

2.2

ADOPTION OF THE RESOLUTION ON THE USE OF DISTRIBUTABLE PROFIT FOR 2021

Ad 2.2 Proposed resolution for item 2.2 on the agenda of the 34th general meeting of SID banka, d.d., Ljubljana (hereinafter: SID Bank)

Based on the proposal of the management board and supervisory board, the company's general meeting hereby adopts the following resolution:

»Distributable profit amounted to EUR 11,414,332.61 as of 31 December 2021 and comprised the remainder of net profit for the 2021 financial year following the creation of regulatory reserves and reserves under the articles of association in the amount of EUR 12,615,841.30. Distributable profit for 2021 in the amount of EUR 11,414,332.61 shall be allocated to other profit reserves.«

EXPLANATION OF THE PROPOSED RESOLUTION ON THE USE OF DISTRIBUTABLE PROFIT FOR 2021

Following the fifth paragraph of Article 230 of the Companies Act (Official Gazette of the Republic of Slovenia, Nos. 65/09 (official consolidated version), 33/11, 91/11, 32/12, 57/12, 44/13 (Constitutional Court decision), 82/13, 55/15, 15/17, 22/19 (ZPosS), 158/20 (ZIntPK-C) and 18/21; hereinafter: the ZGD-1) the general meeting of shareholders shall decide on the use of the distributable profit.

SID Bank generated a net profit of 24,030,173.91 during the 2021 financial year. The management board created regulatory reserves in the amount of 5% of net profit equalling EUR 1,201,508.69 during the compilation of the 2021 annual report following the first paragraph of Article 230 in connection with the third and fourth paragraphs of Article 64 of the ZGD-1 and, following point 4 of paragraph 1 of Article 230 in connection with the seventh paragraph of Article 64 of the ZGD-1 and Article 28 of the articles of association of SID Bank, created reserves under the articles of association in the amount of 50% of net profit less the amount of created regulatory reserves, equalling EUR 11,414,332.61.

Distributable profit amounted to EUR 11,414,332.61 as of 31 December 2021 and comprised the remainder of net profit for the 2021 financial year following the creation of regulatory reserves and reserves under the articles of association in the amount of EUR 12,615,841.30.


The third paragraph of Article 4 of the Slovene Export and Development Bank Act (Official Gazette of the Republic of Slovenia, Nos. 56/08, 20/09 and 25/15 - ZBan-2 and 61/20 - ZDLGPE stipulates that SID Bank's distributable profit may not be used for distribution to shareholders, but is instead allocated to other profit reserves.

The management board and supervisory board thus propose the allocation of distributable profit for 2021 in the amount of EUR 11,414,332.61 to other profit reserves.

ANNUAL INTERNAL AUDIT REPORT FOR 2021 – SID BANKA, D.D., LJUBLJANA

Report recipients:

- Management board
- Audit committee and supervisory board
- General meeting
- Deloitte as the auditor of the financial statements



Miha Selan, MSc
Director of the internal audit department

CONTENTS

ABBREVIATIONS	3
1 Introduction	4
2 Report on the implementation of the IAD's annual work plan	4
2.1 Implementation of planned audits	4
2.2 Completion of other planned activities of the IAD	5
2.3 Implementation of the quality assurance programme	5
2.4 Use of resources for implementation of the annual plan	5
2.5 Assessment of the performance of the IAD in 2021	7
3 Assessment of the compliance of remuneration practices with the remuneration policy ...	7
4 Summary of significant findings from audits of operations	7
5 Organisational independence	9
5.1 Requirements of the Standards	9
5.2 Fulfilment of the requirements of the Standards	9

ABBREVIATIONS

IAD	Internal audit department
ZBan	Banking Act
FTE – full-time equivalent	means the number of hours of a person who performs full-time work
IIA – Institute of Internal Auditors	Slovenian branch of the IIA – IIA Slovenia
ZZFMGP	Insurance and Financing of International Commercial Transactions Act
CAS	Committee for the assessment of suitability, advisory body to the nomination and remuneration committee
ITD	IT department
BS	Banka Slovenije
ECB	European Central Bank
EBA	European Banking Authority

1 Introduction

Pursuant to the rules of procedure of the internal audit department of SID Bank (hereinafter: the rules of procedure of the IAD), Article 164 of the Banking Act (Official Gazette of the Republic of Slovenia, No. 92/21 of 8 June 2021; hereinafter: the ZBan-3) and the International Standards for the Professional Practice of Internal Auditing (hereinafter: the Standards), the internal audit department (hereinafter: the IAD) has drafted the annual internal audit report for 2021, which includes:

- a report on the implementation of the annual work plan;
- an assessment of the compliance of remuneration practices with the remuneration policy;
- a summary of significant findings from the audits of operations, and
- the organisational independence of the IAD.

2 Report on the implementation of the IAD's annual work plan

The IAD functioned in 2021 in accordance with the Standards, the Code of Internal Auditing Principles and the Code of Professional Ethics (hereinafter: the Code), and on the basis of its annual work plan for 2021, which the bank's supervisory board approved at its 207th regular session of 17 December 2020.

2.1 Implementation of planned audits

The annual work plan of the IAD envisaged 10 regular audits in 2021 in addition to the performance of other activities. In 2021 the proportion of advisory services declined from 11% in 2020 to 9% in 2021, as only a small portion of the time was earmarked for the development of new products (subordinated debt), and significantly more for advisory services associated with the implementation of individual audit recommendations, review of specific rules of procedure, inspection of pillar assessment documents and contents, informal organisation and coordination in the initial phase of setting up the information security centre.

Three extraordinary audits were conducted in 2021, two on the basis of a decision adopted by the bank's management board, and the third based on a decision adopted by the supervisory board. The two completed audits, in particular, had a significant impact on the dynamic regarding the fulfilment of the IAD's annual work plan and overburdened the department in terms of HR. A total of 135 business days, which is 115 business days more than planned, were spent on all extraordinary audits. If we take into account that one IAD employee works part time (1 day comprises 4 work hours), then this brings the total to 194 business days. This excessively used time could be used by the IAD to conduct at least four regular audits.

The listed unplanned activities and extreme complexity of the audits, which also included an enormous increase in the scope of correspondence and the drafting of additional materials, resulted in an increased intensity of regular audits at the end of 2021 and during the first months of 2022.

Five audits of the IAD's annual work plan for 2020 were completed at the beginning of 2021. Of the ten audits planned for 2021, the IAD had performed and completed seven regular audits by the time this annual audit report was drafted, while two audits addressing the prevention of money laundering and terrorist financing and an audit of the credit process in terms of compliance with EBA guidelines were transferred to the annual work plan for 2022. In terms of the content and findings, the corporate governance audit was replaced by an extraordinary audit of the selection of management board members (a total of 107 days, or actually 155

days taking into account the IAD employee's part-time work, were spent instead of the planned 40 days for the regular audit). An audit of external service providers, which is a part of the annual work plan for 2021, is currently being discussed by the management body and is not included among the completed regular audits.

2.2 Completion of other planned activities of the IAD

The IAD completed in full all of the following planned activities in 2021:

- the provision of formal and informal advisory services to competent managers and individual employees;
- the quarterly monitoring of the implementation of recommendations;
- the drafting of all quarterly internal audit reports, which also included findings regarding progress in the implementation of recommendations, and submitted those reports to the management board, audit committee and supervisory board; the report for the second and third quarter was prepared in a joint document due to the ongoing extraordinary audit;
- the drafting of the annual internal audit report for 2021, which was submitted to the management board, audit committee and supervisory board;
- the drafting of an indicative strategic plan on the functioning of the IAD for the period 2022–2023 and the IAD's annual work plan for 2022, which it submitted to the management board, audit committee and supervisory board;
- the coordination of requests received from Banka Slovenije in accordance with Article 271 of the ZBan-3; and
- the monitoring of the bank's current operations through participation in various meetings.

2.3 Implementation of the quality assurance programme

The IAD continued with activities in 2021 aimed at ensuring the quality of internal auditing. Those activities included:

- on account of Covid-19 practically all forms of live training (conferences, seminars, workshops) were cancelled in 2021. Most training courses were held via web applications. The participation of IAD employees in 19 training programmes, seminars and conferences organised by the Slovenian Institute of Auditors, the Bank Association of Slovenia, Banka Slovenije, the ECB, international consultancy firms and other internal training programmes and seminars;
- a post-audit assessment for all performed and completed audits, in accordance with the International Standards for the Professional Practice of Internal Auditing; and
- Banka Slovenije conducted an annual interview with the director of the IAD in 2021.

2.4 Use of resources for implementation of the annual plan

The internal audit department had three employees in 2021, two of whom were full-time employees and one of whom was a part-time employee (four hours). No lengthy absence due to sick leave was recorded in 2021. Despite being envisaged in IAD's annual work plan for 2021, no expert was used for the audit of the backup system and archiving, as many matters that required solutions were already identified and were being resolved. The corporate governance audit was replaced by an extraordinary audit of the process of selecting management board members that is similar in content, and therefore there was no need for an external expert also in this case.

The IAD used a portion of available time (9% of the time earmarked for auditing services or 6% of all the auditing services and activities related to auditing) for the provision of formal and informal advisory services, which resulted in a delay in the realisation of the annual plan. Extraordinary audits (2), as already explained, had a key impact on the delay.

Table 1: Analysis of the use of planned time by the IAD in 2021

Aktivnost		Plan	Realizacija	Realizacija/ Plan	Realizacija /(plan ONR+zunanji)	Poraba neto časa	Poraba neto časa + zunanji
A	REVIZIJSKE AKTIVNOSTI	354	401	113%	113%	74%	74%
A1	Redni revizijski pregledi	275	206	75%	75%	38%	38%
A2	Izredni revizijski pregledi	20	135	674%	674%	25%	25%
A3	Spremljava priporočil	24	26	107%	107%	5%	5%
A4	Svetovalna dejavnost	35	34	98%	98%	6%	6%
B	AKTIVNOSTI POVEZANE Z REVIDIRANJEM	125	106	100%	100%	21%	21%
B1	Tekoča spremljava/ nadzor/ udeležba na odborih	27	30	112%	112%	6%	6%
B2	Načrtovanje delovanja notranje revizije	9	1	6%	6%	0%	0%
B3	Obdobno poročanje o delovanju notranje revizije	33	30	92%	92%	6%	6%
B4	Razvoj metodike revidiranja	15	12	80%	80%	2%	2%
B5	Izobraževanje in usposabljanje Sodelovanje z zunanjimi institucijami/ drugimi dajalci	21	16	78%	78%	4%	4%
B6	zagotovil	5	4	80%	80%	1%	1%
B7	Vodenje oddelka	15	12	82%	82%	2%	2%
C	AKTIVNOSTI, KI NISO POVEZANE Z REVIDIRANJEM	32	35	109%	109%	5%	5%
C1	Administracija in ostali posli	32	35	109%	109%	5%	5%
D	ODSOTNOSTI IN NEEFEKTIVNI ČAS	145	151	104%	104%		
D1	Prazniki	18	18	100%	100%		
D2	Dopusti	71	75	105%	105%		
D3	Boleznine	16	15	94%	94%		
D4	Neefektivni čas (malica, odmori)	40	43	108%	108%		
SKUPAJ		656	693	106%	106%		

The IAD had an average of 2.4 FTEs¹ in 2021 disregarding annual leave, and 2.1 FTEs if annual leave is taken into account. Details regarding the use of available time are presented in Table 1.

Deviations in actual days used for auditing and non-auditing activities from the number of days planned in the IAD's annual work plan for 2021 are the result of the following events:

1. in the first quarter of 2021, i.e. until mid-February, a total of five audits of the IAD's annual work plan for 2020 were performed and completed, i.e. the 'Recovery (06/2020)', 'Audit of the interest rate risk in the banking book (IRRBB) (09/2020)', 'Assessment of the compliance of remuneration with the remuneration policy (11/2020)', 'Credit rating assessment system (4/2020)', and 'Audit of the project and export financing department (12/2020)';
2. the extraordinary audit 'Audit of the approval of the Istrabenz turizem d.d. transaction (11/2021)' was completed in the beginning of 2021;
3. the extraordinary audit 'Process of selecting members of SID Bank's management board' was carried out from August 2021 to mid-December 2021, which, as already explained, had a significant impact on the dynamic of performing regular audits.

A total of 13% more time than planned in the IAD's annual work plan for 2021 was used on audit activities, primarily on account of extraordinary audits.

A total of 74% of the net available time was used for auditing activities during the 2021 financial year (64% in the 2020 financial year). The IAD used 95% of net available time for auditing and auditing-related activities.

¹ Including holidays and absence due to sick leave.

2.5 Assessment of the performance of the IAD in 2021

The following performance criteria were included in the IAD's annual work plan for 2021:

- the use of at least 60% of net available time (after taking into account absences) for audit activities or at least 85% of net available time for auditing and auditing-related activities; and
- the performance of at least 80% of planned audits or at least 65% of planned audits, if the amount of time required for extraordinary audits performed exceeds planned audits by 25%.

We believe that the IAD performed well in 2021 despite the extremely difficult circumstances, as it achieved both established objectives despite using more than 25% of the available time for extraordinary audits:

- a total of 74% of the IAD's net available time was used for the performance of auditing activities (2020: 64%). A total of 95% of the IAD's net available time was used for the performance of auditing and auditing-related activities (2020: 90%); and
- 70% of planned audit work was completed.

3 Assessment of the compliance of remuneration practices with the remuneration policy

The system of internal governance, risk management and internal controls in terms of remuneration is thus assessed as appropriate, as key legal elements were taken into account. The bank regulated the area of remuneration with an amended and updated master act, i.e. the remuneration policy, which is in the process of being approved by the management body. A list of the positions of the employees whose powers or work tasks and activities could have a material impact on the bank's risk profile is defined and regularly updated in the scope of the policy. The upper threshold of the proportion of an employee's total revenues accounted for by variable remuneration was also defined, which in accordance with audit recommendations and EBA guidelines is defined as a combination of an assessment of an individual's performance, the performance of their department and the bank's overall performance. A new collective agreement and the corresponding rules on promotion and remuneration were also adopted regarding fixed and variable remuneration. The integration of the eHRM and payroll system were successfully implemented in the area of application support. We issued no new audit recommendations regarding the audit, while past recommendations were implemented.

4 Summary of significant findings from audits of operations

The extraordinary audit 'Audit of the approval of the Istrabenz turizem d.d. transaction' was performed on the basis of a decision adopted by the supervisory board, with the aim of examining the circumstances that gave rise to changes and thus to the reassessment of the credit proposal. The bank detected in a timely manner the potential risk of insufficient available potential for refinancing and addressed the potential solutions. Since none of the proposals were verified, the bank suspended the conclusion of all approved transactions in mid-December and financed them primarily through its own resources. The system of internal governance, risk management and internal controls was recognised as deficient in certain aspects, particularly in relation to controls and whether available potential resources that are monitored manually were up-to-date. For these reasons, recommendations were issued to upgrade the system for monitoring loan fund assets by establishing more effective controls.

An audit of *portfolio guarantees* showed that the scope of implementation is appropriate. Despite the sound placement, we emphasise a material risk of the inability to use funds due to potential delays in the simultaneous drawing of funds from FOF products. The bank has already formed a list of measures.

Operational risk management was assessed as appropriate. In the scope of application support for the compliance function, an upgrade to the risk assessment system was also integrated with a risk assessment module that would enable risk assessment at the scenario level, the introduction of a risk register and internal controls. A need was identified for additional employee training on the significance and procedures of operating risk management, amendments to powers regarding IT system-related loss events and the recording of operating risk events.

The audit of the *approval and entering into credit insurance transactions* infringes on the area of insurance transactions under the ZZFMGP, for which SID Bank is authorised by the Republic of Slovenia. Interest in credit and investment insurance rose dramatically at banks with the outbreak of COVID-19. The system in place is assessed as adequate. Due to increased operational risk, which is a result of low process automation, efforts to introduce application support need to continue, while taking into account the principles of economic justification and economic logic. The audit proposed improvements for a more accurate definition of individual organisational units in the process of entering into credit insurance transactions.

In accordance with the interest rate policy, the pricing policy sets out all pricing elements that define the interest rate of a particular investment transaction, except in cases where state aid rules apply. The financial calculator application is used for calculations. An audit of the *calculator and the formation of the pricing policy* confirmed the appropriateness of the arrangement. SID Bank's specific nature is also reflected in determining the level of coverage for operating costs and compensation for capital at the business model level and not at the level of an individual transaction. Apart from amending operating instructions and upgrading the explanatory notes in case of manual corrections to interest rates within the calculator, we emphasise the need for its increased automation, the consistent update of calculation statuses and the periodic analysis of interest-rate transactions and their potential deviations.

The extraordinary audit of the process of selecting SID Bank's management board members highlighted irregularities and violations when handling strategic documents labelled with the designation trade secret, which were received by certain candidates in this process, and when signing contracts with external contractors. In connection with the suspicion associated with the director of the compliance department, who is simultaneously the chair of the committee for the assessment of suitability (CAS), the supervisory board adopted the decision to review and determine the facts and prepare potential corrective measures that could enable the process to proceed. According to the information gathered to date, the bank incurred no damage arising from disclosure, nor is there any suspicion of unequal treatment of candidates or non-compliance in signing the contract according to regulation and the bank's past compliant practice. The system of assessing suitability of the bank's management body was generally put in place through the bank's internal policies, but is deficient and needs to be improved. Also due to the irregularities established in the CAS's hiring of external contractors, the violations identified in this regard need to be eliminated and a comprehensive policy for managing conflicts of interest and succession policy put in place.

The backup copy and archiving system was assessed as deficient primarily due to deficiencies connected with arranging a backup copy system at a secondary location and the testing of data recovery procedures. The ITD where there have been many personnel replacements recently, also in its management, already identified the main deficiencies itself and brought attention to them during the audit together with the envisaged potential solutions. The annual testing of the business continuity plan was postponed in order to correct this situation first.

5 Organisational independence

5.1 Requirements of the Standards

Standard 1110 – Organisational independence states that the chief audit executive must report to the level of management within the organisation that facilitates the completion of internal audit tasks, and must confirm to the supervisory body the organisational independence of the internal audit function at least once a year.

Organisational independence is effectively ensured if the chief audit executive is functionally accountable and reports to the supervisory body. Cases of functional accountability to the supervisory body occur whenever the latter:

- approves the internal audit charter;
- approves the risk-based work plan of the IAD;
- approves the budget and planned resources for internal auditing;
- receives reports from the chief audit executive on the work of the internal audit function in connection with the work plan and other matters;
- approves decisions relating to the appointment and recall of the chief audit executive; and
- approves the remuneration of the chief audit executive.

Standard 1100 – Independence and objectivity requires the independence of the internal audit function and the objectivity of internal auditors in the performance of their work.

Independence is the freedom from conditions that threaten the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner. The chief audit executive thus has direct and unrestricted access to management and supervisory bodies.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no compromises regarding quality are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Independence and objectivity must be managed at the level of an individual auditor, accepted engagement, and functional/contextual and organisational responsibility.

Standard 1120 – Individual objectivity requires internal auditors to have an impartial and unbiased attitude, and avoid conflicts of interest.

A conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest that can make it difficult to fulfil their duties impartially. A conflict of interest exists even if no unethical or improper act results.

Standard 1130 – Impairment to independence and objectivity. If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to the appropriate parties. The nature of disclosure depends on the impairment.

The impairment of organisational independence and individual objectivity may include, but is not limited to, a personal conflict of interest, scope limitations, restrictions on access to records, personnel, premises and equipment, and limitations on resources, such as funding.

5.2 Fulfilment of the requirements of the Standards

The bases for organisational independence are the organisational positioning and structure of the IAD, as required by Article 161 of the ZBan-3, i.e. as an independent department that reports directly to the bank's management board, and that is functionally and organisationally segregated from the bank's other organisational units. The IAD is directly subordinated to the bank's management board. Organisational independence is also conditional on allocated access rights in application support, and access to registers, employees and records.

In accordance with the rules of procedure of the IAD and Article 164 of the ZBan-3, the IAD submitted its strategic and annual work plan, the annual internal audit report for 2021 and

quarterly internal audit reports to the bank's management board, and then to the audit committee and supervisory board in 2021. The IAD thus met requirements regarding its functional responsibility to the supervisory bodies.

All IAD employees signed a statement confirming their individual objectivity and independence for 2021, and confirming the absence of conflicts of interest amongst IAD employees in the performance of auditing and auditing-related activities.

Ljubljana, 25 February 2022

OPINION OF THE SUPERVISORY BOARD OF SID BANK REGARDING THE ANNUAL INTERNAL AUDIT REPORT FOR 2021

Under the International Standards for the Professional Practice of Internal Auditing and Article 164 of the Banking Act (Official Gazette of the Republic of Slovenia No. 92/21; hereinafter: the ZBan-3), the internal audit department of SID Bank issued the annual internal audit report for 2021 and submitted it to the Bank's management board, audit committee and supervisory board for discussion.

Following the requirement of Article 50 of the ZBan-3, the Bank's supervisory board has drawn up an opinion regarding the annual internal audit report, while the Bank's management board will include the internal audit report with the supervisory board's opinion on the agenda of the general meeting under Article 164 of the ZBan-3.

The supervisory board regularly monitored the work of SID Bank's internal audit department in 2021. The supervisory board and audit committee supervised the work of the internal audit function by discussing the annual internal audit report and quarterly reports on the work of the internal audit department in 2021 when they also dedicated attention to progress in the implementation of the aforementioned department's recommendations. The organisational positioning of the internal audit department and the powers entrusted to it by existing bylaws governing the work of that department facilitate independent auditing, unfettered access to all of the Bank's premises, employees, information and data, and the performance of auditing tasks at the internal audit department's initiative. The audit committee and supervisory board also supervised the appropriateness of procedures and the effectiveness of internal auditing by assessing and giving its consent to the strategic work plan of the internal audit department for the period 2022 - 2023, and the work plan of the internal audit department for 2022.

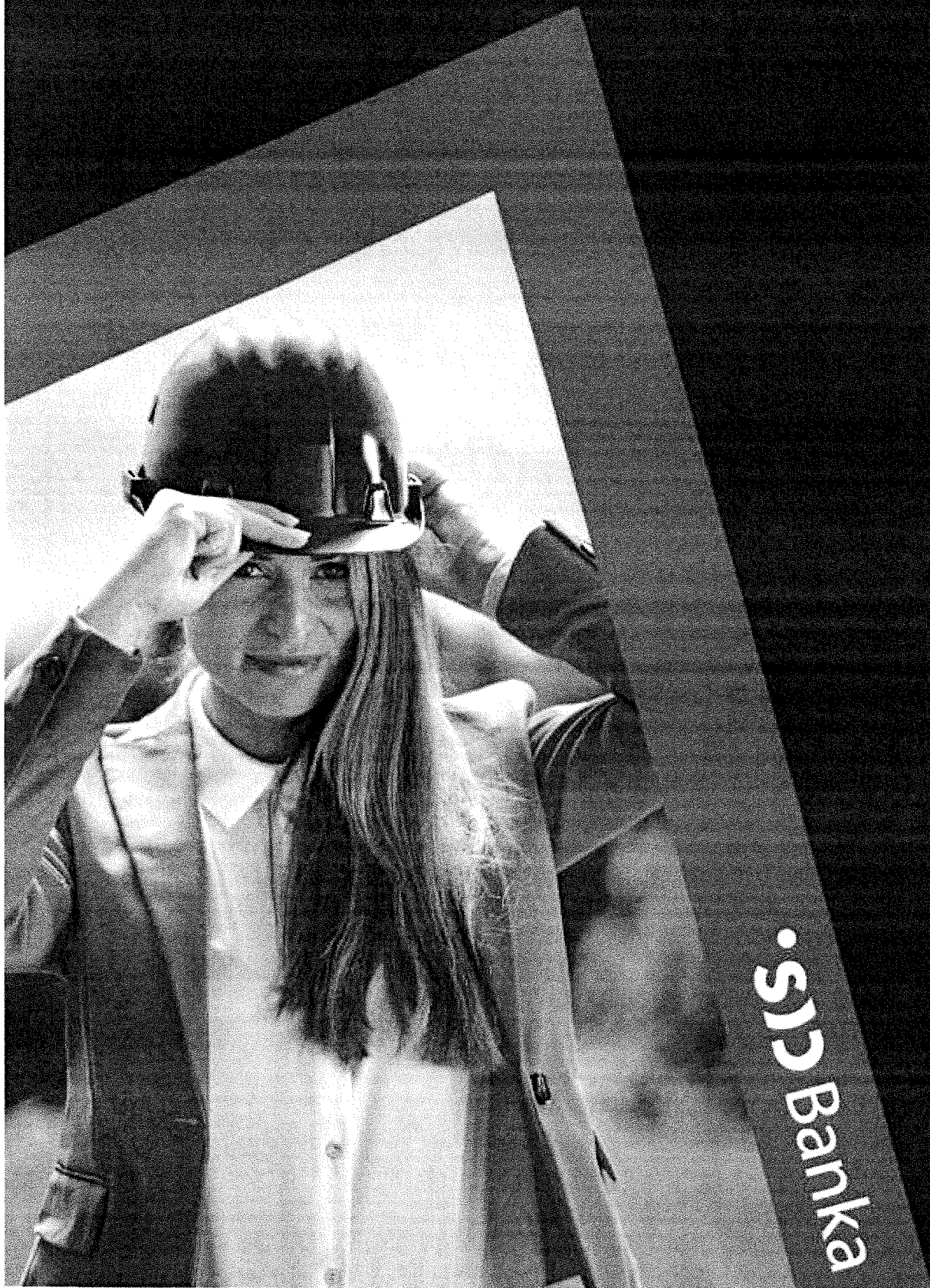
The supervisory board and audit committee also supervised the staffing of the internal audit department in 2021. In addition to ordinary audits, the internal audit department also performed extraordinary audits and provided formal and informal advisory services. The internal audit department fulfilled the majority of its annual work plan; two planned audits were brought forward to the annual work plan for 2022 due to extraordinary audits.

The audit committee discussed SID Bank's annual internal audit report for 2021 at its 103rd session held on 9 March 2022.

The supervisory board was briefed on SID Bank's annual internal audit report for 2021 at its 228th session held on 17 March 2022 and issued a positive opinion regarding that report.

mag. Marjan Divjak
chair of the supervisory board

REMUNERATION REPORT 2021



•SJD Banka

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
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

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 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

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

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 members¹

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 Member of the Risk Committee until 21 April 2021 Member of the Nomination and Remuneration Committee	30,000	11,250	41,250	0	332
Leo Knez, MSc	Member of the Supervisory Board Chair of the Audit Committee Deputy Chair of the Risk Committee until 21 April 2021 Member of the Risk Committee since 22 April 2021	23,548	11,250	34,798	0	332
Marko Tišma	Member of the Supervisory Board Member of the Audit Committee Member of the Nomination and Remuneration Committee since 21 June 2021 Member of the Risk Committee until 8 April 2021	21,750	11,250	33,000	1,130	332
Zlatko Vili Hohnjec	Member of the Supervisory Board Deputy Chair of the Audit Committee Deputy Chair of the Nomination and Remuneration Committee since 21 June 2021 Member of the Nomination and Remuneration Committee until 20 June 2021	22,500	11,250	33,750	280	332
Janez Tomšič	Deputy President of the Supervisory Board Chair of the Nomination and Remuneration Committee since 21 June 2021 Deputy Chair of the Nomination and Remuneration Committee until 20 June 2021	21,240	10,626	31,866	0	332
Igor Masten, PhD	Member of the Supervisory Board Chair of the Risk Committee	20,625	7,535	28,160	0	332
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
		148,830	67,737	216,567	1,410	2,324

Remuneration of the Management Board members

													In EUR
		1	2	3	4	5	6	7	8	9	10	11	12
		Fixed remuneration				Variable remuneration							
Person	Function	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+8-9+12)	Percentage of awarded variable remuneration (5+7)/1	Remuneration in Group companies
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

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 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

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

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.



Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenija

Tel: +386 (0) 1 3072 800
Faks: +386 (0) 1 3072 900
www.dobim.si

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.

[illegible]

(Załącznik nr 2) – analiza globalnej postawy wobec rozwoju w zakresie: gospodarki, środowiska, polityki społecznej, polityki regionalnej, polityki zagranicznej, polityki budżetowej i polityki finansowej. Celem tej oceny jest stwierdzenie, czy polityka państwa jest spójna z politykami Unii Europejskiej i czy jest ona zgodna z politykami państw członkowskich Unii Europejskiej. W ramach oceny dokonano analizy polityki państwa w zakresie: gospodarki, środowiska, polityki społecznej, polityki regionalnej, polityki zagranicznej, polityki budżetowej i polityki finansowej. Wyniki oceny przedstawiono w tabeli nr 2. W tabeli nr 2 przedstawiono ocenę polityki państwa w zakresie: gospodarki, środowiska, polityki społecznej, polityki regionalnej, polityki zagranicznej, polityki budżetowej i polityki finansowej. Wyniki oceny przedstawiono w tabeli nr 2.

U Spoločnej strategii bezpečnosti a obrany, navrhovanej do 1. januára 2002, sa stanovuje, že "podľa toho, ako sa mení bezpečnosť, Európska bezpečnosť a obrana, ktorá je kľúčovou časťou Európskeho moldenia, by mala byť schopná čelieť rôznym druhom hrozieb, ktoré vznikajú v dôsledku vývoja bezpečnosti a obrany. V Spoločnej strategii bezpečnosti a obrany sa stanovuje, že Európska bezpečnosť a obrana, ktorá je kľúčovou časťou Európskeho moldenia, by mala byť schopná čelieť rôznym druhom hrozieb, ktoré vznikajú v dôsledku vývoja bezpečnosti a obrany."

Collette reeve@att.net - Griffin v. Green and Associates, LLC - 04/24/2014 - 1:03 PM, re: 1/24/14 10:00 AM, closed Social-26 016 90 81

© 2012 The author(s). All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or by any information storage or retrieval system, without permission in writing from the publisher.

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

Information regarding the remuneration of the members of the Management Board and Supervisory Board with respect to the Bases of Slovenski državni holding, d.d. (SSH) for voting at the general meetings of companies in 2022 of 15 March 2021

In accordance with point 2.10 of the "Remuneration policy and the remuneration of members of the supervisory and management bodies of companies under the management of the SSH" and point 2.11 of the "Policy on the remuneration of management bodies", published in the Platform of Slovenski državni holding, d.d. for voting at the general meetings of companies in 2022 of 15 March 2022 (hereinafter: the Bases), the SSH expects the companies in respect of which it exercises management entitlements at general meetings to disclose remuneration policies and the remuneration of management and supervisory bodies.

In contrast to previous years, SID Bank this year prepared a report on remuneration in accordance with Article 294b of the Companies Act (ZGD-1), the compliance of which with the requirements of the law is confirmed by the external auditor. The report is submitted to the Bank's General Meeting for information and is published on the Bank's website, after having been discussed at the General Meeting. Information on the remuneration of the members of the Management Board and the Supervisory Board of SID Bank is for the most part already disclosed in the remuneration report, which also describes the design and structure of the remuneration system and the method of linking remuneration to long-term performance. Information not disclosed in the remuneration report is presented below.

I. Information regarding the remuneration of the members of the Management Board and Supervisory Board with respect to point 2.12 of the Bases

No.	Requirement	Disclosure
1.	Maximum permitted amount of the basic (fixed) salary and criteria/reasons for setting the basic (fixed) salary in management contracts	<p>No changes to the regulation since reporting at the General Meeting last year.</p> <p>The maximum permitted amount of the basic (fixed) salary is set out according to the ZPPOGD and Article 2 of the relevant Slovenian government decree. A contract sets a basic salary in the amount of five times the average gross wage paid by a company, which amounted to EUR 20,524.90 in 2021.</p> <p>According to the amended recommendations and expectations of the SSH (March 2022), the General Meeting also proposed to adopt a new remuneration policy for the members of the Management Board.</p>

2.	<p>The highest permitted amount of variable remuneration and the system of criteria for setting variable remuneration, i.e. common criteria for all members and individual criteria for a specific member of the management body, and criteria by category:</p> <ul style="list-style-type: none"> - quantitative criteria that are defined using various economic and financial indicators (e.g. return-on-equity (ROE), EBITDA margin and net debt/EBITDA); and - qualitative criteria that define business objectives (e.g. successful acquisitions, reorganisation, upgrading of IT and increase in market share); 	<p>Regarding the arrangement of variable income, the Bank amended the Rules in 2021 in accordance with the recommendations of the internal audit function, and took into account the European Banking Authority (EBA) guidelines, which have been adequately followed in the new policy on the remuneration of the members of the management body.</p> <p>The provisions of the ZPPOGD also apply to the performance criteria (based on which variable remuneration is determined) for the members of SID Bank's Management Board. The variable remuneration, which may not exceed 30% of the basic salary of any member of the Management Board, is determined by the Supervisory Board at the proposal of the Nomination and Remuneration Committee, following the approval of SID Bank's annual report. To that end, the Supervisory Board takes account of the fulfilment of the annual operational plan (AOP) of SID Bank and other performance criteria. The fulfilment of the AOP provides a basis for the payment of the entire variable remuneration, while in the event of (a) partial fulfilment of the AOP or (b) if certain objectives have been exceeded and others have not been met, the Supervisory Board takes a decision on the amount of the variable remuneration by taking into account the criterion concerning the fulfilment of objectives/tasks in comparison with all tasks, as well as quantitative and qualitative criteria set out in the AOP and their weight in accordance with the provisions of the articles of association and the adopted strategy defining the purpose and mission of the Company and other circumstances in which the Company operated in the previous year.</p> <p>Quantitative and qualitative criteria are defined in the Bank's strategy and annual operational plan applicable at the time. Specifically, 33 indicators were defined for 2021 (framework strategic indicators, indicators of strategic activities and indicators of strategic results). When deciding on the amount of variable pay, three strategic objectives and five financial indicators which have been defined by the SSH in its documents and approved by the government of the Republic of Slovenia over the last few years are taken into account for half of the maximum possible pay depending on performance, as follows:</p> <ul style="list-style-type: none"> - Appropriate scope of activities (balance of financing transactions) - Incentive effect of interest rates of financial engineering funds and direct financing of the fund of funds - Countercyclical stance of the growth in loans according to the output gap - ROE - CIR - Proportion of total loans accounted for by NPLs - Interest margin - Capital adequacy
----	--	---

		<p>The Supervisory Board's Nomination and Remuneration Committee also has the possibility to set out other objectives and indicators annually, or replace the existing objectives with new ones, as required.</p> <p>Variable remuneration in the amount of 15% of the basic salary was awarded in 2021 (maximum 30% of the basic salary) to the Management Board member, while the President of the Management Board was awarded variable remuneration equalling 7.5% of the basic salary in line with the criteria and conditions for setting the variable portion of the Management Board's remuneration.</p> <p>The payment of the variable portion of remuneration (deferral period) and clawbacks are regulated by the enclosed remuneration policy for the members of the management body.</p>
3.	Quality criteria for the development of the Company's social responsibility should be defined separately.	<p>Various elements of social responsibility or related conduct are reflected in different documents and the everyday operations of SID Bank. The core document that defines the operation of the Bank in this area is SID Bank's social responsibility policy, which has been in force since 2011. The social responsibility content is also covered by each AOP. Content relating to the pursuit of social responsibility at SID Bank can be found every year in a separate report that is an integral part of the Bank's annual report.</p>
4.	Other types of potential bonuses and the maximum permitted amount thereof.	The Management Board is not entitled to any other type of bonuses.
5.	Definition of the maximum amount and conditions for the payment of severance pay, and information about the severance pay agreed in the contract	Set out in the enclosed policy on the remuneration of the members of the management body as no more than six times the basic monthly salary.
6.	Other rights and benefits under Recommendation No. 9 of the applicable Recommendations and Expectations of the Slovenian Sovereign Holding	Set out in the enclosed policy on the remuneration of the members of the management body and already enforced in 2021. The content, scope and limit values (thresholds) as provided in points 9.55 to 9.61 of the Recommendations and Expectations of the Slovenian Sovereign Holding are taken into account.
7.	In connection with the previous indent and in the event of companies bound by the ZPPOGD, the general meeting is briefed on the rules regarding the vesting of other contractual rights in accordance with Article 6 of the aforementioned	Enclosed with the policy on the remuneration of the members of the management body, whereby the rules applicable thus far are upgraded and harmonised according to Article 6 of the ZPPOGD.

	act. According to those rules, the aforementioned rights are defined in a contract and must take into account the size, activities, extent of operations and financial position of a company, where compliance with those criteria should be explained separately. Rules on the definition of other rights may take the form of a separate bylaw of the supervisory board or be a part of the remuneration policy for members of management bodies.	
8.	Arrangement of payments to members of management bodies who perform the function of a member of the supervisory board or other tasks at a subsidiary (whether payment is included in the basic salary of a member of the management body or is deemed a supplemental payment).	Members of the management body and other employees who perform the function of member of the supervisory board or other tasks at a subsidiary never have and do not currently receive supplemental payments. This is also set out in the governance policy of SID Bank.
9.	Explanation of how compliance with the above-described policy on the remuneration of members of management bodies and with the policy on the conclusion of contracts with members of management bodies is ensured and taken into account in the setting of remuneration, so that total remuneration is proportionate to the tasks of members of the management body and the company's financial position, with the aim of promoting the long-term sustainable operations of the company and ensuring remuneration is in line with achieved results.	Described in previous points herein, in the remuneration report for 2021 and included in the policy on the remuneration of the members of the management body.

II. Information regarding the remuneration of the members of the Management Board and Supervisory Board with respect to point 2.13 of the Bases¹

No.	Requirement	Disclosure
1.	Data regarding the average gross salary paid by group companies ² or an individual company if there is no group ³ during the previous financial year, i.e. for the year prior to the year for which the remuneration of management bodies is presented.	EUR 4,104.98
2.	Gross amount of the vested right to variable remuneration for the previous financial year. ⁴	The information is disclosed in the remuneration report for 2021.

¹ Supplemental information not already covered by point II.

² The average gross salary within a group is calculated by dividing the sum of all gross wage costs of group companies (the item 'wages and salaries' from the income statement less the wages and salaries of companies not registered in the Republic of Slovenia) by the number of months of the group's operations, and by further dividing the amount obtained as such by the total average number of employees based on hours worked at all group companies.

³ The average gross salary at a company is calculated by dividing the sum of all gross wage costs at that company (the item 'wages and salaries' from the income statement) by the number of months of the company's operations, and by further dividing the amount obtained as such by the total average number of employees based on hours worked at the company.

⁴ Appendix 6 to the Code presents actual payments of variable remuneration for a given year.

3.	<p>Other rights from the contract (for the previous year) agreed in the contract, in the sense of Recommendation No. 9 from the valid Recommendations and Expectations of the SSH, broken down by individual right (generally, this is a presentation of the type of right and the maximum permitted amount or values under the contract)</p> <p>And</p> <p>other rights actually used (for the previous year), in the sense of Recommendation No. 9 from the valid Recommendations and Expectations of the SSH, broken down by individual right</p>	<p>Maximum rights derive from the Rules on the conclusion of employment contracts with members of the Management Board, which were aligned in 2021 with the Recommendations and Expectations of the SSH (Section 9). Detailed data on other rights actually exercised in 2021 are presented in the table below:</p> <table><tr><th></th><th>President of the Management Board</th><th>Member of the Management Board</th><th>in EUR</th></tr><tr><td>Annual leave allowance</td><td>2,027.21</td><td>2,027.21</td><td></td></tr><tr><td>Fringe benefits</td><td>2,306.88</td><td>746.76</td><td></td></tr><tr><td>Use of company car</td><td>1,116.48</td><td></td><td></td></tr><tr><td>Voluntary health insurance</td><td>346.00</td><td>415.20</td><td></td></tr><tr><td>Liability insurance</td><td>331.56</td><td>331.56</td><td></td></tr><tr><td>Accident insurance</td><td>32.84</td><td></td><td></td></tr><tr><td>Membership fees</td><td>480.00</td><td></td><td></td></tr><tr><td>Voluntary supplementary pension insurance</td><td>2,584.12</td><td>2,819.04</td><td></td></tr><tr><td>Preventive medical examinations</td><td>1,039.12</td><td>1,090.23</td><td></td></tr><tr><td>Memberships fees</td><td>480.00</td><td></td><td></td></tr><tr><td>Managers' Association of Slovenia</td><td>320.00</td><td></td><td></td></tr><tr><td>SDA</td><td>160.00</td><td></td><td></td></tr><tr><td>Use of company payment card (travel and entertainment costs)</td><td>123.72</td><td>292.48</td><td></td></tr><tr><td>Company vehicle</td><td>Volvo XC60 D3 AWD Year 2010 Residual value: 0</td><td>/</td><td></td></tr></table>				President of the Management Board	Member of the Management Board	in EUR	Annual leave allowance	2,027.21	2,027.21		Fringe benefits	2,306.88	746.76		Use of company car	1,116.48			Voluntary health insurance	346.00	415.20		Liability insurance	331.56	331.56		Accident insurance	32.84			Membership fees	480.00			Voluntary supplementary pension insurance	2,584.12	2,819.04		Preventive medical examinations	1,039.12	1,090.23		Memberships fees	480.00			Managers' Association of Slovenia	320.00			SDA	160.00			Use of company payment card (travel and entertainment costs)	123.72	292.48		Company vehicle	Volvo XC60 D3 AWD Year 2010 Residual value: 0	/	
	President of the Management Board	Member of the Management Board	in EUR																																																													
Annual leave allowance	2,027.21	2,027.21																																																														
Fringe benefits	2,306.88	746.76																																																														
Use of company car	1,116.48																																																															
Voluntary health insurance	346.00	415.20																																																														
Liability insurance	331.56	331.56																																																														
Accident insurance	32.84																																																															
Membership fees	480.00																																																															
Voluntary supplementary pension insurance	2,584.12	2,819.04																																																														
Preventive medical examinations	1,039.12	1,090.23																																																														
Memberships fees	480.00																																																															
Managers' Association of Slovenia	320.00																																																															
SDA	160.00																																																															
Use of company payment card (travel and entertainment costs)	123.72	292.48																																																														
Company vehicle	Volvo XC60 D3 AWD Year 2010 Residual value: 0	/																																																														

4.	<p>Information on the amount of severance pay agreed in the contract in case of early termination of office and the conditions on eligibility for severance pay</p>	<p>According to the contract, a member of the Management Board is entitled to severance pay equalling six times the last basic monthly salary if they are recalled prior to the end of their term of office for reasons other than those specified in the first, second and third indents of the second paragraph of Article 268 of the ZGD-1 and do not enter into a new employment contract with the Company. They are not entitled to severance pay if they terminate the employment contract, except if the termination is due to health reasons that prevent them from further discharging their duties.</p> <p>The amount of the severance pay is laid down in the policy on the remuneration of the members of the management body.</p>
----	---	--