

2.2.

ADOPTION OF THE RESOLUTION ON THE USE OF DISTRIBUTABLE PROFIT FOR 2023

Ad 2.2 Proposed resolution for item 2.2 on the agenda of the 37th general meeting of SID banka, d.d., Ljubljana (hereinafter: SID Bank)

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

"The distributable profit amounted to EUR 7,427,876.20 as at 31 December 2023, and comprised the remainder of net profit for the 2023 financial year after allocation of regulatory reserves and reserves under the articles of association in the amount of EUR 8,209,757.91. The distributable profit for 2023 in the amount of EUR 7,427,876.20 is allocated to other profit reserves."

EXPLANATION OF THE PROPOSED RESOLUTION ON THE USE OF DISTRIBUTABLE PROFIT FOR 2023

Following the fifth paragraph of Article 230 of the Companies Act (Official Gazette of the Republic of Slovenia, Nos. 65/09 (official consolidated version), 33/11, 91/11, 32/12, 57/12, 44/13 (Constitutional Court decision), 82/13, 55/15, 15/17, 22/19 (ZPosS), 158/20 (ZIntPK-C), 18/21 and 18/23-ZDU-10; hereinafter: the ZGD-1) the general meeting of shareholders shall decide on the use of the distributable profit.

SID Bank generated a net profit of 15,637,634.11 during the 2023 financial year. The management board created regulatory reserves in the amount of 5% of net profit equalling EUR 781,881.71 during the compilation of the 2023 annual report following the first paragraph of Article 230 in connection with the third and fourth paragraphs of Article 64 of the ZGD-1 and, following point 4 of paragraph 1 of Article 230 in connection with the seventh paragraph of Article 64 of the ZGD-1 and Article 28 of the articles of association of SID Bank, created reserves under the articles of association in the amount of 50% of net profit less the amount of created regulatory reserves, equalling EUR 7,427,876.20.

Distributable profit amounted to EUR 7,427,876.20 as of 31 December 2023 and represents the remainder of net profit for the 2023 financial year following the creation of regulatory reserves and reserves under the articles of association in the amount of EUR 8,209,757.91.

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

The management board and supervisory board thus propose the allocation of distributable profit for 2023 in the amount of EUR 7,427,876.20 to other profit reserves.

ANNUAL INTERNAL AUDIT REPORT FOR 2023, SID BANK

Report recipients:

- Management Board
- Audit committee and Supervisory Board
- General meeting
- Auditor of financial statements (E&Y)

Miha Selan
director, internal audit department

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ABBREVIATIONS

IAD	internal audit department
ZBan	Banking Act
AP	annual plan
FTE	full-time equivalent (hours of person who works full time)
IIA	Institute of Internal Auditors (Slovenian branch)
HR	human resources
ICAAP	internal capital adequacy assessment process
RAF	risk assessment framework
IT	information technology
NCA	new credit application
BSI	Banka Slovenije
ECB	European Central Bank
IFRS	International Financial Reporting Standards
SICR	significant increase in credit risk
AML/CFT	anti-money laundering / combating the financing of terrorism
DORA	Digital Operational Resilience Act
BCP	business continuity plan
EBA	European Banking Authority
ICT	information and communication technologies

1 Introduction

Pursuant to the Rulebook on the functioning of the internal audit department of SID Bank (hereinafter: the IAD rulebook), Article 164 of the Banking Act (Official Gazette of the Republic of Slovenia, No. 92/21 of 8 June 2021; hereinafter: the ZBan-3), and the International Standards for the Professional Practice of Internal Auditing (hereinafter: the standards), the internal audit department (hereinafter: the IAD) has drawn up this annual internal audit report for 2023, which encompasses:

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

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

The IAD operated in 2023 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 2023, which the Bank's Supervisory Board approved at its 239th ordinary meeting of 15 December 2022.

2.1 Implementation of scheduled audits

Audits scheduled in the annual plan for 2023 and the annual plan for 2022 were conducted and completed during the available time in 2023. The statuses of various audits are outlined below.

The annual work plan of the IAD scheduled nine ordinary audits in 2023, in addition to other activities. The table below discloses the statuses of the audits scheduled in the annual plan for 2023:

	Title of audit	Status
1	Business continuity plan (1/2023)	deferred to AP 2024
2	ICAAP (2/2023)	completed
3	Management of loan funds (3/2023)	in progress
4	Reporting of incidents (4/2023)	completed
5	Cyber security: PEN test (5/2023)	completed (outsourced to SRC d.o.o.)
6	Risk profile and RAF (6/2023)	suspended ¹
7	IT security (7/2023)	completed
8	Functionality of implemented NCA solutions (8/2023)	conducted as advisory engagement
9	Compliance of remuneration with remuneration policy (9/2023)	completed

Certain audits scheduled in the annual plan for 2022 were also conducted in 2023. The table below discloses their statuses:

	Title of audit	Status
1	Compliance function (2/2022)	completed
2	IT change management at SID Bank (4/2022)	completed (outsourced to Mazars IT d.o.o.)

¹ On 8 January 2024 Banka Slovenije began an inspection of the ICAAP at the Bank that includes an audit of the risk profile and the RAF.

3	HR management and development (5/2022)	completed
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The scheduled time in the annual plan for 2023 was also used in the first quarter of 2023 to complete five audits from the annual plan for 2022.

The IAD's auditing activities in 2023 also included intensive advisory engagements, which accounted for a similar share of its total activity in the previous year (9%), although the time spent on them was 46% higher than the time scheduled in the annual plan for 2023. The greatest amount of advisory time was spent on reviewing the projected internal control system in the upgrade of the financing process that forms the basis for the development of the NCA, and on reviewing of the draft rulebook on organisation.

2.2 Completion of other scheduled activities of the IAD

The IAD realised all of the following scheduled activities in 2023:

- providing formal and informal advisory services for line managers and individual employees;
- conducting quarterly follow-up of recommendations;
- drafting all quarterly internal audit reports, including findings from the follow-up of recommendations, and submitting them to the Management Board, audit committee and Supervisory Board;
- drafting the annual internal audit report for 2023, and submitting it to the Management Board, audit committee and Supervisory Board;
- drafting a broad strategic plan for the work of the IAD for 2024 and 2025, and the IAD's annual work plan for 2024, and submitting them to the Management Board, audit committee and Supervisory Board;
- coordinating requests submitted by Banka Slovenije in accordance with Article 271 of the ZBan-3;
- actively coordinating and participating in three Banka Slovenije audits in 2023;
- monitoring the Bank's current performance, primarily via access to materials for its management bodies and committees.

2.3 Implementation of the quality assurance programme

The IAD continued with activities in 2023 aimed at ensuring the quality of internal auditing. Those activities included:

- the participation of IAD employees in 11 training programmes, seminars and conferences organised by IIA Slovenia, the Slovenian Institute of Auditors, the Bank Association of Slovenia, Banka Slovenije, the ECB, and international consultancy firms;
- a post-audit evaluation for all conducted and completed audits, in accordance with the International Standards for the Professional Practice of Internal Auditing;
- a self-assessment of the quality of the IAD's work between 1 January 2020 and 31 December 2022;
- an annual interview with the director of the IAD conducted by Banka Slovenije.

2.4 Use of resources for implementation of the annual plan

The IAD implemented its annual plan for 2023 within the framework of the approved financial plan for its work in 2023. The cyber security: PEN test audit (5/2023) was outsourced as planned to an external provider: Mazars IT d.o.o.

The change management audit (4/2022) from the annual plan for 2022 was also outsourced, to SRC d.o.o.

The internal audit department had four employees in 2023, three of whom were full-time employees and one of whom was a part-time employee (four hours). The IAD had an average of 3.3 FTEs² in 2023 excluding annual leave, and 3 FTEs if annual leave is taken into account. Details in connection with the use of available time are presented in Table 1. The rise in FTEs in 2023 compared with 2022 was largely a reflection of a new staff member joining the department in December 2022.

All the employees at the IAD hold professional licences in external auditing, internal auditing and auditing of information systems, and in 2023 attended conferences, seminars and other forms of external and in-house training within the boundaries set by the department financial plan.

Last year was slightly less demanding in terms of time from the perspective of the number of Banka Slovenije audits completed. An inspection of the Bank with regard to compliance with the requirements prescribed in the area of restrictive measures and an inspection in the area of credit risk (with a focus on credit standards in the approval of loans to non-financial corporations, and monitoring of credit exposure) and in the area of the implementation of IFRS 9 (with a focus on the recognition of a significant increase in credit risk) were conducted. There was also a follow-up audit of the SISBIZ recommendations.

The internal audit department spent significant human resources and time on extremely demanding audits of the compliance function and later on HR functions from the annual plan for 2022, and at the same time conducted two extensive advisory engagements: the first was a review of the internal control system as part of the upgrade to the financing process that forms the basis for the development of NCA software support, and the second involved organisation and organisational structure, the segregation of powers and responsibilities, and tasks that formed part of the reorganisation effective as of 1 January 2024.

Table 1: Analysis of use of scheduled time by the IAD in 2023

Activity	Realisation in 2022	Plan for 2023	Realisation in 2023	Realisation / plan (2023)	Net time used	Realisation in 2023 / realisation in 2022
A AUDITING ACTIVITIES	285	386	454	118%	65%	159%
A1 Scheduled audits	195	280	357	127%	51%	183%
A2 Extraordinary audits	16	35	0	0%	0%	0%
A3 Follow-up of recommendations	29	26	32	123%	5%	110%
A4 Advisory engagements	45	45	66	146%	9%	146%
B AUDITING-RELATED ACTIVITIES	236	247	208	84%	30%	88%
Ongoing monitoring / controls / participation in committee meetings	57	58	48	83%	7%	84%
B1 Planning of the IAD's work	20	8	10	125%	1%	50%
B2 Periodic reporting on the work of the IAD	36	30	37	123%	5%	103%
B3 Development of auditing methodology	5	15	3	20%	0%	60%
B4 Education and training	27	40	44	110%	6%	163%
B5 Collaboration with external institutions / other providers of assurances	77	80	51	64%	7%	66%
B6 Management of department	14	16	15	94%	2%	107%
B7						
C NON-AUDITING ACTIVITIES	54	32	36	114%	5%	67%
C1 Administration and other engagements	54	32	36	114%	5%	67%
D ABSENCES AND NON-PRODUCTIVE TIME	170	206	214	104%		126%
D1 Holidays	21	39	39	100%		186%
D2 Leave	73	100	105	105%		144%
D3 Sick leave	44	20	25	125%		57%
D4 Non-productive time (meals and breaks)	32	47	45	96%		142%
TOTAL	745	871	913	105%		123%

Use of scheduled time: The deviations in the actual days spent on auditing and non-auditing activities from the number of days scheduled in the IAD's annual work plan for 2023 are the result of the following developments/activities:

² Including holidays and absence due to sick leave.

1. audits from the annual plan for 2022 (five in total³) were still being conducted and completed in the first quarter of 2023, namely until mid-February,
2. five or six audits scheduled in the annual plan for 2023 (one audit⁴ was conducted as an advisory engagement) and three audits scheduled in the annual plan for 2022 were conducted in 2023, with two of the audits requiring significantly more time than scheduled (27%) on account of circumstances and additional information,
3. the increased activity in formal and informal advisory services (46% higher than planned) was attributable to formal advisory services⁵ in two major projects: the control system for the upgrade of the financing process for the needs of developing the NCA, and a review of the rulebook on organisation. Much of the informal advice provided by the IAD related to upgrading and extending bylaws and putting new bylaws in place,⁶
4. the time spent on collaborating with external providers was down significantly. Banka Slovenije conducted three audits in 2023, compared with five in the previous year (a decline of 36%),
5. the decline in time spent on ongoing monitoring / controls / participation in committee meetings is attributable to the IAD's reduced involvement on the asset-liability and liquidity management committee, the abolition of the projects committee, and the relinquishment of its membership of the steering committees for the IT projects for Core and NCA (a decline of 17%).

The total time spent on auditing activities was 18% higher than scheduled in the annual plan for 2023 (see notes in the previous paragraph), and up 83% on 2022 owing to the reasons stated above and also as a result of a new staff member joining the IAD in late 2022.

A total of 65% of the net available time was spent on auditing activities during the 2023 financial year (compared with 50% in the 2022 financial year). The IAD spent 95% of its net available time on auditing and auditing-related activities.

2.5 Assessment of the performance of the IAD in 2023

The following performance criteria were included in the IAD's annual work plan for 2023:

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

The IAD substantively coordinated two Banka Slovenije audits in keeping with its duties and its practice of collaboration with the regulator. The audits of the HR function and the compliance function from the annual plan for 2022 and the demanding advisory engagements in the area of internal controls for upgrading the financing process and the reorganisation also had a significant impact on the IAD's performance.

Our feeling is that the IAD performed well in 2023 despite exceptionally challenging circumstances, and hit the following targets amid all of the aforementioned activities:

³ System of authorisations and decision-making (7/2022), Strategic guidance and ALM (8/2022), Credit process: compliance with EBA guidelines (3/2022), AML/CFT (1/2022), Compliance of remuneration with remuneration policy (10/2022)

⁴

⁵ There were reviews of the Rulebook on treasury operations, and the ZELEN and DIGITALEN products.

⁶ Informal advisory services: Liquidation of PS1, Rulebook on data quality management, Rulebook on the monitoring and implementation of legislation, Rulebook on conflicts of interest, restrictive measures, AML/CFT, impact on ICT bylaws, data quality, DORA strategy, audit recommendations.

- 65% of the IAD's net available time was spent on auditing activities (2022: 50%), better than the target of 60%, while of 95% of the IAD's net available time was spent on auditing and auditing-related activities (2022: 91%);
- 86%⁷ of the scheduled auditing work was realised, thus surpassing the target of 80%.

3 Assessment of the compliance of remuneration practices with remuneration policy

Annual work plan for 2023:

The system of governance, risk management and internal controls in the area of remuneration is assessed as appropriate, as the essential elements of legislation are taken into account and incorporated into the two remuneration policies, which were upgraded in the final quarter of 2023 in line with the recommendations from the previous audit. Consequently the impact of the upgraded bylaws in the area of remuneration will mainly be reflected in performance in practice in 2024. A more detailed assessment of the implementation of the upgraded rules in the area of remuneration management in practice in 2024 will be conducted in 2025.

4 Summary of significant findings from audits

Annual work plan for 2023:

Despite several significant deficiencies, the area of *reporting and management of ICT incidents* is assessed as appropriate, as the deficiencies are mostly well-known and activities to rectify them are in progress. Based on the findings from auditing processes, our recommendation is that within the framework of the previously planned overhauls of bylaws and improvements in the area of the management of risks, threats and vulnerabilities, sufficient attention should also be given to other ICT risks alongside security risks, from the perspective of defining processes and responsibilities. In addition to updating and coordinating bylaws, it is also necessary to pursue the objective of consolidation, as a reduction in the number of bylaws would aid transparency. Other ICT risks also need to be taken into account in the updating of the risk catalogue, where the recommendation is for the alignment of risk categories and sub-categories between various documents, and changes to ownership of the risks where appropriate. Improvements are still required in connection with training for external providers, and there is a need for sufficiently detailed planning of the introduction of service management tools to also cover incident management. Additional recommendations were not given in connection with deficiencies that had previously been highlighted in audits by the regulator.

The *ICAAP* is as assessed as appropriate: it is implemented regularly, on the basis of documented rules. For individual segments there are more detailed methodological bases, the responsibilities are defined, and oversight of the management bodies is being conducted. The process was the subject of some major methodological changes in 2022, when the effects of stress testing for credit risk and operational risk were excluded from the calculation, along with an add-on for reputation risk, which reduced the internal capital assessment. The audit identified possible improvements with regard to examination of the need to include in the risk catalogue additional risks that had previously been identified by staff; the possibility of upgrading the treatment of operational risks; updates to bylaws with regard to resources for identifying risks, a description of the approach to the final calculation of economic aspects, the expansion of the description with regard to processes and methods in connection with the

⁷ Owing to objective external circumstances, the scheduled audit of the BCP was deferred to the annual plan for 2024 (and was not part of the plan for 2023) with the approval of the risk committee; owing to an identical parallel audit by the regulator, auditing activities in the review of the risk profile and the RAF were suspended until further notice (the audit was not included in the realisation of the plan for 2023); the audit of management of the loan funds was completed to a level of at least 85% (coordination and presentation to the Management Board is still required), and it is included in the realisation of the plan.

quantification and determination of expected and unexpected losses and triggers for assessment of the potential reallocation of capital; updates to the annual ICAAP report with regard to a more detailed description of metrics of specific individual risks and the inclusion of additional clarifications with regard to the results of measurements and a more detailed description of the treatment of individual risks and risk segments.

The area of *vulnerability management (IT security)* is assessed as appropriate, having regard for the extensive activities carried out in late 2023, which largely concerned the overhaul and upgrade of bylaws, which in practice has contributed to more systematic management of threats and vulnerabilities. Based on the findings, there is a need to systematically extend, strengthen and update systems for monitoring vulnerabilities. Our recommendations include updating the inventory of ICT resources, ensuring access, monitoring the useful life of ICT resources, and completing the record of exemptions. In certain cases there is a need to more clearly demarcate and define the powers and duties, the timeframes and the frequency of testing. Improvements could also be made to the monitoring of system function and reporting.

An audit of cyber security was conducted by means of a penetration test with the assistance of an external consultant. The Bank has put external protection in place for the identification and prevention of potential dangers before system penetration, and therefore assigned a standard workstation to the external consultant for testing penetration identification and response within the system, partly because of the time aspect. On the basis of multiple scenarios and simulations, guidance and recommendations for further upgrading and developing the security system were issued.

Annual work plan for 2022

The area of *IT change management* is assessed as deficient. Deviations and deficiencies requiring better performance in management, implementation, controls and improvements in the area of change management were identified during the audit. Owners of the change management process have been made aware of the deviations and deficiencies. Our recommendation for the Bank is to actively embark on the analysis and realisation of the recommendations issued during the audit.

The Bank has put a compliance function in place and positioned it within the organisational structure, and has set out policies and procedures for its proper functioning, which are assessed as deficient in places from the perspective of the adequacy of the internal governance arrangements, risk management and internal controls. The compliance policy (Rulebook on the functioning of the compliance department, the Code of ethics and professional standards, and other bylaws) needs to be upgraded. There is also a need to provide for regular updates in line with regulatory changes, internal changes and exposure to compliance risk. There is a need to create new/separate bylaws for the management of conflicts of interest, corruption risk management, and customer acceptance policy. We have highlighted the need to examine current areas of operation, and for a clear definition of tasks. There is a need to put in place an appropriate basis (methodology) for conducting assessments of compliance risk, and to put in place the regular and systematic assessment of compliance risk. The compliance function's work programme must be drawn up on the basis of the findings from the compliance risk assessment. No compliance officer is formally appointed, and a staff shortage was identified, which has already been appropriately addressed. Our opinion is that there is a need to strengthen training in the areas where the function identifies a lack of knowledge and skills, including in the area of data protection.

The system of internal governance, risk management and internal controls related to the area of *HR management and development*, which encompassed a review of the entire HR function, is assessed as appropriate, except in the area of the recording of work hours, where our

opinion is that there is a need to examine the existing system on the basis of the findings presented and to upgrade it in places. The processes for candidate selection, recruitment, hiring and termination are conducted in accordance with the relevant bylaws, although in individual segments there is a need to strengthen the control system (reporting on working from home, notification of unselected candidates), and to ensure better documentation of the processes (formalisation of the assessment of selected candidates, skills tests, storage of documentation). The area of key talent management is in a further development phase, and accordingly we propose that the concept of key talent also be assessed from the perspective of potential links with banking regulations defining key functions at a bank and employees with a significant impact on risk. We are additionally of the opinion that there is a need to continue developing clear career pathways and the bonus system, which are vital factors in the retention of key talent.

5 Organisational independence

5.1 Requirements of the standards

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

Organisational independence is effectively ensured if the chief audit executive is functionally accountable and reports to the supervisory body. Examples of functional accountability to the supervisory body are when it:

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

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

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

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

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

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

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

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

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

5.2 Fulfilment of the requirements of the standards

The bases for organisational independence are the organisational positioning and structure of the IAD, as required by Article 161 of the ZBan-3, i.e. as an independent department that

reports directly to the bank's management board, and that is functionally and organisationally segregated from the bank's other organisational units. The IAD is directly answerable to the Bank's Management Board. Organisational independence is also conditional on allocated access rights in application support, and access to registers, employees and records.

In accordance with the rules of procedure of the IAD and Article 164 of the ZBan-3, the IAD submitted its strategic and annual work plan, the annual internal audit report for 2023 and the quarterly internal audit reports to the Management Board, and then to the audit committee and the Supervisory Board in 2023. The IAD thus met the requirements regarding its functional responsibility to the supervisory bodies.

All IAD employees signed a statement confirming their individual objectivity and independence for 2023, and confirming the absence of conflicts of interest amongst IAD employees in the performance of auditing and auditing-related activities.

Ljubljana, 15 February 2024

OPINION OF THE SUPERVISORY BOARD OF SID BANK REGARDING THE ANNUAL INTERNAL AUDIT REPORT FOR 2023

Pursuant to the International Standards for the Professional Practice of Internal Auditing and Article 164 of the Banking Act (Official Gazette of the Republic of Slovenia No. 92/21; hereinafter: the ZBan-3), the internal audit department of SID Bank issued the annual internal audit report for 2023 and submitted it to the Bank's management board, audit committee and supervisory board for discussion.

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

The supervisory board regularly monitored the work of SID Bank's internal audit department in 2023. The supervisory board and audit committee supervised the work of the internal audit function by discussing the annual internal audit report and quarterly reports on the work of the internal audit department in 2023, when they also dedicated attention to progress in the implementation of the aforementioned department's recommendations as well as implementation of the annual and financial plan of the department. The organisational positioning of the internal audit department and the powers entrusted to it by existing bylaws governing the work of that department facilitate independent auditing, unfettered access to all of the Bank's premises, employees, information and data, and the performance of auditing tasks at the internal audit department's initiative. The audit committee and supervisory board also supervised the appropriateness of procedures and the effectiveness of internal auditing by assessing and giving its consent to the strategic work plan of the internal audit department for the period 2023–2024 and the work plan of the internal audit department for 2023.

The supervisory board and audit committee also supervised the staffing of the internal audit department in 2023. Audits by the Bank of Slovenia were coordinated in addition to regular audits, while formal and informal advisory activities were also performed. The internal audit department implemented 86% of its annual work plan, whereby one planned audit review was transferred to the annual work plan for 2024 due to external reasons.

At its 127th session held on 27 February 2024, the audit committee discussed the annual internal audit report for SID Bank for 2023.

At its 251st session held on 6 March 2024, the supervisory board the supervisory board took note of the annual internal audit report for SID Bank for 2023, and issued a positive opinion regarding the report.

Janez Tomšič

Chair of the Supervisory Board

Information on the remuneration of members of the Management Board with regard to the Recommendations and Expectations of Slovenski državni holding (December 2023) and the Governance Policy of Slovenski državni holding (June 2023) for voting at the general meetings of companies

Point 6.12 of the Recommendations and Expectations of SDH requires companies at whose general meetings SDH exercises governance entitlements to "brief the general meeting or the founder on the remuneration policy for management and/or supervisory bodies, any changes thereto, and the remuneration of the management and supervisory bodies vested and actually paid in accordance with the Corporate Governance Code¹ in the manner referred to in the Governance Policy of SDH". Article 60 of the Governance Policy stipulates that "SDH will endeavour to ensure that companies brief the general meeting on the remuneration actually paid to members of the management body, at a minimum in the extent set out by the relevant appendix of the Corporate Governance Code". Article 60 further expresses the expectation that this briefing should include the additional information presented in the table below.

SID Bank draws up a report on remuneration in accordance with Article 294b of the Companies Act (ZGD-1), whose compliance with the requirements of the law is confirmed by the external auditor. The report is submitted to the Bank's General Meeting for information purposes, and is published on the Bank's website, after having been discussed at the General Meeting. Information with regard to the remuneration of members of SID Bank's Management Board and Supervisory Board has previously been disclosed to a significant extent in the remuneration report, whose format is aligned with Appendix 4 of the Corporate Governance Code in all essential elements. Information not disclosed in the remuneration report is presented below.

I. Information on remuneration of members of the Management Board in accordance with Article 60 of the Governance Policy of SDH

	Requirement	Disclosure
1.	Gross basic monthly or annual remuneration as agreed in the contract with the member of the management body	<p>SID Bank's 36th general meeting of 29 June 2023 was briefed on and approved the new remuneration policy for members of the management body. It stipulates the maximum allowed (fixed) payment, which is determined in accordance with the ZPPOGD and the Recommendations and Expectations of SDH.</p> <p>The employment contract sets out the basic salary of the president of the Management Board, which is lower than the maximum allowed amount, and has stood at EUR 20,000 gross per month since the adoption of the new remuneration policy. The basic monthly salary of the other member of the Management Board is EUR 17,929.14 gross. The president of the Management Board who held office until 16 April 2023 was receiving a basic monthly salary of EUR 21,093.10 gross.</p>

¹ Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Corporate Governance Code)

2.	Average gross salary paid at companies in the group ² or at the company if there is no group ³ during the previous financial year, i.e. for the year prior to the year of disclosure of remuneration of management bodies	EUR 4,747.90 ⁴
3.	Gross amount of vested right to variable remuneration for previous financial year ⁵	Vested, current and deferred payments of variable remuneration are evident in the remuneration report.

² The average gross salary in the group is calculated by dividing the sum of all gross wage costs of companies in the group (the "wages and salaries" item from the income statement, less the wages and salaries at companies not established in Slovenia) by the number of months that the group was trading as a going concern, and by further dividing the amount obtained by the total average headcount based on hours worked at all companies in the group.

³ The average gross salary at the company is calculated by dividing the sum of all gross wage costs at the company (the "wages and salaries" item from the income statement) by the number of months that the company was trading as a going concern, and by further dividing the amount obtained by the total average headcount based on hours worked at the company.

⁴ The average salary in 2022 also reflects a methodological change in the recognition of performance bonuses under labour costs. The labour costs in 2022 include the bonuses for the 2021 financial year and for the 2022 financial year.

⁵ The actual payments of variable remuneration for the year in question, which also include deferred payments for previous years, are disclosed in the appendix to the Corporate Governance Code. The actual vested payments for the year in question are expected to be disclosed in this indent.

<p>4. Other rights agreed in the contract (for the previous year) in the sense of Recommendation 9 from the applicable Recommendations and Expectations of SDH, broken down by individual group of rights (generally a disclosure of the type of right and the maximum permitted amount or values under the contract)</p>	<p>The maximum rights derive from the remuneration policy for members of the management body, as adopted at the general meeting; equivalent amounts are also included in the employment contract with the members of the Management Board. Detailed information on other rights actually exercised in 2023 is presented in the table below:</p> <table border="1" data-bbox="319 224 1021 1377"> <thead> <tr> <th></th> <th>President of Management Board until 16 Apr 2023</th> <th>President of Management Board since 17 Apr 2023</th> <th>Member of Management Board</th> </tr> </thead> <tbody> <tr> <td>Annual leave allowance</td> <td>598.49</td> <td>1,196.99</td> <td>1,795.48</td> </tr> <tr> <td>Fringe benefits</td> <td>496.06</td> <td>311.40</td> <td>842.61</td> </tr> <tr> <td>voluntary health insurance</td> <td>53.05</td> <td>311.40</td> <td>426.60</td> </tr> <tr> <td>liability insurance</td> <td>416.01</td> <td></td> <td>416.01</td> </tr> <tr> <td>Training and education</td> <td>45.90</td> <td>2,080.10</td> <td>7,904.88</td> </tr> <tr> <td>Voluntary supplementary pension insurance</td> <td>725.91</td> <td>2,177.73</td> <td>2,903.64</td> </tr> <tr> <td>Preventive health check-ups</td> <td></td> <td>109.00</td> <td></td> </tr> <tr> <td>Membership fees</td> <td>320.00</td> <td></td> <td>210.00</td> </tr> <tr> <td>Managers' Association of Slovenia</td> <td>320.00</td> <td></td> <td></td> </tr> <tr> <td>SDA</td> <td></td> <td></td> <td>210.00</td> </tr> <tr> <td>Company car</td> <td>Škoda Enyaq iV 80 2022 registration Residual value as at 31 Mar 2023: 60,794.48</td> <td>Škoda Enyaq iV 80 2022 registration Residual value as at 31 Dec 2023: 54,655.91</td> <td>Škoda Enyaq iV 80 2022 registration Residual value as at 31 Dec 2023: 46,549.28</td> </tr> </tbody> </table>		President of Management Board until 16 Apr 2023	President of Management Board since 17 Apr 2023	Member of Management Board	Annual leave allowance	598.49	1,196.99	1,795.48	Fringe benefits	496.06	311.40	842.61	voluntary health insurance	53.05	311.40	426.60	liability insurance	416.01		416.01	Training and education	45.90	2,080.10	7,904.88	Voluntary supplementary pension insurance	725.91	2,177.73	2,903.64	Preventive health check-ups		109.00		Membership fees	320.00		210.00	Managers' Association of Slovenia	320.00			SDA			210.00	Company car	Škoda Enyaq iV 80 2022 registration Residual value as at 31 Mar 2023: 60,794.48	Škoda Enyaq iV 80 2022 registration Residual value as at 31 Dec 2023: 54,655.91	Škoda Enyaq iV 80 2022 registration Residual value as at 31 Dec 2023: 46,549.28
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<p>5. Amount of termination benefit agreed in the contract in case of early termination of office, and eligibility conditions</p>	<p>Under the contract, a member of the Management Board is entitled to a termination benefit in the amount of six times the last basic monthly salary if they are dismissed prior to the end of their term of office on grounds other than those referred to in the first, second and third indents of the second paragraph of Article 268 of the ZGD-1 and they do not enter into a new employment contract with the company after the termination of the contract. They are not entitled to a termination benefit if they terminate the employment contract themselves, unless the termination is due to health reasons that prevent them from further discharging their duties.</p> <p>The amount of the termination benefit is laid down in the remuneration policy for members of the management body, as approved at general meeting.</p>																																																

6.	Information about any remuneration of members of the management bodies of companies received on the basis of their functions at subsidiaries or affiliates, the functions and gross amounts being disclosed for each company separately	The two members of the Management Board did not perform any functions at subsidiaries or affiliates in 2023.
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