SID Banka

CAPITAL OF THE GREEN FUTURE

Annual Report of SID Bank 2023

SID Bank
Annual Report 2023

SID Bank is a green bank. We were one of the first initiators of the concept of the circular economy in Slovenia, and are one of its key players today. To deliver on the overall promise of an accelerated sustainable transition of the Slovenian economy.

CONTENT

Statement from the President of the Management Board

Borut Jamnik,
President of the Management Board

Last year will go down in economic policy chronicles as one of Slovenia's more difficult. Economic growth continued to slow down, declining to 1.6% according to initial estimates. The main factors in this slowdown were slower growth in private consumption, and a contraction in industrial output. The slowdown in economic growth occurred in an environment of persistently high inflation, which was accompanied by interest rate hikes. The interest rate on the ECB's deposit facility had risen to 4% by the end of 2023, having still been negative in mid-2022. Moreover, Slovenia was hit by catastrophic floods and landslides in August, with huge consequences for infrastructure, the economy and housing. All of the above had a profound impact on SID Bank's performance last year.

In response to the slowdown in economic growth and in the expectation of a need to fulfil its countercyclical mandate, SID Bank picked up its financing activity: EUR 251 million of new operations were concluded, and drawdowns totalling EUR 347 million were made, of which EUR 30 million were loans to banks and EUR 317 million loans to non-bank customers. The balance sheet total amounted to almost EUR 2.7 billion at the end of 2023, down on the previous year, primarily as a result of optimisation on the liability side and the resulting decline of EUR 146 million in funding. SID Bank maintained its trend of growth in the share of direct financing in 2023: loans to non-bank customers accounted for 85% of the credit portfolio, exhibiting 835 customers in this segment at the end of 2023.

SID Bank adapts the implementation of its intervention role and anti-crisis financing to the situation in the environment. Last year made it 12 years since the establishment of the first financial engineering loan fund, which was set up at the end of the financial crisis, and its liquidation period began in December. The good performance of the loan funds in supporting the economy was reflected in the establishment of two new funds in 2023: loan fund 6 in the amount of EUR 100 million is designed to finance companies that suffered damage as a result of the energy crisis and the war in Ukraine, while loan fund 7 in the amount of EUR 100 million was created in response to the floods, and aims to finance mitigation efforts in the economy.

In parallel with its countercyclical mandate, SID Bank also provided economic stimulus through various forms of developmental action. To this end it launched new direct financing programmes, signing an agreement with the European Investment Fund to use InvestEU guarantees to finance green and sustainable projects in the amount of EUR 44 million (SID ZELEN), and research, innovation and digitalisation at Slovenian companies in the amount of EUR 27 million (SID DIGITALEN).

SID Bank is well aware that loans alone cannot meet the total demand for financing in the Slovenian economy, and that equity financing also has an important role to play. The Slovenian Equity Growth Investment Programme (SEGIP) was established in conjunction with the EIF to this end. It provides a basic capacity of equity financing in the amount of EUR 100 million (EUR 50 million from SID Bank and EUR 50 million from the EIF), of which EUR 68 million had been distributed by the end of 2023. The success of the initial SEGIP encouraged its expansion with additional capacity of EUR 120 million of equity financing for three purposes: (1) a technology transfer fund intended for financing innovative technological research projects, which also supports the commercialisation of the knowledge of universities and research institutes in the economy; (2) a venture capital fund that will provide financial support to young, innovative Slovenian SMEs in the early stages of development and rapid growth; and (3) a private equity fund for succession that will address the issue of ownership succession at Slovenian family-owned companies. All three new funds will finance their first projects this year, and SID Bank intends to draw on the experience of the SEGIP to expand the available capital market instruments and to develop an ecosystem for start-ups and scale-ups, including the relevant changes of legal status.

Insurance operations also maintained a high dynamic in 2023: they amounted to EUR 1.4 billion. The decline relative to 2022 was primarily attributable to the expiry of the government measures to help the economy overcome the consequences of the Covid-19 pandemic and the war in Ukraine. There was an increase in short-term insurance operations, most notably in reinsurance of current receivables, while outward investment insurance accounted for 6.6% of total volume, and is a segment that we intend to focus even more attention on in the years ahead.

In the demanding year that was 2023, SID Bank continued to fulfil its legally prescribed obligation to maintain or increase capital. The Bank generated a net profit of EUR 15.6 million, which was reflected in an ROE of 3.4%. The result was primarily attributable to a more favourable valuation of equity instruments, higher net interest income, and consistent cost control, although one should underscore that profitability is not SID Bank's primary objective; instead it is subordinate to the successful realisation of the mandate.

The challenging environment in 2023 was also reflected internally at the Bank. A new medium-term business strategy was adopted early in the year, based on three aspects: the mandate, the customer and the bank. This means that at SID Bank we will be extremely active over the coming years in fulfilling our mandate, in strengthening responsiveness to the needs of our customers, and in adapting the organisational structure and business processes, financial and risk management. The first step was taken in 2023 with the new organisational structure, which merges a larger number of previously small organisational units into larger departments where this makes substantive sense, with the aim of increasing process efficiency and regulatory compliance.

The continuously evolving environment in 2023 and the changes in the organisational structure had an impact on all 221 employees at SID Bank. Notwithstanding the above, our employees remained committed to values such as responsibility and effectiveness. They deserve praise for their work, and for the Bank's excellent performance. SID Bank's new strategy also asserts its new values, including valour and boldness that may seem unusual for a bank. After a little less than a year in the role of president of the management board, it would be difficult to describe the character of our employees any better than this. Valiant in their engagement in fulfilling the Bank's mandate to support existing and new customers, backed by boldness in seeking solutions. We saw this in 2023, and SID Bank will remain valiant and bold in the future.

Borut Jamnik,
President of the Management Board

Janez Tomšič,
Chair of the Supervisory Board

Supervisory Board Report

In monitoring and supervising the operations of SID Bank and the work of the management board, the supervisory board performed its work in accordance with the powers and responsibilities prescribed by law, the articles of association, the corporate governance policy, codes of conduct, and its own rules of procedure. It assessed the Bank's management and performance, having regard for its strategic guidelines and the risks to which it is or could be exposed.

The composition of the supervisory board changed several times over the course of 2023. Leo Knez's term of office came to an end on 22 February. The government appointed him to a new five-year term on 23 February. Zlatko Vili Hohnjec and Igor Masten resigned from their positions on the supervisory board on 14 March and 20 March, respectively. The government appointed Matija Šenk as a new board member, his term of office beginning on 7 June.

The supervisory board held ten ordinary sessions and six correspondence sessions in 2023, at which it discussed general and specific matters relating to the Bank's operations and performance, and also made decisions on certain transactions under its remit.

The supervisory board members actively participated in discussions, offering comments and guidance, and also submitting various questions and requests for clarification. The supervisory board passed its decisions unanimously. The supervisory board members signed a statement of independence through which they affirmed that there were no circumstances that could influence their impartial, professional and comprehensive judgement in the discharging of their duties or decision making. The supervisory board's statements of independence are published on SID Bank's website. In the discharge of their duties and decisions, there were no circumstances or conduct that led or could have led to conflicts of interest. The supervisory board members acted in full compliance with legislation in disclosing all circumstances that might constitute a conflict of interest. These disclosures were properly addressed, in part by ensuring that the supervisory board member in question did not receive the relevant materials and information, and was recused from the session during the discussion and decision-making on the matter in which there was a (potential) conflict of interest.

Expert support for the work of the supervisory board was provided by:

- the audit committee, which held 12 ordinary sessions, at which it discussed and drew up positions primarily with regard to the Bank's interim performance reports and financial statements, elements of the Bank's unaudited annual report for 2022, the final auditor's report for the financial statements for 2022, the financial plan, the work plans of the internal audit, compliance and information security functions, and regular reports by the three aforementioned control functions. Under the ZGD-1 (Article 280), the audit committee discussed and monitored the procedure for selecting a new external auditor for the financial years of 2023 to 2026, and after considering the offers it suggested to the supervisory board that it propose the appointment of Ernst & Young d.o.o. to the general meeting. Following the appointment of the new external auditor, it discussed the proposed contractual relations with the audit firm, including non-audit services, and also the auditor's programme of work and its pre-audit findings;

- the risk committee, which held nine ordinary sessions, and provided expert support to the supervisory board in connection with risk appetite and risk management, drew up positions primarily with regard to the risk management strategy and policy, the methodologies and assessments of the Bank's risk profile, the methodologies and implementation of the internal capital adequacy assessment process and the internal liquidity adequacy assessment process, Bank of Slovenia findings in the supervisory review and evaluation process, and risk management and control at the Bank within the framework of the discussion of quarterly risk reports and the annual report for 2022, the risk policy and selection of risk appetite indicators for 2024, the NPEs management strategy, the report on the annual review of outsourcing, and changes to bylaws in the area of risk management, and was also briefed on the results of credit risk parameter validation;

- the nomination and remuneration committee, which held ten ordinary sessions and one correspondence session, and provided expert support to the supervisory board in assessing the adequacy of remuneration policies and practices and changes to remuneration policy, and the proposed recruitment plan and labour costs within the framework of the Bank's financial plan for 2024, monitored the implementation of the HR strategy, discussed and approved the assessment of the management body with regard to the knowledge, skills and experience of individual members of the management board and the supervisory board and the management body as a collective, and issued a suitability assessment, for which the suitability assessment committee drew up analysis.

  The committee advised the supervisory board with regard to the appointment of a new president of the management board, following the ending of the term of office of the previous president by mutual consent.

The supervisory board discussed and decided on the following major issues in 2023:

- the appointment of a new president of the management board following the ending of the term of office of the previous president by mutual consent;
- the annual report for 2022 with the auditor's report, and the proposal for the use of distributable profit for 2022;
- the draft of the Bank's new business strategy for 2024 to 2026, and the proposed new IT strategy;
- the financial plan for 2024;
- the risk management strategy and policy, and the risk appetite;
- the appointment of a new auditor for the financial years of 2023 to 2026, which was proposed to the general meeting in accordance with the fourth paragraph of Article 281 of the ZGD-1;
- the regular reports on performance and the risk reports;
- the report on the internal capital adequacy assessment process and internal liquidity adequacy assessment process submitted to the Bank of Slovenia, and the Bank of Slovenia's findings in the supervisory review and evaluation process;
- the regular reports on all control functions, in particular the internal audit department, and the findings of individual audits conducted by the internal audit department;
- specific financing and borrowing transactions under its remit in accordance with the articles of association;
- the NPEs management strategy and plan;
- the general remuneration policy and the remuneration policy for members of the management body;
- the product management policy;
- reports on the performance of affiliates and on the orderly wind-down of Prvi Faktor Group companies.

In its monitoring and supervision of the Bank's management and operations, the supervisory board obtained timely and complete information from the management board, based on which it took decisions pursuant to its powers.

In March 2024 the supervisory board carried out a self-assessment of its work in 2023 on the basis of the recommendations of the manual governing the assessment of the efficiency of the work of supervisory boards issued by the Slovenian Directors' Association. Before beginning the self-assessment procedure, the supervisory board also obtained reports on the work of all three of the supervisory board committees, including their own self-assessments of their work. The results of the self-assessment confirm that the supervisory board carried out its work professionally, with due diligence, responsibly, and in line with the interests of the Bank, and that the individual members of the supervisory board and the supervisory board as a collective possess adequate knowledge and experience to enable the high-quality and effective discharging of the duties that fall under the remit of the supervisory board.

APPROVAL OF THE ANNUAL REPORT FOR 2023

SID Bank's unaudited annual report for 2023 was discussed by the risk committee and the audit committee at their session of 5 and 6 March 2024, and by the supervisory board at its session of 6 March 2024. The remuneration report for 2023 was discussed by the nomination and remuneration committee at its session of 6 March 2024. The audited annual report with an additional final report to the audit committee on the audit of the financial statements for 2023, the independent auditor's report including the report on the audit of the financial statements, the report on other statutory and regulatory issues, the auditor's report on agreed procedures followed with regard to the adequacy of criteria for allocating revenues, costs and expenses across activities and the correctness of their application, the auditor's report on agreed procedures followed with regard to compliance with the risk management rules at banks and savings banks set out by the Regulation on the minimum scope and content of the additional audit and the additional audit report on SID Bank's compliance with the risk management rules at banks and savings banks (Official Gazette of the Republic of Slovenia, No. 104/15), and the auditor's report on remuneration for 2023 were discussed by the audit committee, the risk committee and the nomination and remuneration committee between 25 and 28 March 2024, each according to their remit. The certified external auditor also reported at sessions of the audit committee and the risk committee. The two committees assessed the annual report as satisfactory, and proposed that the supervisory board approve the annual report.

The supervisory board discussed and reviewed SID Bank's annual report for 2023 at its meeting of 28 March 2024, together with the proposal for the use of distributable profit for 2023 submitted by the management board in accordance with Article 4 of the ZSIRB. The supervisory board also discussed the independent auditor's report to the shareholders on the audit of the financial statements, in which Ernst & Young d.o.o. issued an unqualified opinion regarding the financial statements of SID banka d.d., Ljubljana for 2023. In the auditor's opinion, the financial statements present fairly, in all material aspects, the financial position of the undertaking as at 31 December 2023, and its performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards, as adopted by the European Union. The supervisory board had no comments with regard to the report by the auditor, Ernst & Young d.o.o. After its review, the supervisory board unanimously approved the annual report for 2023.

Janez Tomšič
Chair of the Supervisory Board

Highlights

SID Bank is a socially responsible and active member of the community. By sponsoring and supporting a wide variety of projects and events, we are doing our bit to improve quality of life, preserve the natural environment and foster social development.

01

Key Data and Performance Indicators[1]

Key data

	SID Bank		
in EUR thousand	**2023**	2022	2021
Statement of financial position			
Balance sheet total	**2,685,877**	2,799,708	2,834,032
Total deposits from the non-banking sector measured at amortised cost	**1,114,735**	1,034,941	987,512
Total loans to the non-banking sector	**1,428,171**	1,382,527	1,199,698
Total equity	**484,679**	450,869	491,766
Allowances and provisions for credit losses	**51,531**	48,003	56,192
Off-balance-sheet items	**543,793**	519,366	411,421
Income statement			
Net interest	**30,170**	24,214	28,006
Net non-interest income	**10,167**	2,336	5,718
Labour, general and administrative costs	**(21,461)**	(20,694)	(19,577)
Amortisation/depreciation	**(1,024)**	(984)	(986)
Impairments and provisioning (credit losses)	**(276)**	5,454	16,454
Pre-tax profit from ordinary and discontinued operations	**18,385**	10,053	29,486
Corporate income tax on profit from continuing and discontinued operations	**(2,747)**	(1,802)	(5,456)
Net profit for the financial year	**15,638**	8,251	24,030
Statement of other comprehensive income			
Other comprehensive income before tax	**21,328**	(60,676)	(10,334)
Corporate income tax on other comprehensive income	**(3,156)**	11,528	1,963
Number of branches as at 31 December	**1**	1	1
Number of employees as at 31 December	**221**	221	223
Shares			
Number of shareholders	**1**	1	1
Number of shares	**3,121,741**	3,121,741	3,121,741
Corresponding amount of share capital of one no-par-value share	**96.10**	96.10	96.10
Book value of one share	**156.18**	145.29	158.47
Long-term credit rating as at 31 December			
Standard & Poor's	**AA-(Stable Outlook)**	AA-(Stable Outlook)	AA-(Stable Outlook)

[1] Prescribed data and indicators are calculated in accordance with the Guidelines for calculating the performance indicators of banks and savings banks, which were prescribed by the Bank of Slovenia on the basis of the Regulation on the books of account and annual reports of banks and savings banks (Official Gazette of the Republic of Slovenia, No. 184/21).

Key Data and Performance Indicators

Selected indicators

	SID banka		
in %	2023	2022	2021
Shareholder equity			
Common equity Tier 1 capital ratio	**27.3**	25.4	28.8
Tier 1 capital ratio	**27.3**	25.4	28.8
Overall capital ratio	**27.3**	25.4	28.8
Leverage ratio	**16.3**	14.7	15.5
Quality of assets in the statement of financial position and assumed commitments			
Non-performing (on-balance-sheet and off-balance-sheet) exposures / classified on-balance-sheet and off-balance-sheet exposures	**3.0**	2.8	1.4
Non-performing loans and other financial assets / classified loans and other financial assets (excluding balances on accounts at the CB and demand deposits at banks)	**5.0**	4.8	2.3
Non-performing loans and other financial assets / classified loans and other financial assets (including cash balances at the CB and demand deposits at banks)	**4.2**	3.9	2.1
Allowances for credit losses / non-performing loans and other financial assets (excluding balances on accounts at the CB and demand deposits at banks)	**42.5**	38.4	69.4
Allowances for credit losses / non-performing loans and other financial assets (including balances on accounts at the CB and demand deposits at banks)	**42.5**	38.4	69.4
Collateral received / non-performing loans and other financial assets (excluding balances on accounts at the CB and demand deposits at banks)	**50.7**	54.2	16.4
Profitability			
Interest margin	**1.1**	0.9	1.0
Financial intermediation margin	**1.5**	1.0	1.2
Return on assets (ROA) after tax	**0.6**	0.3	0.8
Return on equity (ROE) before tax	**3.9**	2.2	6.1
Return on equity (ROE) after tax	**3.4**	1.8	5.0
Operating costs			
Operating costs / average assets	**0.8**	0.8	0.7
Liquidity			
Liquidity coverage ratio	**3,196**	6,123	3,618
Net stable funding ratio	**152**	145	142

CB = central bank

Key Data and Performance Indicators

TOTAL ASSETS in EUR million

2021	2022	2023
2,834.0	2,799.7	2,685.9

TOTAL LOANS TO THE NON-BANKING SECTOR in EUR million

2021	2022	2023
1,199.7	1,382.5	1,428.2

TOTAL DEPOSITS BY THE NON-BANKING SECTOR in EUR million

2021	2022	2023
987.5	1,034.9	1,114.7

TOTAL EQUITY in EUR million

2021	2022	2023
491.8	450.9	484.7

Key Data and Performance Indicators

INTEREST MARGIN in %

2021	2022	2023
1.0	0.9	1.1

NET PROFIT FOR FINANCIAL YEAR in EUR million

2021	2022	2023
24.0	8.3	15.6

RETURN ON ASSETS (ROA) AFTER TAX in %

2021	2022	2023
0.8	0.3	0.6

RETURN ON EQUITY (ROA) AFTER TAX in %

2021	2022	2023
5.0	1.8	3.4

Significant Business Events in 2023

- SID Bank borrowed in March by issuing a seven-year bond in the nominal amount of EUR 140 million on the international capital market in a private issue. The bond is listed on the Open Market of the Frankfurt Stock Exchange. With this new borrowing, SID Bank will provide a stable structure for financial resources for financing and for ensuring that the bank has adequate liquidity.
- SID Bank successfully signed a new long-term loan agreement for EUR 100 million with the German development bank KfW for the funding of projects and operations of SMEs and mid-cap companies.
- SID Bank supplemented the programme for financing public-sector entities (JAVNI SEKTOR 1), which addresses recovery from the massive damage suffered by local infrastructure as a result of the floods that affected most of Slovenia at the beginning of August 2023.
- SID Bank signed an agreement with the European Investment Fund on utilising the InvestEU guarantees for the financing of sustainable and green projects in the amount of EUR 44.3 million (SID ZELEN) and research, innovation and digital transformation of Slovenian companies in the amount of EUR 27.5 million (SID DIGITALEN). An individual guarantee is 70% for SID ZELEN and 40% for SID DIGITALEN.
- After exhausting the potential, in summer 2023, for financing companies that suffered damage as a result of the energy crisis and the war in Ukraine under the ORMG 1 programme, in October SID Bank established a new loan fund (PS6) with the Ministry of the Economy, Tourism and Sport (METS). The fund amounts to EUR 100 million (EUR 75 million from SID Bank, EUR 25 million from the METS). The funds under the ORMG 2 programme are earmarked for the financing of companies that have suffered damage as a result of the energy crisis and the war in Ukraine.
- In December, following the amendments made to the Natural Disaster Recovery Act (ZOPNN) in August, which introduced the possibility of providing aid to those affected by natural disasters in the form of refundable funds, including in the form of a financial engineering measure, SID Bank set up, with the METS, a new loan fund (PS7) of EUR 100 million, into which SID Bank will pay EUR 70 million and METS EUR 30 million. The resources of this fund are earmarked for the financing of the remediation of damage to the economy caused by the floods of August 2023.
- At the end of 2023, the Republic of Slovenia authorised SID Bank, in the Act on Reconstruction, Development and the Provision of Financial Resources (ZORZFS), to carry out, on its behalf and for its account, operations connected with the implementation of the temporary measure of the government guarantee and the subsidising of the contractual interest rate for bank loans to be granted to natural persons and economic operators. Activities to establish the conditions for the implementation of Republic of Slovenia authorisations under the ZORZFS began after publication of the act on 22 December 2023. They will continue in 2024.
- SID Bank completed the pillar assessment process with a positive decision from the European Commission. It thus met the conditions for candidacy as a direct implementing partner of the European Commission, as has previously been done by the EIF, the EBRD and certain other national development and promotional institutions in Europe. As the only development and promotional financial institution in Slovenia, SID Bank thereby earned the opportunity to become a direct implementing partner of the European Commission on the basis of a contract for indirect management. This gave the Bank the right to participate directly in European Commission tenders to obtain EU funding.
- At the end of December SID Bank brought a successful conclusion to the period of eligibility for European cohesion funds. It had operated the 2014-2020 Fund of Funds and the Covid-19 Fund of Funds over the course of this period, and before the end of the year it obtained permission from the Republic of Slovenia to operate both funds for a further eight years, although it intends to merge them into a single fund in 2024. Almost 11,000 sub-loans in the total amount of EUR 500 million were made to final beneficiaries from the two funds in collaboration with five financial intermediaries.
- On 15 December 2023 the period for which the first SID Bank loan fund (PS1) was established expired. This initiated the start of the liquidation period for the fund, which is expected to end in 2037.
- A comprehensive overhaul and upgrade of the credit process was undertaken, which will help the bank realise its strategic objective of optimised, customer-focused lending.

Business Report

SID Bank is the initiator of investments in a sustainable future. Investments in research, development and innovation, better infrastructure, energy efficiency, renewable energy, reducing pollution and greater protection of the environment.

02

About SID Bank

SID Bank is a specialist promotional, export and development bank authorised to carry out long-term financial services designed to supplement financial markets in various areas defined by the Slovene Export and Development Bank Act (ZSIRB) as important for promoting the competitiveness of the Slovenian economy and for the country's sustainable development. One of SID Bank's essential activities involves complementing the range of products and services of commercial banks and the elimination of market gaps that arise when the range of financial and insurance services is insufficient to meet market demand, in particular with respect to SMEs, development, environmental protection, the circular economy, infrastructure and energy projects, and the promotion of the internationalisation of companies, as well as cyclical gaps following changes to the ZSIRB.

SID Bank's operations are based on a strategy and business model that is derived from the long-term development documents of the European Union and Slovenia. The long-term stability of SID Bank's operations is guaranteed by the Republic of Slovenia, allowing it to execute the transactions and perform the activities through which SID Bank pursues the long-term development policies of Slovenia and the EU. As the sole shareholder, the government bears irrevocable and unlimited liability for SID Bank's liabilities from transactions undertaken in its pursuit of the activities set out in Articles 11 and 12 of the ZSIRB. If SID Bank fails to settle a past-due liability to a creditor at the latter's written request, the Republic of Slovenia must settle the liability at the creditor's request without delay. This allows SID Bank to borrow on the Slovenian and international financial markets without needing to obtain a Slovenian government guarantee for each transaction.

In providing its services, SID Bank may use financial instruments, such as loans, bonds, guarantees and other forms of surety and risk take-up, the purchase of receivables, financial leasing, financial engineering, concessionary loans and other instruments of international development cooperation, capital investments and other methods of financing, and integrate them into development and promotional financing programmes that it has developed itself.

SID Bank is also an authorised institution for executing all transactions under the Insurance and Financing of International Commercial Transactions Act (ZZFMGP). On the basis of this Act, the Bank provides insurance for international business transactions against non-marketable risks on behalf of and for the account of the Republic of Slovenia.

HISTORY AND LEGAL STATUS

1992

- Establishment of Slovenska izvozna družba (SID), the predecessor of SID Bank, as a special private financial institution for insuring and financing Slovenian exports.

2004

- Entry into force of the Insurance and Financing of International Commercial Transactions Act (ZZFMGP).
- SID established SID – Prva kreditna zavarovalnica d.d., Ljubljana on this legal basis and transferred the portfolio of marketable insurance to it, having executed it on its own behalf and for its own account until the end of 2004.

2005

- Commencement of operations of SID – Prva kreditna zavarovalnica d.d., Ljubljana.

2006

- At the end of the year, by obtaining authorisation to provide banking services and other financial services from the Bank of Slovenia, SID was transformed into a bank and changed its name to SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana.[2]

2007

- Commencement of operations of SID Bank as a specialist promotional, export and development bank.

2008

- Entry into force of the ZSIRB.

2009

- During the economic crisis, SID Bank enhanced its counter-cyclical function by being very engaged in lending and insurance activities.

2010

- The updated Banking Act expressly stipulated that SID Bank is authorised as Slovenia's specialist, promotional, export and development bank, and is not allowed to accept deposits from the public.
- With the adoption of Commission Directive 2010/16/EU of 9 March 2010 amending Directive 2006/48/EC of the European Parliament and of the Council, the European Commission confirmed, in accordance with the opinion of the European Banking Committee, that SID Bank is an institution involved in specific activities in the public interest and is thus eligible for inclusion on the list of institutions excluded from the scope of application of Directive 2006/48/EC.

2011

- SID Bank was confirmed as a significant institution in the Slovenian banking system on the basis of a decision by the Bank of Slovenia in October.
- SID Bank and the Ministry of Economic Development and Technology (MEDT) signed an agreement on financing and implementation of the first financial engineering measure in Slovenia, thereby creating the first loan fund.

2014

- SID Bank was one of three Slovenian banks at which the ECB carried out a comprehensive assessment, comprising an asset quality review and stress tests. The comprehensive assessment was passed by SID Bank, and no capital shortfall was identified.

2015

- Pursuant to the ZBan 2, the Bank of Slovenia issued a decision that designated SID Bank as an O-SII (other systemically important institution).

2017

- The MEDT and SID Bank signed a financing agreement in which Slovenia authorised SID Bank to manage the Fund of Funds.
- Together with the EIF, the Bank set up a Slovene Equity Growth Investment Programme (SEGIP) with a value of EUR 100 million.

2018

- SID Bank became the first Slovenian issuer to issue green bonds on the international capital markets.

2019

- The sale and transfer of the entire participating interest in the subsidiary SID – Prva kreditna zavarovalnica to Coface was completed.
- SID Bank received the prestigious Best Regional Development Bank – Southeast Europe 2019 award, which is given out by Capital Finance International.

2020

- SID Bank operated counter-cyclically during the Covid-19 pandemic. It expanded its financing programmes and introduced new products to help companies handle the economic crisis that followed the pandemic.
- The Covid-19 pandemic meant that SID Bank's countercyclical activity was reflected in expansion, the introduction of new products and the acquisition of new authorisations of the Republic of Slovenia to implement government guarantee schemes under intervention laws.
- Together with the MEDT, SID Bank established the new Covid-19 Fund of Funds in the amount of EUR 65 million to mitigate the consequences of the pandemic on the economy.
- SID Bank joined the Three Seas Initiative Investment Fund with the aim of providing opportunities for the financing of key infrastructure projects in the Three Seas region, which includes 12 EU Member States between the Baltic, Black and Adriatic Seas.
- SID Bank was appointed to chair the Council of the European Union's Exports Credit Group during Slovenia's presidency of the EU Council in 2021.

[2] Henceforth in the annual report any use of "SID Bank" or "the Bank" refers to SID banka, d.d., Ljubljana, irrespective of the time and the change in business name, while the SID Bank Group may be referred to as "the SID Group" or simply "the Group".

2021

- Together with other European financial institutions, the European Investment Bank and the European Commission, SID Bank recapitalised the European Investment Fund (EIF), and remained the sixth largest shareholder among the financial institutions holding equity in the EIF.
- SID Bank obtained a Pan-European Guarantee Fund guarantee (EGF guarantee) for financing investments and working capital in the total amount of EUR 150 million.

2022

- In light of the impact of the Covid-19 pandemic, the energy crisis and the war in Ukraine, SID Bank's countercyclical role was reflected in the expansion of existing programmes and the introduction of new programmes
- SID Bank took part in formulating elements of anti-crisis financial engineering measures under the Act Determining the Aid to the Economy to Mitigate the Impact of the Energy Crisis (ZPGOPEK).
- In cooperation with the EIF, SID Bank expanded the Slovenian Equity Growth Investment Programme (SEGIP) by additional EUR 120 million in March 2022 with the purpose to reduce the market gap for seed, start-up and scale-up equity financing as well as to, and provide financial support to ownership change of Succession Businesses in Slovenia.
- SID Bank began the development of two new programmes to utilise InvestEU guarantees to finance the green transition and the digital transformation of businesses.
- SID Bank acquired authorisation from Republic of Slovenia to operate the ZSJSM, which is a government measure to provide young first-time buyers with easier access to housing loans with a government-backed guarantee.
- SID Bank signed a second agreement with the Advisory Hub for the implementation of technical assistance financed by the European Commission, this time in relation to the Bank's green transition.

The key events of 2023 are contained in the "Significant business events in 2023" section.

SERVICES

In line with its role, purposes and tasks, SID Bank primarily provides financial services within the scope of the authorisations issued by the Bank of Slovenia. These include, in particular, the provision of loans via commercial banks and savings banks and, in certain cases, in cooperation with other commercial banks in bank syndicates, while the Bank also lends directly to final beneficiaries.

SID Bank's financial services support four main purposes of development:

- development of a knowledge society and innovative entrepreneurship;
- development of an environment-friendly society and environment-friendly production;
- development of a competitive economy; and
- regional and social development.

The Bank provides its financial services with regard to identified market gaps, carrying out developmental and promotional tasks, and through financial services achieves the objectives of long-term development policy, primarily in the following areas (under the ZSIRB):

- the development of SMEs and entrepreneurship;
- research, development and innovation;
- environmental protection, energy efficiency and climate change;
- international business transactions and international economic cooperation;
- regional development; and
- economic and public infrastructure.

As at 31 December 2023 SID Bank held Bank of Slovenia authorisation to provide the following mutually recognised financial services under Article 5 of the ZBan-3[3]

- acceptance of deposits from informed persons;
- granting of loans, including:
  - mortgage loans;
  - the purchase of receivables with or without recourse (factoring);
  - the financing of commercial transactions, including export financing based on the purchase of non-current non-past-due receivables at a discount and without recourse, secured by financial instruments (forfeiting);
- issuance of guarantees and other sureties;
- trading for own account or for the account of customers:
  - in foreign legal tender, including currency-exchange transactions;
  - in standardised futures and options;
  - in currency and interest-rate instruments;
- trading on own account:
  - in money-market instruments; and
- credit rating services: collection, analysis and dissemination of information about creditworthiness.

[3] The authorisation to provide banking services is published on the Bank of Slovenia website: https://www.bsi.si/financna-stabilnost/subjekti-nadzora/banke-v-sloveniji/11/sid-slovenska-izvozna-in-razvojna-banka-dd-ljubljana.

ACTIVITIES UNDER REPUBLIC OF SLOVENIA AUTHORISATION

Credit and investment insurance against non-marketable risks

SID Bank provides insurance for international business transactions against non-marketable risks under the Insurance and Financing of International Commercial Transactions Act (ZZFMGP) in the name and on behalf of the Republic of Slovenia as its agent.

The requisite funding for the effective provision of insurance operations under the ZZFMGP is provided to SID Bank by the Republic of Slovenia in the form of contingency reserves, which are used to settle liabilities to the insured (claims payouts) and to cover losses on these operations. Contingency reserves are also created from premiums, fees and commissions, recourse from paid claims and other income generated by SID Bank from insurance and reinsurance against non-marketable risks. If the claims cannot be settled from the aforementioned reserves, the funding for pay-outs is provided by the Republic of Slovenia.

Fund of funds for the implementation of financial instruments within the framework of European Cohesion Policy 2014–2020 and the Covid-19 Fund of Funds

In November 2017 the METS appointed SID Bank manager of the Fund of Funds for the implementation of financial instruments within the framework of European Cohesion Policy. The purpose of establishing this fund is to promote and finance sustainable economic growth and development, investments in innovations and current operations through debt and equity financing focused on four areas in which market gaps were identified based on a preliminary assessment of financing gaps conducted by the Slovenian company PwC (PricewaterhouseCoopers) and supplemented by an analysis conducted by the European Investment Bank: research, development and innovation, small and medium-sized enterprises, energy efficiency and urban development.

Together with the METS, SID Bank created the Covid-19 Fund of Funds in October 2020 aimed at financing investments, research, development, innovation and working capital in order to improve liquidity and facilitate the recovery of the economy, which was hit hard by the Covid-19 pandemic.

Performance of the function of official auctioneer at emission allowance auctions

Based on amendments to the Environmental Protection Act, SID Bank was authorised in 2010 to act as official auctioneer at emission allowance auctions in the name and on behalf of the Republic of Slovenia.

Guarantee schemes as a temporary government measure following the 2023 floods, Housing Guarantee Scheme for Young People, guarantee schemes under the 2020 intervention measures, and other guarantee schemes

At the end of 2023, the Republic of Slovenia authorised SID Bank, in the Act on Reconstruction, Development and the Provision of Financial Resources (ZORZFS), to carry out, on its behalf and for its account, operations connected with the implementation of a guarantee scheme for bank loans to be granted to natural persons and economic operators. Important activities for laying the groundwork for implementation of the guarantee scheme, including cooperation with the ministry responsible for finance in the preparation of the government decree (implementing regulation) for guarantees of loans to economic operators, then took place at the beginning of 2024.

In 2023 SID Bank also continued implementing the Republic of Slovenia authorisation pursuant to the Act on the Housing Guarantee Scheme for Young People (ZSJSM) from 2022, and carried out all operations connected with implementation of the scheme on behalf and for the account of the government. This also included the publication of an invitation to banks to submit bids for the allocation of guarantee quotas under the act, and to sign contracts on the allocation of the guarantee quota with the banks that submitted bids.

SID Bank continued activities under Republic of Slovenia authorisation and on the basis of two intervention acts in connection with the government guarantees given under Article 65 ZIUZEOP for deferrals of the payment of credit obligations and under the ZDLGPE for bank liquidity loans. Both guarantee schemes were introduced as a temporary measure in the period of Covid-19 measures in 2020, and the legal deadline for the issuing of guarantees under the two schemes expired in 2021. Under its authorisation from the ZDLGPE, SID Bank also carried out operations, on behalf and for the account of the Republic of Slovenia, in connection with the redemption of guarantees, to verify, following the payment of a guarantee, that the conditions on the basis of which a commercial bank granted the guaranteed loan were being respected, and to monitor the stock of loans and calculate the guarantee premium. Under both schemes, SID Bank carried out all the necessary measures to enforce recourse claims and perform procedures to monitor claims of the Republic of Slovenia for the guarantees paid out, monitored the progress of recovery and potential insolvency proceedings of the borrowers for whom the guarantee was paid out, and carried out other necessary tasks in connection with the filing of claims of the Republic of Slovenia in insolvency proceedings.

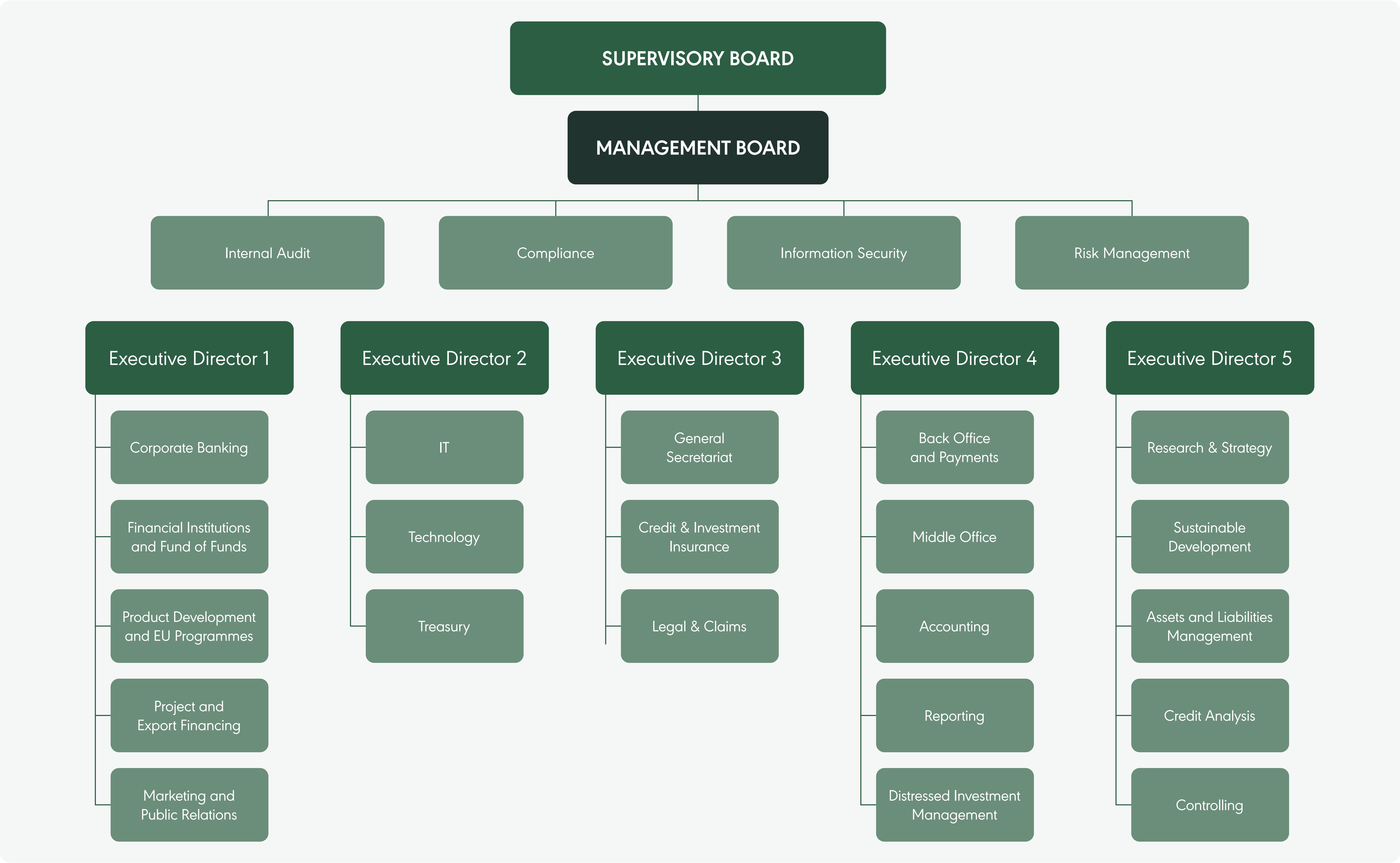
On the basis of two laws, i.e. the Republic of Slovenia Guarantee Scheme Act (ZJShemRS) and the Republic of Slovenia Guarantee Scheme for Natural Persons Act (ZJShemFO), SID Bank also exercised authorisations in 2023 in the name and on behalf of the Republic of Slovenia in the form of the monitoring of issued guarantees. The legal deadline for the issuing of guarantees expired at the end of 2010, with the last loan agreement signed under the ZJShemRS expiring in December 2023. There were still 49 active loans approved under the ZJShemFO at the end of 2023.

SID Bank's activities under Republic of Slovenia authorisation in 2023 are presented in detail in the "Operations under Republic of Slovenia authorisation" section.

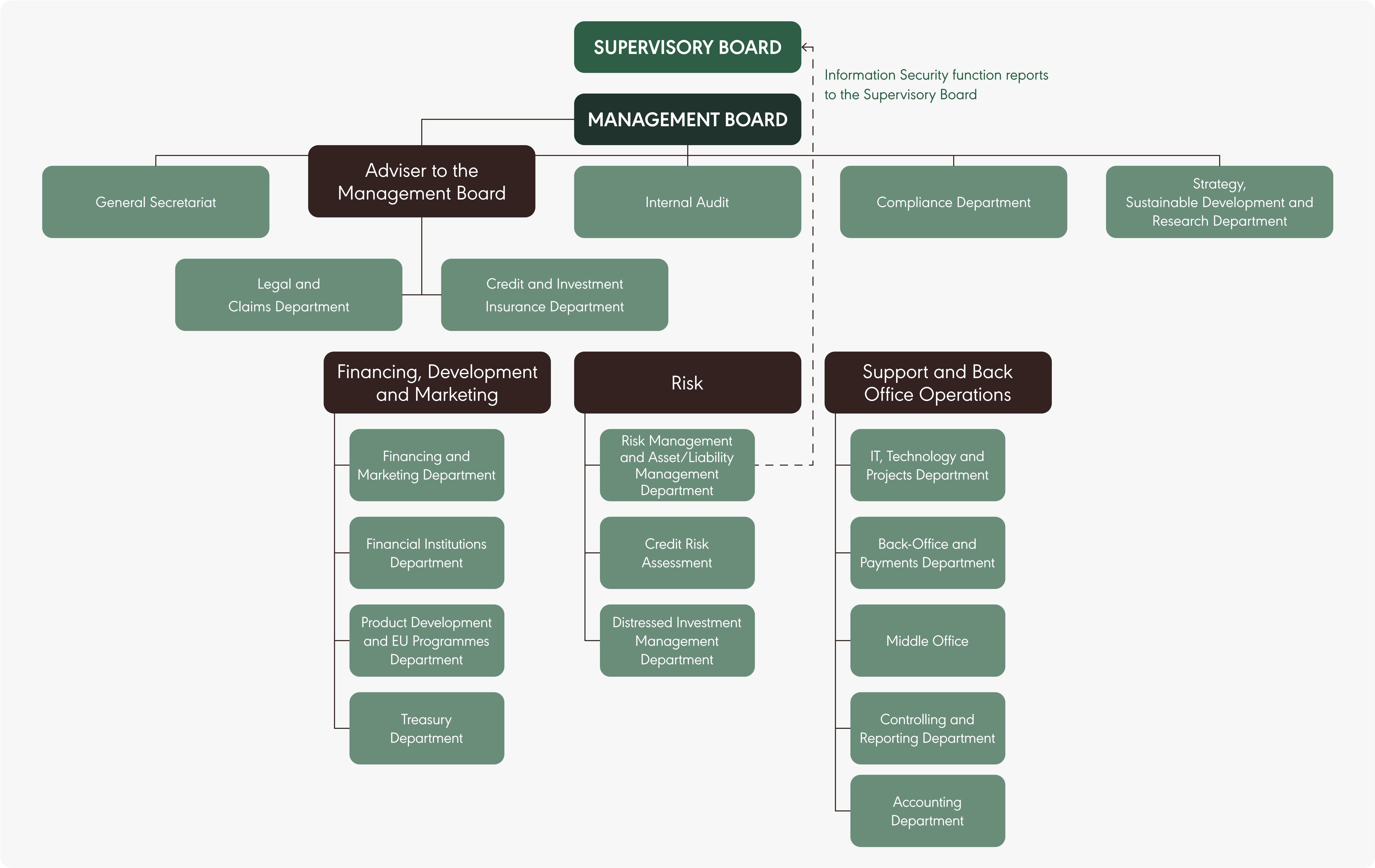
ORGANISATIONAL STRUCTURE AS AT 31 DECEMBER 2023

Intensive preparations were made in the second half of 2023 for the extensive changes to the organisational structure, which came into effect on 1 January 2024. According to their managerial powers and responsibilities, organisational units were assigned to three functionally integrated divisions (front-office, risk management, and back-office and support) or to functions that are directly answerable to the management board.

The reorganisation has put in place an operationally effective and unambiguously clear organisational structure. The flattening of the organisational structure, which also involved the merger of smaller organisational units, has optimised and upgraded the implementation of business processes at the Bank, the financing process in particular. It has ensured increased regulatory compliance, and the full performance of tasks in the area of ESG risk management, and has strengthened compliance functions.



ORGANISATIONAL STRUCTURE AS AT 1 JANUARY 2024

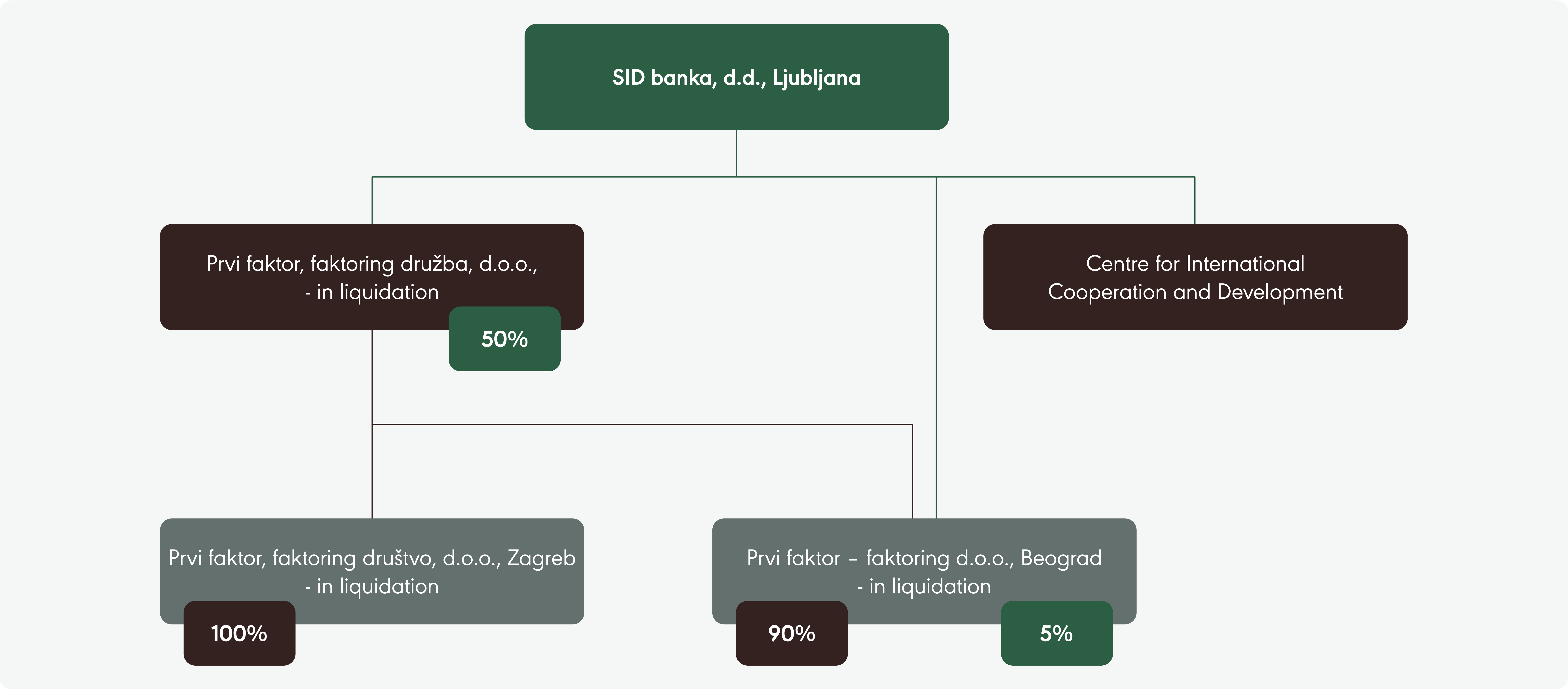


ORGANISATIONAL STRUCTURE OF THE SID BANK GROUP AS AT 31 DECEMBER 2023

As at 31 December 2023, the SID Bank Group also comprised, in addition to SID Bank:

- the Prvi Faktor Group, which SID Bank jointly controls on the basis of an agreement (joint venture); and
- the Centre for International Cooperation and Development (CMSR), of which SID Bank is a co-founder and in which it does not have any financial stake, but holds 33% of the voting rights (associate).

The investments in the joint venture and associate are accounted for in the consolidated financial statements according to the equity method. Based on the principle of immateriality, which defines information whose omission or non-disclosure does not affect the decisions of the users of the financial statements as immaterial, 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.



SHARE CAPITAL

Shareholders as at 31 December 2023	Number of shares	Proportion of share capital
Republic of Slovenia	3,103,296	99.4
SID Bank (own shares)	18,445	0.6
Total	**3,121,741**	**100.0**

The Bank's share capital is divided into 3,121,741 no-par-value shares. These are ordinary registered shares, issued in dematerialised form. The central shareholder register and all procedures for share trading are administered at the Central Securities Clearing Corporation in Ljubljana.

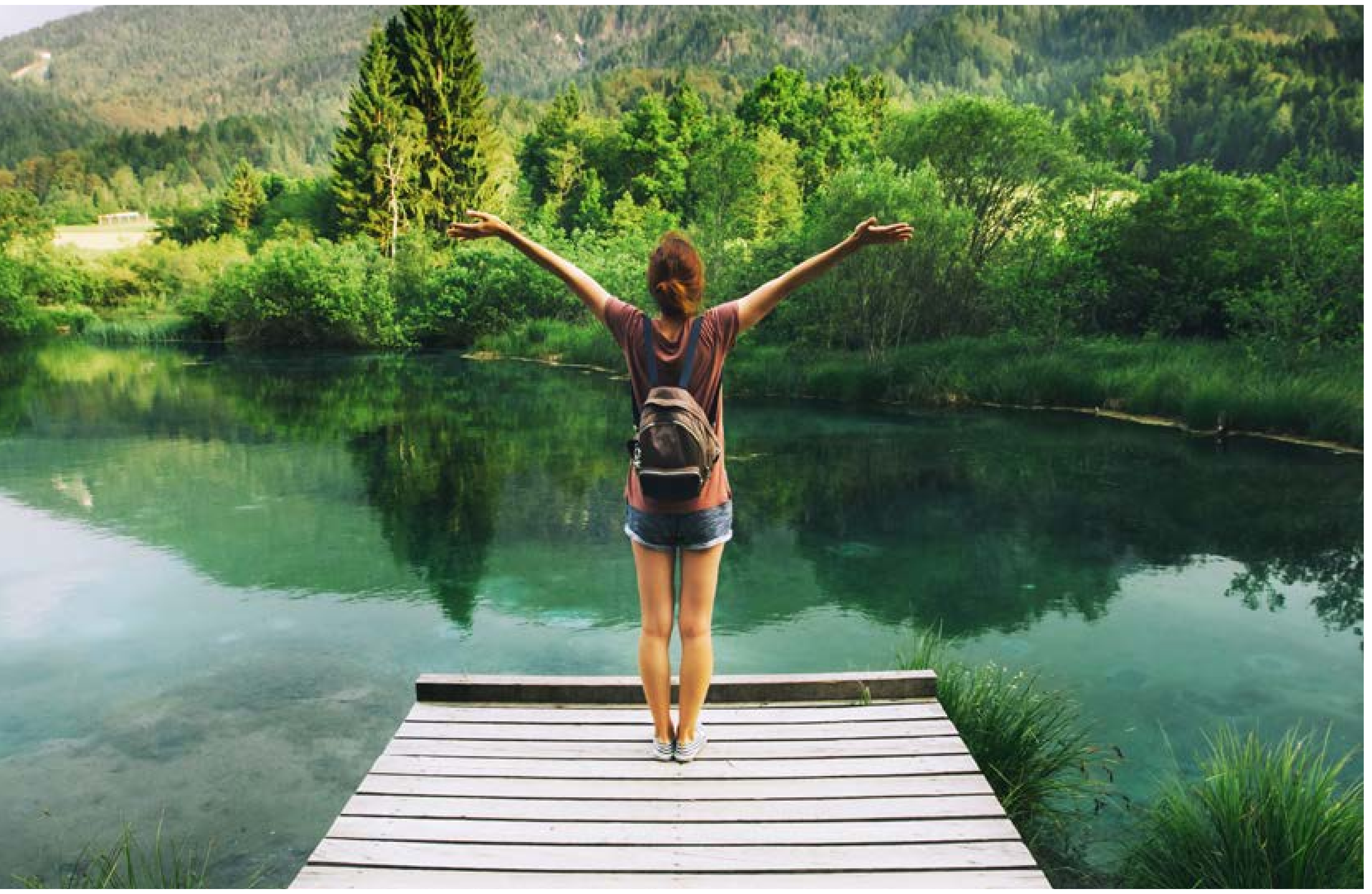
There were no changes to share capital in 2023, which totalled EUR 300 million as at 31 December 2023.

There are no restrictions on shareholder voting rights: each SID Bank no-par-value share entitles its holder to one vote. The financial rights attached to shares are not separated from the ownership of the shares.

Under the provisions of Article 4 of the ZSIRB, the Republic of Slovenia is the sole shareholder in SID Bank. The distributable profit may not be used for distribution to shareholders, but is instead allocated to other profit reserves.

On 29 June 2023 the SID Bank general meeting passed a resolution allocating the distributable profit for 2022 of EUR 3,919,284 to other profit reserves.

The bank's shareholder equity totalled EUR 484,679 thousand as at 31 December 2023, while the audited book value of one share stood at EUR 156.18 (31 December 2022: EUR 145.29).



Strategy

The strategic planning process at SID Bank envisages an annual audit of the Bank's strategy for the upcoming three-year period. SID Bank's medium-term strategic plans were thus audited at the end of 2023, and its development strategy for the 2024 to 2026 period was adopted. The annual audit of the strategy ensures that its content is up-to-date, and that the Bank is able to adapt to external circumstances and to keep evolving to properly fulfil its mandate.

During the drafting of the strategy, key themes that will affect SID Bank's future performance were addressed, and the opportunities and challenges prompted by those themes were defined. The key themes relate primarily to a more effective organisational structure, a thorough update of the product palette, and activities for the green transition of the Bank. The strategic guidelines drawn up will ensure that operations remain viable, and above all identify the areas where SID Bank can make the greatest contribution to the Slovenian economy and to sustainable development.

MISSION STATEMENT AND VISION

As Slovenia's central financial institution in the areas of promotion and development, SID Bank develops and provides long-term financial services to complement the market, and thus promotes economic competitiveness, the creation of new high-quality jobs, social inclusiveness and the sustainable development of Slovenia. Through its work within the mandates given to it, the fulfilment of its mission, and its liaison role, SID Bank is consolidating its contribution to the sustainable development of Slovenia.

SID Bank has a vision of strategic development to 2028, which focuses on three key aspects: **the mandate, the customer and the bank**. From the point of view of the mandate, SID Bank will, within the framework of its competencies, increase the scope of its services while ensuring its ongoing financial viability. It will work proactively in formulating and implementing Slovenia's long-term development strategies, and will act as a major intermediary for placing government and EU funds with the economy, and contributing to the green transition of the economy. SID Bank will also play an important liaison role within Slovenia's public development promotion system. In the domestic sphere it will work actively with chambers of commerce and industry, development incubators and educational institutions. It will also strengthen cooperation with international development finance institutions and associations, and will continue to develop its operations primarily on restrengthening cooperation with commercial banks in the financing of the economy. SID Bank will provide debt and equity financing to companies with development potential in all phases of their development, with priority given to financial engineering. A large part of activities will focus on project financing and sustainable infrastructure financing, and also on financing innovative companies and eliminating gaps in social housing and long-term social care for the older generation.

In terms of its internal structure, SID Bank will strive for sound process management and organisation, greater job flexibility, highly qualified staff, process automation, and effective decision-making, and will continue to ensure a high level of internal and external operational transparency.

From the point of view of the customer, SID Bank will focus on providing high-tech support for the business processes built into its operations with customers. These need to be capable of adapting quickly to market needs, and represent high-quality support for customers in all of their development phases. The Bank will devote particular attention to the green transition of companies, and to monitoring the financial and developmental impact of individual transactions. The key objective is to provide fast, simple and favourable financial services for customers.

SID Bank pursues its vision of strategic success via action based on its updated key values, which are responsibility, effectiveness, collaboration, valour and boldness on the part of its employees. These values are key to maintaining a sound organisational culture, and constitute fundamental guidance for employees in their everyday work, and in mutual contacts with customers and other stakeholders.

ADJUSTMENTS TO THE BUSINESS MODEL

In 2023 SID Bank continued to play its intervention role in the area of post-crisis financing, and its developmental/promotional role. It acted to mitigate the problems faced by companies hit by the war in Ukraine and the resulting energy crisis, and provided assistance for companies in recovering from the catastrophic floods. Within the framework of its financial engineering funds, SID Bank drew up new and adjusted programmes to mitigate the impact of disruptions to the economic environment.

The activities in 2023 in the area of sustainability transformation focused on integrating sustainable operations above all on the basis of SID Bank's strategy, including the guidance of the Action plan for introducing ECB supervisory expectations with regard to climate-related and environmental risks.

More detailed information can be found in the Sustainability transformation section.

Based on commercial requests for process optimisation, and the proper regulation and demarcation of powers and responsibilities, on 1 January 2024 SID Bank put in place a new organisational structure to ensure the optimisation of process organisation. In so doing the Bank upgraded the financing process, and ensured the full implementation of ESG functions.

POLICIES IN 2024

SID Bank will try to strengthen its developmental/promotional role in particular in 2024, as the macrofinancial scenarios currently available do not indicate any need for pronounced countercyclical activity. In light of the need to ensure an effective response to the challenges of the energy crisis and the Ukraine situation, while maintaining the developmental/promotional framework to drive economic growth, and the green transition and digital transformation, a significant share of SID Bank's activity will take the form of direct financing. In conjunction with the government the Bank will set up a new special programme of financing and insurance to deal with the impact of the floods that hit Slovenia in 2023.

The focus will be on ensuring that companies and other entities have access to financing for current operations, investment, RDI, green projects, digitalisation, infrastructure projects, export deals, and other business that drives expansion, increased turnover, and economic competitiveness. To the forefront among these entities will be SMEs, particularly those with development potential, growth potential or an innovative component, and companies who are introducing concepts of the circular economy and of the green transition and digital transformation.

The Bank will focus a significant part of its activity on building on its work in the monitoring and management of environmental risks. It will continue to work proactively, and to systematically introduce innovations related to integrating climate factors and ESG factors into business processes and products. The management of climate and other environmental risks is shifting to the very core of the Bank's operations and business processes. SID Bank will invest in technology, data and human resources, increasing its knowledge capital in the area of sustainable financing. It will thus more clearly define its role as the leading bank in the promotion and financing of the transition to a sustainable economy.

The development strategy sets out the key policies for the Bank via core guiding principles for the three basic aspects:

- addressing the Bank's mandate: the Bank will ensure parallel developmental and countercyclical operations;
- addressing the approach to customers: the Bank will place the customer at the heart of its thinking and operations;
- addressing the Bank's governance: the business model structure must ensure viability over the long term, with (cumulative) positive profit over the economic cycle as a whole.

Through these strategic policies, SID Bank will build up the long-term viability of its business model, which is mainly focused on the implementation of financing programmes with major multiplier effects for the economy and sustainable development.

Macroeconomic Environment[4]

INTERNATIONAL ENVIRONMENT

The year 2023 was marked by a continued fall in global economic growth, to 2.6% from the 3% figure recorded in 2022. According to World Bank forecasts, economic growth will fall by a further tenth of a percentage point this year. The extremely high inflation of 2022 fell last year, although the disinflation rate differed quite considerably from economy to economy. The continued extremely rapid rise in interest rates in 2023 did not cause any substantial cooling of the labour market, but did bring a halt to the increase in demand for additional workers on many markets.

A key reversal at global level, that has been happening for the last several years, is a turning away from globalisation towards new regional divisions and an increase in the importance of geopolitics. New obstacles to global (and particularly maritime) trade are emerging. Despite the easing of several supply chain bottlenecks, 2023 brought a contraction in global merchandise trade. The trend had been towards the greatest possible integration of global economies, but this has been halted. This will bring challenges in the coming years and, most likely, the coming decades. Along with the war in Ukraine, new flashpoints are appearing, above all in the Middle East. On account of these developments, global economic growth will continue to be low (and, according to forecasts, will remain below pre-pandemic levels). Furthermore, owing to the low levels of investment compared to the decade leading up to the pandemic, these sluggish levels of growth could be in place for some time.

Developing countries saw economic growth of 4% in 2023, although levels varied hugely – Argentina, for example, recorded a very considerable fall of -2.5%. Despite bouncing back, the performance of the Chinese economy remains below expectations and below pre-pandemic levels. The expected development of the crisis in the real estate sector and the fall in the market capitalisation of companies listed on the Chinese stock exchange, brought about partly by greater scrutiny of capital flows by the Chinese government, have further weakened the Chinese economy, which is endeavouring to further increase its share of the global industrial market in the next few years.

Developed economies recorded economic growth of only 1.5% on average in 2023. With a growth rate of 2.5%, the US considerably outperformed the eurozone, where growth reached a mere half of one per cent. Prospects also remain modest in comparison with those of the US. The Japanese economy strengthened slightly last year with economic growth of close to 2%, although this is expected to halve this year. In developed economies, the accelerated rise in key interest rates stalled in the second half of the year, although tight financing conditions and weak growth prospects will continue to hamper corporate investment and increases in manufacturing volumes. The slow easing of financing conditions is otherwise already under way and is expected to continue in the coming period, when markets are anticipating a reversal of monetary policy and a lowering of interest rates.

Economic growth fell sharply in the eurozone in 2023, with preliminary estimates suggesting that it narrowly avoided a technical recession at the end of the year. Economic activity stagnated in the fourth quarter, after a fall of 0.1% in the third quarter. Although Europe successfully managed to avert the most serious consequences of the energy crisis in 2022, there is an increasingly unfavourable gap emerging between energy prices in Europe and those of other regions. Manufacturing activities are therefore faced with a deterioration in price competitiveness, accompanied by relatively weak global demand. PMI indicators therefore remained in the zone of contraction in the last few months of the year. After record high inflation of 9.2% in 2022, last year saw a fall to 2.9%. This is still above the ECB target, while differences between countries are considerable.

[4] Data from publicly accessible publications of the SORS, the Bank of Slovenia, the IMAD, the European Commission, the World Bank, the ECB, the BIS and the IMF released up to the preparation of this annual report.

The ECB continued to increase key interest rates in 2023 in response to high inflation. Despite the fall in economic growth, the eurozone labour market remained relatively stable. Price on property markets fell in 2023. The euro/US dollar exchange rate fluctuated slightly in 2023, ending the year slightly above the rate at the beginning of the year. The euro fell against the Swiss franc as the year went on: from just below parity, it ended 2023 at 0.93 francs to the euro. Oil prices fell by around 10% through the year, and there was strong growth on cryptocurrency markets.

Developed stock exchanges saw high growth in 2023: 24% on the New York S&P 500, 20% on the DAX 30 and 30% on the Tokyo Nikkei, with the steepest rise, of 43%, coming on the Nasdaq Technology Sector Index. A glance at the growth structure of these indexes shows that growth was strongly concentrated on a few tech giants and partly as a result of the prospects of the revolution that could be brought about by advances in artificial intelligence. According to several indicators, the market capitalisation of some of the biggest companies has not held such a large share since just before the Great Crash of 1929. Risks are again rising for the coming years, partly (but not mainly) as a result of the growth in global borrowing in the recent period.

SLOVENIAN ECONOMY

According to initial estimates, economic growth in Slovenia fell to 1.6% in 2023, although this was higher than the growth rate in the eurozone as a whole. The slowdown in the growth in private consumption, which more than halved in comparison with 2022, made a noticeable contribution to the fall in growth, as did the contraction in industrial output. For Slovenian industrial companies, incomes on foreign markets fell more than those on the domestic market. Manufacturing companies estimate that their competitive position on EU markets has been worsening since the last quarter of 2022. Survey data also shows that Slovenian companies' export orders and order books declined over the course of 2023. However, the share of companies reporting problems with labour shortages in general stopped increasing in the second half of the year, although the shortage of qualified workers is ongoing. Alongside this, companies almost stopped reporting shortages of raw materials, while the proportion of companies reporting financial problems began to rise (although the figure still remains way below the long-term average).

Gross fixed capital formation saw solid growth throughout the year, although this was solely on account of the high investments in buildings and facilities. Meanwhile, corporate investments in equipment and machinery saw year-on-year falls in every quarter of 2023. Growth in construction is being bolstered mainly by public investments in infrastructure. The value of construction works was 19.2% higher in 2023 than the year before, mainly on account of very high growth in specialised construction works and civil engineering work, and less on account of work on buildings. There was a slowdown in the growth in property prices last year, with a fall in estate agency business as well as in the number of construction permits issued for new residential buildings.

In August, heavy flooding in some parts of the country caused considerable damage to infrastructure and business. That said, while this damage has significantly hampered some parts of the economy, it has been restricted to a sufficiently small number of enterprises such that any adverse effects on the economy as a whole have been fairly well contained. The costs of post-flood recovery and renovation will appear, in the central government budget as well, in the accounts for 2023 and 2024.

While foreign trade contracted in 2023, the trade balance did improve: this was because exports fell by 2% and imports by 5.1%, which meant that the current account surplus was almost EUR 2.8 billion last year. With the relatively high domestic inflation rate, the price competitiveness of the Slovenian economy is deteriorating, while the stalling of growth and even the fall in economic activity in key trading partners raises the prospect of a difficult period for Slovenian exporters, with the geopolitical risks outlined earlier continuing to play an important role.

Unemployment in Slovenia remained extremely low in 2023: the quarterly survey rate was 3.4% at the end of the year, linked to persistent wage growth at a level higher than the average for the eurozone. After falling in real terms in 2022 despite the high nominal growth in the average wage, last year saw real-terms gains with nominal growth of 8.7%. This growth was higher in the public than in the private sector. A change in the labour market gradually began to emerge in 2023 with the number (and rate) of vacancies falling from the first quarter onwards.

According to figures from the Fiscal Council, the state budget deficit stood at EUR 2.3 billion in 2023. Revenues were 8% higher and expenditures (including on intervention measures) 14% higher than the year before. The ratio of the government sector's gross debt to GDP fell below the 70% mark in 2023.

BANKING ENVIRONMENT

In 2023 banking markets were strongly marked by restrictive monetary policies aimed at addressing inflation increases. The ECB had already raised interest rates four times in 2022, and continued to raise them in 2023: a further six times, most recently in September. At the end of the year, the ECB interest rate for the deposit facility was 4%. This was the fastest rise in interest rates in the ECB's history. The ECB also began very slowly to reduce its portfolio: from March it no longer reinvested the entirety of the assets from the Asset Purchase Programme (APP), and in July it ceased reinvesting under this programme altogether.

The central bank maintained its 'meeting-by-meeting' approach throughout the year, which provides for the taking of decisions based on the data available at any moment in time without signalling the future course of monetary policy. The raising of interest rates (including for assets that banks deposit at the central bank) has had a beneficial impact on the interest incomes of the banking sector; and while the net commission margin of the entire sector fell minimally in the course of the year, the net interest margin grew strongly, almost doubling in comparison with the year before.

The Slovenian banking system remained highly liquid throughout the year, with loans to non-financial corporations comprising around 19% of the structure of investments, which is less than loans to households (24%) or the share of liquid assets. In the structure of bank liabilities, household deposits accounted for about half the total equity and liabilities; this means that in 2023 as well, Slovenian banks were considerably less dependent on financing from abroad than they were before the outbreak of the global financial crisis. Nevertheless, some banks did issue debt securities last year, mainly in order to ensure compliance with the minimum requirements for own funds and eligible liabilities (MREL).

Capital adequacy in the Slovenian banking system remained high, and even increased slightly. In the third quarter, the banking system's total capital ratio was 19.3% and the common equity Tier 1 capital (CET1) ratio was 16.6%. The latter figure is above the average for the eurozone. Slovenia was below the EU average at the end of the year for share of non-performing loans and share of claims classified as Stage 2 under the IFRS.

With the slowdown in economic activity and the deterioration in financing conditions, loan activity also slowed in 2023. Loans to the non-banking sector had fallen by 2.2%, with the fall most pronounced in loans to non-financial corporations (4.9%). The volume of loans to non-financial corporations has fallen faster in Slovenia than in the eurozone in the last two years. The average contractual interest rate for newly approved loans to non-financial corporations was around 5.5% at the end of 2023. Bank borrowing costs for households and companies therefore continued to rise in 2023. According to the Survey on the Access to Finance of Enterprises (SAFE), which SID Bank conducted in cooperation with the Bank of Slovenia, companies reported that bank financing conditions had tightened slightly, although they also reported that the share of unrealised demand remained relatively low. Lending largely fell as a result of companies exercising caution in response to the worsening state of the economy. Companies saved more and invested less. The estimated market (banking) gap therefore did not significantly increase in 2023.

A binding macroprudential measure came into force at the end of the year, with the Bank of Slovenia increasing the countercyclical capital buffer by 0.5% (with a further rise to 1% expected from 1 January 2025). In the wake of the easing of the cyclical risks inherent in the real estate market, it also reduced the sectoral systemic risk buffer for retail exposures to natural persons secured by residential real estate from 1% to 0.5% with an effective date of 1 January 2025. At the same time, the Bank of Slovenia announced a more active macroprudential policy going forward.

IMPACT ON PERFORMANCE FROM THE EXTERNAL ENVIRONMENT

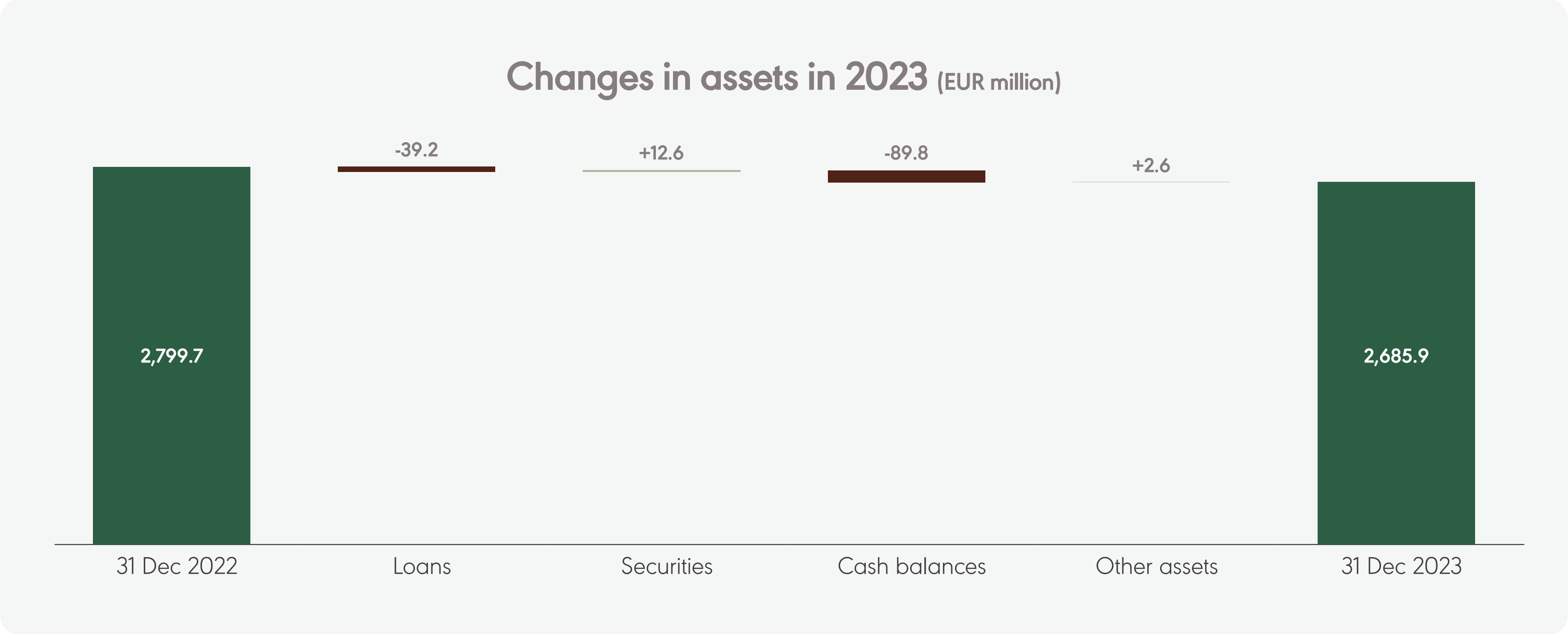
Despite the slowdown in 2023, economic growth remained above the level that would require increased anti-cyclical activity on the part of SID Bank. Alongside this, the liquidity of the Slovenian banking system remained extremely high in 2022, with the LTD ratio (the ratio of loans to non-bank customers to deposits by non-bank customers) fluctuating below 70% throughout, which means that Slovenian banks were able to fund their lending activity in its entirety without relying on other (non-deposit) funding. According to this indicator, the Slovenian banking system had among the highest volume of deposits relative to loans, far below the average for the Eurosystem. All of this has led to a further reduction in SID Bank operations via commercial banks and an increase in the share of direct financing of final beneficiaries in the financing portfolio. For operations in relation to development gaps, SID Bank has set up two new programmes with an EIF guarantee: for the financing of sustainability projects, and for the financing of innovations and digital transformation. Just as the estimated market (banking) gap did not significantly increase in 2023, there was no significant increase in the bank's credit portfolio. In 2023 SID Bank therefore maintained a similar stance as the year before, ensuring its financial sustainability and maintaining or prudently increasing capital with positive operating results. It will, in this way, be able to remain an equally reliable partner of Slovenian business in future – one that is able to take on and accept higher risks at critical moments and therefore fill market gaps in financing.

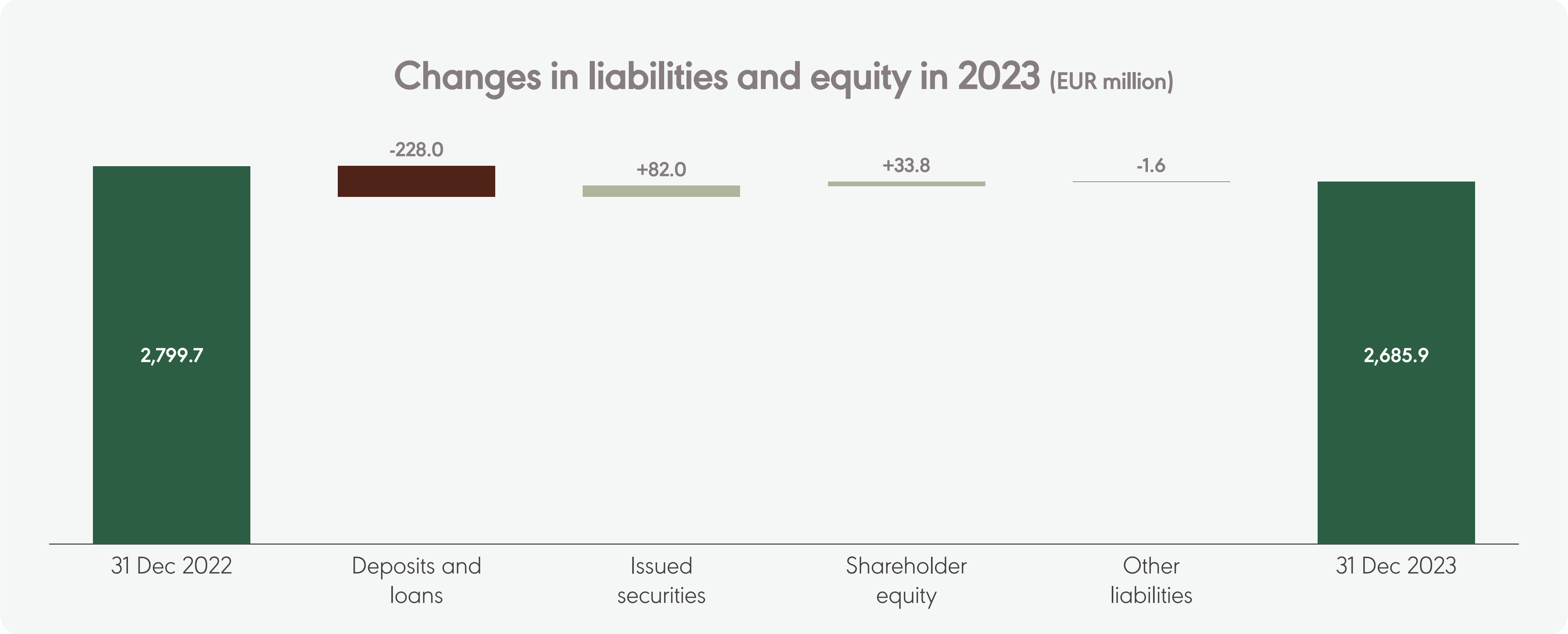
Overview of Financial Performance

FINANCIAL POSITION OF SID BANK

Balance sheet total

SID Bank's balance sheet total stood at EUR 2,685,877 thousand at the end of 2023; this was a fall of EUR 113,831 thousand (or 4.1%) on the figure for the end of 2022.





Assets

Loans and advances to non-bank customers accounted for the largest share (53.2%) of total assets at the end of 2023, having increased by 3.3% over the course of the year. They amounted to EUR 1,428,171 thousand at the end of 2023 (2022: EUR 1,382,527 thousand). Slovenian non-financial corporations accounted for the largest proportion of this figure (83%), followed by loans to the government sector (primarily loans to municipalities) with 15%, while the remainder was accounted for by loans to other financial institutions, loans to foreign non-financial corporations and loans to sole traders.

Loans and advances to banks, which include loans and deposits, amounted to EUR 259,187 thousand at the end of the year, down 24.7% on the end of 2022. The proportion of the bank's total assets accounted for by loans and advances to banks fell to 9.6% in 2023 (2022: 12.3%). At the end of the year, loans and advances to Slovenian banks, which as financial intermediaries mediate development funds to final beneficiaries, accounted for 86% of loans and advances (excluding deposits) to banks at the end of the year (2022: 84%), while loans to foreign banks for export credits for Slovenian companies accounted for the remaining 14%.

Loans are discussed in detail in the "Financing" section.

Investments in securities amounted to EUR 643,833 thousand at the end of 2023 (2022: EUR 631,236 thousand). Debt securities accounted for 89% of the holdings, with their stock standing at EUR 575,035 thousand at the end of the year (2022: EUR 578,411 thousand).

Debt securities are discussed in detail in the "Liquid assets" section and in section 3 of the financial report ("Risk management").

Investments in equities relate to investments that the Bank pursues within the framework of the Slovene Equity Growth Investment Programme in the amount of EUR 32,532 thousand (2022: EUR 25,361 thousand), investments in the Three Seas Initiative investment fund in the amount of EUR 20,734 thousand (2022: EUR 12,285 thousand) and the Bank's holding in the European Investment Fund in the amount of EUR 15,532 thousand (2022: EUR 15,179 thousand).

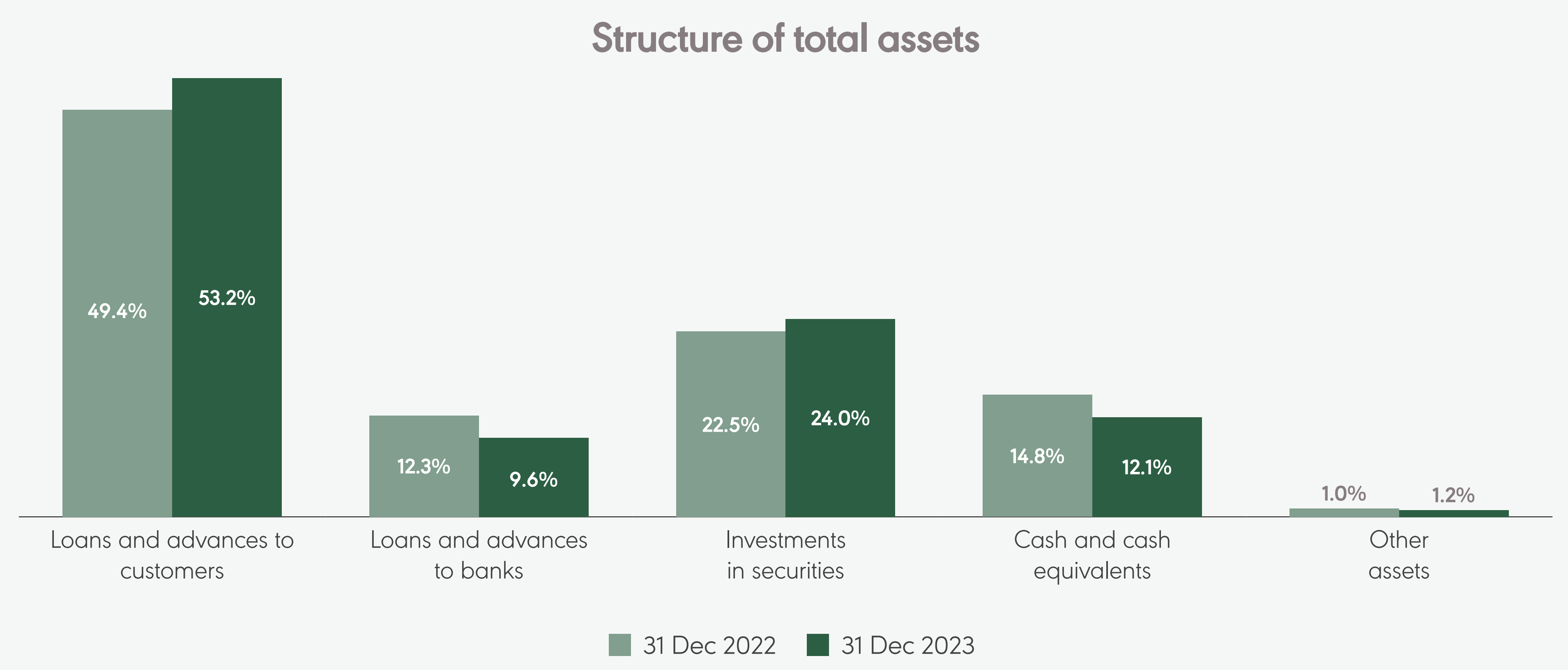
The equity financing is described in the "Financing" section.

The share of investments in securities in the Bank's total assets increased to 24.0% in 2023 (2022: 22.5%).

SID Bank held EUR 323,785 thousand in **balances at the central bank and at commercial banks** at the end of 2023, down 21.7% on the previous year. The proportion of the Bank's total assets that they account for fell from 14.8% at the end of 2022 to 12.1% at the end of 2023. The cash holdings of loan funds accounted for 91% of cash and cash equivalents.

Other assets in the amount of EUR 30,901 thousand comprised:

- corporate income tax assets in the amount of EUR 10,486 thousand (2022: EUR 16,429 thousand);
- hedging derivatives in the amount of EUR 9,860 thousand (2022: EUR 3,415 thousand);
- property, plant and equipment and intangible assets in the amount of EUR 5,757 thousand (2022: EUR 4,902 thousand);
- other financial assets in the amount of EUR 3,850 thousand (2022: EUR 3,043 thousand); and
- other assets in the amount of EUR 948 thousand (2022: EUR 538 thousand).



	Amount		Index	Breakdown	
EUR thousand	31 Dec 2023	31 Dec 2022	2023/2022	31 Dec 2023	31 Dec 2022
Loans and advances to non-bank customers	1,428,171	1,382,527	103.3	53.2%	49.4%
Loans and advances to banks	259,187	343,990	75.3	9.6%	12.3%
Investments in securities	643,833	631,236	102.0	24.0%	22.5%
Cash and cash equivalents	323,785	413,628	78.3	12.1%	14.8%
Other assets	30,901	28,327	109.1	1.2%	1.0%
Total assets	**2,685,877**	**2,799,708**	**95.9**	**100.0%**	**100.0%**

Equity and liabilities

SID Bank's equity and liabilities comprised liabilities in the amount of EUR 2,201,198 thousand and shareholder equity in the amount of EUR 484,679 thousand at the end of 2023. Liabilities accounted for 82.0% of total equity and liabilities (2022: 83.9%), while shareholder equity accounted for 18.0% (2022: 16.1%).

Liabilities were down by EUR 147,641 thousand on the previous year, primarily on account of a reduction in financial liabilities to banks and the central bank (by EUR 307,788 thousand) stemming mainly from the repayment of a long-term loan from TLTRO operations. Financial liabilities to non-bank customers rose by EUR 79,794 thousand and liabilities for issued securities by EUR 81,972 thousand. Other liabilities fell by EUR 1,619 thousand.

Liabilities to non-bank customers amounted to EUR 1,114,735 thousand at the end of 2023, up 7.7% on the end of the previous year, and accounted for the largest share of total equity and liabilities (41.5%). Liabilities to the METS (Ministry of the Economy, Tourism and Sport) that relate to liabilities from the operation of loan funds and liabilities to the Council of Europe Development Bank rose the most.

Liabilities to banks and the central bank amounted to EUR 322,887 thousand at the end of 2023 (2022: EUR 630,675 thousand). The proportion of total equity and liabilities that they account for declined from 22.5% to 12.0% at the end of 2023. Liabilities to the central bank and the European Investment Bank fell in particular, with liabilities to the German development bank KfW increasing.

Liabilities from issued securities amounted to EUR 742,437 thousand at the end of 2023 (2022: EUR 660,465 thousand), and accounted for 27.6% of total equity and liabilities (2022: 23.6%).

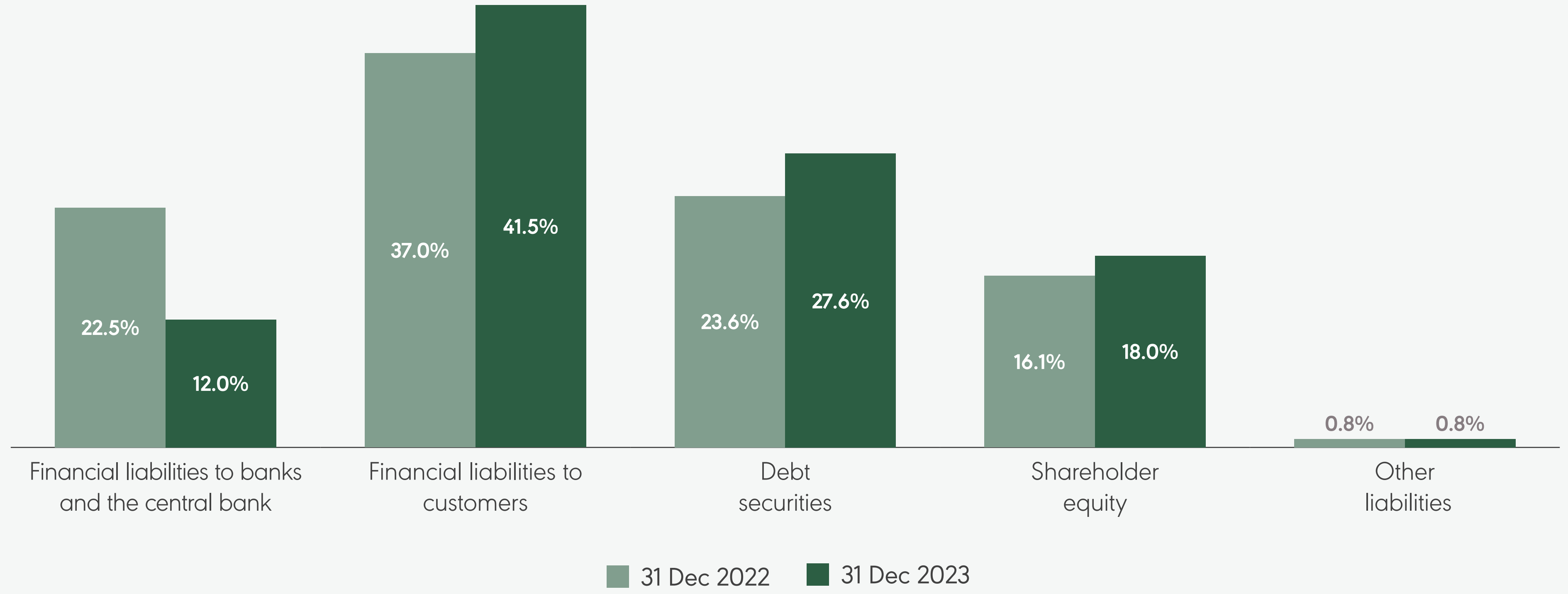
For more information on the funding side of the balance sheet, see the "Funding" section.

Other liabilities totalling EUR 21,139 thousand comprised:

- hedging derivatives in the amount of EUR 12,294 thousand (2022: EUR 15,849 thousand);
- corporate income tax liabilities in the amount of EUR 1,564 thousand (2022: EUR 0);
- provisions in the amount of EUR 1,504 thousand (2022: EUR 2,408 thousand), which relate to provisions for off-balance-sheet liabilities arising from guarantees and approved undrawn credit facilities (EUR 443 thousand) and provisions for liabilities to employees (EUR 1,061 thousand);
- other financial liabilities in the amount of EUR 4,367 thousand (2022: EUR 3,009 thousand); and
- other liabilities in the amount of EUR 1,410 thousand (2022: EUR 1,492 thousand).

SID Bank's **shareholder equity** amounted to EUR 484,679 thousand at the end of 2023, up EUR 33,810 thousand (or 7.5%) on the previous year, when it was EUR 450,869 thousand. Accumulated other comprehensive income was up EUR 18,172 thousand on the previous year, mainly as a result of the rise in the fair value of debt securities measured at fair value through other comprehensive income. Profit reserves were up EUR 12,129 thousand, while retained earnings, including profit from the current financial year, were up by EUR 3,509 thousand.

Structure of total equity and liabilities



	Amount		Index	Breakdown	
EUR thousand	31 Dec 2023	31 Dec 2022	2023/2022	31 Dec 2023	31 Dec 2022
Financial liabilities to banks and central bank	322,887	630,675	51.2	12.0%	22.5%
Financial liabilities to non-bank customers	1,114,735	1,034,941	107.7	41.5%	37.0%
Debt securities	742,437	660,465	112.4	27.6%	23.6%
Shareholder equity	484,679	450,869	107.5	18.0%	16.1%
Other liabilities	21,139	22,758	92.9	0.8%	0.8%
Total equity and liabilities	**2,685,877**	**2,799,708**	**95.9**	**100.0%**	**100.0%**

SID BANK'S FINANCIAL RESULTS

SID Bank generated a pre-tax profit of EUR 18,385 thousand in 2023, which was reflected in a return on equity of 3.9% (2022: 2.2%).

EUR 18 million

PRE-TAX PROFIT

Gross profit was up by EUR 8,332 thousand relative to 2022, while net profit for the financial year amounted to EUR 15,638 thousand, an increase of EUR 7,387 thousand relative to the previous year. The increase in profit relative to 2022 is the result of higher net interest income as well as higher net non-interest income.

Net interest

The Bank generated net interest in the amount of EUR 30,170 thousand in 2023, up EUR 5,956 thousand (or 24.6%) on 2022.

Interest income and interest expenses both rose substantially as a result of the rise in market interest rates. The Bank's interest income amounted to EUR 89,321 thousand (2022: EUR 33,188 thousand), and interest expenses to EUR 59,151 thousand (2022: EUR 8,974 thousand).

The increase in net interest is primarily attributable to a rise in interest income for loans granted, driven by a rise in market interest rates. This also led to higher interest expenses, mainly from loans received.

Net interest accounted for 74.8% of the Bank's total net income (2022: 91.2%). The Bank's interest margin rose in comparison with the previous year, reaching 1.1% in 2023 (2022: 0.9%).

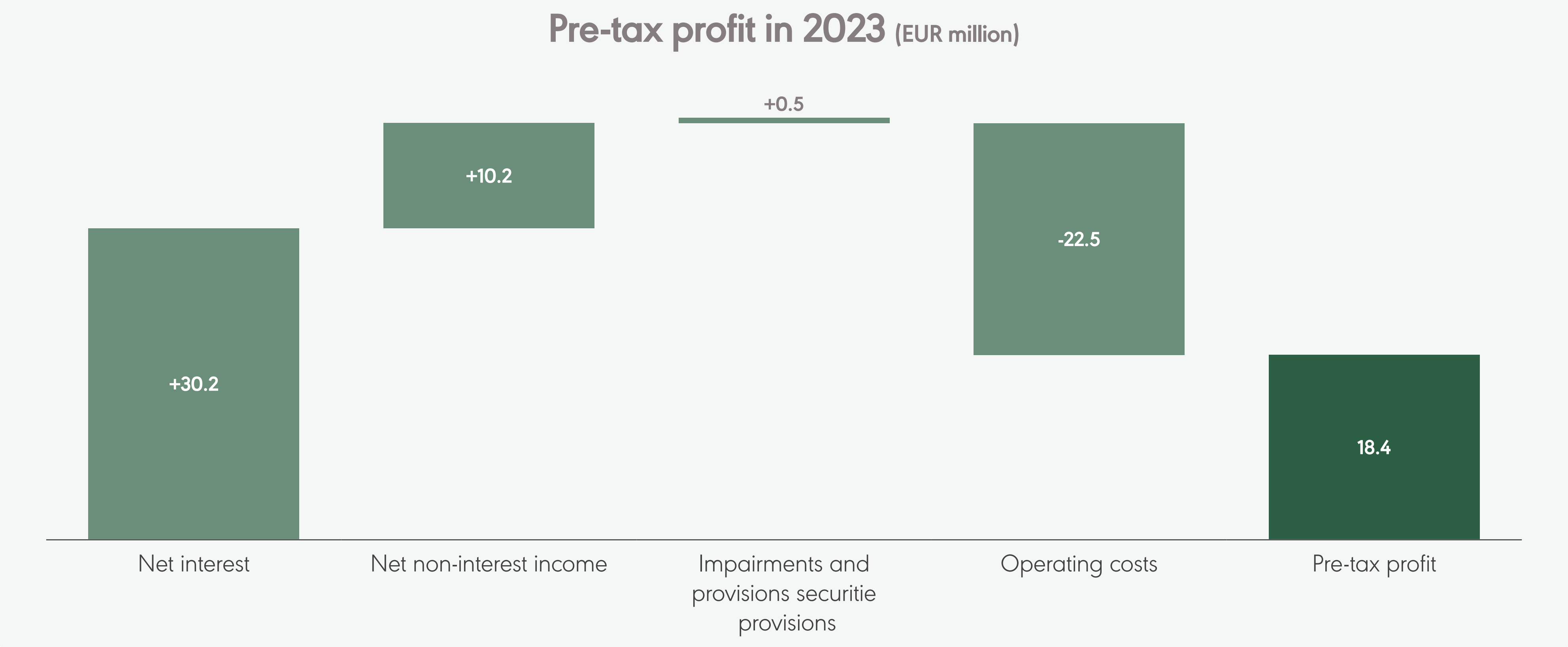
1.1%

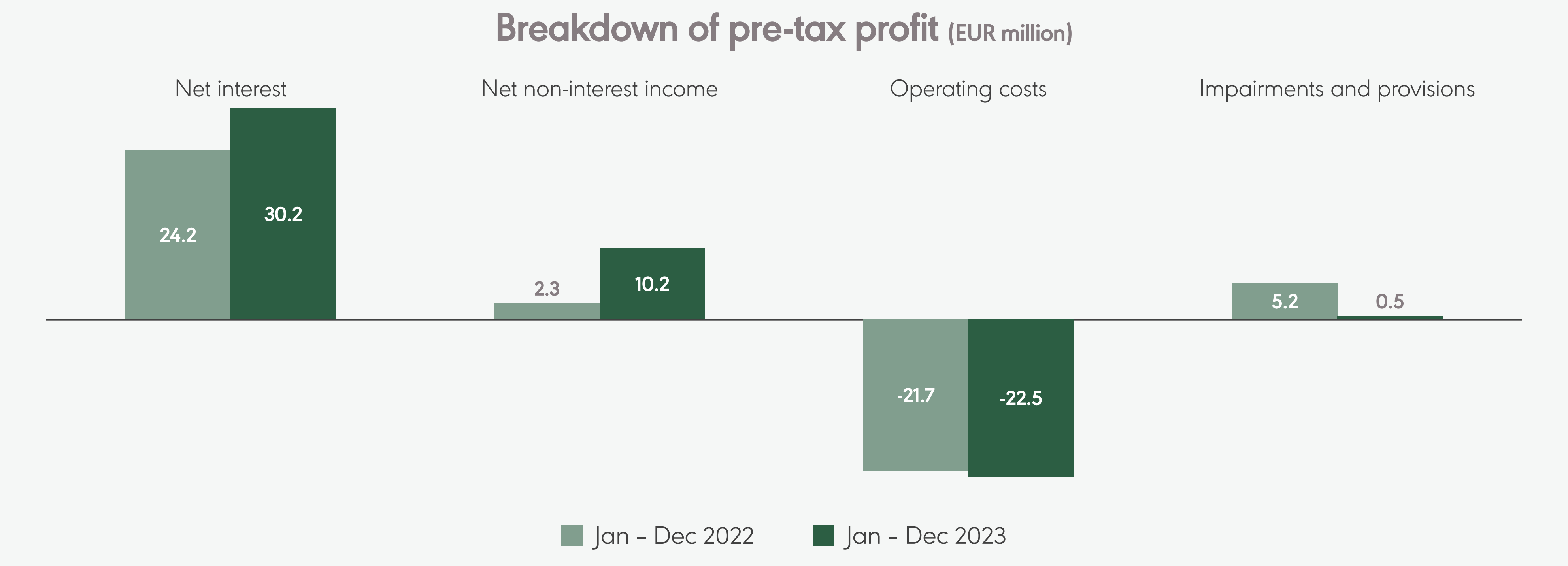
INTEREST MARGIN

Non-interest income

Net non-interest income amounted to EUR 10,167 thousand in 2023, up EUR 7,831 thousand on the previous year (2022: EUR 2,336 thousand).

The increase in net non-interest income is mainly the result of lower **net losses on financial assets and liabilities not measured at fair value through profit or loss**. These fell by EUR 5,730 thousand to EUR 600 thousand (2022: EUR 6,330 thousand), driven mostly by a decline in net losses on financial liabilities measured at amortised cost, as a result of the positive result recorded by the loan funds, which amounted to EUR 504 thousand (2022: EUR 6,753 thousand). Under the contract, each positive financial result increases SID Bank's liabilities to the Ministry of the Economy, Tourism and Sports (METS) or Ministry of Infrastructure (MoI). Net losses on financial assets measured at fair value through other comprehensive income, which relate to the effects of the purchase and sale of securities, amounted to EUR 693 thousand (2022: net gains in the amount of EUR 222 thousand), while other net gains on financial liabilities measured at amortised cost amounted to EUR 597 thousand (2022: EUR 201 thousand).





Net gains on non-trading financial assets mandatorily at fair value through profit or loss rose by EUR 4,260 thousand in comparison with the previous year and amounted to EUR 6,067 thousand (2022: EUR 1,807 thousand), which can be attributed to higher net gains on equity financing (up by EUR 4,281 thousand), while net gains on loans and advances fell very slightly (by EUR 21 thousand).

The Bank received **dividends** of EUR 818 thousand in 2023 (2022: EUR 678 thousand).

Net fees and commission amounted to EUR 365 thousand in 2023 (2022: EUR 242 thousand). The most notable increase was in fee and commission income on loans granted (up by EUR 345 thousand), which amounted to EUR 970 thousand (2022: EUR 625 thousand). On the expenses side, the biggest increase was in expenses from fees and commissions for guarantees (up by EUR 255 thousand), which amounted to EUR 477 thousand (2022: EUR 222 thousand).

Expenses from changes in fair value in hedge accounting amounted to EUR 319 thousand (2022: EUR 138 thousand).

Net foreign exchange gains amounted to EUR 1 thousand (2022: EUR 12 thousand), as did **net gains on the derecognition of non-financial assets** (2022: EUR 0).

The majority of **other net operating income** in the amount of EUR 5,678 thousand relates to income from activities under Republic of Slovenia authorisation in the amount of EUR 3,624 thousand (2022: EUR 4,733 thousand). This fell by EUR 1,109 thousand, mainly on account of the contract signed in 2022 for guarantee schemes under the ZIUZEOP and ZDLGPE intervention acts. As the contract with the Republic of Slovenia for the guarantee schemes had not yet been concluded in 2021 and the amount of the fee had not yet been agreed, SID Bank included the income from their implementation in the income statement in 2022. There was an increase in the income of the Bank as a financial intermediary from the fee for implementation of the funds of funds (EUR 1,987 thousand, up from EUR 1,404 thousand in 2022), while other net operating income declined to EUR 67 thousand (2022: EUR 99 thousand).

Net losses from changes in repayment terms of financial assets measured at amortised cost amounted to EUR 1,844 thousand (2022: EUR 171 thousand).

The Bank's **financial intermediation margin** stood at 1.5% in 2023 (2022: 1.0%).

Operating costs

The Bank's operating costs amounted to EUR 22,485 thousand in 2023, up 3.7% on the 2022 figure. This increase can mainly be accounted for by higher labour costs and costs of services. The main reason for the higher labour costs is the partial adjustment of basic wages in line with inflation, while the rise in costs of services is mainly the result of higher IT costs.

Administrative costs amounted to EUR 21,461 thousand, with labour costs accounting for EUR 16,379 thousand of this total (2022: EUR 15,924 thousand), costs of services for EUR 4,520 thousand (2022: EUR 4,209 thousand), costs of material for EUR 226 thousand (2022: EUR 199 thousand), and costs of taxes and membership fees for EUR 336 thousand (2022: EUR 362 thousand). Amortisation and depreciation amounted to EUR 1,024 thousand (2022: EUR 984 thousand).

The cost-income ratio (CIR) stood at 55.7% (2022: 81.6%), while the CIR, comparable to the banking system overall and adjusted to reflect the operations relating to the loan funds (only management fees are taken into account), as well as impairments, provisions, and interest on loans by the funds of funds for operations relating to ECP funds, stood at 52.0% (2022: 67.5%). The main driver of the improvement of the indicators in comparison with the previous year was the increase in income generated in 2023.

Impairments and provisions

In 2023 the Bank generated net income from impairments and provisions of EUR 533 thousand (2022: EUR 5,181 thousand); these were largely the result of the reversal of provisions for pensions.

Net income from the reversal of provisions amounted to EUR 977 thousand (2022: EUR 209 thousand), with provisions for pensions and jubilee benefits accounting for EUR 810 thousand of this (2022: net expenses of EUR 271 thousand) and undrawn loans for EUR 207 thousand (2022: EUR 398 thousand). Net expenses for provisions for guarantees amounted to EUR 40 thousand (2022: net income of EUR 82 thousand).

Net expenses from impairments amounted to EUR 444 thousand (2022: net income of EUR 4,972 thousand), with loans measured at amortised costs accounting for EUR 316 thousand of this, securities for EUR 127 thousand, and other net expenses from impairments for EUR 1 thousand.

	Amount		
EUR thousand	2023	2022	Index 2023/2022
Net interest	30,170	24,214	124.6
Net non-interest income	10,167	2,336	435.2
Operating costs	(22,485)	(21,678)	103.7
Impairments and provisions	533	5,181	10.3
Profit from ordinary operations	18,385	10,053	182.9
Corporate income tax	(2,747)	(1,802)	152.4
Net profit for the financial year	**15,638**	**8,251**	**189.5**

Overview of Performance by Segment

FUNDING AND LIQUIDITY

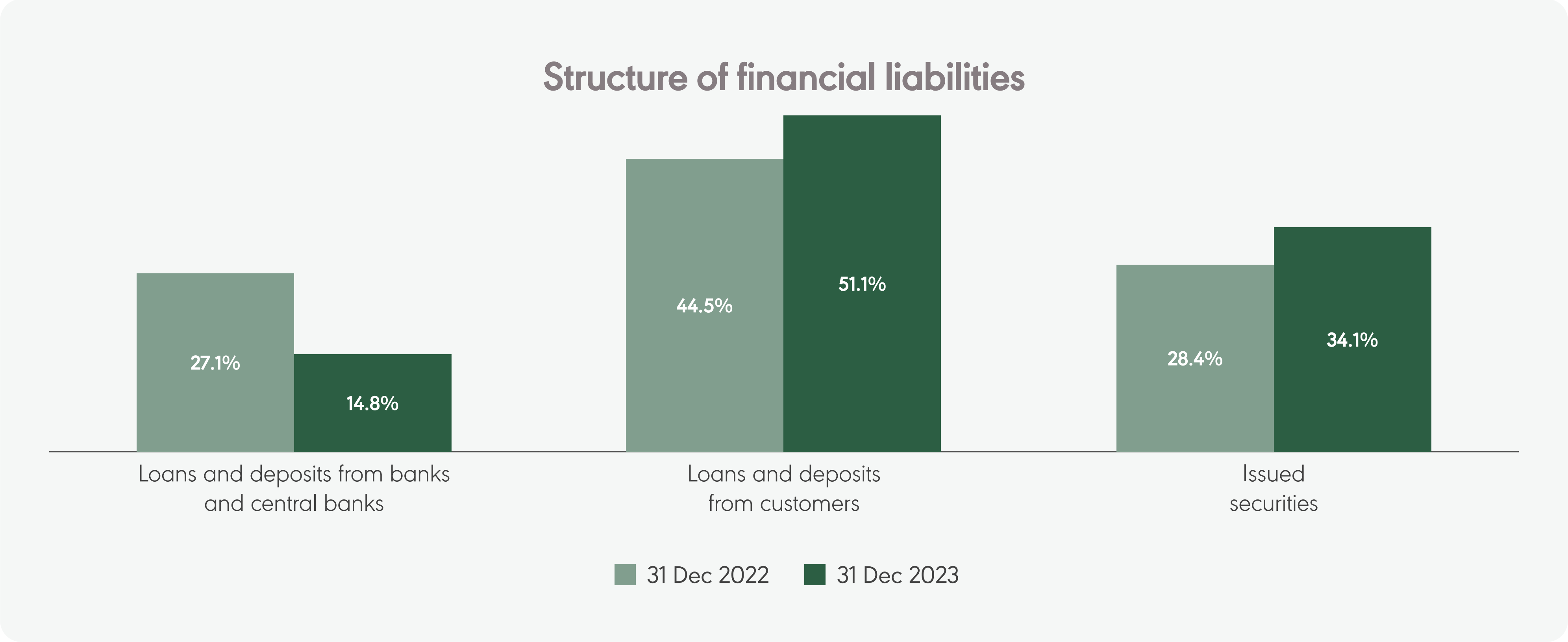
Funding

SID Bank secures funding on the domestic and international financial markets backed by a Slovenian government guarantee. In the process of securing funding, it pursues the requisite diversification, primarily in terms of the type and geographical diversity of the investors and the class of financial instruments. This provides it with stable access to mostly long-term funding. Accordingly, SID Bank again worked actively with banks and other institutional investors in the domestic and international environment in 2023. In March it borrowed by issuing a seven-year bond in the nominal amount of EUR 140 million on the international capital market in a private issue. In 2023 it repaid EUR 336.6 million of the TLTRO loan taken out with the central bank. The remainder of the TLTRO loan (EUR 33.4 million) falls due for repayment in 2024.

To create added value for target groups of final beneficiaries, and to improve their access to favourable long-term financing, SID Bank also includes in its credit lines and programmes long-term purpose-specific funding received from development institutions such as the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and the German development bank KfW, and from the Ministry of the Economy, Tourism and Sport (METS) and the Ministry of Infrastructure (MoI). A new long-term borrowing contract of EUR 100 million was signed with KfW in 2023. The money will go towards financing the projects and operations of SMEs and mid-cap companies. SID Bank drew down EUR 95 million in dedicated funding from development institutions in 2023. In addition, it obtained EUR 55 million in funding from the METS in 2023 for the establishment of two new loan funds, and signed an addendum to the contract for Loan Fund 1 that extends funding of EUR 40 million to 2037.

The stock of funding amounted to EUR 2,180,059 thousand at the end of 2023 (2022: EUR 2,326,081 thousand). Deposits and loans amounted to EUR 1,437,622 thousand (2022: EUR 1,665,616 thousand) and issued securities to EUR 742,437 thousand (2022: EUR 660,465 thousand). In terms of residual maturity the financial liabilities are primarily non-current, as only 8% of these have a residual maturity of up to 12 months, 68% a residual maturity of 12 months to five years, and 24% a residual maturity of more than five years.

In 2024 SID Bank is planning to strengthen its cooperation with banks and other institutional investors, and to undertake new long-term borrowing on the international capital markets depending on the suitability of the market situation.



In addition, SID Bank will draw down long-term dedicated funding from development institutions for the purposes of financing companies (mainly SMEs), local government infrastructure projects and public funds. SID Bank is expected to be involved in the implementation of the new financial perspective, i.e. for management of the new Fund of Funds or Holding Fund with the support of European cohesion funds. Accordingly, it is also expected to draw down some of the dedicated funding towards the end of the year.

Liquid assets

Conditions for the management of liquid assets were demanding in 2023; this was mainly on account of volatility on financial markets connected with shocks on the US financial market caused by the collapse of regional banks, the continuing war in Ukraine, and the new military conflict in Israel and Gaza. Inflationary pressures were still present in the eurozone and elsewhere in the world in 2023, although they could be seen to be easing in the second half of the year. At the same time, the improved terms for interest on balances at the central bank and for reinvesting in debt securities continued to have a favourable impact on interest income.

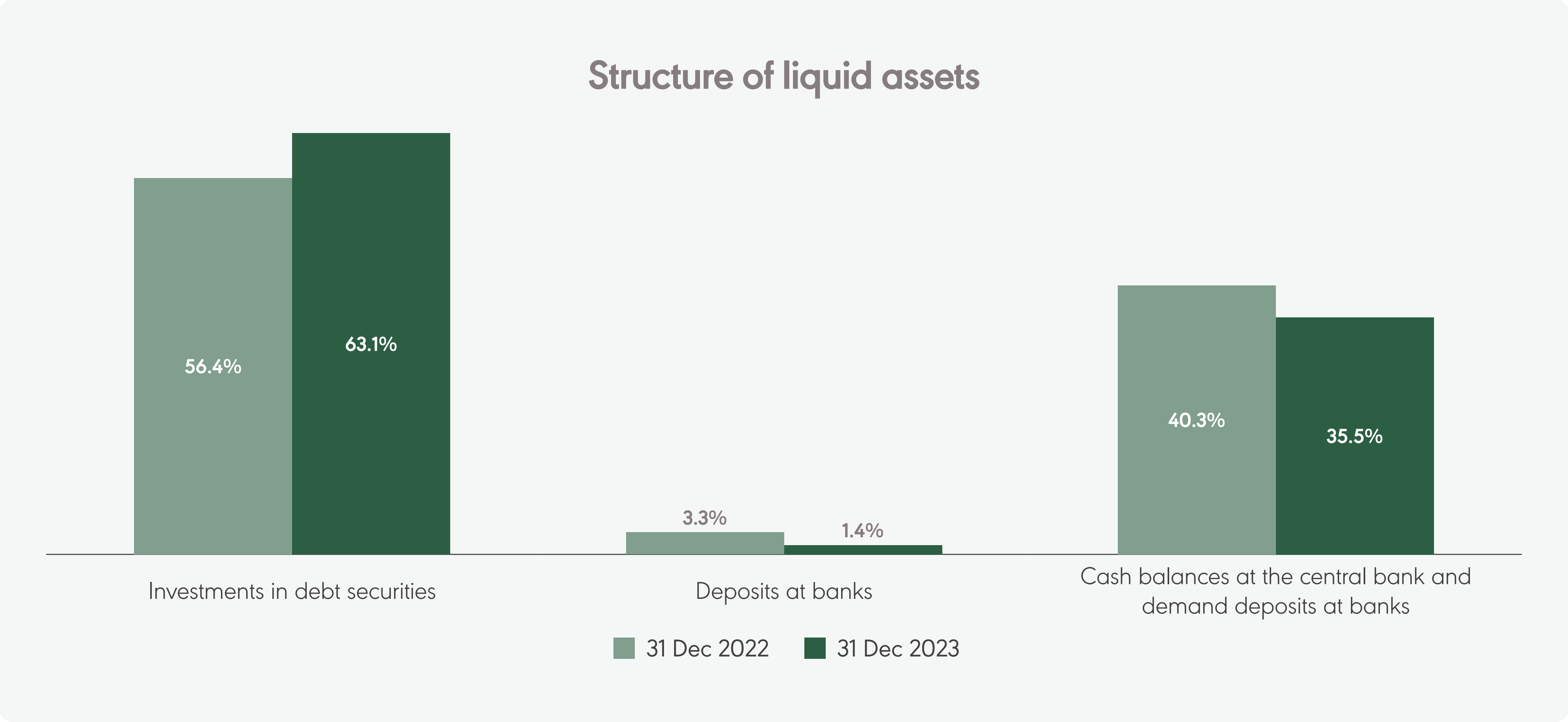
SID Bank maintained an appropriate level, quality and structure of liquid assets in 2023 for covering its expected and unexpected liquidity outflows, and for ensuring business continuity in challenging conditions. The structure of liquid assets shifted in 2023 following a slight fall in balances at the central bank and in bank deposits, and an increase in holdings of debt securities.

With the aim of reducing the volatility of other comprehensive income, there was an increase in the share of the portfolio accounted for by debt securities measured at amortised cost.

At the end of 2023, the volume of holdings of debt securities amounted to EUR 575,035 thousand (2022: EUR 578,411 thousand), of which EUR 406,509 thousand (70.7%) comprised debt securities measured at fair value through other comprehensive income and EUR 168,526 thousand (29.3%) comprised debt securities measured at amortised cost. Balances at the central bank and sight deposits at banks stood at EUR 323,785 thousand (2022: EUR 413,628 thousand), while other bank deposits stood at EUR 12,792 thousand (2022: EUR 34,293 thousand).

The Bank's liquid assets as at 31 December 2023 included liquid assets of the loan funds in the amount of EUR 294,121 thousand (31 December 2022: EUR 265,650 thousand), where cash constituted all the liquid assets of the loan funds at the end of 2023 (31 December 2022: EUR 247,572 thousand), while liquid assets also comprised holdings of debt securities at the end of 2022 (31 December 2022: EUR 18,078 thousand).

In investing liquid assets in debt securities, the Bank follows a conservative and prudent strategy, as the majority of the portfolio comprises marketable and liquid debt securities with an investment-grade credit rating issued in the EU that are eligible as collateral at the central bank, thereby ensuring adequate diversification with regard to the type and residency



of the issuer. At the end of 2023, investments with an investment-grade credit rating accounted for 92% of the entire portfolio (the same proportion as for investments eligible as collateral at the central bank). 62% of the entire debt securities portfolio is accounted for by government debt securities, securities backed by guarantees of EU Member States, and securities of international organisations and multilateral development banks, while debt securities issued by financial corporations accounted for 27% and debt securities issued by non-financial corporations for 11%. The average residual maturity of the debt securities portfolio was 3.5 years at the end of 2023 (31 December 2022: 3.5 years) and the average interest rate was 1.7% (31 December 2022: 0.4%).

Green bonds and sustainability bonds are given priority in the investments in new debt securities. The Bank is not making new investments in debt securities from the fossil fuels sector in accordance with the CPRS classification. Green bonds and sustainability bonds accounted for 16.9% of the entire portfolio of debt securities at the end of 2023 (2022: 11.6%).

The Bank will continue to implement a conservative and prudent strategy for managing liquid funds in 2024, with the primary aim remaining to ensure liquidity and security. In 2024 the Bank is planning to purchase additional long-term bonds of the core countries of the eurozone to serve as the Bank's liquidity reserve.

FINANCING

Net loans amounted to EUR 1,674,566 thousand at the end of 2023, similar to the figure a year earlier (2022: EUR 1,692,224 thousand), but with a structural increase in the share of direct financing.

SID Bank provides financing using instruments ranging from established and continually available programmes to new financial instruments and programmes adapted to current needs. The Bank tailors the scope of and approach to its financing to the identified market gaps, the needs of the market and the activities of other financial institutions. The range of financing programmes within the framework of financial engineering was augmented by direct and indirect financing from own funds.

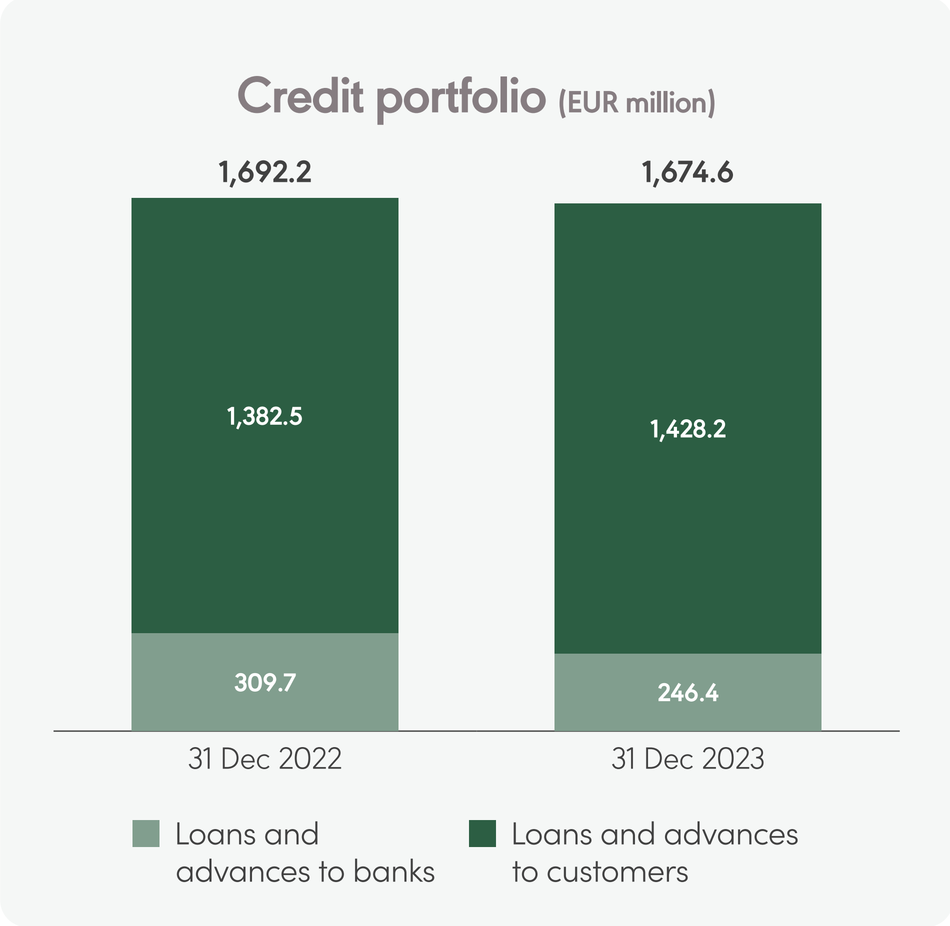
The bulk of the financing in 2023 was provided in the form of direct loans to corporates classified as state aid (particularly within the context of financial engineering instruments) or without such classification, syndicated loans, loans to municipalities and the wider public sector, export credits, project financing, various forms of risk take-up, and financial instruments via SID Bank's funds of funds. SID Bank implements some of these directly (FI 2014–2020 Fund of Funds, Covid-19 Fund of Funds) and some of them indirectly via financial intermediaries; together with long-term dedicated loans to commercial banks, this constitutes an important pillar of the implementation of mandates.

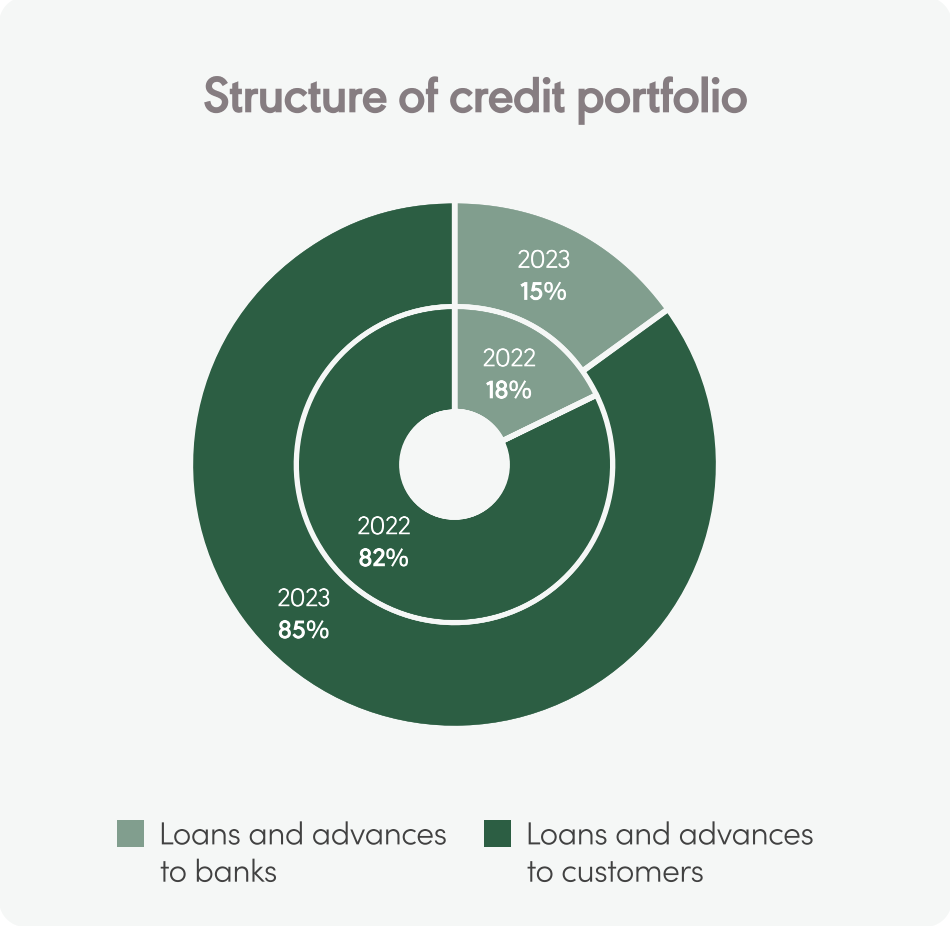
The Bank continued to consolidate its development operations in 2023, as reflected chiefly in the financing of technology-development projects, participation in the preparation and implementation of infrastructure projects and investments, and involvement in circular economy, environmental protection and energy efficiency projects. In addition, it continued to finance recovery from the crisis in Ukraine and the energy crisis as part of its intervention role and through counter-cyclical financing.

Through purpose-specific financing via commercial banks and savings banks, it allowed the use of adjusted terms for indirect financing programmes to meet the needs of the economy, and thus facilitated the quicker and simpler provision of funds to companies. By the end of the period of eligibility, i.e. the end of 2023, SID Bank had successfully completed the placement of funds from the FI 2014-2020 Fund of Funds and the Covid-19 Fund of Funds intended for the financing of investments in research, development and innovation and for the liquidity financing of companies in order to soften the impact of the pandemic.

SID Bank also provided funds to financial intermediaries via which it is providing financing to support the development and growth of the Slovenian economy by purchasing MREL-eligible instruments issued by Slovenian banks.

As part of its anti-crisis and developmental activities, SID Bank made loans in the amount of EUR 246.6 million in 2023, directly, via co-financing with commercial banks, and via intermediary banks. The maturity breakdown of SID Bank's credit portfolio reflects its focus on activities under the ZSIRB and the ZZFMGP. Nearly all loans are of a long-term nature with a variable interest rate. As at 31 December 2023, there were 752 final beneficiaries financed indirectly via commercial banks and savings banks, and 1,104 borrowers financed directly by the Bank. In 2023, in terms of the primary purpose, the development of economic competitiveness accounted for 62% of new loans in terms of total value, the development of a knowledge society and innovative enterprise for 23%, regional development for 13%, and the development of an environment-friendly society for 2%.





In the regional breakdown of loans approved in 2023 for borrowers established in Slovenia, borrowers from Central Slovenia accounted for the largest proportion (38%), followed by borrowers from Savinjska (20%), Podravska (15%), Gorenjska (5%) and other regions (22%).

Firms in the manufacturing sector were prevalent among borrowers (43% of new loans in terms of value), followed by firms in information and communication activities (20%), public administration and defence, compulsory social security (8%), the retail trade and repair of motor vehicles and motorcycles (8%), transportation and storage (7%), health and social care (4%), water supply, sewerage and waste management, environmental remediation activities (3%) and construction (2%). Other activities accounted for the remaining percentage.

Indirect financing

LOANS

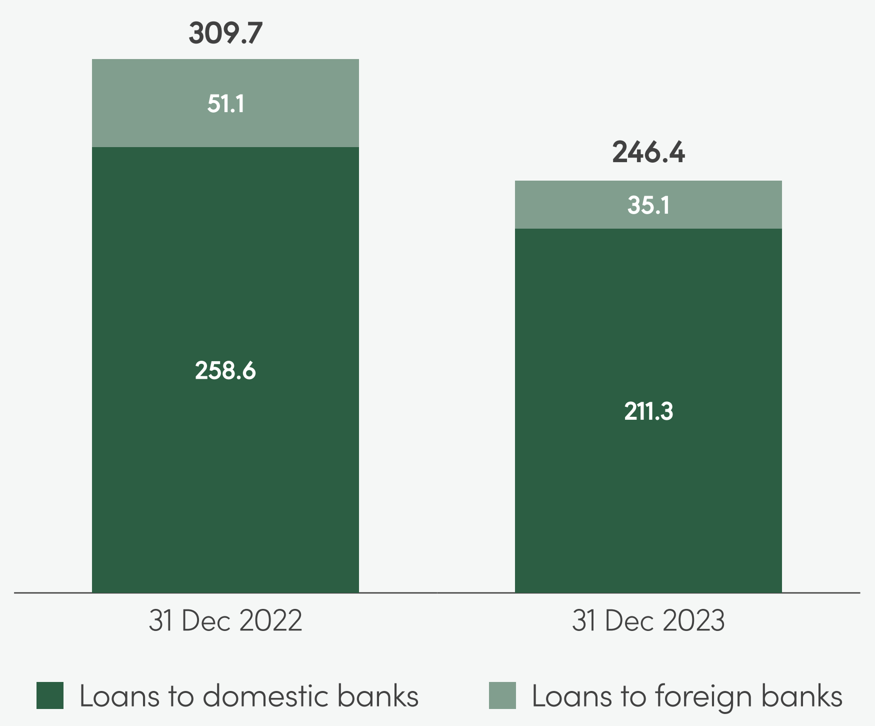
Loans to commercial banks and savings banks accounted for 15% of SID Bank's credit portfolio at the end of 2023 (2022: 18%), with 86% comprising loans to Slovenian banks and 14% comprising loans to foreign banks to finance Slovenian export business. Their stock amounted to EUR 246,395 thousand, down 20.4% on the end of 2022, which primarily reflected:

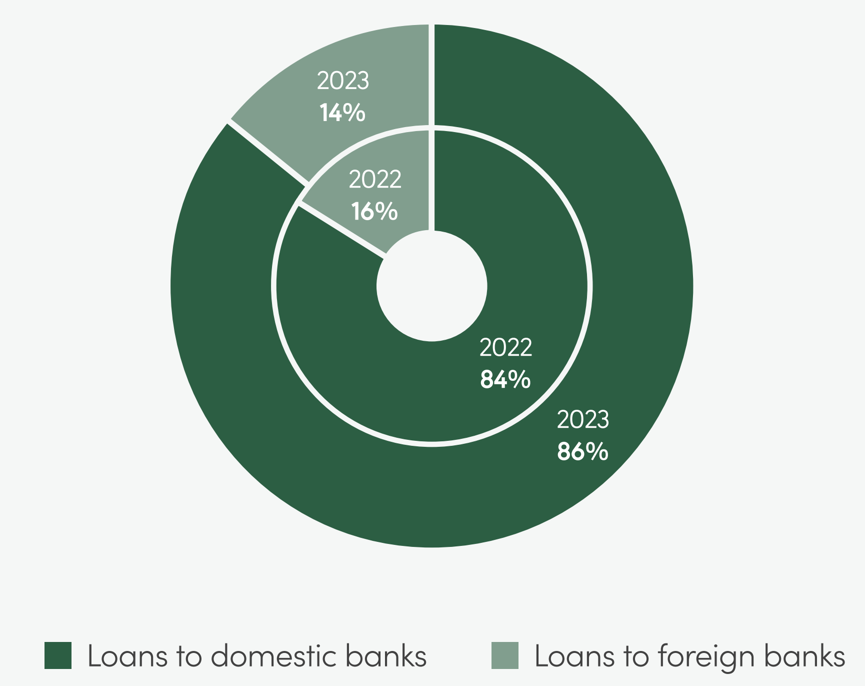
- the situation on the financial markets, with high liquidity (high stock of deposits), and the resulting diminished need for new funding and early repayments;
- the priority utilisation of instruments within the framework of the financial programmes available as part of the implementation of the FI 2014-2020 Fund of Funds and the Covid-19 Fund of Funds and not in the SID Bank balance sheet;
- an adjustment of the range of products to state aid rules and an orientation towards the use of available funds at intermediary banks and savings banks.

A significant proportion of financing of final beneficiaries (sole traders, cooperatives, SMEs, mid-caps, large enterprises and municipalities) is being carried out on the basis of long-term purpose-specific financing via commercial banks and savings banks. The latter in the role of intermediaries thus remain the most important partners in the financing of final beneficiaries, but public funds may also be involved in intermediation. Here SID Bank combines and ensures the benefits of financing are transferred on the basis of long-term borrowing at development institutions and other funding, which is augmented by the provision of additional services to financial intermediaries aimed at further strengthening its role in promoting economic development.

SID Bank continued to enhance its cooperation with commercial banks and savings banks in 2023 which, having regard for the regulatory framework, included the adjustment and optimisation of the existing range of products and services, the simplification of implementation, and the strengthening of administrative-technical support for financial intermediaries aimed at digital transformation, marketing activities, etc. Based on its strategic policies and a toolkit of measures for adjusting the business model for operations via commercial banks and savings banks, the Bank's activities focused on the development of new approaches to mediating funds backed by the government, risk-sharing and the introduction of new innovative methods of mediating funds in line with the ZSIRB.

The functioning of both funds of funds via financial intermediaries remains an important approach in the segment of indirect financing. In connection with other use of European cohesion funds within the Fund of Funds, SID Bank is expecting cooperation with participating financial intermediaries or with other intermediaries that have already participated during the current financial perspective or that will be selected at new public calls over the next eight years to continue. Fund of Funds instruments (loans for RDI, micro loans and other instruments for SMEs) are distinguished by favourable interest rates, long maturities, longer moratoriums and more favourable collateral requirements. In 2023 a total of 2,415 loans to a total value of EUR 112.6 million were granted via financial intermediaries under both funds of funds (excluding direct financing from SID Bank).





As per the mandates of its operations in connection with market gaps and its role as a bank complementary to the market, SID Bank will continue to refine its offering in 2024 in cooperation with financial intermediaries (assuming continuing high liquidity on the banking market) and, to a lesser extent, by providing long-term funding. It will focus above all on assuming greater risks on the basis of innovative instruments, the provision of guarantees and other forms of cooperation.

SLOVENE EQUITY GROWTH INVESTMENT PROGRAMME (SEGIP)

By the end of 2023, six years after the establishment of the 15-year SEGIP, just over two-thirds of the funds (approximately EUR 68 million of the EUR 100 million in available funds, with the EIF and SID Bank each contributing EUR 50 million) had been allocated to investments in the form of firm commitments (without taking into account SEGIP expansion in 2022 in the amount of EUR 120 million). Commitments are given to private equity funds, which then invest in companies over a four- to five-year period, or directly to Slovenian companies via co-investment activities.

All EUR 50 million in SEGIP funds made available to newly established Slovenian private equity funds (for the purpose of capacity building in Slovenia) have already been committed to two funds that are managed by two alternative investment fund managers registered in Slovenia: ALFI PE, d.o.o., and Generali Investments, d.o.o. (the latter transferred management of the fund to the fund manager ALFI PE, d.o.o. in 2023). The two funds mobilised an additional EUR 85 million in commitments from private investors alongside the aforementioned EUR 50 million from SEGIP. By the end of 2023, the two funds had invested EUR 107 million in Slovenian companies in the form of equity: EUR 77 million in investor contributions via the two funds and EUR 30 million in borrowing from Slovenian commercial banks.

Financial leverage is also provided via other SEGIP investments. As part of co-financing activities, Slovenian companies had been recapitalised in the amount of EUR 11 million by the end of 2023 (with SID Bank accounting for EUR 3.9 million of this).

With regard to investment in foreign private equity funds, a commitment was given to contribute to a private equity fund based in Luxembourg in the amount of EUR 10 million for the purpose of equity financing for Slovenian companies (with the EIF and SID Bank each contributing EUR 5 million).

Direct financing

Loans to non-bank customers amounted to EUR 1,428,171 thousand at the end of 2023, up 3.3% on the end of 2022. The proportion of the credit portfolio that they account for increased by 3.6 percentage points over the course of the year to 85%.

The direct financing of non-bank customers is carried out independently via dedicated financial engineering loan funds, via funds of funds where SID Bank is a direct provider, from own funds, and via various forms of co-financing with commercial banks. Other forms of direct financing include export credits, financing of municipalities, project financing, debt accession, the purchase of receivables, etc.

The largest category within direct lending to corporates and other customers in 2023 was independent financing and financing within the framework of financial engineering measures, which was intended primarily for the financing of:

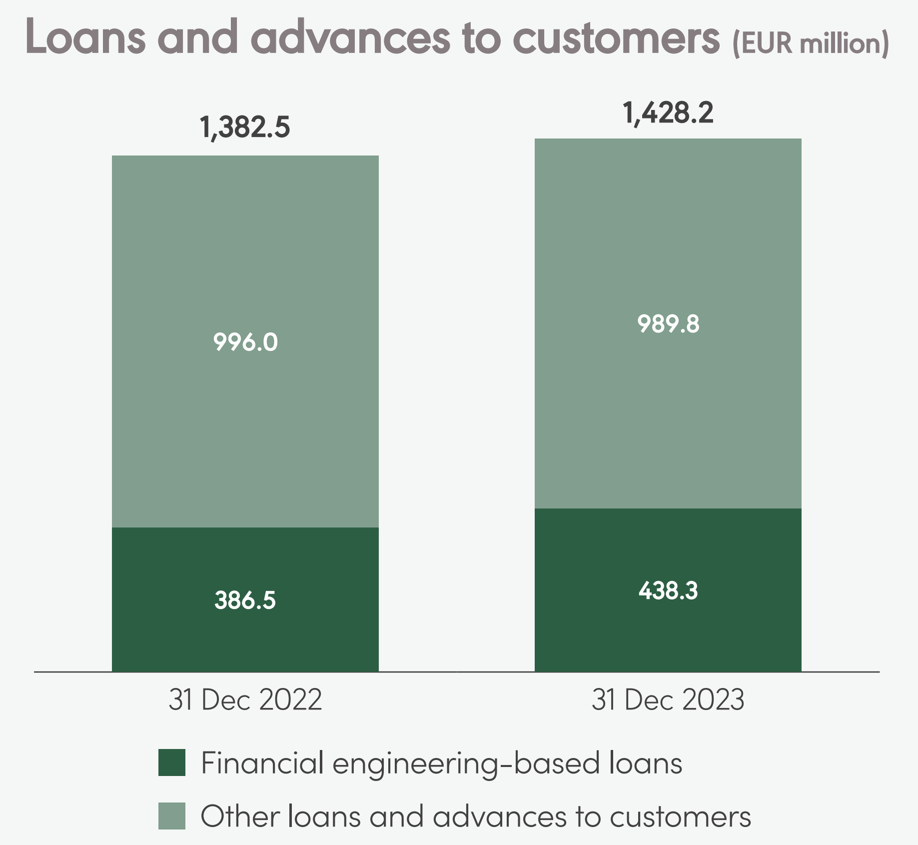
- the operations of companies affected by rising energy prices and the Ukraine crisis;
- technological development projects;
- investments that contribute to the transition to a circular economy;
- road transport companies.

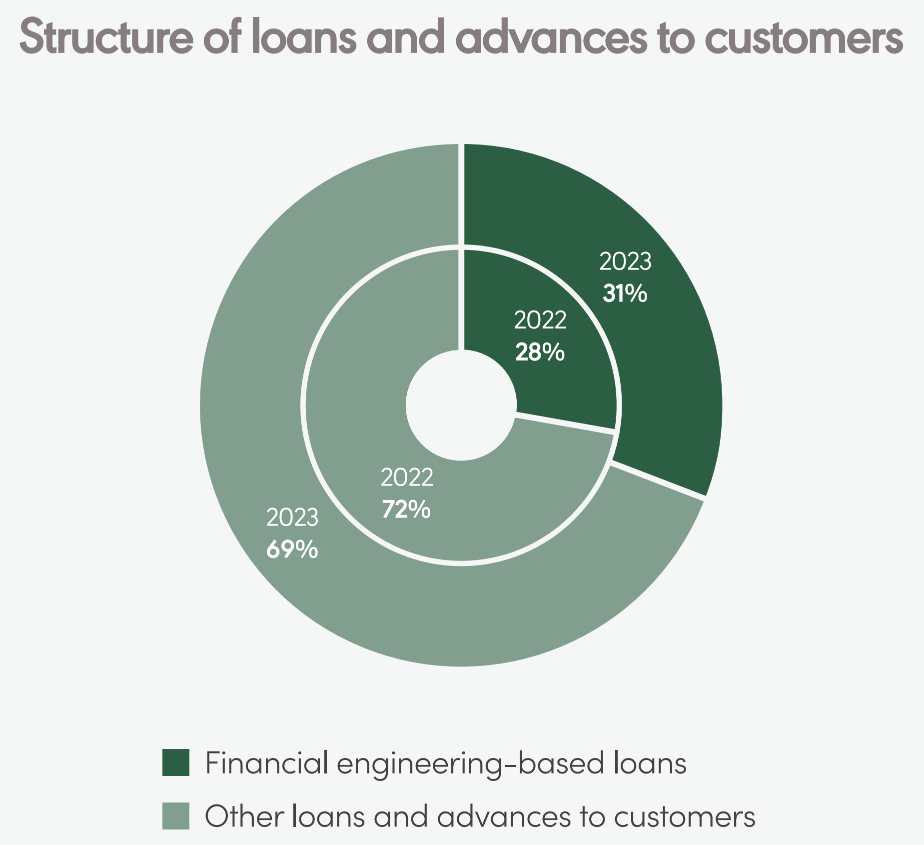
In addition to dedicated lines, a significant proportion of direct financing was accounted for by the co-financing of major investment and infrastructure projects, green and circular economy projects, and operations within the framework of anti-crisis financing.

Further development and implementation of direct financing programmes will be based on the needs of the economy, the gaps, and the supplementing of the portfolios of commercial banks and public funds, particularly from the perspective of the Bank's development role for an easier, faster transition to a digital, green and circular economy.

PRODUCTS BASED ON FINANCIAL ENGINEERING FROM STATE BUDGET FUNDS AND SID BANK'S OWN FUNDS

For the implementation of financial measures of national and European public policies, SID Bank provides a set of financial instruments that are based on own and refundable funds, budget funds and other favourable funding, and for which state aid schemes (under the Communication from the Commission Temporary Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia – hereinafter: Communication from the Commission or Temporary Framework, and the General Block Exemption Regulation [GBER] and *de minimis* aid) were notified.





As part of its financial engineering measures, the Bank set up seven loan funds between 2011 and the end of 2023, via which it provides long-term resources for financing MSMEs, large enterprises and cooperatives, and corporate development projects in conjunction with the METS and the MoI. Financing via loan funds was again the most important instrument of direct financing in 2023. The Bank offered the following programmes within the framework of these funds:

- "MSP 7": a programme for financing the operations and capitalisation of SMEs based on the principle of favourable long-term loans of six to twelve years with a moratorium period of half of the loan maturity and a loan amount of EUR 100 thousand to EUR 5 million. In addition to the typical development effects in terms of target areas (long-term financing of working capital), the main purpose of the product is to enable firms with low capital adequacy to improve the maturity structure of their debt, to gradually strengthen their capital position and to introduce a (new) business model with good prospects. The programme facilitates loans to be raised under the state aid scheme (*de minimis*).
- "NALOŽBE 3": a programme for financing investments that contribute to the transition to a circular economy, which is earmarked for financing investments in property, plant and equipment and intangible assets in Slovenia, with a loan amount of EUR 100 thousand to EUR 10 million with a maturity of three to twenty years, and with a maximum moratorium period of half of the loan maturity (but no more than five years). Using loans of this type, firms can expand and technologically update their production and service capacities, thereby strengthening their competitiveness. The programme facilitated loans for the financing of operations to be raised under the state aid scheme (*de minimis*).

- "RRI 3" and subsequently "RRI 2": a programme for financing technological development projects in amounts of EUR 100 thousand to EUR 15 million, with a maturity of six to twelve years and a moratorium period of at least two years and no more than half of the loan maturity. With these two programmes, SID Bank financed R&D or investment projects aimed at technological, process or organisational innovation; it was possible to raise a loan in line with two types of state aid (*de minimis* and GBER).
- "LES 1": a programme for financing investments in the forestry and wood processing chain, which is earmarked for financing the construction of new plants or the technological modernisation of existing wood processing plants, new technological equipment for a new production process and the development or production of new wood products, and the financing of operating costs. Loan amounts range from EUR 100 thousand to EUR 5 million, with a loan maturity of between two and 20 years, and a maximum moratorium period of half of the loan maturity, but no more than six years. The programme facilitated loans to be raised under the state aid scheme (*de minimis*).
- "PROMET 2": a programme for financing economic operators in the area of road transport. Loans of between EUR 100 thousand and EUR 2 million are designed for carriers affected by the war in Ukraine, and have a loan maturity of minimum two years. The moratorium period is two years, but no more than half of the loan maturity. The programme facilitates loans to be raised under the state aid scheme (Temporary Framework).
- "ORMG 1": a programme for financing companies and remedying the consequences of a severe disturbance to the economy suffered directly or indirectly by companies as a result of the crisis caused by Russia's aggression against Ukraine, and aimed at financing investments and/or working capital. Loan amounts start from EUR 100 thousand, where loans with *de minimis* aid status have no ceiling. A loan with the status of state aid to remedy a severe disturbance to the economy under section 2.1 of the Communication from the Commission has a ceiling of EUR 2 million, while under section 2.3 the ceiling is 15% of the beneficiary's average total annual turnover over the last three closed accounting periods or 50% of energy costs over the 12 months preceding the month when the application for aid was submitted. The loan maturity is at least two years, with a maximum loan maturity of eight years (for state aid to remedy a severe disturbance to the economy) or 12 years (for *de minimis* aid). The moratorium period is two years, but no more than half of the loan maturity. The programme facilitated loans to be raised under two state aid schemes (*de minimis* and the Temporary Framework).
- "ORMG 2": a programme for financing companies affected by the energy crisis or the crisis in Ukraine and intended for the financing of investments and/or working capital. Loan amounts start from EUR 100 thousand, where loans with *de minimis* aid status have no ceiling. A loan with the status of state aid to remedy a severe disturbance to the economy under section 2.1 of the Communication from the Commission has a ceiling of EUR 2 million, while under section 2.3 the ceiling is 15% of the beneficiary's average total annual turnover over the last three closed accounting periods or 50% of energy costs over the 12 months preceding the month when the application for aid was submitted. The loan maturity is at least two years, with a maximum loan maturity of eight years (for *de minimis* aid for working capital and for state aid to remedy a severe disturbance to the economy) or 15 years (for *de minimis* aid and for investments). The moratorium period is five years (investments) or two years (working capital), but in no case more than half of the loan maturity. The programme facilitates loans to be raised under two state aid schemes (*de minimis* and the Temporary Framework).

These programmes generally contain elements of state aid that are reflected in favourable interest rates on loans. The weighted average maturity of all financial engineering loans was 11.4 years, while the weighted average premium over the benchmark interest rate was 1.38 percentage points.

The total net amount of loans granted from all financial engineering programmes amounted to EUR 438.3 million at the end of 2023, up 13.4% on the end of the previous year. A total of 57 agreements were signed to a total value of EUR 86 million in 2023.

By using refundable forms of financing and combined funding, SID Bank provides more favourable lending terms for the Slovenian economy (maturity, interest rate and collateral) and a multiplier and revolving effect on state budget funds.

PRODUCTS USING SID BANK'S OWN FUNDS

The implementation of financial engineering measures was augmented by the range of products and services provided from SID Bank's own funds, primarily via the following programmes:

- "OSN": a programme for financing companies of all sizes for working capital and investments. In 2023 SID Bank modified the OSN programme in order to use resources obtained from the German development bank KfW under favourable terms, which the Bank complemented with its own resources. The programme facilitates loans of EUR 100 thousand upwards to be raised, where loans with *de minimis* aid status have no ceiling. A loan with the status of state aid to remedy a severe disturbance to the economy under section 2.1 of the Communication from the Commission has a ceiling of EUR 2 million, while under section 2.3 the ceiling is 15% of the beneficiary's average total annual turnover over the last three closed accounting periods or 50% of energy costs over the 12 months preceding the month when the loan application was submitted. The loan maturity is at least one year, with a maximum loan maturity of eight years (for state aid to remedy a severe disturbance to the economy) or 20 years (for *de minimis* aid). The moratorium period is five years, but no more than half of the loan maturity. The programme facilitated loans to be raised under two state aid schemes (*de minimis* and the Temporary Framework).
- "SID DIGITALEN": to promote innovation and digital transformation, the Bank is carrying out a programme to finance innovations and digital transformation with a European Investment Fund guarantee, with the support of the InvestEU fund, as a form of loan collateral. The programme facilitates investments and/or working capital in Slovenia to be financed, where the minimum loan amount is EUR 100 thousand and the maximum loan amount is EUR 2 million. The loan maturity is between one and 12 years, with a moratorium period that may be no more than half of the loan maturity and no more than five years. The programme facilitates loans to be raised under the *de minimis* aid scheme. The programme is worth EUR 27.5 million, with individual guarantees set at 40%.

- "SID ZELEN": to promote sustainable financing, the Bank carries out a programme for the financing of sustainable projects and companies with a European Investment Fund guarantee, with the support of the InvestEU fund, as a form of loan collateral. The programme facilitates investments and/or working capital in Slovenia to be financed, where the minimum loan amount is EUR 100 thousand and the maximum loan amount is EUR 2 million. The loan maturity is between one and 12 years, with a moratorium period that may be no more than half the loan maturity and no more than five years. The programme facilitates loans to be raised under the *de minimis* aid scheme. The programme is worth EUR 44.3 million, with individual guarantees set at 70%.

DIRECT IMPLEMENTATION OF THE FI 2014-2020 FUND OF FUNDS AND COVID-19 FUND OF FUNDS

In 2023 SID Bank picked up the pace of its activity within the framework of the FI 2014–2020 Fund of Funds and the Covid-19 Fund of Funds. Therefore, by the end of the year, when the period of eligibility came to an end, it had managed to place funds from the direct implementation of instruments, i.e. 60 sub-loans with a value totalling EUR 64.4 million, including 21 loans with a value totalling EUR 21.4 million in 2023 (excluding guarantees where SID Bank acts as a financial intermediary).

SID Bank directly implemented three financial instruments within the framework of the FI 2014-2020 Fund of Funds, in the form of ECP loans for RDI (available ECP funds totalling EUR 24.7 million), ECP loans for the comprehensive energy renovation of public-sector buildings (available ECP funds totalling EUR 6.5 million) and ECP loans for urban development (available ECP funds totalling EUR 4.9 million), and ECP loans for RDI/Covid-19 within the framework of the Covid-19 Fund of Funds (available ECP funds totalling EUR 5 million). The main delays in the otherwise successful direct implementation of the funds of funds in 2023 related to the financial instrument of the ECP portfolio guarantees for RDI/SMEs, primarily as a result of constraints on the purpose of the product (circular economy), and also as a result of the wide availability of grants for these purposes. Another factor in the area of RDI was the war in Ukraine and the energy crisis, which slowed the pace of investment projects.

FINANCING OF MUNICIPALITIES AND PUBLIC SECTOR ENTITIES

In 2023 SID Bank continued financing public-sector entities under the JAVNI SEKTOR 1 programme, the aim of which is to provide investments in the territory of Slovenia whose public financing is not subject to state aid rules. The programme primarily mediates dedicated favourable CEB and EIB funding that the Bank complements with its own funds. A total of EUR 27 million was drawn down on the basis of the credit agreements entered into, with repayment terms of between ten and 25 years.

The programme was adjusted in 2023 so as to be able to address the remedying of the massive damage suffered by local public infrastructure as a result of the floods that affected a large part of Slovenia at the beginning of August 2023. It facilitates public infrastructure to be financed, including infrastructure partly or wholly damaged by the natural disaster, with the minimum loan amount standing at EUR 50 thousand. The loan maturity is between one and 25 years and with a moratorium period that may be no more than five years, but no more than half of the loan maturity.

SID Bank continued its development of the programme, and its expansion into other public-sector entities in frameworks outside state aid.

EXPORT FINANCING

Export financing continued to be profoundly affected in 2023 by the events in Ukraine and the resulting sanctions against Russia and Belarus. SID Bank continued to provide favourable financing to foreign purchasers of Slovenian goods and services in other markets, albeit to a lesser extent, thereby contributing to the competitiveness of these goods and services, and supported their internationalisation through long-term financing of investments by Slovenian firms in the rest of the world.

PROJECT FINANCING AND ADVISORY SUPPORT

SID Bank continued to pursue its consultancy and project financing activities in 2023. Via the project and export financing department, it focuses its consultancy services on solving one of the key challenges in the area of project implementation, namely faster, more effective preparation. This includes the systematic review of the market, the identification of potential investors, and the provision of the necessary advisory and technical support. The Bank monitors projects and their development over the entire cycle, from the identification of the project until the phase in which projects can be financially structured and thus made ready to receive financing to the appropriate extent.

In its role as the European Commission's implementing partner, the Bank promoted the Connecting Europe Facility for Transport – Alternative Fuels Infrastructure Facility in 2023. The instrument offers grants for projects related to electricity charging infrastructure, hydrogen supply, and LNG (Liquefied Natural Gas) supply.

OTHER DIRECT FINANCING

By using long-term funding, particularly in co-financing with other banks (but also independently), SID Bank complements the range of services of commercial banks in all areas for which it can provide support in accordance with the ZSIRB, in particular in the areas of energy efficiency, the circular economy, environmental protection, promotion of the internationalisation of companies, competitiveness, employment, technological development, research and innovation, logistics, utilities and other commercial and public information in the territory of Slovenia, and, as part of anti-crisis financing, the elimination of the effects of the Ukrainian and energy crises on firms. It employs various financing instruments, such as syndicated loans, independent direct financing, the purchase of receivables, debt accession and other forms of risk take-up, and project financing.

OPERATIONS UNDER REPUBLIC OF SLOVENIA AUTHORISATION

Insurance against non-marketable risks

As an authorised institution, SID Bank insures/reinsures, in the name and on behalf of the Republic of Slovenia, those commercial and non-commercial or political (non-marketable) risks that, due to their nature and level of risk, the private sector in general is not willing or has limited capacity to take up.

The uncertainty in the global economy caused by the war in Ukraine is being exacerbated by the crisis in the Middle East and the tensions in the Balkans, which is being reflected in international trade and economic flows. The European economy lost momentum in 2023 as a result of the high cost of living, weak foreign demand, and tightening monetary policy. The European Commission is forecasting further falls in GDP in the EU. Eastern Europe, which remains an important market for Slovenian companies, is increasingly closing the door to products from western countries, including Slovenia. This trend will further intensify in the future. The traditional markets for Slovenian business and industry in the former Yugoslavia are gravitating towards the EU, which is having similar negative effects.

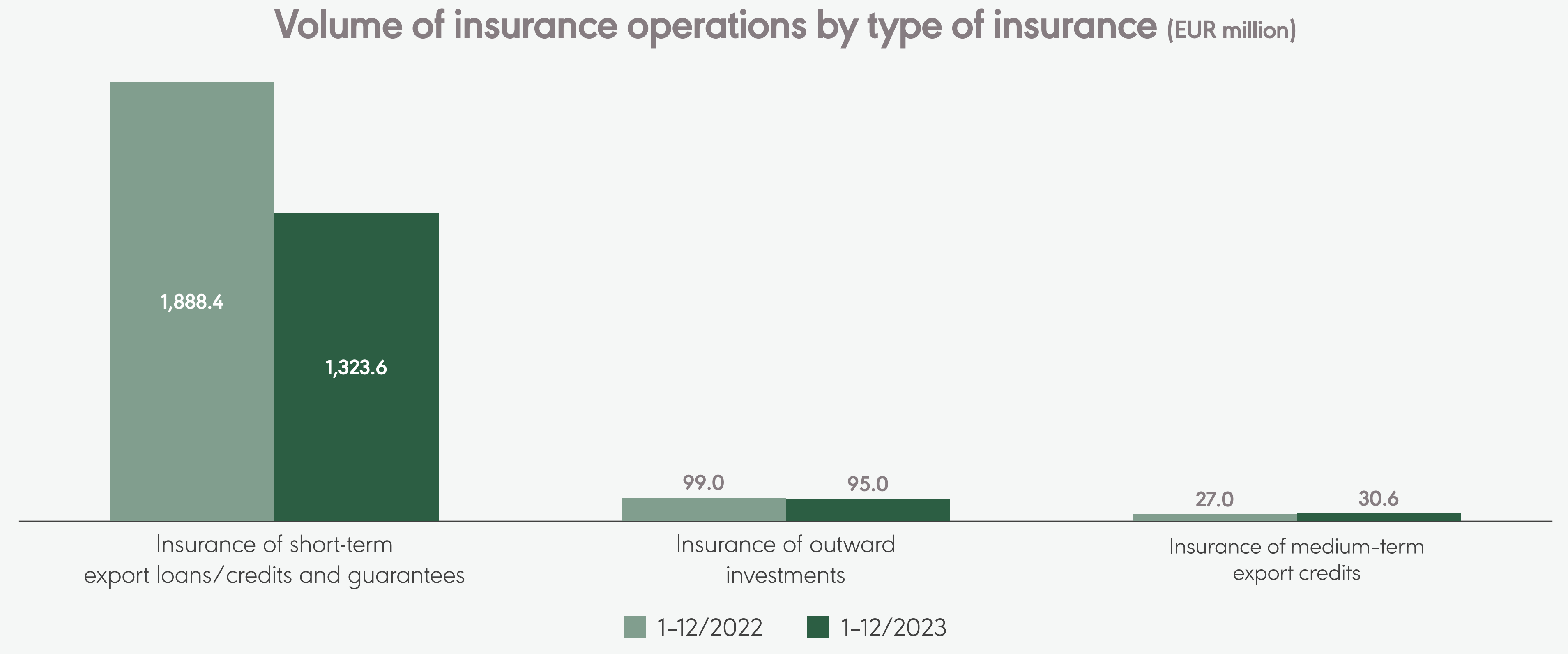
In these conditions, Slovenian enterprises will have to seek out new markets, as well as new customers on existing markets. It will be important for them to have access to adequate insurance instruments, and to enjoy sufficient flexibility from SID Bank, to secure the market shift required by recent changes to the business environment.

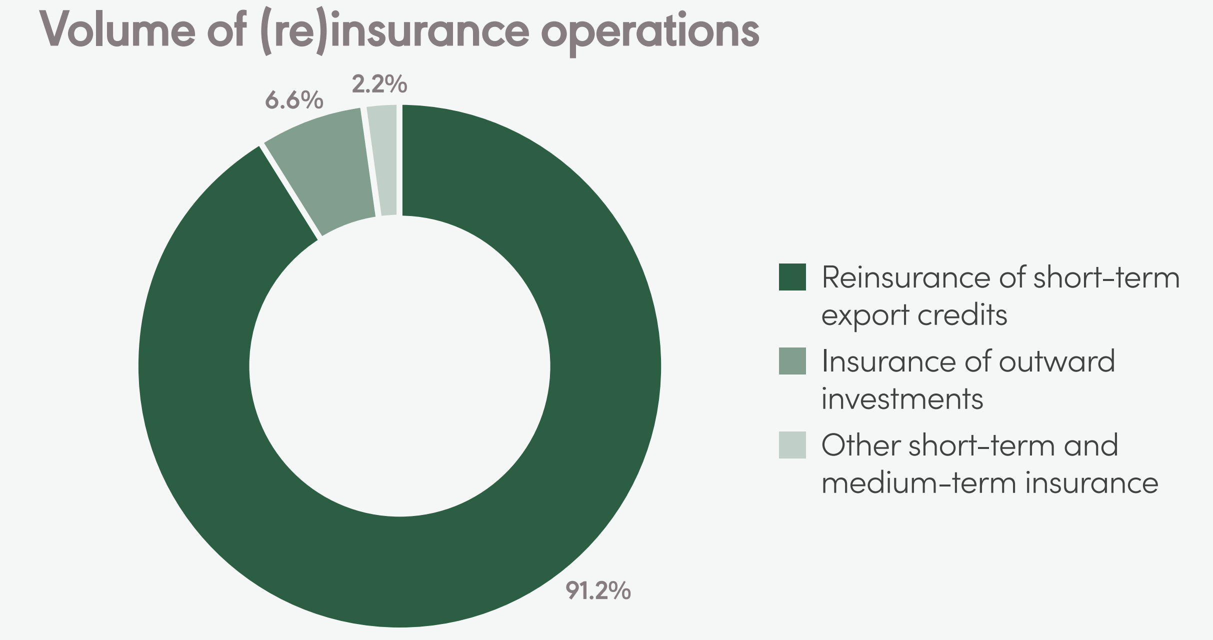
VOLUME OF INSURANCE OPERATIONS

The volume of operations amounted to EUR 1,449,184 thousand in 2023, a decrease of 28.1% relative to the year before. These lower volumes are primarily the result of the fact that measures of state aid to the economy to help it overcome the consequences of Covid-19 were no longer in force in 2023, but had still been in place in 2022 (until the end of March of that year). In line with the temporary framework for the economy in place at that time, all export receivables were regarded as non-marketable. In this respect, current trade receivables from customers from EU and OECD countries could still be insured and reinsured in the first quarter of 2022. A portion of the reduced volumes can be attributed to the war in Ukraine and the resulting introduction of economic sanctions against Russia and Belarus, which applied throughout the whole of 2023 (in 2022, they had applied only from the end of February).

The volume of insurance operations realised in 2023 reached 7.9% of the maximum possible value of newly assumed annual obligations, defined in the ZZFMGP as one third of the most recent officially determined value of Slovenia's annual exports of goods and services. Reinsurance of short-term export credits accounted for the largest proportion of the volume of insurance and reinsurance operations at 91.2% (renewable insurance of short-term non-marketable risks), followed by insurance of outward investments (6.6%), while the remainder was accounted for by other short-term and medium-term insurance.

Despite the sanctions imposed on Russia and Belarus, which are both important economic partners of Slovenian businesses, there was no significant change in the structure of insurance by country in 2023. The largest proportion in 2023 related to insurance operations in





Russia (30.9%), followed by Serbia (14.5%), Turkey (11.5%), Bosnia and Herzegovina (10%), North Macedonia (5.2%), Croatia (3.9%) and Uzbekistan (3.0%). Other countries have less than 3.0% each.

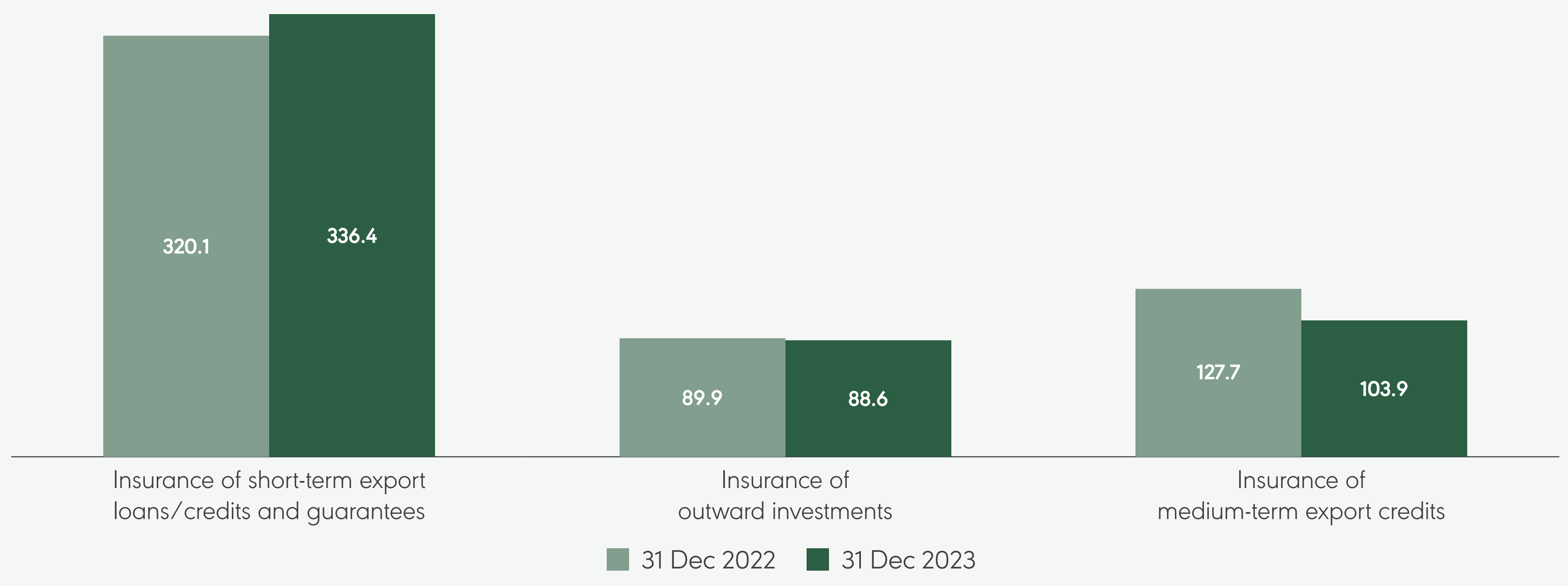
Since the imposition of economic sanctions, only short-term receivables reinsurance services for humanitarian and pharmaceutical goods, excluding veterinary products and dietary supplements for animals, were provided to Russian customers. The countries of the former Yugoslavia are considered traditional markets for Slovenian exporters, which is why insurance volumes vis-à-vis customers from these countries are high.

EXPOSURE

Exposure from current insurance policies amounted to EUR 527,032 thousand at the end of 2023. In accordance with the ZZFMGP, the exposure under binding insurance commitments made was added to this and amounted to EUR 1,878 thousand. Total exposure from insurance operations underwritten on behalf of the state and from firm insurance commitments issued amounted to EUR 528,910 thousand, a decrease of 1.6% relative to the end of 2022.

The amount of the exposure is 25.2% of the limit defined in the Implementation of the Republic of Slovenia Budget for 2022 and 2023 Act (ZIPRS), and 1.0% of the limit as defined in the ZZFMGP. In 2023 the largest exposures in the insurance portfolio were to customers from Russia, Serbia, Croatia, Belarus, Bosnia and Herzegovina, North Macedonia, Turkey, Uzbekistan, India and Ukraine.

Exposure by type of insurance (EUR million)



OTHER INSURANCE-TECHNICAL PROVISIONS

Premiums and commissions from insurance against non-marketable risks amounted to EUR 3,207 thousand in 2023, a decrease of 12.3% relative to 2022. The lower insurance premium in comparison with the year before was mainly the result of lower insurance volumes.

In the structure of premiums paid, the largest share is accounted for by premiums on insured and reinsured short-term export credits, followed by premiums on investment insurance, premiums on the insurance of medium-term export preparation loans and medium-term bank guarantees, premiums on medium-term loans and short-term bank guarantees, and premiums on short-term loans.

Income from processing fees is negligible because SID Bank includes the processing fees for promises issued for individual export operations or investments in the premium in accordance with its business policy and current price lists.

Claims paid amounted to EUR 1,647 thousand in 2023, a figure similar to that of the previous year (2022: EUR 1,624 thousand). Nine minor claims from the reinsurance of short-term credits were paid out, along with one claim from a short-term export preparation loan and one claim from a medium-term loan to a foreign customer. The value of the remainder of the payments is accounted for by the costs of recovery of claims already paid out in previous years.

Claims under consideration (claims filed) amounted to EUR 1,004 thousand as at 31 December 2023, an increase of EUR 149 thousand relative to the end of 2022.

The value of potential claims at the end of 2023 reached EUR 445 thousand, a fall of EUR 3,604 thousand on the previous year. Most of these arose from insured medium-term operations and, to a lesser extent, from reinsured short-term credits.

The insurance technical result in 2023 amounted to EUR 1,320 thousand (2022: EUR 1,332 thousand). The surplus of income over expenses amounted to EUR 2,650 thousand (2022: EUR 1,859 thousand).

Amounts in EUR thousand	31 Dec 2023 or Jan-Dec/2023	31 Dec 2022 or Jan-Dec/2022	Index 2023/2022
Premiums and commissions	3,207	3,655	87.7
Potential claims	445	4,049	11.0
Claims under consideration	1,004	855	117.5
Claims paid	(1,647)	(1,624)	101.4
Recourse	1,006	404	248.7
Insurance technical result	**1,320**	**1,332**	**99.1**
Investment income	1,330	527	252.6
Surplus of income over expenses	**2,650**	**1,859**	**142.6**

CONTINGENCY RESERVES

The contingency reserves constitute a significant source of capacity for SID Bank and for the Republic of Slovenia in insurance against non-marketable risks, before claims are paid out from the state budget.

Contingency reserves were up by EUR 2,650 thousand in 2023 relative to the previous year as a result of a positive operating result, and reached EUR 177,519 thousand at the end of the year.

INCREASE IN CONTINGENCY RESERVES BY

EUR 2.6 million

SPECIAL CONTINGENCY RESERVES

Based on the interest shown by Slovenian firms in continuing operations with Ukrainian customers, the Slovenian government adopted the Regulation on the insurance of international economic transactions in Ukraine during the war, on the basis of which SID Bank reopened its policy of insurance vis-à-vis Ukraine. At the end of 2023, the Bank received funding of EUR 9,698 thousand for this purpose, which it is managing separately on a special account of contingency reserves and which is designed to cover any losses for Ukrainian trade receivables.

Slovenian exporters have traditionally arranged loan insurance and reinsurance for Ukraine, while some are already structuring medium-term business operations in the country.

OPERATIONS FROM INSURANCE AGAINST NON-MARKETABLE RISKS BY TYPE OF INSURANCE

Insurance of short-term export loans/credits and guarantees

Short-term insurance in the reinsurance and insurance of export credits, guarantees and export preparation amounted to EUR 1,323,606 thousand in 2023, which was 29.9% less than in the previous year. Most short-term insurance relates to the reinsurance of short-term revolving export credits on the basis of reinsurance contracts that SID Bank has signed with Coface Slovenija and Zavarovalnica Triglav. Only a small proportion relates to the insurance of individual export transactions.

The realised volume of short-term insurance in 2023 was mainly related to export operations in Russia, Serbia, Bosnia and Herzegovina, Uzbekistan and North Macedonia. The value of insured export operations vis-à-vis debtors from other countries was lower. Exposure from these operations, including commitments, stood at EUR 336,386 thousand at the end of 2023, up 5.1% on the end of 2022 (EUR 320,129 thousand).

The volume of short-term insurance operations in 2023 was followed by the realised insurance premium, which was down by 25% to stand at EUR 2,322 thousand.

A lower volume of insurance and reinsurance operations is planned for 2024 than in 2023; this is because of greater competition from foreign loan insurers that do not work with SID Bank in the area of reinsurance, and the lower insurance volumes being reported by the two primary insurers.

Insurance of medium-term export credits

The largest proportion of insured medium-term export credits, bank guarantees and export preparation loans in 2023 related to exports of communications and other electrical devices, tools and machinery, engineering and technical consultancy services, vehicle chassis, stone, computer equipment and construction. Due to the small number of projects implemented annually and the size of those projects, the stock of insured medium-term export credits is subject to major fluctuations from year to year.

The volume of insurance operations realised for medium-term export transactions (export credits, bank guarantees and export preparation loans) in 2023 was up relative to the previous year and stood at EUR 30,589 thousand (2022: EUR 27,018 thousand).

As at 31 December 2023, exposure from the insurance of medium-term export credits, bank guarantees and loans for preparation for exports (concluded insurance policies and commitments) amounted to EUR 103,887 thousand, with Belarus out in front in terms of exposure (37.5% share), followed by Croatia, Ghana, Ukraine and India. In 2023 premiums from this insurance totalled EUR 471 thousand and claims paid totalled EUR 377 thousand, all of them coming from loans to foreign customers.

Despite reduced exposure by existing countries on account of economic sanctions against Russian and Belarusian public customers, Slovenian exporters are expected to try to partly compensate for the loss of business in these markets by generating transactions in the Middle East, Africa and possibly the former Yugoslavia. This applies in particular to SMEs with goods of an investment nature and to those Slovenian firms that are part of large international business groups.

Based on the value of new transactions planned, exposure arising from medium-term business insurance is expected to increase by the end of 2024.

Insurance of outward investments

The volume of insured outward investments reached EUR 94,989 thousand in 2023, which was a fall of 4.1% on the year before.

Exposure from investment insurance amounted to EUR 88,637 thousand at the end of 2023, down 1.4% on the end of the previous year. Insurance of non-shareholder loans accounts for the largest proportion of exposure. The current insurance arrangements are expiring in accordance with loan agreements and insurance policies.

In 2023 premiums from investment insurance were down 28.4% on the previous year and stood at EUR 404 thousand.

The insurance of equity holdings has remained at a low level for several years. It is estimated that the low values are mainly the result of an underestimation of non-commercial risks on the part of Slovenian investors. Most of them estimate that the likelihood of damage arising from the occurrence of non-commercial risks (war, unrest, expropriation) is low and that the premiums for this type of insurance are too high. The existing global imbalances, the war in Ukraine, the introduction of economic sanctions, etc. are challenges that make it likely that economic operators will gradually have to change their stance and make use of investment insurance to a greater extent than they do currently. At the same time, one also has to consider that firms will, in these circumstances, stop establishing companies abroad, instead tackling new markets with cheaper approaches such as sale via local distributors or agents.

In the future, Slovenian exporters will likely attempt to reorient themselves towards those markets less susceptible to the adverse effects of military conflict or economic slowdown. On the basis of demand operations, it can be assumed that the level of FDIs will increase moderately in 2024, mainly as a result of the insuring of long-term loans to foreign subsidiaries that wish to expand their operations. Accordingly, investment insurance is expected to be contracted in India and the Netherlands, while there are positive expectations regarding a Slovenian exporter's operations in North Macedonia in connection with the insurance of equity holdings.

MANAGEMENT OF THE FI 2014–2020 FUND OF FUNDS AND COVID-19 FUND OF FUNDS

FI 2014–2020 FUND OF FUNDS

The financing agreement signed by the Ministry of the Economy, Tourism and Sport (METS) and SID Bank in 2017 set out the implementation of European cohesion policy for the 2014–2020 period. Under the agreement, SID Bank acquired the right to manage European cohesion policy funds totalling EUR 253 million, which it did so via a "Fund of Funds". In 2022 operations were reduced by EUR 18.2 million in the area of energy efficiency, and the last tranche of European cohesion policy funding (EUR 57 million) was drawn down. Operations were further reduced in 2023 by EUR 3.9 million in the area of RDI and by EUR 4.6 million in the area of SMEs. By the end of 2023, a total of EUR 226.2 million in ECP funds had therefore been drawn down through the entire period of eligibility.

The financial instruments are designed in four areas where there are proven market gaps in financing:

- research, development and innovation;
- competitiveness of SMEs;
- public sector energy efficiency and
- urban development.

With the establishment of the Fund of Funds modelled after foreign practices, Slovenia also upgraded the utilisation of ECP funds geared towards facilitating refundable forms of financing that are significantly more effective than grants, primarily on account of higher leverage, multiplier effects and the possibility of reusing the ECP funds for further financing.

The financial instruments of the Fund of Funds provide final beneficiaries with a range of benefits, in terms of capital and lower interest rates, and in terms of longer maturities of financing, reduced and/or zero collateral requirements, and longer moratorium periods.

SID Bank deploys its financial instruments directly or via financial intermediaries (in particular commercial banks, savings banks and public funds). As the manager, SID Bank also provides financial intermediaries with necessary legal and administrative-technical support.

The main advantages of the financial instruments of the Fund of Funds are as follows:

- the creation of instruments in areas with identified market gaps;
- the attraction of private assets (required leverage);
- multiplier effects;
- the market appraisal of projects built into the process itself;
- better financial discipline and greater impact from supported projects;
- the sustainable use or reuse of assets;
- the more effective allocation of government development funds;
- fewer possibilities for misusing the assets for other purposes.

In addition to the funds from European cohesion policy, financial intermediaries also had to secure additional funding from other sources because of the leverage requirement. Given the requirement for the reuse of repaid EU cohesion policy funds, financial intermediaries were able to provide additional funds during the period of eligibility. Therefore, in this perspective, a total of almost EUR 340 million was made available in the first tranche to firms and other final beneficiaries during the period of eligibility up to 31 December 2023. If the reuse of repaid funds is taken into consideration, more than EUR 382 million was realised, and the repaid funds will also be deployed in the future, where reuse will be able to follow the repayment schedule.

FINAL BENEFICIARIES RECEIVED FUNDS TOTALLING

EUR 382.0 million

IN THE PERIOD OF ELIGIBILITY

COVID-19 FUND OF FUNDS

Together with the METS and using the first Fund of Funds as the model, SID Bank established the Covid-19 Fund of Funds in 2020 in response to the needs that were arising as a result of the pandemic. The fund contained EUR 65 million from European cohesion policy funds, which was aimed at financing working capital in order to improve liquidity and facilitate the recovery of the economy, which was hit hard by the Covid-19 pandemic, and the financing of investments, research, development and innovation. All funds earmarked under the agreement concluded between SID Bank and the METS were successfully disbursed in 2020 and 2021.

Within the scope of the Covid-19 Fund of Funds, the Bank developed and launched two products:

- micro loans from ECP funds in the amount of EUR 60 million to finance the required liquidity and investments of SMEs, and provided by two financial intermediaries; and
- loans from ECP funds in the amount of EUR 5 million for research, development and innovation, intended for companies of all sizes and provided directly by SID Bank.

FINAL BENEFICIARIES RECEIVED FUNDS TOTALLING

EUR 118.7 million

IN THE PERIOD OF ELIGIBILITY

As at 31 December 2023, over EUR 118 million had been disbursed to final beneficiaries from the Covid-19 Fund of Funds; this figure includes the reuse of repaid European cohesion policy funds. Repaid funds will also be deployed in the future, where reuse will be able to follow the repayment schedule.

With the establishment and implementation of the Covid-19 Fund of Funds, SID Bank and the METS supplemented the range of measures for an effective response to the Covid-19 pandemic in an important way, and contributed to the utilisation of ECP funds.

Within the scope of the implementation of financial instruments to date from both Funds of Funds, a total of EUR 500.7 million had been provided to final beneficiaries via all financial intermediaries, including SID Bank, by the end of 2023.

PERFORMANCE OF THE FUNCTION OF OFFICIAL AUCTIONEER AT EMISSION ALLOWANCE AUCTIONS

Since 2020 SID Bank has acted as official auctioneer as set out in Commission Delegated Regulation (EU) 2019/7 of 30 October 2018 amending Regulation (EU) No 1031/2010 as regards the auctioning of 50 million unallocated allowances from the market stability reserve for the innovation fund. In auctions organised by the joint auctioning system of EU Member States (the European Energy Exchange), the Bank sells emission allowances on behalf of the Republic of Slovenia as set out by the European Commission, and transfers the proceeds to the Republic of Slovenia's account.

Pursuant to the Environmental Protection Act, SID Bank continued its function as the official auctioneer of greenhouse gas emission allowances in the name of and for the account of the Republic of Slovenia in 2023 in accordance with Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community, as amended by Commission Regulation (EU) 1210/2011 of 23 November 2011. Commission Regulation (EU) No 1031/2010 and Commission Regulation (EU) No 1210/2011 were repealed in December 2023 and replaced by Commission Delegated Regulation (EU) 2023/2830 of 17 October 2023 supplementing Directive 2003/87/EC of the European Parliament and of the Council by laying down rules on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances.

The Bank participated in 143 auctions as an official auctioneer of emission allowances in 2023, at which a total of 2,239,000 allowance units were sold. The consideration amounted to EUR 186,510 thousand. Five auctions for EU aviation allowances were also held in 2023. A total of 7,500 units were sold for consideration of EUR 623 thousand.

GUARANTEE SCHEMES AS A TEMPORARY MEASURE FOLLOWING THE 2023 FLOODS, HOUSING GUARANTEE SCHEME FOR YOUNG PEOPLE, GUARANTEE SCHEMES UNDER THE 2020 INTERVENTION MEASURES, AND OTHER GUARANTEE SCHEMES

Guarantee schemes under the ZORZFS for natural persons and economic operators affected by the 2023 floods

On 22 December 2023, upon the adoption of the Act on Reconstruction, Development and the Provision of Financial Resources (ZORZFS), the Republic of Slovenia authorised SID Bank to carry out, on its behalf and for its account, operations connected with the implementation of the temporary measure of the government guarantee and the subsidising of the contractual interest rate for bank loans to be granted to natural persons and economic operators affected by the floods and landslides in Slovenia in August 2023. SID Bank began activities under Republic of Slovenia authorisation to establish the conditions for the implementation of the guarantee scheme in accordance with the ZORZFS following publication of the act, and stepped up the performance of tasks in 2024, which included coordination of implementing sub-legal regulatory provisions for a guarantee for economic operators and the implementation of other legal conditions and procedures with banks.

Housing Guarantee Scheme for Young People

In 2023 SID Bank continued to implement the Republic of Slovenia authorisation under the Act on the Housing Guarantee Scheme for Young People (ZSJSM) that it obtained in 2022. SID Bank carries out, on behalf and for the account of the Republic of Slovenia, all operations related to the issuance, monitoring, redemption and recovery of guarantees, as well as the supervision of the dedicated use of loans insured by a guarantee under the act, on the basis of the banks' reports. As the authorisation given to SID Bank also covers the publication of an invitation to banks to submit bids for the allocation of guarantee quotas, the Bank carried out an evaluation of the bids after the deadline for the submission of bids in January 2023 to verify their compliance with the conditions and criteria set out in the act, the Regulation and the invitation, and signed contracts worth EUR 70 million on the allocation of the guarantee quota with the selected banks on behalf and for the account of the Republic of Slovenia. The total amount of the guarantee quotas within the guarantee scheme under the Act is EUR 300 million per year, renewable annually in this amount until 31 December 2032 at the latest. By the end of 2023, five housing loans guaranteed by the Republic of Slovenia had been approved by banks and registered for the housing scheme (contractual loan principals totalling EUR 551 thousand).

Guarantee schemes based on intervention measures in 2020

SID Bank continued activities in 2023 in accordance with its legal authorisations to operate the guarantee schemes under the fifth paragraph of Article 65 ZIUZEOP and the fourth paragraph of Article 7 ZDLGPE.

In 2023, under its authorisations to operate the guarantee scheme under Article 65 ZIUZEOP, where the deadlines for redemption of a guarantee had otherwise already expired in 2022, SID Bank continued to carry out procedures to monitor claims of the Republic of Slovenia for guarantees already paid out and monitor the progress of recoveries, which are also carried out by the banks for the state's part of the claims. It also monitored insolvency proceedings against borrowers for which a guarantee had already been paid, and carried out procedures in connection with the registered claims of the Republic of Slovenia in those insolvency proceedings.

Under the authorisations given pursuant to the ZDLGPE, SID Bank dealt with banks' requests for the redemption of guarantees, and verified the fulfilment of the conditions for redemption had been met (under the act, this must be done within one month of the payment of the guarantee). The Bank also reported to the ministry responsible for finance on outstanding loan balances, the Republic of Slovenia's exposure from the guarantees, the findings of the process of checking compliance with the conditions after the payment of a guarantee, and on the balance of the Republic of Slovenia's claims and the progress of recovery of paid guarantees. It also charged the banks a guarantee premium for guarantees under the ZDLGPE, with that premium becoming an income of the Slovenian state budget. Within the scope of its authorisations under the ZDLGPE, SID Bank carried out measures to enforce recourse claims, monitored claims of the Republic of Slovenia for the guarantees paid out, monitored the progress of recovery and potential insolvency proceedings of the borrowers for whom a guarantee had been paid out, and carried out other necessary tasks in connection with the filing of claims of the Republic of Slovenia in insolvency proceedings.

As at 31 December 2023, 98 loans were still being managed within the guarantee scheme under the ZDLGPE, with the outstanding balance of unpaid loan principals standing at EUR 22,040 thousand. Taking into account a guarantee proportion of 80% (for loans approved to SMEs) or 70% (for loans to large enterprises), the Republic of Slovenia's potential exposure for these guarantees amounted to EUR 16,452 thousand. Loans with the longest maturity permitted under the law (five years) accounted for the highest share of loans (94% of all loans in the scheme). They will fall due for repayment in 2025 and 2026.

In 2023 SID Bank received one request from a bank for redemption of a Republic of Slovenia guarantee under the ZDLGPE, which it granted.

Other guarantee schemes

In line with its legal authorisations, in 2023 SID Bank also managed its portfolio from the Republic of Slovenia Guarantee Scheme Act (ZJShemRS) and the Republic of Slovenia Guarantee Scheme for Natural Persons Act (ZJShemFO). Activities were carried out under both schemes in 2023 in relation to the reporting of data to the Ministry of Finance and the enforcement of recourse claims.

In December 2023 the last loan agreement concluded under the terms of the ZJShemRS has expired. This means that the Republic of Slovenia no longer has any potential liability under the scheme.

As at 31 December 2023, 49 loans to natural persons were still being managed within the guarantee scheme under the ZJShemFO, with the outstanding balance of unpaid loan principals standing at EUR 1,417 thousand.

TRANSPARENCY OF FINANCIAL RELATIONS BETWEEN SID BANK AND THE REPUBLIC OF SLOVENIA

The table discloses SID Bank's total income and expenses for its individual activities pursued in 2023.

Separate financial statements are compiled for insurance against non-marketable risks and the activities of the Funds of Funds, in which the Bank manages assets allocated for management.

The income for an individual activity under Republic of Slovenia authorisation comprises the fees that SID Bank receives for pursuing a particular activity on the basis of contracts with the Republic of Slovenia or statutory powers. Costs comprise direct and indirect costs. The indirect costs for an individual activity are determined on the basis of criteria set out in the bylaw entitled Criteria for allocating indirect costs of activities under Republic of Slovenia authorisation.

Income calculated on this basis totals EUR 3,624 thousand and exceeds the costs of EUR 2,635 thousand by EUR 989 thousand.

Activity under the authorisation of the RS (amounts in EUR thousand)	Revenues	Costs
Insurance	1,740	(2,050)
Fund of Funds	1,728	(424)
Guarantee schemes (under the ZIUZEOP and ZDLGPE)	51	(48)
Housing Guarantee Scheme for Young People (ZSJSM)	66	(62)
Auctions of emission allowances	32	(32)
Other transactions under authorisation	7	(19)

Performance of Group Companies

PRVI FAKTOR GROUP

SID Bank acquired a 50% interest in the share capital and also half of the voting rights of Prvi faktor, faktoring družba, d.o.o. Ljubljana (in liquidation) (Prvi faktor, Ljubljana) in 2002. The other partner is Nova Ljubljanska banka d.d., Ljubljana (NLB).

The nominal value of SID Bank's interest in the company stood at EUR 1,584 thousand as at 31 December 2023.

The main activity of the company was the provision of factoring services. On 28 December 2016 the company's general meeting passed a decision to initiate regular voluntary liquidation proceedings, and to appoint the two previous directors as liquidators.

Iztok Zupanc and France Zupan were the company's liquidators in 2023.

Prvi faktor, Ljubljana is the founder and:

- 100% holder of a participating interest in the share capital of Prvi faktor, faktoring društvo, d.o.o., Zagreb (in liquidation) (Prvi faktor, Zagreb). Prvi faktor, Zagreb has been undergoing ordinary liquidation proceedings since 31 December 2016. Its share capital amounted to EUR 2,584 thousand as at 31 December 2023. Its liquidator in 2023 was Vjekoslav Budimir;
- 90% holder of a participating interest in the share capital of Prvi faktor, faktoring d.o.o., Belgrade (in liquidation) (Prvi faktor, Belgrade). Prvi faktor, Belgrade has been undergoing ordinary liquidation proceedings since 3 August 2017. Its share capital amounts to EUR 2,553 thousand. With the conversion of cash and receivables of SID Bank and NLB into the equity of Prvi faktor, Belgrade, there was a change in ownership structure in July 2017, with both ultimate partners (SID Bank and NLB) each obtaining a 5% direct interest in the equity of Prvi faktor, Belgrade. The liquidator of Prvi faktor, Belgrade in 2023 was Željko Atanasković.

In 2023 the Prvi Faktor Group continued ordinary wind-down activities, with a focus on liquidating the portfolio and cutting costs.

In terms of total assets as at 31 December 2023, the largest Group company is Prvi faktor, Belgrade (total assets of EUR 3,545 thousand), followed by Prvi faktor, Zagreb (total assets of EUR 2,219 thousand) and Prvi faktor, Ljubljana (total assets of EUR 1,680 thousand).

The Prvi Faktor Group ended 2023 with a net profit of EUR 1,502 thousand owing to the successful liquidation of its portfolio, to which Prvi faktor, Ljubljana, which generated profits of EUR 1,224 thousand, contributed the most, followed by Prvi faktor, Zagreb (profits of EUR 171 thousand). Prvi faktor, Belgrade (in liquidation) generated profits of EUR 107 thousand.

The Prvi Faktor Group equity stood at EUR 6,169 thousand as at 31 December 2023.

CENTRE FOR INTERNATIONAL COOPERATION AND DEVELOPMENT

Together with the Republic of Slovenia, SID Bank is a co-founder of the Centre for International Cooperation and Development (CMSR). Pursuant to the International Development Cooperation and Humanitarian Aid of the Republic of Slovenia Act, the CMSR provides the Slovenian government and all line ministries with solutions for the planning and implementation of international development cooperation, and carries out technical operations for part of Slovenia's bilateral international development cooperation. Its other activities include the preparation of country macroeconomic, political and other analyses, country risk assessments, and publication activities.

The CMSR's management bodies are the director and the council. The CMSR is represented by its director, Dejan Prešiček, and its council had six members as at 31 December 2023. SID Bank's representatives on the council are Bojan Pecher, who is also deputy chair of the council, and Ema Rode.

In the first half of 2023, the CMSR had only four full-time employees. They were joined by new director Dejan Prešiček on 1 June 2023.

In 2023, after two years in which no co-financing of new development projects was provided by the Republic of Slovenia, the CMSR carried out 23 international development cooperation projects on the basis of two contracts for the co-financing of projects from the CMSR Programme for the Implementation of International Development Cooperation 2022–2024 newly concluded with the Ministry of Foreign and European Affairs (MFEA) and the Ministry of Finance (MF), and contracts previously signed with the Ministry of the Economy, Tourism and Sport (METS). Three projects were successfully completed in 2023: the reconstruction of the street lighting system in the municipality of Gradiška (Bosnia and Herzegovina), renovation of the Zletovica hydrosystem (North Macedonia), and measures to encourage sustainable forest use in the municipality of Adigeni (Georgia).

A new CMSR website was set up in 2023, enabling new international development cooperation project applications to be made online. The CMSR has also used these new applications to draft a new programme of implementation for the 2023–2024 period. In cooperation with the Slovenian embassies in Bosnia and Herzegovina, North Macedonia, Montenegro, Ukraine and Moldova, presentations were organised of Slovenia's international development cooperation in these countries. The CMSR is therefore expected to acquire high-quality project proposals within the programme for implementation of international development cooperation in the 2024–2025 period.

In response to the need to compile an action plan for commencement of the Pillar Assessment procedure at the European Commission, a review and analysis of the CMSR's operations was performed in 2023; this was because, in the assessment of the CMSR, the proper incorporation of funds earmarked by the European Commission for development cooperation is key to the development and strengthening of Slovenia's development cooperation. By co-financing selected development projects, Slovenia, as a developed donor country, is able to meet its international commitments and enhance its international reputation.

The operating results in 2023 indicate a surplus of income over expenses. Despite signing two new contracts in 2023 (with the MFEA and MF) and successfully completing a number of international development cooperation projects financed under older contracts, the CMSR generated lower operating income than planned from its international development cooperation projects. Expenses were also lower than planned, mainly on account of the lower number of employees. In the area of market activity, the CMSR also continued its cooperation with SID Bank in 2023 in the preparation of country risk assessments and, with the MFEA, the preparation of the cost-of-living indices. It also surveyed companies, carried out data processing operations and prepared market gap analyses. In the area of legal analyses and publications, in 2023 CMSR continued its long-term cooperation with the public agency SPIRIT in the preparation of information about the legal regime in Slovenia (analysis of the economic and legal regime in Slovenia for the InvestSlovenia portal).

Risk Management

GENERAL

The main risks to which SID Bank is exposed are credit risk, market risk in the banking book, most notably interest rate risk and credit spread risk, operational risk, liquidity risk, strategic risk and profitability risk. The risk management process additionally takes account of the specific attributes of the implementation of promotional and development tasks and services of importance to Slovenia's development, and segmentation of operations into those involving the Bank's own resources and those on behalf of and for the account of the Republic of Slovenia, including the management of the contingency reserves.

SID Bank emphasises the importance of an adequate internal risk management system being put in place, based on:

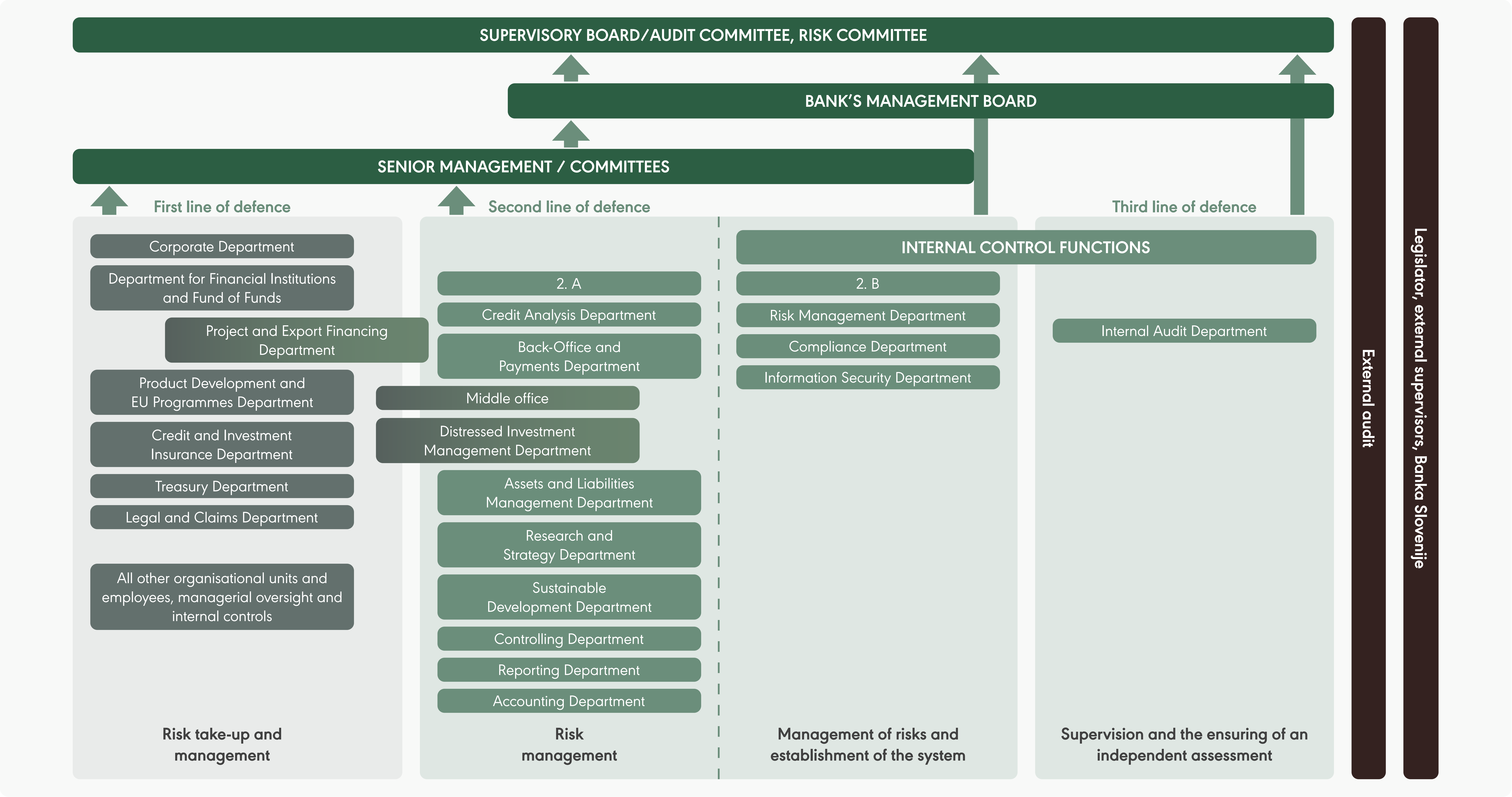
- an organisational structure with precisely defined relations with regard to responsibility that facilitates effective communication and cooperation at all organisational levels, including the adequate upward and downward flow of information;
- an effective risk management process that includes identifying, measuring or assessing, managing and monitoring risks, and internal and external reporting of risks;
- adequate internal control mechanisms that include appropriate administrative and accounting procedures; and
- suitable policies and practices of remuneration for categories of employees who have a major impact on the Bank's risk profil.

ORGANISATIONAL ASPECTS OF THE RISK MANAGEMENT PROCESS

The risk management process is put in place within the entire organisational structure and processes at SID Bank in a way that allows for business objectives to be met while operations remain secure and compliant with regulations. The key objective during the implementation of risk management measures is to achieve the proper risk awareness of employees at all levels of the Bank's operations which, through the actions of employees, their attitude to risks and their proposals for additional internal control functions, is reflected in decisions regarding the take-up and management of risks at the level of the Bank's daily activities. The Bank thus promotes and strengthens the risk management culture and the level of the Bank's standards and values relating to the awareness of its risks.

Delineation of roles and responsibilities in the risk management process

SID Bank has put an internal risk management framework in place in terms of the three lines of defence system, which enables the Bank to identify all (material) risks to which it is exposed and to more easily obtain assurance that its risk exposure is in compliance with its adopted risk appetite and other restrictions. The three lines of defence system, which by accurately defining the internal relations regarding accountability provides an assurance that the information collected about all known and new risks, the amount of risk exposure and the control environment is relevant, and thus allows the management body (management board and supervisory board) and the Bank's other decision-making bodies to make suitable decisions.


SUPERVISORY BOARD/AUDIT COMMITTEE, RISK COMMITTEE
BANK'S MANAGEMENT BOARD
SENIOR MANAGEMENT / COMMITTEES
First line of defence
Second line of defence
Third line of defence
Corporate Department
Department for Financial Institutions and Fund of Funds
Project and Export Financing Department
Product Development and EU Programmes Department
Credit and Investment Insurance Department
Treasury Department
Legal and Claims Department
All other organisational units and employees, managerial oversight and internal controls
Risk take-up and management
2. A
Credit Analysis Department
Back-Office and Payments Department
Middle office
Distressed Investment Management Department
Assets and Liabilities Management Department
Research and Strategy Department
Sustainable Development Department
Controlling Department
Reporting Department
Accounting Department
Risk management
INTERNAL CONTROL FUNCTIONS
2. B
Risk Management Department
Compliance Department
Information Security Department
Management of risks and establishment of the system
Internal Audit Department
Supervision and the ensuring of an independent assessment
External audit
Legislator, external supervisors, Banka Slovenije

The **management body** is not a direct component of the lines of defence, but it plays a crucial role in the risk management system. The management body has the power and responsibility of aligning the Bank's business objectives and business strategy with the strategy and policies for taking up and managing risk, and of ensuring commensurately effective internal governance arrangements taking into account the nature, scale and complexity of the risks inherent in the Bank's business model. SID Bank's management body is regularly informed of and discusses all types of identified risk to which the Bank is exposed. At the same time it manages and supervises the introduction and implementation of comprehensive risk management systems in the Bank's operations, including the consideration of specific development risks, in accordance with the long-term governance objectives and the fundamental principles of SID Bank's activity.

The management board and supervisory board are responsible for assessing the Bank's risk profile, determining risk appetite, and regularly reviewing and approving the strategy and policy for taking up and managing the risks to which the Bank is or could be exposed in its operations, including risks from the macroeconomic environment in which the Bank operates, taking into account the current business cycle and stress testing. The risk management strategy and policies include guidelines on the take-up of risks, as well as procedures and tools for managing the risks. The risk management action plan is adopted by the Bank's management board with the consent of the supervisory board, following consultation with the supervisory board's risk committee.

Quarterly performance reports and risk reports are produced to provide the management board and supervisory board with comprehensive information in the area of risk management. Regular risk reports include monitoring of the risk appetite, a report on the internal capital adequacy assessment process (ICAAP), detailed information on SID Bank's exposure to credit risk at the level of the entire credit portfolio, a review of exposure to liquidity risk, interest rate risk, operational risk and other market risks in the banking book, and an assessment of future trends, with a view to informing the management body about the Bank's exposure to significant risks. Once a year the management body discusses and approves the results of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP). The management body is also briefed on risk management in the context of the discussion and adoption of SID Bank's annual report. The Bank's management body is also regularly briefed on and discusses the report on outsourcing. The management body discusses individual exposures or proposals to increase exposure that require approvals from the management body, or whenever major changes in risks are identified in accordance with SID Bank's articles of association.

Roles and responsibilities of the supervisory board's working bodies relating to risk management

The supervisory board is assisted in performing its supervisory duties in the area of risk management by the **risk committee**, which provides advice regarding the Bank's general risk appetite and risk management strategy, supervises senior management regarding the risk management strategy, and verifies whether risks are taken into account in incentives used in the remuneration system, and whether the prices of the Bank's products are compatible with its business model and with the risk management strategy.

The **audit committee** is an advisory body of the supervisory board to which it directly reports, which in the area of risks and internal controls monitors the effectiveness and appropriateness of internal control quality and risk management and, where appropriate, the internal auditing functions in connection with the Bank's financial reporting, without encroaching on its independence.

Roles and responsibilities of committees and senior management that are part of the risk management system

SID Bank's management board, comprising the president and the member of the management board responsible for risks (CRO), appropriately transfers certain risk management powers to the Bank's decision-making bodies, the risk management function, and other organisational units. Risks at SID Bank are discussed by five committees with key roles in risk management: the asset-liability and risk management committee, the credit committee, the liquidity management committee, the distressed investment management committee and the monitoring committee. These committees generally meet on a weekly basis, with the exception of the asset-liability and risk management committee and the monitoring committee, which hold monthly meetings.

The **asset-liability and risk management committee** guides, supervises and monitors risk management at the aggregate level of the Bank. It is responsible for managing liquidity, and managing assets, liabilities and risks in order to properly manage interest rate risk, market risk, operational risk, capital risk and profitability risk, as well as other risks, including the treatment of credit risk and various aspects of concentration of the entire SID Bank's credit portfolio, taking into account the Bank's business strategy and changes to individual categories of the Bank's balance sheet within ratios that are normal for comparable development banks. In addition it discusses reports on the Bank's exposure to risks, including the monitoring and assessment of stress testing results.

The criteria taken into consideration by the asset-liability and risk management committee in asset and liability management include capital adequacy, business profitability, and profitability of individual products/services. It is also responsible for liquidity management and asset-liability management in connection with SID Bank's operations under Republic of Slovenia authorisation.

The **credit committee** is responsible for the management of credit risk for operations on behalf of and for the account of SID Bank, primarily by making decisions on proposals regarding individual operations that affect exposure to credit risk. The committee monitors individual exposures and the quality of the credit portfolio, discusses reports on the findings of ordinary and enhanced monitoring, the fulfilment or non-fulfilment of financial and other contractual commitments, the issuing of reminders, recovery, collateral monitoring, and the impairment and provisioning rates for investment operations under the committee's remit. The committee is briefed on the monthly report on the watchlist, and the implementation of credit risk mitigation measures. It is also responsible for approving and modifying documentation during the introduction of new financing programmes and/or individual products, or during the modification of existing programmes and products.

The **distressed investment management committee** is responsible for the management of non-performing exposures under the care of the distressed investment management department, measures for the forbearance of exposures, and the cancellation and termination of an investment operation due to financial difficulties or other breaches of contractual commitments by the debtor. It is also responsible for handling warning lists under the remit of the distressed investment management department, reports on recoveries, collateral, (non-)fulfilment of financial and other contractual commitments applying to forborne transactions, and other reports on the management and forbearance of investment operations under the ownership of the distressed investment management department.

The **monitoring committee** is responsible for handling customers in the early warning system (EWS) for increased credit risk. On the basis of a monthly watchlist of customers identified as posing increased credit risk, the committee is responsible for deciding on proposals for placing customers on the watchlist, classifying customers to credit risk stages, removing customers from the watchlist, monitoring customers on the watchlist for a specific period, applying remedial measures to mitigate credit risk and following up on the deadlines for these measures, and taking measures in the event of any deviations in the implementation of remedial measures.

The **liquidity management committee** is responsible for monitoring and managing liquidity on a weekly basis. Under its remit it supervises the implementation of liquidity policy, approves, guides and supervises the provision of adequate liquidity, and reviews and analyses legal and regulatory changes affecting weekly liquidity management.

The work of the committees is presented in detail in the section on the composition and functioning of management and supervisory bodies and their committees within the framework of the corporate governance statement.

Three lines of defence

SID Bank has put in place a concept of three lines of defence for the purpose of effective risk management, which at the end of 2023 was designed as follows:

- The **first line of defence** comprises the commercial departments that take up risks. They are responsible for the management and control of risks in practice, and for the implementation of business processes on a daily basis, having regard for supervisory measures and other imposed restrictions.
- The **second line of defence** is broken down into two parts: the first part (2.A) comprises departments that are responsible for management, assessment, monitoring and reporting at the individual exposure level, while the second part (2.B) comprises mandatory internal control functions, which are primarily responsible for risk management at the aggregate level and for putting in place the risk management system, namely the risk management department, the information security department and the compliance department.
- The **third line of defence consists** of the internal audit department, which independently supervises and assesses the risk management system and the functioning of internal controls. It gives recommendations for improvements to processes, procedures and controls, and also verifies the Bank's compliance with regulations and bylaws. It also reports regularly to the management board, the audit committee and the supervisory board on its work, its findings and its progress in the implementation of recommendations.

Commercial departments operate within the framework of the first line of defence, and identify risks in their own business lines. These departments are responsible for the implementation of the risk management strategy and policies, and for risk management activities, as defined in the individual risk management policies.

Key risk management tasks include:

- warning of potential increases in exposure;
- proposing risk mitigation measures;
- proposing measures to modify the business policy in accordance with competences.

By developing methodologies for the assessment of **credit risk the credit analysis department**, in the scope of the risk management function, participates in the establishment and implementation of the risk management system, and the management of credit risk at the individual exposure level. It is responsible for the assessment of credit risks in connection with individual business entities and groups of connected clients, the assessment of investment projects that are not under the authority of the project and export financing department, and the assessment of their economic justification, the assessment of acceptability and the definition of the terms under which new investments are funded, the definition of financial commitments before investments are approved, the submission of opinions on an investment's acceptability in terms of a risk assessment, and cooperation in the oversight and implementation of monitoring in accordance with the internal instructions within the context of the credit process. A collateral management specialist reviews the adequacy of valuation reports for real estate as part of their job responsibilities.

The **distressed investment management department** participates in credit risk management at the individual exposure level in the scope of the risk management function, and is responsible for distressed investments, including the assessment of credit risk, and the monitoring of the stock of these investments, and the customers that fail to regularly perform their contractual obligations.

The **middle office** participates in credit risk management at the individual exposure level in the scope of the risk management function. It is responsible for control activities in the credit process, the documentary and data monitoring of financing operations and the review of collateral, verification of terms for drawdown and the monitoring of debtors, and also, in changes to existing investment operations, for the drafting of credit proposals in accordance with bylaws. It is also responsible for compiling warning lists for the early detection of exposures with increased credit risk, and for monitoring credit protection and conducting enhanced monitoring of debtors.

The **back-office and payments department** carries out the daily monitoring of currency risk, liquidity risk and credit risk in treasury operations in accordance with internally set limits. It also makes payments for SID Bank's needs and operations under the authorisation of the Republic of Slovenia, keeps analytical records of financing, borrowing and treasury operations, and participates in the implementation of guarantee schemes.

The **asset and liability management department** is responsible for the management of liquidity risk, interest rate risk and currency risk. It is also responsible for drafting proposals for asset-liability management and for analysing and drafting proposals regarding the optimal structure of SID Bank's funding, while also being involved in the drafting of proposals for the strategic planning of assets and liabilities, the development of models and methodologies for asset and liability management, and the development of new products.

The **sustainable development department** is responsible for the definition of strategies and development policies relating to sustainable development, including ESG factors and operations under Republic of Slovenia authorisation. It is also responsible for drafting methodologies to assess the sustainability effects of SID Bank's operations, products and programmes. It defines content relating to sustainable development in conjunction with the research and development department, which is also ranked in the second line of defence, in the scope of market gap analyses and the process of developing new products.

Internal control mechanisms

Internal control mechanisms, whose functioning is in place for all of SID Bank's business processes in proportion to the materiality and risk of the particular business process, include:

- internal controls of the implementation of the Bank's organisational procedures, business procedures and work procedures; and
- internal control functions (risk management department, compliance department, information security department and internal audit department), which are functionally and organisationally segregated from the Bank's other functions, and report directly to the Bank's management board.

The purpose of internal controls is to ensure systematic control over all of the Bank's material risks and to provide an independent and objective assessment of effectiveness and compliance with regard to the Bank's internal governance arrangements on the basis of a review and assessment of the adequacy of risk strategies and policies, the Bank's risk management processes, procedures and methodologies, and reporting on risks.

The **risk management department** is responsible for drafting the strategy and policies for taking up and managing the risks to which SID Bank is exposed in its operations. It is also responsible for drafting the risk appetite, conducting stress testing, identifying risks including the risk profile assessment, calculating the internal capital requirement and the required internal capital adequacy, drafting the plan of activities for the management of individual risks, assessing outsourcing risk and the risk of introducing new products, and, in conjunction with the asset and liability management department, implementing the internal liquidity adequacy assessment process. The risk management department is also responsible for drafting internal and external reports in order to supervise, monitor and inform of all types of risks at the Bank's aggregate level, while not being directly involved in the credit process and in the assessment of individual loan operations. The director of the risk management department reports directly and independently to the Bank's management board and the supervisory board's risk committee on all material risks and circumstances that affect or could affect the Bank's risk profile. The director is also the head of the risk management function in accordance with the Banking Act and, in the event of specific risk developments, has direct access to the supervisory board to enable them to express potential doubts or submit warnings.

The **compliance department** is organised as an independent unit that is functionally and organisationally separate from other units at the Bank, and is directly answerable to and subordinate to the management board. The director of the department can communicate directly with the supervisory board and the supervisory board's advisory bodies (the risk committee, the audit committee, and the nomination and remuneration committee), and also with the risk management department when appropriate. The department assesses and monitors the compliance risks to which SID Bank is or could be exposed to in its operations due to breaches of applicable regulations, Bank of Slovenia requirements, valid contracts, prescribed practices or ethical standards that could impact the Bank's capital or reputation.

The **information security department** assesses and monitors the information security risks, and regularly reports its findings to the Bank's management board and supervisory board.

One of the mandatory functions of internal controls, namely the internal audit function, is located in the third line of defence. The **internal audit department** regularly, independently and comprehensively audits the functioning of internal controls and the implementation of the adopted risk management measures, provides recommendations to improve the system of internal controls and risk management procedures, and reports quarterly to the supervisory board.

On 1 January 2024 the Bank introduced a new organisational structure that adjusted internal risk management and reinforced the three lines of defence system.

ESSENTIAL FEATURES OF RISK TAKE-UP AND MANAGEMENT

SID Bank takes up risk within the scope of the adopted overall risk appetite, which sets out the risks that it is still willing to take up in order to achieve its business objectives, strategies and plans, taking into account the Bank's risk capacity, its strategies and policies for the take-up and management of risks, and its capital, liquidity and remuneration policies.

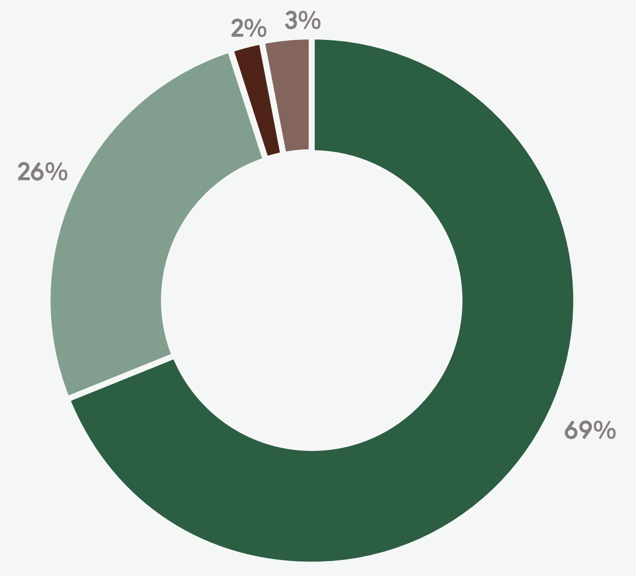
A comprehensive process of assessing the risk capacity and risk appetite, tailored to the risks taken up, is carried out at least once a year, and the results are reported to the management body. This ensures that the risks taken up remain within the limits of the Bank's risk capacity. The assessed risk capacity is taken into account in the drafting of the business strategy and business objectives, and in the determination of the risk appetite. The SID Bank's management body regularly monitors risk appetite indicators.

In the area of risk management, SID Bank has put in place a strategy and policies for the take-up and management of risks that define the procedures for identifying, measuring or assessing, managing and monitoring all types of risks to which the Bank is or could be exposed. These documents take account of the applicable legislation and regulations governing risk management, and SID Bank's special features proceeding from its status as an authorised institution under the ZSIRB. The risk management strategy and risk take-up and management policies are updated at least once a year, taking into account the appropriate compliance of the Bank's business objectives and business strategy with the risk take-up and management strategy and policies.

The risk profile, which is the result of the processes of identifying risks, defining materiality, and measuring risks, represents a collection of the risks that are significant to SID Bank and that it takes up or will take up in the framework of its operations, and is quantified by the capital requirement. The annual assessment of the risk profile is the basis for the comprehensive risk management process, the internal capital adequacy assessment process, the planning of internal audit and compliance procedures, and direct supervision by the Bank of Slovenia.

The most significant risks that SID Bank was exposed to at the end of 2023 were:

- credit risk,
- market risk in the banking book,
- business/strategic risk, and
- operational risk.



SID Bank conducts stress tests based on in-house scenarios and supervisory scenarios. Based on the results of these tests, it can define its future capital and liquidity position, and potential actions to ensure capital and liquidity adequacy. SID Bank has put in place an integrated stress testing framework, which it upgrades regularly. SID Bank takes account of the stress tests, at a minimum, in the process of reviewing and planning its risk appetite and risk capacity, in setting risk limits, in planning its capital and liquidity, and within the framework of the ICAAP and ILAAP.

SID Bank uses a standardised approach for calculating the minimum capital requirements for credit risk and a basic indicator approach for operational risk. SID Bank has no trading book. The Bank's exposure to currency risk is low, and generally does not exceed the prescribed regulatory limit for the calculation of the capital requirement for currency risk.

The remuneration of employees who in terms of their powers or work tasks and activities can have a material impact on the Bank's risk profile is designed in such a way that it does not encourage employees to irresponsibly take up disproportionately large risks or risks that exceed the Bank's risk capacity.

MANAGEMENT OF AND EXPOSURE TO RISKS IN 2023 AND VIEW TO THE FUTURE

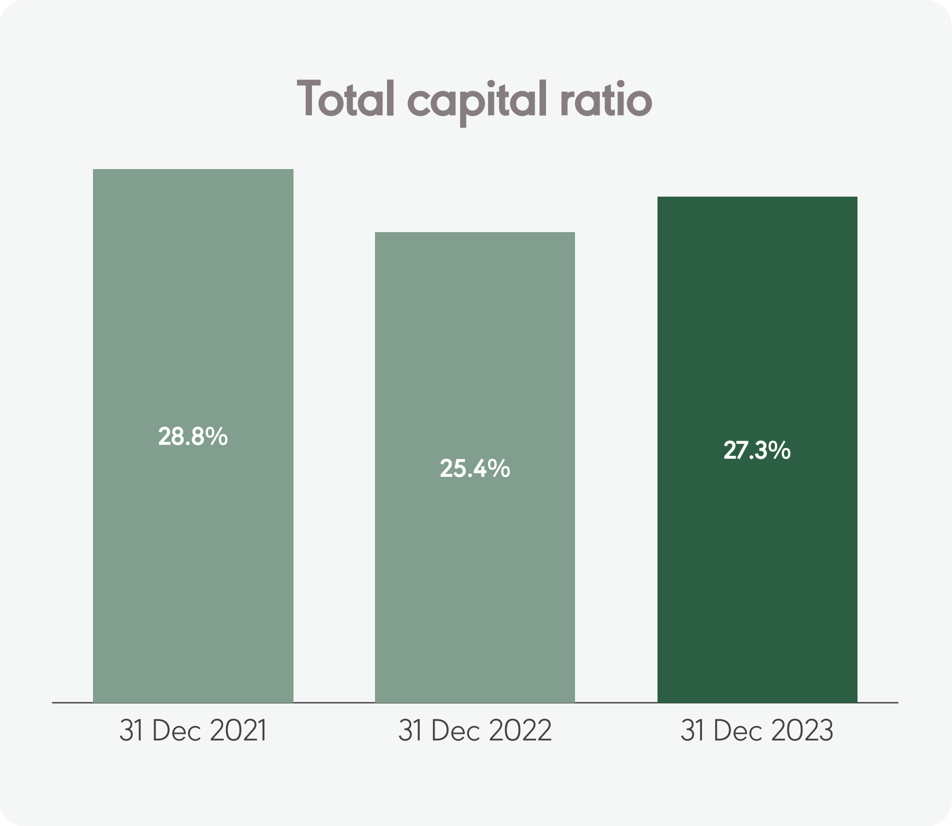
In 2023 Slovenia faced major floods, persistently high inflation, and high interest rates, and consequently saw the economy slow. SID Bank's actions are strongly conditioned by the macroeconomic circumstances in which it works, for which reason the recent government measures to alleviate the impact of the floods and the measures already put in place to mitigate the energy crisis also emphasise SID Bank's interventionist role alongside its development role, at least over the next two years.

SID Bank's balance sheet total stood at EUR 2.7 billion at the end of 2023, similar to the previous year. The value of the credit portfolio measured at amortised cost was EUR 1.7 billion at the end of 2023. Approximately 85% of the portfolio consists of loans and advances to non-bank customers.

SID Bank's risk take-up in 2023 complied with the limits set for individual types of risks within the scope of the adopted risk appetite.

Capital and liquidity position

One of the Bank's main objectives of risk management is to maintain an **adequate capital position**, which SID Bank manages as part of the established internal capital adequacy assessment process, in the scope of which it takes into account business as usual and stress situations. The Bank's adequate capital position is reflected in the quality composition of capital and a high capital adequacy ratio. SID Bank's regulatory capital is comprised solely of Common Equity Tier 1 capital. As at 31 December 2023 the Bank disclosed a total capital ratio of 27.3%, which is significantly higher than the regulatory requirement.

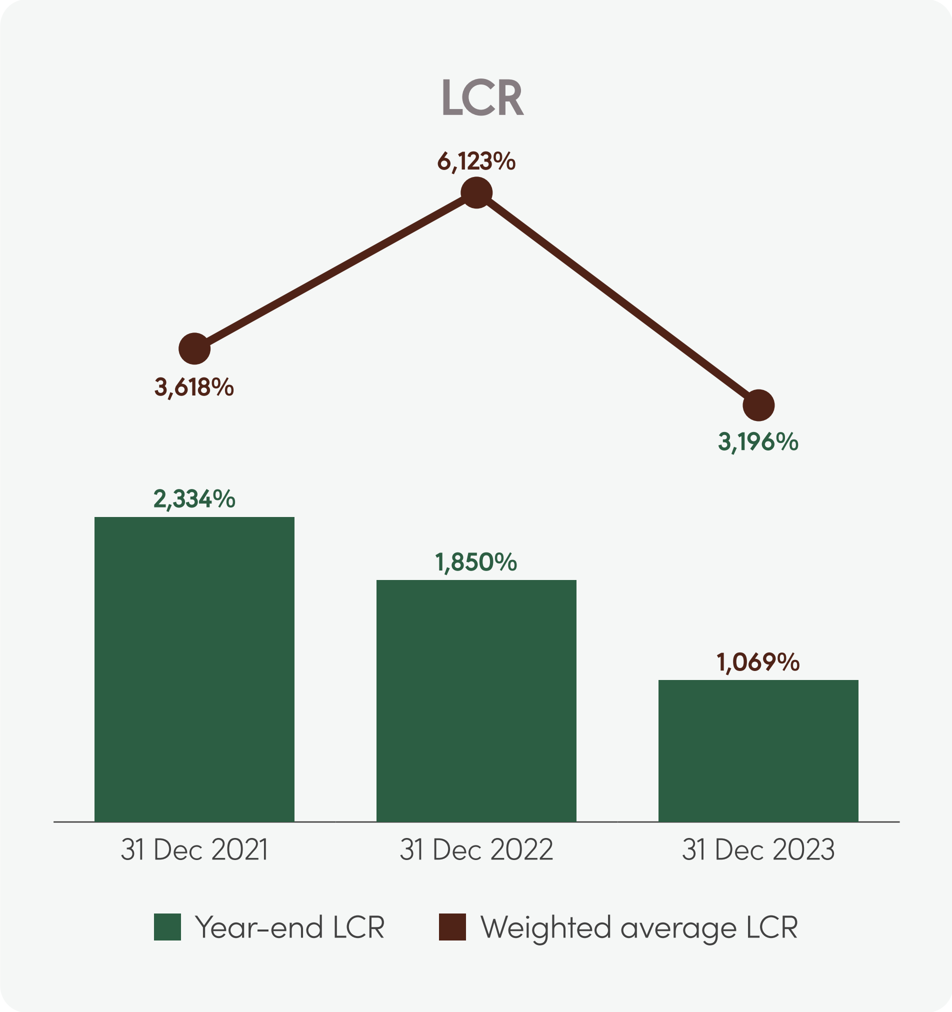


The ratio was up 1.9 percentage points on the previous year, largely as a result of an increase in the carrying amount of equity driven by a decline in accumulated losses from a rise in the fair value of debt securities measured at fair value through other comprehensive income. The increase in the ratio was also driven by a decline in risk-weighted assets in connection with exposures in default, exposures to corporates, and exposures to central government and central banks. The leverage ratio stood at 16.3% at the end of 2023, which is significantly higher than the regulatory requirement, and will allow the Bank to operate stably in the future. SID Bank met all of the Bank of Slovenia requirements in connection with capital buffers in 2023.

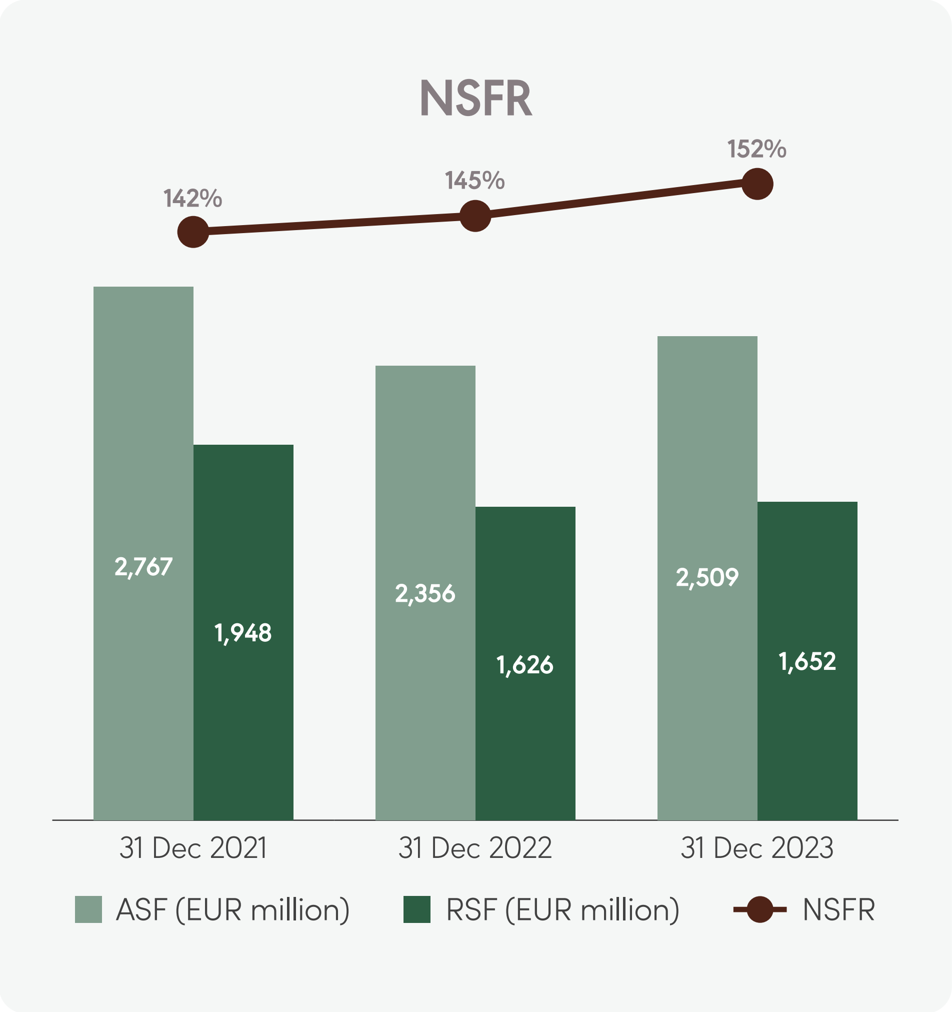
For more details about the management of capital risk, see section 3.6 Capital management presented in the financial segment of the annual report.

Maintaining **liquidity adequacy** and a sound liquidity position are the next key objectives in the area of risk management, and are reflected in the high liquidity coverage ratio and the net stable funding ratio. SID Bank maintains a high liquidity buffer due to its specific role as a development institution and its readiness to intervene as required. The liquidity coverage ratio is maintained at high levels, but is also volatile, primarily because SID Bank does not normally have major maturities over a period of 30 days, as it does not accept deposits from the public, but mainly obtains long-term funding supported by a Slovenian government guarantee. SID Bank only has major maturities when its long-term funding is maturing, which it actively manages via the annual borrowing plan.

The liquidity coverage ratio averaged 3,196% in 2023, while the weighted available liquidity buffer averaged EUR 505.9 million in the form of high-quality debt securities and balances and deposits at the central bank. The figure was down slightly on the previous year, but remains at high levels, primarily as a result of the large available liquidity buffer and the low net outflows inherent in the Bank's approach to funding. Within the framework of its risk appetite, SID Bank expects the liquidity coverage ratio to remain high over the next year.



The net stable funding ratio stood at 151.8% as at 31 December 2023, and remains high, an indication of the stable liquidity structure, primarily as a result of the prevalence of long-term debt funding and the high stock of capital. Next year SID Bank will continue obtaining long-term general and purpose-specific funding, which is expected to maintain the net stable funding ratio at a high level, within the framework of the risk appetite.



SID Bank regularly verifies its liquidity position as part of the regular internal liquidity adequacy assessment process, by taking account of existing operations and the planned operations in the future. It also regularly monitors the stock and structure of liquid assets within the framework of stress testing, either in the event of a deterioration in market conditions, or in an institution-specific adverse scenario, or a combination of the two. The results show that SID Bank has sufficient liquidity reserves in the form of high-quality liquid assets, and in the event of the realisation of the severe combined adverse scenario would survive for more than 12 months under such circumstances. In addition the Bank conducts regular liquidity simulations in connection with the financial plan over future periods under a baseline scenario, an adverse scenario and, as necessary, additional scenarios.

SID Bank maintains liquidity reserves in the form of balances and deposits at the central bank and in the form of the portfolio of debt securities in the banking book, primarily for the purpose of ensuring liquidity, managing the balance sheet, and stabilising the interest margin. In so doing it pursues the principles of conservativeness and prudency, while the activities to manage the liquidity reserve are tailored to the projected market trends and business activities in accordance with the financial plan and the defined limits. From the perspective of the structure of liquidity reserve, in 2023 SID Bank slightly reduced the balances at the central bank and deposits at banks, and increased the holdings of debt securities. With the aim of reducing the volatility of other comprehensive income, there was an increase in the share of the portfolio accounted for by debt securities measured at amortised cost. Green bonds and sustainability bonds are given priority in the investments in new debt securities.

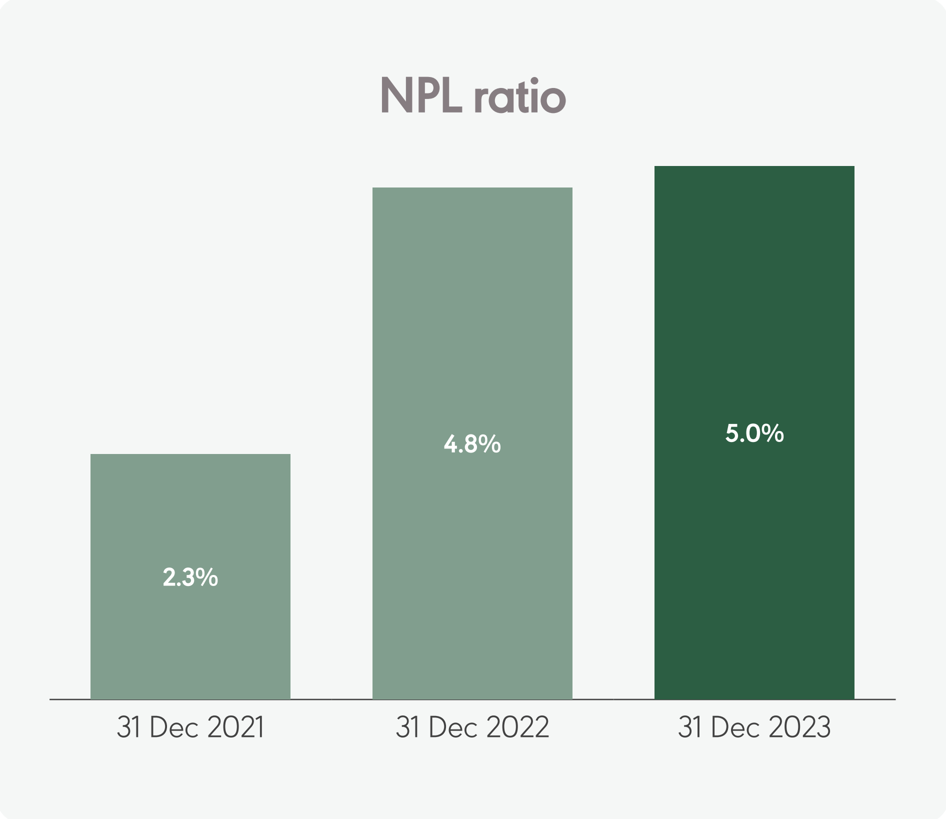
SID Bank obtains its funding on the domestic and international capital markets with a Slovenian government guarantee, which provides it with stable access to mostly long-term funding. SID Bank drew down EUR 95 million of new purpose-specific funding from development institutions in 2023, and EUR 55 million of new purpose-specific funding from Slovenia's ministry of the economy, tourism and sport. It reached an agreement with the ministry with regard to one existing loan in the amount of EUR 40 million, which was supposed to mature in 2023, extending its maturity to 2037. For 2024 SID Bank is planning new borrowing via long-term funding, thereby actively managing the refinancing risk of existing liabilities, and maintaining adequate funding for the fulfilment of its mandates.

Exposure to risks

Credit risk

SID Bank is most exposed to credit risk in its operations. The comprehensive credit risk management system includes the methodologies, procedures and tools used by SID Bank for the approval and securing of investment operations, the monitoring and management of credit risk, and the management of non-performing exposures. The take-up of credit risk in 2023 complied with the adopted risk appetite.

The quality of the credit portfolio improved on average in 2023, primarily as a result of credit ratings upgrades for performing customers. The non-performing segment of the portfolio is relatively unchanged: the NPL ratio measured against total classified loans and other financial assets stood at just under 5% at the end of 2023 (end of 2022: 4.8%).



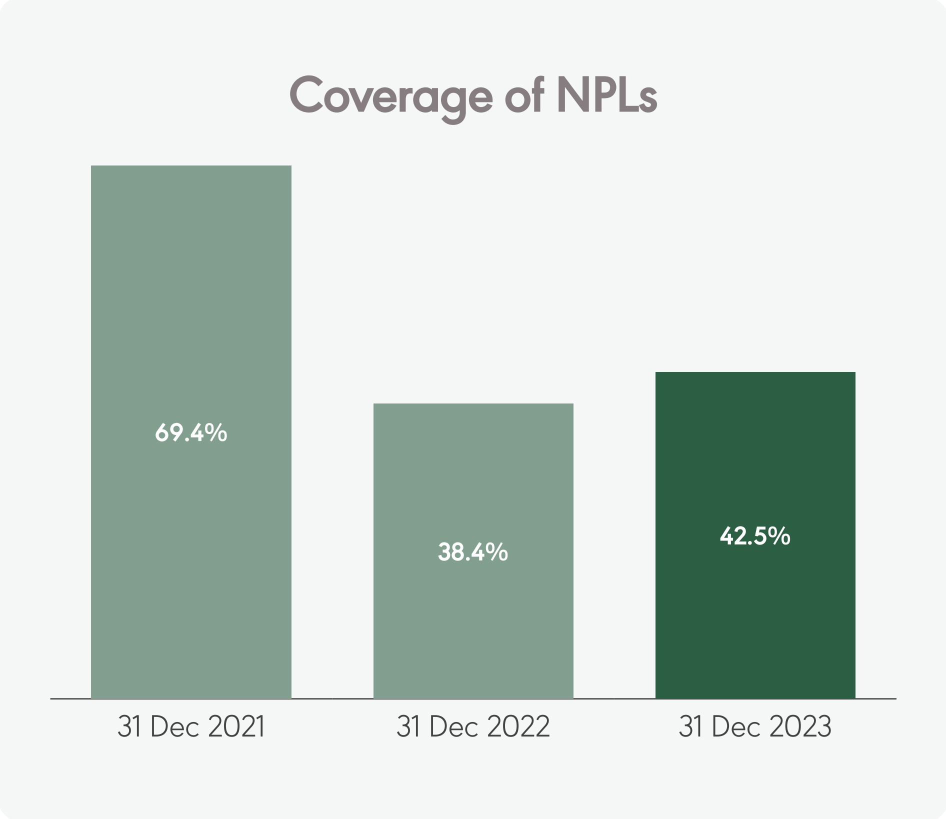
With all direct exposures to Ukraine and Belarus having been reclassified as non-performing exposures in 2022, and SID Bank holding no exposure to Russia, no additional deterioration in the credit portfolio as a result of the war in Ukraine is anticipated.

Exposure in the amount of EUR 10,861 thousand to a customer from Ghana[5] was also reclassified as non- performing in 2023, but it is secured by an SID Bank insurance policy issued for the account of the Republic of Slovenia to insure against commercial and non-commercial risks with 95% coverage, for which reason the additional need for allowances and provisions is low.

Slovenia suffered unexpected flooding of huge scale in August 2023, which might lead to a major deterioration in customer credit quality, for which reason SID Bank conducted sensitivity analysis of the flood damage's impact on the performance of its customers. The assessment of the potential impact on expected credit losses was insignificant.

Only two SID Bank customers submitted applications for a moratorium on the grounds of the floods in 2023. The Bank is not anticipating any deterioration in the credit portfolio in 2024 as a result of the August floods.

Coverage of non-performing exposures stood at 42.5% at the end of 2023, up slightly on the end of 2022.



[5] Ghana faced default risk (according to reports by rating agencies), and the customer generated most of their revenue with the government, and consequently found themselves in liquidity difficulties.

The credit ratings of performing debtors improved on average (the impact of the relatively favourable financial statements for 2022), and the resulting improvement in the breakdown of credit risk stages and the new macroeconomic scenarios led to a decline in allowances and provisions for credit losses for the performing segment of the portfolio at the end of 2023. The inclusion of past and forward-looking information is a requirement under IFRS 9, and as such macroeconomic scenarios have an impact on estimates of credit parameters and estimates of expected credit losses.

The GDP growth forecasts that SID Bank took into account in the calculation of expected credit losses as at 31 December 2023 are disclosed in the financial section of the annual report under point 2.3.9 Impairments of financial assets and provisions.

The future macroeconomic environment remains unpredictable. The ongoing geopolitical risks, economic sanctions, high interest rates, persistently high inflation and increasing impact of climate change might drive a deterioration in the position of borrowers and a deterioration in the quality of the credit portfolio, with an increase in impairments.

SID Bank will continue its high-quality credit risk management in 2024, and in accordance with best banking practice will upgrade its credit risk assessment tools and its early warning system for increased credit risk.

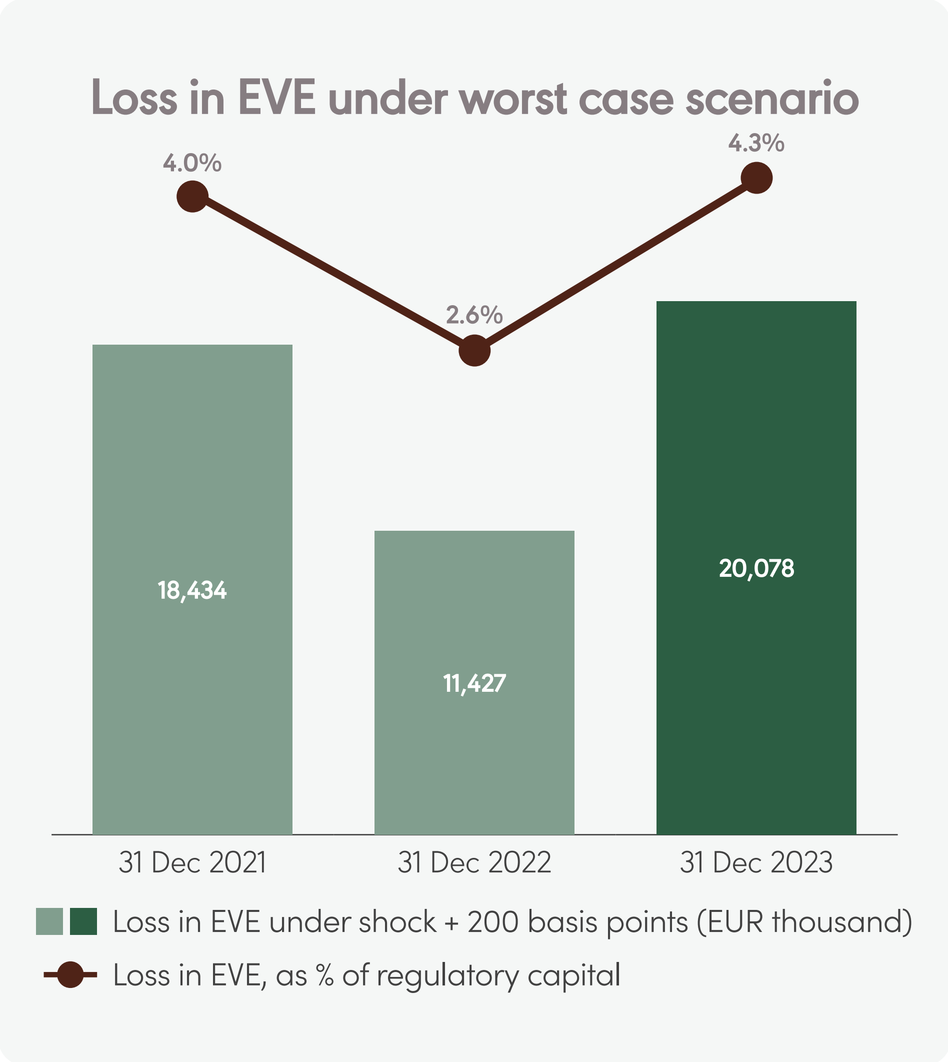
Market risk in the banking book

SID Bank does not have a trading book, and in its operations is exposed to market risks in the banking book, most notably interest rate risk (IRRBB) and credit spread risk (CSRBB). SID Bank upgraded its methodologies for measuring IRRBB and CSRBB in particular in 2023. The take-up of market risk in the banking book in 2023 complied with the adopted risk appetite.

Exposure to **interest rate risk (IRRBB)** arises in interest-sensitive positions in the banking book. SID Bank has put a process in place for managing IRRBB with the aim of maintaining interest rate risk within the bounds of the risk appetite, the definition of which is stricter than the regulatory limit. Interest rate risk is measured on the basis of the regular measurement of the impact of the changes in market interest rates under the prescribed scenarios on the economic value of equity (EVE) and net interest income (NII). SID Bank also takes account of the option risk that derives from contractually embedded automatic interest rate options in both measurements.

Interest rate sensitivity analysis on the data as at the end of 2023 shows that the Bank would suffer the largest loss in EVE in the amount of 4.3% (31 December 2022: 2.6%) of its regulatory capital under the scenario of a parallel shift in market interest rates of +200 basis points, while the largest decline in NII in the amount of 0.5% of regulatory capital would occur under the scenario of a parallel shift in market interest rates of -200 basis points.

The results of the interest rate sensitivity analysis are presented in more detail in the financial section of the annual report under the section 3.3 Interest rate risk.

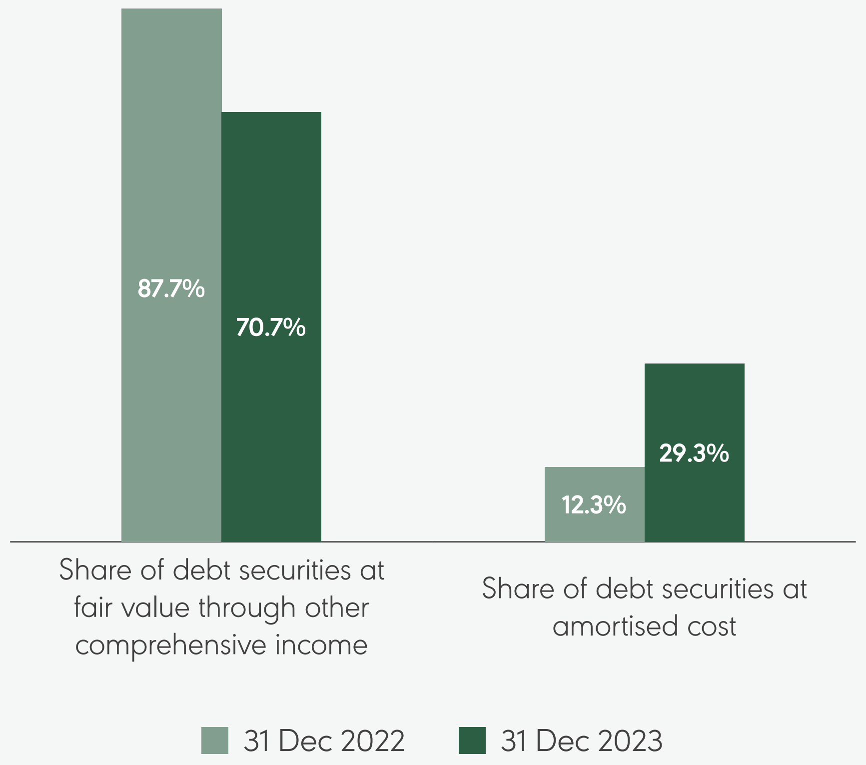


SID Bank uses derivatives in the form of interest rate swaps to hedge against interest rate risk, for the purpose of fair value hedging in connection with both asset and liability items. The Bank entered into an interest rate swap in March 2023 with a nominal value of EUR 140 million as a fair value hedge for newly issued SID Bank bonds maturing in 2030 for hedging against a fall in market interest rates.

In December 2023 the Bank also terminated its existing interest rate swaps in the total nominal amount of EUR 50 million that were used as a fair value hedge for Slovenian government bonds maturing in 2029 (RS81) for hedging against a rise in market interest rates. SID Bank is expected to again manage interest rate risk in 2024 by entering into new interest rate swaps, particularly in connection with potential new issuance of SID Bank bonds.

An important factor in interest rate risk management is the **portfolio of debt securities in the banking book** with fixed yield, the purpose of which is ensuring secondary liquidity, stabilising net interest income and managing the balance sheet. The high level of market interest rates allowed higher returns to be generated in 2023 through reinvestment in debt securities. The accumulated loss on the portfolio of debt securities measured at fair value through other comprehensive income recognised in equity was down EUR 18.1 million at the end of 2023 compared with the end of the previous year, primarily as a result of a fall in yields, which had a positive impact on the fair value of debt securities in this portfolio. For the purpose of managing volatility in capital as a result of the potential negative revaluation of the portfolio of debt securities measured at fair value through other comprehensive income, SID Bank further increased its share of holdings in securities measured at amortised cost in 2023. In 2024 the Bank will maintain the portfolio of debt securities in the banking book at an appropriate size by reinvesting maturing holdings, thereby helping to stabilise net interest income at the level of the balance sheet as a whole.

Braakdown of portfolio of debt securities according to accounting treatment



SID Bank regularly measures exposure to **credit spread risk (CSRBB)** for debt securities in the banking book, for the portfolio of debt securities measured at fair value through other comprehensive income and at amortised cost, and as of the end of 2023 also for issued debt securities. Credit spread risk for holdings in the portfolio of debt securities is restricted by the investment policy and the limit system, which ensure that the portfolio is adequately diversified and of adequate quality. SID Bank invests primarily in investment-grade government debt securities of issuers from the euro area.

The structure of the debt securities portfolio by credit rating is presented in more detail in the financial section of the annual report under section 3.1 Credit risk, while exposure to credit spread risk is disclosed in section 3.3 Interest rate risk.

SID Bank executes the majority of investment operations in the domestic currency. The Bank's **exposure to currency risk** is thus low, within internally defined limits, and does not exceed the prescribed regulatory limit for the calculation of the capital requirement for currency risk according to data as at the end of 2023.

SID Bank is planning the management of market risk in the banking book within the risk appetite in 2024, where it will continue taking account of and promptly applying regulatory changes in this area in the future.

Operational risk

SID Bank has in place a robust operational risk management culture that is implemented following the example of senior management. Operational risk is monitored through the collection of data on loss events, and through the identification, assessment and management of that risk. SID Bank strives for the continuous improvement of the control environment, and the implementation of measures to prevent the repetition of loss events.

The Bank records **loss events** based on actual losses, and also loss events based on potential losses. SID Bank did not record any significant loss events in 2023.

The Bank also manages **model risk**, for which it has adopted a rulebook on model risk management. The framework is defined in a way that clearly identifies the essential features of model risk, and its management through identification, measurement, monitoring/reporting and control. The Bank also monitors the findings of academics in the profession, and aims to continually update and improve its valuation methods.

In its model risk management, the Bank has also defined a methodology for validating estimates of credit risk parameters. The methodology clearly defines the essential elements of high-quality validation, and thus enhances the accuracy and robustness of credit risk assessment. The validation of credit risk parameters is undertaken non-quantitatively and quantitatively, via a range of backtesting approaches, tests of discriminating power, tests of the fulfilment of the theoretical assumptions of the model, and tests of representativeness and density.

In 2023 the Bank focused intensively on the regular management of actual risks in the area of **information and communication technology (ICT)**, which are also addressed by its information technology strategy for 2023 to 2025. The rising pace of digitalisation at banks is systematically increasing ICT risks and risks in connection with fraud, money laundering, terrorist financing and compliance.

With regard to the management of **fraud risk**, SID Bank maintains a strong control environment through the implementation of in-depth assessment of exposure to fraud risk, and mechanisms for the early detection of fraud indicators and responses thereto.

Similar to other forms of fraud, **cyber incidents** can result in financial losses, indirect adverse consequences, and even systemic effects. SID Bank is less exposed to such risks compared with commercial banks, as its operations do not include current accounts, electronic banking, card operations, etc. However the Bank recognises that in the event of the realisation of these risks, the impact on SID Bank could be major, like the impact on commercial banks. The Bank will therefore continue to pay close attention to information security.

SID Bank earmarks major resources and funds to information security training, given its awareness that people are often the weakest link in this field: the educational content on the online training platform was overhauled, in part through employee testing. With the aim of reducing the largest individual cyber risk (phishing), the Bank introduced periodic employee testing on the basis of an outsourced service (online platform), which will continue being conducted regularly in the future.

SID Bank also gives special attention to **outsourcing**, where its management of external providers ensures the appropriate performance of outsourced functions.

Other risks

SID Bank is prudent in managing **strategic risk**, including adjustment of the business model and measures in the direction of continuing coverage of the needs of the economy, tailored to the situation, and the needs of economic and development policy in accordance with the stakeholders' expectations. Strategic risk remained temporarily elevated in 2023, owing to the impact from macroeconomic risks driven by the energy crisis and weakening economic growth as inflation is gradually reduced. The ongoing geopolitical tensions are keeping this risk elevated over the short term, albeit still at a level that allows SID Bank to significantly focus its activities on development work. Market gaps still persist in the area of SMEs, and in the transformation of the economy into more sustainable forms of business.

SID Bank adopted a new business strategy in 2023, which allows for the business model to be expanded into complementary, parallel countercyclical and developmental actions, where the size of one component and another is complementarily adjusted with regard to the evolution of external circumstances. The new strategy provides a detailed definition of the Bank's green transition, an appropriate IT investment cycle, and long-term viability from the perspective of introducing more forceful cost-efficiencies. The new strategy focuses on a broad range of activities for upgrading the business model, divided into three areas: *the mandate, the bank and the customer.* Strategic risks also arise from the need to adapt to market gaps, which could have a more significant impact on **profitability risk**. SID Bank manages strategic risk through management-level process control by systematically monitoring the implementation of the business strategy, and monitoring and updating the risk management strategy. On this basis it can take timely action to respond to significant increases in this risk.

The **remuneration policy**, which is presented in detail in the appendix in section *P.16 Disclosure of remuneration policy*, is based on a link between employee remuneration and prudent risk take-up, and governs the ratio between the fixed and variable components of remuneration for employees whose work is of a specific nature. The policy and related bylaws in this area focus on achieving the objectives of the Bank's business strategy, and are adjusted to the Bank's risk profile and risk capacity. The management of the variable components of remuneration is included in the risk profile in the scope of operational risk and internal controls. All internal control functions, except for the information security function, are involved in the process of formulating, controlling and reviewing the appropriateness of remuneration policies. The tasks of the risk management function include participation in the definition of appropriate criteria for job performance and commercial success that take into account the risks taken up, and an assessment of how the structure of the variable components of remuneration affects the Bank's risk profile and the risk take-up culture. As a second level of control, the compliance department not only pursues regulatory compliance in the area of remuneration, but also, before each payment of a deferred component of remuneration, verifies in cooperation with the risk management department and the accounting department that the legal formal conditions for making the payment are met. The internal audit department must conduct an independent audit of the bases, implementation and effects of the remuneration policy on the Bank's risk profile.

Integration of environmental, social and governance (ESG) risks

SID Bank is making a decisive contribution to sustainability through the active incorporation of ESG risk factors into its business strategy. Through the continual monitoring of regulatory changes and the adaptation of the business strategy with regard to environmental, social and governance challenges, the Bank not only meets its requirements under law, but also assumes an active role in promoting sustainable development.

ESG risk factors are included in the comprehensive risk management framework, where they constitute one of the risk factors that are being integrated into existing types of risk, such as credit risk, liquidity risk, market risk and operational risk.

A variable limit for total exposure to the highest-risk customers is set within the framework of the risk appetite. A new indicator will be included in the risk appetite in 2024, in the form of the targeted minimum amount of green loans.

SID Bank continued implementing and upgrading its risk management requirements in the area of ESG in 2023 in line with the ECB and EBA guidelines, which are being reflected in a strengthening of the existing stress testing framework, and the integration of ESG risk factors into the existing risk management framework. It also upgraded its regular monitoring of exposure to transition climate risks, and has begun to obtain additional information from customers for more detailed assessment of ESG risk factors by means of an upgraded ESG questionnaire. The Bank also upgraded the implementation of ESG factors in the area of liquidity risk and market risk in the banking book, where it upgraded the methodology for conducting liquidity stress tests by incorporating ESG risk factors and reports, and the monitoring of the portfolio of debt securities from the perspective of ESG risk factors.

In 2024 SID Bank is planning to complete the incorporation of internal ESG assessments in customer credit ratings and the further enhancement of the ESG questionnaire with questions facilitating reporting for the mandatory disclosures on climate risks and sustainability reporting.

For more on the management of ESG factors, see the Disclosures under Pillar 3 of the Basel standards.

RISK MANAGEMENT IN CONNECTION WITH OPERATIONS UNDER REPUBLIC OF SLOVENIA AUTHORISATION

Guarantee schemes

SID Bank manages the risks associated with the authorisation for guarantee scheme services implemented for the account of the state in accordance with its bylaws in a similar way to the banking segment. The internal procedures and process for verifying banks' requests for payment of guarantees, the compliance with the legal conditions for the redemption of the guarantee, and the monitoring of recovery are regulated in the relevant bylaws and in separate business processes relating to guarantee schemes. The relevant committees discuss reports on reputation risk, operational risk (through loss events) and profitability risk. SID Bank is not exposed to other risks, as the Ministry of Finance transfers the amounts of the required Slovenian government guarantee to the beneficiary bank by directly debiting the state budget.

Credit and investment insurance against non-marketable risks

SID Bank also provides credit and investment insurance against non-marketable risks of a non-commercial and/or commercial nature on behalf of and for the account of the Republic of Slovenia.

To prevent conflicts of interest and to maximise efficiency, the activities in this connection are executed by a special department that is organisationally segregated from banking operations all the way to the level of the executive director, while a special government operations committee decides on and discusses operations of this type. The committee makes decisions regarding exposure limits for individual customers, and regarding the payment of insurance and reinsurance claims, and regularly monitors and oversees the execution of all operations under Republic of Slovenia authorisation. Decisions on all operations in excess of EUR 5 million are made by the international trade promotion commission.

The work of the government operations committee is presented in detail in the section on information on the composition and functioning of management and supervisory bodies and their committees within the framework of the corporate governance statement.

SID Bank manages the risks inherent in operations under Republic of Slovenia authorisation in accordance with its bylaws, in a similar way to the banking segment. The responsible committees discuss reports on currency risk, liquidity risk, operational risk (via loss events) and credit risk (monitoring the limits on investment operations by the treasury department and concentration of exposure of investment operations by country, adequacy of contingency reserves, stress tests).

In the area of credit and investment insurance against non-marketable risks of a commercial and/or non-commercial nature, SID Bank uses a VaR risk management model to calculate potential claims on the basis of data on concluded insurance and transactions in the enquiry phase for insurance on behalf of and for the account of the Republic of Slovenia, assesses whether the contingency reserves are sufficient to cover these claims, and estimates the maximum potential claim and the impact of new insurance operations on potential claims.

The methodology used to calculate the estimate of potential claims from the insurance portfolio is based on coefficients for the probability of a loss event, both for countries (sovereigns) and individual debtors. The calculation of the probability of default for a specific country or customer is based on recognised international credit ratings, and the corresponding adjusted probabilities of default.

Contingency reserves amounted to EUR 177,519 thousand as at 31 December 2023. Based on the use of the value-at-risk (VaR) technique and data from the insurance portfolio, including transactions in the enquiry phase, according to the data as at 31 December 2023 it can be stated with very high certainty that claims over the next one-year period will not exceed the amount of the contingency reserves.

The government of the Republic of Slovenia adopted the Regulation on the insurance of international economic transactions in Ukraine during the war, on the basis of which SID Bank reopened its policy of insurance vis-à-vis Ukraine. SID Bank received funding from the Republic of Slovenia in the amount of EUR 9,698 thousand in the second half of 2023, which it is managing separately in a special account of contingency reserves, and which is designed to cover potential losses for Ukrainian trade receivables. SID Bank is still recording significant exposure to debtors from Russia, Ukraine and Belarus in its portfolio of credit and investment insurance on behalf of and for the account of the Republic of Slovenia, although it has declined significantly compared with the outbreak of the war in Ukraine. The vast majority of the aforementioned debtors are currently settling their liabilities as they fall due. Exposures are checked on an ongoing basis, most notably when reports are drafted on a monthly basis. For all the aforementioned exposures SID Bank is additionally preparing stress tests on a quarterly basis, and in the event of the worst outcome will review the adequacy of the contingency reserves for the entire insurance portfolio. The results are shared with SID Bank's decision-making bodies and the international trade promotion commission.

For more on risk management, see section 3 of the financial report.

Human Resource Management

INTERNAL COMMUNICATIONS

Internal communications activities play an important part in the realisation of SID Bank's mission and the assertion of its values. Actively investing in employees remains key to the Bank's ongoing development. Effective internal communications are vital to the orderly organisation of operations, the functioning of business processes, and the establishment of good relations between employees at all levels.

SID Bank devoted a good deal of attention to internal communications in 2023. Because advanced communication technologies allow employees to be continually informed and to keep in touch with senior management, internal communications between employees are part of the everyday experience. Employees are regularly briefed on relevant circumstances and developments, particularly during the replacement of the CEO and the introduction of a new organisational structure, via email messages from the management board, and talks given live for all employees by the management board.

Further information support for employees comes from *Cekinčki*, the house journal, which was published in three issues of substantial size. The journal, which all employees receive in digital form, contained articles on active projects at the Bank, expert articles, details of HR changes, introductions to new colleagues, content promoting good health, advice on cyber security, descriptions of events, and details of the achievements of individual departments and customers.

The Bank uses its own online training portal called ECHO+, which allows employees to undergo mandatory training simply and effectively, to build their knowledge base, and to keep up with the latest findings in their professional fields. Employees also have the chance to contribute to a better working environment through the suggested improvements app, which allows any employee to share innovative ideas for making improvements.

Encouraging and relaxed relations between employees, who represent the Bank's most profitable investment, are also vital to the realisation of SID Bank's mission and the assertion of its values. The Bank therefore organises social events outside work hours. Majority of staff attended a sports and foodie picnic in May, while the Bank's participation in the traditional banking games in June was also fulsome. Staff also gathered at the traditional end-of-year celebration in December, which for the first time also saw the employees recognised as values ambassadors being presented with their awards. In this way the Bank builds collaboration, improves internal communications and increases the sense of belonging.

CONCERN FOR EMPLOYEES

The Bank offers flexible working hours to all employees to facilitate work-life balance. Where the nature of the work allows, the Bank also offers employees hybrid forms of work allowing them to work from home.

Special attention is given to the rights of employees, occupational health and safety, working conditions, social security, personal and professional development, social dialogue and mutual relationships. In the area of employee health and safety, SID Bank regularly organises preliminary, targeted and periodic medical examinations, as well as professional training in the areas of occupational health and safety and fire safety.

By regularly monitoring employees' needs, implementing the recommendations of occupational medicine experts and taking measures to promote health in the workplace, the Bank is working to provide the healthiest possible working conditions and a suitable working environment. As part of the recruitment process, the Bank also carries out psychological profiling to ensure that the most suitable candidates are recruited to fill the staffing gaps.

EMPLOYEE DEVELOPMENT AND REMUNERATION

SID Bank puts special focus on the professional and personal development of employees, thereby ensuring that it maintains a good skills and qualifications structure, a suitable level of development, and an alignment with its strategic objectives. This ensures that each employee at the Bank has the knowledge, skills and abilities required to perform effectively in their work, with the aim of raising the quality of work of individuals and teams.

The Bank upholds all applicable legislation and the company-level and banking sector collective agreement when setting salaries and determining other labour costs for employees.

The incentive-based system of remuneration further helps employees to effectively adapt to changes and challenges within the organisation, and in an environment that will present them with sufficient professional challenges in the future. In 2023 the Bank adopted a new employee remuneration model under which employees are remunerated on a monthly and yearly basis on the basis of transparent criteria, and which motivates employees to do better and accomplish more. The Bank also remunerates employees for special achievements and project work success.

Remuneration for performance and the system of advancement (promotions) are governed by the relevant bylaws, i.e. the remuneration policy, the company-level collective agreement and the rulebook on advancement and remuneration, which also sets out the terms, conditions and criteria for additionally motivating and rewarding employees.

The Bank continued to pay voluntary health insurance premiums as an additional benefit to its employees in 2023, and a supplementary pension insurance scheme is in place for employees, as well as jubilee benefits for employees, in accordance with the collective agreement for the banking sector.

The system of competencies for specific posts ensures the quality of the HR structure within the framework of SID Bank's complex functional structure as a development bank.

Promoting the acquisition of additional knowledge and skills and their practical use is one of the guidelines of SID Bank's action strategy. A total of 98% of the Bank's employees took part in at least one training course in 2023.

Line managers hold annual development interviews with employees, which form the basis for managing employees by objectives, assessing the development potential of individuals and their desired career path, defining key personnel, and drawing up annual training plans. The Bank is thus able to identify the need for new knowledge in a timely manner, and to plan targeted training and education programmes for individuals and groups of employees more easily. In 2023 the annual development interviews again received proper software support within the framework of the eHRM application, allowing for more efficient implementation.

To improve management by objectives, the Bank introduced coaching for the Bank's most senior management in 2023, which it is continuing in 2024, and conducted intensive workshops with an external provider for senior management. It also overhauled the on- and off-boarding process to ensure the best first-day experience for new employees and to capture the key reasons for departures.

In the area of key staff and talent, in 2023 the Bank carried out activities based on the concept of key and high-potential staff (talent management) and successors for key positions, and a programme to retain these employees. The key talent and high-potentials also actively participate in the drafting of the Bank's strategic and commercial guidelines, while profiling was carried out in 2023, and career plans were drawn up based on its findings.

In the interests of maintaining the right climate and supporting employee satisfaction and commitment, activities to measure the current situation were carried out in 2023, and the results reviewed.

HR STRUCTURE

Recruitment was undertaken in line with the annual employment plan in 2023, and in line with guidelines from the strategy, which are based on the adjustment of recruitment to growth in turnover and the development of new products, the recruitment of experts with specific skills and experience, and the retention of key talent and high-potentials.

SID Bank hired 16 new employees in 2023, either due to temporary additional needs or to replace employees who found new challenges outside the Bank, or partly as a response to needs dictated by new tasks and the increased workload brought by the launch of new products and other development activities.

SID Bank had 221 employees at the end of the year, of whom 146 were women and 75 were men. The headcount averaged 221 in 2023.

In filling staff voids, the Bank encourages the internal labour market and internal reassignment of staff where possible, and recruits candidates from the external market who bring missing and new skills and competences to the Bank.

	2023		2022	
Qualification level	Number	Proportion in %	Number	Proportion in %
5	14	6.3	13	5.9
6/1	9	4.1	10	4.5
6/2	49	22.2	50	22.6
7	109	49.3	108	48.9
8/1	32	14.5	32	14.5
8/2	8	3.6	8	3.6
Total	**221**	**100.0**	**221**	**100.0**

Development of the Bank

DEVELOPMENT IN 2023

Development of products and programmes

In 2023 the Bank continued with the development of products, both for direct financing/investment in Slovenian companies, and for indirect financing via banks and other financial intermediaries.

Two contracts for the implementation of a financial engineering measure were signed during the year, based on which two new loan funds were established with a total value of EUR 200 million. PS6 is a new fund within the framework of which SID Bank offered a programme that continues the interventionist purpose of mitigating the energy crisis and the economic crisis caused by the war in Ukraine. SID Bank will facilitate financing of measures to alleviate the impact of the August 2023 floods on the economy within the framework of the new PS7 fund in 2024.

The Bank updated its JAVNI SEKTOR 1 financing programme for public sector entities, thereby addressing rebuilding following the huge damage suffered by local public infrastructure in the heavy rains that hit the majority of Slovenia in early August 2023.

It upgraded the OSN programme in 2023, thereby allowing the programme to also make use of favourable funding obtained from KfW, a German development bank, which it supplemented with its own resources.

In 2023 SID Bank began the procedure for notifying a state aid scheme entitled *SID Bank protocol on state aid in the form of favourable loans allocated in accordance with the Communication from the Commission Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia*. The European Commission extended and amended the temporary crisis framework to allow Member States to continue granting increased sums of aid until 30 June 2024. The scheme entails support and aid in addressing high energy prices. The procedure was successfully concluded in January 2024.

The Bank also successfully concluded the procedure to extend the *de minimis* scheme and the *Protocol on the creation of conditions to obtain a loan from SID Bank funding on the basis of Commission Regulation (EU) No 1407/2013, the Protocol on the creation of conditions to obtain favourable loans from European structural and investment funds in accordance with Commission Regulation (EU) No 1407/2013*, and three programmes: loan without risk-sharing for financial intermediaries (KBDT), financing of operations and capital strengthening (MSP7) and direct financing (SDM), which are tied to separate *de minimis* schemes. These extensions are based on Article 7 of Commission Regulation (EU) No 1407/2013, which allows for the implementation of *de minimis* schemes six months after the period of validity of the regulation, i.e. until 30 June 2024.

SID Bank completed the development of two new programmes with an EIF guarantee under InvestEU in 2023: a sustainable financing programme, and an innovations and corporate sector digitalisation programme. The sustainable financing programme (SID ZELEN) will facilitate the direct financing of working capital and/or investments for SMEs or mid-cap enterprises that qualify as a sustainable enterprise and/or investments that are classified as green investments. The innovations and corporate sector digitalisation programme (SID DIGITALEN) will allow the direct financing of working capital and/or investments for SMEs or mid-cap enterprises that must meet at least one of the innovation or digitalisation criteria set out in the InvestEU rules. Both of these programmes are subject to the conditions attached to the Sustainability Proofing Guidance for InvestEU. Priority will be passed on to final recipients under a *de minimis* scheme.

SID Bank completed the pillar assessment process in 2023 with a positive decision from the European Commission.

Development of information technology and cyber security

SID Bank has put in place an information technology strategy for 2023 to 2025, which pursues an integrated approach to managing information technology through activities within the framework of three strategic pillars: ICT architecture, applications architecture, and the overhaul of IT organisation and processes.

The implementation of the information technology strategy places primary emphasis on ensuring stability and security. The key measures in 2023 were aimed at upgrading business continuity processes, through the creation of additional server capacity and the establishment of the requisite communications between data centres. With the aim of reducing risks and increasing information security, the Bank used new connectivity to put in place the high availability of certain critical components of the ICT infrastructure, which provides for greater business continuity capacity.

As part of the ICT overhauls the Bank also updated parts of its communications equipment. The upgrade includes the implementation and upgrade of security systems such as advanced threat prevention, and the internal network firewall. Both solutions have been put in place at the primary location of the data centre, and also at the backup location. The Bank procured server equipment to support the core software system and the data warehouse. As part of its lifecycle management of ICT systems, the Bank renewed its Microsoft licences, and closed a public contract for the supplier for SWIFT messaging. The Bank introduced other solutions to mitigate IT operational and security risks, such as Privilege Access Management (PAM), which regulates and eliminates security gaps in relation to the monitoring of remote access by external providers, and Web Application Firewall (WAF) and Load Balancer (LB), which provide an additional layer of security for online services that the Bank posts publicly.

The application development followed the guidelines for building the new portal solution and supporting the lending processes. The Bank also pursued its strategy of replacing the core banking system, and simultaneously implemented several security and functional adjustments to existing software solutions.

In the area of cyber security, SID Bank was not exposed to any successful cyberattacks. All the cybersecurity incidents that it addressed were of low or medium criticality. The Bank continued to outsource the 24/7 provision of services by the Security Operations Centre (SOC) and the related solutions for the protection of IT system endpoints, i.e. servers, laptops, PCs, mobile devices (Endpoint Detection and Response or EDR) on the basis of the Security Information and Event Management (SIEM) system. In connection with the SOC the Bank launched the Security Orchestration, Automation and Response (SOAR) tool for the automatic triage of identified threats, information security events and cyber threat intelligence.

The Bank also devoted attention to reinforcing its security settings, particularly in security-sensitive areas (e.g. SWIFT, domestic payments).

Upgrades were made to business continuity processes, through the creation of new server capacity at the primary location and upgrades at the backup location (infrastructure, including connectivity with the primary location).

In the area of cyber risk management, the Bank selected a methodology for identifying and assessing cyber threats, and consequently updated the operational risk and internal control catalogues, and conducted a reassessment of the risks. For the identified material cyber threats, the Bank developed proactive (threat hunting) and reactive (response plans for cyber threat incidents and testing) action plans, with the help of the SOC.

It adopted a digital operational resilience strategy, where the reference framework consisted of Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA), the Guidelines on ICT and security risk management (EBA/GL/2019/04) and the ISO standards in the area of ICT and security.

In 2023 the Bank provided regular training in the area of information security (general training for all employees, and separate extra training for users of mobile devices), introduced periodic testing of employees in connection with phishing based on outsourced services (online platform), and provided training in connection with personal data protection. In external security reviews it conducted penetration tests to examine the vulnerability of its IT systems from the internal and external environments. The Bank regularly discusses all information-security-related activities and events on the information security committee, and at management board and supervisory board sessions.

Projects

The Bank continued work on the project of overhauling the core system in 2023. It drew up gap analysis, and substantive requirements were sent to the contractor, based on which preparation of the functional specifications for the necessary adaptation of the new system to the features of the Bank's operations is underway. Procedures to purchase the infrastructure licences and hardware needed for the software solutions to function were also undertaken. Activity is proceeding at pace in 2024.

The Bank carried out a project with a selected provider for a new credit application, encompassing the development, implementation and maintenance of an online portal software solution and support for the financing process, the aim of which is to set up a new portal for communications with customers, and an optimised and digitalised process for handling applications, conducting ongoing monitoring of customers, and monitoring during distressed investment management. In the project the Bank is pursuing the objective of simplifying, automating and digitalising the submission of applications and reports, speeding up application processing, cutting the administrative burden for financial intermediaries, improving the user experience for customers, digitalising and further optimising processes, simplifying the work of employees involved in sales and post-sales, etc. The project is scheduled for completion in 2024.

DEVELOPMENT IN 2024

Development of products and programmes

The Bank is planning several activities in the area of direct financing in conjunction with the government. The priorities include the establishment of a climate loan fund, which would have a dual function: promoting investment in preventive measures to avert and mitigate the impact of natural disasters, and the curative financing of measures to rectify their consequences. It is also planning to establish a programme for financing investment in public infrastructure, particularly in non-profit housing. As part of its work on favourable financing for RDI projects, including for large enterprises, the Bank is planning to introduce the reuse of PS3 funds. First it will embark on the realisation of the commitments made in 2023 with regard to the dissemination of PS7 funds to final beneficiaries, within the framework of which it is planning to notify entirely new state aid schemes on legal bases that SID Bank has not previously used.

It will build on passing the pillar assessment (InvestEU) by introducing a new product: loans for SMEs with a direct European Commission guarantee. The application, selection and contracting process with the European Commission is expected to be lengthy, and might well not be completed until 2025. This will make SID Bank the only development institution in Slovenia with the status of a contractual partner of the European Commission.

Deep-seated changes are also planned to the management of cohesion funds, which SID Bank currently manages in the form of the two funds of funds. The merger of the two funds is envisaged, with implementation combined and simplified, including the implementation of financial instruments. The introduction of a new product, loans for SMEs to complement the supply of microloans, is also planned.

Should there be sufficient interest and should the economic case be made, the potential introduction of a new fund of funds from the 2021 to 2027 framework and a series of financial instruments from this fund is also planned. The focus is expected to be on disseminating funds to final beneficiaries via banks and savings banks. The introduction of a product that would effectively combine loans and grants for final beneficiaries (blending) is being planned within the framework of the new fund of funds.

SID Bank will continue its work to create a financial instrument that would facilitate the dissemination of funds via banks and savings banks, with risk take-up, modelled on successful examples in other countries.

Development of information technology and cyber security

The implementation of the information technology strategy places primary emphasis on ensuring stability and security. In business continuity, the Bank will strengthen recovery procedures for key IT systems.

Application development will follow the guidelines for completing the build of the new portal solution and support for lending processes. The Bank will also pursue its strategy of replacing the core banking system, and will simultaneously make several security and functional adjustments to existing software solutions.

The Bank will continue its regular training in the area of information security for all employees, the content of which will be tailored to individual employee groups, and will expand its training to selected external providers. It will examine the vulnerability of its IT systems, particularly the newly introduced systems, through internal and external reviews (penetration tests, etc.).

The existing security systems (e.g. ATP, SIEM) will be upgraded with new versions and rules at the primary and backup locations.

The Bank will take the following measures to reduce operational risk and cyber risk: threat and vulnerability management (testing identification and response with regard to the cyber risk catalogue); monitoring of ICT asset management (records of assets including risk assessments); comprehensive testing of the business continuity plan.

Social Responsibility and Sustainability

PROMOTING SUSTAINABLE DEVELOPMENT THROUGH VARIOUS FORMS OF ACTION

In the scope of its mission and entrusted authorisations, SID Bank works to help meet broader social objectives in line with the key elements of Slovenia's sustainable development: a successful economy, social security, and concern for the environment. SID Bank is able to function through three distribution channels: via private financial institutions, via public promotional institutions or directly vis-à-vis final beneficiaries. By providing financial services that complement the market, it contributes to economic growth and wellbeing, and strives for the sustainable development of Slovenia.

The principle of balanced and sustainable progress has guided the Bank for more than a decade now. SID Bank adheres to the principle of balanced and sustainable development in the economic, environmental and social fields, and takes a comprehensive, long-term stance in all its financial transactions. In addition to economic arguments, the Bank also takes account of social externalities, i.e. the non-financial or indirect benefits and/or costs to the entire economic and social fabric. Financing socially beneficial infrastructure projects and target segments in the economy is the basic way in which the Bank contributes to Slovenia's sustainable development policies.

In 2023 SID Bank made an even greater commitment to sustainable development, which became one of the main pillars of its strategy. It put in place a system to promote sustainability at all levels of the business. It built the concept of sustainable development and the circular economy into decision-making processes. The integration of ESG factors was made an indispensable part of the credit assessment process and of pricing policy, while at the same time the Bank embarked on a more proactive approach to the management of climate-related and environmental risks.

RESPONSIBLE FINANCING OF THE CORPORATE SECTOR

As a member of the Bank Association of Slovenia, SID Bank was among the initiators who formulated the principles of responsible lending for banks operating in Slovenia. These principles comprise guidelines and recommendations to meet the objective of responsibility to customers, owners and other stakeholders. In practice the Bank has built the concept of responsible lending and borrowing into the internal decision-making process.

In 2023 SID Bank again used its products and programmes to pursue the concept of covering key phases in the production chain where market gaps arise. The Bank also enhances the accessibility of financial services by developing new products and adapting its existing offer.

PROMOTING THE GREEN ECONOMY AND CIRCULAR BUSINESS MODELS

SID Bank made no reductions in 2023 to its efforts to promote the circular economy and more sustainable forms of business models at business entities. The Bank is already implementing initiatives aimed at the circular and green economy directly through existing general programmes to finance companies.

Through its development-promotion programmes, SID Bank addresses the development of a competitive economy, with an emphasis on SMEs, the development of a knowledge society and innovative entrepreneurship, the development of an environment-friendly society, and regional and social development. Via SID Bank's programmes it is possible to directly finance companies and their investments in projects for energy efficiency, renewables, the renovation of buildings, sustainable transport, and the sustainable handling/recycling and management of water, waste and other natural resources. A new programme called SID ZELEN was set up especially for these purposes, and offers companies favourable loans backed by EIF guarantee for investments that contribute to the green transition or the sustainability transformation of the economy (e.g. mitigating and adapting to the impact of climate change, transitioning to the circular economy, preventing and monitoring pollution).

Managing climate risks and other environmental risks is becoming one of the foundations of the Bank's work and business processes. SID Bank's strategy also envisages investment in technology, databases and human resources, which is increasing its knowledge capital in the area of sustainable financing, and is thus defining its role in promoting and financing the transition to a sustainable economy more clearly.

SUSTAINABILITY TRANSFORMATION

SID Bank continued the integration of sustainability into its business system in 2023. The activities were undertaken primarily on the basis of its green strategy, the action plan for introducing ECB supervisory expectations with regard to climate-related and environmental risks, and its business strategy.

The following major tasks were carried out in this context:

- rounding out a comprehensive system for the management of climate-related and environmental risks,
- putting in place ITS reporting on ESG and climate risks,
- preparing for the establishment of sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS),
- upgrading the methodology of the ESG questionnaire for the assessment of ESG risks at companies,
- formulating the methodology for mapping ESG risk assessments into the credit rating methodology and the resulting pricing policy,
- expanding the calculation of the Bank's carbon footprint,
- overhauling the Bank's sustainability report,
- organising ESG functions and their implementation, thereby embedding sustainability into the organisational structure,
- providing European Commission / EIB technical assistance (Climate Action Support Facility) for embedding climate risk management in the Bank's functioning,
- enhancing tools for the portfolio monitoring of climate risks (adaptation scenarios, heatmaps, stress tests).

The Bank will continue its activities in the area of sustainability in 2024, with the aim of meeting its medium-term strategic objectives. The key activities envisaged in this area are:

- adjusting sustainability reporting in line with the CSRD and the ESRS;
- mapping ESG risk assessments into the credit rating methodology, and consequently into the risk management process and pricing policy;
- upgrading the calculation of SID Bank's carbon footprint in accordance with guidance;
- implementing measures from the plan for decarbonisation by 2030;
- upgrading the sustainability report in accordance with the sustainability reporting requirements;
- completing the implementation of ESG functions inside the Bank.

SID Bank is preparing to bring its sustainability-related operations into line with the CSRD and its sustainability reporting into line with the ESRS. Under the CSRD, from 2026 the Bank will report information about the share of green assets related to economic activities that are classed as environmentally sustainable, within the framework of the objectives of mitigating and adapting to climate change.

PLAN FOR THE DECARBONISATION OF SID BANK BY 2030

SID Bank primarily calculates its carbon footprint for the purpose of planning measures to reduce greenhouse gas emissions from its own activities and operations, and to reduce costs. The calculation also allows for a comparison with other banks and related institutions. The purpose of calculating the Bank's carbon footprint is reporting on the greenhouse gas (GHG) emissions that arise as a side effect of its activities.

In 2023 SID Bank measured and monitored its carbon footprint for 2022 in accordance with the requirements of the GHG protocol. A detailed inventory of environmental energy and material categories and data collection was carried out, the methodology for calculating carbon footprint was revised, and the presentation of results and the setting of reduction targets, as well as the disclosures and reporting on carbon footprints, were standardised. Verification of the calculated values was also conducted in accordance with the GHG protocol. These activities form the basis on which SID Bank is following the plan for decarbonisation by 2030, with a view to 2050.

SID Bank's decarbonisation plan sets annual targets for the period to 2030, with a set of measures across individual categories, a timeline, and an estimate of the financial resources needed. The decarbonisation plan also sets out a timeline for putting in place the comprehensive capture and recording of Scope 3 emissions, with targets, including a view to 2050. Until the comprehensive monitoring of emissions has been put in place, including a comprehensive calculation of Scope 3 emissions, the decarbonisation plan with interim targets to 2025 and 2030 and a view to 2050 remains solely focused on reducing emissions to the emission levels that apply to Scope 1 and Scope 2 emissions, and Scope 3 emissions in the segment that has already been evaluated.

The results of the latest measurement in 2023 show the Bank reducing its carbon footprint by 8% in 2022 relative to 2021. This reduction and the implementation of the envisaged measures suggest that SID Bank will be able to meet its GHG emission reduction targets over the years ahead, with the aim of becoming a carbon-neutral bank by 2050.

COMMUNICATION WITH THE PUBLIC

As the key development financial institution in the country, SID Bank has a unique position on the market. Communicating with the public supports the operational objectives, where the focus is on content that is on-message and relevant. The communication goals in 2023 included supporting the implementation of business policy, upholding the Bank's reputation and strengthening its profile, presenting positive messages about the Bank's work, and preventing the publication of incorrect and inaccurate information.

The Bank uses clear and coordinated communications to build lasting relationships with all stakeholders, thereby strengthening its profile. In line with its communications strategy, the Bank employs direct and indirect approaches to communicate with customers, business partners, various stakeholders and the public. The main communications channels are the two websites (*www.sid.si* and *www.skladskladov.si*), which are the main sources of all information about the Bank. The SIDko and SKLADko chatbots provide additional access to information on the websites. The Bank also communicates on social media on a weekly basis via *LinkedIn* and *Facebook*, and through its monthly email bulletin, which gives customers the latest news and details of its latest offers.

In 2023 the Bank also kept in touch with business and banking audiences via its media presence and its participation in business interest associations, such as the Chamber of Commerce and Industry, the Chamber of Craft and Small Business, regional development agencies, the Association of Municipalities of Slovenia, the Association of Urban Municipalities of Slovenia, and leading Slovenian media houses.

SID Bank representatives made presentations at 46 domestic and international events held in digital, in-person and hybrid format.

In June the Bank organised a media event at which its management board and the European Investment Fund signed a guarantee agreement for accessible financing for sustainable investments, innovations and digitalisation at favourable terms. Under the guarantee agreement the EIF provided two types of portfolio guarantee for new favourable loans by SID Bank earmarked for micro enterprises and SMEs.

The Bank held a press conference in July together with the Ministry of the Economy, Tourism and Sport to highlight the favourable loans and various financial instruments from the 2014-2020 Fund of Funds and the Covid-19 Fund of Funds available for research, development and innovation, the financing of SMEs and the circular economy, microloans, and equity and quasi-equity financing.

Selected financial products (SID ZELEN, SID DIGITALEN, loans to finance projects for the comprehensive energy renovation of public buildings under the fund of funds and to finance investment in research, development and innovation under the fund of funds) were the focus of four digital campaigns in 2023, while online advertising via Google was undertaken throughout the year. The precise selection of general and demographic data made this advertising highly effective: the campaigns via various online platforms targeted a chosen segment of companies and entrepreneurs.

The Bank also focuses on its relations with the media, and provides regular updates of its actions via press releases, interviews and informative articles. Communications are clear, effective and positive. The Bank works continually to maintain honest, open and good relations with the media, to present a positive and, above all, truthful picture of itself. Last year the Bank responded to 53 different questions by journalists with up-to-date, relevant and detailed briefings, and issued nine press releases. Its media visibility in 2023 was thus 23.4% higher than in 2022.

This proactivity and two-way communication in informing all stakeholders ranks SID Bank among the most trustworthy institutions.

RESPONSIBILITY TO EMPLOYEES

Social responsibility at SID Bank is based on its social responsibility policy, which was adopted in the broadest and most comprehensive sense. In addition to SID Bank's core mission – the sustainable development of the Republic of Slovenia – the policy also covers its responsibilities to customers, employees, society and the environment. The aforementioned policy is a binding document in which the main emphasis is on the involvement of all employees in meeting the objectives in this area.

SID Bank is aware that socially responsible actions cannot be properly developed without enforcing the personal responsibility of all individuals within the organisation. For this reason awareness of personal and social responsibility is promoted at all levels at the Bank as the lifestyle of the individual and the organisation as a whole in all aspects of its activities.

SID Bank is active in implementing internal measures in the area of social responsibility. These include measures with a direct impact on the Bank, and measures that affect society as a whole. In addition to SID Bank's primary function, the measures implemented in the area of social responsibility also focus on the internal work processes. It has put in place a process architecture that it regularly updates and optimises, and KPIs for processes that it monitors regularly.

The Bank strives to maintain a positive organisational culture, in particular to foster a participative organisation and mutual respect, and to promote teamwork and collaboration. It actively supports loyalty and commitment on the part of its employees, and conduct that is aligned with the Bank's principal values, including the annual selection of values ambassadors. The Bank's corporate governance policy also takes account of corporate values, reference codes of governance, cooperation with all stakeholders, the policy for transactions with related parties, the commitment to identifying conflicts of interest, and to the independence of management and supervisory bodies, performance assessments, and the protection of employees' interests.

An important role in ensuring business ethics is played by the code of ethics and professional standards, which governs the principles and rules by which SID Bank, its bodies and its employees act in the performance of their activities and tasks in relation to customers, other banks and the economic environment, and within SID Bank itself. In addition to professional standards, the Bank has put in place a system for protecting whistleblowers, which may be used by the Bank's own employees and by people working with the Bank in any way.

The Bank encourages employees to submit suggestions for improving procedures and processes via a system for encouraging creative solutions and managing suggested improvements. The system has software support, and ensures that employees are aware of the importance of creativity to the Bank's viability and development, while regularly showcasing achievements in this field, rewarding suggestions, and putting improvements into practice.

SID Bank addresses social responsibility in detail in its sustainability report, which is available on its website.

Corporate Governance Statement

In accordance with the fifth paragraph of Article 70 ZGD-1, SID Bank hereby issues the following corporate governance statement.

REFERENCE TO CODES, RECOMMENDATIONS AND OTHER INTERNAL REGULATIONS ON CORPORATE GOVERNANCE, AND ON DEROGATIONS FROM CODES AND RECOMMENDATIONS

SID Bank is a company with a capital asset of the state, and is a public company within the meaning of the Financial Instruments Markets Act.

SID Bank complied with the following codes and recommendations in its operations in 2023:

- The Slovenian Corporate Governance Code issued by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 9 December 2021 for the purpose of effective corporate governance came into force on 1 January 2022. The code is publicly available on the website of the Slovenian Directors' Association (*https://www.zdruzenje-ns.si/knjiznica/1838*);
- The Corporate Governance Code for Companies with Capital Assets of the State,[6] which was issued by Slovenski državni holding d.d. in May 2017 (last updated in December 2023, effective 1 January 2024),[7] and the Recommendations and Expectations of Slovenian Sovereign Holding, which were amended by Slovenski državni holding d.d. in May 2023. (The recommendations were last updated in December 2023).

Any derogations from these codes and recommendations are indicated and explained below. The primary reason for a derogation is a legal regulation that the Bank is obliged to comply with (specifically and primarily, the provisions of the ZSIRB and ZBan-3).

Slovenian Corporate Governance Code

Corporate governance framework

RECOMMENDATION 1

The ZSIRB requires SID Bank to perform all its transactions and activities in line with Slovenian and European Union law and, above all, with the fundamental principles of law. One of the five fundamental principles of law with applicability to the operations of SID Bank is the *principle of the financial value of the Bank's services for the users thereof.* This principle states that SID Bank shall provide all services with the aim of generating direct or indirect value-added for the users of its financial services and, above all, maintaining and increasing its capital without pursuing the objective of maximising profit (Article 9 ZSIRB). The role, purpose and operations of SID Bank are set out in its articles of association.

Diversity policy

RECOMMENDATION 4

In terms of its diversity policy, SID Bank primarily undertakes to follow and comply with the applicable banking legislation. To that end and because the persons nominating supervisory board members are ministers, the diversity policy is incorporated in a number of documents, also adding a special dedicated chapter in the published governance policy and also in policies governing the selection of management body members.

[6] https://www.sdh.si/Data/Documents/pravni-akti/Kodeks%20korporativnega%20upravljanja%20druzb_december%202023.pdf
[7] In the 2023 financial year, SID Bank also adhered to the SSH code and recommendations applicable in 2023.

Corporate governance statement

RECOMMENDATION 5.6

For reasons of cost considerations, the Bank does not provide a periodic external assessment of its corporate governance statement.

Relations with shareholders

RECOMMENDATION 8

The ZSIRB provides that for the purposes of performing the tasks and achieving the goals under that act, the Republic of Slovenia shall be the sole shareholder of SID Bank. This recommendation is therefore applied *mutatis mutandis* (Article 4 ZSIRB).

RECOMMENDATIONS 8.1 AND 8.2

SID Bank shall have one shareholder, the Republic of Slovenia (Article 4 ZSIRB).

General Meeting of Shareholders

RECOMMENDATION 10.16

The Republic of Slovenia is the sole shareholder of SID Bank (Article 4 ZSIRB).

Supervisory board

RECOMMENDATIONS 11.2 AND 12

The procedure for appointing members of the Bank's supervisory board is set out in the ZSIRB and the ZBan-3. As the special law that applies to the Bank, the ZSIRB imposes on the ministry responsible for finance the requirement to nominate six members of the Bank's supervisory board and on the ministry responsible for the economy to nominate one member of the supervisory board. Members of the supervisory board are appointed by the Slovenian government. The provisions of the ZBan-3 and of implementing banking regulations, among them the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks and the Regulation on the application of the Guidelines on the assessment of the suitability of members of the management body and key function holders, are applicable with regard to the other conditions that members of the supervisory board (and the supervisory board as a whole) are required to meet. SID Bank has adopted the appropriate bylaws governing the appointment of members of the Bank's supervisory board (the governance policy, the policy for the selection of supervisory board members and the policy for the assessment of the suitability of members of the management body, etc.).

SID Bank implements its corporate governance arrangements in accordance with the legislation applicable in Slovenia, taking into account its own bylaws (its articles of association, governance policy, and code of ethics and professional standards). SID Bank also takes into account the regulatory framework of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), the legal acts of the ECB, and the regulations and other acts of the Bank of Slovenia.

Evaluation of the supervisory board

RECOMMENDATION 16.4

In accordance with banking legislation, the Bank is required to carry out an annual performance assessment of the management body. The Bank's supervisory board and management board have authorised the director of the compliance department to perform this task. The Bank of Slovenia conducts an external performance assessment of the supervisory board on the basis of documents and minutes of meetings of the supervisory board and supervisory board committees, and on the basis of reports and access to various types of documentation.

Supervisory board committees

RECOMMENDATION 18.1

In accordance with the ZBan-3, SID Bank has three supervisory board committees: the audit committee, the risk committee, and the nomination and remuneration committee.

RECOMMENDATIONS 18.4 AND 18.6

In accordance with the ZBan-3, only members of the Bank's supervisory board may serve as members of supervisory board committees.

Transparency of operations

RECOMMENDATIONS 30.3 AND 30.4

The ZSIRB limits the options of ownership of SID Bank. Only the Republic of Slovenia is permitted to be a shareholder. The ZSIRB also provides that the Bank's distributable profit cannot be used for distribution among shareholders, but is allocated to other profit reserves (Article 4 ZSIRB).

Corporate governance code for companies with capital assets of the state

3. Corporate governance framework for companies with capital assets of the state

RECOMMENDATION 3.6

The composition of SID Bank's management body is determined by the ZBan-3, which requires those bodies of the Bank responsible for selecting and appointing members of the management body to draw up and implement an appropriate policy on the selection of suitable candidates that ensures, *inter alia*, the appropriate representation of both genders on that body, including policies for the achievement of those objectives (Article 35 ZBan-3). SID Bank has included that legal obligation in its bylaws (policy on the selection of supervisory board members and policy on the selection of management board members). The Bank also supports the 40/33/2026 initiative of the Slovenian Directors' Association, and will strive to achieve the target gender balance ratios by 2026: 40% of members of the supervisory board and 33% of members of the supervisory board and the management board of the Bank collectively to be female (the Bank has also written this into its bylaws).

4. Relationship between shareholders or partners, SSH, the state and companies with capital assets of the state

RECOMMENDATION 4.2

As per the ZSIRB (Article 4), SID Bank has one shareholder.

5. Position of companies with capital assets of the state

RECOMMENDATION 5.1

SID Bank is a specialised promotional development bank, with legal mandates primarily set out in the ZSIRB and the ZZFMGP. The state may also adopt specific/special laws that authorise the Bank to perform additional tasks. While these facts place the Bank in a privileged position vis-à-vis other entities, the Bank is nevertheless committed to operating in accordance with the fundamental principles of law, including the principles of non-competition, non-discrimination and transparency of operations (Article 5 ZSIRB).

6. Supervisory board

RECOMMENDATIONS 6.5 AND 6.7

The composition of SID Bank's supervisory board is governed by the ZSIRB and ZBan-3. The recommendation is applied *mutatis mutandis*.

Members of SID Bank's supervisory board are appointed by the government, at the proposal of the competent ministers (Article 18 ZSIRB). The procedure for assessing candidates is conducted in accordance with the ZBan-3, the EBA guidelines and the Bank's bylaws in the manner described in detail in the section relating to the work of the committee for the assessment of the suitability of members of the management body.

RECOMMENDATIONS 6.8 AND 6.9

In addition to the ZBan-3 and the ZGD-1, the procedures for the nomination and appointment of supervisory board members are also governed by the ZSIRB, as a special law.

The ministers responsible for nominating candidates for the position of member of the supervisory board are the ministers responsible for finance and the economy. The committee for the assessment of the suitability of members of the management body and the nomination and remuneration committee of the Bank's supervisory board participate in the fit and proper assessment process for candidates for the Bank's supervisory board appointed by the Slovenian government. The recommendation is applied *mutatis mutandis*.

RECOMMENDATIONS 6.11 AND 6.14

SID Bank is required to comply with Article 51 ZBan-3, which provides that, without prejudice to the ZGD-1 and ZSDU, only members of a bank's supervisory board may sit on its supervisory board committees. Since SID Bank is an important bank, it must also have a nomination and remuneration committee.

8. Transparency of operations and reporting

RECOMMENDATION 8.1.1

SID Bank is required to comply with the ZBan-3 with regard to disclosures – more precisely, when compiling its business report it is required to take into account the requirements set out in Chapter 4 ZBan-3 (Articles 102 to 109), and Article 70 ZGD-1. It includes in the appendix to the annual report the disclosures set out in Part Eight of the CRR (Articles 431 to 451), in the format and with the content stipulated by Commission Implementing Regulation (EU) No 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

Recommendations and Expectations of Slovenian Sovereign Holding

Cost optimisation

RECOMMENDATION 4.4

SID Bank paid an annual leave allowance in 2023 in line with the provisions of the collective agreement for the banking sector, and the performance-related payment in line with SID Bank's own collective agreement, which sets out the procedures and criteria for defining payments. Given that the payment details constitute a trade secret, SID Bank has not published this information.

RECOMMENDATION 4.5

SID Bank has not published on its website its own company-level collective agreement, which sets out in detail the conditions and criteria for promotions, and for the assessment of personal on-the-job performance and overall performance, and the amount of other personal remuneration of employees paid by SID Bank on the basis of the collective agreement for the banking sector. SID Bank's remuneration system is presented in detail in disclosures in the annual report and the remuneration report, which is, like the remuneration policy, published on the Bank's website (Documents, financing | SID Bank).

Remuneration policy for management bodies

RECOMMENDATION 9.40

The possibility of the repayment of the variable component of remuneration with the netting of the allocated but as yet unpaid variable components of remuneration is agreed in new employment contracts.

MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCEDURE

SID Bank has developed a robust and reliable internal governance system based on three lines of defence. The internal control mechanisms, the functioning of which is in place for all of SID Bank's business processes in proportion to the materiality and risk of an individual process, include:

- internal controls of the implementation of the Bank's organisational procedures, business procedures and work procedures; and
- the functions and internal control departments that, in organisational terms, report directly and are liable to the Bank's management board, and are functionally and organisationally segregated from the Bank's other functions in order to guard against the possibility of conflicts of interest with internal control functions.

Internal controls, which are designed to ensure systematic oversight of all material risks of the Bank, are primarily carried out on the basis of:

- documented rules and procedures for ensuring the compliance of the Bank's operations with regulations, standards (including ethical standards) and bylaws, and the requirements of Bank of Slovenia and other competent supervisory authorities, and best practices;
- monitoring of the compliance of business transactions and investments with adopted risk limits;

- oversight of the proper implementation of the prescribed work procedures in connection with operational and organisational activities on the part of employees;
- verification of the accuracy of internal and external reports;
- safeguarding of the Bank's assets;
- the development and security of the Bank's information systems and information; and
- a suitable response in the event of identified deviations from documented rules and best practices, including the enhancement of the control environment where appropriate.

With regard to financial reporting procedures, internal controls that are primarily carried out at organisational units responsible for risk management, accounting, controlling and reporting have been put in place by means of bylaws. The functioning of internal controls and risk management at the Bank are also subject to internal auditing, which is carried out by a dedicated organisational unit.

The supervisory board has established an audit committee, whose work focuses in particular on financial reporting and internal controls, and a risk committee, whose responsibilities primarily relate to supervision and the provision of advice on risk management. The AML/CFT officer also reports to the risk committee, while the information security department and the compliance department have reported to the audit committee.

Internal control functions at SID Bank were performed by the internal audit department, the risk management department, compliance department and the information security department in 2023.

Compliance

The compliance department is an independent and impartial organisational unit that is functionally and organisationally separate from the Bank's other organisational units, and reports directly to the management board. The work of the compliance department takes place in accordance with an annual work programme that is adopted by the management board with the approval of the supervisory board.

The director of the compliance department has direct access to the Bank's management board and supervisory board. In 2023 the Bank's management board appointed the director to the posts of restrictive measures officer and compliance officer. The function of prevention of money laundering and terrorist financing (ALM/CFT) is organisationally part of the department, as is the function of personal data protection officer (since 2022).

The compliance department's primary tasks are to identify and assess regulatory compliance risks and reputation risk, and to identify and assess the compliance risks to which the Bank is or could be exposed in its operations on account of a breach of valid regulations, valid agreements, prescribed or best practices and ethical standards on the one hand, and the strengthening of corporate ethics and integrity on the other, including reporting to the management body on established facts and the potential need to adopt corrective measures. The responsibilities and powers of the department meet the requirements of banking and other relevant legislation. The department plays an advisory, educational and supervisory role at the Bank.

The annual work programme of the compliance department, which had three employees in 2023, includes, in addition to regular reviews of compliance, the performance of the function of providing advice to the management board, the supervisory board and individual organisational units of the Bank, and the performance of an educational function. In addition to the areas already highlighted, the compliance department advises in particular on the introduction of new products, the prevention of money laundering and terrorist financing, the implementation of restrictive measures by the EU, the UN and third countries, the management of conflicts of interest, the prevention of corruption, the management of fraud risks, and assessments of the legality and ethics of the conduct of the Bank's stakeholders, and takes part in the Bank's criminal and civil proceedings, and in the training of employees and the Bank's management body.

The compliance department focused a major part of its human resources and time in 2023 on its advisory role and on participation in Bank projects. The department was heavily involved in providing advice to the Bank's specialist services in relation to the restrictive measures of the EU and the UN, particularly in respect of measures introduced against Russia as a result of its aggression against Ukraine. Owing to the importance of this area, the Bank regulated it in a special act and, at the same time, began upgrading the existing software support (process to be completed in 2024). The aim of the upgrading is to accelerate procedures for verifying restrictive measures and reducing the potential for errors. A major part of the advisory activities in 2023 continued to relate to AML/CFT and personal data protection. In these areas as well, the Bank follows the latest technical solutions and introduces new features into its work, while both officers ensure that technical solutions comply with the relevant legislation when they are introduced (e.g. Chat GPT).

Last year the Bank strengthened the advisory function in connection with the management of conflicts of interest and the permissibility of receiving or giving gifts. The department was also actively involved in preparing customer acceptance policies as part of the Bank's efforts to manage reputational and regulatory compliance risk. A customer acceptance policy for activities that SID Bank carries out on behalf and for the account of the Republic of Slovenia has already been adopted and is in force, while a customer acceptance policy for bank activities will be adopted in 2024.

The department also performs the function of AML/CFT officer. In line with the revised guidelines and the law governing this area, the Bank has updated its bylaws. The Bank holds a monthly AML/CFT coordination meeting to provide training and implementation of second-level controls. In the same manner, the compliance department, in its capacity as the personal data protection officer, has advised other departments on personal data protection issues. In the area of preventing money laundering and terrorist financing, the Bank is proceeding with the process of digital transformation and computerisation as part of a broader project to develop a new credit application (the AML/CFT officer is also involved in this project).

The department pays a great deal of attention to strengthening the corporate ethics and integrity of SID Bank's employees, which is reflected in employee training and annual verifications of the compliance of employee conduct with the code of ethics and professional standards for individual categories of employee for whom the highest risk of unethical conduct and conflicts of interest has been identified. The department notifies the management board and supervisory board of its findings once a year.

The department also assesses signs/elements of criminal and civil liability of the Bank's employees and other stakeholders, or investigates suspicions of internal and external fraud and informs the management board and also the internal audit department and the risk management department thereof. If there are grounds for suspecting the commission of a criminal offence, the department, with the prior consent of the management board, files criminal charges, as the Bank takes a zero tolerance approach towards fraud and corruption, or proposes other measures to improve procedures and internal controls at the bank.

The compliance department reports to the management board quarterly on the implementation of the annual work programme and of the second-level controls (restrictive measures, reports of suspicions of violations/complaints, reports of suspicions of fraud, a review of the situation regarding criminal proceedings, second-level controls in the area of AML/CFT, personal data protection) and semi-annually (monitoring and implementation of regulations). The department also reports on the implementation of the work programme to the management board and the supervisory board's audit committee every six months, as well as annually to the management body on the implementation/compliance with the provisions of the code of ethics and professional standards. The reports also contain details of the statuses of the recommendations of the compliance department made as part of ordinary or extraordinary reviews of compliance or advisory operations.

The compliance department also pays particular attention to the implementation of recommendations received from the internal audit department.

Internal auditing

The internal audit department is an independent and impartial organisational unit that is separate from the Bank's other organisational units in terms of functioning and organisation. It answers directly to the management board.

The department operates in accordance with the ZBan-3, the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics of Internal Auditors, and the Code of Internal Auditing Principles. The activity of the internal audit department and the procedures of internal auditing are set out in the rules of procedure of internal auditing and in the internal auditing manual.

The aim of the work of the internal audit department is to provide independent and impartial assessments on the effectiveness and quality of risk management, internal controls and internal governance arrangements, and thereby help improve functioning of the Bank and achieve its objectives. The internal audit department pursues its mission by performing internal audits and providing advice, and by focusing on those areas of highest risk that it identifies when planning its work. The annual and strategic plans are based on the Bank's risk profile, the internal methodology of audit planning, and the regulator's requirements for the mandatory auditing of individual areas of the Bank's operations, with the aim of auditing those areas of the Bank's operations that carry the highest risk, and periodically covering low-risk or as-yet-unaudited areas. The two plans are adopted by the management board, subject to the supervisory board's approval.

Nine extensive and complex audits were envisaged in the annual plan of work for 2023. 86% of them were completed, including extensive audits of the HR function, the compliance function and the management of IT changes from the 2022 plan, three Bank of Slovenia audits, and equally wide-ranging consultations in relation to the review of the planned system of internal controls of the upgraded financing process and a review of the reorganisation of the Bank. One audit was incorporated into a consultation and another was, for objective external reasons, transferred to the annual plan of work for 2024.

The internal audit department also focused heavily on making progress in the implementation of recommendations. In 2023, in addition to regular audits and the monitoring of the implementation of recommendations, the department also conducted advisory activities in relation to the control system for the financing process and reorganisation, and additionally in connection with bylaws, two bank products, the area of audit recommendations, and a series of other informal forms of advice and coordination with outside institutions.

The internal audit department reports on an annual and quarterly basis to the Bank's management board, audit committee and supervisory board regarding its work, its findings and the follow-up of recommendations. The Bank's management board also discusses all reports on individual internal audits that have been carried out.

The internal audit department had four employees in 2023, one of whom was part-time. In addition to the other licences, all employees hold the requisite professional licences and professional titles to perform internal auditing tasks, and have taken part in all the professional education and training to which they have been referred and which are set out in the department's financial plan as approved by the management board and supervisory board.

Risk management and information security

The risk management department is responsible for preparing strategies and policies in connection with risk take-up and management, and the preparation of internal and external reports for overseeing, monitoring and providing information about all types of risk at the Bank level. The information security function assesses and monitors information security risks, and regularly and independently reports its findings to the management board and the supervisory board. The new organisational structure introduced on 1 January 2024 positions the function in the risk management and asset-liability management department.

For more on risk management, see the section entitled Risk Management.

INFORMATION ON POINT 4 OF THE FIFTH PARAGRAPH OF ARTICLE 70 ZGD-1 WITH REGARD TO THE INFORMATION REFERRED TO IN POINTS 3, 4, 6, 8 AND 9 OF THE SIXTH PARAGRAPH OF THAT ARTICLE

Pursuant to Article 4 ZSIRB, the Republic of Slovenia is the sole shareholder of SID Bank. The shareholder's voting rights are not restricted.

Rules on the appointment and replacement of members of management and supervisory bodies, and amendments to the articles of association

Members of the Bank's management body may be appointed/dismissed in accordance with the ZSIRB, the ZBan 3, the ZGD-1 and SID Bank's articles of association.

The process of selecting members of the management body is set out in detail in the policy on the selection of management board members and the policy on the selection of supervisory board members.

The changes to the management board in 2023 are set out in this statement as part of the information on the composition of the management body.

There were no changes to the articles of association in 2023.

INFORMATION ABOUT THE WORK AND KEY POWERS OF THE GENERAL MEETING, AND DESCRIPTION OF SHAREHOLDER RIGHTS AND THE EXERCISE THEREOF

The general meeting's powers are set out by the ZGD-1 and the ZBan-3.

SID Bank's general meeting is convened by the management board, and may also be convened by the supervisory board. The general meeting is convened in accordance with the law and the articles of association by means of a registered letter sent to the sole shareholder. The material for the general meeting is sent to the shareholder at the same time as the notice convening the meeting. On the day that the registered letter is sent, SID Bank publishes all the notices and information required by the ZGD-1 on its website. In accordance with Article 4 ZSIRB, the voting rights and other rights of the sole shareholder are exercised by the Republic of Slovenia, which in accordance with the ZSDH-1 authorises Slovenski državni holding d.d. to act in the name and on behalf of the sole shareholder pursuant to law. Where the ZGD-1 gives the sole shareholder the right to use electronic means, it may submit proposals, authorisations and other documents to SID Bank by sending an email to the address stated in the notice convening the meeting. The general meeting is convened at least once a year, after the end of the financial year, at SID Bank's headquarters, at the registered office of the sole shareholder, or at a place designated by the sole shareholder. The exact time and date of the general meeting are determined when it is convened.

With the supervisory board's consent, the management board may state in the convening of the general meeting of shareholders that the sole shareholder is entitled to participate in and cast votes at the general meeting of shareholders by electronic means, without being physically present (electronic general meeting of shareholders).

INFORMATION ON THE COMPOSITION AND FUNCTIONING OF MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

SID Bank has a two-tier system of governance: the business is directed by the management board, while its functioning is supervised by the supervisory board.

Supervisory board

The supervisory board monitors and supervises the management and operations of the Bank. The supervisory board operates on the basis of its rules of procedure, which set out in detail the principles, procedures and methods of work, while its principal powers and responsibilities are set out by the Bank's articles of association and laws governing the Bank's operations, most notably the ZGD-1, the ZBan-3 and the ZSIRB.

The supervisory board's role includes approving the Bank's strategic policy, reviewing the annual reports and other financial reports and formulating an opinion regarding those reports, explaining to the general meeting its opinion regarding the annual report by the internal audit department and its opinion of the annual report by the management board, approving the annual report and the management board's proposal for the use of the distributable profit, and discussing any findings made in supervisory procedures by the Bank of Slovenia, tax inspectors and other supervisory authorities. In addition, the supervisory board is responsible for giving its consent to the management board in relation to the Bank's business policy, financial plan, remuneration policy, the organisation of the system of internal controls, the internal audit department's annual work programme, the compliance department's annual work programme, and the information security function's work programme. The supervisory board is also responsible for issuing prior consent for the conclusion of financing, borrowing and capital investment transactions.

In accordance with the ZSIRB, the supervisory board comprises seven members who are appointed by the government. Members of the supervisory board are appointed for a term of five years. The procedure and conditions for the selection of suitable members are set out in the ZSIRB and the ZBan-3, and in the policy on the selection of supervisory board members. The policy sets out the method for the selection of candidates who possess the relevant knowledge, skills and experience to supervise and monitor the direction of the Bank's business, and the requisite reputation, and ensures that the supervisory board as a whole possesses the relevant knowledge, skills and experience required for the in-depth understanding of SID Bank's activities and the risks to which it is exposed. Diversity is encouraged as much as possible in terms of knowledge, skills and experience, and also with regard to other circumstances, in particular gender, age, qualifications, social status and the other characteristics of candidates.

There were changes to the composition of the SID Bank supervisory board in 2023, as follows:

- Leo Knez's term of office came to an end on 22 February 2023, with the Slovenian government taking the decision to reappoint him for a further five years;
- on 14 March 2023, Zlatko Vili Hohnjec tendered his resignation as a member of the supervisory board;
- on 20 March 2023, Igor Masten tendered his resignation as a member of the supervisory board;
- on 17 March 2023 the Slovenian government appointed Matija Šenk to serve as a member of the supervisory board. He began his term of office on 7 June 2023 after meeting the suspensive conditions;
- on 17 March 2023 the Slovenian government appointed Gorazd Podbevšek to serve as a member of the supervisory board. However, he withdrew his candidacy before meeting the suspensive conditions.

Composition of the supervisory board and its committees in 2023[8]

First name and surname	Function[9]	First appointment to function	End of function / term of office	Attendance at sessions of the supervisory board[10]	Gender	Nationality	Year of birth	Education	Professional profile	Status of independence in the statement of independence	Existence of conflicts of interest during the financial year[11]	Membership of the supervisory bodies of other companies	Membership of committees	Function	Attendance at committee sessions
Janez Tomšič	Chair	11 September 2020[12]	11 September 2025	16/16	M	Slovene	1979	Bachelor's degree in Law	• Financial risks • Understanding of financial information • Supervision • Commercial law and corporate governance • Management and remuneration • Banking knowledge/ expertise and experience	YES	YES	Kapitalska družba, d.d.	Nomination and remuneration committee Audit committee	Member Member	10/11 12/12
Leo Knez	Deputy chair	21 February 2013	22 February 2028	16/16	M	Slovene	1982	Master's degree in Actuarial Science	• Financial risks • Understanding of financial information • Supervision and auditing • Commercial law and corporate governance • Banking knowledge/ expertise and experience	YES	NO	/	Audit committee Risk committee	Chair Member	12/12 9/9
Marko Tišma	Member	14 July 2016	28 July 2026	16/16	M	Slovene	1967	Bachelor's degree in Economics	• Financial risks • Understanding of financial information • Commercial law and corporate governance • Banking knowledge/ expertise and experience • Management and remuneration	YES	NO	/	Nomination and remuneration committee Audit committee	Chair Deputy chair	11/11 12/12

[8] In accordance with the ZSIRB, members of the supervisory board are appointed by the government, at the proposal of the competent ministers. There are no employee representatives on the supervisory board. As per the provisions of the ZBan-3, there are no external members on supervisory board committees.
[9] Function and membership of committee as at 31 December 2023.
[10] The supervisory board held 16 sessions in 2023: ten ordinary and six correspondence sessions. Attendance also includes the exclusion of members for the purpose of managing conflicts of interest. The nomination and remuneration committee held 11 sessions in 2023: ten ordinary sessions and one correspondence session. The audit committee held 12 sessions in 2023. The risk committee held nine sessions in 2023.
[11] The specification of a potential conflict of interest does not apply to the consideration of (partial) suitability assessments for individual supervisory board members, where supervisory board members are consistently excluded from consideration.
[12] Janez Tomšič was first appointed to SID Bank's supervisory board on 5 April 2012, and was a member of the supervisory board until the end of his term of office on 5 April 2017.

First name and surname	Function[9]	First appointment to function	End of function / term of office	Attendance at sessions of the supervisory board[10]	Gender	Nationality	Year of birth	Education	Professional profile	Status of independence in the statement of independence	Existence of conflicts of interest during the financial year[11]	Membership of the supervisory bodies of other companies	Membership of committees	Function	Attendance at committee sessions
Marjan Divjak	Member	5 April 2012	19 May 2027	16/16	M	Slovene	1969	Master's degree in Economics Master of Science degree in Mathematical Finance (Oxford University) Master's degree in Management of Development (University of Turin) Bachelor's degree in Engineering and Civil Engineering (University of Leeds)	• Financial risks • Understanding of financial information • Supervision and auditing • Commercial law and corporate governance • Banking knowledge/ expertise and experience	YES	NO	/	Risk committee	Chair	9/9
Matija Šenk	Member	7 June 2023	6 June 2028	7/9[13]	M	Slovene	1962	Bachelor's degree in Mathematical Engineering	• Financial risks • Understanding of financial information • Supervision and auditing • Commercial law and corporate governance • Insurance • Management and remuneration	YES	NO	/	Risk committee Nomination and remuneration committee	Deputy chair Deputy chair	3/3 4/4

[9] Function and membership of committee as at 31 December 2023.
[10] The supervisory board held 16 sessions in 2023: ten ordinary and six correspondence sessions. Attendance also includes the exclusion of members for the purpose of managing conflicts of interest. The nomination and remuneration committee held 11 sessions in 2023: ten ordinary sessions and one correspondence session. The audit committee held 12 sessions in 2023. The risk committee held nine sessions in 2023.
[11] The specification of a potential conflict of interest does not apply to the consideration of (partial) suitability assessments for individual supervisory board members, where supervisory board members are consistently excluded from consideration.
[13] Attendance at sessions of the supervisory board and its committees takes account of the fact that he assumed the function on 7 June 2023.

The supervisory board has appointed an audit committee, a risk management committee and a nomination and remuneration committee as advisory bodies. Each committee has its own rules of procedure setting out its tasks and powers.

All three committees of the supervisory board are of the appropriate size and composition, while committee members possess the requisite knowledge and experience to perform the tasks of individual committees as determined by the law.

Supervisory board's nomination and remuneration committee

The nomination and remuneration committee is authorised and responsible for the performance of duties relating to the appointment of management board and supervisory board members and the remuneration system. Its tasks primarily involve identifying and recommending candidates for membership of the management board to the supervisory board, defining the tasks and conditions applying to a particular appointment, assessing the composition and performance of the management board, and the knowledge, skills and experience of individual members of the management board and supervisory board or both bodies as a whole, and assessing the appropriateness of remuneration policies and practices and the drafting of proposed decisions of the management body related to remuneration, including those that have an impact on risks and on the Bank's risk management.

As at 31 December 2023, the supervisory board's nomination and remuneration committee comprised the following members:

First name and surname	Function
Marko Tišma	Chair
Matija Šenk	Deputy Chair
Janez Tomšič	Member

Supervisory board's audit committee

In connection with its powers of monitoring and supervision, the audit committee primarily discusses the Bank's annual and interim financial statements, the activities of the internal audit department, the organisation of the system of internal controls, risk management, and any findings produced by supervisory authorities in the course of supervision of the Bank. The committee also participates in procedures to select an external auditor, and reviews and monitors the auditor's work and impartiality.

The audit committee comprised the following members as at 31 December 2023:

First name and surname	Function
Leo Knez	Chair
Marko Tišma	Deputy Chair
Janez Tomšič	Member

Supervisory board's risk committee

Within the scope of its powers, the risk committee primarily provides advice regarding the Bank's general risk appetite and risk management strategy, controls the implementation of strategies, reviews stress and other scenarios and their impact on the risk profile, assists in the implementation of supervision of senior management with regard to the risk management strategy, and verifies whether risks are taken into account in incentives within the framework of the remuneration system and whether the prices of the Bank's products are compatible with its business model and risk management strategy.

As at 31 December 2023, the supervisory board's risk committee comprised the following members:

First name and surname	Function
Marjan Divjak	Chair
Matija Šenk	Deputy Chair
Leo Knez	Member

Management board

SID Bank's business is directed by the management board, which represents it in public and legal matters. The management board is appointed by the supervisory board for a term of five years, and may be reappointed. In accordance with the articles of association, the management board has a maximum of three members, one of whom is appointed president, with the precise number of management board members being determined by the supervisory board. The Bank's management board comprised two members in 2023.

The management board directs the business independently and at its own liability. Its activity is governed by the rules of procedure of the management board. The management board generally meets on a weekly basis, when it discusses matters from all areas of SID Bank's operations. The management board regularly briefs the supervisory board on the most important issues in the Bank's operations, on its business policy, its financial position and other significant issues relating to its activity.

The president of the management board was replaced in 2023, with Damijan Dolinar performing the function until 16 April 2023, in accordance with the agreement signed with the supervisory board on the early termination of a term of office. Borut Jamnik was appointed to serve as the president of the management board by the supervisory board on the basis of a public call and competitive procedure, and began his term of office on 17 April 2023. Stanka Šarc Majdič has been a member of the management board since 1 January 2022.

Composition of the management board as at 31 December 2023

First name and surname	Function	Area of work as member of the management board	First appointment to function	End of function/ term of office	Gender	Nationality	Year of birth	Education	Professional profile	Membership of supervisory bodies of unaffiliated companies
Borut Jamnik	President of the management board	Pillars 1 and 3, strategy, sustainable development, internal audit, compliance, information security	17 April 2023	16 April 2028	M	Slovene	1970	Bachelor's degree in Mathematics	• Banking knowledge/ expertise and experience • Commercial law and corporate governance • Supervision and auditing • Management and remuneration • Sustainable development • Understanding of financial information • Insurance • ICT sector	Supervisory board of the Three Seas Initiative Investment Fund
Stanka Šarc Majdič	Member of the management board	Pillars 2 and 4, risk management, assets-liability management, credit analyses, controlling, AML/CFT	1 January 2022	31 December 2026	F	Slovene	1979	Master's degree in Economics	• Banking knowledge/ expertise and experience • Commercial law and corporate governance • CRO • Supervision and auditing • Management and remuneration • Understanding of financial information • ICT sector	/

The management board has transferred certain decision-making rights to collective decision-making bodies, i.e. the credit committee, the government operations committee, the distressed investment management committee, the asset/liability and risk management committee, the liquidity management committee, and the monitoring committee. The main responsibilities and method of operation of the committees are laid down in the Rules on the work of committees, which were updated in 2023 on account of the creation of two new committees (splitting of the previous asset/liability and liquidity committees into the asset/liability and risk management committee and the liquidity management committee), the transfers of competencies, and the abolition of the projects committee and the sustainable development committee. In addition, the management board transferred certain decision-making powers with regard to transactions to individual employees at SID Bank on the basis of the rulebook on authorisations and signing. Employees' authorisations are also regulated by other important sectoral bylaws, particularly the rules on the approval and monitoring of investment operations and the rules on the management of non-performing exposures. The Bank's committees and their operations under the Rules on the work of committees, effective from the second half of 2023, are set out below. The number of members takes account of the changes made since 1 January 2024.

Credit committee

The credit committee decides on approvals and changes to terms of investment operations that do not constitute refinancing or restructuring due to a borrower's financial difficulties, on the classification of individual investments, on limits of exposure to an individual customer and on the documentation when introducing new or changing existing financing programmes or individual products. The credit committee approves the conditions and procedures for selecting financial intermediaries for financing from the Funds of Funds, and the related business plans, and makes decisions regarding financial transactions and contracts on participation. The credit committee is also responsible for capital growth investment programmes for corporate equity financing. The credit committee monitors individual exposures and the quality of the credit portfolio on the basis of reports by individual organisational units, and also decides on the transfer of investments with increased credit risk to non-performing investments, and on the termination and cancellation of investment operations. The committee comprises six members, who meet at weekly sessions.

Asset/liability and risk management committee

Within the scope of its powers to manage the Bank's liquidity, the committee manages liquidity risk and structural liquidity at the level of the Bank. To that end, it makes decisions regarding the raising of funding and placement of assets on the money and capital markets in Slovenia and abroad, and regarding the use of Bank of Slovenia and ECB instruments, and approves and supervises the exchange rate and interest rate policy. The committee is also responsible for managing the free assets of financial instruments funded via European structural and investment funds, and the management of assets earmarked for corporate equity financing.

In the area of asset/liability management the committee sets out, modifies and monitors the implementation of the strategy and policy of the balance sheet structure, defines and monitors the implementation of the pricing, liquidity, interest rate and exchange rate policy, decides on proposals regarding asset/liability management, approves the financing programme concepts and products relating to treasury operations and changes thereto, monitors the Bank's capital adequacy, approves the treasury investment policy, and monitors and discusses the stress test results. The committee also manages liquidity and manages assets and liabilities (balance sheet) in relation to SID Bank's operations under Republic of Slovenia authorisation, primarily managing liquidity risk and structural liquidity, and in the area of asset/liability management adopts the policy for contingency reserve investments and assesses the impact of new programmes of insurance up to the amount of contingency reserves.

This is the Bank committee with the highest number of members (eight). Ordinary sessions take place monthly.

Liquidity management committee

The liquidity management committee is responsible for monitoring and managing liquidity at the weekly level. It oversees the implementation of the Bank's liquidity policy in relation to the operating requirements, with the aim of ensuring sufficient liquidity at the weekly level.

The liquidity management committee meets on weekly basis as a committee of five members.

Government operations committee

The task of the special government operations committee is to ensure that SID Bank's ordinary operations are consistently segregated from its operations on behalf of the Republic of Slovenia. The committee decides on the introduction of new programmes and changes to existing programmes, approvals and changes to transactions that SID Bank concludes on behalf of the Republic of Slovenia, including the financing of international commercial transactions from contingency reserves, insurance and reinsurance, guarantee schemes, and financial instruments funded by European structural and investment funds, and on matters related to these transactions.

The government operations committee has five members, and meets in ordinary session at least once a week.

Distressed investment management committee

The distressed investment management committee, which has five members, manages problematic claims with the status of non-performing investments, where it makes decisions regarding approvals and changes to the terms of investment operations and financial restructuring plans, and regarding all matters associated with non-performing investments (also regarding the enforcement of rights in insolvency proceedings). The committee typically meets once a week.

Monitoring committee

The monitoring committee was set up in March 2023. It has four members that meet at regular monthly sessions and whose task is to examine specific customers for increased credit risk within the early warning system (EWS).

Commissions

Commission for the assessment of the suitability of members of the management body

The commission for the assessment of the suitability of members of the management body and the supervisory board's nomination and remuneration commission carry out the fit and proper assessment process for the members of the management body.

The commission for the assessment of the suitability of members of the management body has three members. They were appointed by the management board, subject to the prior approval of the supervisory board. The composition of the commission changed in 2023: its external members were replaced, while the director of the compliance department remained a member of the commission. The two external members of the commission have knowledge and experience in the provision of banking and financial services, and in human resources, psychology and related fields.

As at 31 December 2023, the commission for the assessment of the suitability of members of the management body comprised the following members:

First name and surname	
Aljoša Uršič	external associate in banking and financial services
Katarina Babnik	external associate in HR, psychology and related areas
Barbara Bračko	director of the compliance department

The commission is autonomous in its work and independent of the management board and supervisory board. The commission's primary tasks are to conduct an analysis of the abilities and fitness of candidates for the position of member of the Bank's management body, and to notify the supervisory board's nomination and remuneration commission of any risks that it detects. The commission has similar responsibilities in the process of re-checking the abilities and fitness of candidates for the position of member of the management body that the Bank is required to perform when the circumstances pertaining to a member of the management body change.

The fit and proper assessment process for the selection of members of SID Bank's management body complies with the applicable banking legislation.[14] Alongside the selection policy for members of SID Bank's management body, the procedure also takes account of specific elements deriving from the ZSIRB, the Corporate Governance Code and the Corporate Governance Code for Companies with Capital Assets of the State, and the selection policy for members of the supervisory board or management board.

The SID Bank supervisory board did not operate with its full complement of members in 2023, with only five of the legally prescribed seven members in place as at 31 December 2023.

The appointment of Matija Šenk in 2023 was the first step in completing the process, begun in 2022, of bringing the supervisory board up to full strength. A new procedure for appointing further members of the supervisory board has been started, and will be completed in 2024. The proposing party (the minister responsible for finance) examined the profile of the missing members drawn up by the supervisory board and the recommendations of the Bank of Slovenia, and proposed that female candidates be appointed. Additionally, owing to the reappointment of Leo Knez, the committee produced an analysis of individual and collective fitness, as well as two partial analyses of individual and collective fitness prompted by changes to the circumstances pertaining to two members of the supervisory board. In accordance with banking legislation and the Bank's internal policy, annual performance assessments of the management body were conducted by the Bank (i.e. for members of the management board and the supervisory board).

[14] The ZBan-3, the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks, other Bank of Slovenia regulations, EBA and ESMA regulations, most notably the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06) and the EBA Guidelines on internal governance (EBA/GL/2021/05) are taken into account.

International trade promotion commission

The government has appointed an international trade promotion commission to coordinate the actions of the relevant government bodies and other bodies and institutions in the implementation of the ZZFMGP, and to ensure the effective implementation of the insurance and financing of international trade and investment.

The commission makes decisions regarding all insurance operations that exceed EUR 5 million, or whenever SID Bank itself is involved in a transaction. It also holds decisive powers on other matters related to risk management, such as approvals for:

- the policy of insurance operations in individual countries or groups of countries, which together with the limits on insurance already set out in the ZZFMGP, act to limit potential claims;
- the formulation and conclusion of insurance terms for individual insurance policies and other transactions;
- the management of the contingency reserves and the risks taken up in insurance operations;
- the conclusion of agreements and relations with financial institutions and other institutions;
- reprogramming, recovery and liquidation of claims;
- other operations in connection with insurance under government authorisation.

The commission regularly monitors the Bank's operations in areas regulated by the ZZFMGP, which includes the discussion of performance reports, and submits its opinion to the Ministry of Finance regarding the Bank's report on the exercise of authorisations under the ZZFMGP.

In 2023, in addition to individual operations, the commission on its meetings also discussed the rules or general policy on insurance, dealt with the insurance policy vis-à-vis individual countries, in particular customers from Ukraine, Russia and Belarus, and the policies on managing contingency reserves, sustainable insurance and insuring loans for internationalisation. It also addressed the cooperation agreements signed by SID Bank with the Uzbekistan and Ukrainian export credit agencies, and familiarised itself with the activities of Slovenia's representatives on the OECD expert group on country risks.

The commission convened six ordinary and 14 correspondence meetings in 2023.

The commission has six members: one representative from the Ministry of Finance who has a decisive role (right of veto), two representatives from the Ministry of the Economy, Tourism and Sport, one representative from the Ministry of Foreign and European Affairs, one representative from the Chamber of Commerce and Industry and one representative from the Bank Association of Slovenia.

As at 31 December 2023, the international trade promotion commission comprised the following members:

First name and surname	Function
Franc Stanonik	Chair
Matej Čepeljnik	Deputy chair
Stanislava Zadravec Caprirolo	Member
Bojan Ivanc	Member
Jernej Salecl	Member
Slobodan Šešum	Member

DESCRIPTION OF THE DIVERSITY POLICY

SID Bank has transposed requirements regarding the composition of the management body in terms of knowledge, skills, experience and gender balance into its bylaws, including the policy on the selection of supervisory board members and the policy on the selection of management board members. Both policies stipulate that in the event of the availability of several diverse candidates who meet the conditions of appointment, whose individual suitability assessments are equally good, and who would also ensure that the collective suitability of the management body is satisfied, precedence is given to the candidate who would bring greater diversity to the membership of the management body. The provisions on diversity are also part of the corporate governance policy. With this policy, the Bank has adopted the 40/33/2026 initiative of the Slovenian Directors' Association as one of its objectives, and will strive to achieve the target gender balance ratios by 2026: 40% of members of the supervisory board and 33% of members of the supervisory board and the management board of the Bank collectively to be female.

The diversity criterion in terms of gender was met in 2023 by the management board, but not by the supervisory board, which contained only male members. Other diversity criteria relating to professional experience, skills, competencies and age were satisfied.

Ljubljana, 26 March 2024

Management Board of SID Bank

Stanka Šarc Majdič *Member*	Borut Jamnik *President*

Statement of the Management Body on the Adequacy of the Risk Management Framework

In accordance with Article 435(1)(e) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), the management body, represented by:

on behalf of the management board: Borut Jamnik, president of the management board, and Stanka Šarc Majdič, member of the management board,

on behalf of the supervisory board: Janez Tomšič, chair of the supervisory board,

by signing this declaration, hereby confirms the adequacy of the risk management framework at SID Bank, which ensures that the established risk management systems comply with the Bank's risk profile and business strategy.

SID Bank has put in place a concept of three lines of defence for the purpose of effective risk management. The risk management framework or function is classed under the second line of defence, and is segregated in organisational terms from the commercial units that take up risks, i.e. within the credit process up to the level of the management board member who is responsible for risks and the executive directors that cover the organisational units that are responsible for the assessment of credit risks of individual business entities with a group of connected clients and investment projects, the monitoring of collateral, the monitoring of debtors, the early warning systems for identifying increased credit risk (EWS), and the management of non-performing exposures. The risk management function at the aggregate level of the Bank reports directly to the management board. This ensures the appropriate implementation of the risk management framework at the level of the Bank's daily activities and the regular notification of the management board and the Bank's other decision-making bodies. Regular independent briefing of the supervisory board's risk committee and the supervisory board on the risks to which the Bank is exposed has also been put in place.

The risk management function is provided with direct access to the chair of the supervisory board and the chair of the risk committee for notification in the event of the specific development of risks that affect or could affect the Bank's risk profile. The regulatory framework of the risk management process, including the internal capital and liquidity adequacy assessment processes, ensures the Bank that the systems put in place for the management of identified risks comply with the Bank's risk profile and business strategy.

Notwithstanding the above, the Bank's management body (the management board and the supervisory board) is fully authorised and responsible for defining and adopting the risk management framework and for regularly reviewing its adequacy, including the provision of updates, depending on the effects of the Bank's internal and external environmental factors, and for overseeing the implementation of the adopted risk management strategy and policies.

Ljubljana, 26 March 2024

Management Board of SID Bank		Supervisory Board
Stanka Šarc Majdič *Member*	Borut Jamnik *President*	Janez Tomšič *Chair*

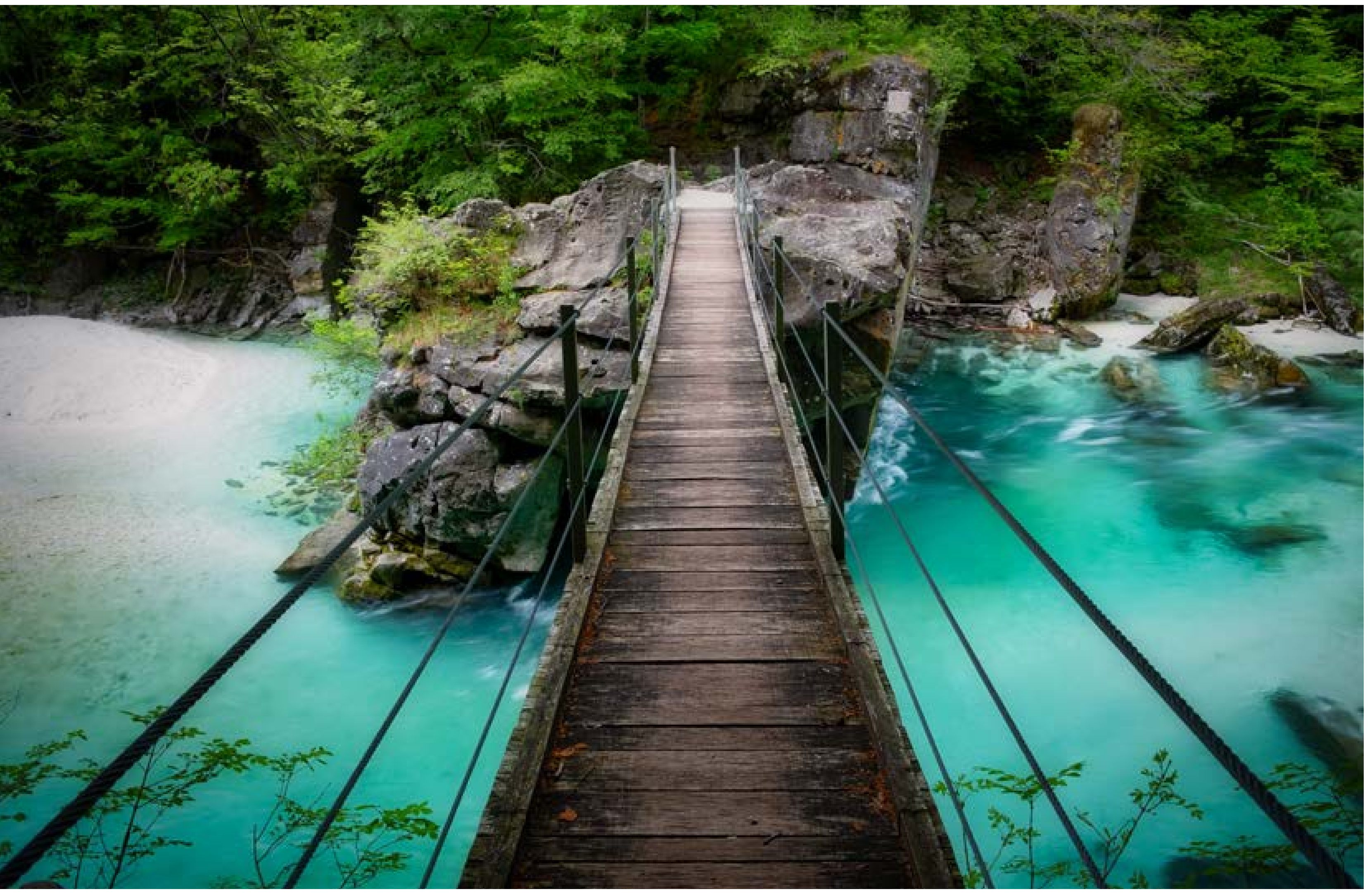
Significant Events after the End of the Financial Year

On 18 January 2024 the Slovenian government appointed Katja Lautar and Ingrid Kuk Kikl to serve as members of the supervisory board. They begin their terms of office once they obtain authorisation from the Bank of Slovenia to perform the function.

Financial Report

SID Bank is an innovator. We were the first Slovenian bank to issue green bonds on international financial markets. We were also one of the first in this part of Europe to do so, thereby delivering on our commitment to promoting a competitive and sustainable Slovenian economy.

03



Independent Auditor's Report on the Financial Statements of SID Bank

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SID Banka, d.d. Ljubljana (the Bank), which comprise the statement of financial position as at 31 December 2023, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the (financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Credit risk and impairment of loans and advances to customers including impact of uncertain macroeconomic environment

The carrying amount of loans and advances to customers at amortized cost amounts to EUR 1,426 million (or 53% of total assets) at the Bank as of 31 December 2023. As of 31 December 2023, total impairments of the Bank amounted to EUR 48.3 million.

Impairment allowances on Loans and advances to customers represent management's best estimate of the expected credit losses within the loan portfolios at the reporting date.

For defaulted loans that are considered to be individually significant the impairment assessment is

We understood and evaluated the impairment assessment processes for loans as well as the processes for identifying default events within the loan portfolios, including design and operating effectiveness of controls relevant to our audit.

In addition to analytical procedures, we tested a sample of performing loans with characteristics that might imply a default event had occurred to assess whether default event had been identified by management and therefore whether there was a requirement to calculate an impairment allowance using Stage 3 methodology.

1/6

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based on the knowledge of each individual debtor, taking into consideration the fair value of the related collateral as well as expected recovery based on going concern principle. Related impairment allowances are determined on an individual basis by means of a discounted cash flows forecasts based on scenarios and their likelihood of happening. Scenarios are based on 'going' and 'gone' assumption of debt repayment containing high level of complexity and subjectivity.

The Bank's Stage 3 gross balance of loans and advances to customers is EUR 65.2 million as of 31 December 2023 and total impairments EUR 35.3 million.

Impairments for loans and advances to customers in Stage 1 and Stage 2 are determined based on complex models and parameters used in those models (i.e. life time probability of default ("PD") and loss given default ("LGD")), identification of significant changes in credit risk, inclusion of forward-looking elements and segmentation of exposures, which all involve significant management's assumptions and estimates. The Bank's Stage 1 and Stage 2 combined gross balance of loans and advances to customers was EUR 1,406 million as of 31 December 2023 and total impairments EUR 15 million.

As impairments for loans and advances to customers are significant to understanding the financial statements as a whole and bear significant judgements, we conclude this to be a significant item for our audit and a key auditing matter.

For a selected sample of non-performing loans where impairment allowance is assessed on individual basis, we evaluated the models, assumptions related to debt repayment based on going or gone principle and data underlying the impairment identification and quantification. We understood the latest developments at the borrower and considered whether key judgments were appropriate given the borrowers' circumstances. We also re-performed management's impairment calculation for mathematical accuracy. In addition, we tested key inputs to the impairment calculation including the expected future cash flows and valuation of collateral held and discussed with management as to whether valuations were up to date, consistent with the strategy being followed in respect of the particular borrower and appropriate for the purpose. We engaged EY specialists to review a sample of valuations of underlying collateral.

In respect of statistical models that are used for the estimation of credit risk related impairment losses of Stage 1 and Stage 2 exposures, we involved EY credit risk specialists in evaluation of the model documentation and other related evidence such as models' governance, segmentation policy, expected credit loss estimation process and assessment of their compliance with IFRS 9. We evaluated the application of the models through the recalculation for mathematical accuracy of credit risk related impairment losses, allowances and provisions defined by IFRS 9. We tested the days past due counter and consistent application of staging criteria in relation to the effect on the staging classification of the exposures.

Furthermore, we assessed how the Bank incorporated uncertainties related to the macroeconomic environment (rising energy prices, inflation, interest rates and supply chain disruptions) and conflict in Ukraine, on parameters used for the calculation of collective impairments. Our credit risk specialists reviewed forward looking information ("FLI") and input parameters used and assess if the uncertainty related to the macroeconomic situation was reflected on the PD.

We assessed the adequacy of the Bank's disclosures included in Note 3.1. Credit risk, 2.3.9. Financial instruments, 2.4.4 Financial assets measured at amortised cost and 2.5.11 Impairments of the financial statements in accordance with the International Financial Reporting Standards as adopted by the EU.

Other matter

The financial statements for the financial year ending 31 December 2022 were audited by another auditor who issued an unmodified opinion on those statements on 27 March 2023.

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

2/6

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Bank obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management and those in charge with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those in charge with governance are responsible for overseeing the Bank's financial reporting process and to approve the Annual Report.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

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

We communicate with those in charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those in charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those in charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OTHER REQUIREMENTS ON CONTENT OF AUDITOR'S REPORT IN COMPLIANCE WITH REGULATION (EU) No. 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

Appointment and Approval of Auditor

We were appointed as auditors of the Bank at the general meeting of shareholders on 21 April 2023, the president of the supervisory board has signed the audit agreement on 5 July 2023. The agreement was signed for the period of 4 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for has lasted for one year. Janez Uranič and Nena Cvetkovska are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on the March 25, 2024.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Bank.

THE AUDITOR'S REPORT ON THE ADEQUACY OF THE CRITERIA USED AND THE CORRECTNESS OF THEIR USE

We have performed reasonable assurance engagement as to whether the criteria used to allocate income, costs and expenses on individual activities in the preparation of the disclosure "Transparency of financial relations between SID banka, d.d., Ljubljana and the Republic of Slovenia" for the financial year that ended on 31 December 2023, were appropriate and properly used, all in accordance with the Act on Transparency of Financial Relations and Separate Recording of Various Activities (ZPFOLERD-1).

Definition of appropriate criteria

In order to assess the appropriateness of the criteria for allocation, we assessed compliance with ZPFOLERD-1. We assessed whether the criteria for allocation reflect the volume of activities that give rise to an economic category, the allocation of which are Intended. If the extent of activities causing an economic category cannot be measured, we assessed whether the allocation judgment was determined on the basis of the proportion of direct costs.

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To assess the correct application of the criteria for allocation, we carried out audit procedures, to review whether a particular criterion was used for the allocation of specific economic category for which it was adopted and, in the manner, specified.

As a result, the subject matter information may not be suitable for another purpose.

Responsibility of management and those charged with governance

The management is responsible for the adoption of appropriate criteria and for their correct use in the preparation and presentation of the disclosure of the "Transparency of financial relations between SID banka, d.d., Ljubljana and the Republic of Slovenia" in accordance with the requirements of ZPFOLERD-1, as well as for such internal control as management determines is necessary to enable the preparation of such statements that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for acceptance of the criteria and supervising their use for the preparation of the disclosure.

Auditor's responsibility

Our responsibility is to carry out reasonable assurance engagement and express conclusion whether the criteria used to allocate income, costs and expenses on individual activities in the preparation of the disclosure Transparency of financial relations between SID banka, d.d., Ljubljana and the Republic of Slovenia for the financial year that ended on 31 December 2023, were appropriate and properly used. Our reasonable assurance engagement was carried out in accordance with International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised). This standard requires that we plan and perform the engagement to obtain reasonable assurance for reaching the conclusion.

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

We have acted in accordance with the independence and ethical requirements of the Regulation EU no. 537/2014, and the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (including International Independence Standards) (IESBA Code), which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standards on Quality Management (ISQM) 1, and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements of applicable law and regulation.

Summary of work performed

Within the scope of the work performed, we have performed primarily the following procedures:

• We obtained and read the internal regulations of SID banka, d.d., Ljubljana., which determine the rules regarding the allocation of income, costs and expenses to individual activities in accordance with ZPFOLERD-1;

• We verified whether the judgments were approved by the supervisory authority, in accordance with Article 8 ZPFOLERD-1;

• For the criteria used by SID banka, d.d., Ljubljana. for the allocation of indirect costs, we verified whether they are based on the activities that cause these costs; if these activities cannot be determined, the indirect costs are allocated based on the share of direct costs.

• We inquired with the management and responsible employees regarding the method, procedures and controls established in the context of cost accounting and the allocation of costs and expenses to individual activities.

• We tested on a sample basis whether the criteria, as adopted in accordance with Article 8 ZPFOLERD-1, were correctly used for keeping separate accounting records for individual activities.

• We verified whether the client uses public and other funds received in connection with the activities it performs on the basis of exclusive or special rights or authorization to finance its other activities in violation of paragraph 2 of Article 7 of ZPFOLERD-1.

The criteria we used to evaluate the results of the procedures are derived from Article 8 of the ZPFOLERD-1:

• The company uses criteria to keep separate accounting records for individual activities. The criteria, which are used to allocate the indirect costs per individual activities, are based on accounting principles (paragraph 1 of Article 8 ZPFOLERD-1).

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• When allocating indirect costs, criteria based on the activities that cause these costs should be used. If these activities cannot be determined, the indirect costs are allocated based on the share of direct costs (paragraph 2 of Article 8 ZPFOLERD-1).

• Determination and change of criteria are accepted by the supervisory body of an individual contractor with an exclusive or special right or authorization at the proposal of the management body. (Paragraph 3 of Article 8 ZPFOLERD-1).

Conclusion

Based on the procedures carried out and the evidence obtained, in our opinion, the criteria used for the allocation of income, costs and expenses by activity, as shown in the disclosure in the annual report "Transparency of financial relations between SID banka, d.d., Ljubljana and the Republic of Slovenia", are appropriate and correctly applied in all material respects in accordance with requirements of ZPFOLERD-1

Ljubljana, 26 March 2024

Janez Uranič
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska cesta 111, Ljubljana

Nena Cvetkovska
Certified auditor

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 3

Management Board's Declaration on the Financial Statements of SID Bank

The management board has approved SID Bank's financial statements, and the annual report for the year ending 31 December 2023. The financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU.

The management board believes that SID Bank has sufficient resources to operate as a going concern.

The senior management's responsibilities are:

- to employ relevant accounting policies, and to ensure that they are consistently applied;
- to make use of reasonable and prudent accounting estimates and judgements; and
- to ensure that the financial statements are compiled on a going-concern basis for SID Bank.

The management board is responsible for maintaining accounting documents and records to disclose the financial position of SID Bank with reasonable accuracy at any time. The management board is also responsible for ensuring that the financial statements have been compiled in accordance with the legislation and regulations of the Republic of Slovenia. The management board must do everything possible to safeguard the assets of SID Bank, and must undertake all necessary action to prevent or detect any fraud or other irregularities.

The tax authorities may audit a bank's operations at any time in the five years after the date that tax was due to be levied, which may result in additional tax liabilities, penalty interest and fines in connection with corporate income tax or other taxes and levies. The management board is not aware of any circumstances that could give rise to any significant liability on this account.

Ljubljana, 26 March 2024

Management Board of SID Bank

Stanka Šarc Majdič
Member

Borut Jamnik
President

1 Financial Statements of SID Bank

1.1 STATEMENT OF FINANCIAL POSITION OF SID BANK

(EUR thousand)	Note	31 Dec 2023	31 Dec 2022
Cash, cash balances at central banks and demand deposits at banks	2.4.1	323,785	413,628
Non-trading financial assets mandatorily at fair value through profit or loss	2.4.2	55,242	38,982
Financial assets measured at fair value through other comprehensive income	2.4.3	422,041	522,450
Financial assets measured at amortised cost	2.4.4	1,857,758	1,799,364
Debt securities		168,526	71,140
Loans and advances to banks		259,187	343,990
Loans and advances to non-bank customers		1,426,195	1,381,191
Other financial assets		3,850	3,043
Derivatives - hedge accounting	2.4.5	9,860	3,415
Investments in subsidiaries, associates and joint ventures	2.4.6	0	0
Tangible assets	2.4.7	4,554	3,905
Property, plant and equipment		4,554	3,905
Intangible assets	2.4.7	1,203	997
Tax assets	2.4.9	10,486	16,429
Current tax assets		46	3,295
Deferred tax assets		10,440	13,134
Other assets	2.4.10	948	538
TOTAL ASSETS		2,685,877	2,799,708

(EUR thousand)	Note	31 Dec 2023	31 Dec 2022
Financial liabilities measured at amortised cost	2.4.11	2,184,426	2,329,090
Deposits from banks and central banks		36,779	1,872
Loans from banks and central banks		286,108	628,803
Loans from non-bank customers		1,114,735	1,034,941
Debt securities		742,437	660,465
Other financial liabilities		4,367	3,009
Derivatives - hedge accounting	2.4.5	12,294	15,849
Provisions	2.4.12	1,504	2,408
Tax liabilities	2.4.9	1,564	0
Current tax liabilities		1,564	0
Other liabilities	2.4.13	1,410	1,492
TOTAL LIABILITIES		2,201,198	2,348,839
Share capital		300,000	300,000
Share premium		1,139	1,139
Accumulated other comprehensive income		(23,934)	(42,106)
Profit reserves		201,370	189,241
Treasury shares		(1,324)	(1,324)
Retained earnings (including net profit for the financial year)		7,428	3,919
TOTAL EQUITY	2.4.14	484,679	450,869
TOTAL EQUITY AND LIABILITIES		**2,685,877**	**2,799,708**

The notes are an integral part of the financial statements.

1.2 INCOME STATEMENT OF SID BANK

(EUR thousand)	Note	2023	2022
Interest income calculated using the effective interest method		88,467	33,237
Other interest and similar income		854	(49)
Interest and similar income		89,321	33,188
Interest expenses calculated using the effective interest method		(52,326)	(8,277)
Other interest and similar expenses		(6,825)	(697)
Interest and similar expenses		(59,151)	(8,974)
Net interest income	2.5.1	**30,170**	**24,214**
Dividend income	2.5.2	818	678
Fee and commission income		1,193	856
Fee and commission expenses		(828)	(614)
Net fee and commission income	2.5.3	**365**	**242**
Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	2.5.4	(600)	(6,330)
Net gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss	2.5.5	6,067	1,807
Changes in fair value in hedge accounting	2.4.5.	(319)	(138)
Net foreign exchange gains/(losses)		1	12
Net gains/(losses) on derecognition of non-financial assets		1	0
Other net operating income/(expenses)	2.5.6	5,678	6,236
Administrative expenses	2.5.7	(21,461)	(20,694)
Depreciation and amortisation	2.5.8	(1,024)	(984)
Net modification gains/(losses)	2.5.9	(1,844)	(171)
Provisions	2.5.10	977	209
Impairments	2.5.11	(444)	4,972
Profit before tax from continuing operations		**18,385**	**10,053**
Income tax expense	2.5.12	(2,747)	(1,802)
Profit after tax from continuing operations		**15,638**	**8,251**
Net profit for the financial year		**15,638**	**8,251**
Attributable to owners of bank		15,638	8,251
Basic earnings per share / diluted earnings per share (EUR per share)	2.5.13	5.04	2.66

The notes are an integral part of the financial statements.

1.3 STATEMENT OF COMPREHENSIVE INCOME OF SID BANK

(EUR thousand)	Note	2023	2022
Net profit for the financial year after tax		**15,638**	**8,251**
Other comprehensive income after tax		**18,172**	**(49,148)**
Items that will not be reclassified to profit or loss		25	2,168
Actuarial gains/(losses) on defined-benefit pensions plans		(106)	0
Revaluation gains/(losses) on equity instruments measured at fair value through other comprehensive income	2.4.3	353	2,677
Income tax relating to items that will not be reclassified to profit or loss	2.4.9	(222)	(509)
Items that may be reclassified subsequently to profit or loss		18,147	(51,316)
Debt instruments measured at fair value through other comprehensive income		21,081	(63,353)
Valuation gains/(losses) taken to equity	2.4.3	20,447	(62,851)
Transferred to profit or loss		634	(502)
Income tax relating to items that may be reclassified subsequently to profit or loss	2.4.9	(2,934)	12,037
Total comprehensive income for the financial year after tax		**33,810**	**(40,897)**
Attributable to owners of bank		33,810	(40,897)

The notes are an integral part of the financial statements.

1.4 STATEMENT OF CHANGES IN EQUITY OF SID BANK

(EUR thousand)

2023	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial year)	Treasury shares	Total equity
OPENING BALANCE as at 1 Jan 2023	300,000	1,139	(42,106)	189,241	3,919	(1,324)	450,869
Net profit for the financial year	0	0	0	0	15,638	0	15,638
Other comprehensive income	0	0	18,172	0	0	0	18,172
Total comprehensive income for financial year after tax	0	0	18,172	0	15,638	0	33,810
Allocation of net profit to profit reserves	0	0	0	12,129	(12,129)	0	0
CLOSING BALANCE as at 31 Dec 2023	**300,000**	**1,139**	**(23,934)**	**201,370**	**7,428**	**(1,324)**	**484,679**

The notes are an integral part of the financial statements.

(EUR thousand)

2022	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial year)	Treasury shares	Total equity
OPENING BALANCE as at 1 Jan 2022	300,000	1,139	7,042	173,495	11,414	(1,324)	491,766
Net profit for the financial year	0	0	0	0	8,251	0	8,251
Other comprehensive income	0	0	(49,148)	0	0	0	(49,148)
Total comprehensive income for financial year after tax	0	0	(49,148)	0	8,251	0	(40,897)
Allocation of net profit to profit reserves	0	0	0	15,746	(15,746)	0	0
CLOSING BALANCE as at 31 Dec 2022	**300,000**	**1,139**	**(42,106)**	**189,241**	**3,919**	**(1,324)**	**450,869**

The notes are an integral part of the financial statements.

1.5 STATEMENT OF CASH FLOWS OF SID BANK

(EUR thousand)	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,385	10,053
Depreciation and amortisation	2.5.8	1,024	984
Impairments/(reversal of impairments) of investments in debt instruments measured at fair value through other comprehensive income	2.5.11	(59)	(280)
Impairments/(reversal of impairments) of loans and other financial assets measured at amortised cost	2.5.11	502	(4,694)
Impairments of tangible assets (including impairments of investment property), intangible assets and other assets	2.5.11	1	2
Net (gains)/losses from exchange differences		(1)	(12)
Net modification (gains)/losses	2.5.9	1,844	171
Net (gains)/losses from sale of tangible assets		(1)	0
Other (gains)/losses from investing activities	2.5.2, 2.5.1	(4,870)	(1,476)
Other adjustments to total profit or loss before tax	2.3.7, 2.4.5, 2.5.4, 2.5.5., 2.5.10	(6,594)	4,743
Cash flows from operating activities before changes in operating assets and liabilities		**10,231**	**9,491**
(Increases)/decreases in operating assets (excluding cash and cash equivalents)		**148,349**	**274,660**
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	2.4.2	(10,221)	(7,943)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	2.4.3	124,005	235,295
Net (increase)/decrease in loans and other financial assets measured at amortised cost	2.4.4	37,530	46,343
Net (increase)/decrease in asset-derivatives - hedge accounting		(2,554)	391
Net (increase)/decrease in other assets		(411)	574
Increases/(decreases) in operating liabilities		**(155,540)**	**(9,662)**
Net increase/(decrease) in deposits and loans measured at amortised cost	2.4.11	(226,543)	4,755
Net increase/(decrease) in issued debt securities measured at amortised cost	2.4.11	67,993	(15,014)
Net increase/(decrease) in liability-derivatives - hedge accounting		3,156	539
Net increase/(decrease) in other liabilities		(146)	58

(EUR thousand)	Note	2023	2022
Cash flows from operating activities		**3,040**	**274,489**
(Paid)/refunded corporate income tax		1,696	(8,500)
Net cash flow from operating activities		**4,736**	**265,989**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from investing activities		**2,273**	**1,053**
Receipts from sale of tangible assets		1	1
Other receipts from investing activities	2.4.4, 2.5.2	2,272	1,052
Cash payments on investing activities		**(96,853)**	**(71,552)**
(Cash payments to acquire tangible assets)		(1,313)	(510)
(Cash payments to acquire intangible assets)		(566)	(320)
(Cash payments to acquire debt securities measured at amortised cost)	2.4.4	(94,974)	(70,722)
Net cash flow from investing activities		**(94,580)**	**(70,499)**
Effects of change in exchange rates on cash and cash equivalents		1	12
Net increase/(decrease) in cash and cash equivalents		**(89,844)**	**195,490**
Opening balance of cash and cash equivalents		**413,628**	**218,126**
Closing balance of cash and cash equivalents		**323,785**	**413,628**

The notes are an integral part of the financial statements.

Cash and cash equivalents

(EUR thousand)	31 Dec 2023	31 Dec 2023
Cash balances at central banks	323,682	413,466
Demand deposits at banks	103	162
Total	**323,785**	**413,628**

Cash flows from interest and dividends

(EUR thousand)	2023	2022
Cash flows from interest and dividends		
Interest received	89,108	34,581
Interest paid	(37,331)	(1,315)
Dividends received	818	678
Total	**52,595**	**33,944**

2 Notes to the Financial Statements of SID Bank

Sections 1.1 to 1.5 of the financial report present the financial position of SID Bank as at 31 December 2023, the profit or loss of SID Bank for the 2023 financial year, the other comprehensive income of SID Bank for the 2023 financial year, the changes in the equity of SID Bank for the 2023 financial year, and the cash flows of SID Bank for the 2023 financial year. Figures for the position as at 31 December 2022 and for the 2022 financial year are disclosed in the aforementioned financial statements for the purposes of comparison.

2.1 BASIC INFORMATION

SID Bank provides banking services under authorisations obtained from the Bank of Slovenia, and undertakes transactions under the authorisation of the Slovenian state (the Republic of Slovenia) and insurance of receivables. The granting of loans to promote development, environmental protection and energy projects represents the majority of its banking activities.

A more detailed description of the services under authorisation is given in section 2.3.30 Operations for the account of the Republic of Slovenia.

SID Bank's registered office is at Ulica Josipine Turnograjske 6, 1000 Ljubljana, Slovenia.

The Bank's share capital amounts to EUR 300,000,090.70, and is divided into 3,121,741 ordinary registered no-par-value shares released in several issues.

The Republic of Slovenia (the Slovenian state) is the Bank's sole shareholder.

2.2 STATEMENT OF COMPLIANCE

The financial statements of SID Bank have been compiled in accordance with the International Financial Reporting Standards and the corresponding interpretations as approved by the EU, and taking account of the Companies Act, the Banking Act, and Bank of Slovenia regulations.

2.3 MATERIAL ACCOUNTING POLICIES

The material accounting policies that provide the basis of measurement for the compilation of the financial statements of SID Bank and other accounting policies that are material in the interpretation of the financial statements are given below.

In compiling the financial statements for 2023 the Bank applied the same accounting policies as those used in compiling the financial statements for 2022, with the exception of the accounting standards and other changes effective as of 1 January 2023 and approved by the EU.

2.3.1 Basis for compiling the financial statements

The financial statements of SID Bank have been compiled on a going-concern basis, on an original cost basis, with the exception of financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets held for trading, and hedging derivatives, which are measured at fair value.

The accounting policies may only be changed if:

- the change is mandatory under a standard or interpretation, or
- the change results in the financial statements presenting information of greater reliability or relevance.

2.3.2 Use of estimates and judgements and material uncertainties

The compilation of the financial statements in accordance with the IFRS at SID Bank requires the use of estimates and judgements that affect the carrying amounts of reported assets and liabilities, the disclosure of contingent assets and liabilities as at the reporting date, and the amount of revenue and expenses in the reporting period.

The most significant assessments in using accounting policies relate to the classification of financial assets to the relevant business model, and assessments of whether contractual cash flows are comprised solely of payments of principal and interest. Financial assets are assigned to a category prior to initial recognition of a financial instrument with regard to the policy of SID Bank.

In terms of the area managing environmental, social and governance risks (ESG risks), SID Bank carries out ESG factor-based assessments at the borrower level above a certain exposure. The result of the comprehensive assessment of ESG factors in the form of an ESG report enters SID Bank's credit process as an input parameter and can impact the loan rejection/approval and the terms of financing. At the portfolio level, limitations in assessing and addressing environmental and climate risks are mainly related to the poor data availability, and the lack of historical links between the transitional activities of companies, physical climate events and the financial performance of companies. Detailed disclosures are given in the appendix Pillar 3 disclosures (Disclosure of environmental, social and governance risks).

The Bank used estimates for:

- impairments of financial assets measured at amortised cost, provisions for contingent liabilities and impairments of financial assets measured at fair value through other comprehensive income (see notes in section 2.3.9 under the section entitled Impairments of financial assets and provisions);
- estimates of the fair value of financial assets and liabilities (see notes in section 2.3.9 under the section entitled Principles applied in valuation at fair value);
- valuation of derivatives (see notes in section 2.3.10 Derivatives and hedge accounting);
- depreciation and amortisation period of property, plant and equipment and intangible assets (see notes in section 2.3.12 Property, plant and equipment and intangible assets);
- potential tax items (see notes in section 2.3.27 Taxes);
- provisions for commitments to employees (see notes in section 2.3.16 Employee benefits); and
- determination of the lease term for lease agreements with the option of extension and cancellation (the Bank as lessee), and determination of the discount rate for leases (see notes in section 2.3.13 Accounting for leases).

Although the estimates used are based on the best knowledge of current developments and activities, the actual results may differ from the estimates.

SID Bank makes revisions to the estimates and assumptions used, and recognises their effects during the period of the revision.

The uncertainty in the use of the estimates and assumptions used in the compilation of the financial statements was further increased in 2023 by the risks and uncertainty in the macroeconomic and geopolitical environment.

2.3.3 Consolidation

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 (associate).

An associate is a company in which SID Bank directly or indirectly holds 20% or more of the voting rights, and exercises significant influence, but does not control it.

A joint venture is a company jointly controlled by SID Bank on the basis of a contractual agreement.

The investments in the joint venture and associate are accounted for in the consolidated financial statements using the equity method.

Based on the principle of immateriality, which defines as immaterial information whose omission or non-disclosure does not influence the decision-making of users of the financial statements, SID Bank has not consolidated any of these companies because none of them is a subsidiary and their total assets are less than 1% of SID Bank's total assets.

SID Bank compiled only standalone financial statements for 2023.

2.3.4 Functional and presentational currency

The financial statements of SID Bank have been compiled in euros, which is the presentational and functional currency of SID Bank.

All amounts in the financial statements and the accompanying notes are expressed in thousands of euros, unless stated otherwise.

2.3.5 Translation of transactions and items in foreign currency

All transactions in foreign currency are converted into the functional currency at the exchange rate on the transaction date.

Assets and liabilities denominated in foreign currencies are converted in the Bank's financial statements using the reference European Central Bank exchange rate applicable on the reporting date.

Foreign exchange differences arising in the settlement or translation of items at exchange rates other than those at which they were translated upon initial recognition in the period or in previous financial statements are recognised in the income statement in the period in which they arise.

Foreign exchange differences arising on non-monetary items such as equities classified as financial assets measured at fair value through other comprehensive income are recognised in accumulated other comprehensive income together with the effect of valuation at fair value.

2.3.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset in the statement of financial position if there is a legal right to do so and a purpose for the net settlement or simultaneous realisation of the asset and settlement of the liability.

2.3.7 Statement of cash flows

The statement of cash flows is compiled using the indirect method.

Profit before tax served as the basis for the preparation of the cash flow of SID Bank.

Under the indirect method, cash flows from operating activities are determined by adjusting profit before tax for the effects of changes in operating receivables and liabilities, the effects of non-cash items (e.g. depreciation and amortisation, impairments, and foreign exchange differences) and other adjustments to net profit (e.g. provisions, fair value changes in hedge accounting, changes in the fair value of non-trading financial assets mandatorily at fair value through profit or loss, and gains/losses from the provision of loan funds and Fund of Funds transactions incurred on the basis of a first loss contract clause).

SID Bank includes the effects of changes in issued debt securities in net cash flows from operating activities.

A direct method is used to disclose cash flows from investing activities in accordance with the Regulation on the books of account and annual reports of banks and savings banks, despite the Bank compiling the statement of cash flows under the indirect method. Cash inflows from investing activities include dividends received in investing activities and receipts from the sale of property, plant and equipment, while cash outflows from investing activities include acquisitions of property, plant and equipment, acquisitions of intangible assets, and acquisitions of debt securities measured at amortised cost.

2.3.8 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include balances in settlement accounts and business accounts at banks, deposits at the central bank and other banks, loans to banks, and debt securities with an original maturity of no more than three months.

All cash equivalent items are short-term, highly liquid investments that are readily convertible into predetermined cash amounts.

2.3.9 Financial instruments

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 9

Business model

The classification and measurement of financial assets in the financial statements are determined by the selected business model within which financial assets are managed, and the characteristics of their contractual cash flows. Upon their initial recognition, each financial asset is classified into one of the following business models:

1. a model whose purpose is the collection of contractual cash flows (hold to collect model: measurement at amortised cost);
2. a model whose purpose is the collection of contractual cash flows and sale (hold to collect and sell model: measurement at fair value through other comprehensive income); and
3. other models (measurement at fair value through profit or loss).

SID Bank assesses the business model on the basis of how it manages a portfolio of financial assets in order to achieve business goals. Given its role and framework of operation, SID Bank manages financial assets under the first two basic business models, and only classifies financial assets under the third business model when they fail to meet the conditions of one of the first two business models.

Purchases and sales of financial assets other than loans and receivables are recognised on the trade date. Loans and receivables are recognised on the settlement date.

SID Bank's basic business activity involves lending operations executed either via commercial banks or in cooperation with them, or via direct lending to final beneficiaries. The aim of lending activities is to collect contractual cash flows, and these transactions are classified under the first business model accordingly.

The purpose of treasury transactions is to manage liquidity risk, interest rate risk and currency risk, and to provide funding for the purposes of financing. The aim of deposit and credit operations is to collect contractual cash flows, and they are therefore classified under the first business model. Transactions in debt securities may be concluded to collect contractual cash flows, or with the eventual aim of sale and, on this basis, they can be classified under the first or second business models.

According to the requirements of the standard, all equity instruments may only be classified under the third business model. Given that these financial instruments are not traded by the Bank, it decides, upon initial recognition of an individual equity or a group of equities, whether it will use the alternative option of measurement under other comprehensive income. Financial assets that fail the SPPI test are also classified under the third business model.

Assessment of whether contractual cash flows comprise solely payments of principal and interest (SPPI test)

SID Bank carries out an SPPI test for debt instruments assigned to the hold to collect model and the hold to collect and sell model. For the purpose of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. Interest is defined as a compensation for the time value of money, the credit risk associated with the unpaid principal, other lending risks and costs (liquidity risk and administrative expenses) and the profit margin.

The Bank assesses whether contractual cash flows are comprised solely of payments of principal and interest on the basis of the contractual characteristics of the financial instrument. This assessment also involves an assessment of whether the financial asset contains contractual provisions that may change the time and amount of the contractual cash flows so that this condition would no longer be met. In so doing, the Bank takes account of:

- potential events that could change the time and amount of contractual cash flows;
- the possibility of early repayment or extended loan repayment;
- conditions that restrict the cash flows of some assets (e.g. subordination of payments); and
- characteristics that change the understanding of the time value of money (e.g. periodic repricing of interest rates).

If a debt instrument fails the SPPI test, it must be measured at fair value through profit or loss.

Categories of financial assets

Based on the business model and the SPPI test financial assets are assigned to the following categories:

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are assets under the first business model, whose aim is to collect contractual cash flows. The contractual provisions stipulate the payment of certain time-dependent cash flows that constitute solely the payment of the principal and interest on the unpaid principal.

The Bank includes in this category loans and other financial assets such as trade receivables and debt securities that it does not intend to sell. The effects of interest, foreign exchange differences and impairments are recognised in profit or loss.

Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if they are financial assets under the second business model, whose aim is to collect and sell cash flows. The contractual provisions stipulate the payment of certain time-dependent cash flows that constitute solely the payment of the principal and interest on the unpaid principal.

The Bank includes debt securities in this category.

These assets are recognised at fair value in the statement of financial position. The effects of interest, foreign exchange differences and impairments are recognised in the income statement. The effects are the same as in the case of measurement at amortised cost. The difference between the amortised cost and the fair value, taking account of the creation of allowances for expected credit losses, is recorded under other comprehensive income.

Upon derecognition the accumulated effect of measurement is transferred from other comprehensive income to profit or loss.

In individual cases, the Bank also values equities at fair value through other comprehensive income, when the relevant standards allow such measurement. In the case of measurement at fair value through other comprehensive income, only dividend income is recognised in the income statement. Effects accumulated under other comprehensive income are never transferred to profit or loss, even upon derecognition.

Financial assets at fair value through profit or loss

If financial assets are not measured at amortised cost or fair value through other comprehensive income, they are measured at fair value through profit or loss.

This category primarily includes financial assets mandatorily at fair value through profit or loss and financial assets designated for measurement at fair value through profit or loss.

Financial assets mandatorily at fair value through profit or loss include any debt instruments that do not meet the conditions with regard to the business model or the characteristics of cash flows for measurement at amortised cost or at fair value through other comprehensive income and derivatives otherwise used for hedging other on-balance sheet items but that do not meet all of the conditions to be classified as hedging derivatives. This category also includes equities for which the Bank did not make use of the alternative option of measurement under other comprehensive income.

The Bank would classify debt instruments that passed the SPPI test but that were defined as hedging instruments upon initial recognition under financial assets designated for measurement at fair value through profit or loss, if such classification would materially reduce or eliminate accounting discrepancies that occur due to the use of different valuation methods. The Bank does not currently hold such financial assets.

ACCOUNTING TREATMENT OF THE RECOGNITION OF MODIFIED FINANCIAL ASSETS

If a financial asset is modified, it is necessary to determine whether the change results in the derecognition of an existing asset and the recognition of a new asset, or whether it is simply a change in or modification to an existing financial asset.

In so doing, the Bank takes into account the following criteria, which result in the derecognition of a financial asset:

- whether the change results in the reclassification of an on-balance-sheet exposure and a transition to measurement at fair value;
- whether this involves a new contract based on which the original debtor's debt is repaid, or an annex to a contract under which a new debtor replaces the original debtor in the credit relationship;
- whether this is a consolidation of several financial assets into a single or modified structure of new financial assets with a new cash flow scheme;
- whether this is a change in contractual currency; and
- whether this is a partial conversion of debt to equity.

For all other changes in a financial asset, derecognition is carried out if the change is material. When the net present value of the modified contractual cash flows of a financial asset differs by more than 10% from the net present value of other cash flows prior to the modification, it is recognised as a material change that results in derecognition. In that respect, the modification of contractual cash flows is not deemed a change if the modification of contractual cash flows is carried out under the original contractual terms.

If the modification causes the derecognition of a financial asset, all costs and fees are disclosed in the income statement upon derecognition of the original financial asset, and the new financial asset is recognised at fair value, i.e. less expected credit losses as appropriate. If a change does not result in the derecognition of an existing asset, the present value of modified contractual cash flows is calculated using, as the discount rate, the original effective interest rate or the credit-adjusted effective interest rate in the case of purchased or originated credit-impaired financial assets. The gross carrying amount of an asset is adjusted by the amount of the identified difference, and the effect recognised in the income statement. The amount by which the gross carrying amount of the asset is adjusted as the result of modified repayment terms is accrued over the entire remainder of the lifetime of the financial asset and is disclosed in profit or loss as interest income.

RECLASSIFICATION OF FINANCIAL INSTRUMENTS BETWEEN CATEGORIES

The Bank only reclassifies financial assets if the Bank's business model for financial asset management is modified. If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date. The Bank did not carry out any reclassifications during the reporting periods.

Reclassifications of financial liabilities are not allowed.

WRITE-OFFS

The Bank writes off receivables from investment operations when recovery has failed (generally after the exhaustion of all legal remedies and after the end of the statute-barring periods), or in the event that the customer no longer possesses any assets with which the debt from the investment operation could be repaid. In doing so, the Bank takes account of Article 32 of the Bank of Slovenia's regulation on credit risk management at banks and savings banks, which regulates the write-off of non-performing exposures for reason of failed recovery.

The previous paragraph notwithstanding, the write-off of an exposure in full nevertheless occurs on the basis of a final court order on the completion of bankruptcy proceedings administered against the customer.

Should it be assessed in the recovery procedure that an on-balance-sheet exposure will not be repaid, and that the conditions for derecognising the exposure from the statement of financial position have been met in accordance with the IFRS, the procedure for derecognising the outstanding exposure from the statement of financial position and transferring it to the off-balance-sheet records in full is begun even before a final court order on the completion of bankruptcy proceedings is obtained, in the following cases:

- for unsecured exposures, when bankruptcy proceedings are initiated against the customer and the order initiating bankruptcy proceedings is final; and
- for secured exposures, when a period of more than the following has passed since the order initiating bankruptcy proceedings became final:
  - seven years for exposures secured by real estate; and
  - five years for exposures secured by movable property or other forms of credit protection (e.g. guarantees, securities, monetary claims), and the aforementioned assets have not been liquidated in the interim. If the exposure is secured by collateral of various types, the longer of the periods regarding the other assets is taken into account.

The write-off of an exposure may also occur:

- if an extra-judicial forbearance agreement or extra-judicial or court settlement is concluded between SID Bank and the customer,
- on the basis of the sale of SID Bank's receivables, in the amount representing the difference between SID Bank's exposure as at the reporting date and the selling price achieved,
- on the basis of a final court order approving compulsory composition or a final court order in proceedings on the grounds of imminent insolvency, in the amount in which SID Bank's right to exercise payment from the customer in judicial or other proceedings was extinguished.

PROMOTIONAL FINANCING

Promotional financing is part of SID Bank's legally defined mandate and tasks under the law governing its establishment (the ZSIRB). In its promotional financing, the advantages that SID Bank gains as the national promotional financial institution on the basis of refinancing terms are passed on to eligible borrowers as final beneficiaries via the relevant inputs for setting interest rates, where the Bank does not incorporate any additional subsidies into the calculation of the interest rate. The terms for obtaining loans are defined in the general terms and conditions, which are tailored to the targets of the individual promotional programmes.

In light of the above, the fair value of these loans at origination is the same as the transaction price, i.e. the contractual amount of the loans granted.

FINANCIAL LIABILITIES

Financial liabilities are measured either at amortised cost or at fair value through profit or loss.

Upon initial recognition financial liabilities are classified with regard to the purpose of acquisition, the time held in possession and the type of financial instrument.

Financial liabilities measured at fair value through profit or loss comprise financial liabilities held for trading, under which derivatives not used to hedge against risk, and hedging derivatives, which include derivatives that meet the conditions for hedge accounting, are classified.

Net gains/losses on the basis of changes in the fair value of financial liabilities are disclosed in the income statement.

All other liabilities are classified to the category of liabilities at amortised cost, which comprises liabilities from deposits and loans from banks and central banks and from non-bank customers, issued debt securities and other financial liabilities.

PRINCIPLES APPLIED IN VALUATION AT FAIR VALUE

Fair value is the price that would be received when selling an asset or paid when transferring a liability in a transaction between unrelated market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using a valuation technique. The price on the most advantageous market is not adjusted for transaction costs.

The fair value of a financial instrument at initial recognition is the same as the transaction price. If one of the following conditions is met, the fair value might not be equal to the transaction price:

- the transaction is executed under duress, or the vendor is forced to accept the price in the transaction (which may be the case if the vendor is experiencing financial difficulties);
- the transaction is executed between related parties;
- the transaction is executed in a market other than the most advantageous; or
- the transaction price includes transaction costs.

The valuation methods and the assumptions applied are additionally disclosed in section 3.7. The aforementioned note also describes and discloses the fair value hierarchy.

IMPAIRMENTS OF FINANCIAL ASSETS AND PROVISIONS

IFRS 9 is based on the expected credit loss model where, in addition to historical data on recoverability, it is necessary to take account of forward-looking information and other internal and external factors that indicate the debtor's solvency in the future.

Expected credit losses must be estimated for the following financial instruments:

- financial assets measured at amortised cost;
- debt securities classified as financial assets measured at fair value through other comprehensive income;
- lease receivables; and
- off-balance-sheet exposures from loan commitments given and financial guarantee contracts.

IFRS 9 distinguishes between the recognition of expected credit losses during a 12-month period, and lifetime expected credit losses. SID Bank classifies financial assets for which expected credit losses must be estimated in accordance with IFRS 9 into the following stages:

- financial instruments where there has not yet been a significant increase in credit risk, and for which impairments and/or provisions for credit losses are measured on the basis of expected credit losses over a 12-month period are classified as Stage 1. Interest income from these financial instruments is calculated on the basis of the gross carrying amount;
- financial instruments where there has been a significant increase in credit risk in the period between initial recognition and the date for which the Bank estimates expected credit losses are classified as Stage 2. Allowances and provisions for credit losses are measured on the basis of expected credit losses over the entire lifetime of the financial instrument. Interest income from these financial instruments is calculated on the basis of the gross carrying amount;
- financial instruments where there has been a default event on the part of the debtor are classified as Stage 3. Allowances and provisions for credit losses are measured on the basis of expected credit losses over the entire lifetime of the financial instrument. When calculating interest for these financial instruments, SID Bank excludes the interest income associated with these financial instruments in its entirety, treats it as created allowances, and does not recognise it in the income statement until payment. Upon payment, only interest relating to the unimpaired portion of principal is recognised in the income statement under interest income. Interest relating to the impaired portion of principal is recognised under revenues from the reversal of impairments in the event of payment.

The Bank does not take into account the credit protection when classifying exposures to Stages 1, 2 or 3.

The Bank classifies financial instruments as Stage 1 upon initial recognition, except purchased or originated credit-impaired financial assets (POCI item). Upon subsequent measurement, the Bank assesses whether there has been a significant increase in the credit risk of the financial instrument in the period between initial recognition and the date for which the Bank is estimating expected credit losses. If this is not the case, the financial instrument remains classified as Stage 1. If there has been a significant increase in credit risk but the financial instrument has not yet been defined as a non-performing exposure, the Bank classifies it as Stage 2.

In the case of a purchased or originated credit-impaired financial asset (POCI item), SID Bank calculates lifetime expected credit losses until derecognition. Under IFRS 9, for POCI items the Bank is required to recognise the amount of the change in the lifetime expected credit losses on a financial instrument in profit or loss as an impairment gain or loss. The Bank is required to recognise positive changes to lifetime expected credit losses on a financial instrument as an impairment gain, even if the lifetime expected credit losses are lower than the amount of the expected losses included in the estimated cash flows at initial recognition. Under IFRS 9, POCI items are initially recognised at fair value in the statement of financial position. Upon subsequent measurement, this represents the basis for measurement at amortised cost.

The requirements of IFRS 9 with regard to the assessment of expected credit losses are complex and require critical assessments by the management, and estimates and assumptions in the following areas in particular, described in detail below:

- assessment of a significant increase in credit risk since initial recognition;
- inclusion of forward-looking information in the estimation of expected credit losses.

Measurement of expected credit losses

The Bank must measure expected credit losses of a financial instrument in a manner that takes into account:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information on past events, current conditions and forecasts of future economic conditions that is available on the reporting date without undue cost or effort.

Definition of default

In determining the default of a debtor, SID Bank applies the definition of default set out in Article 178 of the CRR, namely:

- the debtor is more than 90 days past due on any material credit obligation to SID Bank; and
- it is unlikely that the debtor will settle its credit obligations to SID Bank in full, without recourse by the Bank to actions such as liquidation of collateral or other procedures

Significant increase in credit risk

SID Bank assesses on each reporting date whether the credit risk inherent in a financial instrument has increased significantly since initial recognition. It assesses significant increases in credit risk using reasonable and supportable information at the level of the individual financial instrument, taking into account the following criteria:

- a change in credit rating with respect to the initial recognition;
- a change in weighted lifetime probability of default with respect to initial recognition;
- the number of days past due at the level of the financial instrument is more than 30;
- the financial instrument becomes a performing forborne exposure;
- the fair value is lower (by a specified percentage) than the amortised cost of a marketable debt security over an uninterrupted specified period.

SID Bank does not take into account the exemptions referred to in Article 5.5.10 of IFRS 9 with regard to the consideration of exposures with low credit risk.

Inputs used to calculate expected credit losses

SID Bank calculates expected credit losses on the basis of the following methodologies:

- a methodology for Stages 1 and 2;
- a methodology for Stage 3 (estimate of cash flows); and
- a methodology for Stage 3 (estimate of collateral).

The inputs used to calculate expected credit losses on the basis of the methodology for Stages 1 and 2 are as follows:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD); and
- discount factor.

SID Bank defines the probability-of-default curve (PD curve) and loss-given-default curve (LGD curve) for individual homogeneous groups defined internally on the basis of internally developed methodologies.

Probability of default for two main homogeneous PD groups: SID Bank determines exposures to large enterprises in Slovenia and exposures to SMEs in Slovenia based on the regression method of transition between rating grades. The input data in the model comprises microdata from the AJPES database for the period of 2006 to 2017. For the purposes of determining the probability of default for other main homogeneous PD groups, SID Bank uses the data of the rating agency Fitch Ratings, which is microdata to which SID Bank applies regression methods in survival analysis for modelling.

When determining loss given default, SID Bank proceeds from the default rate as defined by the Bank of Slovenia's Guidelines for calculating default rate and loss rate, and is based on the collection of data on repayments that are not made from collateral, which are reflected in the parameter of the recovery rate for unsecured exposure, and on repayments made from collateral, which are reflected in the parameter of haircut. The Bank collects data on repayments for exposures that are (were) in default status. When estimating expected credit losses for exposures classified to Stages 1 and 2, the Bank calculates the loss-given-default curves for each homogeneous LGD segment. In the calculation of the loss-given-default curve, the Bank takes into account the exposure at default, the collateral value of the individual exposure, less the haircut (HC), the recovery rate for unsecured exposure (Spnez), and macroeconomic factors for the Spnez and HC parameters.

SID Bank determines exposure at default with regard to the exposure of a financial instrument on the date of calculation of expected credit losses and the future contractual cash flows from the financial instrument. When calculating exposure at default for off-balance-sheet exposures, SID Bank takes into account the regulatory conversion factors set out in the CRR.

The effective interest rate determined at initial recognition or an approximation thereof is used as a discount factor. For a purchased or originated credit-impaired financial asset (POCI item), the credit-adjusted effective interest rate determined at initial recognition is used for discounting. In connection with financial guarantee contracts and financial instruments for which the effective interest rate cannot be determined, SID Bank uses the weighted interest rate of performing exposures in its credit portfolio.

SID Bank calculates the expected credit losses on financial instruments classified as Stage 3 on the basis of the methodology of cash flow estimation (going concern) or collateral estimation (gone concern), taking into account forward-looking information.

For a purchased or originated credit-impaired financial asset (POCI item) that is defined as a non-performing exposure, SID Bank calculates the expected credit losses on the basis of the Stage 3 methodologies. If a purchased or originated credit-impaired financial asset (POCI item) becomes a performing exposure, SID Bank calculates the expected credit losses on the basis of the Stage 2 methodology.

Forward-looking information

In the determination of probability of default, SID Bank takes into account forward-looking information on the basis of the correlation between the default rate and a macroeconomic indicator derived from GDP growth.

In the determination of loss given default, SID Bank takes into account forward-looking information concerning the parameter of recovery rate for unsecured exposure (Spnez) and the parameter of haircut (HC) in the form of factors of macroeconomic forecasts.

When determining the dependence of the parameter of recovery rate for unsecured exposure (Spnez) based on the state of the economy, SID Bank examines the recovery rates for unsecured exposures depending on the value of a macroeconomic indicator derived from GDP growth.

In order to calculate the factors of macroeconomic forecasts for the haircut (HC) parameter, SID Bank divides collateral into two groups:

- real estate collateral (commercial and residential real estate); and
- other types of collateral (securities, movable property and receivables).

To identify the dependence of real estate values on the state of the economy, SID Bank takes into account the correlation between the index of the Surveying and Mapping Authority of the Republic of Slovenia and a macroeconomic indicator derived from GDP growth, and the correlation between the collateral values from the Bank's portfolio and a macroeconomic indicator derived from GDP growth for other types of collateral.

SID Bank takes into account standard factors of macroeconomic forecasts to calculate expected credit losses for the entire portfolio. The factors of macroeconomic forecasts are taken into account in the calculation of individual points on the LGD curve for financial instruments classified as Stages 1 and 2, and in the calculation of estimated repayments for financial instruments classified as Stage 3.

In the calculation of expected credit losses, SID Bank takes into account three scenarios of macroeconomic forecasts, and may take into account more if major shocks are expected. The scenarios generally comprise baseline, favourable and adverse projections of major macroeconomic factors. The gap between the favourable and adverse scenarios reflects internally assessed risk in the domestic and foreign macrofinancial environments.

		Annual GDP growth, %							
		Slovenia				Euro area			
	Scenario probability weighting	2023	2024	2025	2026	2023	2024	2025	2026
Baseline scenario	50%	1.6	2.8	2.5	2.3	0.7	1.0	1.5	1.5
Favourable scenario	20%	2.2	4.7	3.5	2.7	1.2	2.5	2.2	1.9
Adverse scenario	30%	0.4	-0.2	1.0	1.5	-0.3	-0.6	0.3	0.4

The table indicates the annual GDP growth rates that SID Bank took into account in the calculation of expected credit losses according to the situation as at 31 December 2023. In its baseline scenario SID Bank took account of the forecasts of the Institute of Macroeconomic Analysis and Development in its growth for Slovenia's GDP, and the macroeconomic forecasts of the European Commission, the ECB and the IMF in its growth forecast for euro area GDP.

Sensitivity analysis of macroeconomic variables

The table below presents a sensitivity analysis of the effect of a change in GDP growth by +/-100 basis points on the level of probability of default (PD), loss given default (LGD) and expected credit losses (ECL) according to the situation as at 31 December 2023. The change in GDP growth under the baseline scenario over the period of 2024 to 2026 is taken into account.

Change in GDP growth	Impact on PD (basis points)	Impact on LGD (basis points)	Impact on ECL (EUR thousand)
+100 basis points	-6.55	-109.12	-1,906
-100 basis points	7.58	140.08	2,379

Forborne loans

Forborne loans are loans for which forbearance measures were applied. Those measures comprise concessions (allowances) to a customer that is experiencing or will soon experience difficulties in meeting its financial commitments (financial difficulties).

The Bank assesses financial difficulties and the ability to repay a debt at the customer level during the forbearance of loans. In doing so, account is taken of all the legal entities within the customer's group that are subject to consolidation for accounting purposes, and the natural persons who control this group.

A concession relates to one of the following actions:

- a change in the terms of the repayment of the investment transaction when such a change would have been otherwise unapproved had the customer not found themselves in difficulty with regard to meeting its financial commitments; and
- partial or complete refinancing of the investment transaction when such refinancing would otherwise not have been approved had the customer not found itself in difficulty with regard to meeting its financial commitments.

All differences resulting from forbearance are recognised in the income statement.

For the purpose of making a decision on the adoption of a forbearance measure, the Bank obtains information on the effects of forbearance on its financial assets and, as a rule, information on the economic effects of forbearance compared with alternative solutions (e.g. the liquidation of collateral, the sale of financial assets).

The Bank provides analytical records for forborne loans in its books of account, including information about the method of forbearance (via an annex or a new contract), the types of forbearance, the dates of forbearance, and effects that change the value of loans, including the effects of write-offs and derecognition from the statement of financial position, a change in the probability of loss, a change in the customer's credit rating and any changes in the status of forborne loans.

HEDGE ACCOUNTING

New developments in hedge accounting brought about by the introduction of IFRS 9 in 2018 include: the abolition of the measurement of hedge effectiveness, time value of options and forward points, determination of the total exposure of hedged items, the possibility of hedging separate components of risk, and a prohibition on the voluntary discontinuation of hedging relationships.

The Bank took the opportunity afforded by IFRS 9 to continue applying the requirements with regard to hedge accounting under IAS 39. Eligible hedging instruments include:

- derivatives measured at fair value through profit or loss;
- non-derivative financial assets or non-derivative financial liabilities measured at fair value through profit or loss; and
- contracts with parties external to the Group and the Bank.

2.3.10 Derivatives and hedge accounting

The Bank classifies derivatives as financial instruments held for trading and financial instruments used for hedging. Derivatives are initially recognised at fair value in the statement of financial position. Fair values are determined on the basis of prices quoted on an active market, and using the discounted future cash flow method or pricing models, depending on the specific derivative. Derivatives are recognised in the statement of financial position as an asset if their fair value is positive and as a liability if their fair value is negative.

Changes in the fair value of derivatives that are not hedging instruments are disclosed in profit or loss in the item net gains/losses on financial assets and liabilities held for trading.

Financial instruments held for hedging include those derivatives that meet the conditions for hedge accounting.

Hedge accounting means the booking of a hedging relationship between the hedging instrument (usually a derivative) and the hedged item (an asset or liability, or a group of assets or group of liabilities with similar risk attributes) for the purpose of mutually neutralising the effects of measuring the two instruments in profit or loss, which would otherwise not be recognised in profit or loss simultaneously. In doing so, the hedging relationship should be formally noted and appropriately documented.

When a hedging relationship is introduced, the Bank must produce a formal document that describes the relationship between the hedged item and the hedging instrument, the purpose of risk management, the valuation methodology and the hedging strategy. The Bank must also document the assessment of the effectiveness of hedging instruments that are exposed to changes in the fair value of the hedged item or the hedged cash flows of the transaction that are attributable to the hedge in question. These are the conditions that must be met for hedging relationships to be eligible. The Bank assesses hedge effectiveness at the conclusion of a transaction and then during the hedging relationship, where hedge effectiveness must fall within a range of 80% to 125%.

The Bank used fair value hedges in 2022 and 2023 according to IAS 39.

Fair value hedge

According to IAS 39, a fair value hedge is a hedge against exposure to changes in the fair value of a recognised asset or liability or a previously unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that can be attributed to a particular risk and could affect profit or loss.

The Bank uses interest rate swaps as hedging instruments.

With an effective hedge, changes in the fair value of hedging instruments (derivatives) are recognised immediately in the income statement under the item of changes in fair value in hedge accounting.

If a hedged item is measured at historical cost, the carrying amount of that item is adjusted for the gain or loss associated with the hedged item that can be attributed to the hedged risk, while that gain or loss is also recognised in the income statement under the item changes in fair value in hedge accounting.

If a hedged financial asset is measured at fair value through other comprehensive income, the gain or loss attributable to the hedged risk is recognised in the income statement under the item changes in fair value in hedge accounting and not in other comprehensive income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, when the hedge no longer meets the hedge accounting criteria or the Bank revokes the hedge designation.

If a hedging relationship fails to meet several conditions for hedge accounting, the ineffective hedge in the form of a derivative is disclosed in the income statement in the item net gains/losses on financial assets and liabilities held for trading. An adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is transferred to profit or loss over the remaining period until maturity. An adjustment to the carrying amount of a hedged equity instrument is included in the income statement at the time of sale.

2.3.11 Investments in subsidiaries, associates and joint ventures

Interests in subsidiaries, associates and joint ventures are recognised in the separate financial statements at original cost (cost method), and dividends are recognised in the income statement when the right to receive the dividend arises.

When there is evidence of the need for the impairment of an investment in a subsidiary or joint venture, the Bank assesses the recoverable amount for each investment separately. For investments in subsidiaries where there is no goodwill at the time of acquisition, an assessment is made of whether there is any indication of impairment on the reporting date, and if there is such indication, an impairment test is conducted. For investments in a joint venture, an impairment test is carried out on the basis of a goodwill impairment test of cash-generating units that includes goodwill

Impairment tests are carried out for investments in accordance with the commercial expectations of the individual investment.

The basis for the test is the valuation of the investment. The input data for valuation comprises commercial expectations supported by the individual undertaking's business plan, and the influence that SID Bank has on the individual undertaking's performance. The valuation model is based on the measurement of discounted cash flows. The discount factor is calculated in accordance with the risks to which the individual investment is exposed.

2.3.12 Property, plant and equipment and intangible assets

Property, plant and equipment

Property, plant and equipment comprise real estate, equipment and supplies.

Property, plant and equipment are valued at original cost upon initial recognition. The original cost comprises the purchase price, import duties and non-refundable purchase taxes, and the costs that can be directly attributed to making the asset fit for its intended use. Subsequently incurred costs of maintenance and repairs in connection with an item of property, plant and equipment are disclosed as costs in profit or loss. Investments in existing property, plant and equipment that increase the future economic benefits increase the value of the aforementioned assets.

After initial recognition a cost model is applied, which means that items of property, plant and equipment are recorded at original cost minus the accumulated depreciation and accumulated impairment loss.

Land and buildings are treated separately, even if acquired together.

Property, plant and equipment become subject to depreciation once the asset is available for use. Depreciation is charged on a straight-line basis.

Depreciation rates applied (%)	2023	2022
Buildings and parts of buildings	5.0	5.0
Computer equipment	14.3–33.3	50.0
Cars	12.5	12.5
Furniture	11.0	11.0
Other equipment	25.0	25.0
Small inventory	25.0	25.0

Property, plant and equipment are impaired when their carrying amount exceeds their recoverable amount. The impairment loss is recognised as an expense in the income statement. The existence of indications of asset impairment is assessed at the end of each financial year, on the reporting date. If such indications exist, the recoverable amount of the asset is estimated as follows:

- the fair value less cost to sell, or
- the value in use,

whichever is higher.

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal, if future economic benefits can no longer be expected from its use or disposal.

Intangible assets with determinable useful life

This item includes investments in software and licences. An amortisation rate of 14.3% was applied to software and licences in 2023 (20% in 2022). Amortisation is charged on a straight-line basis.

Intangible assets with determinable useful life are impaired when their carrying amount exceeds the recoverable amount. The impairment loss is recognised as an expense in the income statement. The existence of indications of impairment of intangible assets is assessed at the end of each financial year, on the reporting date. If such indications exist, the recoverable amount of the asset is estimated as follows:

- the fair value less cost to sell, or
- the value in use,

whichever is higher.

After initial recognition, intangible assets with a determinable useful life are disclosed using the cost model, at the original cost less the accumulated amortisation and any accumulated impairment losses.

Amortisation ceases either on the day when the asset is classified as available-for-sale, or on the day when it is derecognised, whichever is the earlier.

2.3.13 Accounting for leases

The Bank identifies contracts that satisfy the definition of a lease in accordance with IFRS 16. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a specific period in exchange for consideration.

On the day that a lease commences, the Bank (as lessee) recognises a right-of-use asset and lease liability. The Bank measures a right-of-use asset at historical cost on the day that the lease commences. The Bank keeps analytical records of assets under lease recognised as right-of-use assets in the appropriate property, plant and equipment and investment property accounts.

The value of right-of-use assets comprises the amount of the initially measured lease liability adjusted for all lease payments made at or prior to the commencement of a lease, any lease incentives, initial direct costs incurred by the lessee and estimated costs that the lessee will incur at the end of the lease. A right-of-use asset is treated similarly to other non-financial assets and is thus depreciated accordingly. Right-of-use assets under lease are depreciated linearly from the day that the lease commences until the end of the asset's useful life or until the end of the lease term, if the latter is shorter.

A lease liability is calculated as the present value of future lease payments, discounted at the rate implicit in the lease if that rate can be determined; otherwise the incremental borrowing rate is assumed.

The Bank assumes a five-year lease term for the calculation of the net present value for contracts concluded for an indefinite period.

The Bank applied the following practical expedients provided for by the standard:

- the Bank does not separate non-lease components from lease components; instead all lease components and the associated non-lease components are treated as a single lease component; and
- the Bank does not apply IFRS 16 to leases of intangible assets.

The Bank applies the following exemptions permitted by the standard at the time of recognition:

- short-term leases (leases of up to 12 months); and
- low-value leases (the original cost of a new asset under lease does not exceed the EUR 5,000 regardless of the age of the asset).

The Bank recognises lease payments associated with such leases as leasing costs over the entire lease term using the straight-line method.

2.3.14 Other assets

Other assets include prepayments, accrued income, tax assets and advances.

Other assets are recognised in the amounts arising from the relevant documents, on the assumption that they will be recovered. The fair value, i.e. the recoverable amount, is examined for other assets in various ways on the reporting date. If there is objective evidence of other assets disclosed at amortised cost having undergone an impairment loss, that loss is disclosed as impairments in connection with other assets; the carrying amount of the other assets is reduced by the restatement in the value adjustment subsidiary account.

2.3.15 Provisions for liabilities and costs

Provisions are created for contingent losses in connection with risks inherent in off-balance-sheet liabilities (approved but unused loans and credit lines, and guarantees), and for termination benefits at retirement and jubilee benefits.

Provisions for liabilities and costs are recognised when there is a present commitment (legal or indirect) as a result of a past event, and it is likely that in the settlement of the commitment there will be an outflow of resources yielding economic benefits, and a reliable estimate can be made of the commitment. Provisions are reversed when excessive provisions are established or when contingent losses in connection with risks are reduced.

SID Bank recognises provisions for off-balance-sheet liabilities on the basis of the procedures cited in section 2.3.9 under the section entitled Impairments of financial assets and provisions.

2.3.16 Employee benefits

Employee benefits include current and non-current employee benefits.

Current benefits include wages and salaries, wage compensation, leave allowance, non-cash benefits, refunds of travel and food expenses, and compensation for the use of own assets. Current employee benefit commitments are recognised in an undiscounted amount, and are disclosed as expenses when the work of the employee is performed in respect of the specific current benefit.

Non-current employment benefits include post-employment benefits in the form of termination benefits at retirement and other non-current employee benefits in the form of jubilee benefits.

Legislation stipulates that employees generally retire after 40 years of service, and are then entitled to a one-off termination benefit at retirement, provided that the stipulated conditions are met. Employees are also entitled to jubilee benefits in accordance with the collective agreement.

The requisite provisions on this basis are calculated in the amount of the present value of future expenses, taking into account certain assumptions. The creation and reversal of provisions is recognised in the income statement under the item of provisions. A change in the present value of liabilities caused by approaching maturity is recognised in the income statement under interest expenses. Actuarial gains/losses on termination benefits are recognised in the statement of comprehensive income, and are never reclassified to the income statement. Actuarial gains/losses on jubilee benefits are recognised in the income statement under the item of provisions.

Until 2023 the Bank created provisions for termination benefits at retirement and jubilee benefits on the basis of its own accounting. As at 31 December 2022 the calculation was made on the basis of the assumption that all employees on permanent contracts included in the calculation will remain employed at the Bank until the payment of all pertaining jubilee benefits and until retirement. An annual discount factor of 1.0008 was used, and takes account of the average yield to maturity on government debt securities for 2022 announced by the Ministry of Finance for pension insurance purposes, and the average wage of employees in the last quarter.

The creation of provisions for termination benefits and jubilee benefits as at 31 December 2023 is based on a calculation by an independent certified actuary using the projected unit credit method (a method for accruing benefits in proportion to the work performed, or where benefits are based on years of service at the Bank). The calculation took account of the following key actuarial assumptions:

- a discount rate of 3.2%, which reflects the return on high investment grade (rated AA) corporate bonds,
- growth in basic wages and variable remuneration of 2.4% to 4.3% estimated on the basis of annual inflation, plus a real growth rate of 0.4 percentage points, but no more, as is projected for average wage growth in Slovenia and wage growth as a result of promotion and past years of service,
- employee turnover as a result of termination of employment by the employee on the basis of data from previous years,
- a mortality rate with regard to the mortality table for Slovenia's population from 2007,
- retirement conditions in accordance with the ZPIZ-2, and an assumption that women will not retire before 56 or men before 58, irrespective of the total years of service.

2.3.17 Other liabilities

Other liabilities include liabilities for wages, wage compensation and contributions from wages, liabilities for accruals and deferred income, tax liabilities and advances received.

2.3.18 Shareholder equity

Shareholder equity consists of share capital, share premium, profit reserves, accumulated other comprehensive income, the equity adjustment (shares held in treasury) and net profit for the financial year.

Share capital is disclosed in the nominal value, and has been paid up by the owners.

Share premium may be used in accordance with the law to cover losses and increase capital.

Profit reserves are recognised when created by the body that compiles the annual report or by a resolution of the competent body, and are used in accordance with the articles of association and the law.

Reserves under the articles of association may be used to cover net loss during the financial year, to cover net losses brought forward, to increase the share capital, to create reserves for treasury shares and to cover major damage incurred during operations or extraordinary business events. Other profit reserves are intended to strengthen capital adequacy.

Accumulated other comprehensive income records accumulated gains/losses from changes in the fair value of equities and debt instruments measured at fair value through other comprehensive income, and actuarial gains/losses plus/less any deferred taxes.

Own shares held in treasury are disclosed as a deduction to equity in the amount of the consideration therefor.

2.3.19 Interest income and expenses

Interest income and interest expenses include interest on financial instruments measured at amortised cost, interest-bearing financial assets measured at fair value through other comprehensive income, non-trading financial assets mandatorily at fair value through profit or loss, hedging derivatives, and other assets and liabilities.

Income and expenses for interest on financial instruments measured at amortised cost and interest-bearing financial assets measured at fair value through other comprehensive income are recognised in the income statement in the relevant period using the effective interest rate method.

When disclosing interest on financial assets measured at amortised cost that are classified as Stage 3 and interest on non-performing financial assets measured at fair value through profit or loss, owing to technical limitations the Bank applies a conservative approach, under which a higher amount of interest (including interest that relates to the unimpaired portion of principal) is credited to allowances for credit losses. This interest is only recognised in the income statement when payment is made. Upon payment, only interest from the unimpaired portion of the loan principal is recognised under interest income in the income statement if the loan is measured at amortised cost, or interest from the loan's fair value if the loan is measured at fair value. In the event of payment, the interest relating to the remainder of the principal is recognised by the Bank under revenues from the reversal of impairments if the loan is measured at amortised cost, or under net gains on financial assets mandatorily at fair value through profit or loss if the loan is measured at fair value.

For financial assets measured at fair value through other comprehensive income, interest income is calculated on the basis of yield-to-maturity on the basis of the calculation of amortised cost using the effective interest rate method.

2.3.20 Dividend income

Dividend income is recognised in the income statement when the Bank acquires the right to payment and the amount of the dividend can be reliably measured.

2.3.21 Fees and commission received and paid

Fees and commission included in the calculation of the effective interest rate of a financial asset or a financial liability are disclosed under interest income or interest expenses. The item of fee and commission income thus includes fees and commission on issued guarantees and approved credit operations that are not included in the effective interest rate, while the item of fee and commission expenses comprises fees and commission for borrowings, stock exchange transactions, guarantees received and other services provided (services in connection with the payment and management of the Bank's assets at another institution).

Fee and commission income, except for that comprising a constituent part of the effective interest rate, is accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. In accordance with IFRS 15, revenue is recognised when the Bank fulfils (or is fulfilling) its performance obligation by transferring the promised service (i.e. an asset) to the customer. An asset is deemed to have been transferred when the customer obtains control of the asset. If the performance obligation is fulfilled at a specific point in time, the associated revenues are recognised in the income statement when the service is rendered. If the performance obligation is fulfilled over a certain time period, the associated revenues are recognised in the income statement in accordance with the progress made in fulfilling the obligation. Due to these rules, the Bank recognises fees and commission from approved credit operations at the moment when the service is rendered, while it recognises fees and commission for guarantees issued over the duration of the contract.

The amount of revenues associated with fees and commission is measured on the basis of contractual provisions. If the amount provided in the contract depends entirely or partially on variability, the revenues are booked in the amount of the most probable value that the Bank expects.

Fees and commission are generally recognised in the income statement when the service has been rendered.

2.3.22 Net gains/losses on financial assets and liabilities not measured at fair value through profit or loss

Net gains/losses on financial assets not measured at fair value through profit or loss include gains/losses realised from the sale, upon maturity or other derecognition of financial assets not measured at fair value through profit or loss, i.e. financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.

The Bank discloses gains/losses from the operations of loan funds established together with the MEDT and the MI under net gains/losses on financial liabilities not measured at fair value through profit or loss. They are recognised on the basis of a contractually agreed first loss clause: any loss on the part of the funds is first covered by the priority participation of the MEDT and the MI in loan fund risks by reducing the liabilities to the MEDT and the MI, which the Bank discloses under financial liabilities measured at amortised cost.

2.3.23 Net gains/losses on non-trading financial assets mandatorily at fair value through profit and loss

Net gains/losses on non-trading financial assets mandatorily at fair value through profit or loss include realised and unrealised gains/losses relating to equities, as well as the effects of measurement and realised effects associated with debt securities, loans and other financial assets that do not meet the conditions for measurement at amortised cost.

2.3.24 Changes in fair value in hedge accounting

In connection with fair value hedging that meets the conditions for hedge accounting, gains or losses from the remeasurement of the hedging instruments at fair value are recognised immediately in the income statement under the item of changes in fair value in hedge accounting. Gains or losses on the hedged item that can be ascribed to the hedged risk are also recognised in the same item, and the carrying amount of the hedged item is adjusted accordingly at the same time. If the hedging relationship no longer meets the conditions for hedge accounting, the adjustment to the carrying amount of the hedged item, to which the effective interest rate method is applied, is transferred to profit or loss in the remaining period to maturity.

2.3.25 Other net operating income/expenses

Other net operating income/expenses disclosed in the income statement include income and expenses from non-banking services.

Income for non-banking services include fees charged for services provided under authorisation and other services.

Income is recognised when the contractual obligation has been performed, i.e. when the goods and services have been transferred to the customer. It is recognised in an amount that reflects the consideration to which the undertaking expects to be entitled.

Other operating expenses mostly comprise expenses for donations.

2.3.26 Government grants

The Bank recognises government grants when there is an acceptable assurance that it meets all the relevant conditions and will receive the grant. Government grants received by the Bank as compensation for previously incurred expenses or losses or as immediate aid not associated with any additional costs are recognised in profit or loss in the period for which the Bank receives the grants. The Bank deducts grants associated with income from the expenses disclosed in relation to these grants. The Bank received no government grants in 2022 and 2023.

2.3.27 Taxes

Corporate income tax is accounted for in accordance with local legislation.

The Bank does not recognise and does not disclose information on deferred tax assets and deferred tax liabilities in connection with Pillar Two income taxes, as it is not part of an international group. Pillar Two income taxes include income taxes proceeding from tax legislation that has been adopted or is being treated as adopted for the implementation of the Pillar Two model rules published by the OECD, including tax legislation by virtue of which qualified domestic minimum top-up taxes described in those rules are implemented.

Deferred taxes are accounted for using the statement of financial position liability method for all temporary differences arising between the tax values of assets and liabilities and their carrying amounts. Deferred taxes are calculated using the tax rates that are applicable as at the reporting date, or that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. In calculating its deferred taxes as at 31 December 2023, the Bank applied a new tax rate (22%), which was introduced for the levying of income tax by the Act on Reconstruction, Development and Provision of Financial Resources (ZORZFS) for the period of 2024 to 2028. In addition to a higher tax rate for the period of 2024 to 2028, the ZORZFS also introduces a tax on the total assets of banks and savings banks in the amount of 0.2% of the balance sheet total calculated as an average of the stock as at the final day of each month during the tax period. If the tax liability exceeds 30% of the profit from ordinary operations before recognition of the expense for the tax on the total assets of banks and savings banks for the tax period in question, the tax liability is equal to 30% of the profit from ordinary operations before recognition of the tax expense for the tax period in question.

Deferred tax assets are recognised for all deductible temporary differences if it is likely that an available taxable profit will arise against which it will be possible to apply deductible temporary differences.

In accordance with IAS 12, deferred tax assets and liabilities are netted against each other.

Deferred taxes in connection with the valuation of financial instruments measured at fair value through other comprehensive income are disclosed directly in other comprehensive income.

2.3.28 Calculation of net earnings per share

Net earnings per share are calculated as the ratio of the net profit disclosed by the Bank in the income statement to the number of shares making up its share capital. Own shares held in treasury are not included in the calculation.

2.3.29 Contingent liabilities and financial commitments given

Financial guarantees, undrawn approved loans and credit lines, and unpaid uncalled capital are disclosed under financial commitments given.

Financial guarantees comprise irrevocable commitments for payments when a customer fails to meet its liabilities to third parties. Financial guarantees are initially recognised at fair value, which is usually equal to the amount of commission received. The commission received is transferred to the income statement over the lifetime of the guarantee using the linear accrual method. After initial recognition, issued guarantees are disclosed in the statement of financial position at the higher of the following values:

- the allowance for loss determined in accordance with IFRS 9, or
- the originally recognised amount less the cumulative amount of revenue recognised in accordance with IFRS 15.

The risks related to contingent liabilities and financial commitments given are assessed on the basis of applicable accounting policies and internal regulations in connection with risk management described in section 2.3.9 under the section entitled Impairments of financial assets and provisions. Any increase in liabilities dependent on risk is reflected in the item of provisions.

The nominal contract values of guarantees and undrawn approved loans that are concluded at market terms are not recognised in the statement of financial position.

2.3.30 Operations for the account of the Republic of Slovenia

Operations on behalf of and for the account of the Republic of Slovenia

The insurance operations that SID Bank provides on behalf of and for the account of the Republic of Slovenia are disclosed under separate items, as determined by the Bank of Slovenia for the administration of transactions under authorisation. The assets and liabilities relating to these transactions are not included in the Bank's statement of financial position.

Operations on its own behalf and for the account of the Republic of Slovenia

The operations of the FI 2014-2020 Fund of Funds and the Covid-19 Fund of Funds that SID Bank manages on its own behalf and for the account of the Republic of Slovenia are recorded as separate items. The assets and liabilities relating to these funds are not included in the Bank's statement of financial position.

Explanations of the operations under Republic of Slovenia authorisation are given in the section of the business report entitled Operations under Republic of Slovenia authorisation.

2.3.31 Reporting by operating segment

Under IFRS 8, SID Bank has one operating segment: banking. The banking segment constitutes a single operating segment, as the operations at the Bank do not vary significantly in terms of risk or return.

The majority of SID Bank's operations are on the domestic market, for which reason it does not disclose additional itemisations by geographical area.

2.3.32 New effective standards and interpretations in the reporting period, and issued/approved standards and interpretations not yet effective and applied

Accounting standards, and amendments to and interpretations of existing standards that were issued by the IASB and adopted by the EU, and are effective as of 1 January 2023

- New IFRS 17 Insurance Contracts, including amendments to IFRS 17, as adopted by the EU on 19 November 2021 and effective for annual periods beginning on 1 January 2023. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Bank does not issue contracts in scope of IFRS 17; therefore, its application does not impact the Bank's financial performance, financial position and cash flows.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 and effective 1 January 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, adopted by the EU on 2 March 2022 and effective 1 January 2023. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction, adopted by the EU on 11 August 2022 and effective 1 January 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules, adopted by the EU on 8 November 2023 and effective 1 January 2023. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The new standards and amendments to existing standards did not have a material impact on the Bank's accounting policies, Its financial performance, financial position and cash flows.

Accounting standards, and amendments to and interpretations of existing standards that were issued by the IASB and adopted by the EU, but are not yet effective for the financial year beginning 1 January 2023

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, adopted by the EU on 20 November 2023 and effective 1 January 2024. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current, adopted by the EU on 19 December 2023 and effective 1 January 2024. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

The Bank has not opted for the early application of amendments to existing standards that have not yet entered into effect, and assesses that those amendments will not have a material impact on its accounting policies during initial application.

Accounting standards, amendments to and interpretations of existing standards that were issued by the IASB, but not yet adopted by the EU

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements, effective 1 January 2024. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.
- Amendment to IAS 21 Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, effective 1 January 2025. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The Bank does not expect the introduction of these amendments to existing standards to have a material impact on its accounting policies during initial application. The Bank opted not to apply any amendments to existing standards before the date of mandatory application.

2.4 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF SID BANK

2.4.1 Cash, cash balances at central banks and demand deposits at banks

	31 Dec 2023	31 Dec 2022
Cash balances at central banks	323,682	413,466
Demand deposits at banks	103	162
Total	**323,785**	**413,628**

SID Bank is obliged to meet the reserve requirement at the central bank. The reserve requirement is 1% of the stock of deposits received and issued debt securities with an agreed maturity of up to two years. At the end of 2023 the reserve requirement was zero (31 December 2022: zero).

2.4.2 Non-trading financial assets mandatorily at fair value through profit or loss

BREAKDOWN BY TYPE OF NON-TRADING FINANCIAL ASSET MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 Dec 2023	31 Dec 2022
Equity instruments	4,930	3,810
Shares (of independent undertakings)	3,439	2,653
Equity holdings	1,491	1,157
Alternative investment funds	48,336	33,836
Loans and advances	1,976	1,336
Loans and advances to non-bank customers	1,976	1,336
Total	**55,242**	**38,982**

The increase in the value of alternative investment funds in 2023 is mostly attributable to the Slovene Equity Growth Investment Programme (SEGIP), which was put in place in 2017 at the initiative of SID Bank in collaboration with the European Investment Fund (EIF) and on the basis of additional payments into the Three Seas Initiative Investment Fund.

CHANGES IN NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS - EQUITY INSTRUMENTS

	2023	2022
Equity instruments		
Balance as at 1 Jan	3,810	4,150
Increase	2,218	2,653
Acquisition	57	2,552
Changes in fair value	2,161	101
Decrease	(1,098)	(2,993)
Sale/derecognition	0	(2,552)
Changes in fair value	(1,098)	(441)
Balance as at 31 Dec	**4,930**	**3,810**

CHANGES IN NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS – ALTERNATIVE INVESTMENT FUNDS

	2023	2022
Alternative investment funds		
Balance as at 1 Jan	33,836	24,156
Increase	16,628	11,699
Acquisition	10,725	9,018
Changes in fair value	5,903	2,681
Decrease	(2,128)	(2,019)
Sale/derecognition	0	(427)
Changes in fair value	(2,128)	(1,592)
Balance as at 31 Dec	**48,336**	**33,836**

CHANGES IN NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS - LOANS AND ADVANCES

	2023	2022
Loans and advances		
Balance as at 1 Jan	1,336	996
Increase	2,280	1,847
Calculated interest, fees and commissions	60	41
Changes in fair value	2,220	1,806
Decrease	(1,640)	(1,507)
Repayments	(445)	(759)
Changes in fair value	(1,078)	(748)
Write-offs	(117)	0
Balance as at 31 Dec	**1,976**	**1,336**

2.4.3 Financial assets measured at fair value through other comprehensive income

BREAKDOWN BY TYPE OF FINANCIAL ASSET MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31. 12. 2023	31. 12. 2022
Debt securities	406,509	507,271
Bonds	406,509	504,309
Government	263,226	300,698
Republic of Slovenia	118,166	112,595
Other countries	145,060	188,103
Banks	65,310	89,871
Non-financial corporations	56,789	82,917
Financial institutions	21,184	30,823
Treasury bills and commercial paper	0	2,962
Equities	15,532	15,179
Shares	15,532	15,179
Total	**422,041**	**522,450**
Quoted	401,320	496,119
Unquoted	20,721	26,331
Total	**422,041**	**522,450**
Allowances for credit losses	(150)	(209)

In its securities portfolio management, SID Bank strives for a combination of safety, liquidity and profitability in order to ensure liquidity and ALM. To this end, the debt securities portfolio contains a large proportion of marketable government securities and other highly liquid securities.

The decline in holdings of debt securities measured at fair value through other comprehensive income is primarily attributable to the maturing of securities. To reduce the volatility in other comprehensive income, and having regard for the business model, upon initial recognition the Bank mainly classified new investments in debt securities as financial assets measured at amortised cost.

With regard to debt securities measured at fair value through other comprehensive income, the Bank carried out a reversal of impairments in the amount of EUR 59 thousand in 2023 (2022: EUR 280 thousand).

The changes in impairments for debt securities and accumulated other comprehensive income are disclosed in this section below.

Equities comprise an investment in a strategic partner, namely the EIF. The increase in the value of equities is the result of a positive revaluation of the investment.

In 2022 and 2023 the Bank did not generate any net gains/losses on derecognition of equities measured at fair value through other comprehensive income, meaning that there was no transfer to retained earnings.

The total carrying amount of financial assets measured at fair value through other comprehensive income in the pool of eligible collateral at the Bank of Slovenia was EUR 373,799 thousand at the end of 2023 (31 December 2022: EUR 455,844 thousand), none of which was actually pledged (31 December 2022: EUR 266,083 thousand was pledged). The securities pledged at the end of 2022 were mainly collateral for targeted longer-term refinancing operations (TLTROs) from the Bank of Slovenia and the ECB.

CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - DEBT SECURITIES

	2023		2022		
	Stage 1	Total	Stage 1	Stage 2	Total
Balance as at 1 Jan	507,271	507,271	795,170	1,027	796,197
Recognition of new financial assets	9,982	9,982	18,684	0	18,684
Transfer from Stage 2 to Stage 1	0	0	1,012	(1,012)	0
Accrued interest	1,016	1,016	1,382	15	1,397
Interest paid	(5,053)	(5,053)	(7,376)	(30)	(7,406)
Net changes in fair value	21,140	21,140	(63,073)	0	(63,073)
Effect of change in fair value of hedged financial instruments	2,104	2,104	(4,294)	0	(4,294)
Derecognition of financial assets	(129,951)	(129,951)	(234,234)	0	(234,234)
Balance as at 31 Dec	**406,509**	**406,509**	**507,271**	**0**	**507,271**

CHANGES IN LOSS ALLOWANCES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - DEBT SECURITIES

	2023		2022		
	Stage 1	Total	Stage 1	Stage 2	Total
Balance as at 1 Jan	(209)	(209)	(461)	(28)	(489)
Transfer from Stage 2 to Stage 1	0	0	(8)	8	0
Creation of impairments	(42)	(42)	(38)	0	(38)
Reversal of impairments	101	101	298	20	318
Balance as at 31 Dec	**(150)**	**(150)**	**(209)**	**0**	**(209)**

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME FROM FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - DEBT SECURITIES

	2023	2022
Balance as at 1 Jan	(46,012)	5,304
Net changes in fair value	20,447	(62,851)
Transfer of (gains)/losses to profit or loss upon sale	693	(222)
Impairments	(59)	(280)
Deferred tax	(2,934)	12,037
Balance as at 31 Dec	**(27,865)**	**(46,012)**

CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - EQUITIES

	2023	2022
Balance as at 1 Jan	15,179	12,502
Net changes in fair value	353	2,677
Balance as at 31 Dec	**15,532**	**15,179**

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME FROM FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - EQUITIES

	2023	2022
Balance as at 1 Jan	3,906	1,738
Net changes in fair value	353	2,677
Deferred tax	(222)	(509)
Balance as at 31 Dec	**4,037**	**3,906**

2.4.4 Financial assets measured at amortised cost

BREAKDOWN BY TYPE OF FINANCIAL ASSET MEASURED AT AMORTISED COST

	31 Dec 2023	31 Dec 2022
Debt securities	168,526	71,140
Loans and advances to banks	259,187	343,990
Loans and advances to non-bank customers	1,426,195	1,381,191
Other financial assets	3,850	3,043
Total	**1,857,758**	**1,799,364**

In 2023 the Bank classified the majority of the debt securities purchased under treasury operations whose aim is mainly to manage liquidity risk, interest rate risk and currency risk and to provide resources for financing needs to the first business model upon initial recognition. Financial assets of this kind, whose primary purpose is to generate cash flows, are disclosed under financial assets measured at amortised cost. Securities classified in this way are not subject to active management and sale prior to maturity, and must therefore meet certain criteria that will allow the objective of collecting cash flows to be achieved.

DEBT SECURITIES

	31 Dec 2023	31 Dec 2022
Bonds		
Government	63,083	52,649
Banks	105,635	18,497
Gross exposure	168,718	71,146
Loss allowances	(192)	(6)
Net exposure	**168,526**	**71,140**

In 2023 the Bank recognised an impairment of EUR 186 thousand on debt securities measured at amortised cost (2022: EUR 6 thousand).

Changes in allowances are disclosed in this section below.

The total carrying amount of debt securities measured at amortised cost in the pool of eligible collateral at the Bank of Slovenia was EUR 69,127 thousand at the end of 2023 (31 December 2022: EUR 69,136 thousand), none of which was actually pledged (31 December 2022: EUR 44,099 thousand was pledged). The securities pledged at the end of 2022 were mainly collateral for targeted longer-term refinancing operations (TLTROs) from the Bank of Slovenia and the ECB.

CHANGES IN DEBT SECURITIES (GROSS EXPOSURE)

	Gross exposure	
2023	**Stage 1**	**Total**
Balance as at 1 Jan	71,146	71,146
Acquisitions	94,974	94,974
Accrued interest	4,052	4,052
Interest paid	(1,454)	(1,454)
Balance as at 31 Dec	**168,718**	**168,718**

	Gross exposure	
2022	**Stage 1**	**Total**
Balance as at 1 Jan	0	0
Acquisitions	70,722	70,722
Accrued interest	798	798
Interest paid	(374)	(374)
Balance as at 31 Dec	**71,146**	**71,146**

CHANGES IN DEBT SECURITIES (LOSS ALLOWANCES)

	Loss allowances	
2023	**Stage 1**	**Total**
Balance as at 1 Jan	(6)	(6)
Creation of impairments	(188)	(188)
Reversal of impairments	2	2
Balance as at 31 Dec	**(192)**	**(192)**

	Loss allowances	
2022	**Stage 1**	**Total**
Balance as at 1 Jan	0	0
Creation of impairments	(17)	(17)
Reversal of impairments	11	11
Balance as at 31 Dec	**(6)**	**(6)**

LOANS AND ADVANCES TO BANKS

	31 Dec 2023	31 Dec 2022
Loans and advances	247,715	311,485
Deposits	12,794	34,293
Gross exposure	260,509	345,778
Loss allowances	(1,322)	(1,788)
Net exposure	**259,187**	**343,990**

As at 31 December 2023 EUR 12,792 thousand of deposits were pledged to cover liabilities from interest rate swaps due to negative fair value (2022: EUR 14,839 thousand EUR).

The classification of loans and advances to banks with respect to rating grade is presented in section 3.1 Credit risk under Analysis of credit quality – financial assets measured at amortised cost – loans and advances to banks.

CHANGES IN LOANS AND ADVANCES TO BANKS (GROSS EXPOSURE)

	Gross exposure		
2023	**Stage 1**	**Stage 3**	**Total**
Balance as at 1 Jan	316,414	29,364	345,778
Increase due to new loan drawdowns	56,650	0	56,650
Decrease due to repayments	(134,270)	(9,542)	(143,812)
Other net changes	1,698	93	1,791
Net changes due to modification of contractual cash flows (excluding derecognition)	102	0	102
Balance as at 31 Dec	**240,594**	**19,915**	**260,509**

	Gross exposure			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 Jan	569,968	0	0	569,968
Transfer from Stage 1 to Stage 2	(35,242)	35,242	0	0
Transfer from Stage 2 to Stage 3	0	(31,456)	31,456	0
Increase due to new loan drawdowns	50,295	0	0	50,295
Decrease due to repayments	(269,727)	(3,830)	(2,250)	(275,807)
Other net changes	866	44	158	1,068
Net changes due to modification of contractual cash flows (excluding derecognition)	254	0	0	254
Balance as at 31 Dec	**316,414**	**0**	**29,364**	**345,778**

CHANGES IN LOANS AND ADVANCES TO BANKS (LOSS ALLOWANCES)

	Loss allowances		
2023	**Stage 1**	**Stage 3**	**Total**
Balance as at 1 Jan	(300)	(1,488)	(1,788)
Increase due to new loan drawdowns	(15)	0	(15)
Decrease due to repayments	86	402	488
Net change due to change in credit risk	(84)	2,046	1,962
Net changes with effects on profit or loss	**(13)**	**2,448**	**2,435**
Other changes without effects on profit or loss	0	(1,969)	(1,969)
Net changes without effects on profit or loss	**0**	**(1,969)**	**(1,969)**
Balance as at 31 Dec	**(313)**	**(1,009)**	**(1,322)**

	Loss allowances			
2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 Jan	(1,199)	0	0	(1,199)
Transfer from Stage 1 to Stage 2	42	(42)	0	0
Transfer from Stage 2 to Stage 3	0	271	(271)	0
Increase due to new loan drawdowns	(23)	0	0	(23)
Decrease due to repayments	319	43	119	481
Net change due to change in credit risk	561	(272)	(1,082)	(793)
Net changes with effects on profit or loss	**899**	**0**	**(1,234)**	**(335)**
Other changes without effects on profit or loss	0	0	(254)	(254)
Net changes without effects on profit or loss	**0**	**0**	**(254)**	**(254)**
Balance as at 31 Dec	**(300)**	**0**	**(1,488)**	**(1,788)**

LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	31 Dec 2023	**31 Dec 2022**
Loans and advances	1,429,888	1,373,828
Government	166,871	157,235
Non-financial corporations	1,262,492	1,215,213
Financial institutions	525	1,380
Receivables from factoring	44,656	50,811
Gross exposure	1,474,544	1,424,639
Loss allowances	(48,349)	(43,448)
Net exposure	**1,426,195**	**1,381,191**

The total carrying amount of loans and advances to non-bank customers in the pool of eligible collateral stood at EUR 99,158 thousand at the end of 2023 (31 December 2022: EUR 103,203 thousand), of which EUR 44,379 thousand was actually pledged (31 December 2022: EUR 103,203 thousand). The Bank mainly pledged the loans as collateral for targeted longer-term refinancing operations (TLTROs) from the Bank of Slovenia and ECB.

The classification of loans and advances to non-bank customers with respect to rating grade is presented in section 3.1 Credit risk under Analysis of credit quality – financial assets measured at amortised cost – loans and advances to non-bank customers.

CHANGES IN LOANS AND ADVANCES TO NON-BANK CUSTOMERS (GROSS EXPOSURE)

	Gross exposure				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 Jan	1,246,737	120,282	50,374	7,246	1,424,639
Transfer from Stage 1 to Stage 2	(51,549)	51,549	0	0	0
Transfer from Stage 1 to Stage 3	(941)	0	941	0	0
Transfer from Stage 2 to Stage 3	0	(34,009)	34,009	0	0
Transfer from Stage 2 to Stage 1	34,190	(34,190)	0	0	0
Transfer from Stage 3 to Stage 1	1,114	0	(1,114)	0	0
Transfer from Stage 3 to Stage 2	0	8,213	(8,213)	0	0
Increase due to new loan drawdowns/ recognitions	314,959	2,500	0	375	317,834
Decrease due to repayments/derecognition	(241,824)	(13,403)	(7,749)	(7,232)	(270,208)
Other net changes	2,682	393	262	2,987	6,324
Net changes due to modification of contractual cash flows (excluding derecognition)	(895)	8	(761)	246	(1,402)
Write-offs	0	0	(2,539)	(104)	(2,643)
Balance as at 31 Dec	**1,304,473**	**101,343**	**65,210**	**3,518**	**1,474,544**

	Gross exposure				
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 Jan	1,053,355	151,494	36,056	8,042	1,248,947
Transfer from Stage 1 to Stage 2	(76,821)	76,821	0	0	0
Transfer from Stage 1 to Stage 3	(600)	0	600	0	0
Transfer from Stage 2 to Stage 3	0	(21,508)	21,508	0	0
Transfer from Stage 2 to Stage 1	68,883	(68,883)	0	0	0
Transfer from Stage 3 to Stage 2	0	303	(303)	0	0
Increase due to new loan drawdowns/ recognitions	442,071	1,006	0	0	443,077
Decrease due to repayments/derecognition	(241,806)	(18,988)	(4,740)	(1,136)	(266,670)
Other net changes	1,772	42	(333)	492	1,973
Net changes due to modification of contractual cash flows (excluding derecognition)	(117)	(5)	200	(113)	(35)
Write-offs	0	0	(2,614)	(39)	(2,653)
Balance as at 31 Dec	**1,246,737**	**120,282**	**50,374**	**7,246**	**1,424,639**

CHANGES IN LOANS AND ADVANCES TO NON-BANK CUSTOMERS (LOSS ALLOWANCES)

	Loss allowances				
2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 Jan	(6,974)	(11,356)	(28,897)	3,779	(43,448)
Transfer from Stage 1 to Stage 2	1,048	(1,048)	0	0	0
Transfer from Stage 1 to Stage 3	9	0	(9)	0	0
Transfer from Stage 2 to Stage 3	0	2,903	(2,903)	0	0
Transfer from Stage 2 to Stage 1	(1,644)	1,644	0	0	0
Transfer from Stage 3 to Stage 1	(657)	0	657	0	0
Transfer from Stage 3 to Stage 2	0	(4,888)	4,888	0	0
Increase due to new loan drawdowns/recognitions	(1,111)	(116)	0	(24)	(1,251)
Decrease due to repayments/derecognition	2,294	6,487	4,215	(2,085)	10,911
Net change due to change in credit risk	2,109	(3,747)	(10,283)	1,092	(10,829)
Net changes with effects on profit or loss	**2,048**	**1,235**	**(3,435)**	**(1,017)**	**(1,169)**
Other changes without effects on profit or loss	0	(1)	(5,479)	(895)	(6,375)
Write-offs	0	0	2,539	104	2,643
Net changes without effects on profit or loss	**0**	**(1)**	**(2,940)**	**(791)**	**(3,732)**
Balance as at 31 Dec	**(4,926)**	**(10,122)**	**(35,272)**	**1,971**	**(48,349)**

	Loss allowances				
2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance as at 1 Jan	(8,380)	(19,265)	(25,370)	2,770	(50,245)
Transfer from Stage 1 to Stage 2	412	(412)	0	0	0
Transfer from Stage 1 to Stage 3	32	0	(32)	0	0
Transfer from Stage 2 to Stage 3	0	1,357	(1,357)	0	0
Transfer from Stage 2 to Stage 1	(6,681)	6,681	0	0	0
Transfer from Stage 3 to Stage 2	0	(204)	204	0	0
Increase due to new loan drawdowns/recognitions	(2,579)	(131)	0	0	(2,710)
Decrease due to repayments/derecognition	2,452	4,573	2,918	804	10,747
Net change due to change in credit risk	7,770	(3,954)	(5,997)	543	(1,638)
Net changes with effects on profit or loss	**1,406**	**7,910**	**(4,264)**	**1,347**	**6,399**
Other changes without effects on profit or loss	0	(1)	(1,877)	(377)	(2,255)
Write-offs	0	0	2,614	39	2,653
Net changes without effects on profit or loss	**0**	**(1)**	**737**	**(338)**	**398**
Balance as at 31 Dec	**(6,974)**	**(11,356)**	**(28,897)**	**3,779**	**(43,448)**

OTHER FINANCIAL ASSETS

	31 Dec 2023	31 Dec 2022
Fee and commission receivables	20	16
Trade receivables	371	1,398
Receivables on other bases	3,463	1,630
Gross exposure	3,854	3,044
Loss allowances	(4)	(1)
Net exposure	**3,850**	**3,043**

Receivables on other bases include receivables for refunds, funds in the fiduciary account, sales of securities, vouchers, and receivables from employees.

The classification of other financial assets with respect to rating grade is presented in section 3.1 Credit risk under Analysis of credit quality – financial assets measured at amortised cost – other financial assets.

CHANGES IN OTHER FINANCIAL ASSETS (GROSS EXPOSURE)

	Gross exposure		
2023	**Stage 1**	**Stage 3**	**Total**
Balance as at 1 Jan	3,043	1	3,044
Increase due to new recognitions	154,689	0	154,689
Decrease due to repayments	(153,878)	0	(153,878)
Write-offs	0	(1)	(1)
Balance as at 31 Dec	**3,854**	**0**	**3,854**

	Gross exposure		
2022	**Stage 1**	**Stage 3**	**Total**
Balance as at 1 Jan	2,601	9	2,610
Transfer from Stage 1 to Stage 3	(1)	1	0
Increase due to new recognitions	260,712	0	260,712
Decrease due to repayments	(260,269)	(9)	(260,278)
Balance as at 31 Dec	**3,043**	**1**	**3,044**

CHANGES IN OTHER FINANCIAL ASSETS (LOSS ALLOWANCES)

	Loss allowances		
2023	Stage 1	Stage 3	Total
Balance as at 1 Jan	0	(1)	(1)
Increase due to new recognitions	(4)	0	(4)
Write-offs	0	1	1
Balance as at 31 Dec	**(4)**	**0**	**(4)**

	Loss allowances	
2022	Stage 3	Total
Balance as at 1 Jan	(9)	(9)
Increase due to new recognitions	(4)	(4)
Decrease due to repayments	13	13
Net change due to change in credit risk	(1)	(1)
Balance as at 31 Dec	**(1)**	**(1)**

2.4.5 Derivatives - hedge accounting

DERIVATIVES - HEDGE ACCOUNTING, BREAKDOWN BY RISK CATEGORY AND HEDGE TYPE

	31 Dec 2023			31 Dec 2022		
	Contractual value	Fair value		Contractual value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate risk						
Fair value hedge						
Interest rate swaps						
Hedging of bonds measured at fair value through other comprehensive income	15,000	734	0	65,000	3,415	0
Hedging of issued bonds measured at amortised cost	315,000	9,126	12,294	175,000	0	15,849
Total	**330,000**	**9,860**	**12,294**	**240,000**	**3,415**	**15,849**

The Bank uses interest rate swaps to hedge against the interest rate risk associated with on-balance-sheet asset and liability items in accordance with the internally approved interest rate risk limits. When concluding interest rate swaps, the Bank applies rules governing the accounting treatment of fair value hedges.

As at 31 December 2023 the Bank held five long-term interest rate swaps as fair value hedges, two of which were fair value hedges of asset items with a total contractual value of EUR 15,000 thousand, and three of which were fair value hedges of bonds issued in 2020 and 2023 with a total contractual value of EUR 315,000 thousand.

As at 31 December 2022 the Bank held six long-term interest rate swaps as fair value hedges, four of which were fair value hedges of asset items with a total contractual value of EUR 65,000 thousand, and two of which were fair value hedges of bonds issued in 2020 with a total contractual value of EUR 175,000 thousand.

The Bank did not hold any instruments as cash flow hedges or hedges of a net investment in a foreign operation in 2022 or 2023.

ACCUMULATED AMOUNT OF ADJUSTMENTS TO FAIR VALUE HEDGES FOR HEDGED ITEMS

	31 Dec 2023		31 Dec 2022	
	Carrying amount of hedged item	Accumulated change in fair value of hedged item	Carrying amount of hedged item	Accumulated change in fair value of hedged item
Fair value hedge				
Financial assets measured at fair value through other comprehensive income				
Fixed interest rate bonds	14,721	(610)	58,758	(3,763)
Financial liabilities measured at amortised cost				
Fixed interest rate bonds	319,653	(1,310)	159,594	(15,289)

The table above discloses the accumulated change in the fair value of the hedged item arising from hedges, which is included in the carrying amount of the hedged item recognised in the statement of financial position. The accumulated change in fair value is presented in the same item of the statement of financial position as the hedged item.

To manage its interest position, in December 2023 the Bank terminated two interest rate swaps held as fair value hedges for fixed-rate bonds that are disclosed under financial assets measured at fair value through other comprehensive income. Upon the termination of the contracts, the Bank ceased adjusting the value of the hedged item for gains and losses from hedging. The accumulated change in the fair value of the hedged item that remained in the statement of financial position amounted to EUR 1,049 thousand as at the day of termination.

CHANGES IN FAIR VALUE IN HEDGE ACCOUNTING RECOGNISED IN INCOME STATEMENT

	2023	2022
Fair value hedge		
Net gains/(losses) on derivatives held for hedging	11,556	(9,580)
Interest rate swaps	11,556	(9,580)
Net gains/(losses) on hedged items	(11,875)	9,442
Bonds measured at fair value through other comprehensive income	2,104	(4,293)
Issued bonds measured at amortised cost	(13,979)	13,735
Total gains/(losses) from hedge accounting	**(319)**	**(138)**

In both reported years all the hedging relationships between hedging instruments (interest rate swaps) and hedged items (purchased or issued long-term bonds) according to international accounting standards were effective, with the actual hedge ratio ranging from 80% to 125%. This means that the gains or losses from the valuation of interest rate swaps, which are recognised in the income statement, could be neutralised due to the valuation of hedged items in the opposite direction. Losses in that regard amounted to EUR 319 thousand in 2023 (2022: EUR 138 thousand).

2.4.6 Investments in joint ventures

31 Dec 2023	Prvi faktor, Ljubljana (in liquidation)	Prvi faktor, Beograd (in liquidation)	Total
Equity investments	15,337	279	15,616
Allowances for equity investments	(15,337)	(279)	(15,616)
Total	0	0	0

31 Dec 2022	Prvi faktor, Ljubljana (in liquidation)	Prvi faktor, Beograd (in liquidation)	Total
Equity investments	15,337	279	15,616
Allowances for equity investments	(15,337)	(279)	(15,616)
Total	0	0	0

The Bank's share of the loss was larger than its participating interest, for which reason it ceased recognising its share in subsequent losses.

Due to uncertainty in the liquidation process, the investments remain fully impaired.

DATA ON JOINT VENTURES

31 Dec 2023	Share of voting rights, %	Net profit
Prvi Faktor Group	50	1,502

31 Dec 2022	Share of voting rights, %	Net profit
Prvi Faktor Group	50	857

2.4.7 Property, plant and equipment and intangible assets

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

2023	Real estate under commercial lease	Land and buildings	Computers	Other equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost						
Balance as at 1 Jan	0	10,069	1,568	1,175	0	12,812
Increase	237	0	1,060	18	1,078	2,393
Decrease	0	0	(50)	(23)	(1,078)	(1,151)
Balance as at 31 Dec	237	10,069	2,578	1,170	0	14,054
Accumulated depreciation						
Balance as at 1 Jan	0	(6,936)	(1,300)	(671)	0	(8,907)
Depreciation	0	(328)	(222)	(114)	0	(664)
Decrease	0	0	50	21	0	71
Balance as at 31 Dec	0	(7,264)	(1,472)	(764)	0	(9,500)
Carrying amount as at 31 Dec	**237**	**2,805**	**1,106**	**406**	**0**	**4,554**

2022	Land and buildings	Computers	Other equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost					
Balance as at 1 Jan	10,069	1,397	972	0	12,438
Increase	0	282	230	512	1,024
Decrease	0	(111)	(27)	(512)	(650)
Balance as at 31 Dec	10,069	1,568	1,175	0	12,812
Accumulated depreciation					
Balance as at 1 Jan	(6,591)	(1,242)	(603)	0	(8,436)
Depreciation	(345)	(167)	(94)	0	(606)
Decrease	0	109	26	0	135
Balance as at 31 Dec	(6,936)	(1,300)	(671)	0	(8,907)
Carrying amount as at 31 Dec	**3,133**	**268**	**504**	**0**	**3,905**

SID Bank had no pledged non-current assets as at 31 December 2023. The historical cost of fully depreciated property, plant and equipment that are still in use amounted to EUR 4,828 thousand as at 31 December 2023, of which EUR 3,174 thousand related to buildings (31 December 2022: EUR 4,728 thousand, of which EUR 3,174 thousand related to buildings).

Assets that the Bank holds on lease (and are recognised in accordance with IFRS 16) are described in detail in section 2.4.8 Leases.

CHANGES IN INTANGIBLE ASSETS

2023	Intangible assets	Intangible assets under construction	Total intangible assets
Cost			
Balance as at 1 Jan	4,490	138	4,628
Increase	274	566	840
Decrease	(7)	(274)	(281)
Balance as at 31 Dec	4,757	430	5,187
Accumulated amortisation			
Balance as at 1 Jan	(3,631)	0	(3,631)
Amortisation	(360)	0	(360)
Decrease	7	0	7
Balance as at 31 Dec	(3,984)	0	(3,984)
Carrying amount as at 31 Dec	**773**	**430**	**1,203**

2022	Intangible assets	Intangible assets under construction	Total intangible assets
Cost			
Balance as at 1 Jan	4,274	38	4,312
Increase	221	320	541
Decrease	(5)	(220)	(225)
Balance as at 31 Dec	4,490	138	4,628
Accumulated amortisation			
Balance as at 1 Jan	(3,258)	0	(3,258)
Amortisation	(378)	0	(378)
Decrease	5	0	5
Balance as at 31 Dec	(3,631)	0	(3,631)
Carrying amount as at 31 Dec	**859**	**138**	**997**

2.4.8 Leases (Bank as lessee)

IMPACT ON THE STATEMENT OF FINANCIAL POSITION

	31 Dec 2023	31 Dec 2022
Assets		
Right-of-use assets	237	0
Commercial premises	237	0
Total assets	**237**	**0**
Liabilities		
Long-term lease liabilities	237	0
Total liabilities	**237**	**0**

The Bank recognised a right-of-use asset and long-term lease liability for the first time at the end of 2023. The right-of-use asset is disclosed in the statement of financial position under the item of property, plant and equipment, while the lease liability is disclosed under the item of other financial liabilities.

MATURITY ANALYSIS OF LEASE LIABILITIES

	31 Dec 2023
Lease liabilities	
Up to 1 month	4
1 to 3 months	7
3 to 12 months	34
1 to 5 years	192
Total	**237**

IMPACT ON THE INCOME STATEMENT

	2023	2022
Expenses for short-term leases (included under administrative expenses - cost of services)	141	141

The Bank has leased commercial premises and other equipment that it uses in its operations. The lease agreement for the commercial premises has been concluded for an indeterminate period with a notice period of less than 12 months. Owing to a change in circumstances, the Bank recognised the lease agreement in accordance with IFRS 16 at the end of 2023, given the reasonable certainty that as the lessee it will not exercise the option of terminating the lease over the long term. The Bank used a five-year lease term as the assumption for calculating the net present value of this agreement. It used the interest rate on five-year government bonds plus a premium for the Bank to calculate the discount rate. Because the right-of-use asset and non-current lease liability were recognised at the end of the year, no depreciation costs for the assets constituting the right of use or interest expenses for the non-current lease liability have been disclosed in the income statement. Neither did the Bank have any costs in connection with variable rents or gains/losses from sale and leaseback transactions.

The Bank opted not to recognise the right-of-use assets and lease liabilities for short-term leases. The rents associated with such leases are recognised as expenses over the entire lease term using the straight-line method.

The total cash outflow in connection with leases amounted to EUR 136 thousand in 2023 (2022: EUR 138 thousand).

2.4.9 Tax assets and liabilities

	31 Dec 2023	31 Dec 2022
Corporate income tax assets	46	3,295
Deferred tax assets (net)	10,440	13,134
Total tax assets	**10,486**	**16,429**
Corporate income tax liabilities	1,564	0
Total tax liabilities	**1,564**	**0**

The Bank disclosed a liability to the FARS from levied corporate income tax in the amount of EUR 1,564 thousand at the end of 2023, having disclosed an asset in the amount of EUR 3,295 thousand vis-à-vis the FARS in 2022 due to overpaid tax prepayments.

Deferred taxes in connection with the valuation of financial instruments measured at fair value through other comprehensive income are disclosed directly in other comprehensive income, while other deferred taxes were recognised in the income statement. The deferred tax assets are primarily due to deductible temporary differences in connection with the negative valuation of financial assets measured at fair value through other comprehensive income and impairments of equity investments.

The decline in deferred tax assets compared with the previous year is attributable to the decline in the portfolio of debt securities measured at fair value through other comprehensive income.

In calculating its deferred taxes as at 31 December 2023, the Bank applied a new tax rate (22%), which was introduced for the levying of income tax by the Act on Reconstruction, Development and Provision of Financial Resources (ZORZFS) for the period of 2024 to 2028. This change caused an increase in the amount of EUR 1,424 thousand in net deferred tax assets, of which EUR 507 thousand was included in the income statement, while the difference of EUR 917 thousand was included in other comprehensive income.

BREAKDOWN BY TYPE OF DEFERRED TAX

	31 Dec 2023	31 Dec 2022
Deferred tax assets from:		
Equity investments	3,436	2,967
Provisions for pensions and jubilee benefits	63	140
Financial assets measured at fair value through other comprehensive income	7,892	10,859
Financial assets measured at amortised cost	42	1
Fixed assets	146	110
Total deferred tax assets	**11,579**	**14,077**
Deferred tax liabilities from:		
Financial assets measured at fair value through other comprehensive income	1,139	943
Total deferred tax liabilities	**1,139**	**943**
Net deferred tax assets/(liabilities)	**10,440**	**13,134**

	2023	2022
Included in income statement from:		
Impairment of financial assets measured at fair value through other comprehensive income	(6)	(53)
Impairment of financial assets measured at amortised cost	41	1
Impairment of equity investments	468	0
Provisions for pensions and jubilee benefits	(76)	(19)
Amortisation/depreciation above the prescribed tax rate	35	14
Total included in income statement	**462**	**(57)**
Included in other comprehensive income from:		
Revaluation of financial assets measured at fair value through other comprehensive income	(3,156)	11,528
Total included in other comprehensive income	**(3,156)**	**11,528**

SID Bank had no unrecognised deferred taxes as at 31 December 2023.

2.4.10 Other assets

	31 Dec 2023	31 Dec 2022
Receivables for advances	1	2
Prepayments	882	504
Accrued income	65	32
Gross exposure	948	538
Net exposure	**948**	**538**

2.4.11 Financial liabilities measured at amortised cost

	31 Dec 2023	31 Dec 2022
Deposits and loans from banks and central banks	322,887	630,675
Loans and advances	286,108	628,803
Deposits	36,779	1,872
Deposits and loans from non-bank customers	1,114,735	1,034,941
Loans and advances	1,114,735	1,034,941
Debt securities	742,437	660,465
Other financial liabilities	4,367	3,009
Total	**2,184,426**	**2,329,090**

The shares of total funding accounted for by loans from non-bank customers and by debt securities increased in 2023.

Deposits and loans from non-bank customers increased as a result of additional contributions by the METS to additional loan funds, and additional drawdowns of long-term loans from non-residents. The share accounted for by loans from banks and central banks declined as a result of the repayment of long-term loans under the TLTRO III.

The value of debt securities increased in 2023 primarily as a result of the issuance of a new bond SEDABI 4.03 03/13/30 with a nominal value of EUR 140,000 thousand, and changes in fair value in hedge accounting.

DEBT SECURITIES

					31 Dec 2023		31 Dec 2022	
	Quotation	Currency	Maturity date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Senior, unsecured								
SEDABI 0.5 12/12/2023	Vienna	EUR	12 Dec 2023	0.500%	0	0	74,970	75,000
SEDABI 0.125 06/24/26	Vienna	EUR	24 June 2024	0.125%	199,776	200,000	199,635	200,000
NSV1-M.M.WARBURG	Non quoted	EUR	16 Dec 2024	4.865%	31,072	30,000	32,114	30,000
NSV2-DEBEKA LEBENSVERSICHERUNGSVEREIN	Non quoted	EUR	16 Dec 2024	4.865%	7,250	7,000	7,493	7,000
NSV3-DEBEKA PENSIONSKASSE AG	Non quoted	EUR	16 Dec 2024	4.865%	1,036	1,000	1,070	1,000
NSV4-Kirchliche Zusatzversorgungskasse	Non quoted	EUR	16 Dec 2024	4.865%	10,357	10,000	10,705	10,000
SEDABI 0.125 07/08/25	Frankfurt	EUR	08 July 2025	0.125%	341,299	350,000	334,479	350,000
SEDABI 4,03 03/13/30	Frankfurt	EUR	13 March 2030	4.030%	151,647	140,000	0	0
Total					**742,437**	**738,000**	**660,465**	**673,000**

2.4.12 Provisions

BREAKDOWN BY TYPE OF PROVISION

	31. 12. 2023	31. 12. 2022
Provisions for commitments given	443	610
Guarantees	106	66
Undrawn loans	337	544
Provisions for employee benefits	1,061	1,798
Total	**1,504**	**2,408**

Provisions for employee benefits comprise provisions for jubilee benefits and provisions for termination benefits at retirement.

CONTRACTUAL VALUE OF OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS ARISING FROM COMMITMENTS GIVEN

	31 Dec 2023	31 Dec 2022
Commitments given		
Guarantees	104,207	92,344
Undrawn loans	78,253	145,101
Uncalled unpaid capital	31,333	41,921
Total	**213,793**	**279,366**

The value of guarantees given increased in 2023 as a result of newly issued portfolio guarantees and an increase in the value of existing portfolio guarantees, i.e. the guarantee instrument introduced in 2020 within the framework of the Fund of Funds that selected commercial banks and savings banks can use when financing corporate investments and the current operations of sole traders, and micro and small and medium-size enterprises.

The amount of undrawn loans approved for non-bank customers stood at EUR 78,253 thousand as at 31 December 2023 (31 December 2022: EUR 142,024 thousand), while the amount of undrawn loans approved for banks stood at zero (31 December 2022: EUR 3,077 thousand).

Uncalled unpaid capital declined in 2023 as a result of the call-up of capital into the Three Seas Initiative Investment Fund and the SEGIP programme.

CHANGES IN CONTRACTUAL VALUE OF OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS ARISING FROM COMMITMENTS GIVEN

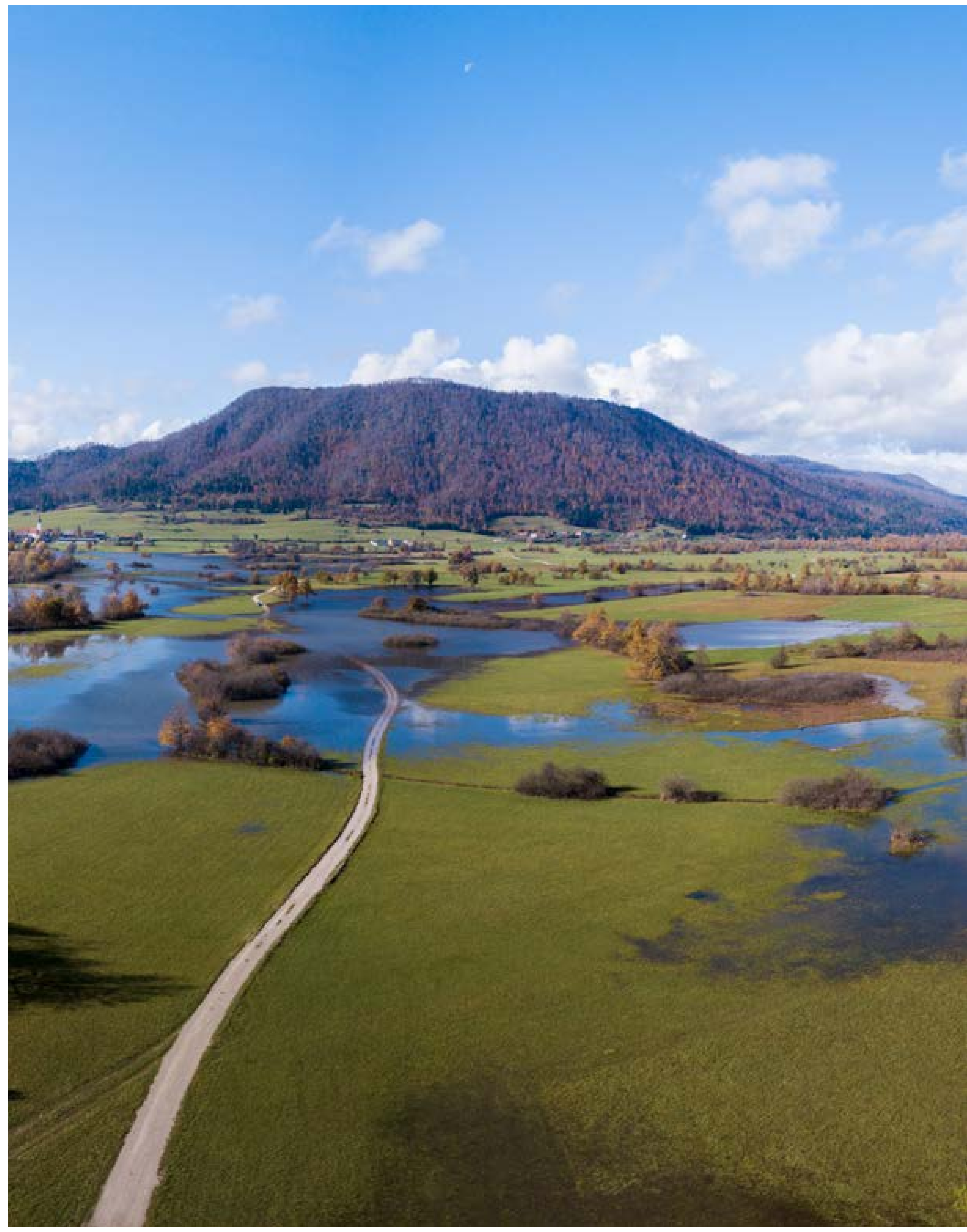
	Guarantees		Undrawn loans				Uncalled unpaid capital
2023	**Stage 1**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Balance as at 1 Jan	92,344	92,344	143,412	0	1,689	145,101	41,921
Transfer from Stage 1 to Stage 2	0	0	(3,120)	3,120	0	0	0
Increase in commitments given	16,300	16,300	320,651	0	0	320,651	193
Decrease in commitments given	(4,437)	(4,437)	(383,310)	(2,500)	(1,689)	(387,499)	(10,781)
Balance as at 31 Dec	**104,207**	**104,207**	**77,633**	**620**	**0**	**78,253**	**31,333**

	Guarantees		Undrawn loans				Uncalled unpaid capital
2022	**Stage 1**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Balance as at 1 Jan	80,218	80,218	83,835	6,501	0	90,336	50,867
Transfer from Stage 1 to Stage 2	0	0	(4,077)	4,077	0	0	0
Transfer from Stage 2 to Stage 1	0	0	5,696	(5,696)	0	0	0
Transfer from Stage 2 to Stage 3	0	0	0	(1,689)	1,689	0	0
Increase in commitments given	18,852	18,852	481,308	0	0	481,308	82
Decrease in commitments given	(6,726)	(6,726)	(423,350)	(3,193)	0	(426,543)	(9,028)
Balance as at 31 Dec	**92,344**	**92,344**	**143,412**	**0**	**1,689**	**145,101**	**41,921**

CHANGES IN PROVISIONS FOR COMMITMENTS GIVEN

	Guarantees		Undrawn loans			
2023	**Stage 1**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 Jan	66	66	466	0	78	544
Transfer from Stage 1 to Stage 2	0	0	(16)	16	0	0
Increase due to additional commitments given	23	23	648	0	0	648
Decrease due to decline in commitments given	(9)	(9)	(509)	(14)	(69)	(592)
Net change due to change in credit risk	26	26	(364)	110	(9)	(263)
Balance as at 31 Dec	**106**	**106**	**225**	**112**	**0**	**337**

	Guarantees		Undrawn loans			
2022	**Stage 1**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 Jan	148	148	466	477	0	943
Transfer from Stage 1 to Stage 2	0	0	(12)	12	0	0
Transfer from Stage 2 to Stage 1	0	0	433	(433)	0	0
Transfer from Stage 2 to Stage 3	0	0	0	(18)	18	0
Increase due to additional commitments given	34	34	949	0	0	949
Decrease due to decline in commitments given	(23)	(23)	(986)	(123)	0	(1,109)
Net change due to change in credit risk	(93)	(93)	(384)	85	60	(239)
Balance as at 31 Dec	**66**	**66**	**466**	**0**	**78**	**544**



CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

	2023	2022
Balance as at 1 Jan	1,798	1,556
Created	123	358
Reversed	(933)	(87)
Used (paid) provisions	(64)	(29)
Interest expenses	31	0
Actuarial (gains)/losses	106	0
Balance as at 31 Dec	**1,061**	**1,798**

SENSITIVITY ANALYSIS OF ACTUARIAL ASSUMPTIONS

	Actuarial assumption					
31 Dec 2023	**Return**		**Wage growth**		**Employee turnover**	
Change in assumption (percentage points)	+ 0.5	-0.5	+0.5	-0.5	+0.5	-0.5
Change in present value of commitment for employee benefits (EUR thousand)	(57)	62	62	(58)	(60)	35

The analysis shows how much the present values of the commitment for jubilee benefits and termination benefits at retirement as at 31 December 2023 change if there is a change in the actuarial assumptions used, namely return, wage growth in Slovenia and at the bank, and employee turnover. Each analysis includes a change in a single assumption in the amount of +/-0.5 percentage points, while all the other assumptions in the individual test remain unchanged. The analysis takes into account that the minimum possible employment turnover rate is zero.

ITEMISATION OF ACTUARIAL GAINS AND LOSSES ON POST-EMPLOYMENT BENEFITS BY CAUSE

2023	Jubilee benefits	Termination benefits at retirement
Actuarial gains/(losses) based on changes in financial items	(2)	(78)
Actuarial gains/(losses) based on changes in demographic items	0	0
Actuarial gains/(losses) based on experience	4	(28)
Total	**2**	**(106)**

AVERAGE WEIGHTED TERM OF LIABILITIES

31 Dec 2023	Average weighted term (years)
Jubilee benefits	8.7
Termination benefits at retirement	13.5
Total	**13.2**

2.4.13 Other liabilities

	31 Dec 2023	31 Dec 2022
Liabilities for wages, wage compensation, and taxes and contributions on wages	1,260	1,169
Current deferred income	21	202
Tax liabilities	129	121
Total	**1,410**	**1,492**

2.4.14 Shareholder equity

	31 Dec 2023	31 Dec 2022
Share capital	300,000	300,000
Profit reserves	201,370	189,241
Regulatory reserves	16,841	16,059
Reserves for treasury shares	1,324	1,324
Reserves under articles of association	92,126	84,698
Other profit reserves	91,079	87,160
Share premium	1,139	1,139
Accumulated other comprehensive income	(23,934)	(42,106)
Treasury shares	(1,324)	(1,324)
Retained earnings (including net profit for the financial year)	7,428	3,919
Total	**484,679**	**450,869**

The rise in market interest rates and credit spreads in 2022 led to a negative valuation of debt securities measured at fair value through other comprehensive income, which led to a reduction in accumulated other comprehensive income and, consequently, in equity. The negative accumulated other comprehensive income diminished in 2023 as a result of the contraction in the portfolio of securities measured via other comprehensive income and a rise in market prices of bonds.

There were no changes to the treasury shares reserve in 2023. SID Bank held 18,445 own shares, ticker symbol SIDR, in the total amount of EUR 1,324 thousand as at 31 December 2023.

Under a general meeting resolution, the undistributed profit for 2022 in the amount of EUR 3,919 thousand was allocated to other profit reserves.

The changes are disclosed in the statement of changes in equity.

BREAKDOWN OF ACCUMULATED OTHER COMPREHENSIVE INCOME

	31 Dec 2023	31 Dec 2022
Actuarial gains/(losses) in association with defined-benefit pension plans	(106)	0
Revaluation	(106)	0
Financial assets measured at fair value through other comprehensive income - equity instruments	4,036	3,906
Revaluation	5,175	4,822
Deferred taxes	(1,139)	(916)
Financial assets measured at fair value through other comprehensive income - debt securities	(27,864)	(46,012)
Revaluation	(35,723)	(56,805)
Deferred taxes	7,859	10,793
Total	**(23,934)**	**(42,106)**

2.4.15 Distributable profit

	31 Dec 2023	31 Dec 2022
Net profit for the financial year	15,638	8,251
Increase in profit reserves	(8,210)	(4,332)
Regulatory reserves	(782)	(413)
Reserves under articles of association	(7,428)	(3,919)
Distributable profit	**7,428**	**3,919**

In accordance with the articles of association, the management board used SID Bank's net profit for 2023 in the amount of EUR 15,638 thousand (2022: EUR 8,251 thousand) to create regulatory reserves in the amount of EUR 782 thousand (2022: EUR 413 thousand) and reserves under the articles of association in the amount of EUR 7,428 thousand (2022: EUR 3,919 thousand). The distributable profit from 2022 in the amount of EUR 3,919 thousand was allocated to other profit reserves.

Under the ZSIRB, SID Bank's distributable profit may not be used for distribution to shareholders. The Bank's management board and the supervisory board will propose to the general meeting that it pass a resolution whereby the distributable profit for the 2023 financial year in the amount of EUR 7,428 thousand should be allocated to other profit reserves.

2.5 NOTES TO THE INCOME STATEMENT OF SID BANK

2.5.1 Net interest

	2023	2022
Interest and similar income		
Interest income calculated using the effective interest method	88,467	33,237
Financial assets measured at fair value through other comprehensive income	1,283	1,793
Financial assets measured at amortised cost	72,350	28,322
Debt securities	4,052	798
Loans and advances to banks	11,133	3,715
Loans and advances to non-bank customers	57,165	23,809
Balances at banks and central banks	14,834	1,475
Interest on financial liabilities carrying negative interest rate	0	1,647
Other interest and similar income	854	(49)
Non-trading financial assets mandatorily at fair value through profit or loss	49	41
Derivatives - hedge accounting	805	(90)
Total interest and similar income	**89,321**	**33,188**
Interest and similar expenses		
Interest expenses calculated using the effective interest method	(52,326)	(8,277)
Financial liabilities measured at amortised cost	(52,055)	(6,933)
Loans and deposits from banks	(13,073)	(993)
Loans and deposits from non-bank customers	(32,375)	(3,820)
Issued debt securities	(6,607)	(2,120)
Interest on financial assets carrying negative interest rate	(271)	(1,344)
Other interest and similar expenses	(6,825)	(697)
Derivatives - hedge accounting	(6,794)	(697)
Other liabilities	(31)	0
Total interest and similar expenses	**(59,151)**	**(8,974)**
Net interest income	**30,170**	**24,214**

SID Bank generated net interest of EUR 30,170 thousand in 2023, up 24.6% on 2022. The increase was mainly driven by rising market interest rates, which took net interest to its highest level since 2014, the ECB having begun its programme of quantitative easing in early 2015.

Interest income from the negative interest rate on financial liabilities primarily includes interest on targeted longer-term refinancing operations (TLTROs).

Interest expenses from financial assets deriving from negative interest rates include interest on deposits at banks and the central bank.

The Bank classified interest income and expenses from derivatives held for hedging to the item of interest income or expenses with regard to the overall economic effect of interest from the hedged item.

2.5.2 Dividend income

	2023	2022
Non-trading financial assets mandatorily at fair value through profit or loss	773	625
Financial assets measured at fair value through other comprehensive income	45	53
Investments held at end of reporting period	45	53
Total	**818**	**678**

The Bank received dividends in the amount of EUR 773 thousand in 2023 (2022: EUR 625 thousand) from investments within the framework of the Slovene Equity Growth Investment Programme (SEGIP), and EUR 45 thousand (2022: EUR 53 thousand) from its investment in the EIF.

2.5.3 Net fee and commission income

	2023	2022
Fee and commission income		
Fee and commission income from financial instruments not measured at fair value through profit or loss	1,192	856
Fee and commission income from loan operations	970	625
Fee and commission income from guarantees given	222	231
Fee and commission income from financial instruments measured at fair value through profit or loss	1	0
Fee and commission income from loan operations	1	0
Total fee and commission income	**1,193**	**856**
Fee and commission expenses		
Fee and commission expenses from financial instruments not measured at fair value through profit or loss	(611)	(383)
Fees and commission for loan operations	(19)	(2)
Fees and commission for stock exchange transactions	(110)	(154)
Fees and commission for guarantees received	(477)	(222)
Fees and commission for other services	(5)	(5)
Fee and commission expenses from financial instruments measured at fair value through profit or loss	(217)	(231)
Fees and commission for other services	(217)	(231)
Total fee and commission expenses	**(828)**	**(614)**
Net fee and commission income	**365**	**242**

The item of fee and commission income for loan operations includes fees and commission from loan operations that are not included in the effective interest rate.

2.5.4 Net gains/losses on financial assets and liabilities not measured at fair value through profit or loss

	2023	2022
Financial assets measured at fair value through other comprehensive income	(693)	222
Gains	0	1,484
Losses	(693)	(1,262)
Financial liabilities measured at amortised cost	93	(6,552)
Gains	9,342	4,782
Losses	(9,249)	(11,334)
Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	**(600)**	**(6,330)**

Net gains/losses on financial assets measured at fair value through other comprehensive income include gains/losses realised upon the sale or other derecognition of securities. The disclosed gains/losses on financial assets measured at fair value through other comprehensive income are derived from transactions in debt securities.

At the end of 2023 SID Bank was managing for its own account six loan funds that it established in conjunction with the METS, and one fund that it established in conjunction with the MI.

A first loss clause was contractually agreed for all funds, i.e. any loss on the part of the funds is first covered by the priority participation of the government in loan fund risks by reducing the liabilities to the government and recognising gains on financial liabilities measured at amortised cost. If the loan funds operate profitably over subsequent periods, the liability to the government is increased, and losses on financial liabilities measured at amortised cost are recognised.

A total of EUR 464,737 thousand in loans had been drawn down within the framework of the loan funds by the end of 2023, up EUR 47,546 thousand on the end of 2022, but the creation of impairments was smaller, which meant that the overall result of the funds was positive in the amount of EUR 504 thousand (2022: positive in the amount of EUR 6,753 thousand), which due to the agreed first loss clause was reflected in recognised losses on financial liabilities measured at amortised cost.

Under the same item the Bank also recognised gains of EUR 597 thousand in 2023 (2022: gains of EUR 201 thousand) on financial liabilities measured at amortised cost from the direct implementation of financial instruments from the fund of funds, where either a first loss clause or risk-sharing is also agreed.

2.5.5 Net gains/losses on non-trading financial assets mandatorily at fair value through profit and loss

	2023	2022
Equity instruments	1,064	(340)
Gains	2,161	101
Losses	(1,097)	(441)
Alternative investment funds	3,967	1,090
Gains	6,096	2,682
Losses	(2,129)	(1,592)
Loans and advances	1,036	1,057
Gains	2,086	1,763
Losses	(1,050)	(706)
Net gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss	**6,067**	**1,807**

Net gains on non-trading financial assets mandatorily at fair value through profit or loss were higher, primarily on account of the positive valuation of equities and alternative investment funds.

2.5.6 Other net operating income/expenses

	2023	2022
Gains	5,711	6,255
Income from activities under Republic of Slovenia authorisation	3,624	4,733
Other operating income	2,087	1,522
Losses	(33)	(19)
Other operating expenses	(33)	(19)
Net operating gains/(losses)	**5,678**	**6,236**

The Bank recognised revenue of EUR 3,624 thousand in 2023 (2022: EUR 4,733 thousand) from the provision of services in operations under authorisation, of which EUR 1,740 thousand was from the management of contingency reserve assets (2022: EUR 1,740 thousand), EUR 1,728 thousand was from the management and performance of funds (2022: EUR 1,522 thousand), EUR 7 thousand was from guarantee schemes (2022: EUR 7 thousand), EUR 117 thousand was from guarantee schemes under the ZIUZEOP, ZDLGPE and ZSJSM, under which the Republic of Slovenia authorised SID Bank to execute all transactions in connection with the aforementioned schemes on its behalf and for its account (2022: EUR 1,441 thousand), and EUR 32 thousand was from other services under authorisation (2022: EUR 23 thousand).

2.5.7 Administrative expenses

	2023	2022
Labour costs	(16,378)	(15,924)
Gross salaries	(12,155)	(11,748)
Pension insurance costs	(1,075)	(1,040)
Social security costs	(889)	(862)
Other labour costs	(2,259)	(2,274)
General and administrative costs	(5,083)	(4,770)
Costs of materials	(227)	(199)
Cost of services	(4,520)	(4,209)
Taxes and membership fees	(336)	(362)
Total	**(21,461)**	**(20,694)**

TOTAL AMOUNT SPENT ON AUDITORS

	2023	2022
Auditing of annual report	93	48
Other assurance services	16	8
Total	**109**	**56**

2.5.8 Depreciation and amortisation

	2023	2022
Depreciation of property, plant and equipment	(664)	(606)
Amortisation of intangible assets	(360)	(378)
Total	**(1,024)**	**(984)**

2.5.9 Net modification gains/losses

	2023					2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets measured at amortised cost										
Gains	7	17	147	1	172	0	1	202	0	203
Losses	(1,062)	(9)	(945)	0	(2,016)	(181)	(8)	(9)	(176)	(374)
Net gains/(losses) on modification of financial assets	**(1,055)**	**8**	**(798)**	**1**	**(1,844)**	**(181)**	**(7)**	**193**	**(176)**	**(171)**

The total amortised cost of financial assets modified during the reporting period and the net modification gains or losses recognised for financial assets for which the contractual cash flows have been modified during the reporting period, and the loss allowance on those assets measured at the time of the modification at an amount equal to the expected credit losses over the lifetime of the asset are presented in section 3.1 Credit risk, under the section entitled Modified financial assets. The same section also discloses the total gross carrying amount at the end of the reporting period for those financial assets that have been modified since initial recognition, when the loss allowance was still measured at an amount equal to the expected credit losses over the lifetime of the asset, and for which the loss allowance has changed during the reporting period to an amount equal to expected credit losses over a 12-month period.

2.5.10 Provisions

	2023	2022
Provisions for commitments given	167	480
Guarantees	(40)	82
Undrawn loans	207	398
Other provisions	810	(271)
Total	**977**	**209**

Provisions for commitments given represent expected credit losses in accordance with IFRS 9, other provisions include provisions for termination benefits at retirement and jubilee benefits and are recognised in accordance with IAS 19.

In year 2023, net income from provisions amounted to EUR 977 thousand (2022: EUR 209 thousand), of which EUR 167 thousand was income from reversal of provisions for expected credit losses (2022: EUR 480 thousand) and EUR 810 thousand was income from reversal of other provisions (2022: EUR 271 thousand expenses from creation of other provisions).

The decline in provisions for commitments given was driven by an improvement in customer credit ratings, and new macroeconomic scenarios that are having an impact on estimates of credit parameters and estimates of expected credit losses. More details on this can be found in section 3.1 Credit risk under Analysis of credit quality – financial assets measured at amortised cost and off-balance-sheet liabilities.

The stocks of off-balance-sheet liabilities for which the provisions have been created are disclosed in the table in section 2.4.12 Provisions.

2.5.11 Impairments

	2023	2022
Impairments of financial assets measured at fair value through other comprehensive income	59	280
Impairments of financial assets measured at amortised cost	(502)	4,694
Debt securities	(186)	(6)
Loans and advances to banks	571	(410)
Loans and advances to non-bank customers	(887)	5,102
Other financial assets	0	8
Impairments of non-financial assets	(1)	(2)
Total	**(444)**	**4,972**

In 2023, net expenses from impairments amounted to EUR 444 thousand (2022: net income EUR 4,972 thousand), of which EUR 443 thousand were expenses from creation of impairments for credit losses (2022: EUR 4,974 thousand income from reversal of impairments) and EUR 1 thousand expenses from creation of impairments for non-financial assets (2022: EUR 2 thousand).

The decline in impairments of loans and advances to banks was driven by regular repayments by Belarusian banks, which in 2022 had been reclassified from Stage 1 to Stage 3 (non-performing financial assets), where the allowances for credit losses are measured on the basis of expected credit losses over the entire lifetime of the financial instrument.

The decline in impairments for performing exposures for loans and advances to non-bank customers was driven by an improvement in customer credit ratings made on the basis of financial statements for 2022, and new macroeconomic scenarios that are having an impact on estimates of credit parameters and estimates of expected credit losses.

More details on this can be found in section 3.1 Credit risk under Analysis of credit quality – financial assets measured at amortised cost and off-balance-sheet liabilities.

2.5.12 Corporate income tax

	2023	2022
Corporate income tax	(3,209)	(1,745)
Deferred taxes	462	(57)
Total	**(2,747)**	**(1,802)**

The corporate income tax rate remained unchanged relative to the previous year, and stood at 19% in 2023. In calculating its deferred taxes as at 31 December 2023, the Bank applied a new tax rate (22%), which was introduced for the levying of income tax by the Act on Reconstruction, Development and Provision of Financial Resources (ZORZFS) for the period of 2024 to 2028. This change caused an increase in the amount of EUR 1,424 thousand in net deferred tax assets, of which EUR 507 thousand was included in the income statement, while the difference of EUR 917 thousand was included in other comprehensive income.

Current corporate income tax differs from the tax calculated using the prescribed tax rate, and is disclosed in the table below. Analysis of deferred taxes disclosed in profit or loss is given in section 2.4.9 Tax assets and liabilities.

	2023	2022
Profit before tax	18,385	10,053
Tax calculated at prescribed rate of 19%	**(3,493)**	**(1,910)**
Non-taxable income	245	189
Non-deductible expenses	(219)	(189)
Reduction in tax base for expenses not recognised for tax purposes in the past	6	4
Change in tax base as a result of revaluations	21	0
Increase in tax base	(8)	(6)
Tax allowances	239	167
Net created/(used) deferred taxes	462	(57)
Total	**(2,747)**	**(1,802)**

Non-taxable income arises from the reversal of impairments that were not recognised for tax purposes at the time of creation, and exempt dividends. Non-deductible expenses derive primarily from expenses for bonuses and other employment-related payments, costs of representation (entertainment) and of the supervisory board, depreciation/amortisation in excess of the prescribed rate, and revaluations of debt securities measured at fair value through other comprehensive income.

SID Bank's effective tax rate (calculated as the ratio of expenses for corporate income tax to profit before tax) stood at 17.5% in the 2023 financial year (2022: 17.4%).

2.5.13 Basic and diluted earnings per share

	2023	2022
Number of ordinary registered no-par value shares	3,121,741	3,121,741
Treasury shares	18,445	18,445
Number of ordinary shares (excluding treasury shares)	3,103,296	3,103,296
Net profit for financial year (EUR thousand)	15,638	8,251
Basic and diluted earnings per share (EUR)	**5.04**	**2.66**

Basic earnings per share is calculated as the ratio of the net profit in the period to the weighted average number of ordinary registered no-par-value shares less treasury shares. Diluted earnings per share equals basic earnings per share.

2.6 OTHER NOTES TO THE FINANCIAL STATEMENTS OF SID BANK

2.6.1 Related party disclosures

In the scope of continuing operations, certain banking transactions were concluded with related parties, i.e. parties where one party controls the other or has a significant influence over its financial and business decisions.

Major transactions between SID Bank and related parties are disclosed below.

SIGNIFICANT RELATIONS OF SID BANK WITH JOINT VENTURES

	31 Dec 2023	31 Dec 2022
Receivables		
Loans and advances	0	297
Gross exposure	0	297
Loss allowances	0	(2)
Net exposure	**0**	**295**

	2023	2022
Interest income	1	3
Impairments	2	38
Total	**3**	**41**

EXPOSURE TO THE REPUBLIC OF SLOVENIA AND TO GOVERNMENT-OWNED UNDERTAKINGS

SID Bank has business relationships with the government and with government-related undertakings or undertakings with a significant government influence.

Exposure to:	2023	2022
Bank of Slovenia		
Balance as at 31 Dec		
ASSETS		
Cash, cash balances at central banks and demand deposits at banks	323,682	413,466
LIABILITIES		
Loans from banks and central banks	34,390	363,209
Other financial liabilities	461	479
For period		
Interest income	14,825	3,122
Interest expenses	(4,555)	(803)
Fee and commission expenses	(46)	(44)
Administrative expenses	(461)	(447)
Republic of Slovenia		
Balance as at 31 Dec		
ASSETS		
Financial assets measured at fair value through other comprehensive income	118,166	112,595
Loans and advances to non-bank customers	211,368	207,626
Debt securities measured at amortised cost	10,334	0
Other financial assets	381	1,410
Tax assets	10,486	16,429
Other assets	65	34

Exposure to:	2023	2022
LIABILITIES		
Loans from non-bank customers	331,044	281,979
Other financial liabilities	66	14
Tax liabilities	1,564	0
Other liabilities	694	646
CONTINGENT LIABILITIES AND COMMITMENTS GIVEN	586	3,094
For period		
Interest income	6,606	2,703
Interest expenses	(6,040)	(523)
Fee and commission income	3	2
Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	93	(5,251)
Changes in fair value in hedge accounting	2,041	(4,303)
Other net operating income/(expenses)	5,617	6,137
Administrative expenses	(123)	(173)
Net modification gains/(losses)	1	0
Impairments and provisions	(87)	38
Government-owned undertakings		
Balance as at 31 Dec		
ASSETS		
Cash, cash balances at central banks and demand deposits at banks	74	54
Financial assets measured at fair value through other comprehensive income	6,913	11,647
Debt securities measured at amortised cost	44,370	18,218

Exposure to:	2023	2022
Loans and advances to banks	10,026	0
Loans and advances to non-bank customers	411,340	344,721
Other assets	35	48
LIABILITIES		
Deposits from banks	5,007	0
Other financial liabilities	1,477	225
Provisions	212	196
Other liabilities	46	44
CONTINGENT LIABILITIES AND COMMITMENTS GIVEN	118,421	73,431
For period		
Interest income	14,617	5,752
Interest expenses	(7)	0
Fee and commission income	515	36
Fee and commission expenses	(25)	(70)
Administrative expenses	(688)	(586)
Net modification gains/(losses)	1	(5)
Impairments and provisions	830	487

2.6.2 Remuneration

	2023	2022
Members of management board	604	684
Other employees on individual contracts	1,004	983
Members of supervisory board	166	207
Total	**1,774**	**1,874**

In accordance with Article 69 of the ZGD-1, the table discloses the remuneration of members of the management board and supervisory board, and employees on individual contracts in gross amounts (excluding reimbursement of expenses and supplementary pension insurance).

The remuneration of members of the management board and employees on individual contracts includes wages and salaries, annual leave allowance, premiums for supplementary pension insurance and voluntary health insurance, fringe benefits, other remuneration from employment and reimbursement of expenses. The remuneration of the members of the management board also includes deferred variable remuneration for management board members from the previous term of office. The remuneration of members of the supervisory board includes remuneration for the performance of their functions and session fees, the reimbursement of expenses, and a fringe benefit in the form of liability insurance.

Detailed disclosures of remuneration are given in the appendix Pillar 3 disclosures (A.16 Disclosure of remuneration policy).

2.6.3 Significant events after the end of the financial year

The Bank did not identify any significant business events that could affect the financial statements or require additional disclosures thereto.

3 Risk Management

RISK MANAGEMENT AT SID BANK

SID Bank's risk management system is based on an effective **comprehensive risk management process** that includes identifying, measuring and assessing, managing and monitoring risks, as well as internal and external risk reporting.

To this end, SID Bank has put in place **a risk management strategy** that defines the basic principles applying to the take-up and management of risks at SID Bank, and establishes a framework and basis for the drafting of documents that define in detail the processes of taking up and managing specific types of risks, including the organisational rules that apply to risk management, internal control mechanisms, compliance, and the public disclosure of information relating to the Bank.

SID BANK'S APPROACH TO RISK MANAGEMENT

On the basis of the risk management strategy, SID Bank has developed **policies for managing specific types of risk**, and other bylaws regulating the business processes in which the Bank takes up risks. The policies and other bylaws define the procedures, methods and methodologies used by the Bank in risk management for each type of risk.

The aim of the risk management strategy is to establish an effective risk management process for identifying, measuring and assessing, managing and monitoring risk, including reporting on the risks to which the Bank is or could be exposed in its operations, by providing:

- a definition of specific types of risk;
- risk capacity;
- risk appetite;
- a risk management action plan, i.e. risk identification, measurement and assessment, management and monitoring procedures;
- appropriate internal control mechanisms; and
- a definition of internal relations with regard to responsibilities.

The key strategic focuses relating to risk, which take into account the Bank's business model and business strategy, are defined in the risk capacity and risk appetite, as presented below as part of the **management body's concise statement on SID Bank's approach to the realisation of risk appetite**.

Risk capacity means the largest overall risk level that SID Bank is able to take up, taking into account its available capital, liquidity and other restrictions (risk management and control measures, stress test results, and other restrictions). The Bank defines **risk capacity** as the higher of the normative and the economic perspectives, with the ICAAP representing the economic perspective and the SREP the normative perspective.

The scope of risk take-up complements the set of internal policies for the management of individual types of risk, via which SID Bank transfers **risk appetite** into operational restrictions for the appropriate direction of the business. Risk management policies and internal rules set out the limits for the management of credit risk, market risk, currency risk and liquidity risk, including the procedures for dealing with breaches and notification of the management board.

SID Bank carries out a comprehensive internal capital adequacy assessment process, tailored to the risks taken up and to risk appetite, at least once a year, and reports to the management body, and thus ensures that the risks taken up remain within the limits of SID Bank's risk capacity. The assessed risk capacity is taken into account when preparing the business strategy and business objectives and defining risk appetite.

Regular monitoring of risk appetite indicators is provided for on SID Bank's management body. SID Bank monitors risk appetite by determining it on multiple levels (step-like), where each superior level sets the upper threshold for the subordinate level of limits. The methodology for setting and monitoring risk appetite has a direct relationship with the ICAAP, the annual plan and stress testing.

In accordance with its business strategy, business objectives, risk capacity and risk management strategy, SID Bank takes up risks in its operations within a long-term sustainable target risk profile. It gives priority to the security and stability of its operations to maintain or increase the value of its equity in the long term, to maintain the Bank's reputation, and to maximise the benefits for users of SID Bank's services and other stakeholders.

SID Bank's risk appetite defines the material risks that the Bank is willing to take up in order to realise its business objectives, strategies, policies and plans. The materiality of a risk at SID Bank is defined in relation to regulatory capital. A particular risk is deemed material to the Bank if the corresponding capital requirement is more than 1% of regulatory capital. Risk appetite thresholds are expressed in the form of indicators. The risk appetite is defined in the applicable risk management strategy and through internally set limits. SID Bank's risk appetite, taking into account its risk capacity, is assessed by the Bank at least once a year, or more frequently in the event of significant changes in risk exposure.

The management body is briefed comprehensively on the area of risk management via quarterly reports on performance, and risk reports. The regular risk reports encompass the monitoring of risk appetite, a report on the ICAAP, detailed information on SID Bank's exposure to credit risk at the level of the entire credit portfolio, liquidity risk, interest rate risk, operational risk and other market risks in the banking book, and an assessment of future trends, with a view to informing the management body about the Bank's exposure to significant risks.

In addition to risk management under normal operating conditions, SID Bank also performs regular stress tests. **Stress tests** are conducted on the basis of two bylaws (a rulebook, and the methodological notes to the rulebook). Together the two bylaws make up the stress-testing framework at SID Bank. The rules primarily cover general stress testing and set out responsibilities. The methodological notes cover procedural aspects, where SID Bank defines data sources, the IT infrastructure, methodologies and scenarios. The stress tests also cover the burden on capital due to ESG risk factors. According to the two bylaws, stress testing is followed by the drafting of reports which, in addition to the above, also include key assumptions, the results of the stress testing, and planned measures.

SID Bank conducts the following types of stress tests:

- ICAAP stress tests (internal stress test);
- ILAAP stress tests (internal stress test);
- regulatory stress tests: conducted in accordance with the methodology and assumptions provided by the regulator; and
- other occasional stress tests.

The general risk management framework, including the organisational aspect and the segregation of roles in the risk management process, internal control mechanisms, and the approach to setting risk appetite, is presented in detail in the business report in the section entitled Risk management.

3.1 CREDIT RISK

SID Bank is most exposed in its operations to credit risk, i.e. the risk of losses arising from a counterparty's inability to settle contractual liabilities by the originally agreed deadline without the liquidation of collateral. SID Bank actively manages credit risk, continually improving its risk management procedures and methods, and upgrading its methodology in the area of credit risk.

Within the framework of its bylaws governing credit risk management, SID Bank has put in place a **credit risk management culture** that represents the Bank's standards and values regarding awareness of credit risk. Via the work of the management body and employees involved in the take-up and management of credit risk and their attitude towards credit risk, and having regard for the recommendations of internal control functions, the credit risk management culture is reflected in those persons' decisions with regard to the take-up and management of credit risk. Through annual reviews of compliance with the credit risk management culture, SID Bank ensures that the culture is effectively implemented at all levels of the Bank, and that all employees involved in the take-up and management of credit risk are fully briefed on the culture and are answerable for their actions.

The umbrella document governing the management of credit risk in SID Bank's operations is **the credit risk management policy**. The policy defines the attitude towards the take-up of credit risk in relation to SID Bank's business objectives and business strategy within the framework of the risk appetite, the mechanisms and procedures for identifying, measuring and assessing, monitoring, managing and reporting on credit risks, and the powers and responsibilities of the management body, the relevant committees and individual organisational units in the management of credit risk. The credit risk management policy also incorporates the main substantive points of the applicable bylaws and regulations governing credit risk management.

Credit risk management covers all active investment operations that give rise to credit risk, i.e. loans, including contingent liabilities and commitments given, deposits placed, factoring, transactions involving investments in debt securities that SID Bank manages for the purpose of ensuring liquidity and asset-liability management, other financial assets, and transactions in derivatives that the Bank uses exclusively for the purpose of hedging open foreign-exchange and interest-rate positions.

The level to which credit risk is taken up is determined in accordance with the adopted risk appetite, which is reflected by limits placed on exposure to credit risk.

The credit risk appetite is adopted by the management body within the framework of SID Bank's ICAAP, its annual operational plan process, and the risk management strategy, and where necessary in the event of major changes, in which the scope and focus of credit risk, the composition of the credit portfolio, including its concentration, and diversification targets in relation to business lines, geographical areas, economic sectors and products may be determined.

In terms of the identification and assessment or measurement of credit risk, credit risk management at SID Bank includes activities linked to the assessment of debtors' creditworthiness, the compilation of credit rating reports and the assignment of debtors to the appropriate rating grades. Exposure is approved by the authorised person, the credit committee or another competent body in accordance with the power to approve transactions as set out in SID Bank's bylaws and articles of association, and in accordance with the value of the investment and existing exposure.

In terms of limiting exposure to credit risk, account is first taken of the regulatory limits set out in the applicable banking legislation concerning exposure to individual customers, groups of connected clients or persons in a special relationship with SID Bank. The take-up of credit risk is also limited by SID Bank's articles of association and its internal limits on exposure to credit risk.

CLASSIFICATION OF FINANCIAL ASSETS AND COMMITMENTS GIVEN INTO RATING GRADES

SID Bank assesses customers' credit quality based on an assessment of quantitative and qualitative elements. It classifies customers into one of 21 internal rating grades, which are then combined into five rating pools from A to E, in accordance with the Bank of Slovenia criteria. Debtors in default are classified into rating pools D and E.

The quantitative elements include an assessment of the customer's financial and asset positions, and all identified risk factors, such as delays by SID Bank and other reporting entities in the submission of reports to SISBIZ, blocked accounts, arrears in the payment of taxes and liabilities to employees, and official entries. The qualitative elements take into account all the soft information available to the bank about the customer, such as the general and human resources aspects and the characteristics of the assessed company's links with other business entities, the characteristics of the industry in which the company operates, the sales aspect, the financial aspect, the development investment aspect, the environmental aspect and other incentive-based aspects (e.g. the promotion of digital transformation). Before an investment operation is approved, all customers are assigned to the appropriate rating grade. Their operations are then monitored for the duration of the investment operation, and ongoing assessments are made to verify whether the rating grade is still appropriate.

The Bank has developed separate methodologies for classifying clients to rating grades and for assessing credit quality: a methodology for assessing corporations, sole traders and cooperatives, which includes a methodology for assessing investment projects and newly established corporates, and a methodology for assessing banks and savings banks. The credit ratings of domestic public-sector entities are derived from Slovenia's sovereign credit rating.

MANAGEMENT OF CREDIT PROTECTION

Before entering into a contractual relationship, SID Bank compiles an assessment of the customer's creditworthiness, which represents the primary source of repayment. Collateral is used as a secondary source of loan repayment and is not a replacement for the primary creditworthiness of the debtor. The internal rulebook on collateral for investment operations is a document under which credit protection is implemented in practice. It defines in detail:

- the types and conditions of acceptable collateral with regard to the type of debtor and the investment operation;
- the required ratio between the value of the collateral and the value of the investment operation for each type of collateral;
- the documentation required for each type of collateral that ensures the legal certainty and enforceability of collateral;
- the methodology for valuing each type of collateral, which sets out the method, monitoring and frequency of valuation;
- the types of collateral requiring a physical inspection of the assets pledged as collateral; and
- the liquidation and/or termination of collateral;
- the regular vetting of the independence and qualifications of appraisers and the quality of their valuations; and
- the competencies of specific organisational units in accordance with internal rules on organisation.

The rulebook takes account of the key regulatory requirements in the area of credit protection defined in the CRR, Bank of Slovenia regulations, and EBA guidelines.

SID Bank accepts various forms of funded and unfunded credit protection to secure its investment operations. It accepts commercial and residential real estate, securities, equity holdings, movable property, European Cohesion Policy funds for collateralising portfolio guarantees, patents, trademarks, and assigned receivables as funded credit protection. Legislation bars SID Bank from accepting deposits from the public, although it may accept deposits solely from informed persons. It therefore does not make use of this form of collateral. SID Bank accepts joint and several sureties from legal and natural persons, government guarantees, guarantees from the EGF and the EIF under InvestEU, bank guarantees, and SID Bank insurance policies issued for the account of the Republic of Slovenia as insurance against commercial and non-commercial risks as unfunded credit protection. Within the framework of individual financing programmes, having regard for the commitments proceeding from the attributes of the programme itself and the funding utilised, the Bank may set out the range of credit protection accepted.

The collateral that SID Bank values must meet the internal conditions of eligibility, which differ with regard to the type of collateral, and must be established in a manner that ensures its legal certainty and enforceability. For collateral in the form of securities, equity holdings, movable property, patents, trademarks, models and assigned receivables, SID Bank's lien must be registered as the most senior. Only collateral whose maturity is longer than the maturity of the investment operation is classed as eligible collateral. The currency of collateral should be identical to the currency of the investment operation as a rule. Collateral that fails to meet the requirements of the Regulation on credit risk management at banks and savings banks (issued by Bank of Slovenia) to be taken into account in the estimation of expected credit losses is valued at zero. When calculating expected credit losses and setting the interest rate of an investment operation, the Bank reduces the collateral value by a haircut (HC), which is internally set for each type of collateral.

When calculating capital requirements for credit risk using the standardised approach, the Bank does not take account of a reduction in risk-weighted assets, unless the exposure is secured by collateral from European funds, the EU budget, the European Investment Fund and the European Investment Bank. SID Bank does not enter into credit derivative transactions for the purpose of managing capital requirements for credit risk.

The valuation reports that SID Bank uses as a basis for the valuation of assets pledged as collateral comply with the applicable valuation standards (IVS, EVS, RICS), and are compiled by independent certified appraisers with the requisite qualifications, knowledge and experience. A review of the quality of valuation of real estate and movable property and of the independence and qualifications of appraisers is being conducted within the framework of the current review of valuation reports. Each valuation report received by the Bank is reviewed by a collateral management specialist who holds a current licence as a certified real estate appraiser from the Slovenian Institute of Auditors. During the review of the valuation report, checks are made of compliance with valuation standards, the adequacy of the selected valuation basis, the purpose of valuation, the approaches used with regard to the type of the subject of valuation, the valuation procedures, and the adequacy of declarations, attachments and other content. The specialist gives an opinion of the adequacy of the valuation report, and the adequacy of the estimated market value or liquidation value. If major irregularities are identified during the review of the valuation report, the Bank takes measures such as reducing the estimated market value or liquidation value, designating the valuation report as inadequate, obtaining a revised/new valuation report, and blacklisting the appraiser.

In real estate valuation the Bank takes account of the estimated market value of the real estate from a valuation report formulated on the basis of a comprehensive inspection of the real estate, and in forcible collateral liquidation it takes account of the estimated liquidation value if available. The Bank regularly monitors the value of real estate collateral over the term of the investment operation. Once a year it obtains real estate price indices for each type of real estate in each statistical region from an external provider, and uses them to monitor the value of real estate collateral. For real estate where there is an indication of a major change in its value, and for real estate whose value has changed significantly within the framework of collateral value monitoring, the market value of the real estate is determined by a reassessment by the appraiser. For real estate used as collateral for an exposure in excess of EUR 3 million or 5% of the Bank's regulatory capital, the Bank obtains a valuation report at least every three years. For commercial and residential real estate used as collateral for non-performing exposures whose gross exposure exceeds EUR 300 thousand, the Bank obtains a reassessment from the appraiser once a year.

In the valuation of business equipment, and motor vehicles and trailers, the Bank has set thresholds for when the valuation may take account of the value based on a sale and purchase agreement or an invoice between unrelated parties that is no more than one year old, or the estimated market value from the valuation report. Subsequent valuation of business equipment and of motor vehicles and trailers is conducted once a year, or more frequently in the event of major changes in the market. When the initial valuation is based on a sale and purchase agreement or an invoice, subsequent valuations take account of a decline in value in the amount of the corresponding depreciation. In cases when the initial valuation takes account of the estimated market value from the valuation report, a valuation report is obtained each year over the term of the investment operation. The Bank values inventories on the basis of a monthly transcript from the debtor's books of account.

The Bank values securities traded on a regulated securities market at the closing price, and non-marketable equities and equity holdings on the basis of the estimated market value from the valuation report. The valuation report is also the basis for the valuation of collateral in the form of patents, trademarks and models.

Collateral in the form of assigned receivables is valued on the basis of the monthly reports of debtors, without taking into account past-due claims and claims against legal or natural persons that constitute a group of connected clients with the debtor. Collateral in the form of the assignment of all current and future receivables is valued at zero by the Bank.

Credit protection in the form of sureties, debt assumption, guarantees, and SID Bank insurance policies issued for the account of the Republic of Slovenia to insure against commercial and non-commercial risks is valued at the lower of the exposure amount, or the contractual amount of the surety, debt assumption, guarantee, or Republic of Slovenia guarantee for commercial risk. SID Bank only assigns a non-zero value to the sureties of legal persons if the rating grade of the legal person giving the guarantee is higher than or equal to BBB-, based on the internal credit quality assessment methodology, and the surety demonstrates adequate creditworthiness. Sureties from natural persons are assigned a zero value.

Over the lifetime of the exposure, SID Bank monitors the debtor's rating grade and the coverage of the exposure by collateral. Should the value of the collateral fall, the Bank takes action to establish additional collateral as required. As part of its early warning indicators of increased credit risk, the Bank monitors the ratio of the total value of the collateral for a particular investment operation to the exposure. If the ratio deteriorates by more than 50% relative to the ratio at the time of the approval of the investment operation, the debtor is placed on the watch list.

ESTIMATION OF CREDIT LOSSES

For the estimation of expected credit losses, SID Bank has put in place its own methodology in accordance with IFRS 9, which is defined in an internal rulebook and includes:

- the classification of exposures into stages for the purpose of estimating expected credit losses, including the definition of a methodology for assessing a significant increase in credit risk;
- the segmentation of the portfolio for the calculation of expected credit losses (PD and LGD segments);
- the modelling of probability of default (PD) and loss given default (LGD); and
- the calculation of expected credit losses.

In the scope of managing model risk, SID Bank has put in place a methodology for validating estimates of the credit risk parameters that it takes into account in the calculation of expected credit losses.

The estimation of expected credit losses is defined in more detail in section 2.3.9 under the section entitled Impairments of financial assets and provisions.

CREDIT RISK MONITORING

SID Bank conducts regular monitoring of investment operations and enhanced monitoring of credit risk. Regular monitoring of investment transactions also includes the monitoring of the appropriateness of a debtor's credit rating, the monitoring of past-due liabilities, the monitoring of the fulfilment of financial and other contractual commitments, verification of the adequacy and amount of collateral, and the monitoring of groups of connected clients.

SID Bank carries out enhanced monitoring when it identifies a serious breach of contractual obligations, a deterioration in a debtor's financial and asset position, an increase in the risk derived from the purpose-specific use of a loan, or other circumstances that affect or may affect a debtor's performance and the successful conclusion of the investment operation.

In general, SID Bank regularly carries out enhanced monitoring on the basis of a list approved by the credit committee. When creating a watch list, the amount and maturity of the investment operation, the debtor's rating grade and other criteria that result in the debtor being placed on a watch list and that affect the credit risk are taken into account.

EARLY WARNING SYSTEM FOR DETECTING INCREASED CREDIT RISK

SID Bank has put in place an early warning system (EWS) as part of its credit risk management system that facilitates the early detection of increased credit risk for any exposure and of potential defaulters. The EWS is based on internally defined criteria for inclusion on or removal from the list, and enables SID Bank to identify any potential difficulties in debt repayment at an early stage and to try to prevent any further deterioration in the credit quality of the exposure by taking timely corrective measures and following up the implementation of measures so that a debtor does not transition to a position of default. Certain indicators of potential customer difficulties are updated automatically every day from external data sources (e.g. blocked accounts or arrears at other banks, failure to pay tax liabilities) and the competent departments informed accordingly.

SID Bank monitors exposures with increased credit risk on a watch list, which is discussed by the monitoring committee, which in turn briefs the credit committee.

If, after successfully implementing measures, a debtor no longer meets any of the criteria for placement on the watch list, they are returned to ordinary treatment, or are reclassified as distressed investments if they meet the criteria for reclassification of the exposure as a distressed investment.

There was an upgrade to the existing EWS in 2023, which included updates to the EWS quantitative and qualitative indicators to identify potential debt repayment problems of the debtor, and optimisation of the processes for implementing measures after detecting an increase in credit risk. A validation of the EWS was also carried out.

Extensive information support is also scheduled to be provided for the EWS in 2024.

MANAGEMENT OF NON-PERFORMING EXPOSURES

Non-performing exposures that have been classified as distressed investments based on a decision of the responsible committee are assigned to a special organisational unit that manages distressed investments. That organisational unit performs a multi-phased segmentation with the aim of identifying debtors with the ability to generate cash flow from their core activity and to service their financial debt at the same time. The forbearance of the exposure or the recovery process is initiated based on the results of that segmentation.

SID Bank manages non-performing exposures in accordance with the adopted strategy for managing and reducing non-performing exposures, which includes time-based definitions of quantitative targets, supported by an appropriate comprehensive operational plan to meet these targets.

Forborne loans are loans to which forbearance measures have been applied, where the measures comprise concessions (allowances) to a customer that is experiencing or will soon experience difficulties in meeting its financial commitments, and exposures to which forbearance measures have been applied in accordance with Annex V of Commission Implementing Regulation (EU) No 680/2014.

In the forbearance of investment operations, SID Bank takes into account the EBA guidelines on the management of non-performing and forborne exposures (EBA/GL/2018/06) and the Slovenian corporate debt restructuring principles drafted by the Bank of Slovenia together with the Bank Association of Slovenia. It also takes into account the Restructuring guidelines for micro, small and medium-sized companies and the Bank of Slovenia Handbook for the effective management and workout of non-performing loans. SID Bank regularly monitors distressed investments on special warning lists, which are generally discussed on a weekly basis by the distressed investment management committee.

RECOVERY PROCEDURE

Recovery is carried out in accordance with internal procedures, and is divided into extra-judicial and judicial recovery. The method of recovery depends primarily on the type of collateral, the duration of the arrears, the degree of cooperation displayed by the debtor, and the amount of any past-due and outstanding exposures of SID Bank to the debtor.

Recovery typically begins with a verbal and written reminder to a debtor. If the reminder process is unsuccessful or the exposure could not be forborne, procedures are usually initiated to liquidate collateral instruments.

If extra-judicial recovery is not successful, judicial recovery is initiated and managed by the distressed investment management department in accordance with the circumstances of the specific case.

MANAGEMENT AND MONITORING OF CREDIT RISK

SID Bank manages credit risk in several ways:

- by defining the risk appetite and risk appetite indicators;
- by setting internal limits in order to limit the concentration of exposure across specific segments, economic sectors and geographical areas;
- by setting thresholds for the allocation of total exposure to credit risk (RWAs);
- by limiting leveraged transactions by placing a limit on the total exposure of all leveraged transactions;
- by taking into account the limits of exposure to individual debtors, groups of connected clients, and shadow banking entities;
- by setting project financing guidelines;
- by establishing collateral;
- by identifying the risk posed by a specific debtor and creating allowances and provisions for on-balance-sheet assets or off-balance-sheet liabilities; and
- by ensuring sufficient capital to cover unexpected credit risk losses.

SID Bank's risk appetite takes into account environmental, social and governance (ESG) risks, for which it has put in place a dynamic limit on total exposure to the highest-risk ESG customers.

The risk appetite framework will include a new indicator in 2024: a minimum target for green loans.

The monitoring of credit risk begins upon the conclusion of a contractual relationship in the process of credit risk take-up, and ends on the day that all of the debtor's contractual and other obligations have been settled.

In credit operations, creditworthiness is determined when an individual investment operation is reviewed with reference to a company's calculated borrowing capacity, taking into account long-term sustainable EBITDA (defined on the basis of past performance and critically assessed projections of future performance), less the normalised volume of replacement investments, normalised taxes, long-term expected dividends and gains, and the current and envisaged financial debt. When the simplified procedure of processing low-value loans is applied, the assessment of a company's maximum borrowing capacity is calculated on the basis of data derived from past performance. That assessment is then used as the basis for calculating the free portion of a customer's borrowing limit, taking into account the customer's current credit rating, the current exposure, and the maturity of the requested financing.

Credit risk from debt securities arises from the portfolio managed by SID Bank for the purpose of ensuring liquidity and asset and liability management. SID Bank manages this credit risk primarily by means of limits on exposure with regard to the credit rating, geographical area and type of the issuer, and the type of instrument. In addition it regularly monitors changes in the market value of debt securities, changes in credit spreads, and the portfolio structure in terms of ESG risks. To reduce exposure to environmental risk, SID Bank limits the purchase of debt securities of issuers whose core activity is in the fossil fuels segment. The system of limits in this area is designed to ensure that investments are made primarily in debt securities of higher credit quality. In general it does not allow any investment in the financial instruments of foreign issuers without a credit rating from an international rating agency.

SID Bank has no financial instruments held for trading. Counterparty credit risk is taken into account for derivatives that SID Bank enters into solely for the purpose of hedging open foreign-exchange and interest-rate positions. SID Bank determines counterparty credit risk exposure from derivatives using the original exposure method in accordance with Article 282 of the CRR. In the conclusion of derivative transactions, credit risk is managed in such a way that these transactions can only be entered into with counterparties with which the Bank has signed ISDA Agreements and Credit Support Annexes to the ISDA Agreements.

In accordance with the business model and business strategy adopted by SID Bank, increased concentration is consciously accepted for the following:

- groups of debtors and sectors that are involved in Slovenia's exports to an above-average degree;
- groups of debtors and sectors most affected by the adverse consequences of the war in Ukraine and the energy crisis, the current economic situation or other types of gaps, with a view to the Bank's intervention and countercyclical role;
- groups of debtors and sectors in the circular economy, with high development potential, an innovative component, or a focus on the green transition and digital transformation;
- groups of debtors who are financed within the framework of the Fund of Funds or InvestEU, or via equity financing under the SEGIP;
- certain countries that are major destinations for Slovenia's merchandise exports, services exports and outward FDI;
- municipalities via which the Bank finances infrastructure projects (particularly in the area of education);
- banks involved in export transactions and banks and other financial institutions established in Slovenia, if the banks transfer funding obtained to final beneficiaries in accordance with the Slovene Export and Development Bank Act or another law.

MAXIMUM EXPOSURE TO CREDIT RISK

31 Dec 2023	Maximum credit risk	Collateral in the form of property	Other credit enhancements	Overall credit risk mitigation
Gross on-balance-sheet exposures	**2,649,905**	**1,540,955**	**187,561**	**1,728,516**
Cash, cash balances at central banks and demand deposits at banks	323,785	0	0	0
Non-trading financial assets mandatorily at fair value through profit or loss	1,976	8,168	0	8,168
Loans and advances to non-bank customers	1,976	8,168	0	8,168
Financial assets measured at fair value through other comprehensive income	406,659	0	18,146	18,146
Debt securities	406,659	0	18,146	18,146
Financial assets measured at amortised cost	1,907,625	1,532,787	169,415	1,702,202
Debt securities	168,718	0	0	0
Loans and advances to banks	260,509	0	19,163	19,163
Loans and advances to non-bank customers	1,474,544	1,532,787	150,252	1,683,039
Other financial assets	3,854	0	0	0
Derivatives - hedge accounting	9,860	0	0	0
Gross off-balance-sheet exposures	**213,793**	**51,908**	**26,160**	**78,068**
Guarantees	104,207	51,908	26,160	78,068
Assets: undrawn loans	78,253	0	0	0
Uncalled unpaid capital	31,333	0	0	0
Total gross credit risk exposure	**2,863,698**	**1,592,863**	**213,721**	**1,806,584**

31 Dec 2022	Maximum credit risk	Collateral in the form of property	Other credit enhancements	Overall credit risk mitigation
Gross on-balance-sheet exposures	**2,770,466**	**1,361,786**	**229,646**	**1,591,432**
Cash, cash balances at central banks and demand deposits at banks	413,628	0	0	0
Non-trading financial assets mandatorily at fair value through profit or loss	1,336	8,168	0	8,168
Loans and advances to non-bank customers	1,336	8,168	0	8,168
Financial assets measured at fair value through other comprehensive income	507,480	0	19,970	19,970
Debt securities	507,480	0	19,970	19,970
Financial assets measured at amortised cost	1,844,607	1,353,618	209,676	1,563,294
Debt securities	71,146	0	0	0
Loans and advances to banks	345,778	0	28,219	28,219
Loans and advances to non-bank customers	1,424,639	1,353,618	181,457	1,535,075
Other financial assets	3,044	0	0	0
Derivatives - hedge accounting	3,415	0	0	0
Gross off-balance-sheet exposures	**279,366**	**37,443**	**27,459**	**64,902**
Guarantees	92,344	37,443	27,459	64,902
Assets: undrawn loans	145,101	0	0	0
Uncalled unpaid capital	41,921	0	0	0
Total gross credit risk exposure	**3,049,832**	**1,399,229**	**257,105**	**1,656,334**

The table discloses SID Bank's maximum credit risk exposure across individual types of financial asset and off-balance-sheet liability, without consideration of credit protection.

The collateral presented in the table includes collateral in the form of residential real estate, commercial real estate, shares and participating interests, loans, other funded credit protection and other forms of credit protection.

The other credit enhancements presented in the table include credit protection in the form of irrevocable Slovenian government guarantees and financial guarantees.

TYPES OF CREDIT PROTECTION

31 Dec 2023	Collateral in the form of irrevocable Slovenian government guarantees	Collateral in the form of financial guarantees other than irrevocable Slovenian government guarantees	Collateral in the form of commercial real estate	Collateral in the form of residential real estate	Collateral in the form of shares and participating interests	Collateral in the form of loans	Collateral in the form of other funded credit protection	Other forms of collateral	Total
Financial assets	**43,515**	**144,045**	**917,787**	**20,175**	**86,666**	**0**	**473,284**	**43,044**	**1,728,516**
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	8,168	0	0	0	0	0	8,168
Loans and advances to non-bank customers	0	0	8,168	0	0	0	0	0	8,168
Financial assets measured at fair value through other comprehensive income	213	17,933	0	0	0	0	0	0	18,146
Debt securities	213	17,933	0	0	0	0	0	0	18,146
Financial assets measured at amortised cost	43,302	126,112	909,619	20,175	86,666	0	473,284	43,044	1,702,202
Loans and advances to banks	19,163	0	0	0	0	0	0	0	19,163
Loans and advances to non-bank customers	24,139	126,112	909,619	20,175	86,666	0	473,284	43,044	1,683,039
Off-balance-sheet liabilities	**0**	**26,160**	**0**	**0**	**0**	**51,908**	**0**	**0**	**78,068**
Guarantees	0	26,160	0	0	0	51,908	0	0	78,068
Total	**43,515**	**170,205**	**917,787**	**20,175**	**86,666**	**51,908**	**473,284**	**43,044**	**1,806,584**

31 Dec 2022	Collateral in the form of irrevocable Slovenian government guarantees	Collateral in the form of financial guarantees other than irrevocable Slovenian government guarantees	Collateral in the form of commercial real estate	Collateral in the form of residential real estate	Collateral in the form of shares and participating interests	Collateral in the form of loans	Collateral in the form of other funded credit protection	Other forms of collateral	Total
Financial assets	**85,825**	**143,821**	**779,912**	**16,442**	**64,356**	**0**	**450,057**	**51,019**	**1,591,432**
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	8,168	0	0	0	0	0	8,168
Loans and advances to non-bank customers	0	0	8,168	0	0	0	0	0	8,168
Financial assets measured at fair value through other comprehensive income	213	19,757	0	0	0	0	0	0	19,970
Debt securities	213	19,757	0	0	0	0	0	0	19,970
Financial assets measured at amortised cost	85,612	124,064	771,744	16,442	64,356	0	450,057	51,019	1,563,294
Loans and advances to banks	28,219	0	0	0	0	0	0	0	28,219
Loans and advances to	57,393	124,064	771,744	16,442	64,356	0	450,057	51,019	1,535,075
Off-balance-sheet liabilities	**0**	**27,459**	**0**	**0**	**0**	**37,443**	**0**	**0**	**64,902**
Guarantees	0	27,459	0	0	0	37,443	0	0	64,902
Total	**85,825**	**171,280**	**779,912**	**16,442**	**64,356**	**37,443**	**450,057**	**51,019**	**1,656,334**

The total value of SID Bank's collateral amounted to EUR 1,806,584 thousand as at 31 December 2023, an increase of EUR 150,250 thousand relative to 31 December 2022. The collateral meets the requirements of the Regulation on credit risk management at banks and savings banks for the purpose of taking account of credit protection in the assessment of expected credit losses.

The largest single type of collateral is collateral in the form of commercial real estate, which is a relatively reliable and high-quality form of collateral. This is followed by other funded credit protection, financial guarantees (other than irrevocable Slovenian government guarantees), shares and participating interests, loans, irrevocable Slovenian government guarantees, other forms of collateral, and residential real estate.

Collateral in the form of irrevocable Slovenian government guarantees consists of SID Bank insurance policies issued for the account of the Republic of Slovenia to insure against commercial and non-commercial risks.

The largest component of financial guarantees other than irrevocable Slovenian government guarantees is guarantees by the Pan-European Guarantee Fund, followed by sovereign limited conditional subsidiary guarantees, bank guarantees, guarantees issued by the ECB and by governments and central banks that are assigned a risk rating of 0 or 1 under the minimum export insurance premiums (MEIP) listing, guarantees from legal persons with a rating higher than BBB- based on the internal credit quality assessment methodology where the guarantor demonstrates adequate creditworthiness, and guarantees by the EIF under InvestEU.

Collateral in the form of shares and participating interests primarily consists of collateral in the form of equity holdings.

Collateral in the form of loans includes collateral in the form of European Cohesion Policy funds pledged as collateral for portfolio guarantees.

The majority of other funded credit protection consists of collateral in the form of inventories, which is followed by collateral in the form of business equipment and motor vehicles.

The largest component of other forms of collateral is the assignment of secured claims, followed by liens on other rights (patents and trademarks).

SECURING OF LOANS AND RECEIVABLES

31 Dec 2023	Fully secured and over-secured loans		Unsecured and under-secured loans	
	Net value of loans and receivables	Fair value of collateral	Net value of loans and receivables	Fair value of collateral
Financial assets measured at amortised cost				
Loans and advances to banks	18,906	19,163	240,281	0
Loans and advances to non-bank customers	592,954	1,512,821	833,241	170,218
Other financial assets	0	0	3,850	0
Total	**611,860**	**1,531,984**	**1,077,372**	**170,218**

31 Dec 2022	Fully secured and over-secured loans		Unsecured and under-secured loans	
	Net value of loans and receivables	Fair value of collateral	Net value of loans and receivables	Fair value of collateral
Financial assets measured at amortised cost				
Loans and advances to banks	27,876	28,219	316,114	0
Loans and advances to non-bank customers	555,455	1,331,473	825,736	203,602
Other financial assets	0	0	3,043	0
Total	**583,331**	**1,359,692**	**1,144,893**	**203,602**

Fully secured and over-secured loans are loans and other financial assets measured at amortised cost where the fair value of the collateral is higher than or equal to the net value of the loan or other financial asset. Unsecured and under-secured loans are loans and other financial assets measured at amortised cost where the fair value of the collateral is lower than the net value of the loan or other financial asset.

The fully secured and over-secured segment of the portfolio of loans and advances to banks as at 31 December 2023 consists of non-performing exposures to Belarusian banks that were secured by an SID Bank insurance policy issued for the account of the Republic of Slovenia to insure against commercial and non-commercial risks with 95% risk coverage.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT AMORTISED COST AND OFF-BALANCE-SHEET LIABILITIES

	31 Dec 2023	31 Dec 2022
Gross carrying amount	**2,121,418**	**2,123,973**
A	1,121,844	1,039,136
B	843,462	929,688
C	69,787	71,743
D	72,983	67,913
E	13,342	15,493
Allowances and provisions for credit losses	**(50,310)**	**(45,853)**
A	1,357	3,834
B	(6,344)	(9,907)
C	(8,646)	(8,420)
D	(23,728)	(16,612)
E	(12,949)	(14,748)
Net carrying amount	**2,071,108**	**2,078,120**

SID Bank disclosed gross exposure from financial assets measured at amortised cost and off-balance-sheet liabilities in the amount of EUR 2,121,418 thousand as at 31 December 2023.

The proportion of financial assets measured at amortised cost and off-balance-sheet liabilities classed as rating grade A or B as at 31 December 2023 was unchanged from a year earlier at 93%.

As at 31 December 2023 4.1% of financial assets measured at amortised cost and off-balance-sheet liabilities were assigned rating grades of D or E (31 December 2022: 3.9%). Gross exposure from financial assets measured at amortised cost assigned a rating grade of D amounted to EUR 72,983 thousand as at 31 December 2023, an increase of EUR 5,070 thousand relative to 31 December 2022, primarily as a result of new defaulters, of whom the largest exposure was to a customer from Ghana.

Gross exposure from financial assets measured at amortised cost assigned a rating grade of E amounted to EUR 13,342 thousand as at 31 December 2023, a decrease of EUR 2,151 thousand relative to 31 December 2022, primarily as a result of the sale and write-off of financial assets, and repayments received from the liquidation of collateral and inflows from a bankruptcy estate.

SID Bank held total allowances and provisions for credit losses in the amount of EUR 50,310 thousand as at 31 December 2023 (31 December 2022: EUR 45,853 thousand). The allowances and provisions in rating grades D and E increased by EUR 5,317 thousand, as a result of new defaults.

The decrease in allowances and provisions for credit losses in the performing segment of the credit portfolio was driven by an improvement in customer credit ratings made on the basis of financial statements for 2022. This was consequently followed by reclassifications of exposures from Stage 2 to Stage 1. New macroeconomic scenarios, which are having an impact on estimates of credit parameters and estimates of expected credit losses, also influenced the decrease in allowances and provisions for credit losses.

SID Bank held seven POCI items as at 31 December 2023, including two performing exposures. Allowances for credit losses from POCI items are positive and amounted to EUR 1,971 thousand as at 31 December 2023 (allowances for credit losses were positive in the amount of EUR 3,779 thousand as at 31 December 2022). The positive allowance for one POCI item classified into rating grade A was the dominant factor in the aggregate allowances for credit losses for POCI items.

ANALYSIS OF CREDIT QUALITY – NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS – LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	31 Dec 2023		31 Dec 2022	
Gross carrying amount	**2,935**	**100.0%**	**3,437**	**100.0%**
C	2,935	100.0%	0	0.0%
D	0	0.0%	3,020	87.9%
E	0	0.0%	417	12.1%
Accumulated fair value changes owing to credit risk	**(792)**	**100.0%**	**(1,941)**	**100.0%**
C	(792)	100.0%	0	0.0%
D	0	0.0%	(1,524)	78.5%
E	0	0.0%	(417)	21.5%
Accumulated fair value changes owing to other risks	**(167)**	**100.0%**	**(160)**	**100.0%**
C	(167)	100.0%	0	0.0%
D	0	0.0%	(160)	100.0%
Net carrying amount	**1,976**		**1,336**	

Non-trading financial assets mandatorily at fair value through profit or loss consist of loans and advances to non-bank customers. The aforementioned loans and advances were reclassified from rating grade D (non-performing financial assets) to rating grade C (performing financial assets) in 2023. The fair value of performing loans and advances is calculated in accordance with the internal methodology.

The non-trading financial assets mandatorily at fair value through profit or loss that had been classified into rating grade E as at 31 December 2022 were written off in 2023.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – DEBT SECURITIES

31 Dec 2023	Stage 1	Total	
Gross carrying amount	**406,659**	**406,659**	**100.0%**
A	398,329	398,329	98.0%
B	8,330	8,330	2.0%
Allowances for credit losses	**(150)**	**(150)**	**100.0%**
A	(81)	(81)	54.2%
B	(69)	(69)	45.8%
Net carrying amount	**406,509**	**406,509**	
31. 12. 2022	**Stage 1**	**Total**	
Gross carrying amount	507,480	507,480	100.0%
A	491,384	491,384	96.8%
B	16,096	16,096	3.2%
Allowances for credit losses	**(209)**	**(209)**	**100.0%**
A	(61)	(61)	29.2%
B	(148)	(148)	70.8%
Net carrying amount	**507,271**	**507,271**	

SID Bank disclosed gross exposure from financial assets (debt securities) measured at fair value through other comprehensive income in the amount of EUR 406,509 thousand as at 31 December 2023.

Under IFRS 9, the Bank is required to estimate expected credit losses on financial assets measured at fair value through other comprehensive income, which amounted to EUR 150 thousand.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT AMORTISED COST – DEBT SECURITIES

31 Dec 2023	Stage 1	Total	
Gross carrying amount	**168,718**	**168,718**	**100.0%**
A	133,386	133,386	79.1%
B	35,332	35,332	20.9%
Allowances for credit losses	**(192)**	**(192)**	**100.0%**
A	(32)	(32)	16.9%
B	(160)	(160)	83.1%
Net carrying amount	**168,526**	**168,526**	
31. 12. 2022	**Stage 1**	**Total**	
Gross carrying amount	**71,146**	**71,146**	**100.0%**
A	71,146	71,146	100.0%
Allowances for credit losses	**(6)**	**(6)**	**100.0%**
A	(6)	(6)	100.0%
Net carrying amount	**71,140**	**71,140**	

SID Bank disclosed exposure from financial assets (debt securities) measured at amortised cost in the amount of EUR 168,718 thousand as at 31 December 2023.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT AMORTISED COST – LOANS AND ADVANCES TO BANKS

31 Dec 2023	Stage 1	Stage 3	Total	
Gross carrying amount	**240,594**	**19,915**	**260,509**	**100.0%**
A	175,579	0	175,579	67.4%
B	65,015	0	65,015	25.0%
D	0	19,915	19,915	7.6%
Allowances for credit losses	**(313)**	**(1,009)**	**(1,322)**	**100.0%**
A	(91)	0	(91)	6.9%
B	(222)	0	(222)	16.8%
D	0	(1,009)	(1,009)	76.3%
Net carrying amount	**240,281**	**18,906**	**259,187**	
31 Dec 2022	**Stage 1**	**Stage 3**	**Total**	
Gross carrying amount	**316,414**	**29,364**	**345,778**	**100.0%**
A	233,823	0	233,823	67.6%
B	82,591	0	82,591	23.9%
D	0	29,364	29,364	8.5%
Allowances for credit losses	**(300)**	**(1,488)**	**(1,788)**	**100.0%**
A	(74)	0	(74)	4.2%
B	(226)	0	(226)	12.7%
D	0	(1,488)	(1,488)	83.2%
Net carrying amount	**316,114**	**27,876**	**343,990**	

SID Bank disclosed exposure from financial assets measured at amortised cost (loans and advances to banks) in the amount of EUR 260,509 thousand as at 31 December 2023. The exposures to Belarusian banks that became non-performing financial assets in 2022 were classified as Stage 3 (non-performing financial assets) as at 31 December 2023. The exposure to Belarusian banks was reduced by regular repayments.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT AMORTISED COST – LOANS AND ADVANCES TO NON-BANK CUSTOMERS

31 Dec 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	**1,304,473**	**101,343**	**65,210**	**3,518**	**1,474,544**
A	710,826	180	0	2,286	713,292
B	590,491	35,184	0	0	625,675
C	3,156	65,979	0	32	69,167
D	0	0	51,868	1,200	53,068
E	0	0	13,342	0	13,342
Allowances for credit losses	**(4,926)**	**(10,122)**	**(35,272)**	**1,971**	**(48,349)**
A	(778)	(1)	0	2,324	1,545
B	(3,904)	(1,788)	0	0	(5,692)
C	(244)	(8,333)	0	42	(8,535)
D	0	0	(22,323)	(395)	(22,718)
E	0	0	(12,949)	0	(12,949)
Net carrying amount	**1,299,547**	**91,221**	**29,938**	**5,489**	**1,426,195**

31 Dec 2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	**1,246,737**	**120,282**	**50,374**	**7,246**	**1,424,639**
A	584,337	3,220	0	5,268	592,825
B	653,700	54,019	0	0	707,719
C	8,700	63,043	0	0	71,743
D	0	0	35,782	1,077	36,859
E	0	0	14,592	901	15,493
Allowances for credit losses	**(6,974)**	**(11,356)**	**(28,897)**	**3,779**	**(43,448)**
A	(552)	(136)	0	4,675	3,987
B	(5,733)	(3,489)	0	0	(9,222)
C	(689)	(7,731)	0	0	(8,420)
D	0	0	(14,301)	(743)	(15,044)
E	0	0	(14,596)	(153)	(14,749)
Net carrying amount	**1,239,763**	**108,926**	**21,477**	**11,025**	**1,381,191**

SID Bank disclosed exposure from financial assets measured at amortised cost (loans and advances to non-bank customers) in the amount of EUR 1,474,544 thousand as at 31 December 2023.

As SID Bank also approves loan operations for rating grade C within the framework of individual financing programmes involving elements of state aid, EUR 3,156 thousand of loans and advances to non-bank customers was classified as Stage 1.

The gross carrying amount of POCI items was EUR 3,518 thousand as at 31 December 2023. Allowances for credit losses from POCI items were positive and amounted to EUR 1,971 thousand.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT AMORTISED COST – OTHER FINANCIAL ASSETS

31 Dec 2023	Stage 1	Total	
Gross carrying amount	**3,854**	**3,854**	**100.0%**
A	3,699	3,699	96.0%
B	155	155	4.0%
Allowances for credit losses	**(4)**	**(4)**	**100.0%**
A	(0)	(0)	0.6%
B	(4)	(4)	99.4%
Net carrying amount	**3,850**	**3,850**	

31 Dec 2022	Stage 1	Stage 3	Total	
Gross carrying amount	**3,043**	**1**	**3,044**	**100.0%**
A	3,043	0	3,043	100.0%
D	0	1	1	0.0%
Allowances for credit losses	**0**	**(1)**	**(1)**	**100.0%**
D	0	(1)	(1)	100.0%
Net carrying amount	**3,043**	**0**	**3,043**	

SID Bank disclosed exposure from financial assets measured at amortised cost (other financial assets) in the amount of EUR 3,854 thousand as at 31 December 2023.

ANALYSIS OF CREDIT QUALITY – FINANCIAL ASSETS MEASURED AT AMORTISED COST – TOTAL

31 Dec 2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	1,717,639	101,343	85,125	3,518	1,907,625
A	1,023,490	180	0	2,286	1,025,956
B	690,993	35,184	0	0	726,177
C	3,156	65,979	0	32	69,167
D	0	0	71,783	1,200	72,983
E	0	0	13,342	0	13,342
Allowances for credit losses	(5,435)	(10,122)	(36,281)	1,971	(49,867)
A	(901)	(1)	0	2,324	1,422
B	(4,290)	(1,788)	0	0	(6,078)
C	(244)	(8,333)	0	42	(8,535)
D	0	0	(23,332)	(395)	(23,727)
E	0	0	(12,949)	0	(12,949)
Net carrying amount	1,712,204	91,221	48,844	5,489	1,857,758

31 Dec 2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	1,637,340	120,282	79,739	7,246	1,844,607
A	892,349	3,220	0	5,268	900,837
B	736,291	54,019	0	0	790,310
C	8,700	63,043	0	0	71,743
D	0	0	65,147	1,077	66,224
E	0	0	14,592	901	15,493
Allowances for credit losses	(7,280)	(11,356)	(30,386)	3,779	(45,243)
A	(632)	(136)	0	4,675	3,907
B	(5,959)	(3,489)	0	0	(9,448)
C	(689)	(7,731)	0	0	(8,420)
D	0	0	(15,790)	(743)	(16,533)
E	0	0	(14,596)	(153)	(14,749)
Net carrying amount	1,630,060	108,926	49,353	11,025	1,799,364

ANALYSIS OF CREDIT QUALITY – OFF-BALANCE-SHEET ITEMS

31 Dec 2023	Stage 1	Stage 2	Total	
Gross carrying amount	**213,173**	**620**	**213,793**	**100.0%**
A	95,889	0	95,889	44.8%
B	117,284	0	117,284	54.9%
C	0	620	620	0.3%
Provisions	**(332)**	**(111)**	**(443)**	**100.0%**
A	(65)	0	(65)	14.6%
B	(267)	0	(267)	60.2%
C	0	(111)	(111)	25.2%
Net carrying amount	**212,841**	**509**	**213,350**	
31. 12. 2022	**Stage 1**	**Stage 2**	**Total**	
Gross carrying amount	**277,677**	**1,689**	**279,366**	**100.0%**
A	138,300	0	138,300	49.5%
B	139,377	0	139,377	49.9%
C	0	1,689	1,689	0.6 %
Provisions	**(532)**	**(78)**	**(610)**	**100.0%**
A	(73)	0	(73)	12.0%
B	(459)	0	(459)	75.3%
C	0	(78)	(78)	12.7%
Net carrying amount	**277,145**	**1,611**	**278,756**	

SID Bank disclosed gross exposure from off-balance-sheet liabilities in the amount of EUR 213,793 thousand as at 31 December 2023.

FORBORNE LOANS

	31 Dec 2023	31 Dec 2022
Gross carrying amount	**71,137**	**42,871**
Performing forborne exposures	31,418	10,760
Non-performing forborne exposures	39,719	32,111

Forborne loans are exposures to which forbearance measures have been applied in accordance with Annex V to Commission Implementing Regulation 680/2014.

SID Bank disclosed exposure from forborne loans in the amount of EUR 71,137 thousand as at 31 December 2023. Performing forborne loans increased by EUR 20,659 thousand in 2023, while non-performing forborne loans increased by EUR 7,608 thousand.

MATURITY OF FINANCIAL ASSETS

	Gross carrying amount					Allowances for credit losses				
31 Dec 2023	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances to banks										
Non-past-due	240,594	0	19,915	0	260,509	(313)	0	(1,009)	0	(1,322)
Total loans and advances to banks	**240,594**	**0**	**19,915**	**0**	**260,509**	**(313)**	**0**	**(1,009)**	**0**	**(1,322)**
Loans and advances to non-bank customers										
Non-past-due	1,303,070	93,316	21,487	3,355	1,421,228	(4,919)	(9,503)	(8,026)	2,135	(20,313)
Up to 29 days past due	1,403	2,893	15,867	0	20,163	(7)	(307)	(4,229)	0	(4,543)
30 to 89 days past due	0	5,134	1,273	163	6,570	0	(312)	(803)	(164)	(1,279)
90 to 180 days past due	0	0	5,934	0	5,934	0	0	(2,459)	0	(2,459)
More than 180 days past due	0	0	20,649	0	20,649	0	0	(19,755)	0	(19,755)
Total loans and advances to non-bank customers	**1,304,473**	**101,343**	**65,210**	**3,518**	**1,474,544**	**(4,926)**	**(10,122)**	**(35,272)**	**1,971**	**(48,349)**
Other financial assets										
Non-past-due	3,854	0	0	0	3,854	(4)	0	0	0	(4)
Total other financial assets	**3,854**	**0**	**0**	**0**	**3,854**	**(4)**	**0**	**0**	**0**	**(4)**

	Gross carrying amount					Allowances for credit losses				
31 Dec 2022	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to banks										
Non-past-due	316,414	0	17,649	0	334,063	(300)	0	(892)	0	(1,192)
Up to 29 days past due	0	0	326	0	326	0	0	(17)	0	(17)
90 to 180 days past due	0	0	11,389	0	11,389	0	0	(579)	0	(579)
Total loans and advances to banks	**316,414**	**0**	**29,364**	**0**	**345,778**	**(300)**	**0**	**(1,488)**	**0**	**(1,788)**
Loans and advances to non-bank customers										
Non-past-due	1,244,099	108,871	32,526	7,088	1,392,584	(6,933)	(11,219)	(11,805)	3,938	(26,019)
Up to 29 days past due	2,638	11,159	0	158	13,955	(41)	(105)	0	(159)	(305)
30 to 89 days past due	0	252	751	0	1,003	0	(32)	(485)	0	(517)
90 to 180 days past due	0	0	281	0	281	0	0	(169)	0	(169)
More than 180 days past due	0	0	16,816	0	16,816	0	0	(16,438)	0	(16,438)
Total loans and advances to non-bank customers	**1,246,737**	**120,282**	**50,374**	**7,246**	**1,424,639**	**(6,974)**	**(11,356)**	**(28,897)**	**3,779**	**(43,448)**
Other financial assets										
Non-past-due	3,043	0	0	0	3,043	(0)	0	0	0	(0)
More than 180 days past due	0	0	1	0	1	0	0	(1)	0	(1)
Total other financial assets	**3,043**	**0**	**1**	**0**	**3,044**	**(0)**	**0**	**(1)**	**0**	**(1)**

Past-due financial assets comprise loans and other financial assets measured at amortised cost, where the debtor is past due on any material credit obligation to SID Bank. The whole exposure under a specific loan agreement (rather than only the part of the exposure for which the debtor is past due with payment) is classified as a past-due loan or other financial asset. If the Bank is also exposed to the same debtor under other agreements but the debtor is not past due with regard to the exposures under other agreements, these exposures are also classified as past-due loans.

The gross carrying amount of past-due claims from loans and other financial assets measured at amortised cost had increased to EUR 53,316 thousand by the end of 2023 (31 December 2022: EUR 43,771 thousand).

DEBT SECURITIES

Credit risk from debt securities arises from the portfolio managed by SID Bank for the purpose of ensuring liquidity and managing the balance sheet (ALM).

SID Bank manages the credit risk inherent in debt securities mainly by:

- putting in place a limit system and restrictions on exposure to individual issuers, and structural and other limits with regard to the rating grade, geographical area and type of issuer and the type of instrument for the purpose of limiting the concentration of credit risk, environmental risks and other risks;
- regularly identifying and monitoring differences between the current market price and the amortised cost of an individual debt security in connection with the defined indicators of a change in market price;
- regularly assessing and monitoring the change in market values of debt securities owing to changes in credit spreads and changes in market interest rates;
- regularly monitoring developments in financial markets, and managing the portfolio of debt securities held in the banking book.

Debt securities accounted for 21.4% of SID Bank's balance sheet total on the asset side as at the end of 2023. Since mid-2021 the Bank has not made new investments in debt securities of issuers whose core business is in the fossil fuels segment. The current stock of investments of this type accounts for 1.3% of the total debt securities portfolio.

SID Bank prioritises new investments in green, social and sustainability bonds. The Bank upgraded its reporting and monitoring of the debt securities portfolio from the perspective of ESG risks in 2023. The proportion of the entire debt securities portfolio accounted for by green, social and sustainability bonds was 16.9% at the end of 2023. SID Bank has no exposure to Russian or Ukrainian bonds.

The Bank had 70.7% of its debt securities portfolio classified as debt securities measured at fair value through other comprehensive income and 29.3% classified as debt securities measured at amortised cost as at the end of 2023.

DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME BY ISSUER RATING

The table shows the fair value of debt securities measured at fair value through other comprehensive income, classified in terms of the issuer's rating in accordance with SID Bank's methodology.

	31 Dec 2023	31 Dec 2022
AAA	21,490	20,316
AA- to AA+	28,725	29,608
A- to A+	253,446	319,292
BBB+ to BBB-	94,587	122,107
Lower than BBB-	8,261	15,948
Total	**406,509**	**507,271**

The portfolio of debt securities measured at fair value through other comprehensive income at the end of 2023 was down EUR 100.8 million on the previous year.

Debt securities issued by EU Member States (including Slovenia) with an investment-grade rating (BBB- or higher) were the largest component of the portfolio of debt securities measured at fair value through other comprehensive income, accounting for 68.6% of the total as at 31 December 2023 (31 December 2022: 62.3%). Slovenian government debt securities accounted for 29.1% (end of 2022: 22.2%) of the portfolio of debt securities measured at fair value through other comprehensive income. The decline in exposures in lower rating grades (lower than BBB-) was attributable to the maturing of debt securities of domestic issuers, and an upgrade in the rating of one of the domestic issuers. Exposures in rating grades lower than BBB- accounted for just 2.0% of the portfolio of debt securities measured at fair value through other comprehensive income at the end of 2023.

A detailed breakdown of financial assets measured at fair value through other comprehensive income, by type of issuer, is given under section 2.4.3 Financial assets measured at fair value through other comprehensive income.

DEBT SECURITIES MEASURED AT AMORTISED COST BY ISSUER RATING

	31 Dec 2023	31 Dec 2022
AA- to AA+	52,748	52,649
A- to A+	10,334	0
BBB+ to BBB-	70,271	18,491
Lower than BBB-	35,173	0
Total	**168,526**	**71,140**

The table shows the amortised cost of debt securities classified according to the issuer's rating in accordance with SID Bank's methodology.

The stock of the portfolio of debt securities measured at amortised cost at the end of 2023 was up EUR 97.4 million on the end of the previous year.

To reduce the volatility of other comprehensive income in 2023, SID Bank made purchases of new investments in debt securities, which on initial recognition were classified as debt securities measured at amortised cost. The majority of the portfolio of debt securities measured at amortised cost consists of bonds of domestic issuers and sovereign issuers from the EU with an investment-grade rating (BBB- or higher). The remainder of the portfolio consists of a holding in a domestic bank issuer with a worse rating (lower than BBB-).

A detailed breakdown of financial assets measured at amortised cost by type of issuer is presented in section 2.4.4 Financial assets measured at amortised cost.

BREAKDOWN OF EXPOSURE TO CREDIT RISK BY GEOGRAPHICAL AREA

The tables illustrate the breakdown of net exposure to credit risk by geographical area as defined by the debtor's geographical area.

31 Dec 2023	Slovenia	Other EU Member States	Other Europe	Other	Skupaj
Financial assets	**2,183,384**	**372,958**	**30,667**	**12,879**	**2,599,888**
Cash, cash balances at central banks and demand deposits at banks	323,785	0	0	0	323,785
Non-trading financial assets mandatorily at fair value through profit or loss	1,976	0	0	0	1,976
Loans and advances to non-bank customers	1,976	0	0	0	1,976
Financial assets measured at fair value through other comprehensive income	128,455	278,054	0	0	406,509
Debt securities	128,455	278,054	0	0	406,509
Financial assets measured at amortised cost	1,729,168	85,044	30,667	12,879	1,857,758
Debt securities	115,778	52,748	0	0	168,526
Loans and advances to banks	211,280	29,001	18,906	0	259,187
Loans and advances to non-bank customers	1,401,555	0	11,761	12,879	1,426,195
Other financial assets	555	3,295	0	0	3,850
Derivatives - hedge accounting	0	9,860	0	0	9,860
Off-balance-sheet liabilities	**188,019**	**25,331**	**0**	**0**	**213,350**
Guarantees	104,101	0	0	0	104,101
Gross exposure	104,207	0	0	0	104,207
Provisions	(106)	0	0	0	(106)
Other off-balance-sheet liabilities	83,918	25,331	0	0	109,249
Gross exposure	84,255	25,331	0	0	109,586
Provisions	(337)	0	0	0	(337)
Total	**2,371,403**	**398,289**	**30,667**	**12,879**	**2,813,238**

31 Dec 2022	Slovenia	Other EU Member States	Other Europe	Other countries	Total
Financial assets	**2,196,726**	**474,168**	**40,735**	**13,385**	**2,725,014**
Cash, cash balances at central banks and demand deposits at banks	413,628	0	0	0	413,628
Non-trading financial assets mandatorily at fair value through profit or loss	1,336	0	0	0	1,336
Loans and advances to non-bank customers	1,336	0	0	0	1,336
Financial assets measured at fair value through other comprehensive income	128,784	378,487	0	0	507,271
Debt securities	128,784	378,487	0	0	507,271
Financial assets measured at amortised cost	1,652,978	92,266	40,735	13,385	1,799,364
Debt securities	18,491	52,649	0	0	71,140
Loans and advances to banks	278,078	38,036	27,876	0	343,990
Loans and advances to non-bank customers	1,354,947	0	12,859	13,385	1,381,191
Other financial assets	1,462	1,581	0	0	3,043
Derivatives – hedge accounting	0	3,415	0	0	3,415
Off-balance-sheet liabilities	**243,930**	**33,216**	**1,610**	**0**	**278,756**
Guarantees	92,278	0	0	0	92,278
Gross exposure	92,344	0	0	0	92,344
Provisions	(66)	0	0	0	(66)
Other off-balance-sheet liabilities	151,652	33,216	1,610	0	186,478
Gross exposure	152,116	33,217	1,689	0	187,022
Provisions	(464)	(1)	(79)	0	(544)
Total	**2,440,656**	**507,384**	**42,345**	**13,385**	**3,003,770**

Exposure to Slovenia from financial assets amounted to EUR 2,183,384 thousand at the end of 2023 (end of 2022: EUR 2,196,726 thousand). The decline in exposure to financial assets relative to the previous year was mainly attributable to a decline in loans and advances to banks, and a decline in balances at the central bank and demand deposits at banks.

The largest component of the credit portfolio's exposure to the rest of the world from financial assets was exposure to other EU Member States, which amounted to EUR 372,958 thousand at the end of 2023 (end of 2022: EUR 474,168 thousand).

SID Bank uses internal exposure limits to apply a maximum allowable exposure to individual geographical areas. A detailed presentation of the major credit risk exposure by individual country is given in separate tables.

SID Bank's exposure to Belarus amounts to EUR 18,906 thousand, and its exposure to Ukraine to EUR 9,038 thousand. SID Bank has no direct exposure to Russia.

	31 Dec 2023			31 Dec 2022		
	Financial assets	Off-balance-sheet liabilities	Total exposure	Financial assets	Off-balance-sheet liabilities	Total exposure
Slovenia	2,183,384	188,019	2,371,403	2,196,726	243,929	2,440,655
France	69,601	0	69,601	84,781	0	84,781
Germany	50,866	0	50,866	64,708	1,387	66,095
Spain	39,614	0	39,614	54,698	0	54,698
Italy	37,953	0	37,953	55,767	0	55,767
Belgium	33,008	0	33,008	32,865	0	32,865
Hungary	27,264	0	27,264	25,427	0	25,427
Belarus	18,906	0	18,906	27,876	1,611	29,487
Luxembourg	18,873	25,283	44,156	16,274	31,781	48,055
Lithuania	15,510	0	15,510	17,922	0	17,922
Netherlands	13,974	48	14,022	20,324	48	20,372
Austria	13,071	0	13,071	21,399	0	21,399
Ukraine	9,038	0	9,038	11,829	0	11,829
Other	68,826	0	68,826	94,418	0	94,418
Total	**2,599,888**	**213,350**	**2,813,238**	**2,725,014**	**278,756**	**3,003,770**

BREAKDOWN OF RISK EXPOSURE BY ECONOMIC SECTOR

31 Dec 2023	Financial and insurance activities	Manufacturing	Public administration and defence	Wholesale and retail trade; maintenance and repair of motor vehicles	Transportation and storage	Professional, scientific and technical activities	Electricity, gas, steam and air conditioning supply	Other	Total
Financial assets	**780,355**	**475,257**	**526,747**	**157,978**	**145,940**	**35,562**	**169,698**	**308,351**	**2,599,888**
Cash, cash balances at central banks and demand deposits at banks	323,785	0	0	0	0	0	0	0	323,785
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	0	0	0	0	1,976	1,976
Loans and advances to non-bank customers	0	0	0	0	0	0	0	1,976	1,976
Financial assets measured at fair value through other comprehensive income	70,916	23,859	263,226	7,759	215	9,608	14,411	16,515	406,509
Debt securities	70,916	23,859	263,226	7,759	215	9,608	14,411	16,515	406,509
Financial assets measured at amortised cost	375,794	451,398	263,521	150,219	145,725	25,954	155,287	289,860	1,857,758
Debt securities	105,443	0	63,083	0	0	0	0	0	168,526
Loans and advances to banks	259,187	0	0	0	0	0	0	0	259,187
Loans and advances to non-bank customers	7,867	451,246	200,057	150,219	145,705	25,954	155,287	289,860	1,426,195
Other financial assets	3,297	152	381	0	20	0	0	0	3,850
Derivatives - hedge accounting	9,860	0	0	0	0	0	0	0	9,860
Off-balance-sheet liabilities	**83,192**	**13,080**	**586**	**49,880**	**54,235**	**1,357**	**8,365**	**2,655**	**213,350**
Guarantees	51,859	0	0	0	52,242	0	0	0	104,101
Gross exposure	51,908	0	0	0	52,299	0	0	0	104,207
Provisions	(49)	0	0	0	(57)	0	0	0	(106)
Other off-balance-sheet liabilities	31,333	13,080	586	49,880	1,993	1,357	8,365	2,655	109,249
Gross exposure	31,333	13,133	586	50,000	2,000	1,470	8,400	2,664	109,586
Provisions	0	(53)	0	(120)	(7)	(113)	(35)	(9)	(337)
Total	**863,547**	**488,337**	**527,333**	**207,858**	**200,175**	**36,919**	**178,063**	**311,006**	**2,813,238**

31 Dec 2022	Financial and insurance activities	Manufacturing	Public administration and defence	Wholesale and retail trade; maintenance and repair of motor vehicles	Transportation and storage	Professional, scientific and technical activities	Electricity, gas, steam and air conditioning supply	Other	Total
Financial assets	**898,456**	**425,558**	**552,900**	**183,271**	**154,035**	**44,561**	**223,409**	**242,824**	**2,725,014**
Cash, cash balances at central banks and demand deposits at banks	413,628	0	0	0	0	0	0	0	413,628
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	0	0	0	0	1,336	1,336
Loans and advances to non-bank customers	0	0	0	0	0	0	0	1,336	1,336
Financial assets measured at fair value through other comprehensive income	105,987	31,101	302,697	16,518	242	11,134	23,872	15,720	507,271
Debt securities	105,987	31,101	302,697	16,518	242	11,134	23,872	15,720	507,271
Financial assets measured at amortised cost	375,426	394,457	250,203	166,753	153,793	33,427	199,537	225,768	1,799,364
Debt securities	18,491	0	52,649	0	0	0	0	0	71,140
Loans and advances to banks	343,990	0	0	0	0	0	0	0	343,990
Loans and advances to non-bank customers	11,344	394,457	196,144	166,753	153,776	33,412	199,537	225,768	1,381,191
Other financial assets	1,601	0	1,410	0	17	15	0	0	3,043
Derivatives – hedge accounting	3,415	0	0	0	0	0	0	0	3,415
Off-balance-sheet liabilities	**82,340**	**51,241**	**3,094**	**53,338**	**55,361**	**1,213**	**21,363**	**10,806**	**278,756**
Guarantees	37,421	0	0	0	54,857	0	0	0	92,278
Gross exposure	37,443	0	0	0	54,901	0	0	0	92,344
Provisions	(22)	0	0	0	(44)	0	0	0	(66)
Other off-balance-sheet liabilities	44,919	51,241	3,094	53,338	504	1,213	21,363	10,806	186,478
Gross exposure	44,998	51,432	3,094	53,459	510	1,232	21,463	10,834	187,022
Provisions	(79)	(191)	0	(121)	(6)	(19)	(100)	(28)	(544)
Total	**980,796**	**476,799**	**555,994**	**236,609**	**209,396**	**45,774**	**244,772**	**253,630**	**3,003,770**

The tables illustrate the breakdown of net exposure to credit risk by economic sector.

At the end of 2023 SID Bank was again most heavily exposed to financial and insurance activities, as the majority of its assets still comprise loans and advances to banks established in Slovenia, which in turn transfer this funding to the final beneficiaries.

The decrease relative to the end of 2022 was primarily due to a decline in the stock of loans and advances to banks established in Slovenia.

New loans to non-bank customers drove the largest increase in exposure in the manufacturing sector.

MODIFIED FINANCIAL ASSETS

In the event of modification to the contractual cash flows of a financial asset that do not result in its derecognition, SID Bank calculates the current value of the modified contractual cash flows using, as the discount rate, the effective interest rate at recognition, or the credit-adjusted effective interest rate in the case of POCI items. SID Bank also adjusts the gross carrying amount of the financial asset by the amount of the difference established. SID Bank accrues the amount by which the gross carrying amount of the financial asset is adjusted as a result of a modification to contractual cash flows over the entire remainder of the lifetime of the financial asset and discloses it in the income statement as interest income.

The number of contractual cash flows that were modified and did not result in the derecognition of the financial asset in 2023 was up on 2022.

Losses were recognised in the income statement in the total amount of EUR 955 thousand in response to the modification to contractual cash flows in the case of 14 financial assets, while gains in the total amount of EUR 165 thousand were recognised in the case of 12 financial assets.

FINANCIAL ASSETS MODIFIED IN PERIOD

	2023	2022
Gross carrying amount before modification	61,361	32,341
Loss allowances before modification	(16,054)	(10,855)
Net amortised cost before modification	**45,307**	**21,486**
Net gains/(losses) from modification	(790)	10
Net amortised cost after modification	**44,517**	**21,496**

The table shows the effects of modifications to the contractual cash flows of financial assets, where SID Bank measures allowances for credit losses based on the lifetime expected credit losses on a financial instrument (financial assets are classified as Stage 2, Stage 3 or as POCI items), and the modifications did not result in the derecognition of financial assets.

FINANCIAL ASSETS MODIFIED AFTER INITIAL RECOGNITION IN A PERIOD WHEN THE LOSS ALLOWANCE IS BASED ON LIFETIME ECLS

	31 Dec 2023	31 Dec 2022
Gross carrying amount of financial assets for which allowances for credit losses were changed in the period from the lifetime to 12-month ECLs	2,606	763

The table shows the gross carrying amount of financial assets where the enhancement of the credit quality of the financial assets in the period following the modification of contractual cash flows led to a change in the calculation of expected credit losses. Before the modification to contractual cash flows, allowances for credit losses were measured on the basis of lifetime expected credit losses on the financial instrument (the financial assets were classified as Stage 2 or Stage 3), while in the period following the modification to contractual cash flows, these allowances began to be calculated on the basis of 12-month expected credit losses (the financial assets were reclassified to Stage 1) due to enhancement in credit quality. This modification was made to five financial assets in 2023.

COUNTERPARTY CREDIT RISK

Counterparty credit risk arises as a result of the conclusion of derivative transactions that SID Bank executes solely for the purpose of hedging open foreign-exchange and interest-rate positions.

The Bank determines counterparty credit risk exposure from derivatives using the original exposure method in accordance with Article 282 of the CRR. Exposure is managed at transaction level within the framework of limits on exposure to credit risk, which are approved by the credit committee.

Market interest rates and yield curves that contain no counterparty credit risk are taken into account in the valuation of the derivatives. The credit valuation adjustment (CVA) reflects the credit risk, and is dependent on the counterparty's credit rating and/or credit premiums. CVA represents an adjustment to the value of the derivative for counterparty credit risk, and is defined as the difference between the value of the financial instrument without taking credit risk into account and the value after taking credit risk into account. The valuation adjustment needs to take account of counterparty credit risk (CVA), and also own credit risk. SID Bank does not calculate its own credit risk.

CVA is calculated on a monthly basis for each derivative transaction; the calculation also takes account of any collateral. The Bank does not calculate CVA in the case of collateral or clearing in accordance with the provisions of the EMIR.

SID Bank only concludes transactions outside the regulated stock market (OTC transactions) with banks with whom it has concluded a framework agreement on transactions in derivatives (ISDA Master Agreement). For the purpose of mitigating counterparty credit risk in derivative transactions, the Bank has also signed a credit support annex (CSA) as a legal supplement to the master agreement, based on a system of providing cash margins through the exchange of collateral depending on the daily fair value of the derivative.

The Bank conducts daily monitoring of exposure to counterparty credit risk on the basis of the fair value of the derivative. If adverse changes in the fair value of a derivative result in insufficient coverage of exposure by collateral for a counterparty, the Bank calls on that counterparty to provide additional collateral.

SID Bank agreed on cash deposits as collateral with counterparties with whom it concluded derivatives transactions in 2023.

Counterparty credit risk in derivatives has an impact on the Bank's profit or loss via adjustments to the valuation of assets/liabilities. SID Bank recognises the calculated CVA amount in the income statement in months in which the total amount of the calculated CVA for all derivatives exceeds 10 basis points of the last total risk exposure amount, as set out in Article 92(3) of the CRR.

Taking into account collateral in the form of cash deposits with counterparties for all derivatives transactions, CVA was not calculated as at 31 December 2023.

The Bank uses the standardised method in accordance with Article 384 of the CRR to calculate the capital requirements for CVA risk.

3.2 LIQUIDITY RISK

Liquidity risk is the risk of a loss occurring when the Bank is unable to settle all of its maturing liabilities, or when it is obliged to obtain sources of liquidity at costs significantly higher than average market costs due to its inability to provide sufficient funding to settle its liabilities at maturity. The greater the mismatch between flows of interest and principal on the asset side and the liability side, and in off-balance-sheet items, the higher is the risk of illiquidity.

Liquidity risk in the narrower sense arises when the Bank would be unable to repay its liabilities via investment operations. These liabilities are usually settled using cash inflows, readily convertible assets, and borrowed funding. Liquidity risk in the broader sense is the risk that the Bank will have to undertake additional borrowing at a higher interest rate, and the risk that the Bank will be compelled to sell financial assets at a discount as a result of the need for liquidity. Given the level and structure of secondary liquidity, a significant proportion of which consists of government securities and other high-quality, highly liquid securities, this risk is assessed as low at SID Bank.

By managing liquidity risk, SID Bank ensures the regular settlement of all monetary liabilities, the maintenance of sufficient liquid assets, the high-quality management of operational and structural liquidity, and compliance with legal and regulatory requirements.

TAKE-UP AND MANAGEMENT OF LIQUIDITY RISK

SID Bank takes up liquidity risk in accordance with the business strategy, its risk capacity, its risk appetite and the risk management strategy, with the primary objective of ensuring prudent and secure operations. Liquidity management includes the prudent management of assets and liabilities (on-balance-sheet and off-balance-sheet), and a balanced borrowing strategy so that the Bank is capable of meeting its due liabilities at any given moment and in due time (liquidity), and is capable of meeting all its liabilities on a sustained basis (solvency).

The process of taking up and managing liquidity risk is conducted in line with the liquidity risk management policy, which is discussed and adopted at least once a year by the Bank's management body. The policy sets out all steps in liquidity risk management, encompassing the procedures for identifying, measuring, monitoring and managing liquidity risk. It also includes the approach to the management of assets and funding, including the approaches to reporting the liquidity position, and measures to manage liquidity risk and the internal procedures to implement these measures.

The Bank defines an adequate liquidity position or an adequate level of the liquidity buffer and stable funding structure through the liquidity risk appetite, which is reflected in the setting of the minimum liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). Each year the management body determines the scope of liquidity risk take-up within the framework of the business strategy, the risk capacity, and the confirmed risk management strategy. In so doing the Bank takes account of the current liquidity position, the planned stock of asset and liability items aligned with the business plan, and the results of stress testing. The process of determining the liquidity risk appetite also includes reviewing whether the internal limits put in place are adequate.

The liquidity risk management policy and corresponding bylaws set additional quantitative limits and measures for controlling the take-up of liquidity risk at the Bank. These include procedures for when the limits are exceeded, the requisite measures in the event of a deterioration in operational or structural liquidity, and a definition of the responsibilities of the relevant committees and individual organisational units in the area of liquidity risk management.

Exposure to liquidity risk is regularly discussed and monitored in the weekly meetings of the liquidity management committee, the monthly meetings of the asset-liability and risk management committee, and in meetings of the management body, which are held quarterly. The Bank presents the key responsibilities of the competent bodies in the area of risk management, risk management functions and individual organisational units in the business report in the section entitled Risk management.

Through the regular implementation of the internal liquidity adequacy assessment process (ILAAP), SID Bank ensures the effectiveness of liquidity risk management and the adequacy of the Bank's liquidity relative to its risk profile. The implementation of the ILAAP also includes an assessment of liquidity needs and an assessment of available liquidity within the framework of business as usual, and within the framework of the financial plan and the annual operating plan. Once a year the Bank draws up an ILAAP report, which is discussed and approved by the management body. The ILAAP report also serves as the basis for the supervisory review and evaluation of the Bank's liquidity risk.

SID Bank ensures liquidity risk management through its activities to secure funding of the appropriate maturities, by adjusting the maturities of asset and liability items, and maintaining a liquidity buffer of suitable stock and quality, with debt securities accounting for the majority of this buffer. The Bank has a sufficient stock of eligible securities at its continuous disposal to obtain additional secondary liquidity from the central bank.

The Bank systematically tests its liquidity position by monitoring various indicators, including a follow-up of the planned objectives. It manages structural liquidity through the assessment of the long-term liquidity position.

Liquidity risk management at SID Bank includes the following:

- the daily management of liquidity;
- the regular planning and monitoring of future liquidity flows;
- the setting of a liquidity risk appetite framework and limits for liquidity risk management;
- the measurement and monitoring of the liquidity position, and the regular verification of compliance with regulatory ratios and internally set liquidity limits;
- the monitoring of the appropriate structure of liabilities and financial assets;
- the management and monitoring of a sufficient pool of financial assets as collateral for the central bank's claims;
- the regular verification of the adequacy of the liquidity reserve and the survival period under internally defined stress scenarios under the assumption of a runoff balance sheet;
- the regular verification of the liquidity position, the stock of liquidity reserves and the ratio of liquidity reserves to the balance sheet total, and simulations of LCR and NSFR, taking into account the financial plan and information from the business units for future periods under the baseline scenario and in internally defined liquidity scenarios.

SID Bank is obliged to meet the reserve requirement at the central bank. The reserve requirement is 1% of the stock of deposits received from non-bank customers and issued debt securities with an agreed maturity of up to two years. At the end of 2023 the reserve requirement was 0 EUR.

SID Bank does not accept customer deposits as a rule. It is therefore is not exposed to the risk of potential outflows of retail and corporate demand deposits, and thus does not have an internal model for determining deposit stability. This fact and the specific role of the Bank also affect the structure of funding, and mean that there is higher concentration on the funding side compared with commercial banks.

SID Bank obtains funding on the domestic and international financial markets. The diversification of funding, particularly in terms of the type and geographical diversification of investors and the type of financial instrument, ensures that SID Bank has stable access to funding. The fact that SID Bank obtains long-term funding supported by Slovenian government guarantees in accordance with the ZSIRB, particularly on international financial markets and at similar financial institutions, increases the stability of its funding.

Assessment of the adequacy of funding and borrowing activities is based on SID Bank's business strategy and the annual financial borrowing plan, which is drawn up as part of the annual strategic planning process. The purpose of borrowing is to ensure adequate funding for the execution of the Bank's asset-side operations. Adequacy is assessed with regard to maturity, currency, interest-rate type, borrowing costs, and any other characteristics. SID Bank borrows for the purposes set out in the ZSIRB.

CONTINGENT LIQUIDITY RISK MANAGEMENT FRAMEWORK

SID Bank uses an internal rulebook that provides a framework for contingent liquidity risk management. The contingent liquidity risk management framework comprises the following elements:

- procedures for the early identification of possible liquidity shortfalls;
- the contingent liquidity risk management plan and the responsibilities for resolving liquidity crises;
- the criteria for activating the contingent liquidity risk management plan;
- the set of possible measures for resolving a liquidity crisis;
- early warning indicators of adverse liquidity conditions;
- internal liquidity stress testing and reviews of the adequacy of the liquidity reserve under the assumption of a runoff balance sheet, having regard for various market scenarios, a bank-specific scenario, and a combined scenario, which represents a combination of the bank-specific scenario and the most severe market scenario;
- internal simulations of liquidity flows, liquidity reserves, and LCR and NSFR, having regard for market conditions (baseline and adverse market scenarios), and assumptions from the annual financial plan and information from the business units.

By regularly monitoring developments on the financial markets, its liquidity position, performance indicators and early warning indicators for potential adverse liquidity conditions, including macroeconomic indicators, and by monitoring liquidity risk management in internal scenarios, the Bank is able to promptly identify potential liquidity challenges and to take the necessary measures to manage them.

The Bank overhauled and upgraded its liquidity stress testing methodology in 2023. It comprehensively set out the management of the ILAAP in even greater detail, with a particular focus on the inclusion of ESG factors in the stress testing framework.

LIQUIDITY COVERAGE RATIO

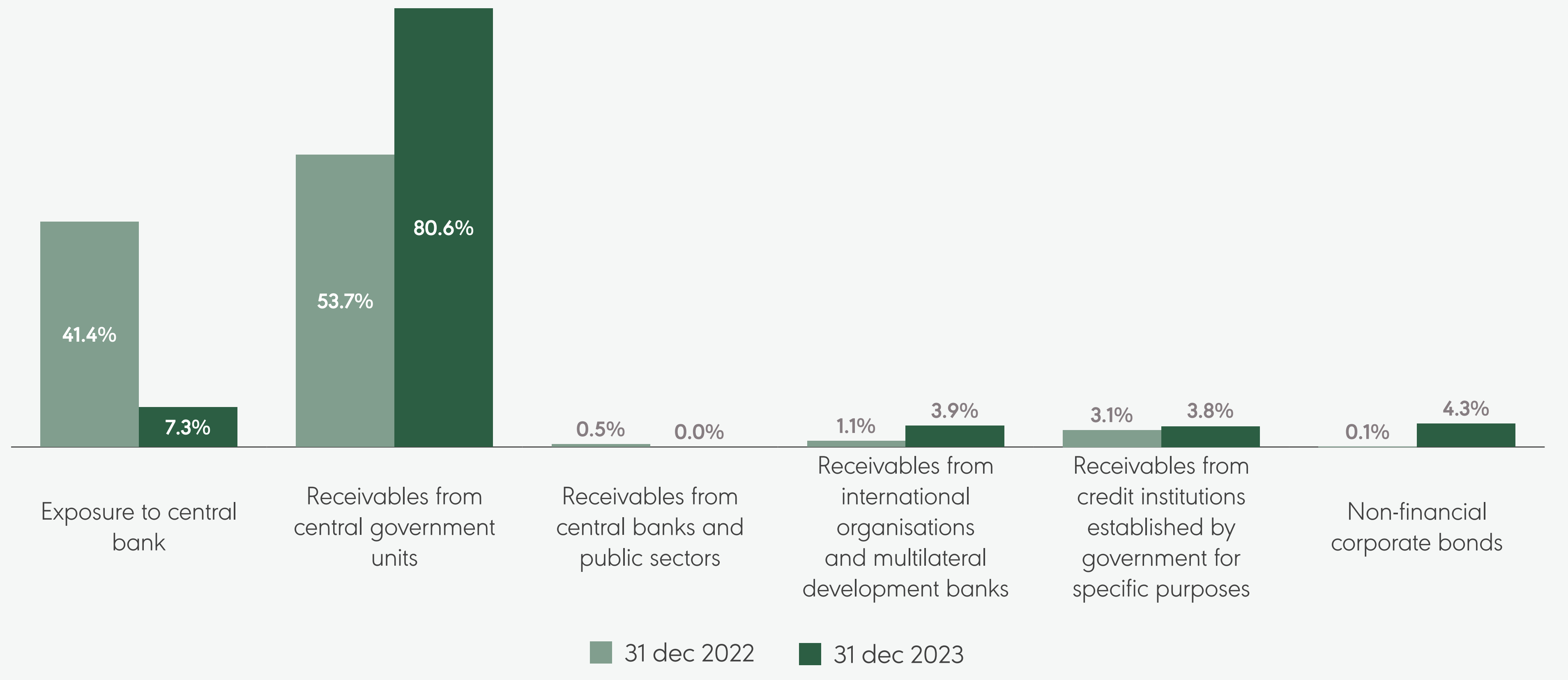
The aim of the liquidity coverage ratio (LCR) requirements is to prevent liquidity risk by reducing credit institutions' dependence on short-term funding and liquidity provided by central banks, by requiring them to hold sufficient liquid assets to handle any surplus of liquid outflows over inflows that could be expected to occur over a 30-day stress period.

The Bank has put in place an internal limit for maintaining the LCR and liquidity buffer that is more stringent than the regulatory requirement (100%). The asset-liability and risk management committee regularly reviews the LCR and compliance with the approved internal limit.

The LCR amounted to 1,069% at the end of 2023 (end of 2022: 1,814%). The Bank maintains the LCR at high levels, but it is also volatile, primarily as a result of the fact that the Bank does not have a high stock of maturities in a period of 30 days, except for the maturities of long-term funding.

SID Bank monitors and maintains an adequate buffer of unencumbered, high-quality liquid assets to be held as a contingency against adverse liquidity conditions. The Bank maintained an adequate level, quality and structure of liquid assets in 2023 for covering its expected and unexpected liquidity outflows, and for business continuity purposes. The structure of the liquidity buffer at the end of 2023 compared with the end of 2022 shows that the Bank reduced its exposure to the central bank, and increased its holding of debt securities eligible for the LCR. The share of Level 1 high-quality liquid assets (HQLA), which in addition to high-quality debt securities also includes balances at the central bank, amounted to 95.7% at the end of 2023 (31 December 2022: 99.9%).

Structure of LCR liquidity buffer (after deduction)



The liquid assets eligible for inclusion in the LCR calculation amounted to EUR 402,334 thousand as at 31 December 2023, after haircuts had been taken into account (31 December 2022: EUR 400,309 thousand), with the liquid assets of central government units accounting for 80.6% (31 December 2022: 53.7%) and exposure to central banks for 7.3% (31 December 2022: 41.4%) of all eligible liquid assets after haircuts.

In addition to the regular calculation of the LCR, the Bank regularly conducts and monitors simulations of the LCR that take account of the assumptions of the annual financial plan and information from business units over the next 12 months, with the calculation being taken into account in the baseline and internally defined adverse liquidity scenarios.

NET STABLE FUNDING RATIO

In its provisions regarding the net stable funding ratio (NSFR), the CRR focuses on restricting banks in the transformation of the maturity structure. The NSFR is defined as the ratio of available stable funding to required stable funding. The Bank is required to maintain an NSFR of at least 100% under the CRR.

Its NSFR stood at 151.8% at the end of 2023 (end of 2022: 144.9%). The level of the ratio, its evolution over time, and the compliance of the ratio with adopted internal limits are discussed on a regular basis by the asset-liability and risk management committee.

In addition to regular calculations of the NSFR, the Bank regularly conducts and reviews simulations of the NSFR for the period of the financial plan that take account of the assumptions of the financial plan and information from business units in the baseline and internally defined adverse liquidity scenarios.

EXPOSURE TO LIQUIDITY RISK

The table illustrates future expected or contractual cash flows from on- and off-balance-sheet items by maturity on the reporting date.

Expected cash flows in connection with loans subject to individual and collective impairment comprise expected cash flows with regard to contractual maturity, rather than contractual cash flows.

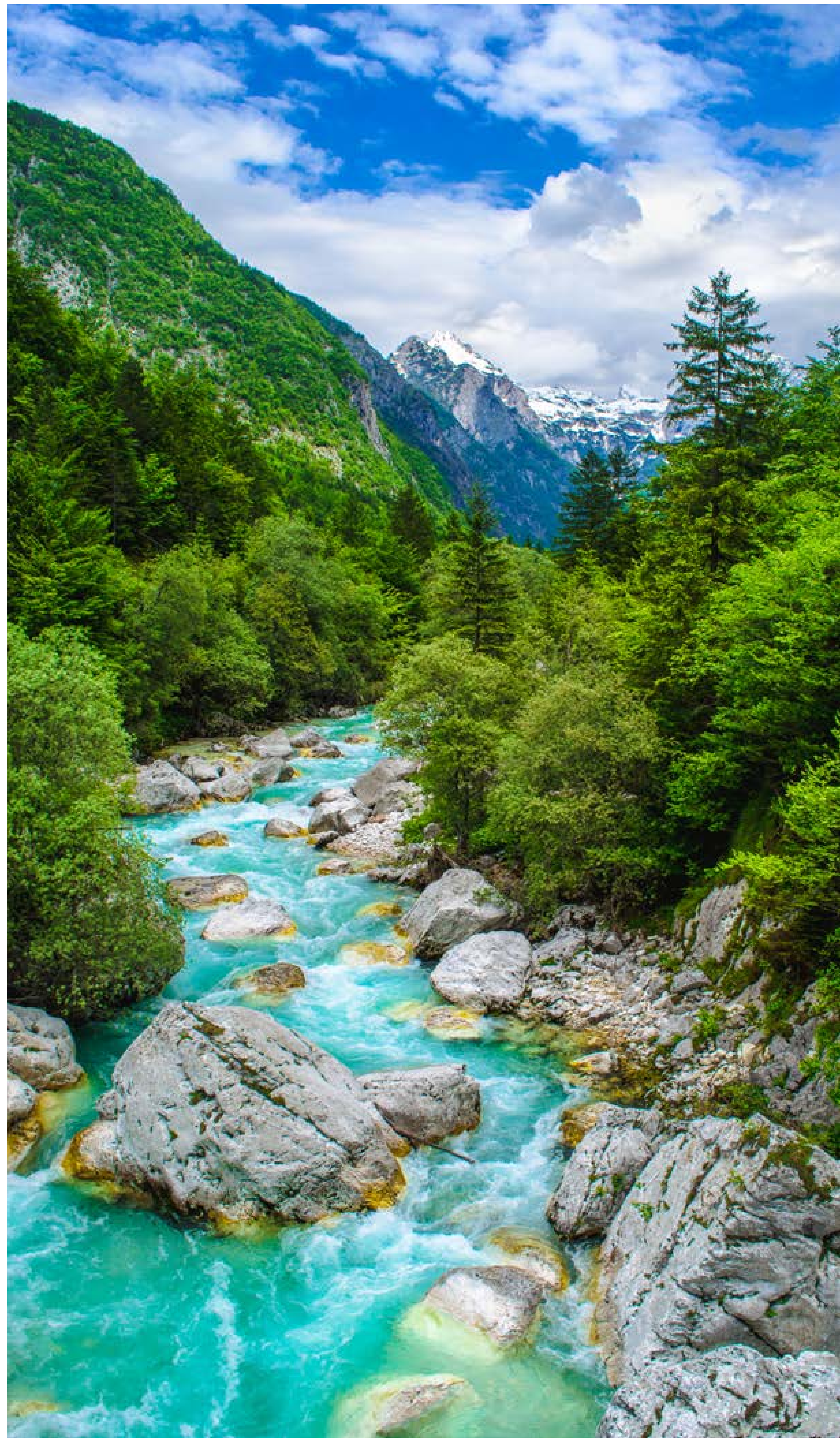
The expected cash flows of financial liabilities are taken into account with regard to contractual maturity, given that the Bank does not have customer demand deposits at its disposal and thus has not developed a methodology for allocating demand deposits over time.

Cash flows from derivatives used for hedging are settled in net amounts.

Expected cash flows from off-balance-sheet liabilities are estimated according to an internal methodology.

EXPOSURE TO LIQUIDITY RISK

31 Dec 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets	**348,147**	**54,172**	**264,636**	**1,567,954**	**787,495**	**3,022,404**
Cash, cash balances at central banks and demand deposits at banks	323,820	0	0	0	0	323,820
Non-trading financial assets mandatorily at fair value through profit or loss	0	10	50	3,118	0	3,178
Loans and advances to non-bank customers	0	10	50	3,118	0	3,178
Financial assets measured at fair value through other comprehensive income	61	3,133	38,532	321,601	84,035	447,362
Debt securities	61	3,133	38,532	321,601	84,035	447,362
Financial assets measured at amortised cost	24,266	48,804	228,135	1,236,298	703,460	2,240,963
Debt securities	3,025	11,788	53,303	181,666	40,322	290,104
Loans and advances to banks	20,858	36,593	166,516	875,914	648,030	1,747,911
Loans and advances to non-bank customers	0	423	8,316	178,546	11,813	199,098
Other financial assets	383	0	0	172	3,295	3,850
Derivatives - hedge accounting	0	2,225	(2,081)	6,937	0	7,081
Financial liabilities	**34,734**	**53,344**	**145,396**	**1,670,123**	**639,886**	**2,543,483**
Financial liabilities measured at amortised cost	31,250	53,344	140,862	1,664,416	639,886	2,529,758
Deposits from banks and central banks	26,131	69	318	2,266	10,212	38,996
Loans from banks and central banks	0	41,091	57,189	135,029	95,305	328,614
Loans from non-bank customers	1,458	6,237	32,294	953,368	382,953	1,376,310
Debt securities	0	5,642	51,023	573,506	151,284	781,455
Other financial liabilities	3,661	305	38	247	132	4,383
Derivatives - hedge accounting	3,484	0	4,534	5,707	0	13,725
Liquidity gap	**313,413**	**828**	**119,240**	**(102,169)**	**147,609**	**478,921**
Off-balance-sheet liabilities	**29,827**	**3,399**	**3,794**	**60,085**	**17,691**	**114,796**
Other off-balance-sheet liabilities	24,617	3,399	3,794	60,085	17,691	109,586
Guarantees	5,210	0	0	0	0	5,210



31 Dec 2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets	**434,000**	**93,981**	**313,646**	**1,304,655**	**881,960**	**3,028,242**
Cash, cash balances at central banks and demand deposits at banks	413,651	0	0	0	0	413,651
Non-trading financial assets mandatorily at fair value through profit or loss	0	6	16	254	1,178	1,454
Loans and advances to non-bank customers	0	6	16	254	1,178	1,454
Financial assets measured at fair value through other comprehensive income	61	35,917	77,069	290,539	166,475	570,061
Debt securities	61	35,917	77,069	290,539	166,475	570,061
Financial assets measured at amortised cost	20,288	58,483	235,469	1,010,870	714,242	2,039,352
Debt securities	3,463	28,312	57,326	216,891	64,879	370,871
Loans and advances to banks	15,349	30,171	176,689	744,323	622,646	1,589,178
Loans and advances to non-bank customers	0	0	1,454	49,656	25,150	76,260
Other financial assets	1,476	0	0	0	1,567	3,043
Derivatives – hedge accounting	0	(425)	1,092	2,992	65	3,724
Financial liabilities	**3,129**	**7,645**	**506,080**	**1,113,983**	**883,253**	**2,514,090**
Financial liabilities measured at amortised cost	2,927	7,645	502,227	1,098,797	883,253	2,494,849
Deposits from banks and central banks	2	6	27	1,008	1,025	2,068
Loans from banks and central banks	0	5,161	366,831	181,832	106,863	660,687
Loans from non-bank customers	94	2,457	56,971	313,944	775,262	1,148,728
Debt securities	0	0	78,398	601,960	0	680,358
Other financial liabilities	2,831	21	0	53	103	3,008
Derivatives – hedge accounting	202	0	3,853	15,186	0	19,241
Liquidity gap	**430,871**	**86,336**	**(192,434)**	**190,672**	**(1,293)**	**514,152**
Off-balance-sheet liabilities	**38,085**	**16,421**	**43,945**	**67,155**	**26,033**	**191,639**
Other off-balance-sheet liabilities	33,468	16,421	43,945	67,155	26,033	187,022
Guarantees	4,617	0	0	0	0	4,617

The changes in the structure of the liquidity gaps by maturity bucket at the end of 2023 relative to the end of 2022 relate to the regular maturing of financial assets and liabilities, i.e. shortening residual maturity, including the issuance of new long-term bonds and the maturing of the TLTRO loan. Approximately 9% of financial liabilities had a residual maturity of up to 12 months, most notably the remaining portion of the TLTRO loan in the amount of EUR 34 million, the regular repayment instalments of the long-term purpose-specific funding, and the repayment of issued long-term bonds.

The following table illustrates the undiscounted cash flows of non-derivative on-balance-sheet liabilities and liabilities from guarantees with regard to contractual maturity. SID Bank does not have customer demand deposits at its disposal, for which reason the non-derivative on-balance-sheet liabilities in individual buckets do not differ with regard to expected or contractual maturity. Guarantees are disclosed with regard to contractual maturity, which differs from expected maturity.

NON-DERIVATIVE ON-BALANCE-SHEET LIABILITIES AND GUARANTEES BY CONTRACTUAL MATURITY

31 Dec 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Non-derivative financial liabilities	**55,867**	**56,743**	**144,656**	**1,776,800**	**709,485**	**2,743,551**
Financial liabilities measured at amortised cost	**31,250**	**53,344**	**140,862**	**1,664,416**	**639,886**	**2,529,758**
Deposits from banks and central banks	26,131	69	318	2,266	10,212	38,996
Loans from banks and central banks	0	41,091	57,189	135,029	95,305	328,614
Loans from non-bank customers	1,458	6,237	32,294	953,368	382,953	1,376,310
Debt securities	0	5,642	51,023	573,506	151,284	781,455
Other financial liabilities	3,661	305	38	247	132	4,383
Off-balance-sheet liabilities	**24,617**	**3,399**	**3,794**	**112,384**	**69,599**	**213,793**
Other off-balance-sheet liabilities	24,617	3,399	3,794	60,085	17,691	109,586
Guarantees	0	0	0	52,299	51,908	104,207

31 Dec 2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Non-derivative financial liabilities	**36,395**	**24,066**	**601,073**	**1,165,952**	**946,729**	**2,774,215**
Financial liabilities measured at amortised cost	**2,927**	**7,645**	**502,227**	**1,098,797**	**883,253**	**2,494,849**
Deposits from banks and central banks	2	6	27	1,008	1,025	2,068
Loans from banks and central banks	0	5,161	366,831	181,832	106,863	660,687
Loans from non-bank customers	94	2,457	56,971	313,944	775,262	1,148,728
Debt securities	0	0	78,398	601,960	0	680,358
Other financial liabilities	2,831	21	0	53	103	3,008
Off-balance-sheet liabilities	**33,468**	**16,421**	**98,846**	**67,155**	**63,476**	**279,366**
Other off-balance-sheet liabilities	33,468	16,421	43,945	67,155	26,033	187,022
Guarantees	0	0	54,901	0	37,443	92,344

3.3 INTEREST RATE RISK

Interest rate risk is the risk of loss in the event of sudden and unexpected changes in market interest rates, and is the result of maturity mismatches between interest-sensitive assets and liabilities, which can have an adverse impact on net interest income (NII) and the economic value of equity (EVE). Exposure to interest rate risk derives primarily from interest-sensitive assets with different maturities and a different repricing dynamic compared with interest-sensitive liabilities (income aspect). Another element of interest rate risk is the sensitivity of the fair value of assets, liabilities and off-balance-sheet items to changes in interest rates (economic aspect).

The Bank identifies, measures, manages, controls and monitors interest rate risk in accordance with its policy for the management of interest rate risk and credit spread risk, and with the methodological notes to the aforementioned policy. The methodology for measuring interest rate risk at SID Bank is based on the standardised methodology under the Basel standards for management of interest rate risk in the banking book and the EBA guidelines specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities. This policy defines the methods and assumptions for identifying, assessing and measuring interest rate risk, interest rate scenarios for assessing interest-rate sensitivity, and the limits within which the Bank manages interest rate risk in the banking book. The methodologies used, including assumptions, are defined in detail in a bylaw in the form of the methodological notes to the policy for the management of interest rate risk and credit spread risk. The policy also defines the responsibilities of individual organisational units in the area of interest rate risk management, and procedures in the event that internally set limits are exceeded. The Bank's management body reviews and adopts the policy for the management of interest rate risk and credit spread risk at least once a year. The internal methodology for assessing interest rate risk in the banking book is approved by the asset-liability and risk management committee.

The level of interest rate risk is restricted by the limit system, and the determination of internal capital requirements. The Bank defines the internal capital for interest rate risk on the basis of the scenario with the worst overall impact on EVE and NII, where the outcome of each scenario is calculated as the sum of min(0; Δ EVE) and min(0; Δ NII).

In defining its risk appetite, the Bank takes into account its risk capacity and the legal limits, whereby it defines a risk appetite for both types of interest rate risk (EVE and NII).

That legal and regulatory limit stipulates that a potential loss in the economic value of equity in any of the six prescribed shifts in the curve of market interest rates (supervisory stress scenarios) may not exceed 15% of Common Equity Tier 1 capital. The Bank has put in place an internal limit system for restricting interest rate risk. The limits set are more stringent than legal and regulatory limits, with regard to the maximum allowed loss in EVE and the maximum allowed decline in NII.

MEASUREMENT OF EXPOSURE TO INTEREST RATE RISK IN THE BANKING BOOK

SID Bank takes into account interest-sensitive assets, liabilities and off-balance-sheet items when assessing exposure to interest rate risk. The assessment is based on **interest rate gap analysis** and **analysis of the interest sensitivity** of the economic value of equity (EVE measure) and net interest income (NII measure).

The interest rate gap analysis illustrates the difference between the cash flows of interest-sensitive assets, liabilities and off-balance-sheet items by time bucket, applying the principle of classifying interest-sensitive items with a fixed interest rate according to residual maturity, and items with a variable interest rate with regard to the first interest rate repricing or maturity date, whichever occurs first. When assessing exposure to interest rate risk, the Bank also takes into account off-balance-sheet items that it includes and classifies by time bucket in accordance with its internal methodology.

Interest-sensitive items are itemised by currency when they are classified. Due to its low exposure in foreign currencies, the Bank does not conduct sensitivity analysis for individual currencies; instead interest-sensitive items in foreign currencies are added to items in euros. The proportion of interest-sensitive assets accounted for by assets in foreign currencies was less than 1% (around 0.008%) as at 31 December 2023. The Bank does not have interest-sensitive liabilities in foreign currencies.

SID Bank has put in place an internal methodology, based on the Basel standards and EBA guidelines, for assessing the sensitivity of the economic value of equity and the sensitivity of net interest income under prescribed interest rate scenarios. Within the framework of the EVE measure the Bank calculates the sensitivity of the net present value of interest-sensitive on- and off-balance-sheet items. taking into account the change in the fair value of contractually embedded automatic interest rate options (interest rate floor) in individual granted and received loans.

The Bank also takes into account contractually embedded automatic options in individual loan agreements when assessing the interest sensitivity of net interest income to a sudden change in interest rates. A monthly assessment of the interest sensitivity of NII is conducted for the period of one year under six prescribed interest rate scenarios on the basis of the maintenance of a constant balance sheet, where the size and composition are maintained by replacing maturing or revalued items with new items of comparable attributes.

For the purposes of conducting internal interest rate stress testing, at least once a year the Bank calculates the sensitivity of net interest income for a period of three years, taking account of the assumptions of the financial plan and the internally defined interest rate scenarios. In addition to the six prescribed scenarios, the set of internally defined interest rate scenarios from which a scenario is chosen for **internal interest rate stress testing** purposes also includes additional internally defined scenarios that encompass various parallel shifts in interest rates, and two internal scenarios with differing gradients in the market interest rate curve. The choice of interest rate scenario for the purposes of internal stress testing is approved on each occasion by the asset-liability and risk management committee.

SID Bank does not accept demand deposits from customers; in accordance with its mandate, it does not provide certain services and products for customers (personal and savings accounts, credit cards, etc.), and as such does not use models to classify interest-sensitive items without a contractual maturity. The Bank does not include behavioural options for early repayment when assessing interest rate risk exposure, as it has a relatively low proportion of fixed-rate loans where the risk of early repayment has the greatest impact. In addition the Bank has not (quantitatively) identified a material volume of early repayments of fixed-rate loans, which has a significant impact on the ability to set up internal models. The Bank conducts an annual inventory of all instruments with embedded options, and annual analysis of early repayments of loans. The Bank manages the risk of early repayments of loans by means of appropriate contractual provisions regarding the charging of fees in the event of early loan repayment.

Exposure to interest rate risk, including interest rate gap analysis and interest rate sensitivity analysis is discussed on a monthly basis by the asset-liability and risk management committee. The management body discusses exposure to interest rate risk quarterly within the risk report.

MANAGEMENT, SUPERVISION AND MONITORING

The asset-liability and risk management committee conducts regular supervision via the monthly discussion of reports on exposure to interest rate risk and quarterly discussion of internal interest rate simulations and on the basis of proposals for achieving the optimal balance sheet structure from the perspective of interest rate risk takes measures to manage interest rate risk. In the event of increased exposure to interest rate risk the responsible department proposes measures to reduce interest rate risk to an acceptable level inside the interest rate risk appetite, which are discussed and approved by the asset-liability and risk management committee.

SID Bank manages exposure to interest rate risk by matching the interest-sensitive assets and interest-sensitive liabilities with regard to their maturity and the level and method of setting interest rates, and through the use of derivatives to hedge against interest rate risk.

The Bank executes transactions in interest rate derivatives for the purpose of managing interest rate risk. If the derivatives meet the conditions, these are dealt with by applying hedge accounting with the aim of achieving lower volatility in profit or loss resulting from changes to the fair value of derivatives. The Bank has internal documents that describe the relationship between a hedged item and the hedging instrument, the purpose of risk management, the valuation method and the hedging strategy. The Bank conducts regular assessments of the effectiveness of hedging relationships.

As at 31 December 2023 SID Bank held two interest rate swaps for fair value hedges of asset items in the total contractual amount of EUR 15,000 thousand, and three interest rate swaps for fair value hedges of liability items in the total contractual amount of EUR 315,000 thousand. All hedging relationships were effective according to hedge accounting rules at the end of 2023.

SENSITIVITY ANALYSIS

For the purposes of the regular management of interest rate risk and the calculation of internal capital requirements for interest rate risk in the banking book, SID Bank performs a monthly calculation of the impact on the economic value of equity and the impact on net interest income as a result of sudden changes in market interest rates under the prescribed interest rate scenarios. In this way the Bank regularly determines whether a potential loss in EVE is within internally defined limits, or whether the potential loss under any of the prescribed interest rate scenarios exceeds 15% of Common Equity Tier 1 capital. The Bank also regularly determines whether the reduction in NII in any of the six prescribed scenarios exceeds the internally defined limit.

The Bank uses six supervisory interest rate scenarios (taking into account the prescribed interest rate floor, which depends on maturity).

The Bank measures the sensitivity of EVE to sudden shifts in market interest rates as the change in the net present value of instruments sensitive to interest rate over their remaining lifetime. The change in EVE under a specific interest rate scenario is measured relative to the baseline interest rate scenario. The key assumptions used for the EVE measure are:

- a calculation is made under the assumption of a runoff balance sheet;
- shareholder equity and non-interest-sensitive items are not included in the calculation;
- the cash flows of fixed rate instruments are taken into account with respect to residual maturity, while cash flows until the first repricing of the interest rate benchmark are taken into account for floating rate instruments;
- the net value of non-performing exposures (taking into account individual impairments) and their projected timeframe are taken into account;
- the calculation takes account of the change in the fair value of contractually embedded automatic interest rate options (interest rate floor) in accordance with the internal methodology;
- cash flows from the principal and interest based on the interest rate benchmark (excluding a premium) are taken into account;
- the calculation of net present value is carried out at the level of the individual position, taking into account precise revaluation dates; and
- the discount rates are set based on the risk-free market interest rate curve, namely the curve for euro interest rate swaps based on the 6-month EURIBOR.

The Bank assesses the sensitivity of NII to sudden shifts in market interest rates for a period of one year under the assumption of a constant balance sheet. The change in NII under a specific interest rate scenario is measured relative to the baseline interest rate scenario. The key assumptions used for the NII measure are:

- the calculation is made under the assumption of a constant balance sheet, in which the overall size and composition of the balance sheet are maintained by replacing maturing items with new items of comparable attributes with regard to amount, type of interest rate, and repricing period, having regard for reinvestment and refinancing on the basis of the original characteristics of the maturing items;
- the premiums in renewed operations are determined on the basis of the applicable EBA guidelines, having regard for specifics in the operations of SID Bank;
- the calculation of interest income or expenses is conducted at the level of the individual position;
- the calculation takes into account contractually embedded automatic interest rate options;
- impaired cash flows from interest are taken into account for non-performing exposures, while reinvestment is only carried out for the unimpaired portion of exposures;
- interest based on the interest rate benchmark and a premium is taken into account;
- cash flows are not discounted;
- forward interest rate benchmarks in each interest rate scenario are determined on the basis of the euro market interest rate swap curve based on the 6-month EURIBOR; and
- the premium remains unchanged in each interest rate scenario.

RESULTS OF SENSITIVITY ANALYSIS

	ΔEVE		ΔNII	
Prescribed (supervisory) interest rate scenarios	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Upward parallel shift of 200 basis points	(20,078)	(11,427)	1,227	1,455
Downward parallel shift of 200 basis points	8,182	11,896	(2,466)	(1,455)
Steeper interest rate yield curve (fall in short-term and rise in long-term interest rates)	274	962	(130)	91
Flatter interest rate yield curve (rise in short-term and fall in long-term interest rates)	(5,458)	(2,717)	268	144
Rise in short-term interest rates	(10,345)	(5,922)	611	558
Fall in short-term interest rates	4,761	6,138	(1,227)	(558)
Most significant negative impact	**(20,078)**	**(11,427)**	**(2,466)**	**(1,455)**
Common Equity Tier 1 capital	467,264	441,040	467,264	441,040
Ratio of loss to equity	**-4.3%**	**-2.6%**	**-0.5%**	**-0.3%**

According to sensitivity analysis for the economic value of equity based on data at the end of 2023, the Bank would suffer the largest potential loss in the economic value of equity under the scenario of a parallel shift in interest rates by +200 basis points, in the amount of EUR 20,078 thousand (31 December 2022: 11,427 thousand), which is equal to 4.3% of Common Equity Tier 1 capital. The increase in loss is primarily attributable to the termination of interest rate swaps for hedging bonds in the portfolio of debt securities measured at fair value through other comprehensive income, and an increase in the size of portfolio of debt securities measured at amortised cost. In March 2023 the Bank issued a seven-year fixed-rate bond in the amount of EUR 140 million, and concluded an interest rate swap in the same amount as a fair value hedge for the issued bonds. The resulting impact on EVE was thus immaterial.

According to sensitivity analysis for net interest income based on the data as at the end of 2023, the Bank would suffer the largest potential decline in NII under the scenario of a parallel shift in the interest rate curve of -200 basis points, in the amount of EUR 2,466 thousand (31 December 2022: EUR 1,455 thousand). That change would be reflected in the income statement. Were market interest rates to rise by 200 basis points, SID Bank's NII in the income statement would increase by EUR 1,227 thousand over one year (31 December 2022: EUR 1,455 thousand).

The results of the sensitivity analysis for NII and EVE in the case of upward and downward parallel shocks to interest rates are not proportionate, as the positive results as at 31 December 2023 under all scenarios are taken into account with a factor of 0.5 in accordance with the applicable EBA guidelines.

In 2024 SID Bank will as necessary upgrade its interest rate risk measurement methodologies in line with regulatory changes.

EXPOSURE TO INTEREST RATE RISK

The table illustrates financial assets and liabilities with regard to residual maturity for items with a fixed interest rate, and with regard to the first repricing for items with a variable interest rate. Financial assets and liabilities are disclosed in their carrying amount, whereby debt securities measured at fair value through other comprehensive income are taken into account at fair value, while debt securities measured at amortised cost are taken into account at amortised cost. Loans and advances are disclosed in their net carrying amount. The effect of hedging derivatives is disclosed in the amount of the face value of concluded interest rate swaps.

31 Dec 2023	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total interest-bearing items	Non-interest-bearing items	Total
Financial assets	**586,301**	**404,478**	**827,559**	**490,292**	**277,548**	**2,586,178**	**72,648**	**2,658,826**
Cash, cash balances at central banks and demand deposits at banks	323,785	0	0	0	0	323,785	0	323,785
Non-trading financial assets mandatorily at fair value through profit or loss	1,130	0	0	846	0	1,976	53,266	55,242
Financial assets measured at fair value through other comprehensive income	0	1,813	35,377	294,199	75,120	406,509	15,532	422,041
Financial assets measured at amortised cost	261,386	402,665	792,182	195,247	202,428	1,853,908	3,850	1,857,758
Debt securities	0	0	0	158,192	10,334	168,526	0	168,526
Loans and advances to banks	29,445	70,346	137,144	1,526	20,726	259,187	0	259,187
Loans and advances to non-bank customers	231,941	332,319	655,038	35,529	171,368	1,426,195	0	1,426,195
Other financial assets	0	0	0	0	0	0	3,850	3,850
Financial liabilities	**289,389**	**321,443**	**733,786**	**555,769**	**279,672**	**2,180,059**	**4,367**	**2,184,426**
Financial liabilities measured at amortised cost	289,389	321,443	733,786	555,769	279,672	2,180,059	4,367	2,184,426
Loans from banks and central banks	115,558	81,141	99,998	14,694	11,496	322,887	0	322,887
Loans from non-bank customers	173,831	240,302	584,073	0	116,529	1,114,735	0	1,114,735
Debt securities	0	0	49,715	541,075	151,647	742,437	0	742,437
Other financial liabilities	0	0	0	0	0	0	4,367	4,367
Effect of hedging derivatives	**(175,000)**	**(125,000)**	**(5,000)**	**165,000**	**140,000**	**0**	**0**	**0**
Interest rate sensitivity gap	**121,912**	**(41,965)**	**88,773**	**99,523**	**137,876**	**406,119**	**68,281**	**474,400**

31 Dec 2022	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total interest-bearing items	Non-interest-bearing items	Total
Financial assets	**697,327**	**372,021**	**946,032**	**315,404**	**387,772**	**2,718,556**	**55,868**	**2,774,424**
Cash, cash balances at central banks and demand deposits at banks	413,628	0	0	0	0	413,628	0	413,628
Non-trading financial assets mandatorily at fair value through profit or loss	880	0	0	0	456	1,336	37,646	38,982
Financial assets measured at fair value through other comprehensive income	0	35,292	73,098	257,224	141,657	507,271	15,179	522,450
Financial assets measured at amortised cost	282,819	336,729	872,934	58,180	245,659	1,796,321	3,043	1,799,364
Debt securities	0	0	0	46,531	24,609	71,140	0	71,140
Loans and advances to banks	54,735	63,508	199,966	2,619	23,162	343,990	0	343,990
Loans and advances to non-bank customers	228,084	273,221	672,968	9,030	197,888	1,381,191	0	1,381,191
Other financial assets	0	0	0	0	0	0	3,043	3,043
Financial liabilities	**556,231**	**244,522**	**781,698**	**585,495**	**158,135**	**2,326,081**	**3,009**	**2,329,090**
Financial liabilities measured at amortised cost	556,231	244,522	781,698	585,495	158,135	2,326,081	3,009	2,329,090
Loans from banks and central banks	385,097	39,403	177,048	0	29,127	630,675	0	630,675
Loans from non-bank customers	171,134	205,119	529,680	0	129,008	1,034,941	0	1,034,941
Debt securities	0	0	74,970	585,495	0	660,465	0	660,465
Other financial liabilities	0	0	0	0	0	0	3,009	3,009
Effect of hedging derivatives	**(175,000)**	**65,000**	**0**	**160,000**	**(50,000)**	**0**	**0**	**0**
Interest rate sensitivity gap	**(33,904)**	**192,499**	**164,334**	**(110,091)**	**179,637**	**392,475**	**52,859**	**445,334**

CREDIT SPREAD RISK

SID Bank identifies, assesses, manages and monitors credit spread risk in the banking book (CSRBB) in accordance with its policy for the management of interest rate risk and credit spread risk. The regular monitoring and supervision of the implementation of the policy is ensured by the asset-liability and risk management committee via monthly reports. Exposure to credit spread risk is discussed by the management body on a quarterly basis within the risk report.

The methodology, including assumptions for the assessment of CSRBB, is defined in detail in a bylaw in the form of the methodological notes to the policy for the management of interest rate risk and credit spread risk. The internal assessment methodology is approved by the asset-liability and risk management committee.

The Bank regularly measures exposure to credit spread risk from debt securities in the banking book, for the following as of the end of 2023:

- the portfolio of debt securities measured at fair value through other comprehensive income,
- the portfolio of debt securities measured at amortised cost, by which the Bank assesses and monitors unrealised losses for the potential extreme case of sale before final maturity,
- issued debt securities.

The Bank has defined two internal CSRBB scenarios, one for an increase in the credit spread, and one for a decrease. The impact on the economic value of equity (EVE) and the impact on net interest income (NII) from the change in credit spreads relative to the baseline scenario are measured for each CSRBB scenario.

The level of credit spread risk for the portfolio of debt securities measured at fair value through other comprehensive income is limited by SID Bank through the definition of an internal capital requirement.

The potential loss in EVE under the scenario of a rise in credit spreads according to the data for the end of 2023 amounted to EUR 9,365 thousand for the portfolio of debt securities measured at fair value through other comprehensive income and EUR 10,084 thousand for the portfolio of debt securities measured at amortised cost. The decline in NII under the scenario of the fall in credit spreads is measured at EUR 207 thousand for the portfolio of debt securities measured at fair value through other comprehensive income and EUR 120 thousand for the portfolio of debt securities measured at amortised cost. The effects are estimated under the upgraded methodology for measuring credit spread risk, which the Bank has used as of the end of 2023.

Exposure to credit spread risk from the debt securities portfolio is mainly managed by the Bank via its investment policy and a limit system, which ensures that the portfolio is of the requisite quality and properly diversified. The Bank mainly invests in debt securities of investment-grade issuers from the EU.

3.4 CURRENCY RISK

Currency risk is the risk of a loss arising from unfavourable changes in foreign exchange rates.

SID Bank identifies, measures, manages and monitors currency risk in accordance with the its currency risk management policy. The management body discusses and adopts the currency risk management policy at least once a year. The implementation of the policy is monitored and supervised by the asset-liability and risk management committee. The management body discusses exposure to currency risk quarterly within the risk report.

When taking up and managing currency risk, SID Bank takes into account the adopted currency risk appetite. The currency risk management process includes the setting of internal limits to restrict the overall net open position in foreign currencies, and the regular measurement, monitoring and reporting of exposure to currency risk.

The Bank manages exposure to currency risk chiefly by matching asset and liability positions in foreign currencies, and as necessary by trading in derivatives in major foreign currencies.

In the management of currency risk, SID Bank determines the potential loss that would arise as a result of a change in exchange rates based on the net open foreign exchange position, which is the difference between the sums of all assets and liabilities in foreign currencies.

The transactions executed by SID Bank in foreign currencies are not materially significant, and they do not entail material exposure to currency risk. The overall net open position in foreign currencies was low during and at the end of 2023 (less than 0.1% of regulatory capital), which is evident from analysis of currency sensitivity, and also from the table of exposure to currency risk.

CURRENCY SENSITIVITY ANALYSIS

Sensitivity analysis for currency risk as at 31 December 2023 shows that the Bank would suffer a loss of around EUR 4 thousand should the value of all currencies (other than the euro) fall by 20% against the euro.

	Change in foreign currency exchange rate (%)	31 Dec 2023	31 Dec 2022
All currencies other than the euro	5%	-1.0	-1.6
All currencies other than the euro	10%	-2.0	-3.0
All currencies other than the euro	20%	-3.6	-5.6
US dollar	5%	-0.8	-1.5
US dollar	10%	-1.6	-2.8
US dollar	20%	-2.9	-5.1

EXPOSURE TO CURRENCY RISK FOR ON-BALANCE-SHEET AND OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS

The table illustrates SID Bank's exposure to currency risk, and includes on-balance-sheet and off-balance-sheet financial instruments by carrying amount and currency.

31 Dec 2023	Euro	US dollar	Other currencies	Total
Financial assets	**2,668,664**	**17**	**5**	**2,668,686**
Cash, cash balances at central banks and demand deposits at banks	323,763	17	5	323,785
Non-trading financial assets mandatorily at fair value through profit or loss	55,242	0	0	55,242
Financial assets measured at fair value through other comprehensive income	422,041	0	0	422,041
Financial assets measured at amortised cost	1,857,758	0	0	1,857,758
Debt securities	168,526	0	0	168,526
Loans and advances to banks	259,187	0	0	259,187
Loans and advances to non-bank customers	1,426,195	0	0	1,426,195
Other financial assets	3,850	0	0	3,850
Derivatives – hedge accounting	9,860	0	0	9,860
Financial liabilities	**2,196,719**	**1**	**0**	**2,196,720**
Finančne obveznosti, merjene po odplačni vrednosti	2,184,425	1	0	2,184,426
Loans from banks and central banks	322,887	0	0	322,887
Loans from non-bank customers	1,114,735	0	0	1,114,735
Debt securities	742,437	0	0	742,437
Other financial liabilities	4,366	1	0	4,367
Derivatives – hedge accounting	12,294	0	0	12,294
Net on-balance-sheet position	**471,945**	**16**	**5**	**471,966**
Off-balance-sheet liabilities (net amount)	**213,350**	**0**	**0**	**213,350**

31 Dec 2022	Euro	US dollar	Other currencies	Total
Financial assets	**2,777,804**	**32**	**3**	**2,777,839**
Cash, cash balances at central banks and demand deposits at banks	413,593	32	3	413,628
Non-trading financial assets mandatorily at fair value through profit or loss	38,982	0	0	38,982
Financial assets measured at fair value through other comprehensive income	522,450	0	0	522,450
Financial assets measured at amortised cost	1,799,364	0	0	1,799,364
Debt securities	71,140	0	0	71,140
Loans and advances to banks	343,990	0	0	343,990
Loans and advances to non-bank customers	1,381,191	0	0	1,381,191
Other financial assets	3,043	0	0	3,043
Derivatives – hedge accounting	3,415	0	0	3,415
Financial liabilities	**2,344,938**	**1**	**0**	**2,344,939**
Financial liabilities measured at amortised cost	2,329,089	1	0	2,329,090
Loans from banks and central banks	630,675	0	0	630,675
Loans from non-bank customers	1,034,941	0	0	1,034,941
Debt securities	660,465	0	0	660,465
Other financial liabilities	3,008	1	0	3,009
Derivatives – hedge accounting	15,849	0	0	15,849
Net on-balance-sheet position	**432,866**	**31**	**3**	**432,900**
Off-balance-sheet liabilities (net amount)	**278,756**	**0**	**0**	**278,756**

3.5 OPERATIONAL RISK

Operational risk arises as a result of inadequate or failed internal processes, people and systems, or from external factors that do not arise from credit risk, market risk or liquidity risk. Operational risk also includes IT risks, legal risks and risks associated with compliance and model risk. One element of legal risk is compliance risk, which is the risk of legal or regulatory sanctions, significant financial losses or a loss of reputation as a result of the Bank's operations failing to comply with the main regulations and standards of good practice.

Operational risk depends on internal organisation, the management of business processes, the functioning of internal controls, the effectiveness of internal and external auditing, etc. Operational risk factors include human resources, business processes, information technology and other infrastructure, organisational arrangements and external events.

The Bank takes up operational risk within its adopted risk appetite, and allocates internal capital for operational risk in accordance with the ICAAP. The management of operational risk is based on the system of internal controls put in place, the system of decision-making and powers, proper deputization during absences, the right training for personnel carried out on a regular basis, and investment in information technology. The Bank continually endeavours to improve the culture of awareness on the part of senior management and other employees of the importance of effective operational risk management, which is present in all activities and operational processes. The Bank upgrades operational risk management on an annual basis, in particular from an internal point of view (internal procedures, processes, the provision of suitable information support, monitoring and other regulatory requirements).

The Bank manages **model risk** and has adopted a rulebook on model risk management. The framework is defined in a way that clearly identifies the essential features of model risk and its management through identification, measurement, monitoring/reporting and control. The model risk management framework has clearly defined components for managing this risk, and a catalogue of models created. As part of its model risk management, the Bank also upgraded the methodology for validating estimates of credit risk parameters, thereby strengthening the accuracy and robustness of the assessment of credit risk and reducing operational risk in connection with the use of models.

The Bank is aware of the risk of fraud, money laundering/terrorist financing and cyber threats, and has thus also strengthened the management of these subcategories of operational risk.

Operational risk management includes the recording of identified **loss events** from all subcategories of operational risk in the software-supported database, and the analysis and resolution thereof with the aim of effectively identifying, assessing and managing operational risks. Control of registered loss events is carried out by the risk management and asset-liability management department, which reports regularly to the management board and supervisory board on the number of events, on loss valuation, and on proposed measures for reducing the likelihood of the repetition of an individual loss event. The report on operational risk is an integral part of the risk report, which is also submitted to the Bank of Slovenia. If an event involving significant loss occurs, SID Bank is obliged to notify the supervisory board and Bank of Slovenia immediately, and to submit all relevant documentation.

In accordance with Article 324 of the CRR, SID Bank has defined the following categories of loss events:

- internal fraud;
- external fraud;
- employment practices and workplace safety;
- clients, products and business practices;
- damage to physical assets;
- business disruption and system failures; and
- execution, delivery and process management.

In terms of the category of loss events in accordance with the Basel standards, the most common loss events in 2023 were execution, delivery and process management (54% of all loss events), followed by business disruption and system failures (23%), damage to physical assets (13%), external fraud (8%), and clients, products and business practices (2%).

There were no significant loss events in 2023.

The Bank uses the basic indicator approach for calculating capital requirements for operational risk in accordance with the CRR.

SID Bank assesses operational risk annually by developing a risk profile for the Bank and assessing the risk matrix based on the methodology for assessing exposure to operational risk. The aforementioned methodology governs the assessment of operational risk, the breakdown of operational risk into subcategories, the ownership of individual subcategories of operational risk, and the procedures and timing of the annual assessment of operational risks. SID Bank has put in place a catalogue of operational risks that includes risk scenarios broken down by individual operational risk subcategory, and a catalogue of internal controls that includes a list of the internal controls used to mitigate risk. The Bank upgraded the two catalogues in 2023.

By conducting internal audits, the internal audit department ensures the independent and impartial assessment of internal governance arrangements, including risk management systems and processes, and internal controls. In order to improve operations and add value, internal audits are carried out in all areas, business activities, processes and functions of SID Bank in line with the risk profile and the annual internal audit work plan.

Systemic risks associated with information technology, which are increasing as the level of computerisation increases, are managed through additional measures such as the business continuity plan, duplication of critical infrastructure and other measures to increase information security (advanced systems to prevent and detect hacking, proactive threat hunting, security systems and incident-management operating processes, security checks, staff training, etc.). The Bank strengthened and upgraded these measures in 2023. Responsibility for implementing the business continuity plan is assigned to groups of employees formed in advance (emergencies group, operational security group, first aid and rescue group and asset restoration group). The members of these groups also participate in the processes of amending the business continuity plan. The Bank updated the business continuity plan in 2023.

SID Bank has put in place an **information security function** that monitors and controls information security procedures to prevent unauthorised access to information during storage, processing or transfer, and to prevent changes thereto in the information security department. One of the duties of this department is to manage security incidents and potential security incidents. The information security department drafts quarterly reports to the management board on the state of information security at the Bank, and heads an information security committee that addresses individual security issues and guidance, conducts analysis at least once a year of all security incidents on the basis of records of loss events, and proposes measures.

In the event of a cyber incident that constitutes an unwanted or unexpected information security event or a series of such events that could harm operations and threaten information security, employees who detect or suspect that a cyber incident has occurred must immediately notify the information security function, which assumes responsibility for handling the incident and for any reporting to the Bank of Slovenia, in accordance with the latter's requirements relating to reporting on significant cyber incidents.

In managing operational risk, SID Bank takes account of the **outsourcing policy** and the instructions for implementing that policy, the purpose of which is to create a framework for the selection, establishment, implementation and monitoring of contractual relationships with external contractors, to prevent inconsistencies, inequalities, ambiguities and imbalanced risk management when outsourcing, and thus potential negative consequences on the operations of SID Bank, and to ensure an adequate level of professionalism of outsourced services at SID Bank, to monitor the implementation of those services and to manage the risks arising from outsourcing. The risk management department conducts a semi-annual assessment of external contractors, drafts an annual review of the management of external contractors, compiles an annual report and proposes measures. After receiving the management board's approval, the supervisory board is briefed on the report, which is then forwarded to the Bank of Slovenia.

SID Bank manages outsourcing risks in accordance with the Guidelines on outsourcing arrangements (EBA/GL/2019/02), and has adopted bylaws and a standardised process for outsourcing and subsequent risk monitoring and assessment. The Bank also has a register of external contractors and standard questionnaires in place that assist employees in the analysis of outsourced functions and the assessment of risks of external contractors. As Slovenia's central financial institution in the area of promotion and development, SID Bank is moving into new areas of operation in line with its mission. In line with the gradual introduction of new products, and the complexity of its products and processes, SID Bank dedicates the appropriate amount of attention to operational risk.

To manage risks arising from **new product launches**, the Bank has adopted an internal rulebook that sets out the rules for launching new products, and the powers and responsibilities of organisational units in the process of launching new products, including an emphasis on conducting a comprehensive and impartial risk assessment. All material risks identified during the development or implementation of a new product in connection with the planned launch of a new product must be processed in a timely and thorough manner in the risk management process in accordance with the bylaws governing the management of individual risks, which means, *inter alia*, that measures are adopted by the Bank's competent bodies to manage the identified risks.

SID Bank monitors the risk of identified **external and internal fraud** in the context of operational risk via a loss event database, while that risk is managed in detail by the compliance department. SID Bank has zero tolerance for suspected fraud. This does not mean that fraud cannot occur at SID Bank. SID Bank is committed to protecting its integrity and reputation in relation to fraud, including by minimising the risk of fraud and unethical behaviour. Furthermore, it does not tolerate any form of fraud, and has a zero tolerance policy in place for identified suspicions of fraud. This means that SID Bank responds to all identified suspicions of fraud, regardless of the identity of the whistleblower or of the alleged perpetrator. SID Bank adheres in full to the relevant international standards and EU laws, and regularly follows the development of best practices relating to the prevention of money laundering, the combating of terrorism, tax fraud, tax evasion and tax arrangements aimed at avoiding tax payments. The management board and supervisory board of SID Bank have a zero-tolerance policy in place for all forms of fraud and for all identified suspicions of fraud, which they clearly communicate to SID Bank employees (i.e. the tone from the top).

When assessing its exposure to fraud risk, the Bank assumes that fraud is the intent to commit an act for the purpose of acquiring an unlawful benefit for oneself or a third party.

Measures to prevent fraud are divided into short-term measures, which primarily include internal controls/procedures, and long-term measures that the Bank achieves primarily by strengthening the organisational culture.

3.6 CAPITAL MANAGEMENT

SID Bank must have adequate capital at its disposal at all times as a reserve against the various risks to which it is exposed in its operations. This is the continuous process of determining and maintaining a sufficient amount of high-quality capital, taking into account the taken-up risks defined in the capital management policy. Fulfilment of the capital requirements and of the requirements relating to buffers and the leverage ratio is based on the CRR and the ZBan-3.

Capital risk relates to the inadequate composition of capital with regard to the scope and type of operations or to the difficulties that the Bank faces in obtaining fresh capital, particularly in the event of the need for a rapid increase or in the event of adverse conditions in the business environment.

The role and responsibilities of the supervisory board in the management of capital risk and capital are to assess the adequacy of the capital risk and capital management policy, and to assess the implementation of that policy. The management board is responsible for adopting an adequate capital management policy, ensuring an adequate amount and quality of capital, and meeting the regulator's capital requirements.

SID Bank meets capital requirements on an individual basis, as it has no need to meet prudential consolidation requirements.

CAPITAL FOR CAPITAL ADEQUACY PURPOSES

Capital is divided into three categories with regard to its attributes and requirements: Common Equity Tier 1 (CET1), Additional Tier 1 (T1) and Tier 2 (T2). SID Bank's capital is comprised solely of the highest quality Common Equity Tier 1 capital. The Bank does not hold any Additional Tier 1 capital or Tier 2 capital.

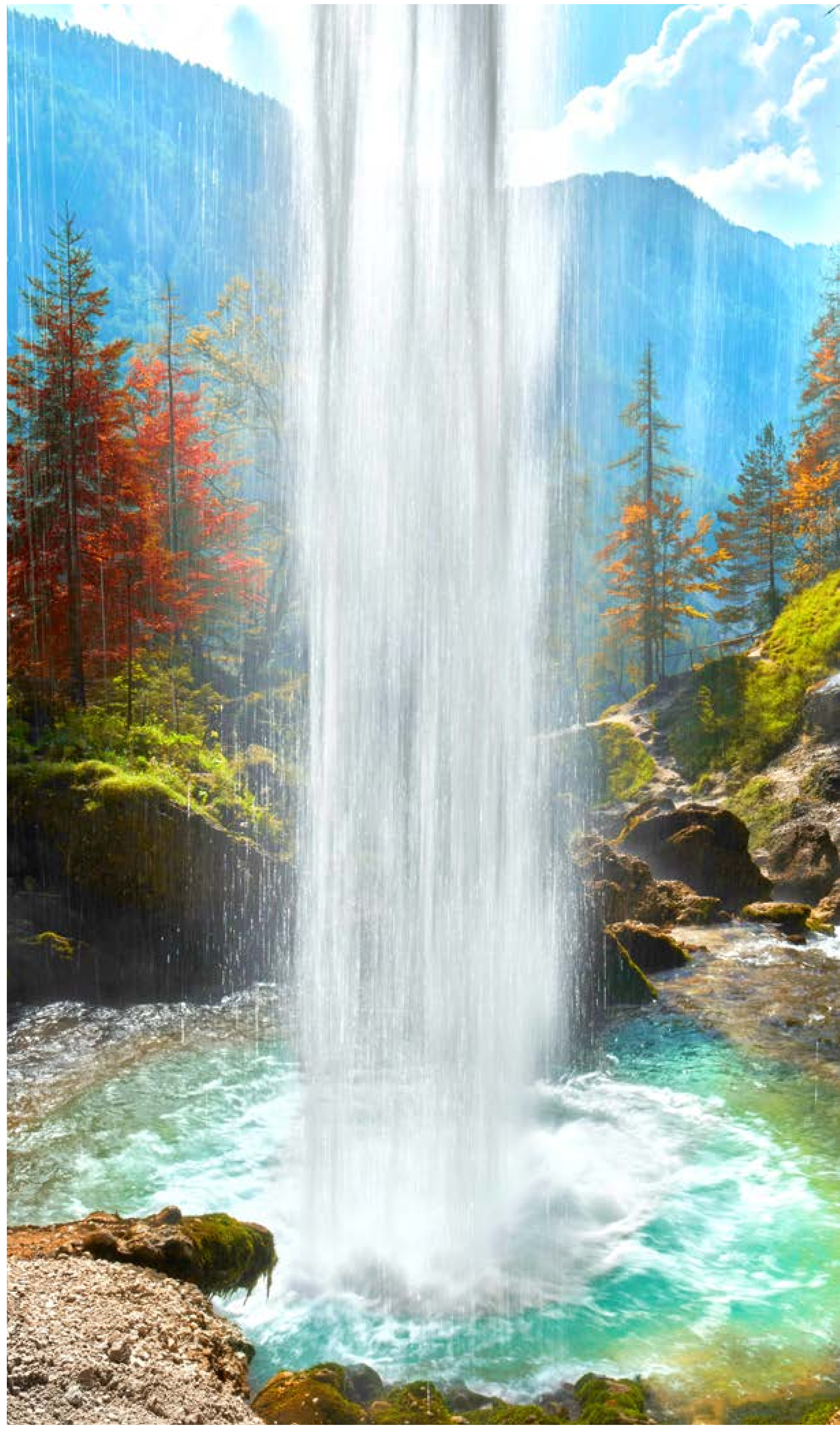
The Bank calculates capital requirements for credit risk and counterparty credit risk using the standardised approach, in accordance with the provisions of Part Three, Title II, Chapter 2 of the CRR. The ratings for individual exposure classes are not used to calculate the risk-weighted exposures amounts for credit risk; instead the risk weights for individual exposure classes are assigned with respect to risk level of the customer's country. In order to determine the credit quality step of a central government (Article 114 of the CRR), the Bank uses its own rating as a nominated export credit agency, as set out in Article 137 of the CRR.

The Bank uses the basic indicator approach for calculating capital requirements for operational risk (Articles 315 and 316 of the CRR).

The capital requirement for credit valuation adjustment (CVA) risk is calculated using the standardised method, as set out in Article 384 of the CRR.

SID Bank does not hold any positions in the trading book, and therefore does not calculate capital requirements for market risk for that purpose. In the scope of market risk, SID Bank only calculates capital requirements for currency risk in accordance with Articles 351 to 354 of the CRR. Those requirements are calculated when the sum of the overall net foreign exchange position exceeds 2% of the total capital for capital adequacy purposes. As at the end of 2023, SID Bank was not required to formulate capital requirements for currency risk, as the limit was not exceeded.

The Bank does not take into account net profit for the financial year, which for 2023 amounted to EUR 15,638 thousand, in the calculation of capital for capital adequacy purposes until SID Bank's general meeting adopts a resolution on the distribution of profit.



RECONCILIATION OF ITEMS OF COMMON EQUITY TIER 1 CAPITAL WITH THE STATEMENT OF FINANCIAL POSITION, RISK EXPOSURE AND CAPITAL ADEQUACY RATIOS

	31 Dec 2023	31 Dec 2022
Total equity	**484,679**	**450,869**
Total adjustments to Common Equity Tier 1 capital	**(17,415)**	**(9,829)**
Of which:		
Net profit for financial year and retained earnings	(15,638)	(8,251)
Intangible assets	(1,203)	(997)
Adjustments for assets and liabilities at fair value	(499)	(581)
Deduction for specific credit risk adjustments	(75)	0
Common Equity Tier 1 capital (CET1)	467,264	441,040
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1)	467,264	441,040
Tier 2 capital (T2)	0	0
Capital for capital adequacy purposes	**467,264**	**441,040**
Risk-weighted exposure amounts for credit risk and counterparty credit risk	1,615,245	1,653,705
Central governments and central banks	30,794	37,990
Regional governments or local authorities	28,786	27,319
Public sector entities	4,625	4,832
Multilateral development banks	4,000	4,000
Institutions	86,627	87,148
Corporates	1,275,224	1,317,836
Exposures in default	68,662	74,707
Collective investment undertakings (CIUs)	95,493	80,252
Equity instruments	15,532	15,179
Other items	5,502	4,442

	31 Dec 2023	31 Dec 2022
Exposure to market risk	0	0
Exposure to operational risk	64,771	73,856
Exposure to credit valuation adjustment risk	29,746	8,239
Total risk exposure amount (RWA)	**1,709,762**	**1,735,801**
Surplus of Common Equity Tier 1 capital (CET1)	390,325	362,929
Surplus of Tier 1 capital (T1)	364,678	336,892
Total surplus capital	330,483	302,176
Common Equity Tier 1 capital ratio (CET1)	27.33%	25.41%
Tier 1 capital ratio (T1)	27.33%	25.41%
Total capital ratio	**27.33%**	**25.41%**

BREAKDOWN OF CAPITAL REQUIREMENTS BY TYPE OF RISK AND STRUCTURE

	31 Dec 2023	Breakdown (%)	31 Dec 2022	Breakdown (%)
Capital requirements				
For credit risk	129,220	94,5	132,296	95.2
For operational risk	5,182	3,8	5,909	4.3
For credit valuation adjustment risk	2,380	1,7	659	0.5
Total	**136,781**	**100,0**	**138,864**	**100.0**

CAPITAL REQUIREMENTS FOR CREDIT RISK

	31 Dec 2023	31 Dec 2022
Exposure class		
Central governments or central banks	2,464	3,039
Regional governments or local authorities	2,303	2,186
Public sector entities	370	387
Multilateral development banks	320	320
Institutions	6,930	6,972
Corporates	102,018	105,427
Exposures in default	5,493	5,977
Collective investment undertakings (CIUs)	7,639	6,420
Equity exposures	1,243	1,214
Other items	440	355
Total	**129,220**	**132,296**

ASSESSMENT OF INTERNAL CAPITAL REQUIREMENT

The risk profile, which is the result of the processes of identification, definition of materiality and measurement of risks, represents a collection of the risks that are significant to SID Bank and that the Bank takes up or will take up in the framework of its operations, and is quantified by the capital requirement.

The risk profile serves as the basis for the comprehensive risk management process, the planning of internal audit procedures, compliance and direct supervision by the Bank of Slovenia.

The ICAAP results for 2023 indicate that SID Bank's risk profile is at approximately the same level as in the previous year.

In line with its business strategy SID Bank is or will be exposed to the following material risks: credit risk, market risk in the non-trading (banking) book, operational risk, liquidity risk, and business/strategic risk.

There are six sub-types of credit risk defined as material: default risk, concentration risk, country risk, downgrade risk, participation risk and residual credit risk. The metrics used to measure each sub-category of credit risk comprise: the Internal Ratings-Based Approach (IRB), the Herfindahl-Hirschman index as a measure of sectoral concentration, and the Monte Carlo simulation of the IRB to measure individual concentration.

There are following material sub-types of market risk in the non-trading (banking) book:

- interest rate risk in the banking book (IRRBB),
- interest rate risk and credit spread risk of debt securities measured at fair value through other comprehensive income.

The Bank measures interest rate risk in the banking book (IRRBB) and credit spread risk in the banking book (CSRBB) in accordance with its internal methodology, which is based on the EBA guidelines setting out the criteria for identifying, managing and mitigating the risks inherent in potential changes in interest rates, and for assessing and monitoring the credit spread risk inherent in activities in an institution's banking book. More detailed disclosures are given in section 3.3 Interest rate risk.

Within operational risk, twelve sub-types of risk are defined as material: internal fraud risk, external fraud risk, information and communication technology risk, cyber risk, money laundering and terrorist financing risk, legal risk, model risk, compliance risk, outsourcing risk, HR management risk, residual operational risk and reputation risk. The metric for measuring operational risks is the minimum (Pillar 1) operational risk capital requirement, which the Bank allocates proportionally across sub-types based on internal expert assessments of the risks associated with sub-types of operational risk.

Within business/strategic risk, there are two sub-types of risk defined as material: strategic risk, which is addressed through management-level process control, and profitability risk. The metric for profitability risk is the historical value-at-risk of interest/non-interest income and costs.

The overall assessment of internal capital requirements also includes an assessment from an integrated stress test if the assessment in question is higher than the capital requirement. The Bank also incorporated ESG risk factors into the integrated stress test. On a quarterly basis SID Bank calculates the internal assessment of capital requirements, and verifies whether the level of capital is adequate. The results are then discussed by the asset-liability and risk management committee, and by SID Bank's management body within the framework of the risk report. The management body approves the results of the Bank's risk profile and the internal capital adequacy assessment process once a year.

During its regular supervisory review and evaluation process (SREP) in 2023, the Bank of Slovenia assessed the risks to which SID Bank is exposed, and found that the capital adequacy risk at the Bank was low. As at 31 December 2023, SID Bank exceeded the Bank of Slovenia requirements regarding the level of capital ratios, including the Pillar 2 Guidance (P2G), which derives from the findings of supervisory stress tests and must be comprised solely of Common Equity Tier 1 capital.

CAPITAL BUFFERS

In accordance with the ZBan-3 and European banking legislation, the Bank of Slovenia has set requirements regarding the maintenance of capital buffers for the purpose of preventing or mitigating macroprudential and systemic risks. The capital buffers represent an additional requirement in determining the required level of capital, as banks must use their highest-quality capital (CET1) to meet not only the Pillar 1 and Pillar 2 requirements under the Basel Accord, but also the capital buffer requirements.

The combined buffer requirement means the total capital that banks must maintain to meet the requirements in connection with:

- the capital conservation buffer;
- the institution-specific countercyclical capital buffer;
- the buffer for globally systemically important institutions (not relevant for SID Bank);
- the buffer for other systematically important institutions; and
- the systemic risk buffer.

SID Bank met the requirements relating to capital buffers as at the end of 2023, as explained below.

The Bank covers the capital conservation buffer with Common Equity Tier 1 (CET1) capital, which in 2023 amounted to 2.5% of the total risk exposure amount. The countercyclical capital buffer is implemented to protect the banking system against potential losses whenever these are related to an increase in risks in the system as a result of excessive growth in lending. The instrument increases the resilience of the banking system, and prevents excessive growth in lending. The buffer rate may range from 0% to 2.5% of the total risk exposure amount (and may exceptionally be higher), and depends on the level of risk in the system. The buffer rate for exposures in Slovenia has stood at 0.50% since 31 December 2023. The institution-specific countercyclical capital buffer rate comprises the weighted average of countercyclical buffer rates that apply in countries in which the relevant credit exposures of SID Bank are located. SID Bank discloses more detailed data on the geographical distribution of credit exposures relevant to the calculation of the countercyclical capital buffer, capital requirements and the level of the institution-specific countercyclical capital buffer in the appendix Pillar 3 disclosures. SID Bank's institution-specific countercyclical capital buffer rate was 0.48% of its total risk exposure as at 31 December 2023. In accordance with a Bank of Slovenia decision, as of 1 January 2021 SID Bank has been required to meet the buffer for other systemically important institutions (O-SII) with its Common Equity Tier 1 (CET1) capital in the amount of 0.25% of total risk exposure.

LEVERAGE RATIO

SID Bank regularly monitors developments in the leverage ratio on its asset-liability and risk management committee, and within the framework of the selected risk appetite indicators.

The leverage ratio stood at 16.28% as at 31 December 2023 (end of 2022: 14.7%), and is well above the regulatory value and risk appetite. In light of the structure of the statement of financial position and the level of the leverage ratio, the Bank's assessment is that the risk of excessive leverage is low. Detailed disclosures of the leverage ratio are given in the appendix Pillar 3 disclosures.

3.7 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received when selling an asset or paid when transferring a liability in a standard transaction between market participants on the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique.

The fair value of financial assets and financial liabilities traded on an active market is based on published market prices. SID Bank determines fair value for all other financial instruments using other valuation techniques.

An active market is a market on which frequent transactions are executed in assets or liabilities, and public information on prices is thus provided on a regular basis.

SID Bank measures fair value using a fair value hierarchy that reflects the significance of the input data.

- Level 1: Level 1 inputs are quoted prices on active markets for identical assets or liabilities to which SID Bank has access as at the measurement date. Level 1 includes holdings of financial instruments to which an official price applies within the framework of the trading system of Ljubljana Stock Exchange, or the price of an official market maker and financial instruments, valued at the price that would be received when selling a financial instrument in a transaction with third partes.
- Level 2: Level 2 inputs are inputs other than the quoted prices included in Level 1 that are observable for an asset or liability, either directly (prices) or indirectly (derived from prices). Level 2 includes financial instruments valued through the use of quoted prices for similar assets and liabilities on active markets, quoted prices for equivalent or similar assets and liabilities on inactive markets, or inputs other than quoted prices that can be observed as assets or liabilities, e.g. interest rates and yield curves. Level 2 also includes investments in bonds that are valued on the basis of the Bloomberg Generic Price (BGN), as this price is identical to the interbank or OTC market price. While the BGN is not a direct price that SID Bank could use to sell securities on the valuation date, its use does ensure impartiality in valuation. The price is a reflection of the actual transactions on the market and is an appropriate indicator of the prices that could be achieved through the sale of bonds on the market. The prices of vendors do not deviate from the applied price to a materially significant extent. SID Bank does not have any loans at Level 2 measured at fair value.
- Level 3: In this category SID Bank includes financial instruments for which fair value is calculated according to an internal model that mainly uses unobservable inputs. Unobservable inputs are inputs for which market data is not available, and are developed using the best available information on the assumptions that market participants would use when pricing the asset or liability. The fair value of loans and advances mandatorily at fair value that are classed as performing exposures is determined on the basis of contractual cash flows, discounted by a curve composited from the risk-free interest rate curve and a spread for credit risk and liquidity risk. The fair value of loans and advances mandatorily at fair value that are classed as non-performing exposures is calculated by discounting estimated cash flows at a standard interest rate at recognition. Estimated future cash flows for loans to going concerns are calculated on the basis of contractual cash flows, the likelihood of repayment, and macroeconomic forecasting factors. For loans to companies that are not going concerns, estimated future cash flows are calculated on the basis of collateral liquidation, the haircut, the collateral liquidation period and macroeconomic forecasting factors. The Bank also classifies equity instruments that are not admitted to active markets and investments in alternative investment funds as Level 3. Alternative investment funds are valued by fund managers in the form of the unit price, or the net asset value, which represents the best approximation of fair value. Valuation is made on the basis of material non-public information about holdings in funds. The Bank does not conduct its own valuation of holdings in alternative investment funds, as it has very limited access to and insight into the input data used by fund managers. Sensitivity analysis was also not conducted for these assets.

FINANCIAL ASSETS MEASURED AT FAIR VALUE

The financial instruments that SID Bank discloses at fair value in the statement of financial position are non-trading financial assets mandatorily at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and hedging derivatives.

Hedging derivatives that include interest rate swaps are valued taking into account market interest rates and yield curves.

The fair value of non-trading financial assets mandatorily at fair value through profit or loss and financial assets measured at fair value through other comprehensive income is determined using prices quoted on active markets for identical assets, prices quoted on active markets for similar assets and prices quoted for identical and similar assets on inactive markets.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE – FAIR VALUE HIERARCHY

The table discloses financial instruments measured at fair value as at the reporting date with regard to level of classification in the fair value hierarchy.

31 Dec 2023	Level 1	Level 2	Level 3	Total
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	55,242	55,242
Equity instruments	0	0	4,930	4,930
Alternative investment funds	0	0	48,336	48,336
Loans and advances	0	0	1,976	1,976
Financial assets measured at fair value through other comprehensive income	20,796	401,245	0	422,041
Debt instruments	5,264	401,245	0	406,509
Equity instruments	15,532	0	0	15,532
Derivatives - hedge accounting	0	9,860	0	9,860
Total financial assets measured at fair value	**20,796**	**411,105**	**55,242**	**487,143**
Derivatives - hedge accounting	0	12,294	0	12,294
Total financial liabilities measured at fair value	**0**	**12,294**	**0**	**12,294**

31 Dec 2022	Level 1	Level 2	Level 3	Total
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	38,982	38,982
Equity instruments	0	0	3,810	3,810
Alternative investment funds	0	0	33,836	33,836
Loans and advances	0	0	1,336	1,336
Financial assets measured at fair value through other comprehensive income	26,932	495,518	0	522,450
Debt instruments	11,753	495,518	0	507,271
Equity instruments	15,179	0	0	15,179
Derivatives - hedge accounting	0	3,415	0	3,415
Total financial assets measured at fair value	**26,932**	**498,933**	**38,982**	**564,847**
Derivatives - hedge accounting	0	15,849	0	15,849
Total financial liabilities measured at fair value	**0**	**15,849**	**0**	**15,849**

CHANGES IN NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS – LEVEL 3

	2023	2022
Equity instruments		
Balance as at 1 Jan	3,810	4,150
Recognition of new financial assets	57	2,552
Derecognition of financial assets	0	(2,552)
Net changes in fair value	1,063	(340)
Balance as at 31 Dec	**4,930**	**3,810**

	2023	2022
Alternative investment funds		
Balance as at 1 Jan	33,836	24,156
Recognition of new financial assets	10,725	9,018
Derecognition of financial assets	0	(427)
Net changes in fair value	3,775	1,089
Balance as at 31 Dec	**48,336**	**33,836**

	2023	2022
Loans and advances		
Balance as at 1 Jan	1,336	996
Accrued interest, fees and commission	60	41
Repayments	(445)	(759)
Net changes in fair value	1,142	1,058
Write-offs	(117)	0
Balance as at 31 Dec	**1,976**	**1,336**

Sensitivity analysis was conducted for non-trading financial assets mandatorily at fair value through profit or loss that are classified as Level 3.

If the unit price used to calculate the fair value of the equity instruments rises by 100 basis points, the cumulative valuation result as at 31 December 2023 increases by EUR 49 thousand. If the unit price used to calculate the fair value of the equity instruments falls by 100 basis points, the cumulative valuation result as at 31 December 2023 decreases by EUR 49 thousand.

If the credit spread used to calculate the fair value of the loans and advances increases by 100 basis points, the cumulative valuation result as at 31 December 2023 decreases by EUR 76 thousand. If the credit spread used to calculate the fair value of the loans and advances decreases by 100 basis points, the cumulative valuation result as at 31 December 2023 increases by EUR 79 thousand.

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

31 Dec 2023	Level 1	Level 2	Level 3	Fair value	Carrying amount
Balances at central banks and demand deposits at banks	323,785	0	0	323,785	323,785
Financial assets measured at amortised cost	0	418,241	1,354,599	1,772,840	1,857,758
Debt securities	0	173,861	0	173,861	168,526
Loans and advances to banks	0	240,682	0	240,682	259,187
Loans and advances to non-bank customers	0	0	1,354,486	1,354,486	1,426,195
Other financial assets	0	3,698	113	3,811	3,850
Total financial assets	**323,785**	**418,241**	**1,354,599**	**2,096,625**	**2,181,543**
Financial liabilities measured at amortised cost	0	327,442	1,816,435	2,143,877	2,184,426
Deposits from banks and central banks	0	36,779	0	36,779	36,779
Loans from banks and central banks	0	286,296	0	286,296	286,108
Loans from non-bank customers	0	0	1,114,789	1,114,789	1,114,735
Debt securities	0	0	701,646	701,646	742,437
Other financial liabilities	0	4,367	0	4,367	4,367
Total financial liabilities	**0**	**327,442**	**1,816,435**	**2,143,877**	**2,184,426**

31 Dec 2022	Level 1	Level 2	Level 3	Fair value	Carrying amount
Balances at central banks and demand deposits at banks	413,628	0	0	413,628	413,628
Financial assets measured at amortised cost	0	407,255	1,395,744	1,802,999	1,799,364
Debt securities	0	66,087	0	66,087	71,140
Loans and advances to banks	0	338,125	0	338,125	343,990
Loans and advances to non-bank customers	0	0	1,395,744	1,395,744	1,381,191
Other financial assets	0	3,043	0	3,043	3,043
Total financial assets	**413,628**	**407,255**	**1,395,744**	**2,216,627**	**2,212,992**
Financial liabilities measured at amortised cost	0	633,935	1,653,318	2,287,253	2,329,090
Deposits from banks and central banks	0	1,872	0	1,872	1,872
Loans from banks and central banks	0	629,054	0	629,054	628,803
Loans from non-bank customers	0	0	1,035,009	1,035,009	1,034,941
Debt securities	0	0	618,309	618,309	660,465
Other financial liabilities	0	3,009	0	3,009	3,009
Total financial liabilities	**0**	**633,935**	**1,653,318**	**2,287,253**	**2,329,090**

The table discloses the estimated fair values of financial instruments not measured at fair value. The disclosed fair values are calculated solely for reporting purposes, and do not affect the Bank's statement of financial position, or profit or loss.

Financial assets are disclosed at fair value as at the reporting date with regard to level of classification in the fair value hierarchy.

The Bank recognises and measures issued debt securities and financial assets under business model 1 that pass the SPPI test at amortised cost. For the purpose of calculating the effects of hedge accounting for instruments included in a hedging relationship, the fair value is calculated using the expected present value valuation technique. The expected present value is calculated using inputs that are not quoted prices and that can be observed, i.e. interest rates and yield curves.

4 Management Body's Concise Statement on SID Bank's Approach to the Realisation of Risk Appetite

In accordance with Article 435(1)(f) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (hereinafter: the CRR), the second paragraph of Article 17 of the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks, and Article 2 of Commission Implementing Regulation 2021/637, the management body hereby issues the following concise statement on risk management:

1. The overall risk level and the levels and types of individual material risks are subject to comprehensive identification once a year in the process of drawing up the Bank's risk profile, which is approved by its management body. Once a year, during the internal capital adequacy assessment process (ICAAP), the management body approves the assessment of internal capital requirements and the capital available to cover losses in the event of the realisation of the risks taken up. The assessed **risk capacity** is taken into account when the business strategy, business objectives and risk appetite are being defined. The risk profile of SID Bank is presented in the risk management section of the financial report, in the subsection entitled Capital management. The management body also approves the internal liquidity adequacy assessment process (ILAAP) once a year, in which the Bank carries out a comprehensive assessment of the systems put in place for the management of liquidity risk, including an assessment of liquidity risk in connection with the Bank's risk profile and business strategy.

   Risk capacity means the largest overall risk level that SID Bank is able to take up, taking into account its available capital, liquidity and other restrictions (risk management and control measures, stress test results, and other restrictions). The Bank defines risk capacity as the higher of the economic and normative perspectives, with the ICAAP representing the economic perspective and the SREP the normative perspective.

2. The management body defines the **risk appetite** taking into account its risk capacity at least once a year, within the framework of the process of adopting the annual operational plan, and thus ensures that the risk appetite has been aligned to any changes in the business model and in the current business strategy.

   The risk appetite framework takes into account all material risks identified within the framework of the risk profile, and is reflected in the risk appetite thresholds approved by the management body, including threshold values set with regard to the Bank's planned activities, and also the limits set in the policies for the take-up and management of individual risks and other bylaws of SID Bank. For risk appetite thresholds that have regulatory values prescribed, SID Bank has set the same or stricter target values; taking into account the early warning thresholds, the Bank always has stricter thresholds in place. In accordance with the disclosures under the CRR, the selected risk appetite thresholds for SID Bank are presented below. The key financial data and performance indicators of SID Bank are disclosed in the introductory section of the annual report, in the section entitled Key data and performance indicators. The following values were realised at the end of 2023 for the selected first-level risk appetite thresholds:

   - total capital ratio (TCR): 27.3% (threshold: 18.5%);
   - leverage ratio (LR): 16.3% (threshold: 12.2%);
   - liquidity coverage ratio (LCR): 1,069% (threshold: 135%);
   - net stable funding ratio (NSFR): 151.8% (threshold: 109%);

The risk appetite framework is monitored and discussed by SID Bank's management body on a quarterly basis.

The scope of risk take-up is complemented by the set of internal policies for the management of individual types of risk, via which SID Bank transfers (escalates) limits regarding risk appetite into operational restrictions for the appropriate direction of the business. Risk management policies and internal rulebooks set out the limits for the management of credit risk, market risk in the non-trading (banking) book and liquidity risk, including the procedures for dealing with limit breaches and notification of the management board.

In terms of **limiting exposure to credit risk**, in operations of all types, first the regulatory limits set out in the applicable banking legislation concerning exposure to individual customers and groups of connected clients are taken into account. In addition the take-up of credit risk is limited by SID Bank's articles of association, the thresholds of the risk appetite at various levels of granularity in the credit portfolio, and the internal limits on exposure to credit risk. To manage the credit risk inherent in investments for managing the Bank's liquidity, bylaws set limits on exposures to individual persons, and in case the persons comprise a group of connected clients also a limit on the group and a limit on the individual persons. In managing these investments, SID Bank pursues a policy of investing its surplus liquidity in high-quality liquid financial instruments. Credit risk in investments for managing the Bank's liquidity is managed by limiting exposures by credit rating, geographical area, type of issuer and type of instrument, and in order to limit environmental risks, purchases of securities of issuers whose core business is in the fossil fuels sector are prohibited. The limits for credit operations are not predetermined or general; instead creditworthiness is defined during the handling of the individual investment transaction with regard to a calculation of the customer's borrowing capacity. When the simplified procedure of processing low-value loans is applied, the assessment of a customer's maximum borrowing capacity is calculated on the basis of data derived from past operations. This assessment is then used as the basis for calculating the free portion of the customer's borrowing limit, taking into account the customer's valid credit rating, current exposure to the customer, and the maturity of the requested financing. The powers to approve transactions are set out in the bylaws and the articles of association of SID Bank with regard to investment value and customer's current exposure. Bylaws are used for the entire portfolio to set out the method of identifying and measuring concentration risk, on an individual basis, by economic sector, by country and by credit rating. In addition, internal loan approval procedures and the placement of a limit on total exposure ensure that all leveraged operations are adequately controlled, and comply with the Bank's risk appetite framework.

Quantitative limits are also set for the **management of market risk in the non-trading (banking) book**. Limits on the decline in net interest income and the loss in the economic value of equity are set for interest rate risk in the banking book. The limits are significantly more stringent than those prescribed by banking regulations. The Bank regularly measures and monitors interest rate risk and credit spread risk for debt securities in the banking book, where it has a separate risk appetite defined with regard to the aforementioned risks for the portfolio of debt securities measured at fair value through other comprehensive income. Indicators/limits for changes in market prices are set for the management of changes in the market value of the portfolio of debt securities in the banking book. A limit on net exposure in all foreign currencies relative to the Bank's capital is set for currency risk.

Quantitative limits are also set for the **management of liquidity risk**, and are more stringent than those prescribed in regulations. The Bank regularly plans and monitors cash flows, reviews its liquidity position and liquidity adequacy, taking into account internally defined liquidity scenarios, and has drafted a plan of liquidity risk management for contingencies. The management body annually reviews and approves the results of the ILAAP, which cover an assessment of liquidity needs and an assessment of available liquidity within the framework of ordinary operations, and in adverse situations. The Bank's liquidity position is verified on a regular basis by decision-making bodies through the monitoring of various indicators, including in relation to the achievement of planned ratios. The Bank regularly conducts assessments of funding adequacy, where activity is particularly intensive during the preparation of the financial plan, which is approved by the management body for each year for the next three financial years.

Environmental, social and governance (ESG) risks are included in the comprehensive risk management framework, where they constitute one of the risk factors that are being integrated into existing types of risk. SID Bank also takes account of ESG risk factors within the credit risk appetite framework, where it has set flexible limits for total exposure to the highest-risk customers. Above a certain exposure amount, it also conducts its assessment of ESG risk factors at the borrower level. SID Bank continued implementing and upgrading its risk management requirements in the area of ESG in 2023 in line with the ECB and EBA guidelines, which are being reflected in a strengthening of the existing stress testing framework, and the integration of ESG risk factors into the existing risk management framework.

3. The Bank manages **risks that are difficult to measure**, such as certain subcategories of operational risk, i.e. compliance risk, cyber risk, business continuity risk, the risk of money laundering and terrorist financing and other unethical business practices, through qualitative risk management measures and internal control mechanisms. SID Bank's appetite to take up risks that are difficult to measure is low. In taking up such risks, the Bank focuses on minimising their impact on its performance. The management of these risks is primarily undertaken through set internal rules, ICT systems to prevent and identify cyber incidents, controls over the implementation of the Bank's organisational, operational and work procedures, and additional monitoring by independent functions and internal control departments. Notwithstanding the above, apart from strategic risk, the risks that are difficult to measure are quantified in the process of developing the risk profile.

4. As a development bank in accordance with the **Slovene Export and Development Bank Act (ZSIRB)**, SID Bank is required to fully comply with the law governing banking, with the exception of parts that are explicitly excluded. This relates to specific features in the assessment of large exposures, capital requirements, the establishment of bank branches, with regard to the obligation to draw up a recovery plan and the application of provisions regarding guaranteed deposits, as SID Bank is not allowed to accept deposits from the public. Additional restrictions on operations are set out in the ZSIRB and the rules governing state aid that apply in the EU, which require SID Bank to provide financial services only in segments where market gaps appear or are identified, and prohibit it from competing with other commercial banks. Furthermore, the purpose of SID Bank's funding must comply with the purposes defined by the law. SID Bank is not allowed to finance firms that are classed as firms in difficulty. The Bank and its management body take into account these and other prescribed requirements in the adoption and implementation of its business objectives, strategies and policies.

Ljubljana, 26 March 2024

Management Board of SID Bank

Stanka Šarc Majdič
Member

Borut Jamnik
President

Supervisory Board

Janez Tomšič
Chair

5 Operations under Republic of Slovenia Authorisation

OPERATIONS ON BEHALF OF AND FOR THE ACCOUNT OF THE REPUBLIC OF SLOVENIA

As an authorised institution, on behalf of and for the account of the Republic of Slovenia, SID Bank insures against those commercial and non-commercial risks that, in light of their nature and risk level, the private reinsurance sector is not willing to take up or has limited capacity to take up.

A special contingency reserve was created in 2023 on the basis of the Decree on the insurance of international economic operations in Ukraine for the purpose of providing insurance for operations in Ukraine. SID Bank manages the special contingency reserve for Ukraine as an authorised institution.

Operations on behalf of and for the account of the Republic of Slovenia are not included in the financial statements of SID Bank. They are recorded in separate items, as determined by the Bank of Slovenia for the administration of these operations.

CONTINGENCY RESERVES

	31 Dec 2023	31 Dec 2022
Assets		
Customer funds in current accounts	147	140
Financial assets measured at fair value through other comprehensive income	171,268	158,569
Loans and advances	0	3,871
Loans and advances to banks	0	3,871
Deposits	0	3,871
Equity investments	2,820	2,820
Other assets	307	547
Total assets	**174,542**	**165,947**
Liabilities		
Contingency reserves	177,519	174,869
Accumulated other comprehensive income	(6,108)	(12,293)
Other financial liabilities	4	4
Other liabilities	3,127	3,367
Total liabilities	**174,542**	**165,947**
Memorandum account for brokerage	**529,914**	**538,590**

SPECIAL CONTINGENCY RESERVES FOR UKRAINE

	31 Dec 2023	31 Dec 2022
Assets		
Customer funds in current accounts	128	0
Financial assets measured at fair value through other comprehensive income	9,692	0
Total assets	**9,820**	**0**
Liabilities		
Contingency reserves	9,821	0
Accumulated other comprehensive income	(1)	0
Total liabilities	**9,820**	**0**
Memorandum account for brokerage	**4,845**	**0**

The memorandum account for insurance brokerage on behalf of and for the account of the Republic of Slovenia represents the exposure from valid insurance policies and commitments.

OPERATIONS ON ITS OWN BEHALF AND FOR THE ACCOUNT OF THE REPUBLIC OF SLOVENIA

The MEDT and SID Bank signed a financing agreement in November 2017, under which the first SID Bank fund of funds was created (FI 2014–2020 Fund of Funds). That fund is intended for the use of European cohesion funds. The MEDT appointed SID Bank as the manager of the FI 2014–2020 Fund of Funds.

To mitigate the consequences of the economic crisis due to the Covid-19 pandemic, the Covid-19 Fund of Funds was established in collaboration with the MEDT in 2020.

SID Bank manages the fund on its own behalf and for the account of the Republic of Slovenia.

The operations of the funds that SID Bank manages on its own behalf and for the account of the Republic of Slovenia are not included in the financial statements of SID Bank, but are instead recorded in separate items.

The purpose of the FI 2014–2020 Fund of Funds is the promotion and financing of energy efficiency projects, the development of urban municipalities, sustainable economic growth and development, investments in innovation, and current operations, through debt and equity financing.

The Covid-19 Fund of Funds is intended for the financing of investments, research, development, innovations and working capital in order to improve liquidity and facilitate the recovery of the economy, which suffered damage as a result of the Covid-19 pandemic.

FI 2014–2020 FUND OF FUNDS

	31 Dec 2023	31 Dec 2022
Assets		
Cash balances at the central bank	1,380	2,732
Non-trading financial assets mandatorily at fair value through profit or loss	186,970	206,382
Other assets	26	25
Total assets	**188,376**	**209,139**
Liabilities		
Financial liabilities	188,362	209,110
Loans from non-bank customers	211,087	225,418
Revaluation of loans from non-bank customers	(22,733)	(16,874)
Other financial liabilities	8	566
Other liabilities	14	29
Total liabilities	**188,376**	**209,139**

COVID-19 FUND OF FUNDS

	31 Dec 2023	31 Dec 2022
Assets		
Cash balances at the central bank	103	1,036
Non-trading financial assets mandatorily at fair value through profit or loss	49,001	48,512
Other assets	15	19
Total assets	**49,119**	**49,567**
Liabilities		
Financial liabilities	49,110	49,547
Loans from non-bank customers	61,578	63,389
Revaluation of loans from non-bank customers	(12,468)	(14,208)
Other financial liabilities	0	366
Other liabilities	9	20
Total liabilities	**49,119**	**49,567**

Appendix: Disclosures under Pillar 3 of the Basel Standards

SID Bank is an ally of nature. We operate in accordance with the principles of balanced economic growth, social prosperity and well-being, and environmental protection. With the help of a clear strategy for increasing energy efficiency and reducing adverse environmental impacts.

04

Introduction

Disclosures under Pillar 3 of the Basel standards have been prepared in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investments firms, including all amendments (CRR), and Commission Implementing Regulation (EU) No 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council (hereinafter: Commission Implementing Regulation 2021/637).

SID Bank has the status of other systemically important institution (O-SII), which means that it is treated as a large institution in accordance with Article 4(146)(b) of the CRR. SID Bank has issued bonds that have been admitted for trading on a regulated market. Accordingly, the Bank is bound to the frequency and scope of disclosures set out in Article 433(a) of the CRR.

The disclosures are drawn up for SID Bank on an individual basis, as the Bank is not required to meet its prudential requirements under the CRR on a consolidated basis.

The disclosures under Part Eight of the CRR, except for disclosures that are included in the previous sections of the annual report, are presented in this section below. A detailed overview of the scope of disclosures, as well as the importance of disclosures for SID Bank and the place of publication of a particular disclosure in the annual report are presented in the list in Chapter A.19.

The Bank discloses the required data and information in the templates prescribed by Commission Implementing Regulation 2021/637. In accordance with Article 432 of the CRR, the Bank does not disclose certain rows or columns in individual templates that are not relevant to SID Bank. The Bank did not omit any information regarded as proprietary or confidential. The quantitative disclosures in specific templates are in line with the information in the reports submitted to the supervisory authority.

Disclosures for previous periods are published on SID Bank's website (*www.sid.si*).

A.1 STATEMENT ON THE APPROPRIATENESS OF INTERNAL PROCEDURES AND CONTROLS

In accordance with Article 431(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), the management board, represented by

Borut Jamnik, president of the management board, and Stanka Šarc Majdič, member of the management board,

by signing this statement confirms that SID Bank has put in place appropriate formal policies and internal procedures, systems and controls to ensure that the information in the disclosures is accurate.

Ljubljana, 26 March 2024

Management Board of SID Bank

Stanka Šarc Majdič *Member*	Borut Jamnik *President*

A.2 DISCLOSURE OF KEY METRICS AND OVERVIEW OF RISK-WEIGHTED EXPOSURE AMOUNTS

A.2.1 Template EU KM1 – Key metrics template

(Article 447(a) to (g) and Article 438(b) of the CRR)

		a	b	c	d	e
		31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	467,264	455,403	454,645	450,464	441,040
2	Tier 1 capital	467,264	455,403	454,645	450,464	441,040
3	Total capital	467,264	455,403	454,645	450,464	441,040
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,709,762	1,644,124	1,660,980	1,686,125	1,735,801
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	27.33%	27.70%	27.37%	26.72%	25.41%
6	Tier 1 ratio (%)	27.33%	27.70%	27.37%	26.72%	25.41%
7	Total capital ratio (%)	27.33%	27.70%	27.37%	26.72%	25.41%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.25%	2.25%	2.25%	2.25%	2.25%
EU-7b	of which: to be made up of CET1 capital (percentage points)	1.27%	1.27%	1.27%	1.27%	1.27%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	1.69%	1.69%	1.69%	1.69%	1.69%
EU-7d	Total SREP own funds requirements (%)	10.25%	10.25%	10.25%	10.25%	10.25%

		a	b	c	d	e
		31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2022
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.48%	0.05%	0.05%	0.03%	0.02%
EU-9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-10a	Other Systemically Important Institution buffer (%)	0.25%	0.25%	0.25%	0.25%	0.25%
11	Combined buffer requirement (%)	3.23%	2.80%	2.80%	2.78%	2.77%
EU-11a	Overall capital requirements (%)	13.48%	13.05%	13.05%	13.03%	13.02%
12	CET1 available after meeting the total SREP own funds requirements (%)	17.08%	17.45%	17.12%	16.47%	15.16%
	Leverage ratio					
13	Total exposure measure	2,869,378	2,870,739	2,834,926	3,037,976	3,010,264
14	Leverage ratio (%)	16.28%	15.86%	16.04%	14.83%	14.65%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU-14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%

		a	b	c	d	e
		31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2022
	Liquidity coverage ratio (LCR)					
15	Total high-quality liquid assets (HQLA) (weighted value-average)	402,334	528,264	446,755	575,078	400,309
EU-16a	Cash outflows – total weighted value	46,002	27,991	25,274	33,463	27,723
EU-16b	Cash inflows – total weighted value	8,361	18,021	8,612	33,262	5,661
16	Total net cash outflows (adjusted value)	37,641	9,970	16,662	8,366	22,062
17	LCR (%)	1,069%	5,298%	2,681%	6,874%	1,814%
	Net stable funding ratio (NSFR)					
18	Total available stable funding	2,508,578	2,463,359	2,457,004	2,490,135	2,356,416
19	Total required stable funding	1,652,443	1,555,386	1,581,984	1,587,275	1,625,973
20	NSFR (%)	151.81%	158.38%	155.31%	156.88%	144.92%

The Bank's total capital ratio was 27.33% as at 31 December 2023 (30 September 2023: 27.70%). The decline in the ratio compared with 30 September 2023 was primarily attributable to an increase in total risk exposure amount driven by a rise in the stock of loans granted. In addition to meeting the overall capital requirement (OCR), which stands at 13.48%, the Bank must also meet the capital requirement under Pillar 2 guidance (P2G) in the amount of 1.50%. The aggregate capital requirement (OCR + P2G) thus amounted to 14.98% as at 31 December 2023, well below the Bank's total capital ratio.

The leverage ratio stood at 16.28% (30 September 2023: 15.86%), and is still well above the regulatory requirement of 3%.

The liquidity coverage ratio (LCR) stood at 1,069% (30 September 2023: 5,298%). This ratio is quite volatile over time due to the Bank's specific role as a development institution (see note A.8.1).

The net stable funding ratio (NSFR) stood at 151.81% (30 September 2023: 158.38%).

A.2.2 Template EU OV1 – Overview of total risk exposure amounts

(Article 438(d) of the CRR)

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		31 Dec 2023	30 Sep 2023	31 Dec 2023
1	Credit risk (excluding CCR)	1,610,846	1,550,190	128,868
2	of which standardised approach	1,610,846	1,550,190	128,868
6	Counterparty credit risk – CCR	34,145	20,077	2,732
EU-8b	of which credit valuation adjustment – CVA	29,746	16,476	2,380
9	of which other CCR	4,399	3,601	352
23	Operational risk	64,771	73,856	5,182
EU-23a	of which basic indicator approach	64,771	73,856	5,182
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	26,100	29,085	2,088
29	**Total (1+6+23)**	**1,709,762**	**1,644,124**	**136,781**

A.3 DISCLOSURE OF RISK MANAGEMENT POLICIES AND OBJECTIVES

A.3.1 Number of directorships held by members of the management body

(Article 435(2)(a) of the CRR)

MEMBERSHIP IN BODIES OF OTHER PERSONS
AS AT 31 DECEMBER 2023

	Name of other person	Function
Management board		
Borut Jamnik	Three Seas Initiative investment fund	member of the supervisory board
	Bank Association of Slovenia	member of the supervisory board
	Bank Association of Slovenia - Strategic Issues Committee	committee member
	Bank Association of Slovenia - Ethical Issues Committee	committee member
Stanka Šarc Majdič	Bank Association of Slovenia	deputy member of supervisory board
Supervisory board		
Janez Tomšič	SDH, d.d.	member of the management board
	Kapitalska družba, d.d.	president of the supervisory board
Marko Tišma	MPI Vrelec, d.o.o	executive director

A.4 DISCLOSURE OF THE SCOPE OF APPLICATION

A.4.1 Template EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

(Article 436(c) of the CRR)

		a	c	d	g
		Carrying values as reported in published financial statements	Carrying values of items		
			Subject to the credit risk framework	Subject to the CCR framework	Not subject to capital requirements or subject to deduction from capital
	Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash, cash balances at central banks and demand deposits at banks	323,784	323,784	0	0
2	Non-trading financial assets mandatorily at fair value through profit or loss	55,242	55,242	0	0
3	Financial assets measured at fair value through other comprehensive income	422,041	422,041	0	0
4	Financial assets measured at amortised cost	1,857,758	1,857,758	0	0
5	Derivatives - Hedge accounting	9,860	0	9,860	0
6	Property, plant and equipment	4,554	4,554	0	0
7	Intangible assets	1,203	0	0	1,203
8	Other assets	11,434	11,434	0	0
9	**Total assets**	**2,685,877**	**2,674,813**	**9,860**	**1,203**
	Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Financial liabilities measured at amortised cost	2,184,425	0	0	2,184,425
2	Derivatives - Hedge accounting	12,294	0	12,294	0
3	Provisions	1,504	443	0	1,061
4	Other liabilities	2,974	0	0	2,974
5	**Total liabilities**	**2,201,197**	**443**	**12,294**	**2,188,460**

The Bank is obligated to meet its prudential requirements on an individual basis, resulting in the carrying values in terms of the scope of prudential consolidation matching the carrying values indicated in its published financial statements (column a).

A.4.2 Template EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(Article 436(d) of the CRR)

		a	b	d
		Total	Items subject to	
			Credit risk framework	CCR framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	**2,684,674**	**2,674,813**	**9,860**
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	**12,737**	**443**	**12,294**
3	**Total net amount under the scope of prudential consolidation**	**2,671,936**	**2,674,370**	**(2,434)**
4	**Off-balance sheet amounts**	**213,351**	**213,351**	**0**
7	*Differences due to consideration of provisions*	443	443	0
9	*Differences due to credit conversion factors*	(38,958)	(38,958)	0
11	*Other differences*	24,430	0	24,430
12	**Exposure amounts considered for regulatory purposes**	**2,871,202**	**2,849,206**	**21,996**

The template shows the difference between the carrying values of assets and off-balance-sheet liabilities in the financial statements and the adjusted exposure amounts that are used for regulatory purposes, and represent the basis for the calculation of risk-weighted exposure amounts. The difference between the carrying value of derivatives in the financial statements and the value of the exposure of derivatives for regulatory purposes is disclosed under other differences.

A.5 DISCLOSURE OF OWN FUNDS

A.5.1 Template EU CC1 – Composition of regulatory own funds

(Article 437(a), (d), (e) and (f) of the CRR)

		(a)	(b)
		Balance at 31 Dec 2023	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	301,139	EU CC2: Shareholders' Equity, rows 1, 2
	of which: Instrument type 1	301,139	EU CC2: Shareholders' Equity, rows 1, 2
3	Accumulated other comprehensive income (and other reserves)	169,227	EU CC2: Shareholders' Equity, rows 3, 5
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**470,366**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(499)	
8	Intangible assets (net of related tax liability) (negative amount)	(1,203)	EU CC2: Assets, row 7
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	(1,324)	EU CC2: Shareholders' Equity, row 6
27a	Other regulatory adjustments	(75)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(3,102)**	
29	**Common Equity Tier 1 (CET1) capital**	**467,264**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**467,264**	
	Tier 2 (T2) capital: regulatory adjustments		
59	**Total capital (TC = T1 + T2)**	**467,264**	
60	**Total risk exposure amount**	**1,709,762**	

		(a)	(b)
		Balance at 31 Dec 2023	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 (CET1) capital	27.33%	
62	Tier 1 capital	27.33%	
63	Total capital	27.33%	
64	Institution CET1 overall capital requirements	9.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.48%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.25%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.27%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**17.08%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	15,532	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	10,440	

SID Bank's capital consists solely of Common Equity Tier 1 capital. SID Bank does not hold any additional Tier 1 capital or Tier 2 capital instruments.

Regulatory adjustments to capital include a deduction for intangible assets in the amount of EUR 1,203 thousand, a deduction for impairment and provisioning expenses in the current year in the amount of EUR 75 thousand, and a deduction in the amount of EUR 499 thousand as an additional adjustment to the value of assets and liabilities disclosed at fair value due to prudential valuation requirements.

Until the adoption of a resolution by SID Bank's general meeting on the distribution of profit, net profit from 2023 in the amount of EUR 15,638 thousand is not taken into account in the calculation of own funds for capital adequacy purposes.

The Bank uses the standardised approach to calculate the capital requirements for credit risk and counterparty credit risk. To calculate the risk-weighted exposure amounts for credit risk, the ratings for individual exposure classes are not used; rather risk weights for specific exposure classes are assigned with regard to the risk level of the customer's country. To determine the credit quality step of a central government (Article 114 of the CRR), the Bank uses SID Bank's rating as a nominated ECA, as set out in Article 137 of the CRR.

The Bank uses the basic indicator approach to calculate capital requirements for operational risk (Articles 315 and 316 of the CRR).

The capital requirement for credit valuation adjustment (CVA) risk is calculated using the standardised method, as set out in Article 384 of the CRR.

SID Bank does not hold any positions in the trading book, and therefore does not calculate capital requirements for market risk for that purpose. In the scope of market risk, SID Bank only calculates capital requirements for currency risk. SID Bank's exposure to currency risk is low and does not exceed the prescribed regulatory limit for the calculation of the capital requirement for currency risk in accordance with Article 351 of the CRR. The Bank is thus not required to formulate capital requirements for that purpose.

A.5.2 Template EU CC2 – Reconciliation of regulatory own funds to balance sheet in financial statements

(Article 437(a), (d), (e) and (f) of the CRR)

		a	c
		Balance sheet as in published financial statements	Reference
		31 Dec 2023	
	Assets – *Breakdown by asset classes according to the balance sheet in the published financial statements*		
1	Cash, cash balances at central banks and demand deposits at banks	323,784	
2	Non-trading financial assets mandatorily at fair value through profit or loss	55,242	
3	Financial assets measured at fair value through other comprehensive income	422,041	
4	Financial assets measured at amortised cost	1,857,758	
5	Derivatives - Hedge accounting	9,860	
6	Property, plant and equipment	4,554	
7	Intangible assets	1,203	EU CC1: row 8
8	Other assets	11,434	
9	**Total assets**	**2,685,877**	
	Liabilities – *Breakdown by liability classes according to the balance sheet in the published financial statements*		
1	Financial liabilities measured at amortised cost	2,184,425	
2	Derivatives - Hedge accounting	12,294	
3	Provisions	1,504	
4	Other liabilities	2,974	
5	**Total liabilities**	**2,201,197**	

		a	c
		Balance sheet as in published financial statements	Reference
		31 Dec 2023	
	Shareholders' Equity		
1	Capital	300,000	EU CC1: row 1
2	Share premium	1,139	EU CC1: row 1
3	Accumulated other comprehensive income	(23,933)	EU CC1: row 3
4	Retained earnings	0	
5	Other reserves	201,371	EU CC1: row 3
6	(-) Treasury shares	(1,324)	EU CC1: row 16
7	Profit or loss attributable to owners of the bank	7,428	
8	**Total shareholders' equity**	**484,679**	

SID Bank is obligated to meet regulatory requirements on an individual basis. The data in the above template therefore relates to the individual statement of financial position of SID Bank as at 31 December 2023, which also represents a financial statement for regulatory purposes.

The net profit for 2023 amounted to EUR 15,638 thousand. In accordance with the ZGD-1, when compiling the annual report the Bank created regulatory reserves in the amount of 5% of the net profit for 2023 (EUR 782 thousand), and reserves under the articles of association in the amount of 50% of the net profit for the financial year less the amount of regulatory reserves created (EUR 7,428 thousand). The aforementioned reserves are disclosed under other reserves in the above template. The distributable profit in the amount of EUR 7,428 thousand is disclosed as profit or loss attributable to owners of the bank.

The net profit for the year was not taken into account in the calculation of own funds for the purposes of capital adequacy as at 31 December 2023.

A.5.3 Template EU CCA – Main features of regulatory own funds instruments and eligible liabilities instruments

(Article 437(b) and (c) of the CRR)

		(a)
1	Issuer	SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	SIDR, ISIN SI0021102932
2a	Public or private placement	Closed circle of investors
3	Governing law(s) of the instrument	Slovene
3a	Contractual recognition of write down and conversion powers of resolution authorities	No
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1 (CET1) Capital
5	Post-transitional CRR rules	Common Equity Tier 1 (CET1) Capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	On an individual basis
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital or eligible liabilities (currency in million, as of most recent reporting date)	EUR 300 million
9	Nominal amount of instrument	No nominal amount - no-par value shares
EU-9a	Issue price	No nominal issue amount - no-par value shares
EU-9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	20 June 1997
12	Perpetual or dated	No maturity
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	No
16	Subsequent call dates, if applicable	N/A
	Coupons /dividends	N/A

N/A – not applicable

The Republic of Slovenia is the sole shareholder of SID Bank, and in accordance with the ZSIRB guarantees all the Bank's liabilities. In accordance with Article 4 of the ZSIRB, SID Bank's distributable profit may not be used for dividend payments to shareholders, but is instead allocated to other profit reserves.

A.6 DISCLOSURE OF COUNTERCYCLICAL CAPITAL BUFFERS

A.6.1 Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

(Article 440(a) of the CRR)

	a	f	g	j	k	l	m
	General credit exposures		Own funds requirements				
	Exposure value under the standardised approach	Total exposure value	Relevant credit risk exposures - credit risk	Total	Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:							
Slovenia	1,262,998	1,262,998	102,136	102,136	1,276,702	87.42%	0.50%
Luxembourg	31,875	31,875	3,813	3,813	47,662	3.26%	0.50%
Belarus	18,906	18,906	2,269	2,269	28,359	1.94%	0.00%
Netherlands	17,046	17,046	1,503	1,503	18,788	1.29%	1.00%
France	16,489	16,489	1,319	1,319	16,489	1.13%	0.50%
Other countries*	15,532	15,532	1,243	1,243	15,532	1.06%	0.00%
Ghana	10,492	10,492	1,259	1,259	15,739	1.08%	0.00%
Ukraine	9,038	9,038	1,085	1,085	13,557	0.93%	0.00%
Germany	7,681	7,681	614	614	7,681	0.53%	0.75%
Italy	5,795	5,795	464	464	5,795	0.40%	0.00%
Czech Republic	5,549	5,549	444	444	5,549	0.38%	2.00%
Belgium	3,047	3,047	244	244	3,047	0.21%	0.00%
Rwanda	2,386	2,386	191	191	2,386	0.16%	0.00%
Republic of Kosovo	2,141	2,141	171	171	2,141	0.15%	0.00%
Serbia	583	583	47	47	583	0.04%	0.00%
Hungary	273	273	22	22	273	0.02%	0.00%
United Kingdom	77	77	6	6	77	0.01%	2.00%
United States	39	39	3	3	39	0.00%	0.00%
Switzerland	8	8	1	1	8	0.00%	0.00%
Ireland	7	7	1	1	7	0.00%	1.00%
Austria	1	1	0	0	1	0.00%	0.00%
Total	**1,409,960**	**1,409,960**	**116,833**	**116,833**	**1,460,413**	**100.00%**	

* Exposure to supranational organizations

The template discloses the exposures to individual countries in which SID Bank holds credit exposures relevant to the calculation of the Bank's institution-specific countercyclical capital buffer. The relevant credit exposures include all exposure classes under Article 112 of the CRR with the exception of the exposure classes referred to in points (a) to (f) of the aforementioned article.

The Bank uses the standardised approach to calculate exposure values, and has no exposures included in the trading book or in securitisation positions.

A.6.2 Template EU CCyB2 – Amount of institution-specific countercyclical capital buffer

(Article 440(b) of the CRR)

		a
1	Total risk exposure amount	1,709,762
2	Institution specific countercyclical capital buffer rate	0.4836%
3	Institution specific countercyclical capital buffer requirement	8,268

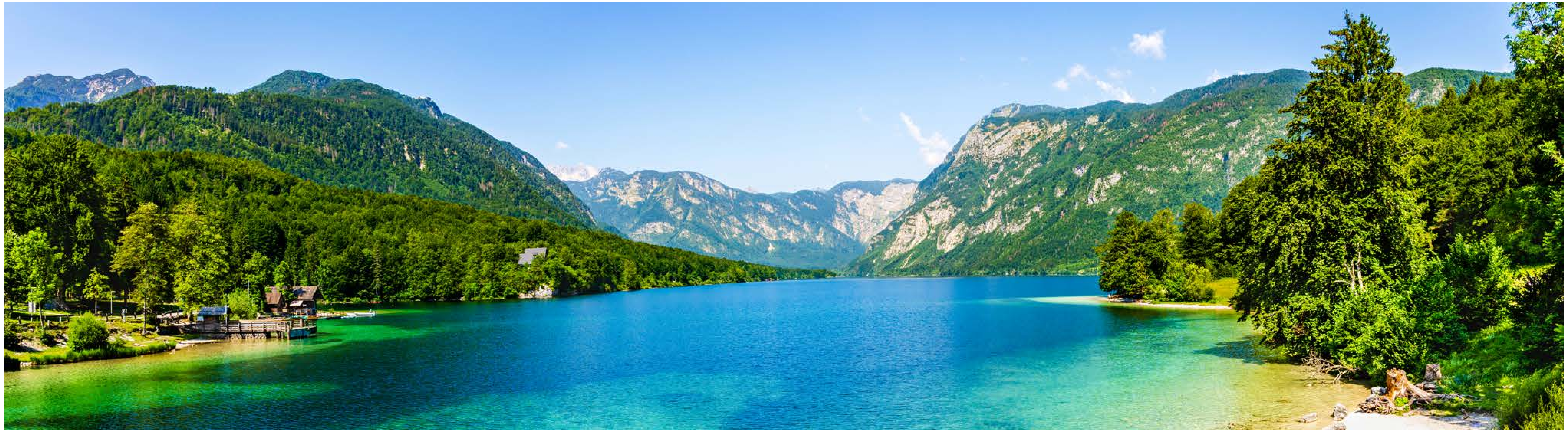
The Bank's institution-specific countercyclical capital buffer rate stood at 0.4836% as at 31 December 2023, and is calculated as the weighted average of the applicable countercyclical capital buffer rates applied in the countries in which the relevant credit exposures are located.

A.7 DISCLOSURE OF THE LEVERAGE RATIO

A.7.1 Template EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

(Article 451(1)(b) of the CRR)

		a
		Applicable amount
1	Total assets as in financial statements	2,685,877
8	Adjustments for derivative financial instruments	12,136
10	Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	174,392
12	Other adjustments	(3,027)
13	**Total exposure measure**	**2,869,378**



A.7.2 Template EU LR2 - LRCom: Leverage ratio common disclosure

(Article 451(1)(a), (b) and (c) and Article 451(2) and (3) of the CRR)

		CRR leverage ratio exposure	
		a	b
		31 Dec 2023	30 June 2023
	On-balance-sheet exposures (excluding derivatives and SFTs)		
1	On-balance-sheet items (excluding derivatives, SFTs, but including collateral)	2,676,016	2,626,429
6	(Asset amounts deducted in determining Tier 1 capital)	(3,027)	(2,878)
7	**Total on-balance-sheet exposures (excluding derivatives and SFTs)**	**2,672,989**	**2,623,552**
	Derivative exposures		
EU-9b	Exposure determined under Original Exposure Method	21,996	19,098
13	**Total derivatives exposures**	**21,996**	**19,098**
	Other off-balance-sheet exposures		
19	Off-balance-sheet exposures at gross notional amount	213,794	279,046
20	(Adjustments for conversion to credit equivalent amounts)	(39,401)	(86,771)
22	**Off-balance-sheet exposures**	**174,392**	**192,276**
	Capital and total exposure measure		
23	**Tier 1 capital**	**467,264**	**454,645**
24	**Total exposure measure**	**2,869,378**	**2,834,926**
	Leverage ratio		
25	Leverage ratio (%)	16.28%	16.04%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	16.28%	16.04%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	16.28%	16.04%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%

The leverage ratio stood at 16.28% as at 31 December 2023, up 0.24 percentage points on 30 June 2023. The rise in the leverage ratio compared to 30 June 2023 was primarily attributable to an increase in the carrying amount of the Bank's capital due to higher value of debt securities measured at fair value through other comprehensive income.

When calculating the total exposure measure and the resulting leverage ratio, the Bank takes into account all exposures in accordance with the CRR.

SID Bank held no securities financing transactions (SFTs), so the template cites no rows relating to arithmetic means.

A.7.3 Template EU LR3 - LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

(Article 451(1)(b) of the CRR)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**2,676,016**
EU-3	Banking book exposures, of which:	2,676,016
EU-5	Exposures treated as sovereigns	789,192
EU-6	Exposures to regional governments, MDBs, international organisations and PSE, not treated as sovereigns	166,762
EU-7	Institutions	411,138
EU-10	Corporates	1,184,317
EU-11	Exposures in default	49,104
EU-12	Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	75,502

A.8 DISCLOSURE OF LIQUIDITY REQUIREMENTS

A.8.1 Template EU LIQ1 – Quantitative information of LCR

(Article 451a(2) of the CRR)

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU-1a	Quarter ending on	31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023
EU-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					505,890	488,987	461,019	403,094
	CASH OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:	0	0	0	0	0	0	0	0
3	Stable deposits	0	0	0	0	0	0	0	0
4	Less stable deposits	0	0	0	0	0	0	0	0
5	Unsecured wholesale funding	18,321	4,782	4,300	3,972	18,321	4,782	4,300	3,972
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	11,788	4,507	4,025	3,699	11,788	4,507	4,025	3,699
8	Unsecured debt	6,533	275	275	272	6,533	275	275	272
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	142,795	146,505	133,080	114,314	25,583	24,426	22,724	20,951
11	Outflows related to derivative exposures and other collateral requirements	785	514	315	72	785	514	315	72
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	142,010	145,991	132,765	114,242	24,797	23,912	22,409	20,879
14	Other contractual funding obligations	1,617	1,661	1,732	2,140	217	292	359	807
15	Other contingent funding obligations	93,687	92,468	91,994	90,558	5,308	5,033	5,340	5,297
16	TOTAL CASH OUTFLOWS					49,428	34,533	32,722	31,027

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU-1a	Quarter ending on	31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023
	CASH INFLOWS								
17	Secured lending (e.g. reverse repos)	0	0	0	0	0	0	0	0
18	Inflows from fully performing exposures	20,896	19,260	19,416	28,544	16,172	15,171	16,110	24,228
19	Other cash inflows	1,900	1,700	2,425	2,763	1,900	1,700	2,425	2,763
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	22,796	20,960	21,841	31,308	18,072	16,870	18,535	26,991
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	22,796	20,960	21,841	31,308	18,072	16,870	18,535	26,991
	TOTAL ADJUSTED VALUE								
EU-21	LIQUIDITY BUFFER					505,890	488,987	461,019	403,094
22	TOTAL NET CASH OUTFLOWS					32,432	18,738	17,724	14,837
23	**LIQUIDITY COVERAGE RATIO**					**3,196%**	**3,229%**	**3,820%**	**4,902%**

The EU LIQ1 template discloses quantitative information by calendar quarter. The values are calculated as simple averages of observed data at the end of each month over a 12-month period to the end of each quarter, and include all items irrespective of the currency in which these items are denominated.

The Bank maintains a high liquidity coverage ratio (LCR), which is quite volatile over time due to the Bank's specific role as a development institution and its readiness to intervene as required, and the fact that SID Bank does not accept deposits from the public but rather acquires long-term funding in the main supported by a Slovenian government guarantee. The Bank obtains funding primarily on international financial markets and at related financial institutions. Consequently the Bank does not have major outflows over the period of 30 days taken into account in the calculation of the ratio, except for maturing long-term funding.

The liquidity buffer consists of extremely high-quality liquid assets and high-quality liquid assets.

The Bank concludes swap transactions to manage interest rate risk. The Bank calculates exposure to counterparty credit risk in accordance with Article 282 of the CRR. The Bank holds collateral for its transactions in derivatives in the form of a cash deposit in domestic currency. Exposures from derivatives are disclosed in the templates in point A.12.1.

The amount of assets that make up the liquidity buffer and the amount of liquidity outflows only comprise items denominated in euros. The proportion of liquidity inflows accounted for by other currencies is negligible. The Bank does not include any items not included in the table of LCR disclosures in the calculation of LCR.

A.8.2 Template EU LIQ2 – Net Stable Funding Ratio

(Article 451a(3) of the CRR)

TEMPLATE EU LIQ2 AS AT 31 DECEMBER 2023:

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) items					
1	Capital items and instruments:	469,042	0	0	0	469,042
2	Own funds	469,042	0	0	0	469,042
7	Wholesale funding:		117,050	69,174	1,983,093	2,039,536
9	Other wholesale funding		117,050	69,174	1,983,093	2,039,536
11	Other liabilities:	0	8,844	0	0	0
13	All other liabilities and capital instruments not included in the above categories		8,844	0	0	0
14	**Total available stable funding (ASF)**					**2,508,578**
	Required stable funding (RSF) items					
15	Total high-quality liquid assets (HQLA)					17,299
17	Performing loans and securities:		111,350	126,046	1,639,314	1,537,823
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		27,460	24,760	175,816	190,942
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		76,963	79,396	1,216,463	1,131,312
22	Performing loans, secured with residential mortgage		2,083	1,916	20,164	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		4,845	19,973	226,871	215,569
26	Other assets:	0	30,188	5,897	57,255	81,421
29	NSFR derivative assets		10,358			10,358
30	NSFR derivative liabilities before deduction of variation margin posted		12,294			615
31	All other assets not included in the above categories		7,535	5,897	57,255	70,448
32	Off-balance-sheet items		11,299	4,942	197,552	15,900
33	**Total required stable funding (RSF)**					**1,652,443**
34	**Net Stable Funding Ratio (%)**					**151.81%**

TEMPLATE EU LIQ2 AS AT 30 SEPTEMBER 2023:

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) items					
1	Capital items and instruments:	457,228	0	0	0	457,228
2	Own funds	457,228	0	0	0	457,228
7	Wholesale funding:		184,636	21,811	1,965,293	2,006,132
9	Other wholesale funding		184,636	21,811	1,965,293	2,006,132
11	Other liabilities:	0	7,423	0	0	0
13	All other liabilities and capital instruments not included in the above categories		7,423	0	0	0
14	**Total available stable funding (ASF)**					**2,463,359**
	Required stable funding (RSF) items					
15	Total high-quality liquid assets (HQLA)					16,853
17	Performing loans and securities:		124,378	113,578	1,529,688	1,444,319
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		32,071	24,717	190,446	206,012
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		81,220	78,659	1,117,863	1,050,973
22	Performing loans, secured with residential mortgage		2,009	1,933	22,211	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		9,077	8,268	199,168	187,334
26	Other assets:	0	25,226	5,787	58,316	76,674
29	NSFR derivative assets		4,417			4,417
30	NSFR derivative liabilities before deduction of variation margin posted		12,990			649
31	All other assets not included in the above categories		7,818	5,787	58,316	71,607
32	Off-balance-sheet items		49,919	7,887	200,705	17,539
33	**Total required stable funding (RSF)**					**1,555,386**
34	**Net Stable Funding Ratio (%)**					**158.38%**

TEMPLATE EU LIQ2 AS AT 30 JUNE 2023:

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) items					
1	Capital items and instruments:	456,472	0	0	0	456,472
2	Own funds	456,472	0	0	0	456,472
7	Wholesale funding:		142,875	56,304	1,942,892	2,000,532
9	Other wholesale funding		142,875	56,304	1,942,892	2,000,532
11	Other liabilities:	0	6,443	0	0	0
13	All other liabilities and capital instruments not included in the above categories		6,443	0	0	0
14	**Total available stable funding (ASF)**					**2,457,004**
	Required stable funding (RSF) items					
15	Total high-quality liquid assets (HQLA)					16,723
17	Performing loans and securities:		132,586	103,825	1,556,367	1,463,887
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		41,453	25,244	203,561	220,328
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		79,874	73,215	1,131,789	1,058,118
22	Performing loans, secured with residential mortgage		2,969	1,454	20,401	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		8,291	3,911	200,616	185,441
26	Other assets:	0	28,644	6,054	66,116	85,499
29	NSFR derivative assets		4,247			4,247
30	NSFR derivative liabilities before deduction of variation margin posted		15,750			787
31	All other assets not included in the above categories		8,648	6,054	66,116	80,465
32	Off-balance-sheet items		122,755	10,355	145,936	15,875
33	**Total required stable funding (RSF)**					**1,581,984**
34	**Net Stable Funding Ratio (%)**					**155.31%**

TEMPLATE EU LIQ2 AS AT 31 MARCH 2023:

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	Available stable funding (ASF) items					
1	Capital items and instruments:	452,060	0	0	0	452,060
2	Own funds	452,060	0	0	0	452,060
7	Wholesale funding:		218,580	170,786	1,944,272	2,038,075
9	Other wholesale funding		218,580	170,786	1,944,272	2,038,075
11	Other liabilities:	0	6,843	0	0	0
13	All other liabilities and capital instruments not included in the above categories		6,843	0	0	0
14	**Total available stable funding (ASF)**					**2,490,135**
	Required stable funding (RSF) items					
15	Total high-quality liquid assets (HQLA)					24,770
17	Performing loans and securities:		143,706	112,549	1,536,723	1,453,911
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		59,020	27,382	233,598	253,191
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs		74,964	74,953	1,132,671	1,057,313
22	Performing loans, secured with residential mortgage		2,764	1,416	20,581	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		6,958	8,797	149,873	143,406
26	Other assets:	0	28,676	5,732	69,521	89,925
29	NSFR derivative assets		4,903			4,903
30	NSFR derivative liabilities before deduction of variation margin posted		14,355			718
31	All other assets not included in the above categories		9,418	5,732	69,521	84,304
32	Off-balance-sheet items		74,867	85,310	143,672	18,669
33	**Total required stable funding (RSF)**					**1,587,275**
34	**Net Stable Funding Ratio (%)**					**156.88%**

A.9 DISCLOSURE OF EXPOSURES TO CREDIT RISK AND DILUTION RISK, AND DISCLOSURE OF CREDIT QUALITY

A.9.1 Template EU CR1 – Performing and non-performing exposures and related provisions

(Article 442(c) and (f) of the CRR)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	**Cash balances at central banks and other demand deposits**	**323,784**	**323,784**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**1,654,558**	**1,548,920**	**101,343**	**86,325**	**0**	**85,125**	**(12,998)**	**(5,243)**	**(10,122)**	**(36,677)**	**0**	**(36,282)**	**0**	**740,348**	**43,809**
030	General governments	211,858	211,287	570	0	0	0	(109)	(24)	(84)	0	0	0	0	0	0
040	Credit institutions	243,889	243,889	0	19,915	0	19,915	(313)	(313)	0	(1,009)	0	(1,009)	0	0	18,906
050	Other financial corporations	526	1	525	0	0	0	(82)	0	(82)	0	0	0	0	443	0
060	Non-financial corporations	1,192,977	1,089,767	98,915	66,410	0	65,210	(12,361)	(4,879)	(9,849)	(35,668)	0	(35,273)	0	736,398	24,903
070	of which: SMEs	487,761	395,468	92,293	27,051	0	26,122	(12,471)	(2,949)	(9,522)	(19,522)	0	(19,311)	0	350,511	3,095
080	Households	5,309	3,977	1,332	0	0	0	(134)	(26)	(108)	0	0	0	0	3,507	0

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount / nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
090	**Debt securities**	**575,378**	**575,378**	**0**	**0**	**0**	**0**	**(342)**	**(342)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
110	General governments	341,895	341,895	0	0	0	0	(8)	(8)	0	0	0	0	0	0	0
120	Credit institutions	170,963	170,963	0	0	0	0	(208)	(208)	0	0	0	0	0	0	0
130	Other financial corporations	5,613	5,613	0	0	0	0	(7)	(7)	0	0	0	0	0	0	0
140	Non-financial corporations	56,907	56,907	0	0	0	0	(118)	(118)	0	0	0	0	0	0	0
150	**Off-balance-sheet exposures**	**213,794**	**213,173**	**620**	**0**	**0**	**0**	**(443)**	**(332)**	**(112)**	**0**	**0**	**0**		**78,270**	**0**
170	General governments	586	586	0	0	0	0	0	0	0	0	0	0		0	0
180	Credit institutions	71,908	71,908	0	0	0	0	(49)	(49)	0	0	0	0		51,859	0
190	Other financial corporations	11,333	11,333	0	0	0	0	0	0	0	0	0	0		0	0
200	Non-financial corporations	129,967	129,346	620	0	0	0	(394)	(283)	(112)	0	0	0		26,411	0
220	**Total**	**2,767,514**	**2,661,256**	**101,963**	**86,325**	**0**	**85,125**	**(13,783)**	**(5,916)**	**(10,234)**	**(36,677)**	**0**	**(36,282)**	**0**	**818,619**	**43,809**

SID Bank disclosed non-performing exposures from loans and other financial assets measured at amortised cost in the gross amount of EUR 86,325 thousand as at 31 December 2023 (of which EUR 85,125 thousand was loans classed as Stage 3, and EUR 1,200 thousand was POCI loans).

Accumulated impairments for non-performing exposures amounted to EUR 36,677 thousand.

The overall non-performing loans and other financial assets (NPL) ratio stood at 4.96% as at 31 December 2023 (30 June 2023: 5.78%).

A.9.2 Template EU CR1-A – Maturity of exposures

(Article 442(g) of the CRR)

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	505	13,921	431,154	1,245,629	0	1,691,208
2	Debt securities	0	37,190	452,391	85,454	0	575,036
3	**Total**	**505**	**51,111**	**883,545**	**1,331,083**	**0**	**2,266,244**

A.9.3 Template EU CR2 – Changes in the stock of non-performing loans and advances

(Article 442(f) of the CRR)

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**84,994**
020	Inflows to non-performing portfolios	42,150
030	Outflows from non-performing portfolios	(40,819)
040	Outflows due to write-offs	(3,244)
050	Outflows due to other situations	(37,575)
060	**Final stock of non-performing loans and advances**	**86,325**

Changes in non-performing loans and other financial assets in 2023 are disclosed in the template. The stock of non-performing loans and other financial assets amounted to EUR 86,325 thousand as at 31 December 2023 (31 December 2022: EUR 84,994 thousand).

Outflows due to other situations refer to outflows to the performing portfolio (EUR 12,258 thousand), partial or complete repayments of non-performing loans (EUR 21,053 thousand), liquidation of collateral (EUR 3,230 thousand) and other outflows (EUR 1,033 thousand).

A.9.4 Template EU CR2a – Changes in the stock of non-performing loans and advances and related net accumulated recoveries

(Article 442(c) and (f) of the CRR)

		a	b
		Gross carrying amount	Related net accumulated recoveries
010	**Initial stock of non-performing loans and advances**	**84,994**	
020	Inflows to non-performing portfolios	42,150	
030	Outflows from non-performing portfolios	(40,819)	
040	Outflow to performing portfolio	(12,258)	
050	Outflow due to loan repayment, partial or total	(21,053)	
060	Outflow due to collateral liquidations	(3,479)	(3,230)
070	Outflow due to taking possession of collateral	0	0
080	Outflow due to sale of instruments	0	0
090	Outflow due to risk transfers	0	0
100	Outflows due to write-offs	(2,995)	
110	Outflow due to other situations	(1,033)	
120	Outflow due to reclassification as held for sale	0	
130	**Final stock of non-performing loans and advances**	**86,325**	

The outflow due to collateral liquidation in the amount of EUR 3,479 thousand is disclosed in the amount of the gross carrying amount of the claims where the collateral has been liquidated. The outflow due to collateral liquidation also includes certain claims in the amount of EUR 249 thousand that were written off after liquidation of the collateral. Beside this amount the bank has written-off also receivables in amount EUR 2,995 thousand. Total amount of written-off receivables in year 2023 was EUR 3,244 thousand. The Bank received EUR 3,230 thousand from collateral liquidation.

A.9.5 Template EU CQ1 – Credit quality of forborne exposures

(Article 442(c) of the CRR)

		a	b	c	d	e	f	g	h
		Gross carrying amount / nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
010	Loans and advances	31,418	39,719	39,719	39,719	(4,164)	(13,740)	39,762	22,439
030	General governments	570	0	0	0	(84)	0	0	0
060	Non-financial corporations	30,261	39,719	39,719	39,719	(4,016)	(13,740)	39,240	22,439
070	Households	587	0	0	0	(64)	0	523	0
090	Loan commitments given	620	0	0	0	112	0	0	0
100	**Total**	**32,039**	**39,719**	**39,719**	**39,719**	**(4,053)**	**(13,740)**	**39,762**	**22,439**

A.9.6 Template EU CQ2 – Quality of forbearance

(Article 442(c) of the CRR)

		a
		Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	13,851
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	9,388

A.9.7 Template EU CQ3 - Credit quality of performing and non-performing exposures by past due days

(Article 442(c) and (d) of the CRR)

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	323,784	323,784	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	1,654,558	1,649,679	4,879	86,325	59,194	10,268	3,008	8,196	2,477	2,008	1,173	86,325
030	General governments	211,858	211,858	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	243,889	243,889	0	19,915	19,915	0	0	0	0	0	0	19,915
050	Other financial corporations	526	526	0	0	0	0	0	0	0	0	0	0
060	Non-financial corporations	1,192,977	1,188,098	4,879	66,410	39,279	10,268	3,008	8,196	2,477	2,008	1,173	66,410
070	of which SMEs	487,761	485,283	2,478	27,051	10,570	10,268	2,958	2,540	716	0	0	27,051
080	Households	5,309	5,309	0	0	0	0	0	0	0	0	0	0
090	Debt securities	575,378	575,378	0	0	0	0	0	0	0	0	0	0
110	General governments	341,895	341,895	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	170,963	170,963	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	5,613	5,613	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	56,907	56,907	0	0	0	0	0	0	0	0	0	0
150	Off-balance-sheet exposures	213,794			0								0
170	General governments	586			0								0
180	Credit institutions	71,908			0								0
190	Other financial corporations	11,333			0								0
200	Non-financial corporations	129,967			0								0
220	**Total**	**2,767,514**	**2,548,841**	**4,879**	**86,325**	**59,194**	**10,268**	**3,008**	**8,196**	**2,477**	**2,008**	**1,173**	**86,325**

A.9.8. Template EU CQ4 – Quality of non-performing exposures by geography

(Article 442(c) and (e) of the CRR)

		a	b	c	d	e	f	g
		Gross carrying amount / nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	**2,316,261**	**86,325**	**86,325**	**2,314,283**	**(50,017)**		**0**
020	Slovenia	1,907,623	46,035	46,035	1,905,646	(48,023)		0
030	France	69,616	0	0	69,616	(16)		0
040	Germany	41,775	0	0	41,775	(36)		0
050	Spain	39,617	0	0	39,617	(3)		0
060	Italy	37,970	0	0	37,970	(16)		0
070	Other countries	219,659	40,290	40,290	219,659	(1,924)		0
080	**Off-balance-sheet exposures**	**213,794**	**0**	**0**			**(443)**	
090	Slovenia	188,462	0	0			(443)	
100	Luxembourg	5,284	0	0			0	
110	Netherlands	48	0	0			0	
140	Other countries	20,000	0	0			0	
150	**Total**	**2,530,054**	**86,325**	**86,325**	**2,314,283**	**(50,017)**	**(443)**	**0**

Exposures and impairments by individual country with respect to the counterparty's registered office are disclosed in the template. On-balance-sheet exposures in the template include the stock of loans and other financial assets, and debt securities. Exposures to supranational organisations are disclosed under other countries.

A.9.9 Template EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

(Article 442(c) and (e) of the CRR)

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
020	Mining and quarrying	5,539	0	0	5,539	(25)	0
030	Manufacturing	472,912	23,233	23,233	472,912	(22,902)	0
040	Electricity, gas, steam and air conditioning supply	155,935	0	0	155,935	(648)	0
050	Water supply	17,934	10,776	10,776	17,934	(309)	0
060	Construction	20,942	1,459	1,459	20,942	(1,389)	0
070	Wholesale and retail trade	156,072	7,012	7,012	156,072	(5,645)	0
080	Transportation and storage	149,035	6,913	6,913	149,035	(4,638)	0
090	Accommodation and food service activities	125,502	317	317	123,526	(2,950)	0
100	Information and communication	84,078	10,252	10,252	84,078	(1,013)	0
120	Real estate activities	7,607	0	0	7,607	(40)	0
130	Professional, scientific and technical activities	33,898	6,448	6,448	33,898	(7,944)	0
140	Administrative and support service activities	14,408	0	0	14,408	(485)	0
170	Human health services and social work activities	14,091	0	0	14,091	(29)	0
180	Arts, entertainment and recreation	832	0	0	832	(4)	0
190	Other services	602	0	0	602	(8)	0
200	**Total**	**1,259,387**	**66,410**	**66,410**	**1,257,410**	**(48,029)**	**0**

A.9.10 Template EU CQ6 – Collateral valuation - loans and advances

(Article 442(c) of the CRR)

		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing								
						Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
				Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	1,740,883	1,654,558	4,879	86,325	59,194	27,131	10,268	3,008	8,196	2,477	2,008	1,173
020	of which secured	903,824	846,074	4,879	57,750	54,296	3,454	1,621	821	448	564	0	0
030	of which secured with immovable property	582,146	566,394	2,478	15,752	12,604	3,148	1,314	821	448	564	0	0
040	of which instruments with LTV higher than 60% and lower or equal to 80%	76,530	76,530		0	0	0						
050	of which instruments with LTV higher than 80% and lower or equal to 100%	52,331	52,248		82	82	0						
060	of which instruments with LTV higher than 100%	243,083	228,068		15,014	12,414	2,600						
070	Accumulated impairment for secured assets	(49,675)	(12,998)	(295)	(36,677)	(14,243)	(22,434)	(6,462)	(2,510)	(7,981)	(2,299)	(2,008)	(1,173)
080	Collateral												
090	of which value capped at the value of exposure	623,161	617,929	2,198	5,232	3,965	1,267	556	318	215	178	0	0
100	of which immovable property	442,937	437,945	2,198	4,992	3,725	1,267	556	318	215	178	0	0
110	of which value above the cap	917,712	911,671	2,816	6,041	3,753	2,287	505	1,462	208	113	0	0
120	of which immovable property	494,943	489,605	2,816	5,338	3,051	2,287	505	1,462	208	113	0	0
130	Financial guarantees received	195,574	156,254	2,277	39,320	39,107	213	213	0	0	0	0	0
140	Accumulated partial write-off	0	0	0	0	0	0	0	0	0	0	0	0

A.10 DISCLOSURE OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

A.10.1 Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

(Article 453(f) of the CRR)

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	956,726	784,157	622,544	161,613	0
2	Debt securities	575,378	0	0	0	
3	Total	1,532,104	784,157	622,544	161,613	0
4	of which non-performing exposures	42,516	43,809	5,246	38,562	0
EU-5	of which defaulted	42,516	43,809			

The carrying amount of unsecured and secured loans and debt securities, taking into account all accepted collateral, is disclosed in the template.

SID Bank uses collateral to reduce capital requirements for credit risk for exposures secured by financial assets or guarantees received from EU funds and institutions. The value of collateral that SID Bank used to reduce capital requirements for credit risk amounted to EUR 116,715 thousand as at 31 December 2023, of which EUR 51,859 thousand consisted of European Cohesion Policy funds pledged as collateral for portfolio guarantees, while the remainder of EUR 64,856 thousand consisted of guarantees from the Pan-European Guarantee Fund.

SID Bank does not use derivatives for managing capital requirements.

The low stock of collateral that SID Bank uses to reduce capital requirements for credit risk indicates a low level of concentration in terms of credit risk mitigation (CRM).

A.11 DISCLOSURE OF THE USE OF THE STANDARDISED APPROACH

A.11.1 Template EU CR4 – Standardised approach – Credit risk exposure and CRM effects

(Article 453(g), (h) and (i), and Article 444(e) of the CRR)

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	705,463	0	705,463	51,859	30,794	4.07%
2	Regional government or local authorities	143,637	586	143,637	293	28,786	20.00%
3	Public sector entities	23,125	0	23,125	0	4,625	20.00%
4	Multilateral development banks	3,295	20,000	68,151	20,000	4,000	4.54%
5	International organisations	15,578	0	15,578	0	0	0.00%
6	Institutions	411,138	51,859	411,138	0	82,228	20.00%
7	Corporates	1,248,629	129,572	1,184,317	90,907	1,275,224	100.00%
10	Exposures in default	49,648	0	49,104	0	68,662	139.83%
14	Collective investment undertakings	53,266	11,333	53,266	11,333	95,493	147.83%
15	Equity	15,532	0	15,532	0	15,532	100.00%
16	Other items	5,502	0	5,502	0	5,502	100.00%
17	**TOTAL**	**2,674,813**	**213,351**	**2,674,813**	**174,392**	**1,610,846**	**56.54%**

The template discloses exposures before CCF and CRM, exposures after CCF and CRM, RWAs and the average risk weight solely for the exposure classes in which SID Bank holds classified exposures and for which it calculates RWAs for credit risk. It discloses the value of RWAs for on- and off-balance-sheet exposures, without taking account of exposure to derivatives for which counterparty credit risk is calculated.

A.11.2 Template EU CR5 – Standardised approach

(Article 444(e) of the CRR)

	Exposure classes	Risk weight						Total	Of which unrated
		0%	20%	100%	150%	250%	Others		
		a	e	j	k	l	o	p	q
1	Central governments or central banks	723,412	23,471	0	0	10,440	0	**757,323**	757,323
2	Regional governments or local authorities	0	143,930	0	0	0	0	**143,930**	143,930
3	Public sector entities	0	23,125	0	0	0	0	**23,125**	23,125
4	Multilateral development banks	68,151	20,000	0	0	0	0	**88,151**	88,151
5	International organisations	15,578	0	0	0	0	0	**15,578**	15,578
6	Institutions	0	411,138	0	0	0	0	**411,138**	411,138
7	Corporates	0	0	1,275,224	0	0	0	**1,275,224**	1,275,224
10	Exposures in default	0	0	9,988	39,116	0	0	**49,104**	49,104
14	Collective investment undertakings	0	0	0	57,835	0	6,764	**64,599**	64,599
15	Equity	0	0	15,532	0	0	0	**15,532**	15,532
16	Other items	0	0	5,502	0	0	0	**5,502**	5,502
17	**TOTAL**	**807,141**	**621,664**	**1,306,245**	**96,952**	**10,440**	**6,764**	**2,849,206**	**2,849,206**

The template discloses the value of on- and off-balance-sheet exposures after application of CCF and after consideration of CRM with regard to the assigned risk weight. Only exposure classes in which SID Bank holds classified exposures are disclosed. The template does not disclose exposure to derivatives for which counterparty credit risk is calculated.

A.12 DISCLOSURE OF EXPOSURE TO COUNTERPARTY CREDIT RISK

A.12.1 Template EU CCR1 – Analysis of CCR exposure by approach

(Article 439(f), (g) and (k) of the CRR)

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	9,860	5,851		1.4	21,996	21,996	21,996	4,399
6	**Total**					**21,996**	**21,996**	**21,996**	**4,399**

SID Bank concludes swap transactions to manage interest rate risk. To calculate counterparty credit risk exposure from these transactions the Bank uses the original exposure method in accordance with Article 282 of the CRR.

A.12.2 Template EU CCR2 – Transactions subject to own funds requirements for CVA risk

(Article 439(h) of the CRR)

		a	b
		Exposure value	RWEA
4	Transactions subject to the standardised method	21,996	29,746
5	**Total transactions subject to own funds requirements for CVA risk**	**21,996**	**29,746**

The Bank calculates the capital requirement for credit valuation adjustment (CVA) according to a standardised method in accordance with Article 384 of the CRR.

A.12.3 Template EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

(Article 439(l) referring to Article 444(e) of the CRR)

	Exposure classes	Risk weight	
		e	l
		20%	Total exposure value
6	Institutions	21,996	21,996
11	**Total exposure value**	**21,996**	**21,996**

SID Bank concludes transactions in derivatives solely with other institutions, for which reason only those exposure classes where counterparty credit risk is calculated are disclosed in the template. The risk weight at which the RWAs for counterparty credit risk (CCR) are calculated is disclosed.

A.12.4 Template EU CCR5 – Composition of collateral for CCR exposures

(Article 439(e) of the CRR)

		a	b	c	d
		Collateral used in derivative transactions			
		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0	0	0	12,792
9	**Total**	**0**	**0**	**0**	**12,792**

SID Bank has not concluded securities financing transactions (SFTs). In its derivative transactions the Bank solely holds collateral in the form of cash in the domestic currency to provide initial coverage.

A.13 DISCLOSURE OF EXPOSURE TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

A.13.1 Template EU IRRBB1 – Interest rate risks of non-trading book activities

(Article 448(a) and (b) of the CRR)

		a	b	c	d
	Supervisory shock scenarios	Changes of the economic value of equity (ΔEVE)		Changes of the net interest income (ΔNII)	
		31 Dec 2023	30 June 2023	31 Dec 2023	30 June 2023
1	Parallel up	(20,078)	(13,061)	1,227	1,796
2	Parallel down	8,182	7,297	(2,466)	(3,592)
3	Steepener	274	0		
4	Flattener	(5,458)	(1,724)		
5	Short rates up	(10,345)	(5,610)		
6	Short rates down	4,761	3,004		

Exposure to interest rate risk in the banking book derives primarily from the portfolio of long-term debt securities and loans granted with a fixed interest rate on the asset side, and issued securities and loans received with a fixed interest rate on the liability side. As at 31 December 2023 the Bank held two interest rate swaps for fair value hedges of asset items in the total contractual amount of EUR 15,000 thousand, and three interest rate swaps for fair value hedges of liability items in the total contractual amount of EUR 315,000 thousand. All hedging relationships were effective according to hedge accounting rules as at 31 December 2023.

The results of sensitivity analysis of the economic value of equity (EVE) according to data as at 31 December 2023 indicate that the Bank would incur the most severe potential loss in EVE in the scenario of a parallel shift in interest rates of +200 basis points, in the amount of EUR 20,078 thousand, equivalent to 4.3% of Common Equity Tier 1 capital. The increase in loss relative to 30 June 2023 is primarily attributable to the termination of interest rate swaps for hedging bonds in the portfolio of debt securities measured at fair value through other comprehensive income, and an increase in the size of portfolio of debt securities measured at amortised cost.

According to sensitivity analysis for net interest income (NII) based on the data as at 31 December 2023, the Bank would suffer the largest potential decline in NII under the scenario of a parallel shift in the interest rate curve of -200 basis points, in the amount of EUR 2,466 thousand (30 June 2023: EUR 3,592 thousand). That change would have been reflected in the income statement. Were market interest rates to rise by 200 basis points, SID Bank's NII in the income statement would increase by EUR 1,227 thousand over one year.

A.14 DISCLOSURE OF USE OF STANDARDISED APPROACH AND INTERNAL MODEL FOR MARKET RISK

SID Bank does not hold any positions in the trading book, and therefore does not calculate capital requirements for position risk in debt instruments or position risk in equities.

In the scope of market risk, SID Bank only calculates capital requirements for currency risk. The Bank's exposure to currency risk is low and does not exceed the prescribed regulatory limit for the calculation of the capital requirement for currency risk as set out by Article 351 of the CRR. It is thus not required to formulate capital requirements for currency risk.

The total risk exposure amount for market risk amounts to zero. The bank therefore does not disclose Template EU MR1 (Market risk under the standardised approach).

A.15 DISCLOSURE OF OPERATIONAL RISK

A.15.1 Template EU OR1 – Operational risk own funds requirements and risk-weighted exposure amounts

(Article 446 and Article 454 of the CRR)

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		2021	2023	2023		
1	Banking activities subject to the basic indicator approach (BIA)	34,262	26,498	42,874	5,182	64,771

The Bank uses the basic indicator approach (Article 315 of the CRR) to calculate the risk-weighted exposure amounts and the own funds requirement for operational risk in accordance with which the own funds requirement is equal to 15% of the average over three years of the relevant indicator. The relevant indicator is calculated in accordance with Article 316 of the CRR, and is based on the accounting categories in the Bank's income statement.

A.16 DISCLOSURE OF REMUNERATION POLICY

(Article 450 of the CRR)

SID Bank systematically regulates and implements a system of remuneration that includes remuneration policies and practices that are compatible with the risk management system put in place at the Bank, and the requirements prescribed by the applicable regulations. The key internal bylaws in that respect are: the remuneration policy of the members of the management body, which in accordance with Article 294a of the ZGD-1 is published on the Bank's website, and the remuneration policy that applies to all other employees.

The implementation of both these remuneration policies is managed and supervised within the framework of the management body by the management board, the nomination and remuneration committee, and the supervisory board. The composition of these bodies, their term of office, and the number of meetings are indicated in the business report section of the annual report.

The Bank did not engage any external advisors in the area of implementing the remuneration policies in 2023.

SID Bank's remuneration policy applies to the Bank alone and exclusively in Slovenia, and is not implemented at subsidiaries.

In accordance with the second paragraph of Article 189 of the ZBan-3 and Commission Delegated Regulation 2021/923, the remuneration policy categorised the positions of employees whose powers or work tasks and activities could have a material impact on the Bank's risk profile as follows:

- member of the management body: president of the management board and member of the management board;
- member of senior management: executive directors;
- management of independent control functions:
  a) risk management: director of the risk management department,
  b) compliance: director of the compliance department,
  c) internal audit: director of the internal audit department,
  d) information security: director of the information security department;
- employee who manages a significant business unit:
  a) director of the treasury department,
  b) director of the corporate banking department,
  c) director of the department for financial institutions and the fund of funds,
  d) director of the project and export financing department,
  e) director of the product development and EU programmes department, and
  f) director of the credit and investment insurance department;
- employee who has management responsibilities in one of the independent control functions or a significant business unit and reports directly to the employee who heads that unit: assistant directors and heads from the organisational units referred to in the previous indent;
- employee who heads the function responsible for:
  a) legal affairs: director of the legal and claims department,
  b) soundness/stability of accounting policies and procedures and finances, including taxation and preparation of the budget: director of the accounting department, director of the controlling department;
  c) economic analysis: director of the research and strategy department,
  d) human resources, development and implementation of remuneration policy: general secretary,
  e) information technology: director of the IT department, director of the technology department;
- employee who with regard to an exposure to credit risk in a nominal amount per transaction that accounts for 0.5% of the Common Equity Tier 1 capital of the institution and is at least EUR 5 million:
  a) is responsible for credit proposals or the structuring of credit products that can cause such exposure to credit risk, or
  b) has the power to adopt or approve decisions on such exposures to credit risk or veto them, or
  c) is a member of the committee responsible for taking decisions under point (a) or (b);

  This category includes:
  - the following employees of the treasury department: specialist, senior associate and associate,
  - director of the credit analysis department,
  - director of the middle office,
  - members of the credit committee,
  - members of the asset-liability and risk management committee,
  - members of the government operations committee,
  - members of the distressed investment management committee.

Given that the ZSIRB stipulates that the Bank may have only one shareholder and that the Republic of Slovenia guarantees the commitments of the Bank, the Bank cannot pay the variable component of remuneration in the form of shares. This means that in cases when the total variable remuneration of an employee whose professional activities have a material impact on the Bank's risk profile exceeds EUR 50 thousand gross in an individual year, the principles of Article 190 of the ZBan-3 may be taken into account by the Bank to a limited extent only.

The role of relevant stakeholders and powers in the decision-making process regarding the implementation of the remuneration policies in 2023 are described below.

The HR function (general secretariat) participates in the preparation and evaluation of the Bank's remuneration policy, including the remuneration structure, the remuneration level, and the incentives system.

The accounting department ensures that variable remuneration does not exceed the level set out by the remuneration policy, and is not paid out in a manner or in the form of instruments that are not allowed. The accounting department documents the application of the lower threshold to define variable remuneration for the purposes of Article 190 of the ZBan-3 to each employee whose professional activities have a material impact on the Bank's risk profile, citing at least their first name and surname, the position or function, and the total amount of variable remuneration in the year when the lower threshold of variable remuneration was applied.

The risk management function (risk management department) participates in the definition of appropriate criteria for job performance and commercial success that take risk take-up into account (including any subsequent adjustments), and assess of how the structure of the variable components of remuneration affects the Bank's risk profile and the risk take-up culture. The risk management department informs the management board of the appropriateness of the criteria and of the assessment of the impact of the structure of the variable components of remuneration on the Bank's risk profile and risk take-up culture.

The compliance function (compliance department) analyses how the remuneration policy affects the Bank's compliance with laws, regulations, internal policies and the risk take-up culture, and reports all identified compliance risks and issues of non-compliance to the management board and supervisory board.

The internal audit function (internal audit department) conducts an independent audit of the design and implementation of the remuneration policy and its impact on the Bank's risk profile, including on the basis of audit procedures conducted beforehand. The internal audit department conducts an annual assessment of the compliance of remuneration practices with the remuneration policy.

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, the individual business unit and the employee in question.

In the event of unsatisfactory performance or a negative operating result, the Bank considerably reduces the variable remuneration (including the possibility of reducing such remuneration to zero or to the lower threshold set out in the collective agreement for the sector), whereby both current remuneration and reductions in payments of previously earned amounts are taken into account, including through malus or clawback arrangements in accordance with the law governing employment and the collective agreement for the sector.

Assessment and allocation of variable remuneration are carried out on the basis of models and methodologies put in place at the Bank for the assessment of the job performance and commercial success of employees, organisational units and the Bank.

These models and methodologies are defined in detail in the company-level collective agreement (normative and tariff section), the remuneration policy for management body members, employment contracts, other bylaws, and resolutions of the Bank's management board and supervisory board.

The job performance and commercial success of all employees are assessed on the basis of qualitative and quantitative targets that are agreed each year during annual development interviews. These targets correlate accordingly with the undertaken responsibilities and risks that employees take up and manage during their work.

Financial and non-financial criteria are taken into account when evaluating the performance of an organisational unit. A measurable contribution of each organisational unit to the Bank's business results (if this can be measured on the basis of reasonable efforts) is measured over a long-term period, taking into account the business cycle of the Bank and the risks to which it is or could be exposed as a result of these transactions. The performance of an organisational unit is assessed according to its realisation of outlined objectives from the annual operational plan and strategy for a particular year, and on the basis of the objectives set by organisational unit directors. Non-financial criteria, in particular, take into account the satisfaction of customers and other organisational units, and the compliance of the organisational unit with the Bank's internal policies and applicable regulations.

The variable component of the remuneration of the members of the management board depends on the fulfilment of the annual operational plan, and the criteria and conditions used to determine the amount of remuneration for the members of the management board depending on the achieved level of performance. These criteria and conditions are set out in the remuneration policy for members of the management body and include strategic objectives, economic and financial indicators including risk management indicators (ROE, CIR, NPL ratio, etc.), and the supervisory board's assessment of the management board's work performance, which, in addition to quantitative and qualitative objectives, also takes into account the fulfilment of measures for the development of social responsibility, the management board's collaboration with the supervisory board, the maintenance of the Bank's reputation and credit rating, the various circumstances in which the Bank operated in the past year, and other criteria.

According to the ZPPOGD, the variable component of the remuneration of a member of the management board may not exceed 30% of the basic wage paid out to the member of the management board in a financial year. The variable component of wages 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. To make a preliminary risk adjustment prior to distribution, the supervisory board may reduce the amount of variable remuneration to an individual member, taking into account the circumstances as set out in the remuneration policy for members of the management body (e.g. proven negative business trends, identified negligence, conduct detrimental to the Bank's reputation).

The assessment of performance is carried out across employee categories depending on the relationship defined by the employment contract:

- categories of employees whose professional activities have a material impact on the Bank's risk profile and who hold an employment contract with the Bank whose provisions fall under the collective agreement: variable remuneration in the form of job performance and commercial success is carried out under the rules and in the manner prescribed by the company-level collective agreement or other Bank bylaw; and
- categories of employees whose professional activities have a material impact on the Bank's risk profile and who hold an individual employment contract with the Bank (except for the management board): variable remuneration in the form of payment for commercial success is carried out on an annual basis with the payment of a performance bonus in accordance with the rules and in the manner prescribed by the company-level collective agreement for the category of employees under point a). The rules and method determined under point c) for management board members or the fulfilment of individual targets are applied to a portion of the commercial success (performance) that exceeds the threshold set out in the company-level collective agreement up to the level indicated in the individual employment contract. This category of employees is not entitled to variable remuneration in the form of job performance;
- members of the Bank's management board: variable remuneration is implemented on an annual basis with payment under the rules and in the manner set out by the individual employment contract and the remuneration policy for management body members.

The remuneration of employees in independent control functions is determined in such a way that their independence and objectivity in the performance of duties are not compromised. Employees who perform independent control functions are independent from the organisational units on which they conduct controls, and have the relevant powers and receive remuneration with regard to the achievement of objectives linked to their functions, regardless of the performance of the business lines on which they conduct controls.

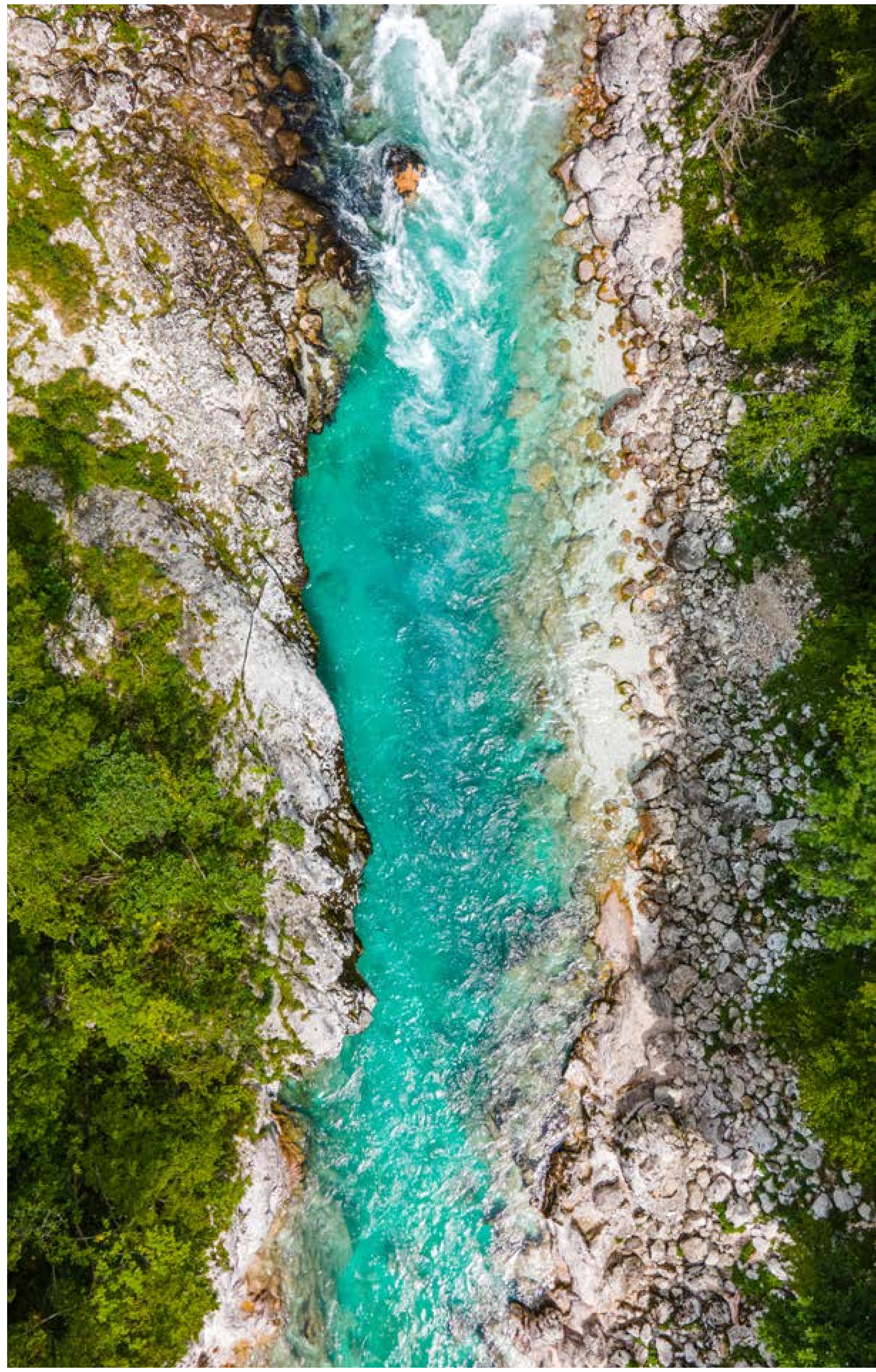
The Bank does not implement guaranteed variable remuneration practices, and payments of termination benefits are made in accordance with the provisions of the applicable labour legislation, which is in line with the requirements of the ZBan 3 and the EBA guidelines.

To ensure that the Bank's remuneration policy is compatible with adequate and effective risk management, and to further encourage risk management of this kind, employee remuneration is formulated such that:

- the majority of an employee's total remuneration comprises the fixed component of remuneration, and the variable component of remuneration does not exceed 33.3% of the fixed component of remuneration;
- the variable component of remuneration in principle does not depend on business results, but relies on a combination of an assessment of the performance of the individual and their business/organisational unit, and the overall performance of the Bank. The Bank ensures that the ratio between the fixed and variable components of the entire remuneration of different categories of employees is appropriately balanced, since the total amount of remuneration is not significantly dependent on the variable component of remuneration.

The Bank does not compensate for the reduced amount of the variable component of remuneration for a specific year owing to the adjustment of remuneration to risks by increasing the variable component of remuneration in subsequent years.

Payment of variable remuneration is deferred in the following amount and by the following deadlines for employees whose professional activities have a material impact on the Bank's risk profile and whose total variable remuneration in a single year exceeds the gross amount of EUR 50 thousand:



Member of the management body	Proportion of variable remuneration that is paid within five months after the end of the accounting period	Deferral period (number of years after the end of the accounting period)		Payment deadline after the end of the deferral period (in months)
President of the Management Board* Member of the Management Board*	50% 50%	3**	5***	3 3

Bank employee by position	Proportion of variable remuneration that is paid within five months after the end of the accounting period	Deferral period (number of years after the end of the accounting period)****	Payment deadline after the end of the deferral period (in months)
Senior management (executive directors) and other employees on individual employment contracts	60%	5	3
Other categories of staff whose professional activities have a material impact on the Bank's risk profile	60%	4	3

* Notwithstanding the application of the proportionality principle and the lower threshold, the provisions of the ZBan-3 and ZPPOGD apply to the payment of variable remuneration to the management board.

** If the total variable remuneration does not exceed EUR 50 thousand gross over a single year, the provisions of the ZPPOGD and a three-year deferral period apply.

*** If the total variable remuneration over a single year exceeds EUR 50 thousand gross, the five-year deferral period applies solely to the difference above EUR 50 thousand gross.

**** If the total variable remuneration over a single year exceeds EUR 50 thousand gross, the deferral period applies solely to the difference above EUR 50 thousand gross.

If when verifying the fulfilment of the conditions for payment of the deferred variable component of remuneration the Bank determines that there are grounds for clawback as stipulated by the law governing companies, or that a particular employee fails to fulfil other conditions for the payment in part or in full of the deferred variable component of remuneration for a particular year, the Bank may take a unilateral decision to claw back the previously paid variable component of remuneration for that year.

For the purpose of the remuneration policy, the following forms of payments and benefits comprise variable components of remuneration:

- payment for performance over the percentage specified in the collective agreement for Slovenia's banking sector;
- performance bonuses;
- other bonuses (e.g. for project work); and
- other remuneration and fringe benefits:
  - termination benefits over the amount determined by labour legislation, except in cases where remuneration or fringe benefits are standardised for a specific category of employees by a bylaw or management board resolution, and thus comprise an element of the standard employment package for a specific category of employees under equal terms; and
  - retention bonuses.

A.16.1 Template EU REM1 – Remuneration awarded for the financial year

(Article 450(1)(h) (i)-(ii) of the CRR)

			a	b	c	d
			MB supervisory function	MB management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	5	2	5.00	35.00
2		Total fixed remuneration	166,330	451,993	654,703	2,841,716
3		of which: cash-based	163,834	444,562	630,335	2,712,451
7		of which: other forms	2,496	7,430	24,368	129,265
9	Variable remuneration	Number of identified staff	5	2	5.00	35.00
10		Total variable remuneration	0	172,540	131,826	226,121
11		of which: cash-based	0	172,540	131,826	226,121
12		of which: deferred	0	22,591	0	0
17	Total remuneration (2 + 10)		166,330	624,533	786,529	3,067,838

The figures in the template are presented in euros.

A.16.2 Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(Article 450(1)(h) (v)-(vii) of the CRR)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	0	1	0	0
7	Severance payments awarded during the financial year - Total amount	0	126,559	0	0
8	of which paid during the financial year	0	126,559	0	0
11	of which highest payment that has been awarded to a single person	0	126,559	0	0

The figures in the template are presented in euros.

A.16.3 Template EU REM3 - Deferred remuneration

(Article 450(1)(h) (iii)-(iv) of the CRR)

		a	b	c	d	e	f	EU-g	EU-h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
7	MB management function	18,050	1,660	16,389	0	0	0	1,660	0
8	Cash-based	18,050	1,660	16,389	0	0	0	1,660	0
25	Total amount	18,050	1,660	16,389	0	0	0	1,660	0

The figures in the template are presented in euros.

A.16.4 Template EU REM4 – Remuneration of EUR 1 million or more per year

(Article 450(1)(i) of the CRR)

No employee received remuneration from the Bank of EUR 1 million or more in 2023. It is therefore not disclosing template EU REM4.

A.16.5 Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

(Article 450(1)(g) of the CRR)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB supervisory function	MB management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										47.00
2	of which: members of the MB	5	2	7							
3	of which: other senior management				0.00	0.00	0.00	5.00	0.00	0.00	
4	of which: other identified staff				0.00	8.00	5.00	8.00	6.00	8.00	
5	Total remuneration of identified staff	166,330	624,533	790,862	0	670,516	301,843	1,589,217	562,603	730,187	
6	of which: variable remuneration	0	172,540	172,540	0	42,055	22,069	195,562	47,199	51,062	
7	of which: fixed remuneration	166,330	451,993	618,322	0	628,461	279,775	1,393,655	515,404	679,125	

The figures in the template are presented in euros.

A.17 DISCLOSURE OF ENCUMBERED AND UNENCUMBERED ASSETS

A.17.1 Template EU AE1 – Encumbered and unencumbered assets

(Article 443 of the CRR)

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**139,603**	**22,669**			**2,574,038**	**791,684**		
030	Equity instruments	0	0	0	0	59,490	0	59,490	0
040	Debt securities	57,780	22,669	57,685	22,669	507,124	398,792	504,127	395,039
070	of which: issued by general governments	5,679	5,679	5,679	5,679	361,235	361,235	357,482	357,482
080	of which: issued by financial corporations	30,272	0	30,176	0	105,230	15,000	105,987	15,000
090	of which: issued by non-financial corporations	21,830	16,991	21,830	16,991	40,658	22,557	40,658	22,557
120	Other assets	81,823	0			2,007,425	392,892		

The figures in the templates of the disclosures of encumbered and unencumbered assets are presented using average values (medians). The medians are calculated as consecutive quarterly mean values over a 12-month period (2023) and are determined by interpolation.

The median encumbered assets amounted to EUR 139,603 thousand as at 31 December 2023, compared with EUR 392,004 thousand at the end of 2022. The encumbered assets relate almost entirely to collateral for two loans under the targeted longer-term refinancing operations (TLTRO). A TLTRO loan in the amount of EUR 336,650 thousand matured in 2023, thus reducing the amount of encumbered assets. A small part of the encumbered assets relates to contracts for initial coverage in derivative transactions.

Assets and all encumbered transactions are concluded in euros.

A.17.2 Template EU AE2 – Collateral received and own debt securities issued

(Article 443 of the CRR)

None of the collateral that SID Bank has received for loans granted is encumbered, and it therefore makes no disclosures under template EU AE2.

A.17.3 Template EU AE3 – Sources of encumbrance

(Article 443 of the CRR)

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	101,656	125,336

SID Bank discloses contracts concluded for the provision of initial coverage for derivative transactions under encumbered assets not related to any liabilities.

A.18 DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG RISKS)

(Article 449(a) of the CRR)

A.18.1 Qualitative information on environmental risk

BUSINESS STRATEGY AND PROCESSES

SID Bank's development strategy for 2024 to 2026 addresses environmental and climate risks in two ways:

- via the effects of its financing on the sustainable development of the economy,
- via the impact of the treatment and management of environmental and climate risks on its performance.

The environmental and climate aspects of SID Bank's operations are also integrated into all its sub-strategies:

- risk management strategy and policies
- information technology strategy
- HR strategy.

The business model is defined by the ZSIRB, which limits SID Bank's operational framework to the segment of market gaps. The gap in financing the economy's transition to more sustainable forms of business models by focusing on carbon-neutral operations is particularly highlighted. The guiding principle in terms of implementing SID Bank's mandate is to ensure that its developmental role is pursued in parallel with its countercyclical role. The strategy defines environmentally sustainable financing as one of the core elements of the Bank's development role.

The key stances of the business model are:

- the green transition / decarbonisation of the economy;
- the guarantee scheme for flood recovery;
- financing for major infrastructure projects, particularly in the construction of the energy network.

The structure of SID Bank's business model ensures long-term operational viability. As part of comprehensive risk management, the strategy provides for the further building of the system for assessing and managing climate and environmental risks (transition risks and physical risks alike). The embedding of climate and environmental risks into the ICAAP, and the establishment of a link between key indicators of climate and environmental risks and risk appetite are envisaged at the strategy level.

Within the framework of the development strategy for 2024 to 2026, SID Bank sets short-, medium- and long-term mandated objectives in the area of operational sustainability and environmentally sustainable financing. The short term envisages an upgrade to the methodology and tools for speeding up action to assist firms in reducing their exposure to transition risks.

The medium-term envisages:

- upgrades to financing schemes with a green rules component that promotes environmentally sustainable financing and environmentally sustainable investments (e.g. via an interest rate bonus),
- co-facilitation of the green transition of the Slovenian economy, with targeting not only of green investments, but above all the vital transformation of business models in the direction of sustainability, and

- identification of opportunities to obtain grants for combination with returnable funds for the purpose of promoting the sustainability transformation of the Slovenian economy.

The long term envisages the inclusion of the green component to promote environmentally sustainable financing in all financing programmes (new and old). The business model provides for the identification and non-financing of excluded sectors.

General climate risk objectives are set as part of the strategic and operational planning process, and are defined as performance indicators. Two indicators have been put in place to monitor environmental and climate risks:

- as a strategic target: average ESG risk assessment of new loans, and
- as a sustainability target: reduction in SID Bank's carbon footprint by 2030. Annual upgrades and an expansion of the selection of strategic and sustainability targets relating to environmental and climate risks have been envisaged for the upcoming strategic operational planning cycles.

SID Bank designed a new environmentally sustainable financing programme in 2023 by utilising the InvestEU guarantee via the EIF. The programme is named Financing of sustainability projects and companies (SID ZELEN), and is sized at EUR 44.3 million. SID Bank also implemented a programme of loans in 2023 for financing projects for comprehensive energy renovation of public buildings under the Fund of Funds (using European Cohesion Policy funds).

A green bond was issued in the past in the amount of EUR 75 million to provide funding for environmentally sustainable financial schemes, and this was also used to finance environmentally sustainable projects. The possibility of issuing a new green bond or sustainability bond is likely to be explored again in the future when borrowing is being undertaken.

The Bank has adopted a sustainable financing policy that sets out the framework for a gradual transition to sustainable financing in accordance with the objectives of the Paris Agreement, and has put in place a framework for introducing other elements of ESG risk management at the transaction level. The policy also defines the excluded sectors that fail to comply with the environmental and climate targets, and the sectors that are classed as environmentally sustainable.

GOVERNANCE

At SID Bank content relating to sustainability and to environmental and climate risks is integrated into decision-making at the level of the management board and other functions. The management board approves the development strategy, the strategic policies, and the risk management strategy and policies. The management board is briefed quarterly on the achievement of sustainability objectives and environmental and climate risk targets through the quarterly strategic objective reports and the quarterly risk report. The supervisory board is also briefed on these reports.

Within the framework of its internal governance and the inclusion of climate factors in business processes and the organisational structure, the Bank has adequately defined process schemes and the roles and responsibilities for integrating climate and environmental risks. The Bank will carry out a reorganisation in 2024 that with regard to the integral management and processing of data about sustainability and ESG risks will yield sound organisational arrangements in the area of identification of sustainable financing. A catalogue of sustainability functions and process tasks has been formulated and adopted, and will be implemented in accordance with the strategic tasks and the tasks for the implementation of the recommendations under the ECB's Guide on climate-related and environmental risks.

Until May 2023 SID Bank had a sustainable development committee, which was responsible for steering the sustainable development concept at the Bank and integrating it into its actions. The powers of the sustainable development committee were transferred to the management body and to the asset-liability and risk management committee in June 2023.

The briefing of the management board, the supervisory board and the asset-liability and risk management committee is undertaken:

- quarterly via the quarterly risk report,
- quarterly with regard to fulfilment of the ESG strategic indicators (carbon footprint, ESG portfolio risk indicator).

Reporting on environmental and climate risks is undertaken within the framework of the risk report, which is submitted quarterly to the management board and the supervisory board for information purposes. The report also contains a section on ESG risks, with a focus on environmental risks.

For reporting ESG transition risks, SID Bank uses a methodology based on climate policy relevant sectors (CPRS), i.e. sectors that are exposed to higher transition risk in the context of environmental risks. Exposures to CPRS at SID Bank are compared in regular reports to exposures to non-financial corporations at the level of EU banks and at the level of Slovenian banks.

In its internal reporting SID Bank has put in place the integral management and processing of data in connection with environmental and climate risks. The credit committee is regularly briefed on ESG risks related to companies and new transactions entering SID Bank's portfolio. When discussing a credit proposal, the credit committee receives a report with detailed analysis of the company's ESG risks. The ESG report includes detailed analysis of the company's sector, an assessment of the exposure to climate risks (transition and physical), an assessment of the contribution of the ESG risk assessment to the strategic indicator of the target value of the ESG assessment at portfolio level, analysis of the structure of ESG risks, analysis of the circularity of the company's business model, and detailed risk analysis by a business analyst.

The implementation of the Bank's policy and practices for awarding variable remuneration is directly or indirectly linked to the achievement of the set strategic indicators in the area of ESG and sustainability, for members of the management board (taking account of the remuneration policy for members of the management body and the methodology for determining their variable remuneration) and for all other employees (taking account of the remuneration policy, the company level collective agreement, and the methodology for determining variable remuneration and the performance-based component of remuneration).

RISK MANAGEMENT

SID Bank is continuing multiple activities to identify a broader set of ESG risk factors, and has already included them in:

a) the risk appetite

The Bank has already introduced ESG risk factors into the risk management framework.

An indicator for the control and restriction of ESG risk factors has been introduced at the level of the RAF, as a limit on exposure to the CPRS category of fossil fuel, which envisages a dynamic annual reduction in exposure to this sector (investments recognised as environmentally sustainable are excluded from the limit, even if classed under the CPRS category of fossil fuel).

Another new indicator will be included in the risk appetite framework in 2024: the targeted minimum amount of green loans.

b) internal stress test and ICAAP

Within the framework of the ICAAP, exposures to debtors that the Bank assesses as high-risk from the perspective of ESG factors are treated as high-risk exposures. These exposures are therefore treated the same as exposures associated with particularly high risk within the framework of the standardised approach (with a risk weight of 150%). The internal stress test was expanded in 2023 with additional scenarios:

- a scenario of an increase in probability of default for customers whose business activities include the sale and/or processing of fossil fuels;
- a scenario of an increase in probability of default for customers with high CO_2 emissions;
- a scenario of an increase in probability of default for ski resorts, and
- a scenario of the effects of severe weather events.

c) ILAAP

Within the framework of the management of the portfolio of debt securities and liquid assets, SID Bank limits exposure to the debt securities of issuers whose principal business activity is in the fossil fuel sector. The Bank drew up analysis of the debt securities portfolio from the perspective of ESG factors in 2023, for the purpose of monitoring and determining the environmental risk of the countries to which it is exposed in debt securities.

The Bank comprehensively upgraded the regular internal stress testing of liquidity risk in 2023. The inclusion of ESG factors is reflected via:

- a decline in inflows of new non-performing exposures, given that they are excluded from future inflows, whereby the impact of physical risks and transition risks are taken into account,
- a decline in the banks' high-quality liquid assets, which is driving a decline in the liquidity reserves (CBC). For corporate bonds, the Bank applies a haircut on the market value of those that can be classed as CPRS under the standard classification of economic activities, where corporate bonds classed as CPRS that were issued as green bonds are not the subject of encumbrance as a result of ESG factors.

SID Bank also assessed ESG risk factors via a scenario of a rise in the price of emission allowances for large enterprises in its portfolio that are included in the EU ETS. Data was obtained for those companies with regard to their costs from the purchase of emission allowances in the last year, and then sensitivity analysis was conducted with regard to credit rating in the event of a rise in the price of emission allowances.

SID Bank has also developed its own methodology for assessing ESG risk factors. For companies with exposure above EUR 300 thousand, an ESG questionnaire is conducted and an ESG risk assessment is drawn up. The questionnaire gathers information from companies on their carbon footprint, the cost of emission allowances, planned investments in energy efficiency improvements, exposure to physical climate risks and the likelihood of impact on operating revenues. For transactions secured by real estate collateral, information on the energy performance certificate of the building pledged as collateral or its energy class is obtained from the valuation report. In the approval of investment operations SID Bank also conducts an individual ESG risk assessment for each investment operation.

A methodology for mapping ESG assessments onto SID Bank credit ratings was also approved by the asset-liability and risk management committee in 2023.

A new framework for the organisational structure and the embedding of ESG functions in the Bank's entire structure and organisation were put in place at the end of 2023. In 2024 the Bank will begin conducting direct assessments of projects' compliance with the criteria for environmentally sustainable financing according to the taxonomy or other environmental sustainability standards.

The Bank prioritises new investments in green and sustainability bonds.

The Bank also takes account of ESG risk factors in the management of operational risk, and manages sub-classes of operational risk on the basis of best practice from the past.

The Bank has already adopted a decarbonisation plan that sets decarbonisation targets and measures at the level of Scope 1 and Scope 2 emissions by 2030.

A further expansion of the strategy in connection with adaptation and impact monitoring in the area of sustainability and financing of the transition to decarbonisation is envisaged in 2024. The introduction of indicators and monitoring of the compliance of the Bank's operations with the targets of the Paris Agreement is also envisaged.

A.18.2 Qualitative information on social risk

BUSINESS STRATEGY AND PROCESSES

SID Bank's business model is generally defined by the ZSIRB, which directs SID Bank's operational framework to the segment of market gaps. There is a particular focus on the gaps in the following areas of financing as gaps in connection with the social aspects of operation:

- the commercial sector, with a special emphasis on small and medium-size enterprises, entrepreneurship and venture capital, primarily with the aim of financing entrepreneurial projects in all stages of development, introducing new financial/insurance schemes, creating possibilities for the establishment of new companies, and inclusion in tasks and programmes organised by providers from the entrepreneurial, innovative and financial environments;

- research, development and innovation, primarily with the aim of promoting competition and development in the framework of national research and development programmes, promoting innovation and stimulating research and development activities and knowledge sharing, and providing different types of support for the organisers of projects that involve product development, production processes and services;
- education, primarily with the aim of promoting and raising the level of education, knowledge and knowledge management, and encouraging the necessary retraining and acquisition of specific knowledge;
- employment, in part with the aim of providing incentives to companies for the employment of individuals with the specialist qualifications and skills required for growth or employee retraining;
- regional development, primarily with the aim of ensuring balanced development at the national, regional and local levels, reducing gaps in economic development and other activities, where SID Bank can link up with other entities involved in and dedicated to the achievement of public objectives in the area of regional development and rural development, through the use of various combined financial engineering instruments;
- housebuilding, primarily with the aim of ensuring adequate housing capacity, and promoting the construction, renovation and maintenance of flats and houses for certain population groups, together with the provision of an environment and circumstances that make for decent living conditions;
- commercial and public infrastructure, and municipal and regional development, primarily with the aim of improving logistics, public utilities and other infrastructure, while SID Bank additionally provides guarantee, financial and public-private partnership schemes for the construction of this infrastructure, e.g. for the rebuilding, development and renovation of cities; and
- development projects in developing countries.

The guiding principle in terms of implementing SID Bank's mandate is to ensure that its developmental role runs parallel to its countercyclical role.

In support of its sustainability activities, the Bank sets short-term social risk objectives in the context of its own operations, including objectives related to employees involved in education and training (including mandatory training), objectives related to expenditure for training and development of employees, and objectives related to gender diversity in management positions. The identification of exposure to social risks at the financing level is put in place as part of the investment approval process, with an assessment of customers in terms of ESG factors. The ESG questionnaire obtains data from companies about employee turnover, employee training, high-skilled workers, labour unrest, the minimum wage, lawsuits for violations of labour rights and discrimination, sick leave, and the proportion of women in management positions.

GOVERNANCE

At SID Bank sustainability management, including social risks, is embedded at the level of the management board, and in the executive management pillar, which is responsible for the area of sustainable development. The management board adopts general strategic guidelines and policies, monitors risks, and oversees the implementation of the strategy and policies. The management board is responsible for monitoring and implementing the strategy and policies in the area of social sustainability.

The management board discusses and adopts reports in the area of sustainable financing and insurance that are concerned with changing and new legislation, sustainable financing and performance.

Risk management is organised by function, with the responsibility to oversee risks, including social risks.

A report on the achievement of strategic objectives, which includes the achievement of social sustainability objectives, is submitted to the management body and supervisory board on a quarterly basis.

The implementation of the Bank's policy and practices for awarding variable remuneration is directly or indirectly linked to the achievement of the set strategic indicators in the area of ESG and social sustainability, for members of the management board (taking account of the remuneration policy for members of the management body and the methodology for determining their variable remuneration) and for all other employees (taking account of the remuneration policy, the company-level collective agreement, and the methodology for determining variable remuneration and the performance-based component of remuneration).

RISK MANAGEMENT

When identifying ESG factors and their associated risks, SID Bank takes account of its strategy, mandate, sustainability commitments and the relevance of the factor in terms of the materialisation of risks in the future. The Bank interprets social (S) factors within the scope of ESG factors as community relationships and accessibility, employee relationships (internships, occupational health and safety, engagement and performance of employees), customer relationships (client privacy, data protection, customer welfare), and product quality and safety.

In drawing up the set of ESG risk factors, the Bank followed the SASB and EBA standards for the interpretation of ESG factors. In the definition of ESG risks at the level of the individual transaction, the Bank has developed its own methodology for formulating an ESG risk assessment.

SID Bank initiated several activities in 2023 to identify a broader range of ESG risks that it faces, including social risks that derive from lending, and has taken the first steps for managing those risks, including identifying exposure to social risks at the level of financing within the framework of the investment approval process with a customer assessment from the perspective of ESG factors. The ESG questionnaire obtains data from companies in the area of social factors about employee turnover, employee training, high-skilled workers, labour unrest, the minimum wage, lawsuits for violations of labour rights and discrimination, sick leave and the proportion of women in management positions.

SID Bank is a signatory to the commitment to uphold human rights in business. The commitment is based on generally accepted international human rights guidelines, which are regulated at the national level by the National Action Plan of the Republic of Slovenia on Business and Human Rights. By signing this instrument SID Bank has committed itself as a company to complying with measures in connection with respect for human rights throughout the entire business process, and avoiding and preventing potential negative impacts.

A.18.3 Qualitative information on governance risk

GOVERNANCE AND RISK MANAGEMENT

SID Bank assesses the governance of counterparties as part of its due diligence, part of its ESG risk assessment, and part of its preparation of ratings. The ESG risk assessment includes an assessment of the effectiveness of governance factors, including commitments to sustainability, circularity of business models, managerial staff expertise, and disclosures.

The Bank has passed a proposal for the transfer and inclusion of ESG assessments in ratings. The inclusion of new ESG questions has also changed the methodology for calculating ESG risks, and consequently the model assessments of ESG risks.

SID Bank initiated a number of activities in 2023 to identify a broader range of ESG risks that it faces, including the governance aspects and the quality of counterparty information.

Identification of the role of the senior management of the counterparty is verified by assessing the experience and professional competence of the management structure and the quality and transparency of the information provided by the counterparty (publication of a sustainability report). The verification is included in the ESG questionnaire under the assessment of a company’s environmental, social and governance factors.

The Bank assesses the overall performance of counterparties as part of the requirements in connection with the ESG questionnaire and the preparation of ratings. The analysis of the ESG report is part of the credit proposal, which is also discussed by the credit committee, which is informed of the results of the governance assessment and the overall ESG risk assessment.

The Bank interprets governance factors (G) within the framework of ESG factors as governance and management (business ethics, systemic risks, competitive behaviour, risk management, business model and innovation), adaptation of the business model to the circular economy, and supply chain management.

A.18.4 Template 1 - Banking book - Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

		a	b	c	d	e	f	g	h	l	m	n	o	p
	Sector/subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks*	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures					
1	**Exposures towards sectors that highly contribute to climate change**	**1,159,535**	**92,569**	**15,206**	**86,643**	**49,710**	**(38,631)**	**(5,214)**	**(28,800)**	**297,055**	**571,828**	**251,146**	**39,507**	**8.01**
3	B - Mining and quarrying	6,486	0	0	2,401	0	(34)	(15)	0	3,984	2,502	0	0	4.35
6	B.07 - Mining of metal ores	2,401	0	0	2,401	0	(15)	(15)	0	2,401	0	0	0	1.66
7	B.08 - Other mining and quarrying	4,085	0	0	0	0	(20)	0	0	1,583	2,502	0	0	5.93
9	C - Manufacturing	496,818	0	1	39,392	23,233	(22,949)	(3,244)	(17,493)	121,001	266,691	109,126	0	7.41
10	C.10 - Manufacture of food products	19,452	0	0	1,157	202	(430)	(105)	(202)	8,243	10,274	935	0	5.88
11	C.11 - Manufacture of beverages	3,042	0	0	0	0	(4)	0	0	3,042	0	0	0	2.25
13	C.13 - Manufacture of textiles	3,454	0	0	0	0	(18)	0	0	476	2,978	0	0	6.61
14	C.14 - Manufacture of wearing apparel	286	0	0	120	0	(2)	(1)	0	286	0	0	0	3.23
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	30,964	0	0	3,015	1,391	(1,552)	(363)	(1,061)	3,621	19,432	7,911	0	8.35
17	C.17 - Manufacture of pulp, paper and paperboard	13,077	0	0	3,725	4,891	(5,091)	(171)	(4,891)	6,409	6,669	0	0	5.31
18	C.18 - Printing and service activities related to printing	17,872	0	0	1,144	398	(590)	(165)	(398)	5,138	10,223	2,510	0	7.02

		a	b	c	d	e	f	g	h	l	m	n	o	p
	Sector/subsector	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks*	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures					
20	C.20 - Production of chemicals	13,561	0	0	0	387	(117)	0	(73)	1,340	11,224	996	0	7.48
21	C.21 - Manufacture of pharmaceutical preparations	2,811	0	0	0	0	(5)	0	0	2,811	0	0	0	3.02
22	C.22 - Manufacture of rubber products	50,834	0	0	5,221	0	(864)	(651)	0	9,657	38,671	2,506	0	7.25
24	C.24 - Manufacture of basic metals	53,796	0	0	1,505	1,281	(1,596)	(113)	(1,193)	6,874	25,316	21,607	0	7.88
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	95,675	0	1	7,811	896	(1,709)	(672)	(603)	14,376	61,701	19,597	0	8.06
26	C.26 - Manufacture of computer, electronic and optical products	7,375	0	0	198	0	(61)	(17)	0	2,056	5,319	0	0	5.74
27	C.27 - Manufacture of electrical equipment	43,022	0	0	4,287	8,114	(5,166)	(503)	(4,519)	29,919	13,103	0	0	4.57
28	C.28 - Manufacture of machinery and equipment	36,086	0	0	1,627	1,417	(1,139)	(132)	(898)	8,549	26,374	1,163	0	7.29
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	55,792	0	0	5,240	642	(861)	(188)	(209)	4,376	7,251	44,166	0	9.88
30	C.30 - Manufacture of other transport equipment	7,907	0	0	0	564	(571)	0	(564)	564	7,343	0	0	8.67
31	C.31 - Manufacture of furniture	7,897	0	0	97	653	(676)	(2)	(613)	1,989	1,402	4,506	0	8.80
32	C.32 - Other manufacturing	29,950	0	0	3,922	2,346	(2,395)	(131)	(2,220)	10,821	15,901	3,229	0	6.43
33	C.33 - Repair and installation of machinery and equipment	3,963	0	0	321	51	(101)	(30)	(51)	453	3,510	0	0	6.71

	Sector/subsector	a	b	c	d	e	f	g	h	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks*	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
34	D - Electricity, gas, steam and air conditioning supply	170,361	59,263	2,046	109	0	(663)	(17)	0	74,031	47,002	15,038	34,290	9.28
35	D35.1 - Electric power generation, transmission and distribution	144,387	59,263	2,046	0	0	(516)	0	0	74,031	21,029	15,038	34,290	9.63
36	D35.11 - Production of electricity	9,991	0	0	0	0	(15)	0	0	342	9,649	0	0	5.18
38	D35.3 - Steam and air conditioning supply	25,974	0	0	109	0	(147)	(17)	0	0	25,974	0	0	7.31
39	E - Water supply; sewerage, waste management and remediation activities	17,934	0	0	0	10,776	(309)	0	(284)	171	16,761	1,002	0	6.39
40	F - Construction	20,942	0	0	4,403	1,459	(1,389)	(400)	(923)	4,738	14,734	1,471	0	6.43
41	F.41 - Construction of buildings	5,427	0	0	772	13	(94)	(61)	(13)	1,846	3,581	0	0	5.98
42	F.42 - Civil engineering	4,140	0	0	2,402	232	(398)	(269)	(121)	890	3,251	0	0	5.65
43	F.43 - Specialised construction activities	11,375	0	0	1,229	1,213	(896)	(71)	(788)	2,002	7,902	1,471	0	6.93
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	163,843	33,286	313	4,833	7,012	(5,658)	(563)	(4,401)	65,946	78,765	19,132	0	6.43
45	H - Transportation and storage	149,250	20	12,846	11,311	6,913	(4,638)	1,430	(5,665)	14,749	67,337	67,165	0	9.03
46	H.49 - Land transport and transport via pipelines	65,969	20	12,846	1,049	2,697	(2,491)	(175)	(2,007)	10,107	47,070	8,792	0	7.04
48	H.51 - Air transport	503	0	0	0	0	(1)	0	0	0	503	0	0	6.95
49	H.52 - Warehousing and support activities for transportation	82,747	0	0	10,261	4,185	(2,114)	1,605	(3,626)	4,610	19,765	58,372	0	10.61

	Sector/subsector	a	b	c	d	e	f	g	h	l	m	n	o	p
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks*	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
50	H.53 - Postal and courier activities	31	0	0	0	31	(31)	0	(31)	31	0	0	0	0.00
51	I - Accommodation and food service activities	126,294	0	0	24,195	317	(2,950)	(2,405)	(34)	12,435	75,266	36,512	2,081	9.65
52	L - Real estate activities	7,607	0	0	0	0	(40)	0	0	0	2,770	1,701	3,137	15.44
53	**Exposures towards sectors other than those that highly contribute to climate change**	**157,551**	**0**	**5**	**14,590**	**16,700**	**(9,516)**	**(2,268)**	**(6,869)**	**50,958**	**88,104**	**10,171**	**8,319**	**7.24**
55	Exposures to other sectors (NACE codes J, M - U)	157,551	0	5	14,590	16,700	(9,516)	(2,268)	(6,869)	50,958	88,104	10,171	8,319	7.24
56	**TOTAL**	**1,317,086**	**92,569**	**15,211**	**101,234**	**66,410**	**(48,147)**	**(7,482)**	**(35,668)**	**348,012**	**659,932**	**261,317**	**47,825**	**7.92**

* in accordance with points (d) to (g) of Article 12(1) and in accordance with Article 12(2) of Regulation (EU) 2020/1818.

SID Bank used the information obtained from ESG questionnaires to identify counterparties that have been excluded from the EU benchmarks. The ESG questionnaire included questions addressing the counterparty's revenues from the discovery, mining, extraction and distribution of coal, petroleum fuels and gaseous fuels, and the counterparty's revenues from the production of electricity with a greenhouse gas intensity above 100 g CO_2 e/kWh. All companies with exposure of more than EUR 300 thousand at loan approval have been included in the questionnaire. For companies in the portfolio that have not yet taken the ESG questionnaire, an assessment of the exposure's non-compliance with the targets of the Paris Agreement is not yet being conducted.

SID Bank also obtains information from the ESG questionnaire on the companies' Scope 1, Scope 2 and Scope 3 emissions in the current year and the two previous years.

A.18.5 Template 2 – Banking book – Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Counterparty sector	Total gross carrying amount															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	**582,938**	**34,864**	**34,399**	**24,722**	**33,980**	**5,853**	**9,401**	**2,827**	**8,267**	**15,315**	**50,345**	**10,541**	**7,349**	**2,613**	**485,681**	**0**
2	of which Loans collateralised by commercial immovable property	565,798	32,333	33,190	24,457	33,636	5,853	9,251	2,372	7,954	13,514	49,111	10,338	7,269	2,613	472,626	0
3	of which Loans collateralised by residential immovable property	17,140	2,531	1,209	265	344	0	150	456	313	1,801	1,234	203	80	0	13,055	0
4	of which Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0	0	0	0	0	0	0								0	0

SID Bank has no loans collateralised by mortgages on real estate outside the EU.

SID Bank assesses the level of energy efficiency of buildings pledged as collateral on the basis of information in issued energy performance certificates held in the energy certificates register. For real estate pledged as collateral that has no energy performance certificate, SID Bank does not carry out assessments of the collateral in terms of energy efficiency.

In the future in all new operations where the real estate pledged as collateral does not have an energy performance certificate, an energy performance assessment will be conducted by the appraiser. The energy performance assessment is an integral part of the valuation report. Real estate appraisers can assess the energy performance of a building in the valuation report based on a standardised methodology (by entering the year of construction, information on previous renovations and energy use).

A.18.6 Template 4 - Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms

In order to identify the top 20 global carbon intensive companies, SID Bank used a list that is published on the website https://climateaccountability.org/carbon-majors-dataset-2020/.

SID Bank has no exposure to any company included on this list, and therefore not disclosing Template 4.

A.18.7 Template 5 - Banking book - Climate change physical risk: Exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	of which non-performing exposures
1	A - Agriculture, forestry and fishing	0	0	0	0	0	0.00	0	0	0	0	0	0	0	0
2	B - Mining and quarrying	6,486	0	0	0	0	0.00	0	0	0	0	0	0	0	0
3	C - Manufacturing	496,818	7,601	23,887	0	0	6.76	0	31,488	0	2,822	0	(219)	(120)	0
4	D - Electricity, gas, steam and air conditioning supply	170,361	59,263	37,003	0	0	5.37	0	96,266	0	0	0	(445)	0	0
5	E - Water supply; sewerage, waste management and remediation activities	17,934	0	3,999	0	0	6.97	0	3,999	0	0	0	(18)	0	0
6	F - Construction	20,942	2,876	8,427	138	0	6.32	11,440	0	0	3,031	1,213	(1,150)	(321)	(788)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	163,843	668	10,913	2,259	0	6.43	526	13,841	526	0	0	(48)	0	0
8	H - Transportation and storage	149,250	3,358	23,561	4,992	0	7.62	4,992	26,919	0	0	0	(56)	0	0

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	of which Stage 2 exposures	of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	of which non-performing exposures
9	L - Real estate activities	7,607	0	2,770	582	3,137	14.92	6,488	0	0	0	0	(39)	0	0
10	Loans collateralised by residential immovable property	26,104	622	5,036	0	0	6.49	5,627	32	0	997	1,030	(682)	(37)	(605)
11	Loans collateralised by commercial immovable property	566,999	10,427	108,882	24,428	2,081	8.83	70,532	86,669	11,383	15,346	0	(1,813)	(1.332)	0
12	Repossessed collaterals	0	0	0	0	0	0.00	0	0	0	0	0	0	0	0
13	Other relevant sectors	169,834	12,554	61,496	19,543	2,081	9.19	63,484	43,572	11,383	10,545	242	(1,265)	(978)	(20)
14	I - Accommodation and food service activities	126,294	9,265	61,496	19,543	2,081	9.40	63,484	40,283	11,383	10,545	242	(1,254)	(978)	(20)
15	M - Professional, scientific and technical activities	43,540	3,289	0	0	0	3.21	0	3,289	0	0	0	(11)	0	0

SID Bank uses two exposure assessment approaches to identify exposures to physical climate risks.

The information obtained on counterparties' exposure to physical events that might have a material impact on their revenues is used to assess exposure to acute and chronic risks. SID Bank obtains data on its exposure to the acute impact of natural events on companies' performance from the ESG questionnaire.

All companies whose loan exposure is more than EUR 300 thousand are included in gathering of data on acute climate risks. Data on exposure to physical climate events is obtained with the ESG questionnaire.

For the uncovered part of the portfolio, given the lack of data (particularly for companies where the ESG questionnaire has not yet been conducted), SID Bank has formulated a model for assessing exposure to chronic physical climate risks. The model is based on the probability of occurrence of a major natural event by NUTS 2 region for Slovenia, and on the materiality of each event for each reporting sector from Template 5. The source of data on the probability of a particular climate event is the Global Facility for Disaster Reduction and Recovery (GFDRR), the Thinkhazard climate database for Slovenia.

The plan is to audit and verify the model for assessing exposure to chronic physical climate risks, and to adjust the input data on the probability of the occurrence of each climate-related natural event to the data sources of the Slovenian Environment Agency's climate projections and maps.

A.18.8 Template 6 – Summary of GAR KPIs

	KPI			% coverage (over total assets) (*)
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	
GAR stock	0.79%	0.00%	0.79%	46.96%
GAR flow	0.00%	0.00%	0.00%	0.00%

(*) percentage of assets covered by the KPI over banks´ total assets

In templates 7 and 8 SID Bank discloses information on exposure, the stock of assets, the acceptability of exposure for the taxonomy, and the alignment of exposure with the taxonomy with regard to the environmental objectives of climate change mitigation and climate change adaptation. The information obtained forms the basis for calculating and disclosing GAR in Template 6. SID Bank estimates and discloses GAR by testing the alignment of the revenue of counterparties (customers and non-financial corporations) with the taxonomy for exposures whose purpose is not financing specific environmental activities (loans for general purposes). SID Bank determines the alignment of revenues with the taxonomy for customers with the status of a public sector entity with more than 500 employees who under Article 70c of the ZGD-1 are required to include a non-financial statement in their annual report, within the framework of which they are required as of 1 January 2023 to report the proportion of their revenues that are acceptable and aligned with the taxonomy of environmental sustainability under Article 8 of Regulation (EU) 2020/852. SID Bank has 14 companies in its portfolio who have the status of a public sector entity with more than 500 employees. Because the annual reports of these companies for 2023 were not yet available at the time of the preparation of the GAR calculations, data on sustainable revenue was obtained from the annual reports for 2022. The review determined that merely half of the companies published data for 2022 on the proportion of revenues that are acceptable and aligned with the taxonomy of environmental sustainability. Only five actually published the proportion of revenues, while the other two companies report the proportion of environmentally sustainable revenues to be zero. Seven companies do not yet report on sustainable revenue in alignment with the taxonomy in the annual report, despite the legal requirement to do so.

SID Bank's GAR stood at 0.79% in 2023.

A.18.9 Template 7 – Mitigating actions: Assets for the calculation of GAR

		a	b	c	e	f	g	h	j	k	l	m	o	p
		31 Dec 2023												
		Total gross carrying amount	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
					Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional / adaptation	Of which enabling
	GAR - Covered assets in both numerator and denominator													
1	Loans and advances, debt securities and equity instruments not held for trading eligible for GAR calculation	1,292,457	495,585	14,898	299	8,806	390,686	0	0	0	495,585	14,898	299	8,806
2	**Financial corporations**	525,319	0	0	0	0	1	0	0	0	1	0	0	0
3	Credit institutions	450,298	0	0	0	0	0	0	0	0	0	0	0	0
4	Loans and advances	263,804	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	170,963	0	0	0	0	0	0	0	0	0	0	0	0
6	Equity instruments	15,532	0	0	0	0	0	0	0	0	0	0	0	0
7	Other financial corporations	75,021	0	0	0	0	1	0	0	0	1	0	0	0
8	of which investment firms	53,266	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	43,970	0	0	0	0	0	0	0	0	0	0	0	0
16	of which insurance undertakings	1	0	0	0	0	1	0	0	0	1	0	0	0
17	Loans and advances	1	0	0	0	0	1	0	0	0	1	0	0	0

		a	b	c	e	f	g	h	j	k	l	m	o	p
		31 Dec 2023												
		Total gross carrying amount	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
					Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional / adaptation	Of which enabling
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	761,019	492,719	14,898	299	8,806	390,685	0	0	0	492,719	14,898	299	8,806
21	Loans and advances	704,112	468,304	14,898	299	8,806	366,271	0	0	0	468,304	14,898	299	8,806
22	Debt securities, including UoP	56,907	24,414	0	0	0	24,414	0	0	0	24,414	0	0	0
24	**Households**	5,309	2,866	0	0	0					2,866	0	0	0
25	of which loans collateralised by residential immovable property	520	400	0	0	0					400	0	0	0
28	**Local governments financing**	811	0	0	0	0	0	0	0	0	0	0	0	0
29	Housing financing	811	0	0	0	0	0	0	0	0	0	0	0	0
32	TOTAL GAR ASSETS	1,292,457	495,585	14,898	299	8,806	390,686	0	0	0	495,585	14,898	299	8,806
	Assets excluded from the numerator for GAR calculation (covered in the denominator)													
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	530,546												
34	Loans and advances	530,546												
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	25,521												
38	Loans and advances	25,521												
41	Derivatives	9,860												
42	On demand interbank loans	103												
44	Other assets (e.g. Goodwill, commodities etc.)	17,191												
45	TOTAL ASSETS IN THE DENOMINATOR (GAR)	1,875,679												

		a	b	c	e	f	g	h	j	k	l	m	o	p
		31 Dec 2023												
		Total gross carrying amount	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
					Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional / adaptation	Of which enabling
	Other assets excluded from both the numerator and denominator for GAR calculation													
46	Sovereigns	552,942												
47	Central banks exposure	323,682												
49	TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	876,624												
50	TOTAL ASSETS	2,752,302												

A.18.10 Template 8 – GAR (%)

		a	b	d	e	f	g	i	j	k	l	n	o	p
	% (compared to total covered assets in the denominator)	31 Dec 2023: KPIs on stock												
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of total assets covered
			Of which environmentally sustainable				Of which environmentally sustainable				Of which environmentally sustainable			
				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional / adaptation	Of which enabling	
1	**GAR**	38.34%	0.79%	0.02%	0.47%	30.23%	0.00%	0.00%	0.00%	38.34%	0.79%	0.02%	0.47%	46.96%
2	Loans and advances, debt securities and equity instruments not held for trading eligible for GAR calculation	38.34%	1.15%	0.02%	0.68%	30.23%	0.00%	0.00%	0.00%	38.34%	1.15%	0.02%	0.68%	46.96%
3	**Financial corporations**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	19.09%
5	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.73%
8	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	79.65%	0.00%	0.00%	0.00%	79.65%	0.00%	0.00%	0.00%	0.00%
9	**Non-financial corporations subject to NFRD disclosure obligations**	64.74%	1.96%	0.04%	1.16%	51.34%	0.00%	0.00%	0.00%	64.74%	1.96%	0.04%	1.16%	27.65%
10	**Households**	53.99%	0.00%	0.00%	0.00%					53.99%	0.00%	0.00%	0.00%	0.19%
11	of which loans collateralised by residential immovable property	76.84%	0.00%	0.00%	0.00%					76.84%	0.00%	0.00%	0.00%	0.02%
14	**Local government financing**	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.03%
15	Housing financing	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.03%

		a	b	d	e	f	g	i	j	k	l	n	o	p
		31 Dec 2023: KPIs on flows												
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				
		Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of total assets covered
			Of which environmentally sustainable				Of which environmentally sustainable				Of which environmentally sustainable			
	% (compared to total covered assets in the denominator)			Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional / adaptation	Of which enabling	
1	**GAR**	42.85%	0.00%	0.00%	0.00%	22.24%	0.00%	0.00%	0.00%	42.85%	0.00%	0.00%	0.00%	0.00%
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	42.85%	0.00%	0.00%	0.00%	22.24%	0.00%	0.00%	0.00%	42.85%	0.00%	0.00%	0.00%	0.00%
3	**Financial corporations**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Other financial corporations	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%
8	of which insurance undertakings	0.00%	0.00%	0.00%	0.00%	79.65%	0.00%	0.00%	0.00%	79.65%	0.00%	0.00%	0.00%	0.00%
9	**Non-financial corporations subject to NFRD disclosure obligations**	87.85%	0.00%	0.00%	0.00%	46.05%	0.00%	0.00%	0.00%	87.85%	0.00%	0.00%	0.00%	0.00%
10	**Households**	99.91%	0.00%	0.00%	0.00%					99.91%	0.00%	0.00%	0.00%	0.00%
11	of which loans collateralised by residential immovable property	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%
14	**Local government financing**	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%
15	Housing financing	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%	0.00%

A.18.11 Template 10 - Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

	a	b	c	d	e
	Type of financial instrument	Type of counterparty	Gross carrying amount	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	2,692	YES	NO
2		Non-financial corporations	21,487	YES	NO
4		Other counterparties	61,487	YES	NO
6	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Non-financial corporations	24,683	YES	NO
7		of which Loans collateralised by commercial immovable property	19,221	YES	NO
11		Other counterparties	37,280	YES	NO

Qualitative information on the nature of the mitigating actions

SID Bank used funding from the green bond to finance the following actions: renewable sources of energy, energy efficiency, prevention of pollution, sustainable management of living and natural resources, aquatic and terrestrial biodiversity, clean transport, sustainable management of water resources, adaptation to climate change, and environmentally efficient products, technologies and processes. All the financed actions and investments contribute to the objective of climate change mitigation. However, the implemented actions and investments that were funded from the green bond and other green loans fail to comply with the requirements under Article 11 of Regulation (EU) 2020/852, as SID Bank's green bond was issued under the requirements for compliance with the "Green Bond Principle", i.e. at a time when Regulation (EU) 2020/852 and the EU taxonomy for determining environmentally sustainable financing of activities under pre-defined assessment criteria had yet to take effect.

Loans related to sustainability include also loans for environmentally sustainable financing approved within the programme SID ZELEN. The programme is designed on the basis of utilising the InvestEU guarantee via the EIF. The standards for assessing the environmental sustainability of projects and companies eligible for environmentally sustainable financing under this programme are based on the environmental sustainability standards developed by the EIF and are not covered by Regulation (EU) 2020/852.

A.19 FREQUENCY AND SCOPE OF DISCLOSURES ACCORDING TO CRR

Article	Name of article	Section of annual report	Chapter	Page
435	**Disclosure of risk management objectives and policies**			
	1(a) strategies and processes to manage those categories of risks	BUS FIN	Risk management 3	49–60 150–151
	1(b) the structure and organisation of the relevant risk management function, including information on the basis for its authority, its powers and accountability in accordance with the institution’s incorporation and governing documents	BUS	Risk management	49–53
	1(c) the scope and nature of risk reporting and measurement systems	BUS FIN FIN FIN FIN FIN FIN FIN	Risk management 3 3.1 3.2 3.3 3.4 3.5 3.6	49–60 150–151 151–175 176–181 182–187 187–188 189–190 191–194
	1(d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants Disclosure of risk management objectives and policies	FIN FIN	2.3.10 3.3	106–107 182–187
	1(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	BUS	Statement of the management body on the adequacy of the risk management framework	83
	1(f) a concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy	FIN	4	199–201
	2(a) the number of directorships held by members of the management body	APP	A.3.1	211
	2(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	BUS	Corporate governance statement	69–82
	2(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	BUS	Corporate governance statement	69–82

Article	Name of article	Section of annual report	Chapter	Page
	2(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met	BUS	Corporate governance statement	69–82
	2(e) the description of the information flow on risk to the management body	BUS FIN	Risk management 3	49–60 151
436	**Disclosure of the scope of application**			
	(a) the name of the institution to which this Regulation applies	FIN	2.3.3	99
	(b) a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds	APP	A.4.1	212
	(c) a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part	APP	A.4.1	212
	(d) a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences	APP	A.4.2	213
	(e) for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions	N/A		
	(f) any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries	N/A		
	(g) the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries	N/A		
	(h) where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9 of the CRR	N/A		

Article	Name of article	Section of annual report	Chapter	Page
437	**Disclosure of own funds**			
	(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution	FIN APP APP	3.6 A.5.1 A.5.2	192 214-215 216-217
	(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	APP	A.5.3	218
	(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	APP	A.5.3	218
	(d) a separate disclosure of the nature and amounts of the following:	APP	A.5.1	214–215
	(i) each prudential filter applied pursuant to Articles 32 to 35			
	(ii) items deducted pursuant to Articles 36, 56 and 66			
	(iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79			
	(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	APP	A.5.3	218
	(f) a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation	N/A		
437(a)	**Disclosure of own funds and eligible liabilities**	N/A		
438	**Disclosure of own funds requirements and risk-weighted exposure amounts**			
	(a) a summary of their approach to assessing the adequacy of its internal capital to support current and future activities	BUS FIN	Risk management 3.6	54 193–194
	(b) the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments	APP	A.2.1	208–210
	(c) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process	N/A		

Article	Name of article	Section of annual report	Chapter	Page
	(d) the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds	APP	A.2.2	211
	(e) the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2)	N/A		
	(f) the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis	N/A		
	(g) the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied	N/A		
	(h) the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations	N/A		
439	**Disclosure of exposures to counterparty credit risk**			
	(a) a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties	FIN FIN	3.1 3.6	155 175 193–194
	(b) a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves	FIN	3.1	155 175
	(c) a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 291	N/A		
	(d) the amount of collateral the institution would have to provide if its credit rating was downgraded	FIN	3.1	175
	(e) the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions	APP	A.12.4	242
	(f) for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method	APP	A.12.1	241

Article	Name of article	Section of annual report	Chapter	Page
	(g) for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method	APP	A.12.1	241
	(h) the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three	APP	A.12.2	241
	(i) the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures	N/A		
	(j) the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	N/A		
	(k) the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9)	N/A		
	(l) separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452	APP	A.12.3	242
	(m) for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable	N/A		
440	**Disclosure of countercyclical capital buffers**			
	(a) the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer	APP	A.6.1	219
	(b) the amount of its institution-specific countercyclical capital buffer	APP	A.6.2	220
441	**Disclosure of indicators of global systemic importance**	N/A		
442	**Disclosure of exposure to credit risk and dilution risk**			
	(a) the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes	FIN	2.3.9	104
	(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments	FIN FIN	2.3.9 3.1	103–105 154

Article	Name of article	Section of annual report	Chapter	Page
	(c) information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	APP APP APP APP APP APP APP APP	A.9.1 A.9.4 A.9.5 A.9.6 A.9.7 A.9.8 A.9.9 A.9.10	229–230 232 233 233 234 235 236 237
	(d) an ageing analysis of accounting past due exposures	APP	A.9.7	234
	(e) the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off- balance-sheet exposures	APP APP	A.9.8 A.9.9	235 236
	(f) any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off	APP APP APP	A.9.1 A.9.3 A.9.4	229–230 231 232
	(g) the breakdown of loans and debt securities by residual maturity	APP	A.9.2	231
443	**Disclosure of encumbered and unencumbered assets**	APP APP APP	A.17.1 A.17.2 A.17.3	252 253 253
444	**Disclosure of the use of the Standardised Approach**			
	(a) the names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period	FIN	3.6	191
	(b) the exposure classes for which each ECAI or ECA is used	FIN	3.6	191
	(c) a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book	FIN	3.6	191

Article	Name of article	Section of annual report	Chapter	Page
	(d) the association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three, taking into account that it is not necessary to disclose that information where the institutions comply with the standard association published by EBA	N/A		
	(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as the exposure values deducted from own funds	APP APP	A.11.1 A.11.2	239 240
445	**Disclosure of exposure to market risk**	FIN APP FIN	3.4 A.14 3.6	187–188 244 191
446	**Disclosure of operational risk management**			
	(a) the approaches for the assessment of own funds requirements for operation risk that the institution qualifies for	FIN APP	3.5 A.15.1	189–190 244
	(b) where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach	N/A		
	(c) in the case of partial use, the scope and coverage of the different methodologies used	N/A		
447	**Disclosure of key metrics**			
	(a) the composition of their own funds and their own funds requirements as calculated in accordance with Article 92	APP	A.2.1	208–210
	(b) the total risk exposure amount as calculated in accordance with Article 92(3)	APP	A.2.1	208–210
	(c) where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU	APP	A.2.1	208–210
	(d) their combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU	APP	A.2.1	208–210
	(e) their leverage ratio and the total exposure measure as calculated in accordance with Article 429	APP	A.2.1	208–210

Article	Name of article	Section of annual report	Chapter	Page
	(f) the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	APP	A.2.1	208–210
	(i) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	APP	A.2.1	208–210
	(ii) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	APP	A.2.1	208–210
	(iii) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	APP	A.2.1	208–210
	(g) the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part 6:	APP	A.2.1	208–210
	(i) the net stable funding ratio at the end of each quarter of the relevant disclosure period	APP	A.2.1	208–210
	(ii) the available stable funding at the end of each quarter of the relevant disclosure period	APP	A.2.1	208–210
	(iii) the required stable funding at the end of each quarter of the relevant disclosure period	APP	A.2.1	208–210
	(h) their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable	N/A		
448	**Disclosure of exposures to interest rate risk on positions not held in the trading book**			
	(a) the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods	FIN APP	3.3 A.13.1	182–187 243
	(b) the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods	FIN APP	3.3 A.13.1	182–187 243
	(c) a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph	FIN	3.3	182–187
	(d) an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date	FIN	3.3	182–187

Article	Name of article	Section of annual report	Chapter	Page
	(e) the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:	FIN	3.3	182–187
	(i) a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income			
	(ii) a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences			
	(iii) a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk			
	(iv) the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3)			
	(v) an outline of how often the evaluation of the interest rate risk occurs			
	(f) the description of the overall risk management and mitigation strategies for those risks	FIN	3.3	182–187
	(g) average and longest repricing maturity assigned to non-maturity deposits	FIN	3.3	182–187
449	**Disclosure of exposures to securitisation positions**	N/A		
449(a)	**Disclosure of environmental, social and governance risks (ESG risks)**	APP	A.18	253–271
450	**Disclosure of remuneration policy**			
	For those categories of staff whose professional activities have a material impact on the risk profile of the institutions:			
	(a) information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders	APP	A.16	245–248
	(b) information about the link between pay of the staff and their performance	APP	A.16	245–248

Article	Name of article	Section of annual report	Chapter	Page
	(c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	APP	A.16	245–248
	(d) the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU	APP	A.16	245–248
	(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	APP	A.16	245–248
	(f) the main parameters and rationale for any variable component scheme and any other non-cash benefits	APP	A.16	245–248
	(g) aggregate quantitative information on remuneration, broken down by business area	APP	A.16.5	251
	(h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institution, indicating the following:			
	(i) the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries	APP	A.16.1	249
	(ii) the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part	APP	A.16.1	249
	(iii) the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years	APP	A.16.3	250
	(iv) the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments	APP	A.16.3	250
	(v) the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards	APP	A.16.2	249
	(vi) the severance payments awarded in previous periods, that have been paid out during the financial year	APP	A.16.2	249
	(vii) the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person	APP	A.16.2	249
	(i) the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	APP	A.16.4	250
	(j) upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management	N/A		
	(k) information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU	N/A		

Article	Name of article	Section of annual report	Chapter	Page
451	**Disclosure of the leverage ratio**			
	(a) the leverage ratio and how the institutions apply Article 499(2)	APP	A.7.2	221
	(b) a breakdown of the total exposure measure referred to in Article 429(4), as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	APP APP APP	A.7.1 A.7.2 A.7.3	220 221 222
	(c) where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7)	APP	A.7.2	221
	(d) a description of the processes used to manage the risk of excessive leverage	FIN	3.6	194
	(e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	FIN	3.6	194
451(a)	**Disclosure of liquidity requirements**			
	2(a)) the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	APP	A.8.1	223–224
	2(b)) the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer	APP	A.8.1	223–224
	2(c)) the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition	APP	A.8.1	223–224
	3(a) quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period	APP	A.8.2	225–228
	3(b) an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six	APP	A.8.2	225–228
	3(c) an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six	APP	A.8.2	225–228

Article	Name of article	Section of annual report	Chapter	Page
452	**Disclosure of the use of the IRB Approach to credit risk**	N/A		
453	**Disclosure of the use of credit risk mitigation techniques**			
	(a) the core features of the policies and processes for on- and off-balance sheet netting and an indication of the extent to which institutions make use of balance sheet netting	N/A		
	(b) the core features of the policies and processes for eligible collateral evaluation and management	FIN	3.1	152–153
	(c) a description of the main types of collateral taken by the institution to mitigate credit risk	FIN APP	3.1 A.10.1	152–153 238
	(d) for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures	N/A		
	(e) information about market or credit risk concentrations within the credit mitigation taken	APP	A.10.1	238
	(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures	APP	A.10.1	238
	(g) the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect	APP	A.11.1	239
	(h) for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation	APP	A.11.1	239
	(i) for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class	APP	A.11.1	239
	(j) for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission	N/A		

Article	Name of article	Section of annual report	Chapter	Page
454	Disclosure of the use of the Advanced Measurement Approaches to operational risk	N/A		
455	Use of internal market risk models	N/A		

BUS: Business report
FIN: Financial report
APP: Disclosures under Pillar 3 of the Basel standards
N/A: Not applicable

List of Abbreviations and Terms

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
AML/CFT	Anti-money laundering and countering the financing of terrorism
ASF	Available stable funding
BIS	Bank of International Settlements
CC	Central counterparty
CCF	Credit Conversion Factor
CCR	Counterparty Credit Risk
CEB	The Council of Europe Development Bank
CET1	Common Equity Tier 1 Capital
CIR	Cost-income ratio
CMSR	Centre for International Cooperation and Development
Commission Implementing Regulation (EU) 2021/637	Commission Implementing Regulation (EU) No 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295
CPRS	Climate policy relevant sectors
CRM	Techniques applied to mitigate credit risk
CRO	Chief Risk Officer
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (with amendments)
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
EC	European Commission
ECA	Export Credit Agency
ECB	European Central Bank
ECL	Expected credit losses
ECP	EU Cohesion Policy
EGF	European Guarantee Fund
EHQLA	Extremely High-quality Liquid Assets
EIB	European Investment Bank
EIF	European Investment Fund
ESG	Environmental, social and governance factors

ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
EU	European Union
EVE	Economic value of equity
GAR	Green Asset Ratio
GBER	General Block Exemption Regulation
GDP	Gross Domestic Product
GHG	Greenhouse gases
HQLA	High-quality liquid assets
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communication Technologies
IFRS	International Financial Reporting Standards as adopted by the EU
ILAAP	Internal Liquidity Adequacy Assessment Process
IMAD	Institute of Macroeconomic Analysis and Development of the Republic of Slovenia
IMF	International Monetary Fund
InvestEU	EU investment programme to promote growth of Europe's economy. Combines a number of EU financial instrument that are currently available to support investments, innovations and job creation in Europe.
IT	Information technology
LCR	Liquidity Coverage Ratio
LES 1	Programme for the financing of investments in the forestry and wood processing chain
LGD	Loss Given Default
MEDT	Ministry of Economic Development and Technology
METS	The Ministry of the Economy, Tourism and Sports
MF	Ministry of Finance
MFEA	Ministry of Foreign and European Affairs
MoI	Ministry of Infrastructure
MREL	Minimum Requirement for own funds and eligible liabilities
N/A	Not applicable
NACE	Statistical Classification of Economic Activities in the European Community (Nomenclature des Activités Économiques dans la Communauté Européenne)
NALOŽBE 3	Programme for the financing of investments that contribute to the transition to a circular economy
NII	Net interest income
NPLs	Non-performing loans
NSFR	Net Stable Funding Ratio
OCR	Overall capital requirement
OECD	Organisation for Economic Co-operation and Development
ORMG 2	Financing companies and remedying the consequences of a severe disturbance to the economy
OSN	A programme for financing companies of all sizes for working capital and investments with the option of utilising the EGF guarantee
P2G	Pillar 2 guidance
PD	Probability of Default
PMI	Purchasing Managers' Index
POCI	Purchased or Originated Credit-Impaired Assets

RAF	Risk Appetite Framework
RDI	Research, development and innovation
ROE	Return on equity
RRI 3	Programme for the financing of technological-development projects
RS	Republic of Slovenia
RSF	Required stable funding
RWAs	Risk-weighted assets
RWEA	Risk-weighted exposure amount
SEGIP	Slovenian Equity Growth Investment Programme
SFTs	Securities financing transactions
SID DIGITALEN	Financing of innovations and digital transformation
SID ZELEN	Financing of sustainable projects and enterprises
SMEs	Small and Medium Sized Enterprises
SOC	Security Operations Centre
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
SSH	Slovenian Sovereign Holding
SURS	Statistical Office of the Republic of Slovenia
TLTRO	Targeted Longer-Term Refinancing Operations
ZBan-3	Banking Act
ZDLGPE	Act on Additional Liquidity to the Economy to Mitigate the Effects of the COVID-19 Epidemic
ZGD-1	Companies Act
ZIUZEOP	Act on Intervention Measures to Mitigate the Effects of the COVID-19 Epidemic on Citizens and the Economy
ZORZFS	Act on Reconstruction, Development and the Provision of Financial Resources
ZPPOGD	Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities
ZSDH-1	Slovenian Sovereign Holding Act
ZSDU	Worker Participation in Management Act
ZSIRB	Slovene Export and Development Bank Act
ZSJSM	Housing Guarantee Scheme for Young People Act
ZZFMGP	Insurance and Financing of International Commercial Transactions Act

Profile of SID Bank

Company name	SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana
Abbreviated company name	SID banka d.d., Ljubljana
Registered office	Ulica Josipine Turnograjske 6, 1000 Ljubljana, Slovenia
Registration number	5665493
Tax number	82155135
VAT ID number	SI82155135
IBAN	SI56 3800 0380 0000 039
SWIFT	SIDRSI22
GIIN	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.banka/*
LinkedIn	*www.linkedin.com/company/sid---slovenska-izvozna-in-razvojna-banka-d.d.-ljubljana/*
YouTube	*www.youtube.com/channel/UCK_2pY_T0EiC4PGF36sZJqA*