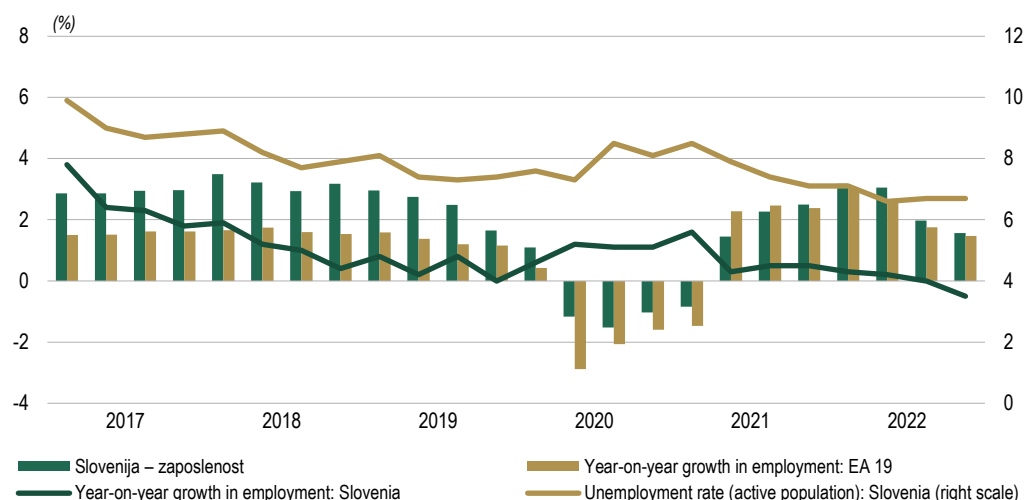
Employment reached a new record high in 2022.

Nominal wage growth strengthened last year, but remained lower than in 2021. Wage growth measured as compensation per employee stood at 4.3%, which is 3.7 percentage points lower than the previous year when wages were inflated by Covid-19 bonuses (see Figure 4). Last year's wage growth was driven by an increase in end-of-year bonus payments in the private sector, while in the public sector it began to strengthen in the second half of the year due to expiration of negative year-on-year effects of the abolition of the majority of pandemic bonuses, and also as a result of wage rise agreements between the government and the public-sector trade unions. Real growth in labour productivity declined over the course of last year with the moderation of economic activity, and even turned negative in the final quarter. Nevertheless, it remained higher than real wage growth, which was -4.6% last year.²

¹ Detailed analysis of labour market tightness can be found in Box 2.1.2 of the December 2022 issue of the [Review of macroeconomic developments and projections](#) and in Box 4.1 of the January 2023 issue of the [Review of macroeconomic developments](#).

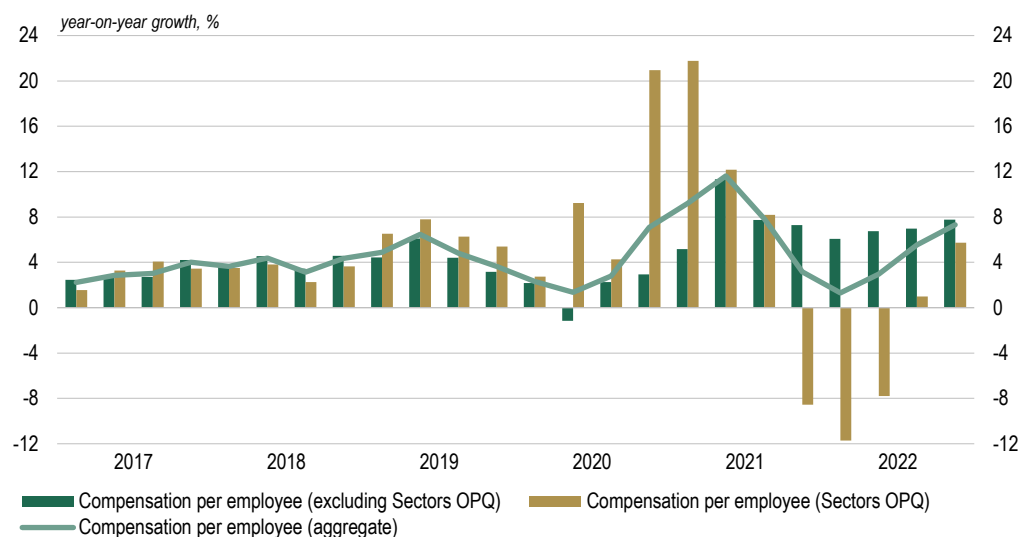
² Detailed analysis of wage growth in relation to inflation and productivity growth can be found in Box 4.2 of the [January 2023 issue of the Review of macroeconomic developments](#).

Figure 3: **Quarterly developments on the labour market, comparison between Slovenia and the euro area**



Sources: SORS, Eurostat, Banka Slovenije calculations

Figure 4: **Quarterly developments in nominal growth in employee compensation per employee**

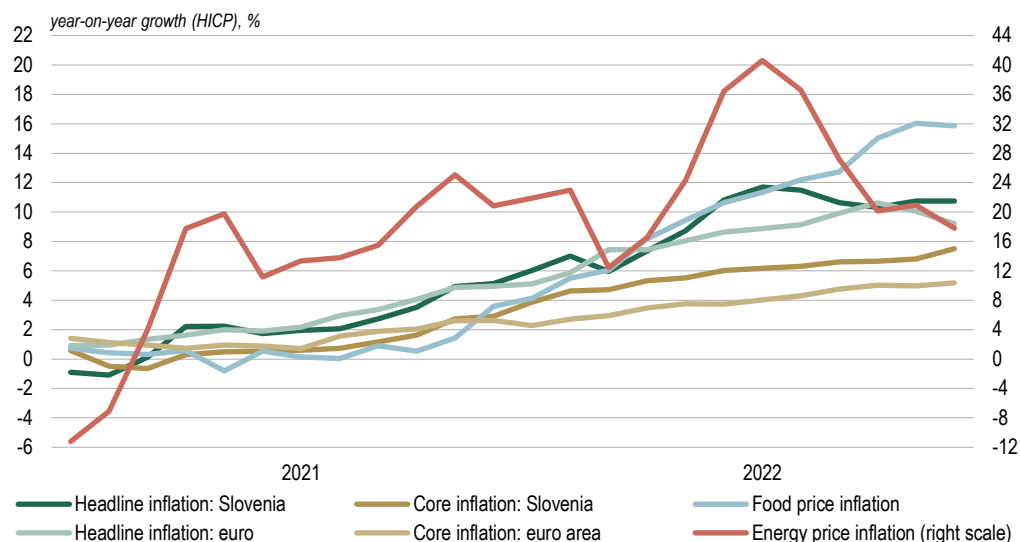


Sources: SORS, Banka Slovenije calculations

Nominal wage growth remained lower than inflation and productivity growth last year.

Last year will be remembered by a high inflation, which was initially driven mainly by energy prices and supply bottlenecks. Headline inflation as measured by the HICP averaged 9.3% over the year, 0.9 percentage points more than in the euro area overall, and 7.3 percentage points more than in 2021 (see Figure 5). Amid fast growth in consumption following the lifting of the most stringent containment measures and the accompanying supply chain disruptions, and amid rising energy prices, it had begun to pick up the pace already in the second half of 2021, reaching 5.1% in December of that year. Inflation then surged over the first seven months of 2022 as geopolitical situation exacerbated after the outbreak of the war in Ukraine, peaking at 11.7% in July. Energy prices were again its main driver, and were up more than 40% in year-on-year terms in July. Headline inflation remained high at over 10% during the remainder of the year, although even higher rates were prevented by the moderation of global prices of refined petroleum products and government measures to limit energy prices for households.

Figure 5: Inflation in 2021 and 2022

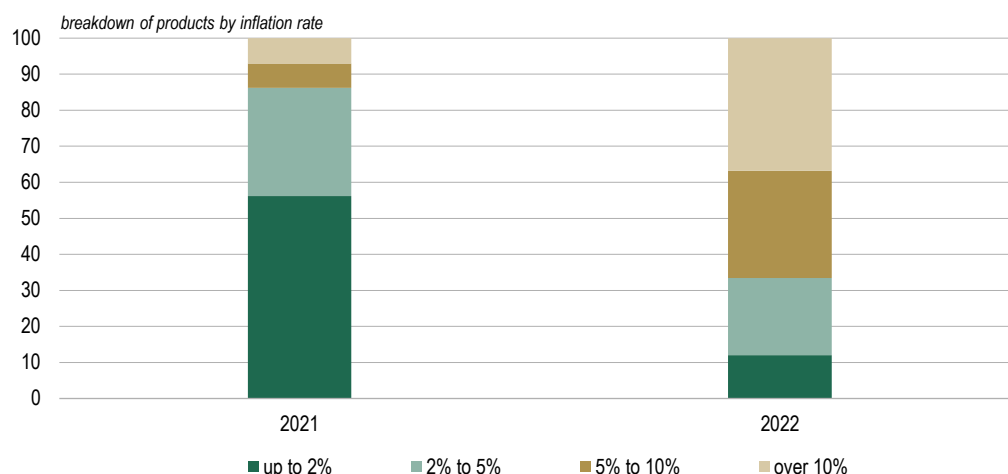


Note: Core inflation is inflation excluding energy and food.
Sources: SORS, Eurostat

The rise in energy prices was followed by the acceleration of prices of other products and services in the consumer basket. Given the important role of energy in food production (agricultural machinery, fertiliser production, transport), last year saw rises first in prices of unprocessed food and then in prices of processed food. Food price inflation thus averaged 10.6% over the year. Amid the high growth in import prices and input production costs, most notably high energy and commodity prices, prices of non-energy industrial goods also rose sharply. In an environment of strong domestic demand, this was followed by a rise in services prices as a result of the pass-through of rising energy and food prices, particularly into prices of food services and transportation. This saw core inflation excluding energy and food prices strengthen over the course of the year. In 2022 it averaged 5.9%, 2.0 percentage points more than in the euro area overall, and 5.0 more than in 2021. High inflation spread across the basket of consumer goods and services: more than a third of its items recorded inflation of more than 10% last year, while there was a significant decline in the share recording inflation of less than 2% compared with 2021 (see Figure 6).

Last year was marked by high inflation, driven first by energy price inflation, before spreading across the entire basket of consumer goods and services.

Figure 6: **Spread of high inflation**



Sources: SORS, Eurostat, Banka Slovenije calculations

The economy saw an improvement in price and cost competitiveness in 2022.³

Developments in external competitiveness remained favourable as the euro depreciated against a basket of 37 trading partner currencies, even though domestic inflation outpaced average inflation in the partner countries (see Figure 7). The depreciation in the euro contributed 1.1 percentage points towards the overall improvement of 0.3 percentage points in the price competitiveness indicator, while offsetting effects of higher domestic inflation amounted to 0.8 percentage points. Nevertheless, last year's developments in price competitiveness remained less favourable than in most other euro area countries, as a result of higher domestic inflation and the less-pronounced impact of the depreciation in the euro. The latter was attributable to differences in the make-up of the basket of trading partners' currencies, which reflect varying importance of individual export markets across euro area economies. Amid a significant decline in relative unit labour costs, the cost competitiveness of the Slovenian economy improved further last year (by 3.8%), thereby regaining its pre-pandemic level. Real unit labour costs declined by 5.5%, while in the euro area the decline amounted to 1.3%. Slovenia's domestic developments in cost competitiveness were thus among the most favourable of any of the euro area countries last year.

Exporters' external competitiveness was supported by the depreciation of the euro in 2022.

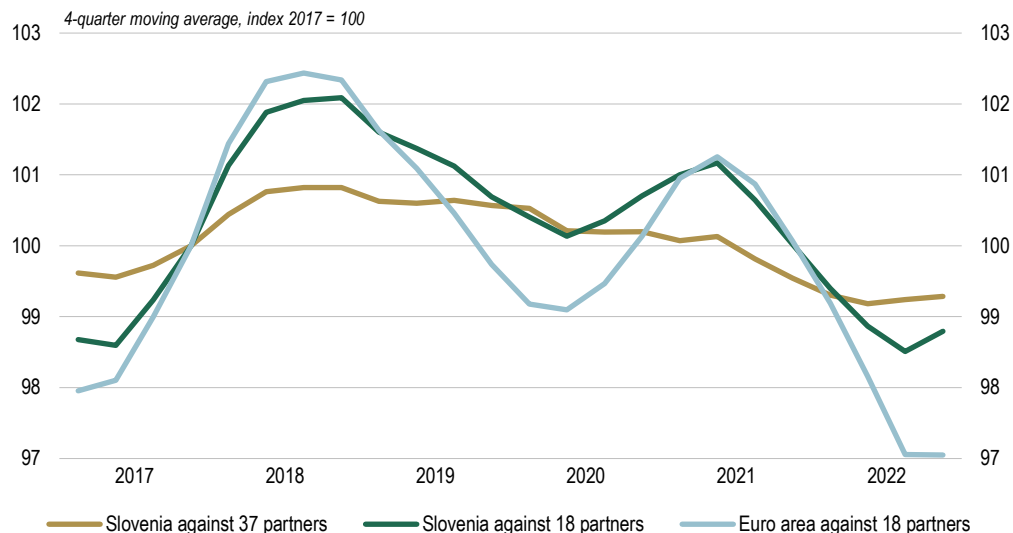
The current account slid into deficit last year as a result of high nominal growth in merchandise imports, but a worse deterioration was prevented by strong services exports, travel services in particular. The deficit amounted to EUR 250 million or 0.4% of GDP last year, compared with the current account surplus of EUR 2.0 billion or 3.8% of GDP in 2021 (see Figure 8). The majority of the reversal was attributable to the slide in the merchandise trade balance from surplus (EUR 0.9 billion) into deficit (EUR 2.3 billion), as the higher growth in import prices than in export prices brought a sharp deterioration in the terms of trade, and consumption on the domestic market was stronger than foreign demand.⁴ Both factors were reflected in high nominal growth in merchandise imports, which at 30.7% outpaced growth in merchandise exports by 9.8

³ They are measured by the ECB's effective exchange rate deflated by consumer prices or unit labour costs in relation to 37 trading partners. A decline in the indicator denotes an improvement in competitiveness, and vice-versa.

⁴ Analysis of the impact of the deterioration in the terms of trade on last year's current account position can be found in Box 5.1 on page 21 of the [March 2023 issue of the Review of macroeconomic developments](#).

percentage points. A larger current account deficit was prevented by an increase of EUR 1.1 billion in the services trade surplus, which exceeded EUR 3.5 billion last year. Three-fifths of this or EUR 670 million was attributable to the wider surplus in travel services, exports of which hit a record EUR 2.9 billion as the situation in international tourism returned to normal, up 2.4% on its pre-pandemic level in 2019. The changes in income were significantly smaller: the deficit widened by EUR 160 million to EUR 1.5 billion.⁵

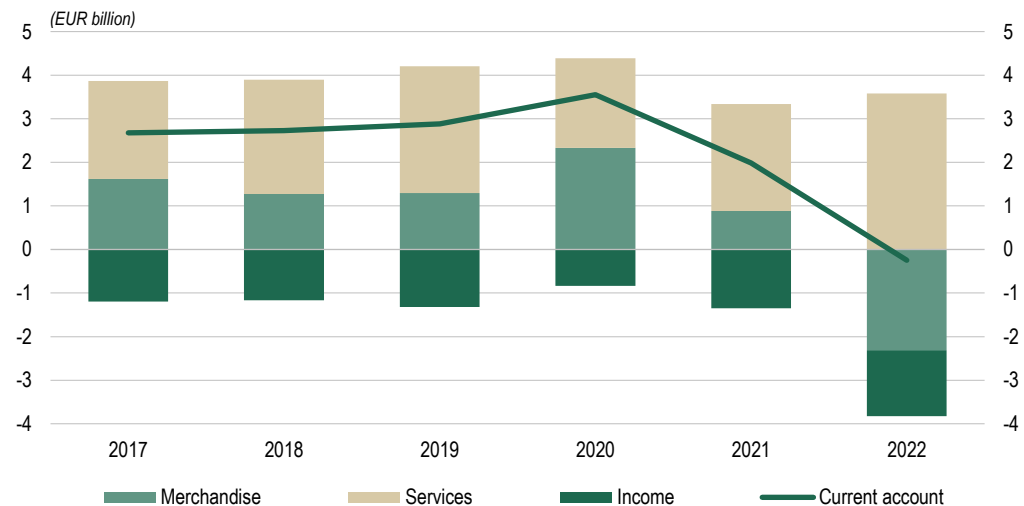
Figure 7: Price competitiveness of Slovenia and the euro area



Note: Price competitiveness is expressed by the effective euro exchange rate deflated by the HICP. A decline in the index denotes an improvement in price competitiveness, and vice-versa.

Sources: ECB, Banka Slovenije calculations

Figure 8: Components of the current account



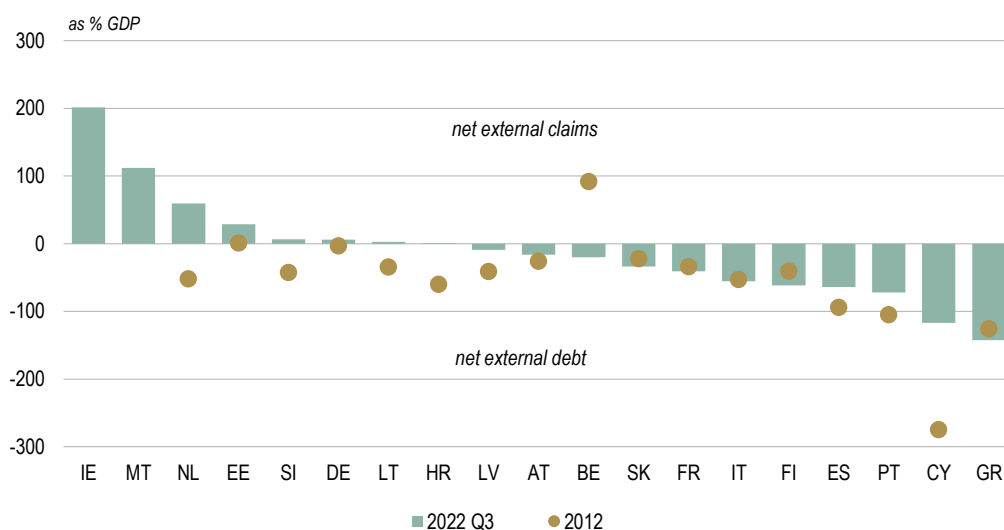
Source: Banka Slovenije

The current account was in deficit last year, as a result of high growth in import prices and strong domestic demand.

⁵ Analysis of the income balance in the current account can be found in Box 5.2 on page 23 of the [March 2023 issue of the Review of macroeconomic developments](#).

The financial account moved into deficit last year, but Slovenia nevertheless further increased its net creditor position against the rest of the world in debt instruments. The rest of the world was a net financier of Slovenia in the amount of EUR 1.1 billion or 1.9% of GDP last year, a reversal compared with 2021, as the net capital flow from Slovenian residents to the rest of the world amounted to EUR 2.3 billion or 4.3% of GDP. The majority of the reversal in the position was driven by financial transactions by the private sector, which last year invested less in the rest of the world than in the previous year (particularly via direct investments), and simultaneously increased its liabilities to the rest of the world (in particular to portfolio investors and from new loan borrowings).⁶ Despite the deficit, Slovenia had no net external debt last year for the second consecutive year, thanks to much larger price changes (mainly negative) since the previous year in its existing liabilities than in its existing assets,⁷ where holdings of debt instruments in the rest of the world exceeded liabilities to non-residents even more notably than in the previous year. Having amounted to 2.5% of GDP at the end of 2021, net debt claims against the rest of the world had increased to 6.3% of GDP by the end of last year. Roughly half of the euro area countries hold net claims against the rest of the world alongside Slovenia, while the other half remain net external debtors (see Figure 9). Slovenia remains a net debtor to the rest of the world in the government sector alone, which last year reduced its debt-to-GDP ratio by 10.8 percentage points to 24.5%. The private sector maintained its net creditor position against the rest of the world at a similar level to the previous year.

Figure 9: **Euro area countries' net external positions in debt instruments**



Notes: 2012 is illustrated because that is when Slovenia's net external debt peaked. The data for this year is not illustrated for certain countries (LU 2,199% of GDP, MT 466% of GDP, IE 349% of GDP), while the data for LU for Q3 of 2022 is also not illustrated (2,016% of GDP).

Sources: ECB, Banka Slovenije calculations

Slovenia held no net external debt last year for the second consecutive year, despite its financial account deficit.

⁶ The private sector was responsible for approximately three-quarters of the reversal in the position, while the remaining quarter was driven by the central bank and the government sector, who increased their net inflows of capital last year.

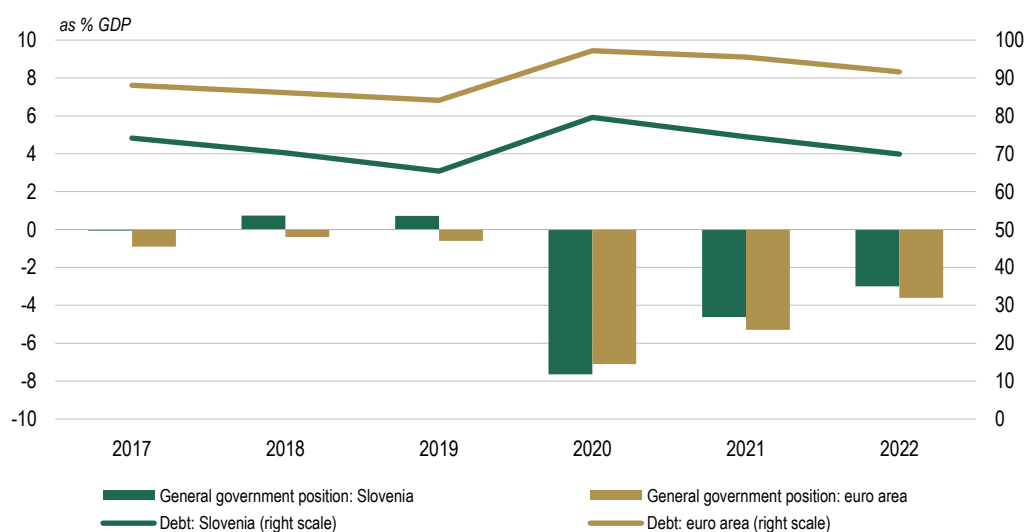
⁷ In particular, the market value of Slovenian securities held by non-residents fell by more than the market value of foreign securities held by residents.

Slovenia's fiscal position improved last year. The general government deficit amounted to 3.0% of GDP, 1.6 percentage points less than in the previous year, and better than had been forecast by government plans (a deficit of 3.8% of GDP). The narrowing of the deficit was attributable to the continuing fast pace of economic growth, which was reflected in an increase of 6.8% in general government revenues, and to a decline in discretionary measures to alleviate the impact of the pandemic, which even in combination with the measures to mitigate high energy prices and inflation were smaller than in 2021. Growth in general government expenditure amounted to 3.8%, government investment having strengthened sharply again. As a result of high nominal economic growth, which is partly a reflection of high inflation, the general government debt declined to 69.9% of GDP. The general government deficit in 2022 expressed as a ratio to GDP was smaller than in the euro area overall, and the decline in general government debt was larger. Measured as a ratio to GDP, it remained lower than in the euro area overall, although still higher than its pre-pandemic level (see Figure 10).

As ratios to GDP, the general government deficit and debt were smaller than in 2021 amid a downsizing of support measures, but larger than before the pandemic.

Borrowing was still being undertaken at favourable terms last year, although they were gradually worsening. Yields on 10-year government bonds rose amid the monetary policy normalisation, but borrowing terms remained favourable from a historical perspective, albeit slightly less so than in 2021. The spreads on 10-year Slovenian government bonds over the German benchmark, which reflect the risk premium of Slovenian government debt, rose at the same time. Yields on treasury bills turned positive in the second half of the year after six years in negative territory. The majority of borrowing was undertaken in the first half of the year, and thus under more favourable terms. The rating agencies made no changes to the sovereign risk ratings, and the outlook also remained stable.

Figure 10: Fiscal position: comparison between Slovenia and the euro area



Sources: SORS, Eurostat

The number of credit institutions operating in Slovenia remained unchanged at 16 last year. At the end of 2022 there were 11 banks, three savings banks and two branches of foreign banks operating in Slovenia. The banks dominate the banking system, with a market share of 91.9%, while the savings banks held a share of 5.0% and the branches of foreign banks a share of 3.1%. The shares were broadly unchanged from previous years, with the market share of banks increasing by slightly less than 1 percentage point last year. The number of banks has declined in recent years, and the trend of decline in the number of banking institutions is expected to continue this year: the bank acquired by the largest banking group in March of last year is expected to be merged. The banking system accounted for two-thirds of the Slovenian financial system's financial assets at the end of last year. Concentration has gradually risen in the Slovenian banking system in recent years, both in terms of a decline in the actual number of banks, and also in terms of a rise in the Herfindahl-Hirschman index for the balance sheet total.

A total of 16 credit institutions were operating in Slovenia at the end of last year.

The banking system's balance sheet total increased by 4.9% in 2022 to end the year at EUR 50.6 billion. The year-on-year rate of growth slowed last year, and was down just over 3 percentage points on the previous year. Last year's increase of EUR 2.3 billion in the balance sheet total was driven on the liability side primarily by deposits, which increased by EUR 2.6 billion, and to a lesser extent by securities and liabilities to banks, while liabilities to the ECB recorded the largest decline. The banks directed the majority of their funding into an increase of EUR 2.5 billion in loans to the non-banking sector. There was also an increase of EUR 0.4 billion in securities holdings, and a decline of EUR 1.1 billion in holdings of liquid assets (claims against the central bank). The ratio of the banking system's balance sheet total to GDP declined further to 86.5% last year, amid an increase in nominal GDP and slower growth in the balance sheet total.⁸

Year-on-year growth in loans to the non-banking sector rose sharply in 2022, and significantly outpaced the euro area average. It reached 13.0% in September, its highest figure for several years, and was more than double the rate in the euro area overall (6.1%). It then slowed over the remainder of the year, reaching 10.0% in December, compared with a slowdown to 4.8% by December in the euro area overall. There was a year-on-year increase in household lending, particularly via housing loans, while lending to non-financial corporations was up significantly on the previous year. Year-on-year growth in housing loans, which even during the pandemic did not slow significantly from previous years, increased sharply in 2021, and this trend of increase continued in 2022. By the midpoint of the year it had reached 11.9%, the highest rate in more than a decade, and among the highest in the euro area. It had slowed to 9.9% by December, amid rising interest rates and high prices on the real estate market, but remained well above the euro area average (4.4%). The year-on-year contraction in consumer loans slowed during 2022, and the stock moved into growth in November for

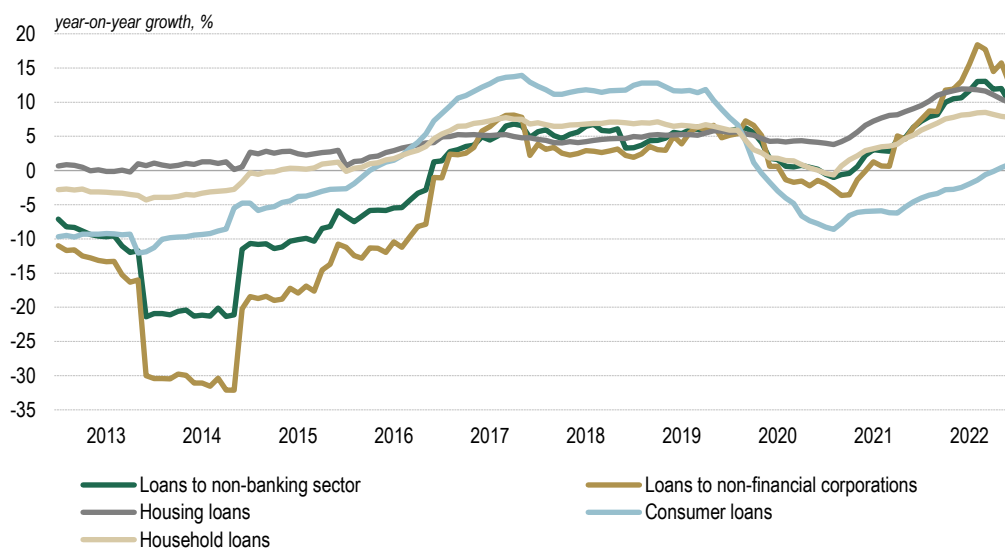
⁸ Balance sheet figures on an individual basis from bank reporting of closing accounts. Comparison of latest data for GDP and balance sheet total in the banking system (SORS, Banka Slovenije).

the first time since April 2020, although it remained weak until the end of the year. The rate stood at 0.9% in December, below the euro area average (3.2%). The strengthening consumer lending was attributable to the recovery in private consumption, which had been curtailed by the pandemic and the containment measures, but the effect of the high base from the period of above-average growth before the introduction of the macroprudential restrictions on consumer lending also waned. Growth in household loans was driven primarily by housing loans, which account for the majority of the household loan stock. Year-on-year growth in household loans peaked at 8.5% in September, its highest figure in many years, before slowing to 7.8% in December. Having been outpaced by the euro area average for the majority of 2021, the rate ended 2022 well above the euro area average (3.8%).

Year-on-year growth in housing loans rose significantly, while growth in loans to non-financial corporations increased particularly sharply.

Lending to non-financial corporations in 2022 was up significantly on the previous year. The year-on-year rate of growth hit 18.4% in August, its highest figure in more than a decade, before slowing to 12.8% in December. In terms of the size of the firms obtaining financing at banks, the growth was broadly based, but large enterprises recorded particularly strong growth. It was also broadly based across sectors, with firms in the sectors of manufacturing, wholesale and retail trade, and electricity, gas, steam and air conditioning supply acting as the main drivers, while the financing of working capital was the prevailing purpose. It strongly outpaced the euro area average growth (5.5% in December).

Figure 11: Lending to the non-banking sector



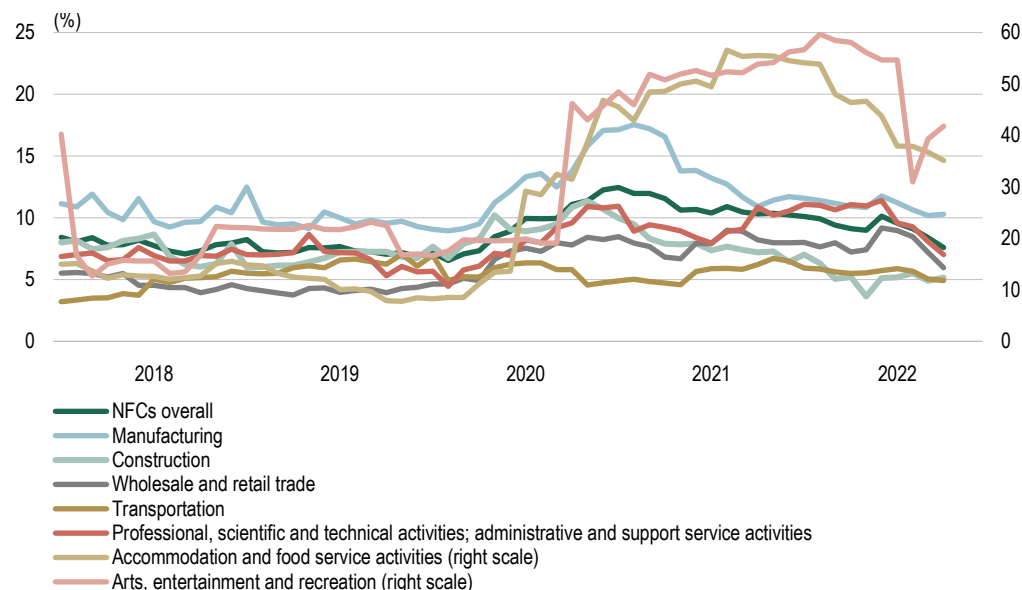
Source: Banka Slovenije

Indicators of the asset quality remained favourable in 2022, despite an increase in credit risk. The NPE ratio fluctuated between 1.1% and 1.2% during the year, its lowest level since measurement of this indicator began in 2016.⁹ The decline in the NPE ratio in previous years had been among the largest in the EU. Slovenia had one of the five worst NPE ratios in the EU in 2016, but by June 2021 it had fallen to below

⁹ The portfolio quality indicator with the longest history, the proportion of arrears of more than 90 days, had declined from its peak of 18.1% in November 2013 to 0.7% by the end of 2022, the lowest figure since measurement began at the end of 2007.

the EU average, and according to the latest data remains slightly below it. NPE ratios in the Slovenian banking system declined in all portfolio segments other than non-residents with direct exposure to customers from Russia, Ukraine and Belarus, and in accommodation and food service activities, where the deterioration in the portfolio that began during the pandemic continued. These two portfolios account for only a small share of the banking system's total exposure.

Figure 12: Share of stage 2 exposures to non-financial corporations by sector



Source: Banka Slovenije

The other asset quality indicator, the breakdown according to credit risk stages, also improved in 2022. The share of exposures with increased credit risk (Stage 2 under the IFRS) declined over the majority of the year, before increasing slightly again over the final two months. It nevertheless ended the year down in year-on-year terms in all main customer segments. We highlight manufacturing, where the share of Stage 2 exposures increased over the course of the year, this sector being one of the most energy-intensive, and consequently facing a sharp rise in input costs. The share of Stage 2 exposures in the total portfolio stood at 5.1% at the end of 2022, down 0.7 percentage points on a year earlier. In contrast to Slovenia, banks in the euro area overall saw an increase in the share of Stage 2 exposures from the final quarter of 2021, and only reduced it slightly in the final quarter of 2022.

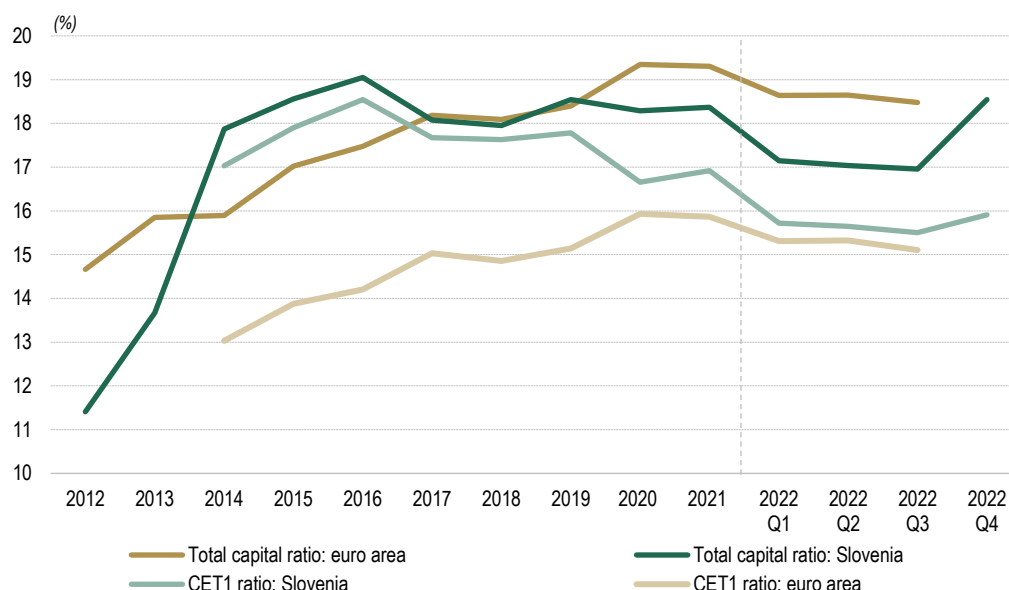
Overall portfolio coverage by impairments and provisions remained stable last year at 1.1%. Coverage of performing exposures in December was down slightly on a year earlier at 0.4%. Coverage of NPEs by impairments and provisions declined to 56.4% in 2022, down 1.1 percentage points on the end of 2021.

The banking system's capitalisation is solid, but there remain considerable differences between banks.

The banking system's capital position remained solid, but there are still considerable variations from bank to bank in terms of resilience to systemic risks. The maintenance of a solid, stable capital position has a significant impact on the capacity to cover losses, and in addition ensures that the banking sector has a key foundation for growth. The capital adequacy ratios displayed a trend of decline over the course of

the year, but this came to an end in the final quarter. The banking system's total capital ratio on a consolidated basis increased by 0.2 percentage points over 2022 to end the year at 18.5%, while the common equity Tier 1 capital (CET1) ratio declined by 1 percentage point to 15.9%. The main factor reducing regulatory capital during the year was the negative effects of securities revaluations, while retained earnings and the issuance of capital instruments acted to increase regulatory capital, the former remaining a major factor in the maintenance of stable capital adequacy. In addition to developments in regulatory capital, the capital adequacy ratios were also affected by risk-weighted assets, which increased over the first three quarters of the year, primarily as a result of increased lending activity in the non-financial corporations and housing segments. Despite the increase in the total capital ratio at system level, it actually declined at the majority of banks. There remain considerable variations from bank to bank in the capital surpluses above overall capital requirements, and thus in their ability to absorb the adverse consequences of potential economic shocks and other systemic risks.

Figure 13: **Total capital ratio compared with the euro area, consolidated basis**



Sources: Banka Slovenije, ECB SDW

Liquidity in the banking system remained high. The capacity to cover net liquidity outflows over a short-term stress period, which is evidenced in the liquidity coverage ratio, declined slightly at system level, but remained high. Despite the decline, the LCR is still well above the regulatory requirement (100%) at 290%. Similarly to Slovenia, the LCR also declined in most other euro area countries, and Slovenia remains in the top third with the highest LCR values.¹⁰ Despite declining, primary liquidity accounted for a fifth of the balance sheet total, and was thus three times its long-term average.¹¹ The Slovenian banking system saw a slight improvement last year in its capacity to cover the stable funding requirement over a one-year period, which is evidenced in an increase in the net stable funding ratio to 164%. All banks exceeded the LCR and NSFR requirements (100%), but there remain considerable differences between them in terms of their resilience to systemic risks. Diligent liquidity management and monitoring of the economic situation and competition in the sector therefore remain vital to banking stability.

¹⁰ Comparison of latest data for the euro area on a consolidated basis.

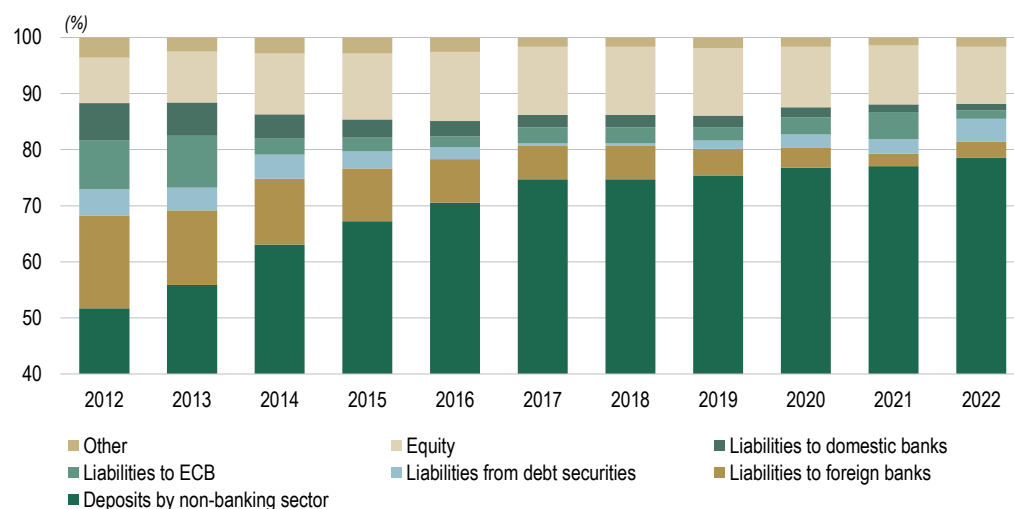
¹¹ The average ratio of primary liquidity to the balance sheet total is computed for the period of January 2000 to January 2023.

Similarly to the previous year, deposits by the non-banking sector rose sharply in 2022 as a result of an inflow of household deposits and deposits by non-financial corporations, while dependence on other sources of funding remained low. Household deposits increased by 7.6% or EUR 1.8 billion to EUR 25.8 billion, which represents almost 79% of the balance sheet total. The inflow of deposits was particularly intense over the spring months, and at the end of the year as is seasonally typical, but the stock actually declined slightly between August and October. The withdrawals also occurred as a result of the difficulties at one of the banks in Slovenia following the outbreak of the war in Ukraine, which did not cause any funding instability in the banking system, thanks to quick and effective resolution. After reducing their holdings of bank savings in the first half of the year, non-financial corporations sharply increased them over the summer and autumn, partly in response to the abolition of custody fees for large bank balances. Deposits by non-financial corporations increased by 7.9% or EUR 712 million in 2022, slightly less than in the previous year. Amid low interest rates on deposits, which are below the euro area average, savers remain reluctant to fix deposits, and sight deposits therefore make up the majority of deposits by the non-banking sector.

Household deposits and deposits by non-financial corporations remained a stable source of funding for Slovenian banks.

Low interest rates and high uncertainty are deterring savers from fixing deposits at banks, and sight deposits have therefore continued to rise. The share of total deposits by the non-banking sector that they account for increased to a high of 82.5%, while the share of short-term and long-term deposits declined. Although (sight) deposits also increased in other euro area countries last year, Slovenia is notable for having the highest ratio of household deposits to the balance sheet total (49.6%), with sight deposits prevalent.

Figure 14: **Breakdown of bank funding at year end**

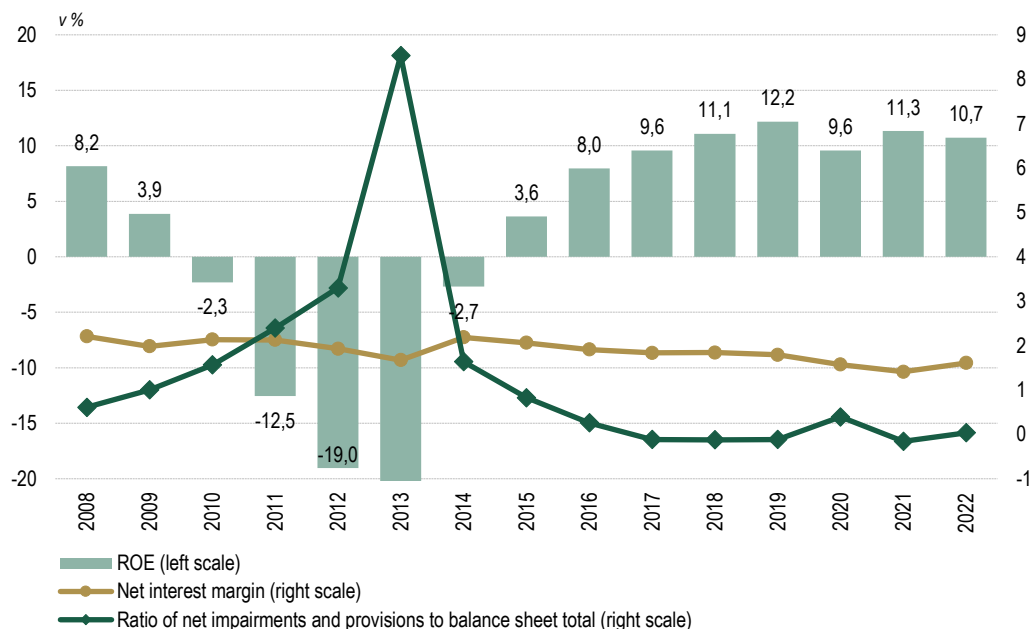


Source: Banka Slovenije

The Slovenian banking system's profit last year was down slightly on the previous year, but pre-tax ROE was comparable to the previous years.

Banks recorded a pre-tax profit of EUR 543 million in 2022, with an ROE of 10.8%. ROE in the Slovenian banking system thus remained comparable to previous years. Last year's pre-tax profit was down slightly (3.9%) on the previous year. The main driver of higher profit last year was an increase in net interest income. While net interest was still declining in year-on-year terms in the previous year, the rate of growth turned positive in the early part of the year and gradually increased, primarily on account of increased lending. The gradual rise in interest rates was also an increasing factor, particularly from the summer onward. By the end of the year net interest income was up a fifth in year-on-year terms (19.6%). The net interest margin was also rising as a consequence: having bottomed out at 1.39% in May, it had risen to 1.61% by the end of the year. Last year net non-interest income was down slightly (2.3%) on the previous year, which was influenced by several factors: losses on financial assets mandatorily held at fair value (in contrast to the previous spring's gains from positive revaluations of loans at several banks), a slight decline in dividend income, and slower growth in net fees and commission. The increase in gross income outpaced that in operating costs last year: the latter were up 5.6% in year-on-year terms. Last year banks brought an end to the net release of impairments and provisions that had been seen in the previous year and in several recent years. The net creation of impairments and provisions was nevertheless very small, and accounted for just 1% of the disposal of gross income. Pre-tax ROE stood at 10.7% last year, down slightly on the previous year (11.3%), but it would have been just half of this had the ratio of impairments and provisions to gross income been at its long-term average. Last year's profitability was comparable to the average ROE over the last five years. In recent years Slovenian banks have outperformed the EU and the euro area overall in terms of profitability: since 2017 ROE has been fully double the EU and euro area averages.

Figure 15: ROE, net interest margin on interest-bearing assets, and ratio of net impairments and provisions to balance sheet total



Source: Banka Slovenije

Our assessment is that the majority of risks to the financial system in 2022 remained unchanged from the previous year. One exception was interest rate risk, where the assessment was raised to elevated in early 2022. The large increase in fixed-rate lending amid heavier lending to the non-banking sector brought a significant increase in the banks' interest sensitivity. The assessment of income risk was lowered to

moderate. The rise in interest rates brought a sharp increase in net interest income, while net non-interest income remained solid, and growth in operating costs remained moderate. The assessments of the banking system's resilience to systemic risks were unchanged from 2021: it remained high in the liquidity segment, and medium in the solvency and profitability segment. There are considerable variations in the individual banks' resilience to systemic risks, and maintaining stable capital adequacy will therefore remain important in the future.

Figure 16: **Banka Slovenije's risk dashboard for the Slovenian banking system**

	2018	2019	2020	2021	2022
Systemic risk					
Macroeconomic risk					
Risk inherent in the real estate market					
Funding risk in the banking system					
Interest rate risk					
Credit risk in the banking system					
Income risk in the banking system					
Risk inherent in leasing companies					
Resilience to systemic risks					
Solvency and profitability of the banking system					
Liquidity of the banking system					
Key	risk resilience				
	low high	moderate medium	elevated low	high very low	

Source: Banka Slovenije

3.1 Banka Slovenije's mandate and institutional framework

Banka Slovenije fulfils its mandate independently and within the framework of the European System of Central Banks, based on four pillars of activity:

Monetary policy relates to the central bank decisions that exert an influence on prices and the availability of money in the economy, thereby exerting an effect on the chosen target of the monetary policy. Under the Bank of Slovenia Act, price stability is Banka Slovenije's fundamental objective, and it is also the primary objective of the European System of Central Banks, of which Banka Slovenije is part. Maintaining price stability is monetary policy's greatest contribution to economic growth and to job creation. The Eurosystem target is to maintain growth in prices of products and services (i.e. inflation) at around 2% over the medium term.¹²

Microprudential supervision is part of Banka Slovenije's mandate relating to the maintenance of financial stability. The objective of supervisory activities is identifying risks in all areas of the operations of banks and savings banks (credit risk, liquidity risk, operational risk, capital risk, interest rate risk, profitability risk, internal controls, corporate governance, reputation, anti-money laundering) in timely fashion, and ensuring the stability of credit institutions and the financial system through effective action.

Macroprudential policy aims to mitigate the effects of financial cycles, and to increase the resilience of the financial system to disruptions. Macroprudential policy identifies, monitors and assesses systemic risks to financial stability, and adopts the requisite measures to prevent and mitigate systemic risks. The ultimate objective of macroprudential policy is to contribute to safeguarding the stability of the financial system as a whole, including strengthening the resilience of the financial system, and preventing and mitigating the build-up of systemic risks, thereby ensuring a viable and sustained contribution to economic growth from the financial sector.

Bank resolution and deposit guarantee scheme. Banka Slovenije's basic mission in this context is ensuring the orderly resolution of a bank or banks in (serious) difficulties, while minimising the consequences to the economy and the public finances. The aim in establishing a resolution mechanism is transferring the burden of any bank resolution to the banking sector (and not to the public finances), thereby reducing the moral hazard and increasing confidence in banks on the part of the public and investors. At the same time Banka Slovenije is the operator of the deposit guarantee scheme, whose basic objective is to protect depositors and to maintain their confidence in the banking system. A sound and effective deposit guarantee scheme is one of the vital conditions for the maintenance of financial stability in a country.

We also perform certain other tasks as part of our legal mandate, such as issuing cash, operating payment systems, managing the official foreign exchange reserves and other Banka Slovenije assets, acting as the payment and/or fiscal agent of the state or as a representative of the state at international monetary organisations, managing accounts for the state, government bodies and public-sector entities, attending to financial, monetary, banking and balance of payments statistics, and managing the central

¹² A new monetary policy strategy was adopted within the framework of the Eurosystem in July 2021, and defines an adjusted target for our monetary policy. More on this can be found in Box 3.

credit register. A number of our tasks relate to the operation of critical national infrastructure under the Critical Infrastructure Act.

Banka Slovenije's actions in 2022 were again fixed within an institutional framework at the European level, particularly in the following tasks:

In managing the Eurosystem and the European System of Central Banks, a key part of which is the implementation of monetary policy and the pursuit of the Eurosystem's primary objective (i.e. price stability), we worked with the ECB's decision-making bodies in the manner set out in the Treaty on the Functioning of the European Union, the Statute of the European System of Central Banks (ESCB) and of the ECB, and the Rules of Procedure of the Governing Council, the General Council and the Executive Board of the ECB. The Governor of Banka Slovenije is, by function, one of the members of the Governing Council, which is the main decision-making body of the ECB and is responsible for taking the most important strategic decisions that are key to the functioning of the Eurosystem.

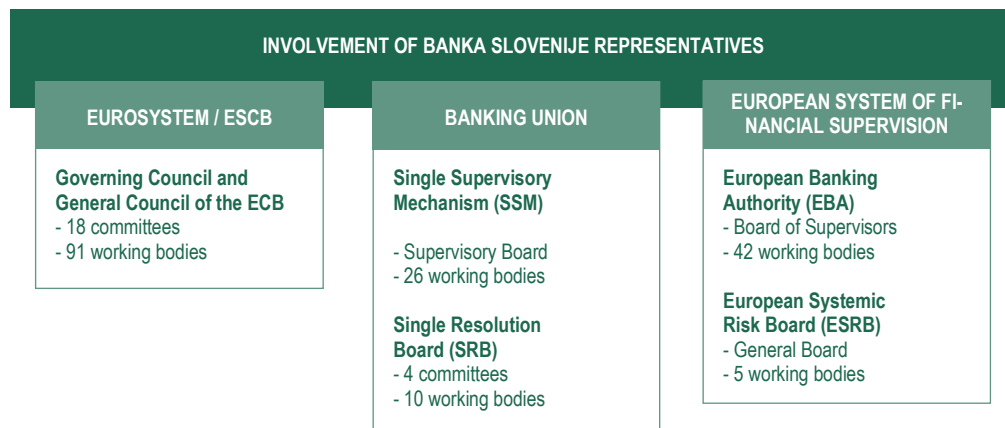
In the area of microprudential supervision and the setting of rules for banks and other supervised entities, we actively worked within the framework of the Single Supervisory Mechanism and the EBA. The SSM is one of the three pillars of the banking union, whose task is carrying out direct supervision of significant banks and bank groups in the euro area, and is also responsible for carrying out indirect supervision of less significant banks through the introduction of standard rules for conducting supervision in participating countries. The EBA is an independent EU authority whose purpose is ensuring effective and consistent prudential regulation and supervision in the European banking sector by putting in place a single European banking rulebook. The deputy-governor of Banka Slovenije is a member of the most senior decision-making bodies of the SSM and the EBA.

In the area of macroprudential supervision, we worked within the institutional framework of the ECB and the European Systemic Risk Board (ESRB), which is responsible for the macroprudential supervision of the financial system in the EU. The objective of the ESRB's work is preventing and mitigating systemic risks to financial stability in the EU, while its tasks include defining risks on the basis of which it may issue recommendations for remedial measures. The Governor of Banka Slovenije (by function) and one of the vice-governors are members of the General Board.

In the area of bank resolution, Banka Slovenije works within the framework of the Single Resolution Mechanism (SRM), which is responsible for drawing up resolution plans and analysing the resolvability of systemically important banks or groups, and for using the resolution fund. Our objective is to put in place a single European rulebook and standardised resolution processes, and to minimise the resolution costs and asset devaluation if a bank failure occurs. Like the SSM, the SRM operates at the pan-European national level by working with the national competent authorities, in this case the national resolution authorities. The centralised application of resolution powers has been assigned to the Single Resolution Board, whose membership includes a representative of national resolution authorities (one of the vice-governors in the case of Banka Slovenije), and to the national resolution authorities, where the rules on the establishment and operation of the SRM in Member States are applied directly.

Our actions are also related to our collaboration with other authorities and institutions in Slovenia, the EU and further afield. For more on this, see Section 5.

Diagram 1: **Institutional framework for the functioning of Banka Slovenije at the end of 2022**



Box 1: **Strategy of Banka Slovenije**

At Banka Slovenije we are fully aware that our activities are framed by the mandate conferred on us by the Bank of Slovenia Act and other national regulations, and by broader decisions taken by Slovenia (e.g. joining the euro). The important thing is how we at Banka Slovenije perform these tasks, and so at the end of 2021 we adopted the Strategy of Banka Slovenije, which entered into force in 2022. The basic building blocks of the strategy are: 1) Mission: Helping to create a stable economic environment for a successful Slovenia, and the wellbeing of this generation and future generations. 2) Values: professionalism, responsibility and transparency. 3) Vision: progressive, connective, sustainability-focused central bank. 4) Strategic guidelines: I. developing a connective organisational culture; II. supporting our employees to develop and thrive; III. working efficiently and effectively; IV. co-creating the digital environment; V. focusing on sustainability and social responsibility. The activation of the basic building blocks was designed in the form of strategic objectives, which were built into the strategic guidelines.

This design was followed by the preparation of a proposed set of objectives. Working groups and a custodian structure were created to ensure their successful implementation. Members of the Governing Board and the secretary-general act as sponsors of the strategic objectives, and are responsible for guiding their implementation, resolving any substantive issues, and providing the resources. Directors of department and other experts act as the custodians of the strategic objectives, with responsibility for planning, organisation and monitoring of implementation. The activities are carried out by members of the working groups. The principles of diversity and inclusion were upheld in the creation of the working groups. We also created the role of supreme monitor of the implementation of the strategy.

In 2022 the working groups set out the substance and aims of the strategic objectives, and the expected outcomes, and drew up implementation plans for the next two years. Significant progress has again been seen this year in the strategic objectives that were previously being implemented as projects or development tasks. It was only this year that certain strategic objectives have established themselves as strategic content in discussions proceeding from the current strategy. The first concrete outcomes of these are expected next year.

I. Developing a connective organisational culture

The organisational culture is a reflection of our joint commitment to professionalism, responsibility and transparency in work. We are endeavouring to develop a connective culture, through coordinated actions, attention to joint strategic objectives, and openness to dialogue.

Our actions in the domestic environment, and the working bodies of the EU, the Eurosystem and the ESCB will be based on clear positions, the building of our profile, and the consistent pursuit of a networking role.

II. Supporting our employees to develop and thrive

Skilled and motivated employees are the key to our continuing development, and to the attainment of our strategic objectives. To ensure that our employees are well-connected, flexible and result-focused, we will facilitate their development in line with our business objectives.

There will be a particular focus on securing and training key experts and leaders, and on their professional, personal and career development. We will continue to ensure a stable, encouraging, healthy and family-friendly working environment.

III. Working efficiently and effectively

We will continue to pursue our activities aimed at ensuring effectiveness from a developmental, organisational and cost perspective. We will manage resources carefully, seek out optimal solutions, even when rectifying deficiencies, and respond to changing circumstances by adjusting our own actions accordingly.

We will continue to optimise business processes and upgrade key performance indicators for these processes. We will undertake critical reviews of our work structures and performance from an efficiency perspective. We will strengthen our internal debate, and our ability to predict and respond to future challenges.

IV. Co-creating the digital environment

Advances in digitalisation are changing the structure of the economy and the behaviour of economic stakeholders. These changes are also having a major impact on the financial sector. In this area we act as a steerer of change and a supervisor, with the aim of ensuring financial stability and security for users of digital services.

The digitalisation of our own operations encompasses cyber resilience, effective and safe work with documents, and the optimisation of work processes. We will continue introducing advanced data processing tools, and sophisticated data analysis methods.

V. Focusing on sustainability and social responsibility

We will demonstrate our focus on sustainability through activities aimed at benefiting the three fundamental aspects of sustainability: economic growth, social inclusion and environmental protection.

Within our mandate we will help to meet the targets of the Paris Agreement. We will actively collaborate in the development and implementation of supervisory methodologies and practices for climate and environmental risks. We will monitor the impact on

macroeconomic trends from climate change and the measures to address it. We will promote the integration of climate and environmental risks into risk management frameworks and decision-making processes through dialogue with credit institutions. We will strengthen the skills of our employees in addressing the impact of climate change. We will also take account of sustainability targets in managing our own financial assets and reducing our carbon footprint.

3.2 Monetary policy

Amid signs of a broader anchoring of high inflation, the Eurosystem normalised the monetary policy stance in 2022 by discontinuing net asset purchases, embarking on a series of key interest rate hikes, and adjusting the terms of the TLTRO-III. This was our response to the major changes in the macroeconomic environment as the economy opened up following the lifting of pandemic measures and also, from late February, to the shocks caused by the Russian military aggression against Ukraine. To protect the transmission of monetary policy signals into the general financial conditions in the entire euro area economy, a transmission protection instrument was also put in place when the monetary policy stance was modified. Together with the option of the flexible reinvestment of maturing securities under the PEPP, i.e. reallocation of purchases across time, jurisdictions and asset classes that was available for responding to the risks associated with the pandemic, the TPI represented a safeguard for the successful transmission of the monetary policy stance.

The quick switch from an accommodative to a restrictive monetary policy stance put in place the conditions for returning inflation to its medium-term target of 2% as quickly as possible. Inflation was driven up in 2022 by rising energy and food prices, bottlenecks in supply chains, and the post-pandemic recovery in demand. Price pressures strengthened during the year and spread across the economy, while expectations of their decline were deferred to the future. The objective of monetary policy tightening was to reduce support for aggregate demand, and to prevent the elevated inflation passing through into a rise in inflation expectations, which would slow the reduction of inflation and raise the costs of reducing it. The limited impact that the monetary policy has on supply-side inflationary pressures such as disruption to supply chains or the war in Ukraine means that coordinating with other economic policies was of great importance in the reduction of inflation.

The normalisation of the monetary policy stance included changes to asset purchases, key interest rates and long-term loans to banks.

The discontinuation of net asset purchases under the PEPP at the end of March and net purchases under the APP on 1 July were the first steps in monetary policy normalisation. The principals of maturing securities continued to be reinvested in full for the remainder of 2022. The APP portfolio amounted to EUR 3,254 billion at amortised cost at the end of 2022, up EUR 130 billion on the end of 2021. The PEPP portfolio amounted to EUR 1,681 billion at the end of 2022, up EUR 100 billion on the end of 2021. Public-sector issuers accounted for almost 80% of the APP portfolio, and more than 95% of the PEPP portfolio. The principals of maturing securities under the PEPP will continue being reinvested at least until the end of 2024. The reduction of the APP portfolio at a measured and predictable pace began in March 2023, with the prin-

cipal payments from maturing securities no longer being reinvested in full. The reduction of the portfolio will average EUR 15 billion per month until the end of June 2023, and its subsequent pace will then depend on the macroeconomic situation.

The APP portfolio amounted to EUR 3,254 billion at the end of 2022, and the PEPP portfolio to EUR 1,681 billion.

The second step in monetary policy normalisation was embarking on interest rate hikes. All three key ECB interest rates were raised by 50 basis points in July of last year, taking the deposit facility rate to zero, the main refinancing operations rate to 0.50% and the marginal lending facility rate to 0.75%. This rise saw the deposit facility rate leave negative territory for the first time since June 2014. This was also the first ECB interest rate rise in 11 years. The inflation forecasts dictated further interest rate rises over the remainder of 2022. The ECB's key interest rates were raised by 75 basis points on each occasion in September and October, and by a further 50 basis points in December. This brought the total rise in the ECB's key interest rates in 2022 to 250 basis points, taking the deposit facility rate from -0.50% at the beginning of the year to 2.00% at the end of the year. The rises continued in the early part of 2023.

Given the need to align the terms of all monetary policy instruments with the monetary policy normalisation, the terms on the third series of targeted longer-term refinancing operations were modified in October.¹³ At the outbreak of the pandemic the favourable interest rate on the TLTRO-III ensured the maintenance of favourable financing conditions for businesses and households, thereby playing a key role in mitigating the deflationary risks. Given the change in circumstances, i.e. the sharp rise in inflation in 2022, the remuneration terms of the TLTRO-III over the remaining period until maturity were adjusted. This means that the rise in monetary policy interest rates can be transmitted more strongly into interest rates on bank loans, and the tighter financing conditions can contribute to lowering inflation. Given the change in terms, banks were offered additional dates for voluntary early repayment. The stock of the TLTRO-III at Eurosystem level amounted to EUR 1,318 billion at the end of 2022, down EUR 880 billion on the end of 2021. Banks made early repayments in the amount of EUR 826 billion in 2022, while two operations in the amount of EUR 54 billion also matured. The stock of the TLTRO-III in Slovenia declined by EUR 1,592 million in 2022 to EUR 771 million at the end of the year.

The ECB opted to put the Transmission Protection Instrument in place in July to ensure monetary policy transmission. Under the TPI the Governing Council of the ECB is able to activate asset purchases in a country where there would be an unwarranted deterioration in the financing conditions, i.e. not triggered by a deterioration in fundamentals. The TPI would ensure that monetary policy transmission remains smooth and homogenous across all euro area, which is a prerequisite for achieving price stability. There is no predetermined limit on the size of the asset purchases, but it would depend on the severity of the risks to monetary policy transmission. The purchases would focus on public-sector securities with a residual maturity of one to ten years. The countries will have to meet certain criteria testifying that they pursue sound and sustainable fiscal and macroeconomic policies. The purchases will be made in a way that has no impact on the monetary policy stance. To protect monetary policy

¹³ A series of ten credit operations with a three-year maturity, which banks were able to draw down between September 2019 and December 2021, with the option of early repayment.

transmission and maintain its homogeneity, a programme of outright monetary transactions (OMTs) has also been available since 2012 for countries facing specific circumstances, but it has so far not been used.

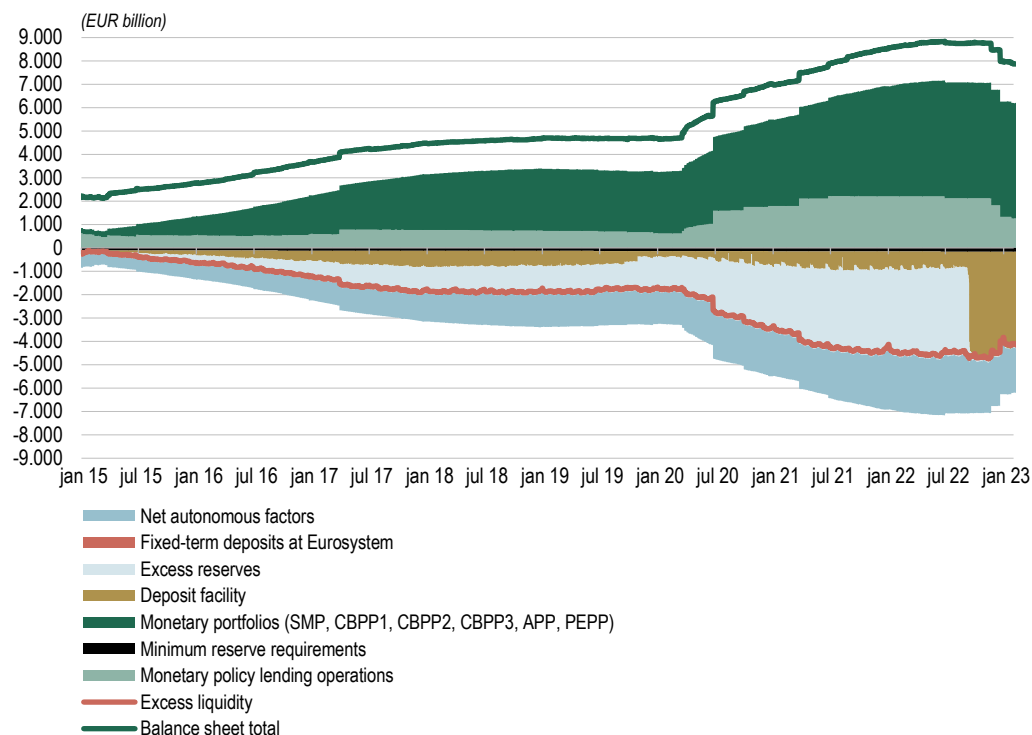
Flexibility of reinvestment under the PEPP and the TPI were safeguards of monetary policy transmission during the normalisation of the policy stance.

The TLTRO-III continued to account for the majority of monetary policy credit operations, as banks' participation in other operations was minimal. Euro area banks' borrowings averaged EUR 1.4 billion via main refinancing operations in 2022, and EUR 0.4 billion via the three-month longer-term refinancing operations. The final pandemic emergency longer-term refinancing operations (PELTRO), undertaken at the end of 2021, matured in January 2023. Demand from banks for borrowing in US dollars was modest in 2022: borrowings via seven-day operations averaged USD 0.2 billion. Slovenian banks did not participate in any of these operations in 2022.

Measures from April 2020 that increased the availability of eligible collateral for Eurosystem credit operations during the time of the pandemic have begun to be gradually withdrawn. The largest contributions to the increased availability of eligible collateral since 2020 came from a 20% reduction in collateral haircuts and the expansion of the use of additional bank loans. Half of the reduction in haircuts was phased out in July 2022, and the remainder will be phased out in June 2023. The temporary easing of certain technical requirements for the eligibility of ACCs was phased out in July, with the remainder scheduled for phase-out in March 2024. In addition Greek central government securities that do not satisfy the Eurosystem's minimum credit quality requirements will remain accepted as eligible collateral, for at least as long as reinvestments continue under the PEPP.

The pool of financial collateral in the Eurosystem declined in 2022 as a result of the reduction in the TLTRO-III. The pool of collateral amounted to EUR 2,342 billion at the end of 2022, down EUR 508 billion on a year earlier. The share of the pool of collateral that was unencumbered by credit operations increased from 22% to 43% over the course of the year. Slovenian banks' financial collateral held at Banka Slovenije amounted to EUR 3.5 billion at the end of 2022, of which 78% was unencumbered.

Figure 17: **Simplified
Eurosystem consolidated
balance sheet**



Note: The more negative the excess liquidity is, the larger it is.
Source: ECB

The discontinuation of net asset purchases under the APP and the PEPP in the second half of 2022 brought about an end to the expansion of the Eurosystem balance sheet, and increased voluntary repayments under the TLTRO-III reduced its total assets to EUR 7,956 billion by the end of the year (see Figure 17). Until the discontinuation of net asset purchases on 1 July 2022, the Eurosystem total assets were still expanding, reaching EUR 8,842 billion at the end of June. APP and PEPP credit operations accounted for 79% of the Eurosystem's total assets at the end of 2022 (compared with 81% at the end of 2021), of which 17% were monetary policy credit operations (26% at the end of 2021).

Excess liquidity¹⁴ declined by EUR 307 billion in 2022 to EUR 3,830 billion at the end of the year. Following the change in terms of the TLTRO-III, banks intensified their voluntary repayments, thereby reducing excess liquidity. Conversely, excess liquidity was increased from September onwards by the decline in net autonomous factors, most notably deposits by non-banking customers of the Eurosystem. The withdrawal of these deposits was moderate and measured, because the Eurosystem temporarily allowed these deposits to be remunerated at rates close to the market rates when the deposit facility rate turned positive in September. The ceiling for their remuneration was set at the €STR, the euro overnight benchmark rate, until 30 April 2023, and at the €STR minus 20 basis points after that date. Before the voluntary repayments were made under the TLTRO-III, excess liquidity peaked at EUR 4,748 billion on 14 November 2022. Excess liquidity also declined in the Slovenian banking system, by EUR 0.9 billion to EUR 8.5 billion, primarily as a result of voluntary repayments under the TLTRO-III.

¹⁴ Excess liquidity is the difference between total liquidity provided to the banking system, and the banks' liquidity needs. It is the sum of banks' reserves above the minimum reserve requirements, and the recourse to the marginal lending facility. The banks' liquidity needs are the sum of net autonomous factors and the minimum reserve requirements. Autonomous factors include issued banknotes, deposits by public-sector entities at the central bank, and financial assets of the central bank that are not a consequence of the implementation of monetary policy (e.g. foreign exchange reserves).

Primarily as a result of voluntary repayments under the TLTRO-III towards the end of the year, the Eurosystem total assets declined to approximately EUR 7,956 billion, and excess liquidity to approximately EUR 3,830 billion.

After 14 September, when the interest rate on the deposit facility turned positive, the banks resumed using this daily standing facility; the banks' excess reserves consequently declined (see Figure 17). Deposit facility averaged EUR 709 billion before 14 September, and approximately EUR 4,447 billion after that date (compared with EUR 700 billion in 2021). The money was moved into the deposit facility from the banks' excess reserves, where it was not remunerated: from a peak of EUR 3,888 billion before 14 September, the excess reserves had declined to EUR 47 billion by the final minimum required reserves maintenance period of 2022. Situation was similar in the Slovenian banking system: the banks made practically no use of the deposit facility before 14 September, and their excess reserves reached EUR 9.1 billion. After 14 September the deposit facility averaged EUR 7.3 billion, while excess reserves averaged just EUR 160 million in the final minimum required reserves maintenance period of 2022.

Given the positive interest rate on the deposit facility, the banks resumed its use as of September, and thus reduced their excess reserves.

The ending of the period of negative key interest rates at the ECB also brought about an end to the two-tiered remuneration of excess reserves. This system, under which average excess reserves up to the amount of six times the minimum reserve requirement were exempted from remuneration at the deposit facility's negative interest rate, was no longer needed once rates re-entered positive territory. The multiplier for the exemption was reduced to zero on 14 September.

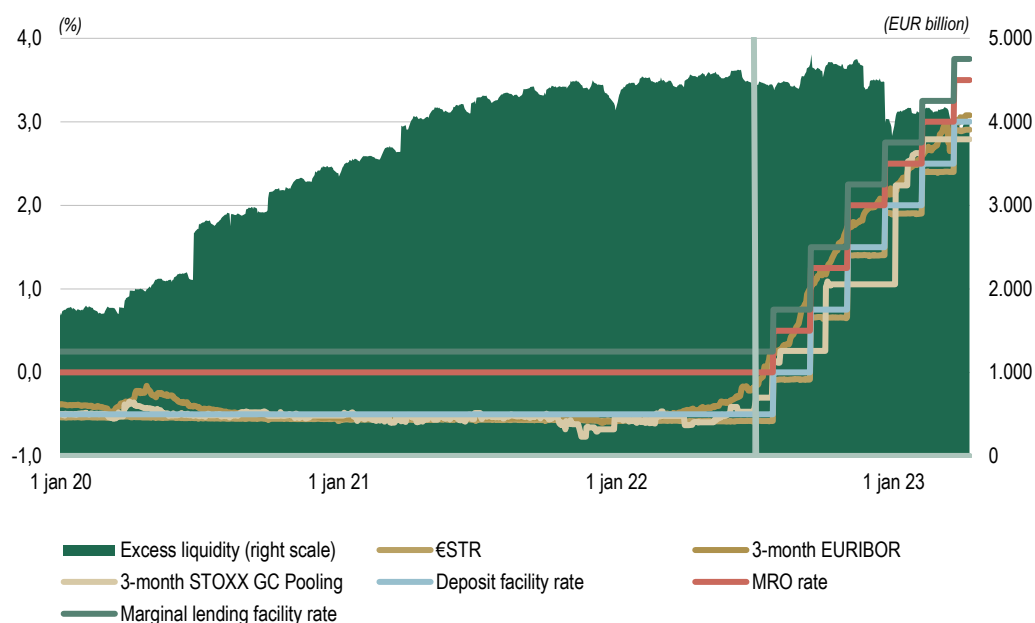
The remuneration of bank reserves at the Eurosystem in amounts up to the minimum reserve requirement was reduced on 21 December from the main refinancing operation rate to the deposit facility rate. The closer alignment with the market interest rate (the €STR was typically 10 basis points below the deposit facility rate) ensured remuneration neutrality.

The rises in the ECB's key interest rates were reflected on the money market, which is the first link in the monetary policy transmission chain, but the pace of the adjustment of market interest rates was not the same in all segments. The transmission of the rises in the ECB's key interest rates into the €STR, which is the price of overnight borrowing, was complete and immediate. The EURIBOR benchmarks, which have maturities ranging from one week to one year, were at shorter maturities slower to respond to the ECB's interest rate rises. This was attributable in part to the increased demand for short-term assets on the money market in an environment of high excess liquidity, the uncertainty surrounding the future level of the key interest rates, and the premium charged by the banks that accepted fixed-term deposits. The rise in the ECB's key interest rates was in certain cases also reflected with a lag in the repo market. Transmission into repo rates was impaired in the days immediately after September's interest rate rise, as a result of the expectation that in an environment of positive interest rates investors would largely invest their money in the repo market,

and the resulting expectations of a shortage of high-quality, liquid securities. The tensions proved to be temporary, as interest rates on the secured money market mostly normalised and adjusted to the new level of interest rates, while the adjustment to later rises in the key interest rates was quicker.

Another factor working to ensure adequate transmission into repo rates was the continued lending of securities purchased under the APP and the PEPP. The purpose of the lending is to maintain the liquidity of the secondary and repo securities markets, thus ensuring that the markets function smoothly despite the decline in the amount of bonds available to investors on account of the extensive securities purchases by the Eurosystem in previous years. In addition to other securities, cash was also accepted as collateral for loans of this type. The limit on cash collateral for securities borrowing was raised in November from EUR 150 billion to EUR 250 billion.

Figure 18: ECB interest rates, interbank money-market rates and excess liquidity in the euro area



Source: Bloomberg

Banka Slovenije as the lender of last resort

One of key objectives under the Bank of Slovenia Act is ensuring financial stability. Within this framework Banka Slovenije may act as a lender of last resort, i.e. to lend, in exchange for collateral, to a solvent bank or savings bank in liquidity distress. There was no demand for loans of this type in 2022.

3.3 Banking supervision

Our supervisory activities in 2022 focused on the following priority areas: credit risk management, information and communication technology, the identification of climate risks and environmental risks and the strategy for their management, and internal governance.

Microprudential supervision of significant banks is undertaken within the framework of the ECB (the SSM), while the less significant banks are supervised directly by us.

The objective of our supervisory activities is identifying risks in all areas of the operations of banks and savings banks (credit risk, liquidity risk, operational risk, capital risk, interest rate risk, profitability risk, internal controls, corporate governance, reputation, AML, etc.) **in timely fashion, and ensuring the stability of the banking system and the financial system through effective action.** Banka Slovenije is a member of the SSM, which is responsible for supervising significant banks and institutions (SIs) in the European banking union. In operational terms, this supervision is conducted via joint supervisory teams (JSTs).¹⁵ The national supervisory authorities, including Banka Slovenije, actively participate in all operational supervisory activities for all European SIs. The final supervisory decisions are taken for these banks within the framework of the ECB, while representatives of the ECB and the national supervisory authorities participate in the decision-making.¹⁶

The supervision of banks and savings banks that do not meet the criteria for being classed as significant institutions, i.e. less significant institutions (LSIs),¹⁷ is conducted by national supervisors, in accordance with national and EU legislation, having regard for the rules and methodology of the ECB and SSM. National supervisors regularly submit supervisory data for less significant institutions to the ECB, and inform it of the material findings of their supervision. Within the ECB we are endeavouring to standardise our supervisory approaches and practices by issuing joint supervisory standards and guidance in various areas. The national supervisory authorities may consult the ECB on the imposition of measures, but the final decision is our responsibility, other than in exceptional cases. These arrangements allow the ECB, when necessary, to take over the direct supervision of less significant institutions at the proposal of the national supervisor, at its own initiative in the event of the potential occurrence of a systemic crisis, or if the national supervisor is failing to conduct adequate supervision.

The list of significant and less significant institutions remained the same in 2022. The resolution procedure for Sberbank banka d.d. saw it acquired by NLB, and be renamed N Banka d.d. N Banka d.d. is a subsidiary of a significant institution, and thus remained a significant institution under ECB supervision.

¹⁵ The JST for each bank consists of a coordinator from the ECB, and members from the national supervisory authority and the ECB.

¹⁶ The ECB's most complex supervisory decisions are taken by the Governing Council.

¹⁷ Banks and savings banks are classed as less significant institutions (LSIs).

Table 1: **Significant banks and less significant banks (as at 31 December 2022)**

Significant banks (SIs)	Less significant banks (LSIs)
Nova Ljubljanska banka d.d.	SKB banka d.d., Ljubljana
Nova Kreditna banka Maribor d.d.	Deželna banka Slovenije d.d.
Gorenjska banka d.d., Kranj	Delavska hranilnica d.d., Ljubljana
UniCredit Banka Slovenija d.d.	Hranilnica Lon d.d., Kranj
Banka Intesa Sanpaolo d.d.	Primorska hranilnica Vipava d.d.
N banka d.d.	SID – Slovenska izvozna in razvojna banka*
Addiko Bank d.d.	
Banka Sparkasse d.d.	

Source: Banka Slovenije

* Has special status as a bank specialising in the promotion of exports and development. In accordance with the Slovene Export and Development Bank Act (the ZSIRB), supervision of SID banka is conducted by Banka Slovenije, the Insurance Supervision Agency and the Ministry of Finance within the framework of their remits.

Two branches of banks and banking groups of Member States (BKS Bank AG, bančna podružnica, and RCI Banque Societe Anonyme, bančna podružnica Ljubljana) were also operating in Slovenia at the end of the year.¹⁸

Microprudential supervision

The supervision takes the form of ongoing supervision, and on-site inspections at banks. The principal supervisory activities are defined annually for each bank on the basis of regulatory requirements, the supervisory manual and the supervisory priorities. In addition, we set out specific supervisory activities for each bank, thereby responding to a change in the bank's risk profile or changes in the banking system. This is a risk-based approach, where supervisory activities are focused on the most significant risks at each bank. The supervisory activities are also tailored to the current situation. Thus in early 2022 we adjusted the scope, timeframe and intensity of the planned activities to focus on the risks inherent in the war in Ukraine, including high inflation and the subsequent monetary policy response.

The main task of ongoing supervision is conducting the supervisory review and evaluation process (SREP) on an annual basis. Thematic reviews are also part of ongoing supervision, and are carried out simultaneously at all banks or within a group of banks. Thematic reviews are conducted in areas where the ECB assesses that elevated risks have arisen. Alongside thematic reviews, planned inspections of individual areas of risk are also conducted at banks. Supervisory measures are drawn up when breaches of regulations or deficiencies are identified.

¹⁸ Branches of banks of other EEA Member States in Slovenia:
<https://www.bsi.si/financna-stabilnost/subjekti-nadzora/kreditne-institucije-drzav-egp-v-sloveniji>

We set the following supervisory priorities in 2022, which also formed the starting point for the supervision of Slovenian banks:

- credit risk management:
 - monitoring of covid-vulnerable sectors;
 - adequacy of credit risk management (early warning of deterioration in asset quality, adequate creation of impairments);
 - management of exposure with high leverage;
- management of information and communications technology;
 - management of cyber risks and outsourcing;
 - digitalisation strategy;
- strengthened internal governance:
 - monitoring of actions of management bodies;
- identification and management of climate risks and environmental risks.

The SREP was conducted in its customary and full scope in 2022. The results of the SREP are broadly unchanged, and comparable to previous years. Although there was a post-pandemic recovery, we remained vigilant with regard to exogenous shocks resulting from the long-lasting effects of the pandemic and the war in Ukraine. The majority of the quantitative measures imposed within the framework of the SREP addressed deficiencies in the management of credit risk and operational risk, in internal governance, and in capital management. Measures to address climate risks and environmental risks were also imposed for the first time. For the first time the latter were also the subject of stress tests, which were conducted within the framework of the SREP (for more, see Section 4).

Despite the challenges posed by the pandemic and by the war in Ukraine, the banking system's capital adequacy proved to be appropriate and stable, although there is considerable variation from bank to bank. During the SREP we thoroughly reviewed the banks' dividend plans, and undertook supervisory dialogue with the banks whose plans were not commensurate with their risk profiles.

Following the sudden change in the geopolitical environment caused by the war in Ukraine and later the energy crisis, many supervisory activities in 2022 focused on assessing the vulnerability and resilience of the banks. We assessed the direct and indirect consequences of the war in Ukraine and the energy crisis. In this situation the key is for the banks to promptly identify vulnerable sectors and debtors, to understand how rising energy prices affect them, to monitor debtors, and to reclassify them promptly and appropriately if there are negative developments. The models that the banks use to estimate credit losses in uncertain conditions and changing macroeconomic circumstances (e.g. high inflation) are not working optimally, and are therefore in need of adjustment. The supervisory expectations in this connection were communicated to the banks within the framework of the ECB and Banka Slovenije. Given the uncertainty in the environment, signs of elevated credit risk remain, and therefore it will again be a key risk in regular bank supervision in 2023.

One thematic review was conducted in the area of credit risk at one of the significant banks, in the residential real estate segment. We focused on assessing any risks inherent in existing exposure, and deficiencies in risk management for new operations. The review was completed in 2023, and the findings will be incorporated in the SREP 2023.

Two in-depth inspections were also conducted in the area of credit risk: the first related to the use of the unlikelihood to pay assessment in the definition of borrower default, and the second to the assessment of the adequacy of impairments created in Stage 3 under IFRS 9.

Targeted analysis of the effectiveness and diversity of the management body was also conducted at one of the significant banks. The findings will be incorporated in the SREP 2023.

The supervisory priorities also included addressing the challenges posed to banks by the digital transformation. The focus in banking supervision was on assessing the banks' ability to develop and implement digital strategies suitable for strengthening the long-term viability of their business models, and prudently managing the associated risks. The aim was also to improve the supervisory understanding of the development of the market, and to keep pace with the fast-evolving technological environment. Banks were invited to complete a survey on the digital transformation and the use of fintech. A number of supervisory activities will again focus on this area in future years.

Following the publication of the ECB Guide on climate-related and environmental risks in November 2020, we began conducting a range of supervisory activities to assess the banks' capacity to manage climate risks and environmental risks, and to speed up the alignment of banking practices with supervisory expectations. Following the review of the banks' self-assessments and implementation plans in 2021, a thematic review was conducted within the framework of the ECB in 2022, in which three Slovenian banks were included. The thematic review assessed the soundness and comprehensiveness of the banks' key policies and procedures, and their ability to effectively oversee climate and environmental risk strategies and risk profiles. Overall progress was identified in the evolution of practices relative to the supervisory assessment from 2021, but the banks will have to invest still more effort to align themselves with supervisory expectations. The banks have put in place a framework for addressing climate risks and environmental risks, but the approaches used still lack methodological integrity, the use of detailed information about climate risks and environmental risks, and active portfolio and risk profile management. Letters with recommendations and deadlines for rectifying the deficiencies were issued to banks. We will follow up on the rectification of the deficiencies.

Based on their own self-assessments, we also assessed the less significant banks' readiness to identify and manage climate risks and environmental risks. Our findings were that the less significant banks are aware of the aforementioned risks, but there is still much room for progress, for which reason we issued them with letters with guidance for improvements in this area. This year we will follow up on their progress.

In the area of climate risks and environmental risks, we also assessed the adequacy of disclosure of these risks at the significant banks in 2022. Our findings were that the banks have begun to disclose more information in connection with climate risks and environmental risks, but the disclosures do not yet comply with supervisory expecta-

tions. In early 2023 the banks received follow-up letters with recommendations in connection with regulatory requirements in the area of disclosures, and we will regularly follow up on progress in this area and the adequacy of disclosures.

Three planned inspections were conducted at significant banks, in the areas of credit risk and internal governance. Two inspections in the area of credit risk by teams of supervisors from Banka Slovenije and foreign supervisory institutions were also begun in late 2022. An inspection of compliance with the Regulation on macroprudential restrictions on consumer lending was also conducted at two significant banks.

Seven planned prudential inspections were conducted at less significant banks: four in the area of credit risk, two in the area of interest rate risk and liquidity risk, and one in the area of operational risk. A thematic review of cyber risk was also conducted, and involved four less significant banks.

Supervisors were also involved in three inspections of significant banks outside Slovenia within the framework of JSTs inside the SSM. One inspection was conducted in the Netherlands in the area of credit risk, one in Greece in the area of liquidity risk, and one in France in the area of operational risk.

We also issued various authorisations within the framework of our prudential supervision, in connection with exemption from large exposure requirements, the inclusion of interim profit and negative goodwill in common equity, the inclusion of capital instruments in the calculation of Tier 2 capital and additional Tier 1 capital, the acquisition of a qualifying holding, exemption from approval of a financial holding company, the use of material changes to an IRB model for credit risk, and expansion of the use of a PD model.

The supervisory findings are an important outcome of regular supervisory activities, and reflect deficiencies that the banks must rectify. The largest number of irregularities identified in 2022 related to the management of climate risks and environmental risks, which is to be expected, given that the aforementioned risks were one of the key supervisory priorities, and there was more activity in this very area during the year.

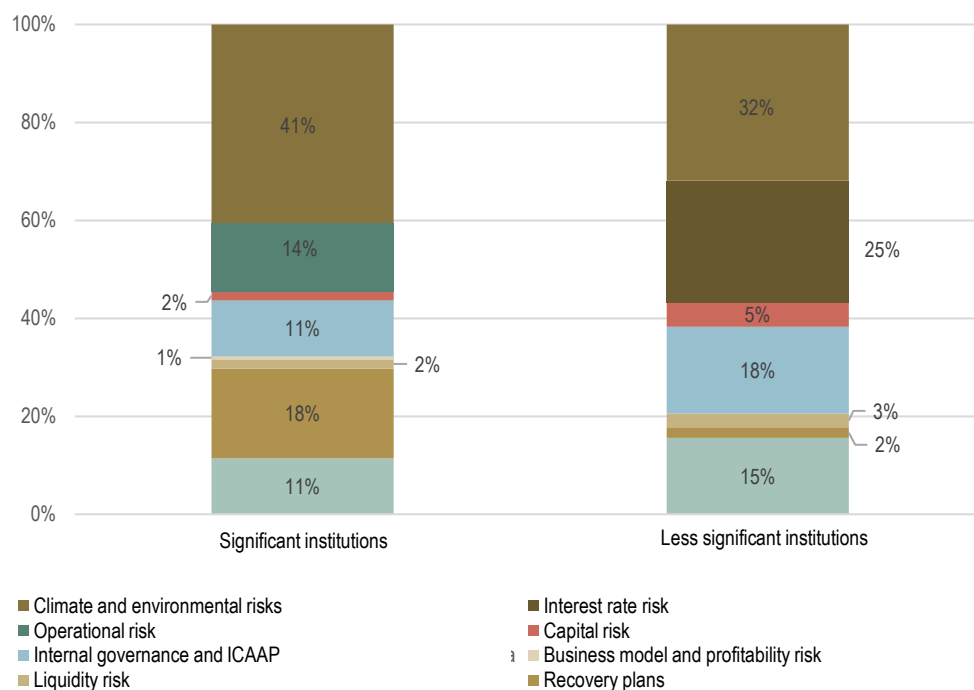
A total of 158 irregularities and deficiencies were identified in the supervision of significant banks in 2022; alongside the aforementioned climate risks and environmental risks, the largest number of irregularities were identified in the areas of the recovery plan, operational risks, credit risk and internal governance (see Figure 19).

The majority of the findings have a low or medium impact on the financial position, level of capital, internal governance, and risk management and internal controls at banks, for which reason we imposed measures on the banks in question in the form of a letter with recommendations (see Table 2).

A total of 141 irregularities and deficiencies were identified in the supervision of less significant banks, mostly in the areas of climate risks and environmental risks, internal governance, interest rate risk and credit risk. A number of the identified irregularities were rectified in 2022, and we will follow up on the rectification of the others in 2023.

The majority of the findings have a low or medium impact on the financial position of the banks in question.

Figure 19: Breaches identified at banks and savings banks in 2022, by risk category



Source: Banka Slovenije

Table 2: Supervisory measures imposed on banks and savings banks in 2022

Type of measure	Number of measures imposed at significant institutions	Number of measures imposed at less significant institutions
Decision with supervisory measures	6	7
Follow-up letter with recommendations	14	8
Order on rectification of breaches	0	4
Post-inspection letter	2	7
Declaratory decision on rectification of breaches	0	2
Order to dispose of shares	0	0
Decision imposed on ineligible holder of qualifying holding	0	3
Decision to initiate procedure to revoke authorisation to perform function on management body	0	0

Source: Banka Slovenije

Supervisory measures are imposed on significant banks by the ECB. The most common forms of measures are the operational act and the letter with recommendations. The more important measures are imposed in the form of a decision, which is a legally binding act. Six measures in the form of decisions were imposed on significant banks in 2022.

Supervisory measures are imposed on less significant banks by Banka Slovenije. The more important measures imposed on banks and savings banks, members of their management bodies, and shareholders are issued in the form of the binding legal acts set out by the Banking Act, i.e. in the form of orders and decisions.

Supervision of the two branches of foreign banks and banking groups of Member States (one from Austria and one from France) is conducted via regular reports, requests for additional clarifications, and monitoring of the liquidity position. No measures were imposed on the branches in 2022.

In contrast to prudential supervision, non-prudential supervision is exclusively the responsibility of Banka Slovenije. The central focus is anti-money laundering and countering the financing of terrorism (AML/CFT), which in addition to banks and savings banks covers other entities supervised by Banka Slovenije in accordance with the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-2), namely payment institutions, electronic money institutions, currency exchange operators, and entities engaged in virtual currency activities. Alongside the AML/CFT activities, other supervisory activities in 2022 were conducted in connection with consumer lending in accordance with the Consumer Credit Act (ZPotK-2), having regard for the Act Governing Restrictive Measures Introduced or Implemented by the Republic of Slovenia in Compliance with Legal Instruments and Decisions Adopted by International Organisations (ZOU PAMO) and the relevant EU regulations. The latter area gained completely new dimensions on account of the war in Ukraine. In accordance with Article 269 of the ZBan-3, Banka Slovenije operates a whistleblowing system.

The following activities were carried out in the area of AML/CFT:

Inspections

In accordance with the guidelines of the European supervisory authorities in favour of risk-based supervision, Banka Slovenije conducted 11 inspections and packages of supervisory activity in 2022, and participated in seven supervisory colleges in the area of AML/CFT. Supervisory activities in connection with entities engaged in virtual currency activities were further strengthened in 2022.

Drafting of regulations

Updated Banka Slovenije Guidelines on the assessment of the risk of money laundering and terrorist financing were issued on the basis of the new ZPPDFT-2 in 2022, and Banka Slovenije also participated in the drafting of the corresponding secondary legislation, and issued numerous opinions and clarifications with regard to the implementation of the legal requirements and the issued guidelines. We also adopted a series of updated and new EBA guidelines (Guidelines on risk-based supervision, Guidelines on the role and responsibilities of the AML/CFT compliance officer, Guidelines on cooperation and information exchange between prudential supervisors, AML/CFT supervisors and financial intelligence units under Directive 2013/36/EU).

International cooperation

Our international cooperation in 2022 saw us again step up our attention to AML/CFT issues, which has been reflected in a rise in the number of international activities in which Banka Slovenije participates via various bodies (EBA [AML/CFT standing committee], ECB, European Commission, Council of Europe [Moneyval], OECD). We are also continuing to work on coordinating a new EU legislative package in the area of AML/CFT.

Other activities

Banka Slovenije's other activities included being actively involved in the entry into force of the new ZPPDFT-2, and addressing undesirable distortions on the market and proposals from supervised entities to amend legislation to ensure a level playing field. As a supervisor in the AML/CFT area, we regularly cooperate with prudential supervisors, and the information exchanged within the framework of AML/CFT is included in the

assessments in licensing procedures and in the F&P assessment of the members of management bodies. Banka Slovenije collaborated with the Jožef Stefan Institute on the Infinitex international project to develop a platform for conducting supervision in the area of AML/CFT more effectively, including using technology for processing large volumes of data.

In the area of bank compliance with the ZPotK-2, which governs consumer credit, four inspections and packages of supervisory activity were conducted in 2022, and a good deal of activity was focused on enforcing changes at banks and savings banks with regard to refunding of early repayment charges paid in the past. Banka Slovenije is continuing to monitor the coordination of changes to the EU consumer credit directive and the directive on financial services contracts concluded at a distance, and the revision to the mortgage credit directive, and is working with the Ministry of the Economy, Tourism and Sport, the Market Inspectorate, the Consumer Association of Slovenia, the European Commission and bodies of the EBA.

The war in Ukraine meant that one feature of 2022 was a number of new international restrictive measures imposed against Russia and Belarus, which was reflected in a sharp increase in Banka Slovenije's activities in this area. Our greatest focus was on the preventive and advisory functions. To ensure effective communication with supervised entities, to inform them of their new or modified obligations, and to improve understanding of the substance of the restrictions, we sent several informative letters to supervised entities in 2022, and created a new section of the Banka Slovenije website on financial restrictive measures and set up an email address for supervised entities' questions. We also collaborated on several workshops and consultations.

Inspections at supervised entities are still mostly conducted within the framework of comprehensive inspections in the area of AML/CFT, but additional supervisory activities were also introduced because of the elevated risk of potential breaches of applicable restrictive measures and the need for a comprehensive overview of the situation.

We were also involved in legislative activities at the national and EU levels (the new ZOUPAMO, the EU legislative proposal on instant payments, proposals for potential national restrictive measures). Given the fast pace of change and the complexity of the new restrictive measures, mutual cooperation with competent national authorities was strengthened in 2022, for which reason we actively participated on the standing coordination group for restrictive measures headed by the Ministry of Foreign and European Affairs, and its financial restrictive measures subgroup, which works under the aegis of the Ministry of Finance. Together with other supervisory authorities, we also provide relevant data on the implementation of financial restrictive measures to the European Commission.

Licensing and notification procedures

Banka Slovenije grants authorisations in accordance with the ZBan-3, the EMIR, the ZPlaSSIED, Commission Delegated Regulation (EU) 2018/389, the ZDP-2, the CRR and the ZPotK-2. We are also responsible for processing notifications under the ZBan-2 and the ZPlaSSIED, and conducted 69 procedures in accordance with the ZBan-2, the EMIR, the ZPlaSSIED and the CRR in 2022. Of these, 68 ended with an authorisation being granted, while the remainder were halted, withdrawn, or remained unfinished at the end of the year and were deferred until 2023. The ratio of applications received to authorisations granted is 0.8, because in some cases Banka Slovenije grants several authorisations within the framework of a single procedure.

We issued 30 decisions to revoke authorisations in 2022: 23 for performing the function of a member of the management body of a bank, one for providing financial services, four for acquiring an indirect qualifying holding, and two for providing currency exchange operations.

Banka Slovenije is also responsible for processing notifications under the ZBan-3, the ZPotK-2 and the ZPlaSSIED. In 2022 we received 100 notifications of the direct provision of services in Slovenia by banks of Member States, notifications of the cross-border provision of consumer credit intermediation services for real estate, and notifications of the provision of payment services in Slovenia by payment institutions of Member States, and the provision of electronic money issuance services and payment services by electronic money institutions of Member States. One bank established in Slovenia notified us of the direct provision of services in another Member State in 2022.

3.4 Macroprudential policy

Macroprudential policy is used to identify, monitor and assess systemic risks to financial stability with the aim of safeguarding and maintaining the stability of the entire financial system.¹⁹ The ultimate objective of macroprudential policy is ensuring that the financial sector makes a lasting contribution to economic growth. EU Member States have a number of macroprudential instruments at their disposal that can be used and tailored with regard to the systemic risks identified. Macroprudential instruments can broadly be divided into capital-based measures, borrower-based measures, and liquidity-based measures. The capital-based measures are designed to build the banking system's resilience, while the borrower-based measures put minimum credit standards in place and can limit excessive credit growth. Certain macroprudential instruments are used in the same form across EU Member States, while other instruments might differ and are formulated with regard to the specifics of the individual banking system or with regard to systemic risks.

Macroprudential policy in Slovenia is formulated by the Financial Stability Board.

Banka Slovenije is responsible for the development and implementation of macroprudential measures for the banking sector and for leasing companies. The legal basis for the implementation of macroprudential policy consists of the Capital Requirements Regulation (CRR), the Banking Act (ZBan-3) and the Macroprudential Supervision of the Financial System Act (ZMbNFS).

The process of drawing up and implementing macroprudential policy can be divided into four interconnected phases:

1. identifying systemic risks and assessing their level;
2. selecting and calibrating the macroprudential instrument;
3. implementing the macroprudential instrument;
4. evaluating the macroprudential policy and the macroprudential instrument.

Banka Slovenije assesses the level of systemic risks on the basis of tools for monitoring financial stability. Systemic risk is defined as the risk of disruptions in the financial system that could have serious adverse effects on the functioning of the financial system and the real sector. Banka Slovenije regularly publishes its assessment of systemic risks in the Financial Stability Review and in other publications. Banka Slovenije has developed a suite of indicators to monitor the evolution of systemic risks and to evaluate the attainment of individual intermediate macroprudential policy objectives.

¹⁹ Article 2 of the Macroprudential Supervision of the Financial System Act (Official Gazette of the Republic of Slovenia, No. 100/13).

They include:²⁰

- to mitigate and prevent excessive credit growth and excessive leverage;
- to mitigate and prevent excessive maturity mismatch and market illiquidity;
- to limit direct and indirect exposure concentrations;
- to limit the systemic impact of misaligned incentives with a view to reducing moral hazard;
- to strengthen the resilience of financial infrastructures.

If the level of systemic risks is assessed as elevated or there is a risk of the intermediate macroprudential policy objectives not being attained, Banka Slovenije can opt to impose macroprudential measures. The selection and calibration depend on the level and source of risk, and follow the principles described in the Strategic Framework for Macroprudential Policy.

Once selected and calibrated, the instrument is implemented and subjected to assessments of its effectiveness. A macroprudential measure is successful if it contributes to the attainment of the intermediate macroprudential policy objectives, and indirectly helps to reduce systemic risks.

Implemented macroprudential measures may also have adverse cross-border effects, and can be the subject of avoidance. This makes cross-border cooperation extremely important. The ESRB is involved in the coordination of macroprudential policy at the European level. It is also responsible for issuing recommendations on the reciprocity of macroprudential measures. It can issue recommendations and warnings to national macroprudential authorities and other European bodies.

²⁰ The intermediate macroprudential policy objectives are defined in the Strategic Framework for Macroprudential Policy at Banka Slovenije, and are aligned with Recommendation ESRB/2013/1.

Table 3: Banka Slovenije macroprudential measures valid in 2022

Macroprudential measure	YEAR OF INTRODUCTION / change ²¹	Type	Intermediate objective	Assessment of achievement of objective
Macroprudential restrictions on household lending (LTV, DSTI, caps on maturity)	2016*/2018**/2019***2020****/2022*****	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	Growth in consumer loans has slowed, and credit standards have improved in the approval of consumer loans and housing loans
O-SII buffer	2016	BINDING	To limit the systemic impact of misaligned incentives with a view to reducing moral hazard	Higher resilience as a result of higher requirements for common equity Tier 1 capital, which was not binding on the banks
Countercyclical capital buffer (CCyB)	2016/2022*****	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	The buffer rate was raised to 0.5% on account of the state of the credit cycle and financial cycle. Banks have to meet the requirement as of 31 December 2023
Sectoral systemic risk buffers	2022*****	BINDING	(a) to mitigate and prevent excessive credit growth and excessive leverage (b) to limit direct and indirect exposure concentrations	Assessment not yet available

Source: Banka Slovenije

* A recommendation with regard to LTV and DSTI was introduced in 2016 for housing loans.

** In 2018 the macroprudential recommendation was extended to consumer loans, to which a cap on maturity also applied alongside the cap on DSTI.

*** The caps on DSTI and maturity became a binding macroprudential instrument in 2019.

**** In response to the Covid-19 pandemic, adjustments were made to the cap on DSTI in 2020, allowing the banks under certain conditions to exclude the temporary loss of income during the pandemic when calculating DSTI.

***** Additional changes to the existing restrictions on household lending entered into force on 1 July 2022.

***** At the end of 2022 the Governing Board of Banka Slovenije approved a rise in the countercyclical capital buffer rate from zero to 0.5%, with the banks obliged to meet the requirement as of 31 December 2023.

***** The two sectoral systemic risk buffers were introduced in 2022, and entered into force on 1 January 2023.

Macroprudential policy was adjusted in 2022 with regard to systemic risks identified in the Slovenian financial system. The suite of macroprudential measures was reduced from six in 2021 to four last year, the countercyclical capital buffer rate was raised, and the existing macroprudential measure restricting consumer lending was adjusted, and augmented with the introduction of two sectoral systemic risk buffers.

The Regulation on macroprudential restrictions on consumer lending (Official Gazette of the Republic of Slovenia, No. 60/22) was adopted in May 2022 to replace the Regulation on macroprudential restrictions on household lending (Official Gazette of the Republic of Slovenia, Nos. 94/19, 75/20 and 60/22). The new regulation brought several changes and updates to improve accessibility to loans. The most important change was an adjustment to the allowed exemptions from the cap on DSTI: since the change the banking system has been able to approve loans that do not meet the condition that after meeting all repayment obligations the consumer must be left with at least 76% of the gross minimum wage plus any amount required for family dependants. The recommended LTV was also changed, in light of the high growth in residential real estate prices. It was reduced from 80% to 70%, except for buyers purchasing their primary residence.

Two sectoral systemic risk buffers were introduced as part of the same package of macroprudential measures. The sectoral exposures that are subject to capital requirements in the amount of 1% and 0.5% respectively are all retail exposures to nat-

²¹ Cites the year when the measure entered into force.

ural persons secured by residential real estate, and all other exposures to natural persons. The two buffers largely address risks defined when the new regulation was adopted. The calibration based on the simulation of banks' potential losses in the event of the realisation of the risks set the two buffer rates at 0.5%. The rate for exposures secured by real estate was additionally raised to 1% in reflection of the additional capital requirements for covering the risks identified in the residential real estate market.²² The sectoral systemic risk buffers do not address broader cyclical risk, as defined in Article 232 of the ZBan-3 (and Article 130 of the CRD), which defines the use of the countercyclical capital buffer, even though the cyclical element of the risk inherent in the real estate market is part of broader cyclical risk.

The countercyclical capital buffer rate for exposures to Slovenia was raised in the second half of the year. Cyclical risks increased in Slovenia in 2022 on account of the sustained high growth in residential real estate prices, the strengthened growth in lending to the private non-financial sector, and the huge uncertainty in the macroeconomic environment. Similarly to numerous other countries in the EEA, we therefore raised the countercyclical capital buffer for exposures to Slovenia from zero to 0.5% of the total risk exposure amount. Banks must meet the countercyclical capital buffer requirement as of 31 December 2023.

Certain banks are classed as systemically important because of their size, their interconnectedness with other financial institutions and the real sector, the complexity of their business model, and the size of their cross-border activity. These institutions are required to meet the O-SII buffer to increase resilience.²³ The buffer rate is determined once a year with regard to the aforementioned attributes. Banks are granted a transitional period to build up to any changes in the buffer rate. The table illustrates the O-SII buffer rates that the six banks identified as such were required to meet in 2022.

Table 4: O-SII buffer rates to be met by banks in 2022

Bank	Capital buffer rate
NLB d.d.	1.25%
Nova KBM d.d.	0.50%
SID banka d.d., Ljubljana	0.25%
SKB d.d.	0.25%
UniCredit Banka Slovenija d.d.	0.25%
Banka Intesa Sanpaolo d.d.	0.25%

Source: Banka Slovenije

²² For more on the risk analysis based on which the sectoral systemic risk buffers were introduced, the reasoning for setting the rates, and the effects of the instrument, see the section entitled *Macroprudential policy for the banking system and leasing companies* in the *May 2022* issue of the *Financial Stability Review*.

²³ The methodology is explained in detail on the Banka Slovenije website.

3.5 Bank resolution and the deposit guarantee scheme

The area of bank resolution and deposit guarantees is regulated by several EU legal acts. Directive 2001/24/EC²⁴ of the European Parliament and of the Council on the reorganisation and winding up of credit institutions was adopted on 4 April 2001, and Directive 2014/59/EU²⁵ establishing a framework for the recovery and resolution of credit institutions and investment firms was adopted on 15 May 2014. A key role in bank resolution is played by the resolution authorities responsible for using the resolution instruments and exercising powers of resolution. An important innovation within this framework came with Regulation (EU) No 806/2014²⁶ of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund. The key EU legal act in the area of deposit guarantees is Directive 2014/49/EU²⁷ of 16 April 2014, which sets out the rules and procedures in connection with the establishment and functioning of deposit guarantee schemes.

Bank resolution

Under the Resolution and Compulsory Winding Up of Banks Act²⁸ (ZRPPB-1), we exercise the powers and tasks of the designated national resolution authority. The aforementioned law transposes Directive 2001/24/EC and Directive 2014/59/EU into Slovenian legislation. The ZRPPB-1 regulates the responsibilities and procedures implemented by Banka Slovenije in exercising the powers and tasks of the bank resolution authority, bank resolution planning, resolution proceedings and powers in connection with the use of resolution measures, and procedures for the compulsory winding up of banks (compulsory liquidation and bankruptcy). The objectives of bank resolution are, through the use of resolution measures, to ensure the continuing implementation of critical functions, to prevent a serious adverse impact on financial stability, to protect public resources, to protect depositors whose deposits are covered, and investors in terms of guaranteed claims, and to protect the assets and resources of customers. The Single Resolution Board was established by Regulation 806/2014/EU.²⁹ Under the ZRPPB-1 and Regulation 806/2014/EU, Banka Slovenije exercises powers and tasks in connection with resolution, other than the powers and tasks for which the Single Resolution Board is responsible in accordance with Regulation 806/2014/EU.

Banka Slovenije exercises the powers and tasks of the designated national resolution authority.

In March 2022 we participated in the resolution proceedings for Sberbank banka, which was part of the Sberbank Europe Group. These was the first bank resolution proceeding in Slovenia since the establishment of the Single Resolution Mechanism at Banking Union level in 2014.

²⁴ OJEU, L 125, 5 May 2001, pp. 15-23, with amendments.

²⁵ OJEU, L 173, 12 June 2014, pp. 190-348, with amendments.

²⁶ OJEU, L 225, 30 July 2014, pp. 1-90, with amendments.

²⁷ OJEU, L 173, 12 June 2014, pp. 149-178, with amendments.

²⁸ Official Gazette of the Republic of Slovenia, No. 92/21.

²⁹ The aforementioned solution maintained financial stability in Slovenia without burdening other banks or taxpayers. The system arrangements were also clarified at that time. For more on the Single Resolution Board, see Section 3.1 (Banka Slovenije's mandate and institutional framework).

Following the outbreak of the Russian military aggression against Ukraine, banks under Russian ownership, including the aforementioned banking group, very quickly faced a loss of confidence and liquidity difficulties. After the banking group's declaration that it was failing or likely to fail, SRB as the competent resolution authority took the decision to resolve Sberbank banka in Slovenia. In accordance with Regulation 806/2014/EU we took the requisite implementing decision on resolution measures. The resolution proceedings were successfully concluded with the sale of the bank to Nova Ljubljanska Banka. This ensured that the bank was able to continue operating without disruption, and maintained financial stability in Slovenia, without burdening other banks or the tax-payers.

In addition to implementing a resolution measure, in 2022 Banka Slovenije also focused on updating the resolution plans setting out measures for resolution or compulsory wind-up that could be implemented at banks should they fail. To this end Banka Slovenije independently draws up resolution plans for all banks under our remit, and participates in the SRB's internal resolution teams in creating and updating the resolution plans of systemic banks and international banking groups operating in Slovenia. The SRB is responsible for drawing up resolution plans for banks and banking groups that are under the direct supervision of the ECB, and for all banking groups that pursue cross-border activities. In 2022 these included NLB, NKBM, Gorenjska banka, UniCredit, Intesa Sanpaolo, Sparkasse, Addiko and N Banka.³⁰ The drafting of the resolution plans for banks under the remit of the SRB is undertaken by internal resolution teams in cooperation with the national resolution authorities of the countries of the banking union where individual members of the banking group have a presence. Participation in internal resolution teams is via document exchange, regular teleconferences and meetings. Banka Slovenije is responsible for drawing up resolution plans for all banks that do not fall under the remit of the SRB. In 2022 these were Deželna banka Slovenije, Delavska hranilnica, Hranilnica Lon and Primorska hranilnica Vipava. In drawing up a resolution plan for SKB banka, part of the OTP Group, Banka Slovenije collaborates with the Hungarian National Bank, which is the resolution authority for the aforementioned group.

The Single Resolution Fund was established by Regulation 806/2014/EU. The SRF is owned by the SRB, which also manages the fund. The SRB only uses the SRF for the purposes of ensuring the efficient application of resolution tools and the exercise of resolution powers, in line with the objectives of resolution and the principles governing resolution set out by Regulation 806/2014/EU. The SRF is being built up in accordance with the rules for pooling contributions collected at national level, as set out in the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund.³¹ The target level of the SRF is available financial assets in the amount of at least 1% of covered deposits of all credit institutions authorised in all participating Member States, by 1 January 2024.

The total size of the SRF had reached EUR 63.6 billion following the contributions made in 2022. The total contributions to the SRF in 2022 amounted to EUR 13,670 million, of which Slovenian banks contributed EUR 11.0 million.³²

The SRF has not been activated since its establishment.

³⁰ Formerly Sberbank banka Slovenija.

³¹ Act Ratifying the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund (Official Gazette of the Republic of Slovenia [International Treaties], Nos. 15/15 and 15/15 [corrigendum]).

³² A detailed breakdown of the contributions to the SRF by country is available on the SRB website.

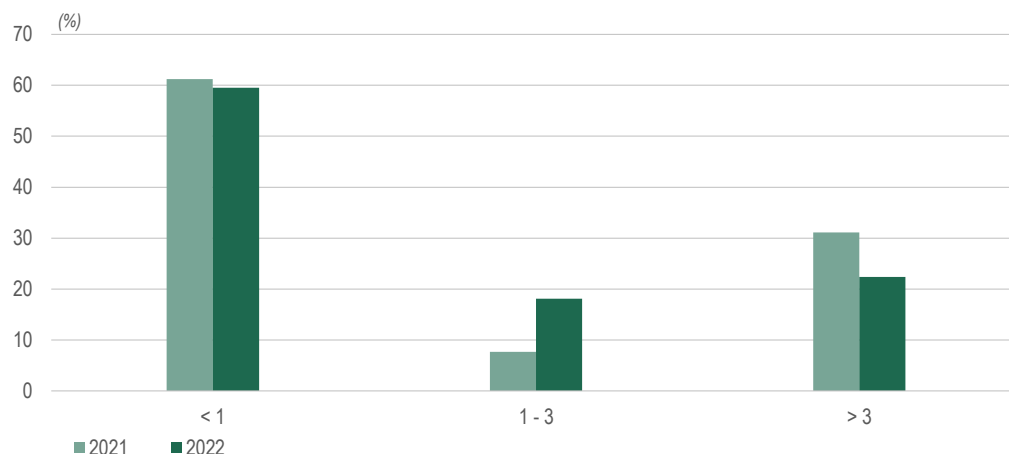
Since the end of March 2015 Banka Slovenije has managed a bank resolution fund, which was established pursuant to the Bank Resolution Authority and Fund Act.³³ The fund is designed for financing the compulsory wind-up measures under the ZRPPB-1 that can be imposed on banks by Banka Slovenije. The compulsory wind-up procedure is a procedure for winding up a bank as a legal entity, which is conducted by Banka Slovenije to close the bank as a business and to repay its liabilities to creditors under contracts for providing the banking services, financial services and ancillary financial services that the bank provided on the basis of its authorisation to provide services in accordance with the law governing banking. The target level of the fund's assets is 2.3% of the sum of all covered deposits in Slovenia as at 30 September 2014, whereby assets in the amount of 1.3% of the sum of all covered deposits is provided via the payment of initial participation, while 1% of the sum of all covered deposits is provided by banks in the form of liquid assets pledged as collateral for the extraordinary cash contributions.

Banka Slovenije manages Slovenia's bank resolution fund.

To reduce management costs, the assets of the bank resolution fund are managed by Banka Slovenije together with the assets of the deposit guarantee fund. The bank resolution fund and the deposit guarantee fund have a share of the joint fund (the resolution and deposit guarantee fund) that is proportional to their respective holdings of the pooled assets. Banks paid initial contributions to the bank resolution fund in the amount of EUR 191.1 million in March 2015.

The joint fund invests its assets in highly liquid government, regional, agency and corporate debt instruments, generally restricting its investments to those with an internal Banka Slovenije rating of at least A-. Instead of being invested in short-term deposits, the assets of the joint fund were again left in an account at Banka Slovenije in 2022, as this was still the best-yielding alternative. The joint fund reduced its interest rate exposure (modified duration) to well below the upper limit, in the expectation of rises in the ECB's key interest rates and the consequent rise in market interest rates. The maturity breakdown is as follows: 60% of the joint fund's assets are in the bucket of up to one year, 18% in the bucket of one to three years, and 22% in the bucket of more than three years.

Figure 20: **Maturity breakdown of joint fund assets**



³³ Official Gazette of the Republic of Slovenia, Nos. 97/14, 91/15, 44/16 [ZRPPB] and 27/17.

The bank resolution fund's assets under management amounted to EUR 182.4 million at the end of 2022, while the value of the joint fund was EUR 330.6 million. The bank resolution fund's operating result was a net loss of EUR 8,475,629 in 2022, while the joint fund recorded a net loss of EUR 14,221,754, primarily on account of the general rise in the market yields of German government bonds and credit premiums in 2022. Its performance is disclosed in detail in its annual report.³⁴

The bank resolution fund will cease to exist on 31 December 2024. The bank resolution fund has not been activated since its establishment.

Deposit guarantee scheme

As the deposit guarantee authority, Banka Slovenije exercises powers and tasks in connection with the deposit guarantee scheme in Slovenia in accordance with the Deposit Guarantee Scheme Act³⁵ (the ZSJV). The aforementioned law transposes Directive 2014/49/EU into Slovenian legislation. The ZSJV stipulates that Banka Slovenije establishes and operates a deposit guarantee scheme to guarantee a depositor's deposits in the event of the unavailability of deposits at a bank. The deposit guarantee is enforced by means of the pay out of covered deposits to depositors, or through other measures by which depositors' access to covered deposits is maintained in the event of the bank's resolution or compulsory wind-up. Deposits at each bank or savings bank established in Slovenia are guaranteed up to the value of EUR 100,000 on the basis of the ZSJV. The deadline for paying out covered deposits in 2022 was ten business days from the publication of Banka Slovenije's decision on the unavailability of deposits (it is ten business days for a transitional period between 1 January 2021 and 31 December 2023, and seven business days as of 1 January 2024).

Banka Slovenije exercises the powers and tasks of the national deposit guarantee authority.

In 2022 Banka Slovenije continued its periodic testing of the capture of data on covered deposits at banks in Slovenia. We continued our dialogue with the Ministry of Finance on the financial capacity of the deposit guarantee scheme, and the envisaged procedures in the event of the pay out of covered deposits.

Banka Slovenije has established the deposit guarantee fund as part of its operation of the deposit guarantee scheme. The fund may be used to make repayments of covered deposits, and to finance resolution or compulsory wind-up measures by means of which access to covered deposits is maintained for depositors. The fund is primarily financed via regular contributions by banks. The fund is required to reach its target level by 3 July 2024, in the amount of 0.8% of total covered deposits in Slovenia. Should the fund's available assets not suffice for paying out covered deposits or for repaying the fund's other liabilities, banks can be ordered to make extraordinary contributions to the fund. The fund is also financed via income from its asset holdings, borrowing on the market, and loans obtained from other sources in accordance with the ZSJV. The ZSJV additionally envisages the possibility of an emergency liquidity

³⁴ The annual report is published online (in Slovene) on the Banka Slovenije website.

³⁵ Official Gazette of the Republic of Slovenia, Nos. 27/16 and 17/22.

loan from Banka Slovenije and a short-term loan from the state, if the fund is unable to secure sufficient funds in time from the aforementioned sources to meet its obligations.

The deposit guarantee fund's assets under management amounted to EUR 148.2 million at the end of 2022. The banks made total contributions of EUR 32.2 million to the deposit guarantee fund in 2022. The deposit guarantee fund's operating result was a net loss of EUR 5,759,126 in 2022. Its performance is disclosed in detail in its annual report.³⁶ The assets of the deposit guarantee fund are managed at by Banka Slovenije together with the assets of the bank resolution fund (see the above section on bank resolution).

The deposit guarantee fund has not been activated since its establishment.

Deposits at EEA Member State banks that provide banking services in Slovenia via a branch or directly, are covered by the deposit guarantee scheme in the Member State in which the bank is established. The deposit guarantee scheme in Slovenia pays out covered deposits of a branch of a Member State bank in Slovenia at the request of and on behalf of the deposit guarantee scheme of the home country. The deposit guarantee scheme of the home country provides funds in the amount of the covered deposits that will be paid out in Slovenia, and all necessary information and instructions for paying out the covered deposits of the branch.

Banka Slovenije is a signatory to the multilateral cooperation agreement of the European Forum of Deposit Insurers (EFDI), which regulates cooperation between deposit guarantee schemes.

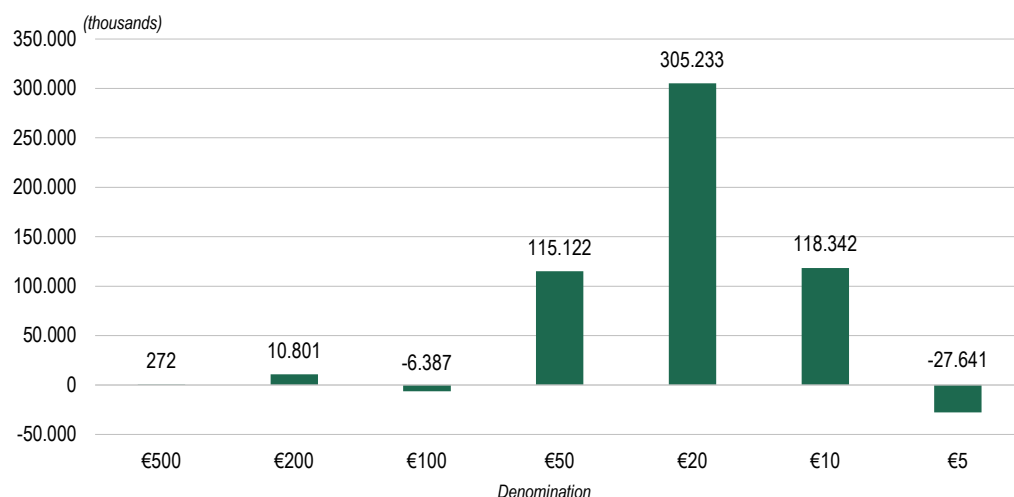
3.6 Banknotes and coins

Supplying cash to the market is one of Banka Slovenije's key tasks. By the end of 2022, a total of EUR 14.7 billion of cash had been net issued into circulation by Banka Slovenije since the introduction of the euro (on 1 January 2007), of which banknotes accounted for EUR 14.6 billion (515.7 million banknotes) and coins for EUR 143.0 million (528.5 million coins). In terms of quantity, the 20-euro note has the highest net issuance (305.2 million banknotes), followed by the 10-euro note (118.3 million banknotes), the 50-euro note (115.1 million banknotes), the 200-euro note (10.8 million banknotes) and the 500-euro note (272.0 thousand banknotes). In the case of the other two denominations (100-euro and 5-euro), there has been negative net issuance since the introduction of the euro (the number of banknotes issued was lower than the number of returned banknotes). The coins with the highest net issuance in terms of quantity were the 1-cent (165.1 million coins) and 2-cent (110.5 million coins), while the lowest net issuance was recorded by the 50-cent (17.4 million coins). Euro cash was supplied to the market by Banka Slovenije from the central cash centre and through our bank-note depots.

By the end of 2022, a total of EUR 14.7 billion of cash had been net issued into circulation by Banka Slovenije since the introduction of the euro.

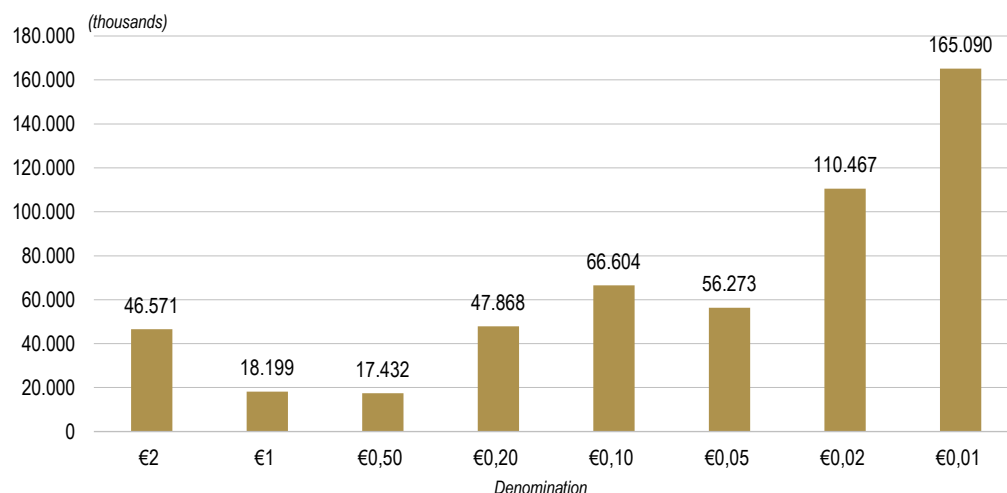
³⁶ The annual reports of the deposit guarantee fund are published on the [Banka Slovenije website](#).

Figure 21: **Net issued banknotes by denomination, 31 December 2022**



Source: Banka Slovenije

Figure 22: **Net issued coins by denomination, 31 December 2022**



Source: Banka Slovenije

Banka Slovenije organised the issuance, distribution and storage of general circulation and occasional coins for the Republic of Slovenia on the basis of the Occasional Coins Act.³⁷ The Occasional coins issued into circulation in 2022 were a 2-euro commemorative coin to mark the 150th anniversary of the birth of architect Jože Plečnik (1 million coins), a 2-euro commemorative coin to mark the 35th anniversary of the Erasmus programme (1 million coins), and collector coins to mark the 150th anniversary of the birth of the painter Matija Jama (750 gold coins, 1,250 silver coins and 57,500 bimetallic 3-euro coins). For the numismatic market we also issued a collection of euro coins minted in 2022 in ordinary and proof versions, and a 2-euro commemorative coin and 3-euro collector coin, both proof-quality. The numismatic products issued by the Republic of Slovenia and Banka Slovenije are/were available at our counters and at selected branches of our two agents for numismatic products, Deželna banka Slovenije d.d. and Moro & Kunst d.o.o.

³⁷ For more, see the Numismatics section on the [Banka Slovenije website](#).

In 2022 Banka Slovenije issued a commemorative coin to mark the 150th anniversary of the birth of architect Jože Plečnik, a 2-euro commemorative coin to mark the 35th anniversary of the Erasmus programme, and collector coins to mark the 150th anniversary of the birth of painter Matija Jama.

Photograph 1: **Collector coins marking the 150th anniversary of the birth of painter Matija Jama (gold coin, silver coin and 3-euro coin)**



Photograph 2: **Commemorative coin marking the 150th anniversary of the birth of architect Jože Plečnik**



Photograph 3: **Commemorative coin marking the 35th anniversary of the Erasmus programme**



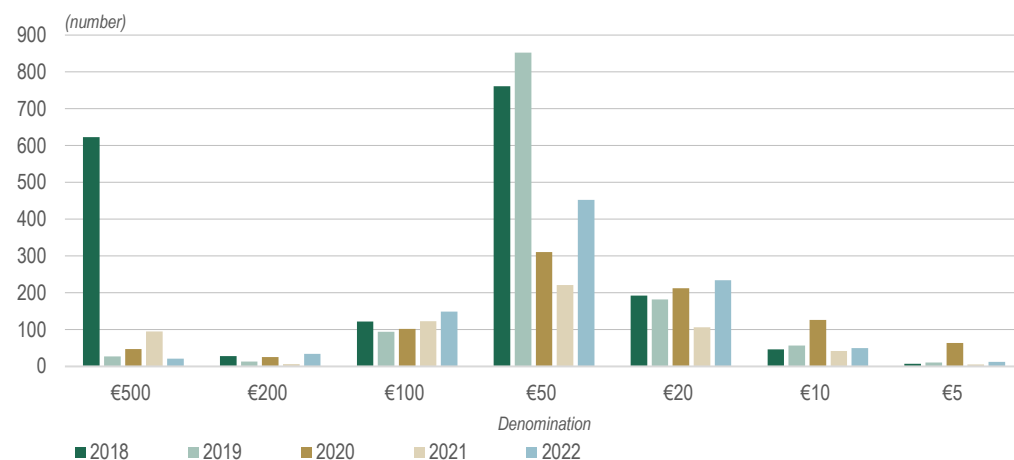
A total of 592 exchanges of tolar banknotes and payment notes were made at Banka Slovenije in 2022 (2021: 366 exchanges). A total of EUR 76.7 thousand worth of tolar banknotes and payment notes were returned from circulation in 2022 (2021: EUR 149.3 thousand). The total value of the tolar banknotes and payment notes still in circulation as at 31 December 2022 was EUR 31.6 million. Payment notes and tolar banknotes are exchangeable at Banka Slovenije counters with no time limit, while the exchange of tolar coins ended on 3 January 2017 in accordance with the Introduction of the Euro Act.

The total value of the tolar banknotes and payment notes still in circulation at the end of 2022 was EUR 31.6 million.

The cash processing unit sorted 131.6 million banknotes and coins in 2022 (2021: 118.9 million). A total of 131.4 million banknotes and 0.2 million coins were sorted in 2022 (2021: 118.6 million banknotes and 0.3 million coins). A total of 17.5 million euro banknotes (2021: 13.7 million banknotes) were withdrawn from circulation and destroyed in order to maintain the general quality of banknotes in circulation.

By monitoring the functioning of cash processing machines and providing training in checking the fitness and authenticity of cash, Banka Slovenije ensures that machines and employees are able to identify counterfeits, and thus ensures that all counterfeit banknotes and coins are withdrawn from circulation. A total of 952 counterfeit euro banknotes and 6,320 counterfeit euro coins were withdrawn³⁸ from circulation in 2022, compared with 598 euro banknotes and 2,475 euro coins in 2021. The total number of counterfeits detected rose, but their total value declined by 9%. The 50-euro note accounted for the largest proportion of counterfeit banknotes in terms of quantity (47.5% of the total), while 2-euro coins accounted for the largest proportion of counterfeit coins (92.5%). The Eurosystem figures in this area rank Slovenia among countries where a small number of counterfeits are withdrawn from circulation. Seven foreign currency counterfeits (US dollars and pounds sterling) were discovered in 2022, compared with 26 counterfeits in 2021. The quality of foreign currency counterfeits has remained at approximately the same level.

Figure 23: Breakdown of counterfeit euro banknotes withdrawn from circulation, by denomination



Source: Banka Slovenije

³⁸ According to the figures of the National Analysis Centre and the Coin National Analysis Centre. Their authorisation proceeds from Council Regulation 1338/2001/EC.

Box 2: Introduction of the numismatic product ordering system

Banka Slovenije launched the online ordering of numismatic products before their issuance into circulation for all domestic and foreign individuals and legal persons in 2022. This expanded access to numismatic products, gave equal opportunity to all interested buyers, and achieved a fairer distribution of the available quantities of products to these buyers, while also reducing queues at counters when occasional coins are issued. The invitation to order new issues of all occasional coins in 2022 was published via the Banka Slovenije website and via the websites of Deželna banka Slovenije and Moro & Kunst, Banka Slovenije's agents for numismatic products. Buyers were able to submit applications and orders on the online form or by post, subject to the general terms and conditions. Order quantities were limited and interested buyers were able to choose between several collection points (Banka Slovenije counters, selected branches of Deželna banka Slovenije, Moro & Kunst) or delivery by post. After completion of ordering, Banka Slovenije reserved the products for the buyers for a 14-day collection window. The products left over after reservations were made and the products that were not picked up by the collection deadline were offered to buyers in ordinary sale at all the aforementioned collection points. A customer satisfaction survey showed the new system for ordering and selling numismatic products to have been very well received by the buyers. They were particularly satisfied with being able to order products in advance, with the products being reserved for them, and being able to collect them at a collection point in Slovenia or receive them by post.

We intend to keep the numismatic product ordering system for future sales, and to augment and upgrade it in certain ways.

Box 3: Study on the payment attitudes of consumers in the euro area (SPACE 2)

The ECB conducted its second study on the payment attitudes of consumers in the euro area (SPACE 2022³⁹) between October 2021 and June 2022, compared the findings with the first study (SPACE⁴⁰), and also tried to compare the main findings as far as possible with the results of the study on the use of cash by households in the euro area (SUCH⁴¹) from 2016.

The findings of the study reveal that cash remains the most frequently used payment instrument at points-of-sale (shops selling durables and non-durables, bars, restaurants, kiosks, petrol stations, hotels, markets, venues for culture, sports or entertainment, etc.) and in person-to-person payments at the Eurosystem level and in Slovenia. Consumers across the Eurosystem used cash in 59% of their point-of-sale transactions (42% in value terms), compared with 73% (48% in value terms) in 2019 and 79% (54% in value terms) in 2016. According to the findings of the latest study, the share of cash

³⁹ Study on the payment attitudes of consumers in the euro area (SPACE 2022) (europa.eu)

⁴⁰ Study on the payment attitudes of consumers in the euro area (europa.eu)

⁴¹ The use of cash by households in the euro area (europa.eu)

payments at points-of-sale in Slovenia is higher than the euro area average, and remained unchanged from the 2019 figure at 73% (59% in value terms in 2022, and 63% in 2019), while the figure in 2016 stood at 79% (68% in value terms). The share of cash payments is declining mainly on account of card payments, the decline at Eurosystem level on this occasion having outstripped that between 2016 (SUCH) and 2019 (SPACE). The faster decline in the use of cash at points-of-sale and the corresponding increase in card payments is attributable in part to the Covid-19 pandemic and the lockdown, and also to warnings against the transmission of the virus via cash and encouragement of the use of non-cash means of payment. Cash is kept at home or in deposit boxes by 37% of those surveyed, compared with 34% in 2019 and 24% in 2016.

The share of card payments at Eurosystem level stood at 34% in 2022 (46% in value terms), compared with 25% in 2019 (43% in value terms) and 19% in 2016 (39% in value terms). While contactless payments accounted for just 6% of card payments in 2016, the figure had risen to 41% by 2019 (72% in Slovenia) and 62% by 2022 (83% in Slovenia). As found in the first study, the use of non-cash means of payment is particularly common in online shopping, where 47% of transactions were made with cards and 24% by electronic payment solutions (e.g. PayPal, Sofort, Afterpay). Online purchases are in any case becoming more common, and again their increase is attributable in part to the Covid-19 pandemic. Some 17% of all non-recurring purchases⁴² were made online (28% in value terms), compared with 7% in 2019 (17% in value terms). Slovenia's figure of 15% online purchases (10% in 2019) was slightly below the Eurosystem average, while the figure of 40% in value terms was one of the highest of all Eurosystem members (up from 20% in 2019).

The part of the survey addressing consumer preferences in payment methods revealed that these do not reflect the actual situation as determined by the study. Of those surveyed, 55% prefer to use cashless means of payment (53% in Slovenia), while just 22% prefer to pay with cash (26% in Slovenia). By contrast, the possibility of being able to pay with cash was assessed as (very) important by 60% of those surveyed (54% in Slovenia).

3.7 Payment and settlement systems

Payment and settlement systems are financial market infrastructure that facilitates the transfer of cash and securities, and are a fundamental component of the financial system. By ensuring the effective, uninterrupted and secure execution of a large number and high value of financial transactions (i.e. the exchange and settlement of payments and securities), they make a significant contribution to the smooth functioning of financial markets, and thereby to general economic stability and efficiency.

As the (joint) operator of market infrastructure owned and operated by the Eurosystem, Banka Slovenije provides market participants with settlement in risk-free central bank money. Under this framework Banka Slovenije operated the TARGET2-Slovenija payment system in 2022, within which we managed settlement accounts for participants to settle large-value payments, dedicated cash accounts for settling securities transactions in the TARGET2-Securities system, the pan-European platform for the settlement of securities transactions, and dedicated cash accounts for the settlement of instant payments in TIPS, the pan-European infrastructure for instant payments in euros. We

⁴² Points-of-sale accounted for 80% of total reported purchases, and person-to-person (P2P) payments for 4%.

are also involved in the aforementioned infrastructure as a participant. Here we grant access to pan-European retail payment systems for Slovenian banks and savings banks. As the supervisor, we ensure the compliance of payment and settlement systems, payment service providers, electronic money issuance services providers, and currency exchange operators with the regulatory requirements. We also act as a catalyst for the activities of market participants in the area of payments and market infrastructure for payments and securities.

In 2022 all our tasks in the roles that we undertake in the area of payment and settlement systems were performed in line with plans, and we were also actively involved in two Eurosystem projects (the digital euro, and the consolidation of TARGET2 and T2S).

Management of payment infrastructure

Banka Slovenije was managing settlement accounts in the TARGET2-Slovenija payment system for 17 Slovenian market participants at the end of 2022, who during the course of the year settled a total of 1,175,094 transactions (up 8.3% on 2021) with a total value of EUR 440.39 billion (down 8.3% on 2021). We managed 22 cash accounts for settling securities transactions on the T2S platform for 10 Slovenian market participants, who settled 54,401 transactions over the course of the year (up 39.0% on 2021) in the total amount of EUR 11.54 billion (down 11.3% on 2021). We managed one cash account for the settlement of instant payments in TIPS for each of the 15 Slovenian participants (all Slovenian banks and savings banks that provide payment services have been included in TIPS since February 2022), via which 269,392 transactions were settled (almost ten times more than in 2021) in the total amount of EUR 170.29 million (almost eight times more than in 2021).

Slovenian participants settled 1,175,094 transactions in the total amount of EUR 440.39 billion in TARGET2-Slovenija, 54,401 transactions in the total amount of EUR 11.54 billion in cash accounts in T2S, and 269,392 transactions in the total amount of EUR 170.29 million in cash accounts in TIPS in 2022.

In the cross-border retail payments segment, we enabled credit institutions in Slovenia to exchange SEPA credit transfers with more than 3,700 payment service providers and to exchange SEPA direct debits with more than 3,000 payment service providers across the EU.

In 2022 we took part in the continuing development of market infrastructures owned and operated by the Eurosystem, with a focus on the project of consolidating the existing TARGET2 payment system and the T2S platform. We also participated in the launch of TIPS services, which will enable payment service providers to make all payments currently executed as credit transfers via TIPS instead (as instant payments).

Supervision of payment and settlement systems and of payment service providers

With the aim of ensuring efficient, continuous and secure operation of payment and settlement systems and payment service providers, Banka Slovenije monitors and analyses their operation and issues supervisory measures. In accordance with the ZPlaSSIED we supervise payment systems, credit institutions, payment institutions and electronic money institutions, and currency exchange operators in accordance with the Foreign Exchange Act, while in conducting supervision of securities settlement system operators our supervisory powers are shared with the Securities Market Agency in accordance with Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories.

We granted five authorisations to acquire a qualifying holding, two authorisations to provide payment services as a result of a merger or demerger, and three authorisations to amend payment system rules in accordance with the ZPlaSSIED in 2022, and granted authorisations for an exemption from the obligation to set up a contingency mechanism to three institutions in accordance with Commission Delegated Regulation 2018/389/EU. We issued one decision to revoke an authorisation to provide currency exchange operations and one decision invalidating an authorisation to provide currency exchange operations in accordance with the ZDP-2.

We continued supervision of the implementation of security measures in card payments made in e-commerce, and the removal of obstacles on dedicated interfaces for accessing payment accounts. In the area of payment services, we conducted comprehensive inspections of one bank, one payment institution and one electronic money institution, and targeted inspections of four credit institutions. We also conducted inspections of one payment system operator and two currency exchange operators.

In conjunction with the Securities Market Agency we completed the second supervisory procedure of the central securities depository pursuant to Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories in 2022. In accordance with the regulatory requirement to conduct annual supervisory procedure, in October 2022 we commenced the third supervisory procedure of the same central securities depository.

Guiding and encouraging the actions of market participants

In 2022 we continued efforts to guide market participants with the aim of improving competition and accelerating the development of payment and securities markets, in line with Eurosystem policy. In so doing we act collaboratively, with the aim of finding synergies between market participants. We focus on the objectives that stakeholders in the aforementioned markets are unable to attain alone, or that require the alignment of various interests. Playing the role of catalyst demands a system-wide view of the market, knowledge, reputation and awareness that we are not acting on the market as a competitor to other stakeholders.

Our regular activities include promoting harmonisation with pan-European (and global) practices and standards in the area of payments and financial collateral management, and efforts to raise the level of cyber resilience and business continuity in market infrastructure for payments and securities. In this respect we guided the activities of market stakeholders in the National Payments Council (NPC), the National Stakeholder Group for Market Infrastructures for Securities and Collateral, and the National Stakeholder Group for Market Infrastructure for Payments.

One of our focuses on the NPC in 2022 was the issue of the population segment who are unable to open a payment account. We embarked on dialogue with key institutions in 2022 with the aim of exchanging views and mapping out an appropriate approach to resolving the aforementioned issue.

The subjects discussed within the framework of the National Stakeholder Group for Market Infrastructures for Securities and Collateral, and the National Stakeholder Group for Market Infrastructure for Payments in 2022 mostly related to encouraging the harmonisation of activities in the domestic environment in the area of securities settlement and financial collateral management, and to the further development of market infrastructures managed by the Eurosystem.

Via the Banka Slovenije fintech innovation hub we also provide clarifications in connection with regulatory requirements falling under our remit to market entities whose financial solutions are based on advanced technologies. In 2022 the hub received the largest number of questions from business entities to date, most of which related to acquiring an authorisation to provide payment services or electronic money issuance services, and to being entered in the register of account information service providers. In keeping with the current development of legislation in this area, many of the questions revolved around cryptoassets, and AML/CFT compliance in particular. We are also active in the area of fintech at international level, where we participate in the European Forum for Innovation Facilitators and in the BIS Innovation network and Financial Regulation technical Group. We also work successfully with associations representing market stakeholders as part of various fintech-related events.

The investigation phase of the digital euro project continued in 2022. The investigation phase is being used in the Eurosystem to decide on various possible concepts for the digital euro, a central bank digital currency that would constitute a new electronic form of the euro, whose holders would – as in the case of cash – hold claims against the central bank. The investigation phase will end in the autumn of 2023, when the decision of whether to proceed with the implementation phase will be made. A decision to issue a digital euro has not yet been made.

The priority use cases, the distribution model and the potential ecosystem of the digital euro were set out last year. The priority use cases chosen are online payments, person-to-person payments, point-of-sale payments and public payments (e.g. subsidies, tax payments). Here the Eurosystem would act as the issuer of the digital euro and would settle the transactions, while intermediaries would still maintain a contractual relationship with end users and would attend to processes such as customer due diligence. Of the various distribution models, the chosen model is a payment scheme that would entail a single set of rules, standards and procedures for the flow of the digital euro from the issuer (the Eurosystem) to intermediaries and then to end users. A prototype digital euro is also being actively developed during the investigation phase, analysis of which will be published in the second quarter of 2023.

Banka Slovenije is actively participating in the digital euro project. Our expertise is being used to help design the digital euro, and we are putting forward our views of its most important attributes. Given the potentially wide impact of the issuance of a digital euro, we keep key stakeholders in the Slovenian payments environment regularly briefed on the latest developments at meetings of the NPC and the National Group of Stakeholders for Market Infrastructure for Payments, while also ensuring that we kept track of the public's view of the digital euro via focus groups organised in December 2021 and 2022. The latest developments in the digital euro project will continue to be presented to the public audience via a section on the Banka Slovenije website.

Given the relentless progress in the area of payments, and the intention of further integrating market infrastructures and successfully addressing future challenges, the Eurosystem decided in 2017 to develop a new generation of the real-time gross settlement system. The Eurosystem's aim in the technical and functional consolidation of the TARGET2 payment system and the T2S platform was to offer participants a better, upgraded service, and also to reduce costs of operation and ensure greater cyber resilience.

With the goal of successfully migrating to the new platform, we provided Slovenian participants with expert support in 2022 in their preparations for migrating to and transacting on the consolidated platform, and made all the adaptations necessary at Banka Slovenije for assuming our role as (joint) operator of the new platform.

With the successful migration of 25 central banks and their banking communities, including Banka Slovenije and the Slovenian participants, the new platform went live in March 2023. On it participants still have access to monetary policy instruments and intra-day loans, and to the execution of settlement in central bank money, but also have easier access to services on Eurosystem market infrastructures and to more effective liquidity management.

3.8 Joint management of the ECB's foreign exchange reserves

Banka Slovenije also manages part of the ECB's foreign exchange reserves. Upon the introduction of the euro on 1 January 2007, Banka Slovenije transferred a portion of its foreign exchange reserves in US dollars and gold to the ECB (the value of the transferred foreign exchange reserves was EUR 194.3 million as at 31 December 2022). The main purpose of the ECB's foreign exchange reserves is to ensure adequate liquidity in the Eurosystem for interventions on the currency market. All euro area national central banks have contributed their shares to the ECB's foreign exchange reserves, which they manage jointly with the ECB.

Since 1 January 2007 Banka Slovenije and the Central Bank of Luxembourg have jointly managed their share of the ECB's foreign exchange reserves. In addition to the foreign exchange reserves transferred to the ECB, Banka Slovenije also holds a portion of its investments in foreign currency in case the ECB calls for additional foreign exchange reserves, in accordance with Article 30 of the Protocol on the Statute of the ESCB and the ECB.

3.9 Management of Banka Slovenije's financial assets

Banka Slovenije manages its own portfolio of financial assets, with the aim of strengthening its capital over the medium term, thereby helping to ensure its financial independence in performing its central banking tasks. While meeting this objective, we also strive for socially responsible and sustainable investing. Banka Slovenije's financial assets that are not related to the implementation of Eurosystem monetary policy amounted to EUR 3.8 billion at the end of 2022.

Banka Slovenije's financial assets amounted to EUR 3.8 billion at the end of 2022.

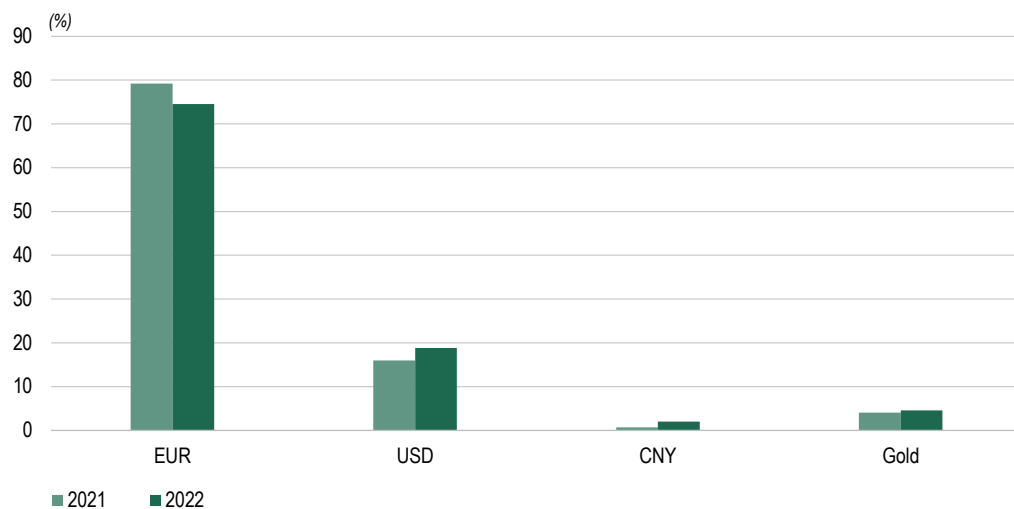
The asset breakdown is determined on the basis of the strategic asset allocation, which is updated once a year, having regard for all constraints, by optimising the expected return while keeping quantitatively expressed financial risks to an acceptable level. The strategic asset allocation is approved annually by the Governing Board of Banka Slovenije at the proposal of the Investment Committee. Under the strategic asset allocation, Banka Slovenije's financial assets are spread across several portfolios, which differ either in terms of currency or asset class breakdown. Approximately half of Banka Slovenije's assets are actively managed against benchmark portfolios. Banka Slovenije's financial assets encompass holdings of sovereign, supranational, agency, covered, and corporate debt (financial and non-financial). In addition, with the aim of diversifying risks and attaining higher potential long-term returns we invest a portion of our financial assets in exchange-traded funds (ETFs), which match the movements of a global equity index that is diversified in terms of geographical region, currency and sector. Monetary gold also constitutes part of our financial assets.

Investments in debt instruments are generally restricted to those with an internal Banka Slovenije rating of at least A-. Furthermore, investments in different types of debt are additionally limited by the prescribed maximum allowable aggregate exposure to an individual type of debt, and are limited to a list of eligible issuers. There is also an upper exposure limit per individual entity or group of connected entities, which depends on the internal Banka Slovenije rating. Any deviations from the aforementioned limits are approved by the Governing Board of Banka Slovenije, or by the Investment Committee under the Governing Board's guidelines. The latter also monitors the asset management process on a monthly basis.

The great majority of our financial assets are denominated in euros (EUR 2.8 billion), with the remainder in foreign currencies. The share of assets denominated in euros declined slightly in 2022 as the share of assets denominated in US dollars and Chinese yuan somewhat increased. This was attributable to the US dollar's rise against the euro, while at the same time we ended with a three-year phase-out period of currency hedging of our US dollar reserves. We also slightly increased investments in the fund of government bonds denominated in Chinese yuan managed by the BIS.

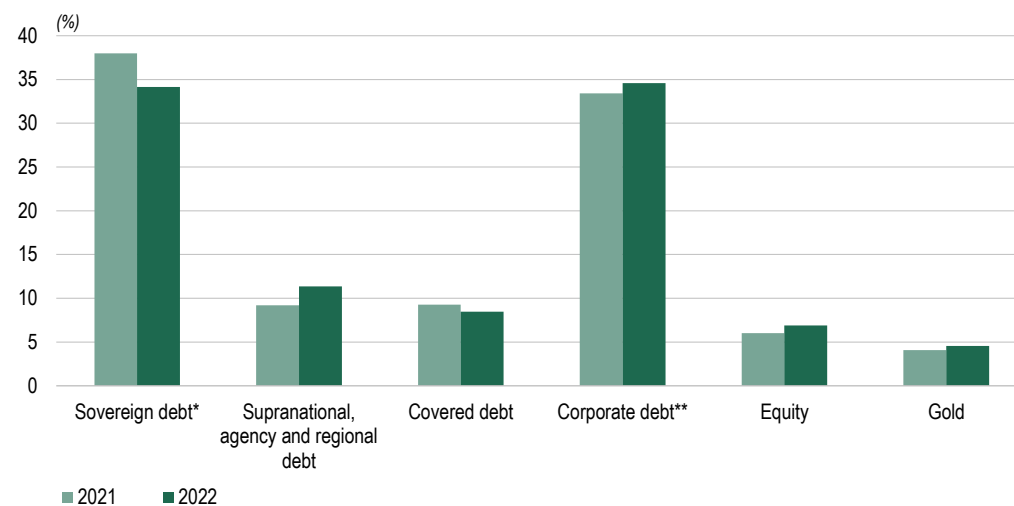
In the breakdown of Banka Slovenije's financial assets by asset class, the share accounted for by sovereign debt declined in 2022 (to 34%), while there was a slight increase in holdings of supranational, agency and regional debt (11%), corporate debt (35%) and equity ETFs (7%). In terms of maturity, the share accounted for by assets in the maturity bucket of up to one year declined in 2022 (to 28%), while there were increases in the share of assets in the maturity bucket of one to three years (25%) and in the maturity bucket of more than three years (47%, including holdings in the BIS fund and of equity ETFs, which have no maturity). The share of assets rated AAA amounted to 44%, those rated AA amounted to 15%, and the remainder were rated below AA (including holdings of equity ETFs, which are unrated).

Figure 24: **Currency breakdown of Banka Slovenije's financial assets**



Source: Banka Slovenije

Figure 25: **Asset class breakdown of Banka Slovenije's financial assets**

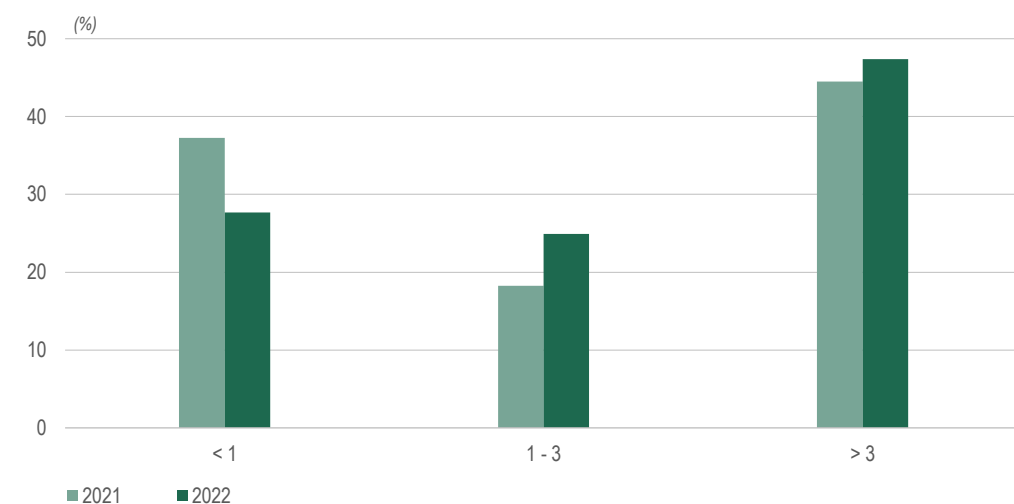


* Includes account balance.

** Financial and non-financial corporate debt.

Source: Banka Slovenije

Figure 26: **Maturity breakdown of Banka Slovenije's financial assets**



Source: Banka Slovenije

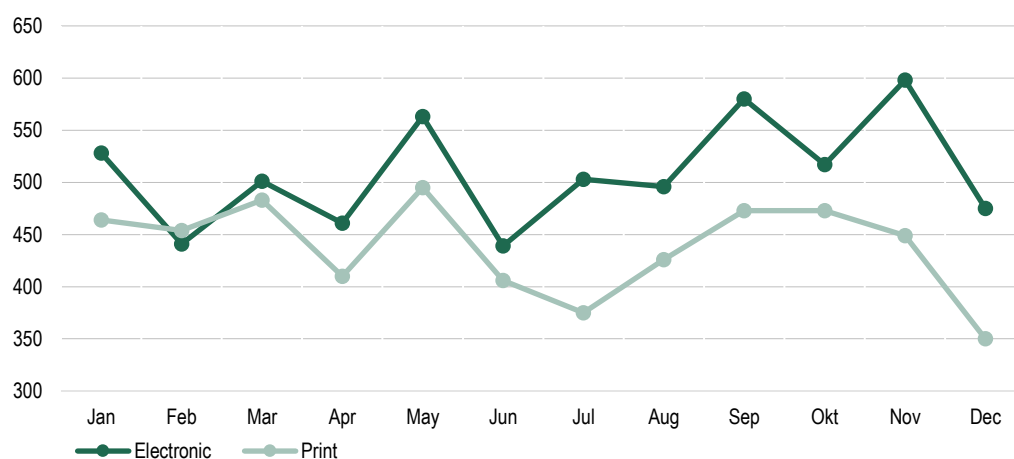
3.10 Central credit register

The central national database of the debts of individuals (SISBON) and business entities (SISBIZ) held processed data on the credit operations of 1,566,326 individuals (down 0.73% on a year earlier) and 118,503 business entities (up 10.3% on a year earlier) at the end of 2022. At the end of 2022 there were 65 different creditors that had access to SISBON, of whom 41 were members (entities referred to in Article 15 of the Central Credit Register Act⁴³), who have access to all data in the SISBON system, and 24 were included creditors, who have access to a limited amount of data only, as set out by the third paragraph of Article 19 of the aforementioned law. There were 37 creditors, all with system member status, that had access to data in the SISBIZ system.

More transcripts of their own data were issued to individuals in electronic form than in print form for the first time in 2022.

We managed the information exchange system efficiently in line with the requirements of the relevant legislation. Members of the system and included creditors enjoyed the uninterrupted operation of the system 24 hours a day, every day of the year. We enabled individuals and business entities whose data is in the system to freely exercise their statutory rights with regard to their own data. There is a discernible trend of increased demand from individuals for their own data in electronic form. In procedures to uphold the right to own data, a total of 11,360 data transcripts were sent in 2022, of which 5,258 were in print form and 6,102 in electronic form. Business entities viewed their own data 864 times, via the Moj SISBIZ online app. In late 2022 we prepared a solution that allows individuals to view their own data via the Moj SISBON online app, using a new electronic personal ID card. This will make it easier for individuals to exercise their rights in connection with the data processed in SISBON.

Figure 27: Number of own data transcripts of individuals in electronic and print form



Source: Banka Slovenije

In 2022 we again focused a good deal of attention on ensuring that the system was secure and the data managed in the system was accurate and up-to-date, by conducting supervision of members in respect of their compliance with the requirements of legislation in the field. In the supervisory procedures we conducted 33 audits of SISBON members and 14 audits of SISBIZ members, which resulted in a

⁴³ Central Credit Register Act (Official Gazette of the Republic of Slovenia, No. 77/16): <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7517>.

total of 289 audit recommendations. Two additional audits of new SISBON members and three audits of new SISBIZ members were also conducted for the purpose of determining whether all technical and security conditions for joining the system and processing the data held in the system had been met.

The number of complaints about the accuracy of data is relatively small given the number of individuals and business entities whose data is managed in the system. A total of 1,238 complaints were submitted in 2022 in connection with the accuracy of the data in the SISBON system (up 25% on the previous year), equivalent to 0.08% of all individuals whose data is managed in the system. Of these, 36.6% were upheld, an increase of 5 percentage points on the previous year. In terms of content, the complaints mostly related to incorrect reporting of completed enforcement status and of completed operation status in connection with personal bankruptcy proceedings. Business entities made a total of 40 complaints in 2022, equivalent to 0.03% of all business entities whose data is managed in the system.

3.11 Payment services for Banka Slovenije clients

Banka Slovenije is a payment service provider, and manages accounts for clients, of whom the largest group are budget spending units. Banka Slovenije administers the government's single treasury account and the single municipal treasury accounts. The accounts of direct and indirect spending units of the state budget and municipal budgets, which include the Health Insurance Institute and the Pension and Disability Insurance Institute, were opened as sub-accounts of the single government or municipal treasury accounts. The sub-accounts are administered by the Public Payments Administration of the Republic of Slovenia.

In addition to the single treasury accounts, we also manage purpose-specific current accounts of the government and other budget spending units. We provide payment bank services for the Ministry of Finance and manage a cash account for it for the purpose of securities settlement in the TARGET2-Securities system. KDD also holds accounts at Banka Slovenije: the guarantee fund account, the fiduciary account for custody services, and the current account for own resources. Foreign financial institutions and EU institutions are also Banka Slovenije clients.

The number of Banka Slovenije clients fell to 140 in 2022, and they held 148 accounts. In addition to the dedicated current account for Unesco projects and the account of the Succession Fund of the Republic of Slovenia, single treasury accounts were also closed by 16 municipalities, and the execution of their payments was transferred, together with budget spending units, to newly opened sub-accounts in the government's single treasury account.

Banka Slovenije allows its clients to execute credit transfers, instant payments and direct debits.

The number of transactions was up by 1.7 million or 3% on 2021 at 55.9 million. We are direct participants of various payment and other systems, and have put in place a network of correspondent accounts abroad. We thereby ensure that our clients are able to smoothly make payments to their counterparties around the world and receive payments from them in return. The payment services are provided with a high degree of automation: fewer than 1% of all transactions are processed manually.

Instant payments are becoming the new standard in payments. Payment services are an area of relentless development. Banka Slovenije therefore focused much activity on the development of instant payments, and in 2022 a quarter of SEPA credit transfers, 6.5 million transactions, were executed as instant payments.

To ensure that payment services remain secure, effective and in line with changes in payment systems, we are updating and upgrading our software support at Banka Slovenije. Major upgrades were made in 2022 due to changes of settlement mechanisms in systems in which SEPA credit transfers, direct debits and instant payments are executed. We also continued the upgrade of application support to carry out transactions on the new consolidated platform of the TARGET2 and TARGET2-Securities systems, which went live in March 2023 and provides for the harmonisation of services at Eurosystem level.

3.12 Statistics

All tasks in connection with monetary and financial statistics, external statistics, national financial accounts statistics, supervisory data and other statistics, including publication and the comprehensive provision of statistics to users (ECB, Eurostat, IMF, OECD, domestic users) **were carried out successfully by Banka Slovenije in 2022.** In so doing we also reduced the data reporting burden in external statistics and supervisory data, and increased automation in data management.

Supervisory data was also included in statistics in 2022. This includes the collection and processing of data for the needs of bank supervision and resolution. Given Banka Slovenije's involvement in EU bodies, the collected data is also forwarded to the ECB within the framework of the SSM and the SRB, and thenceforth to the EBA.

Statistics of financial institutions and markets

The Working Group on Integrated Reporting and Data Dictionary was set up at ESCB level in 2022, with a mandate to carry out the integrated reporting framework (IReF) project in the Eurosystem. The working group succeeded the Expert Group on Integrated Reporting, which in 2020 and 2021 conducted a review of all statistical reporting requirements across Eurosystem countries and comprehensive cost-benefit analysis in the banking industry and at other entities subject to statistical reporting obligations. The objective of the IReF project is standardising definitions and drawing up a standardised legal base for a coordinated reporting framework with multiple use of data without duplications. From April 2022 the working group carried out over 50 written procedures, many of which constitute the basis and starting points for conducting other cost-benefit analysis in the banking industry in 2023. The legal framework is scheduled to be designed in 2024, and adopted in 2025, with technical preparations for implementation in 2026 and the beginning of IReF reporting in January 2027. At the proposal of the European Parliament, work by the ECB and the EBA to combine the statistical and supervisory reporting requirements of banks is also underway in parallel.

Reporting of data in accordance with Guidelines 2018/876/EU and 2019/1335/EU to the register of institutions and affiliates (RIAD) was also undertaken successfully in 2022. Furthermore, an ESCB audit of the system was also conducted, with the general finding that the system is effective enough, and the remaining deficiencies will be resolved in 2023. The RIAD also began intensive preparations for the IReF in 2022.

AnaCredit (the multipurpose detailed database on credit and credit risk for loans approved by credit institutions to legal entities where the exposure from credit operations exceeds EUR 25,000) also began to be used for supervisory and analytical purposes in the ESCB/SSM in 2022. Intensive upgrades to data quality are still in progress, but data quality for Slovenian reporting entities remains at a high level. To this end we conducted detailed analysis of substantive reporting last year in a specific section.

Alongside our regular reporting in the area of investment fund statistics, we reached agreement with the SMA and the ECB with regard to the introduction of reporting by alternative investment funds. Under the agreement the establishment of AIF reporting, which is expected to take up to 18 months, can wait until the new regulation is drafted.

In the area of payments statistics, we moved over to updated reporting on the basis of the Regulation amending Regulation (EU) No 1409/2013 on payments statistics (ECB 1409/2013) (ECB/2020/59), the Regulation on the reporting of payments statistics (Official Gazette of the Republic of Slovenia, No. 153/21) and the Instructions for the reporting of payments statistics (Official Gazette of the Republic of Slovenia, No. 153/21). The new report also includes data on fraud, for which reason the previously independent FRAUD report was abolished. The extensive changes to the data requirements dictated a complete renewal of the reporting system. During the changeover to the new reporting arrangements, regular communications and coordination with reporting entities were put in place, together with intensive work in the area of data quality.

External statistics

In 2022 Banka Slovenije undertook the revision of its statistics on the balance of payments, the international investment position and the external debt for the period of 2019 to 2021. The overall effect of the revision over the three years was an increase of EUR 0.3 billion in the current account surplus, and an increase of EUR 0.7 billion in the financial account surplus. In addition the statistical error was reduced by EUR 0.3 billion, and the net international investment position at the end of 2021 consequently increased by EUR 0.3 billion (from a negative position of EUR 3.7 billion to a negative position of EUR 3.4 billion). The largest changes related to the data for 2021. The merchandise trade balance improved by EUR 0.4 billion, primarily as a result of revisions to SORS data (a decline in imports in particular). The primary income position deteriorated by EUR 0.2 billion, driven most of all by revisions to the data for reinvested earnings and profit distributions. The latter were obtained from annual reports of direct investments, and have replaced the provisional estimates from before the reports were received. The financial account saw an improvement of EUR 0.8 billion in the position, largely as a result of a change in the estimate of cash in circulation (by EUR 0.6 billion), and reconciliation of the financial accounts statistics for the government sector in the amount of EUR 0.1 billion.

A report on the quality of balance of payments and international investment position statistics was drawn up within the framework of the balance of payments working group at Eurostat. The report was drawn up for each country separately, and submitted to the European Parliament and the national parliaments. We also completed a new standardised description of methodology, which was then introduced by Eurostat for the field of the balance of payments (the National Reference Metadata and Single Integrated Metadata Structure).

There was intensive cooperation with the SORS in 2022 with regard to the new requirements for business statistics derived from Regulation 2019/2152/EU on European business statistics. This entailed the augmentation of the requirements for international services trade, with additional itemisation with regard to size, affiliation and mode of supply (STEC and MoS data). Procedures are already in progress at Banka Slovenije for preparing some of the data that will be sent to the SORS, which will then augment it with its own resources and statistical processes (having regard for confidentiality) and forward it to Eurostat.

The renewal of the instructions for reporting by entities on external economic relations (the Instructions on reporting services trade, certain merchandise trade, transfers, operating and financial receivables and liabilities, and capital investments with non-residents) entails a reduction in the burden on entities reporting capital investments with non-residents. The individual types of transaction were defined in greater detail. The reporting threshold was raised from total assets of EUR 2 million to total assets of EUR 5 million. Good-quality estimates of the data below the reporting threshold can be obtained by linking various databases.

Financial accounts statistics

Within the framework of the ECB's medium-term strategy in the area of quarterly financial account statistics, the gradual implementation of the new guidelines⁴⁴ continued, which brought expanded requirements with regard to the preparation and reporting of financial accounts data.

Banka Slovenije worked with the SORS and the Ministry of Finance to resolve methodological issues in the area of financial accounts statistics for the government sector. These encompass substantive and institutional definitions of individual entities and transactions of the government sector, and their booking. Expenditure in connection with alleviating the impact of the pandemic and the energy crisis was to the fore in 2022. This has had a significant impact on Slovenia's reporting within the framework of European economic governance processes, where the fiscal rules escape clause was still in force in 2022; it is expected to be lifted in 2023, and the rules restored. Banka Slovenije also took part in a regular visit by Eurostat in September 2022.

Supervisory data

The regular monitoring of banks within the framework of supervision and the preparation of the basis for bank resolution are conducted on the basis of information that the banks submit in their regular reports. To ensure a common approach between national supervisors and the ECB in everyday supervision, all users must be provided with a standard dataset to allow for uniform bank monitoring. To this end the data reported by banks to Banka Slovenije is forwarded to the ECB sequentially. Banka Slovenije and the ECB conduct a detailed review of the data when it is received, thus ensuring proper quality and consistency. The collected data is then sent by the ECB to the EBA, which uses it in drawing up reports on developments in the banking environment at EU level, in performing its tasks, and in providing advice as an independent consultant to the European Parliament, the European Council and the European Commission.

⁴⁴ Guideline (EU) 2021/827 of the European Central Bank of 29 April 2021 amending Guideline ECB/2013/24 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts (ECB/2021/20).

In 2022 we participated in EBA activities in connection with the requirement of the CRR2 to increase proportionality in reporting requirements, with the aim of reducing the burden on banks, and in examining the possibility of putting in place integrated reporting of supervisory data and statistics, and data for resolution purposes. The purpose of integration is to coordinate and optimise reporting in the technical and semantic senses, and thus to standardise the reporting process. For the first time we also participated in the exercise at the EBA to assess the impact of implementing the Basel III standards.

Other statistics and activities

In conjunction with SID banka we conducted a survey of corporate access to financing in 2022, including questions on the impact of higher energy costs on firms, and publication of analysis of the results. The Banka Slovenije survey provides insight into the availability of external financing from the point of view of firms.

Data from the household finance and consumption survey (HFCS) was sent to the ECB, which also validated it. At the end of the year we prepared a public tender for future research, which is scheduled to begin in September 2023. The HFCN is working hard to draft guidelines for the aforementioned research, which will commit countries to mandatory data collection and reporting.

We continued monitoring and recording the measures to alleviate the economic and social impact of the pandemic, and the use of funding under the Recovery and Resilience Facility. We also addressed the government measures to mitigate the impact of high energy prices within the framework of Eurostat.

We imported data and managed a large number of diverse databases, and improved the data descriptions: the real estate register (on account of changes to SMARS data, adjustments to the population process were made), government debt securities and debt servicing, all Slovenian holders of securities (with domestic or foreign issuers), all holders of Slovenian securities (domestic and foreign holders), the statistical business register, and the countries of the founder within the framework of the register of businesses. We continued publishing proof-of-concept data for internal users in Shiny on securities, real estate, financial accounts, the energy sector, exchange rates and statistical regions.

In 2022 we embarked on a substantive and systematic approach to renewal of bank reporting. This was in response to the concept at ESCB level under the name of the Integrated Reporting Framework (IReF). The IReF essentially focuses primarily on the ECB requirements in connection with statistics on the balance sheet, interest rates, and securities holdings, and credit data (AnaCredit). The aim of the project is to make data collection more efficient and to reduce banks' reporting burdens. This will particularly benefit banks operating in multiple countries, as the integrated requirements will make consistent and standardised cross-border reporting easier. The banking sector is therefore included in the renewal. The Banks' Integrated Reporting Dictionary (BIRD) is also under preparation in parallel, and will help banks to effectively meet the reporting requirements. According to the timetable, the IReF is scheduled to be adopted in 2025, and to go live in 2027.

The next phase will see the integration of supervision and resolution data into the system. The key elements of the integrated approach are: (i) data organisation, (ii) data definition, (iii) the level of data aggregation, and (iv) reporting deadlines.

In 2022 we actively participated in the working bodies of the ESCB and EBA at all levels, and coordinated positions with regard to the approach to and the priorities and benefits of the renewal. The project is also challenging at national level, as it requires an accurate overview of the data of the integrated approach, and a gradual approach to implementation. As far as strengthening coordination with the banking sector is concerned, 2022 saw the reactivation of the mixed working group for reporting under the aegis of the Bank Association of Slovenia. Because the ultimate objective is the integration of all data requirements into a single framework, cooperation between international institutions, most notably the ECB, the EBA and the NCBs, and banks is vital. This is driving the future creation of the Joint Bank Reporting Committee (JBRC).

Sustainability and environmental activity at Banka Slovenije

Banka Slovenije is well aware of the growing climate risks, and of the importance of collective action, and so we take an active role in the working groups of the relevant international institutions, such as the ECB, the ESRB and the EBA. Banka Slovenije joined the Network for Greening the Financial System (NGFS) in October 2020.

We are also committed over the coming years to contributing to targets of the Paris Agreement and the work of the NGFS, within the framework of our mandate. We set up the committee for climate change and the green agenda in the autumn of 2021, to effectively link, coordinate and steer work in the area of climate change and the green agenda within Banka Slovenije, and to work with other institutions in this area.

The committee is tasked with ensuring that matters in connection with climate change and the green agenda of relevance to Banka Slovenije's work and the performance of its tasks will be addressed comprehensively, and in line with its strategy and the ECB monetary policy strategy. The work in this area in 2022 is presented below.

4.1 Climate change considerations in monetary policy implementation

In accordance with the Eurosystem's climate change action plan,⁴⁵ we updated the climate agenda in 2022, and announced the inclusion of measures to incorporate climate change within the monetary policy implementation framework. These measures are all designed under the awareness that price stability remains the primary objective of Eurosystem monetary policy. They aim to reduce financial risks on the Eurosystem balance sheet, to encourage transparency, and to support the transition to the green economy while upholding the primary objective. They encourage businesses and financial institutions to make climate-related disclosures and to reduce greenhouse gas emissions. More effective tools to reduce global heating are the domain of governments and legislators. The Eurosystem measures include (1) tilting of holdings in the CSPP, (2) collateral framework adjustment, (3) introduction of climate-related disclosure requirements, and (4) enhancement of risk management practices.

1) Tilting of corporate bond holdings: As of October 2022 we are tilting the corporate bond portfolio in monetary policy in favour of issuers with better climate performance. Climate performance is measured by actual greenhouse gas emissions, the published targets with regard to future reductions in emissions, and the climate-related disclosures. The objective is to reduce exposure to climate-related financial risk, and to encourage issuers to improve disclosures and to reduce emissions. In the first quarter of 2023 we therefore started regularly publishing climate-related information on our holdings in the CSPP.

2) Collateral framework adjustment: We aim to limit the share of securities issued by entities with a high carbon footprint pledged as collateral for Eurosystem credit operations. At first, the limits will only be applied to debt securities of non-financial corporations, but they will be extended to other eligible financial assets as the quality of climate-related data improves. The measure is expected to enter into force before the end of 2024, provided that the necessary technical preconditions are in place.

⁴⁵ The ECB climate action plan was first published in [July 2021](#), and the climate agenda was updated in [July 2022](#).

3) Introduction of climate-related disclosure requirements: In pursuit of greater transparency, we aim to accept as collateral in Eurosystem credit operations debt securities of issuers and bank loans of debtors that comply with the Corporate Sustainability Reporting Directive. The new criteria for eligible financial assets can be used once the CSRD enters into force and is transposed into national legislation, tentatively in 2026. Test exercises will be run before the measure is enforced, so that counterparties will be able to prepare.

4) Enhancement of risk management practices: With the aim of improving the treatment of climate-related risks, we will review and evaluate these risks in the ratings that we use in assessing the eligibility of financial assets for Eurosystem credit operations and for asset purchase programmes in monetary policy. We will urge rating agencies to be more transparent about how they incorporate climate risks into their ratings, and to be more ambitious in their disclosure requirements on climate risks in respect of issuers and debtors. We will work closely with the competent authorities in this area. By the end of 2024 we will also introduce minimum standards for how national central banks' in-house credit assessment systems should include climate-related risks in their ratings.

All of these measures will be subject to regular reviews with the aim of checking whether they are fit for purpose, and aligned with the objectives of the Paris Agreement and the EU's own climate neutrality objectives.

4.2 Socially responsible and sustainable investing

Banka Slovenije released a report in late March 2023 in which we for the first time disclosed detailed climate-related information related to our own financial assets. This represented the first step towards increased transparency about climate-related risks and opportunities pertaining to our own financial assets. The climate-related disclosure framework was developed in close cooperation between all Eurosystem members, taking into account recommendations of the Task Force on Climate-Related Financial Disclosures.⁴⁶ Banka Slovenije has decided to report on all four TCFD categories (governance, strategy, risk management, and metrics and targets), and to disclose several backward-looking and forward-looking climate-related metrics with five years of historical data. The majority of backward-looking climate-related metrics for our own financial assets somewhat improved over the last five years, mainly due to the general reduction in greenhouse gas emissions by the majority of sovereign and non-sovereign issuers, and increased investments in non-sovereign issuers from less carbon-intensive sectors. In the future, our aim is to gradually improve the climate-related metrics of our own financial assets. In line with the EU's climate neutrality strategy supporting the Paris Agreement, our long-term objective is to strive to approach net-zero greenhouse gas emissions of our own financial assets by 2050 as much as possible. To reach our long-term objective, we have set two medium-term targets, which we aim to meet by the end of 2025. The first is increasing our holdings of green, social and sustainable bonds from the current EUR 280 million to at least EUR 400 million. The second is visibly reducing the carbon footprint of our investments in the private-sector issuers by significantly tightening the current criteria for excluding companies from the list of eligible non-financial corporate bond issuers, and by setting carbon-lowering strategies for our other private-sector investments.

⁴⁶ The recommendations can be found at [Recommendations | Task Force on Climate-Related Financial Disclosures](https://www.fsb-tcfd.org) (fsb-tcfd.org)

4.3 Climate risks in the legislative framework

Banka Slovenije actively monitors the development of legislation in the area of ESG risks. To this end we are monitoring the work of the European Commission and its expert bodies who are drafting the **broader EU legislative framework for sustainable financing**, particularly in the part relating the banking sector and the financial sector. In the closing phases of the preparation of laws and secondary legislation in this area, we are usually also involved in reviews of the legal language and review of translations of the acts in question. We are intensively involved in the drafting of **sectoral banking legislation** in this area, and in so doing participate in the EBA working group involved in the implementation of numerous EBA mandates in connection with the drafting of legislation. The EBA is also responsible for drafting certain *secondary legislation*, such as the implementing technical standard with details of banks' supervisory disclosures for the area of ESG risks from 2022. The other important EBA task is drawing up *expert bases* to update prudential banking legislation to include ESG risks. This includes the 2021 report on the management and control of ESG risks, which will be taken into account in the next amendments to the CRD, and a report on the prudential treatment of exposures with an enhanced ESG component, which will form the basis for updating the CRR. The amendments to the CRD and the CRR will be followed by numerous sets of *EBA guidelines*, which will provide banks with additional guidance with regard to complying with the new legislative requirements. Currently there is activity underway to draw up guidelines with regard to the standards, methodology and criteria of ESG risk management, and with regard to transition plans in this area. The EBA is also often requested to draw up expert advice and opinions in the formulation of broader EU sustainability legislation, particularly in segments of greater relevance to banks. In 2021 the EBA thus gave the European Commission advice with regard to bank disclosures in accordance with Article 8 of the EU taxonomy regulation, and advice with regard to greenwashing and advice with regard to green loans and mortgage loans is currently under preparation. The EBA also drew up an opinion with regard to the proposal for sustainability reporting standards (ESRS).

4.4 Climate risks in the macroprudential area

We have been monitoring climate risks for several years now in the macroprudential area, defining them as physical risks and transition risks. Here we work with numerous international organisations and the relevant working groups for climate risks (ESRB, NGFS, FSB). Current assessments of climate risks are based primarily on transition risk indicators. The rise in energy and commodity prices driven by the post-pandemic recovery and the war in Ukraine has increased the banking system's exposure to climate-sensitive sectors. The share of the non-financial corporations portfolio accounted for by exposures to climate-sensitive sectors ranged between 37% and 57% at the end of 2022, while the year-on-year rates of growth in exposure to climate-sensitive sectors increased sharply in the second half of the year.⁴⁷ Amid high economic growth and rising revenues in the economy, sectors saw their emission intensity decline, which improved certain indicators of climate risks at banks.⁴⁸ There remains considerable variation from bank to bank. The assessments depend on the assumptions used to close gaps in the data and the definition of the indicators, which

⁴⁷ Climate-sensitive sectors are defined on the basis of the emissions breakdown in Slovenia, and encompass the sectors that contribute most to total emissions. An alternative definition (climate policy relevant sectors or CPRS) takes account of the emissions breakdown in the EU, the sector's position in the value chain, and its importance to climate measures.

⁴⁸ The data on emissions by sector is slow to be released, and the data for emissions and emission intensity used in the calculation therefore has a one-year lag.

makes it particularly important to standardise the indicators when designing the frameworks for monitoring climate risks. The new regulatory arrangements in the area of sustainable financing could make a significant contribution to closing these gaps.

4.5 Climate risks and environmental risks at banks

Banka Slovenije conducted an exercise on environmental risks in 2022, modelled on ECB lines. The exercise was held in March and April, and was primarily aimed at raising awareness and understanding, and identifying deficiencies. The less significant banks, subsidiary banks under majority foreign ownership, and SID banka were included in the exercise. The significant banks were included in the stress tests at ECB level. The exercise encompassed two modules, in line with the ECB methodology. The first module consisted of a questionnaire designed to obtain information about the structure of internal stress testing on climate risks. The second module consisted of the calculation of interest income and fee and commission income from carbon-intensive sectors, and the calculation of estimates of financed emissions.

Similarly to those at ECB level, the results showed that the inclusion of climate risks in stress testing is merely in its infancy. The majority of banks are only now beginning to include risks of this type in their internal processes. Banks and savings banks are mainly facing a shortage of relevant data of good quality, and will have to put in place relevant and high-quality data sources or consistent internal reporting in this area. They will also have to begin taking account of climate risks in their internal stress testing and in other relevant processes.

Having regard for the aforementioned constraints on access to data on greenhouse gases at firm level, Banka Slovenije finds that **banks in the sample in carbon-intensive sectors of the NACE as defined by the ECB accounted for just under a fifth of interest income and fee and commission income in 2021.** This figure also represents an estimate of the share of business that is most subject to transition risks over the long term. Most of the income comes from the sectors of electricity supply, retail, and warehousing and support activities for transportation.

In the area of microprudential supervision, under the aegis of the ECB we participated in numerous other supervisory activities in the area of climate risks and environmental risks. The ECB published its Guide on climate-related and environmental risks in November 2020, in which it states the supervisory expectations with regard to the management and disclosure of climate risks and environmental risks. In 2021 the banks drew up a self-assessment of the compliance of their existing practices with the supervisory expectations, and submitted plans to rectify the gaps. The supervisory assessment indicated that banks are identifying the impact of climate risks and environmental risks across the entire risk profile, but the management practices do not yet comply with the supervisory expectations. After the supervisory assessment was made, the banks received letters with recommendations for rectifying the deficiencies.

In 2022 we conducted an in-depth thematic review of bank practices and policies in the management of climate risks and environmental risks in the area of business strategy, internal governance and the comprehensive risk management framework. The results indicated that in general the banks have made progress in including climate risks and environmental risks in their business, their internal governance, and their risk management frameworks. Greater progress is however needed in the direction of robustly assessing the materiality of the banks' exposure to these risks,

obtaining relevant data, developing methods for quantifying the effects, setting more detailed risk and performance criteria, and developing stress testing.

The adequacy of the banks' disclosures of climate risks and environmental risks was assessed at the end of 2022. We assessed the adequacy of disclosures in the area of risk materiality, the business model, internal governance, and risk management, indicators and targets. According to the assessment, we find that the banks have begun to disclose more information in connection with climate risks and environmental risks, but the disclosures do not yet comply with the supervisory expectations. The banks will have to upgrade their disclosures with more detailed information about their policies, processes and methodologies in all areas.

4.6 Measuring our own carbon footprint

The disclosure of information in connection with the measurement of our own carbon footprint is based on three pillars: governance, strategy, and metrics and targets. Banka Slovenije took active steps in connection with governance in 2022 by setting up a working group, which through interim objectives set between 2022 and 2024 anchors and guides all activities that contribute towards attaining a lower carbon footprint. Alongside the working group, there is also the committee for climate change and the green agenda, which links and guides work in the area of climate change.

Banka Slovenije is following its 2021 to 2026 strategy, within the framework of which we actively pursue a strategic objective that targets the sustainability of our operations: reducing our own carbon footprint. Over recent years we have gradually put in place measures to reduce any adverse impact on the environment. We have also reduced the volume of waste, reduced the unnecessary printing of documents, switched to more efficient lighting, and switched to electricity from renewables. We have put in place a methodology for monitoring and reporting on greenhouse gas emissions, which in the future will facilitate action aimed at ensuring our carbon neutrality. The calculation of the carbon footprint for 2022 is based on the requirements of the GHG Protocol Corporate Standard. The measurements included all locations where business processes take place, and we also measured the carbon footprint of direct emissions encompassing the use of fuel for company cars, generator exhausts and similar emissions, indirect emissions by energy suppliers, and the carbon footprint of employees that generate emissions in their travel to work, emissions on business trips, use of paper, and wastes. The total emissions in 2022 amounted to 3,859.6 t CO₂ equivalent.

Diagram 2: Management of environmental factors in Banka Slovenije's operations



4.7 Environmental aspects of banknote issuance

As part of the Eurosystem, we are aware of climate change and the fragility of the environment, for which reason all accredited manufacturers involved in the production chain for banknotes are required to meet the ISO 14001 requirements on environmental management and the OHSAS 18001 requirements on occupational health and safety. To reduce the adverse environmental impact of banknotes measured in accordance with ISO 14040 Environmental management - Life cycle assessment, production of banknotes for 2022 at our selected manufacturer was switched to the exclusive use of paper made from sustainably produced cotton (integrated organic production, fair trade), and we are working with other national central banks of the Eurosystem to extend the useful life of banknotes through the use of new materials. The longer banknotes can remain in circulation, the smaller their environmental impact is.

4.8 EIB and Banka Slovenije conference

Banka Slovenije and the European Investment Bank held a conference on Banka Slovenije premises on 29 September 2022 entitled *Towards the Green Transition: Investment and Prices*.

The event was aimed at economists, decision-makers and representatives of financial institutions and the business community in Slovenia and the EU, and participants addressed the impact of the green transition on the dynamics of investment and developments in prices, and also the risks and opportunities that it presents.

The keynote speaker, Prof Lučka Kajfež Bogataj, clarified the latest developments in the area of climate change and their broader impact on the economy, while Debora Revoltella, chief economist at the EIB, presented the EIB's latest research on investment for Slovenia with an emphasis on climate change. This was followed by a roundtable where panellists from Banka Slovenije and other institutions exchanged their views of the green transition.

Photograph 4: **Prof Lučka Kajfež Bogataj** at the *Towards the Green Transition: Investment and Prices* conference



Banka Slovenije's cooperation with other institutions and expert groups

Alongside the institutional framework of which Banka Slovenije forms part, in keeping with the arrangements of the ESCB, the SSM and the SRM, **Banka Slovenije also works with other institutions and expert groups in Slovenia and abroad.**

5.1 Banka Slovenije's work in the domestic and international environments

Slovenia's Financial Stability Board again discussed systemic risks in 2022, and was briefed on supervisors' macroprudential measures and actions taken to meet the ESRB recommendations. The ESRB issued a new recommendation in 2022 on the pan-European systemic framework for coordinating cyber incidents. In addition it also regularly followed up on the implementation of recommendations issued previously. Other subjects related to Banka Slovenije's work that were discussed by the FSB included its opinion of the introduction of a sectoral systemic risk buffer, the upgrade and changes to the existing macroprudential restrictions on household lending, and the letter to the Slovenian government on long-term risks to financial stability inherent in the current arrangements for the pension system in Slovenia.

As part of the FSB working group for fintech and cybersecurity, in 2022 we continued addressing the trends in the area of algorithmic stablecoins, the impact of quantum computing on financial services, and European legislative proposals and other initiatives related to financial technologies. We paid particular attention to the development of the regulatory framework for cryptoassets and, in the light of current geostrategic developments, to the issue of cybersecurity. We discussed about issues related to the provision of critical infrastructure and cybersecurity at the level of the wider financial system, and briefed the members of the working group on the activities of the ESRB's cybersecurity working group and on the inter-supervisor project on systemic cyber risk.

In 2022 as part of the FSB working group for climate risk we assessed the transition risks and physical risks in the banking system and at insurance corporations, and monitored the evolution of regulations in the area of sustainable financing. Given the interdisciplinary nature of the issue, institutional cooperation was strengthened in 2022 in the area of environmental data relating to physical risks. The current assessments of climate risk indicate that it is low to moderate at insurance corporations and in the banking system.

The **committee for cooperation between supervisory authorities**, which was chaired by Banka Slovenije in 2022, discussed the following during the year:

- legislative innovations in the financial realm;
- joint inspections and major individual inspections at supervised entities by Banka Slovenije, the Securities Market Agency and the Insurance Supervision Agency;
- the major decisions and debates from meetings of the EBA's Board of Supervisors and the SSM, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority;
- the risks in the financial sector arising from the war in Ukraine; and
- other issues of relevance to supervisory authorities, the financial sector and users of financial services (e.g. risks related to inflation, exercise of insured parties' rights under supplementary pension insurance).

Within the framework of the NPC we monitored the implementation of the project to analyse the payments market in Slovenia funded under the European Commission's technical support instrument. NPC stakeholders were actively involved in consultations with external providers of the project on the content of final documents. Having regard for the experience of other countries, we also discussed a proposal for mandatory acceptance of electronic means of payment at points of sale from the perspective of various stakeholders in the payments market. The NPC was also briefed on current developments in the payments area in Slovenia and the EU, with a focus on the establishment of instant payments, in connection with which the European Commission drew up a legislative proposal in October 2022 to ensure that instant payments in euros will be secure, effective, and accessible, including in terms of price.

In 2022 Banka Slovenije representatives again attended meetings of committees, working groups and other bodies that are active within the institutions of the EU with a focus on financial and monetary matters.

There were two informal meetings of the ECOFIN (the council of EU economics and finance ministers, joined by the governors of EU central banks) in 2022. The first meeting was held in Paris in February, and the second took place in Prague in September.

The ECOFIN discussed macroeconomic, fiscal and structural developments in 2022, and in so doing monitored the impact of Russia's invasion of Ukraine and the resulting sanctions. It also monitored developments on the financial markets, and the risks to financial stability in the EU, and discussed current legislative packages proposed by the European Commission (instant payments, a market correction mechanism for the gas market), and issues in connection with international meetings at global level.

Representatives of the ESCB's statistics system and the European Statistical System (consisting of Eurostat and the national statistical offices) sit on the **Committee on Monetary, Financial and Balance of Payments Statistics** and the **European Statistical Forum** with its sub-groups. Prime among the numerous issues covered were the treatment of asymmetry of FDI, revisions to statistical standards such as SNA/BPM and NACE, further development of the LEI, EDP/GFS ideas, new variants of the general government deficit and debt manual, and owner-occupied housing in the HICP.

In the area of macroprudential policy, Banka Slovenije representatives actively work with the ESRB, the ECB and other macroprudential authorities of Member States. We sit on the working groups of the ESRB and the ECB in which the starting points for implementing European macroprudential policy are formulated. To date, under the aegis of the ESRB we have issued a total of 19 recommendations via which European macroprudential policy is to be implemented at national level. The ESRB recommendations addressed to the national macroprudential authority are implemented in accordance with the ZBan-3. The effectiveness of macroprudential policy also depends on limiting the potential adverse cross-border effects of the spillover of national measures, for which reason Banka Slovenije representatives work closely with the macroprudential authorities of other Member States.

In the area of microprudential policy, Banka Slovenije representatives are involved in the activities of the EBA, where through collaboration in the Board of Supervisors, permanent committees and numerous working groups we contribute to the drafting of regulatory and implementing technical standards, guidelines and recommendations aimed at ensuring a uniform approach to implementing rules and standardising supervisory practices. We worked on the following strategic priorities under the aegis of the EBA in 2022: (1) monitoring and updating the prudential framework for supervision and resolution, (2) upgrading the framework for conducting EU-wide stress tests, (3) putting in place an integrated EU data centre, (4) developing fintech and innovation, and analysing and exchanging information in connection with the digital resilience of the financial sector, (5) putting in place infrastructure for AML/CFT supervision in the EU, (6) preparing tools for managing ESG risks, and (7) reviewing and revising the wording of Directive 2015/2366/EU on payment services in the internal market.

Within the framework of **technical assistance received from the European Commission**, work continued in 2022 in connection with upgrading the tool for analysing bank business models and in connection with conducting analysis of the payments market in Slovenia. Under the aegis of the technical assistance instrument, a new supervisory digital finance academy began work in 2022, where Banka Slovenije experts gain new knowledge and skills alongside other financial sector supervisors and regulators, and exchange information in the area of supervision of innovative digital finance.

In programmes of technical assistance to other central banks and supervisory institutions Banka Slovenije employees provided assistance to the central bank of Montenegro in 2022 in the areas of banking supervision, planning of supervisory activity, the SREP, and the credit register. We gave presentations to the central bank of Croatia on certain organisational aspects, preparations for working within the framework of the Eurosystem and the SSM, the electronic document management system, and legal affairs. We also examined liquidity management at Banka Slovenije, issues in connection with the adoption of the euro, and activities within the framework of the AML project and the exchange of supervisory experience in this area. Presentations were also given on internal audit, compliance and risk management.

In 2022 we embarked on the second part of the project of a regional support programme for central banks and bank supervisory agencies in candidate countries in the western Balkans (Albania, Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia and Serbia). Provided by national central banks in the Eurosystem, the programme will last three years under the leadership of the German central bank, and is financed by the EU.

The inter-supervisor project on systemic cyber risk was begun in 2022. Banka Slovenije is working with the Insurance Supervision Agency and the Securities Market Agency on the project. Together, we are trying to improve our analytical capabilities for monitoring and identifying systemic cyber risks, for which reason all three institutions have started to set up a cyber database and to develop tools to mitigate the systemic risks. The IMF is participating in the inter-supervisor project, and is providing technical assistance.

Banka Slovenije is also responsible for representing Slovenia in certain other international institutions. **Slovenia is a member of the IMF, and the Governor of Banka Slovenije is a member of the IMF Board of Governors.** Slovenia's quota at the IMF stood at SDR 586.5 million⁴⁹ at the end of 2022, or 0.12% of the total IMF quota. A Banka Slovenije delegation attended the annual and spring meetings of the IMF and the World Bank in Washington in 2022. The main subjects of the meetings were current developments in the global economy and on international financial markets, IMF support in providing financial assistance to members in light of the impact of the pandemic and the Russian military aggression against Ukraine, the economic outlook, and potential policy responses.

In response to the crisis caused by the pandemic, with the aim of increasing liquidity in the international monetary system the IMF adopted a decision in 2021 on a new general allocation in the amount of SDR 650 billion. Slovenia received SDR 562.1 million, according to its share of the quota. Because the general allocation of SDRs was not entirely fit for purpose, or was not targeted at countries under pressure, discussions were held on the possibility of channelling the received SDRs to assist the most vulnerable countries. Alongside the Poverty Reduction and Growth Trust, a new Resilience and Sustainability Trust was established in 2022 to increase the positive impact of the general allocation of SDRs by additionally channelling SDRs from countries with a strong external position to vulnerable countries whose needs are greater.

Slovenia also participated in financial transactions under the FTP in 2022. Slovenia's reserve tranche position at the IMF increased relative to 2021 to stand at SDR 163 million at the end of December 2022. Slovenia was called on once to contribute funds in 2022, in the amount of SDR 6 million.

In November IMF representatives held regular annual consultations with Slovenia pursuant to Article IV of the IMF Statute. They organised meetings with representatives of Banka Slovenije, the Ministry of Finance, other ministries, the IMAD, the Fiscal Council, the BAMC, the Slovenian-German Chamber of Commerce, the Chamber of Commerce and Industry, the PDII, the National Assembly, the Bank Association of Slovenia, selected commercial banks and trade unions, and with representatives of firms in the tourism sector. The purpose of these consultations was to review the latest economic developments, the evolution and economic impact of the pandemic, the functioning of the financial sector and banking system, and challenges for the future. The consultations were concluded with discussion of the report by the IMF Executive Board and its publication on the IMF website.

In 2022 the IMF presented two special sections of its regular publication on the world economic outlook to Banka Slovenije representatives and an audience of other experts, on the subjects of the greening of the labour market and the dynamics of the wage-inflation spiral.

⁴⁹ Special drawing rights (SDRs) are a unit of account whose value is based on a basket of five currencies (US dollar, euro, renminbi, Japanese yen and pound sterling).

After the pandemic crisis, in 2022 the IMF also dealt with the response to the economic consequences of the Russian invasion of Ukraine, which were felt by many countries. Rising energy and food prices, higher inflation and worsening financing conditions hit the most vulnerable countries hardest. On this basis the IMF began reforms of its lending instruments, most notably strengthening the amount of favourable financing available to low-income countries. The IMF continued to play an important part in the global financial system's response to the global crisis. It provided countries with timely financial support, advice, and technical assistance.

Despite the numerous simultaneous crises, the IMF is also dealing in parallel with the challenges in connection with climate change, digitalisation, sustainability and inclusive growth, and gender equality.

The Governor of Banka Slovenije attends meetings of central bank governors of BIS members, which are held every two months. The meetings discuss developments in the global economy and on the financial markets. The governors' meetings are also an opportunity to exchange opinions on various central banking subjects. The most notable in 2022 were the priorities and challenges faced by central banks in connection with cyber risks, the opportunities and challenges of decentralised finance, household inflation expectations, the role of global value chains in global trade, and central bank profitability. A Banka Slovenije representative also attended the regular meeting of the BIS Working Party on Monetary Policy in Central and Eastern Europe in 2022. Banka Slovenije is a shareholder in the BIS, and the Governor of Banka Slovenije attended the annual general meeting of the BIS in June 2022.

Banka Slovenije representatives attended sessions of certain committees and working groups of the Organisation for Economic Co-operation and Development. They participated in meetings of the Committee on Financial Markets, the Working Group on International Investment Statistics, the Working Party on Financial Statistics, and the Working Party on International Trade in Goods and Services, and provided information for the Working Party on SMEs and Entrepreneurship.

5.2 Cooperation with domestic institutions

Banka Slovenije again worked with the **Ministry of Finance** in 2022 to draft legislative proposals in banking and finance, most notably on expert coordination and the preparation of positions with regard to new draft regulations and amendments.⁵⁰ Last year also featured numerous activities in connection with the new restrictive measures against Russia and Belarus. In addition to the standing coordination group for restrictive measures headed by the Ministry of Foreign and European Affairs, Banka Slovenije representatives also sit on the financial restrictive measures subgroup, which works under the aegis of the Ministry of Finance. We were involved in drafting the law to implement the EU regulation on controls on cash entering or leaving the EU, and in drafting secondary legislation with regard to seized cash.

⁵⁰ We were also involved in drafting and amending the Banking Act, the Prevention of Money Laundering and Terrorist Financing Act, the Central Credit Register Act, the Purchasers and Servicers of Non-Performing Loans Act, and the Mortgage and Municipal Bond Act.

Banka Slovenije is aware of the rising trend in questions and complaints by consumers and business entities in connection with the closing of current accounts and a refusal to open them. The issue in question is not unique to Slovenia, but has been seen across the EU and is related to risk management at banks (de-risking). Given the complexity of the issue, at Banka Slovenije we are focusing on difficulties faced by certain segments of consumers and business entities, and on the most common reasons for the banks to refuse to do business with specific customer groups, e.g. entities in financial difficulties (enforcement, personal bankruptcy), entities from countries against which sanctions have been imposed, or that are listed, or that engage in activities with elevated risk of money laundering or terrorist financing, working migrants from third countries, and refugees. A decision to do business with a particular customer is taken by the bank in accordance with its business policy, and is not regulated separately for business entities. Banks are required to guarantee consumers the right to a basic payment account, the opening of which may only be refused (or closed) under strict conditions set out by law: when the opening of a basic payment account would cause a breach of the ZPPDFT; when the consumer already holds a payment account that grants them access to the same set of services as a basic payment account, unless the consumer states that they have been informed that this account will be closed; when the consumer is in breach of, or in the last three years has breached, a contractual obligation to the bank; and when the bank has information that as a result of a shortage of funds in the consumer's payment account, including a basic payment account, on the basis of the law governing enforcement or the law governing tax procedure, a record of unexecuted enforcement or forcible recovery orders will be established in the account. In the quest for comprehensive solutions Banka Slovenije has established dialogue with the relevant ministries, government bodies and market stakeholders.

Within the framework of amendments to legislation at EU level we were included in the formulation of positions with regard to the banking package (the legislative proposals of the CRR3 and CRD6 for transposing Basel 3 into EU legislation), the legislative package for strengthening the capital markets union, and the legislative proposals in connection with the crisis situation in EU energy markets, and in connection with legislation for sustainability and consumer credit. We also participated in the preparation of positions with regard to numerous delegated and implementing regulations that augment banking and financial legislation.

At the level of the ESCB, each year we are involved in adopting the opinions of the ECB with regard to proposed EU acts and draft regulations submitted by the competent national authorities for consultation. An opinion of this type may also be submitted by the ECB even when it has not been directly and explicitly requested.

Banka Slovenije works with the **Office for Money Laundering Prevention** on AML/CFT supervisory activities. In keeping with customary practice, meetings are organised before the kick-off of on-site inspections for the purpose of exchanging significant information that might have a decisive impact on the content and scope of the inspection. After completing an inspection, we regularly brief the OMLP on the findings and any measures imposed, as set out by the ZPPDFT-2. Cooperation between Banka

Slovenije and the OMLP was also undertaken during the entry into force of the new ZPPDFT-2, and the drafting of secondary legislation and progress reports within the framework of Slovenia's evaluation by Moneyval at the Council of Europe.

The **Agency for Public Oversight of Auditing** is the supervisory authority in the area of valuation, and the supervisory and regulatory authority in the area of the auditing of public interest entities.

In their joint meetings generally held once a year or as necessary, and via correspondence sessions, representatives of Banka Slovenije and the agency exchange up-to-date information in connection with the auditing of banks and savings banks, and new developments in the area of regulation of the banking industry, with the aim of ensuring effective supervision of banks and savings banks, which is essential for their orderly functioning. This contributes to increased financial stability at banks and savings banks, and thus has a positive impact on the financial markets.

Banka Slovenije's collaboration with the BAS continued in 2022. Banka Slovenije representatives also participated in numerous expert conferences and committee sessions organised for bank executives and professionals, contributing articles and discussions. Banks were briefed on the latest developments in the area of banking legislation and sustainable financing, supervisory expectations in the areas of AML/CFT, restrictive measures and consumer credit, and developments in the payments market. We also used the BAS to inform banks of the latest developments in legislation, and of major consultations in connection with regulatory products adopted at EBA level.

Banka Slovenije staff are active in two associations whose purpose is to connect and educate participants in the financial markets and the broader financial sector. In 2022 Banka Slovenije staff members chaired and led the activities of **ACI Slovenia**, which connects more than 100 financial experts from more than 20 different financial institutions trading financial instruments in Slovenia, and the **CFA Society Slovenia**, whose members are experts in financial investing.

Banka Slovenije's reporting to the National Assembly

Under Article 26 of the ZBS-1, Banka Slovenije reports on its work to the National Assembly of the Republic of Slovenia, and attends meetings of other National Assembly bodies when invited to do so. In 2022 Banka Slovenije representatives reported to the National Assembly's finance committee during the presentation of Banka Slovenije's 2021 annual report and the Financial Stability Board's annual report. We also presented a report to the National Council's committee on economics, small businesses, tourism and finance. Under Article 33 of the Bank of Slovenia Act, the representative of the National Assembly's finance committee and the finance minister are regularly invited to meetings of the Governing Board of Banka Slovenije, but they do not hold voting rights. This ensures that the executive and legislative branches of government are briefed promptly on matters under the remit of the Governing Board. The chair of the finance committee did not attend in 2022, while the finance minister attended on one occasion.

Another integral part of Banka Slovenije's reporting to the National Assembly is its financial statements, which are audited by an independent international auditor selected for a three-year period (Article 52 of the ZBS-1) in accordance with Article 27(1) of the Statute of the ESCB and of the ECB. The Statute lays down that the accounts of the ECB and national central banks must be audited by independent external auditors recommended by the Governing Council of the ECB and confirmed by the Governing Board of Banka Slovenije. The auditors have the power to examine all books and accounts of the ECB and national central banks, and to obtain complete information about their transactions. The Governing Board of Banka Slovenije selects and proposes a candidate to go forward to the final selection procedure following the prior collection of tenders at least six months before the expiry of the contract signed with the previous auditor.

7.1 Decision-making bodies

According to the Bank of Slovenia Act, Banka Slovenije's decision-making bodies are the Governor and the Governing Board of Banka Slovenije. The Governing Board comprises five members: the Governor and four vice-governors. The Governor presides over the Governing Board.⁵¹ The Governor of Banka Slovenije acts as its statutory representative, directs its business, organises its work, executes the decisions of the Governing Board, and issues individual and general bylaws of Banka Slovenije that are not the responsibility of the Governing Board. The Governor may also issue guidelines for implementing resolutions by the Governing Board.

Banka Slovenije's decision-making bodies are the Governor of Banka Slovenije and the Governing Board of Banka Slovenije.

The Governor of Banka Slovenije is a member of the Governing Council of the ECB, and their membership is *ad personam*.

The members of the Governing Board of Banka Slovenije are independent in performing their duties set out by the Bank of Slovenia Act, and are not bound by the resolutions, positions or instructions of government bodies or any other bodies, and may not seek the guidance or instructions of such bodies. Since the introduction of the euro on 1 January 2007 the members of the Governing Board of Banka Slovenije have upheld the Statute of the ESCB and of the ECB in performing their duties.

The members of the Governing Board of Banka Slovenije as at 31 December 2022 were:

- Boštjan Vasle, Governor;
- Tina Žumer, Vice-Governor and Deputy-Governor;
- Jožef Bradeško, Vice-Governor.
- Milan Martin Cvikl, Vice-Governor;
- Dr Primož Dolenc, Vice-Governor.

7.2 Work of the Governing Board of Banka Slovenije in 2022

The Governing Board decides upon matters falling under the remit of Banka Slovenije. This remit is set out by the Bank of Slovenia Act and other laws governing banking, bank resolution and compulsory winding-up of banks, payment services and payment systems, macroprudential supervision, the deposit guarantee scheme, AML/CFT, consumer credit and foreign exchange operations.

Within this framework the Governing Board takes decisions on the adoption of secondary legislation and other general regulations under its remit. It also takes positions on draft laws, secondary legislation and other general regulations governing matters falling under Banka Slovenije's remit but not adopted by it. **The Governing**

⁵¹ Bank of Slovenia Act (Official Gazette of the Republic of Slovenia, Nos. 72/06 [official consolidated version], 59/11 and 55/17).

Board grants and revokes authorisations and imposes measures in the supervision of banks, savings banks and other entities.

Under the Bank of Slovenia Act, the Governing Board also has the right to take decisions on other matters affecting Banka Slovenije's operations, and may propose an external auditor, regulate employment rights and obligations for members of the Governing Board, identify any incompatibility of functions for members of the Governing Board, and take a position on Banka Slovenije's internal administrative issues.

The Governing Board's rules of procedure define certain tasks as vital to Banka Slovenije's functioning. The Governing Board decides on the strategic allocation of Banka Slovenije's financial assets, an increase in its share capital from the general reserves, and the distribution of the surplus of income over expenses within the limits and in the scope set out by the Bank of Slovenia Act, and adopts the annual report and the financial and business plan. These decisions ensure Banka Slovenije's independence in conducting its monetary policy.

The Governing Board is also responsible for regulating certain internal organisational matters, such as the appointment and dismissal of staff with special authorisations, and it functions as an appeals body in objections to individual legal acts issued by the Governor, when so envisaged by law. It also adopts bylaws on the rights, obligations and responsibilities of staff in accordance with the Bank of Slovenia Act, and secondary legislation setting out the method and scope of the recording, collection, processing, disclosure and transfer of data and information required for the functioning of Banka Slovenije's information system. In addition it is regularly briefed on reports on the implementation of important tasks submitted by working bodies and staff.

The Governing Board decides on relevant matters at meetings, where a decision is passed if at least three members vote in favour. The chair of the National Assembly's finance committee and the minister responsible for finance are invited to all meetings of the Governing Board.

The members of the Governing Board convened at 19 ordinary meetings and 15 correspondence sessions in 2022. The Governing Board discussed a total of 464 agenda items in 2022, most often in the area of banking supervision and licensing, as is the case every year, with somewhat fewer items in the areas of economic policy and monetary policy, financial stability, bank resolution, cash operations, and payment and settlement systems.

7.3 Public relations

At Banka Slovenije we endeavour to communicate with all audiences in a clear, substantive and effective manner. In this way we make sure that our message reaches the right audience at the right time. Our transparent communications help to raise Banka Slovenije's profile, and to build our reputation in the domestic and foreign environments.

Media and other public communications

In 2022 we fielded and answered a total of more than 750 questions from journalists, and issued 98 press releases, 63 Banka Slovenije publications and four ECB publications. Our representatives took part in eight major interviews, gave 17 statements to TV or radio, and organised five full press conferences and numerous informal briefings

for journalists. We also organised four panel discussions involving representatives of the profession and the media.

Alongside the pandemic, our activities in 2022 were particularly concerned with the situation in Ukraine, which was reflected in the journalists' questions addressed to us. They often asked about the impact on the economy from the Russian military aggression, and the resolution of Sberbank banka attracted much attention. The media were interested in our forecasts, particularly with regard to inflation, but they also sought information about interest rates, and the exchange rates for Ukrainian and Croatian currency.

More than 2,800 stories in connection with Banka Slovenije were published in the media in 2022. Slightly more than 60% of these were carried by online media: the largest number were on the portals of Sta.si, Delo.si and Finance.si. The print media published approximately 28% of all media stories on Banka Slovenije in 2022, while TV and radio were next in line.

In addition to media questions, in 2022 Banka Slovenije received and responded to more than 1,400 questions from the general public, individuals and businesses alike. We also dealt with a large number of complaints from consumers, and responded to multiple questions regarding numismatic products, licensing, and other banking regulations.

Publications

We overhauled our set of periodical publications in 2022:

- The *Review of macroeconomic developments* was released six times. It analysed the key macroeconomic developments, and presented the nowcasts;
- The *Half-yearly review of economic and financial developments* was issued in place of the old *Economic and Financial Developments*. Its April and October issues provided detailed analysis of the international environment, the real sector in Slovenia, the labour market, public finances, the financing of firms, households and banks, and inflation;
- The *Financial Stability Review*, in which Banka Slovenije examined the systemic risks in the financial system every six months;
- The *Monthly report on bank performance* gave key data on the performance and structure of the banking system, current monthly data on interest rates and non-performing loans, and quarterly data on the performance of leasing companies.

Other regular periodicals were the *Bulletin* (monthly), the *Economic Relations with the Rest of the World* (monthly), the *Financial Accounts of Slovenia* (quarterly) and *Direct Investment* (annual).

Banka Slovenije now has a long tradition of publishing its own original research papers. Last year saw the release of four papers in the *Banka Slovenije Working Papers* collection, and five papers in the *Discussion Papers* collection. One occasional publication that was released was *Bank Resolution: Systemic Arrangements and Key Challenges*.

Education and training

Banka Slovenije organised the Generation Euro competition for the eleventh consecutive year in 2022, under the aegis of the ECB. The competition is in three

rounds, and is aimed at encouraging students in senior years at secondary school to study economics and finance, and to learn about the role, duties and actions of the ECB and the Eurosystem. The third round was held virtually. All the finalists showed a high level of knowledge and innovation, despite the circumstances. The winners in the 2021/22 academic year were the *Pet cekinov* team from Radovljica Economics Grammar School and Secondary School.

In 2022 we awarded prizes for the best master's and doctoral theses in the areas of economics, banking, insurance, finance and financial law, with four theses winning prizes.

Educational content was provided in hybrid form last year, but primarily via in-person classes in the second half of the year. We held seminars in conjunction with the University of Ljubljana's school of economics and business, and continued our education days, which we expanded slightly, offering the opportunity of a career day for grammar school students, and holiday specials for primary school students. Approximately 1,500 students took part in our financial literacy programmes last year. For the second consecutive year we took part in Global Money Week, a campaign of raising financial awareness, which ran from 21 to 27 March. One of the events was an art competition for primary school students entitled *My 15-euro banknote*. Almost 500 nursery school and primary school children sent in their creations, with prizes awarded to the top three in the three age categories. The banking hours, which we designed in that week for the third triad of primary schools and for secondary schools, saw the participation of around 400 students. We held a prize quiz for the first time, which proved popular on social media, and also offered adults the chance to learn something during the same week in guided tours of the museum.

An international conference entitled *30 years of an independent Banka Slovenije: The road already travelled and contemporary challenges* was organised for a professional audience on 11 May to mark Banka Slovenije's 30th anniversary. The first part of the conference focused on milestones in our 30-year history, while the second part examined the key challenges facing central banks right now. The event featured a number of renowned domestic and foreign speakers, among them Christine Lagarde, president of the ECB, who at a roundtable during her visit to Ljubljana also met young high-potential economists in the form of Banka Slovenije prize-winners for the best master's degree and doctoral theses and the winners of the Generation Euro competition.

Photograph 5: **ECB president Christine Lagarde meets the winning team from the Generation Euro competition (students from Radovljica Economics Grammar School and Secondary School and their mentor) at Banka Slovenije**



We hosted a panel discussion entitled *Links between economic policy and financial stability* on 10 November, which featured experts from inside and outside Slovenia, including Isabel Schnabel, a member of the ECB's Executive Board. One of the key questions addressed by the panellists was how monetary policy and fiscal policy can affect financial stability, and how financial vulnerabilities should be taken into account in the decision-making process.

Photograph 6: **International panel discussion on Links between economic policy and financial stability**



Box 8: Strengthening financial literacy with the help of the Young Masters of Finance youth TV series

In addition to running its education programmes on site, Banka Slovenije also embarked on another very special financial literacy project in 2022. Working with external providers, we created a youth TV series called Young Masters of Finance, which aims to provide financial education for children and young people. In the show a group of five teenagers use contemporary approaches to learn basic financial concepts such as inflation, interest rates, credit, saving, and advanced modern payment systems. They also find themselves involved in various adventures.

Photograph 7: Recording the Young Masters of Finance tv series in front of the entrance to Banka Slovenije



Young Masters of Finance was created in collaboration with TV Slovenija's children's and youth TV editorial board, thus ensuring that it meets all the latest professional standards for children's and youth programming. It is mainly aimed at children and young people in the second and third triads of primary school. It consists of eight connected episodes, each just over ten minutes long and devoted to one financial concept. By the spring of 2023 it had gained approximately 200,000 viewers since its original broadcast. In the future it will also serve as a vehicle for other educational content that we prepare for primary schools, helping teachers to include the aforementioned concepts in their teaching in innovative ways, and raising financial literacy.

Banka Slovenije library

The Banka Slovenije library is a specialist library, whose range of informative resources and literature provides support for the work process of its host organisation. The material is scanned into Cobiss, and is thus available for borrowing by external users. In 2022 the library again opened its doors to external users. Our external users are mostly specific, and use the library as a research source for a variety of

economics material that cannot be obtained elsewhere, most notably various reports and financial data from global monetary institutions and banks (IMF, OECD, Fed).

The library is home to around 16,000 bibliographic units, primarily in the areas of banking and central banking, finance, economics, legislation and information technology. We published 140 e-books in 2022, and forwarded 240 online professional papers and reports issued by various financial institutions that we monitor. Last year 30 e-journals were maintained and updated on the intranet site. We purchased 30 print versions of books and 145 serial publications (financial journals and foreign dailies specialising in economics and finance). Banka Slovenije employees borrowed 200 books on interlibrary loans. Subscriptions were renewed for 21 different databases used by employees in their work.

Banka Slovenije's Mala Galerija (Little Gallery)

The Mala Galerija project was launched in 2019 in collaboration with the University of Ljubljana, since which it has been regularly augmented. The gallery programme was upgraded once again in 2022, in collaboration with outside institutions and festivals active in arts and culture.

A total of nine exhibitions were held in 2022, in line with the annual plan, attracting 4,711 visitors, up a quarter on the previous year and the year before the outbreak of the pandemic.

Five exhibitions were organised in collaboration with the University of Ljubljana. They featured artworks and projects by students of the University of Ljubljana's computer and information science faculty, its academy of fine arts and design, its electrical engineering faculty, and its education faculty, and there was also a joint exhibition by students at its architecture faculty and at the architecture and planning faculty at Vienna University of Technology.

Three exhibitions were organised in collaboration with outside partners as part of the series of events and international festivals being held in the capital. We once again hosted the Lighting Guerilla Festival, at which students of the academy of fine arts and design presented their works on this occasion. For the first time the Mala Galerija hosted Projekt Atol, an international project bringing together young artists from the University of Ljubljana's academy of fine arts and design and from the Academy of Arts, Architecture and Design in Prague (UMPRUM) and the Academy of Performing Arts in Prague (FAMU). In October, like last year, we hosted the City of Women international festival of contemporary arts, in its 28th year.

One of the more prominent exhibitions in 2022 was entitled *Heart of the City*, and was held to mark the 100th anniversary of the Banka Slovenije building.

Box 9: **Heart of the City**
exhibition marking the
100th anniversary of the
Banka Slovenije building

The Heart of the City exhibition places the construction of the Banka Slovenije building, then the Credit Bank of Ljubljana, the first monumental architecture in the interwar period, at the centre of the story of the emergence of modern Ljubljana, which undoubtedly blazed new trails in the development of the city. The Banka Slovenije building is a testimony to the modernist architectural tendencies that would transform this part of the city into a new centre in the following years, showing a monumentality and progressiveness that speak to the self-confidence of Ljubljana's post-war generation looking to the future, and it also represents the new, high standards of living in the city. The ambitious project to build the current Banka Slovenije building in the years immediately after the First World War heralded the development of today's Slovenska cesta into a new city centre, a development sometimes ruthless towards the old, but committed to the progress and wellbeing of its inhabitants.

Photograph 8: **Centrepiece**
of the *Heart of the City*
exhibition



A large number of old pictures, postcards, documents, and plans guided visitors through the exhibition, showing the project of modernising the city centre in the interwar period, its architectural and urban transformation, but also fragments of the new everyday life, middle-class life, favourite places of Ljubljana's inhabitants of that time, and places that we still visit today. For the exhibition we also produced a documentary film with the same title, giving a comprehensive overview of the past and present of the Banka Slovenije building. Heart of the City is thus a story about how we live with direct links to the past today, and how no step forward is possible without looking back.

Banka Slovenije museum

In its second year of operation the Banka Slovenije museum saw a rise in visitor numbers despite the restrictions, and created plenty of interesting attractions for visitors. The museum welcomes visitors of all ages. In instructive but fun ways, they learn about the historic role played by Banka Slovenije during the independence process, how the central bank supervises other banks, how it attends to price stability and the financial

system, and how in conjunction with the other central banks of the Eurosystem it takes decisions on the Governing Council of the ECB.

All the major cultural and museum dates were again marked in 2022. We designed an adapted guided tour of the museum for children, and a guided tour for adults, and created a special short film about the museum and some of the notable exhibits, which was released on social media. Special programmes for children and adults were also run on 3 December, when all Slovenian cultural institutions celebrate the merry day of culture. A museum tour forms part of all our educational activities, and the museum's work was also presented to numerous VIP guests from Slovenia and abroad in 2022, with special guided tours organised for groups of experts from other financial institutions in the country.

The working of the museum was again tailored to the current pandemic situation in 2022, with restrictions in place over the winter and early spring, and visits also restricted by opening hours: unannounced visits could only be made on the third Thursday of each month, but we were more flexible for announced visits. The museum nevertheless received approximately 300 visitors last year, or 1,800 if all those in education programmes are included.

February saw the launch of an online museum newsletter, which comes out every other Thursday, bringing the latest news and developments to all subscribers. It featured news about the museum, the latest developments from the world of central banking, educational games and quizzes, interesting links, photos, and announcements of events open to the general public.

Box 10: Concert of Slovenian music to close the celebrations marking Banka Slovenije's 30th anniversary

The events celebrating our 30th anniversary closed with a concert of Slovenian composers, which was held on 1 July at the Slovenian Philharmonic Building. It featured violinist Tanja Sonc and a team of young Slovenian musicians performing pieces by a number of Slovenian composers: Lucijan Marija Škerjanc, Alojz Srebotnjak, Marijan Lipovšek, Nenad Firšt, Hugo Wolf, Slavko Osterc and Matija Krečič. The selection of works paid tribute to notable Slovenian composers and musicians, who alongside other artists form one of the strongest pillars of the national identity.

The concert was open to the general public, with free entry, giving all lovers of classical music an opportunity to attend. It was part of the Music of Slovenian Composers event, and featured a violin made in 1850 by Jean-Baptiste Vuillaum. Thanks to Banka Slovenije's sponsorship, a CD featuring the same works was released, and the works can also be heard on all popular digital music platforms.

Photograph 9: Performers at the concert celebrating Banka Slovenije's 30th anniversary at the great hall in the Slovenian Philharmonic Building



7.4 Risk management

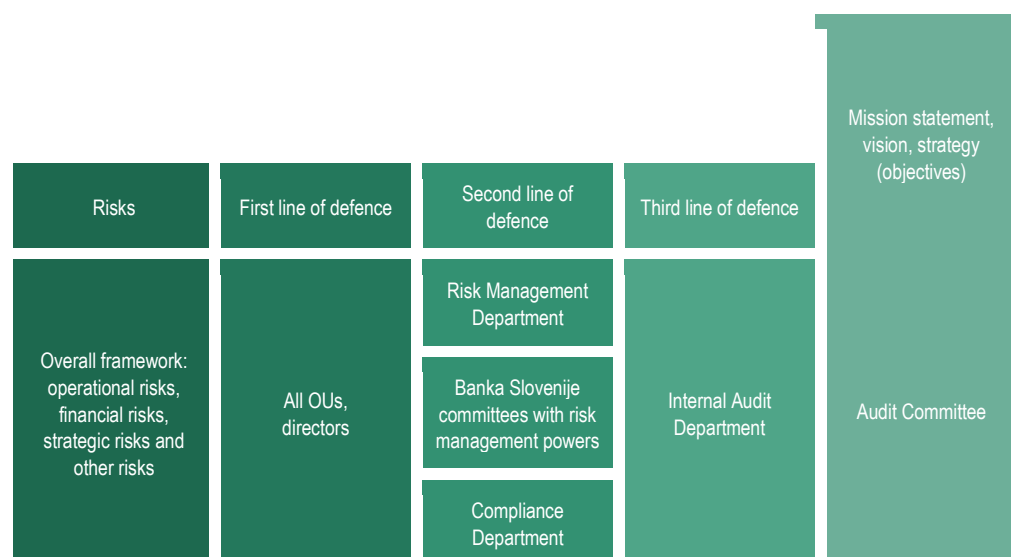
Risk management is monitored and overseen on the basis of a structured systemic approach, which is set out by the overall risk management framework. The overall framework defines the principal types of risk that Banka Slovenije faces and manages.

The actions of the risk management system focus on supporting Banka Slovenije's decision-making bodies in the risk management process, primarily by providing structured comprehensive information on what the overall risk exposure is at any given moment, and how we can continually actively manage/mitigate the identified risks in full. Risk management at Banka Slovenije does not constitute an independent business process separate from its principal activities and business processes, but instead constitutes an integral part of the senior management's responsibilities, and an integral part of all business processes, including strategic planning and all change management projects and processes. Activities to ensure that there is an effective risk management process are included in the business plans of all our organisational units.

The risk management system is designed as a model based on three lines of defence against risks, as described by the overall risk management framework. The functioning of the system ensures the identification of risks that could endanger the realisation of Banka Slovenije's strategic and other objectives. The risk management framework defines the main strategic elements of the risk management system, and represents the starting point for subordinate bylaws, policies, methodologies and guidance for managing the identified types of risk.

The **first line of defence consists of the organisational units** whose business decisions actively manage the specific identified risks, and who are primarily responsible for implementing the policies in each area for managing individual types of risk.

Diagram 3: **Three-level system of lines of defence against risk at Banka Slovenije**



Source: Overall risk management framework at Banka Slovenije

The second line of defence consists of our committees, the risk management department, and the compliance department. The primary purpose of the committees is supporting the Governor or the Governing Board in regularly monitoring, coor-

dinating and providing information about risk management. On the basis of the standard definition of the system, the risk management department coordinates the functioning of sub-systems for managing financial, operational, strategic, IT, legal, project and other risks, and our various ways of responding to interruptions in business caused by contingencies (business continuity for various periods during contingencies). In the assessment of operational risk, the compliance department provides general opinions of compliance risks and, as necessary, takes a position on self-assessments and plans for managing compliance risks drawn up by business process custodians.

The risk management department is connected to two Banka Slovenije committees holding risk management powers: the risk committee and the investment committee. The first works principally in the area of non-financial risk, and the second has a mandate from the Governing Board to manage the financial risks of Banka Slovenije's financial assets. Last year the risk committee met eight times to address 54 agenda items, mainly in the area of operational risk and information security risk, while the investment committee met 13 times to discuss 109 agenda items, mainly in connection with the management of Banka Slovenije's financial assets.

The third line of defence consists of the Internal audit department and the Audit committee. The risk management department reports to the audit committee on the functioning of the integrated risk management system. The Governing Board is committed to putting in place a comprehensive and effective risk management system that reduces the occurrence of unforeseen consequences for Banka Slovenije. Annual reviews of the implementation of the overall framework are conducted by the Governing Board, which also discusses current issues of relevance to risk management.

7.5 Compliance

Banka Slovenije endeavours to build and maintain public confidence in good governance at the institution in the performance of its public tasks. Banka Slovenije has put a compliance function in place to this end. The compliance function is part of the system of governance and management at all levels of governance, and is an inseparable part of all Banka Slovenije processes provided operationally by individual organisational units and the senior management.

The compliance department is responsible for implementing an effective compliance governance system, and for upgrading the system of checks and balances at bank level to ensure the realisation of joint objectives and the bank's values and strategy, having regard for the organisational arrangements and the powers and responsibilities at various levels. Within this framework the compliance department monitors the level of compliance in the bank's operations and its employees' conduct with regulations, by-laws, codes of ethics and standards, and is responsible for expanding the culture of compliance to encourage lawful, fair, ethical and transparent conduct on the part of the bank and its employees.

In its functioning the compliance department is independent from other organisational units, and answers directly to the Governor. The compliance officer reports on their work once a year to the Governing Board and to the audit committee.

The Code of Ethics of Banka Slovenije sets out the rules of ethical conduct for employees at Banka Slovenije and other persons working for or providing services for Banka Slovenije on the basis of a contract or agreement. The Code of Ethics of Banka Slove-

nije upholds the highest standards of ethical conduct on the part of employees, in accordance with joint guidance and values formulated within the framework of the ESCB and the ECB. In accordance with the ethical standards put in place, in their private actions employees are required to prevent and avert any conflict of interest in relation to Banka Slovenije, and to report any circumstances that might entail a conflict of interest. The compliance department is responsible for continually educating employees with regard to the conduct demanded in line with the requirements and commitments in the area of compliance, and advising bodies and business units with regard to internal arrangements and processes.

There is a whistleblowing process for employees or third parties who have at their disposal information about potential breaches or contentious conduct on the part of Banka Slovenije employees in performing their tasks or exercising their powers for Banka Slovenije. The whistleblowing report is handled by a special commission in which the compliance officer is also involved, according to the procedure set out by bylaws, and internal whistleblowers are guaranteed anonymity and protection against retaliatory measures. The commission received three whistleblowing reports in 2022, which in two cases resulted in labour disciplinary measures being imposed on employees and organisational measures being taken.

7.6 Internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The aim of the Internal audit department is to assist Banka Slovenije's senior management in making improvements to quality, efficiency and effectiveness within the framework of applicable legislation, and Banka Slovenije's strategy, business policies and plans. In its work, the Internal audit department devotes particular attention to reviewing and assessing the system of internal controls and risk management at Banka Slovenije.

In its functioning, the Internal audit department is independent from other organisational units, and is directly accountable to the Governor.

The Internal audit department conducts audits of functions, processes, data/information, projects and systems at all levels of Banka Slovenije's operations, and in all elements of the operations of the Eurosystem, the ESCB and the SSM present at Banka Slovenije.

The Internal audit department is responsible for:

- drawing up and implementing its annual work plan;
- reporting on the outcome of audits, which may include an assessment as to whether:
 - the risks associated with attaining the strategic objectives have been properly identified and managed,
 - the conduct of employees and contract-based workers complies with laws, regulations, policies and bylaws,
 - the results of activities are aligned with the corresponding objectives,
 - activities are being carried out effectively;

- monitoring and assessing the implementation of issued recommendations, and reporting on their realisation;
- providing advice with regard to good business practice, corporate governance, internal controls and prevention of fraud;
- coordinating activities in connection with the external audit of Banka Slovenije's financial statements and the funds under its management.

The Internal audit department reports periodically to the Audit committee, the Governor and the Governing Board on the findings and outcomes of audits, follow-up of recommendations, on other activities and on its own performance.

7.7 Audit committee

Alongside its internal working bodies, Banka Slovenije has an Audit committee, which aims to improve governance at Banka Slovenije by means of additional independent oversight alongside the internal and external auditing. Headed by an external expert, it functions as a consultative body to the Governing Board, and in doing so formulates opinions and advice to aid the Governing Board in making decisions with regard to:

- the integrity and reliability of financial information;
- oversight of internal controls and risk management;
- the performance of internal audit activities at Banka Slovenije; and
- compliance with laws, regulations and Codes of Ethics.

Banka Slovenije's Audit committee functions as a consultative body to the Governing Board, with the aim of improving governance through additional independent oversight.

The Audit committee met eight times in 2022. It addressed and discussed the external auditor's report on the audited financial statements, and the method of auditing at Banka Slovenije, the Bank resolution fund, the Deposit guarantee fund, and the Resolution and deposit guarantee fund for 2021. Although Banka Slovenije is not subject to the requirements of Regulation (EU) No 537/2014 and Directive 2014/56/EU (which apply to audits of public-interest entities), after conducting the closing audit the external auditor revised the audit report in 2022 (as in 2020 and 2021) in accordance with Article 11 of the aforementioned regulation, which prescribes mandatory elements for an additional report to the Audit committee.⁵²

The Audit committee was also briefed on reports on the work of the Internal audit department, issued opinions with regard to audit engagements, followed up the implementation of internal audit recommendations and the selection of the external auditor, and discussed the reports of the whistleblowing commission at Banka Slovenije.

Furthermore, in 2022 the Audit committee was briefed on the Banka Slovenije's risk reports compiled by the Risk management department, and on the work plan of the Compliance department and its report on work completed in the previous year.

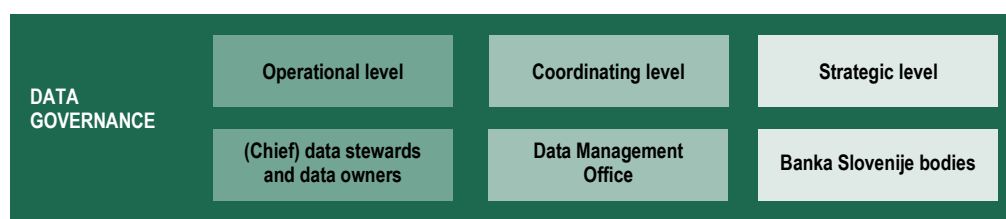
⁵² <https://eur-lex.europa.eu/legal-content/SL/TXT/?uri=CELEX%3A32014R0537>.

7.8 Data management

Data is of strategic importance for Banka Slovenije as well as being a vital component of the majority of business processes. Effective data management is therefore the duty of all employees at Banka Slovenije. Data management at Banka Slovenije encompasses numerous aspects: data architecture, data modelling, the data warehouse and business intelligence tools, metadata, reference data, data quality, and data governance itself. The data management office plays a key role in this process, in that it represents the second (coordinating) level of the three levels of data governance. The first (operational) level consists of the data custodians of departments and units who are the owners of the data, while the third (strategic) level consists of Banka Slovenije bodies. The office's mandate focuses on:

- putting in place and monitoring the data governance process;
- putting in place effective data management infrastructure and data architecture; and
- coordinating processes in connection with the new and modified reporting requirements.

Diagram 4: Data governance



Source: Banka Slovenije

Major activities undertaken in 2022 related to the creation of the reporting framework, and the target data architecture. The last year has seen the reactivation of the combined working group for reporting, which functions under the aegis of the BAS, where Banka Slovenije also has external observer status. Among the principal challenges facing the working group is the need for central coordination of new and modified regulatory data requirements. By far the most important role in the formulation of the reporting framework is played by the European reporting integration projects (e.g. the ESCB's IReF). Internal activities also continued in the planning of the target data architecture and data governance processes. Advanced data architecture together with the agile processes to support it are vital to the ability to adapt to the challenges that lie ahead.

7.9 Banka Slovenije's performance in 2022

The results presented in Banka Slovenije's financial statements reflect the financial effect of the implementation of its tasks and objectives.

Balance sheet developments in 2022

The balance sheet total stood at EUR 33.1 billion as at 31 December 2022, down slightly on the end of 2021 (EUR 33.2 billion).

On the asset side there was an increase of EUR 0.8 billion in net purchases of securities for the implementation of monetary policy, and a decline of EUR 1.6 billion in the

stock of longer-term refinancing operations. The largest exposure in the form of holdings of securities for monetary policy purposes consisted of Slovenian government bonds (EUR 15.0 billion).

On the liability side there were declines in deposits by commercial banks (in the amount of EUR 0.9 billion) and euro deposits by the government and other customers (EUR 0.9 billion). There was an increase of EUR 1.7 billion in liabilities to the Eurosystem from adjustments in euro banknotes. This liability represents the difference between the value of banknotes belonging to Banka Slovenije as the legal issuer of 0.44% of all banknotes in circulation in the Eurosystem, and the value of banknotes actually placed into circulation by Banka Slovenije.

The aforementioned developments brought an increase in Banka Slovenije's claims against the ECB from cross-border transactions with other national central banks and the ECB via the TARGET2 system (by EUR 0.7 billion).

Financial performance in 2022

The main source of Banka Slovenije's income is interest on monetary policy instruments and portfolios, and on its own investments in securities. Net interest income amounted to EUR 130.8 million in 2022, down EUR 29.6 million on the previous year. The main driver of the decline was the rise in key interest rates in pursuit of monetary policy normalisation, which had a negative impact on financial performance on account of the repricing gap. This means that we are paying higher interest on a large part of our current liabilities, while a large part of our longer-term assets are remunerated at significantly lower interest rates.

The net gain realised on the sale of securities and foreign exchange positions amounted to EUR 8.9 million. The increased pace of monetary policy normalisation had a significant impact on the financial markets. As a result of rising interest rates, bond prices fell sharply in 2022, both inside and outside the euro area. Share prices also fell, on account of the increased fear of recession. The market value of numerous securities in Banka Slovenije's asset portfolios fell as a result of the rise in yields in 2022. Banka Slovenije marks its positions to market at the end of the year, disclosing the negative revaluation effects as an expense. These expenses amounted to EUR 225.2 million in 2022, and were the result of market prices of securities and exchange rates at the end of the year being lower than the average price of the positions. In light of Banka Slovenije's exposure to financial risks, general provisions can be created to cover expenses from changes in interest rates, exchange rates, prices and credit developments. Banka Slovenije held EUR 684 million of general provisions at the beginning of the year on the basis of past operations. In the event of the realisation of the assessed risks for which past provisions had been created, and the consequent generation of a loss, this would first be covered from the surplus of income over expenses. Should this not suffice, Banka Slovenije would use its general provisions. Provisions in the net amount of EUR 138.5 million were released in 2022 for the coverage of expenses arising from exposure to financial risks. Additional provisions in the amount of EUR 1.1 million were created for employees and known risks. Net fees and commission (EUR 14.3 million), income from participating interests (EUR 6.0 million), the net result from the combination of Eurosystem monetary income (minus EUR 27.4 million) and other income (EUR 2.7 million) amounted to minus EUR 4.4 million in 2022. Operating costs amounted to EUR 45.9 million in 2022. Banka Slovenije thus generated a surplus of income over

expenses in the amount of EUR 1.7 million. The distribution of the surplus will be undertaken in line with applicable legislation.

Table 5: Banka Slovenije's contributions to Slovenia's state budget, EUR million

Year	Surplus	Statutory contribution to state budget	Contribution to state budget
2018	63.4	15.9	15.9
2019	180.7	45.2	45.2
2020	81.0	20.2	20.2
2021	37.1	9.3	9.3
2022	1.7	0.4	0.4
Total			91.0

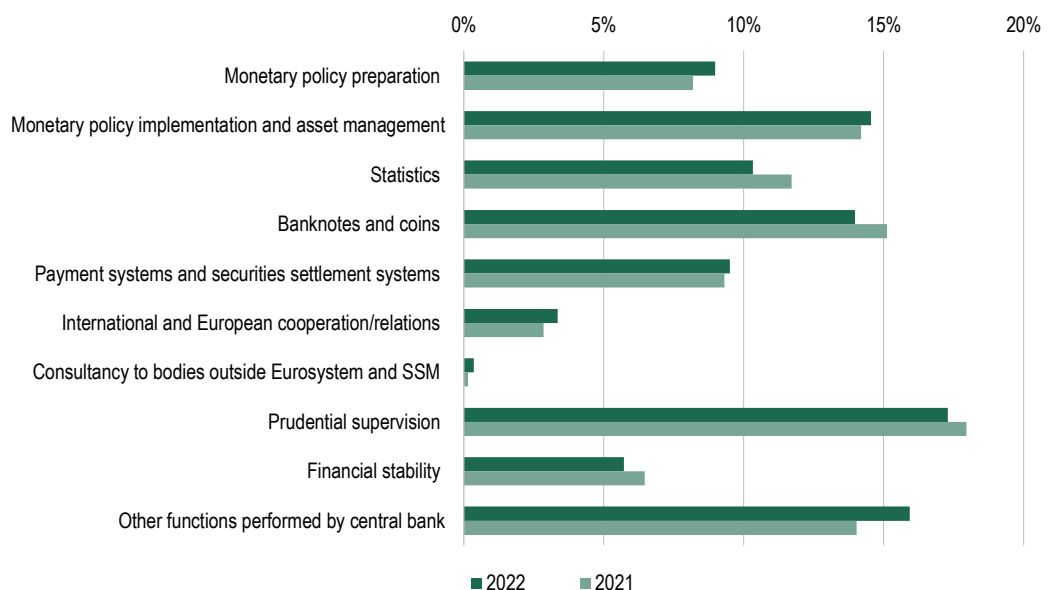
Source: Banka Slovenije

Operating costs

Banka Slovenije's operating costs are the result of the implementation of its tasks set out by law. Figure 29 shows the allocation of costs by task. In addition to direct costs, these include the imputed indirect costs of support functions (information technology, accounting, legal services and similar internal services).

Operating costs amounted to EUR 45.9 million in 2022, up EUR 2.8 million on the previous year. Labour costs make up the majority (66%) of Banka Slovenije's operating costs. They include costs of wages and salaries and other labour costs together with the corresponding taxes and social security contributions. They amounted to EUR 30.1 million in 2022 (EUR 28.8 million in 2021). The increase was the result of a rise in the basic wage in accordance with the agreement on the indexation of the basic wage, the introduction of organisational changes, and changes in staff qualifications structure caused by turnover and promotions. Other business costs, banknote printing costs, amortisation and depreciation of non-current assets, and other costs amounted to EUR 15.7 million, up EUR 1.5 million on 2021.

Figure 28: Breakdown of costs by individual task



Source: Banka Slovenije

Table 6: **Year-end balance sheet, 2018 to 2022, EUR million**

Assets	2018	2019	2020	2021	2022
1. Gold and gold receivables	115	138	158	165	174
2. Claims on non-euro-area residents denominated in foreign currency	699	763	911	1,836	1,955
3. Claims on euro area residents denominated in foreign currency	94	37	33	25	41
4. Claims on non-euro-area residents denominated in euro	1,224	1,365	1,209	1,079	1,089
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	1,102	995	1,377	2,363	771
6. Other claims on euro area credit institutions denominated in euro	0	0	0	4	5
7. Securities of euro area residents denominated in euro	11,290	11,355	14,888	17,782	18,470
8. General government debt denominated in euro	–	–	–	–	–
9. Intra-Eurosystem claims	1,564	3,748	7,024	9,501	10,163
10. Items in course of settlement	–	–	–	–	0
11. Other assets	342	412	396	402	467
Total assets	16,429	18,815	25,995	33,157	33,136
Equity and liabilities	2018	2019	2020	2021	2022
1. Banknotes in circulation	5,559	5,740	6,355	6,842	6,964
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	3,391	4,348	7,097	9,748	8,877
3. Other liabilities to euro area credit institutions denominated in euro	–	–	17	582	377
4. Debt certificates issued	–	–	–	–	–
5. Liabilities to other euro area residents denominated in euro	3,780	3,416	5,735	6,489	5,837
6. Liabilities to non-euro-area residents denominated in euro	63	134	34	292	269
7. Liabilities to euro area residents denominated in foreign currency	5	6	6	6	37
8. Liabilities to non-euro-area residents denominated in foreign currency	–	–	–	–	–
9. Counterpart of special drawing rights allocated by the IMF	262	266	254	962	974
10. Intra-Eurosystem liabilities	1,502	2,815	4,333	5,909	7,599
11. Items in course of settlement	–	–	–	4	5
12. Other liabilities	137	145	109	125	175
13. Provisions	594	573	622	697	559
14. Revaluation accounts	103	163	189	241	208
15. Equity and reserves	970	1,027	1,163	1,224	1,251
16. Surplus of income over expenses for the current year	63	181	81	37	2
Total liabilities	16,429	18,815	25,995	33,157	33,136

Source: Banka Slovenije

Table 7: Profit and loss account, 2018 to 2022, EUR million

	2018	2019	2020	2021	2022
1. Net interest income	133	140	150	160	131
2. Net result of financial operations, write-downs and risk provisions	-84	31	-51	-79	-79
3. Net income from fees and commissions	10	11	13	13	14
4. Other income	42	39	10	-14	-19
5. Operating costs	-38	-40	-41	-43	-46
Surplus of income over expenses for the current year	63	181	81	37	2

Source: Banka Slovenije

Human resources

In the exercise of its public powers and tasks, staff at Banka Slovenije endeavour to uphold the highest standards of ethical conduct, in line with the common guidelines and values established within the framework of the ESCB and the ECB. Upholding these standards is an essential prerequisite for building and maintaining the public's trust in the sound and reliable governance of Banka Slovenije in carrying out its tasks. Banka Slovenije has set out fundamental rules of conduct for staff in the form of the Code of Ethics of Banka Slovenije, which maintains and strengthens independence, objectivity and expertise in the performance of its tasks.

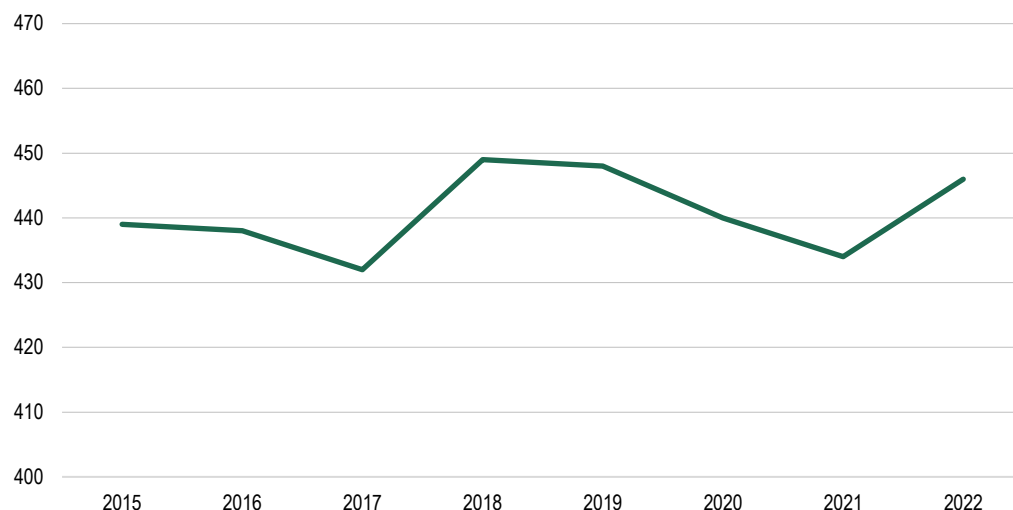
We continued to uphold best practices and to introduce new approaches and changes at the strategic and operational levels in 2022 in the area of HR and organisation. Banka Slovenije has been a recipient of a Best Employer award for several years now, and holds full Family-Friendly Company certification. In 2022 we were among the recipients of a special commendation awarded to firms that opted to renew full certification and to introduce additional measures to improve the work-life balance of their employees. Banka Slovenije adapted the amount of working from home with regard to the epidemiological situation in Slovenia.

We advertised 28 vacancies, to which a total of 548 candidates applied. The greatest demand was in the areas of analysis, HR, clerical work and supervision. We hired 18 new staff members, with six on mobility returning from the ECB. Four staff members retired last year, 15 opted to continue their careers outside Banka Slovenije and the ESCB, and six decided in favour of gaining work experience at the ECB for a shorter or longer period. The average age of staff members at Banka Slovenije was 46 last year. The actual figure had reached 46 years and five months by the end of the year, having risen by five months over the course of the year. We are still one of the rare central banks in Europe that employs more women (53% of the total) than men. Of the managerial positions, 41% are occupied by women. Some 77% of staff members at Banka Slovenije hold at least a Level VII qualification.

Banka Slovenije had an effective headcount of 446 as at 31 December 2022.⁵³

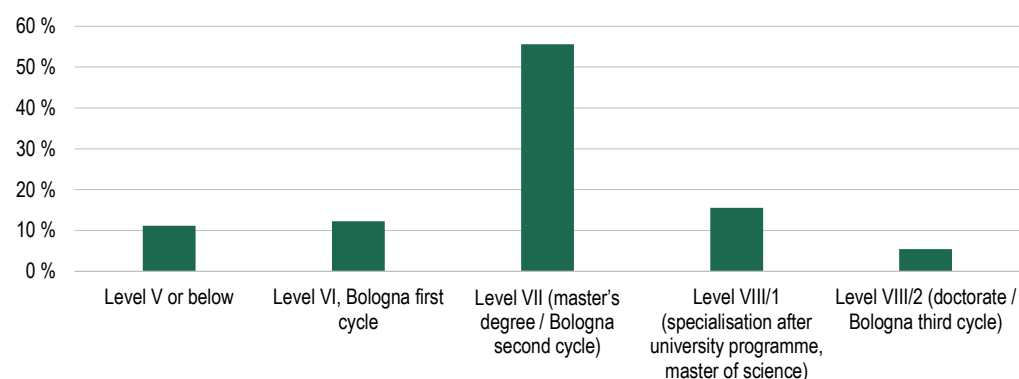
⁵³ The effective headcount includes all those who were present in the workplace on the reporting date (including all those who on the reporting date were taking annual leave or short-term sick leave).

Figure 29: **Effective headcount at Banka Slovenije, 31 December 2022**



Source: Banka Slovenije

Figure 30: **Breakdown of staff qualifications, 31 December 2022**



Source: Banka Slovenije

7.10 Court proceedings

Banka Slovenije was involved in nine pending administrative proceedings at the end of 2022. It was an accessory participant in three disputes against a decision by the Information Commissioner, and the plaintiff in one challenge to the Information Commissioner's decisions. Banka Slovenije was the defendant in five cases in connection with decisions issued in supervisory and other proceedings.

Banka Slovenije was involved in 154 pending litigation proceedings at the end of 2022, either as the defendant or co-defendant, or as an accessory participant. Almost all related to compensation claims by holders of qualified bank credit who were subject to extraordinary measures in 2013 and 2014.

One labour dispute was also pending, in which Banka Slovenije is the defendant.

Two court cases were pending at the end of 2022 with regard to misdemeanours decisions issued by Banka Slovenije, while Banka Slovenije was involved in five cases of bankruptcy proceedings as a creditor.

Banka Slovenije had two cases pending before the Constitutional Court of the Republic of Slovenia as at 31 December 2022.

Statement of responsibilities of the Governing Board of Banka Slovenije

The Banka Slovenije Act requires Banka Slovenije to prepare financial statements to give a true and fair view of the state of affairs of Banka Slovenije and the surplus or deficit of Banka Slovenije for a given period. The financial statements are adopted by the Governing Board of Banka Slovenije. In preparing the financial statements, Banka Slovenije is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, namely the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34) (and subsequent amendments thereto)¹ and the provisions of the Banka Slovenije Act relating to accounting; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that Banka Slovenije will continue in business.

The Governing Board of Banka Slovenije has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of Banka Slovenije.

¹ OJ L 347, 20.12.2016, pp. 37–86, as amended. The unofficial consolidated text with the list of amendments can be found [here](#).



Independent Auditor's Report

To the Governing Board of Banka Slovenije

Our opinion

In our opinion, the financial statements of Banka Slovenije (the "Bank") are prepared, in all material respects, in accordance with the Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34, inclusive of subsequent amendments to the Guideline) and provisions of the Banka Slovenije Act relating to the accounting (together : the "Reporting framework for Banka Slovenije").

What we have audited

The Bank's financial statements comprise:

- the balance sheet as at 31 December 2022;
- the profit and loss account for the year then ended; and
- the summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

PricewaterhouseCoopers d.o.o.,
Cesta v Kleče 15, SI-1000 Ljubljana, Slovenia
T: +386 (1)5836 000, F:+386 (1) 5836 099, www.pwc.com/si
Matriculation No.: 5717159, VAT No.: SI35498161

The company is entered into the company register at Ljubljana District Court under Insert no. 12156800 per resolution Srg. 200110427 dated 19 July 2001 and into the register of audit companies at the Agency for Public Oversight of Auditing under no. RD-A-014/94. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.

Translation note:

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Responsibilities of the Management and the Audit Committee of the Bank for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the Reporting framework for Banka Slovenije, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Governing Board and the Audit Committee of Banka Slovenije are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's 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 Bank'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Governing Board and Audit Committee of Banka Slovenije 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.

For and on behalf of PricewaterhouseCoopers d.o.o.:

Damjan Ahčin,
Director, Certified auditor

Ljubljana, Slovenia, 04 April 2023

Translation note:

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Constitution

Banka Slovenije was constituted by the Law on Banka Slovenije dated 25 June 1991. Banka Slovenije is a legal entity, governed by public law, which independently disposes of its own property. Banka Slovenije is wholly owned by the state and is autonomous as regards its finances and administration. Banka Slovenije is supervised by Parliament. The primary objective of Banka Slovenije shall be to maintain price stability. In pursuing this objective, Banka Slovenije shall strive for financial stability, while taking into account the principles of an open market economy and free competition. According to the Banka Slovenije Act, on the day of introduction of the euro as the Republic of Slovenia's currency, Banka Slovenije shall begin to perform its tasks in accordance with the Treaty establishing the European Community and in accordance with the Statute of the ESCB and the ECB.²

Accounting policies

Introduction of the euro

The Republic of Slovenia introduced the euro as a new legal tender on 1 January 2007. Banka Slovenije thus became part of the Eurosystem and took over joint responsibility for defining and implementing monetary policy and for exercising the common strategic goals of the ESCB.³

Accounting principles and standards

Banka Slovenije applies the Guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2016/34) (the Accounting Guideline) as the legal basis for the accounting and reporting. According to the Banka Slovenije Act and the Statute of the ESCB and of the ECB, this legal framework was adopted by the Governing Board of Banka Slovenije at its 342nd meeting on 20 December 2006.

Financial statements are presented in accordance with the valuation rules as defined by the Accounting Guideline.

In cases that are not covered by the Accounting Guideline or are governed by non-mandatory provisions, the valuation principles in accordance with international financial reporting standards valid in the EU and with the Banka Slovenije Act are applied.

Basic principles

The financial statements are prepared in conformity with the provisions governing the Eurosystem's accounting and reporting procedures, which follow accounting principles, harmonised by Community law, with generally accepted international financial reporting standards valid in the EU and with the Banka Slovenije Act.

The following fundamental accounting principles have been applied:

- Economic reality and transparency: the accounting methods and financial reporting shall reflect economic reality, be transparent and respect the qualitative characteristics of understandability, relevance, reliability and comparability;
- Prudence: the valuation of assets and liabilities and income recognition shall be carried out prudently. In the context of the Accounting Guideline, this implies that unrealised gains shall not be recognised as income in the profit and loss account, but shall be recorded directly in a revaluation account and that unrealised losses shall be taken at year end to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account;
- Materiality: deviations from the accounting rules shall only be allowed if they can be reasonably considered as immaterial in the overall context and presentation of the financial statements;
- Consistency and comparability: the criteria for balance sheet valuation and income recognition shall be applied consistently in terms of commonality and continuity of approach to ensure comparability of data in the financial statements;

² Protocol (No. 18) (ex. No. 3) on the Statute of the European System of Central Banks and of the European Central Bank (Protocol annexed to the Treaty establishing the European Community, OJ C 191, 29.07.1992).

³ The term "ESCB" (European System of Central Banks) refers to the 27 national central banks (NCBs) of the member states of the European Union on 31 December 2022 plus the European Central Bank (ECB). The term "Eurosystem" refers to the 19 NCBs of the member states participating in the Monetary Union plus the ECB on the same date.

- Going concern basis: accounts shall be prepared on a going concern basis;
- Accruals principle: income and expenditure shall be recognised in the accounting period in which they are earned or incurred and not in the period in which they are received or paid;
- Post-balance-sheet events: assets and liabilities shall be adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the Governing Board if they materially affect the fair presentation of assets or liabilities at the balance sheet date.

Recognition of assets and liabilities

An asset or liability is only recognised on the balance sheet when it is probable that any associated future economic benefit will flow to or from Banka Slovenije, substantially all of the associated risks and rewards have been transferred to Banka Slovenije, and the cost or value of the asset or the amount of the obligation can be measured reliably.

Economic approach

On the basis of the definition of alternative economic approach in the Accounting Guideline, transactions in financial assets and liabilities are reflected during the year in the accounts on the date on which they were settled.

For transactions in foreign currency agreed in one year but maturing in a subsequent year, the trade date approach is applied. Transactions are recorded in off-balance sheet accounts on the trade date. On the settlement date, the off-balance sheet entries are reversed and transactions are booked on-balance sheet. Purchases and sales of foreign currency affect the net foreign currency position on the trade date and realised results arising from sales are also calculated on the trade date.

Securities transactions are recorded according to the cash/settlement approach. Accrued interest, premiums and discounts related to financial instruments in foreign currency are calculated and booked daily from the settlement date, and the foreign currency position is also affected daily by these accruals.

Conversion of foreign currencies

Foreign currency transactions whose exchange rate is not fixed against the euro are recorded in the balance sheet at market rates prevailing on the day of the transaction. At year-end, both financial assets and liabilities are revalued at current market rates of the last day of the year, as derived from the ECB's daily quotation of reference exchange rates. This applies equally to on-balance-sheet and off-balance-sheet transactions. The revaluation takes place on a currency-by-currency basis.

Income and expenses are converted at the exchange rate prevailing on the recording date.

Gold and gold receivables

Gold and gold receivables are valued at the market price prevailing at the year-end. No distinction is made between the price and currency revaluation differences for gold. Instead, a single gold revaluation difference is accounted for, based on the euro price per fine ounce of gold, derived from the gold price in US dollars as at the balance sheet date.

Securities held for monetary policy purposes

Debt securities currently held for monetary policy purposes are accounted for at amortised cost subject to impairment.

Other securities

Marketable securities (other than debt securities currently held for monetary policy purposes and those classified as held-to-maturity) and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. Options embedded in securities are not separated for valuation purposes. For the year ending 31 December 2022, mid-market prices on 30 December 2022 were used.

Marketable debt securities classified as held-to-maturity and non-marketable securities are valued at amortised cost subject to impairment. Illiquid equity shares and any other equity instruments held as permanent investments are valued at cost, subject to impairment.

Investment funds are valued at market prices on a net basis and not on the basis of the underlying assets, provided that they meet certain predetermined criteria in relation to the level of influence of Banka Slovenije on the day-to-

day operations of the fund, the legal status of the fund and the way the investment is evaluated. There is no netting between the revaluation results of different investment funds.

Securities lending transactions under automated security lending contracts are conducted as part of the management of Banka Slovenije's assets. Securities lending transactions are collateralised. Income resulting from lending operations is included in the profit and loss account. Securities lending is conducted via agent and custodian banks. Transactions outstanding at year-end are recorded off-balance sheet.

Tangible fixed assets

Depreciation is calculated on a straight-line basis, beginning with the month after acquisition, so as to write off the cost of the assets over their estimated economic lifetime at the following annual percentage rates:

	2022	2021
Buildings	1.3–1.8%	1.3–1.8%
Hardware and software	20–33%	20–33%
Other equipment	10–25%	10–25%

Gains and losses related to disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the profit and loss account.

Properties located in Austria are included in Banka Slovenije's fixed assets. They are carried at a value in the middle interval of the estimated fair values and are not depreciated. The fair value is based on a middle value in the range of appraised values, obtained by an external certificated valuer (Banka Slovenije revalues these properties once every five years; the last revaluation was carried out in 2019). This revaluation method gives a more appropriate and accurate view to the reader of the financial statements.

Leases

For all long-term leases involving a tangible asset, the related right-of-use asset and liability are recognised on the balance sheet at the lease commencement date at the present value of the future lease payments and included under asset item "Tangible and intangible fixed assets" and liability item "Sundry". Right-of-use assets are valued at cost less depreciation, which is calculated on a straight-line basis.

ECB capital key

The capital key is essentially a measure of the relative size of EU member states and is a 50:50 composite of GDP and population size. The key is used as the basis for allocation of each NCB's share of capital in the ECB and must be adjusted every five years under the Statute of the ESCB and of the ECB or whenever there is a change in the composition of the ESCB national central banks.

The Eurosystem key is an individual NCB's share in the total key held by Eurosystem members and is used as the basis for allocation of monetary income, the ECB's income on euro banknotes in circulation, the ECB's (net) income arising from securities held for monetary policy purposes and the ECB's profit/loss.

Banknotes in circulation

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes.^{4,5} The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key⁶.

⁴ Decision of the European Central Bank of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29), OJ L 35, 09.02.2011, pp. 26–30, as amended. The unofficial consolidated text with the list of amendments can be found [here](#).

⁵ Hrvatska narodna banka have only participated in the Eurosystem since 1 January 2023.

⁶ Banknote allocation key means the percentages that result from taking into account the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share in such total.

The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed in the balance sheet under liability item “Banknotes in circulation”.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated⁷ intra-Eurosystem balances. These claims or liabilities are disclosed under the sub-item “Intra Eurosystem: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Intra-ESCB balances/Intra-Eurosystem balances” in the notes on accounting policies).

From the cash changeover year⁸ until five years following the cash changeover year, the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted in order to avoid significant changes in NCBs’ relative income positions as compared to previous years. The adjustments are affected by taking into account the differences between the average value of banknotes in circulation of each NCB in the reference period⁹ and the average value of banknotes that would have been allocated to them during that period under the ECB capital key. The adjustments will be reduced in annual stages until the first day of the sixth year after the cash changeover year, when income on banknotes will be allocated fully in proportion to the NCBs’ paid-up shares in the ECB’s capital. In the year under review there were no such adjustments.

The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under “Net interest income” in the profit and loss account.

Intra-ESCB balances / Intra-Eurosystem balances

Intra-Eurosystem balances result primarily from cross-border payments in the EU that are settled in central bank money in euro. They are primarily settled in TARGET2¹⁰ and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted and then assigned to the ECB on a daily basis, leaving each NCB with a single net bilateral position vis-à-vis the ECB only.

Intra-Eurosystem balances of Banka Slovenije vis-à-vis the ECB arising from TARGET2, as well as other intra-Eurosystem balances denominated in euro (e.g. interim ECB profit distributions to NCBs, monetary income results), are presented on the balance sheet of Banka Slovenije as a single net asset or liability position under “Other claims within the Eurosystem (net)” or “Other liabilities within the Eurosystem (net)”. Intra-ESCB balances versus non-euro area NCBs not arising from TARGET2 are disclosed either under “Claims on non-euro area residents denominated in euro” or “Liabilities to non-euro area residents denominated in euro”.

Intra-Eurosystem claims arising from Banka Slovenije’s participating interest in the ECB are reported under “Participating interest in ECB”. In particular this balance sheet item includes (i) the NCBs’ paid-up share in the ECB’s subscribed capital, (ii) any net amount paid by the NCBs due to the increase in their share in the ECB’s equity value¹¹ resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB and the ECB with respect to central banks of Member States whose derogations have been abrogated.

Intra-Eurosystem claims arising from the transfer of foreign reserve assets to the ECB by Banka Slovenije at the time of joining the Eurosystem are denominated in euro and reported under “Claims equivalent to the transfer of foreign reserves”.

⁷ Decision of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of member states whose currency is the euro (recast) (ECB/2016/36), OJ L 347, 20.12.2016, pp. 26–36, as amended. The unofficial consolidated text with the list of amendments can be found [here](#).

⁸ Cash changeover year refers to the year in which the euro banknotes are introduced as legal tender in the respective member state, for Banka Slovenije this is 2007.

⁹ The reference period refers to the 24 months which start 30 months before the day on which euro banknotes become legal tender in the respective member state, for Banka Slovenije this is the period from July 2004 to June 2006.

¹⁰ Trans-European Automated Real-time Gross settlement Express Transfer system 2.

¹¹ Equity value means the total of the ECB’s reserves, revaluation accounts and provisions equivalent to reserves, minus any loss carried forward from previous periods. In the event of capital key adjustments taking place during the financial year, the equity value also includes the ECB’s accumulated net profit or net loss until the date of the adjustment.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a single net asset/liability under “Net claims/net liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Banknotes in circulation” in the notes on accounting policies).

ECB profit distribution

The Governing Council of the ECB has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under (a) the securities markets programme (SMP), (b) the third covered bond purchase programme (CBPP3), (c) the asset-backed securities purchase programme (ABSPP), (d) the public sector purchase programme (PSPP) and (e) the pandemic emergency purchase programme (PEPP) is distributed in January of the following year by means of an interim profit distribution, unless otherwise decided by the Governing Council.¹² Any such decision shall be taken where, on the basis of a reasoned estimate prepared by the Executive Board, the Governing Council expects that the ECB will have an overall annual loss or will make an annual net profit that is less than this income. The Governing Council may also decide to transfer all or part of this income to a provision for financial risks. Furthermore, the Governing Council may also decide to reduce the amount of the income on euro banknotes in circulation to be distributed in January by the amount of the costs incurred by the ECB in connection with the issue and handling of euro banknotes.

The amount distributed to NCBs is disclosed in the profit and loss account under “Income from equity shares and participating interest”.

Provisions

Provisions are recognised when Banka Slovenije has a present legal or other obligation as a result of past events when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

In compliance with Article 49.a of the Banka Slovenije Act, after the introduction of the euro as the Republic of Slovenia’s currency, the Governing Board of Banka Slovenije may, with the intention of maintaining the real value of assets, take a decision to create general provisions for anticipated exchange rate, interest rate and price risks. Provisions may not be created if they should, together with the unrealised exchange rate differences, securities valuation effects and gold valuation effects, exceed 20% of identified net income. With the amendment of the Accounting Guideline, which entered into force as at the end of 2012, the legal background was also given for the creation of provisions for credit risks. Following the amendment of the Accounting Guideline at the end of 2019,¹³ which extends the area of provisioning to all financial risks, Banka Slovenije also created provisions for equity risks for the first time in 2019. The relevant amount of provisions for all such financial risks is determined annually on the basis of the Expected Shortfall (ES) method at a 99% confidence level. ES is defined as the expected or average loss in the selected period for those events that are worse than the VaR¹⁴ figure at the same confidence level and holding period, with an unchanged investment structure. Banka Slovenije also creates provisions based on the calculation of the interest sensitivity gap. This risk arises from the growing imbalances between the short-term liabilities and long-term investments as a result of the implementation of the Eurosystem monetary policy operations.

Income recognition

Income and expenses are recognised in the financial year in which they are earned or incurred. Realised gains and losses are taken to the profit and loss account.

From the beginning of 2007, the foreign exchange and price valuation has been performed on a quarterly basis in accordance with the Accounting Guideline. Net unrealised positive valuation effects which arose before the adoption of the euro are separated from the unrealised positive valuation effects recorded after that date. They are considered as “Pre-Stage Three” revaluation reserves and are included in the liability balance sheet item “Reserves”.

¹² Decision of the European Central Bank of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57), OJ L 53, 25.02.2015, pp. 24–26, as amended. The unofficial consolidated text with the list of amendments can be found [here](#).

¹³ Guideline of the European Central Bank of 28 November 2019 amending Guideline on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2019/34), OJ L 332, 23.12.2019, pp. 184–203.

¹⁴ VaR is defined as the maximum loss of portfolio with a given diversification at a given confidence level (99%) and for a given holding period (one year).

At the end of the year, unrealised positive valuation effects are not recognised as income in the profit and loss account but are recorded on the revaluation accounts on the liability side of the balance sheet.

Unrealised negative valuation effects are taken to the profit and loss account if they exceed previous positive valuation effects registered in the corresponding revaluation account. Such losses cannot be reversed against any future unrealised positive valuation effects in subsequent years. Unrealised valuation effects in respect of securities and foreign currency denominated items are entered on an item-by-item basis and a currency-by-currency basis. Netting is not allowed.

Premiums and discounts arising from purchased securities are calculated and presented as part of the interest income and are amortised over the remaining life of the securities according to the internal rate of return (IRR) method.

Cost of transactions

With regard to gold, foreign currencies and securities, the average cost method as defined in the Accounting Guideline is used daily to establish the acquisition cost of items sold when calculating effects of exchange rates and prices.

When net acquisitions of currency or gold are made, the average acquisition cost for the day's acquisition with regard to each individual currency is added to the previous day's holdings to obtain a new weighted average of the exchange rate or gold price. In the case of net sales, the realised result is calculated on the basis of the average acquisition cost of the previous day for the respective foreign currency position.

Gains and losses on disposals of securities are calculated on the basis of the weighted average price of an individual security.

The market prices and rates applied in the opening balance sheet as at 1 January 2007 were considered as the opening average cost of Banka Slovenije's assets and liabilities. In the case of foreign currency positions and gold, the opening costs were the exchange rates prevailing on 1 January 2007, communicated by the ECB. For securities investments, the securities prices as at 31 December 2006 represented the opening average prices, which served as a starting point for premium and discount amortisation and calculation of realised gains and losses in the event of their sale.

Off-balance-sheet instruments

Forward legs of foreign exchange swaps are disclosed off-balance-sheet and are included in the net foreign currency position for the purpose of calculating the average cost of currencies and foreign exchange gains and losses. Gains and losses arising from the forward legs are recognised and treated in a similar manner to on-balance sheet instruments. Unrealised positive valuation effects are not recognised as income but are transferred to the revaluation accounts. Unrealised negative valuation effects are taken to the profit and loss account when exceeding previous positive valuation effects registered in the revaluation accounts. Unrealised valuation effects of the forward legs of foreign exchange swaps are recorded from the trade date to the settlement date under "Other assets/liabilities".

Since spot and forward amounts in foreign currencies are converted to euro at the same exchange rate, foreign exchange swaps do not influence the profit and loss account nor the revaluation accounts on the liability side.

Cash flow statement

Taking into account Banka Slovenije's role as a central bank, publishing a cash flow statement would not provide the readers of the financial statements with any additional relevant information. Therefore such a statement is not included as part of these statements.

Taxation

Banka Slovenije is not subject to Slovenian corporate income tax.

Appropriations

In accordance with the Banka Slovenije Act, net profit is allocated to general reserves and the budget of the Republic of Slovenia. Unrealised positive valuation effects deriving from exchange rate and price changes are allocated in their entirety to the revaluation accounts and are not included in the net profit available for distribution. Revaluation accounts may only be used to cover a shortfall deriving from unrealised negative valuation effects as a result of exchange rate and price movements.

A net loss of Banka Slovenije is covered from general reserves. Should the net loss arise from unrealised exchange rate and price changes, it shall be covered from the special reserves created for that purpose. Any net loss which cannot be covered from general reserves is covered by the budget of the Republic of Slovenia.

Post-balance-sheet events

Assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the Governing Board approves the financial statements if such events materially affect the condition of assets and liabilities on the balance sheet date.

Pursuant to Council Decision 2022/1211/EU of 12 July 2022, taken in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, Croatia adopted the single currency on January 1, 2023. In accordance with Article 48.1 of the Statute of the ESCB and the legal acts adopted by the Governing Council on 30 December 2022, Hrvatska Narodna Banka paid up the remainder of its capital subscription to the ECB. In accordance with Article 48.1, in conjunction with Article 30.1, of the Statute of the ESCB, Hrvatska Narodna Banka transferred foreign reserve assets to the ECB in an amount corresponding to its subscribed capital share. As a result of the change in the capital key following Hrvatska Narodna Banka's entry into the Eurosystem, Banka Slovenije's share in the ECB's paid up capital declined from 0.4815% to 0.4776%. The Banka Slovenije's share in the ECB's subscribed capital is 0.3916%.

Until 4 April 2023, the date on which the annual accounts were approved by the Governing Board, an amount of EUR 200 million of the Banka Slovenije's TLTRO III operations that were outstanding as at 31 December 2022, had been repaid early to Banka Slovenije (see "Longer-term refinancing operations" in the notes to the balance sheet).

We estimate that there were no other significant events after the balance sheet date that would affect the presented financial statements, taking into account the impact of the current geopolitical situation, including the consequences of sanctions against Russia.

Changes to accounting policies

In 2022, there were no changes to the accounting policies applied by Banka Slovenije.

Auditing of financial statements

The financial statements were audited by PricewaterhouseCoopers d.o.o., who were appointed as the external auditor of Banka Slovenije for the financial years 2021 to 2023.

Balance Sheet as at 31 December 2022 and 31 December 2021

ASSETS (thousands of euro)		Note number	31 December 2022	31 December 2021
1	Gold and gold receivables	1	174,388	164,515
2	Claims on non-euro area residents denominated in foreign currency	2	1,954,716	1,836,066
2.1	Receivables from the IMF		1,199,616	1,192,136
2.2	Balances with banks and security investments, external loans and other external assets		755,099	643,930
3	Claims on euro area residents denominated in foreign currency	3	41,097	25,383
4	Claims on non-euro area residents denominated in euro	4	1,089,070	1,079,226
4.1	Balances with banks, security investments and loans		1,089,070	1,079,226
4.2	Claims arising from the credit facility under ERM II		-	-
5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	771,320	2,363,320
5.1	Main refinancing operations		-	-
5.2	Longer-term refinancing operations		771,320	2,363,320
5.3	Fine-tuning reverse operations		-	-
5.4	Structural reverse operations		-	-
5.5	Marginal lending facility		-	-
5.6	Credits related to margin calls		-	-
6	Other claims on euro area credit institutions denominated in euro	6	5,422	4,185
7	Securities of euro area residents denominated in euro	7	18,469,857	17,782,300
7.1	Securities held for monetary policy purposes		17,261,612	16,426,351
7.2	Other securities		1,208,245	1,355,950
8	General government debt denominated in euro		-	-
9	Intra-Eurosystem claims	8	10,163,265	9,500,806
9.1	Participating interest in ECB		84,067	81,130
9.2	Claims equivalent to the transfer of foreign reserves		194,257	194,257
9.3	Claims related to the issuance of ECB debt certificates*		-	-
9.4	Net claims related to the allocation of euro banknotes within the Eurosystem		-	-
9.5	Other claims within the Eurosystem (net)		9,884,941	9,225,419
10	Items in the course of settlement	9	25	-
11	Other assets	10	466,690	401,530
11.1	Coins of euro area		3,747	1,842
11.2	Tangible and intangible fixed assets		53,352	53,941
11.3	Other financial assets		52,651	52,222
11.4	Off-balance sheet instruments revaluation differences		7,344	1,255
11.5	Accruals and prepaid expenditure		199,912	169,499
11.6	Sundry		149,684	122,770
12	Loss for the year		-	-
Total assets			33,135,849	33,157,331

* Only an ECB balance sheet item

LIABILITIES (thousands of euro)		Note number	31 December 2022	31 December 2021
1	Banknotes in circulation	11	6,964,106	6,841,630
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	12	8,876,635	9,747,814
2.1	Current accounts (covering the minimum reserve system)		470,539	9,745,814
2.2	Deposit facility		8,371,096	-
2.3	Fixed-term deposits		-	-
2.4	Fine-tuning reverse operations		-	-
2.5	Deposits related to margin calls		35,000	2,000
3	Other liabilities to euro area credit institutions denominated in euro	13	377,244	581,891
4	Debt certificates issued		-	-
5	Liabilities to other euro area residents denominated in euro	14	5,837,335	6,489,166
5.1	General government		5,225,946	6,086,072
5.2	Other liabilities		611,389	403,094
6	Liabilities to non-euro area residents denominated in euro	15	268,723	292,230
7	Liabilities to euro area residents denominated in foreign currency	16	37,261	6,196
8	Liabilities to non-euro area residents denominated in foreign currency		-	-
8.1	Deposits, balances and other liabilities		-	-
8.2	Liabilities arising from the credit facility under ERM II		-	-
9	Counterpart of special drawing rights allocated by the IMF	17	973,842	961,549
10	Intra-Eurosystem liabilities	18	7,599,374	5,909,116
10.1	Liabilities equivalent to the transfer of foreign reserves*		-	-
10.2	Liabilities related to the issuance of ECB debt certificates		-	-
10.3	Net liabilities related to the allocation of euro banknotes within the Eurosystem		7,599,374	5,909,116
10.4	Other liabilities within the Eurosystem (net)		-	-
11	Items in the course of settlement	19	5,130	3,857
12	Other liabilities	20	175,258	125,247
12.1	Off-balance sheet instruments revaluation differences		4	-
12.2	Accruals and income collected in advance		76,384	35,551
12.3	Sundry		98,871	89,696
13	Provisions	21	559,342	696,739
14	Revaluation accounts	22	208,367	241,158
15	Capital and reserves	23	1,251,481	1,223,607
15.1	Capital		8,346	8,346
15.2	Reserves		1,243,135	1,215,262
16	Profit for the year		1,749	37,129
Total liabilities			33,135,849	33,157,331

* Only an ECB balance sheet item

Profit and loss account for the years ending 31 December 2022 and 2021

(thousands of euro)		Note number	2022	2021
1.1	Interest income		249,436	178,314
1.2	Interest expense		-118,665	-17,912
1	Net interest income	27	130,772	160,402
2.1	Realised gains/losses arising from financial operations		8,898	10,831
2.2	Write-downs on financial assets and positions		-225,169	-14,949
2.3	Transfer to/from provisions for financial and other risks		137,455	-75,176
2	Net result of financial operations, write-downs and risk provisions	28	-78,816	-79,293
3.1	Fees and commissions income		17,202	15,520
3.2	Fees and commissions expense		-2,863	-2,604
3	Net income from fees and commissions	29	14,338	12,915
4	Income from equity shares and participating interests	30	6,038	7,387
5	Net result of pooling of monetary income	31	-27,434	-23,500
6	Other income	32	2,707	2,264
	Total net income		47,604	80,176
7.1	Staff costs		-30,123	-28,825
7.2	Administrative expenses		-9,177	-8,186
7.3	Depreciation of tangible and intangible fixed assets		-2,704	-2,849
7.4	Banknote production services		-2,110	-2,311
7.5	Other expenses		-1,741	-874
7	Total operating expenses	33	-45,855	-43,046
8	Profit for the year	34	1,749	37,129

The notes on pages 15 to 36 form an integral part of the financial statements.

The unaudited financial statements were approved by the Governing Board on 7 March 2023, and these final financial statements were approved by the Governing Board on 4 April 2023 and were signed on its behalf by the President of the Governing Board:

Boštjan Vasle, M.Sc.
President of the Governing Board
Governor of Banka Slovenije

In accordance with Article 49 of the Banka Slovenije Act, Banka Slovenije shall inform the National Assembly of the Republic of Slovenia of these annual financial statements.

Notes to the balance sheet

1. Gold and gold receivables

With the exception of the stock of gold held at Banka Slovenije, Banka Slovenije's gold holdings consist of gold in foreign bank accounts. In the annual accounts, gold is valued on the basis of the euro price per fine ounce derived from the quotation in USD established at the London fixing on 30 December 2022. This price, communicated by the ECB, amounts to EUR 1,706.075 per ounce of fine gold compared to EUR 1,609.483 on 31 December 2021. The unrealised positive valuation effects of EUR 125.0 million were disclosed under the liability balance sheet item "Revaluation accounts".

	000 EUR	Fine troy ounces
Balance as at 31 December 2020	157,809	102,216
Revaluation of gold stock as at end of 2021	6,705	-
Balance as at 31 December 2021	164,515	102,216
Revaluation of gold stock as at end of 2022	9,873	-
Balance as at 31 December 2022	174,388	102,216

2. Claims on non-euro area residents denominated in foreign currency

This item includes holdings of SDRs allocated by the IMF and the foreign currency claims on non-euro area residents included in Banka Slovenije's foreign reserves.

The sub-item 2.1 "Receivables from the IMF" consists of drawing rights within the reserve tranche and special drawing rights. It is remunerated by the IMF at a remuneration rate that is updated weekly.

The reserve tranche corresponds to the difference between the quota of the Republic of Slovenia in the IMF and the IMF's euro holdings with Banka Slovenije. SDRs are reserve assets created by the IMF and allocated by it to its members in order to increase international liquidity. They are used in transactions between official monetary authorities. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted average of exchange rates of five currencies (USD, GBP, JPY, EUR and CNY).

All claims in the balance sheet are shown on the basis of the market rate of SDR 1 = EUR 1.2517 (31 December 2021: SDR 1 = EUR 1.2359), calculated by the ECB at the end of the year for all central banks participating in the Eurosystem. At the balance sheet date, the market rate of the SDR was above the average cost and positive valuation effects were therefore in accordance with the accounting rules disclosed under the liability balance sheet item "Revaluation accounts".

	31 December 2022		31 December 2021		Change	
	000 SDR	000 EUR	000 SDR	000 EUR	000 SDR	000 EUR
Quota	586,500	734,122	586,500	724,855	-	9,267
Less IMF holdings of euro	-423,539	-530,143	-429,539	-530,867	6,000	723
Reserve tranche at the IMF	162,961	203,979	156,961	193,988	6,000	9,990
SDR Holdings	795,428	995,638	807,628	998,147	-12,200	-2,510
Total	958,390	1,199,616	964,589	1,192,136	-6,200	7,481

The sub-item 2.2 “Balances with banks and security investments, external loans and other external assets” includes the foreign currency assets held with non-euro area residents. Foreign currency assets are shown under this sub-item at their euro equivalent as calculated on the basis of the market exchange rates as at 30 December 2022.

Breakdown of foreign currency assets by type of investment:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Sight deposits	1,466	4,690	-3,224
Debt securities	412,825	369,829	42,995
Investment funds	340,809	269,411	71,398
Total	755,099	643,930	111,169

Breakdown of foreign currency assets by currency:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
USD	676,520	615,461	61,059
CNY	77,971	28,024	49,947
Other currencies	608	445	163
Total	755,099	643,930	111,169

Breakdown of debt securities according to their residual maturity:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	46,841	46,763	77
>1 year and ≤5 years	224,854	151,838	73,016
> 5 years	141,130	171,229	-30,099
Total	412,825	369,829	42,995

3. Claims on euro area residents denominated in foreign currency

The foreign currency assets held with euro area residents are invested in sight deposits and debt securities in foreign currencies.

Foreign currency assets are shown at their euro equivalent as calculated on the basis of market exchange rates on 30 December 2022.

Breakdown of foreign currency assets by type of investment:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Sight deposits	8	23	-15
Debt securities	41,088	25,360	15,728
Total	41,097	25,383	15,713

Breakdown of foreign currency assets by currency:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
USD	41,097	25,383	15,713
Total	41,097	25,383	15,713

Breakdown of debt securities according to their residual maturity:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	13,151	2,329	10,822
>1 year and ≤5 years	27,938	23,031	4,907
Total	41,088	25,360	15,728

4. Claims on non-euro area residents denominated in euro

The claims on non-euro area residents denominated in euro included under this balance sheet item are invested in sight deposits and debt securities.

Breakdown of euro denominated assets by type of investment:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Sight deposits	0	0	-
Debt securities	1,089,070	1,079,226	9,844
Total	1,089,070	1,079,226	9,844

Breakdown of debt securities according to their residual maturity:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	171,950	465,154	-293,204
>1 year and ≤5 years	703,604	450,415	253,189
>5 years	213,516	163,657	49,859
Total	1,089,070	1,079,226	9,844

5. Lending to euro area credit institutions related to monetary policy operations in euro

This item shows operations carried out by Banka Slovenije within the framework of the single monetary policy of the Eurosystem and reflects the volume and structure of Banka Slovenije's refinancing of the Slovenian credit institutions.

The total Eurosystem holding of monetary policy assets amounts to EUR 1,324,347 million (2021: EUR 2,201,882 million), of which Banka Slovenije holds EUR 771 million (2021: EUR 2,363 million). In accordance with Article 32.4 of the Statute of the ESCB and the ECB, losses from monetary policy operations, if they were to materialise, are shared, by a decision of the Governing Council, in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares (see "Provisions" in the notes to the balance sheet).

Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. For specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

Longer-term refinancing operations aim to provide counterparties with additional longer-term refinancing. These operations were conducted at fixed rate with allotment of the total amount bid.

In addition to the series of seven quarterly targeted longer-term refinancing operations (TLTRO-III), introduced in 2019, the Governing Council added three further operations to this series in December 2020, which were conducted between June and December 2021. These operations have a three-year maturity. For the first seven TLTROs-III, from September 2021, starting 12 months after the settlement of each TLTRO-III, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO-III concerned before maturity. For the eighth or subsequent TLTROs-III, participants have that option on a quarterly basis starting in June 2022. According to the initial decisions taken by the Governing Council, the final interest rate applicable to each TLTRO-III operation could be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Furthermore, in response to the COVID-19 shock, in 2020¹⁵ the Governing Council decided that for the period between 24 June 2020 and 23 June 2021 and the period between 24 June 2021 and 23 June 2022 – referred to as the special interest rate period and the additional special interest rate period respectively – the interest rate applicable can be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case may not become less negative than -1%. Additionally, on 27 October 2022 the Governing Council decided that, from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period. On the same date, the Governing Council decided that three additional voluntary early repayment dates are introduced to provide TLTRO III participants with additional opportunities to partly, or fully, repay their respective TLTRO III borrowings before their maturity.

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is only possible as far as the interest rate related data regarding the special interest rate period and the additional special interest rate period have already been communicated to the counterparties. This means that for the annual accounts 2022, the following approach was applied for calculating the TLTRO III interest accruals:

¹⁵ Decisions of the Governing Council of 30 April 2020 and 10 December 2020.

(i) until 23 June 2022, the interest rates over the additional special interest rate periods, for which the interest rate related data was communicated to the counterparties on 10 June 2022, (ii) for the period from 24 June 2022 until 22 November 2022, the interest rate was linked to the average applicable key ECB interest rate from the settlement date till 22 November 2022, and (iii) for the period 23 November 2022 until 31 December 2022, the interest rate was indexed to the average applicable key ECB interest rate over this period. Furthermore, the impact of policy rate changes in 2022 on interest of the pre-special interest rate period is also considered in 2022.

Furthermore, of the four additional pandemic emergency longer-term refinancing operations (PELTROs) allotted in 2021 on a quarterly basis, each with a tenor of approximately one year, three matured in the course of 2022. These operations provided a liquidity backstop to the euro area banking system and contribute to preserving the smooth functioning of the money market during the extended pandemic period. The PELTROs were conducted as fixed rate tender procedures with full allotment. The interest rate is 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO. Slovenian counterparties did not participate in PELTRO.

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Longer-term refinancing operations	771,320	2,363,320	-1,592,000
Total	771,320	2,363,320	-1,592,000

6. Other claims on euro area credit institutions denominated in euro

This item, amounting to EUR 5.4 million, comprises claims on credit institutions which do not relate to monetary policy operations. Funds are invested in sight deposits.

7. Securities of euro area residents denominated in euro

This item includes securities held for monetary policy purposes and other securities issued by euro area residents denominated in euro.

As at 31 December 2022, the sub-item 7.1 "Securities held for monetary policy purposes" consisted of securities acquired by Banka Slovenije within the scope of the third covered bonds purchase programme (CBPP3),¹⁶ the public sector purchase programme (PSPP)¹⁷ and the pandemic emergency purchase programme (PEPP).¹⁸

During the first quarter of 2022, the Eurosystem continued its net purchases under the asset purchase programme (APP)¹⁹ at a monthly pace of EUR 20 billion on average. In March 2022, the Governing Council decided²⁰ to

¹⁶ Decision of the European Central Bank of 3 February 2020 on the implementation of the third covered bond purchase programme (recast) (ECB/2020/8), OJ L 39, 12.02.2020, pp. 6–11, as amended.

¹⁷ Decision of the European Central Bank of 3 February 2020 on a secondary markets public sector purchase programme (recast) (ECB/2020/9), OJ L 39, 12.02.2020, pp. 12–18.

¹⁸ Decision of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17), OJ L 91, 25.03.2020, pp. 1–4, as amended.

¹⁹ The APP programme consists of CBPP3, the asset-backed securities purchase programme (ABSPP), the PSPP and the corporate sector purchase programme (CSPP). Further details on the APP can be found on the ECB's website: <https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>

²⁰ See the press release of 10 March 2022 of the Governing Council's decisions.

revise the net purchase amounts to EUR 40 billion in April, EUR 30 billion in May and EUR 20 billion in June, while in June 2022 the Governing Council decided²¹ to end net asset purchases under the APP as of 1 July 2022. The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities until the end of February 2023. Subsequently, the APP portfolio will decline at a measured and predictable pace, as the Eurosystem will not reinvest all of the principal payments from maturing securities. The decline will amount to EUR 15 billion per month on average until the end of the second quarter of 2023 and its subsequent pace will be determined over time. The Governing Council will regularly reassess the pace of the APP portfolio reduction to ensure it remains consistent with the overall monetary policy strategy and stance, to preserve market functioning, and to maintain firm control over short-term money market conditions.

In addition, during the first quarter of 2022 the Eurosystem continued its net asset purchases under the PEPP,²² though at a lower pace than in the previous quarter, following the decision of the Governing Council in December 2021.²³ Based on the same decision, the net PEPP purchases were discontinued at the end of March 2022. The Governing Council intends to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. The Governing Council will continue applying flexibility in the reinvestments, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The securities purchased under these programmes are valued on an amortised cost basis subject to impairment (see “Securities held for monetary policy purposes” in the notes on accounting policies).

The amortised cost of the securities held by Banka Slovenije, and their market value²⁴ (which is not recorded on the balance sheet or in the profit and loss account but is provided for comparison purposes only), are as follows:

	31 December 2022		31 December 2021		Change	
	Amortised cost	Market value	Amortised cost	Market value	Amortised cost	Market value
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Third covered bond purchase programme	398,428	380,260	586,884	599,921	-188,456	-219,661
Public sector purchase programme	11,242,520	9,379,641	10,593,794	11,256,158	648,727	-1,876,517
Pandemic emergency purchase programme	5,620,663	4,383,136	5,245,673	5,139,700	374,990	-756,564
Total	17,261,612	14,143,038	16,426,351	16,995,780	835,261	-2,852,742

²¹ See the press release of 9 June 2022 of the Governing Council’s decisions.

²² Further details on the PEPP can be found on the ECB’s website: (<https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html>).

²³ See the press release of 16 December 2021 of the Governing Council’s decisions.

²⁴ Market values are indicative and were derived on the basis of market quotes. When market quotes were not available, market prices were estimated using internal Eurosystem models.

Breakdown of securities held for monetary policy purposes according to their residual maturity:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	988,347	640,636	347,711
>1 year and ≤5 years	4,750,369	3,731,797	1,018,573
> 5 years	11,522,896	12,053,918	-531,023
Total	17,261,612	16,426,351	835,261

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. In this context, impairment tests are conducted on an annual basis, using data as at the year-end, and are approved by the Governing Council. In these tests, impairment indicators are assessed separately for each programme. In cases where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been affected by an impairment event.

The total Eurosystem holding of CBPP, SMP, ABSPP, PSPP, CSPP and PEPP securities amounts to EUR 4,937,179 million (2021: EUR 4,713,403 million), of which Banka Slovenije holds EUR 17,262 million (2021: EUR 16,426 million). In accordance with the decision of the Governing Council taken under Article 32.4 of the Statute of the ESCB and the ECB, losses from holdings of SMP, CBPP3, ABSPP and CSPP securities and PSPP and PEPP securities issued by an international organisation or a multilateral development bank, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares.

As a result of an impairment test conducted as at 31 December 2022 on securities purchased under the CBPP3, SMP, ABSPP, PSPP, CSPP and PEPP programmes, the Governing Council decided that all future cash flows on these securities are expected to be received.

The sub-item 7.2 “Other securities” covers the portfolio of marketable securities issued by governments, credit and corporate institutions of the euro area.

Breakdown of securities per portfolio:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Marketable securities other than those held to maturity	1,205,986	1,334,575	-128,589
Held-to-maturity securities	2,259	21,375	-19,115
Total	1,208,245	1,355,950	-147,704

Held-to-maturity securities are securities with fixed or determinable payments and a fixed maturity that Banka Slovenije intends to hold until maturity.

Breakdown of other securities according to their residual maturity:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	111,893	77,189	34,705
>1 year and ≤5 years	749,321	676,338	72,983
> 5 years	347,031	602,422	-255,391
Total	1,208,245	1,355,950	-147,704

8. Intra-Eurosystem claims

Sub-item 9.1 shows Banka Slovenije's participating interest in the ECB and includes (i) Banka Slovenije's paid-up share in the ECB's subscribed capital, (ii) the net amount paid by Banka Slovenije due to the increase in its share in the ECB's equity value resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB and the ECB.

Pursuant to Article 28 of the Statute of the ESCB and the ECB, the ESCB national central banks are the sole subscribers to the capital of the ECB. Subscriptions depend on shares which are fixed in accordance with Article 29 of the Statute of the ESCB and the ECB and are subject to adjustment every five years or whenever there is a change in composition of the ESCB national central banks.

The subscribed capital of the ECB is EUR 10,825 million. After the Bank of England's withdrawal from the ESCB on 31 January 2020, the ECB kept its subscribed capital unchanged and the share of the Bank of England in the ECB's subscribed capital was reallocated among both the euro area NCBs and the remaining non-euro area NCBs.

The ECB's paid-up capital also remained unchanged at EUR 7,659 million in 2020, as the remaining NCBs covered the withdrawn Bank of England's paid-up capital of EUR 58 million. In addition, the Governing Council decided that the euro area NCBs would pay up in full their increased subscriptions in two annual instalments in 2021 and 2022.²⁵ As a result, Banka Slovenije was required to pay up the first instalment of EUR 2.9 million on 29 December 2021, increasing its share in the paid-up capital of the ECB from EUR 36.5 million in 2020, to EUR 39.5 million in 2021. Similarly, Banka Slovenije was required to pay up the second instalment of EUR 2.9 million on 28 December 2022, increasing its share in the paid-up capital of the ECB from EUR 39.5 million in 2021, to EUR 42.4 million in 2022.

²⁵ In particular, Decision of the European Central Bank of 22 January 2020 on the paying-up of the European Central Bank's capital by the national central banks of Member States whose currency is the euro and repealing Decision (EU) 2019/44 (ECB/2020/4), OJ L 271, 01.02.2020, pp. 6–8.

The subscribed and paid-up capital of the 27 European central banks in the capital of the ECB on 31 December 2022 is as follows:

	Capital key	Subscribed capital	Of which fully paid up	Eurosystem key
	%	EUR	EUR	%
Nationale Bank van België/				
Banque Nationale de Belgique	2.9630	320,744,959	320,744,959	3.6432
Deutsche Bundesbank	21.4394	2,320,816,566	2,320,816,566	26.3615
Eesti Pank	0.2291	24,800,091	24,800,091	0.2817
Central Bank and Financial Services Authority of Ireland	1.3772	149,081,997	149,081,997	1.6934
Bank of Greece	2.0117	217,766,667	217,766,667	2.4735
Banco de España	9.6981	1,049,820,011	1,049,820,011	11.9246
Banque de France	16.6108	1,798,120,274	1,798,120,274	20.4243
Banca d'Italia	13.8165	1,495,637,102	1,495,637,102	16.9885
Central Bank of Cyprus	0.1750	18,943,762	18,943,762	0.2152
Latvijas Banka	0.3169	34,304,447	34,304,447	0.3897
Lietuvos bankas	0.4707	50,953,308	50,953,308	0.5788
Banque centrale du Luxembourg	0.2679	29,000,194	29,000,194	0.3294
Central Bank of Malta/Bank Ċentrali ta' Malta	0.0853	9,233,731	9,233,731	0.1049
De Nederlandsche Bank	4.7662	515,941,487	515,941,487	5.8604
Oesterreichische Nationalbank	2.3804	257,678,468	257,678,468	2.9269
Banco de Portugal	1.9035	206,054,010	206,054,010	2.3405
Banka Slovenije	0.3916	42,390,728	42,390,728	0.4815
Národná banka Slovenska	0.9314	100,824,116	100,824,116	1.1452
Suomen Pankki-Finlands Bank	1.4939	161,714,781	161,714,781	1.8369
Total euro-area NCBs	81.3286	8,803,826,700	8,803,826,700	100.0000
Bulgarian National Bank	0.9832	106,431,470	3,991,180	
Česká národní banka	1.8794	203,445,183	7,629,194	
Danmarks Nationalbank	1.7591	190,422,699	7,140,851	
Hrvatska narodna banka	0.6595	71,390,922	2,677,160	
Magyar Nemzeti Bank	1.5488	167,657,709	6,287,164	
Narodowy Bank Polski	6.0335	653,126,802	24,492,255	
Banca Națională a României	2.8289	306,228,625	11,483,573	
Sveriges Riksbank	2.9790	322,476,961	12,092,886	
Total non-euro area NCBs	18.6714	2,021,180,370	75,794,264	
Total euro area and non-euro area NCBs	100.0000	10,825,007,070	8,879,620,963	

In accordance with Article 48.2 of the Statute of the ESCB and the ECB and the legal acts adopted by the Governing Council of the ECB, Banka Slovenije also made a contribution of EUR 36.7 million to the ECB's foreign exchange, gold and security price revaluation accounts and to the ECB's provision for financial risks in 2007. The payment was made in two parts. As a result of a difference between the euro equivalent of foreign reserve assets to be transferred to the ECB at current exchange rates and the claim of Banka Slovenije in accordance with its capital key (disclosed under asset item 9.2), the amount of EUR 7.6 million was used as the advance contribution to the ECB reserves, provisions and revaluation accounts on 3 January 2007. The rest of the

contribution was paid after the approval of the ECB's 2006 Annual Accounts by the Governing Council of the ECB in March 2007.

Due to changes in the ECB's capital key on 1 January 2009, 1 July 2013 and 1 January 2014, the additional contributions were made to the ECB's net equity by Banka Slovenije on 9 March 2009, 12 July 2013 and 21 February 2014. As a result of the ECB's capital key changes on 1 January 2019 and 1 February 2020, the relative share of Banka Slovenije in the accumulated net equity of the ECB decreased.

	31 December 2022
	000 EUR
Contribution to revaluation accounts	
- paid on 3 January 2007	7,647
- paid on 12 March 2007	18,105
Contribution to reserves and provisions	
- paid on 12 March 2007	10,947
Contribution paid on 9 March 2009	2,700
Contribution paid on 12 July 2013	50
Contribution paid on 21 February 2014	5,350
Contribution received on 22 February 2019	-2,618
Contribution received on 28 February 2020	-504
Total	41,677

Sub-item 9.2 represents Banka Slovenije's claims amounting to EUR 194.3 million arising from the transfer of foreign reserve assets to the ECB when Banka Slovenije joined the Eurosystem. Pursuant to Article 30.2 of the Statute of the ESCB, these contributions are fixed in proportion to NCBs' share in the subscribed capital of the ECB. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations, adjusted to reflect a zero return on the gold component.

Sub-item 9.5 "Other claims within the Eurosystem (net)", represents the sum of three components: 1) the position of Banka Slovenije vis-à-vis the ECB in respect of the transfers issued and received through TARGET2 by the ESCB national central banks, including the ECB; 2) the position vis-à-vis the ECB in respect of pooling and allocation of monetary income within the Eurosystem pending settlement; and 3) Banka Slovenije's position vis-à-vis the ECB in respect of any amounts receivable or payable, including the amount due to Banka Slovenije from the ECB in respect of the ECB's interim profit distribution.

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Due from the ECB in respect of TARGET2 balances	9,912,375	9,248,196	664,179
Due to the ECB in respect of monetary income	-27,434	-23,500	-3,935
Due from the ECB in respect of the ECB interim profit distribution	-	722	-722
Total	9,884,941	9,225,419	659,522

The year-end net transfers via TARGET2 had a debit balance of EUR 9,912.4 million. The remuneration of this position is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations.

The second component, i.e. the position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income within the Eurosystem NCBs, had a credit balance of EUR 27.4 million at year-end (see “Net result of pooling of monetary income” in the notes to the profit and loss account).

In 2021, this item also included the amount due to Banka Slovenije in respect of the ECB’s interim profit distribution. With respect to 2022, the Governing Council, in view of the ECB’s overall financial result for the year, decided to retain the full amount of income derived from banknotes in circulation, as well as income earned on securities purchased under the SMP, APP and PEPP (see “ECB profit distribution” in accounting policies). Therefore, no related amounts were due at the end of 2022.

9. Items in course of settlement

These claims comprise transactions that were not yet settled as at the end of the financial year (2021: no unsettled transactions).

10. Other assets

Banka Slovenije’s holding of coins, issued by the Republic of Slovenia in the amount of EUR 3.7 million, is shown in sub-item 11.1 “Coins of euro area”.

Sub-item 11.2, “Tangible and intangible fixed assets”, comprises land and buildings, computer hardware and software, furniture, and other equipment.

	Land and buildings	Computers & equipment	Total
	000 EUR	000 EUR	000 EUR
Cost or valuation			
At 31 December 2021	50,224	32,414	82,637
Additions	276	1,880	2,156
Disposals	16	469	485
At 31 December 2022	50,484	33,825	84,308
Depreciation			
At 31 December 2021	2,467	26,230	28,696
Disposals	3	469	472
Charge for the year	420	2,312	2,732
At 31 December 2022	2,883	28,073	30,956
Net book value			
At 31 December 2021	47,757	6,184	53,941
At 31 December 2022	47,601	5,752	53,352

As at 31 December 2022, an amount of EUR 21.9 million related to investment properties in Austria is included in land and buildings (2021: EUR 21.9 million). From 2019 onwards, Banka Slovenije has recognised long-term leases as a right-of-use asset among fixed assets.

Sub-item 11.3, “Other financial assets”, amounting to EUR 52.7 million, contains Banka Slovenije’s participating interests in international financial organisations and other financial assets.

Sub-item 11.4, “Off-balance sheet instruments revaluation differences”, amounting to EUR 7.3 million, includes the positive revaluation effects arising from the forward legs of foreign currency swaps, which are recorded in the

off-balance-sheet account, and the valuation results of foreign exchange spot transactions agreed in 2022 which are to be settled in the subsequent year.

Sub-item 11.5, “Accruals and prepaid expenses”, in the amount of EUR 199.9 million, contains the accrued income identified at 31 December 2022. This consists mainly of interest income which is due in the subsequent financial year.

Sub-item 11.6, “Sundry”, amounting to EUR 149.7 million, consists of fiduciary and other assets.

11. Banknotes in circulation

This item consists of Banka Slovenije’s share of the total euro banknotes in circulation (see “Banknotes in circulation” in the notes on accounting policies).

During 2022, the total value of banknotes in circulation within the Eurosystem increased by 1.8%. According to the allocation key, Banka Slovenije had euro banknotes in circulation worth EUR 6,964.1 million at the end of the year compared with EUR 6,841.6 million at the end of 2021. The value of the euro banknotes actually issued by Banka Slovenije in 2022 increased by 14.2% from EUR 12,750.7 million to EUR 14,563.5 million. As this was more than the allocated amount, the difference of EUR 7,599.4 million (compared to EUR 5,909.1 million at the end of 2021) is shown under liability sub-item 10.3, “Net liabilities related to the allocation of euro banknotes within the Eurosystem”.

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Total value of euro banknotes put into circulation by Banka Slovenije	14,563,480	12,750,746	1,812,734
Liability resulting from the ECB’s share of euro banknotes in circulation	-605,551	-594,902	-10,650
Liability according to Banka Slovenije’s weighting in the ECB’s capital key	-6,993,823	-5,314,214	-1,679,608
Total banknotes in circulation	6,964,106	6,841,630	122,476

The denomination structure of the euro banknotes put into circulation by Banka Slovenije is the following:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
EUR 5	-138,204	-124,544	-13,660
EUR 10	1,183,425	1,124,384	59,041
EUR 20	6,104,662	5,874,561	230,101
EUR 50	5,756,125	4,535,625	1,220,500
EUR 100	-638,726	-518,381	-120,345
EUR 200	2,160,192	1,543,664	616,528
EUR 500	136,006	315,437	-179,431
Total value of euro banknotes put into circulation by Banka Slovenije	14,563,480	12,750,746	1,812,734

12. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

Current accounts contain the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves, excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements, which are disclosed separately under Liability item 3, “Other liabilities to euro area credit institutions denominated in euro”.

Banks’ minimum reserve balances until 20 December 2022 were remunerated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. On 27 October 2022, the Governing Council decided that, starting from 21 December 2022, these balances will be remunerated at the Eurosystem’s deposit facility rate.

Since June 2014, the reserve holdings exceeding the required minimum reserves have been remunerated at zero per cent or the deposit facility rate, whichever is lower. Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempted part of credit institutions’ excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This part was remunerated at an annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate – the exempt tier – was determined as a multiple of 6 on an institution’s minimum reserve requirements.²⁶ The non-exempt tier of excess liquidity holdings continued to be remunerated at the lower of either zero percent or the deposit facility rate. Following the raising of the deposit facility rate to above zero as of 14 September 2022, the Governing Council decided to suspend the two-tier system by setting the multiplier to zero as the two-tier system for the remuneration of excess reserves was no longer necessary.

The deposit facility refers to overnight deposits placed by Slovenian banks that access the Eurosystem’s liquidity absorbing standing facility at the pre-specified rate.

Deposits related to margin calls refers to deposits made by counterparties in those instances where the market value of the collateral pledged falls short of an established trigger point.

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Current accounts (covering the minimum reserve system)	470,539	9,745,814	-9,275,275
Deposit facility	8,371,096	-	8,371,096
Deposits related to margin calls	35,000	2,000	33,000
Total	8,876,635	9,747,814	-871,179

13. Other liabilities to euro area credit institutions denominated in euro

Item 3, “Other liabilities to euro area credit institutions denominated in euro”, amounting to EUR 377.2 million (2021: EUR 581.9 million) contains cash received as collateral in connection with the APP securities lending, amounting to EUR 359.3 million, and funds of credit institutions that are not freely disposable amounting to EUR 18.0 million.

²⁶ The multiplier may be adjusted by the Governing Council over time in line with changing levels of excess liquidity holdings.

14. Liabilities to other euro area residents denominated in euro

Sub-item 5.1, “General government”, encompasses the balances of the government sight deposits in euro. The deposits of other public depositors constitute balances held by local communities, the resolution fund and deposit guarantee fund.

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Government sight deposits and special funds	4,799,445	5,614,128	-814,683
Other public sector deposits	426,501	471,945	-45,444
Total	5,225,946	6,086,072	-860,126

Sub-item 5.2, “Other liabilities”, amounting to EUR 611.4 million, includes accounts of Central Securities Clearing Corporation and Bankart.

15. Liabilities to non-euro area residents denominated in euro

The balance sheet item “Liabilities to non-euro area residents denominated in euro”, amounting to EUR 268.7 million, contains cash received as collateral in connection with the APP securities lending and euro balances of international and supranational organisations. The IMF account No. 2 is also included in this balance sheet item.

16. Liabilities to euro area residents denominated in foreign currency

This item, amounting to EUR 37.3 million, contains foreign currency sight deposits and special funds of central government.

17. Counterpart of special drawing rights allocated by the IMF

This item, amounting to EUR 973.8 million, represents the liability of Banka Slovenije towards the IMF, which corresponds to the allocation of SDRs to the Republic of Slovenia as a result of its membership in the IMF. At the end of 2022, the liability is shown in the balance sheet on the basis of the market rate of SDR 1 = EUR 1.2517 (31 December 2021: SDR 1 = EUR 1.2359) calculated by the ECB at the end of the year for all central banks participating in the Eurosystem.

18. Intra-Eurosystem liabilities

Sub-item 10.3, “Net liabilities related to the allocation of euro banknotes within the Eurosystem”, amounting to EUR 7,599.4 million, consists of the claims and liabilities of Banka Slovenije vis-à-vis the Eurosystem relating to the allocation of euro banknotes within the Eurosystem (see “Banknotes in circulation” and “Intra-ESCB balances/Intra-Eurosystem balances” in the notes on accounting policies).²⁷ The increase of net liability in

²⁷ According to the accounting regime chosen by the Eurosystem on the issue of euro banknotes, a share of 8% of the total value of the euro banknotes in circulation is allocated to the ECB on a monthly basis. The remaining 92% of the value of the euro banknotes in circulation are allocated to the NCBs also on a monthly basis, whereby each NCB shows in its balance sheet a share of the euro banknotes issued corresponding to its paid-up share in the ECB’s capital. The difference between the value of the euro banknotes allocated to the NCB according to the aforementioned accounting regime, and the value of euro banknotes

comparison to 2021 (by EUR 1,690 million) was due to the increase in banknotes put into circulation by Banka Slovenije in 2022 (which represents an increase of 14.2%), as well as the rise in banknotes in circulation in the Eurosystem as a whole (increase of 1.8% compared to 2021). The remuneration of these liabilities is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for the main refinancing operations.

19. Items in course of settlement

These liabilities amounting to EUR 5.1 million comprise transactions that were not yet settled as at the end of the financial year (2021: EUR 3.9 million).

20. Other liabilities

Sub-item 12.1 “Off-balance sheet instruments revaluation differences” includes the valuation results of foreign exchange spot transactions agreed in 2022 which are to be settled in the subsequent year.

Sub-item 12.2, “Accruals and income collected in advance”, amounting to EUR 76.4 million, contains the accrued interest and other expenses identified at 31 December 2022 which are due in the new financial year or later but were incurred in the financial year just ended.

Sub-item 12.3, “Sundry”, amounting to EUR 98.9 million, consists mainly of fiduciary liabilities and non-returned tolar banknotes.

21. Provisions

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Provisions for employees and for known risks	14,183	13,039	1,144
Provisions for general risks	545,159	683,700	-138,541
Total	559,342	696,739	-137,397

Provisions for employees and for known risks

Provisions for employees include provisions for severance pay and long-service awards and are calculated in accordance with IAS 19 – “Employee benefits”. These take into account the stipulations of Banka Slovenije’s collective agreement, expected future salary increases, employee turnover and a rate to discount future obligations. Provisions are calculated based on actuarial assumptions as at 31 December 2022.

Provisions for known risks relate to potential liabilities of Banka Slovenije stemming from on-balance sheet positions and potential liabilities arising from the performance of the tasks of Banka Slovenije.

put into circulation, is recorded as a “Net intra-Eurosystem claim/liability related to the allocation of euro banknotes within the Eurosystem”.

Provisions for general risks

Taking into account Banka Slovenije's exposure to financial risks, general provisions for covering losses arising from changes in interest rates, exchange rates and prices, and losses from credit events, can be created. If the estimated risks for which general provisions have previously been created are realised and a loss is incurred as a result, this is first covered by a surplus of Banka Slovenije's revenue over its expenditure. If this is not sufficient, Banka Slovenije makes use of general provisions. Provisions in the net amount of EUR 138.5 million were thus released in 2022 to cover losses resulting from the exposure to financial risks.

22. Revaluation accounts

The positive difference between the market value and the average acquisition costs in case of gold holdings, net positions in each foreign currency and securities portfolio is shown in this balance sheet item.

In the case of the valuation of securities, positive valuation effects of EUR 1.8 million arose from the valuation of the EUR-denominated portfolio (2021: EUR 18.9 million), EUR 3.3 million from the valuation of the USD-denominated portfolio (2021: EUR 57.9 million) and EUR 2.7 million from the valuation of the CNY-denominated portfolio (2021: EUR 1.0 million).

In the case of foreign currency positions, positive valuation effects of EUR 64.1 million at the end of 2022 arose from the valuation of the USD position and EUR 11.1 million from the valuation of the SDR position. The average acquisition cost of foreign currencies at the end of 2022 was USD 1.1635 for EUR and EUR 1.1981 for SDR (2021: USD 1.2075 for EUR and EUR 1.1949 for SDR), while the market rate was USD 1.0666 for EUR and EUR 1.2517 for SDR (2021: USD 1.1326 for EUR and EUR 1.2359 for SDR).

In the case of gold, the acquisition cost was EUR 482.700 per fine ounce of gold at the end of 2022 (2021: EUR 482.700), compared to the market price at the end of 2022, which was EUR 1,706.075 per fine ounce of gold (2021: EUR 1,609.483). The market value of the gold position exceeded its acquisition price and resulted in positive valuation effects amounting to EUR 125.0 million (2021: EUR 115.2 million).

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Price effect	7,896	77,847	-69,951
- securities in foreign currencies (asset items 2 and 3)	6,059	58,964	-52,905
- securities in euro (asset items 4 and 7)	1,837	18,883	-17,046
Exchange rate effect	75,424	48,136	27,288
Gold valuation effect	125,048	115,175	9,873
Total	208,367	241,158	-32,790

23. Capital and reserves

In accordance with Article 5 of the Banka Slovenije Act, the capital of Banka Slovenije was created in 2002 from the general reserves in the amount of EUR 8.3 million. Banka Slovenije's initial capital may be increased by allocating funds from the general reserves in an amount to be determined by the Governing Board.

The reserves of Banka Slovenije are composed of general reserves and special reserves. General reserves serve to cover general risks associated with the operations of Banka Slovenije. They are generated through the allocation of the annual surplus of Banka Slovenije. Special reserves serve to cover exchange rate and price risks. Investment

properties revaluation reserves are created from the valuation gains arising mainly from the appraisal of the investment properties in Austria, as performed by the independent real estate assessor.

The composition of reserves is the following:

	31 December 2022	31 December 2021	Change
	000 EUR	000 EUR	000 EUR
Initial capital of Banka Slovenije	8,346	8,346	-
General reserves	1,027,111	999,264	27,847
Special reserves for foreign exchange differences	174,214	174,214	-
Special reserves for price risk (gold)	19,736	19,736	-
Valorisation reserves	22,075	22,048	27
Total	1,251,481	1,223,607	27,874

Notes to the off-balance-sheet items

24. Foreign currency swaps

As at 31 December 2022, the forward foreign currency position arising from EUR/foreign currency swap transactions amounted to EUR 83.3 million (2021: EUR 19.9 million).

The forward claims and forward liabilities in foreign currencies are revalued at the same exchange rates as those used for spot holdings in foreign currencies.

	31 December 2022		31 December 2021		Change	
	000 USD	000 EUR	000 USD	000 EUR	000 USD	000 EUR
Forward claims in USD	88,800	83,255	22,500	19,866	66,300	63,389
Total	88,800	83,255	22,500	19,866	66,300	63,389

25. Securities lending

As at 31 December 2022, securities with a market value of EUR 585.2 million (31 December 2021: EUR 737.4 million) were lent under automated securities lending contracts with the agents. The collateral received was reinvested into reverse repo transactions or deposited with Banka Slovenije.

26. Other off-balance-sheet items

The following other financial claims and liabilities of Banka Slovenije were stated off-balance-sheet as at 31 December 2022:

- obligation under the IMF's statute to provide currency on demand in exchange for SDRs up to three times the amount that Banka Slovenije received from the IMF, which was equivalent to EUR 1,925.9 million as at 31 December 2022 (31 December 2021: EUR 1,886.5 million);
- obligation under the Loan Agreement between Banka Slovenije and the IMF to lend to the IMF an SDR denominated amount up to the equivalent of EUR 392.0 million (31 December 2021: EUR 392.0 million);
- a contingent liability of EUR 195.8 million, equivalent to Banka Slovenije's share of the maximum of EUR 50 billion reserve assets that the ECB may additionally request the euro area NCBs to transfer under Article 30.1 of the Statute of the ESCB and of the ECB (31 December 2021: EUR 195.8 million);
- a contingent claim arising from the credit lines as an instrument of intraday liquidity provision within TARGET2, amounting to EUR 270.0 million, granted based on eligible collateral and by means of overdraft on participants' settlement accounts (31 December 2021: EUR 185.0 million).

Notes to the profit and loss account

27. Net interest income

Interest income

Interest income consists of interest income from foreign reserve assets, euro-denominated assets, intra-Eurosystem claims and receivables from the IMF and other interest income. Negative interest generated by liabilities related to credit institutions, government and other clients' accounts and deposits is also disclosed under interest income.

	2022	2021	Change
	000 EUR	000 EUR	000 EUR
Current accounts and deposits	34	1	34
- in foreign currency	34	1	34
Securities	122,879	105,304	17,576
- in foreign currency	8,640	6,232	2,408
- in euro	114,239	99,072	15,167
IMF	16,376	352	16,024
Intra-Eurosystem claims	56,269	-	56,269
Foreign currency swaps	1,136	380	756
Other interest income	519	61	458
Negative interest	52,223	72,217	-19,994
- current accounts of credit institutions	19,044	30,258	-11,213
- government and other clients' accounts and deposits	33,178	41,959	-8,781
Total	249,436	178,314	71,122

Interest expense

Interest expense arises from the liabilities in the form of accounts and deposits of credit institutions, government and other clients, from the liabilities to the IMF, from the intra-Eurosystem liabilities and from the interest expense related to foreign currency swaps. Interest expense also includes negative interest on longer-term refinancing operations and negative interest on sight deposits and fixed-term deposits.

	2022	2021	Change
	000 EUR	000 EUR	000 EUR
Current accounts and deposits	24,273	0	24,273
- in foreign currency	262	0	262
- in euro	24,011	-	24,011
IMF	11,630	254	11,377
Deposits of credit institutions arising from monetary policy	29,588	-	29,588
Intra-Eurosystem liabilities	42,754	-	42,754
Foreign currency swaps	21	633	-612
Other interest expense	0	-	0
Negative interest	10,398	17,025	-6,627
- longer-term refinancing operations	10,056	16,592	-6,537
- sight and fixed-term deposits	342	432	-90
Total	118,665	17,912	100,753

28. Net result of financial operations, write-downs and risk provisions

The net income shown in the sub-item “Realised gains/losses arising from financial operations” arises from the sale of currency positions and securities.

Write-downs of financial assets and positions reflect the decline in market prices of balance sheet items below the average cost of the respective currencies or securities as at 31 December 2022. The valuation loss in 2022 occurred mainly on euro-denominated and USD-denominated securities (2021: euro-denominated securities). The market value of a number of securities held in Banka Slovenije’s own portfolios declined as a result of the increase in the corresponding yields in 2022. This resulted in unrealised price losses at the year-end.

In 2022 provisions for employees and for known risks arising from on-balance sheet positions were created in the amount of EUR 1.1 million. A provision for employees in the amount of EUR 0.8 million was created in accordance with IAS 19 (Employee Benefits). In accordance with the decision of the Governing Board of Banka Slovenije, provisions due to potential costs related to the procedure for regulating the status of holders of subordinated bank bonds in the amount of EUR 0.2 million and provisions for anticipated costs of settling labour disputes in the amount of EUR 0.1 million were created.

A decrease in provisions for general risks in the amount of EUR 138.5 million represents the net release of provisions created for potential losses from financial risks, as well as the interest rate sensitivity gap (see “Provisions” in the notes to the balance sheet).

	2022	2021	Change
	000 EUR	000 EUR	000 EUR
Realised gains/losses arising from financial operations			
Currency position	12,813	2,680	10,133
Securities	-3,915	8,152	-12,067
Total	8,898	10,831	-1,934
Write-downs on financial assets and positions			
Currency position	-3	-126	123
Securities	-225,166	-14,822	-210,344
Total	-225,169	-14,949	-210,221
Transfer to/from provisions for financial and other risks			
Provisions for employees and for known risks	-1,086	1,724	-2,810
Provisions for general risks	138,541	-76,900	215,441
Total	137,455	-75,176	212,631
Total	-78,816	-79,293	477

29. Net income from fees and commissions

Net income from fees and commissions amounts to EUR 14.3 million. Fees and commissions are mainly received from supervisory and regulatory functions, payment and settlement services, managing the Central Credit Register, management of the funds, processing of cash and from securities lending transactions.

30. Income from equity shares and participating interests

This item amounting to EUR 6.0 million represents the income received from Banka Slovenije's participation in the international financial institutions and the ECB, as well as from investments in investment funds.

Also included under this caption in 2021 is the amount due to Banka Slovenije with respect to the ECB's interim profit distribution totalling EUR 0.7 million (see "ECB profit distribution" in the notes on accounting policies).

31. Net result of pooling of monetary income

This item contains the net result of pooling of monetary income for 2022, amounting to an expense of EUR 27.4 million compared to the expense of EUR 23.5 million in the previous year.

	2022	2021	Change
	000 EUR	000 EUR	000 EUR
Net monetary income pooled by Banka Slovenije	61,460	28,579	32,881
Net monetary income allocated to Banka Slovenije	34,360	5,634	28,726
Monetary income reallocation for the year	-27,099	-22,945	-4,155
Adjustments of monetary income reallocation for previous years	-335	-555	220
Total	-27,434	-23,500	-3,935

The monetary income of the Eurosystem national central banks is allocated in accordance with the decision taken by the Governing Council of the ECB.²⁸ The amount of each Eurosystem NCB's monetary income is determined by measuring the annual income that derives from its earmarkable assets held against its liability base.

Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is allocated among the NCBs according to the subscribed ECB capital key. The pooling and reallocation of monetary income to NCBs leads to certain net reallocation effects. One reason is that the yields earned on certain earmarkable assets and the interest expense paid on certain liability base items may differ to a varying degree among the Eurosystem NCBs. In addition, each Eurosystem NCB's share of earmarkable assets and liability base usually deviates from its share in the subscribed capital of the ECB. The difference between the monetary income pooled by Banka Slovenije amounting to EUR 61.5 million and reallocated to Banka Slovenije amounting to EUR 34.4 million is the net result arising from the pooling of monetary income.

32. Other income

Other income amounting to EUR 2.7 million includes income from non-bank services like rental income, reimbursements, numismatics and other income.

33. Operating expenses

Staff costs

Staff costs amounting to EUR 30.1 million include salaries and other staff costs together with the related taxes and contributions.

Banka Slovenije employed 457 employees as at 31 December 2022 (31 December 2021: 458 employees). The average number of employees, based on the number of hours worked, stood at 431 employees (2021: 438 employees).

²⁸ Decision of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of member states whose currency is the euro (recast) (ECB/2016/36), OJ L 347, 20.12.2016, pp. 26–36, as amended.

In accordance with the contract between Banka Slovenije and the Trade union from March 2002, Banka Slovenije's employees have been included in voluntary supplementary pension insurance, which is defined as a contribution plan. Staff costs include Banka Slovenije's contribution to the voluntary supplementary pension insurance of EUR 0.8 million (2021: EUR 0.8 million).

In 2022 the remuneration of the Governing Board members of Banka Slovenije was EUR 1.0 million (2021: EUR 0.9 million).

Administrative expenses

This item, amounting to EUR 9.2 million, consists mainly of expenses related to building and equipment maintenance, communication and energy costs, IT-related expenses (software maintenance, system assistance), expenses for services outsourced, rent, business travel and training costs, expenses for materials and other office expenses.

Depreciation of tangible and intangible fixed assets

Depreciation of buildings, furniture and office equipment, computer hardware and software amounting to EUR 2.7 million is performed according to the adopted depreciation rates.

Banknote production services

Expenses for banknote production services amounting to EUR 2.1 million mainly include the expenses related to the production and transportation of banknotes. The additional quantity of banknotes to be printed is determined on the basis of the assessed need for banknotes in circulation and for the maintenance of an adequate volume of stock in the Eurosystem, distributed to each individual NCB according to its capital key and denomination structure.

Other expenses

Other expenses amounting to EUR 1.7 million consist of contributions, subscriptions, taxes and other operating expenses of Banka Slovenije.

34. Profit for the year

As per the Accounting Guideline, according to which the unrealised negative valuation effects shall be covered from the current financial result, whilst the unrealised positive valuation effects are transferred directly to revaluation accounts, Banka Slovenije shows the profit amounted to EUR 1.7 million (2021: EUR 37.1 million). Appropriation of the financial result will be performed in accordance with the applicable legislation.

Secondary legislation

Macroprudential supervision

1. Regulation on macroprudential restrictions on consumer lending
Official Gazette of the Republic of Slovenia, No. 60/22 of 6 May 2022

Prudential supervision of banks and savings banks

2. Regulation on the application of the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis
Official Gazette of the Republic of Slovenia, No. 20/22 of 18 February 2022
3. Guidelines amending the Guidelines for implementing the Regulation on reporting by monetary financial institutions
Official Gazette of the Republic of Slovenia, No. 38/22 of 18 March 2022
4. Regulation on the application of the Guidelines on cooperation and information exchange between prudential supervisors, AML/CFT supervisors and financial intelligence units under Directive 2013/36/EU
Official Gazette of the Republic of Slovenia, No. 49/22 of 8 April 2022
5. Regulation on the application of the Guidelines on a common assessment methodology for granting authorisation as a credit institution under Article 8(5) of Directive 2013/36/EU
Official Gazette of the Republic of Slovenia, No. 49/22 of 8 April 2022
6. Regulation determining the requirement to maintain a systemic risk buffer for banks and savings banks
Official Gazette of the Republic of Slovenia, No. 60/22 of 6 May 2022
7. Regulation amending the Regulation on the exercise of options and discretions under European Union law
Official Gazette of the Republic of Slovenia, No. 67/22 of 13 May 2022
8. Guidelines on the assessment of the risk of money laundering and terrorist financing
Official Gazette of the Republic of Slovenia, No. 67/22 of 13 May 2022
9. Regulation on the application of the Guidelines on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision, and the steps to be taken when conducting supervision on a risk-sensitive basis under Article 48(10) of Directive (EU) 2015/849 (amending the Joint Guidelines ESAs/2016/72)
Official Gazette of the Republic of Slovenia, No. 79/22 of 3 June 2022
10. Regulation on the documentation for demonstrating fulfilment of the conditions for appointment as a member of the management body of a bank or savings bank
Official Gazette of the Republic of Slovenia, No. 82/22 of 15 June 2022
11. Regulation on the application of the Guidelines on the equivalence of confidentiality regimes
Official Gazette of the Republic of Slovenia, No. 103/22 of 29 July 2022
12. Guidelines amending the Guidelines for implementing the Regulation on reporting by monetary financial institutions
Official Gazette of the Republic of Slovenia, No. 112/22 of 26 August 2022
13. Regulation on the application of the Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849
Official Gazette of the Republic of Slovenia, No. 142/22 of 11 November 2022
14. Regulation repealing the Regulation on the application of the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013, the Regulation on the application of the Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013, and the Regulation on the application of the Guidelines on disclosure of encumbered and unencumbered assets
Official Gazette of the Republic of Slovenia, No. 146/22 of 25 November 2022
15. Regulation on the application of the Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing
Official Gazette of the Republic of Slovenia, No. 146/22 of 25 November 2022
16. Regulation on the application of the Guidelines on disclosure of non-performing and forbore exposures
Official Gazette of the Republic of Slovenia, No. 146/22 of 25 November 2022
17. Regulation on the application of the Guidelines on the data collection exercises regarding high earners under Directive 2013/36/EU and under Directive (EU) 2019/2034
Official Gazette of the Republic of Slovenia, No. 146/22 of 25 November 2022
18. Regulation on the application of the Guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU
Official Gazette of the Republic of Slovenia, No. 155/22 of 9 December 2022
19. Regulation determining the countercyclical capital buffer rate for the Republic of Slovenia
Official Gazette of the Republic of Slovenia, No. 157/22 of 16 December 2022
20. Instructions on reporting services trade, certain merchandise trade, transfers, operating and financial receivables and liabilities, and capital investments with non-residents
Official Gazette of the Republic of Slovenia, No. 157/22 of 16 December 2022
21. Regulation amending the Regulation on the reporting of individual facts and circumstances of banks and savings banks
Official Gazette of the Republic of Slovenia, No. 161/22 of 23 December 2022

Payment services

- 22. Regulation on the application of the Guidelines on the limited network exclusion under PSD2
Official Gazette of the Republic of Slovenia, No. 79/22 of 3 June 2022
- 23. Regulation amending the Regulation on the content of the request for the granting of an authorisation to provide payment services as a payment institution, to provide electronic money issuance services as an electronic money institution and to acquire a qualifying holding in a payment institution or an electronic money institution
Official Gazette of the Republic of Slovenia, No. 103/22 of 29 July 2022
- 24. Regulation repealing the Regulation on the reporting of interbank deposits
Official Gazette of the Republic of Slovenia, No. 146/22 of 25 November 2022
- 25. Instructions on the reporting of payment transactions with the rest of the world
Official Gazette of the Republic of Slovenia, No. 157/22 of 16 December 2022

Mortgage bonds and municipal bonds

- 26. Regulation on the requirements for including derivatives in the cover pool of mortgage bonds and municipal bonds
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022
- 27. Regulation on the matching of cover in cover assets with liabilities from mortgage bonds and municipal bonds
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022
- 28. Regulation on the documentation regarding the conditions for obtaining an authorisation to issue a programme of mortgage bonds and municipal bonds
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022
- 29. Regulation on the documentation regarding the conditions for appointing a cover pool monitor
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022

Bank resolution and deposit guarantee scheme

- 30. Regulation on the application of the Guidelines on recovery plan indicators
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022
- 31. Regulation on the application of the Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU (Revised)
Official Gazette of the Republic of Slovenia, No. 17/22 of 11 February 2022
- 32. Regulation on the application of the Guidelines on the delineation and reporting of available financial means of Deposit Guarantee Schemes
Official Gazette of the Republic of Slovenia, No. 35/22 of 11 March 2022
- 33. Regulation on the application of the Guidelines on improving resolvability for institutions and resolution authorities
Official Gazette of the Republic of Slovenia, No. 79/22 of 3 June 2022
- 34. Regulation on liquid assets for the purpose of the resolution fund
Official Gazette of the Republic of Slovenia, No. 87/22 of 24 June 2022

Consumer protection

- 35. Average effective interest rates on consumer credit agreements entered into by banks and savings banks between 1 July and 31 December 2021
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022
- 36. Average effective interest rates on consumer credit agreements entered into by banks and savings banks between 1 January and 30 June 2022
Official Gazette of the Republic of Slovenia, No. 107/22 of 9 August 2022

Cash operations

- 37. Regulation on the issuance of collector coins for sale and circulation to mark the 150th anniversary of the birth of the painter Matija Jama
Official Gazette of the Republic of Slovenia, No. 15/22 of 4 February 2022
- 38. Regulation changing the selling price of gold coins
Official Gazette of the Republic of Slovenia, No. 39/22 of 21 March 2022

Other Banka Slovenije regulations

- 39. Regulation amending the regulation on the tariff for charging fees for Banka Slovenije services
Official Gazette of the Republic of Slovenia, No. 11/22 of 28 January 2022
- 40. Regulation setting the level of interest rates at which Banka Slovenije remunerates the assets of public entities
Official Gazette of the Republic of Slovenia, No. 119/22 of 14 September 2022
- 41. Regulation amending the Regulation on the amounts of Banka Slovenije's annual fees for supervision and fees in connection with decision-making procedures under the Payment Services, Electronic Money Issuance Services and Payment Systems Act
Official Gazette of the Republic of Slovenia, No. 155/22 of 9 December 2022
- 42. Regulation amending the regulation on the tariff for charging fees for Banka Slovenije services
Official Gazette of the Republic of Slovenia, No. 161/22 of 23 December 2022

List of abbreviations

ACC	Additional credit claim
AIFs	Alternative investment funds
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
AML/CFT	Anti-money laundering and countering the financing of terrorism
APP	Asset Purchase Programme
BAMC	Bank Assets Management Company
BAS	Bank Association of Slovenia
BIS	Bank for International Settlements
BLS	Bank Lending Survey
CCI	Chamber of Commerce and Industry of Slovenia
CET1	Common equity Tier 1 capital
CPI	Consumer price index
CSDB	Centralised Securities Database
DSTI	Debt service-to-income ratio
EA	Euro area
EBA	European Banking Authority
ECB	European Central Bank
EDIS	European Deposit Insurance Scheme
EEA	European Economic Area
EFC	Economic and Financial Committee
EFDI	European Forum of Deposit Insurers
ELA	Emergency liquidity assistance
ESCB	European System of Central Banks
ESG risks	Environmental, social and governance risks
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
€STR	Euro short-term rate
ETFs	Exchange traded funds
FARS	Financial Administration of the Republic of Slovenia
Fed	US Federal Reserve System
FSB	Financial Stability Board
FTP	Financial Transactions Plan
GDP	Gross domestic product
GLTDF	Gross loans to deposits flows ratio
HFCN	Household Finance and Consumption Network
HICP	Harmonised index of consumer prices
IFRS	International Financial Reporting Standards
IMAD	Institute of Macroeconomic Analysis and Development
IMF	International Monetary Fund
IReF	Integrated Reporting Framework
JST	Joint supervisory team
KDD	Central Securities Clearing Corporation
LCR	Liquidity coverage ratio
LSIs	Less significant institutions
LTROs	Longer-term refinancing operations
LTV	Loan-to-value
MFEA	Ministry of Foreign and European Affairs
MFIs	Monetary financial institutions
MREL	Minimum requirement for own funds and eligible liabilities
MROs	Main refinancing operations
NA	National Assembly of the Republic of Slovenia
NFCs	Non-financial corporations
NGFS	Network for Greening the Financial System
NPC	National Payments Council
NPEs	Non-performing exposures
NPLs	Non-performing loans
NSFR	Net stable funding ratio
OECD	Organisation for Economic Co-operation and Development
OMLP	Office for Money Laundering Prevention
OMTs	Outright monetary transactions
O-SIIs	Other systemically important institutions
PDII	Pension and Disability Insurance Institute
PELTROs	Pandemic emergency longer-term refinancing operations
PEPP	Pandemic Emergency Purchase Programme
ROE	Return on equity
SDRs	Special drawing rights
SEPA	Single Euro Payments Area
SIIs	Significant institutions
SISBIZ	System for the exchange of information on the indebtedness of business entities and credit risks
SISBON	System for the exchange of information on personal debt from credit operations
SMA	Securities Market Agency
SMARS	Surveying and Mapping Authority of the Republic of Slovenia

SO	Strategic objective
SORS	Statistical Office of the Republic of Slovenia
SPACE	Study on the payment attitudes of consumers in the euro area
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
STEP2-T	Pan-European payment system for executing SEPA credit transfers and SEPA direct debits
SUCH	Study on the use of cash by households in the euro area
TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
TARGET2 Securities (T2S)	Eurosystem single technical platform for the settlement of securities transactions
TCFD	Task Force on Climate-Related Financial Disclosures
TIPS	TARGET Instant Payment Settlement
TLPT	Threat led penetration testing
TLTRO, TLTRO-II and TLTRO-III	Targeted longer-term refinancing operations
TPI	Transmission Protection Instrument