

Remuneration Report

2022



Content

Introduction

SID Bank prepares the remuneration report in accordance with Article 294b. of the Companies Act (ZGD-1), which requires a company whose securities are traded on the regulated market to draw up a clear and understandable remuneration report, providing a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the most recent financial year to individual members of the management and supervisory bodies, in accordance with the remuneration policy.

The remuneration report refers to the section of the annual report containing the respective information.

The report also clarifies how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the Bank, as well as provides information on the how the performance criteria were applied to the awarding of benefits in whatever form.

SID Bank has an established remuneration policy, which systematically governs the remuneration system of the Bank, whereas the remuneration policies and practices are compatible with the risk management system established at the Bank and the requirements prescribed by the applicable regulations. The remuneration policy and practices are consistently aimed at fulfilling the objectives of the Bank's business strategy, and aligned with its risk profile and risk-taking capacity. The key internal bylaws in that respect are: the remuneration policy of the members of the management and supervisory body, which in accordance with Article 294a of the ZGD-1 is published on the Bank's website (<https://www.sid.si/akti-sid-banke>), and the remuneration policy that applies to all other Bank employees (both documents hereinafter: remuneration policy).





Management and supervisory bodies – composition and number of sessions

The implementation of the Bank's remuneration policy is managed and monitored by the Management Board, the Nomination and Remuneration Committee and the Supervisory Board.

The composition of the Supervisory Board in 2022:

- until 25 May 2022 - Marjan Divjak (Chair), Janez Tomšič (Deputy Chair), Zlatko Vili Hohnjec, Leo Knez, Igor Masten, PhD, and Marko Tišma.
- since 26 May 2022 - Janez Tomšič (Chair), Leo Knez (Deputy Chair), Marjan Divjak, Zlatko Vili Hohnjec, Igor Masten, PhD, and Marko Tišma.

The Supervisory Board met at 15 regular and 9 correspondence sessions in 2022.

Composition of the Nomination and Remuneration Committee in 2022:

- until 19 May 2022 - Janez Tomšič (Chair), Zlatko Vili Hohnjec (Deputy Chair), Marjan Divjak, Marko Tišma.
- 20 - 25 May 2022 - Janez Tomšič (Chair), Zlatko Vili Hohnjec (Deputy Chair), Marko Tišma.
- since 26 May 2022 - Marko Tišma (Chair), Zlatko Vili Hohnjec (Deputy Chair), Janez Tomšič.

The Nomination and Remuneration Committee met at 19 regular sessions and 1 correspondence session in 2022.

In 2022, the Management Board's composition was as follows: Damijan Dolinar, President of the Management Board and Stanka Šarc Majdič, Member of the Management Board.



Remuneration policy in 2022

The Bank operated successfully in 2022. The annual report for 2022 provides an explanation of its operations in 2022 and the achievement of key business and financial performance indicators.

In addition to SID Bank, the SID Bank Group includes the Centre for International Cooperation and Development (CMSR) and the Prvi Faktor Group (joint venture). SID Bank is a co-founder of the CMSR, in which it does not have any financial stake, but holds 33% of the voting rights. Based on the principle of immateriality, SID Bank does not include either of the companies referred to in the previous paragraph in consolidation, as the combined total assets of the two companies amount to less than 1% of SID Bank's total assets, thus SID Bank only compiled separate financial statements for 2022. The remuneration in the said companies is also excluded from this report due to immateriality.

SID Bank's remuneration policy is only used for the Bank and exclusively in Slovenia, and is not implemented in subsidiary companies.

The implementation of the remuneration policy as regards the members of the Bank's Supervisory Board is stipulated by a resolution of the General Meeting. The various categories of remuneration of the Supervisory Board members were compliant with this resolution and did not deviate from its provisions in 2022. The General Meeting's resolution is summarised in the relevant internal bylaw, i.e. the policy on the remuneration of the members of the management body. The data on the remuneration of the Supervisory Board members is provided in the table below.

The remuneration of members of the Management Board is set out by the policy on the remuneration of the members of the management body, taking into account the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia (ZPPOGD). The various categories of remuneration of the Management Board members in 2022 are in line with and within the framework of the provisions of the above-mentioned regulations.

In 2022, the Bank did not grant any shares and share options for the purpose of implementing the remuneration policy. The Bank did not enforce clawback provisions, nor did it hire any external advisors in the area of implementing the remuneration policy in 2022.



Total remuneration awarded/paid to the members of the management and supervisory bodies in the 2022 financial year

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS¹

		in EUR				
Person	Function	Gross payment for performance of function	Gross session fees	Gross total	Gross reimbursement of expenses	Other benefits (liability insurance)
Marjan Divjak	Chair of the Supervisory Board until 25 May 2022 Member of the Supervisory Board since 26 May 2022 Deputy Chair of the Risk Committee Member of the Nomination and Remuneration Committee until 19 May 2022	23,206	8,910	32,116	0	381
Leo Knez	Member of the Supervisory Board until 25 May 2022 Deputy Chair of the Supervisory Board (since 26 May 2022) Chair of the Audit Committee Member of the Risk Committee	25,274	10,901	36,175	0	381
Marko Tišma	Member of the Supervisory Board Member of the Audit Committee Member of the Nomination and Remuneration Committee until 25 May 2022 Chair of the Nomination and Remuneration Committee since 26 May 2022	23,624	11,250	34,874	2,741	381
Zlatko Vili Hohnjec	Member of the Supervisory Board Deputy Chair of the Audit Committee Deputy Chair of the Nomination and Remuneration Committee	22,500	11,250	33,750	1,999	381
Janez Tomšič	Deputy Chair of the Supervisory Board until 25 May 2022 Chair of the Supervisory Board (since 26 May 2022) Chair of the Nomination and Remuneration Committee until 25 May 2022 Member of the Nomination and Remuneration Committee since 26 May 2022	24,598	10,186	34,784	0	381
Igor Masten, PhD	Member of the Supervisory Board Chair of the Risk Committee	20,625	7,150	27,775	132	381
Total		139,827	59,647	199,474	4,872	2,286

¹ According to the resolution passed by SID Bank's General Meeting on 14 June 2018, the members of the Supervisory Board are entitled to the payment of session fees until the total amount of attendance fees for Supervisory Board and committee sessions reaches 75% of the basic salary for the performance of their function. Members of the Supervisory Board's committees are also entitled to an additional fee for the performance of their functions until the total amount of the additional fee reaches 50% of their annual basic salary for the performance of their function. Due to this restriction, members of the Supervisory Board Zlatko Vili Hohnjec and Marko Tišma were subject to restrictions on remuneration paid out in 2022.


REMUNERATION OF MANAGEMENT BOARD MEMBERS

in EUR

Person	Function	1	2	3	4	5	6	7	8	9	10	11	12
		Fixed remuneration				Variable remuneration			Severance pay	Clawback	Total paid (1+2+3+4+ 5+6+8-9+12)	Percentage of awarded variable remuneration (5+7)/gross wages of the previous year	Remuneration in Group companies
		Gross wages	Annual leave allowance	Allowances	Benefits and insurance	Paid current	Paid for previous years	Deferred current					
Sibil Svilar	President of the Management Board until the regular expiration of the term of mandate on 31 December 2021	0	0	0	0	18,472	80,550	0	0	0	99,022	7.5%	0
Goran Katusin	Member of the Management Board until the regular expiration of the term of mandate on 31 December 2021	0	0	0	0	31,403	79,993	0	0	0	111,396	15.0%	0
Damijan Dolinar	President of the Management Board since 1 January 2022	239,803	2,084	1,805	5,699	0	0	0	0	0	249,391	0.0%	0
Stanka Šarc Majdič	Member of the Management Board since 1 January 2022	215,150	2,084	2,185	4,811	0	0	0	0	0	224,230	0.0%	0



Comparison of the increase in remuneration of the members of the management and supervisory bodies in relation to the increase in remuneration of the Bank's employees and the Bank's performance



Remuneration	2018/2017	2019/2018	2020/2019	2021/2020	2022/2021
Increase in average employee salary at the Bank relative to the previous year	4.0%	6.7%	2.3%	2.8%	5.1%
Increase in the fixed part of the salary of the Management Board relative to the previous year	4.8%	3.5%	13.6%	2.3%	2.8%
Increase in the basic salary and session fees of the members of the Supervisory Board relative to the previous year	0.0%	0.0%	0.0%	0.0%	0.0%

External comparisons	2018/2017	2019/2018	2020/2019	2021/2020	2022/2021
Increase in average employee salary in the financial and insurance sectors	4.8%	4.6%	2.5%	5.0%	6.3%
Annual inflation rate	1.4%	1.8%	-1.1%	4.9%	10.3%

Performance indicators	2017	2018	2019	2020	2021	2022
Total assets (in EUR thousand)	2,451,641	2,318,834	2,406,164	2,907,358	2,834,032	2,799,708
Total loans to the non-banking sector (in EUR thousand)	597,740	706,787	816,550	1,091,560	1,199,698	1,382,527
Book value per share (EUR)	132.08	136.00	149.47	153.42	158.47	145.29
Net interest (in EUR thousand)	20,294	22,986	23,932	23,193	28,006	24,214
Net profit (in EUR thousand)	13,956	14,314	32,040	8,490	24,030	8,251
Return on equity (ROE) after tax	3.5%	3.4%	7.2%	1.8%	5.0%	1.8%
Long-term credit rating (Standard & Poor's)	A+	A+	AA-	AA-	AA-	AA-

The basic salary of the Management Board is determined in accordance with the ZPPOGD. In 2019, the Management Board's salary increased significantly because the Bank sold its subsidiary,

stopped preparing consolidated financial statements, and the Management Board's salary was set on the basis of the average salary paid in the Bank and not in the Group.

Information on other financial bonuses, benefits or services *(paragraph 3 of Article 294b of the ZGD-1)*

There were no additional financial bonuses, benefits or services awarded or provided by a third party to the members of the Management Board in connection with their activity as members of the Management Board.

Neither were the members of the Management Board granted benefits in the event of early termination of mandate/employment contract or regular termination of mandate/employment contract, including changes agreed in the last financial year, or set aside in advance.

There were no regular terminations of mandate/employment contract of a member of the Management Board and related payments at the Bank in 2022, except for the mentioned payments of the retained portion of variable remuneration to the members of the Management Board whose term of mandate/employment contract regularly expired on 31 December 2021.



Design and structure of the remuneration system, key characteristics and goals of the remuneration policy

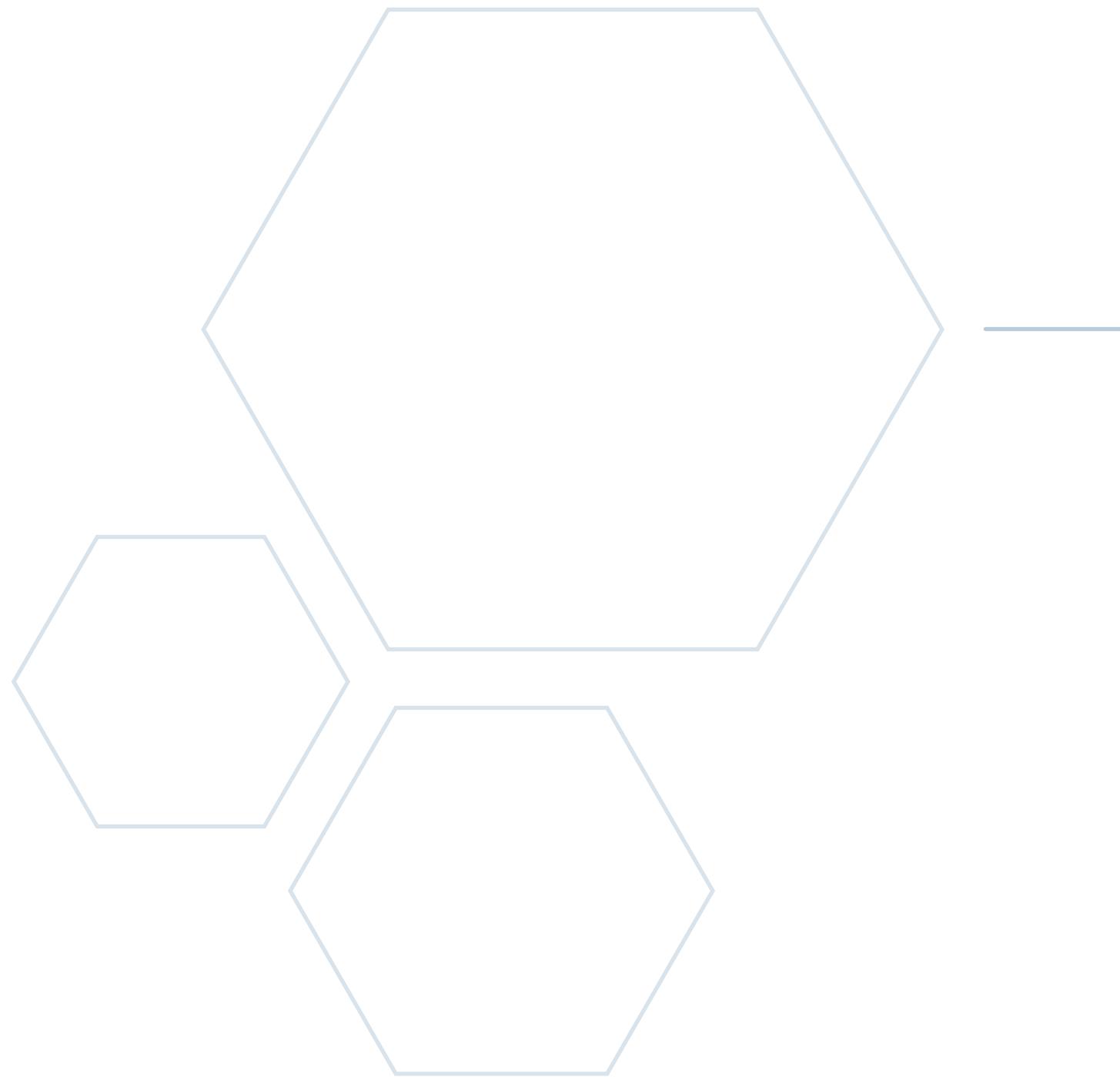
The remuneration policy and practices are consistently aimed at fulfilling the objectives of the Bank's business strategy, and aligned with its risk profile and its capacity to take up risks. The purpose of the remuneration policy is also to promote the proper management of risks in the future. The Bank took into account the fundamental principles set out in Article 190 of the ZBan-3 in a manner and to an extent appropriate to its size and internal organisational structure, and the nature, scale and complexity of the activities that it pursues, also taking into account that:

- the governance system at the Bank is comprehensive, as it is set up for all important business processes (activities) or the decision-making at the Bank is organised centrally at the Bank's management board and/or committees, with decisions adopted on individual transactions on the basis of pre-determined general authorisations, as derived from the applicable rules on authorisations, and all decisions being adopted at the Bank's head office, as the Bank has no dislocated units;
- in accordance with the ZSIRB, the Bank's objective is not maximising profit, but primarily conserving capital and achieving the effects of its mission, whereby all the Bank's transactions are subject to the assessment of economic quality on the basis of international criteria;

- unlike other commercial banks, the Bank provides only specific services and transactions (financing of corporates and banks), i.e. it does not provide the majority of services provided by other banks (e.g. the Bank does not take deposits from the public, does not provide retail services, does not manage current accounts for customers, does not provide payment services for customers, and does not provide investment services for customers); and
- a large portion of the Bank's portfolio is accounted for by less-risky direct investments (e.g. in loan funds and in entities of public law) and exposure to domestic banks.

The Bank ensures that the variable component of remuneration, including its deferred part, is only paid if payment is justified given the Bank's financial position and payment is based on the results of the Bank, individual business unit and employee in question. The Bank significantly reduces the entire amount of variable remuneration in the event of under-performance or a negative operating result.





Assessment and allocation of variable remuneration are carried out on the basis of models and methodologies established at the Bank for the assessment of the job performance and success of employees, organisational units and the Bank. For the members of the Bank's Management Board, these models and methodologies are more precisely defined in the remuneration policy for members of the management body, the concluded employment contracts and in the resolutions of the Supervisory Board.

A Management Board member is entitled to a salary depending on the achieved level of performance, which is established according to the targets achieved from the annual business plan (annual operational plan), approved by the Supervisory Board, and based on additional criteria and conditions approved by the Supervisory Board. The annual operational plan must contain various indicators and specific activities with criteria, including special quality criteria for the development of social responsibility.

The criteria and conditions used to determine the amount of salary of the members of the Management Board depending on the achieved level of performance are laid down by the Nomination and Remuneration Committee of SID Bank's Supervisory Board upon annual approval of the annual operational plan. However, if the criteria are not laid down by a resolution of the said Committee, the criteria applicable to performance measurement under the annual operational plan (strategic objectives, economic and financial indicators (ROE, CIR, NPL, etc.)) and the Supervisory Board's assessment of the work of the Management Board are taken into account. In addition to quantitative and qualitative objectives, consideration is taken of compliance with measures for the development of social responsibility, cooperation of the Management Board with the Supervisory Board, maintenance of the Bank's reputation and credit rating, various circumstances in which the Bank operated in the preceding year and other criteria.

According to the ZPPOGD, variable remuneration of a member of the Management Board may not exceed 30% of the basic salary of a member of the Management Board in the financial year. The variable component of the salary is determined by the Supervisory Board and is paid once a year for the preceding financial year, as a rule upon the adoption of the audited annual report. The methodology for awarding variable remuneration, the method of assessing the performance of the Bank, organisational units and individual employees, as well as the method of final distribution of components of variable remuneration are detailed in the disclosures to the annual report.





Linking remuneration to long-term performance

The fulfilment of the annual operational plan provides the basis for allocating variable remuneration to the members of the Bank's Management Board. The realisation of the annual operational plan has a significant impact on the long-term performance of the Bank, as it is conducive to the achievement of the Bank's strategic goals, economic and financial indicators, indicators referring to risk management, reputation and other targets relevant for the Bank's current and future operations. According to the employment contract, the members of the Management Board are entitled to performance-based pay up to a maximum of 30% of the total basic salary of a member of the Management Board in the financial year. The amount of variable remuneration is set based on the compliance with strategic indicators and the annual operational plan indicators, including indicators of social responsibility. Having assessed the fulfilment of the framework strategic indicators, indicators of strategic activities and indicators of strategic results in relation to the implementation of the annual operational plan and taking into account the other elements set out in the employment contract, the Supervisory Board determined that the former chair and a former member of the Management Board were entitled to a performance-based salary for 2021 of 7.5% and 15%, respectively, of the base salary paid for the 2021 financial year, which was paid out in full in 2022.

The established remuneration policy ensures that the persons responsible at the Bank take into account the impact of planned payments of the variable component of remuneration, including any deferred component, on the calculation and planning of the Bank's capital and liquidity. Should it be established that the fulfilment of obligations or the achievement of objectives relating to capital or liquidity are jeopardised, the Bank will immediately implement a conservative variable remuneration policy. This was not needed in 2022. To that end, the Bank included in the employment contracts of all employees who in the scope of their powers or work duties and activities may have a material impact on its risk profile provisions that facilitate a decrease or return of the variable component of an employee's remuneration (clawback) intended for the payment and the deferred variable remuneration components from previous periods.

The Bank did not compensate for the reduced amount of the variable component of remuneration for previous years owing to the adjustment of remuneration to risks by increasing the variable component of remuneration in 2022. The remuneration policy stipulates that if the total variable remuneration of an employee exceeds EUR 50,000.00 gross in a year, the respective part shall be deferred in the amount and for the periods specified in the remuneration policy, while a specific part (50%) of the variable remuneration of the members of the Management Board shall also be deferred in accordance with the ZPPOGD. The disclosures to the annual report indicate the deferred remuneration of both members of the Management Board whose term of mandate expired on 31 December 2021. In 2022, the Bank did not identify any reasons specified by the law governing companies for clawback, and thus the Bank did not decide on the return of the variable component of remuneration already paid.



Independent auditor's report

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**INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT
RELATED TO REMUNERATION REPORT FOR THE YEAR 2022**

To the Shareholder of SID banka, d.d., Ljubljana

We have performed limited assurance engagement as to whether the Remuneration Report ('the Report') for the year ended 31 December 2022, prepared by the Management Board, The nomination and remuneration committee and the Supervisory Board of SID banka, d.d., Ljubljana (hereinafter 'the company'), is prepared in accordance with the requirements of Article 294.b of the Companies Act (hereinafter 'ZGD-1').

Identification criteria

In accordance with the requirement of ZGD-1 we have examined whether the Report contains all the information required by paragraphs 2 and 3 of Article 294.b of ZGD-1. The auditor's task is not to verify the actual accuracy of the Report and the information contained therein.

Purpose of the report

Our limited assurance report is intended solely to meet the requirements of Article 294.b of the Companies Act and for your information and may not be used for any other purpose. Our report relates only to the Remuneration report and does not apply to the financial statements of the company as a whole.

The responsibility of the Management Board and Supervisor Board for the Report

The Management Board and Supervisory Board are responsible for the preparation of the Report in accordance with Article 294.b of ZGD-1. The Management Board is responsible for publishing the Report on the Company's website immediately after the voting at the Shareholder's meeting, where it must be available free of charge for ten years.

The Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error and that is consistent with legal requirements.



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Auditor's Responsibility

Our responsibility is to express our conclusion on limited assurance for the Report based on the procedures we carried out and on the evidence we obtained. Our limited assurance engagement was carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 – *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. Pursuant to the standard, the auditor shall plan and perform the engagement in the way that will allow the auditor to obtain limited assurance that nothing has come to the auditor's attention that would cause the auditor to believe that the Report includes material misstatement in terms of compliance with the requirements of Article 294.b of ZGD-1.

Our independence and quality control

We performed our work in accordance with independence and ethical requirements under the International Code of Ethics for Professional Accountants (including International Independence Standards) issues by International Ethics Standards Board for Accountants (IESBA Code). The Code is prepared based on the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

As a part of its compliance with International Standard on Quality Management (ISQM) 1, our company maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the work performed

The nature and scope of our procedures were determined on the basis of risk assessment and our professional judgement with the purpose to obtain limited assurance.

The procedures for obtaining evidence in a limited assurance engagement are more limited in relation to a reasonable assurance engagement; therefore, less assurance is provided than in reasonable assurance or audit engagements.

The procedures carried out within the scope of our engagement include:

- Understanding the resolutions of the Shareholder's meeting regarding the adopted remuneration policy and inquiring with the Management Board, the Supervisory Board and other employees in order to gain an understanding of the remuneration policy and the procedures implemented by the company in preparing the Report;
- obtaining a list of persons for whom there is an obligation to include data in the Report in the year for which the Report is being prepared and verifying that their remuneration is disclosed in the Report;
- verification that the Report contains all the information required by paragraphs 2 and 3 of Article 294.b of ZGD-1.

We believe that the obtained evidence is sufficient and appropriate to provide basis for our conclusion.



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Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that would cause us to believe that the Report for the year ended 31.12.2022 as prepared by the Company does not, in all material respect, include the information as required by paragraph 2 and 3 of Article 294.b of ZGD-1.

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 27.3.2023

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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Profile of SID Bank



Company name	SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana
Abbreviated company name	SID banka d.d., Ljubljana
Registered office	Ulica Josipine Turnograjske 6, 1000 Ljubljana, Slovenia
Registration number	5665493
Tax number	82155135
VAT ID number	SI82155135
IBAN	SI56 3800 0380 0000 039
SWIFT	SIDRSI22
GIIN	66SIIIE.99999.SL.705
LEI	549300BZ3GKOJ13V6F87
Website	www.sid.si
E-mail	info@sid.si
Secure electronic mailbox	sid@vep.si
Telephone	+386 (1) 200 75 00
Facebook	www.facebook.com/sid.bank/
LinkedIn	www.linkedin.com/company/sid--slovenska-izvozna-in-razvojna-banka-d.d.-ljubljana/
YouTube	www.youtube.com/channel/UCK_2pY_T0EiC4PGF36sZJqA

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