

2.2.

ADOPTING A RESOLUTION ON THE ALLOCATION OF DISTRIBUTABLE PROFIT FROM FINANCIAL YEAR 2017

K 2.2. Proposal for a Resolution to Item 2.2. of the Agenda of the 30th General Meeting of SID banka, d.d., Ljubljana

The following resolution is adopted as proposed by the Management Board and the Supervisory Board:

»Distributable profit in the amount of EUR 6,628,945.98 as at 31.12.2017, shall be allocated to other profit reserves.«

EXPLANATION OF THE PROPOSAL FOR ADOPTING A RESOLUTION ON THE ALLOCATION OF DISTRIBUTABLE PROFIT OF THE YEAR 2017

In 2017 SID banka, d.d., Ljubljana created net income in the amount of EUR 13,955,675.75. While preparing the 2017 Annual Report, the Management board, pursuant to paragraph one, Article 230 of the ZGD-1, formed reserves under articles of association in the amount of EUR 697,783.97 and statutory reserves in the amount of EUR 6,628,945.98.

As at 31. 12. 2017, the distributable profit amounted to EUR 6,628,945.98 EUR.

Paragraph 3 of Article 4 of the Slovene Export and Development Bank Act (ZSIRB; Official Gazette RS, No. 56/2008, 20/2009) determines that the distributable profit of SID banka, d.d., Ljubljana may not be used for allocation to shareholders but should be allocated to other profit reserves.

The Management Board proposes to the General Meeting to allocate the distributable profit of the year 2017 in the amount of EUR 6,628,945.98 to other profit reserves.

ANNUAL INTERNAL AUDIT REPORT FOR 2017 – SID BANKA, D.D., LJUBLJANA

Report recipients:

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

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Director of the Internal Audit Department

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1 Introduction

Pursuant to the rules of procedure of the internal audit department of SID banka d.d. (hereinafter: the rules of procedure of the IAD), Article 144 of the Banking Act (Official Gazette of the Republic of Slovenia, Nos. 25/15, 44/16 and 77/16; hereinafter: the ZBan-2) and the International Standards for the Professional Practice of Internal Auditing (hereinafter: the Standards), the internal audit department (hereinafter: the IAD) has prepared the annual internal audit report for 2017, which includes:

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

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

The IAD functioned in 2017 in accordance with the Standards, the Code of Internal Auditing Principles and the Code of Professional Ethics (hereinafter: the Code), and on the basis of its annual work plan for 2017, which the bank's supervisory board approved at its 152nd regular meeting of 20 December 2016.

2.1 Execution of planned audits

The annual work plan of the IAD envisaged eight regular audits in 2017. On account of the sick leave of one member of the IAD and primarily due to the fact that no external service providers were hired, the IAD formally completed five planned audits during the calendar year, while two audits were initiated in October and November 2017 and formally completed in February 2018. The audit of the public procurement process will be performed as part of the IAD's annual work plan for 2018. There were no special audits in 2017. The bank likewise did not use external providers of audit services during the year.

Seq. no.	Activity	Estimated no. of days (IAD)	Estimated no. of days (external service providers)	Indicative timetable of implementation
A	AUDITING ACTIVITIES	178	60	
A1	Regular audits	115	60	
A1.1	Completion of audits started at the end of 2016	15		January
A1.2	Management of data regarding operational risk	16		January – March
A1.3	Relations with banks/international institutions with respect to funding	20		January – March
A1.4	Public procurement process	5	20	April – June
A1.5	Business continuity plan	18		April – June
A1.6	Prvi faktor – implementation of liquidation measures	5	20	July – September
A1.7	Fulfilment of reporting requirements regarding the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP)	16		July – September
A1.8	Early warning system (EWS) for increased credit risk	5	20	October – December
A1.9	Assessment of the compliance of remuneration with the remuneration policy	15		October – December

A2	Special audits	20
A3	Follow-up activities	28
A4	Advisory activity	15

2.2 Completion of other planned activities of the IAD

The IAD completed in full all of the following planned activities in 2017:

- participation in the contextual design of the eAudit programme for the archiving of audit reports and the monitoring of audit recommendations;
- the provision of informal advisory services to competent managers and individual employees;
- the quarterly monitoring of the implementation of recommendations;
- the preparation of all quarterly internal audit reports, which also included information regarding progress in the implementation of recommendations, and submitted those reports to the management board, audit committee and supervisory board;
- the preparation of the annual internal audit report for 2016, which was submitted to the management board, audit committee and supervisory board;
- the preparation of an indicative strategic plan on the functioning of the IAD for the period 2018–2019 and the IAD's annual work plan for 2018, which was submitted to the management board, audit committee and supervisory board;
- coordination of the preparation of responses to inquiries by the Bank of Slovenia, and the reviews thereof in May and August 2017;
- monitoring of the bank's operations through participation in various meetings and periodic sessions of the bank's ALCO; and
- monitoring of the work of external service providers.

2.3 Implementation of the quality assurance programme

The IAD continued with activities in 2017 aimed at ensuring the quality of internal auditing. Those activities included:

- the planning of changes to SID bank's internal auditing manual, through the supplementation and use of the COSO methodology in auditing procedures;
- the planning of changes to and supplementation of the rules of procedure of the IAD;
- participation of IAD employees in four training programmes, seminars and conferences organised by the Slovenian Institute of Auditors and the Bank Association of Slovenia; and
- a post-audit assessment was carried out for all performed and completed audits, in accordance with the Standards.

2.4 Use of resources for execution of the annual plan

The IAD was joined by a new director in December 2017. One audit was brought forward to the annual work plan for the 2018 financial year as the result of disruptions due to the sick leave of one employee (who is employed part-time until further notice for health reasons), and because external services providers were not hired during the year.

Due to the events stated above, the IAD had an average of 1.44 employees in 2017. Details are presented in the table below.

Table 1: Analysis of the use of planned time by the IAD in 2017

Activity		Estimated no. of days (IAD)	Actual days (IAD)*	Actual days excluding the director of the IAD	Actual/plan (IAD)	Actual/plan (IAD)	Net time used
A	AUDITING ACTIVITIES	178	200.4	198.1	113%	113%	62%
A1	Regular audits	115	160.5	158.2	140%	140%	50%
A2	Special audits	20	0.0	0.0	0%	0%	0%
A3	Follow-up activities	28	21.5	21.5	77%	77%	7%
A4	Advisory activity	15	18.4	18.4	123%	123%	6%
B	AUDITING-RELATED ACTIVITIES	86	111.4	101.2	130%	130%	34%
B1	Ongoing monitoring/controls/participation in committee meetings	14	27.0	22.0	193%	193%	8%
B2	Planning of the IAD's work	6	9.6	7.0	160%	160%	3%
B3	Periodic reporting on the work of the IAD	16	15.4	15.3	96%	96%	5%
B4	Development of auditing methodology	18	16.5	14.9	92%	92%	5%
B5	Education and training	16	12.9	12.9	81%	81%	4%
B6	Cooperation with external institutions/other providers of assurance	8	21.1	21.1	264%	264%	7%
B7	Management of department	4	6.3	5.5	158%	158%	2%
B8	Cooperation with internal auditors within the SID Group	4	2.5	2.5	63%	63%	1%
C	NON-AUDITING ACTIVITIES	8	11.6	7.2	145%	145%	4%
C1	Administration and other transactions	8	11.6	7.2	145%	145%	4%
D	ABSENCES AND UNPRODUCTIVE TIME	119	120.2	113.8	101%	101%	
D1	Holidays	15	22.0	20.0	147%	147%	
D2	Vacation	53	58.5	57.5	108%	108%	
D3	Sick leave	40	24.3	22.3	84%	84%	
D4	Non-productive time (meals and breaks)	21	15.4	14.0	73%	73%	
TOTAL		391	443.6	420.3	113%	113%	

Deviations in actual days used for auditing and non-auditing activities from the number of days planned in the IAD's annual work plan for 2017 are the results of the following events:

1. audits relating to 2016 were performed and completed during the 1st quarter of 2017, including audits of the Compliance function (11/2016), the Compliance of remuneration with the bank's remuneration policy (12/2016) and Direct lending with elements of state aid (7/2016);
2. an unexpected inspection by the Bank of Slovenia in May and August, when the former conducted an inspection of the eligibility of claims as collateral for the drawing of Eurosystem funds, and the latter an inspection of SID's operations in the area of credit risk related to banking products SME 6 and SME 7; and
3. additional deviations in certain items in the table 'Analysis of the use of the IAD's planned time' was partly the result of the activities of the new director, who joined the team on 1 December 2017.

The significant drop in the use of net available time for auditing activities, from 74% to 62%, was primarily the result of major involvement in the coordination of inspections carried out by the Bank

of Slovenia in 2017, and in part due to the completion of audits from 2016. Nevertheless, the IAD earmarked 96% of net available time for auditing and auditing-related activities.

2.5 Assessment of the performance of the IAD in 2017

The following performance criteria were included in the IAD's annual work plan for 2017:

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

We believe that the IAD performed well in 2017, as it achieved both established objectives:

- a total of 62% of the IAD's net available time was used for the performance of auditing activities (2016: 74%). A total of 96% of the IAD's net available time was used for the performance of auditing and auditing-related activities (2016: 97%); and
- seven of eight planned audits were performed, representing 87% of planned audits.

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

The bank has in place a remuneration policy that is in line with the law and that includes all essential principles, which are appropriately implemented in operations. Procedures, and the segregation of powers and responsibilities are indicatively defined in the remuneration policy. Controls over the implementation of the remuneration policy are in place. The IAD assesses the system of internal governance, risk management and internal controls in the area of remuneration as appropriate, while there is room for improvement in the calculation of the variable, performance-based element of remuneration.

4 Summary of significant findings from audits of operations

The system for managing data regarding loss events, which is an element of the overall *operational risk* management system, is basically assessed as appropriate. With the aim of increasing awareness about operational risks and meeting the requirements of the regulator, the need to upgrade the application used to monitor loss events was identified. The purpose of that upgrade was to facilitate the better recognition of areas and processes at the bank that require improvement, as well as specific corrective measures. As a result, a proposal was made to broaden the competences of the heads of OUs and senior management in the implementation of corrective measures in the event of loss events, the supplementation of procedures for collecting data regarding loss events and the establishment of procedures that will facilitate the regular reconciliation of data in the loss event database with accounting data.

Internal governance, risk management and internal controls were assessed as appropriate in terms of *relations with banks/international institutions with respect to funding*. Potential improvements identified in connection with the rules on the execution of borrowing transactions valid at the time of the audit related primarily to the more detailed definition of the activities of individual departments. Procedures for approving borrowing transactions in the selected sample were carried out, in all material respects, in accordance with the new rules, which were being drafted during the time of the audit. Additional opportunities for improvements related to the drafting of a formal document with a range of contractual conditions acceptable for the bank, as those conditions may vary significantly with respect to the counterparty involved, and to the study of the possibility of

excluding the anti-corruption clause, under the assumption that other anti-corruption mechanisms are in place in contracts with international institutions that are interpreted in accordance with foreign law. Possibilities for improvement were also identified in specific cases with regard to the arrangement of credit files for liability transactions.

The design and implementation of activities in connection with the *business continuity plan* were assessed as appropriate as, despite certain identified deficiencies, they allow the bank to provide the appropriate level of critical services in the event of unforeseen disruptions, taking into account the specificities of its operations. Due to recent changes in the IT infrastructure and the planned relocation of the back-up location, it was further determined that the comprehensive testing of the previously envisaged business continuity plan and the inclusion of results in the continued development of that plan will be required in 2018. Other deficiencies were identified and relate to the drafting of a plan for ensuring alternative work premises and means, the supplementation of the list of applications with the associated contracts and contact persons, the inclusion of measures for health crises in the business continuity plan, the consistent and comprehensive recording of loss events, the inclusion of provisions relating to the business continuity plan in all relevant contracts, the study of the possibility of implementing additional measures in the server room, and the supplementation of the electricity network scheme in terms of illustrating a possible alternative power supply.

In cooperation with the IAD of NLB, SID banka's IAD carried out a joint audit of the *implementation of liquidation measures within the Prvi Faktor Group*. In terms of the findings of that audit, internal governance, risk management and internal control arrangements were assessed as appropriate. The main recommendation, however, was a new and/or periodic critical assessment of the established exit strategy and the formalisation of control over the implementation thereof.

The *fulfilment of reporting requirements regarding the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP)* is assessed as appropriate. Bylaws follow valid regulatory requirements, in all material respects, but will have to be adapted in the future due to anticipated additional requirements, primarily on account of planned European regulatory changes. Deficiencies identified in 2015 in the audit of the procedure and methodology for assessing the risk profile and internal capital were in the process of being eliminated during the audit. A recommendation was also issued regarding the updating of liquidity scenarios in the scope of stress tests.

During the regular audit of the *early warning system for identifying increased credit risk*, the IAD determined that the customer monitoring and early warning system is deficient due to the limited range of indicators with respect to the Bank of Slovenia's guidelines, i.e. in the qualitative indicators of the operations of customers and in work procedures that are not precisely defined in bylaws. The IAD also identified unclear segregations of powers and responsibilities between departments in specific activities associated with the EWS process. Information support was still in the development stage at the time the audit was completed, despite the fact that the first functional requirements were issued back in 2016. Recommendations were issued based on the aforementioned findings for the more precise definition of the work procedures, roles and responsibilities of all OUs in the EWS process, for the updating of the range of indicators and criteria for placement on the potential watch list, the expansion of the content of information included on the potential watch list, and the establishment of the requisite information support that will, in the context of increased automation (automatic triggers), ensure all data required by regulations.

An audit of the compliance of remuneration practices with the bank's remuneration policy was also performed in the scope of the IAD's annual work plan. The conclusions from that audit are given in section 3.

5 Organisational independence

5.1 Requirements of the Standards

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

Organisational independence is effectively ensured if the head of internal auditing is functionally responsible and reports to the governing body. The head of the IAD is functionally responsible to the governing body whenever the latter:

- approves the internal audit charter;
- approves the risk-based work plan of the IAD;
- approves the budget and planned resources of the IAD;
- receives reports from the head of the IAD on the latter's work in connection with the work plan and other matters;
- approves decisions relating to the appointment and recall of the head of the IAD; and
- approves the remuneration of the head of the IAD.

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

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

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

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

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

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

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

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

5.2 Fulfilment of the requirements of the Standards

The bases for organisational independence are the organisational positioning and structure of the IAD, as required by Article 141 of the ZBan-2, i.e. as an independent department that reports directly to the bank's management board, and that is functionally and organisationally segregated from the bank's other organisational units. The IAD is directly subordinated to the bank's management board. Organisational independence is also conditional on allocated access rights in application support, and access to registers, employees and records.

In accordance with the rules of procedure of the IAD and Article 144 of the ZBan-2, the IAD submitted its strategic and annual work plan, the annual internal audit report for 2016 and quarterly internal audit reports to the bank's management board, and then to the audit committee and supervisory board in 2017. The IAD thus met requirements regarding its functional responsibility to the governing body.

At the end of 2017, the IAD also began procedures and potential adaptations of the relevant bylaws to the changes dictated by the revised Standards, with the aim of further enhancing the objectivity and independence of the internal audit function. All IAD employees signed a statement confirming their individual objectivity and independence, and confirming the absence of conflicts of interest amongst IAD employees in the performance of auditing and auditing-related activities.

Ljubljana, 28 February 2018

OPINION OF THE SUPERVISORY BOARD OF SID BANKA, D.D., LJUBLJANA ON THE 2017 ANNUAL REPORT ON INTERNAL AUDIT OF SID BANKA, D.D., LJUBLJANA

Pursuant to the International Standards for the Professional Practice of Internal Auditing (IPFF Standards) and Article 144 of the Banking Act (Official Gazettes of RS, No. 25/15, 44/16, 77/16), the Internal Audit Department of SID banka, d.d., Ljubljana prepared the 2017 Annual Report on Internal Audit for SID banka, d.d., Ljubljana and submitted it to the Bank's Management Board, Audit Committee, and the Bank's Supervisory Board.

Pursuant to Article 48 of the Banking Act, the Supervisory Board prepared its opinion on the Annual Report on Internal Audit, and the Management Board will include the Annual Report on Internal Audit with the opinion of the Supervisory Board in the agenda for the General Meeting pursuant to Article 144 of the Banking Act.

In 2017, the Supervisory Board regularly monitored the activities of the Internal Audit Department. The Supervisory Board and the Audit Committee monitored the activities of internal auditing by considering the Annual Report on Internal Audit and regular quarterly reports on activities performed by the Internal Audit Department in 2017. Special attention has been paid to implementation of recommendations of the Internal Audit Department. Organizational placement of the Internal Audit Department and authorizations assigned to it in the existing internal acts for the functioning of internal audit allow independent auditing, unlimited access to all areas, employees, information, and databases, as well as execution of auditing tasks as deemed by the Internal Audit Department. The Audit Committee and the Supervisory Board also monitored the suitability of procedures and efficiency of internal auditing by the examination of suitability of the Strategic Plan of Activities of the Internal Audit Department for the period 2018–2019 and the Plan of Activities of the Internal Audit Department for 2018, both of which were approved.

In 2017, the Supervisory Board and the Audit Committee also monitored the staffing of the Internal Audit Department. Despite the partial sick leave of one of the employees, no outsourcing services were used for audit activities. The Audit Committee and the Supervisory Board gave their consent to the appointment and remuneration of the new Chief Audit Executive, who joined the Bank at the beginning of December 2017. The Internal Audit Department completed most of the annual work plan, except for one review, which was transferred to the annual work plan for 2018.

At its 68th meeting on 15 March 2018, the Audit Committee considered the 2017 Annual Report on Internal Audit of SID banka, d.d., Ljubljana.

At its 166th meeting on 15 March 2018, the Supervisory Board considered the 2017 Annual Report on Internal Audit of SID banka, d.d., Ljubljana and gave the Report its positive opinion.

Signature
President of the Supervisory Board

3.

DEFINITION OF THE REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

K 3. Proposed resolution for item 3 on the agenda of the 30th general meeting of SID banka, d.d., Ljubljana

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

Supervisory board members shall receive attendance fees in the gross amount of EUR 275.00 per member. The members of supervisory board committees shall receive an attendance fee for their participation at a committee session in the amount of 80% of the attendance fee for supervisory board sessions. The attendance fee for correspondence sessions shall amount to 80% of the regular attendance fee. Notwithstanding the above and regardless of the number of sessions attended, an individual supervisory board member shall be entitled to the payment of attendance fees during a given financial year until the total amount of attendance fees reaches 50% of the annual basic wage for the performance of the function of supervisory board member. Notwithstanding the above and regardless of the number of supervisory board and committee sessions attended, an individual supervisory board member who is also a member of a supervisory board committee or committees shall be entitled to the payment of attendance fees during a given financial year until the total amount of attendance fees for sessions of the supervisory board and its committees reaches 75% of the annual basic wage for the performance of the function of supervisory board member.

In addition to attendance fees, supervisory board members shall receive basic pay for the performance of their functions in the gross amount of EUR 15,000.00 per year per member. The chairman of the supervisory board shall also be entitled to an additional fee in the amount of 50% of their basic wage for performing the function of supervisory board member, while the vice-chairman/deputy chairman of the supervisory board shall be entitled to an additional fee in the amount of 10% of their basic wage for the performance of the function of supervisory board member.

Members of the supervisory board's committees shall receive an additional fee for the performance of their functions that amounts to 25% of their basic pay for performing the function of supervisory board member. The chairman of a committee shall also be entitled to an additional fee for the performance of their function in the amount of 37.5% of the basic wage for the performance of the function of supervisory board member. Notwithstanding the above and regardless of the number of committees of which they are a member or chairman, each member of a supervisory board committee shall be entitled to the payment of an additional fee during a given financial year until the total amount of such additional fees reaches 62.5% of the annual basic wage for the performance of the function of supervisory board member. Notwithstanding the above and regardless of the number of committees of which they are a member or chairman, if the mandate of an individual member of the supervisory board is shorter than the financial year, each member of a supervisory board committee shall be entitled to the payment of an additional fee in a given financial year until the total amount of such additional fees reaches 62.5% of the basic wage for the performance of the function of supervisory board member, relative to the eligible payments for the duration of such member's mandate during the financial year in question.

Supervisory board members and members of supervisory board committees shall receive a basic wage and an additional fee for the performance of their functions in proportional monthly payments, to which they are entitled as long as they perform their functions. The monthly payment shall amount to one-twelfth of the annual amounts specified above.

The restriction on the amount of total attendance fees or additional fees paid to a member of the supervisory board shall in no way affect their obligation to actively participate in all meetings of the supervisory board and committees of which they are a member, nor shall it affect their legally prescribed responsibility.

Supervisory board members shall be entitled to the reimbursement of travel costs and accommodation expenses incurred in connection with their work on the supervisory board up to the level specified in regulations governing the reimbursement of work-related costs and other tax-deductible income (provisions applying to travel and over-night stays on business trips). The amount to which a supervisory board member is entitled according to the regulations referred to above shall be converted to a gross amount so that net payment is equal to the reimbursement of actual travel costs. The distances between locations shall be calculated via AMZS's public website and shall be taken into account for the purpose of determining mileage. Accommodation costs may only be reimbursed if the distance between the permanent or temporary residence of the member of the supervisory board or a supervisory board committee and the place of work is at least 100 kilometres, if they were unable to return because there were no scheduled public transport services or for other objective reasons.

This resolution shall enter into force and be applicable on the day it is adopted by the general meeting. With the adoption of this resolution, the resolution under point 4 adopted by the general meeting on 27 July 2011 shall be rescinded.

EXPLANATION OF THE PROPOSED RESOLUTION ON THE DEFINITION OF THE REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

I. Current situation

On 27 July 2011, the general meeting of SID banka adopted a resolution under item 4 of the agenda, under which it defined a system for the remuneration of members of the supervisory board and the latter's committees. That resolution is still in force. It was adopted on the basis of the criteria of the Capital Assets Management Agency of the Republic of Slovenia that were valid at that time.

With the updated Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), Slovenski državni holding (SDH) adopted a somewhat revised system for the remuneration of supervisory board members in May 2017. Based on its corporate governance policy, SID banka complies with the Code and therefore proposes the adoption of changes to existing general meeting resolutions in accordance with the provisions of the Code and the change set out in the third paragraph of the proposed resolution.

II. Proposed system of remuneration – changes

Presented in brief below is a summary of proposed changes relative to the currently valid general meeting resolution:

- attendance fees for correspondence sessions of the supervisory board's committees are reduced from EUR 220 to EUR 176;
- the maximum amount of total attendance fees is raised from EUR 7,750 to EUR 11,250;
- the maximum basic wage for the performance of the function of supervisory board member is reduced from EUR 15,500 to EUR 15,000;
- due to the reduction of the base according to the previous indent, the additional fee for the functions of chairman and deputy chairman of the supervisory board, and the additional fee for members of the supervisory board's committees is reduced slightly;
- the additional fee for the performance of the function of committee chairman is reduced from EUR 7,750 to EUR 5,625;
- the maximum amount of additional fees for the performance of functions on the supervisory board's committees is raised from EUR 7,750 to EUR 9,375;
- the payment of daily allowances is abolished; and
- the maximum amount of additional fees for the performance of functions on committees is reduced accordingly if a term of office is terminated during the year.

All of the proposed changes are in line with the provisions of the Code. The different proposal stated in the sixth indent of the previous paragraph and the third paragraph of the proposed resolution is based on the following:

- the principal of higher wages for the chairman of committees relative to other members, which in the event of the membership of the chairman of one committee on two committees at the same time would not be implemented, as it creates an unequal position between the chairmen of committees, depending on the number of functions on supervisory board committees;
- the provisions of the Banking Act, which require that banks have more committees than other companies; and
- the smaller number of members on SID banka's supervisory board, which has not functioned in its full composition since September 2015.