

# REMUNERATION REPORT 2021



•SJD Bankka

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  
Registration number: 5665493  
Tax number: 82155135  
VAT ID number: SI82155135  
IBAN: SI56 3800 0380 0000 039  
SWIFT: SIDRSI22  
GIIN: 66SI1E.99999.SL.705  
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YouTube: [www.youtube.com/channel/UCK\\_2pY\\_T0EiC4PGF36sZJqA](http://www.youtube.com/channel/UCK_2pY_T0EiC4PGF36sZJqA)

## Introduction

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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 Company, 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 at the Bank, including remuneration policies and practices that 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.**

## Management and supervisory bodies – composition and number of sessions

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

**In 2021, the Management Board's composition was as follows: Sibil Svilan, MSc, President, and Goran Katušin, member.** The term of office of the President and the member of the Management Board expired on 31 December 2021.

The composition of the Nomination and Remuneration Committee:

- until 10 June 2021 – **Sašo Polanec, PhD (President), Janez Tomšič (Deputy President), Marjan Divjak, MSc, Zlatko Vili Hohnjec,**
- from 21 June 2021 – **Janez Tomšič (President), Zlatko Vili Hohnjec (Deputy President), Marjan Divjak, MSc, Marko Tišma.**

The Nomination and Remuneration Committee met at 18 regular sessions and one correspondence session in 2021.

The composition of the Supervisory Board:

- until 10 June 2021: **Marjan Divjak, MSc (Chair), Janez Tomšič (Deputy Chair), Zlatko Vili Hohnjec, Leo Knez, MSc, Igor Masten, PhD, Sašo Polanec, PhD, and Marko Tišma.**
- **Sašo Polanec, PhD, resigned from the position of the Supervisory Board member on 10 June.**

The Supervisory Board met at 18 regular and eight correspondence sessions in 2021.

## Remuneration policy in 2021

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The Bank operated successfully in 2021. The annual report for 2021 provides an explanation of its operations in 2021 and the achievement of key of 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 2021. 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 2021. The data on the remuneration of the Supervisory Board members is provided in the table below.

**The implementation of the remuneration policy as regards the members of the Bank's Management Board is subject to the rules on the conclusion of employment contracts with members of the Management Board, 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 2021 are in line with and within the framework of the provisions of the above-mentioned regulations.

In 2021, 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 2021.

## Total remuneration awarded/paid to the members of the management and supervisory bodies in the 2021 financial year

### Remuneration of the Supervisory Board members<sup>1</sup>

Person	Function						in EUR	
		Gross payment for performance of function	Gross session fees	Gross total	Gross reimbursement of expenses	Other benefits (liability insurance)		
Marjan Divjak, MSc	President of the Supervisory Board							
	Deputy Chair of the Risk Committee since 22 April 2021	30,000	11,250	41,250	0	332		
	Member of the Risk Committee until 21 April 2021							
	Member of the Nomination and Remuneration Committee							
Leo Knez, MSc	Member of the Supervisory Board							
	Chair of the Audit Committee	23,548	11,250	34,798	0	332		
	Deputy Chair of the Risk Committee until 21 April 2021							
Marko Tišma	Member of the Risk Committee since 22 April 2021							
	Member of the Supervisory Board							
	Member of the Audit Committee							
	Member of the Nomination and Remuneration Committee since 21 June 2021	21,750	11,250	33,000	1,130	332		
Zlatko Vili Hohnjec	Member of the Risk Committee until 8 April 2021							
	Member of the Supervisory Board							
	Deputy Chair of the Audit Committee							
	Deputy Chair of the Nomination and Remuneration Committee since 21 June 2021	22,500	11,250	33,750	280	332		
Janez Tomšič	Member of the Nomination and Remuneration Committee until 20 June 2021							
	Deputy President of the Supervisory Board							
	Chair of the Nomination and Remuneration Committee since 21 June 2021	21,240	10,626	31,866	0	332		
Igor Masten, PhD	Deputy Chair of the Nomination and Remuneration Committee until 20 June 2021							
	Chair of the Nomination and Remuneration Committee							
Sašo Polanec, PhD	Member of the Supervisory Board	20,625	7,535	28,160	0	332		
	Chair of the Risk Committee							
Sašo Polanec, PhD	Member of the Supervisory Board until 10 June 2021							
	Chair of the Nomination and Remuneration Committee until 10 June 2021	9,167	4,576	13,743	0	332		
		<b>148,830</b>	<b>67,737</b>	<b>216,567</b>	<b>1,410</b>	<b>2,324</b>		

### Remuneration of the Management Board members

Person	Function	In EUR											
		Fixed remuneration				Variable remuneration							Remuneration in Group companies
		Gross wages	Annual leave allowance	Allowances	Benefits and insurance	Paid current	Paid for previous years	Deferred	Severance pay	Claw-back	Total paid (1+2+3+4+5+6+7+8+9+10)	Percentage of awarded variable remuneration (5+7)/1	
Sibil Svilan, MSc	President of the Management Board	246,299	2,027	1,373	4,891	30,088	82,057	30,088	0	0	366,734	24.43%	0
Goran Katušin	Member of the Management Board	209,354	2,027	1,784	3,566	25,574	48,870	25,574	0	0	291,176	24.43%	0

<sup>1</sup> 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 additional fee reaches 50% of their annual basic salary for the performance of their function. Due to the above limitations, the members of the Supervisory Board, Marjan Divjak, MSc, Leo Knez, MSc, Zlatko Vili Hohnjec and Marko Tišma were paid limited remuneration in 2021.

Variable remuneration was paid in 2021 instead of in 2020 as a result of the Bank of Slovenia's Regulation on the macroprudential restriction of profit distributions by banks that in 2020 restricted the payment of the variable component of salary. The amounts are stated in column 6. Columns 5 and 7 include the variable remuneration awarded in 2021, divided into the paid part (column 5) and the deferred part (column 7).

### 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	2017/2016	2018/2017	2019/2018	2020/2019	2021/2020
Increase in average employee salary at the Bank relative to the previous year	4.8%	4.0%	6.7%	2.3%	2.8%
Increase in the fixed part of the salary of the Management Board relative to the previous year	3.8%	4.8%	3.5%	13.6%	2.3%
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	2017/2016	2018/2017	2019/2018	2020/2019	2021/2020
Increase in average employee salary in the financial and insurance sectors	3.2%	4.8%	4.6%	2.5%	5.0%
Annual inflation rate	1.7%	1.4%	1.8%	-1.1%	4.9%

  

Performance indicators	2016	2017	2018	2019	2020	2021
Total assets (in EUR thousand)	2,548,643	2,451,641	2,318,834	2,406,164	2,907,358	2,834,032
Total loans to the non-banking sector (in EUR thousand)	610,563	597,740	706,787	816,550	1,091,560	1,199,698
Book value per share (EUR)	126.91	132.08	136.00	149.47	153.42	158.47
Net interest (in EUR thousand)	23,841	20,294	22,986	23,932	23,193	28,006
Net profit (in EUR thousand)	21,363	13,956	14,314	32,040	8,490	24,030
Return on equity (ROE) after tax	5.6%	3.5%	3.4%	7.2%	1.8%	5%
Long-term credit rating (Standard & Poor's)	A	A+	A+	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 office or regular termination of office, including changes agreed in the last financial year, or set aside in advance.

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

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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 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 commercial success of employees, organisational units and the Bank. They are defined in detail in the rules on the conclusion of employment contracts for Management Board members, concluded employment contracts, and 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

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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. In 2020, the Bank's rate of achievement of indicators of strategic activities and strategic results was 82.6%**, therefore the Supervisory Board decided that the President and the member of the Management Board were entitled to performance-based pay for 2020 in the amount of 25% of the basic salary for 2020, part of which was paid in 2021 and part of which was deferred in accordance with regulatory requirements.

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 2021. 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 can 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 2021. 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. In 2021, 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.



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## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT RELATED TO REMUNERATION REPORT FOR YEAR 2021

### To the Shareholders 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 2021, 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) issued 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 Standards on Quality Control (ISQC 1), our company maintains a comprehensive quality control 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.



*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 31.12.2021 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.

Yuri Sidorovich  
Certified auditor

*For signature please refer to the  
original Slovenian version.*

DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

Ljubljana, 25.3.2022