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A Word from the Governor



After the strong post-pandemic recovery in the two preceding years, 2023 was marked by a number of challenges in connection with high inflation, the slowdown in the global economy, and persistent geopolitical uncertainty. We also bore witness to the destructive impact that increasingly common extreme weather events can have on human lives and property. The difficult situation in the domestic and international macroeconomic environments was reflected in slower economic growth in the euro area, including Slovenia, where GDP growth again outperformed the euro area average.

Despite falling, inflation remained above its target level in 2023. In the Eurosystem we therefore continued our interest rate hikes, which are the main tool for setting the monetary policy stance. The hikes aimed to establish the conditions for the timely return of inflation to its medium-term target level of 2%. ECB interest rates were raised by a total of 200 basis points over the course of the year, before being left unchanged in October after ten consecutive rises. Our assessment was that the key interest rates had reached a level that would make a significant contribution to restoring inflation to its medium-term target rate. Any future decisions on the need to modify interest rates will continue to be based on assessments of the inflation outlook, taking account of incoming economic and financial data, the dynamics in core inflation, and the intensity of monetary policy transmission.

With the changeover to an increasingly restrictive monetary policy, we gradually and predictably began reducing holdings under the asset purchase programme (APP). With the aim of normalising the Eurosystem balance sheet, we took the decision in December to employ a gradual approach in 2024 to reducing the portfolio of securities purchased under the pandemic emergency purchase programme (PEPP). With the aim of maintaining the effectiveness of monetary policy, we also took the decision in July to apply a zero remuneration rate to the reserves that banks are required to hold with the national central bank, which allowed for the maintenance of proper control of the monetary policy stance, and the complete transmission of interest rate decisions to the money market. The monetary policy tightening was transmitted intensively into the financing conditions, and gradually affected the total economy. Borrowing costs rose, and increasingly acted to curtail demand, which is a significant factor in reducing inflation to its target level.

Amid these monetary policy measures, lending to the non-banking sector slowed as expected, and the stock of loans to the non-banking sector in Slovenia ended the year down on a year earlier. There was particularly pronounced slowdown in lending to non-financial corporations, where the contraction in the stock was broadly based and seen in the majority of sectors. Household lending strengthened less intensely, and the stock of loans ended the year up on 2022. The dynamics in loans were not unidirectional: household lending via housing loans slowed as interest rates reached their highest levels in almost ten years, where the still relatively high prices on the real estate market were also a factor, while consumer lending strengthened sharply. The quality of bank assets remained favourable and stable in 2023. The NPE ratio declined further over the first four months of the year, and is holding at record low levels. August's floods had not been reflected in an actual deterioration in portfolio quality by the end of the year, but this natural disaster nevertheless was a reminder of the importance of monitoring and addressing climate risks.

Deposits by the non-banking sector remained the principal and stable source of funding for Slovenian banks. The rise in interest rates on deposits encouraged savers, households in particular, to fix their savings, but sight deposits continue to account for the majority of all deposits. Last year's increase in deposits by the non-banking sector was smaller than in previous years, on account of a more modest inflow of household deposits. Given the high share of deposits by the non-banking sector and the large stock of liquid assets, the majority of the banks have no need for additional funding, and thus dependence on other sources of funding remains low.

The banks more than doubled their pre-tax profit in 2023 compared with the previous year, while ROE was almost double that seen in the previous five years. Last year Slovenian banks again outperformed the euro area and the EU overall in terms of profitability, as they have in recent years. The rise in profit was attributable to a pronounced increase in net interest income, which was driven by the higher interest rates on bank assets of all classes, and also by the slower, more restrained adjustment in interest rates on deposits by the non-banking sector. Another factor in the high profit was the very low net creation of impairments and provisions.

The banking system's capital position improved significantly in 2023 as a result of the high profitability. The capital ratios rose over all quarters, and are indicative of the Slovenian banking system's good solvency. Despite good liquidity in the system overall, differences remain between the banks, and monitoring competition within the sector and managing liquidity therefore remain vital to maintaining the stability of banking.

The general level of risks to the banking system improved last year. The assessment of the risk inherent in the real estate market was lowered to moderate in the first half of the year, in light of the slowdown in growth in loans and the easing of the high growth in residential real estate prices. In the second half of the year the assessment of credit risk was also lowered to moderate, as a result of improvements in portfolio quality indicators. Given the rapid increase in net interest income, the assessment of income risk was lowered to low in the second half of the year. Cyber risk and climate risks have recently become a new fixture in the treatment of systemic risks, and we have therefore taken the decision to regularly examine them in our publications. The risks in both areas have been assessed as moderate.

Each year the ECB updates its supervisory priorities at the level of the Single Supervisory Mechanism, and these again formed the starting point for the supervision of Slovenian banks last year. At Banka Slovenije we continually assess and monitor the changing nature of the risks and vulnerabilities that banks face, and tailor our supervisory activities accordingly. In light of the monetary policy tightening, in early 2023 we conducted analysis of the impact of rising interest rates on the economic value of equity and on net interest income. We analysed the fixed-rate lending segment, the practices of hedging against interest rate risk by means of derivatives, and the impact of interest rate on the fair value of debt securities. In the area of credit risk we focused primarily on eliminating structural deficiencies in credit risk management, and also in the area of real estate and vulnerable portfolios. The results of the 2023 supervisory review and evaluation process (SREP) were positive in general, the risk assessment having improved, and the Pillar 2 capital requirements having declined.

In light of the current situation, macroprudential policy was pitched preventively, and focused primarily on maintaining the resilience of the financial system. We continued to adjust our macroprudential toolkit, making an adjustment in the first half of the year to the macroprudential measure that places restrictions on consumer lending. The modification of the instrument rectified the impact of the rise in the gross minimum wage on borrower creditworthiness, with the lower limit of creditworthiness being tied to the minimum cost of living, thereby granting those on lower incomes greater access to lending. With the aim of also improving the Slovenian banking system's resilience to risks that come from outside the banking system, we introduced a positive neutral countercyclical capital buffer rate of 1%. The purpose of the positive neutral rate is for the banking system to have sufficient capital at its disposal for release in the event of unforeseeable shocks. The banks must meet the higher buffer requirement in 2025. At the same time, effective as of 2025, we have lowered the sectoral systemic risk buffer for exposures secured by residential real estate, and have adjusted the methodology for the O-SII buffer.

In my judgment, Banka Slovenije's actions in 2023 saw it successfully fulfil its mandate as set out by law. In a year marked once again by extraordinary events, our decisive monetary policy actions as part of the Eurosystem helped to maintain macroeconomic stability. We responded to the current trends in the banking system with timely and appropriate measures, and succeeded in maintaining and strengthening financial stability through our macroprudential policy. 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.

75%

OF EMPLOYEES AT
BANKA SLOVENIJE

hold a Level 7 qualification

€1.0

MILLION IN SURPLUS
OF INCOME OVER
EXPENSES IN 2023

€1.7 million surplus of income
over expenses in 2022

55.3

MILLION
TRANSACTIONS

executed by Banka Slovenije in
2023 for its 136 clients

BANKA SLOVENIJE'S KEY AREAS OF WORK AND TASKS

MONETARY POLICY

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

7.2
%

average headline inflation
in 2023, as measured by
the HICP

€10.7
billion

excess liquidity of the
Slovenian banking system
at the end of 2023

€74
million

stock of the TLTRO-III in
Slovenia at the end of
2023

3.2
tonnes

gold held in Banka
Slovenije's intl. reserves;
Gold and gold receivables
amounted to €191 million
at the end of 2023

MICROPRUDENTIAL SUPERVISION

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

90
breaches

identified in 2023
in the supervision
of significant banks

118
breaches

identified in 2023
in the supervision of
less significant banks

46
procedures

of licensing completed
with an authorisation
being granted

18
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 take measures to limit them and to strengthen the banking system's resilience to risks.

€51.3
billion

year-end balance sheet
total of the banking
system, which generated
a pre-tax profit of €1,137
million in 2023

1.0
%

NPE ratio in the banking
system at the end of 2023
(down from 1.1% at the
end of 2022)

2.2
%

year-on-year decline in
the stock of loans to the
non-banking sector

20.3
%

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.

€190.3
million

assets under
management of
the bank resolution fund
at the end of 2023

€194.8
million

assets under
management of the
deposit guarantee fund
at the end of 2023

€38.9
million

the banks' total
contributions to the
deposit guarantee
fund in 2023

€6.2
million

total contributions by
Slovenian banks in 2023
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 undisrupted.

1,162,325
transactions
with a total value of
€457.40 billion settled
in T2 in 2023

€13.08 billion
of transactions in securities
settled by Slovenian market
participants in T2S cash
accounts in 2023

418,150
transactions
with a total value of
€306.05 million settled
in TIPS in 2023

CENTRAL CREDIT REGISTER

Banka Slovenije is responsible for ensuring the smooth operation of the systems for exchanging data on the indebtedness of individuals (SISBON) and business entities (SISBIZ).

30.2 million records
processed in SISBON
and SISBIZ in 2023

60,106 views
of their own data by
individuals and business
entities in 2023

132 irregularities
identified in 2023 in the
supervision of SISBON and
SISBIZ users

BANKNOTES AND COINS

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

€16.4 billion
net total of cash issued into
circulation by the end of 2023
by Banka Slovenije since the
introduction of the euro

€31.5 million
total value of tolar banknotes
and payment notes still in
circulation at the end of 2023

131.6 million
banknotes and coins counted
by our processing unit in 2023

1.1 International situation

Global economic growth proved to be more robust than expected in 2023. After hitting 3.5% in 2022, the rate slowed to 3.1% last year (see Figure 1), thus outperforming expectations, but it nevertheless remained below its long-term average (3.5%).¹ Alongside a faster fall in inflation, growth was maintained by the relatively robust labour market and, in some cases, by fiscal stimulus measures, while the restrictive monetary policy had a limited impact on economic activity and employment. This was reflected in a more robust global economic growth than anticipated.

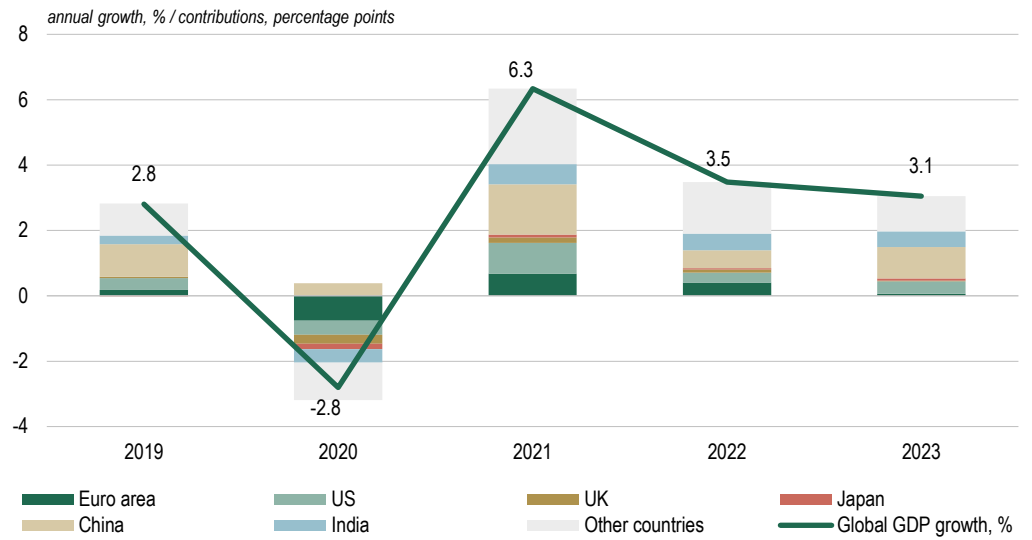
Considerable heterogeneity was observed among the economies. Amid robust private and government consumption, and a persistently tight labour market, GDP growth in the US was solid despite the restrictive monetary policy: following growth of 1.9% in 2022, the rate strengthened to 2.5% last year. By contrast, growth in the euro area slowed from 3.4% in the previous year to 0.4% last year, 1.1 percentage points below its long-term average. The main factors were weak manufacturing, the impact of the less favourable financing conditions (slow growth in investment, particularly in construction), high price pressures in connection with the past energy shock, and subdued business confidence associated with weak domestic and foreign demand. Consequently, several euro area countries ended the year in recession, among them Germany and Austria. A similar picture was observed in the UK, which ended the year with economic growth of 0.1%. GDP growth stood at 1.9% in Japan, while in China it strengthened to 5.2% amid liquidity and fiscal support, although this was 3.9 percentage points below its long-term average amid a considerable decline in consumption, relatively fast-rising government debt, and challenges in the real estate sector. India recorded the highest growth of the major developing economies, its rate of 7.0% well above its long-term average.

The global and euro area inflation rates fell importantly last year, although they remained relatively high. Global inflation stood at 6.9% in 2023, down from 8.7% in the previous year. With the dissipation of the energy price shock and the easing tightness of the labour market, as well as falling short-term and anchored long-term inflation expectations, there continue to be visible signs of inflation easing in the major economies. After peaking at 8.4% in 2022, inflation in the euro area fell to 5.4% last year. The fall is attributable to a decline in price pressures in supply chains, and also to monetary policy measures: between July 2022 and September 2023 the ECB raised interest rates by 450 basis points in total, the sharpest monetary policy tightening in the history of the euro area.

¹ The long-term average of economic growth in this section is calculated for the period between 1992 and 2022.

Global GDP growth was robust at 3.1% last year, but developments in individual economies varied greatly.

Figure 1: Contributions to global GDP growth from various economies



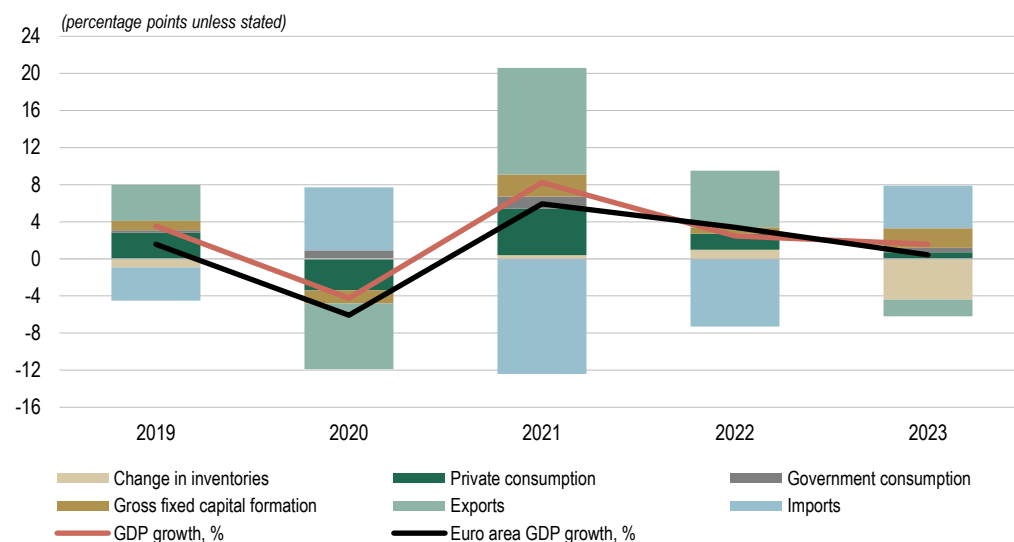
Sources: IMF, ECB, Banka Slovenije calculations

1.2 Slovenian economy

After a strong post-pandemic recovery, GDP growth slowed in 2023. Economic activity increased by 1.6%, again outperforming the euro area average (see Figure 2). With inflation falling but still elevated, growth in private consumption slowed in particular, but was kept in positive territory (1.3%) by the robust labour market and high wage growth. Growth in final government consumption strengthened to 2.4% last year. Last year's GDP growth was driven most by net trade, as the decline in imports outpaced the decline in exports, and by gross fixed capital formation. This was up 9.5% last year, despite the decline in the economic sentiment and the rise in interest rates, and to a significant extent was driven by the government sector, partly as a result of the ending of the previous European financial framework. The main increase was in construction activity, which recorded notable growth of 18.0%. Contrastingly manufacturing continued to face sharply curtailed demand last year, as a result of which its value-added increased by just 0.8%. In private-sector services, where confidence remained solid over the course of the year, growth in value-added slowed amid a decline in domestic demand. The contribution to GDP growth by public services also remained in positive territory. Amid weak foreign demand for goods, merchandise exports declined by 2.5% last year, while aggregate exports were down 2.0% as services exports remained virtually unchanged. The decline in aggregate imports was significantly larger, as a result of subdued demand on the domestic market and the run-down of inventories. The run-down of inventories reduced last year's GDP growth by 4.4 percentage points (see Figure 2).

Domestic economic growth slowed in 2023. There was a notable strengthening in construction activity, driven to a significant extent by the government sector, while developments in manufacturing remained relatively weak.

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



Sources: SORS, Banka Slovenije calculations

Employment hit a new record high in 2023. According to the national accounts figures, employment stood at 1,095,500 last year, up 13,200 on 2022.² Employment growth stood at 1.2%, down 1.7 percentage points on the previous year, and 0.2 percentage points less than the euro area average (see Figure 3). At 1.5%, growth in the public sector was 0.3 percentage points higher than in the private sector. The surveyed unemployment rate stayed below 4.0% over the course of the year, and hit a new low of 3.4% in the final quarter, ranking Slovenia among the euro area countries with the lowest unemployment rates. In the very tight labour market, the share of firms facing difficulties with recruitment remained high. Firms continued addressing the shortage of domestic labour by hiring foreign workers, whose average share of the workforce in employment in 2023 was up 1 percentage point on the previous year at 14.5%.

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



Sources: SORS, Eurostat, Banka Slovenije calculations

The labour market saw record high employment and high tightness last year.

Nominal wage growth in 2023 was at its highest level since 1997. Wage growth stood at 11.8% last year, up 6.8 percentage points on the previous year, when it was reduced by the expiry of the pandemic bonuses in the public sector (see Figure 4).³ Last year's growth was primarily attributable to the very tight labour market, and to high inflation, which drove a sharp rise in the minimum wage at the beginning of the year.⁴ Wage growth in the private sector was highest in the first half of the year, primarily on account of high payments of annual leave allowance.⁵ The public sector recorded its highest wage growth in the middle of the year, but the rate slowed in the final quarter with the expiry of the agreement on public-sector wages reached in October 2022. With inflation falling continually, real wage growth hit the heights of 4.2% in 2023, significantly outpacing the productivity growth of 0.4%.⁶ The previous year had seen wages fall in real terms by contrast.

² Employment refers to the total number of employees and self-employed.

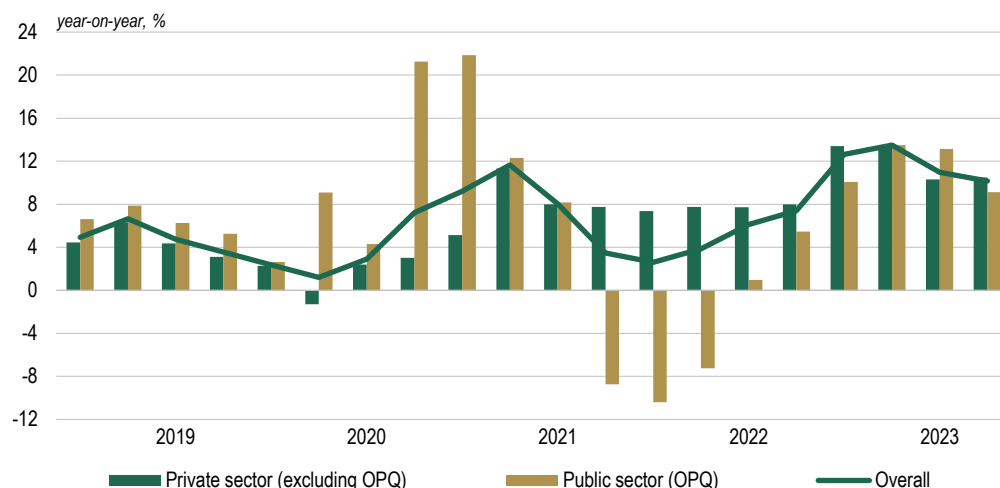
³ Wage growth is measured by compensation of employees per employee.

⁴ See Box 4.1 of the [January 2024 issue of the Review of macroeconomic developments](#).

⁵ The total amount of annual leave allowance in 2023 was up 16.9% on the previous year.

⁶ Real wages are calculated by means of the final household consumption deflator.

Figure 4: **Nominal growth in employee compensation per employee**



Sources: SORS, Banka Slovenije calculations

Last year saw the highest nominal wage growth since 1997, and real wage growth also strengthened as inflation fell.

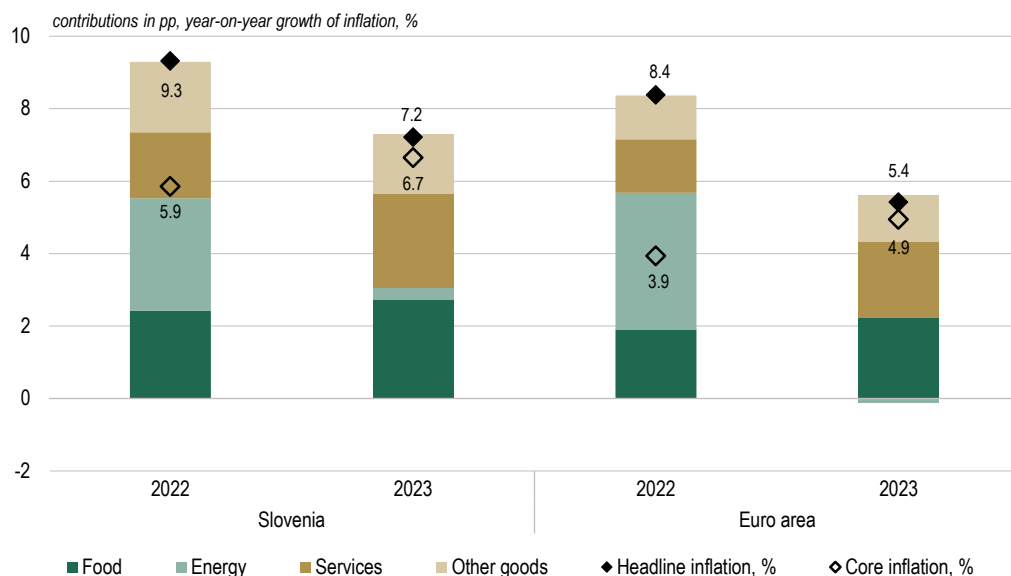
Amid easing pressures on the wholesale markets and in production chains, headline inflation slowed sharply over the course of last year. Inflation as measured by the HICP reached 7.2%, down 2.1 percentage points on 2022, and 1.8 percentage points higher than in the euro area overall (see Figure 5). The gradual slowdown was attributable first to the stabilisation of the energy markets, which led to a slowdown in energy inflation. This averaged 2.7% over the year, but was relatively volatile, particularly as a result of base effects relation to the government measures to cap final prices passed in the previous two years (see Figure 6). Energy inflation at the annual level was down 22 percentage points on 2022. Another major factor in the fall in headline inflation, particularly in the second half of the year, was the decline in food inflation, mostly as a result of base effects as the impact of past shocks on commodity markets waned. Having peaked at 17.3% in March,⁷ year-on-year food inflation had fallen to 5.6% by December. Thanks primarily to a slowdown in energy inflation and food inflation, headline inflation fell to 3.8% at the end of 2023, 6.1 percentage points less than its average in the first quarter.

A faster fall in core inflation was prevented by strengthened domestic factors, most notably wage growth. The slowdown in headline inflation was also attributable in part to developments in components of core inflation, i.e. inflation excluding energy and food prices. This is particularly the case for prices of other goods, which slowed across the whole year as pressures in production and supply chains eased. Having stood at 6.8% in the first quarter, it had slowed to 2.7% by December. Meanwhile the fall in services inflation was significantly slower. It averaged 7.7% in 2023, but stood at a still-high 6.0% in December. In addition to the pass-through of higher energy and food costs, services inflation was also kept relatively high by wage growth and the tightness of the labour market,⁸ which are significantly higher than in the euro area overall. At 6.7%, domestic core inflation thus outpaced the euro area average by 1.7 percentage points last year, with the gap mainly being driven by services prices.

⁷ The peak represents the highest rate since 1997, when figures for year-on-year inflation as measured by the HICP first became available.

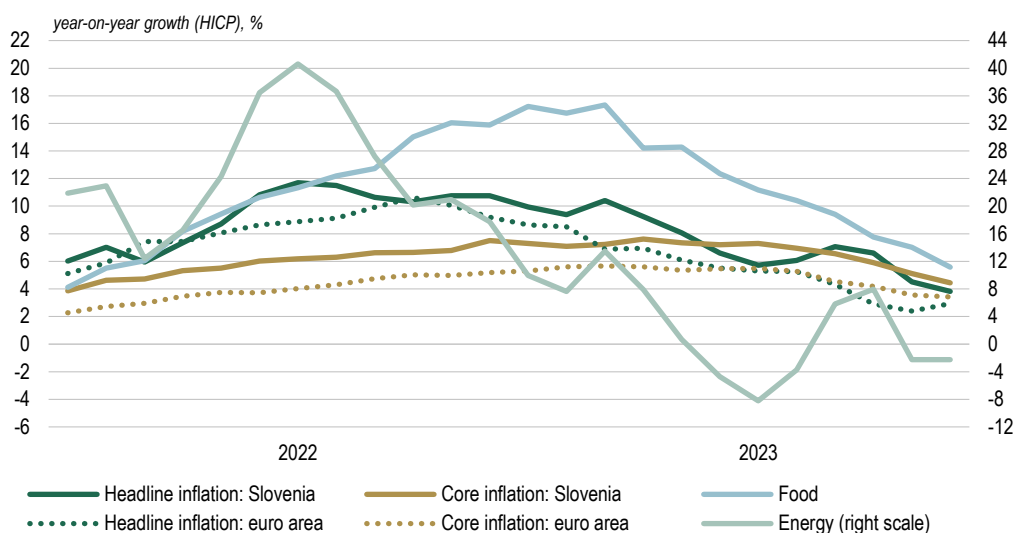
⁸ The labour market tightness indicator, which is calculated as the ratio of the vacancy rate to the unemployment rate, stood at 0.7 in Slovenia in the third quarter, and 0.4 in the euro area overall.

Figure 5: **Components of inflation in Slovenia and the euro area**



Sources: SORS, Eurostat, ECB

Figure 6: **Inflation in 2022 and 2023**



Sources: SORS, Eurostat

Headline inflation slowed in 2023, as a result of a fall in energy inflation and food inflation. Core inflation was driven above all by services inflation.

The price and cost competitiveness of the economy deteriorated last year.⁹

Price competitiveness was hit by domestic inflation, which was higher than in the partner countries overall, and the euro's rise against a basket of currencies of 37 trading partners (see Figure 7). The adverse exchange rate developments accounted for one-third of the deterioration (rise) in the price competitiveness indicator (of 2.4%), and relatively higher domestic inflation for two-thirds. The price competitiveness of the Slovenian economy at the end of the year slightly exceeded its pre-pandemic level and long-term average. Meanwhile half of the euro area countries outperformed Slovenia in

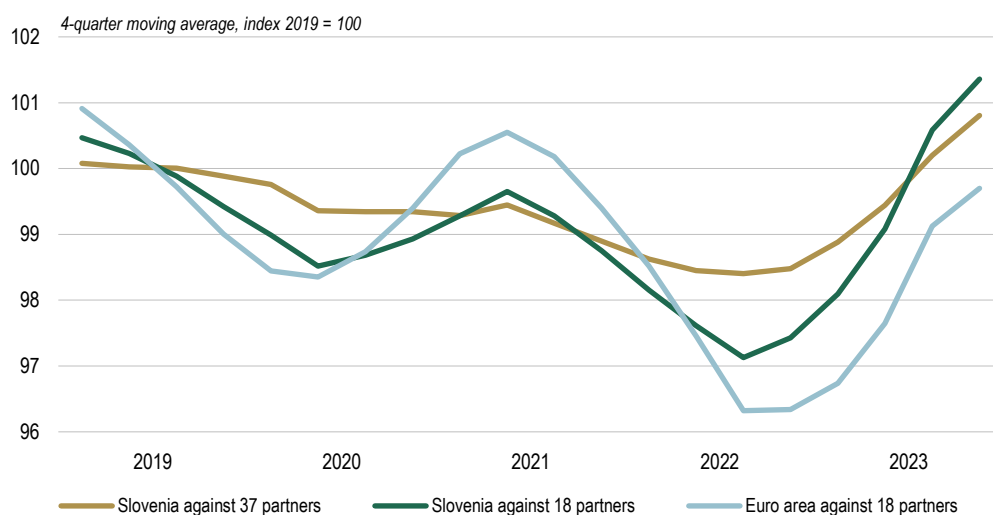
⁹ They are measured by the ECB's effective exchange rate deflated by consumer prices or unit labour costs in relation to 37 trading partners. A decline in the indicator denotes an improvement in competitiveness, and vice-versa.

terms of developments in competitiveness, while half performed worse. The deterioration was seen against euro area partners and (even more so) non-euro-area partners. Amid a significant rise in relative unit labour costs, the cost competitiveness of the Slovenian economy deteriorated even more sharply over the first three quarters of last year, by 6.3%, thereby exceeding its pre-pandemic level by a tenth. The deterioration was one of the largest in the euro area; only the three Baltic states recorded larger deteriorations. Similarly to price competitiveness, the deterioration was more pronounced against partners outside the euro area than against euro area countries.

Last year's deterioration in exporters' competitiveness was driven by relatively higher domestic inflation, and a larger increase in labour costs than in the partner countries.

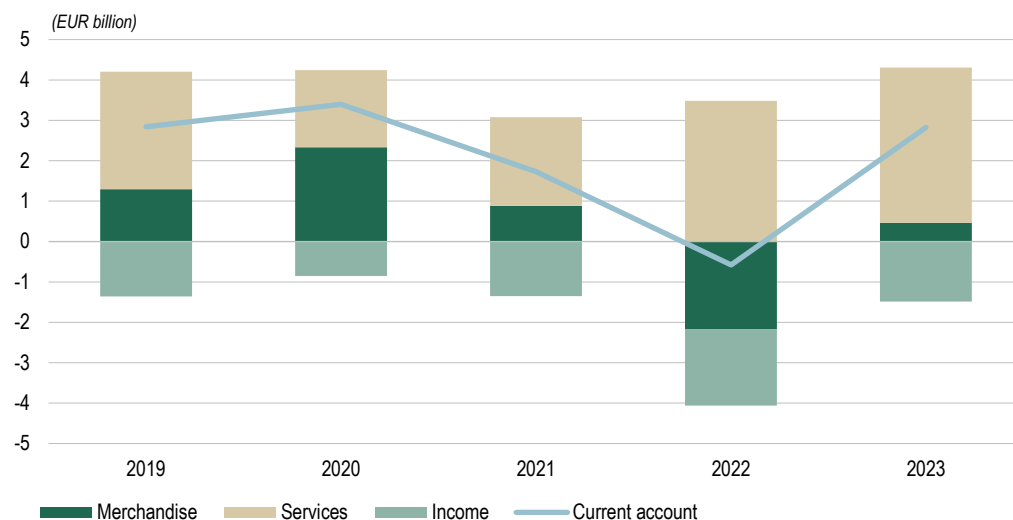
The current account moved into surplus last year, primarily as a result of a decline in imports of merchandise and transport services, and an improvement in the terms of trade. The surplus amounted to EUR 2.8 billion or 4.4% of GDP, compared with a deficit of EUR 580 million or 1.0% of GDP in the previous year (see Figure 8). The majority of the improvement came from the reversal of the merchandise trade balance from deficit (EUR 2.2 billion) into surplus (EUR 460 million), where approximately half of the change came from the improvement in the terms of trade, and half from the volume decline in merchandise imports outpacing that in exports. The services balance surplus strengthened by EUR 360 million over the same period (to EUR 3.8 billion), largely driven by a wider surplus in transport and construction services. The narrower deficit in income brought an improvement of EUR 400 million in the current account position. This was primarily attributable to an increase in interest receipts, a decline in dividend payments to foreign owners, and an increase in compensation receipts from non-life insurance.

Figure 7: **Price competitiveness of Slovenia and the euro area**



Note: Price competitiveness is expressed by the effective exchange rate of the euro 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**

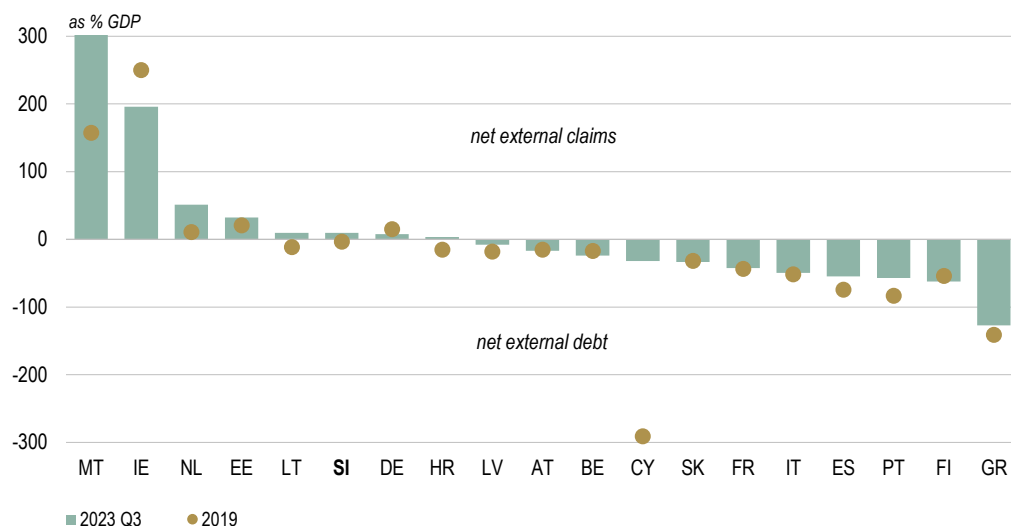


Source: Banka Slovenije

The current account was in surplus last year, due to favourable terms of trade and a decline in imports of merchandise and transport services.

The financial account was also in surplus last year, which meant that Slovenia further increased its net creditor position against the rest of the world in debt instruments. The financial account reached a surplus of EUR 2.6 billion or 4.1% of GDP, having recorded a deficit of EUR 1.7 billion (2.9% of GDP) in the previous year. The key factor in the reversal in the position was the increase in the Slovenian economy's holdings of financial assets in the rest of the world, which was larger than in the previous year, while the flow of liabilities to the rest of the world was slightly smaller. The breakdown by the main instruments reveals that the only net outflow of capital from the domestic economy to the rest of the world was via other assets (mostly currency and deposits), while there was a significantly smaller net inflow via non-residents' inward direct investments and their investments in domestic securities, most notably government bonds. Slovenia thus disclosed no net external debt last year for the third consecutive year, whereby its holdings of debt instruments in the rest of the world exceeded liabilities to non-residents by even more than in the previous year. Having amounted to 5.9% of GDP at the end of 2022, net debt claims against the rest of the world had increased to 9.4% of GDP by the end of last year. Just under half of the euro area countries hold net claims against the rest of the world alongside Slovenia, while the others 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 increased its debt-to-GDP ratio by 1.5 percentage points to 26.8%. 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: The figures for Luxembourg in 2019 (2,459% of GDP) and Q3 2023 (2,152% of GDP), and for Malta in Q3 2023 (445% of GDP) are not shown.
Sources: ECB, Banka Slovenije calculations

A financial account surplus saw Slovenia further strengthen its net creditor position against the rest of the world last year.

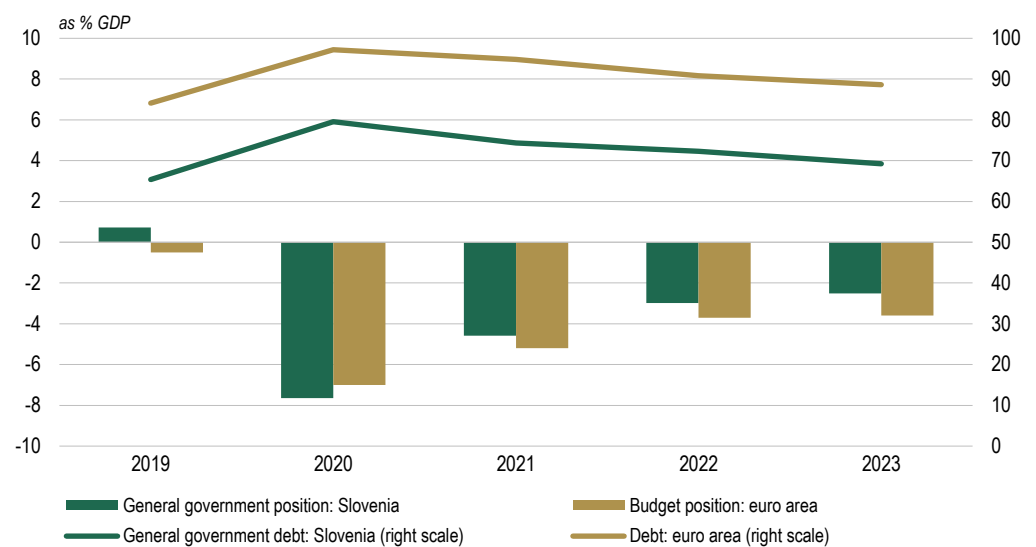
As ratios to GDP, the general government deficit and debt declined further in 2023. The general government deficit amounted to 2.5% of GDP, 0.5 percentage points less than in the previous year, and better than had been forecast by government plans (a deficit of 4.5% of GDP). Revenues were up just over a tenth, with the majority of the increase driven by taxes and social security contributions, thanks to a labour market situation that is favourable to the public finances. Growth in expenditure stood at 9.5%. The most notable growth was in subsidies due to energy measures, while increases of around a tenth were recorded by employee compensation on the basis of the October 2022 agreement, and by government investment as the previous EU financial framework ended. Expenditure was also driven up by the measures following the August floods. As a result of high nominal economic growth, which is partly a reflection of high inflation, the general government debt declined to 69.2% of GDP. The general government deficit in 2023 expressed as a ratio to GDP was smaller than in the euro area overall, while the debt-to-GDP ratio also remained significantly lower (see Figure 10).

The general government deficit narrowed, despite the support measures to mitigate high energy prices and to address the impact of the floods, while nominal economic growth reduced the debt-to-GDP ratio.

Government borrowing became more expensive last year. The yield on 10-year government bonds rose amid the monetary policy tightening, and averaged 3.4% across the year, up just over 1 percentage point on the previous year. The spreads on 10-year government bonds over the German benchmark narrowed in the first quarter, and remained stable over remainder of the year at close to 86 basis points. The majority of the borrowing was undertaken in the first quarter in domestic currency, when a second sustainability bond was also issued. Major borrowing then followed in September, with a US-dollar-denominated bond. The rating agencies made no changes to the sovereign risk ratings, and the outlook also remained stable.

Government borrowing was more expensive last year. There were no changes to Slovenia's sovereign ratings.

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



Sources: SORS, Eurostat

The number of credit institutions in Slovenia stood at 15 last year, down one on the previous year. Ten banks, three savings banks and two branches of Member State banks were operating in Slovenia at the end of 2023. The banks held the dominant market share in the banking system, accounting for 91.7% of the balance sheet total, followed by the savings banks with 5.2% and the branches of Member State banks with 3.1%. There was no significant change in these market shares last year: the savings banks' share increased by 0.2 percentage points, while the banks' share declined by the same amount. The banking system accounted for two-thirds of the Slovenian financial system's financial assets at the end of last year. Concentration in the Slovenian banking system has been gradually increasing in recent years, which has been reflected in a fall in the number of banks, and an increase in the Herfindahl-Hirshman index (HHI) for the balance sheet total.

A total of 15 credit institutions were operating in Slovenia at the end of last year.

The banking system's balance sheet total increased by 5% in 2023 to end the year at EUR 53.1 billion. Last year's year-on-year growth was comparable to that recorded in the previous year. Similarly to the previous year, the largest contributions to the increase of EUR 2.5 billion in the balance sheet total on the funding side came from deposits (EUR 1.3 billion) and debt securities (EUR 1.1 billion), while the largest decline was in liabilities to the ECB (EUR 0.7 billion). Last year the banks directed most of their funding into increasing their holdings of liquid assets (EUR 2.3 billion) and securities (EUR 1.1 billion), while the stock of loans to the non-banking sector declined by EUR 0.6 billion. The ratio of the banking system's balance sheet total to GDP declined again last year to reach 81.1%, as growth in nominal GDP outpaced growth in the balance sheet total.¹⁰

Lending to the non-banking sector slowed sharply in 2023 as expected amid the monetary policy measures, and the loan stock ended the year down on the previous year. The year-on-year rate of growth fell sharply, turning negative in August. The loan stock in December was down 2.2% on the end of 2022. Lending also slowed significantly in the euro area overall, although the loan stock in December remained at a similar level to the end of 2022. Lending to non-financial corporations slowed in particular in Slovenia. The stock of loans to non-financial corporations in December was down 4.9% on the end of 2022, and the decline was broadly based. In terms of the size of the firms financing themselves at banks, the decline in loan stock was evident at firms of all corporate sizes, with large enterprises recording the largest decline. The loan stock contracted in the majority of economic activities, although the largest contributions to the aggregate decline in loans to non-financial corporations came from firms in the electricity, gas, steam and air conditioning supply activities, and wholesale and retail trade. The intensity of the decline was largely related to a base effect from 2022, when energy firms and firms in energy-intensive activities sharply increased their stock of bank loans following the Russian invasion of Ukraine and the crisis on the energy markets, and then reduced it again after the situation had normalised.

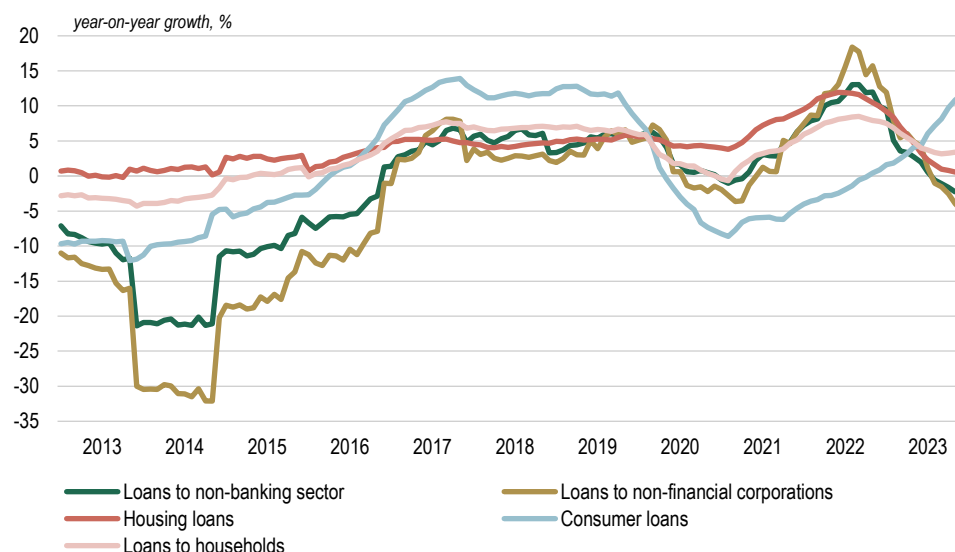
¹⁰ Balance sheet figures on an individual basis from bank reporting of annual accounts. Comparison of latest available GDP and balance sheet total figures (SORS, Banka Slovenije).

Notwithstanding the impact of these firms, the slowdown in lending in Slovenia was sharper than in the euro area overall. In terms of loan purpose, the largest decline in 2023 was in loans to finance working capital.

Lending to non-financial corporations slowed sharply, while lending to households via housing loans slowed, but consumer lending strengthened significantly.

Household lending also slowed, while the stock of loans was greater compared to 2022. After peaking at 8.5% in September 2022, aggregate year-on-year growth in household loans had slowed to 3.2% by September of last year, before strengthening again to reach 3.4% in December, well above the rate in the euro area overall (0.1%). The dynamics across loans of different types were not uniform: current lending via housing loans slowed significantly compared with 2022, while lending via consumer loans strengthened discernibly. Year-on-year growth in housing loans hit 11.9% in 2022, its highest level in more than a decade and one of the highest rates in the euro area, before falling sharply in 2023, reaching 0.6% in December. The sharp slowdown in lending was attributable to the highest interest rates in almost ten years, and the persistently high prices on the real estate market. Year-on-year growth in housing loans also slowed discernibly in 2023 in the euro area overall, reaching 0.2% in December. Current lending via consumer loans had already increased in the first half of 2023, and the monthly volume of new loans increased notably after the modification of the macroprudential restrictions on household lending, which entered into force in July 2023. The increase in year-on-year growth in consumer loans thus continued over the course of the year, the rate rising from 0.9% in December 2022 to 11.7% in December 2023. Growth thereby strongly outpaced the average rate in the euro area, where it slowed moderately to reach 2.6% in December 2023. Alongside the modification to macroprudential measures, another factor in the strengthening of consumer lending was the relatively stable level of fixed interest rates. Despite the rises in the ECB's key interest rates, there was no significant rise in fixed interest rates on loans, and given the high inflation they were significantly lower in real terms than in previous years. They also remained visibly lower than the average rates in the euro area, where they increased to a greater extent.

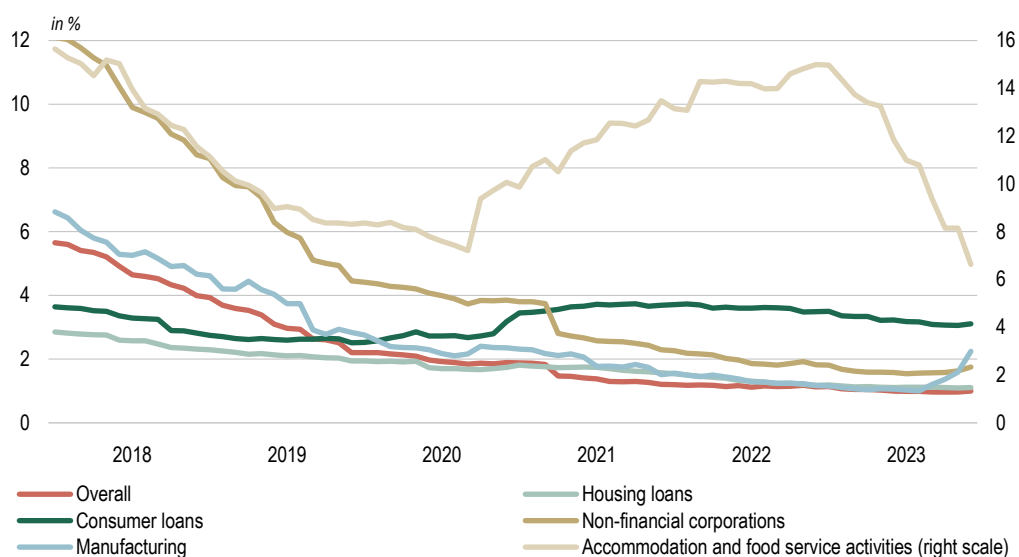
Figure 11: Lending to the non-banking sector



Source: Banka Slovenije

The quality of bank assets remained favourable and stable in 2023. The NPE ratio was still declining over the first four months of the year, and hit 1.0% in April, where it remained until the end of the year. This indicator has been below the euro area average since 2021; only six countries had lower figures than Slovenia.¹¹ The August floods increased the risk of the occurrence of new NPEs, but by the end of the year this risk had not been reflected in an actual deterioration in asset quality. The option of applying a moratorium on repayments of credit liabilities or raising new loans to address the impact of the severe weather was only taken up by bank customers to a small extent.¹² As a result of the deteriorating international environment and the cooling of manufacturing activity, the NPE ratio in this portfolio segment increased from 1.0% in August to 2.2% in December. There was a significant improvement in the position of customers in the accommodation and food service activities sector. Their NPE ratio declined from the highest figure among all sectors to below its pre-pandemic level.

Figure 12: NPEs in selected portfolios



Source: Banka Slovenije

The other asset quality indicators, namely the breakdown of exposure according to credit risk stages, were broadly unchanged in 2023. At portfolio level the share of exposures with increased credit risk (Stage 2 under the IFRS) declined for the first three quarters of the year, before increasing again in the final quarter to reach its level from the end of 2022 at 5.0%. A similar dynamic over the first three quarters of the year was evident at EU level.¹³ The share of Stage 2 exposures in the NFCs portfolio was also broadly unchanged over the year, albeit at the slightly higher level of 8.3%. The accommodation and food service activities and arts, entertainment and recreation are still notable in terms of this indicator, albeit at significantly lower levels than during the pandemic. The sole traders segment is notable for a rising trend in the share of Stage 2 exposures, and is also the only segment where NPE ratios rose across the whole year. The share of Stage 2 exposures in the consumer loans portfolio increased again in the second half of the year; this was a segment where the banks recorded an above-average increase in exposure in 2023.

¹¹ Latest data for the euro area is available for Q3 2023.

¹² By the end of 2023 these measures covered just 0.14% of exposure to legal persons, and 0.05% of exposure to natural persons. The amounts cover new loans to repair damage, approved moratoria (legislative and non-legislative), other changes of terms, and contractual debt forgiveness. For more, see the May 2024 issue of the Financial Stability Review.

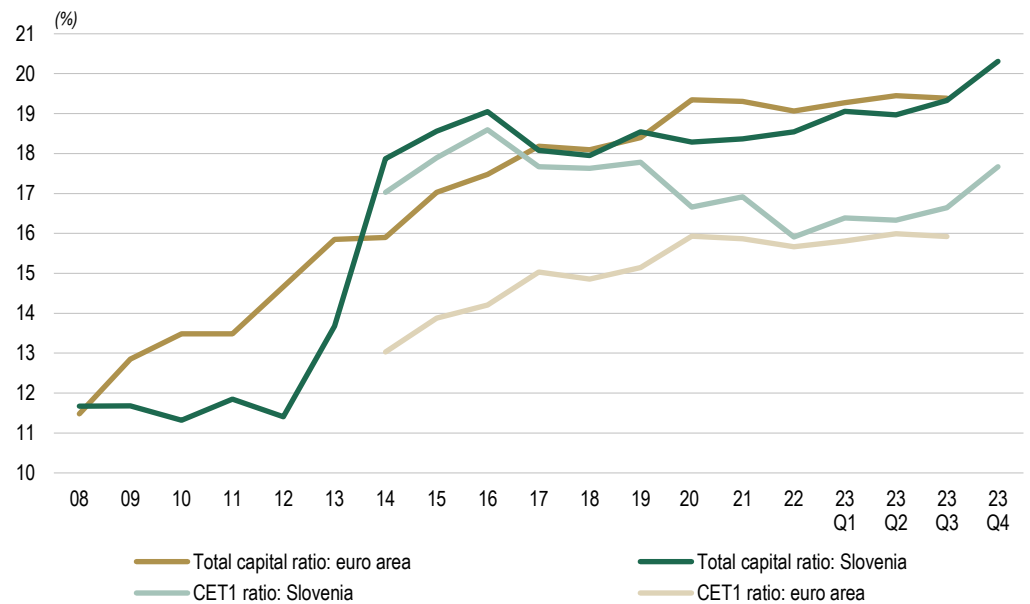
¹³ For more, see the [May 2024 issue of the Financial Stability Review](#).

Coverage of NPEs by impairments and provisions increased in 2023 to 57.6%, and remained among the highest figures in the euro area. As a result of the slight decline in coverage of performing exposures, aggregate coverage by impairments and provisions was down slightly on a year earlier, at 1.0% versus 1.1%.

The banking system's capital position improved significantly in 2023, thanks to high profitability.

The capital ratios increased over all quarters of 2023, and are indicative of the solid solvency of the Slovenian banking system. The total capital ratio and the common equity Tier 1 capital (CET1) ratio on a consolidated basis both increased by 1.8 percentage points over the year at system level. They ended the year at 20.3% and 17.7% respectively. The main factors in the high level of the capital ratios were the increase of 10% in regulatory capital driven by high retained earnings, and the modest growth in risk-weighted assets, which were up just 0.6% across the year. Alongside the decline in lending activity, another factor in the modest growth in risk-weighted assets was the sale of a large leasing company by one of the banks. The capital surplus above overall capital requirements increased at two-thirds of the banks in 2023, while the distribution of the surpluses widened slightly relative to 2022. There remain considerable differences between the banks in their surpluses above overall capital requirements, and thus in their capacity to absorb the potential realisation of risks or negative shocks from the environment.

Figure 13: Capital ratios, comparison with the euro area, consolidated basis



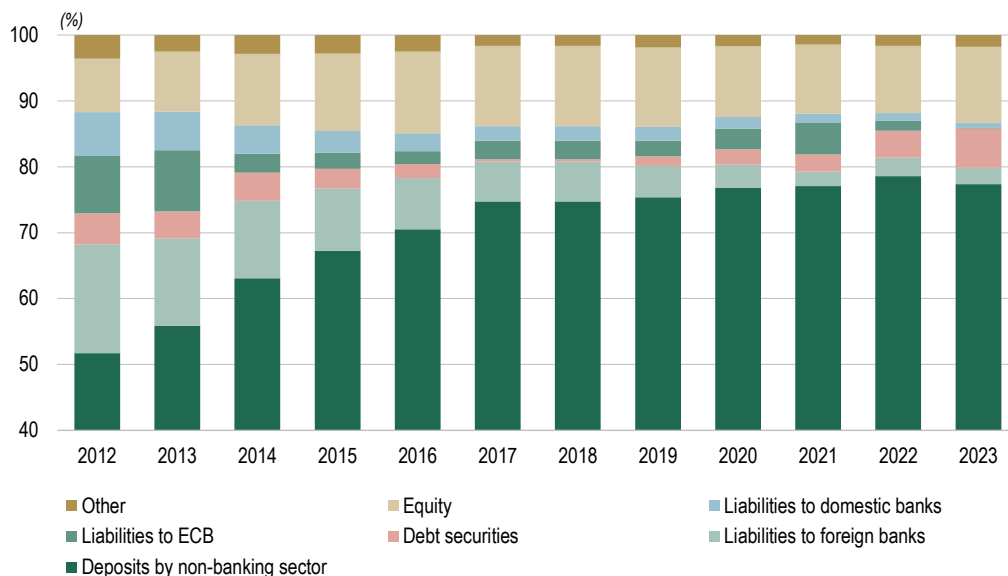
Sources: Banka Slovenije, ECB SDW

The banking system's solid liquidity position further improved. The high liquidity coverage ratio (LCR) on an individual basis improved by 45 percentage points in 2023 to reach 335%. It thus remains well above the regulatory requirement of 100%, which ranks Slovenia among the euro area countries with high capacity to cover net liquidity outflows over a short-term stress period. There was a sharp increase in the stock of primary liquidity, which amounted to a record EUR 12.8 billion at system level at the end of the year, equivalent to 24% of the balance sheet total. The funds obtained through the inflow of deposits by the non-banking sector and issued debt securities were not fully directed into loans or other assets by the banks, resulting in a build-up of liquid assets in accounts at the central bank. Last year the Slovenian banking system also slightly improved its capacity to cover its requirements for stable funding over a one-year period. In the wake of a rise in available stable funding and a decline in required stable funding, the net stable funding ratio (NSFR) increased by almost 9 percentage points to 174%. Slovenia ranks second among euro area countries in terms of this indicator. All the banks exceed the minimum requirements for NSFR and LCR, and the majority of them saw an improvement in the aforementioned indicators last year. Despite solid liquidity in the system overall, differences remain between the banks, and monitoring competition within the sector and managing liquidity therefore remain vital to maintaining the stability of the banking business.

Last year's increase in deposits by the non-banking sector was smaller than in previous years, on account of a more modest inflow of household deposits, but deposits nevertheless remain the most important source of funding for Slovenian banks. Household deposits increased by 2.8% or EUR 730 million, the smallest annual increase since 2015. After relatively volatile monthly changes in household deposits in the first half of the year, the stock declined continuously between August and November inclusive. This might be attributable in part to the need to repair damage caused by the severe weather events, with the affected savers using some of their bank savings in this process. Despite a decline in the annual inflow, at EUR 26.5 billion household deposits remained a stable and key source of funding for the Slovenian banking system, accounting for half of the balance sheet total on the liability side. In contrast to households, non-financial corporations strengthened their holdings of bank deposits last year. They increased their savings at banks by 11.1% or EUR 1,074 million over the course of the year, the second largest annual inflow in history. Following several years in which interest rates on deposits remained low, they gradually rose last year, which encouraged savers, households in particular, to move more of their savings to term deposits. Although this slightly reduced the stock of sight deposits, the latter continue to account for the majority of all deposits by the non-banking sector.

Deposits by the non-banking sector remained a stable source of funding for Slovenian banks, and dependency on other sources of funding remains low.

Figure 14: Breakdown of bank funding at year end

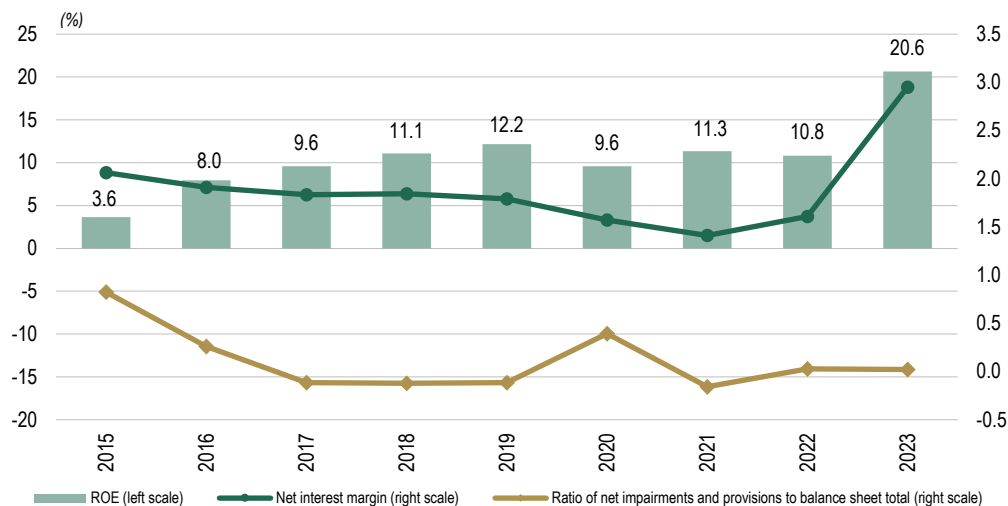


Source: Banka Slovenije

High growth in net interest income drove Slovenian banks' profits to a record level last year. ROE was almost double the figure seen in the previous five years.

The banks more than doubled their pre-tax profit in 2023 compared with the previous year: it amounted to EUR 1,137 million, and achieved an ROE of 20.6%. The Slovenian banking system's ROE last year thus significantly outperformed its average of the previous five years (11%). Last year's pre-tax profit was more than double the figure seen in the previous year. The rise in profit was attributable to a pronounced increase in net interest income, which was driven by the higher interest rates on bank assets of all types, and also by the slower, more restrained adjustment in interest rates on deposits by the non-banking sector. Last year's net interest income was up 92.8% on the previous year, while the net interest margin stood at 2.95% at the end of the year, thus approaching its highest figure of the last two decades. Last year's net non-interest income was down slightly on the previous year (by 5.6%), largely as a result of a one-off effect in the first quarter, when one of the large banks sold a leasing company. Net fees and commission were also down on the previous year, while there was a sharp increase in dividend income. The banking system recorded growth in gross income of 50.4%. Operating costs rose by 9.6% last year, which meant that net income was up 105.8% on the previous year. Another factor in the banks' high profits was the very small net creation of impairments and provisions: at EUR 10.2 million, they accounted for just 0.5% of the disposal of gross income. Last year Slovenian banks again outperformed the euro area and the EU overall in terms of profitability, as they have in recent years.

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



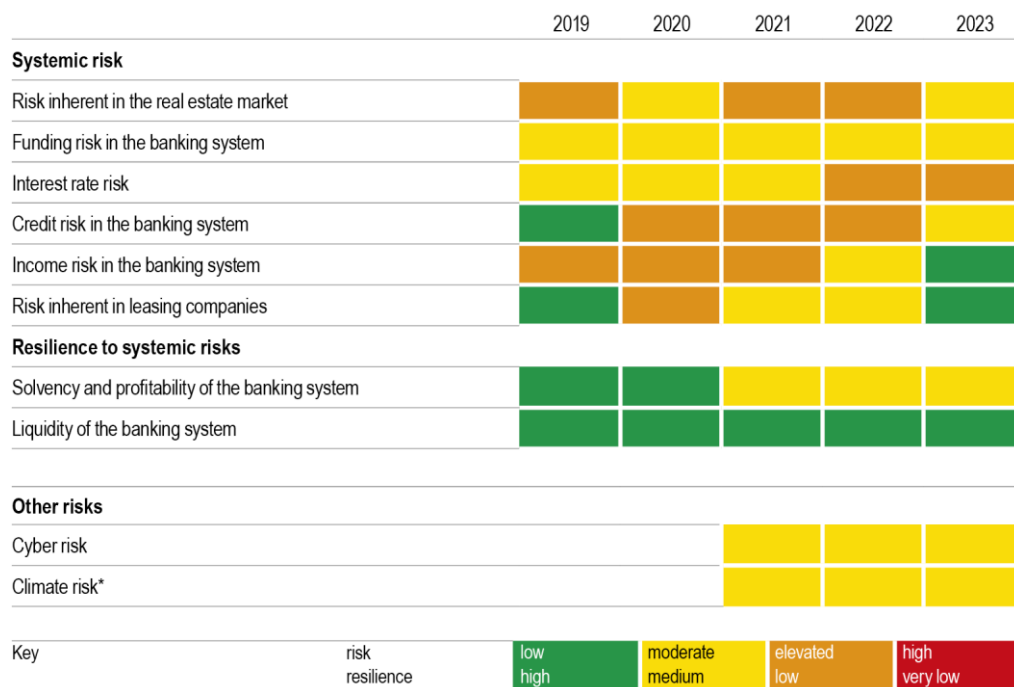
Source: Banka Slovenije

Based on Slovenian banks' reports on cyber incidents, we find that the number of critical cyber incidents remains stable, but the ongoing war in Ukraine means that cyber threats remain at a high level.

Phishing attacks are prevalent in the banking system, where attackers try to obtain a customer's login information, and then execute undesirable transactions from their accounts under the customer's name. These types of attacks caused minimal financial damage to the banking system in 2023. Cyberattacks are increasingly affecting out-sourcers and suppliers that provide services to banks. More and more the global trend is for information solutions to be provided by out-sourcers and suppliers, thereby increasing the banks' exposure to cyber incidents. The impact of the incidents was most evident in retail banking and in payment services. Cyber incidents are usually detected and reported by bank customers, who have either been harmed or have noticed irregularities in their transactions. One observation is that the human factor (customers and staff) is still one of the most important factors in the exposure to cyber risks.

The general level of systemic risks improved in 2023. The assessment of risk inherent in the real estate market was lowered to moderate in the first half of last year. This was attributable to the slowdown in growth in loans, and the slowdown in the persistently high growth in residential real estate prices. The credit risk assessment was lowered to moderate in the second half of the year, on account of the improvement in portfolio quality indicators. The consequences of the summer floods did not contribute significantly to a deterioration in bank asset quality. Thanks to the rapid increase in net interest income, the assessment of income risk was lowered to low in the second half of the year. Cyber risk and climate risks have recently become new mainstays in the treatment of systemic risks. The decision was therefore taken to address them regularly in our publications. Both areas of risk were assessed as moderate. The assessments of the banking system's resilience were unchanged from 2022. It remained high in the liquidity segment, and medium in the segment of solvency and profitability.

Figure 16: Risk and resilience dashboard for the Slovenian banking system



Source: Banka Slovenije

Box 1: Use of AI in monitoring of cyber risk

The digitalisation of the banking system is increasing the importance of cybersecurity, and Banka Slovenije is therefore devoting more and more attention to cyber risk from a financial stability and macroprudential policy perspective. Cyber incidents that pose a systemic risk to the banking system can cause disruptions in the performance of key economic functions. Cyber incidents can cause a systemic cyber crisis and threaten financial stability. On this basis, as part of a systemic cyber risk project, we have developed a cyber mapping tool, which aims to monitor the operational and financial links between different entities in the banking market. The tool consists of two networks, namely a financial and cyber, and allows for the forecasting of cyber events one year in advance. The forecast for the cyber map was produced with the help of a machine learning method, which is designed to forecast time series over multiple seasonal periods, and provides an illustration of the future financial and cyber networks. The forecast illustrates future connections between financial sector entities, third-party ICT service providers, future cyber incidents, and potential risks in the banking system. This provides insight into where the future nodes of systemic importance will be, how concentration risk will be concentrated, and how contagion will be transmitted in the banking system. All of this information is useful to us in the ongoing monitoring of cyber risk at the level of the banking system. In the future we aim to extend the tool to cover other components of the financial sector, such as insurance and the capital markets (in collaboration with the ISA and the SMA).

December 2023 saw the conclusion of negotiations with regard to the banking package, which includes amendments to the two key acts of prudential banking legislation, namely the CRR and the CRD (CRR3 and CRD6). The two acts were formally approved in April and May of this year by the legislators, the Council of the European Union and the European Parliament, and are expected to be published in the Official Journal by the end of June. The new rules should ensure that in the future banks in the EU are even more resilient to potential economic shocks, while contributing to the post-pandemic economic recovery and the transition to climate neutrality.

The banking package represents the last step in the implementation of the final Basel 3 agreement in EU legislation, and take account of certain specifics of the EU banking sector. The targeted changes aim to further reduce the regulatory compliance costs for smaller banks, which is the next step in increasing the proportionality of banking rules. In addition the new EU legislation aims to contribute towards the green transition. Strengthening the resilience of European banks to environmental, social and governance (ESG) risks is one of the key elements of the European Commission's sustainable financing strategy. At the same time the new banking package gives supervisors a number of new tools for banking supervision, which will provide for a more harmonised supervisory approach inside the EU.

The CRR3 brings changes to the calculation of capital requirements for all key risks (credit risk, operational risk and market risk). The purposes of the changes to the standardised approach to the calculation of capital requirements for credit risk is to increase the risk-sensitivity of the capital requirements, by increasing granularity within exposure classes, introducing additional risk weights and recalibrating the existing weights, and reducing the mechanical reliance on external credit assessments. The key novelties in the use of the IRB approach for the calculation of capital requirements for credit risk are changes to the logic of its use (not necessary for all exposure classes), the reduction or limitation of use for certain exposures classes that are difficult to model, and certain changes in the requirements relating to individual credit risk parameters. All of these changes aim to limit the variability in calculated capital requirements, and to ensure greater comparability of capital ratios between different banks.

The CRR3 also brings a complete overhaul of the rules for calculating capital requirements for operational risk. All existing approaches (including the advanced measurement approach) will be replaced by a new standardised approach, which will apply to all banks and will be relatively simple to implement, as it will be based to a greater extent on accounting data. In connection with market risks the CRR3 will change the reporting requirement into a binding minimum Pillar 1 requirement, while certain minor changes are also proposed within the framework of individual approaches to the calculation of capital requirements. The calculation of capital requirements for credit valuation adjustment (CVA) risk is subject to major changes: the internal model approach is being eliminated, while new standardised and basic approaches are introduced, together with a simplified approach for smaller banks.

The output floor also aims to ensure greater comparability of capital requirements calculated by means of internal models with those calculated on the basis of standardised methodology.

This is a floor below which capital requirements calculated using internal models cannot fall. The floor is set at 72.5% of the capital requirements calculated under the standardised approach. Estimates of the impact made to date suggest that the output floor should help raise the capital requirements of EU banks with regard to the existing capital requirements. A long transition period for its full implementation is therefore envisaged (to 2032), which should allow banks sufficient time to prepare for the new rules and the necessary structural changes. The new rules with regard to the calculation of capital requirements are scheduled to enter into force on 1 January 2025.

The CRR3 also brings several changes in the area of disclosures. To additionally ease the burden on small and non-complex banks, the EBA will publish the disclosures for them based on supervisory reporting information. ESG risks will now be included in the disclosures and the reporting requirements for all banks. Consideration of ESG aspects is also explicitly emphasised for certain elements of the calculation of capital requirements for various risks (credit risk in particular). The CRD6 has also been updated to reflect the requirement to adequately address ESG factors and risks in bank governance processes, and also in supervisory processes. In addition to taking account of the aforementioned factors and risks in their business strategies and their business policies, banks will also be required to conduct stress tests and to draw up plans for monitoring and addressing ESG risks. Supervisors will have to take account of ESG risks within the framework of the SREP, and conduct supervisory stress tests for these risks.

The CRD6 also expands the existing supervisory powers, with the aim of increasing the effectiveness of banking supervision and further harmonising the requirements that apply to banks in different Member States. These new powers will cover the assessment of material transactions of banks that include the acquisition or disposal of material holdings in financial and non-financial sector entities, material transfers of assets and liabilities, and mergers and divisions. The requirements with regard to the fit and proper assessment of key personnel at banks are being expanded from members of the management body to certain key function holders, where the primary responsibility for conducting the aforementioned assessment still lies with the banks. A harmonised prudential framework for third-country branches, and changes in the area of the sanctioning regime, and with regard to the independence of the competent supervisory authority, are also being introduced. The CRD6 must be transposed into national law by the end of 2025, and the new requirements are scheduled to enter into force in 2026.

The primary regulatory framework consisting of the CRR3 and the CRD6 will be supplemented in the future with technical standards and guidelines, which the EBA is responsible for drawing up on the basis of mandates included in the two acts. The legislative requirements will be clarified in detail in the technical standards and guidelines, which should contribute to greater uniformity in the implementation of the new rules in banking and supervisory practices. The CRR3 and the CRD6 also see the EU complete its post-crisis regulatory reforms, which means that in the future banks and supervisors will be able to devote themselves to the comprehensive and consistent implementation of the regulations in practice.

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.¹⁴

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

¹⁴ 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.

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 2023 were again fixed within an institutional framework at the European level.

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.

Under the ECB framework, the senior management of Banka Slovenije attended meetings of the Governing Council and the General Council of the ECB in 2023, participated in 19 committees and 102 working bodies, and attended meetings of the supervisory board of the SSM and meetings of 30 SSM working bodies. Within the framework of the banking union, in addition to attending plenary sessions of the Single Resolution Board, we also participated in four committees and ten working bodies of the SRB. Within the European system of financial supervision, we participate in the board of supervisors, eight committees and 40 working bodies at the EBA, and also have representatives on the general board and five working bodies of the ESRB.

Inside the EU we attend meetings of two committees and nine working bodies of ECOFIN, two committees and three working bodies of the European Commission, and certain other institutions.

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 million¹⁵ at the end of 2023, or 0.12% of the total IMF quota. In 2023 a Banka Slovenije delegation attended the spring meeting of the IMF and the World Bank in Washington, and the annual meeting held in Marrakesh. The main themes of the meetings were current developments in the global economy and on international financial markets, the IMF's support in providing financial assistance to members in light of the Russian aggression against Ukraine, turmoil in the banking sector, the increasing fragmentation of economies and the strengthening of international cooperation and the Bretton Woods institutions with regard to the development of the global economy, the economic outlook, and potential policy responses.

In December 2023, the **16th general review of quotas was concluded**, when the IMF's board of governors confirmed the proposal by the executive board for an equi-proportional increase in quotas of 50%. The increase in quotas is to be paid by all IMF members in proportion to their quotas. Following the increase in quotas of SDR 238.6 billion, the IMF's total quota will amount to SDR 715.7 billion. The decision allows the IMF to maintain its current lending capacity through a combination of the approved increase in funding from quotas, and a reduced reliance on temporary borrowed resources. This strengthened the primary role of the quotas, on which the IMF is founded as the core of the global financial safety net, and also its role in safeguarding global financial stability.

Slovenia did not participate in financial transactions within the framework of the FTP arrangement. Slovenia's reserve tranche at the IMF remained unchanged from 2022 at SDR 163 million.

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 views of various central banking topics, where the focus in 2023 was on the risks posed by cryptoassets, decentralised finances, and digital safety nets. They also discussed developments in global trade, central banks' collaboration with the IMF, and the incorporation of climate policies into the mandates of central

¹⁵ 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).

banks. Banka Slovenije also hosted the regular meeting of the BIS Working Party on Monetary Policy in Central and Eastern Europe in Ljubljana in 2023. Banka Slovenije is a shareholder in the BIS, and the Governor of Banka Slovenije attended the annual general meeting of the BIS in June 2023.

Strategy of Banka Slovenije 2021 to 2026

Banka Slovenije's activities are framed by the mandate conferred on us by the Bank of Slovenia Act and other national regulations. Given the importance of how we approach these tasks, the Strategy of Banka Slovenije was adopted in late 2021, with implementation beginning 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: a progressive, collaborative, sustainability-focused central bank.
4. Strategic guidelines:
 - developing a collaborative organisational culture;
 - supporting our employees to develop and thrive;
 - working efficiently and effectively;
 - co-creating the digital environment;
 - 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. The individual objectives in the aforementioned areas began to be realised in 2023. Within the framework of the strategic guidelines, a total of 13 concrete objectives have been set, with the activities under each objective being carried out by the members of the working group responsible for each area.

3.2 Monetary policy

Given the persistence of inflation above its target level, in 2023 the Eurosystem continued to raise interest rates, which are its main tool in setting the monetary policy stance, and also began gradually and predictably reducing the securities portfolio in parallel. The monetary policy tightening was transmitted intensively into the financing conditions, and gradually affected the entire economy. Borrowing costs rose, and increasingly acted to curtail demand, which is a significant factor in reducing inflation to its target level. Price pressures gradually declined over the course of the year, but inflation remained too high, despite falling significantly.

The interest rate rises aimed to put the conditions in place to return inflation to 2% medium-term target in a timely manner. The key ECB interest rates were raised in February and March by 50 basis points on each occasion, and then by an additional 25 basis points at each of the next four monetary policy meetings, with the cycle of interest rate rises coming to an end in September. The ECB interest rates were thus raised by a total of 200 basis points over the course of the year. The interest rate on the deposit facility stood at 4.00% in September. After ten consecutive rises, it was left unchanged in October. Our assessment was that the key interest rates had reached a level that, if maintained sufficiently long, would make a significant contribution to returning inflation to its medium-term target rate of 2%. The ECB interest rates were raised by a total of 450 basis points between the first rise in July 2022 and September 2023. The decision was to keep the key interest rates at sufficiently restrictive levels for as long as it would take to return inflation to its medium-term target rate. Any future decisions on the need to modify interest rates will be based on assessments of the inflation outlook, taking account of incoming economic and financial data, the dynamics in core inflation, and the intensity of monetary policy transmission.

The monetary policy tightening through rapid interest rate rises was focused on promptly restoring inflation to its medium-term target of 2%.

To increase the efficiency of monetary policy implementation, in July the decision was taken to apply zero remuneration as of 20 September to the reserves that banks are required to hold with their national central bank. In a situation where the remuneration of bank reserves is the main instrument for setting the monetary policy stance, we thereby maintained full control of the monetary policy stance, and at the same time improved the efficiency of monetary policy, having reduced the total amount of interest paid on the reserves (this cost also includes interest paid on the deposit facility).

With the changeover to an increasingly restrictive monetary policy, we gradually and predictably began reducing holdings under the asset purchase programme (APP). The principal of maturing securities purchased within the framework of the APP continued to be reinvested in full until the end of February. The APP portfolio was then reduced by EUR 15 billion on average each month between March and the end of June, and the reinvestment of the principal of maturing securities was ended completely in July. By the end of the year the APP portfolio had been reduced by EUR 228 billion to EUR 3,026 billion measured at amortised cost. Securities of public-sector issuers accounted for almost 80% of the total holdings at the end of the year.

The size of the Eurosystem securities portfolio purchased under the pandemic emergency purchase programme (PEPP), which was introduced in 2020, was left unchanged. This means that the principal of maturing securities was reinvested in full. The stock of the PEPP portfolio amounted to EUR 1,666 billion at amortised cost at the end of the year, with public-sector issuers accounting for 97% of the holdings. Meanwhile we retained the possibility to flexibly reinvest the principal of maturing securities: to manage the risks related to the pandemic, which could jeopardise the monetary policy transmission mechanism, reinvestment could be flexibly adjusted over time across financial asset classes and across countries of issuance. We also had temporary transmission instruments at our disposal, which could be activated with the aim of preventing unwarranted and disorderly market dynamics that would pose a serious threat to the transmission of monetary policy across all euro area countries.

In December we took the decision to speed up the normalisation of the Eurosystem balance sheet in 2024 through a gradual reduction of the PEPP portfolio. In the first half of 2024 we will continue reinvesting the principal of maturing securities purchased under the PEPP in full, while in the second half of the year we intend to scale back reinvestment by an average of EUR 7.5 billion each month, and then to bring reinvestment under the PEPP to a close at the end of 2024.

The APP portfolio amounted to EUR 3,026 billion at the end of 2023, and the PEPP portfolio to EUR 1,666 billion.

The Eurosystem's credit operations declined sharply as a result of the maturing operations under the third series of targeted longer-term refinancing operations (TLTRO-III), and the early repayments triggered by less favourable remuneration as of November 2022. The stock of all Eurosystem refinancing operations amounted to EUR 410 billion at the end of 2023, down EUR 914 billion on a year earlier. The stock of the TLTRO-III stood at EUR 392 billion at the end of the year. Banks made early repayments of borrowings under the TLTRO-III in the amount of EUR 312 billion over the course of the year, with four operations in the amount of EUR 613 billion also maturing. Banks successfully replaced funding from the Eurosystem with market funding, on which the financing costs gradually rose in line with the monetary policy normalisation. The stock of the TLTRO-III in Slovenia declined by EUR 698 million in 2023 to end the year at EUR 74 million.

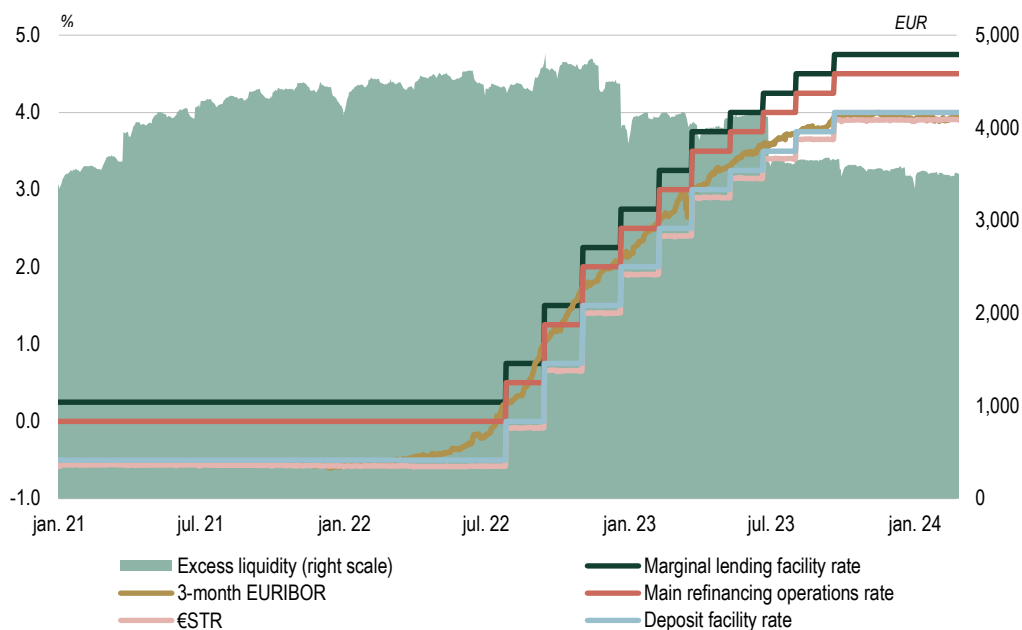
Banks' participation in regular refinancing operations within the framework of the Eurosystem remained low. Euro area banks' borrowings averaged EUR 4.9 billion via main refinancing operations in 2023, and EUR 4.6 billion via the three-month longer-term refinancing operations. Demand from banks for borrowing in US dollars was again modest: borrowings via seven-day operations averaged USD 0.4 billion. Slovenian banks did not participate in these operations in 2023.

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. The transmission of rises in the ECB's key interest rates into the €STR, which represents the cost of unsecured overnight borrowing for banks located in the euro area and other large market participants, was immediate and complete. The transmission of rises in the ECB's key interest rates into interest rates on the secured (repo) market was similar. The smooth functioning of the repo market was supported by an increase in net issuance

of securities from the beginning of the year, the release of financial assets held as collateral in the Eurosystem as a result of the maturity of the TLTRO-III, and the reduction of the APP portfolio.

With the aim of maintaining liquidity on the bond market and the repo market, thereby ensuring the smooth functioning of the markets, securities purchased under the APP and the PEPP remained available for lending. Given the considerable improvement in the situation on the repo market compared with the previous year, the stock of lending declined. In addition to other securities, cash was also accepted as collateral for loans of this type.

Figure 17: ECB interest rates, money-market rates and excess liquidity in the euro area



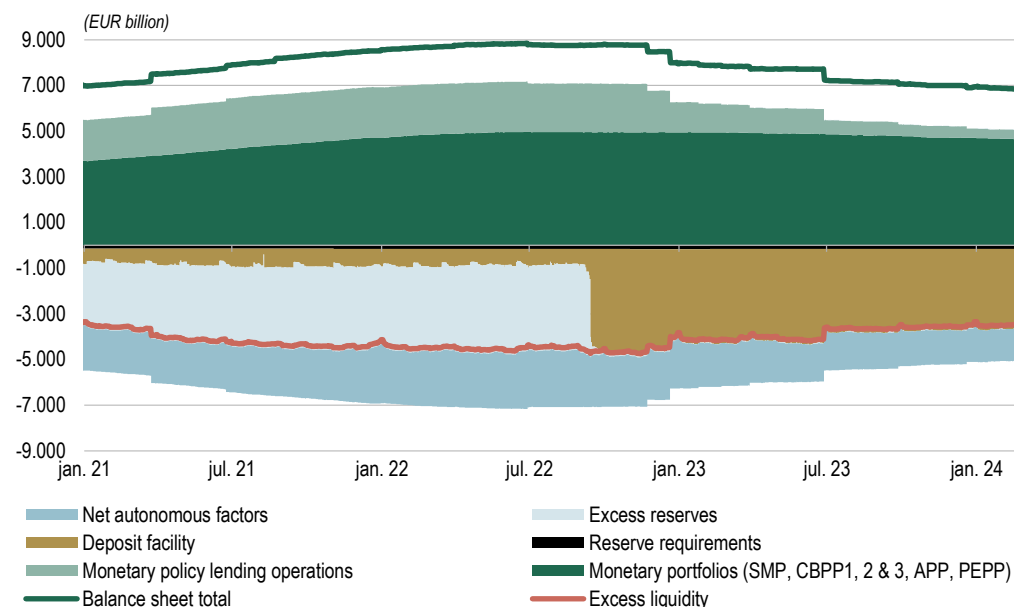
Source: Bloomberg

In 2023 we removed the measures that during the time of the pandemic increased the eligible collateral for Eurosystem credit operations, and in the third quarter we announced an expansion to the set of rating agencies whose credit ratings are taken into account in the assessment of collateral eligibility. As of June 2023 collateral haircuts were set once again at their (unreduced) pre-pandemic levels. Certain additional credit claims also lost eligibility. As a result of a rise in Greece's sovereign ratings, as of September 2023 there has been no need for an exemption to the minimum acceptable rating in accepting Greek government securities as collateral. With the aim of diversifying credit rating sources, in November of last year we announced the inclusion of Scope Ratings in the credit assessment framework. The use of the agency's credit ratings will be possible once they have been integrated into the Eurosystem's IT infrastructure.

The pool of financial assets posted with the Eurosystem declined in 2023, mainly as a result of decline in TLTRO-III. The pool of collateral amounted to EUR 1,755 billion at the end of 2023, down EUR 587 billion on a year earlier. The share of the pool of collateral that was unencumbered by credit operations increased from 43% to 74% over the course of the year. Slovenian banks' collateral held at Banka Slovenije amounted to EUR 3.3 billion at the end of 2023, of which 98% was unencumbered.

In 2023 we continued our preparations for setting up the Eurosystem Collateral Management System (ECMS). The ECMS will replace the existing collateral systems of national central banks. The changeover to the ECMS has been moved from its original deadline of April 2024 to November of the same year, with the aim of ensuring sufficient time for testing all of its functionalities in a stable environment.

Figure 18: **Simplified Eurosystem consolidated balance sheet**



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

The Eurosystem's balance sheet contracted for the second consecutive year, also in 2023 primarily due to repayments and maturities under the TLTRO-III, and partly due to the reduction of the APP portfolios. The balance sheet total declined by EUR 1,019 billion to EUR 6,937 billion in 2023 (see Figure 18). APP, PEPP and monetary policy lending operations accounted for 74% of the Eurosystem's balance sheet total at the end of 2023 (compared with 79% at the end of 2022), of which 6% were monetary policy lending operations (17% at the end of 2022).

The euro area's excess liquidity¹⁶ declined again in 2023, by EUR 483 billion to EUR 3,347 billion. The decline in excess liquidity was attributable to the maturing and early repayment of TLTRO-III operations, and to a lesser extent also to the reduction of the APP portfolio. Conversely, excess liquidity increased due to the decline in net autonomous factors, most notably deposits by non-banking customers of the Eurosystem. A change in remuneration aimed to encourage customers to gradually reduce their deposits at the Eurosystem and to invest the funds on the market. The change in the remuneration of these deposits as of September 2022, when they were first remunerated at an interest rate no higher than the €STR, and then as of 1 May 2023, when they were remunerated at an interest rate no higher than the €STR minus 20 basis points, contributed to a moderate and controlled outflow of deposits to the market. Another factor making placing deposits with commercial banks more attractive than placing deposits with the Eurosystem was the

¹⁶ Excess liquidity is the difference between total liquidity provided to the banking system, and the banks' liquidity needs. It is the sum of banks' excess reserves, i.e. banks' reserves above the reserve requirements, and the recourse to the deposit facility. The banks' liquidity needs are the sum of net autonomous factors and the reserve requirements. Autonomous factors are, for instance, 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).

normalisation of the situation on the repo market and the resulting rise in repo interest rates. In contrast to the euro area overall, excess liquidity in the Slovenian banking system increased, by EUR 2.2 billion to EUR 10.7 billion.

The Eurosystem's balance sheet is contracting, thereby reducing the impact of past monetary policy measures on the financial markets.

The decline in excess liquidity in the euro area has reduced the use of the deposit facility and the banks' excess reserves. Usage of the deposit facility averaged EUR 3,825 billion, down EUR 622 billion compared with the average between 14 September and 31 December 2022, i.e. the period when the interest rate on the deposit facility turned positive and the banks resumed using this daily standing facility. The banks' excess reserves during the last reserve maintenance period of 2023 amounted to EUR 8 billion, down EUR 38 billion compared to the last reserve maintenance period of 2022. Slovenian banks increased their use of the deposit facility, on average by EUR 2.2 billion to EUR 9.5 billion. Their excess reserves declined to EUR 12 million in the last reserve maintenance period of 2023, down EUR 148 million compared to the last period of 2022.

3.3 Banking supervision

Our supervisory activities in 2023 focused on the following priorities: credit risk posed by exposures to vulnerable sectors, interest rate risk, internal governance and risk management, and management of climate-related and environmental risks.

Banka Slovenije is a member of the SSM, which is responsible for supervising significant banks and institutions (SIs) in the European banking union. The ECB is responsible for supervising SIs, with Banka Slovenije participating in the supervision and the supervisory decisions as an equal partner. The supervision of banks and savings banks that do not meet the criteria for definition as SIs, i.e. the less significant institutions (LSIs), is conducted by Banka Slovenije.

The list of significant and less significant banks changed slightly in 2023. N Banka d.d. was absorbed into Nova Ljubljanska banka d.d. in September 2023 and ceased to exist.

Table 1: **Significant banks and less significant banks (as at 31 December 2023)**

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.
Addiko Bank d.d.	SID – Slovenska izvozna in razvojna banka*
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.

Microprudential supervision

We set the following supervisory priorities in 2023, which also formed the basis for the supervision of Slovenian banks:

- credit risk management:
 - monitoring of vulnerable sectors;
 - adequacy of credit risk management (loan approval, timely identification of unlikelihood to pay, early detection of deterioration in asset quality, adequate creation of impairments);
- management of information and communication technologies;
 - response to cyber risk and outsourcing risk;
 - implementation of the digitalisation strategy;
- strengthened internal governance:
 - effective functioning of management bodies;
- identification and management of climate-related risks and environmental risks.

The results of the 2023 SREP were positive in general, the risk assessment having improved, and the Pillar 2 capital requirements having declined. Despite the uncertain geopolitical situation and the economic environment, the banks are continuing to disclose resilience through strong capital and liquidity positions. The majority of the qualitative measures within the framework of the SREP addressed deficiencies in the area of internal governance and risk management, and in the area of capital, liquidity and interest rate risk.

At Banka Slovenije we continually assess and monitor the changing nature of the risks and vulnerabilities that banks face, and tailor our supervisory activities accordingly. In light of the tighter monetary policy and rising interest rates, a decline in the fair value of debt securities became evident in 2022. In early 2023 we therefore conducted analysis of the impact of rising interest rates on the economic value of equity and on net interest income. We analysed the fixed-rate lending segment, the practices of hedging against interest rate risk in form of derivatives, and the impact of interest rate rises on the fair value of debt securities. Following the market shocks in the spring of 2023, which was dominated by the failure of UBS, a Swiss bank, and a number of medium-large banks in the US, we conducted additional analysis of bank vulnerabilities that might be posed from unrealised losses on their balance sheets, and assessed their impact on bank liquidity.

In the area of credit risk we focused primarily on eliminating structural deficiencies in credit risk management, and also in the area of real estate and vulnerable portfolios. Amid rising interest rates and macroeconomic uncertainty, it is even more important for banks to be proactive in addressing nascent credit risk in vulnerable portfolios. Loan approval is one of the key elements of credit risk management at banks, and is increasingly the subject of attention from supervisors, as the approval of high-quality loans can help to prevent non-performing loans in the future.

An in-depth inspection was conducted at one of the significant banks in the segment of lending for commercial real estate. We focused on assessing risks inherent in existing exposure, and deficiencies in risk management for new operations. Minor deficiencies were identified, and were addressed in the form of recommendations to the bank in question.

In line with the supervisory priorities, with regard to credit risk management and the adequate creation of impairments **a targeted inspection was conducted at three significant banks in connection with the creation of impairments in accordance with IFRS 9 and the capacity to manage new risks** for which the bank does not yet have relevant data to be able to incorporate them into its models (energy crisis, disruption to supply chains, elevated inflation, rising interest rates, climate risks). It was established that more and more banks are using adjustments and add the additional impairments for the aforementioned new risks that are not captured by the historical data and therefore cannot be modelled to the impairments calculated by model. The adjustments are vital for ensuring that the bank has sufficient impairments at its disposal should the new risks for which we do not have adequate historical data be realised. This approach to creating additional impairments needs to be transparent, and responsive to changes, and must include clear criteria of when and how the bank adds to the stock of impairments calculated by model. The identified deficiencies were addressed to the banks in the form of recommendations, with a follow-up scheduled for 2024.

Banking is becoming increasingly digital. This means that there is a need to devote even more attention to supervisory strategies for the digital transformation and the requisite risk management capacities. This includes oversight of risks related to the use of innovative technologies, and risks related to the operational resilience frameworks, such as dependency on third parties and cyber risks. In its banking supervision Banka Slovenije addresses the aforementioned risks in the form of regular inspections, and in the form of various targeted questionnaires and analyses. One significant bank was also covered by a thematic inspection of cyber resilience. The purpose of the thematic inspection was to review the implementation of basic security measures to protect against cyber risks at the bank. The inspection will be completed in 2024. Cyber resilience is one of the key supervisory priorities, and therefore we will conduct cyber stress tests in 2024 in which all Slovenian banks will be included.

The significant banks were again required to report a register of service providers in 2023. It is noted that discernible progress has been made with regard to data quality and the consistency of the information collated. The review of this area confirmed that outsourcing to service providers is a very important subject for supervised entities, particularly in the area of information and communication technologies.

In March 2023, as part of its sustainable financing package, the European Commission issued a mandate to the three European supervisory authorities¹⁷ to conduct one-off analysis of climate risk scenarios under the name Fit for 55 in conjunction with the ESRB and the ECB, to assess how the agreed transition policies will impact the financial sector. The exercise began in 2023, and included one Slovenian bank. The results of the analysis will be available in 2025.

Five scheduled inspections were conducted at significant banks, two of which had kicked off in 2022, both in the area of credit risk. The other inspections at significant banks were in the areas of management of interest rate risk in the banking book, and internal governance.

Three scheduled prudential inspections were conducted at less significant banks, all in the area of credit risk. A thematic review of cyber risk was also conducted, and involved

¹⁷ The European supervisory authorities are: the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA).

four less significant banks. An inspection of compliance with the Regulation on macro-prudential restrictions on consumer lending was also conducted at two less significant banks.

One supervisor was included in an inspection of significant banks in other countries as part of the mixed teams inside the SSM.

As part of its prudential supervision Banka Slovenije granted several different authorisations in connection with the inclusion of interim profit in capital, the inclusion of capital instruments in the calculation of Tier 2 capital, the definition of an institution as small and non-complex, and the submission of a simplified recovery plan.

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 2023 related to credit risk, which is to be expected, given that the aforementioned risk was one of the key supervisory priorities, and there were more activities in this very area during the year.

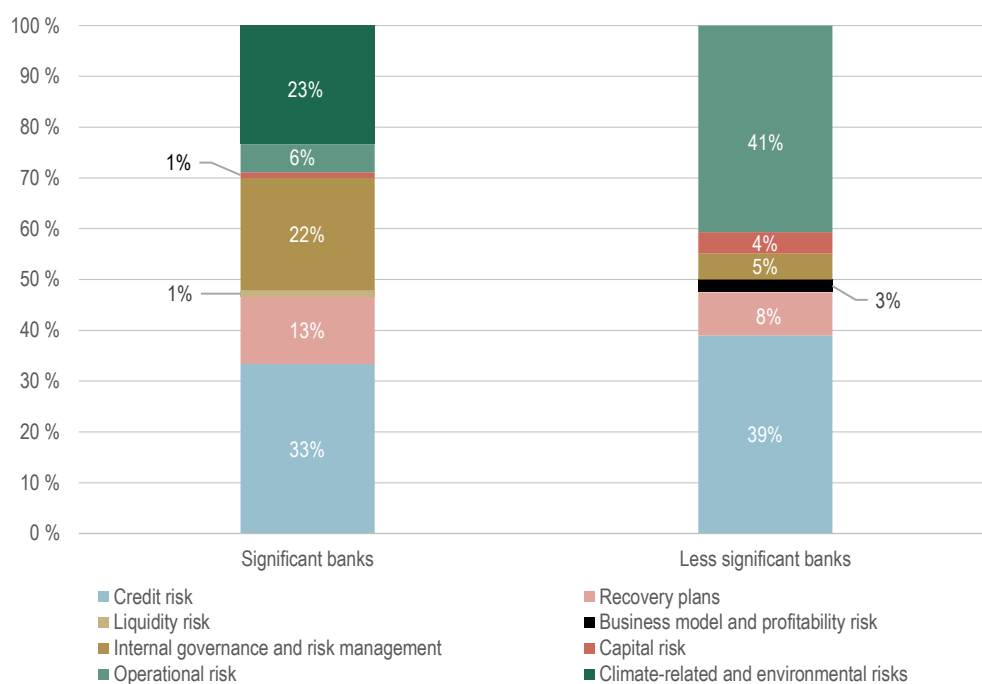
The supervision of significant banks identified 90 irregularities and deficiencies in 2023, of which the largest number related to credit risk, climate-related and environmental risks, and internal governance (see Figure 19).

The majority of the findings have a low or medium impact on the financial position, level of capital, internal governance, 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).

In the supervision of less significant banks we identified 118 irregularities and deficiencies, mostly in the area of credit risk and operational risk. A number of the identified irregularities were rectified in 2023, and we will follow up on the rectification of the others in 2024.

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 2023, by risk category



Source: Banka Slovenije

Table 2: **Supervisory measures imposed on banks and savings banks in 2023**

Type of measure	Number of measures imposed at significant institutions	Number of measures imposed at less significant institutions
Decision with supervisory measures	3	6
Follow-up letter with recommendations	13	10
Order on rectification of breaches	0	2
Post-inspection letter	0	10
Declaratory decision on rectification of breaches	0	5

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. Three measures in the form of decisions were imposed on significant banks in 2023.

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 2023.

Supervision of compliance and AML/CFT

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 2023 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 (ZOUPAMO) and the relevant EU regulations. In accordance with Article 269 of the ZBan-3, Banka Slovenije manages 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 ten inspections and packages of supervisory activity in 2023, and participated in six supervisory colleges in the area of AML/CFT. A good deal of attention continued to be devoted to various supervisory activities in connection with entities engaged in virtual currency activities.

- **drafting of regulations:**
On the basis of the new ZPPDFT-2 and the updated Banka Slovenije Guidelines on the assessment of the risk of money laundering and terrorist financing, we issued numerous opinions and clarifications in 2023 with regard to the implementation of the legal requirements and the guidelines. We also adopted a series of updated and new EBA guidelines (ML/TF Risk Factors Guidelines, Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services, Guidelines on the use of remote customer onboarding solutions).
- **international cooperation:**
Our international cooperation in 2023 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). In 2023 we were involved in an inspection by the EBA to assess the effectiveness of Banka Slovenije's approach to AML/CFT supervision in the banking sector. We continued to play an active part in coordinating the new EU legislative package in the area of AML/CFT, and regularly exchange information with foreign supervisors within the scope of our powers.
- **other activities:**
Banka Slovenije's other activities include actively embarking on the update of the national assessment of ML/TF risks for Slovenia, and addressing the unwanted deviations on the market. 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. Following the completion of the international Infinitex project, under which a platform for more effective implementation of supervisory activities in the area of AML/CFT was developed to the pilot phase, via technology for large-scale data processing, we are moving ahead with activities to move the pilot project into regular use.

In the area of bank compliance with the ZPotK-2, which governs consumer credit, four inspections and packages of supervisory activity were conducted in 2023, 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, and on making consumers fully aware of information about credit, in particular with regard to interest rates and their potential alteration. Banka Slovenije is also continuing to collaborate with the Ministry of the Economy, Tourism and Sport, the Market Inspectorate, the Slovenian Consumers' Association, the European Commission and the EBA.

The war in Ukraine meant that one feature of 2023 was a number of new international restrictive measures imposed against Russia and Belarus, which has continued to be reflected in a sharp increase in Banka Slovenije's activities in this area. We are continuing to devote most attention to our preventive and advisory function, and to the coordination or reporting.

Inspections at supervised entities are still mostly conducted within the framework of comprehensive inspections in the area of AML/CFT (the area of restrictive measures was inspected at eight supervised entities in 2023, and a targeted inspection was also conducted for the first time), 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 also drafted guidelines for the implementation of financial restrictive measures.

Given the fast pace of change and the complexity of the new restrictive measures, mutual cooperation with competent national authorities is continuing to strengthen, for which reason we actively participated in the standing coordination group for restrictive measures headed by the Ministry of Foreign and European Affairs, and the new restrictive measures databases subgroup. 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-3 and the ZPlaSSIED,

We conducted 64 procedures in accordance with the aforementioned regulations in 2023. Of these, 46 procedures concluded with the granting of an authorisation, with more than half relating to members of the management body of a bank or savings bank, while 18 procedures were halted or withdrawn, or were pending at the end of the year and thus deferred to 2024.

We issued 42 decisions to revoke authorisations in 2023 in accordance with the ZBan-3, the ZPlaSSIED and the ZDP-2: 30 in connection with the performance of the function of a member of the management body of a bank, four for the cessation of a qualifying holding, seven for the cessation of provision of currency exchange operations, and one for a payment institution on the grounds of cessation of provision of payment services.

Banka Slovenije is also responsible for processing notifications under the ZBan-3, the ZPotK-2 and the ZPlaSSIED. In 2023 we received 66 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. No bank established in Slovenia newly notified the direct provision of services in another Member State in 2023.

3.4 Macroprudential policy

Macroprudential policy is a policy for identifying, monitoring, assessing and reducing or preventing systemic risks to financial stability with the aim of preserving the stability of the entire financial system. The ultimate objective of macroprudential policy is ensuring that the financial sector makes a sustainable 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 and the resilience of the financial system. The macroprudential instruments can be broadly classified into three main groups: liquidity-based measures, capital-based measures and borrower-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.

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. identification and assessment of systemic risks;
2. selection and formulation (calibration) of macroprudential instruments;
3. implementation of macroprudential instruments;
4. evaluation of macroprudential policy and instruments.

Banka Slovenije assesses the level of systemic risks on the basis of a number 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 economy. There are two dimensions to systemic risk: cyclical and structural. The cyclical dimension relates to the evolution of risks in the financial system over time, while the structural dimension relates to the distribution of risks across the financial system. Banka Slovenije regularly publishes its risk and resilience dashboard for the financial system 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. They include:

- 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 and the operations of institutions.

If the level of systemic risk is assessed as elevated and the resilience of the financial system is reduced, 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 instrument is successful if it contributes to the attainment of the intermediate macroprudential policy objectives, and indirectly helps to reduce systemic risks.

Implemented macroprudential instruments 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.

Table 3: **Banka Slovenije macroprudential measures valid in 2023**

Macroprudential instrument	Year of introduction/change ¹⁸	Type of instrument	Intermediate objective	Assessment of achievement of objective
Macroprudential restrictions on consumer lending (LTV, DSTI, caps on maturity)	2016 ¹ /2018 ² / 2019 ³ /2020 ⁴ / /2022 ⁵ /2023 ⁶	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	Improved credit standards in 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)	2016/2022/2023 ⁷	BINDING	To mitigate and prevent excessive credit growth and excessive leverage	Banks are required to meet the buffer in the amount of 0.5% as of 31 December 2023, and in the amount of 1.0% as of 1 January 2025 (positive neutral countercyclical capital buffer rate)
Sectoral systemic risk buffers	2022 ⁸ /2023 ⁸	BINDING	(a) to mitigate and prevent excessive credit growth and excessive leverage (b) to limit direct and indirect exposure concentrations	Banks are required to meet the buffer as of 1 January 2023 (1.0% for exposures secured by residential real estate, 0.5% for other exposures to natural persons), and then in the amount of 0.5% for both buffers as of 1 January 2025

Source: Banka Slovenije

¹ A recommendation with regard to LTV and DSTI was introduced in 2016 for housing loans.

² In 2018 the macroprudential recommendation was extended to consumer loans, to which a cap on maturity also applied alongside the cap on DSTI.

³ The caps on DSTI and maturity became a binding macroprudential instrument in 2019.

⁴ 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.

⁵ Additional changes to the existing restrictions on consumer lending entered into force on 1 July 2022.

⁶ The latest changes to the existing restrictions on consumer lending entered into force on 1 July 2023.

⁷ The banks are required to meet a countercyclical capital buffer rate of 0.5% as of 31 December 2023, and a (positive neutral) rate of 1.0% as of 1 January 2025. Banka Slovenije introduced a positive neutral countercyclical capital buffer rate in late 2023 with the aim of increasing the resilience of the Slovenian banking system.

⁸ The two sectoral systemic risk buffers were introduced in 2022, and entered into force on 1 January 2023. The systemic risk buffer requirement for all retail exposures to natural persons secured by residential real estate was reduced from 1.0% to 0.5% of the total risk exposure amount in November 2023. The banks will apply the new buffer rate as of 1 January 2025.

¹⁸ Cites the year when the measure entered into force.

We continued to adjust our macroprudential toolkit in 2023, having regard for the assessments of systemic risks and the resilience of the financial system. In light of this situation, macroprudential policy was pitched preventively, and focused primarily on maintaining the resilience of the financial system.

The adjustments to the macroprudential restrictions on consumer lending entered into force in July. The adjustments to the macroprudential instrument that places restrictions on consumer lending were made possible by the adoption of the new Macroprudential Supervision of the Financial System Act (ZMbnFS-A). The modification of the instrument eliminated the impact of rises in the gross minimum wage on borrower creditworthiness, with the lower limit of creditworthiness being tied to the minimum cost of living (plus an amount for any family dependants), which is adjusted as necessary for general inflation or for other factors. We introduced a single cap on DSTI of 50%, and reduced the level of allowable deviations from the cap on DSTI (from 10% to 3%).

We introduced a positive neutral countercyclical capital buffer rate of 1% in late 2023. The purpose of the positive neutral rate is for the banking system to have sufficient capital at its disposal for release in the event of unforeseeable shocks not necessarily related to excessive credit growth and the build-up of domestic imbalances. Banks will be required to meet the increased buffer requirement as of 1 January 2025. The buffer rate of 1.0% represents a positive neutral countercyclical capital buffer rate, which entails a buffer rate of 1.0% in a standardised or neutral environment. The standardised or neutral environment is one where cyclical risks are neither excessively high nor excessively low, and are being maintained at stable levels. To assess the phase of the financial cycle and a standardised or neutral risk environment, we use the existing set of individual risk indicators, a composite indicator and the newly introduced indicator of a neutral environment. Each quarter we publish an assessment of cyclical systemic risks and the countercyclical capital buffer rate on our website.

On 1 January 2023 two sectoral systemic risk buffers entered into force, with the aim of addressing the risks inherent in the real estate market and the increase in consumer lending, and covering the risks posed by the approval of loans classed as exemptions in accordance with the Regulation on macroprudential restrictions on consumer lending. The sectoral systemic risk buffers were thus introduced for: (i) all retail exposures to natural persons secured by residential real estate, with a rate of 1.0%, and (ii) all other exposures to natural persons other than the aforementioned, with a rate of 0.5%.

A decision was taken in November of last year to reduce the sectoral systemic risk buffer for exposures secured by residential real estate. As of 1 January 2025 the systemic risk buffer requirement for all retail exposures to natural persons secured by residential real estate is reduced from 1.0% to 0.5% of the total risk exposure amount. The recalibration of the buffer is attributable to our regular assessments of systemic risks, which find that the situation on the Slovenian real estate market is easing, which is reducing the need for a buffer of this kind. Our assessment is that the period of high growth in residential real estate prices and high growth in housing loans is coming to an end amid high inflation and rising interest rates. Banks will be able to apply the reduced buffer rate as of 1 January 2025.

Certain banks are identified as other systemically important banks (O-SII) based on 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 their resilience. The methodology for determining the O-SII buffer rate was modified in July. In addition to further strengthening of the resilience of the banks in question, the revised methodology also represents a step towards greater harmonisation of the regulatory basis for macroprudential tools in the European Banking Union. The ECB uses the revised floor methodology to assess O-SII buffers proposed by national authorities as of 1 January 2024. Table 4 illustrates the buckets for allocating O-SIIs on the basis of the systemic importance score and the corresponding buffer rate under the old and new methodologies.

Table 4: **Comparison of old and new methodologies: buckets for allocating O-SIIs on the basis of the systemic importance score and the corresponding buffer rate**

Bucket	Old methodology	New methodology	Buffer rate
1	500–1,199	500–749	0.25%
2	1200–1,899	750–1,299	0.50%
3	1,900–2,599	1,300–1,949	0.75%
4	2,600–3,299	1,950–2,699	1.00%
5	3,300–3,999	2,700–4,449	1.25%
6	4,000–4,699	4,450– ...	1.50%
7	4,700–5,399		1.75%
8	5,400– ...		2.00%

Source: Banka Slovenije

The new methodology lead to an increase in the buffer rate by 0.25 percentage points for three banks. The banks will have to meet the higher buffer requirement, following a one-year adjustment period, as of 1 January 2025.

Table 5 illustrates the estimated values of the indicator of systemic importance for individual O-SIIs and their corresponding buffer rates determined on the basis of the new methodology.

Table 5: **Estimates of indicator of systemic importance and corresponding buffer rate**

O-SII	Systemic importance score (EBA guidelines)	Current capital buffer rate (as % total risk exposure)	Capital buffer rate (as % total risk exposure) effective as of 1 January 2025
NLB d.d.	3,875	1.25%	1.25%
Nova KBM d.d.	1,678	0.50%	0.75%
SID banka d.d., Ljubljana	793	0.25%	0.50%
UniCredit Banka Slovenija d.d.	864	0.25%	0.50%
SKB d.d.	705	0.25%	0.25%
Banka Intesa Sanpaolo d.d.	548	0.25%	0.25%

Source: Banka Slovenije

Macroprudential policy in Slovenia is formulated and implemented in conjunction with the sectoral supervisory authorities by the Financial Stability Board.

Slovenia's Financial Stability Board (FSB) again discussed systemic risks in 2023, and was briefed on supervisors' macroprudential measures and actions taken to meet the ESRB recommendations. In 2023 the ESRB issued a new recommendation on vulnerabilities in the commercial real estate sector in the EEA. The work of the FSB is presented in detail in its annual reports, which are published by the end of June each year.

Within the framework of the FSB working group for fintech and cybersecurity, our focus in fintech was on current legislative proposals and amendments related to AI, cryptoassets and the digital euro. Last year the discussion focused on the principles of the functioning, development and use of generative AI, and we also devoted some time to innovations in the area of electronic identification and trust services, and the opportunities for their application in financial services. In the area of cybersecurity we discussed the Directive on measures for a high common level of cybersecurity across the Union (NIS2) and the Regulation on digital operational resilience for the financial sector (DORA). The two legislative changes will strengthen the information security of financial institutions such as banks, insurance corporations and investment firms. We also discussed issues related to the implementation of the security operations centre at the organisation. The working group was briefed on the activities of the ESRB's cybersecurity working group and on the inter-supervisory project on systemic cyber risk.

In 2023 as part of the **FSB working group for climate risk** we assessed the transition risks and physical risks in the banking system and the insurance sector, and followed the development of regulation in the area of sustainable financing. The current assessments of climate risk indicate that it is low to moderate for the insurance sector and in the banking system respectively. The materialisation of physical risks in 2023 is expected to have a greater impact on the performance of the insurance sector, with no major expected impact on banks' performance.

Activities also progressed on the inter-supervisor project on systemic cyber risk. In the project Banka Slovenije is working alongside the Insurance Supervision Agency and the Securities Market Agency. All three supervisors are endeavouring to increase their analytical capacity for monitoring and identifying systemic cyber risk at the level of the financial system. Banka Slovenije has put in place a cyber database and tools designed to mitigate systemic risks. In the project we developed a risk dashboard of cyber indicators and cyber mapping, which is designed to monitor the links between banks, technology providers and technological solutions. The next step will be the tools designed to mitigate systemic risks expanded to the areas of insurance and capital markets. The IMF is also involved in the inter-supervisor project, providing technical assistance.

3.5 Bank resolution and deposit guarantee scheme

The area of bank resolution and deposit guarantees is regulated by several EU legal acts. Directive 2001/24/EC 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/EU 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 806/2014 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/EU 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 Act¹⁹ (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 (SRB) was established by Regulation 806/2014/EU.²⁰ 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 2023 Banka Slovenije again 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. The drafting

¹⁹ Official Gazette of the Republic of Slovenia, No. 92/21.

of the resolution plans for banks under the remit of the SRB is undertaken by internal resolution teams in cooperation with all 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.

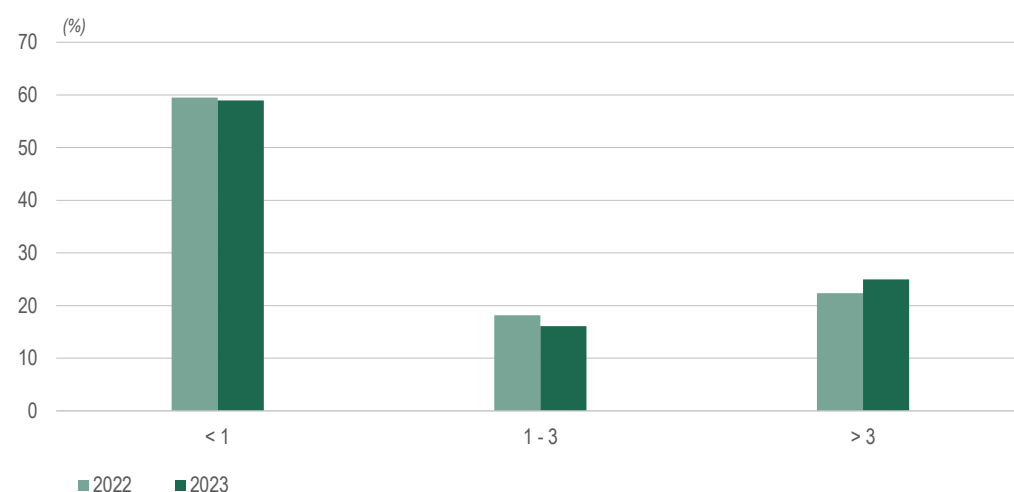
Since the end of March 2015 Banka Slovenije has been managing a bank resolution fund, which was established pursuant to the Bank Resolution Authority and Fund Act. The fund is intended to finance compulsory wind-up measures under the ZRPPB-1. The compulsory wind-up procedure is a procedure for winding 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.

Banks paid initial contributions to the bank resolution fund in the amount of EUR 191.1 million in March 2015.

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 each have a share of the joint fund (the resolution and deposit guarantee fund) that is proportional to their respective holdings of the pooled assets.

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



Source: Banka Slovenije

The bank resolution fund's assets under management amounted to EUR 190.3 million at the end of 2023, while the value of the joint fund was EUR 385.0 million. The bank

resolution fund's operating result was a net profit of EUR 7,856,486 in 2023, while the joint fund recorded a net profit of EUR 15,483,781, on account of a fall in the market yields of the majority of German government bonds and a general fall in credit spreads during the year. Performance is disclosed in greater detail in the bank resolution fund's annual report.

The bank resolution fund will cease operating on 31 December 2024. Since its establishment no measures in connection with its use of assets have been imposed.

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 Act (ZSJV)²¹. The aforementioned law transposes Directive 2014/49/EU into Slovenian legislation. The ZSJV stipulates that Banka Slovenije should establish and operate a deposit guarantee scheme to guarantee a investor'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 the repayment of covered deposits in 2023 was ten working days from the publication of the Banka Slovenije decision on deposit unavailability. The transition period for the gradual reduction in the deadline period for repayment of covered deposits came to an end on 31 December 2023, and it will be seven working days as of 1 January 2024.

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

In 2023 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 pay out of covered deposits, and to finance resolution or compulsory wind-up measures by means of which access to covered deposits 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 the total covered deposits in Slovenia. Should the fund's available assets not suffice for pay out of covered deposits or for repaying the fund's other liabilities, banks will 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 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.

²¹ Official Gazette of the Republic of Slovenia, Nos. 27/16 and 17/22.

The deposit guarantee fund's assets under management amounted to EUR 194.8 million at the end of 2023. The banks made total contributions of EUR 39.0 million to the deposit guarantee fund in 2023. The deposit guarantee fund's operating result was a net profit of EUR 7,614,295 in 2023. Its performance is disclosed in detail in its annual report.

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 coverage for deposits at 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 a pay out of 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.

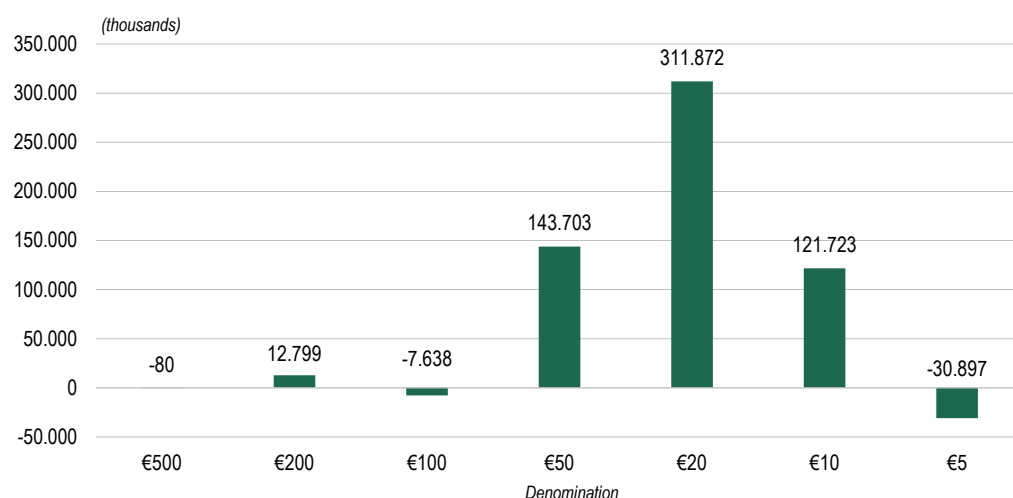
3.6 Banknotes and coins

Supplying fit and authentic cash to the market is one of Banka Slovenije’s key tasks. To ensure that it has right quantities of banknotes and coins at its disposal and that the market is kept smoothly supplied with cash, each year Banka Slovenije is involved in the printing of euro banknotes at Eurosystem level, and in 2023 it was 50-euro notes that were printed.²² Banka Slovenije also minted euro coins in 2023, in the form of general circulation 1-cent, 2-cent, 5-cent, 10-cent, 20-cent and 2-euro coins.²³ In addition to the general circulation coins, Banka Slovenije also issues Slovenian commemorative coins, and its own numismatic products. It is our responsibility to ensure that the general public and businesses are well-informed about genuine euro banknotes and counterfeits.

By the end of 2023, a total of EUR 16.4 billion of cash had been net issued into circulation by Banka Slovenije since the introduction of the euro. Banka Slovenije issued a net total of EUR 1.7 billion of cash in 2023, comparable to the previous year’s figure of EUR 1.8 billion. The total net cash issuance of EUR 16.4 billion consists of EUR 16.2 billion in banknotes (551.5 million banknotes) and EUR 151.7 million in coins (572.0 million coins). In terms of quantity, the 20-euro note was the most heavily issued (311.9 million banknotes), followed by the 50-euro note (143.7 million banknotes), and the 10-euro note (121.7 million banknotes). Net issuance of the 500-euro, 100-euro and 5-euro notes since the introduction of the euro is negative (the number of issued banknotes is less than the total number of banknotes returned to Banka Slovenije). The coins that were issued most heavily in terms of net quantity were the 1-cent (179.5 million coins) and 2-cent (120.7 million coins), while the lowest net quantity of issued coins was recorded by the 50-cent (18.4 million coins).

By the end of 2023, a total of EUR 16.4 billion of cash had been net issued into circulation by Banka Slovenije since the introduction of the euro.

Figure 21: Net issued banknotes by denomination, 31 December 2023

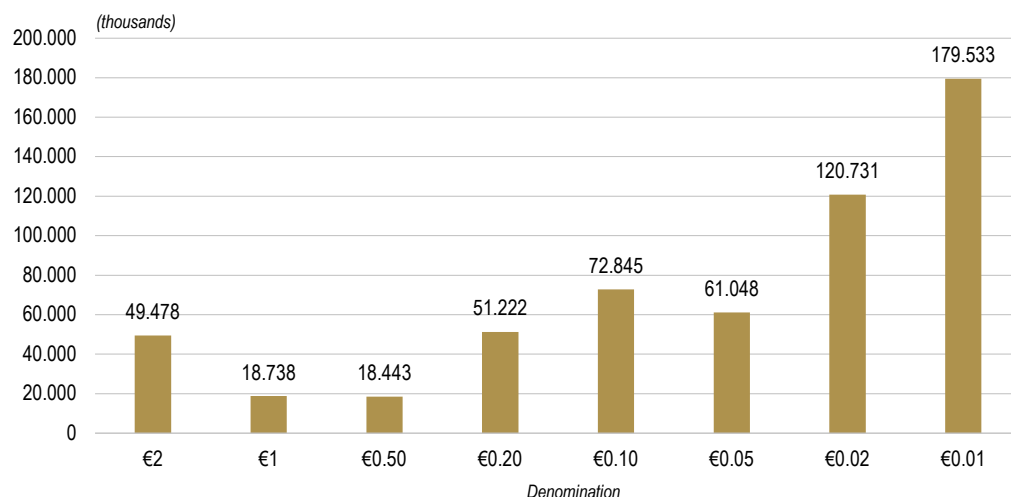


Source: Banka Slovenije

²² For more, see the [ECB website](#).

²³ For more, see the [Banka Slovenije website](#).

Figure 22: **Net issued coins by denomination, 31 December 2023**



Source: Banka Slovenije

In December 2021 the ECB announced its plans to redesign the euro banknotes.

To date two themes have been selected (in the public preferences for new euro bank-note themes) from the seven proposed themes: European culture, and birds and rivers. Once the future designs have been chosen, the Governing Council of the ECB will make a decision on whether to produce and release the new euro banknotes, and when. We also kept the public informed of all the activities.²⁴

The cash processing unit sorted 131.6 million banknotes and coins in 2023 (2022: 131.6 million banknotes and coins). A total of 131.3 million banknotes and 0.3 million coins were sorted in 2023 (2022: 131.4 million banknotes and 0.2 million coins). A total of 18.8 million euro banknotes were withdrawn from circulation and destroyed in order to maintain the general quality of banknotes in circulation (2022: 17.5 million banknotes).

A total of 605 exchanges of tolar banknotes and payment notes were made at Banka Slovenije in 2023 (2022: 592 exchanges). A total of EUR 72.6 thousand worth of tolar banknotes and payment notes were returned from circulation in 2023 (2022: EUR 76.7 thousand). The total value of the tolar banknotes and payment notes still in circulation as at 31 December 2023 was EUR 31.5 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. With Croatia joining the euro at the beginning of 2023, the Banka Slovenije counter (as at other central banks in the euro area) exchanged Croatian kuna for the first two months of the year at a conversion rate of 7.5345 kuna to the euro. During this period Banka Slovenije exchanged just over two million Croatian kuna with a total countervalue of EUR 272 thousand.

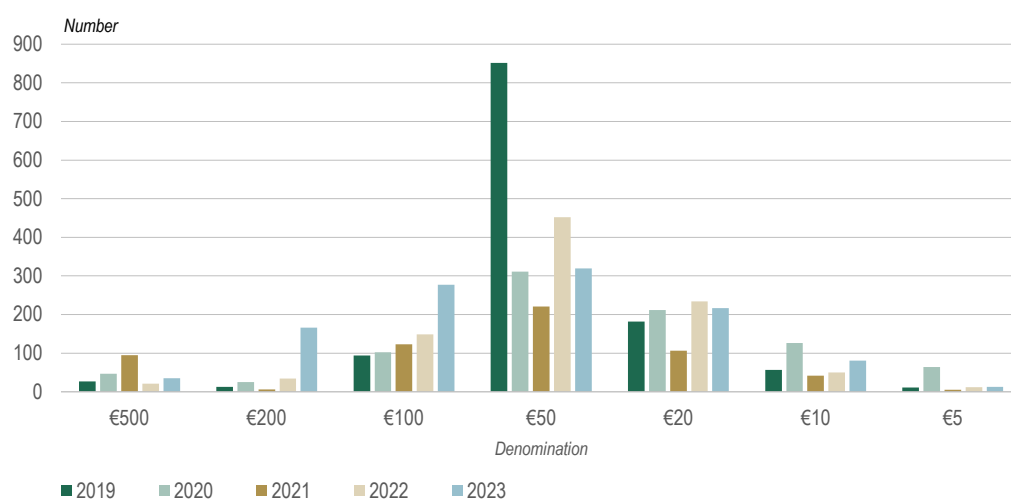
At the end of 2023 the total value of the tolar banknotes and payment notes still in circulation was EUR 31.5 million.

The likelihood of receiving counterfeit euro cash remains low. 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

²⁴ For more, see the [Banka Slovenije website](#).

are withdrawn from circulation. According to the figures of the National Analysis Centre and the Coin National Analysis Centre, a total of 1,108 counterfeit banknotes were withdrawn from circulation in 2023, up approximately 16% on 2022. A rise in the number of withdrawn banknotes was evident in the cases of the larger denominations (100-euro, 200-euro and 500-euro), while the number of counterfeit 20-euro and 50-euro notes withdrawn fell. The total value of the counterfeit euro cash detected in Slovenia amounted to EUR 99,565 last year, up from EUR 60,040 in 2022.²⁵ Despite the increase, the number of seized counterfeits in circulation in Slovenia remains low, placing Slovenia in the bottom half of the euro area countries in terms of the number of counterfeits detected. A total of 7,690 counterfeit coins were withdrawn from circulation in Slovenia in 2023, up approximately 22% on 2022. The most common counterfeit remains the 2-euro coin (95% of the total number). Given the size of the net issuance of genuine euro banknotes and coins, the share of counterfeits in circulation in Slovenia is very low.

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



Source: Banka Slovenije

Banka Slovenije organises the issuance, distribution and storage of general circulation and occasional coins for the Republic of Slovenia on the basis of the Occasional Coins Act.²⁶ Banka Slovenije issued a commemorative 2-euro coin into circulation to mark the 150th anniversary of Josip Plemelj's birth (1 million coins minted), and collector coins marking the 110th anniversary of the birth of the Slovenian writer Boris Pahor (750 gold, 1,250 silver and 68,000 bimetallic 3-euro coins were minted) and marking the Day of Slovenian Sport (750 gold, 1,250 silver and 61,250 bimetallic 3-euro coins were minted). For the collector market we also issued a collection of euro coins minted in 2023 in ordinary and proof versions, and a 2-euro commemorative coin and 3-euro collector coin, both proof-quality. The numismatic products can be purchased at the Banka Slovenije counter, and at selected branches of our two agents for numismatic products, Deželna banka Slovenije d.d. and Moro & Kunst d.o.o. A list of the numismatic products and selling prices can also be found on the [Banka Slovenije website](#), with those marked in red no longer available.

²⁵ For more, see the [Banka Slovenije website](#).

²⁶ For more, see the Numismatics section on the [Banka Slovenije website](#).

In 2023 Banka Slovenije released collector coins marking the 110th anniversary of the birth of the Slovenian writer Boris Pahor and marking the Day of Slovenian Sport, and a commemorative 2-euro coin to mark the 150th anniversary of Josip Plemelj's birth.

Photograph 1: Collector coins marking the 110th anniversary of the birth of the Slovenian writer Boris Pahor (gold coin, silver coin and 3-euro coin)



Photograph 2: Collector coins marking the Day of Slovenian Sport (gold coin, silver coin and 3-euro coin)



Photograph 3: Commemorative coin marking the 150th anniversary of Josip Plemelj's birth



Box 3: Acceptance and access of cash as legal tender

On 28 June 2023 the European Commission published its proposal for a regulation on legal tender for euro banknotes and coins, which will set out detailed rules for maintaining the effective status of legal tender for cash in practice, and with it citizens' access to the physical form of central bank money. The regulation addresses two key areas of cash as legal tender: its acceptance at points of sale, and access to cash for consumers. In conjunction with the Ministry of Finance, Banka Slovenije representatives were actively involved in discussions on working groups at the Council of the EU with regard to proposals for amendments to the draft regulation. We made a particular commitment to making regulation of the legal tender status of euro banknotes and coins as homogenous as possible between Member States, and to a regulation that is aligned with, linked to and harmonised with the nascent regulation on the digital euro.

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 co-operator of market infrastructure owned and operated by the Eurosystem, Banka Slovenije provides market participants with settlement in risk-free central bank money. We are also involved in making decisions on the direction of the development of this infrastructure. In March 2023 we successfully introduced T2 services, which are primarily designed for urgent payments and large-value payments, and are one of the services within the framework of the new TARGET-Slovenija payment system. The latter replaced the previous TARGET2-Slovenija payment system. Under the new TARGET-Slovenija payment system, we managed participant's cash accounts for the settlement of large-value payments in T2, cash accounts for the settlement of securities transactions in TARGET2-Securities (T2S), and cash accounts for the settlement of instant payments in TARGET Instant Payment Settlement (TIPS). In addition, we provide Slovenian banks and savings banks with access to pan-European retail payment systems. As the supervisor we ensure the compliance of payment and settlement systems, payment services providers, including electronic money issuers, and currency exchange operators with the regulatory requirements. We also act as a guide (i.e. catalyst) for the activities of market participants in the area of payments and market infrastructure for payments and securities.

In 2023 all our regular 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 ongoing digital euro and the consolidation of TARGET2 and T2S, which was successfully completed on 20 March 2023).

Management of payment infrastructure

Banka Slovenije was managing main cash accounts and dedicated cash accounts in T2 for 17 Slovenian market participants at the end of 2023, who during the course of the year settled a total of 1,162,325 transactions (down 1.1% on 2022) with a total value of EUR 457.40 billion (up 3.9% on 2022). We managed 22 dedicated cash accounts for settling securities transactions in T2S for ten Slovenian market participants, who settled 43,101 transactions over the course of the year (down 21.0% on 2022) in the total amount of EUR 13.08 billion (up 11.8% on 2022). For the settlement of instant payments in TIPS we managed one dedicated cash account for each of the 14 Slovenian participants, via which 418,150 transactions (up 55.2% on 2022) in the total amount of EUR 306.05 million (up 79.7% on 2022) were settled in 2023.

Slovenian participants settled 1,162,325 transactions in the total amount of EUR 457.40 billion in T2, 43,101 transactions in the total amount of EUR 13.08 billion in cash accounts in T2S, and 418,150 transactions in the total amount of EUR 306.05 million in cash accounts in TIPS in 2023.

In the cross-border retail payments segment, we enabled credit institutions in Slovenia to exchange SEPA credit transfers with more than 3,600 payment service providers and to exchange SEPA direct debits with more than 2,900 payment service providers across the EU.

In 2023 we also took part in the continuing development of the market infrastructures owned and operated by the Eurosystem.

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. We supervise payment systems, credit institutions, payment institutions and electronic money institutions in accordance with the ZPlaSSIED, and currency exchange operators in accordance with the Foreign Exchange Act (ZDP-2). The supervision of the central securities depository in accordance with Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories is jointly conducted with the Securities Market Agency (SMA).

Acting in accordance with the ZPlaSSIED, we granted one payment institution an authorisation to (continue to) provide payment services after its merger and removed one account information service providers from the register of payment institutions after it ceased to provide these payment services. In accordance with Commission Delegated Regulation 2018/389/EU, we granted one credit institution an authorisation for exemption from the requirement to provide a fallback mechanism. Acting in accordance with the ZDP-2, we conducted inspections of five currency exchange operators, granted one currency exchange operator an authorisation to provide currency exchange services and issued decisions to seven currency exchange operators that the authorisation to provide currency exchange operations had ceased to be in force.

In cooperation with the SMA we completed the third review and evaluation 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 2023. In accordance with the regulatory requirement to perform the supervision on an annual basis, we commenced the fourth review and evaluation of the same central securities depository in October 2023.

Guiding and encouraging the actions of market participants

In 2023 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 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 infrastructures for payments and securities. In this respect we guided the activities of market stakeholders on the National Payments Council (NPC), the National Group of Stakeholders for Market Infrastructure for Securities and Collateral, and the National Group of Stakeholders for Market Infrastructure for Payments.

The NPC's main activities in 2023 related to the preparation of the Strategy for the development of the payments market in Slovenia for the period of 2024 to 2028. It also adopted its new vision, which is "a payments market that gives users the opportunity of choosing secure, innovative, inclusive and sustainable means of payment that satisfy their needs while being efficient for society as a whole".

The Strategy for the development of the payments market in Slovenia for the period of 2024 to 2028 sets out five complementary strategic initiatives for the period of 2024 to the end of 2028: (1) developing simple payment solutions with a good user experience in line with the needs and expectations of users, including vulnerable groups; (2) addressing the security aspects of electronic payments; (3) ensuring the phased acceptance of electronic payments at points of sale; (4) ensuring an encouraging environment for increasing innovation, and collaboration between stakeholders in the payments market and market development in line with activities at EU level; (5) continuing to ensure adequate access to cash.

The topics discussed by the the National Group of Stakeholders for Market Infrastructure for Securities and Collateral, and the National Group of Stakeholders for Market Infrastructure for Payments in 2023 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's fintech innovation hub we also provide clarifications in connection with regulatory requirements falling under our remit to market entities whose financial services are based on advanced technologies. The majority of the questions that we received on the hub from domestic and foreign innovative business entities were related to distributed ledger technology and cryptoassets, where issues in connection with AML/CFT and support for payments with cryptoassets were to the fore. Many entities also turned to the hub with regard to the requirements to obtain an authorisation to provide payment services or electronic money issuance services. 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 Hub. Since 2023 we have also been active participants in the European blockchain regulatory sandbox, the aim of which is to put in place a pan-European framework for regulatory dialogue and to increase legal certainty for innovative solutions in the aforementioned area.

Digital euro

We are actively involved in the Eurosystem's digital euro project, which has now completed its investigation phase. The two-year investigation phase aimed to formulate the concept and examine various distribution models for a potential digital euro. The main outcome of this phase was the Eurosystem's high-level concept for the digital euro, together with the corresponding user requirements and technical requirements for the final product. The design envisages the digital euro as a digital form of cash that could be used for all digital payments throughout the euro area. It would be widely accessible, free for basic use and available both online and offline. It would offer the highest level of privacy and allow users to settle payments instantly in central bank money. It could be used from person to person, at the point of sale, in e-commerce and in government transactions (payments from governments to citizens and vice-versa).

The Eurosystem has embarked on the preparation phase of the digital euro project, although the decision to issue a digital euro has not yet been made. The first part of this phase began on 1 November 2023, and will last until October 2025. During this period the Eurosystem will focus on finalising the technical rulebook of the payment scheme for the digital euro, which will encompass the rules, procedures and processes for exchanging and processing digital euro payments between relevant stakeholders, and on selecting providers to develop the digital euro ecosystem. Experiments and tests will also be an important part of the preparation phase. The launch of the preparation phase is not a decision on whether to issue a digital euro. That decision will only be considered once the legal basis has been put in place at EU level, with a proposal now undergoing the legislative process.

We have established the National Stakeholders' Group for the digital euro (NSG digital euro) with the aim of ensuring the involvement of key Slovenian stakeholders in the project. Our aim is to strengthen two-way communication on the Eurosystem's digital euro project between Banka Slovenije and the relevant Slovenian stakeholders. In December we hosted the constitutive session, where discussions encompassed general information about the digital euro, and the legislative proposal for an EU regulation on the introduction of the digital euro.

Regulation (EU) 2023/1114 of the European Parliament and of the Council on markets in cryptoassets (MiCAR), which introduces a single regulatory framework for the markets in cryptoassets in the EU, was adopted on 31 May 2023. The aim of the MiCAR is to increase transparency and to put in place a comprehensive framework for issuers of cryptoassets and cryptoasset service providers, including compliance with AML rules, to provide normative regulations to protect investors and to maintain financial stability, while facilitating and encouraging innovation in the cryptoassets sector.

The MiCAR regulates three main areas:

- issuance of cryptoassets,²⁷ their offer to the public, and their admission to trading on a cryptoassets trading platform;
- provision of cryptoasset services; and
- measures to prevent abuse of the markets in cryptoassets.

Under the MiCAR cryptoassets are classified²⁸ into one of three types: (i) e-money tokens (which purport to maintain a stable value by referencing the value of one official currency and are considered electronic money), (ii) asset-referenced tokens (which purport to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies), and (iii) cryptoassets that are neither asset-referenced tokens nor e-money tokens.

The MiCAR also puts in place uniform rules for:

- requirements with regard to transparency and disclosures in connection with issuance of cryptoassets, and the operation, organisation and governance of cryptoasset service providers;
- granting of authorisations to cryptoasset service providers, issuers of asset-referenced tokens, and issuers of e-money tokens;
- the operation, organisation and governance of issuers of asset-referenced tokens, issuers of e-money tokens and cryptoasset service providers;
- consumer protection rules in connection with the issuance of, exchange of, custody of and trading in cryptoassets; and
- measures to prevent market abuse, and to ensure the integrity of markets in cryptoassets.

The MiCAR provisions that regulate the issuance of asset-referenced tokens and e-money tokens apply as of 30 June 2024, while the remaining provisions apply as of 30 December 2024. Banka Slovenije is one of the envisaged competent authorities for performing tasks and duties under the MiCAR in Slovenia, and was actively involved in the drafting of the Market in Cryptoassets Regulation Implementation Act, which will regulate the powers at national level for the exercise of the tasks and duties set out for national authorities by the MiCAR. Because the services regulated by the MiCAR can also be provided by credit institutions, to this end it will also be necessary to amend the Banking Act, which transposes Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, which is being amended by the MiCAR, into Slovenian law.

²⁷ The MiCAR defines a cryptoasset as a digital representation of value or of rights that can be transferred and stored electronically by using distributed ledger technology or similar technology.

²⁸ The classification is based on whether the cryptoasset aims to maintain a stable value by referencing other assets.

3.8 Joint management of the ECB's foreign exchange reserves

Banka Slovenije manages part of the ECB's foreign exchange reserves. The value of the foreign exchange reserves transferred to the ECB when Slovenia introduced the euro was EUR 194.3 million as at 31 December 2023. The main purpose of the ECB's foreign exchange reserves is to ensure adequate liquidity in the Eurosystem for interventions on the foreign exchange market. They are managed by all the central banks of the Eurosystem.

Banka Slovenije manages just under EUR 195 million of the ECB's foreign exchange reserves.

Banka Slovenije manages the reserves in conjunction with the Central Bank of Luxembourg. 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. In addition to pursuing this primary 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 4.3 billion at the end of 2023, up EUR 0.5 billion on 2022.

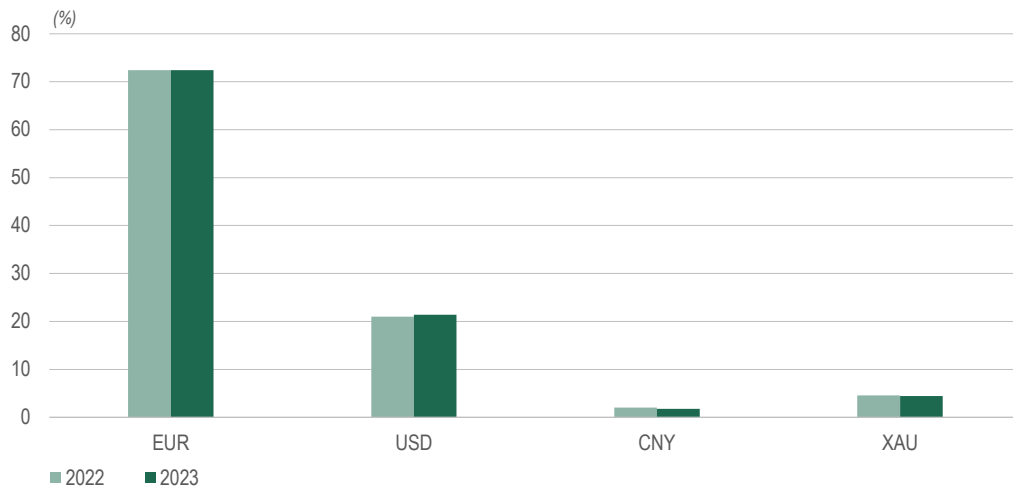
Banka Slovenije's financial assets amounted to EUR 4.3 billion at the end of 2023.

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, regional, 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 Investment Committee also monitors the asset management process on a monthly basis.

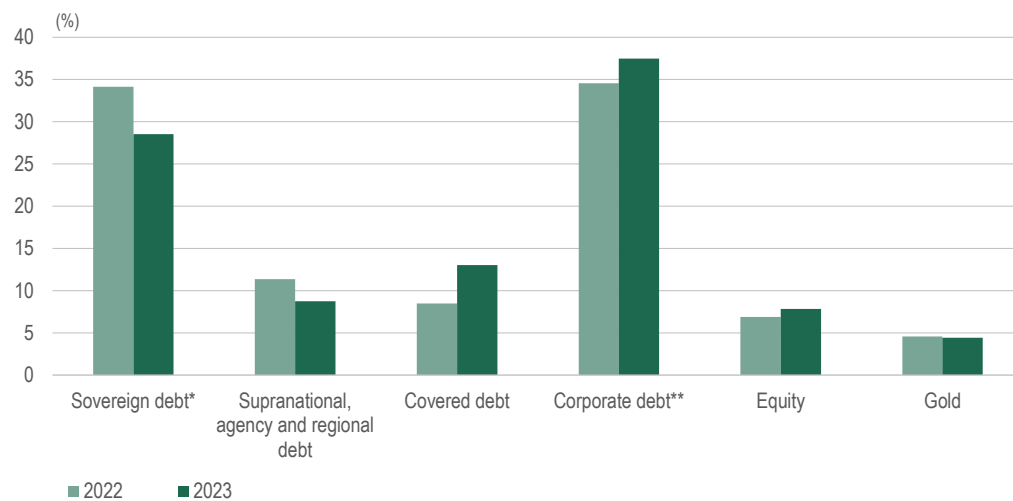
The vast majority of our financial assets are denominated in euros (EUR 3.1 billion), with the remainder in foreign currencies and gold. There was no significant change in the shares of assets held in individual currencies in 2023. In the breakdown of Banka Slovenije's financial assets by investment class, there was a slight decline in the shares accounted for by sovereign debt (29%) and by supranational, agency and regional debt (9% in total), in favour of increases in the shares accounted for by covered debt (13%), corporate debt (37%) and equity ETFs (8%). In terms of maturity, the shares accounted for by financial assets in the maturity buckets of up to one year (28%) and one to three years (20%) declined, in favour of an increase in the share accounted for by the maturity bucket of more than three years (52%, including holdings in the BIS fund and of equity ETFs, which have no maturity). The share of assets rated AAA amounted to 34%, those rated AA amounted to 23%, 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: **Investment class breakdown of Banka Slovenije's financial assets**

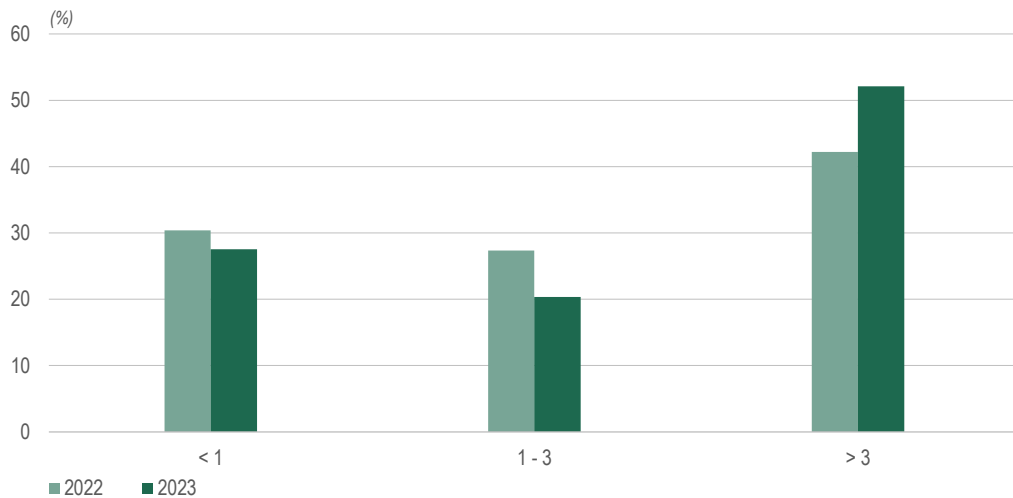


* Includes account balance.

** Financial and non-financial corporate debt.

Source: Banka Slovenije

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



Source: Banka Slovenije

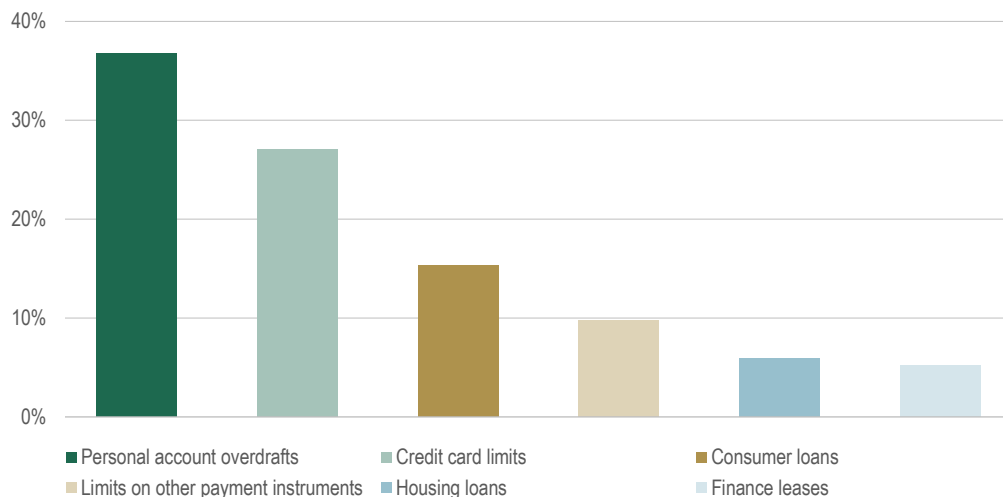
3.10 Central credit register

The central credit register is the central national database of the debts of individuals and business entities. It was set up for the purpose of making the exercise of Banka Slovenije's key tasks and powers more effective. The main purpose in setting up the register was providing data for the system for exchanging data about the indebtedness of individuals (SISBON) and business entities (SISBIZ). They provide for improvements in the processes of credit risk assessment and management at lenders. At the same time they encourage policies and measures for responsible lending and sustainable borrowing on the part of individuals and business entities, and prevent them from over-borrowing.

The SISBON system provides data about more than 3.1 million credit operations for 1,565,321 individuals.

The **database of individual indebtedness, SISBON**, held processed data on the credit operations of 1,565,321 individuals as at 31 December 2023, down 0.06% on a year earlier. At the end of 2023 there were 62 different creditors that had access to SISBON, of whom 39 were members (entities referred to in Article 15 of the Central Credit Register Act), who have access to all data in the SISBON system, and 23 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. As at 31 December 2023 SISBON held data on 3,142,554 credit operations, down 0.8% on a year earlier. They consisted of 1,156,272 personal account overdrafts (down 1.5% on 2022), 850,009 credit card limits (down 3.8%), 481,199 consumer loans (up 6.2%), 306,277 limits on other payment instruments (down 0.4%), 184,584 housing loans (down 0.9%), and 162,190 finance leases (down 0.3%).

Figure 27: **Breakdown of credit operations in SISBON by type, 31 December 2023**



Source: Banka Slovenije

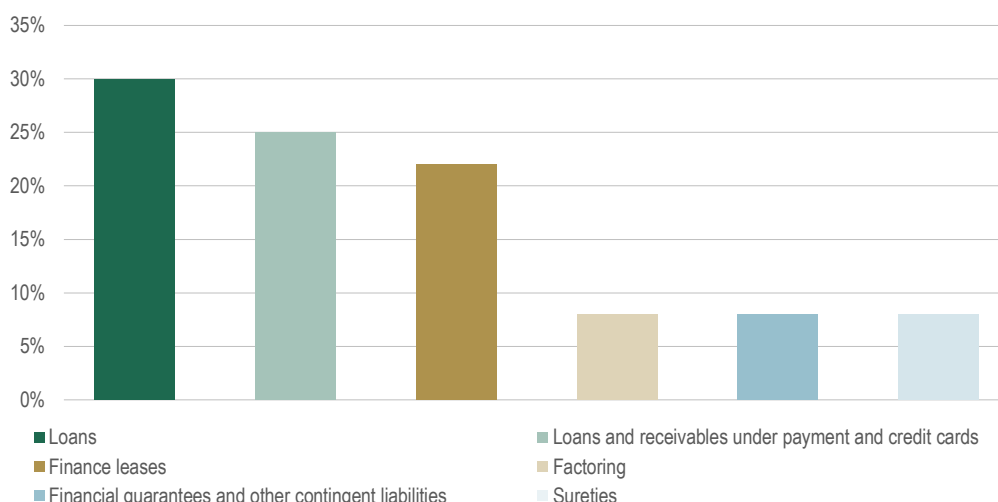
The SISBON system was managed by Banka Slovenije in accordance with the requirements of the Central Credit Register Act. Throughout the year we ensured that system members and included creditors had high operability and no disruptions, 24 hours a day, every day of the year. Individuals whose data is held in the system were allowed to exercise their statutory rights in connection with their own data, and were provided with technical and substantive support. We actively highlighted the benefits of various digital options available to individuals when accessing their own data. The share of digital data access consequently increased compared with the previous year, as opposed to access via hard copy. A total of 12,857 data transcripts were sent to individuals in 2023, of which 7,623 were digital and 5,234 were printed. The share of digital transcripts rose by 5.6 percentage points relative to 2022.

We focused particular attention on supervising system members and included creditors in connection with fulfilment of the conditions of membership and access to data in the system, with regard to system security, and with regard to the accuracy of data reporting. To determine compliance with the regulations governing the functioning of the data exchange system, our supervisory procedures included 29 audits of SISBON members, in which we identified a total of 83 instances of non-compliance. The non-compliances were rectified by the corresponding deadlines, those having been set with regard to the nature of the breaches. One indicator of members' compliance with regard to the accuracy of data reporting is the number of complaints by individuals, in particular substantiated complaints. A total of 1,264 complaints covering 39 members were submitted in 2023 in connection with the accuracy of the data in the SISBON system, up 2% on the previous year. The level of complaints is low: it was equivalent to 0.08% of all individuals whose data is managed in the system. The share of substantiated complaints remains unchanged from the previous year, at 37% of all complaints. The grounds for the complaints are unchanged from previous years, and mostly concern inaccurate reports of the status of completion of enforcement and the status of completion of operations in connection with personal bankruptcy proceedings.

The SISBIZ system provides data on just over 300,000 credit operations for 128,286 business entities.

The **database of business entities' indebtedness, SISBIZ**, held processed data on the credit operations of 128,286 business entities as at 31 December 2023, up 8.26% on a year earlier. Sole traders and other self-employed individuals accounted for 51% of the total, capital and personal corporations for 42%, and other forms of business entity (societies, institutes, chambers, interest associations, etc.) for 7%. The share accounted for by sole traders and other self-employed individuals was down 1 percentage point on 2022, while the share accounted for by capital and personal corporations rose by 1 percentage point. The share accounted for by other forms of business entity remained the same. A total of 36 creditors with the status of system member (entities referred to in Article 15 of the Central Credit Register Act) were able to access data in the SISBIZ system in 2023. As at 31 December 2023 the SISBIZ system held data on 308,943 credit operations, of which 92,023 were loans (up 6% on 2022), 78,052 were loans and receivables under payment cards and credit cards (up 1%), 66,705 were finance leases (up 3%), 24,935 were sureties (down 6%), 23,873 were factoring operations (down 2%) and 23,346 were financial guarantees and other contingent liabilities (down 5%).

Figure 28: **Breakdown of credit operations in SISBIZ by type, 31 December 2023**



Source: Banka Slovenije

We were effective in managing the SISBIZ system over the course of the year, in that it was available without disruption, 24 hours a day, every day of the year, to system members and also to business entities whose data is held in the system. Business entities whose data is held in the system were allowed to exercise their statutory rights in connection with their own data without disruption, and were provided with technical and substantive support. Business entities viewed their own data 1,094 times, in digital form via the Moj SISBIZ online app.

One priority was ensuring members' compliance with the requirements of the Central Credit Register Act. To review compliance with the conditions of membership and access to data in the system, we conducted a total of 18 audits with regard to system security and the accuracy of data reporting, identifying a total of 49 instances of non-compliance. The majority of the non-compliance related to inaccuracies in data reporting, and was rectified by members by the deadlines set with regard to the nature

of the particular breach. One indicator of members' compliance with regard to the accuracy of data reporting is the number of complaints by business entities. They filed a total of 103 complaints in 2023, up 145% on 2022, but this represents merely 0.08% of the total number of business entities whose data is managed in the system. The reason for the increase in complaints was the rise in demand for data transcripts from the SISBIZ system, which business entities needed when applying for various public tenders. Some 79% of all complaints were substantiated, up 4 percentage points on the previous year. The grounds for the complaints are unchanged from previous years, with the main reason being the reporting of the business entity's past-due debt and credit ratings.

The mandate for managing the central credit register and the SISBON and SISBIZ data exchange systems conferred on us by the Central Credit Register Act was implemented with the diligence of a good expert and the diligence of a good manager. Further evidence comes indirectly from the following figures: a total of 132 irregularities identified during supervision of SISBON and SISBIZ users, 30.2 million data records processed in the central credit register, and 60,406 views of own data by individuals (who requested 12,857 transcripts) and business entities.

A significant benefit of the central credit register and the data processed within it is evidenced in the exercise of Banka Slovenije's fundamental tasks and powers, particularly in the area of macroprudential supervision and in the exercise of supervisory powers and tasks at banks.

3.11 Payment services for Banka Slovenije's 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 for certain municipalities. 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 136 in 2023, and they held 144 open accounts. Four municipalities closed their single municipal treasury accounts, and transferred their payment transactions together with their budget spending units to new sub-accounts opened within the framework of the government's single treasury account.

Banka Slovenije allows its clients to execute (instant) credit transfers and direct debits.

There were 55.3 million payments made in 2023, down 0.6 million or 1.12% on 2022. To make payments, we participated in various payment systems 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 and receive payments from them. The payment services are provided with a high degree of automation: only 0.04% of all transactions are processed manually.

Instant payments are becoming the new standard in payments. As a payment service provider, in 2023 we again devoted much activity to the development of instant payments. Consequently 11.9 million of our domestic SEPA credit transfers, almost half of the total, were executed as instant payments. This made a significant contribution to the commitment by the Slovenian banking community to migrate all domestic SEPA credit transfers to instant payments by the end of February 2027.

Banka Slovenije regularly updates and upgrades its software with the aim of ensuring that its clients are able to execute payments securely and effectively. In this respect in March 2023 we completed the upgrade of the software for TARGET infrastructure for the settlement of (mostly) large-value payments, securities transactions and instant payments in euros. Much of the activity was aimed at adapting the software to the new standards for SEPA credit transfers and debit payments, which entered into force across the SEPA in March 2024.

3.12 Statistics

In 2023 Banka Slovenije successfully carried out all regular 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. Alongside our regular work, we succeeded in easing the burden on reporting entities, and we also further expanded the dataset for our users.

Statistics of financial institutions and markets

The **investigation phase of the integrated reporting framework (IReF)** is continuing at ESCB level, the aim of which is the integration of data requirements into a single framework. This will lead to more effective collection of statistics and a reduction in the reporting burden on the banks. Complementary cost benefit analysis (cCBA) between reporting entities and national central banks was conducted in 2023. A total of 13 institutions from Slovenia, accounting for 95% of the balance sheet total in the system, took part. The results are scheduled for release in the first quarter of 2024. Central banks drew up a review of data and indicators that are collected and used within the framework of their reporting systems. On this basis (i) a set of reference data for all countries and (ii) an expanded set of reporting requirements based on national needs will be drawn up at ECB level, and will form part of the updated reporting framework. During the overhaul, another of our aims at Banka Slovenije in optimising the reporting requirements is to prevent losses of and interruptions to important time series. The majority of coordinating activity at the national level is carried out via mixed working groups for reporting under the aegis of the BAS. At the international level, 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. This collaboration will be the responsibility of the joint bank reporting committee (JBRC), which is to be activated in the first half of 2024.

ESCB audit measures were carried out in 2023 (based on Guidelines (EU) 2018/876 and 2019/1335) at the Register of Institutions and Affiliates Data (RIAD), where the data quality report was overhauled in line with the new methodology. Another subject of regular reporting was data under Guideline (EU) 2020/497 for supervisory purposes, together with data for the EBA (EUCLID). Intensive preparations continued in 2023 for the use of reference data of business entities collected at the RIAD for the needs of the IReF, including preparation of an appropriate legal basis at EMU level for the sharing of basic data with banks. We succeeded in maintaining the data quality for Slovenian reporting entities at a high level in the multi-purpose AnaCredit database on credit and credit risk for loans approved by credit institutions to legal persons, where the exposure from credit operations exceeds EUR 25,000 at the observed undertaking (on the basis of Regulation ECB/2016/13).

In the regular submission of quarterly and annual data from insurance corporations according to ECB regulations, we gradually applied the new ECB requirements in 2023.

There was regular reporting of data by the SMA in the area of investment fund statistics, and we regularly forwarded the data to the ECB. Agreements were reached with the SMA and the ECB with regard to how to introduce reporting by alternative investment funds. Draft reporting guidelines were sent to alternative investment funds for review and comments.

Following the changeover to the new reporting of payments statistics in 2022, we also drew up new tables of data time series on the Banka Slovenije website. Much of our work last year focused on data quality and verification. Working with our colleagues at the ECB, we succeeded in resolving substantive questions posed by our reporting entities. At the end of the year the ECB also released the first data time series from the new reporting on its website.

External Statistics

In 2023 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 2018 to 2022**. The revision resulted in a decline of EUR 0.8 billion in the current account surplus over the five-year period (2018 to 2022), a decline of EUR 0.4 billion in the financial account surplus, and a reduction of EUR 0.1 billion in the capital deficit. The statistical error over this period was reduced by EUR 0.26 billion in total.

In the process of revising the balance of payments, within the framework of the working group at Eurostat we participated in the asymmetry resolution mechanism for international trade in services statistics. We succeeded in reducing misalignments with Croatia with regard to data on travel imports for the entire pandemic period (2020 to 2022). Imports of travel services from Croatia over the three years increased by an annual average of 12% relative to the original calculations (EUR 394 million in total). The basis for the revision was the bilateral data published in the Eurostat database.

Banka Slovenije has drawn up a book of methodologies for the balance of payments and the international investment position under the aegis of the ECB, which has published a joint book of methodologies from all countries.

We worked with the Statistical Office of the Republic of Slovenia on meeting the new requirements for business statistics under Regulation (EU) 2019/2152 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). Liaison between the two institutions was vital in both areas. Banka Slovenije prepared the structure of the STEC data, and signed a data exchange protocol with the SORS for this data. **We also released a new publication entitled Services Trade by Enterprise Characteristics** for 2021, before the mandatory deadline for the reporting and publication of this data in 2024. In conjunction with the SORS we also drew up a description of the O-FATS methodology, which falls under the remit of both institutions and is covered by the same EU regulation.

The **set of data time series** available to all users was also expanded in 2023. The released data series cover services trade, merchandise trade and direct investment by country. Banka Slovenije also reached out to users of balance of payments data by organising a roundtable in March 2023 (balance of payments: an indicator of the state of the economy, and a guide for economic policymakers).

Financial accounts statistics

Alongside our regular activities in this area, we also conducted the annual revision of data in financial account statistics, with the aim above all of reducing inconsistencies between the financial and non-financial accounts in the household sector.

Within the framework of the ECB's medium-term strategy in the area of quarterly financial account statistics, we continued with the gradual implementation of the new guidelines, which brought expanded requirements with regard to the preparation and reporting of financial accounts data. For a better understanding of globalisation and cross-border mergers and acquisitions, we prepared a breakdown of financial instruments with regard to foreign direct investments, and to support economic analysis we also drew up additional itemisation of life insurance and pension rights.

Within the framework of the ESCB we participated in the preparation of a new series of experimental statistics on the distribution of household wealth in the euro area, which links household survey data with macroeconomic data from the sectoral accounts. Data users were also able for the first time to access the experimental data on household investments via investment funds, and data on the financing of non-financial corporations through the issuance of bonds via affiliates.

The focus in the area of the government sector's financial accounts was monitoring and recording expenditure to mitigate high energy prices and the use of funding from the recovery and resilience facility. The handbook on the general government deficit and debt was updated. On the working group for government accounts, we worked with the Statistical Office and the Ministry of Finance on resolving methodological issues and ensuring consistency between financial and non-financial accounts.

Supervisory data

Within the framework of supervisory reporting requirements changes were made to the EBA reporting package in the areas of capital and capital requirements, liquidity, and reporting of data on earnings. During the update of the ITS reporting package we also implemented an upgrade of the EBA DPM versions (3.2 and 3.3). At the same time we included the updated EBA controls of the accuracy of reporting and built in additional ECB and internal controls to improve reporting quality.

For future reporting packages, at ECB level we coordinated updates to the reporting requirements for market risk, a new dataset for interest rate risk, reporting on cryptoassets and changes to reporting requirements in connection with the upcoming CRR3 and CRD6. At the EBA we worked on the annual exercise to assess the impact of the implementation of the Basel 3 standards.

In connection with the EBA's integrated reporting initiative, where activity is directed at standardising supervisory, resolution and statistical reporting for banking institutions, we worked on the preparations for setting up the joint bank reporting committee (JBRC). Activities continued under the aegis of the ECB and the EBA in the area of semantic standardisation between statistical and supervisory reporting, in the direction of a common data glossary. Activities are underway to standardise the syntaxes (data structures, forms and rules), and the options for putting supervisory reporting in place at a granular level. In parallel with the integrated reporting initiative, **the activities with the EBA also involve the implementation of proportionality in the ITS reporting requirements with the aim of easing the burden on banks.**

The severe weather events that hit Slovenia in the summer led to the adoption of the Act Determining Intervention Measures for Recovery from the Floods and Landslides of August 2023. This provided for moratoria for borrowers, and new loans to address the damage caused. With the aim of monitoring these activities, we put in place monitoring of the approved and modified loans in connection with the aftermath of the floods. The expanded use of existing datasets allowed for the monitoring of credit risk across regions and municipalities, thereby strengthening the possibility of monitoring the consequences of the realisation of physical risks.

Alongside the additional reporting requirements for the needs of more detailed risk monitoring, we also drew up solutions for the supervisory monitoring of banks. These include an interactive multi-layer inspection of credit risk at banks, and an analytical platform for the needs of assessing the right accounting treatment of financial instruments and estimating the effects of reclassification.

Other statistics and activities

The data series on the website were upgraded to give the option of displaying the data by country, which allows us to offer new series to users featuring data that previously had only been available in the Banka Slovenije bulletin. Many new data series were included last year.

In 2023 we held a public tender for the Household Finance and Consumption Survey (HFCS), and began surveying in the field. Approximately 40% of the surveys had been completed by the end of the year. The HFCN is working hard to prepare guidelines for the survey, the purpose of which is to commit central banks to mandatory data collection and reporting. We also drew up an impact assessment. It was established that there was a potential risk of disclosure of personal data on the part of the agency, for which reason Valicon, the survey provider, was called on to complete a technical supervision questionnaire.

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. The highlights of the numerous themes addressed in 2023 were innovations in the excess deficit procedure and in government finance statistics, the statistical aspects and the development of sustainable finances, the promotion of the G20's international initiative on data gaps, and work towards a comparable macroeconomic accounting system.

3.13 Banka Slovenije as the lender of last resort

One of our key objectives under the Bank of Slovenia Act is ensuring financial stability. Within this framework we may act as a lender of last resort, i.e. in exchange for collateral we lend to a solvent bank or savings bank in liquidity difficulties. There was no demand for loans of this type in 2023.

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 committed to contributing over the coming years 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 2023 is presented below.

4.1 Monetary policy in light of climate change

In line with the previously published climate action plan for the Eurosystem²⁹, in 2023 we continued the announced monetary policy measures. As of October 2022 we are tilting the corporate bond portfolio in monetary policy in favour of issuers with better climate performance. In the first quarter of 2023 we began regularly publishing climate-related information on CSPP holdings. The carbon intensity of reinvesting in that portfolio fell in the first 12 months by 65%. Due to the suspension of reinvesting APP portfolios in July 2023 we had already previously enhanced the adjustment of the corporate bond portfolio. In 2024 we are also planning to successfully decarbonise the portfolio in line with the goals of the Paris Agreement.

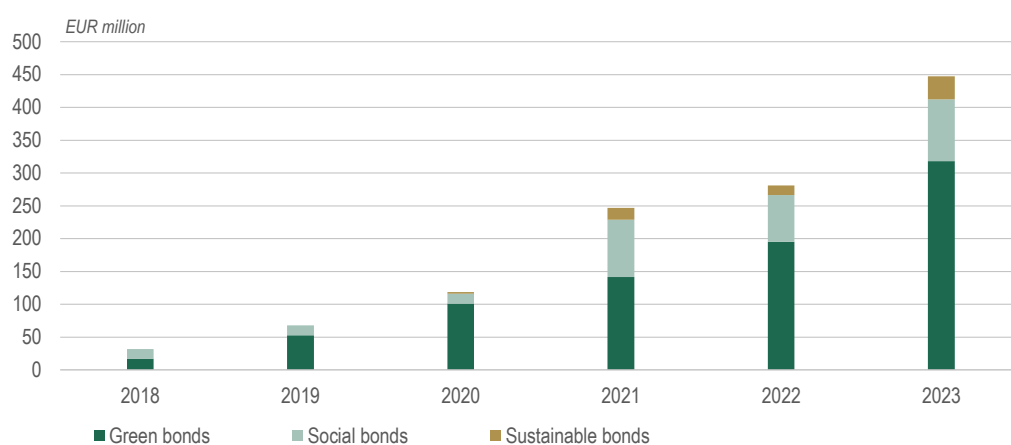
We also continued preparations for the announced measures regarding financial assets used as collateral for credit operations. In collateral we will limit the proportion of corporate debt securities from issuers with a large carbon footprint. We will require debtors of eligible financial assets to fulfil the requirements of the Corporate Sustainability Reporting Directive. We are also making efforts to ensure that the credit ratings that we use disclose transparently exposure to climate-related risks. Furthermore, in relation to risks associated with climate change we have reviewed our collateral risk control framework. All our measures will be the subject of regular overview, with the aim of continuous verification of their suitability.

²⁹ The ECB climate action plan was first published in [July 2021](#), and the climate agenda was updated in [July 2022](#).

4.2 Socially responsible and sustainable investing

In accordance with the EU climate neutrality strategy, in support of the Paris Agreement it is our long-term environmental target to come as close as possible within our own financial investments to net zero greenhouse gas emissions by 2050. To reach this objective, we are pursuing two medium-term targets, which we aim to meet by the end of 2025 at the latest. The first is to increase our holdings of green, social and sustainable bonds to at least EUR 400 million by the end of 2025. We increased these kinds of investments in 2023 by more than EUR 160 million to nearly EUR 450 million, thereby already exceeding the medium-term target. Since we wish to continue in future to provide additional financing of projects that contribute to the decarbonisation of the economy and to the general improvement of the socio-economic position of people, we anticipate raising the target value of our holdings of green, social and sustainable bonds.

Figure 29: Holdings of green, social and sustainable bonds



Source: Banka Slovenije.

In the context of the second medium-term target we started actively reducing the carbon footprint of our investments in issuers from the private sector. In 2023 our significant tightening of the criteria for excluding companies from the list of eligible non-financial corporate bond issuers made a major contribution to reducing the greenhouse gas emissions of our investments in issuers of non-financial debt. The climate indicators of the weighted average carbon intensity and carbon footprint of our investments in the debt of non-financial companies improved (fell) in 2023 by around 30% and 40% respectively. This means that the indicators are now around 60% to 70% below the level of the indicators of the general index of euro investment-grade non-financial corporate bonds. As part of this target, we also intend in 2024 to reduce the carbon footprint of our equity investments through a transition from globally diversified ETFs to their low-carbon alternatives. In the coming years we intend to define strategies for reducing greenhouse gas emissions also as part of our other investments in private sector issuers.

Detailed climate-related information on our entire financial investments is published as part of our regular annual report on socially responsible and sustainable investing. By publishing this report we aim to provide transparency regarding climate risks and opportunities within the framework of our own investments. The framework for disclosure of climate information is supplemented each year in close cooperation with the members of the Eurosystem and taking into account the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), the Partnership for Carbon Accounting Financials (PCAF) and the Network for Greening the Financial System (NGFS).

Box 5: Climate stress test of Banka Slovenije financial investments

Banka Slovenije observed the practice of the Eurosystem and carried out a climate stress test (CST) of our financial investments. The results point to a long-term significant increase in financial risk due to the impact of climate change.

Financial risk is usually measured in shorter time horizons, while the negative impacts of climate change are expected in the coming decades, depending in part on the fulfilment of climate commitments to reduce greenhouse gas emissions and thereby the intensity of future environmental disasters. An assessment of the impact of climate change on risks in the financial system is therefore mainly performed through stress tests. In previous years they were carried out as part of supervision of the banking sector, and in 2023 the ECB for the first time conducted CST of the Eurosystem balance sheet. The good practices of the Eurosystem have also been observed at Banka Slovenije, and using the same methodology we conducted a climate stress test of Banka Slovenije financial investments. The CST covers three long-term scenarios and two short-term scenarios which were developed under the auspices of the NGFS and ECB. The results indicate that the tangible effect of environmental risk in terms of raising financial risk is not negligible, which from the aspect of exposure to own risks confirms the usefulness of the commitment and activities of Banka Slovenije aimed at reducing the carbon footprint of our financial investments. Furthermore the CST supplements the framework for managing risk by addressing environmental risk in the process of monitoring and measuring the risks to which Banka Slovenije is exposed.

	Scenario	Horizon	Impact on risks
Long-term	Orderly transition (baseline scenario)	30 years	Moderate transitional, minor physical
	Disorderly transition		Significant transitional, moderate physical
	Hot-house world		Minor transitional, significant physical
Short-term	Floods	1 year	Significant physical
	Rapid disorderly transition	3 years	Significant transitional

Source: ISS, C4F, World Bank, Bloomberg, ECB, Banka Slovenije calculations.

4.3 Climate risks in the legislative framework

In 2023 we continued our active monitoring of the development of legislation regarding the ESG risks. In the scope of broader EU sustainability legislation the most relevant piece of regulation for the banking and financial sectors is the CSRD³⁰, adopted in December 2022. The directive introduces the requirements on standardised and verified sustainability-related disclosure for large companies and listed SMEs. For banks these requirements represent a potential source of data on sustainability of customers' operations, while at the same time the banks themselves will be required to include additional sustainability content in their annual reports. Banka Slovenije representatives have been actively involved in preparation of the revised ZGD-1, which will transpose into Slovenian law the bulk of the directive's requirements.

In the area of sectoral banking legislation regarding ESG risks, which is also a basis for our supervision activities, we participate in the working group of the European Banking Authority (EBA) tasked with drawing up the expert basis for the inclusion of ESG risks in legislative packages CRR3 and CRD6. ESG risks will now be included in supervisory reporting and disclosures for all banks. CRR3 also introduces the requirements to take into account ESG factors in certain elements of the existing calculation of capital requirements, although this stage involves principally the explicit emphasising of ESG factors as part of approaches which are already enabled by the current legislation, especially where there is a material impact from these risks (e.g. in valuation of collateral or in certain elements of model approaches).

A more comprehensive approach to ESG risks treatment in capital requirements calculation, including possible special treatment of exposures subject to impact of ESG factors, is expected after 2026, based on analyses to be performed by the EBA, and based on the development of the relevant Basel standards. Some important new dimensions in addressing ESG risks are also introduced by CRD6, which requires consideration of ESG factors in shaping strategies and policies, and in all other important administrative processes and systems at banks, while applying the principle of proportionality. The time horizon of the risk management framework will be extended for ESG content to at least ten years, and banks will have to implement ESG stress tests and draw up special plans for addressing ESG risks. ESG risks will also be included in the supervisory processes (SREP) and supervisory stress testing, and there is explicitly expressed possibility of using the systemic risk buffer for managing macroeconomic and systemic risks stemming from ESG factors.

We also participate in European Banking Authority's activities in drawing up the technical standards and guidelines that will define the implementing details regarding the ESG requirements under CRR3 and CRD6.

A new project was launched in 2023 under the auspices of the European Commission with the aim of developing a supervisory framework for ESG risks in the financial sector. This is an international project involving the collaboration of experts from financial sector supervisory institutions from 11 countries across various fields. The project aims to enhance the data infrastructure and analytical capacities and to develop a coordinated approach to supervising ESG risks with the help of an academic consortium. The project is expected to last three years, until autumn of 2026.

³⁰ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

4.4 Climate risks in the macroprudential area

In the macroprudential area we continued to develop the framework for monitoring climate risks, with the monitoring and addressing of climate risks depending on the availability of data and the development of a methodology. In 2023 we included indicators of transitional risk for the first time in the risk and resilience dashboard of the banking system. These include both indicators showing the breakdown of the portfolio based on predefined climate-sensitive activities, as well as carbon indicators that account for the trend of emission changes over time. In particular, the tilt indicator of the NFC banking portfolio towards polluting activities reflects the differences in the breakdown of portfolios with regard to the structure of the economy. Similar activities are also being pursued in the area of monitoring physical risks, which will be included subsequently in the risk and resilience dashboard.

In 2023 we witnessed the materialisation of climate risks, especially in terms of physical risks, while transition risks remained moderate. The floods of August 2023 led to additional uncertainties regarding the outlook for economic growth and consequently banks performance. The first assessments based on flood maps indicated a large spread of possible impacts on bank portfolios, although fortunately the worst-case scenario did not materialise. Transition risks remain moderate, and certain indicators even improved with the stabilisation of energy prices. Bank portfolios remain tilted towards funding polluting activities, but this tilt has decreased significantly. The deterioration in the outlook for economic growth, especially the weaknesses in manufacturing, have been reflected through a slight increase in the share of NPE from more climate-sensitive activities. Credit risk at banks, including from climate risks, remains low.

Last year we sent banks a questionnaire on the future challenges of the banking system. The responses indicate that **in the period 2021–2023 banks made considerable progress in the area of sustainability, while measuring climate risk remains a challenge due to the data gaps and complexity of the topic.** Meanwhile we have determined that the supply of green loans has expanded, and interest rates for green loans are lower than for other types of credit. Regarding international initiatives, European supervisory institutions will carry out the first intersectoral exercise of climate stress tests in 2024. The purpose of the exercise is to assess the preparedness of the European financial sector (banks, insurance companies and capital markets) for the transition to a low-carbon economy (Fit for 55).

4.5 Monitoring environmental risk at banks

Since the publication of the ECB Guide on climate-related and environmental risks in 2020, we have consistently underlined the need for appropriate management of these risks at banks. One of our main supervisory priorities for the period 2023–2025 is for banks to include these risks adequately in their business strategies, internal governance and risk management. Following a thematic review of climate and environmental risk in 2022 we determined that banks must be in compliance with the ECB Guide by the end of 2024. We regularly monitor the progress banks have made in this area and issue banks with recommendations where the expected compliance with the ECB Guide has not yet been achieved. We have found that banks have made the greatest progress in including climate and environmental risk in processes of internal governance, business strategies and processes of managing risk, and have thus established a framework for managing climate and environmental risk in all relevant areas. Meanwhile we expect greater progress in processes for quantifying the effects of climate and environmental risk at the portfolio and individual customer level, something that will be aided by the anticipated development of stress testing frameworks in 2024.

4.6 Development of statistical data and indicators for analysing climate risk

In 2023 at the ESCB level we collaborated in developing data and indicators for analysing the risks stemming from climate change. Within the framework of the ESCB we embarked on a systemic arrangement of data and the indicators stemming from this, which will enable on a European level a transparent and standardised review of sustainable financing (indicators of sustainable finance), financing of CO₂-intensive activities (indicators for CO₂ emissions) and the risks associated with environmental changes (indicators for physical risks). The source of data for the indicators, where possible, is publicly accessible databases, while the methodology for calculations is still being developed. For this reason the published indicators are marked as experimental, and this year we envisage continued publication and an expanded range of all indicators.

4.7 Own carbon footprint

We are actively pursuing fulfilment of the strategic objective set out within the Banka Slovenije Strategy 2021-2026 and geared towards the sustainable orientation of our operations: reducing our own carbon footprint. We are taking steps in the areas of indirect and direct greenhouse gas emissions, whereby we are reducing our own negative environmental impact. In the medium term we are focused on achieving stage-by-stage objectives set out in a specific period, and by achieving them reducing our own carbon footprint.

In the past year we have set goals and implemented measures which have served to reduce indirect emissions. We took steps in the area of shortening supply transport routes, we implemented the provisions of green public procurement and conducted an in-depth energy review of office buildings. With the aim of taking steps towards energy efficiency, in 2023 we performed a study on installing a solar power plant on one of our own buildings. We also pursued activities leading to a reduction in the negative environmental impact in the area of promoting a sustainable orientation among staff members.

Table 6: Own carbon footprint

Emissions	(tCO ₂)
Scope 1: direct emissions (for performing our services)	19.8
Scope 2: indirect emissions (all purchased energy – electricity, heat)	895.6
Scope 3: other types of indirect emissions	3,355.7
Total	4,271.0

For 2023 we performed a measurement of our own carbon footprint based on the requirements of the GHG Protocol Corporate Standard. That standard classifies emissions into three scopes, meaning that in calculating greenhouse gas emissions we covered all direct and indirect emissions generated through our operations. The measurements included all the locations at which business is conducted. For direct emissions we measured fuel consumption emissions for official vehicles, generator emissions and similar direct emissions. For indirect emissions the carbon footprint calculation included the consumption of electricity and thermal energy, the footprint of employees caused by emissions in travelling to work, business travel emissions, the use of paper and waste. The total emissions in 2023 amounted to 4,271.0 t CO₂ equivalent.

In the coming years the focus will be on setting and meeting targets that will drive us in the direction of net zero over the long term.

Diagram 1: Managing environmental factors at Banka Slovenije



Box 6: Study of Product Environmental Footprint (PEF)

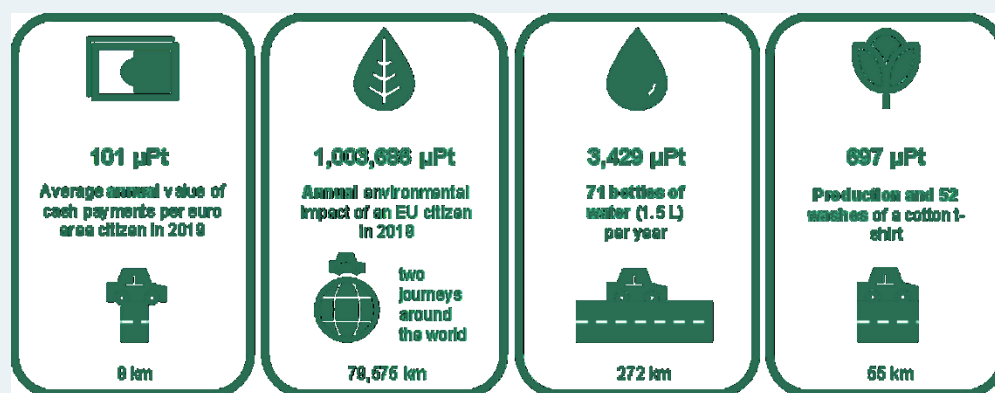
Since 2002 one of the priorities of the Eurosystem has been to reduce the environmental footprint of euro banknotes. To this end a study was conducted in 2004 to estimate the environmental impact of the life cycle of the first series of banknotes.

After introducing the final denomination of the second series of notes, the Eurosystem carried out a PEF study of the environmental footprint of euro banknotes for 2019. The PEF study was based on a methodology developed by the European Commission and built upon the 2004 study. Account was taken of the impact of the entire life cycle of the banknotes, right from obtaining the raw materials, through manufacture of the notes, distribution and destruction. The study involved the cooperation of paper and stationery suppliers, printers, central banks, cash transporters, commercial banks and retail outlets.

The PEF study had two aims: (a) a complete review of the environmental impact of individual stages of the life cycle and (b) detecting aspects of the banknote life cycle where improvements are still possible.

The PEF study showed that the single aggregate result for the average annual value of cash payments per adult member of the population in the euro area in 2019 amounted to 101 micropoints (μ Pt). For comparison, the aggregate annual environmental impact of an adult inhabitant amounts to 1,003,686 micropoints (μ Pt). The measured impact of the banknotes is low (0.01% of the overall impact of an adult in the euro area) and the same as if a euro area inhabitant had driven a standard car 8 km.

Diagram 2: Comparison of the environmental impact of banknotes and other frequently used products



Source: [Study of the environmental impact of euro banknotes as a payment instrument \(europa.eu\)](http://europa.eu)

The activities that generate the carbon footprint of banknotes include the powering of ATMs (37%), banknote transportation (35%), processing banknotes in the distribution stage (10%), consumption of water to make the paper (9%) and verifying the authenticity of banknotes at the point of sale (5%).

Regardless of the fact that the environmental impact of banknotes is small, the Eurosystem will continue to make efforts for the further reduction of the environmental footprint of banknotes, and to this end will invest in research and development (mainly in the development of new series of banknotes).

4.8 EIB and Banka Slovenije conference

On 29 September 2023 Banka Slovenije and the European Investment Bank hosted an international debate devoted to climate change. At the event entitled *Towards the Climate Transition: Green Finance and Investment* the speakers discussed how to finance the green transition to a carbon-neutral economy and what role financial institutions and companies can play in this. The debate was opened by the Deputy Governor of Banka Slovenije, Primož Dolenc, and the Vice-President of the European Investment Bank, Teresa Czerwinska. The main part of the event was a round table moderated by Vice-Governor Tina Žumer, and involved the following participants:

- Patrick Amis, head of the Directorate General Specialised Institutions and LSIs at the ECB
- Daniel C. L. Hardy, researcher at the Vienna Institute for International Economic Studies
- Alenka Recelj Mercina, coordinator of sustainable development at NLB
- Elina Kamenitzer, head of the Operations Support Department, EIB
- Sandra Švaljek, deputy governor of the Croatian central bank and
- Peter Wostner, advisor at the Institute of Macroeconomic Analysis and Development.

Photograph 5: **Participants at the international debate Towards the Climate Transition: Green Finance and Investment**



Banka Slovenije has been involved in providing financial education since 2017, and in recent years we have stepped up efforts in this area. We are fulfilling the aims by expanding and presenting technical and professional content to the public, we are enhancing our presence on social media and we are more open to the general public, while putting a lot of effort into financial education with a focus on children and adolescents. We are seeking in various ways to make financial and central bank topics more accessible to the general public, so in May 2021 we opened the Banka Slovenije Museum, which is intended mainly for education, and in the strategy from 2021 to 2026 we defined financial literacy as one of the strategic objectives.

Boosting financial literacy is one of the strategic objectives of Banka Slovenije for the period 2021–2026.

In order to meet as far as possible the set targets, we are linking up within Slovenia and further afield with other important stakeholders involved in financial literacy.

Since September 2021 we have been promoting informal interinstitutional meetings involving representatives of the Ministry of Finance, the Ministry of Education, the National Education Institute, the Vocational Education Centre and the Financial Administration, and since April 2023 we have participated as members in the official interinstitutional group for designing a centralised financial literacy programme, through the promotion of investment in financial instruments, mutual funds, mutual pension funds and the domestic capital market, headed by the Ministry of Finance. In the spring of 2023 we joined a development working group under the aegis of the Slovenian Adult Education Centre to develop publicly valid and non-formal financial literacy programmes for adults, as providers of seminars for educators and the management of educational institutions we also joined in the project Digitrajni učitelj (Digi-sustainable Teacher), and we have also been providing educational content at seminars for teachers conducted by the Education Institute. Each year we also conduct joint projects with other non-governmental institutions, such as EU House and the Association of Friends of Youth, and this year in carrying out the debate project Masters of the Digital Future we linked up with the Office of the President of Slovenia.

Internationally we cooperate in working groups within the ECB and EBA dealing with financial literacy and consumer protection, and we also monitor the work of the OECD/INFE and each year through various initiatives we are involved in marking Global Money Week, which is held under the auspices of the OECD, while in the area of financial literacy we link up bilaterally with other central banks and share our experience and knowledge at meetings.

5.1 Education programmes

In 2023 as part of the education days we recorded a little over 3,000 visitors of various ages (in 2022 there were approximately 1,500 participants of the education days). Banka Slovenije education days were started in 2017. They are intended in particular for primary and secondary school pupils, and in recent years we have expanded the availability of attendance to groups of preschool children, students and pensioners.

An education day is a two-hour programme in which we present the main tasks of Banka Slovenije, its involvement in the Eurosystem and certain specific topics (monetary policy, bank supervision, financial statistics, analysis of economic trends, bank resolution, payment methods and cash). The level of difficulty is adjusted to the level of knowledge and understanding of the participants, who can add a tour of the Banka Slovenije Museum to their immersion in the educational content and workshops.

In 2023 Banka Slovenije and the Banka Slovenije Museum were visited by more than 4,000 children, adolescents and adults as part of the education programmes.

In 2022 we also introduced the Holiday Day at Banka Slovenije, which is intended for primary school pupils. They can spend a day with us and get to know the functioning of Banka Slovenije, other central bank topics, they can connect with peers who have similar interests, tour our museum, find out all about saving in workshops, and create and thoroughly enjoy a day off. In 2023 we held eight days off, which were attended by a little over 200 children.

Financial Challenge is a collection of finance-related tasks that are suited to being solved in the classroom or at home, and they are divided up by different age levels or primary school triads. Both school groups and individuals can register to solve the challenge. In 2023 we recorded 1,500 correctly solved challenges.

During the 2023 winter holidays TV Slovenija broadcast the show Young Masters of Finance, which we recorded in the summer of 2022 in collaboration with an external production house and TV Slovenija. In the mini TV series a group of young people discover various financial concepts and laws. In the first month of being broadcast, it was watched by more than 200,000 viewers. We also compiled a work book to aid in using the video clips for teaching.

Each year we join the Slovenia-wide marking of Global Money Week, which is held under the auspices of the OECD/INFE. In 2023 in collaboration with the Slovenian Education Institute we organised an introductory national conference on financial literacy, which was attended by educators and representatives of various institutions that provide financial education programmes or design guidelines in this field. During this time Banka Slovenije representatives took part in several round tables, at which together with the representatives of other financial and educational institutions we discussed the importance of financial literacy and the role of individual stakeholders in meeting the goals and fulfilling the tasks that await us in the future in this area. Through various workshops at the Banka Slovenije Museum and online bank lessons we were able to reach out to more than 450 children, adolescents and adults. We worked together with some of them via our social networks, where we held the online prize quiz. In the art competition *Stone by Stone a Palace* more than 300 children from 17 different

primary schools and kindergartens took part. They created works of art representing how they themselves conceive the central bank building. April 2023 in fact marked 100 years from the completion of the bank palace at Slovenska 35.

Box 7: Masters of the Digital Future

In the 2023/2024 school year Banka Slovenije organised the debate project Masters of the Digital Future, which is conducted under the patronage of Slovenian President Nataša Pirc Musar and Banka Slovenije Governor Boštjan Vasle. The project is organised in conjunction with the Slovenian national debating organisation the For and Against Institute. It is aimed at pupils in the final three grades of primary school and in secondary schools.

In debating workshops and tournaments the young participants honed their debating skills, while at the same time pondering and discussing the significance of digitalisation for the banking system, modern payment methods and current economic trends, along with the impact of digital advances on artificial intelligence and on the rights and responsibilities of individuals involved in artificial intelligence.

As part of the project, on 29 August 2023 an introductory seminar was held for mentors and other educators, and we continued the open day on 4 October 2023, which was attended by more than 200 pupils and mentors. By the end of October 45 different primary and secondary schools from across Slovenia had registered for the project, and by the end of January 2024 we had then carried out workshops at the schools, where we provided additional education to more than 600 pupils. At the end of January and beginning of February the debate semi-finals yielded the finalists, who would go on to face each other in the grand final on 11 May in Ljubljana, with the active participation of Slovenian President Nataša Pirc Musar and Governor Boštjan Vasle.

Photograph 6: Banka Slovenije open day as part of the project Masters of the Digital Future



5.2 Banka Slovenije Museum

In 2023 the Banka Slovenije Museum saw a rise in visitor numbers, and created plenty of interesting attractions for visitors. We marked all the major cultural and museum dates – on Prešeren Day we conducted a workshop with an illustrator, where young people had a go at creating their own banknotes, and on International Museum Day and Family Week in May 2023 and the museum nights in June 2023 and the Happy Day of Culture on 3 December 2023 we provided special programmes for children and adults. The museum is open regularly every third Thursday in the month, and at other times too for groups by appointment.

In 2023 the museum was visited by more than a thousand people (if we include visitors under education programmes who also all visited the museum, the number climbs to 4,000). In 2022 there were 300 visitors (or 1,800 including participants of education programmes who also visited the museum). The museum was also visited by several foreign and Slovenian high guests, and expert groups from other financial institutions in Slovenia were also given special guided tours. For the Day of Slovenian Sports, when we issued a commemorative coin, on 2 October 2023 we arranged a special ceremony involving the winners of the first Olympic gold medals for independent Slovenia, Iztok Čop, Luka Špik and Rajmond Debevec.

Photograph 7:
Celebrations for the Day
of Slovenian Sports



Every second Thursday in the month we publish the e-newsletter of the Banka Slovenije Museum, featuring news from the museum and from the central bank world, didactic games, quizzes, interesting links, photographs and an upcoming calendar of events to which we invite the general public. We are active on social networks – in the spring of 2023 the Banka Slovenije Museum set up its own Instagram profile, which also offers current news and a range of explanations and information from the financial world.

In the spring of 2023 the museum introduced the interactive game Atlas's Secret, aimed especially at teenagers and young adults. The game encourages visitors to take a more active part in touring the museum, since it is designed so that secondary school pupils (or other participants) independently explore the museum, while finding out a lot and having fun, and finally by pooling their skills they can unlock the safe that holds a prize for successful explorers. This has helped make the museum content more suitable for the younger generation.

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 2023 Banka Slovenije representatives reported to the National Assembly's finance committee during the presentation of *Banka Slovenije's 2022 Annual Report* and the *Financial Stability Board's Annual Report*. We also presented the *Banka Slovenije Annual 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. To this end and in accordance with the level of confidentiality, they receive all the material and proposed decisions drawn up by Banka Slovenije staff that are decided on at the meeting. This ensures that the executive and legislative branches of government are briefed promptly on matters under the remit of the Governing Board.

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. 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 2023 were:

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

7.2 Work of the Governing Board of Banka Slovenije in 2023

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 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 the tasks that are 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 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 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 members of the Governing Board convened at 21 ordinary meetings and 2 correspondence sessions in 2023. The timetable of meetings is set in advance for the current calendar year. In drawing up the timetable, account is taken primarily of the meetings of various working bodies in the euro area. In order to ensure the maximum presence of members, it is sometimes necessary, albeit rarely, to shift the date of a meeting. As part of the preparations for a meeting the members of the Governing Board, as sectoral heads, pay special attention to the preparation of materials, the clarification and coordination of positions with other Board members and professional staff, which is reflected in the proposed decisions that are generally adopted unanimously, and very rarely with a majority vote or abstention.

The Governing Board discussed a total of 402 agenda items in 2023, most often in the area of banking supervision and licensing, as is the case every year, with somewhat fewer items in the areas of financial stability, bank resolution, cash operations, and payment and settlement systems. Items concerning economic and monetary policy were tied to the timeframe of ECB Governing Council meetings and the availability of data.

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 2023 we fielded and answered a total of more than 700 questions from journalists, and issued 105 press releases, 62 Banka Slovenije publications and four ECB publications. Our representatives took part in numerous major interviews, gave 20 statements to TV or radio, and organised six full press conferences and numerous informal briefings for journalists. We also organised four major panel discussions involving representatives of the profession and the media.

Journalists frequently asked about the state of the Slovenian banking system, our forecasts – especially for inflation – and about interest rate trends. They enquired about our views on enshrining cash in the Constitution, taxation of bank profits, relaxation of limits on lending to individuals and the reimbursement of costs by banks in the case of early loan repayment.

More than 3,150 stories in connection with Banka Slovenije were published in the media in 2023. These appeared for the most part in online media – predominantly the sites Sta.si, Finance.si, Bloombergadria.si and Delo.si. By number of published items these are followed by the print media, television and radio.

In addition to media questions, in 2023 Banka Slovenije received and responded to more than 1,300 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 once again overhauled our set of periodical publications in 2023:

- The *Review of macroeconomic developments* was released eight times. In it we analysed key macroeconomic trends. The medium-term macroeconomic projections for Slovenia made up the centrepiece of the June and December issues. Under a common title the publication combined three previous publications: The Semi-annual overview of economic and financial developments, the Macroeconomic Projections for Slovenia, and the Review of macroeconomic developments.
- *The Financial Stability Review* came out in May and October. In it we analysed and explained the systemic risk in the financial system;
- *Report on bank performance with commentary* was published for the first time under that title last year, and contained key balance sheet data for the banking system, current data on interest rates and non-performing loans, and data on the operations of leasing companies. We published this in June and December. The forerunner of this publication was the Monthly report on bank performance. Since April 2023 that has been published in the form of an enhanced statistical collection of data posted on our website.

The regular statistical publications were the *Bulletin* (monthly newsletter), *Slovenia's International Economic Relations* (monthly), *Financial Accounts of Slovenia* (quarterly), *International Services Trade by Enterprise Characteristics* (annually) and *Direct Investment* (annually).

In the area of research and analysis, last year we started publishing a new set of original articles under the title *Short Economic and Financial Analyses*. These articles provide the original views of analysts regarding specific topics in the area of

macroeconomics, monetary policy, financial stability and other areas of Banka Slovenije operation. Last year there were ten original articles in the collection. We continued to publish the traditional original collections *Banka Slovenije Working Papers* and *Discussion Papers*. The former carried five and the latter seven original articles.

Prizes, public events, conferences and seminars

In 2023 under the aegis of the ECB we organised for the last time the competition Generation Euro. The ECB took the decision to no longer hold the competition in the coming years. It is intended for pupils in the upper years of secondary school. The competition encourages young people to study economics and finance, and to learn about the role, duties and actions of the ECB and the Eurosystem. All the finalists showed a high level of knowledge and innovation. In the 2022/23 academic year the winning team had the name “1nfl4t0rčk1” and was from the II. Gimnazija Maribor general secondary school.

In 2023 we once again awarded prizes to the best doctoral and master’s dissertations in the fields of economics, banking, insurance, finance and financial law. The Dr. Ivan Ribnikar prize was awarded to the seven best master’s dissertations and one doctoral dissertation. In cooperation with the University of Ljubljana School of Economics and Business we conducted eight seminars intended mainly for professional circles.

In 2023 our activities included the organisation of six professional events that were also open to the general public. As part of this, on 3 March 2023 the Governor of the Estonian central bank, Madis Müller, gave a public talk entitled *Why is inflation high and so different among the countries of the euro area?* in which he presented his views on the then current issue of inflation and focused on the difference between Estonia and Slovenia.

As part of the global week of financial education, on 20 March 2023 in cooperation with the Slovenian Education Institute we **hosted the National consultation on financial literacy**, intended for teachers and professionals in education. At this event we joined with various institutions providing financial literacy programmes in Slovenia to present the importance of financial literacy and our work in this field (more on this in section 5).

on 28 March 2023 we **organised a debate entitled Balance of payments – indicator of the state of the economy and a guide for policymakers**. In this we highlighted the importance, reasons and consequences of balance of payment trends and responded to some questions in this area.

At the Banka Slovenije premises we also **hosted the Governor of the Croatian central bank**, Boris Vujčić, who gave a talk on 20 April 2023 entitled *Adoption of the euro during a time of high inflation: the case of Croatia* setting out the process of preparing Croatia for adoption of the common European currency.

On 29 September 2023 we held an **international discussion on Heading into the green transition: sustainable investments**, which was organised together with the European Investment Bank and was focused on climate change (more on this in section 4).

We also organised a round table entitled Digital euro: when cash meets technology, at which those present – Peter Kažimír, Governor of the Slovakian central bank, Madis Müller, Governor of the Estonian central bank, Edward Scicluna, Governor of the Maltese central bank, Gediminas Šimkus, Governor of the Lithuanian central bank, Bo-

ris Vujčić, Governor of the Croatian central bank, and Banka Slovenije Governor Boštjan Vasle – discussed why the central banks are considering issuing a digital euro, the advantages of a digital currency for users, possible risks and what the digital euro would mean for cash. Since this was a hot topic, the event drew a sizeable Slovenian and international audience.

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. 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 62 e-books in 2023, and forwarded 22 online professional papers and reports issued by various financial institutions that we monitor. Last year 77 e-journals were maintained and updated on the intranet site. We purchased ten print versions of books and 172 serial publications (financial journals and foreign dailies specialising in economics and finance). For our staff we borrowed 99 books under inter-library loans. Subscriptions were renewed for 21 different databases used by employees in their work.

Banka Slovenije's Mala Galerija

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 2023, in collaboration with outside institutions and festivals active in arts and culture. We also participated in all the major cultural and museum events in Slovenia's capital city.

In 2023 we staged 11 exhibitions, two more than the previous year. The exhibitions, together with all the accompanying events, were seen by 6,572 visitors, the largest number since the beginning of 2019, when the Mala Galerija reopened its doors.

In cooperation with the University of Ljubljana we staged a full eight exhibitions in 2023 featuring a range of artistic fields, and in this way **supported the work of young, as yet unestablished artists.** The Mala Galerija offered a platform for artistic work and projects by students from the University of Ljubljana's Faculty of Arts, Academy of Fine Arts and Design, Faculty of Architecture and Faculty of Natural Sciences and Engineering.

We also hosted the independent exhibitions of two young artists, Neža Knez in a co-production with the University of Ljubljana, and photographer Jon Derganc.

One of the more prominent exhibitions in 2023 was entitled **Seven Yellow Gold Coins – Money in everyday and festive life, which Banka Slovenije staged in collaboration with the National Museum of Slovenia, the Slovenian Ethnographic Museum and the Numismatic Society of Slovenia.** This marked a visible step taken in the area of inter-institutional cooperation. We enhanced the exhibition with numerous accompanying events – the narrating of Slovenian folk tales for children, a concert of Slovenian folk songs and a range of expert guided tours. Due to the great interest this generated, we extended the exhibition by two weeks.

**Box 8: Banka Slovenije
exhibition *Seven Yellow
Gold Coins – Money in
everyday and festive life***

The *Seven Yellow Gold Coins* exhibition explores, reflects and revives the role of money in the folk traditions of the Slovenian geographical and cultural area. It examines the wealth of the diverse meanings and forms of money, either tangible or intangible, direct or indirect. The exhibition is divided into three carefully designed sections, which trace the different iterations of money in the everyday and festive lives of people in the past and present the echoes extending to the present.

The first section focuses on the numismatic dimension of money, which includes gold, silver and copper coins. These are not merely the bearers of financial value but are also enriched with the vibrant tradition of folk story-telling and poetry. They are followed by colourful customs and traditions that combine money with the life cycle of past generations, from birth to death, connecting it with the annual cycle of tasks, rituals and holidays. Within these contexts, money emphasises the importance and weight of various elements in everyday life. The last section highlights the importance of money as a decorative element in jewellery and ornamentation. This part reveals the aesthetic value of money and presents how it is integrated into the folk art tradition, showing how money transcends its mere economic role and becomes an important part of cultural heritage that connects the past, present and future.

It is truly in these folk traditions, customs, clothing and folk art, as well as the folk names of money and in pop culture – which all constitute cultural heritage – that we can see not only the history of money, but also the history of the Slovenian lands and its people. Banka Slovenije is happy to dedicate its time and attention to all of this, including with the exhibition *Seven Yellow Gold Coins*.

**Photograph 8: *Seven
Yellow Gold Coins***



7.4 Risk management

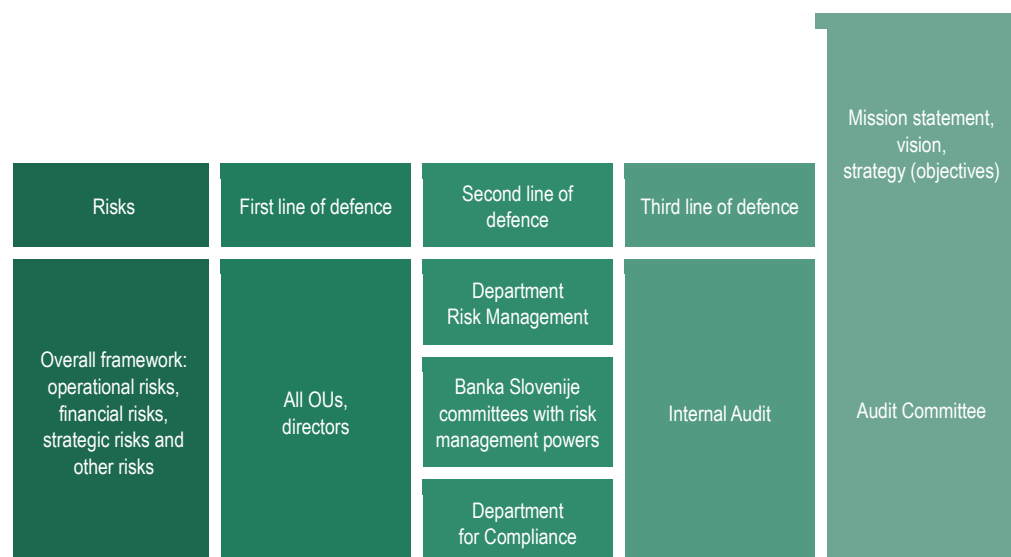
Risk management is monitored and overseen on the basis of a structured systemic approach, which is set out by the overall risk management framework. The overall framework defines the principal types of risk that Banka Slovenije faces and manages.

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, coordinating 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 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. In the past year the Risk Committee met seven times and addressed 51 agenda items, mainly in the area of operational risk and information security risk, while the investment committee met 13 times to discuss 114 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 and the Banka Slovenije Code of Ethics

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 department is responsible for implementing an effective internal 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 regarding internal governance and in its employees' conduct with regulations, bylaws, 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 Slovenije 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. The Code thus lays down the expectations and requirements in relation to employees and our partners in fulfilling the aims and values of Banka Slovenije. In this the Code provides detailed guidelines regarding how to handle conflicts of interest, receiving gifts and benefits, performing activities beyond professional duties and the incompatibility of functions and tasks, public and non-public contacts with external stakeholders, protection of non-public information, concluding financial transactions, the prohibition on abuse of inside information and restrictions regarding the pursuit of gainful activity after ceasing work at Banka Slovenije (cooling off period).

In 2023 we adopted a new Code of Ethics of Banka Slovenije and strengthened our commitments and standards of conduct that are binding on members of the Banka Slovenije Governing Board and employees in key areas of the bank's operations. New rules entered into force concerning private financial transactions, whereby members of the Banka Slovenije Governing Board are prohibited from investing in financial instruments, with rare exceptions that are expressly defined. These prohibitions serve to reinforce the mechanisms for the independent and unbiased functioning of members in making decisions on matters within the competence of Banka Slovenije and to strengthen the trust that in their decision-making members are guided exclusively by public interests.

7.6 Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an 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 function is to assist Banka Slovenije's management in making improvements to quality, efficiency and effectiveness within the framework of applicable legislation, and Banka Slovenije's strategy, business policies and business 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.

The internal audit department functions independently from other organisational units and in the organisational structure is directly subordinated and answerable to the Governor, it conducts audits of functions, processes, data/information, projects and systems in all areas of Banka Slovenije operations and in all elements of the operation of the Eurosystem, ESCB and SSM present in Banka Slovenije.

The internal audit department is responsible for:

- drawing up and implementing its annual plan of work;
- reporting on the outcome of audits, which may include an assessment as to whether:
 1. the risks associated with attaining the strategic objectives have been properly identified and managed;
 2. the conduct of employees and contract-based workers complies with laws, regulations, policies and bylaws;
 3. the results of activities are aligned with the corresponding objectives;
 4. 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 auditor of Banka Slovenije's financial statements, and those of the funds under its management.

The internal audit department reports periodically to the audit committee, the Governor and the Governing Board on the outcomes of audits, its findings, the follow-up of recommendations, other investigations, and 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 for the Governing Board, and in so doing 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 auditing tasks 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 supervision.

The Audit Committee met five times in 2023. It addressed the external auditor's report on the audited financial statements, and the approach to auditing at Banka Slovenije, the bank resolution fund, the deposit guarantee fund, and the resolution and deposit guarantee fund for 2022. 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 and at the request of the Audit Committee the external auditor revised the audit report in accordance with Article 11 of the aforementioned regulation, which prescribes mandatory elements for an additional report to the audit committee.³¹

The Audit Committee was also briefed on reports on the work of the internal audit department, it looked into the documentation related to the public tender for a new external auditor for the financial statements of Banka Slovenije and was briefed on the proposed selection, it issued opinions with regard to all audit engagements, followed up the implementation of internal audit recommendations and the work of the external auditor, and discussed the reports of the commission for investigating internal breaches at Banka Slovenije.

In 2023 the Audit Committee was also briefed on the Banka Slovenije risk reports compiled by the risk management department, and the report on the compliance department's work completed in the previous year.

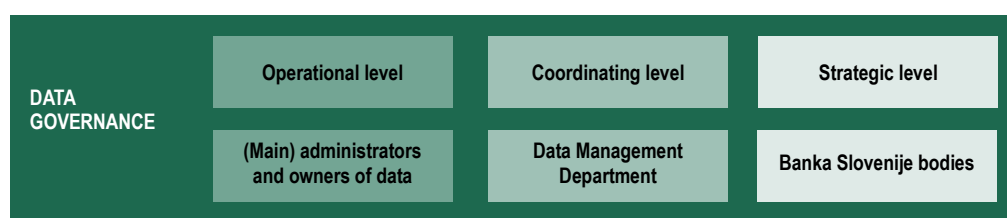
³¹ <https://eur-lex.europa.eu/legal-content/SL/TXT/?uri=CELEX%3A32014R0537>.

7.8 Data governance

Data is of strategic importance for Banka Slovenije, and is a vital component of the majority of business processes, and effective data governance is therefore the duty of all employees at Banka Slovenije. Data governance at Banka Slovenije encompasses numerous aspects: data architecture, data modelling, the data warehouse and business notification tools, metadata, codes, data quality, and data governance itself. The data management department 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 department's mandate focuses on:

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

Diagram 4: **Data governance**



Source: Banka Slovenije.

In the area of data governance activities continued in 2023 aimed at improving processes tied to data and data architecture. Together with an external advisor we studied the existing challenges in the area of data governance and the current data architecture, and formulated a concept for transferring the latest practices into numerous aspects of data governance at the Banka Slovenije level. One of the results of this was the revision of the Rules on the management of analytical data at Banka Slovenije and the start of a project to plan and construct a targeted data architecture, which will include the construction of a new data storage facility in the cloud and an upgrade of the analytical/BI tools. In addition to these activities, the existing data catalogue was upgraded in the past year. In the area of the reporting framework, the mixed working group for reporting met twice in 2023 and addressed and harmonised the new and modified data requirements of Banka Slovenije. An important part of the working group's discussions focused on the ESCB's IReF project to integrate statistical reporting, which will dictate a large proportion of the future activities at Banka Slovenije in the area of data governance, creating the targeted data architecture and the future reporting framework.

Box 9: Use of artificial intelligence and big data

In response to the complexity of processes and activities in the area of the prevention of money laundering and terrorist financing (hereinafter: AML/CFT), the ever increasing supranational requirements (e.g. FATF standards), the requirements of European legislation and the European Banking Authority (EBA) and especially the rapidly changing technology and the associated opportunities for AML/CFT, in 2023 Banka Slovenije in cooperation with the Jožef Stefan Institute completed the development of a pilot advanced tool for exercising supervision in the area of preventing AML/CFT risks (i.e. Supervisory Technology or SupTech).

The tool enables the processing of a large quantity of data and the inclusion of a larger number of sources which are independent of each other and reliable, and which provide immediate information on events in the wider environment and thereby potential AML/CFT risks. Using machine learning and artificial intelligence, the tool recognises unusual patterns and alerts the supervisory authority to risks concerning a specific entity or across the entire sector. This enables the supervisory authority both a more rapid response to new risks and higher quality and more targeted oversight over identified risks.

Through the development of the SupTech tool Banka Slovenije is keeping pace with international initiatives to use modern tools in exercising supervisory powers, including the EU Digital Strategy. The fact that the supervisory authority needs advanced tools for analysing data and large quantities of data that are available is something also determined by the EBA. The EBA sees the greatest potential for the use of SupTech tools in the area of preventing AML/CFT risks especially in:

- increasing supervisory capacities through the use of various data sources;
- assessing AML/CFT risks at financial institutions using advanced analytics and analysis and
- identifying new trends and patterns of AML/CFT.

In developing our own advanced tool we addressed the stated possibilities and in the framework of a single platform we started developing several functionalities that will enable (i) more effective and higher quality supervisory activities using a large quantity of data from a variety of sources, (ii) the introduction of greater automation and analytics in assessing the risks of those under scrutiny and (iii) the use of analytics for more rapid identification of new and emerging risks and typologies of AML/CFT.

7.9 Banka Slovenije's performance in 2023

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 2023

The balance sheet total stood at EUR 37.9 billion as at 31 December 2023, markedly higher than at the end of 2022 (EUR 33.1 billion).

On the assets side, due to early repayments by commercial banks there was a EUR 0.7 billion reduction in the balance of longer-term refinancing operations. Equally, due to the discontinuation of reinvestment in the APP portfolio there was a EUR 0.6 billion reduction in the balance of securities held for monetary policy purposes. The largest exposure within holdings of securities held for monetary policy purposes consisted of Slovenian government bonds (EUR 14.6 billion).

On the liability side there were increases in deposits by commercial banks (in the amount of EUR 2.2 billion) and euro deposits by the government and other customers (EUR 1.0 billion). There was an increase of EUR 1.8 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 from cross-border transactions with other national central banks and the ECB via the TARGET system (by EUR 5.6 billion).

Financial performance in 2023

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 in 2023 was negative in the amount of EUR 161.6 million. 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 asset and liability mismatch. This means that we are paying higher interest on a large part of our short-term 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 9.4 million. 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 5.5 million in 2023, 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 events. Banka Slovenije held EUR 545 million of general provisions at the beginning of the year on the basis of past operations. Provisions in the net amount of EUR 241.8 million were released in 2023 for the coverage of expenses arising from exposure to financial risks. A total of EUR 0.4 million in provisions were released for employees and known risks. Net fees and commission (EUR 12.9 million), income from participating interests (EUR 7.6 million), the net result from the pooling of Eurosystem monetary income (minus EUR 59.5 million) and other income (EUR 3.5 million) amounted to minus EUR 35.5 million in 2023. Operating costs amounted to EUR 48.0 million in 2023. Banka Slovenije thus generated a surplus of income over expenses in the amount of EUR 1.0 million. The distribution of the surplus will be undertaken in line with applicable legislation.

Table 7: **Banka Slovenije's contributions to Slovenia's state budget, EUR million**

Year	Surplus	Legal requirement of contribution to state budget	Contribution to state budget
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
2023	1.0	0.2	0.2
Total			75.4

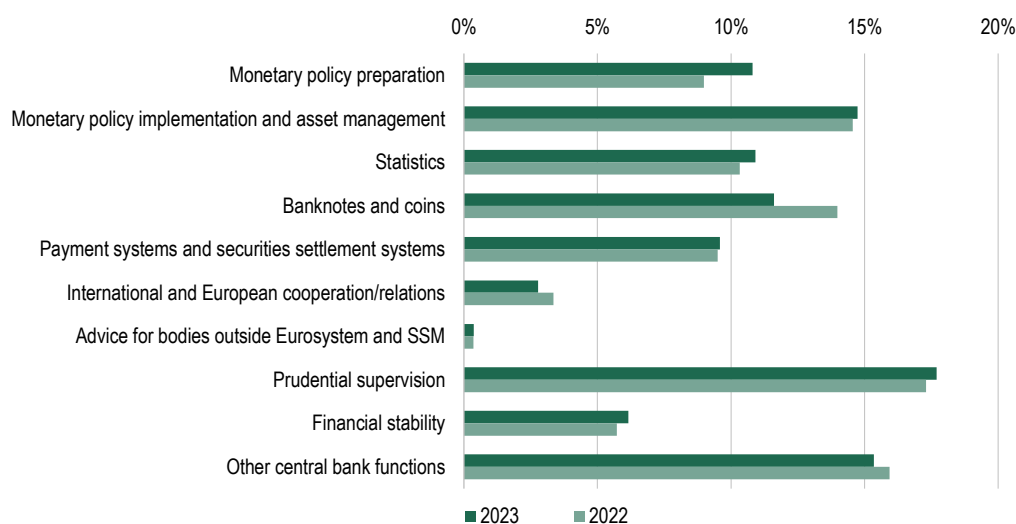
Source: Banka Slovenije.

Operating costs

Banka Slovenije's operating costs are the result of the implementation of its tasks set out by law. Figure 30 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 48.0 million in 2023, up EUR 2.1 million on the previous year. Labour costs make up the majority (69%) 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 33.1 million in 2023 (EUR 30.1 million in 2022). 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. Administrative expenses, banknote printing costs, amortisation and depreciation of fixed assets, and other costs amounted to EUR 14.9 million, a reduction of EUR 0.8 million from 2022.

Figure 30: **Itemisation of costs by individual task (in %)**



Source: Banka Slovenije.

Table 8: Year-end balance sheet, 2019 to 2023, EUR million

Assets	2019	2020	2021	2022	2023
1. Gold and gold receivables	138	158	165	174	191
2. Claims on non-euro-area residents denominated in foreign currency	763	911	1,836	1,955	1,954
3. Claims on euro area residents denominated in foreign currency	37	33	25	41	40
4. Claims on non-euro-area residents denominated in euro	1,365	1,209	1,079	1,089	1,193
5. Lending to euro area credit institutions related to monetary policy in euro	995	1,377	2,363	771	74
6. Other claims on euro area credit institutions denominated in euro	0	0	4	5	0
7. Securities of euro area residents denominated in euro	11,355	14,888	17,782	18,470	18,183
8. General government debt denominated in euro	-	-	-	-	-
9. Intra-Eurosystem claims	3,748	7,024	9,501	10,163	15,739
10. Items in course of settlement	-	-	-	0	0
11. Other assets	412	396	402	467	542
Total assets	18,815	25,995	33,157	33,136	37,916
Equity and liabilities	2019	2020	2021	2022	2023
1. Banknotes in circulation	5,740	6,355	6,842	6,964	6,888
2. Liabilities to euro area credit institutions related to monetary policy in euro	4,348	7,097	9,748	8,877	11,069
3. Other liabilities to euro area credit institutions denominated in euro	-	17	582	377	392
4. Debt certificates issued	-	-	-	-	-
5. Liabilities to other euro area residents denominated in euro	3,416	5,735	6,489	5,837	6,806
6. Liabilities to non-euro-area residents denominated in euro	134	34	292	269	272
7. Liabilities to euro area residents denominated in foreign currency	6	6	6	37	27
8. Liabilities to non-euro-area residents denominated in foreign currency	-	-	-	-	-
9. Counterpart of special drawing rights allocated by the IMF	266	254	962	974	946
10. Intra-Eurosystem liabilities	2,815	4,333	5,909	7,599	9,353
11. Items in course of settlement	-	-	4	5	-
12. Other liabilities	145	109	125	175	248
13. Provisions	573	622	697	559	318
14. Revaluation accounts	163	189	241	208	342
15. Equity and reserves	1,027	1,163	1,224	1,251	1,253
16. Surplus of income over expenses for the current year	181	81	37	2	1
Total liabilities	18,815	25,995	33,157	33,136	37,916

Source: Banka Slovenije.

Table 9: Profit and loss account, 2019 to 2023, EUR million

	2019	2020	2021	2022	2023
1. Net interest income	140	150	160	131	-162
2. Net result of financial operations, write-downs and risk provisions	31	-51	-79	-79	246
3. Net income from fees and commissions	11	13	13	14	13
4. Other income	39	10	-14	-19	-48
5. Operating costs	-40	-41	-43	-46	-48
Surplus of income over expenses for the current year	181	81	37	2	1

Source: Banka Slovenije.

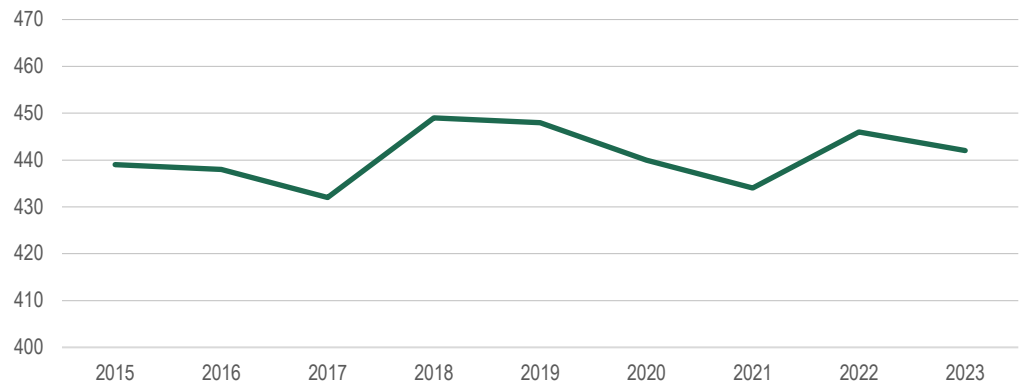
Employees

In 2023 we continued good practices in the areas of HR and operational organisation. We introduced some new approaches and changes on strategic and operational levels. Banka Slovenije has been a recipient of a Best Employer award for several years now, and holds full Family-Friendly Company certification. In 2023 we continued to introduce new measures to improve the possibilities for work-life balance among employees. We organised two volunteer actions linked to the Slovenian Philanthropy organisation in which employees volunteered their time. In the first action we provided assistance in the field to those affected by the floods, and in the second action we brightened the day for residents of an elderly care home with a social gathering and tour of the Banka Slovenije Museum and National Gallery.

We advertised 35 vacancies, to which a total of 802 candidates applied. Job-seekers showed the greatest interest in being hired for work in the Governor's office, HR and IT. We employed 24 new staff members, while two returned from temporary assignments from the ECB. In the past year 15 staff members left. Four of them retired, nine are continuing their careers outside Banka Slovenije and the ESCB, and two opted to gain work experience at the ECB for a short or long period. The average age of staff members at Banka Slovenije was 46 years and 9 months last year. Since the previous year this age has increased by four months. There are more women employees (52%) than men (48%). Of the management positions, 37% are occupied by women. Some 77% of staff members at Banka Slovenije hold at least a Level VII qualification.

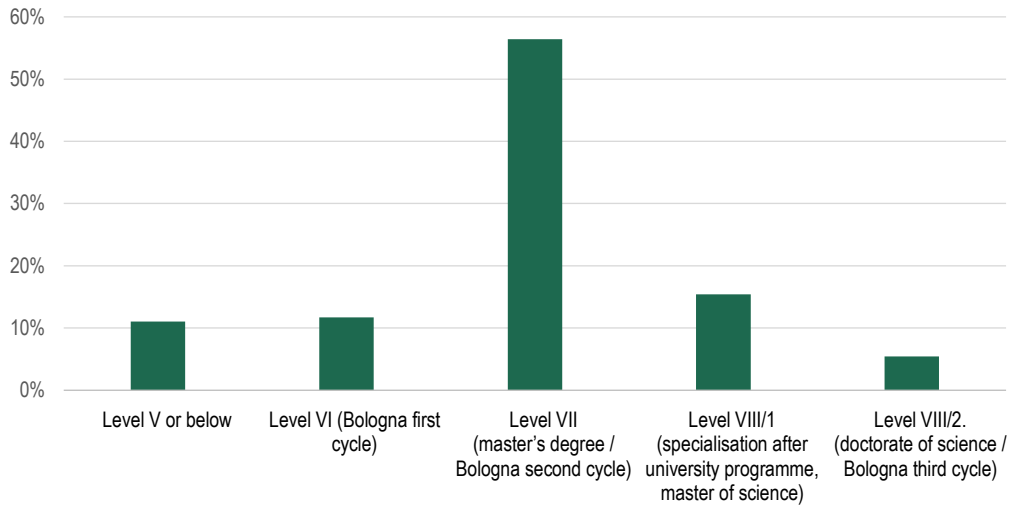
Banka Slovenije had an effective headcount of 442 as at 31 December 2023.³²

Figure 31: Effective headcount at Banka Slovenije, 31 December 2023



Source: Banka Slovenije.

Figure 32: Breakdown of staff qualifications, 31 December 2023



Source: Banka Slovenije.

³² 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).

Box 10: Volunteering at Banka Slovenije

In 2023 staff members took part in two voluntary actions organised under the auspices of the Slovenian Philanthropy organisation.

Together we stepped up and helped when Slovenia was hit by catastrophic flooding. In the framework of the Slovenian network of voluntary organisations we took part in a day-long organised volunteer action on 25 August 2023. On that Friday Banka Slovenije volunteers joined others who had come together through Slovenian Philanthropy or the online application Poplave 23 (Floods 23) to help out with bulky waste in Komenda. We sorted waste material that had been generated by the high waters. It was an exceptionally hot day, but there was a great atmosphere nonetheless. Through this help we added a small part to restoring things following the floods.

The second voluntary action was held on 29 November 2023. In this smaller-scale, short action Banka Slovenije enlivened the day for some residents of the Ljubljana Vič-Rudnik elderly care home, Bokalce unit, who came on a brief excursion to the centre of Ljubljana. A special bus converted to carry people with motor disabilities took 15 care home residents and eight escorts to the Šentjakob Theatre, where they were received by volunteers from Banka Slovenije. Together we strolled through the market place and toured the city centre, and those interested could also visit the Banka Slovenije Museum, where memories of paying with the tolar currency were revived, and the visitors viewed with fascination the numismatic exhibits and other displays, and got to feel the weight of a gold bar. We continued the get-together at the National Gallery, where we first had a warming coffee in the cafe and then were given a guided tour of the permanent collection in the gallery's exhibition area. The hours we spent together left good feelings in all of us. The care home residents were enormously grateful to us for laying on the transport into the city, chatting with them, touring the exhibitions and escorting them on this delightful get-together. For all those who could not take part in the action the bank also organised the collection of various board games, which staff members then presented as gifts to the Bokalce home residents to brighten their December days and offer them some fun times in the future.

7.10 Court proceedings

At the end of 2023 four administrative disputes were in progress, in two of which Banka Slovenije was an accessory participant against a decision by the Information Commissioner, and in two Banka Slovenije was the defendant in connection with administrative decisions issued in a supervisory procedure and in a bank resolution procedure.

Banka Slovenije was involved in 159 pending litigation proceedings at the end of 2023, 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.

Three cases were pending at the end of 2023 with regard to misdemeanours decisions following the lodging of requests for judicial protection, while Banka Slovenije was involved in five cases of bankruptcy proceedings as a creditor.

Two cases were pending at the Slovenian Constitutional Court as at 31 December 2023, one a petition for a ruling on the constitutionality and legality of a Banka Slovenije act and the other a constitutional complaint regarding a final ruling in a labour dispute.

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 2023;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, comprising 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.

Responsibilities of the Governing Board of Banka Slovenije and the Audit Committee of the Banka Slovenije for the financial statements

Governing Board of Banka Slovenije is responsible for the preparation of these financial statements in accordance with the Reporting framework for Banka Slovenije, and for such internal control as

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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.



Governing Board of Banka Slovenije 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, Governing Board of Banka Slovenije 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 Governing Board of Banka Slovenije either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of Banka Slovenije is 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 Governing Board of Banka Slovenije.
- Conclude on the appropriateness of Governing Board of Banka Slovenije'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.

We communicate with the 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 2024

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.

Constitution

Banka Slovenije was constituted by the Law on Banka Slovenije of 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 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 reasonably be 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 2023 plus the European Central Bank (ECB). The term "Eurosystem" refers to the 20 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 2023, mid-market prices on 29 December 2023 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:

	2023	2022
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 the asset item “Tangible and intangible fixed assets” and the 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 key.⁶

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

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 has 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.

share of banknotes allocated to each NCB is disclosed in the balance sheet under the 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 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, the adjustment resulted from the accession of Hrvatska narodna banka (in 2023) and will terminate at the end of 2028.

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 TARGET¹⁰ and give rise to bilateral balances in the TARGET accounts of EU central banks. Payments conducted by the ECB and the national central banks (NCBs) also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position of each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis.

Intra-Eurosystem balances of Banka Slovenije vis-à-vis the ECB arising from TARGET, as well as other intra-Eurosystem balances denominated in euro (e.g. interim ECB profit distributions to NCBs, if any, 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 TARGET 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 the central banks of Member States whose derogations have been abrogated.

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 was 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.

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 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”.

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.

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. The 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 for risks arising from the asset-liability mismatch.

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 or 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 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 Article 28 of the Statute of the ESCB, the ESCB national central banks are the sole subscribers to the capital of the ECB. Pursuant to Article 29 of the Statute of the ESCB, the weightings assigned to the NCBs in the key for subscription to the ECB's capital are adjusted every five years.¹⁵ The most recent such adjustment took effect on 1 January 2024.

	Capital key since 31 December 2023 (%)	Capital key as at 1 January 2024 (%)
Nationale Bank van België/Banque Nationale de Belgique	2.9630	3.0005
Deutsche Bundesbank	21.4394	21.7749
Eesti Pank	0.2291	0.2437
Central Bank of Ireland	1.3772	1.7811
Bank of Greece	2.0117	1.8474
Banco de España	9.6981	9.6690
Banque de France	16.6108	16.3575
Hrvatska narodna banka	0.6595	0.6329
Banca d'Italia	13.8165	13.0993
Central Bank of Cyprus	0.1750	0.1802
Latvijas Banka	0.3169	0.3169
Lietuvos bankas	0.4707	0.4826
Banque centrale du Luxembourg	0.2679	0.2976
Central Bank of Malta	0.0853	0.1053
De Nederlandsche Bank	4.7662	4.8306
Oesterreichische Nationalbank	2.3804	2.4175
Banco de Portugal	1.9035	1.9014
Banka Slovenije	0.3916	0.4041
Národná banka Slovenska	0.9314	0.9403
Suomen Pankki	1.4939	1.4853
Total euro area NCBs	81.9881	81.7681
Bulgarian National Bank	0.9832	0.9783
Česká národní banka	1.8794	1.9623
Danmarks Nationalbank	1.7591	1.7797
Magyar Nemzeti Bank	1.5488	1.5819
Narodowy Bank Polski	6.0335	6.0968
Banca Națională a României	2.8289	2.8888
Sveriges Riksbank	2.9790	2.9441
Total non-euro area NCBs	18.0119	18.2319
Total euro area and non-euro area NCBs	100.0000	100.0000

¹⁵ These weights are also adjusted whenever there is a change in the number of NCBs that contribute to the ECB's capital. These are the NCBs of EU Member States.

On 1 January 2024, the share that Banka Slovenije held in the subscribed capital of the ECB increased from 0.3916% to 0.4041% and consequently asset item 9.1 “Participating interest in the ECB” increased by EUR 1.4 million to EUR 84.1 million.

Pursuant to Article 30.2 of the Statute of the ESCB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are fixed in proportion to their share in the ECB’s subscribed capital. Given the increase in the weighting of Banka Slovenije in the ECB’s subscribed capital, the claim equivalent to this transfer was also adjusted accordingly. This resulted in an increase of EUR 6.2 million on 1 January 2024, which was paid to the ECB.

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

On 22 February 2024, the Government of the Republic of Slovenia adopted a Decision sending to the National Assembly of the Republic of Slovenia for first reading a draft law on the procedure for judicial protection of former holders of qualified liabilities of banks. As currently understood, the main content of the draft law is as follows: Banka Slovenije shall no longer be the payer of compensation, but the State. The State may seek reimbursement of potential payment from Banka Slovenije in a later separate litigation if proving that Banka Slovenije breached its duty of care. A prior opinion of a group of independent experts is envisaged under the draft law; compensation shall be limited in accordance with a specific settlement scheme; either individual or collective actions are permitted; consolidation of lawsuits and a model procedure is also possible. We understand that given the current status of the law, it does not have any impact on the financial statements for the year ended 31 December 2023.

Changes to accounting policies

In 2023, 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 2023 and 31 December 2022

ASSETS (thousand euro)	Note number	31 December 2023	31 December 2022
1 Gold and gold receivables	1	190,922	174,388
2 Claims on non-euro area residents denominated in foreign currency	2	1,953,913	1,954,716
2.1 Receivables from the IMF		1,158,770	1,199,616
2.2 Balances with banks and security investments, external loans and other external assets		795,142	755,099
3 Claims on euro area residents denominated in foreign currency	3	40,333	41,097
4 Claims on non-euro area residents denominated in euro	4	1,192,968	1,089,070
4.1 Balances with banks, security investments and loans		1,192,968	1,089,070
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	73,670	771,320
5.1 Main refinancing operations		-	-
5.2 Longer-term refinancing operations		73,670	771,320
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	298	5,422
7 Securities of euro area residents denominated in euro	7	18,182,751	18,469,857
7.1 Securities held for monetary policy purposes		16,658,669	17,261,612
7.2 Other securities		1,524,082	1,208,245
8 General government debt denominated in euro		-	-
9 Intra-Eurosystem claims	8	15,739,118	10,163,265
9.1 Participating interest in ECB		84,067	84,067
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)		15,460,793	9,884,941
10 Items in the course of settlement	9	11	25
11 Other assets	10	542,243	466,690
11.1 Coins of euro area		2,351	3,747
11.2 Tangible and intangible fixed assets		53,337	53,352
11.3 Other financial assets		51,746	52,651
11.4 Off-balance-sheet instruments revaluation differences		6,532	7,344
11.5 Accruals and prepaid expenditure		265,434	199,912
11.6 Sundry		162,843	149,684
12 Loss for the year		-	-
Total assets		37,916,225	33,135,849

* Only an ECB balance sheet item

LIABILITIES (thousand euro)	Note number	31 December 2023	31 December 2022
1 Banknotes in circulation	11	6,887,963	6,964,106
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	12	11,069,212	8,876,635
2.1 Current accounts (covering the minimum reserve system)		538,419	470,539
2.2 Deposit facility		10,530,794	8,371,096
2.3 Fixed-term deposits		-	-
2.4 Fine-tuning reverse operations		-	-
2.5 Deposits related to margin calls		-	35,000
3 Other liabilities to euro area credit institutions denominated in euro	13	391,681	377,244
4 Debt certificates issued		-	-
5 Liabilities to other euro area residents denominated in euro	14	6,806,497	5,837,335
5.1 General government		6,105,545	5,225,946
5.2 Other liabilities		700,952	611,389
6 Liabilities to non-euro area residents denominated in euro	15	272,362	268,723
7 Liabilities to euro area residents denominated in foreign currency	16	27,018	37,261
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	945,834	973,842
10 Intra-Eurosystem liabilities	18	9,353,321	7,599,374
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		9,353,321	7,599,374
10.4 Other liabilities within the Eurosystem (net)		-	-
11 Items in the course of settlement	19	-	5,130
12 Other liabilities	20	248,448	175,258
12.1 Off-balance-sheet instruments revaluation differences		-	4
12.2 Accruals and income collected in advance		147,114	76,384
12.3 Sundry		101,334	98,871
13 Provisions	21	317,656	559,342
14 Revaluation accounts	22	342,451	208,367
15 Capital and reserves	23	1,252,804	1,251,481
15.1 Capital		8,346	8,346
15.2 Reserves		1,244,458	1,243,135
16 Profit for the year		977	1,749
Total liabilities		37,916,225	33,135,849

* Only an ECB balance sheet item

Profit and loss account for the years ending 31 December 2023 and 2022

(thousand euro)	Note number	2023	2022
1.1 Interest income		772,514	249,436
1.2 Interest expense		-934,080	-118,665
1 Net interest income	27	-161,566	130,772
2.1 Realised gains/losses arising from financial operations		9,401	8,898
2.2 Write-downs on financial assets and positions		-5,547	-225,169
2.3 Transfer to/from provisions for financial and other risks		242,177	137,455
2 Net result of financial operations, write-downs and risk provisions	28	246,032	-78,816
3.1 Fees and commissions income		15,543	17,202
3.2 Fees and commissions expense		-2,664	-2,863
3 Net income from fees and commissions	29	12,880	14,338
4 Income from equity shares and participating interests	30	7,598	6,038
5 Net result of pooling of monetary income	31	-59,461	-27,434
6 Other income	32	3,497	2,707
Total net income		48,977	47,604
7.1 Staff costs		-33,074	-30,123
7.2 Administrative expenses		-10,454	-9,177
7.3 Depreciation of tangible and intangible fixed assets		-2,452	-2,704
7.4 Banknote production services		-1,034	-2,110
7.5 Other expenses		-987	-1,741
7 Total operating expenses	33	-48,000	-45,855
8 Profit for the year	34	977	1,749

The notes on pages 16 to 36 form an integral part of the financial statements.

The unaudited financial statements were approved by the Governing Board on 4 March 2024, and these final financial statements were approved by the Governing Board on 4 April 2024 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 29 December 2023. This price, communicated by the ECB, amounts to EUR 1,867.828 per ounce of fine gold compared to EUR 1,706.075 on 30 December 2022. The unrealised positive valuation effects of EUR 141.6 million were disclosed under the liability balance sheet item "Revaluation accounts".

	000 EUR	Fine troy ounces
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
Revaluation of gold stock as at end of 2023	16,534	-
Balance as at 31 December 2023	190,922	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 the 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 1.2157 (31 December 2022: SDR 1 = EUR 1.2517), 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 2023		31 December 2022		Change	
	000 SDR	000 EUR	000 SDR	000 EUR	000 SDR	000 EUR
Quota	586,500	713,008	586,500	734,122	-	-21,114
Less IMF holdings of euro	-423,539	-514,896	-423,539	-530,143	-	15,247
Reserve tranche at the IMF	162,961	198,112	162,961	203,979	-	-5,867
SDR Holdings	790,210	960,658	795,428	995,638	-5,218	-34,979
Total	953,171	1,158,770	958,390	1,199,616	-5,218	-40,846

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 29 December 2023.

Breakdown of foreign currency assets by type of investment:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Sight deposits	4,053	1,466	2,588
Debt securities	379,390	412,825	-33,434
Investment funds	411,699	340,809	70,890
Total	795,142	755,099	40,043

Breakdown of foreign currency assets by currency:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
USD	719,410	676,520	42,890
CNY	75,443	77,971	-2,529
Other currencies	290	608	-318
Total	795,142	755,099	40,043

Breakdown of debt securities according to their residual maturity:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	5,762	46,841	-41,078
>1 year and ≤ 5 years	215,990	224,854	-8,864
> 5 years	157,638	141,130	16,508
Total	379,390	412,825	-33,434

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 29 December 2023.

Breakdown of foreign currency assets by type of investment:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Sight deposits	8	8	0
Debt securities	40,325	41,088	-763
Total	40,333	41,097	-764

Breakdown of foreign currency assets by currency:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
USD	40,333	41,097	-764
Total	40,333	41,097	-764

Breakdown of debt securities according to their residual maturity:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	25,084	13,151	11,934
>1 year and ≤ 5 years	2,600	27,938	-25,337
>5 years	12,640	-	12,640
Total	40,325	41,088	-763

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 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Sight deposits	0	0	-
Debt securities	1,192,968	1,089,070	103,898
Total	1,192,968	1,089,070	103,898

Breakdown of debt securities according to their residual maturity:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	304,962	171,950	133,012
>1 year and ≤ 5 years	701,766	703,604	-1,838
>5 years	186,240	213,516	-27,276
Total	1,192,968	1,089,070	103,898

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 410,290 million (31 December 2022: EUR 1,324,347 million), of which Banka Slovenije holds EUR 74 million (31 December 2022: EUR 771 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.

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Longer-term refinancing operations	73,670	771,320	-697,650
Total	73,670	771,320	-697,650

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 all TLTROs–III, starting 12 months after the settlement of each operation, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO–III concerned before maturity. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, but in any case may not become less negative than -1%, and as low as the average – for the relevant period – interest rate on the deposit facility during the rest of the life of the same operation.¹⁶

¹⁶ 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.

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is used for calculating the TLTRO–III interest accruals. This means, that for the annual accounts 2023, the interest rate for the accruals was indexed to the average applicable key ECB interest rate since the beginning of the last interest period of these operations, which begun on 23 November 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, the last operation matured in the course of 2023. These operations provided a liquidity backstop to the euro area banking system and contributed 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 was 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.

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

This item, amounting to EUR 0.3 million (31 December 2022: 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 2023, 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),¹⁷ the public sector purchase programme (PSPP)¹⁸ and the pandemic emergency purchase programme (PEPP).¹⁹

Until the end of February 2023 the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP).²⁰ Subsequently, the APP portfolio declined at a measured and predictable pace. Until the end of June 2023, the decline amounted to EUR 15 billion per month on average as the Eurosystem did not reinvest all of the principal payments from maturing securities. In June 2023 the Governing Council decided²¹ to discontinue the reinvestments under the APP as of July 2023. Thereafter, the APP portfolio was declining due to maturities.

As concerns the PEPP,²² the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased throughout the year. The Governing Council intends²³ to continue the reinvestments, in full, the principal payments from maturing securities purchased under the PEPP during the first half of 2024. It also intends to reduce the PEPP portfolio by EUR 7.5 billion per month on average over the second half of 2024 and

¹⁷ 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.

¹⁸ 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.

¹⁹ 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.

²⁰ 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>

²¹ See the press release of 15 June 2023 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 14 December 2023 of the Governing Council’s decisions.

to discontinue reinvestments under the PEPP at the end of the same year. In addition, the Governing Council will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic.

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 2023		31 December 2022		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	279,525	270,013	398,428	380,260	-118,903	-110,247
Public sector purchase programme	10,862,439	9,667,704	11,242,520	9,379,641	-380,081	288,063
Pandemic emergency purchase programme	5,516,705	4,632,688	5,620,663	4,383,136	-103,958	249,552
Total	16,658,669	14,570,406	17,261,612	14,143,038	-602,943	427,368

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

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	870,670	988,347	-117,677
>1 year and ≤ 5 years	5,129,817	4,750,369	379,447
> 5 years	10,658,182	11,522,896	-864,713
Total	16,658,669	17,261,612	-602,943

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 4,694,345 million (2022: EUR 4,937,179 million), of which Banka Slovenije holds EUR 16,659 million (2022: EUR 17,262 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, CSPP and PEPP (except those issued by the public sector) securities and PSPP 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 on PEPP-CORP securities, the Governing Council has deemed it appropriate to establish a buffer against credit risks in monetary policy operations during 2023 (see “Provisions” in the notes to the balance sheet).

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.

As a result of an impairment test conducted as at 31 December 2023 on securities purchased under the CBPP3, SMP, ABSPP, PSPP and CSPP as well as other securities, purchased under the PEPP, 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 and credit and corporate institutions of the euro area.

Breakdown of securities per portfolio:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Marketable securities other than those held to maturity	1,524,082	1,205,986	318,096
Held-to-maturity securities	-	2,259	-2,259
Total	1,524,082	1,208,245	315,837

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

In 2023 Banka Slovenije sold EUR 2.2 million of securities from its held-to-maturity portfolio, due to adjustments related to a limit framework.

Breakdown of securities according to their residual maturity:

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
≤ 1 year	119,826	111,893	7,932
>1 year and ≤ 5 years	905,693	749,321	156,373
> 5 years	498,563	347,031	151,532
Total	1,524,082	1,208,245	315,837

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.

The subscribed and paid-up capital of the 27 European central banks in the capital of the ECB on 31 December 2023 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	3.6139
Deutsche Bundesbank	21.4394	2,320,816,566	2,320,816,566	26.1494
Eesti Pank	0.2291	24,800,091	24,800,091	0.2794
Central Bank of Ireland	1.3772	149,081,997	149,081,997	1.6798
Bank of Greece	2.0117	217,766,667	217,766,667	2.4536
Banco de España	9.6981	1,049,820,011	1,049,820,011	11.8287
Banque de France	16.6108	1,798,120,274	1,798,120,274	20.2600
Hrvatska narodna banka	0.6595	71,390,922	71,390,922	0.8044
Banca d'Italia	13.8165	1,495,637,102	1,495,637,102	16.8518
Central Bank of Cyprus	0.1750	18,943,762	18,943,762	0.2134
Latvijas Banka	0.3169	34,304,447	34,304,447	0.3865
Lietuvos bankas	0.4707	50,953,308	50,953,308	0.5741
Banque centrale du Luxembourg	0.2679	29,000,194	29,000,194	0.3268
Central Bank of Malta	0.0853	9,233,731	9,233,731	0.1040
De Nederlandsche Bank	4.7662	515,941,487	515,941,487	5.8133
Oesterreichische Nationalbank	2.3804	257,678,468	257,678,468	2.9033
Banco de Portugal	1.9035	206,054,010	206,054,010	2.3217
Banka Slovenije	0.3916	42,390,728	42,390,728	0.4776
Národná banka Slovenska	0.9314	100,824,116	100,824,116	1.1360
Suomen Pankki	1.4939	161,714,781	161,714,781	1.8221
Total euro area NCBs	81.9881	8,875,217,621	8,875,217,621	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	
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	18.0119	1,949,789,448	73,117,104	
Total euro area and non-euro area NCBs	100.0000	10,825,007,070	8,948,334,726	

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.

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 2023
	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. In line with 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 two components: 1) the position of Banka Slovenije vis-à-vis the ECB in respect of the transfers issued and received through TARGET by the ESCB national central banks, including the ECB, and 2) the position vis-à-vis the ECB in respect of pooling and allocation of monetary income within the Eurosystem pending settlement.

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Due from the ECB in respect of TARGET balances	15,520,049	9,912,375	5,607,674
Due to the ECB in respect of monetary income	-59,256	-27,434	-31,822
Total	15,460,793	9,884,941	5,575,852

The year-end net transfers via TARGET had a debit balance of EUR 15,520.0 million (31 December 2022: 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 59.5 million at year-end (31 December 2022: EUR 27.4 million) (see “Net result of pooling of monetary income” in the notes to the profit and loss account).

9. Items in course of settlement

These claims comprise transactions that were not yet settled as at the end of the financial year.

10. Other assets

Banka Slovenije’s holding of coins, issued by the Republic of Slovenia in the amount of EUR 2.4 million, is shown in sub-item 11.1 “Coins of euro area” (31 December 2022: EUR 3.7 million).

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 2022	50,484	33,825	84,308
Additions	349	2,114	2,463
Disposals	-	536	536
Reclassifications	16	-16	-
At 31 December 2023	50,849	35,386	86,236
Depreciation			
At 31 December 2022	2,883	28,073	30,956
Disposals	-	533	533
Charge for the year	423	2,053	2,476
Reclassifications	16	-16	-
At 31 December 2023	3,322	29,577	32,899
Net book value			
At 31 December 2022	47,601	5,752	53,352
At 31 December 2023	47,527	5,809	53,337

As at 31 December 2023, an amount of EUR 21.9 million related to investment properties in Austria is included in land and buildings (2022: 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 51.7 million (31 December 2022: 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 6.5 million (31 December 2022: 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 2023 which are to be settled in the subsequent year.

Sub-item 11.5, “Accruals and prepaid expenses”, in the amount of EUR 265.4 million (31 December 2022: EUR 199.9 million), contains the accrued income identified at 31 December 2023. This consists mainly of interest income which is due in the subsequent financial year.

Sub-item 11.6, “Sundry”, amounting to EUR 162.8 million (31 December 2022: 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).

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Total value of euro banknotes put into circulation by Banka Slovenije	16,241,284	14,563,480	1,677,804
Liability resulting from the ECB’s share of euro banknotes in circulation	-598,844	-605,551	6,707
Liability according to Banka Slovenije’s weighting in the ECB’s capital key	-8,754,477	-6,993,823	-1,760,655
Total banknotes in circulation	6,887,963	6,964,106	-76,144

During 2023, the total value of banknotes in circulation within the Eurosystem decreased by 0.3%. According to the allocation key, Banka Slovenije had euro banknotes in circulation worth EUR 6,888.0 million at the end of the year compared with EUR 6,964.1 million at the end of 2022. The value of the euro banknotes actually issued by Banka Slovenije in 2023 increased by 11.5% from EUR 14,563.5 million to EUR 16,241.3 million. As this was more than the allocated amount, the difference of EUR 9,353.3 million (compared to EUR 7,599.4 million at the end of 2022) is shown under liability sub-item 10.3, “Net liabilities related to the allocation of euro banknotes within the Eurosystem”.

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

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Current accounts (covering the minimum reserve system)	538,419	470,539	67,880
Deposit facility	10,530,794	8,371,096	2,159,698
Deposits related to margin calls	-	35,000	-35,000
Total	11,069,212	8,876,635	2,192,578

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 were remunerated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations until 20 December 2022, and at the Eurosystem’s deposit facility rate between 21 December 2022 and 19 September 2023. On 27 July 2023 the Governing Council decided that, starting from 20 September 2023, these balances will be remunerated at zero percent.

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.

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 391.7 million (2022: EUR 377.2 million), contains cash received as collateral in connection with the APP and own investments’ securities lending. At the end of 2022, funds of credit institutions that are not freely disposable were also included.

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 the deposit guarantee fund.

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Government sight deposits and special funds	5,580,903	4,799,445	781,458
Other public sector deposits	524,642	426,501	98,141
Total	6,105,545	5,225,946	879,599

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

Sub-item 5.2 “Other liabilities”, amounting to EUR 701.0 million (31 December 2022: EUR 611.4 million), includes accounts of the 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 272.4 million (31 December 2022: EUR 268.7 million), contains cash received as collateral in connection with the APP and own investments’ 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 27.0 million (31 December 2022: 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 945.8 million (31 December 2022: 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 2023, the liability is shown in the balance sheet on the basis of the market rate of SDR 1 = EUR 1.2157 (31 December 2022: SDR 1 = EUR 1.2517) 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 9,353.3 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 comparison to 2022 (by EUR 1,754 million) was due to the increase in banknotes put into circulation by Banka Slovenije in 2023 (which represents an increase of 11.5%), as well as the fall in banknotes in circulation in the Eurosystem as a whole (a decrease of 0.3% compared to 2022). 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 at the end of 2022, comprise transactions that were not yet settled as at the end of the financial year. At 31 December 2023 there were no such commitments.

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 put into circulation is recorded as a “Net intra-Eurosystem claim/liability related to the allocation of euro banknotes within the Eurosystem”.

20. Other liabilities

Sub-item 12.1 “Off-balance-sheet instruments revaluation differences” included at the end of 2022 the valuation results of foreign exchange spot transactions agreed in 2022 which are to be settled in the subsequent year. At 31 December 2023 there were no such liabilities.

Sub-item 12.2 “Accruals and income collected in advance”, amounting to EUR 147.1 million (31 December 2022: EUR 76.4 million), contains the accrued interest and other expenses identified at 31 December 2023 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 101.3 million (31 December 2022: EUR 98.9 million), consists mainly of fiduciary liabilities and non-returned tolar banknotes.

21. Provisions

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Provisions for employees and for known risks	14,063	14,183	-120
Provisions for general risks	303,388	545,159	-241,771
Provisions in respect of monetary policy operations	205	-	205
Total	317,656	559,342	-241,686

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 2023.

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.

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 241.8 million were thus released in 2023 to cover losses resulting from the exposure to financial risks.

Provisions in respect of monetary policy operations

As a result of an impairment test conducted on PEPP-CORP securities, the Governing Council has deemed it appropriate to establish a buffer totalling EUR 42.9 million against credit risks in monetary policy operations during 2023. In accordance with Article 32.4 of the ESCB Statute, this buffer will be funded by all the national central banks of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2023. As a result, a provision for EUR 0.2 million, equivalent to 0.47763% of the total provision, was created.

22. Revaluation accounts

The positive difference between the market value and the average acquisition costs in the case of gold holdings, net positions in each foreign currency and the securities portfolio is shown in this balance sheet item.

	31 December 2023	31 December 2022	Change
	000 EUR	000 EUR	000 EUR
Gold	141,582	125,048	16,534
Foreign currency	37,083	75,424	-38,341
- USD	33,769	64,116	-30,347
- SDR	3,311	11,072	-7,761
- other foreign currencies	3	236	-233
Securities	163,786	7,896	155,891
- securities in foreign currencies (asset items 2 and 3)	67,511	6,059	61,452
- securities in euro (asset items 4 and 7)	96,275	1,837	94,438
Total	342,451	208,367	134,084

The acquisition cost of gold was EUR 482.700 per fine ounce of gold at the end of 2023 (2022: EUR 482.700), compared to the market price at the end of 2023, which was EUR 1,867.828 per fine ounce of gold (2022: EUR 1,706.075). The market value of the gold position exceeded its acquisition price and resulted in positive valuation effects amounting to EUR 141.6 million (2022: EUR 125.0 million).

In the case of foreign currency positions, positive valuation effects of EUR 33.8 million at the end of 2023 arose from the valuation of the USD position and EUR 3.3 million from the valuation of the SDR position. The average acquisition cost of foreign currencies at the end of 2023 was USD 1.1516 for EUR and EUR 1.1993 for SDR (2022: USD 1.1635 for EUR and EUR 1.1981 for SDR), while the market rate was USD 1.1050 for EUR and EUR 1.2157 for SDR (2022: USD 1.0666 for EUR and EUR 1.2517 for SDR).

In the case of the valuation of securities, positive valuation effects of EUR 96.3 million arose from the valuation of the EUR-denominated portfolio (2022: EUR 1.8 million), EUR 62.6 million from the valuation of the USD-denominated portfolio (2022: EUR 3.3 million) and EUR 4.9 million from the valuation of the CNY-denominated portfolio (2022: EUR 2.7 million).

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, performed by the independent real estate assessor.

The composition of reserves is the following:

	31 December 2023		31 December 2022		Change	
	000 EUR		000 EUR		000 EUR	
Initial capital of Banka Slovenije	8,346		8,346		-	
General reserves	1,028,423		1,027,111		1,312	
Special reserves for foreign exchange differences	174,214		174,214		-	
Special reserves for price risk (gold)	19,736		19,736		-	
Valorisation reserves	22,085		22,075		11	
Total	1,252,804		1,251,481		1,323	

Notes to the off-balance-sheet items

24. Foreign currency swaps

As at 31 December 2023, the forward foreign currency position arising from EUR/foreign currency swap transactions amounted to EUR 161.3 million (31 December 2022: EUR 83.3 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 2023		31 December 2022		Change	
	000 USD	000 EUR	000 USD	000 EUR	000 USD	000 EUR
Forward claims in USD	178,200	161,267	88,800	83,255	89,400	78,012
Total	178,200	161,267	88,800	83,255	89,400	78,012

25. Securities lending

As at 31 December 2023, securities with a market value of EUR 598.3 million (31 December 2022: EUR 585.2 million) were lent under automated securities lending contracts with 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 2023:

- 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 1,876.8 million as at 31 December 2023 (31 December 2022: EUR 1,925.9 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 2022: 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 2022: EUR 195.8 million);
- a contingent claim arising from the credit lines as an instrument of intraday liquidity provision within TARGET, amounting to EUR 270.0 million, granted based on eligible collateral and by means of overdraft on participants' settlement accounts (31 December 2022: EUR 270.0 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, loans to credit institutions related to monetary policy and receivables from the IMF and other interest income. In 2022 negative interest generated by liabilities related to credit institutions', government and other clients' accounts and deposits was also disclosed under interest income.

	2023	2022	Change
	000 EUR	000 EUR	000 EUR
Current accounts and deposits	138	34	103
- in foreign currency	138	34	103
Securities	187,564	122,879	64,685
- in foreign currency	13,110	8,640	4,470
- in euro	174,454	114,239	60,215
IMF	44,503	16,376	28,127
Loans to credit institutions related to monetary policy	11,021	-	11,021
Intra-Eurosystem claims	522,547	56,269	466,278
Foreign currency swaps	2,139	1,136	1,004
Other interest income	4,602	519	4,083
Negative interest	-	52,223	-52,223
- current accounts of credit institutions	-	19,044	-19,044
- government and other clients' accounts and deposits	-	33,178	-33,178
Total	772,514	249,436	523,077

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, from the interest expense related to foreign currency swaps, and from other liabilities. Interest expense also includes negative interest on longer-term refinancing operations and negative interest on sight deposits and fixed-term deposits.

	2023	2022	Change
	000 EUR	000 EUR	000 EUR
Current accounts and deposits	240,792	24,273	216,520
- in foreign currency	1,447	262	1,184
- in euro	239,346	24,011	215,335
IMF	35,405	11,630	23,774
Deposits of credit institutions related to monetary policy	331,261	29,588	301,673
Intra-Eurosystem liabilities	326,563	42,754	283,809
Foreign currency swaps	-	21	-21
Other interest expense	58	0	57
Negative interest	1	10,398	-10,397
- longer-term refinancing operations	-	10,056	-10,056
- sight and fixed-term deposits	1	342	-341
Total	934,080	118,665	815,416

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 2023. The valuation loss in 2023 occurred mainly on USD-denominated securities and CNY currency position (2022: euro-denominated and USD-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 end of 2022.

In 2023 provisions for employees and for known risks arising from on-balance-sheet positions were released in the amount of EUR 0.4 million, mainly arising from the release of provision for employees in accordance with IAS 19 (Employee Benefits).

A decrease in provisions for general risks in the amount of EUR 241.8 million represents the net release of provisions created for potential losses from financial risks (see “Provisions” in note 21 to the balance sheet).

	2023	2022	Change
	000 EUR	000 EUR	000 EUR
Realised gains/losses arising from financial operations			
Currency position	2,218	12,813	-10,595
Securities	7,183	-3,915	11,098
Total	9,401	8,898	503
Write-downs on financial assets and positions			
Currency position	-4,488	-3	-4,485
Securities	-1,058	-225,166	224,108
Total	-5,547	-225,169	219,623
Transfer to/from provisions for financial and other risks			
Provisions for employees and for known risks	406	-1,086	1,492
Provisions for general risks	241,771	138,541	103,230
Total	242,177	137,455	104,722
Total	246,032	-78,816	324,848

29. Net income from fees and commissions

Net income from fees and commissions amounts to EUR 12.9 million (2022: 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 securities lending transactions.

30. Income from equity shares and participating interests

This item, amounting to EUR 7.6 million (2022: EUR 6.0 million), represents the income received from Banka Slovenije's participation in the international financial institutions and the ECB and from investments in investment funds.

31. Net result of pooling of monetary income

This item contains the net result of pooling of monetary income for 2023, amounting to an expense of EUR 59.5 million compared to the expense of EUR 27.4 million in the previous year, together with Banka Slovenije's share of the net result of the provisioning against credit risks in monetary policy operations of the Eurosystem amounting to an expense of EUR 0.2 (see "Provisions" in the notes to the balance sheet).

	2023	2022	Change
	000 EUR	000 EUR	000 EUR
Net monetary income pooled by Banka Slovenije	253,896	61,460	192,436
Net monetary income allocated to Banka Slovenije	194,680	34,360	160,320
Monetary income reallocation for the year	-59,216	-27,099	-32,116
Adjustments of monetary income reallocation for previous years	-41	-335	294
Provisions in respect of monetary policy operations	-205	-	-205
Total	-59,461	-27,434	-32,027

The monetary income of the Eurosystem NCBs 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 for this 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 253.9 million and reallocated to Banka Slovenije amounting to EUR 194.7 million is the net result arising from the pooling of monetary income.

32. Other income

Other income, amounting to EUR 3.5 million (2022: EUR 2.7 million), includes income from non-bank services such as rental income, reimbursements, numismatics and other income.

33. Operating expenses

Staff costs

Staff costs, amounting to EUR 33.1 million (2022: EUR 30.1 million), include salaries and other staff costs together with the related taxes and contributions.

Banka Slovenije employed 461 employees as at 31 December 2023 (31 December 2022: 457 employees). The average number of employees, based on the number of hours worked, stood at 439 employees (2022: 431 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 0.9 million (2022: EUR 0.8 million).

In 2023 the remuneration of the Governing Board members of Banka Slovenije was EUR 1.1 million (2022: EUR 1.0 million).

Administrative expenses

This item, amounting to EUR 10.5 million (2022: 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, and computer hardware and software amounting to EUR 2.5 million (2022: EUR 2.7 million) is performed according to the adopted depreciation rates.

Banknote production services

Expenses for banknote production services, amounting to EUR 1.0 million (2022: 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 1.0 million (2022: 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, while the unrealised positive valuation effects are transferred directly to revaluation accounts, Banka Slovenije shows a profit amounting to EUR 977 thousand (2022: EUR 1.749 thousand). Allocation of the financial result will be performed in accordance with the applicable legislation.

List of abbreviations

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
AnaCredit	Analytical Credit Datasets, the database at the European Central Bank containing details on corporate lending and credit risk of credit institutions in the euro area
APP	Asset Purchase Programme
BAS	Bank Association of Slovenia
BIS	Bank for International Settlements
BLS	Bank Lending Survey
cCBA	complementary cost benefit analysis
CCyB	countercyclical capital buffer
CET1	common equity Tier 1 capital
CPI	consumer price index
CRD6	proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU
CRR3	proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor
CSDB	Centralised Securities Database
CVA	credit valuation adjustment risk
DPM	data dictionary with structured data layout for EBA supervisory needs (data point model)
DORA	Digital Operational Resilience Act
DSTI	debt service-to-income ratio
EA	Euro area
EBA	European Banking Authority
ECB	European Central Bank
ECMS	Eurosystem Collateral Management System
EFC	Economic and Financial Committee
EFDI	European Forum of Deposit Insurers
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ELA	emergency liquidity assistance
EONIA	Euro OverNight Index Average (average interest rate for overnight credit)
ESCB	European System of Central Banks
ESG	environmental, social and governance risks
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
€STR	Euro short-term rate
EUR	euro
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 of the ESCB
HHI	Herfindahl-Hirschman index
HICP	harmonised index of consumer prices
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
IRB	internal ratings based
IReF	ESCB project to introduce standardised reporting of bank data in the euro area (Integrated Reporting Framework)
ISA	Insurance Supervision Agency
JBRC	EBA and ESCB Joint Bank Reporting Committee
JST	joint supervisory team
KDD	Central Securities Clearing Corporation
LCR	liquidity coverage ratio
LSIs	less significant institutions
LTRO	longer-term refinancing operations
LTV	ratio of the amount of a housing loan to the value of the real estate pledged as loan collateral (loan-to-value)
MFIs	monetary financial institutions
MiCAR	Markets in Crypto-Assets Regulation
ML/FT	money laundering, financing of terrorism
MOS	statistical report on services trade by modes of supply
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
NIS2	Directive on measures for a high common level of cybersecurity across the Union
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
OFATS	outward foreign affiliates statistics
OMLP	Office for Money Laundering Prevention
O-SIIs	other systemically important institutions
PELTROs	pandemic emergency longer-term refinancing operations
PEPP	Pandemic Emergency Purchase Programme
PSPP	Public Sector Purchase Programme
RIAD	Register of Institutions and Affiliates Data
ROE	return on equity
SDRs	special drawing rights (financial instrument used and whose value is published by the IMF)
SEPA	Single Euro Payments Area
SI	Slovenia
SIs	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
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
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
STEC	statistical report on services trade by enterprise characteristics
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
TARGET	Trans-European Automated Real-time Gross Settlement Express Transfer System, the Europe-wide payment system for settling (mainly) large-value payments, securities transactions and instant payments in euros
TARGET2	Securities (T2S)
	a service under the TARGET system for settling securities transactions
T2	a service under the TARGET system for settling (mainly) large-value payments in euros that functions according to the principle of real time gross settlement
TIPS	a service under the TARGET system for settling instant payments
TLPT	threat-led penetration testing
TLTRO, TLTRO-II and TLTRO-III	targeted longer-term refinancing operations
ZDP-2	Foreign Exchange Act
ZMbnFS-A	revised Macroprudential Supervision of the Financial System Act
ZPlaSSIED	Payment Services, Electronic Money Issuance Services and Payment Systems Act