SID Banka

2024

ANNUAL REPORT

Company name:	**SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana**
Abbreviated company name:	SID banka, d.d., Ljubljana
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VAT ID number:	SI82155135
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YouTube:	www.youtube.com/channel/UCK_2pY_T0EiC4PGF36sZJqA

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Statement by the Management Board

In keeping with its mission and its strategy, SID Bank remained a reliable pillar of financing for the Slovenian economy in 2024. As a key development institution, we continued to support innovative firms, to finance infrastructure projects, and to promote sustainable development and the green transition of the economy. Our key priorities remain digitalisation, supporting SMEs, and providing the right financial instruments for making sustainable investments.

Our work is based on the values of cooperation, efficiency, responsibility, valour and boldness. Cooperation forms the foundation for our work, as we believe that it is only through strong partnerships that we can meet our long-term targets and sustainability objectives. Efficiency is something we ensure by making continual improvements to processes, and through digitalisation, which allows us to respond quickly and agilely to the needs of the market. Our responsibility is evident in our diligent management of resources, and our support for the economy in the most important phases of development. Boldness means that we are not afraid of new challenges, and look for innovative solutions, while valour is reflected in our commitment to our employees, our customers and the wider community.

A major feature of the global economic environment in 2024 was the ongoing geopolitical tensions, which affected trade routes and global supply chains. Europe saw sluggish economic growth, which also had an impact on the Slovenian economy. Economic growth in Slovenia stood at 1.6% in 2024, the lowest rate since 2013 bar the pandemic. Industrial output declined, while exports to key trading partners, Germany in particular, were lower than expected. In a difficult macroeconomic environment, it is even more important for the Slovenian economy to be able to count on SID Bank as the national development bank.

For a bank to be able to effectively address the evolving challenges of the environment, it is vital for it to continually strive for greater efficiency itself. In 2024 we thus introduced a new organisational structure, optimised the financing process, and upgraded the risk management process. We also launched the process of spinning off our equity financing products to a subsidiary under SID Bank's 100% ownership. This change will allow for the more effective management of equity investments, and greater flexibility in investment strategies. We also made improvements to governance processes, to ensure better transparency and efficiency in decision-making.

Borut Jamnik, President of the Management Board and
Stanka Šarc Majdič, Member of the Management Board

"**SID Bank**'s balance sheet total stood at **EUR 2.7 billion** at the end of 2024, up 1.5% on a year earlier. Despite the challenges in the market, we generated a pre-tax **profit** of **EUR 11.2 million**"

There was a particular focus on the financing programmes that support innovative firms, infrastructure and development projects, and green investment. Here we worked intensively with national and international financial institutions to strengthen the financing of firms making the transition to sustainable business models. An important role was also played by European cohesion funds, which we directed into the Slovenian economy via a variety of financial instruments. Here our focus was on the effective implementation of financial instruments and funds whose aim is providing extra support for the development of the Slovenian economy.

SID Bank's balance sheet total stood at EUR 2.7 billion at the end of 2024, up 1.5% on a year earlier. Despite the challenges in the market, we generated a pre-tax profit of EUR 11.2 million. Our credit portfolio contracted slightly, as a result of a general decline in demand for loans from the non-financial sector and an increase in early repayments. SID Bank is currently financing 750 final beneficiaries indirectly via commercial banks, and 1,064 borrowers directly.

SID Bank further strengthened its role in export insurance in 2024. Our insurance operations amounted to EUR 1.5 billion, up 2.6% on the previous year. Short-term reinsurance operations are the largest component of our insurance business. SID Bank insured EUR 81 million of outward investments by Slovenian firms in the rest of the world in 2024. We also successfully insured bank guarantees, export preparation loans and other forms of financing to make it safer for Slovenian exporters to do business in foreign markets. This helped to drive stable growth in Slovenian firms' export business, and supported them in their long-term investment.

Our cooperation with the European Commission brought major successes. In 2024 we submitted an application to become an implementing partner in the InvestEU programme, which will allow us to increase the funding available for SMEs.

We carried out a successful private bond issue worth EUR 125 million on the international markets, which has further strengthened our financial stability. We are also continuing to collaborate on capital instruments that provide corporate financing via the bond markets, thereby improving access to financing for firms that need long-term resources for development and growth.

SID Bank continued the integration of sustainability into all aspects of our business in 2024. We introduced comprehensive methods for managing climate-related and environmental risks, and embarked on modifying our reporting to comply with the requirements of the CSRD and the ESRS. We upgraded our methodology for assessing climate risks and ESG risks, and incorporated them into our customer credit rating process. We also put in place a framework for assessing projects with a positive environmental impact, strengthened support for these projects, and encouraged financing for firms playing a part in the green transition. In addition we conducted analyses of the environmental impact of our credit portfolio, and examined the possibility of taking measures to gradually reduce the carbon footprint of our entire investment policy.

In the future we will focus even more on sustainable financing, digitalisation and process optimisation. The year ahead will see us further developing financial instruments to support the green transition, and the financing of innovative firms and infrastructure projects. We will also continue optimising our internal processes so that we are able to respond even more effectively to the needs of the economy. In so doing we will strengthen investment in the digitalisation of our services, to make us faster and more agile in dealing with the financial requirements of firms and other institutions.

In 2025 we will continue providing access to financing for SMEs and support for innovative firms, and making sustainable investments. We expect to further strengthen our cooperation with the European Commission, to expand our financing via new financial instruments, and to improve the conditions for the sustainable development of the Slovenian economy. There will be a particular focus on providing long-term financial instruments to facilitate the financing of investment in research and development, digitalisation and the circular economy. To this end we will expand our portfolio of financial instruments and prepare additional mechanisms to support firms who want to transition to doing business sustainably.

SID Bank's values are firmly anchored in our attitude to our employees. Cooperation and boldness are reflected in the strong support for professional and personal development on the part of our employees. All employees have access to flexible work hours, hybrid work, and wellbeing programmes, which include medical check-ups, training, and health promotion in the workplace. We also provided an extensive programme of professional training in 2024, including digital literacy, managerial skills, and individual business coaching.

Our vision remains clear: by promoting a sustainable, innovative and competitive economy, we will make a contribution to Slovenia's long-term stability and development. We would like to express our thanks to all our partners, customers and employees for their collaboration and support in realising our mission.

Stanka Šarc Majdič
Member

Borut Jamnik
President

Supervisory Board Report


Janez Tomšič, Chair of the Supervisory Board

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.

In 2024 an addition was made to the composition of the supervisory board with the appointment of Katja Lautar, who began her term of office on 4 April of that year. On this basis the supervisory board functioned with six board members in place of the total of seven required by the ZSIRB.

The supervisory board held eight ordinary sessions and three correspondence sessions in 2024, at which it discussed relevant matters and made decisions on transactions falling 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 discharging of their duties and their decision-making, 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 handled, 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. 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.

The supervisory board discussed and decided on the following major issues in 2024:

- the draft of the Bank's new business strategy for 2025 to 2027, and the proposed new ICT strategy;
- the financial plan for 2025;
- the risk management strategy and policy, and the risk appetite;
- the NPEs management strategy and plan;
- the annual report for 2023 with the auditor's report, and the proposal for the use of distributable profit for 2023;
- 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 of all control functions, in particular the internal audit department, and the findings of individual internal audits;
- specific financing and borrowing transactions under its remit in accordance with the articles of association;
- the governance policy and the remuneration policy;
- new product frameworks and the acceptance policy;
- the proposal to spin off the equity financing segment;
- an evaluation of the business strategy for the period of 2017 to 2022;
- reports on the performance of affiliates and on the orderly wind-down of Prvi Faktor Group companies.

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

- the audit committee, which held 11 ordinary sessions, at which it discussed and drew up positions primarily with regard to the Bank's financial plan, interim performance reports and financial statements, elements of the Bank's annual report for 2023, the work plans of the internal audit, compliance and information security functions, and regular reports by the control functions. The audit committee held a meeting with the external auditor Ernst & Young d.o.o. at the beginning of the annual audit cycle to review the audit plan, and then during pre-audit and final audit discussed the auditor's findings from the audit process and also its findings from licensed non-audit services;
- 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, the NPEs management strategy, and other issues in the area of risk management;
- the nomination and remuneration committee, which held seven ordinary sessions, 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 2025, 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 the relevant base material and analysis.

In March 2025 the supervisory board carried out a self-assessment of its work in 2024 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 2024

SID Bank's unaudited annual report for 2024 was discussed by the risk committee and the audit committee at their session of 4 and 5 March 2025, and by the supervisory board at its session of 5 March 2025. The remuneration report for 2024 was discussed by the nomination and remuneration committee at its session of 5 March 2025. The audited annual report with an additional final report to the audit committee on the audit of the financial statements for 2024, the independent auditor's report including the report on the audit of the financial statements, 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 2024 were discussed by the audit committee, the risk committee and the nomination and remuneration committee between 21 and 27 March 2025, 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 2024 at its meeting of 27 March 2025, together with the proposal for the use of distributable profit for 2024 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 SID Bank's financial statements for 2024. In the auditor's opinion, the financial statements present fairly, in all material aspects, the financial position of the undertaking as at 31 December 2024, 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 2024.

Janez Tomšič
Chair of the Supervisory Board

Key data and performance indicators[1]

Key data

(EUR thousand)	2024	2023	2022
STATEMENT OF FINANCIAL POSITION			
Balance sheet total	**2,726,743**	2,685,877	2,799,708
Total deposits from non-banking sector measured at amortised cost	**1,108,688**	1,114,735	1,034,941
Total loans and advances to non-banking sector	**1,328,427**	1,428,171	1,382,527
Total shareholder equity	**506,251**	484,679	450,869
Allowances and provisions for credit losses	**51,347**	51,531	48,003
Off-balance-sheet items	**670,358**	543,793	519,366
INCOME STATEMENT			
Net interest	**34,846**	30,170	24,214
Net non-interest income	**9,806**	10,167	2,336
Labour, general and administrative costs	**(27,784)**	(21,461)	(20,694)
Amortisation and depreciation	**(1,261)**	(1,024)	(984)
Impairments and provisioning (credit losses)	**(4,232)**	(276)	5,454
Pre-tax profit from continuing and discontinued operations	**11,193**	18,385	10,053
Corporate income tax on profit from continuing and discontinued operations	**(2,166)**	(2,747)	(1,802)
Net profit for the financial year	**9,027**	15,638	8,251
STATEMENT OF OTHER COMPREHENSIVE INCOME			
Other comprehensive income before tax	**16,067**	21,328	(60,676)
Corporate income tax on other comprehensive income	**(3,522)**	(3,156)	11,528
NUMBER OF BRANCHES AS AT 31 DEC	**1**	1	1
NUMBER OF EMPLOYEES AS AT 31 DEC	**221**	221	221
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	**163.13**	156.18	145.29
DOLGOROČNA BONITETNA OCENA NA DAN 31. 12.			
Standard & Poor's	**AA–**	AA–	AA–

Net profit for the financial year 2024

€9 million

[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

(%)	2024	2023	2022
CAPITAL RATIOS			
Common Equity Tier 1 capital ratio	**30.7**	27.3	25.4
Tier 1 capital ratio	**30.7**	27.3	25.4
Total capital ratio	**30.7**	27.3	25.4
Leverage ratio	**16.9**	16.3	14.7
QUALITY OF ASSETS IN STATEMENT OF FINANCIAL POSITION AND COMMITMENTS GIVEN			
Non-performing (on-balance-sheet and off-balance-sheet) exposures / classified on-balance-sheet and off-balance-sheet exposures	**2.3**	3.0	2.8
Non-performing loans and other financial assets / classified loans and other financial assets *	**4.3**	5.0	4.8
Non-performing loans and other financial assets / classified loans and other financial assets **	**3.3**	4.2	3.9
Allowances for credit losses / non-performing loans and other financial assets *	**49.6**	42.5	38.4
Allowances for credit losses / non-performing loans and other financial assets **	**49.6**	42.5	38.4
Collateral received / non-performing loans and other financial assets *	**46.8**	50.7	54.2
PROFITABILITY			
Interest margin	**1.3**	1.1	0.9
Financial intermediation margin	**1.6**	1.5	1.0
Return on assets (ROA) after tax	**0.3**	0.6	0.3
Return on equity (ROE) before tax	**2.3**	3.9	2.2
Return on equity (ROE) after tax	**1.8**	3.4	1.8
OPERATING COSTS			
Operating costs / average assets	**1.1**	0.8	0.8
LIQUIDITY IN 2024			
Liquidity coverage ratio	**4,162**	3,196	6,123
Net stable funding ratio	**161**	152	145

* excluding balances at central bank ad demand deposits at banks
** including balances at central bank and demand deposits at banks

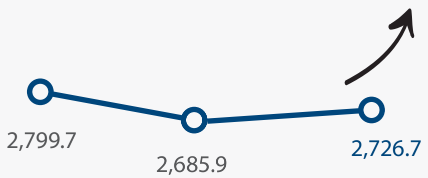
Key data and performance indicators

Total assets

€2,799.7 million
(year 2022)

€2,685.9 million
(year 2023)

€2,726.7 million
(year 2024)

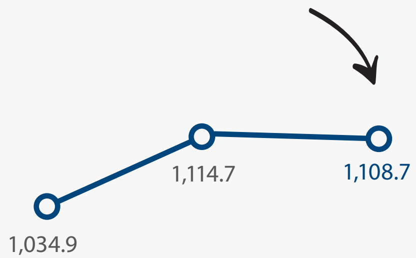


Loans from non-bank customers

€1,034.9 million
(year 2022)

€1,114.7 million
(year 2023)

€1,108.7 million
(year 2024)

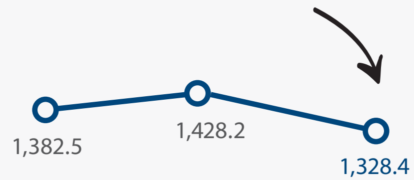


Loans and advances to non-bank customers

€1,382.5 million
(year 2022)

€1,428.2 million
(year 2023)

€1,328.4 million
(year 2024)

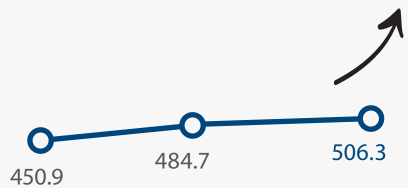


Equity

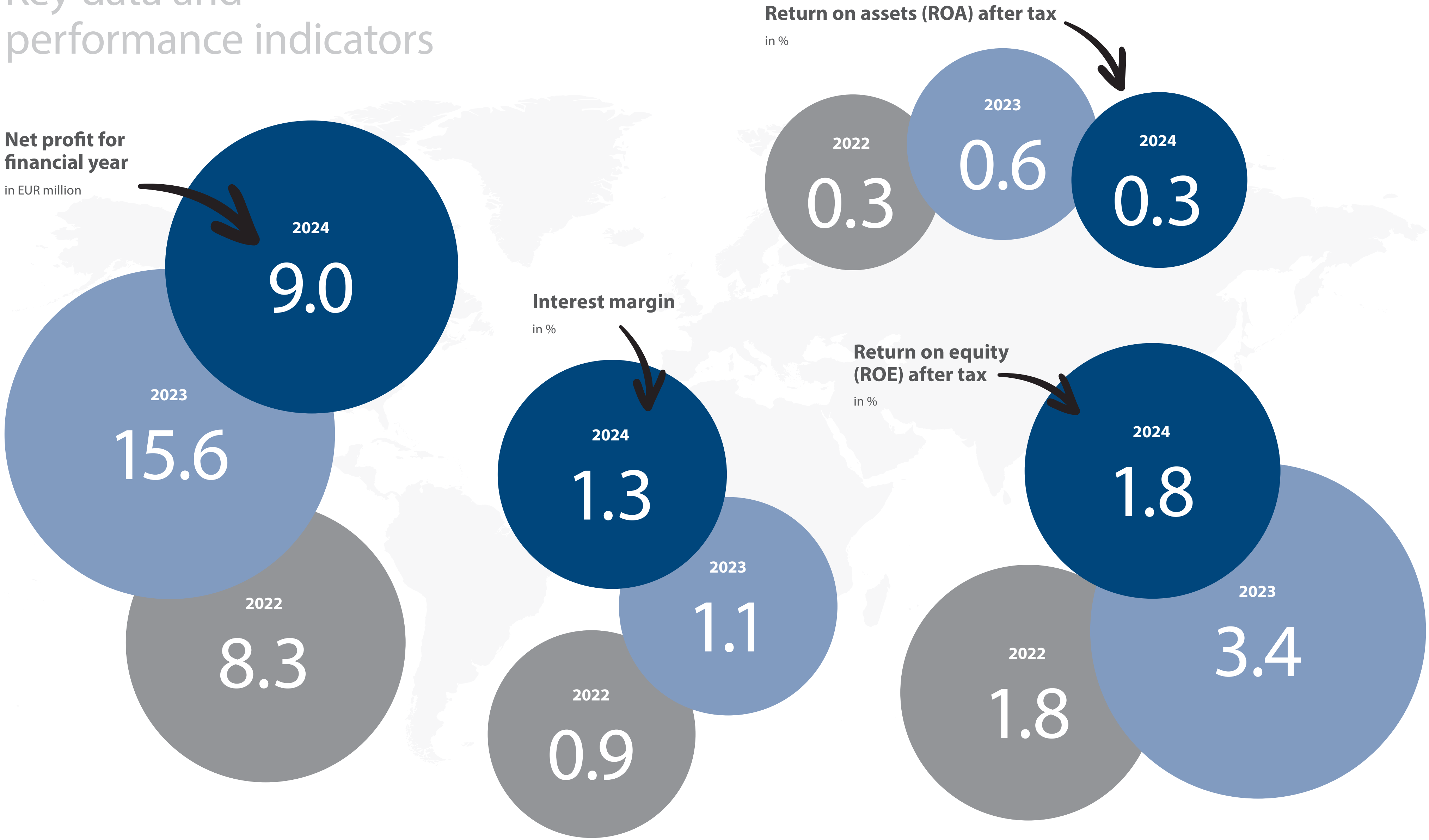
€450.9 million
(year 2022)

€484.7 million
(year 2023)

€506.3 million
(year 2024)



Key data and performance indicators



Significant business events in 2024

1

In the first half of the year SID Bank submitted an application to the European Commission to be an implementing partner in lending to SMEs and mid-cap firms with a direct European Commission guarantee under the InvestEU programme. The European Commission discussed the application and approved it in full. SID Bank therefore entered into direct negotiations to reach an agreement, which will continue in 2025 with the aim of signing an EU guarantee agreement. At the same time SID Bank is continuing to develop an appropriate product that complies with the InvestEU rules. One element of these rules is upholding the Do No Significant Harm (DNSH) principle in respect of any of the six defined environmental objectives (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems).

2

In June the Bank succeeded in borrowing on the international capital markets via a private bond issue in the nominal amount of EUR 125 million with a maturity of seven years. The bond is listed on the Open Market of the Frankfurt Stock Exchange. This issuance allows SID Bank to continue strengthening the stability of its financial structure, to provide adequate liquidity, and to support financing.

3

As part of the implementation of the Slovenian Equity Growth Investment Programme (SEGIP), the European Investment Fund signed commitments for contributions to funds with four private managers of alternative investment funds (AIFs) in the total amount of EUR 110 million. SID Bank and the EIF are each contributing EUR 55 million. One fund was established in 2024, and has already made investments in Slovenian firms, while the other three funds will be established in 2025.

4

In October SID Bank received a call from the Ministry of the Economy, Tourism and Sport to submit an application to act as manager of a holding fund using funding from European cohesion policy in the period of 2021 to 2027. The document entitled *Key elements of financial instruments in the 2021 to 2027 programme period* adopted by the government in November 2024 envisages five financial instruments, for which EUR 190 million of funding from the European Regional Development Fund will be available. SID Bank submitted its application in December 2024, and the establishment of the new holding fund is scheduled for the first quarter of 2025.

5

In December SID Bank reached an agreement with the Ministry of the Economy, Tourism and Sport to sign an addendum to the contract for Loan Fund 3. The addendum enables SID Bank to reuse funds repaid by final beneficiaries under the rules of the MSP9 programme, where EUR 100 million of financing from the loan fund is expected to be available for SMEs after completion of the initial use.

6

In December SID Bank established a new undertaking named SID Svetovanje d.o.o. with nominal capital of EUR 50 thousand as part of its activities to spin off the Bank's equity investment business to a subsidiary. The spin date was set as 31 December 2024. The spin-off according to the situation as at 31 December 2024 must be completed by the end of September 2025 in accordance with Slovenian legislation, under the assumption that all necessary authorisations and approvals have been obtained by that time.

7

In 2024 SID Bank put in place a new framework for purchasing green bonds of Slovenian firms that will require financing under SID Bank's mandates in the total amount of EUR 100 million. Based on the new framework SID Bank addresses the needs of businesses in the area of the green transition, and makes it easier for firms to access the capital markets and to reach the nominal issuance threshold that market participants understand as a successful issue.

Business report

SID Bank's actions are aligned with the long-term strategies of the EU and Slovenia

About SID Bank

SID Bank is a specialist financial institution engaged in the promotion of exports, sustainable development and the competitiveness of the Slovenian economy.

The Bank's principal objective is supporting Slovenia's sustainable development, and eliminating gaps where the market lacks adequate financial solutions.

Its actions are based on long-term financial services, while its areas of operation are defined by the Slovene Export and Development Bank Act (ZSIRB).

SID Bank acts as a partner to commercial banks, complementing their services and covering areas where there are market gaps or where demand cannot be met. This most notably includes the financing of SMEs, projects in connection with development, the environment, the circular economy and energy, infrastructural initiatives, and promoting the internationalisation of firms. In line with the ZSIRB the Bank is also involved in addressing the cyclical gaps that arise during economic upheaval.

SID Bank's actions are aligned with the long-term strategies of the EU and Slovenia, where Slovenia is the guarantor of its stability. As the sole shareholder, the government backs all of SID Bank's liabilities, which allows the Bank to borrow on domestic and international financial markets without any need for additional guarantees.

SID Bank uses a broad framework of financial instruments, such as loans, bonds, guarantees, factoring, finance leasing, financial engineering and equity investments. These instruments are integrated into development and promotional financing programmes that it develops itself. In addition, it provides specific services under the Insurance and Financing of International Commercial Transactions Act (ZZFMGP), where it insures international commercial transactions against non-marketable risks on behalf of and for the account of the Republic of Slovenia.

In this way SID Bank makes a significant contribution to the development of the Slovenian economy, its progress in sustainability, and its international competitiveness.

Milestones in the evolution of SID Bank

1992

Initially established as Slovenska izvozna družba (SID) in 1992, SID Bank was conceived as a special financial institution for insuring and financing Slovenian exports. The ZZFMGP entered into force in 2004, under which SID established SID – Prva kreditna zavarovalnica d.d., Ljubljana, and transferred the portfolio of marketable insurance to it. Two years later in 2006, SID was transformed into a bank with a Bank of Slovenia authorisation to provide banking and other financial services, and changed its name to SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana.

2007

In 2007 SID Bank began operating as a specialist promotional, export and development bank, before the Slovene Export and Development Bank Act (ZSIRB) entered into force one year later. During the economic crisis in 2009, SID Bank enhanced its countercyclical function by being very engaged in lending and insurance activities. The new Banking Act of 2010 stipulated that SID Bank is unable to accept deposits from the public, and at the same time the European Commission recognised it as an institution of special public interest exempted from the application of certain EU directives.

2011

In 2011 SID Bank was confirmed as a significant institution in the Slovenian banking system, and in conjunction with the Ministry of Economic Development and Technology established the first loan fund as part of its financial engineering services. In 2014 it passed a comprehensive assessment conducted by the ECB, without any capital shortfall being identified. The following year it was designated an O-SII (other systemically important institution) in Slovenia.

2017

In 2017 the Ministry of Economic Development and Technology appointed SID Bank manager of the Fund of Funds for the implementation of financial instruments within the framework of European cohesion policy. The same year it set up the Slovene Equity Growth Investment Programme (SEGIP) with a value of EUR 100 million, in conjunction with the European Investment Fund. In 2018 the Bank became the first institution in Slovenia to issue a green bond on the international capital markets.

2019

In 2019 it completed the sale of its subsidiary SID – Prva kreditna zavarovalnica to Coface. SID Bank also received the prestigious Best Regional Development Bank – Southeast Europe 2019 award in the same year.

2020

During the Covid-19 pandemic in 2020 SID Bank expanded its financing programmes, and launched new products. In conjunction with the Ministry of Economic Development and Technology it established an additional Covid-19 Fund of Funds in the amount of EUR 65 million to aid the recovery of the economy hit by the Covid-19 pandemic. The same year 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.

2021

SID Bank was entrusted with chairing the Exports Credit Group during Slovenia's presidency of the Council of the European Union in 2021. In 2021 it recapitalised the European Investment Fund together with other European financial institutions, and obtained a guarantee from the pan-European guarantee fund for financial investments in the amount of EUR 150 million.

2022

SID Bank expanded its existing programmes and introduced new programmes in 2022 to address the impact of the pandemic, the energy crisis and the war in Ukraine. It expanded the SEGIP by an additional EUR 120 million, and began developing programmes to utilise the InvestEU funding.

2023

In 2023 SID Bank established a new loan fund to address disruptions to the economy in connection with the adverse impact on business from the war in Ukraine and the energy crisis. It signed an agreement with the European Investment Fund on utilising the InvestEU guarantees for the financing of sustainable and green projects, and research, innovation and digitalisation of Slovenian firms, and developed two new products backed by the aforementioned guarantee. The Bank successfully completed the pillar assessment process, thereby meeting the conditions for candidacy as a direct implementing partner to the European Commission, and gained the right to participate directly in European Commission tenders to obtain EU funding.

The key events of 2024 are described in the section entitled Significant business events in 2024.

SID Bank's services

In line with its role, purposes and tasks, SID Bank provides financial services, for which it holds the relevant authorisations from the Bank of Slovenia. As at 31 December 2024 SID Bank held a Bank of Slovenia authorisation to provide the following mutually recognised financial services under Article 5 of the Banking Act (ZBan-3)[2]:

- Acceptance of deposits from informed persons;
- Granting of credits, 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 money-market instruments;
  - in foreign legal tender, including currency exchange transactions;
  - in standardised futures and options;
  - in currency and interest-rate instruments;
- Trading for own account in money-market instruments;
- Credit rating services: collection, analysis and dissemination of information about creditworthiness.

Through this set of services SID Bank performs its function as a specialist export and development bank that supports key economic and social development objectives, particularly in the following areas defined by the ZSIRB:

- development of SMEs and entrepreneurship;
- promotion of research, development and innovation;
- environmental protection, energy efficiency and measures to adapt to climate change;
- support for international commercial transactions and cooperation;
- strengthening of regional development; and
- development of economic and public infrastructure.

"**Our vision** is to become the central public financial institution that, through a **comprehensive range** of complementary services for the financial market, will be **an important driver of growth** for the Slovenian economy."

[2] 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

In addition to the financial services defined within the framework of the Bank of Slovenia authorisations that it has been granted, the Bank also pursues activities under Republic of Slovenia authorisation.

SID Bank 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, pursues activities in connection with guarantee schemes, and performs the function of the official auctioneer at emission allowance auctions. It also manages European cohesion policy funds (the fund of funds).

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) on behalf of and for the account of the Republic of Slovenia as its agent. As an authorised institution, SID Bank insures/reinsures against 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 to take up or has limited capacity to take up.

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 payouts is provided by 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

Under specific laws[3] the Republic of Slovenia has authorised SID Bank to perform operations set out by the laws in question on its behalf and for its account. Depending on the particular law, these operations primarily relate to activities in connection with the issuance, monitoring and redemption of guarantees for bank credit, supervision of the fulfilment of legal conditions for the payment of guarantees, recovering of guarantees, implementing of necessary measures to enforce recourse claims and other tasks.

Performance of the function of official auctioneer at emission allowance auctions

SID Bank acts as official auctioneer at emission allowance auctions on behalf of and for the account of 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 Ministry of Economic Development and Technology[4] appointed SID Bank manager of the fund of funds for the implementation of financial instruments within the framework of European cohesion policy (FI 2014–2020 Fund of Funds). The purpose of the fund created as such is the promotion and financing of sustainable economic growth and development, investments in innovation and current operations through debt and equity financing focused on four areas where market gaps have been identified: research, development and innovation, SMEs, energy efficiency and urban development.

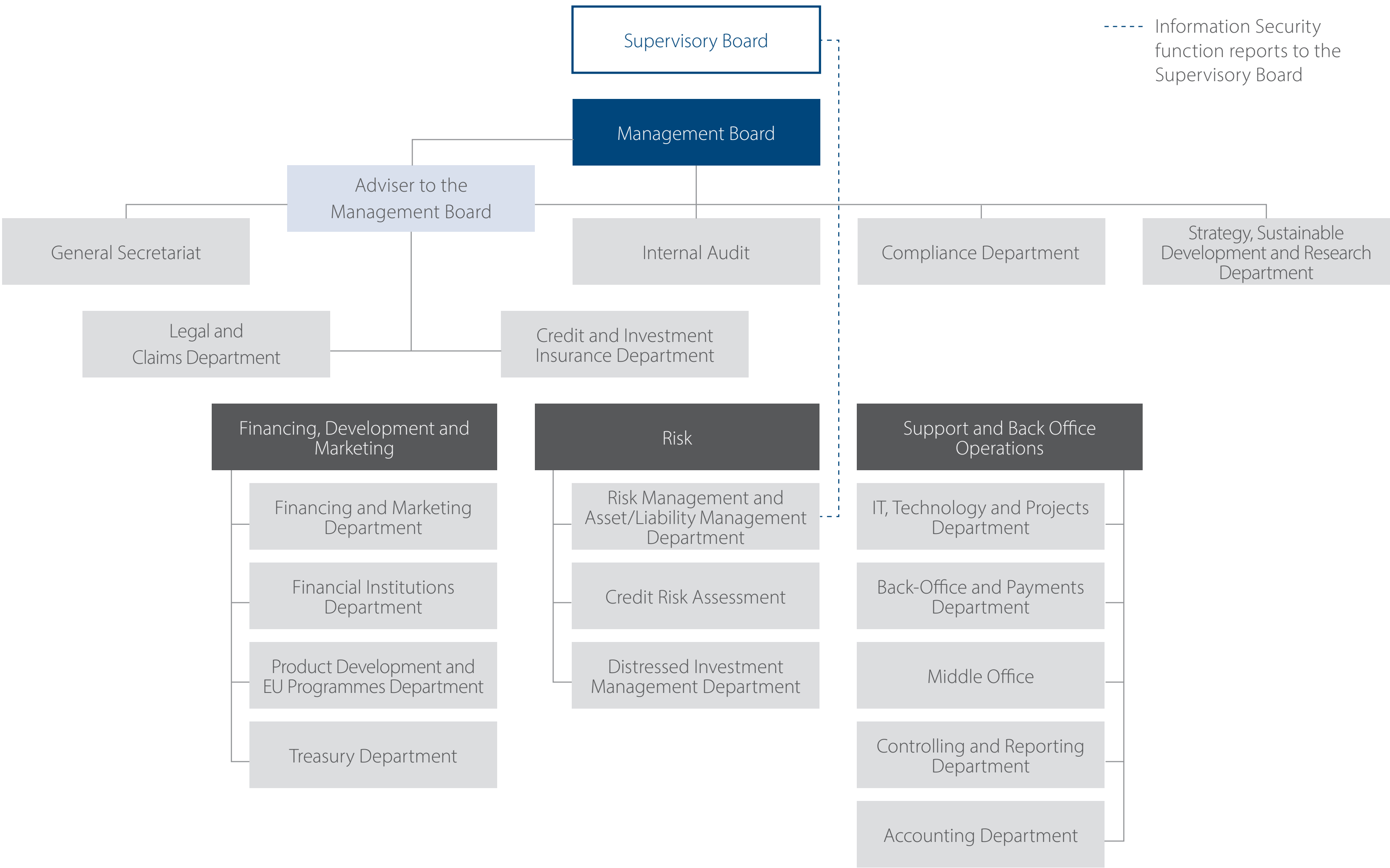
In conjunction with the Ministry of Economic Development and Technology, SID Bank created the Covid-19 Fund of Funds in October 2020 for the purpose of financing investment, research, development, innovation and working capital to improve liquidity and facilitate the recovery of the economy hit by the Covid-19 pandemic, and as of November 2023 for the general promotion of growth, development, investment and current operations at the target groups.

SID Bank's activities under Republic of Slovenia authorisation in 2024 are presented in detail in section entitled Operations under Republic of Slovenia authorisation.

[3] The Act on Reconstruction, Development and the Provision of Financial Resources (ZORZFS), the Housing Guarantee Scheme for Young People Act (ZSJSM), two emergency laws during the Covid-19 containment measures of 2020 (the Act Determining Emergency Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy or ZIUZEOP, and the Act on Additional Liquidity to the Economy to Mitigate the Effects of the Covid-19 Epidemic or ZDLGPE), and two laws covering temporary government measures during the financial crisis of 2009/10 (the Republic of Slovenia Guarantee Scheme Act or ZJShemRS, and the Republic of Slovenia Guarantee Scheme for Natural Persons Act or ZJShemFO).

[4] The legal successor of the aforementioned ministry is the Ministry of the Economy, Tourism and Sport.

Organisational structure as at 31 December 2024



Share capital

Shareholders as at 31 December 2024	**Numbers of shares**	**Holding in share capital (%)**
Republic of Slovenia	**3,103,296**	99.4
SID Bank (treasury 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 2024, which totalled EUR 300 million as at 31 December 2024.

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 10 July 2024 the SID Bank general meeting passed a resolution allocating the distributable profit for 2023 in the amount of EUR 7,427,876 to other profit reserves.

The bank's shareholder equity totalled EUR 506,251 thousand as at 31 December 2024, while the audited book value of one share stood at EUR 163.13 (31 December 2023: EUR 156.18).

Strategy

SID Bank promotes the competitiveness of the economy, job creation, social inclusivity and the sustainable development of Slovenia

Strategic planning at SID Bank is based on a three-year sliding strategy that includes a forward-looking view towards all the relevant aspects of the Bank's medium-term operation and its long-term objectives. In 2024 SID Bank drew up its business strategy for the upcoming three-year period of 2025 to 2027, with a vision for the period to 2029.

SID Bank's development strategy for the 2025 to 2027 period is based on strategic analysis, and sets out the key strategic guidance for the horizon of the strategy, which is divided into three substantive areas: the mandate, the customer, and the bank. The latter are vital in ensuring the ongoing financial viability of the Bank, in particular in seeking the areas where it is able to contribute most over the medium term to realising its development mandate set out by law.

Mission statement and vision

SID Bank is Slovenia's largest financial institution in the areas of promotion and development, and 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, fulfilment of its mission and its liaison role, the Bank is consolidating its major impact on the sustainable development of Slovenia.

SID Bank has a vision of strategic development to 2029, 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. SID Bank will also strengthen its cooperation with domestic and international developmental financial institutions and interest associations. A large part of its activity will focus on implementing promotional programmes for financing innovative companies, financing infrastructure and other development projects at national and local level, eliminating gaps in social housing, sustainability financing, and the green transition.

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.

Adjustments to the business model

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 the risk management process and organisational structure, and updated the implementation of ESG functions.

In 2024 SID Bank began activities to spin off its equity financing products to a subsidiary under its 100% ownership. The main objective is more effective management, given the specifics of financial instruments of this kind. The project is scheduled for completion in 2025.

The effective implementation of the mandates dictates a need to continue making internal adjustments, particularly to procedures for implementing lending activity, with an emphasis on speeding up loan approval and drawdown, and reducing processing times. At the same time, proceeding from the need for a greater customer focus on the part of business functions, and the complexity of the business model and the regulations, there will be a need for continual upgrades in the optimisation of key processes and bylaws, the organisational structure, the strengthening of analytical aspects of the Bank's activities, and its digital transformation.

Guidance for 2025

The greatest focus in 2025 will be on ensuring access to financing for current operations, investment, RDI, green projects, digitalisation, infrastructure projects, export deals, and other business. In this way SID Bank contributes to expanding turnover and to ensuring the competitiveness of the economy, with an emphasis on appropriate loans, generally of longer tenors, and the take-up of higher risk when this is justified by its mandates. At the forefront of this process 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.

In 2025 SID Bank will continue its efforts in relation to the relevant ministries to implement the existing and new financial engineering measures, with appropriate improvements with regard to existing practices in financing and financial engineering measures.

In its management of ECP funding SID Bank is anticipating a new financing agreement for the management of ECP funding for the 2021 to 2027 period, including the creation of a range of financial instruments. The cohesion funds thus remain a significant instrument for SID Bank in the intermediation of funding to final beneficiaries via financial intermediaries, and also in the approach to the mobilisation of private funds in promotional and development measures.

The Bank devotes particular attention to the option of pursuing its mandate via purchases of Slovenian corporate bonds, and will continue doing so. SID Bank aims to contribute to the financing of Slovenian companies on the domestic capital market, thereby promoting the green transition and sustainability at companies, including the realisation of environmental, social and governance (ESG) objectives. At the same time SID Bank will give companies access to the requisite resources for financing working capital, fixed assets and intangible assets, and investment property, which will support their growth and long-term stability. Through this approach SID Bank is actively helping to strengthen the role of the domestic capital market in supporting the real sector.

SID Bank's involvement in the purchase of MREL-eligible bonds in 2025 will again focus on promoting corporate lending by the banks issuing those bonds. It will facilitate support for the green transition and sustainability, and the financing of SMEs, which are a key component of the Slovenian economy. SID Bank's participation in the primary issuance of bank bonds as necessary can also contribute to improving the stability of domestic banks' access to the capital market in meeting the regulatory capital requirements.

Sustainability

SID Bank is expanding its focus to the green transformation of all segments of activity and is pursuing the goal of carbon neutrality

Given its size and the scope of its activities, SID Bank plays the role of the leading Slovenian institution for the financial promotion of the effective achievement of basic development objectives. Its activities are based on its mandates set out by law, and on the long-term development policies of Slovenia and the EU.

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.

Promoting sustainable development and the green economy

In the scope of its mission and entrusted authorisations, SID Bank works to help meet broader social objectives:

- developing a knowledge society and innovative entrepreneurship;
- developing an environment-friendly society and sustainable production;
- strengthening the competitiveness of the economy;
- promoting regional and social development.

By providing financial services that complement the market, it contributes to economic growth and wellbeing, and strives for the sustainable development of Slovenia.

SID Bank implements initiatives aimed at the circular and green economy directly through existing general programmes to finance companies, and the proper consideration of ESG factors at those companies. It is particularly focused on monitoring and managing environmental risks, and promoting the green transition of companies. The management of climate and other environmental risks is shifting to the very core of the Bank's operations and business processes.

SID Bank's green strategy was developed to ensure continued activity in this area. SID Bank is increasing its knowledge capital in the area of sustainable financing, thereby more clearly defining its role in promoting and financing the transition to a sustainable economy.

Pursuing sustainability targets

SID Bank continued with the integration of sustainability targets into its business system in 2024. The following major tasks have been carried out:

- rounding out a comprehensive system for the management of climate-related and environmental risks;
- preparing for the establishment of a sustainability reporting framework in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS);
- designing and adopting a methodology for assessing ESG risk factors and incorporating ESG scores into credit ratings;
- designing and adopting methodologies for conducting assessments of the environmental sustainability of project financing and corporate financing.

The Bank will continue its activities in the area of sustainability in 2025, 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 ZGD-1M (CSRD) and ESRS standards, and upgrading SID Bank's sustainability report in line with the sustainability reporting requirements set out by law;
- assessing and analysing the effects of adjustments in pricing policy to improve the financing conditions for green projects and companies with sustainability-focused business models;
- upgrading the calculation of SID Bank's carbon footprint in accordance with the guidance of the international GHG protocol;
- drawing up a transition plan and an ESG risk management plan.

Implementing measures from the plan for decarbonisation by 2030

As part of its sustainability actions, each year SID Bank draws up a calculation of the carbon footprint of its own activities and business. The methodology for calculating the carbon footprint is regularly verified in accordance with the GHG protocol. The decarbonisation targets are set out every two years by defining measures in SID Bank's decarbonisation plan, and are incorporated into its development strategy as key sustainability indicators.

In 2025 the Bank will continue ensuring compliance with existing and upcoming regulatory requirements, particularly in the area of disclosures and management of climate risks and ESG risks, and adapting to the CSRD and the related sustainability reporting. It will conduct a materiality assessment of sustainability factors, which will include the identification of key impacts, risks and opportunities, and the design of strategies for incorporating sustainability targets into business processes. In 2025 SID Bank will expand its methodology and the calculation of financed emissions (the emissions of its portfolio), which is one of the KPIs for assessing the Bank's compliance with the commitments under the Paris Agreement.

Upgrades to the sustainable development policy are envisaged, which will allow SID Bank to put in place and modify an overall framework for its policies in connection with the sustainability of its activities and operations. The plan also envisaged the preparation of a transition plan and an ESG risk management plan.

Carbon neutrality by 2050

In its effort to combat climate change, the EU has set itself the challenging strategic target of becoming the first climate-neutral continent in the world by 2050. The updated intermediate targets for 2030 envisage a 55% reduction in GHG emissions relative to 1990, which will require adjustments at all levels of the economy and the state. To meet the climate neutrality target, the European Commission is increasingly backing the financial system to play the role of catalyst.

On this pathway SID Bank is expanding its focus to the green transformation of all segments of activity. While acting in line with the guidance set out, it is transitioning from promoting individual sustainability projects to a fully systematic approach to the sustainability transformation of the broadest possible spectrum of the Slovenian economy. SID Bank has actively focused its activities on this objective in recent years, and is designing its financing programmes to support the necessary adjustments. Its activities in the future will largely focus on its decarbonisation plan, which will be upgraded with targets for the measurement and decarbonisation of the portfolio, and on the implementation of the measures envisaged in this segment.

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 the establishment of a comprehensive capture and recording of Scope 3 emissions, with targets including a view to 2050.

Adjusting the sustainability report in line with the requirements of the CSRD

SID Bank is actively adapting to the reporting requirements under the CSRD, which requires the transparent disclosure of information about sustainability impacts, risks and opportunities, and was transposed into Slovenian law by an amendment to the Companies Act in 2024. In connection with the ESRS and the EU taxonomy, the CSRD sets out the obligation to make numerous sustainability disclosures, including information on the company's business model, strategy, policies and sustainability targets.

In its preparation for sustainability reporting, SID Bank is currently conducting a double materiality assessment, which is a core element for the implementation of reporting in line with the CSRD and the ESRS. The analysis provides for a comprehensive assessment of SID Bank's impact on people and the environment, and the impact of the environment and society on its operations. Based on analysis of these findings, the Bank will define its key risks and opportunities, and as necessary will adjust its sustainability strategy, policies, activities and targets. After making the double materiality assessment and compiling the double materiality matrix, it will also conduct gap analysis encompassing an assessment of the compliance of existing information, policies, bylaws and business processes with the new regulatory requirements. This phase includes the development of methodologies for collecting ESG data, a comparison of the current situation with the ESRS, and the identification of areas where improvements are necessary.

With the introduction of comprehensive sustainability reporting that links the established financial indicators with the ESG indicators, SID Bank will clearly show how by reaching sustainability targets it generates long-term value for society and strengthens its own social responsibility, its reputation, and the trust from stakeholders.

Sustainability
— continuing

Responsibility with respect to employees

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.

The 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 at large. In addition to SID Bank's primary function, the measures implemented in the area of social responsibility also focus on its internal work processes.

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.

Communication with the public

The power of the word: SID Bank in dialogue with the world

Numbers matter in the world of finance, but without the real story they just remain bare facts. SID Bank creates communication that is not mere information – it is a bridge to trust, clarity and influence. Every message, every appearance, every digital impression is part of a deliberate strategy of not merely informing, but creating dialogue. In 2024 the Bank adopted a new communications strategy for the period of 2025 to 2027, where the relationship with stakeholders, agility in a fast-changing world, and responsibility for sustainable development are to the fore. The Bank is aware that a good voice is more than just an echo, it is a driver of success. The Bank therefore does not merely speak, it creates understanding. Through transparency, accessibility and innovative communications approaches, it builds long-term trust with business partners, institutions and the wider public.

The media: clear and timely communication

SID Bank continued its regular communication with the media in 2024, where it focused on providing information in timely fashion and with coordinated content. In conjunction with the Ministry of the Economy, Tourism and Sport, it held a press conference to unveil its financial instruments and mechanisms for supporting the economy worth a total of EUR 512 million in returnable funding. The Bank gave interviews and participated in other media reports, thereby helping to spread information about its activity and its policies.

Networks to connect and build trust

Communications in the business world are not just a matter of information, but of relationships. SID Bank remains a reliable partner to economic associations such as the chamber of commerce and industry, the chamber of small business, and regional development agencies. Liaising with leading media and actively participating in conferences, whether online, in real life, or hybrid, allowed it to effectively spread its key messages.

SID Bank's digital voice

Modern communications live online. SID Bank strengthened its digital presence via its websites *www.sid.si* and *www.skladskladov.si*, where the *SIDko* and *SKLADko* chatbots provide visitors with fast and simple access to information. LinkedIn and Facebook have become interactive platforms for sharing news, successes and opportunities, while monthly e-bulletins provide customers with a personalised view of current offers and projects.

Internal communications: the power of community

Excellence at the Bank begins with its employees. SID Bank is building a culture of open dialogue through *Cekinčki*, its house journal, regular online bulletins, messages from the management board, and events for employees. This is not merely a flow of information, but a driver of allegiance to the institution and its values, and of teamwork and motivation.

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

Macroeconomic environment[5]

Geopolitical tensions worsened in 2024, with the conflict ignited in the Middle East even as the war in Ukraine continued. This drove a rise in global uncertainty, which marred a year that otherwise saw the disinflation process continue, an easing of monetary policy, moderate global growth, and the gradual deglobalisation and regionalisation of global economies. The rise in uncertainty was fuelled in particular by concerns over new trade wars. Another feature of the year was the progress in AI, and the exceptional growth in firms with links to that sector. Global growth remained below its pre-pandemic level, with economic activity in Europe particularly weak.

After the difficulties of previous years, supply chains stabilised, but came under slightly renewed pressure in the second half of the year owing to geopolitical tensions. Tensions in the Red Sea caused a rerouting of trade, and a consequent rise in transport costs and a lengthening of supply times for transport between Asia and Europe, albeit only to a limited extent and with a minor impact on global trade.

Global demand was moderate overall, with the largest trade blocs (the USA, the EU and China) displaying differing trends: while the USA remained relatively resilient thanks to strong consumption, Europe faced stagnation and China saw a slowdown in growth. Developing countries recorded economic growth of 4.1% in 2024. Although it remains above the average rate in developing countries, growth in China is slowing: it was down 0.2 percentage points on the previous year at 4.9% last year, and is expected to slow further this year. Growth is being curtailed by weak demand and the ongoing difficulties in the real estate sector. Countries that primarily export commodities saw lower-than-expected growth, with commodity prices falling as global demand declined.

A report by the World Bank warns that many developing countries are not closing the gap at all with the advanced economies. Excluding China and India, the ratio of per capita GDP in developing countries to per capita GDP in advanced economies peaked in 2013, and a decade later is down on this peak, and is forecast to remain so in the near future. The projections suggest that growth in developing countries in the coming years will remain below its pre-pandemic average level, and the poverty rate will remain pronounced. The cost of living remained elevated in 2024, despite falling inflation, and food poverty remained widespread.

The dynamics varied greatly across the advanced economies: economic growth remained high in the USA, while there was a continuation of weak growth in the EU and stagnation in Japan. In the fiscal area the USA faces high public debt, which after the most recent presidential elections is leading to political debate about future restrictions on the budget. Following the rapid rise in key interest rates in the previous year, there was a reversal in monetary policy in 2024: the major central banks began cutting rates after the significant fall in inflation.

Economic growth remained subdued in the euro area, where the main factor was a decline in industrial output in Germany. Estimates put economic growth in 2024 at 0.1% in the EU, and 0.9% in the euro area. Germany, the traditional engine of the European economy, found itself in recession for the second consecutive year. The German economic model based on exports and industrial output was hit by high energy costs, the slow pace of adapting to the altered geopolitical situation, and weak demand from China. The last was particularly pronounced in the automotive industry. In recent years China has significantly strengthened its output for the domestic market and the foreign market alike, despite the aforementioned challenges that it is facing. Between 2021 and 2024 its annual exports of cars increased by 200% (the number of cars exported by Germany has been falling over the last two years, which is part of a trend that arose even before the outbreak of the Covid-19 pandemic).

Following high inflation and increased interest rates, which the ECB slowly began reducing in the second half of the year, the EU economy saw modest growth driven mainly by the service sector, supported by household consumption. This improved in response to the slowdown in consumer price inflation. After falling sharply in 2023 from the very high levels seen in 2022, inflation continued to fall slightly in 2024, even reaching 1.7% in September, although it has risen again in recent months and remains above the ECB target level at 2.5%. The fall in inflation was driven by a slight fall in energy prices (which began to rise again towards the end of the year), while core inflation (excluding energy and food) remains persistent, thanks to rising labour costs and increased demand for services. All of this was also reflected in a fall in the euro against the US dollar of 6.4% in 2024.

Stock markets also saw large gains in 2024, driven in particular by tech shares and shares in firms whose business is related to the development of AI. The Nasdaq rose by 29%, the S&P 500 by 24%, the DAX30 by 19%, the Nikkei by 21% and the SBITOP on the Ljubljana Stock Exchange by 33% (primarily as a result of earlier extremely low valuations, driven mainly by the fact that it is a fringe market with low liquidity). Gold also continued to rise in price, gaining 27% over the course of the year.

[5] This section has been drawn up on the basis of data from publicly accessible publications of the Statistical Office of the Republic of Slovenia, the Bank of Slovenia, the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia, the European Commission, the World Bank, the European Central Bank, the Bank of International Settlements and the International Monetary Fund released up to the preparation of this annual report.

Macroeconomic environment
— continuing

Slovenian economy

According to initial estimates, economic growth in Slovenia slowed to 1.6%, its lowest rate since 2013 other than the significant decline seen in the pandemic year of 2020. The modest growth, which was lower than had been expected at the beginning of the year, was mainly driven by strong growth in government consumption, and weak growth in household consumption. There was a decline of 2.4% in gross investment, as gross fixed capital formation fell by 3.7%.

Growth in exports was sluggish, on account of weak foreign demand, particularly from Germany, one of Slovenia's key trading partners. EU Member States accounted for 74.5% of its exports in 2024. The current account recorded a surplus of EUR 3.3 billion in 2024, up EUR 0.3 billion on the previous year, with services trade accounting for the majority of the surplus.

The labour market showed slight signs of cooling over the course of 2024, but remained tight. The number of employees at the end of the year was down slightly on the beginning of the year, while the number of vacancies fell over the course of the year, but remained above its long-term average. Wage growth consequently also slowed relative to the previous year, but continued to outpace inflation. The average wage in the private sector was up 7% on the previous year, while the average wage in the public sector was up 4.6%. The average net wage in 2024 was up 1.8% on the previous year.

Inflation in Slovenia gradually fell in 2024, but core inflation remained relatively high, on account of rising labour costs and high service price inflation. The ECB maintained its restrictive monetary policy stance until almost the halfway point of the year, which kept financing costs high for businesses and households. This was reflected in particular in the real estate market, where price growth slowed.

Construction activity in the first half of the year was down significantly in year-on-year terms, but remained above its long-term average. Significant growth resumed in the second half of the year, although the total amount of construction put in place in 2024 was nevertheless down 9% on the previous year. Real estate prices continued to rise in 2024, but the number of real estate transactions continued to fall.

The state budget recorded a deficit of just EUR 808 million in 2024. The ratio of gross government debt to GDP also continued to decline over the course of the year.

Banking environment

Growth in lending to the non-banking sector was driven entirely by household loans, primarily consumer loans, and only to a lesser extent by housing loans. Corporate lending declined (it was down 2.1%), in part as a result of the restrictive monetary policy at the ECB, which began cutting interest rates in June, and made further cuts in September, October and December, and even more so as a result of the uncertainty in the economy, which is driving a decline in corporate investment. The interest rate on the ECB's deposit facility stood at 3.00% at the end of the year, while the interest rates on main refinancing operations and on the marginal lending facility stood at 3.15% and 3.40% respectively. The dynamics in corporate lending were similar to those in the euro area overall, albeit more pronounced: growth stalled in the euro area overall, while Slovenia saw a significant decline in corporate lending.

The last 25 years have thus seen a significant change in the structure of the Slovenian banking system: loans to non-financial corporations had accounted for 40% of the asset side of the balance sheet in 2007, but now account for 18%, while household loans account for 24.5%. Conversely household deposits account for fully 50% of the liabilities side of the balance sheet of the Slovenian banking system, and increased further in 2024 (by almost EUR 800 million). Household deposits and deposits by non-financial corporations now account for 70% of total liabilities, thus exceeding the stock of loans on the asset side, and remain a stable source of funding of Slovenian banks.

The consolidation of the Slovenian banking market continued in 2024, with the largest bank merger to date. Nova KBM and SKB were merged into OTP banka in August. The actual process has been underway since February 2023, when the OTP Group finally acquired Nova KBM. The merger created the country's largest bank in terms of the number of customers, and its second-largest after the NLB Group in terms of total assets. Two very large banks have thus been created in the Slovenian banking space, which together account for approximately 60% of the banking system in terms of total assets, and all the other banks are significantly smaller.

The quality of the credit portfolio remained very solid throughout 2024; the NPE ratio remained stable, while the NPL ratio increased fractionally. The deterioration was evident in the sole traders portfolio, while the consumer loans portfolio also saw an increase in risks. At the same time there was a significant improvement over the course of the year in the accommodation and food service activities portfolio, which had become a higher-risk segment as a result of lockdowns during the pandemic, although the risk level has been improving recently thanks to the strong performance of the service sector. The liquidity coverage ratio (LCR) declined throughout the year, but remained very high at more than 300%.

The large stock of deposits and the significant spread between asset and liability interest rates allowed banks to continue generating high net interest income in 2024, while non-interest income also increased, which was reflected in solid profitability in the Slovenian banking system. The resilience of the banking system from the perspective of solvency and profitability therefore remains high. The banking system also saw an increase in operating costs: the Act on Reconstruction, Development and the Provision of Financial Resources (ZORZFS) introduced a tax on the total assets of banks and savings banks (the law envisages a temporary tax levied over the financial years of 2024 to 2028).

Impact on performance from the external environment

The liquidity of the Slovenian banking system remained at a very high level throughout the year, while the LTD ratio (the ratio of loans to the non-banking sector to deposits by the non-banking sector) remained significantly below the euro area average and at its lowest levels since Slovenia joined the euro area. Slovenian banks were able to fully finance their lending activity without depending on other (non-deposit) funding. This entailed a further slight decline in SID Bank's stock of lending to banks, as banks most often had no need of this funding to finance the Slovenian economy, despite the long maturities.

Despite the temporary slowdown in economic growth in Slovenia, the macroeconomic situation did not require a pronounced need for countercyclical action by SID Bank. There was a greater focus on mitigating certain issues at a sectoral level in the economy. The altered geopolitical picture and the change in the global situation in connection with commodities (most notably the peak in Chinese demand for steel and iron ore) also had a significant impact on the working of certain sectors of the Slovenian economy, most notably the steel industry. In SID Bank's loan portfolio, this was reflected in an increased share of exposure classified in Stage 2.

The aforementioned slowdown in economic growth, the stalling of corporate investment and the related decline in corporate lending also meant that SID Bank was required to adjust its approach. In 2024 it slightly reduced its direct corporate lending, and sought new approaches to financing the Slovenian economy in the area of market gaps while also developing the capital market. It enhanced its activities in 2024 through purchases of green, social and sustainability bonds and sustainability-related bonds issued by Slovenian firms. Through purchases of MREL-eligible bank bonds and the accompanying agreements, SID Bank helped Slovenian banks in their ability to provide increased financing to the economy in the areas where it would otherwise be neglected.

SID Bank's activities are also focused on off-balance-sheet products for taking up risk, and on efforts to increase the amount of equity financing of Slovenian firms. SID Bank also made intensive preparations in 2024 for the management of cohesion policy financial instruments in the new multi-annual financial framework of 2021 to 2027. Despite the challenging macroeconomic environment, SID Bank increased its capital in 2024 and recorded a positive financial result.

Overview of financial performance

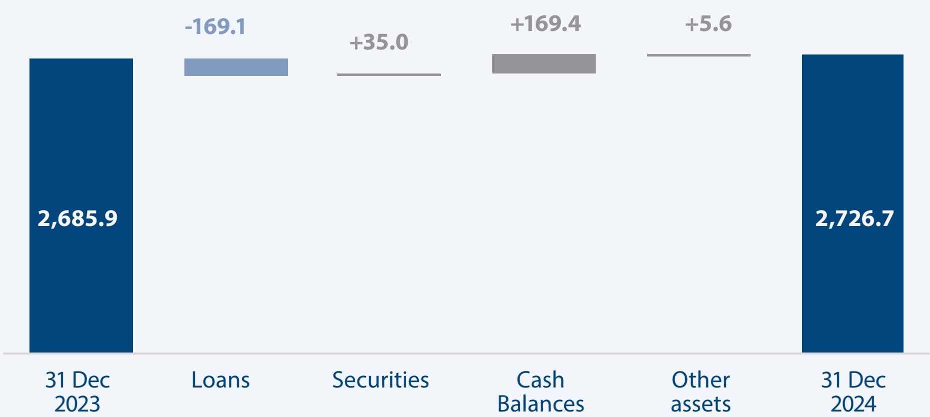
Financial position of SID Bank

SID Bank's balance sheet total stood at EUR 2,726,743 thousand at the end of 2024, up 1.5% on a year earlier.

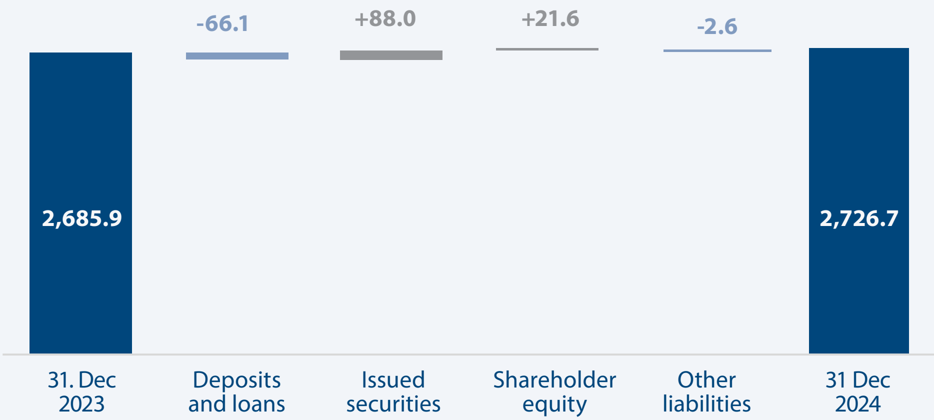
Balance sheet total of

€2.7 billion

Changes in assets in 2024 (EUR million)



Changes in liabilities and equity in 2024 (EUR million)



Assets

The main increases on the asset side of the balance sheet were in cash and cash equivalents and in holdings of debt securities. **Cash and cash equivalents** amounted to EUR 493,158 thousand at the end of 2024, up 52.3% on the end of 2023. The proportion of the Bank's total assets that they account for increased from 12.1% to 18.1%. The cash holdings of loan funds accounted for 71% of cash and cash equivalents.

Investments in securities amounted to EUR 678,850 thousand at the end of 2024, up 5.4% on the previous year. The proportion of the Bank's total assets that they accounted for stood at 24.9% (2023:24.0%).

Debt securities accounted for 91% of the securities holdings, their stock standing at EUR 616,792 thousand at the end of 2024, up 7.3% on the end of the previous year. The increase primarily consists of the securities holdings that the Bank purchased under mandate framework (MREL-eligible debt securities of domestic commercial banks and debts securities of domestic corporates that meet green, social, sustainability or other criteria).

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

Equities amounted to EUR 62,058 thousand at the end of the year, down 9.8% on the end of the previous year. They related to investments that the Bank makes within the framework of Slovene Equity Growth Investment Programme (EUR 26,445 thousand), holdings in the Three Seas Initiative investment fund (EUR 19,635 thousand), and holdings in the European Investment Fund (EUR 15,978 thousand).

Equity financing is described in the section entitled Financing.

The general trend of decline in demand for financing investment, which is partly attributable to the high liquidity in the economy and the deferral of investment because of the uncertain geopolitical situation, also had an impact on lending, and on **loans and advances to non-bank customers**. These declined by 7.0% in 2024 to stand at EUR 1,328,427 thousand at the end of the year. The share of total assets that they accounted for declined to 48.7% (31 December 2023: 53.2%). Slovenian non-financial corporations accounted for the largest proportion of this figure (84%), followed by loans to the government sector (primarily loans to local government) with 14%, and loans to foreign non-financial corporations with 2%.

Loans to banks and deposits amounted to EUR 189,853 thousand at the end of the year, down 26.8% on the previous year, largely on account of the high liquidity in the banking system and the resulting lower demand for lending of this type. The proportion of the bank's total assets that they accounted for fell to 7.0% in 2024 (2023: 9.6%). At the end of the year, loans to Slovenian banks, which as financial intermediaries mediate development funds to final beneficiaries, accounted for 90% of loans to banks (excluding deposits) at the end of the year (2023: 86%), while loans to foreign banks for export credits for Slovenian companies accounted for the remaining 10% (2023: 14%).

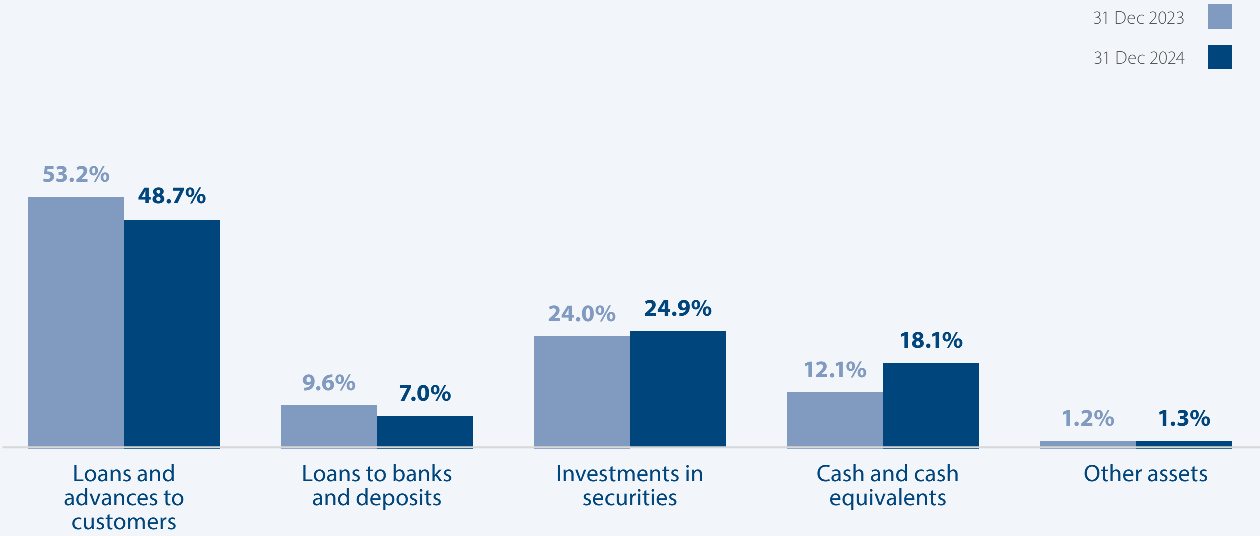
Loans are discussed in detail in the section entitled Financing.

Other assets amounted to EUR 36,455 thousand (2023: EUR 30,901 thousand).

Assets

	Balance		Index	Breakdown	
(EUR thousand unless stated)	31 Dec 2024	31 Dec 2023	2024/2023	31 Dec 2024	31 Dec 2023
Loans and advances to non-bank customers	1,328,427	1,428,171	93.0	48.7%	53.2%
Loans to banks and deposits	189,853	259,187	73.2	7.0%	9.6%
Investments in securities	678,850	643,833	105.4	24.9%	24.0%
Cash and cash equivalents	493,158	323,785	152.3	18.1%	12.1%
Other assets	36,455	30,901	118.0	1.3%	1.2%
Total assets	**2,726,743**	**2,685,877**	**101.5**	**100.0%**	**100.0%**

Structure of total assets



Overview of financial performance
— continuing

Equity and liabilities

SID Bank's **liabilities** amounted to EUR 2,220,492 thousand at the end of 2024, up 0.9% on the end of the previous year, and equivalent to 81.4% of its total liabilities (2023: 82.0%).

Its **shareholder equity** amounted to EUR 506,251 thousand at the end of 2024, up 4.5% on the end of the previous year, and accounted for 18.6% of its total liabilities (2023: 18.0%). The increase in equity was largely attributable to a decline in the negative amount of accumulated other comprehensive income (of EUR 12,545 thousand), as a result of the fall in market interest rates and the resulting higher fair value of debt securities measured at fair value through other comprehensive income.

The largest factor in the increase in liabilities was the issuance of a new bond in June in the amount of EUR 125 million. **Issued debt securities** amounted to EUR 830,445 thousand at the end of 2024, up 11.9% on the previous year, and accounted for 30.5% of total liabilities (2023: 27.6%).

SID Bank borrowed on the capital markets and from development banks in 2024. **Loans from non-bank customers** are the largest component on the liabilities side of the balance sheet, accounting for 40.7% of the total, and amounted to EUR 1,108,688 thousand at the end of 2024, down 0.5% as a result of regular repayments of due instalments.

Deposits and loans from banks and central banks amounted to EUR 262,796 thousand at the end of 2024, down 18.6% on the end of the previous year. The proportion of total liabilities that they account for declined from 12.0% to 9.6%. The main declines were in liabilities to the central bank, and liabilities from short-term deposits by banks.

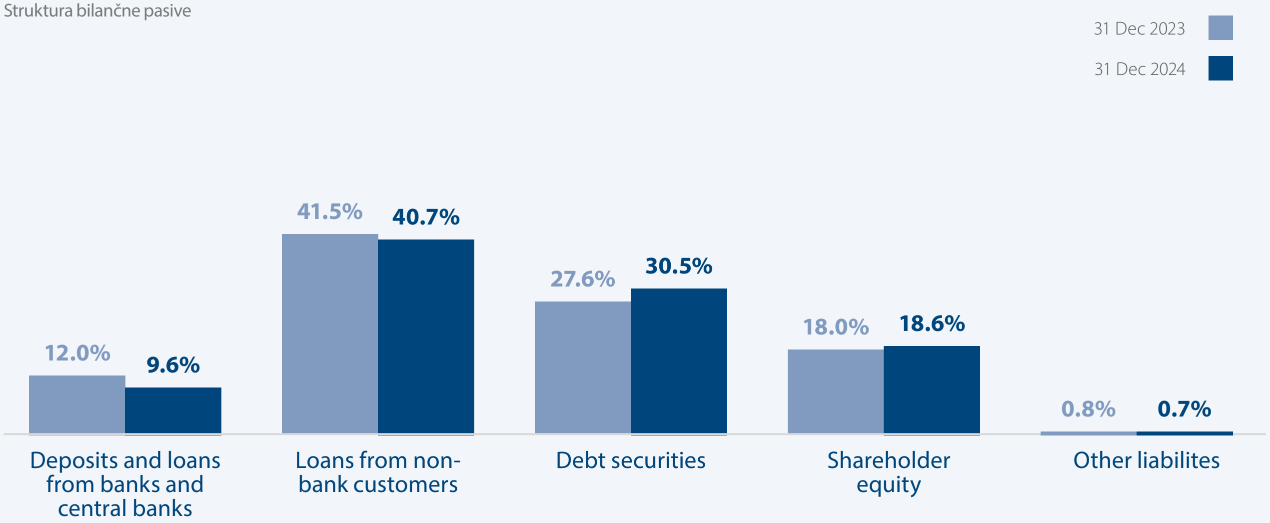
For more information on the funding side of the balance sheet, see the section entitled Funding.

Other liabilities amounted to EUR 18,563 thousand (2023: EUR 21,139 thousand).

Obveznosti in kapital

	Balance		Index	Breakdown	
(EUR thousand unless stated)	31 Dec 2024	31 Dec 2023	2024/2023	31 Dec 2024	31 Dec 2023
Deposits and loans from banks and central banks	262,796	322,887	81.4	9.6%	12.0%
Loans from non-bank customers	1,108,688	1,114,735	99.5	40.7%	41.5%
Debt securities	830,445	742,437	111.9	30.5%	27.6%
Shareholder equity	506,251	484,679	104.5	18.6%	18.0%
Other liabilities	18,563	21,139	87.8	0.7%	0.8%
Total equity and liabilities	**2,726,743**	**2,685,877**	**101.5**	**100.0%**	**100.0%**

Struktura bilančne pasive



SID Bank's financial results

SID Bank generated a pre-tax profit of EUR 11,193 thousand in 2024, which was reflected in a return on equity of 2.3%.

Pre-tax profit was down EUR 7,192 thousand on 2023, while net profit for the financial year amounted to EUR 9,027 thousand, a decline of EUR 6,611 thousand relative to the previous year. The decline in profit was primarily attributable to the new tax on total assets, and the net expenses for impairments and provisions.

Net interest

After a long rising period, the 6-month Euribor curve underwent a downward reversal in the final quarter of 2023, and the trend of decline continued in 2024, which had an impact on interest income and interest expenses alike.

Net interest amounted to EUR 34,846 thousand, up 15.5% on the previous year. The increase in net interest was primarily attributable to a rise in interest income for loans granted and for holdings of securities.

Net interest accounted for 78.0% of the Bank's total net income (2023: 74.8%). The **interest margin** rose in comparison with the previous year, reaching 1.3% in 2024 (2023: 1.1%).

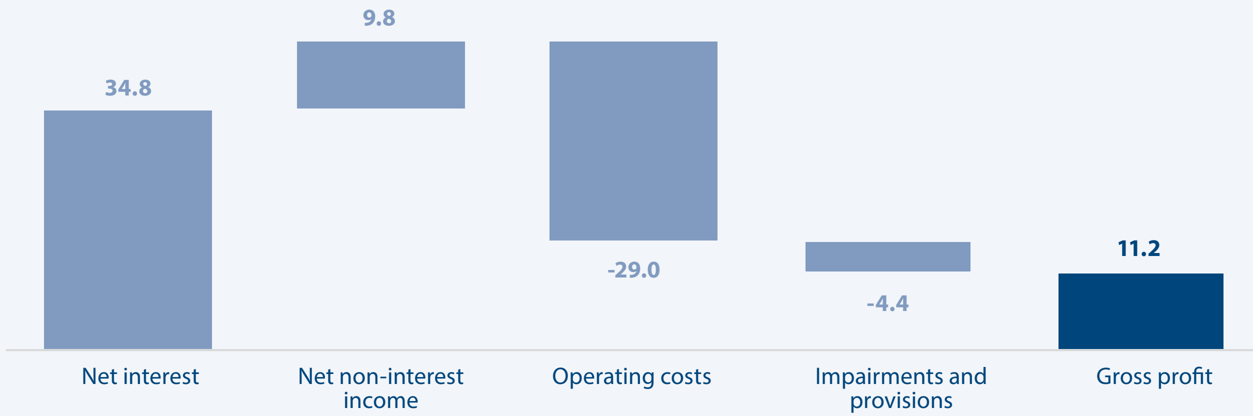
Non-interest income

Net non-interest income amounted to EUR 9,806 thousand in 2024, down EUR 361 thousand on 2023. The largest factors in the decline were the fall of EUR 3,218 thousand in net gains on equity financing to EUR 1,813 thousand, the increase of EUR 1,932 thousand in net losses

SID Bank's financial results

(EUR thousand unless stated)	Jan-Dec 2024	Jan-Dec 2023	Index 2024/2023
Net interest	34,846	30,170	115.5
Net non-interest income	9,806	10,167	96.4
Operating costs	(29,045)	(22,485)	129.2
Impairments and provisions	(4,414)	533	-
Pre-tax profit	11,193	18,385	60.9
Corporate income tax expence	(2,166)	(2,747)	78.8
Net profit	**9,027**	**15,638**	**57.7**

Composition of gross profit (in EUR million)



Overview of financial performance
— continuing

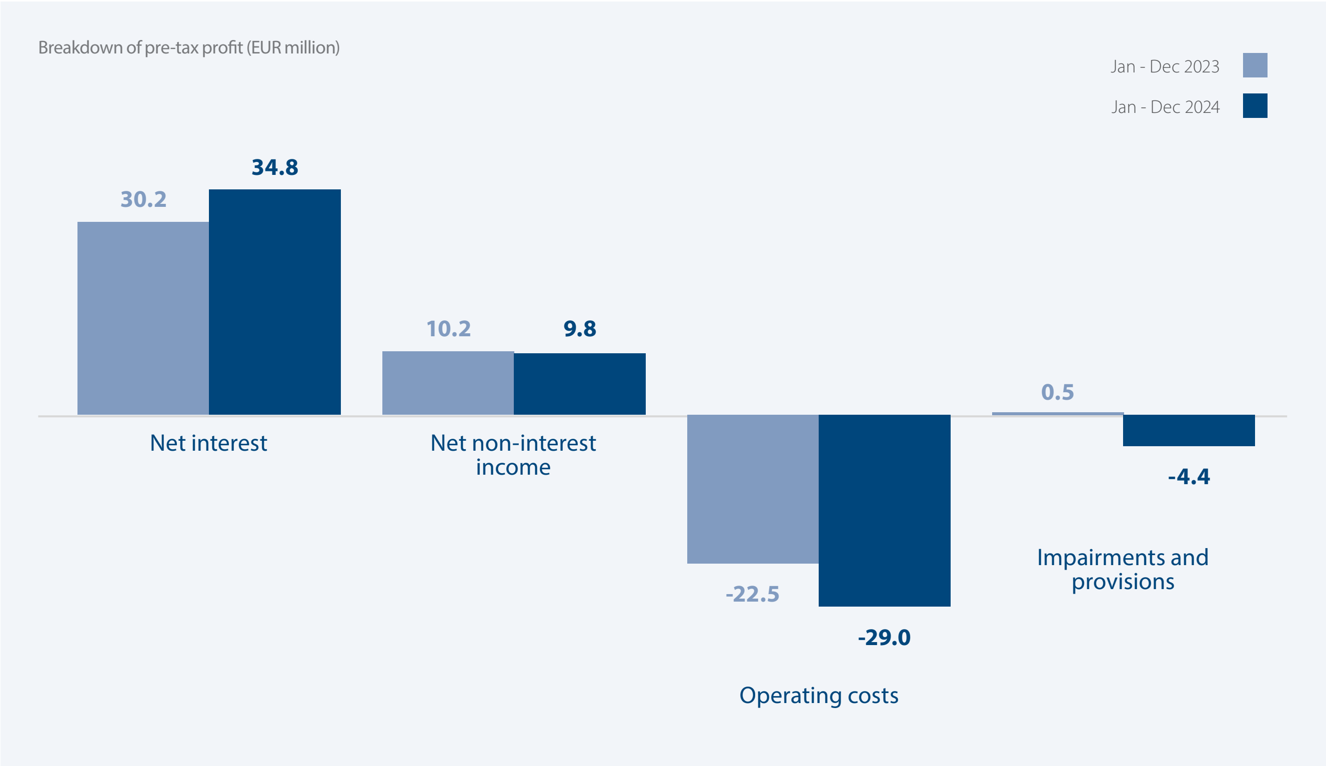
on the disposal of securities to EUR 2,625 thousand, and the decline of EUR 837 thousand in net fees and commission to a net outflow of EUR 472 thousand, driven by an increase in expenses for fees and commission.

The largest components of net non-interest income were:

- fees for executing transactions under Republic of Slovenia authorisation in the amount of EUR 3,991 thousand, which were up EUR 367 thousand on 2023;
- net gains on financial liabilities measured at amortised cost in connection with the revaluation of the government's liabilities arising from its holding in the loan funds in the amount of EUR 4,081 thousand, which were up EUR 4,585 thousand on the previous year;
- income as a financial intermediary from the fee for implementation of the funds of funds in the amount of EUR 1,923 thousand, down EUR 64 thousand.

Other changes in net non-interest income:

- the Bank received dividends in the amount of EUR 892 thousand in 2024, up EUR 74 thousand on 2023;
- net gains on loans and advances mandatorily at fair value through profit or loss declined by EUR 323 thousand to EUR 713 thousand;
- losses on changes in fair value in hedge accounting increased by EUR 88 thousand to EUR 407 thousand;
- net modification losses declined by EUR 1,737 thousand to EUR 107 thousand;
- net gains on financial liabilities measured at amortised cost relate to the fund of funds, and declined by EUR 603 thousand to enter net loss territory in the amount of EUR 6 thousand;
- other net non-interest income amounted to EUR 10 thousand, down EUR 59 thousand on 2023.



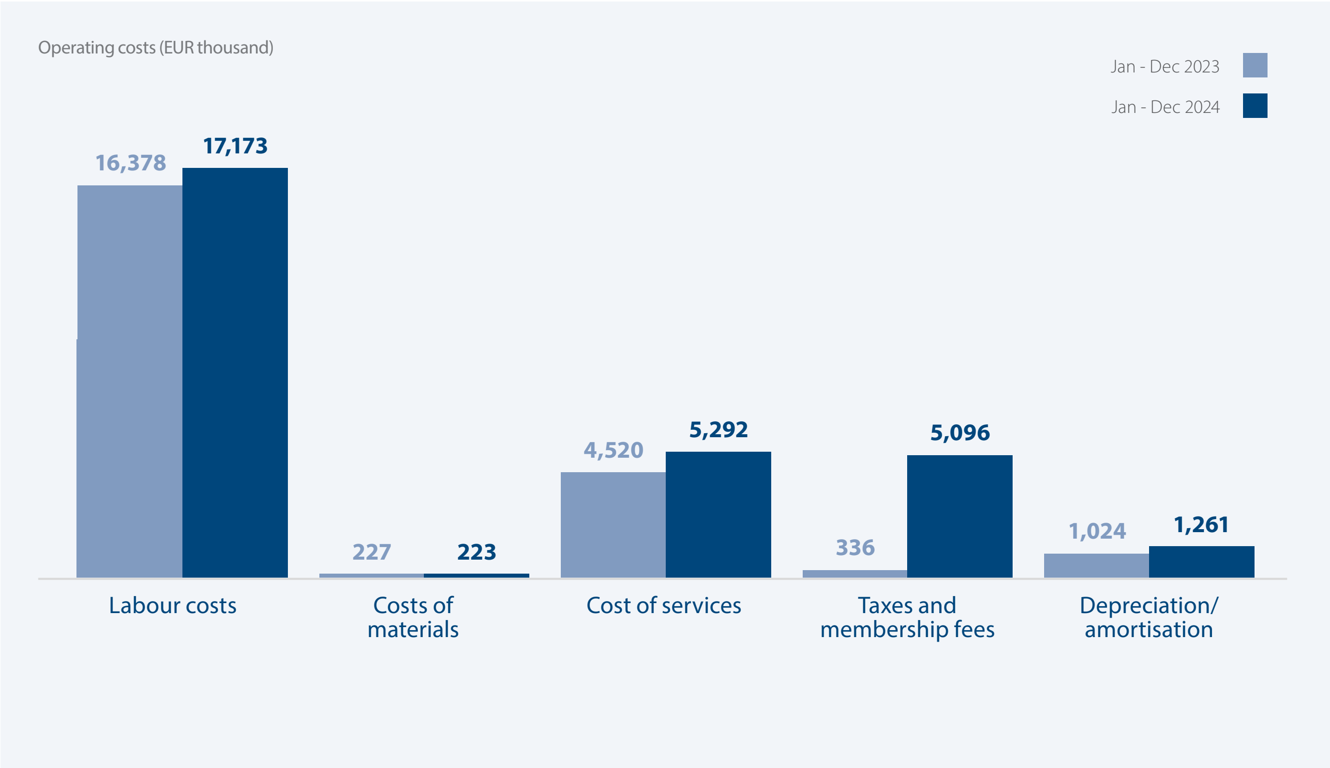
The Bank's **financial intermediation margin** stood at 1.6% in 2024 (2023: 1.5%).

Operating costs

Operating costs amounted to EUR 29,045 thousand in 2024, up EUR 6,560 thousand on the previous year. The main factor in the increase of 29.2% was the tax on total assets introduced in 2024, which raised costs by EUR 4,797 thousand. The new tax also changed the breakdown of operating costs.

Labour costs were the largest component, accounting for 59% of total operating costs or EUR 17,173 thousand, up 4.9% on the previous year. Next come costs of services in the amount of EUR 5,292 thousand or 18% of the total, having risen by 17.1% on the previous year, largely as a result of an increase in costs of IT services. Taxes and membership fees amounted to EUR 5,096 thousand (2023: EUR 336 thousand), their share of the total having increased from 1% to 18% as a result of the new tax on total assets. Amortisation and depreciation amounted to EUR 1,261 thousand (2023: EUR 1,024 thousand), while costs of material amounted to EUR 223 thousand (2023: EUR 227 thousand).

The **CIR** stood at 65.0% (2023: 55.7%). The deterioration in the indicator relative to the previous year was attributable to the new tax on total assets.



Impairments and provisions

The Bank recorded net expenses for impairments and provisions in the amount of EUR 4,414 thousand in 2024 (2023: net income in the amount of EUR 533 thousand).

Its net expenses for impairments amounted to EUR 4,538 thousand (2023: EUR 444 thousand), of which EUR 2,596 thousand was for loans and advances, and EUR 1,942 thousand was for securities.

The Bank generated net income from reversal of impairments in the amount of EUR 124 thousand in 2024 (2023: EUR 977 thousand), of which EUR 240 thousand was from undrawn loans (2023: EUR 207 thousand), and EUR 66 thousand was from guarantees (2023: net expenses of EUR 40 thousand), while there were net expenses in the amount of EUR 182 thousand for pensions and jubilee benefits (2023: net income of EUR 810 thousand).

Reconciliation of financial items in the business report and financial report

Statement of financial position

Business report		Financial report		Note
Cash and cash equivalents	493,158	Cash, balances at central banks and demand deposits at banks	493,158	2.4.1
Loans and advances to non-bank customers	1,328,427	Non-trading financial assets mandatorily at fair value through profit or loss – loans and advances to non-bank customers	2,609	2.4.2
		Financial assets measured at amortised cost – loans and advances to non-bank customers	1,325,818	2.4.4
Loans to banks and deposits	189,853	Financial assets measured at amortised cost – loans and advances to banks	189,853	2.4.4
Debt securities	616,792	Financial assets measured at fair value through other comprehensive income – debt securities	393,314	2.4.3
		Financial assets measured at amortised cost – debt securities	223,478	2.4.4
Equities	62,058	Non-trading financial assets mandatorily at fair value through profit or loss – equities and alternative investment funds	46,080	2.4.2
		Financial assets measured at fair value through other comprehensive income – equities	15,978	2.4.3
Other assets	36,455	Financial assets measured at amortised cost – other financial assets	5,297	2.4.4
		Derivatives - hedge accounting	15,033	2.4.5
		Investments in subsidiaries, associates and joint ventures	50	2.4.6
		Property, plant and equipment and intangible assets	6,821	2.4.7
		Corporate income tax assets	8,249	2.4.9
		Other assets	1,005	2.4.10
TOTAL ASSETS (BALANCE SHEET TOTAL)	**2,726,743**	**TOTAL ASSETS**	**2,726,743**	
Deposits and loans from banks and central banks	262,796	Financial liabilities measured at amortised cost – deposits and loans from banks and central banks	262,796	2.4.11
Loans from non-bank customers	1,108,688	Financial liabilities measured at amortised cost – loans from non-bank customers	1,108,688	2.4.11
Debt securities	830,445	Financial liabilities measured at amortised cost – debt securities	830,445	2.4.11
Other liabilities	18,563	Financial liabilities measured at amortised cost – other financial liabilities	4,991	2.4.11
		Derivatives - hedge accounting	6,069	2.4.5
		Provisions	1,321	2.4.12
		Corporate income tax liabilities	0	2.4.9
		Other liabilities	6,182	2.4.13
LIABILITIES	2,220,492	TOTAL LIABILITIES	2,220,492	
EQUITY	506,251	TOTAL EQUITY	506,251	2.4.14
TOTAL EQUITY AND LIABILITIES (BALANCE SHEET TOTAL)	**2,726,743**	**TOTAL EQUITY AND LIABILITIES**	**2,726,743**	

Reconciliation of financial items in the business report and financial report

Income statement

Business report		Financial report		Note
Net interest	34,846	Net interest	34,846	2.5.1
Net non-interest income	9,806	Dividend income	892	2.5.2
		Net fees and commission income	-472	2.5.3
		Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	1,450	2.5.4
		Net gains/(losses) on financial assets and liabilities held for trading	-1	
		Net gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss	2,526	2.5.5
		Changes in fair value in hedge accounting	-407	2.4.5
		Net foreign exchange gains/(losses)	1	
		Net modification gains/(losses)	-107	2.5.9
		Net gains/(losses) on derecognition of non-financial assets	7	
		Other net operating income/(expenses)	5,917	2.5.6
Operating costs	-29,045	Administrative expenses	-27,784	2.5.7
		Depreciation and amortisation	-1,261	2.5.8
Impairments and provisioning	-4,414	Provisioning	124	2.5.10
		Impairments	-4,538	2.5.11
Pre-tax profit	**11,193**	**Profit before tax from continuing operations**	**11,193**	
Corporate income tax expense	-2,166	Corporate income tax expense	-2,166	2.5.12
Net profit	**9,027**	**Net profit for the financial year**	**9,027**	

Overview of performance by segment

Financing

Financing of regional development, economic competitiveness, a knowledge society and an environment-friendly society

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.

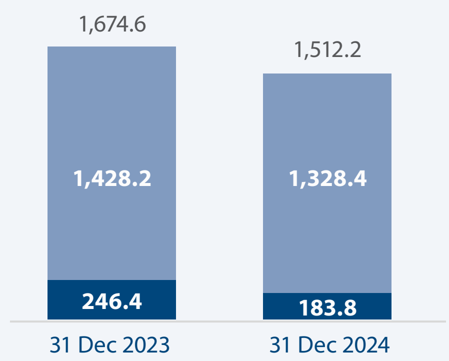
The stock of the credit portfolio amounted to EUR 1,512,225 thousand at the end of 2024 (31 December 2023: EUR 1,674,566 thousand). Net loans declined in the financing of the commercial sector and also banks, in line with the general trend of decline in corporate loans in Slovenia. The decline was attributable to a downturn in investment activity in the economy, and the relatively high stock of internal resources available to businesses. The previous years' high growth in loans with moratoria is now also being reflected in increasing amortisation and regular repayments of the credit portfolio, which is increasingly difficult to replace with new loans. Another significant factor in the decline in the credit portfolio in 2024 was the unexpected early repayment of loans as a result of refinancing or surplus liquidity in the economy.

As at 31 December 2024, there were 750 final beneficiaries financed indirectly via commercial banks and savings banks, and 1,064 borrowers financed directly by the Bank.

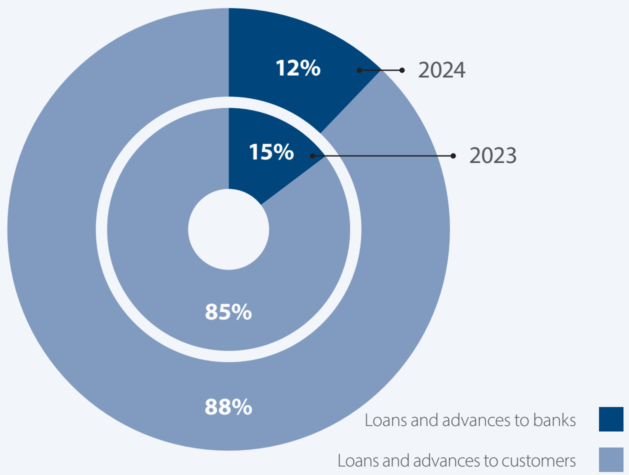
As part of its developmental and anti-crisis activity in 2024 (the emergency role in mitigating the impact of the energy crisis and the war in Ukraine), a total of EUR 184 million of loans were directly concluded using SID Bank funds. The maturity breakdown of SID Bank's credit portfolio reflects its focus on activities under the ZSIRB and the ZZFMGP. Nearly all loans are of a long-term nature with a variable interest rate.

The bulk of new financing in 2024 was provided in the form of direct loans to corporates classified as state aid (particularly within the context of financial engineering instruments), while the remainder consisted of syndicated loans and loans to municipalities and the wider public sector. The last of these in particular saw a significant decline in SID Bank's price competitiveness on products where it disposes of purpose-specific funding from development institutions

Credit portfolio (EUR million)



Structure of credit portfolio

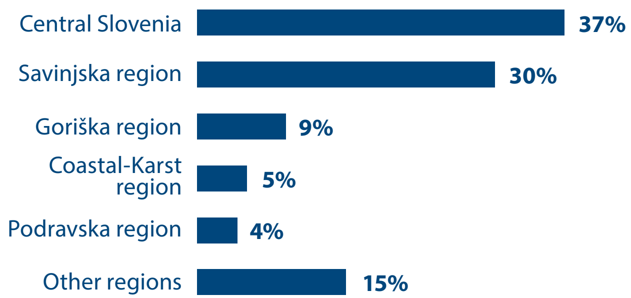


or its own funds, which is becoming increasingly expensive relative to the mostly favourable short-term resources of commercial banks.

In terms of the primary purpose, regional development accounted for over half of all new loans in 2024, followed by development of economic competitiveness, development of a knowledge society and innovative enterprise, and development of an environment-friendly society.

Firms in accommodation and food service activities accounted for the largest share of new loans (37% of in terms of value), followed by firms in manufacturing (34%), transportation and storage (17%), water supply, sewerage and waste management, and environmental remediation activities (4%), professional, scientific and technical activities (2%) and other sectors (6% in all).

Breakdown of loans by regions in Slovenia



Forms and types of direct financing

SID Bank complements the range of services of commercial banks in all areas where it can provide support in accordance with the ZSIRB, most notably 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 economic and public infrastructure in Slovenia, and, as part of its anti-crisis financing, the mitigation of the impact on firms from the energy crisis and the war in Ukraine. In so doing it uses various instruments of financing.

Financial engineering

Financial engineering is a form of collaboration between SID Bank and the government for the purpose of improving access to financing. In conjunction with the Ministry of the Economy, Tourism and Sport and the Ministry of Infrastructure, SID Bank offered companies, sole traders and cooperatives long-term financing within the framework of five different financial engineering measures in 2024. The loans are intended for capital and current operating expenditure (tangible fixed assets, intangible assets, costs of labour, material and services, and small inventory), and for RDI. Under the state aid rules, the loans are treated as state aid or *de minimis* aid. The revised state aid rules came into effect in 2024.

The weighted average maturity of all financial engineering loans was 11.2 years, while the weighted average premium over the benchmark interest rate was 1.27 percentage points. The total net amount of loans granted from all financial engineering programmes amounted to EUR 423.6 million at the end of 2024, down 3.4% on the end of the previous year. A total of 62 agreements were signed in the total amount of EUR 147.3 million in 2024.

Through its financial engineering in collaboration with the Ministry of the Economy, Tourism and Sport and the Ministry of Infrastructure, 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 and purpose-specific funding from development institutions

The implementation of financial engineering measures is complemented by the range of instruments using SID Bank's own funds and/or in combination with purpose-specific funding from development institutions. Alongside the basic product for the long-term financing of firms of all sizes for working capital and investment, firms also have at their disposal the programme for promoting innovation and digitalisation, and the programme for financing sustainability projects and businesses. The two programmes are backed by a European Investment Fund guarantee, with the support of the InvestEU fund as a form of loan collateral.

Export financing continued to be profoundly affected in 2024 by the events in Ukraine and the resulting sanctions against Russia and Belarus. SID Bank continued to provide 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.

SID Bank continued financing public-sector entities in Slovenia whose public financing is not subject to state aid rules.

SID Bank mainly used syndicated loans, i.e. co-financing with other banks, to address major investments such as infrastructure projects. These require longer maturities, while the large sums of financing mean that there is an interest on the part of commercial banks in sharing risk or exposure.

SID Bank continued to offer consultancy and project financing in 2024. In its role as the European Commission's implementing partner, it promotes support for infrastructure for alternative energy sources under the Connecting Europe Facility, within the framework of which grants were made available for projects related to electricity charging infrastructure, hydrogen supply, and LNG supply.

Direct implementation of the FI 2014-2020 Fund of Funds and Covid-19 Fund of Funds

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, ECP loans for the comprehensive energy renovation of public-sector buildings, ECP loans for urban development, and ECP loans for RDI/Covid-19 within the framework of the Covid-19 Fund of Funds. The eligibility of these funds came to a close at the end of 2023, but as of 2024 it has been possible to reuse the funds repaid in the interim.

Forms and types of indirect financing

Loans

The exceptional liquidity of the commercial banks and savings banks, with an LTD ratio of between 60% and 70%, or even below 50% at certain banks, as a direct consequence of the high saving rate and the stagnation in investment, and the low price of financing from this source, are currently hampering SID Bank in pursuing its mandates via the channel of providing purpose-specific funds, as they are mostly no longer competitive. Total deposits by non-financial corporations have begun to decline according to the latest data, but loans and advances to non-financial corporations are declining even faster. Consequently there is no interest on the part of commercial banks in raising long-term loans from SID Bank (i.e. indirect financing), which a few years ago accounted for the majority of the credit portfolio. The share of loans to commercial banks is continuing to decline relative to the share of loans to the corporate sector.

In light of the above SID Bank's focus in 2024 was on developing the toolkit of risk take-up instruments (portfolio guarantees, individual risk take-up, additional guarantee capacity within the framework of the reuse of the fund of funds), and on making organisational changes to further encourage the involvement of private equity in development business in 2025.

The implementation of European cohesion policy within the framework of the two funds of funds remains an important approach in SID Bank's activity via financial intermediaries.

For more on the work of the funds of funds, see the section entitled Operations under Republic of Slovenia authorisation.

Slovene Equity Growth Investment Programme (SEGIP)

In a strategic partnership with the European Investment Fund, SID Bank, through the SEGIP programme, facilitates equity investments in areas where market gaps have been identified. The SEGIP was established in late 2017 for a term of 15 years. The original size of the programme, which amounted to EUR 100 million, was expanded by an additional EUR 120 million in 2022. The programme thus has a total size of EUR 220 million, of which SID Bank and the European Investment Fund are each contributing EUR 110 million. By the end of 2024, i.e. seven years after its establishment, 81% of the total funding had been distributed in the form of firm commitments (approximately EUR 178 million of the EUR 220 million, of which EUR 110 million of commitments were signed in 2024).

By 2019, the entire EUR 50 million allocated under SEGIP for newly established Slovenian private equity funds (for the purpose of capacity building in Slovenia) had 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 2024, the two funds had invested EUR 98.5 million in the form of equity.

In 2024, commitments to funds were signed with four private alternative investment funds (AIFs) managers for a total amount of EUR 110 million (EUR 55 million each from SID Bank and the Investment Fund). Three of the four AIF operators are established in Slovenia: Pan-Adria d.o.o., MS PE d.o.o. (MSIN Group) and Prva Cap d.o.o. (Prva Group). The Slovenian AIF operators will set up their funds in 2025. The foreign AIF operator named Vesna Venture Capital, which is registered in Luxembourg, set up its technology transfer fund in 2024 under the name of Vesna Deeptech Fund, and has already made its first investments in Slovenian firms.

Financial leverage is generated also through other SEGIP investments, including co-investment in Slovenian firms and investments in foreign private equity funds that operate in the region and also invest in Slovenian firms.

Anticipated activities in 2025

The Bank will continue to consolidate its development operations in 2025, which will chiefly be reflected in the direct financing of technology-development projects, participation in the development and implementation of infrastructure projects and investments, and involvement in circular economy, environmental protection and energy efficiency projects. It is continuing its promotion of the internationalisation of the Slovenian economy through the financing of Slovenian exports. The continued development and implementation of direct financing programmes will be based on the needs of the economy, the gaps, and the complementing of the portfolios of commercial banks and public funds, particularly from the perspective of the development role in improving the competitiveness of the economy. In 2025 the focus will be on placing financial engineering funds within the framework of the existing TURIZEM product, and the reuse of Loan Fund 3 (MSP9) agreed at the end of 2024. The Bank will also be involved in financing major investments and infrastructure projects via syndicated loans.

Within the framework of the activation of the reuse of the MSP9 product, and in conjunction with the projected signing of an agreement with the European Commission and the creation of a loans for SMEs product with a direct InvestEU guarantee, SID Bank will remain capable of effectively addressing the SMEs segment over the medium term, and granting access to financing.

In light of the financial instruments envisaged for the use of the cohesion funding for the 2021 to 2027 period, in 2025 SID Bank will continue working to set up two new loan funds to finance major investments and support the tourism sector, thereby replacing the existing Loan Fund 2, whose liquidation begins in October 2025, and anti-crisis financing, where the loan fund would be available as a contingency mechanism to protect the economy from major economic shocks for firms outside their influence, and would be devoted to development financing during times of good economic performance.

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 2025 in cooperation with financial intermediaries in the direction of taking up greater risks on the basis of innovative instruments, providing guarantees, and other forms of cooperation.

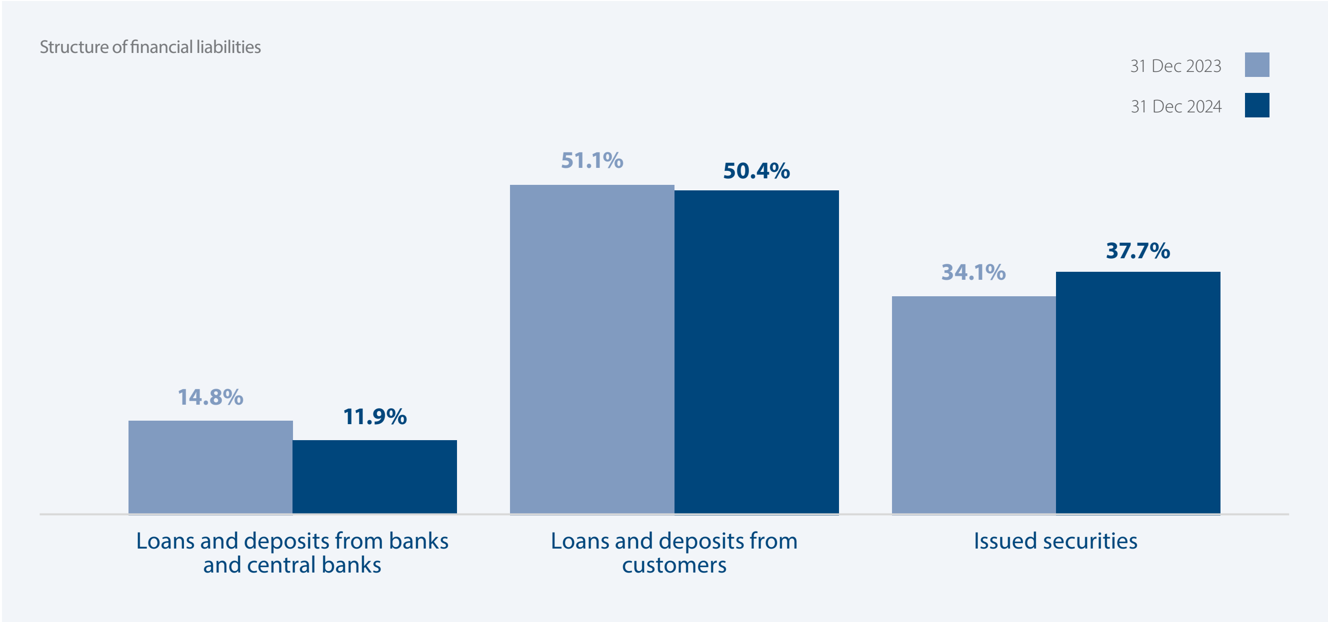
Overview of performance by segment

Funding and liquidity

Funding

Stability of SID Bank's long-term 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 2024. SID Bank borrowed in June 2024 by issuing a seven-year bond in the nominal amount of EUR 125 million on the international capital markets in a private issue. The Bank repaid registered bonds in the amount of EUR 48 million in 2024, while bonds in the amount of EUR 350 million fall due for payment in 2025.



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, and purpose-specific funding from the Ministry of the Economy, Tourism and Sport and the Ministry of Infrastructure.

The stock of funding amounted to EUR 2,201,929 thousand at the end of 2024 (2023: EUR 2,180,059 thousand). Deposits and loans amounted to EUR 1,371,484 thousand (2023: EUR 1,437,622 thousand), and issued securities to EUR 830,445 thousand (2023: EUR 742,437 thousand). In terms of residual maturity the financial liabilities are primarily non-current: only 21.3% have a residual maturity of up to 12 months, while 49.3% have a residual maturity of one to five years, and 29.4% a residual maturity of more than five years.

In 2025 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. SID Bank will also draw down long-term purpose-specific funding from development institutions for the purposes of financing companies (mainly SMEs), local government infrastructure projects and public funds. SID Bank also expects to be involved in the implementation of the new financial perspective, i.e. for management of the holding fund (the new fund of funds) with the support of European cohesion funds.

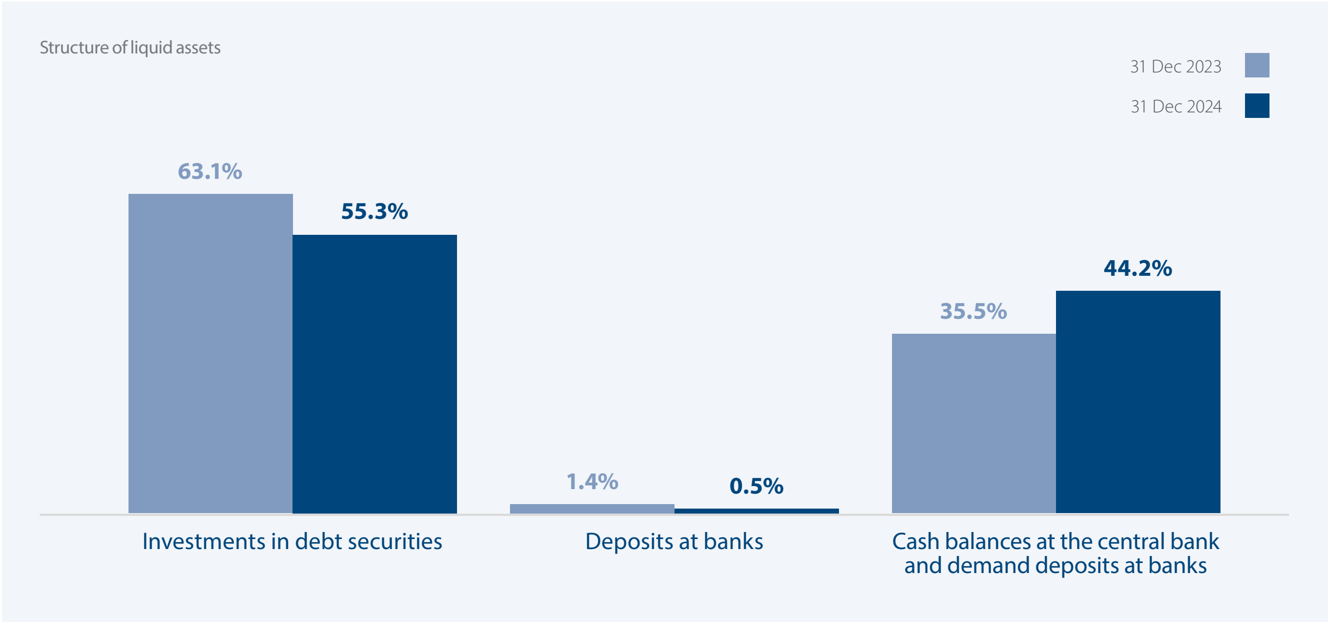
Liquid assets

SID Bank maintains an appropriate level, quality and structure of liquid assets

Conditions for the management of the liquid assets remained stable in 2024, despite the continuing global geopolitical tensions. Amid falling inflationary pressures, and issues with a sluggish economy in the euro area, the ECB began a cycle of interest rate cuts in June 2024, and made four cuts of 25 basis points, thereby reducing the interest rate on the deposit facility from 4% to 3%. SID Bank nevertheless continued to exploit the relatively good terms of remuneration on balances at the central bank, and for reinvesting in debt securities.

SID Bank maintained an appropriate level, quality and structure of liquid assets in 2024 for covering its expected and unexpected liquidity outflows, and for ensuring business continuity in challenging conditions. The structure of liquid assets shifted in 2024 following slight increases in cash and cash equivalents and 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.

Holdings of debt securities amounted to EUR 616,792 thousand at the end of 2024 (2023: EUR 575,035 thousand), of which EUR 393,314 thousand (63.8%) comprised debt securities measured at fair value through other comprehensive income, and EUR 223,478 thousand (36.2%) comprised debt securities measured at amortised cost. Cash and cash equivalents amounted to EUR 493,158 thousand (2023: EUR 323,785 thousand), while bank deposits stood at EUR 6,055 thousand (2023: EUR 12,792 thousand).



The Bank's liquid assets as at 31 December 2024 included liquid assets of the loan funds in the amount of EUR 349,734 thousand (31 December 2023: EUR 294,121 thousand), where cash and cash equivalents constituted all the liquid assets of the loan funds at the end of 2024.

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. Investments with an investment-grade credit rating accounted for 90.6% of the total portfolio at the end of 2024 (2023: 92.4%), while investments eligible as collateral at the central bank accounted for 88.8% (2023: 92.5%). Government debt securities, securities backed by guarantees of EU Member States, and securities of international organisations and multilateral development banks made up 64.2% of the total debt securities portfolio at the end of 2024 (2023: 62.2%), while debt securities of financial issuers accounted for 28.4% (2023: 27.0%) and debt securities of non-financial issuers for 7.4% (2023: 10.8%). In terms of the registered office of the issuer, Slovenia accounted for 49.0% of the portfolio (2023: 42.5%). The average residual maturity of the debt securities portfolio stood at 2.9 years at the end of 2024 (31 December 2023: 3.5 years), while the average interest rate stood at 2.2% (31 December 2023: 1.7%).

In its investments in new investment-grade debt securities, SID Bank gives priority to long-term bonds from the euro area core countries. The Bank is not making new investments in debt securities from the fossil fuels sector in accordance with the CPRS classification. Green bonds, social bonds and sustainability bonds accounted for 14.6% of the entire portfolio of debt securities at the end of 2024 (2023: 16.9%).

For the purpose of implementing its mandates, in 2024 the Bank upgraded the existing mandate frameworks for its activity on the capital markets and put in place new ones, through which it can execute investment operations in debt securities of domestic commercial banks that meet the MREL criteria and debt securities of domestic corporates that meet green, social, sustainability and other conditions. In line with the principles of the aforementioned mandate frameworks, the Bank successfully realised eight transactions in the nominal amount of EUR 73 million in 2024.

The Bank will continue to implement a conservative and prudent strategy for managing liquid assets in 2025, with the primary aim remaining to ensure liquidity and security. The Bank is planning to make additional purchases of long-term bonds of euro area core countries to serve as its liquidity reserve, and will also continue its purchases of securities within its mandate frameworks.

Overview of performance by segment

Operations under Republic of Slovenia authorisation

Insurance against non-marketable risks

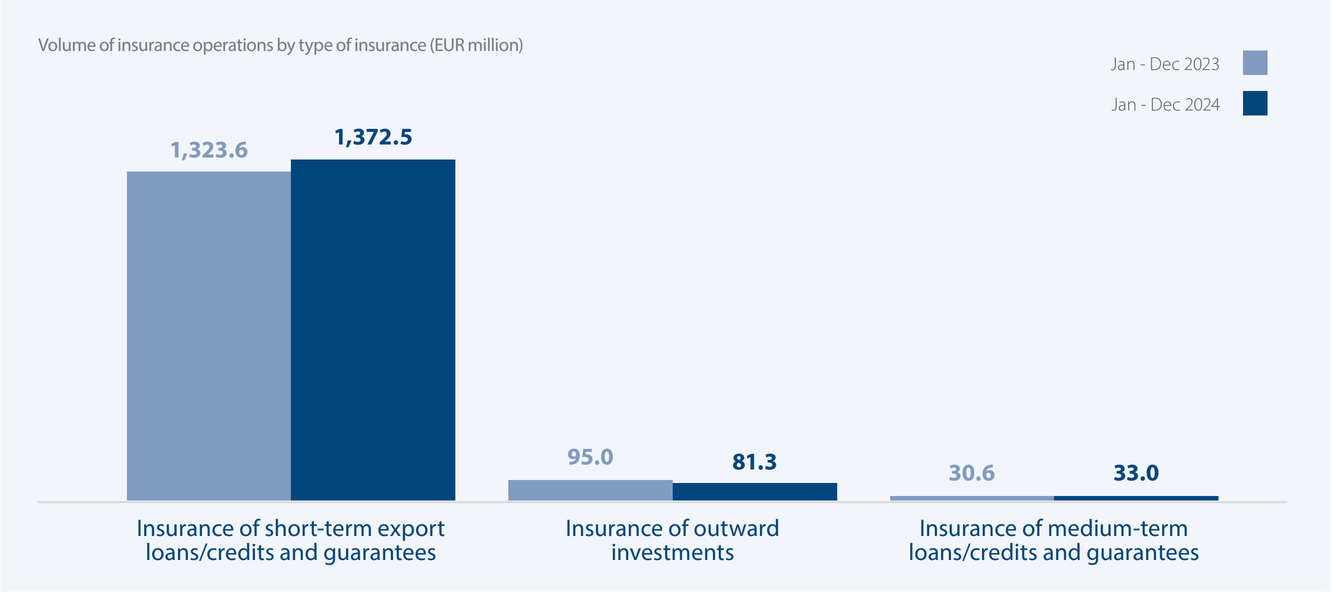
EUR 1.5 billion of insurance operations

As an authorised institution, on behalf of and for the account of the Republic of Slovenia SID Bank insures/reinsures against 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 to take up or has limited capacity to take up.

Volume of insurance operations

The volume of all insurance operations amounted to EUR 1,486,742 thousand in 2024, up 2.6% on the previous year (2023: EUR 1,449,184 thousand). Higher insurance volumes were realised in short-term operations in particular, most notably in the insurance of short-term export preparation loans and short-term supplier loans. The insurance of bank guarantees, where a higher number of small-value transactions was insured, was predominant in terms of the number of issued insurance policies.

The volume of export insurance operations is still being affected by the war in Ukraine and the economic sanctions against Russia and Belarus, with only humanitarian goods and pharmaceuticals allowed to be exported to these two countries. Given that Russia is the largest non-marketable country for the Slovenian economy in terms of exports, and that Belarus was prominent in export financing insurance, the assessment is that the loss in insurance operations is material. SID Bank again proved itself to be a resilient institution, and succeeded in replacing the loss of insurance operations in eastern Europe with other insurance. It succeeded in using insurance to open new markets, and largely insured additional financing of existing export transactions of Slovenian firms in their traditional markets. One example is the former Yugoslav republics, where large insurance volumes were realised in respect of customers from those countries. Export transactions with a short maturity were prevalent.

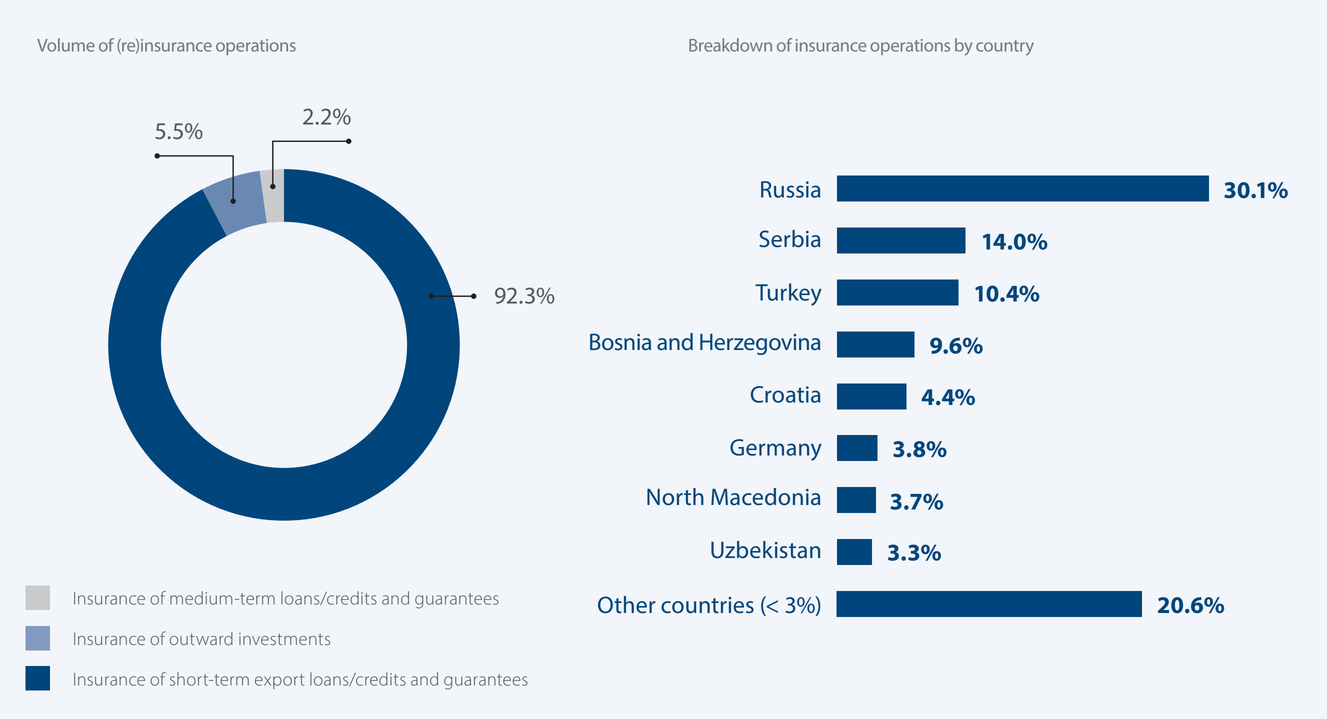


The realised volume of insurance operations[6] in 2024 reached 8.2% of the maximum value of newly assumed annual obligations as defined in the ZZFMGP.

Volume of insurance operations by type of insurance (excluding insurance operations under the special contingency reserve for Ukraine)

Reinsurance of short-term export credits (renewable insurance of short-term non-marketable risks) accounted for the largest proportion of the realised volume of insurance and reinsurance operations (excluding operations under the special contingency reserve for Ukraine) at 88.7%, followed by insurance of outward investments (5.6%), while the remainder was accounted for by other short-term and medium-term insurance (insurance of medium-term export preparation loans, insurance of medium-term bank guarantees,

[6] The calculation does not include insurance operations under the special contingency reserve for Ukraine.



insurance of short-term export preparation loans).

Short-term insurance in the insurance and reinsurance of export credits, guarantees and export preparation loans amounted to EUR 1,341,420 thousand in 2024, an increase of 1.3% relative to the previous year. The majority of 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 two insurers. A small proportion relates to insurance of individual export transactions.

The volume of insured outward investments reached EUR 81,271 thousand in 2024, down 14.4% on the previous year. Newly insured outward investments and renewals of investments insured in previous years that in terms of content can be deemed newly insured investments are included among the volume of insurance.

The volume of insurance operations realised for medium-term export transactions (loans, bank guarantees and export preparation loans) in 2024 was up on the previous year and stood at EUR 32,997 thousand (2023: EUR 30,589 thousand). The largest proportion of insured medium-term operations related to exports of communications and other electrical equipment, steel, fabricated metal structures, tools and machinery, engineering and technical consultancy services, vehicle chassis, stone, computer equipment and construction.

Volume of insurance operations under the special contingency reserve for Ukraine

The volume of insurance operations in Ukraine amounted to EUR 31,055 thousand in 2024. The total volume consists of reinsured short-term credits resulting from the registration of exporters' trade.

Exposure

Exposure from current insurance policies (excluding exposure from operations under the special contingency reserve for Ukraine) amounted to EUR 576,723 thousand at the end of 2024 (31 December 2023: EUR 527,032 thousand). In accordance with the ZZFMGP, the exposure under binding insurance commitments made was added to this and amounted to EUR 3,195 thousand (31 December 2023: EUR 1,878 thousand). Exposure from operations under the special contingency reserve for Ukraine reached EUR 13,880 thousand (2023: EUR 4,845 thousand), while total exposure from all insurance operations amounted to EUR 593,798 thousand, up 11.2% on the end of the previous year (31 December 2023: EUR 533,755 thousand).

The exposure amount[7] is 27.6% of the limit defined in the Implementation of the Republic of Slovenia Budget for 2023 and 2024 Act (ZIPRS), and 1.1% of the limit as defined in the ZZFMGP.

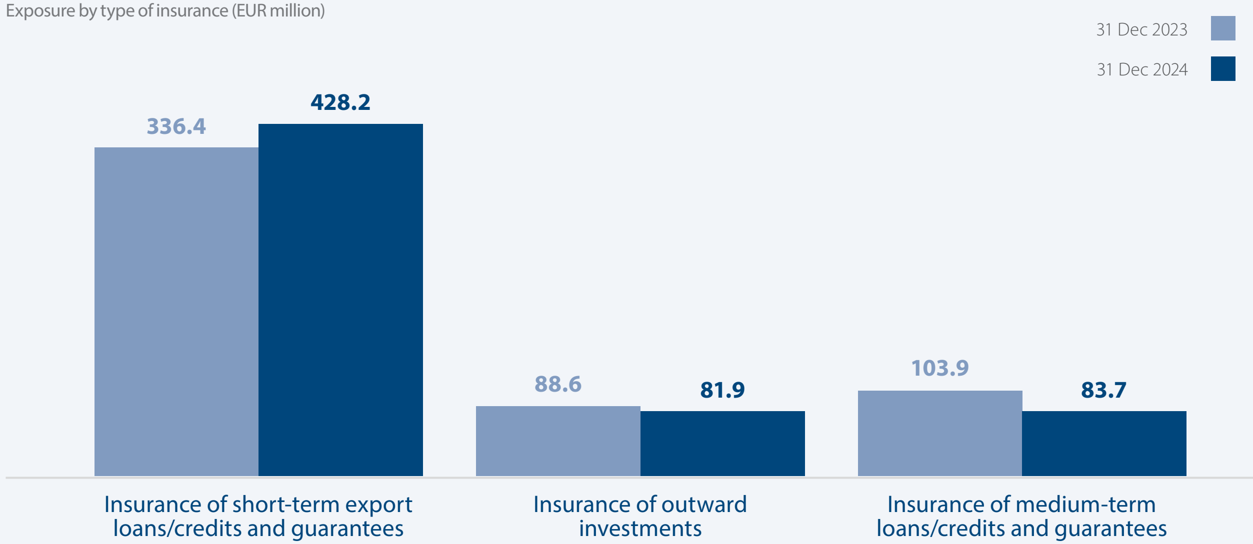
Insurance-technical provisions (contingency reserves and special contingency reserve for Ukraine)

Premiums and commissions from insurance against non-marketable risks amounted to EUR 2,889 thousand in 2024 (of which EUR 208 thousand was from insurance under the special contingency reserve), a decline of 9.9% relative to 2023.

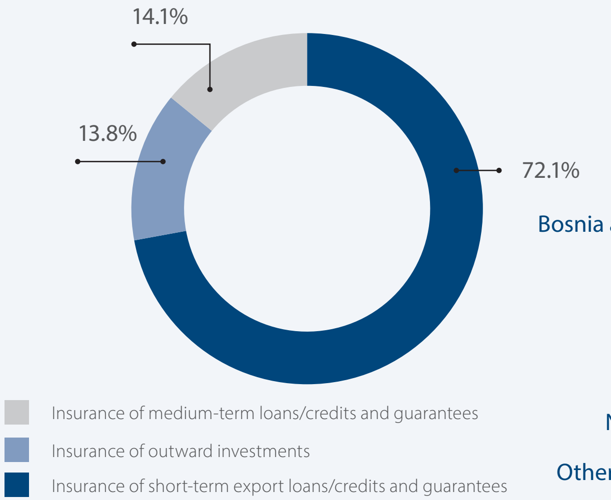
Claims paid amounted to EUR 1,854 thousand in 2024 (2023: EUR 1,647 thousand). Seven claims under the reinsurance of short-term export credits (of which a claim under a reinsured advance in Ukraine was the largest component) and one claim under medium-term credit to a foreign customer (a partial claim for an operation in Rwanda) were paid out. The remaining payments arose from the costs of recovery of claims paid in previous years (for customers in Bosnia and Herzegovina, Serbia, Turkey, Morocco, India, Ukraine and the UAE).

The **insurance technical result** in 2024 amounted to EUR 281 thousand (2023: EUR 1,320 thousand), EUR 139 thousand of which was attributable to the special contingency reserve for Ukraine.

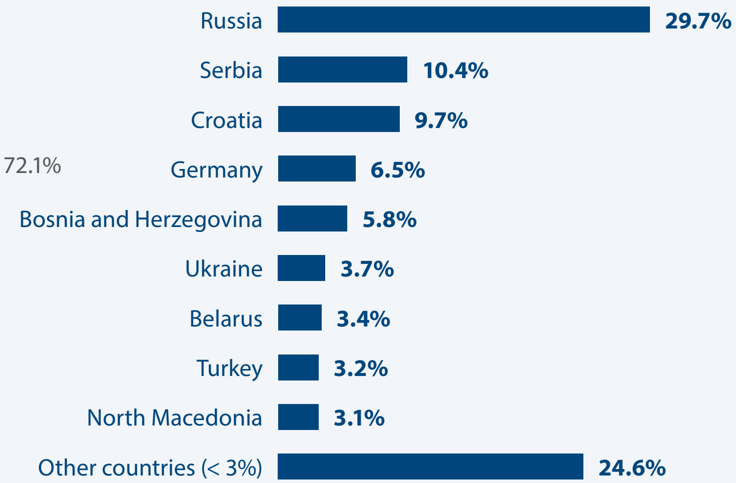
Exposure by type of insurance (EUR million)



Exposure of (re)insurance operations



Breakdown of exposure by country



[7] The calculation does not include insurance operations under the special contingency reserve for Ukraine.

Insurance-technical provisions (contingency reserves and special contingency reserve for Ukraine)

(EUR thousand)	31 Dec 2024 or Jan-Dec 2024	31 Dec 2023 or Jan-Dec 2023	Index 2024/2023
Premiums and commissions	2,889	3,207	90.1
Claims paid	(1,854)	(1,647)	112.6
Recourse	118	1,006	11.7
Other items (bonuses, commissions)	(872)	(1,246)	70.0
Insurance technical result	**281**	**1,320**	**21.3**
Investment income	3,028	1,453	208.4
Surplus of income over expenses	**3,309**	**2,773**	**119.3**
Potential claims	**3,062**	**445**	**687.5**
Claims under consideration	**192**	**1,004**	**19.1**

The surplus of income over expenses amounted to EUR 3,309 thousand, of which EUR 463 thousand was attributable to the special contingency reserve (2023: EUR 2,773 thousand, of which EUR 123 thousand was attributable to the special contingency reserve).

Claims under consideration (claims filed) amounted to EUR 191 thousand as at 31 December 2024 (31 December 2023: EUR 1,004 thousand). All the recorded claims under consideration arose from reinsured short-term operations, as a result of prepayments of customers from the former Yugoslav republics, the former Soviet Union, Colombia, South Africa and India.

Potential claims amounted to EUR 3,062 thousand in 2024 (2023: EUR 445 thousand). They primarily arise from insured medium-term operations and, to a lesser extent, from reinsured short-term credits. Insurance operations where difficulties have arisen in the repayment of liabilities are classed as potential claims. Thanks to the conclusion of financial restructuring agreements, the expectation is that there will be no need to pay out claims for a large share of insurance operations included under potential claims, while a smaller share of them might later be transferred to claims payments.

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 2,846 thousand in 2024 relative to the previous year as a result of a positive operating result, and stood at EUR 180,365 thousand at the end of the year.

Special contingency reserve for Ukraine

June 2023 saw the adoption of the Decree on the insurance of international commercial transactions in Ukraine during time of war, which regulates insurance and reinsurance coverage issued by SID Bank as an authorised institution on the basis of the ZZFMGP.

The purpose of the decree is ensuring and promoting the presence of Slovenian businesses in the Ukrainian market, and preventing longer-term adverse impact from the disruption of the trading relationship between the two countries. The Bank received a special contingency reserve for Ukraine in the amount of EUR 9,698 thousand under the decree for the purpose of executing transactions. The contingency reserve amounted to EUR 10,284 thousand as at 31 December 2024.

Expectations for 2025

A similar volume of insurance and reinsurance operations to that of 2024 is planned for 2025. The expectation is that the economic sanctions against Russia and Belarus will remain in force, and SID Bank will therefore need to be more active in other markets. Given the anticipated restrictions in the USA market (tariffs), SID Bank will engage in the markets of central and south-east Asia, and in certain African countries. The slowdown in the European economy has already been reflected in a rise in the number of insurance claims, which is likely to intensify further in 2025, which means that SID Bank's work to prevent claims from occurring will be very important.

Exposure from medium-term insurance operations is expected to have increased by the end of 2025, mainly based on the value of new operations planned. Short-term insurance operations are expected to see a similar volume to 2024, with traditional markets accounting for the majority. SID Bank will continue pursuing the needs of the Slovenian economy.

Insurance of equity holdings has remained at a low level over the last few years, and the assessment is that this is mainly because Slovenian investors underestimate the non-commercial risks in the rest of the world. It is true that during times of geopolitical uncertainty, firms are less likely to establish firms abroad, but instead try to reach their market targets through cheaper and lower-risk enterprises. Similar developments are also expected in 2025.

Management of the FI 2014-2020 Fund of Funds and Covid-19 Fund of Funds

Implementation of European cohesion policy via the Fund of Funds

FI 2014-2020 Fund of Funds

The financing agreement signed by the Ministry of Economic Development and Technology and SID Bank in 2017 set out the implementation of European cohesion policy for the 2014 to 2020 period. Under the agreement, SID Bank acquired the right to manage European cohesion policy funds totalling EUR 253 million, which it did in the form of a fund of funds. The amount covered by the agreement had declined to EUR 226,215 thousand of ECP funding by the end of 2023, when the eligibility period ended, and to EUR 224,673 thousand of ECP funding by the end of 2024.

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 the 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. Taking the reuse of repaid funds into account, approximately EUR 380 million was realised in the eligibility period, while an additional EUR 27.5 million was realised in 2024 via RDI loans and microloans. Reuse will be able to follow the repayment schedule in the future.

Covid-19 Fund of Funds

Together with the Ministry of Economic Development and Technology 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 Ministry of Economic Development and Technology were successfully disbursed in 2020 and 2021.

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

- microloans 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.

During the eligibility period over EUR 118 million was disbursed to final beneficiaries from the Covid-19 Fund of Funds; this figure includes the reuse of repaid European cohesion policy funds. Microloans in the amount of EUR 19,313 thousand from repaid funds were provided to final beneficiaries in 2024, and the instrument will continue being used in the future.

With the establishment and implementation of the Covid-19 Fund of Funds, SID Bank and the Ministry of Economic Development and Technology complemented the toolkit 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 just under EUR 545 million had been provided to final beneficiaries via all financial intermediaries, including SID Bank, by the end of 2024.

Performance of the function of official auctioneer at emission allowance auctions

On the basis of the Environmental Protection Act, in 2024 SID Bank again acted as the official auctioneer at emission allowance auctions on behalf of and for the account of the Republic of Slovenia.

The Bank participated in 142 auctions as an official auctioneer of emission allowances in 2024, at which a total of 2,052,500 allowance units were sold. The consideration amounted to EUR 132,876 thousand. Six auctions for EU aviation allowances were also held in 2024. A total of 8,500 units were sold for consideration of EUR 545 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 individuals persons and economic operators affected by the 2023 floods

With the adoption of the Act on Reconstruction, Development and the Provision of Financial Resources (ZORZFS), in late 2023 the Republic of Slovenia authorised SID Bank to carry out, on its behalf and for its account, operations in connection 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 by commercial banks to individuals and economic operators affected by the floods and landslides in Slovenia in August 2023. SID Bank continued its activities to put in place the conditions for implementing the guarantee scheme, both from the perspective of putting in place the internal organisational and technical conditions and support, and in relation to commercial banks and the relevant ministry. The activities also included coordination of the secondary legislation for the guarantee for economic operators, which was adopted by a government decree in March 2024, and the coordination of and adjustment to the changes in the terms of lending to individuals that were introduced by the new ZORZFS-A in September 2024. SID Bank also met its reporting obligations under law in connection with the monthly briefing of the government department for reconstruction following the floods and landslides. Because commercial banks did not participate in the scheme in 2024 by approving loans backed by a government guarantee, SID Bank did not carry out any further activities in connection with the scheme over the remainder of the year.

Housing Guarantee Scheme for Young People

In 2024 SID Bank continued to implement the Republic of Slovenia authorisation under the Act on the Housing Guarantee Scheme for Young People (ZSJSM) from 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. Although no applications were received over the remainder of the year for new housing loans, SID Bank conducted its monitoring of the quarterly outstanding loan balances previously included in the scheme, charged the banks an annual fee for administering the guarantees as budget income, and reported the data to the Ministry of Finance. As at 31 December 2024 SID Bank managed five loans in the guarantee scheme under the ZSJSM with total outstanding principal of EUR 528 thousand, where the liabilities in the event of the default of the primary debtor under the loan agreement are backed by a 100% Republic of Slovenia guarantee.

Guarantee schemes based on intervention measures from 2020

SID Bank continued activities in 2024 in accordance with its legal authorisations to operate the guarantee schemes under the ZIUZEOP and the ZDLGPE. The legal deadline for issuing guarantees under the two schemes, which were introduced as a temporary measure during the period of Covid-19 measures in 2020, passed in 2021.

Under its authorisations to operate the guarantee scheme under the ZIUZEOP, where the deadlines for redeeming a guarantee had otherwise expired in 2022, in 2024 SID Bank continued to conduct its monitoring of the Republic of Slovenia's claims for guarantees previously paid out, and monitored the progress of recoveries, which are also carried out by the banks for the government's part of the claims. It also monitored any 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. 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 income in the 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 processes in connection with the filing of claims of the Republic of Slovenia in insolvency proceedings before the State Attorney's Office of the Republic of Slovenia. As at 31 December 2024 there were still 81 loans being managed in the guarantee scheme under the ZDLGPE, with a total outstanding principal of EUR 11,659 thousand. Taking account of the guarantee cover, the Republic of Slovenia's potential exposure for these guarantees amounted to EUR 8,686 thousand. Loans with the longest maturity permitted by law (five years) remained in the scheme, and will fall due for repayment in 2025 and 2026. In 2024 SID Bank received one request from a bank for redemption of a Republic of Slovenia guarantee under the ZDLGPE, which it granted under an order sent to the Ministry of Finance.

Other guarantee schemes

The guarantee schemes under the ZJShemRS and the ZJShemFO were introduced as a temporary measure during the time of the financial crisis in 2009 and 2010, and the legal deadline for issuing guarantees under the two schemes expired at the end of 2010. In line with the authorisations received under the ZJShemRS, in 2024 SID Bank solely carried out activities in connection with the recovery of government guarantees paid in previous years. As at 31 December 2024 there were 43 loans to individuals still being managed under the ZJShemFO, with total outstanding principal of EUR 1,168 thousand. There were no guarantee redemptions by banks under this scheme in 2024. SID Bank carried out its activities in reporting data to the Ministry of Finance under both schemes in 2024. It also took all necessary actions to exercise the recourse claims, and carried out its monitoring of the Republic of Slovenia's claims for paid guarantees. It monitored the progress of recovery and potential insolvency proceedings of the borrowers for whom the guarantee was paid out, and carried out tasks in connection with the filing of claims of the Republic of Slovenia in insolvency proceedings before the State Attorney's Office of the Republic of Slovenia.

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 2024.

Separate financial statements are compiled for insurance against non-marketable risks and the activities of the funds of funds where the Bank manages assets allocated for management.

Transparency of financial relations between SID Bank and the Republic of Slovenia

Activity under Republic of Slovenia authorisation (EUR thousand)	Income	Costs
Insurance	2,109	(2,116)
Fund of funds	1,701	(812)
Guarantee schemes (ZIUZEOP, ZDLGPE)	43	(43)
Housing Guarantee Scheme for Young People (ZSJSM)	20	(20)
Guarantee scheme: floods (ZORZFS)	86	(86)
Auctions of emission allowances	31	(31)
Other transactions under authorisation	2	(9)

The income for an individual activity under Republic of Slovenia authorisation comprises the fees that SID Bank receives for pursuing the 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 amounted to EUR 3,991 thousand, and exceeded the costs of EUR 3,117 thousand by EUR 874 thousand.

Risk management

Major focus on the internal risk management system

The main risks to which SID Bank is exposed are credit risk, market risks in the banking book, interest rate risk in the banking book, operational risk, liquidity risk, business/strategic risk and capital 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 segregation 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 profile.

Organisational aspects of the risk management process

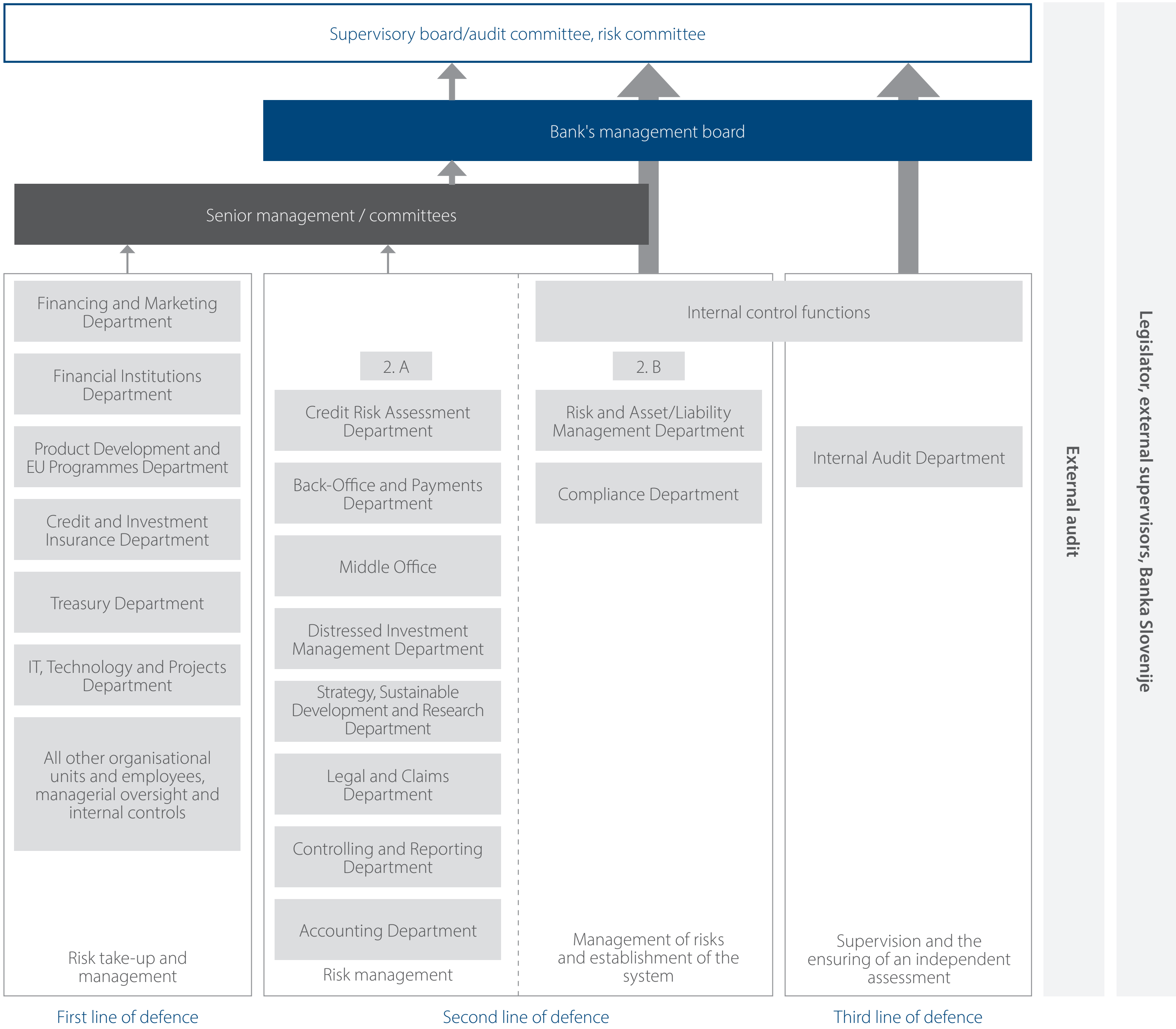
Three lines of defence concept

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. On 1 January 2024 SID Bank introduced a new organisational structure, thereby adjusting its internal risk management and reinforcing 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 board, the supervisory board and the Bank's other decision-making bodies to make suitable decisions.

Delineation of roles and responsibilities in the risk management process

The **management body** (management board and supervisory board) 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 body is 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.


Supervisory board/audit committee, risk committee
Bank's management board
Senior management / committees
Financing and Marketing Department
Financial Institutions Department
Product Development and EU Programmes Department
Credit and Investment Insurance Department
Treasury Department
IT, Technology and Projects Department
All other organisational units and employees, managerial oversight and internal controls
Risk take-up and management
2. A
Credit Risk Assessment Department
Back-Office and Payments Department
Middle Office
Distressed Investment Management Department
Strategy, Sustainable Development and Research Department
Legal and Claims Department
Controlling and Reporting Department
Accounting Department
Risk management
Internal control functions
2. B
Risk and Asset/Liability Management Department
Compliance 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
First line of defence
Second line of defence
Third line of defence

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, a review of exposure to operational risk, liquidity risk, interest rate 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 material 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 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.

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 the **audit committee**, which in the area of risks and internal controls monitors the effectiveness and appropriateness of internal quality control and risk management.

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 liquidity management committee, the credit committee, the distressed investment management committee and the monitoring committee.

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.

The concept of **three lines of defence** for the purpose of effective risk management was designed as follows at the end of 2024:

- The **first line of defence** comprises the organisational units 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 comprises departments that are responsible for management, assessment, monitoring and reporting at the individual exposure level, while the second part comprises three 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 and asset/liability management department, a component of which is the independent information security function, 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.

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.

The **credit risk assessment department** within the framework of the risk division helps to put in place the credit risk management system, and manages credit risk at the level of the individual exposure and/or groups of connected debtors. On the basis of credit proposals and the accompanying documentation it is responsible for assessing creditworthiness, assessing credit risk and defining the terms for financing new investment operations, determining the contractual financial commitments, and assessing the adequacy of the proposed collateral. On the basis of a review it draws up an opinion on the investment operation, and confirms the credit rating. Within the framework of the assigned powers of approval, it is responsible for approving investment operations. It is also responsible for managing the system of annual reviews, and for the annual updating of credit ratings within this framework. It is responsible for developing and administering the early warning system (EWS) and for participating in the implementation of the system.

The **distressed investment management department** within the framework of the risk division participates in credit risk management at the individual exposure level, 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. It is responsible for drawing up contracts, addenda and other contractual documentation of investment operations, for conducting activities in connection with AML/CFT, fraud risk and restrictive measures, for establishing, recording, booking and monitoring collateral, for monitoring the performance of financial and other contractual commitments, including the impact of physical ESG risks on collateral and ESG commitments, and for conducting supervision of the purpose-specific use of direct and indirect financing operations and financing operations using European cohesion policy funding.

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.

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 function, which includes the independent information security function, the compliance department, and the internal audit department), which are functionally and organisationally segregated from the Bank's other functions, and report directly to the 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 function** is organisationally positioned in the risk division, which consists of three departments: the risk management and asset/liability management department, the credit risk assessment department, and the distressed investment management department. It is organisationally segregated from the business units that take up risks, and plays a key role in drawing up the Bank's risk management strategy and in all important decisions with regard to risk management. The head of the risk division is simultaneously the head of the risk management function and reports directly to the management board, to whom they must report on all circumstances that affect or could affect the specific evolution of risks at the Bank. If the management board fails to take appropriate actions, the head of the risk management function briefs the chair of the supervisory board and the chair of the risk committee of the risks and the circumstances, and in this connection expresses any misgivings to them or warns them directly.

Within the framework of the risk management function the **risk management and asset/liability management department** is responsible for putting the risk management system in place and managing risks at the aggregate level at the Bank. It is responsible for drafting the strategy and policies for taking up and managing the risks to which the Bank is exposed in its operations. It is also responsible for drafting the risk appetite, conducting stress testing, identifying risks, calculating the internal capital requirement and the required internal capital adequacy, drafting the plan of activities for the management of individual risks, conducting analysis for drawing up proposals for the optimal structure of the Bank's funding, participating in the preparation of proposals for the needs of strategic asset-liability planning, assessing outsourcing risk, analysing the risks in the introduction of new products, and conducting the internal liquidity adequacy assessment process. It also plays an important role in drafting internal and external reports for the purposes of supervising, monitoring and providing information about 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 **information security function** is organisationally positioned within the risk management and asset/liability management department. This function is responsible for managing information and cyber security, including the technological dimensions of protecting personal data, which at SID Bank encompasses regularly analysing information risks, making risk assessments and providing an assessment of compliance with regulations and standards, managing security incidents or potential security incidents by working with other functions at the Bank, following up on measures to improve the state of information security, regularly reviewing and updating the information and cyber security policy, and ensuring compliance with this policy. It makes regular and ad hoc reports to the management body on non-compliance, security incidents, risks, new threats in connection with IT security, follow-up on measures to improve information security, and reviews of the risk management framework in the area of information and communication technology. It advises the management board and the senior management with regard to the management of information security, provides training and advice for employees, and draws up the relevant instructions and rulebooks in the area of information security.

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. It is positioned within the second line of defence, and identifies compliance risk by conducting regular (and as necessary ad hoc) compliance audits and second-level controls, reporting regularly on its findings to the management body. It covers the areas of regulatory compliance, reputation risk (ethical and lawful conduct on the part the Bank and its employees, prevention of corruption and bribery, management of (apparent) conflicts of interest), and fraud risk (prevention and investigation of suspected fraud), performs the function of the Data Protection Officer (DPO) and the AML/CFT function including restrictive measures, conducts fit and proper assessments of key function holders and members of the management body, and handles suspected breaches, the protection of whistleblowers and complaints by the Bank's stakeholders. The Bank has zero tolerance for fraud, and pursues a policy of zero tolerance for suspected fraud. The Bank facilitates whistleblowing by employees and all stakeholders in connection with suspected breaches of regulations or suspected harmful conduct by employees or by third parties. In fraud investigation it has put in place procedures to protect the identity of whistleblowers if they wish to remain anonymous, and to deter any retaliatory measures against whistleblowers. The Bank handles complaints and whistleblowing reports in line with the rules of the profession, with a focus on the opportunity for improving relations with stakeholders on one hand, and the internal controls and procedures at the Bank on the other.

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, and also acts to strengthen the Bank's corporate ethics and integrity. The work of the compliance department proceeds according to an annual work programme that is adopted by the management board with the approval of the supervisory board, and includes regular compliance audits, internal controls, advice for the management board and the supervisory board, and training for employees and the supervisory 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).

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. It 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 work 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. All employees in the department hold professional licences and titles for internal auditing.

The department is positioned within the third line of defence, and its work aims to provide independent and impartial assessments of the effectiveness and quality of risk management, internal controls and internal governance arrangements, and thereby to help improve the performance of the Bank and to achieve its objectives. The internal audit department pursues its mission by conducting 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 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. The department also devotes much attention to following up on recommendations, and within this framework provides appropriate professional support where necessary to the owners of audit recommendations, having regard for its independent role.

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.

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 strategic business objectives, taking into account the Bank's risk-bearing capacity, and its strategies and policies for the take-up and management of risks.

A comprehensive process of assessing the risk-bearing 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-bearing capacity. The assessed risk-bearing capacity is taken into account in the drafting of the business strategy and business objectives, and in the determination of the risk appetite. The 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 the 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.

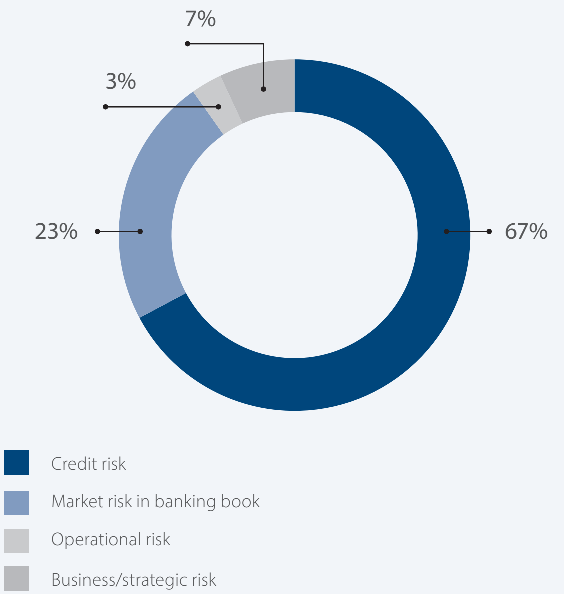
The risk profile, which is the result of the processes of identification, definition of materiality and measurement of risks, represents a collection of the risks that are material to SID Bank and that it takes up or will take up in the framework of its operations, and is quantified by the capital requirement. 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 2024 were:

- credit risk,
- market risks 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

Risk profile (ICAAP)



potential actions to ensure capital and liquidity adequacy. The Bank has put in place an integrated stress testing framework, which it upgrades regularly. It takes account of the stress tests, at a minimum, in the process of reviewing and planning its risk appetite and risk-bearing 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. The 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-bearing capacity.

Management of and exposure to risks in 2024 and view to the future

SID Bank's risk take-up in 2024 complied with the limits set for individual types of risks within the scope of the adopted risk appetite.

The Bank worked intensively in the second half of the year on the introduction of DORA[8]. This regulation applies directly in all Member States, is binding on SID Bank as a financial entity, and begins to be applied on 17 January 2025. Ten regulatory technical standards (RTS) and implementing technical standards (ITS) were adopted on the basis of DORA, and describe and set out the DORA requirements in detail. Eight of the RTS and ITS are relevant to SID Bank.

The Bank intends to upgrade its operational risk management in 2025, as the RTS on operational risk loss enter into force. The Bank intends to retain the first level of division of operational risks. At the second level the Bank will introduce division in accordance with the RTS. It also intends on the basis of the RTS to introduce the assignment of attributes that aid in operational risk management.

The Bank will monitor attributes for legal risk, model risk, ICT risk, ESG risk factors, etc. in the future.

In 2025 the Bank is planning to spin off its existing segment of corporate equity financing from the SID Bank portfolio and to transfer it to a subsidiary, which the Bank took into account when adopting the risk management strategy, including the risk appetite for 2025.

Capital and liquidity position

Total capital ratio: 30.7%

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 total capital ratio. The Bank's regulatory capital is comprised solely of Common Equity Tier 1 capital. As at 31 December 2024 the Bank disclosed a total capital ratio of 30.7%, significantly higher than the regulatory requirement.

The total capital ratio was up 3.4 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, and the inclusion of the profit from 2023 in equity at the end of 2024. The increase in the total capital ratio was also driven by a decline in risk-weighted exposures in the classes of exposures to corporates, exposures in default, exposure to collective investment undertakings (CIUs) and exposures to central government and central banks. The leverage ratio stood at 16.9% at the end of 2024, 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 2024.

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

[8] Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011.

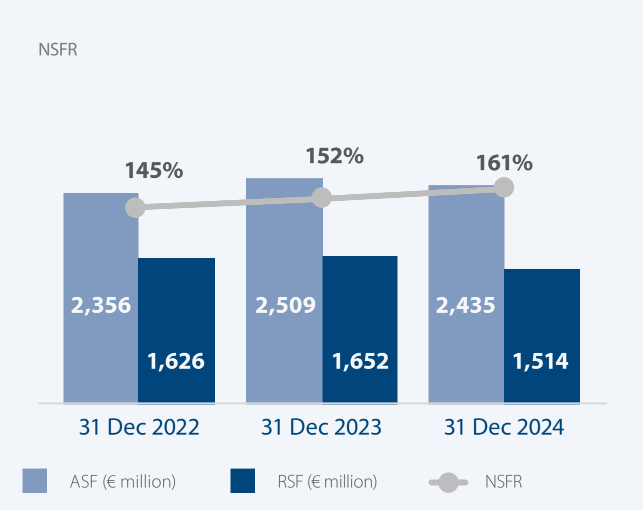
Large liquidity buffer in reflection of the Bank's specific developmental role and its readiness to intervene

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 backed by a Slovenian government guarantee. The 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 4,162% in 2024, while the weighted available liquidity buffer averaged EUR 497 million in the form of investment-grade debt securities, and balances and deposits at the central bank. The figure remains high, primarily as a result of the large available liquidity buffer and the low net outflows inherent in the Bank's approach to funding.

The net stable funding ratio stood at 161% as at 31 December 2024, 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 the Bank has sufficient liquidity reserves in the form of high-quality liquid assets, and in the event of the realisation of the most 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. In terms of the structure of the liquidity reserve, 2024 saw a slight increase in balances at the central bank and in holdings of debt securities. The investments in new debt securities prioritised the euro area core countries, and investments within the mandate frameworks, namely debt securities of domestic commercial banks and domestic corporates that mainly meet green, social or sustainability criteria.

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. Its borrowing activities in 2024 are described in detail in the section on funding. For 2025 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.

Credit risk

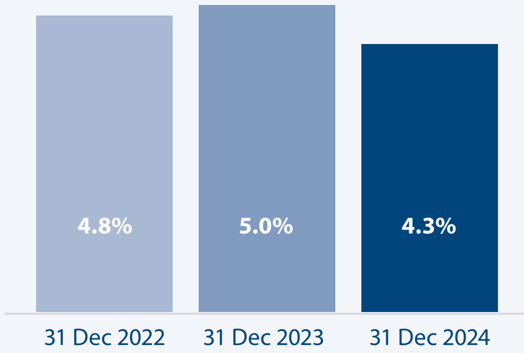
Improvement in the quality of the credit portfolio

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 the 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 risks in 2024 complied with the adopted risk appetite.

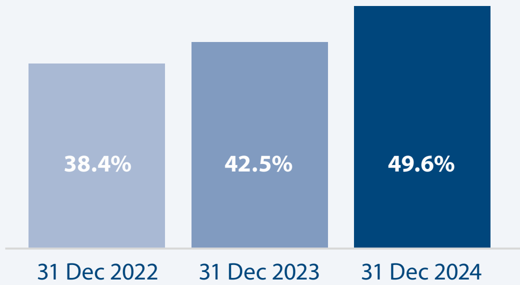
The quality of the credit portfolio improved in general in 2024, except in the segment where the Bank is exposed to the steel and automotive industries, which have recently faced difficulties. The share of Stage 2 exposures increased as a consequence. The ratings breakdown of the remainder of the performing portfolio improved. The proportion of classified claims and other financial assets accounted for by non-performing loans and other non-performing financial assets was down and stood at 4.3% at the end of 2024 (end of 2023: 5%). A material exposure to a foreign customer 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 was reclassified from a non-performing to a performing exposure in 2024. The decline in non-performing exposures was also attributable to partial repayments by a customer from Ukraine and by Belarusian banks. All direct exposures to Ukraine and Belarus were reclassified as non-performing exposures in 2022, and SID Bank holds no direct exposure to Russia. The Bank is not anticipating any further deterioration in the credit portfolio as a result of the war in Ukraine.

Coverage of non-performing exposures stood at 49.6% at the end of 2024, up 7.1 percentage points on the end of 2023.

NPL ratio



Coverage of NPLs



Debtor upgrades (the impact of relatively favourable corporate financial statements for 2023) and the new macroeconomic scenarios had an impact in reducing allowances and provisions for credit losses in 2024. There was nevertheless an increase in aggregate allowances and provisions for credit losses relative to the previous year as a result of the deterioration in the economic situation in the steel and automotive industries and the resulting reclassification of exposures to Stage 2.

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 2024 are disclosed in the financial section of the annual report under point 2.3.9 Financial instruments - Impairments of financial assets and provisions.

In 2024 SID Bank changed the methodology of its credit rating system and the PD model for firms, and the methodology for calculating individual impairments (Stage 3), which led to a decline in expected credit losses. The impact of these changes is EUR 2,929 thousand.

The future macroeconomic environment for Slovenia promises economic growth, but there remain risks that could lead to a deterioration in the quality of the credit portfolio. Geopolitical risk (war in Ukraine and in the Middle East) is still present, while the risk of protectionist measures in foreign trade and the risk of a renewed rise in inflation are increasing. The downturn in competitiveness in the principal export markets and the increasing impact of climate change could also lead to a deterioration in the position of borrowers, a decline in the quality of the credit portfolio and a rise in expected credit losses.

SID Bank will continue its high-quality credit risk management in 2025, and in accordance with best banking practice will upgrade its credit risk assessment tools and its early warning system for increased credit risk.

Market risks in the banking book

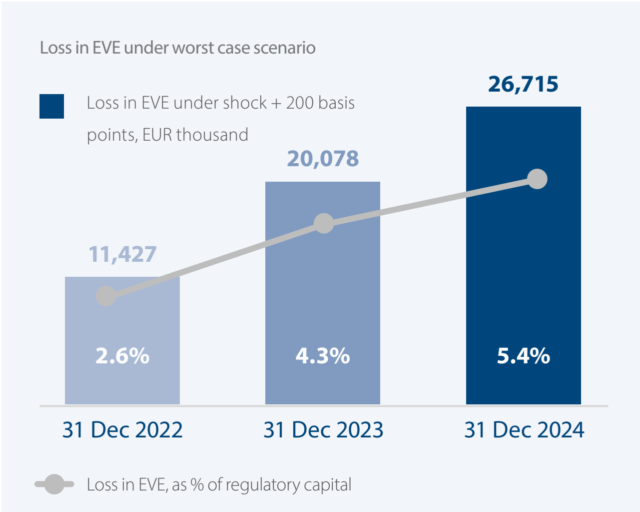
SID Bank does not have a trading book, and in its operations is exposed to market risks in the banking book, most notably interest rate risk (IRRBB) and credit spread risk (CSRBB). SID Bank upgraded its methodologies for measuring IRRBB and CSRBB in particular in 2024. The take-up of market risks in the banking book in 2024 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 for the loss in the economic value of equity and the decline in net interest income. Interest rate risk in the banking book (IRRBB) is measured on the basis of the regular measurement of the sensitivity or 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, and from the possibility of early redemption of MREL-eligible debt securities of domestic banks.

Interest rate sensitivity analysis on the data as at the end of 2024 shows that the Bank would suffer the largest loss in EVE in the amount of 5.4% (31 December 2023: 4.3%) 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 0.7% of regulatory capital (31 December 2023: 0.5%) 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 section 3.3 Interest rate risk.

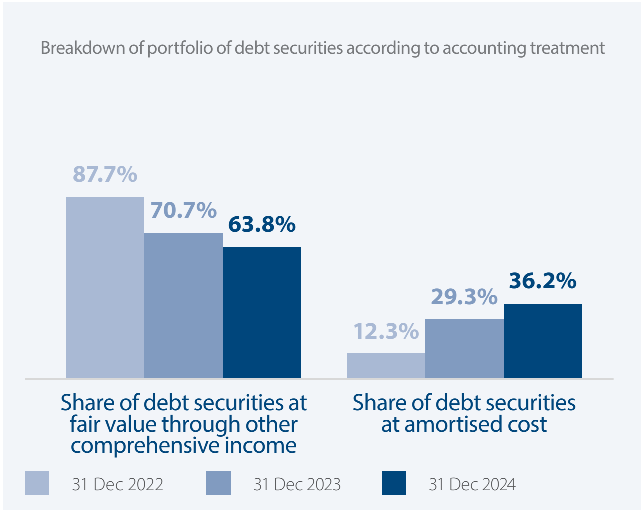
SID Bank uses derivatives in the form of interest rate swaps to hedge against interest rate risk, for the purpose of fair value hedging in connection with both asset and liability items.



The Bank entered into an interest rate swap in June 2024 with a nominal value of EUR 125 million as a fair value hedge for newly issued SID Bank bonds maturing in 2031 for hedging against declining market interest rates. In January 2024 the Bank also terminated its existing interest rate swap in the total nominal amount of EUR 10 million that was used as a fair value hedge for Slovenian government bond maturing in March 2027 (RS79) for hedging against a rise in market interest rates. The interest rate swap in the nominal amount of EUR 5 million that was held as a fair value hedge for Slovenian government bond (RS66) matured in September 2024. As at the end of December 2024 the Bank held four interest rate swaps in the total nominal amount of EUR 440 million as a fair value hedge for issued bonds. The Bank is expected to again manage interest rate risk in 2025 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 primary 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 2024 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 12.1 million at the end of 2024 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. In 2024 the Bank made new purchases within its mandate frameworks, namely MREL-eligible debt securities of domestic banks and debt securities of domestic corporates that meet green, social, sustainability and other criteria, which resulted in a further increase in the share of the portfolio accounted for by debt securities measured at amortised cost. In 2025 the Bank will maintain the portfolio of debt securities in the banking book at an appropriate size by making new purchases of investment-grade government debt securities and new investments within the mandate frameworks, thereby helping to stabilise net interest income at the level of the balance sheet as a whole.



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. The Bank invests primarily in investment-grade government debt securities of issuers from the euro area. The Bank also executed investment operations in 2024 within its mandate frameworks, which acted to expand the portfolio of debt securities measured at amortised cost and its exposure to CSRBB.

The breakdown 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 2024.

SID Bank is planning the management of market risk in the banking book within the risk appetite in 2025, where it will continue taking account of and promptly applying regulatory changes in this area in the future.

Operational risks

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. The 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. It did not record any significant loss events in 2024.

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 evaluating (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 evaluation 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. Under the model risk management framework, the Bank has put in place a catalogue of models and a plan of past and future model evaluations.

In 2024 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. **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. The 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, including employee testing. With the aim of reducing the largest individual cyber risk (phishing), the Bank continued to conduct periodic employee testing on the basis of an outsourced service (online platform), which it aims to continue doing regularly in the future.

In the area of **compliance risk** management the Bank replaced its software support in 2024 for the know your customer (KYC) process and for the AML/CFT process, including restrictive measures, and upgraded the regulatory risk management system. In the preventive field it adopted an updated methodology for assessing exposure to compliance risk, and increased the role of the compliance department in the process of adopting bylaws. It also provided software support for supervising the annual updates of bylaws. Based on past experience, and having regard for the Bank's financing programmes, the process of overhauling the fraud indicators was begun in 2024, and will be completed in 2025. The Bank is thereby upgrading its strong control environment, and implementing mechanisms for the early warning of fraud indicators and responses thereto. The Bank maintains zero tolerance in the area of fraud risk.

The 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 elevated in 2024, owing to the impact of macroeconomic risks driven by geopolitical tensions, and the decline in economic growth in some of the major trading partners in the euro area. The ongoing geopolitical tensions and uncertain economic outlook in the euro area are maintaining persistent challenges in the area of strategic risk over the short term, albeit still at a level that allows the Bank to significantly focus its activities on development work and to promote the green transition. SID Bank had no need of pronounced countercyclical activity in 2024. Market gaps persist in the areas of SMEs financing, private-sector investment, investment in research, development and innovation, and the transformation of the economy into more sustainable forms of business.

SID Bank's new business strategy was adopted in 2023, and its implementation continued in 2024. The new strategy envisages the expansion of the business model with parallel countercyclical and developmental actions, where the size of one component and the other 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 a separate document *Disclosures under Pillar 3 of the Basel standards*, 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-bearing 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 and asset/liability 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.

SID Bank continued implementing and upgrading its risk management requirements in the area of ESG in 2024 in line with the ECB and EBA guidelines, and implemented the methodology for incorporating internal ESG scores in internal credit ratings.
In the area of liquidity risk and market risk in the banking book, the Bank incorporates ESG factors when conducting regular liquidity stress tests. It additionally monitors the debt securities portfolio from the perspective of green, social and sustainable investments, thereby ensuring compliance with the sustainability targets.

In 2025 SID Bank is planning to further enhance the ESG questionnaire with questions facilitating reporting of the mandatory disclosures on climate risks and sustainability reporting, and completion of the data and IT support for identifying climate risks.

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 execution of the legal authorisations for the guarantee schemes provided on behalf of and for the account of the Republic of Slovenia in accordance with its bylaws and in substantively similar fashion to its trading for own account. The risks are defined for the guarantee schemes in separate business processes that SID Bank manages through appropriately regulated internal procedures in bylaws. For agency operations SID Bank monitors and manages the more significant risks such as reputation risk and operational risk via regular internal reporting to the relevant committees, analysis of loss events in connection with operational risk, external reporting to the relevant ministry, and publication of key information on the official website to ensure transparency. SID Bank is not exposed to other risks in connection with the provision of the guarantee schemes and the redemption of guarantees, in that the finance ministry transfers the funds directly from the state budget to a commercial bank that is eligible for a guarantee.

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 department that carries out activities in connection with 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 is organisationally segregated from banking operations all the way to the level of the adviser to the management board, while a separate 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 and the international trade promotion commission 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 its trading for own account. The bylaws are overhauled and updated in accordance with the requirements of the regulatory environment and the needs of process improvement, given that properly defined internal procedures make up part of the system of effective risk management.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, 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. Based on the use of the value-at-risk (VaR) technique and the insurance portfolio, including operations in the enquiry phase, according to the data as at 31 December 2024 it can be stated with very high probability that claims over the next one-year period will not exceed the amount of the contingency reserves.

SID Bank still holds significant exposure to debtors from Russia, Ukraine and Belarus in its portfolio, although it has declined significantly since 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 reviewed on an ongoing basis, most notably when monthly reports are drawn up. For all the aforementioned exposures the Bank additionally prepares stress tests on a half-yearly 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 Bank's decision-making bodies and the international trade promotion commission.

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

IT and cyber security

Major focus on the development of IT architecture, cyber security, and raising employee awareness in the area of information security

In 2024 SID Bank updated its Information and communication technology (ICT) strategy for the period of 2025 to 2027, which pursues the objective of a highly mature level of management of processes and resources, and operational.

The ICT strategy puts the primary focus on supporting banking operations, where its approach:

- ensures operational effectiveness, integrity and reliability, including in the role of the first line of defence for information security;
- provides support for business continuity, regulatory compliance and the security of ICT systems;
- clearly defines the powers and responsibilities for managing applications architecture and for selecting user-friendly and cost-effective solutions;
- envisages that changes in software are consistently implemented in the framework of well-defined processes;
- ensures that employees are given the right knowledge and proposals for the full use of the Bank's information solutions;
- leads to a proactive approach to resolving business challenges in collaboration with business users.

The key measures in 2024 were aimed at overhauling infrastructure, thereby ensuring that the Bank is able to execute the business continuity plan with new server capacity, the migration of the secondary data centre, and the adequate establishment of communications between the two locations. The Bank also embarked on a project to overhaul the data storage and security arrangements to ensure effective data protection and long-term data archiving on IT resources, with the aim of providing adequate IT resources for a data restoration capacity. The Bank will thereby consolidate the existing systems of media for storing security backups, and will rework the plan for implementing and ensuring data protection. In so doing it will consolidate solutions for the transparent and user-friendly management of daily logs and audit trails.

Applications 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.

IT projects

The Bank continued work on the project of overhauling the core system in 2024. Following gap analysis and preparation of the substantive requirements, the contractor drew up the functional specifications and began developing the adjustments to the system. The first partial takeover of functionalities was executed in late 2024.

IT and cyber security
— continuing

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 module for the process monitoring of early warning indicators (EWS) was completed in 2024, and the implementation of the other modules will continue in 2025. Through the continuing development of software solutions as part of the new credit application, the Bank is also pursuing the objective of reducing the administrative burden on customers, and ensuring a high level of data quality for internal and external users.

In its service management project (ESM), the Bank introduced a tool in 2024 to support the management of IT processes and the entire organisation. The aim of the project is consolidating the various existing solutions, which will increase efficiency and provide comprehensive support for the entire process of information technology support. Project activities in 2024 focused on implementing a register of contracts and other activities necessary to supporting reporting under the regulation setting out the requirements for digital operational resilience in the financial sector (DORA).

Cyber security

Based on monitoring of security incidents in the area of ICT, no breaches of information security were identified in 2024, and cyber defence was entirely successful. The Bank did not identify any increase in risk vectors (taking account of the expansion of sales channels, a rise in the number of external accesses, additional types of user device, etc.) over the reporting period.

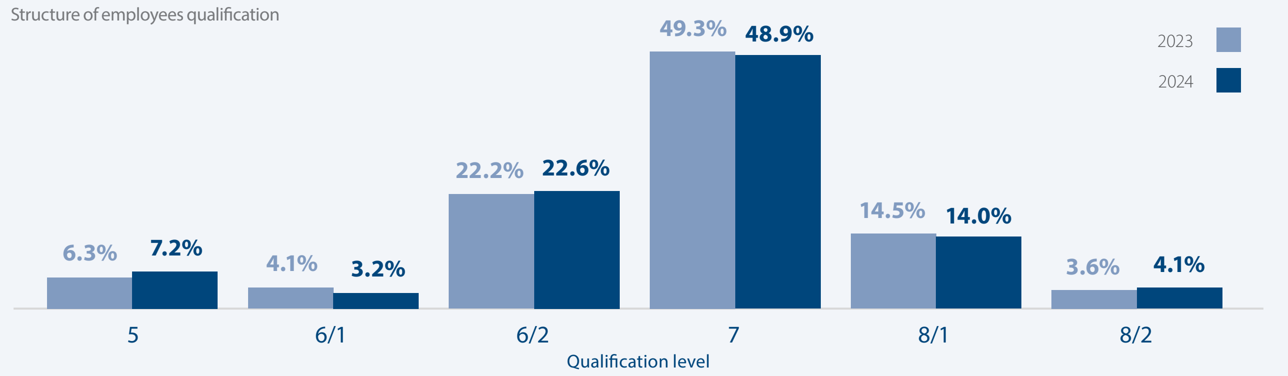
In 2024 the Bank further upgraded its risk management arrangements, its threat and vulnerability management, the risk identification and assessment processes, the system for managing ICT resources, and the planning and implementation of business continuity testing. The Bank successfully introduced a new tool for scanning vulnerabilities. It also participated in cyber stress testing organised by the Bank of Slovenia, and recorded smaller impacts in comparison with other participating Slovenian banks (e.g. financial impact, reputation, number of key functional outages).

In its work to raise employee awareness in the area of information security, the Bank continued its general training for all employees, training for individual groups of employees (e.g. for users of work mobile devices, for SWIFT users), and frequent testing of all employees with regard to the dangers of phishing.

Human resource management

Committed and motivated employees are the key to achieving business objectives

SID Bank puts special focus on the professional and personal development of employees, thereby ensuring that it maintains a good skills and qualifications structure that suits its level of development and 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.



HR structure

221 employees 31 Dec 2024

The Bank worked to ensure optimal staffing in 2024, taking account of the annual HR plan and its needs in line with the strategy and annual work plan. In the external labour market the Bank recruited professionals with specific knowledge and experience, while encouraging internal mobility and competence growth on the part of employees at the Bank, and working to retain key talent and high potentials. SID Bank hired 15 new people in 2024, giving it a workforce of 221 people (143 women, 78 men) at year end.

	2024		2023	
Qualification level	Number	Breakdown %	Number	Breakdown %
5	16	7.2	14	6.3
6/1	7	3.2	9	4.1
6/2	50	22.6	49	22.2
7	108	48.9	109	49.3
8/1	31	14.0	32	14.5
8/2	9	4.1	8	3.6
Total	**221**	**100.0**	**221**	**100.0**

Employee satisfaction and wellbeing

SID Bank's values in practice:

- ***280 employee shoutouts made***
- ***5 values ambassadors rewarded***

The Bank offers flexible working hours to all employees to facilitate work-life balance, and for several years now has also given them the option of hybrid work (working from home, and at the office).

To ensure health and safety on the part of its employees, SID Bank organises regular health check-ups, and professional training in 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 its wellbeing programme to promote the health and wellbeing of its employees, the Bank provided training on the promotion of health, wellbeing and healthy lifestyle, stress management, and work-life balance. It introduced weekly supplies of fruit in the office space, and helped employees gain faster access to medical specialists by paying into the *Specialisti+* collective insurance scheme.

With the aim of mutually recognising good work, all employees can give shoutouts to their colleagues at SID Bank on the shoutout wall; fully 280 shoutouts were made by employees in 2024!

In the interests of maintaining the right climate and supporting employee satisfaction and commitment, measurements were made in 2024, and the results reviewed. The results in connection with climate and satisfaction from a survey covering 85% of employees were better overall than in 2023. In its measurement of employee commitment (on a scale from 1 to 5) SID Bank saw an average score of 3.92 in 2024, higher than in 2023 (3.80) and also higher than overall average SIOK 2024 score.

Employee development and training

HR development at SID Bank:

- ***New scholarships in roles where there are shortages***
- ***Successful management academy organised for all managers at the Bank***

SID Bank puts special focus on the professional and personal development of employees, thereby ensuring that it maintains a good skills and qualifications structure that suits its level of development and strategic objectives. It also ensures that every employee has the knowledge, skills and capacity to do their work effectively.

Some 98% of employees were included in at least one form of training in 2024. Various professional training courses were provided in areas such as information security and risk culture, health promotion, foreign languages, soft skills in interpersonal relations, and other professional skills. The Bank also organised several training courses in the area of digital literacy, including generative AI tools. To strengthen managerial skills an in-house management academy was organised for all managers at the Bank, while the Bank also offers its managers the opportunity of one-on-one business coaching.

The Bank uses teambuilding experiences to encourage cooperation and connections in its teams.

All line managers held annual development interviews with employees in 2024, which form the key basis for managing employees by objectives, assessing the development potential of individuals and their desired career path, defining key talent, and drawing up annual training plans. The annual development interviews received good software support within the framework of the eHRM application, and in the part that sets out the employee's annual goals they tie into the Bank's strategic objectives.

It also continued the on- and off-boarding process to ensure the best first-day experience for new employees and to capture the key reasons for departures.

Career plans for key talent and high-potentials were drawn up in 2024, including a talent retention programme. This group also actively participated in the drafting of the Bank's strategic and commercial guidelines, while additional skill profiling was completed in 2024.

In liaising with the education sector in 2024, the Bank worked with the Faculty of Mathematics and Physics, and awarded scholarships for roles where it has staffing shortages.

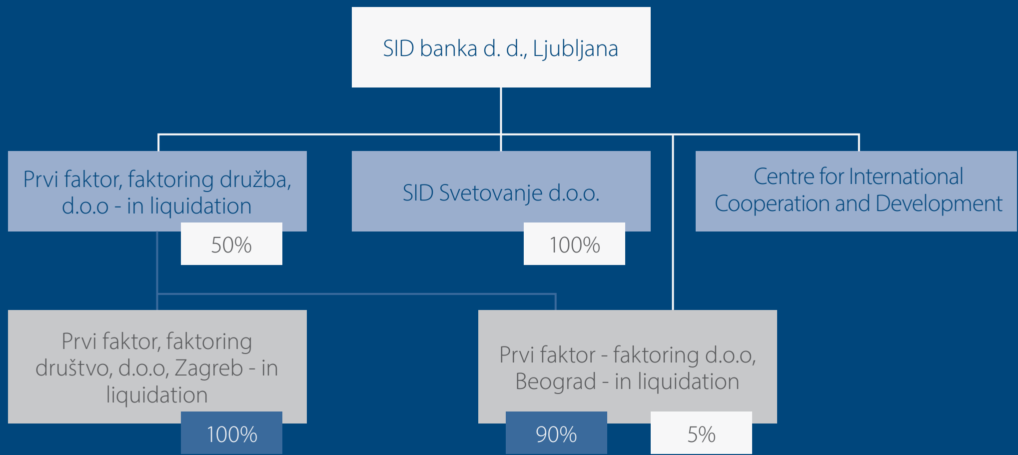
Salary policy and employee remuneration

In determining the level of salaries and other labour costs, the Bank was again relentlessly consistent in 2024 in upholding the applicable legislation, the collective agreements for the banking sector and for the institution, its remuneration policy and the remuneration rulebook, based on which it paid out leave allowances, on-the-job and institution-wide performance bonuses, Christmas bonuses, and jubilee benefits. Under these rules it also made payments for supplemental pension insurance for its employees.

The employee incentive scheme, under which employees are remunerated on a monthly and yearly basis on the basis of transparent criteria, motivates employees to do better and accomplish more. The Bank also remunerates employees for their work on projects, and for their special achievements. Employees receive special remuneration for ideas and improvements that they suggest, and each year the Bank chooses and rewards its values ambassadors.

SID Bank Group

Organisational structure of the SID Bank Group as at 31 December 2024



In addition to SID Bank, the SID Bank Group includes the Centre for International Cooperation and Development (CMSR), the Prvi Faktor Group (a joint venture), and SID Svetovanje d.o.o. (a subsidiary). SID Bank is a co-founder of the CMSR (an associate), in which it does not have any financial stake, but holds 33% of the voting rights.

As the controlling company the Bank compiles consolidated financial statements for the SID Bank Group when this is material to presenting a true and fair picture of the financial position, the profit or loss, the cash flows and the changes in equity.

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 the aforementioned companies because their total assets are less than 1% of SID Bank's total assets.

SID Bank Group
— continuing

Prvi Faktor Group

SID Bank is the holder of a 50% participating interest in the share capital of Prvi faktor, faktoring družba, d.o.o., Ljubljana (in liquidation) (Prvi faktor, Ljubljana). The nominal value of SID Bank's interest in the company stood at EUR 1,584 thousand as at 31 December 2024.

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.

Iztok Zupanc and France Zupan were the company's liquidators in 2024.

Prvi faktor, Ljubljana is the founder and:

- holder of a 100% 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 liquidator in 2024 was Vjekoslav Budimir;
- holder of a 90% participating interest in the share capital of Prvi faktor, faktoring d.o.o., Beograd (in liquidation) (Prvi faktor, Beograd). Prvi faktor, Beograd has been undergoing ordinary liquidation proceedings since 3 August 2017. With the conversion of cash and receivables into the equity of Prvi faktor, Beograd, there was a change in ownership structure in July 2017, with SID Bank obtaining a 5% direct interest in the equity of Prvi faktor, Beograd. The liquidator of Prvi faktor, Beograd in 2024 was Željko Atanasković

The Prvi Faktor Group continued ordinary wind-down activities in 2024.

In terms of total assets as at 31 December 2024, the largest company in the group was Prvi faktor, Beograd (total assets of EUR 3,756 thousand), followed by Prvi faktor, Zagreb (total assets of EUR 2,923 thousand) and Prvi faktor, Ljubljana (total assets of EUR 1,738 thousand).

The Prvi Faktor Group ended 2024 with a net profit of EUR 970 thousand, thanks to the successful liquidation of the significant part of its portfolio. The largest contribution came from Prvi faktor, Zagreb, which generated profits of EUR 734 thousand, followed by Prvi faktor, Beograd (profits of EUR 204 thousand). Prvi faktor, Ljubljana generated profits of EUR 32 thousand.

The Prvi Faktor Group's equity stood at EUR 7,019 thousand as at 31 December 2024.

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 its director and council. The CMSR is represented by its director, Dejan Prešiček, and its council had six members as at 31 December 2024. SID Bank's representatives on the council are Bojan Pecher, who is also deputy chair of the council, and Ema Rode.

The CMSR continued to pursue international cooperation in development in 2024, and established itself as a key player in this field in Slovenia. Its principal activities focused on executing and completing development projects (22 projects were carried out in 2024, three of which came to a successful conclusion), expanding economic research, optimising business processes through digitalisation, and strengthening partnerships with Slovenian and international institutions. At the same time the CMSR made intensive preparations for the European Commission pillar assessment, which is a vital step in its development.

The CMSR continued its long-term cooperation with SID Bank in the area of economic research, providing country risk assessments and market gap analysis, and continued calculating the cost of living index for the Ministry of Foreign and European Affairs. At the same time discussions were held with representatives of the Ministry of the Economy, Tourism and Sport and the Ministry of Foreign and European Affairs on the CMSR's involvement as one of the key players in the preparation of geopolitical analysis for the needs of public institutions in Slovenia.

The CMSR's financial performance was stable in 2024: its total revenues were up 13.7% on 2023. Its total revenues amounted to EUR 565 thousand (2023: EUR 497 thousand), where the main source of financing is its revenues from international development cooperation.

The CMSR's preparations for the European Commission pillar assessment were one of its key priorities in 2024. It submitted its official application in December 2024, and the key reviews and assessment procedures will take place in 2025. Successful certification will allow the CMSR to expand its sources of financing, and will raise its international profile.

The upcoming year of 2025 will be an important transition period, in which the CMSR will continue making improvements to its project management, optimising internal processes and reinforcing its role as a key player in the area of Slovenia's international development cooperation.

SID Svetovanje d.o.o.

SID Svetovanje d.o.o. was established in December 2024 with share capital of EUR 50 thousand, but is not yet trading. The Bank is planning to spin off its existing corporate equity financing segment from the SID Bank portfolio to the subsidiary by the end of September 2025. The company's director is Bojan Pecher.

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 2024:

- 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, which came into force on 1 January 2022. It was updated in December 2024, effective 1 January 2025, with undertakings first applying its provisions when drafting their corporate governance statements for the 2025 financial year. The code is publicly available on the website of the Slovenian Directors' Association *(https://www.zdruzenje-ns.si/library/1852);*

- The Corporate Governance Code for Companies with Capital Assets of the State[9], which was issued by Slovenian Sovereign Holding (SSH) in May 2014, last updated in December 2023, effective 1 January 2024, and the Recommendations and Expectations of Slovenian Sovereign Holding, which were amended by SSH in December 2023 (last updated in December 2024).

Any derogations from these codes and recommendations are indicated and explained below. The Bank is first committed to upholding the ZSIRB and the ZBan-3, which is the primary reason for the derogations from the aforementioned codes and recommendations.

[9] https://www.sdh.si/Data/Documents/asset-management/EN_2023%20Kodeksupravljanja_kon%C4%8Dna%20verzija_.pdf

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, in particular in line with its fundamental principles of operation as set out by the ZSIRB. One of the five fundamental principles of law in connection with its operations 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 of the 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.

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	Article 4 of the ZSIRB stipulates that the Republic of Slovenia is the sole shareholder in SID Bank, and this recommendation is thus applied *mutatis mutandis*.
Recommendations 8.1 and 8.2	SID Bank shall have one shareholder, the Republic of Slovenia (Article 4 of the ZSIRB).

General meeting of shareholders

Recommendation 10.16	The Republic of Slovenia is the sole shareholder of SID Bank (Article 4 of the 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 minister responsible for finance the requirement to nominate six members of the Bank's supervisory board and on the minister 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 secondary banking legislation, including 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 also adopted 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.).

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 stipulates that the Bank's distributable profit cannot be used for distribution among shareholders, but is allocated to other profit reserves (Article 4 of the ZSIRB).

Corporate governance statement
— continuing

Corporate Governance Code for Companies with Capital Assets of the State

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

Recommendation 3.1

The ZSIRB requires SID Bank to perform all its transactions and activities in line with Slovenian and European Union law and, in particular in line with its fundamental principles of operation as set out by the ZSIRB. One of the five fundamental principles of law 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 of the ZSIRB). The role, purpose and operations of SID Bank are set out in its articles of association.

Recommendation 3.8.4.

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 of the 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% female representation on the supervisory board or 33% female representation on the supervisory board and management board collectively (the Bank has also written this into its bylaws), notwithstanding that the provisions of the ZGD-1 on gender representation do not apply to SID Bank at least in 2024.

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

Recommendations 4.1 and 4.2.4

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

5. Position of companies with capital assets of the state

Recommendation 5.2

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 of the ZSIRB).

6. Supervisory board

Recommendations 6.9 and 6.10

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 of the ZSIRB), who publish a call for applications by candidates for membership of the supervisory board. 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 commission for the assessment of the suitability of members of the management body.

Recommendations 6.11, 6.17, 6.19 and 6.20

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 commission 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*.

Recommendation 6.27 — 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. The recommendation is taken into account *mutatis mutandis*.

7. Executive management

Recommendation 7.3.2 — The maximum number of executive and non-executive directorships for members of the supervisory board is prescribed by the ZBan-3 (Article 38). The recommendation is applied *mutatis mutandis*.

8. Transparency of operations and reporting

Recommendation 8.2 — SID Bank is required to comply with the provisions of the ZBan-3 regarding disclosures. When compiling its business report it is required to take into account the requirements set out in Chapter 4 of the ZBan-3 (Articles 102 to 109), and Article 70 of the ZGD-1. SID Bank separately compiles 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 2024 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.

Profit-sharing for management bodies

Recommendations 9.33 to 9.36 — Article 4 of the ZSIRB stipulates SID Bank's distributable profit may not be used for distribution to the shareholders, but is allocated to other profit reserves.

Corporate governance statement
— continuing

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 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
- internal control functions (risk management function, which includes the independent information security function, the compliance department, and the internal audit department), which are functionally and organisationally segregated from the Bank's other functions, and report directly to the management board.

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 purpose of internal controls of financial reporting is to provide correct and timely accounting information and financial reporting, which provides for a reliable system to support operations and decision-making. The control environment put in place to implement the internal controls and mitigate risk at the Bank primarily encompasses the system of bylaws governing individual areas of operations, the process documentation, the proper recording of business transactions, the inbuilt automatic controls in core applications, the system of access, authorisations and demarcation of responsibilities, custody of applications, audit trails, and reliable archiving.

The functioning of internal controls and risk management at the Bank are also subject to compliance audits, which are conducted by the compliance department, and internal auditing, which is conducted by the internal audit department. The findings of the audits are reported to the management board and the supervisory board. The Bank has put in place a system for regularly following up on whether the recommendations made in connection with control functions are being implemented by the relevant deadline. The control functions regularly report on this to the audit committee.

The effectiveness of internal controls is also monitored by the supervisory board and its committees via the reporting by various departments. The functioning of the internal controls, including the internal controls in the area of financial reporting, is primarily the focus of the supervisory board's audit committee, while the risk committee's responsibilities relate more to supervision and the provision of advice on risk management.

The internal control mechanisms are described in detail in the section entitled Risk Management.

Other focus on the functioning of the internal controls comes from the external auditor as part of the annual audit, who reports on their findings to the audit committee within management letter, which is an integral part of the report drawn up for the audit committee after an audit has been conducted.

Information on point 4 of the fifth paragraph of Article 70 of 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 of the 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 the policy on the selection of management board members and the policy on the selection of supervisory board members.

There were no changes to the management board during 2024. There were also no changes to the articles of association.

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 of the ZSIRB, the voting rights and other rights of the sole shareholder are exercised by the Republic of Slovenia, which in accordance with the Slovenian Sovereign Holding Act authorises Slovenian Sovereign Holding d.d. to act on behalf of and for the account 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, risk management strategy and policies, 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 SID Bank's supervisory board in 2024, as follows: The government appointed Katja Lautar as a member of the supervisory board on 18 January 2024. Her term of office began on 4 April 2024 after obtaining the Bank of Slovenia authorisation to perform the function.

The supervisory board acted with six members in 2024, the Bank having begun the process of appointing a seventh member, with the finance ministry publishing a call for candidates for supervisory board membership on 15 November. The appointment process had not been completed by the end of the year.

Corporate governance statement
— continuing

Composition of the supervisory board as at 31 December 2024

Name	Janez Tomšič	Leo Knez	Marko Tišma
Function[10]	Chair	Deputy-chair	Member
First appointment to function	11 Sep 2020[13]	21 Feb 2013	14 Jul 2016
End of function / term of office	11 Sep 2025	22 Feb 2028	28 Jul 2026
Attendance at supervisory board sessions[11]	9/11	11/11	11/11
Gender	M	M	M
Nationality	Slovene	Slovene	Slovene
Year of birth	1979	1982	1967
Qualifications	Bachelor's degree in law	Master's degree in actuarial science	Bachelor's degree in economics
Professional profile	• Financial risks • Understanding of financial information • Supervision • Commercial law and corporate governance • Management and remuneration • Banking knowledge/expertise and experience	• Financial risks • Understanding of financial information • Supervision and auditing • Commercial law and corporate governance • Banking knowledge/expertise and experience	• Financial risks • Understanding of financial information • Commercial law and corporate governance • Banking knowledge/expertise and experience • Management and remuneration
Status of independence in the statement of independence	YES	YES	YES
Existence of conflicts of interest during the financial year[12]	YES	NO	NO
Membership of supervisory bodies of other undertakings	Kapitalska družba, d.d.	/	/
Membership of supervisory board committees	Nomination and remuneration committee	Audit committee, Risk committee	Nomination and remuneration committee, Audit committee
Committee function	Member	Chair, Member	Chair, Deputy-chair
Attendance at committee sessions	7/7	11/11, 9/9	7/7, 11/11

[10] Function and membership of committee as at 31 December 2024.
[11] The supervisory board held 11 sessions in 2024: eight ordinary meetings and three correspondence sessions. Attendance also takes account of the recusal of members for the purpose of managing conflicts of interest. The nomination and remuneration committee held seven sessions in 2024, the audit committee 11 sessions, and the risk committee nine sessions.
[12] 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] 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.

Name	**Marjan Divjak**	**Matija Šenk**	**Katja Lautar**
Function[10]	Member	Member	Member
First appointment to function	5 Apr 2012	7 Jun 2023	4 Apr 2024
End of function / term of office	19 May 2027	6 Jun 2028	3 Apr 2029
Attendance at supervisory board sessions[11]	11/11	11/11	8/8[14]
Gender	M	M	F
Nationality	Slovene	Slovene	Slovene
Year of birth	1969	1962	1976
Qualifications	Master's degree in economic science, Master of Science in mathematical finance (University of Oxford), Master diploma in management of development (University of Turin), Bachelor's degree in engineering and civil engineering (University of Leeds)	Bachelor's degree in mathematical engineering	Master's degree in business studies, Doctorate in management
Professional profile	• Financial risks • Understanding of financial information • Supervision • Commercial law and corporate governance • Management and remuneration • Banking knowledge/expertise and experience	• Financial risks • Understanding of financial information • Supervision and auditing • Commercial law and corporate governance • Insurance • Management and remuneration	• Financial risks • Understanding of financial information • Supervision and auditing • Banking knowledge/expertise and experience • Sustainable development
Status of independence in the statement of independence	YES	YES	YES
Existence of conflicts of interest during the financial year[12]	NO	NO	NO
Membership of supervisory bodies of other undertakings	/	/	Loterija Slovenije, d.d.
Membership of supervisory board committees	Risk committee	Risk committee, Nomination and remuneration committee	Audit committee
Committee function	Chair	Deputy-chair, Deputy-chair	Member
Attendance at committee sessions	9/9	9/9, 7/7	5/5

[14] Attendance at sessions of the supervisory board and its committees takes into account that she assumed the function on 4 April 2024.

Corporate governance statement
— continuing

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.

The nomination and remuneration committee comprised the following members as at 31 December 2024:

Name	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 and the associated risks, 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 2024:

Name	Function
Leo Knez	chair
Marko Tišma	deputy-chair
Katja Lautar	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.

The risk committee comprised the following members as at 31 December 2024:

Name	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 2024.

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.

Composition of the management board as at 31 December 2024

Name	**Borut Jamnik**	**Stanka Šarc Majdič**
Function	President	Member
Area of work as member of management board	Financing division, development and marketing, insurance, legal affairs, strategy, sustainable development, internal auditing, information security, general secretariat	Risk division, middle-office and back-office division, compliance, AML/CFT
First appointment to function	17 Apr 2023	1 Jan 2022
End of function / term of office	16 Apr 2028	31 Dec 2026
Gender	M	F
Nationality	Slovene	Slovene
Year of birth	1970	1979
Qualifications	Bachelor's degree in mathematics	Master's degree in economic science
Professional profile	• Banking knowledge/expertise and experience • Commercial law and corporate governance • Supervision and auditing • Management and remuneration • Sustainable development • Understanding of financial information • Insurance • ICT	• Banking knowledge/expertise and experience • Commercial law and corporate governance • CRO • Supervision and auditing • Management and remuneration • Understanding of financial information • ICT
Membership of supervisory bodies of unaffiliated undertakings	Supervisory board of Three Seas Initiative Investment Fund	/

Corporate governance statement
— continuing

In accordance with Article 23 of the Articles of Association of SID Bank, the management board established a development council in 2024, as a consultative body for the management board.

Collective decision-making bodies

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 powers and responsibilities and the work methods of the committees are set out in the committees' rules of procedure. In addition, on the basis of bylaws governing individual areas, the management board transferred the powers to decide on various types of operations, such as approval and monitoring of investment operations, treasury operations, the equity and quasi-equity financing product, management of problem exposures, insurance operations and the resulting claims, guarantee schemes, and general affairs, to individual employees at SID Bank.

Credit committee

The credit committee is responsible for managing credit risk for operations on behalf of and for the account of SID Bank that are not classed as distressed investments. 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 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 fund 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. 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. Within the framework of its risk management powers, it monitors exposure to interest rate risk, market risk, capital risk, income risk, operational risk and model risk, discusses proposals for the management of these risks, and monitors the effectiveness of the measures taken, which includes making decisions on hedge accounting.

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 banking operations are consistently segregated from its operations for the account 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 for the account 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 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 has four members, who meet at fortnightly 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, with two external members alongside the director of the compliance department. They were appointed by the management board, subject to the prior approval of the supervisory board. 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. There were no changes to the composition of the commission in 2024.

The commission for the assessment of the suitability of members of the management body comprised the following members as at 31 December 2024:

Name	
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 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[15]. In addition to the selection policy for members of SID Bank's management body, the procedure also takes into account specific elements deriving from the ZSIRB, the Slovenian 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.

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 powers of decision 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.

[15] 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.

Corporate governance statement
— continuing

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.

The commission met in five ordinary and 17 correspondence sessions in 2024, and at a working meeting for commission members.

It discussed and made decisions on new insurance and reinsurance operations, confirmed changes to existing operations, approved insurance claims, and confirmed proposals for the write-off of receivables. It regularly monitored and was briefed on the risk assessment in connection with the adequacy of the contingency reserves and the special contingency reserve for Ukraine.

In addition to individual operations, the commission also approved changes to the policy of insurance in connection with Russia and Belarus, was briefed on changes to country classifications, and approved the proposed policies of insurance in connection with Montenegro, Georgia, Qatar and Oman. It also confirmed the proposed changes to risk management policy in the area of non-marketable insurance, was briefed on the report on portfolio exposure to transition climate risks, on the extension of SID Bank's quota share treaty and on updates to the agreement on the insurance of risks vis-à-vis Ukraine with its policyholders. The commission also approved the conclusion of SID Bank's memorandum of understanding with the Chinese export credit agency, and was briefed with regard to the declared interest in SID Bank's participation in the European Investment Fund's pilot project for the reconstruction of Ukraine.

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.

The international trade promotion commission comprised the following members as at 31 December 2024:

Name	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. The Bank will strive to achieve the target gender balance ratios by 2026, with 40% representation of women on the supervisory board, or 33% representation of women on the supervisory board and the management board overall.

The diversity criterion in terms of gender was met in 2024 by the management board, but not by the supervisory board, which only had one female member. Other diversity criteria relating to professional experience, skills, competencies and age were satisfied.

Ljubljana, 26 March 2025

Management Board of SID Bank

Stanka Šarc Majdič
Member

Borut Jamnik
President

Significant events after the end of the financial year

In early 2025 the Bank continued the processes related to the spin-off, based on which it will transfer part of its assets in the form of its equity financing business and the associated liabilities to the acquirer SID Svetovanje d.o.o., under the assumption that all the necessary authorisations have been obtained.

As part of the transfer of assets and the associated liabilities that will be transferred in the spin-off process in the form of a non-cash acquisition, cash intended for the settlement of the portion of commitments for contribution to funds and for new equity investments that has not yet been paid up will also be transferred to SID Svetovanje d.o.o. The spin-off will be executed with an accounting date of 31 December 2024, and will be recorded in the books of account of both undertakings as at the date of the entry of the spin-off in the companies register.

At its 143rd ordinary session of 27 February 2025, the government appointed Nataša Damjanovič to the supervisory board of SID Bank. Before beginning her term of office, the aforementioned supervisory board member must obtain a Bank of Slovenia authorisation to perform the function of a member of the supervisory board of SID Bank.

Financial report

SID Bank is an innovator. We are the first Slovenian issuer of a green bond on the international financial markets.

At the same time, we are one of the first in this part of Europe, thereby fulfilling our commitment to promoting the competitiveness and sustainability of the Slovenian economy.

Independent auditor's report

Building a better working world

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 2024, 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 2024 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 1,326 million (or 48.6% of total assets) at the Bank as of 31 December 2024. As of 31 December 2024, total impairments of the Bank amounted to EUR 48.5 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 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 56.6 million as of 31 December 2024 and total impairments EUR 34.1 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 1,312 million as of 31 December 2024 and total impairments EUR 15.9 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.

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.

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 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.

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;
- 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 two years. 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, 2025.

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 2024, 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.

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 2024, 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;

Building a better working world

• 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).

• 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 2025

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 1

Management board's declaration

The management board has approved SID Bank's financial statements, and the annual report for the year ending 31 December 2024. 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 2025

Management Board of SID Bank

Stanka Šarc Majdič
Member

Borut Jamnik
President

1 Financial statements

1.1 Statement of financial position

(EUR thousand)	Note	31 Dec 2024	31 Dec 2023
Cash, cash balances at central banks and demand deposits at banks	2.4.1	493,158	323,785
Non-trading financial assets mandatorily at fair value through profit or loss	2.4.2	48,689	55,242
Financial assets measured at fair value through other comprehensive income	2.4.3	409,292	422,041
Financial assets measured at amortised cost	2.4.4	1,744,446	1,857,758
Debt securities		223,478	168,526
Loans and advances to banks		189,853	259,187
Loans and advances to non-bank customers		1,325,818	1,426,195
Other financial assets		5,297	3,850
Derivatives – hedge accounting	2.4.5	15,033	9,860
Investments in subsidiaries, associates and joint ventures	2.4.6	50	0
Tangible assets	2.4.7	4,509	4,554
Property, plant and equipment		4,509	4,554
Intangible assets	2.4.7	2,312	1,203
Tax assets	2.4.9	8,249	10,486
Current tax assets		898	46
Deferred tax assets		7,351	10,440
Other assets	2.4.10	1,005	948
TOTAL ASSETS		**2,726,743**	**2,685,877**

The notes are an integral part of the financial statements.

1 Financial statements

1.1 Statement of financial position

(EUR thousand)	Note	31 Dec 2024	31 Dec 2023
Financial liabilities measured at amortised cost	2.4.11	2,206,920	2.184.426
Deposits from banks and central banks		15,711	36.779
Loans from banks and central banks		247,085	286.108
Loans from non-bank customers		1,108,688	1.114.735
Debt securities		830,445	742.437
Other financial liabilities		4,991	4.367
Derivatives – hedge accounting	2.4.5	6,069	12.294
Provisions	2.4.12	1,321	1.504
Tax liabilities	2.4.9	0	1.564
Current tax liabilities		0	1.564
Other liabilities	2.4.13	6,182	1.410
TOTAL LIABILITIES		2,220,492	2.201.198
Share capital		300,000	300.000
Share premium		1,139	1.139
Accumulated other comprehensive income		(11,389)	(23.934)
Profit reserves		213,537	201.370
Treasury shares		(1,324)	(1.324)
Retained earnings (including net profit for the financial year)		4,288	7.428
TOTAL EQUITY	2.4.14	506,251	484.679
TOTAL EQUITY AND LIABILITIES		**2,726,743**	**2.685.877**

The notes are an integral part of the financial statements.

1 Financial statements

1.2 Income statement

(EUR thousand)	Note	2024	2023
Interest income calculated using the effective interest method		103,569	88,467
Other interest income and similar income		180	854
Interest income and similar income		103,749	89,321
Interest expenses calculated using the effective interest method		(60,390)	(52,326)
Other interest expenses and similar expenses		(8,513)	(6,825)
Interest expenses and similar expenses		(68,903)	(59,151)
Net interest	2.5.1	**34,846**	**30,170**
Dividend income	2.5.2	892	818
Fee and commission income		1,198	1,193
Fee and commission expenses		(1,670)	(828)
Net fee and commission income	2.5.3	**(472)**	**365**
Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	2.5.4	1,450	(600)
Net gains/(losses) on financial assets and liabilities held for trading		(1)	0
Net gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss	2.5.5	2,526	6,067
Changes in fair value in hedge accounting	2.4.5	(407)	(319)
Net foreign exchange gains/(losses)		1	1
Net gains/(losses) on derecognition of non-financial assets		7	1
Other net operating income/(expenses)	2.5.6	5,917	5,678
Administrative expenses	2.5.7	(27,784)	(21,461)
Depreciation and amortisation	2.5.8	(1,261)	(1,024)
Net modification gains/(losses)	2.5.9	(107)	(1,844)
Provisions	2.5.10	124	977
Impairments	2.5.11	(4,538)	(444)
Profit before tax from continuing operations		**11,193**	**18,385**
Income tax expense	2.5.12	(2,166)	(2,747)
Profit after tax from continuing operations		**9,027**	**15,638**
Net profit for the financial year		**9,027**	**15,638**
Attributable to owners of bank		9,027	15,638
Basic earnings per share / diluted earnings per share (EUR per share)	2.5.13	2.91	5.04

The notes are an integral part of the financial statements.

1 Financial statements

1.3 Statement of other comprehensive income

(EUR thousand)	Note	2024	2023
Net profit for the financial year after tax		**9,027**	**15,638**
Other comprehensive income after tax		**12,545**	**18,172**
Items that will not be reclassified to profit or loss		402	25
Actuarial gains/(losses) in association with defined-benefit pension plans		54	(106)
Revaluation gains/(losses)on equity instruments measured at fair value through other comprehensive income	2.4.3	446	353
Income tax relating to items that will not be reclassified to profit or loss	2.4.9	(98)	(222)
Items that may be reclassified subsequently to profit or loss		12,143	18,147
Debt instruments measured at fair value through other comprehensive income		15,567	21,081
Valuation gains/(losses) taken to equity	2.4.3	13,020	20,447
Transferred to profit or loss		2,547	634
Income tax relating to items that may be reclassified subsequently to profit or loss	2.4.9	(3,424)	(2,934)
Total comprehensive income for the financial year after tax		**21,572**	**33,810**
Attributable to owners of bank		21,572	33,810

The notes are an integral part of the financial statements.

1 Financial statements

1.4 Statement of changes in equity

(EUR thousand) 2024	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including netprofit for financial year)	Treasury shares	Total equity
OPENING BALANCE as at 1 Jan 2024	300,000	1,139	(23,934)	201,370	7,428	(1,324)	484,679
Net profit for financial year	0	0	0	0	9,027	0	9,027
Other comprehensive income	0	0	12,545	0	0	0	12,545
Total comprehensive income for financial year after tax	0	0	12,545	0	9,027	0	21,572
Allocation of net profit to profit reserves	0	0	0	12,167	(12,167)	0	0
CLOSING BALANCE as at 31 Dec 2024	**300,000**	**1,139**	**(11,389)**	**213,537**	**4,288**	**(1,324)**	**506,251**

(EUR thousand) 2023	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for 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 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.

1 Financial statements

1.5 Statement of cash flows

(EUR thousand)	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,193	18,385
Depreciation and amortisation	2.5.8	1,261	1,024
Impairments/(reversal of impairments) of investments in debt instruments measured at fair value through other comprehensive income	2.5.11	(78)	(59)
Impairments/(reversal of impairments) of loans and other financial assets measured at amortised cost	2.5.11	4,616	502
Impairments of tangible assets (including impairments of investment property), intangible assets and other assets	2.5.11	0	1
Net (gains)/losses from exchange differences		(1)	(1)
Net modification (gains)/losses	2.5.9	107	1,844
Net (gains)/losses from sale of tangible assets		(7)	(1)
Other (gains)/losses from investing activities	2.5.1, 2.5.2	(11,274)	(4,870)
Other adjustments to total profit or loss before tax	2.3.7, 2.4.5, 2.5.4, 2.5.10	(6,338)	(6,594)
Cash flows from operating activities before changes in operating assets and liabilities		**(521)**	**10,231**
(Increases)/decreases in operating assets (excluding cash and cash equivalents)		**201,995**	**148,349**
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	2.4.2	9,079	(10,221)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	2.4.3	28,860	124,005
Net (increase)/decrease in loans and other financial assets measured at amortised cost	2.4.4	165,518	37,530
Net (increase)/decrease in asset-side derivatives – hedge accounting	2.4.5	(1,405)	(2,554)
Net (increase)/decrease in other assets		(57)	(411)
Increases/(decreases) in operating liabilities		**20,914**	**(155,540)**
Net increase/(decrease) in deposits and loans measured at amortised cost	2.4.11	(61,439)	(226,543)
Net increase/(decrease) in issued debt securities measured at amortised cost	2.4.11	77,768	67,993
Net increase/(decrease) in liability-side derivatives – hedge accounting	2.4.5	(182)	3,156
Net increase/(decrease) in other liabilities	2.4.13	4,767	(146)

The notes are an integral part of the financial statements.

1 Financial statements

1.5 Statement of cash flows

(EUR thousand)	Note	2024	2023
Cash flows from operating activities		**222,388**	**3,040**
(Paid)/refunded corporate income tax		**(4,973)**	**1,696**
Net cash flow from operating activities		**217,415**	**4,736**
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from investing activities		**27,658**	**2,273**
Receipts from sale of tangible assets		29	1
Receipts from the disposal of investments in debt securities measured at amortized cost	2.4.4	18,000	0
Other receipts from investing activities	2.4.4, 2.5.2	9,629	2,272
Cash payments on investing activities		**(75,701)**	**(96,853)**
(Cash payments to acquire tangible assets)		(831)	(1,313)
(Cash payments to acquire intangible assets)		(1,494)	(566)
(Cash payments for the investment in subsidiaries, associates and joint ventures)		(50)	0
(Cash payments to acquire debt securities measured at amortised cost)	2.4.4	(73,326)	(94,974)
Net cash flow from investing activities		**(48,043)**	**(94,580)**
Effects of change in exchange rates on cash and cash equivalents		1	1
Net increase/(decrease) in cash and cash equivalents		**169,372**	**(89,844)**
Opening balance of cash and cash equivalents		**323,785**	**413,628**
Closing balance of cash and cash equivalents		**493,158**	**323,785**

The notes are an integral part of the financial statements.

1 Financial statements

Cash and cash equivalents

(EUR thousand)	31 Dec 2024	31 Dec 2023
Cash balances at central banks	493,001	323,682
Demand deposits at banks	157	103
Total	**493,158**	**323,785**

Cash flows from interest and dividends

(EUR thousand)	2024	2023
Interest received	106,503	89,108
Interest paid	(63,613)	(37,331)
Dividends received	892	818
Total	**43,782**	**52,595**

2 Notes to the financial statements

Sections 1.1 to 1.5 of the financial report disclose the Bank's financial position as at 31 December 2024, and its profit or loss, other comprehensive income, changes in equity and cash flows for the 2024 financial year. Figures for the position as at 31 December 2023 and for the 2023 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.

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 2024 the Bank applied the same accounting policies as those used in compiling the financial statements for 2023, with the exception of the accounting standards and other changes effective as of 1 January 2024 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 the management of environmental, social and governance risks, during the loan approval and monitoring process SID Bank conducts 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 loan rejection/approval and the terms of financing. ESG factors also impact financing conditions via the incorporation of ESG risk scores in credit ratings. In 2024 SID Bank adopted a methodology for mapping ESG risk scores into credit ratings, which is also implemented as part of the credit rating methodology. At portfolio level the limitations in assessing and addressing environmental and climate risks mainly relate to poor data availability, and the lack of historical links between companies' transition activities, physical climate events and companies' financial performance.

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 2024 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), the Prvi Faktor Group (a joint venture), and SID Svetovanje d.o.o. (a subsidiary). SID Bank is a co-founder of the CMSR (an associate), in which it does not have any financial stake, but holds 33% of the voting rights.

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.

A subsidiary is a company that is directly or indirectly controlled by SID Bank.

As the controlling company the Bank compiles consolidated financial statements for the SID Bank Group when this is material to presenting a true and fair picture of the financial position, the profit or loss, the cash flows and the changes in equity.

The investments in the joint venture and associate are accounted for in the consolidated financial statements using the equity method, while the subsidiary has been fully consolidated in the consolidated financial statements as of the day of acquisition of control.

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 the aforementioned companies because their total assets are less than 1% of SID Bank's total assets.

SID Bank compiled standalone financial statements for 2024.

2.3.4 Functional and reporting currency

The financial statements of SID Bank have been compiled in euros, which is the reporting 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 Netting of financial assets and financial liabilities

Financial assets and liabilities are netted 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 accounts at the central bank 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, i.e. under the third business model.

Categories of financial assets

Financial assets are allocated into the following categories on the basis of the business model and the SPPI test:

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.

Debt financial assets 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 used to hedge other items but that do not meet all the conditions to be classed as hedging derivatives are classified by the Bank as financial assets mandatorily at fair value through profit or loss. 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 need to 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. SID Bank calculates interest income for these financial instruments on the basis of net carrying amount.

The Bank does not take account of 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 favourable 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.

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 the main homogeneous PD group: SID Bank determines exposures to undertakings 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 2022. 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 account of 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.

In calculating expected credit losses for financial instruments classified to Stage 3, SID Bank takes account of estimated repayments at the level of the individual exposure, including forward-looking information in the form of macroeconomic forecast factors. The total estimated value of future cash flows is a weighted average of estimated repayments from the entity's cash flows and estimated repayments from collateral.

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 and financing conditions (EURIBOR).

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.

The table on the next page 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 2024. 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 +/-300 basis points (+/- 100 basis points for each year of the 2025 to 2027 horizon) 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 2024. The change in GDP growth under the baseline scenario over the horizon of 2025 to 2027 is taken into account.

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

Forward-looking information

		Annual GDP growth, %							
		Slovenia				Euro area			
	Scenario probability weighting	2024	2025	2026	2027	2024	2025	2026	2027
Baseline scenario	50%	1.5	2.4	2.5	2.3	0.8	1.3	1.5	1.6
Favourable scenario	25%	2.3	4.3	3.1	2.5	1.4	2.7	2.0	1.8
Adverse scenario	25%	0.1	-0.8	1.1	1.9	-1.1	-2.0	1.1	1.5

Sensitivity analysis of macroeconomic variables

Change in GDP growth	Impact on PD (basis points)	Impact on LGD (basis points)	Impact on ECL (EUR thousand)
+300 basis points	-4.74	-86.85	-977
-300 basis points	5.04	87.49	1,075

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 accordance with IAS 39 in 2023 and 2024.

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

Investments in subsidiaries, associates and joint ventures are recognised in the individual 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 small inventory.

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 in 2024 and 2023:

Depreciation rates applied	%
Buildings and parts of buildings	5.0
Computer equipment	14.3 to 33.3
Cars	12.5
Furniture	11.0
Other equipment	25.0
Small inventory	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. In 2024 and 2023, software and licences were subject to amortisation at a rate of 14.3%. 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 EUR 5 thousand 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 (undrawn approved loans and credit lines, and guarantees), and for retirement indemnity bonuses 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 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 retirement indemnity bonuses 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 retirement indemnity bonuses 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.

The creation of provisions for retirement indemnity bonuses and jubilee benefits 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:

- discount rate: 3.3% (31 December 2023: 3.2%), which reflects the return on high-quality corporate bonds (rated AA),
- 2.5% to 2.6% (31 December 2023: 2.4% to 4.3%) growth in basic wages and variable remuneration estimated on the basis of annual inflation, plus a real growth rate of 0.4 percentage points, but no more than 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.

In previous years, when disclosing interest on financial assets measured at amortised cost that were 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 applied a conservative approach, under which the total interest was credited to allowances for credit losses, and only recognised in the income statement when payment is made. Upon payment, only interest from the unimpaired portion of the loan principal was 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 was recognised by the Bank under revenues from the reversal of impairments if the loan was measured at amortised cost, or under net gains on financial assets mandatorily at fair value through profit or loss if the loan was measured at fair value.

As of 2024 the Bank recognises interest income on the basis of the gross carrying amount of financial assets, with the exception of those financial assets that are credit-impaired and have been classified to Stage 3, for which interest income is calculated by means of an effective interest rate on the net amortised cost of the financial asset.

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 METS and the MoI 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 METS and the MoI in loan fund risks by reducing the liabilities to the METS and the MoI, 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 from 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 deducts government grants related to assets from the carrying amount of the assets, and recognises them in profit or loss over the useful life of the assets in question.

In 2024 the Bank met the conditions for receiving subsidies during the purchase of electric vehicles.

2.3.27 Taxes

Corporate income tax is accounted for in accordance with local legislation.

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 2024, the Bank applied the tax rate of 22% that 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.

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.

In addition to a higher rate for corporate income tax for the period of 2024 to 2028, the ZORZFS also introduced a tax on the balance sheets of banks and savings banks in the amount of 0.2% of the balance sheet total calculated as an average value of balances as at the last day of each month in the applicable tax period. If the tax liability exceeds 30% of the profit from ordinary operations before recognition of the expense for the tax on the balance sheets of banks and savings banks for the applicable tax period, the tax liability is equal to 30% of the profit from ordinary operations before recognition of the tax expense for the applicable tax period.

The Bank is not a top-up taxpayer under the Minimum Tax Act (ZMD), by which Slovenia transposed Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union into its legal system, in that it is not part of a multinational enterprise group or a large-scale domestic group whose annual revenue as reported in the consolidated financial statements of the ultimate parent entity in at least two of the four consecutive fiscal years immediately preceding the tested fiscal year is EUR 750,000 thousand or more.

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 Impairments of financial assets and provisions. Any increase in liabilities dependent on risk is disclosed 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 2024

- Amendment 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 aim of the amendment is to clarify the principles under IAS 1 for the classification of liabilities as current or

non-current. The amendments clarify the meaning of the right to defer settlement for at least 12 months, and the requirements that the right exists at the end of the reporting period, that the purpose of management does not affect the classification of liabilities as current or non-current, and that the counterparty's possibilities that could lead to settlement via the transfer of the entity's own capital instruments do not affect the classification of liabilities as current or non-current. The amendments also stipulate that only covenants that the entity is required to meet on or before the reporting date will affect the classification of liabilities. There are additional disclosure requirements for non-current liabilities arising from loan arrangements subject to covenants that need to be met within twelve months of the reporting date.
- Amendment 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 purpose of the amendments is to improve the requirements that the seller-lessee applies in measuring the lease liability in sale and leaseback transactions under IFRS 16, and at the same time makes no change to the accounting of leases not related to sale and leaseback transactions. The seller-lessee primarily determines "lease payments" or "revised lease payments" in a way that it would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying the 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 the lease. In accordance with IAS 8, the seller-lessee applies the amendment retrospectively to sale and leaseback transactions concluded after the effective date, where that is the beginning of the annual reporting period in which the entity first applied IFRS 16.
- Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements, adopted by the EU on 15 May 2024 and effective 1 January 2024: The amendments complement the requirements under the IFRS, and require entities to disclose the terms of supplier finance arrangements. Entities are also required to disclose, at the beginning and end of the reporting period, the carrying amounts of financial liabilities under supplier finance arrangements and the line items under which these liabilities are presented, and the carrying amounts of financial liabilities and the line items for which the finance providers have already settled the corresponding trade payables. Entities are also required to disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities that prevent the carrying amounts of the financial liabilities from being comparable. The amendments also require entities 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.

The newly adopted standards and amendments of existing standards had no material impact on the Bank's accounting policies, or 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 2024

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, as adopted by the EU on 12 November 2024 an effective 1 January 2025: The amendments set out guidance on how entities should assess whether a currency is exchangeable, and how to determine the spot exchange rate in the case of lack of exchangeability. A currency is deemed exchangeable into another currency if the entity obtains the other currency during a period including a normal administrative delay, and by market or exchange mechanisms in which the transaction to exchange currency would create enforceable rights and obligations. If the currency cannot be exchanged into the other currency, the entity is required to estimate a spot exchange rate on the measurement date. The 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 state that the entity can use an observable exchange rate without adjustment or another estimation technique.

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 IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (classification and measurement of financial instruments): In May 2024 the IASB issued amendments to the classification and measurement of financial instruments, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and enter into force for annual reporting periods beginning on or after 1 January 2026, with early adoption allowed.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Contracts Referencing Nature-Dependent Electricity): In December 2024 the IASB issued targeted amendments to improve the presentation of nature-dependent electricity contracts, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and enter into force for annual reporting periods beginning on or after 1 January 2026, with early adoption allowed.
- IFRS 18 Presentation and Disclosure in Financial Statements: In April 2024 the IASB issued its new standard IFRS 18 Presentation and Disclosures in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The standard introduces new requirements with regard to

presentations in the income statement. It requires entities to disclose all revenues and expenses in the income statement in one of five categories: operating, investing, financing, income tax and discontinued operations. These categories are supplemented by requirements for the presentation of subtotals for operating profit or loss, profit or loss before financing and income tax, and profit or loss. There is also a requirement for management-defined performance measures, and new requirements to improve aggregation and disaggregation of financial information on the basis of the defined roles of fundamental financial statements and notes. Amendments are consequently also made to other accounting standards. IFRS 18 applies to reporting periods beginning on or after 1 January 2027, and early adoption is permitted. The standard is also applied retrospectively in annual and interim financial statements.

- IFRS 19 Subsidiaries without Public Accountability: Disclosures: In May 2024 the IASB issued IFRS 19 Subsidiaries without Public Accountability: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted.
- Annual Improvements to IFRS Accounting Standards (Volume 11): The IASB issued the Annual Improvements to IFRS Accounting Standards (Volume 11) in July 2024. Entities should apply them to annual reporting periods beginning on or after 1 January 2026. Early adoption is permitted.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture): In December 2015 the IASB indefinitely deferred the effective date of these amendments until the completion of its research project on the equity method.

The Bank envisages that the introduction of the new standards and the amendments to existing standards in the period of initial application will have no material impact on its accounting policies and measurement of financial performance, although IFRS 18 will affect how the latter is presented. The Bank does not yet have a more detailed assessment of the scale of the operational changes caused by the introduction of the modified structure of the income statement and the additional disclosure requirements. The Bank opted not to apply any new standards or amendments to existing standards before the date of mandatory application.

2.4 Notes to the statement of financial position

2.4.1 Cash, cash balances at central banks and demand deposits at banks

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 2024 the reserve requirement was zero (31 December 2023: zero).

	31 Dec 2024	31 Dec 2023
Cash balances at central banks	493,001	323,682
Demand deposits at banks	157	103
Total	**493,158**	**323,785**

2.4 Notes to the statement of financial position

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 2024	31 Dec 2023
Equity instruments	1,068	4,930
Shares (of independent undertakings)	0	3,439
Equity holdings	1,068	1,491
Alternative investment funds	45,012	48,336
Loans and advances	2,609	1,976
Loans and advances to non-bank customers	2,609	1,976
Total	**48,689**	**55,242**

Changes in non-trading financial assets mandatorily at fair value through profit or loss: equity instruments

	2024	2023
Balance as at 1 Jan	4,930	3,810
Recognition of new financial assets	40	57
Derecognition of financial assets	(2,591)	0
Net changes in fair value	(1,311)	1,063
Balance as at 31 Dec	**1,068**	**4,930**

Changes in non-trading financial assets mandatorily at fair value through profit or loss: alternative investment funds

	2024	2023
Balance as at 1 Jan	48,336	33,836
Recognition of new financial assets	4,260	10,725
Derecognition of financial assets	(10,708)	0
Net changes in fair value	3,124	3,775
Balance as at 31 Dec	**45,012**	**48,336**

2.4 Notes to the statement of financial position

2.4.2 Non-trading financial assets mandatorily at fair value through profit or loss

Changes in non-trading financial assets mandatorily at fair value through profit or loss: loans and advances

	2024	2023
Balance as at 1 Jan	1,976	1,336
Calculated interest, fees and commission	56	60
Repayments	(136)	(445)
Net changes in fair value	713	1,142
Write-offs	0	(117)
Balance as at 31 Dec	**2,609**	**1,976**

2.4 Notes to the statement of financial position

2.4.3 Financial assets measured at fair value through other comprehensive income

In its securities portfolio management, SID Bank strives for a combination of safety, liquidity and profitability in order to ensure liquidity, the stabilisation of net interest income, and ALM. To this end, the debt securities portfolio contains a large proportion of marketable government securities and other highly liquid securities. SID Bank also made purchases of debt securities within its existing mandate frameworks to support domestic bank and corporate issuers.

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 78 thousand in 2024 (2023: EUR 59 thousand), of which EUR 19 thousand was attributable to a change in the methodology for calculating expected credit losses.

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 2023 and 2024 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 Bank did not hold any pledged financial assets measured at fair value through other comprehensive income during the reported years.

Breakdown by type of financial asset measured at fair value through other comprehensive income

	31 Dec 2024	31 Dec 2023
Debt securities	393,314	406,509
Bonds	393,314	406,509
Government	302,294	263,226
Republic of Slovenia	129,491	118,166
Other countries	172,803	145,060
Banks	44,925	65,310
Non-financial corporations	27,153	56,789
Financial institutions	18,942	21,184
Equities	15,978	15,532
Shares	15,978	15,532
Total	**409,292**	**422,041**
Quoted	392,313	401,320
Unquoted	16,979	20,721
Total	**409,292**	**422,041**
Allowances for credit losses	(72)	(150)

The breakdown of debt securities measured at fair value through other comprehensive income according to issuer credit rating is illustrated in section 3.1 Credit risk.

2.4 Notes to the statement of financial position

2.4.3 Financial assets measured at fair value through other comprehensive income

Changes in financial assets measured at fair value through other comprehensive income: debt securities

	2024	2023
	Stage 1	Stage 1
Balance as at 1 Jan	406,509	507,271
Recognition of new financial assets	41,372	9,982
Accrued interest	1,705	1,016
Interest paid	(3,969)	(5,053)
Derecognition of financial assets	(67,968)	(129,951)
Net changes in fair value	15,645	21,140
Effect of change in fair value of hedged financial instruments	20	2,104
Balance as at 31 Dec	**393,314**	**406,509**

Changes in loss allowances for financial assets measured at fair value through other comprehensive income: debt securities

	2024	2023
	Stage 1	Stage 1
Balance as at 1 Jan	(150)	(209)
Creation of impairments	(35)	(42)
Reversal of impairments	113	101
Balance as at 31 Dec	**(72)**	**(150)**

2.4 Notes to the statement of financial position

2.4.3 Financial assets measured at fair value through other comprehensive income

Changes in accumulated other comprehensive income from financial assets measured at fair value through other comprehensive income: debt securities

	2024	2023
	Stage 1	Stage 1
Balance as at 1 Jan	(27,865)	(46,012)
Net changes in fair value	13,020	20,447
Transfer of (gains)/losses to profit or loss upon sale	2,625	693
Creation of impairments	(78)	(59)
Deferred tax	(3,424)	(2,934)
Balance as at 31 Dec	**(15,723)**	**(27,865)**

Changes in financial assets measured at fair value through other comprehensive income: equities

	2024	2023
Balance as at 1 Jan	15,532	15,179
Net changes in fair value	446	353
Balance as at 31 Dec	**15,978**	**15,532**

Changes in accumulated other comprehensive income from financial assets measured at fair value through other comprehensive income: equities

	2024	2023
Balance as at 1 Jan	4,037	3,906
Net changes in fair value	446	353
Deferred tax	(98)	(222)
Balance as at 31 Dec	**4,385**	**4,037**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

In 2024 the Bank classified the majority of its new debt securities purchased within its existing mandate frameworks to support domestic bank and corporate issuers to its 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.

The reasons for creation of additional impairments of EUR 2,020 thousand are stated in section 2.5.11 Impairments. The breakdown of debt securities measured at amortised cost according to issuer credit rating is illustrated in section 3.1 Credit risk.

The Bank did not hold any pledged debt securities measured at amortised cost during the reported years.

Breakdown by type of financial asset measured at amortised cost

	31 Dec 2024	31 Dec 2023
Debt securities	223,478	168,526
Loans and advances to banks	189,853	259,187
Loans and advances to non-bank customers	1,325,818	1,426,195
Other financial assets	5,297	3,850
Total	**1,744,446**	**1,857,758**

Debt securities

	31 Dec 2024	31 Dec 2023
Bonds		
Government	63,127	63,083
Banks	146,688	105,635
Non-financial corporations	15,875	0
Gross exposure	225,690	168,718
Loss allowances	(2,212)	(192)
Net exposure	**223,478**	**168,526**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Changes in debt securities (gross exposure)

	2024			2023
	Stage 1	Stage 2	Total	Stage 1
Balance as at 1 Jan	168,718	0	168,718	71,146
Transfer from Stage 1 to Stage 2	(5,687)	5,687	0	0
Recognition of new financial assets	73,326	0	73,326	94,974
Accrued interest	10,383	0	10,383	4,052
Interest paid	(8,737)	0	(8,737)	(1,454)
Derecognition of financial assets	(18,000)	0	(18,000)	0
Balance as at 31 Dec	**220,003**	**5,687**	**225,690**	**168,718**

Changes in debt securities (loss allowances)

	2024			2023
	Stage 1	Stage 2	Total	Stage 1
Balance as at 1 Jan	(192)	0	(192)	(6)
Transfer from Stage 1 to Stage 2	97	(97)	0	0
Creation of impairments	(214)	(1,827)	(2,041)	(188)
Reversal of impairments	21	0	21	2
Balance as at 31 Dec	**(288)**	**(1,924)**	**(2,212)**	**(192)**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

As at 31 December 2024 the Bank held EUR 6,055 thousand in deposits pledged as coverage for settlement of liabilities from purchased interest rate swaps for reason of their negative fair value (31 December 2023: EUR 12,792 thousand).

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.

Loans and advances to banks

	31 Dec 2024	31 Dec 2023
Loans and advances	184,089	247,715
Deposits	6,056	12,794
Gross exposure	190,145	260,509
Loss allowances	(292)	(1,322)
Net exposure	**189,853**	**259,187**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Changes in loans and advances to banks (gross exposure)

	2024			2023		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Balance as at 1 Jan	240,594	19,915	260,509	316,414	29,364	345,778
Increase due to new loan drawdowns	1,150	0	1,150	56,650	0	56,650
Decrease due to repayments	(59,804)	(11,234)	(71,038)	(134,270)	(9,542)	(143,812)
Other net changes	(780)	52	(728)	1,698	93	1,791
Net changes due to modification of contractual cash flows (excluding derecognition)	252	0	252	102	0	102
Balance as at 31 Dec	**181,412**	**8,733**	**190,145**	**240,594**	**19,915**	**260,509**

Changes in loans and advances to banks (loss allowances)

	2024			2023		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Balance as at 1 Jan	(313)	(1,009)	(1,322)	(300)	(1,488)	(1,788)
Increase due to new loan drawdowns	0	0	0	(15)	0	(15)
Decrease due to repayments	69	419	488	86	402	488
Net change due to change in credit risk	42	493	535	(84)	2,046	1,962
Net change due to change in methodology	0	64	64	0	0	0
Net changes with effects on profit or loss	111	976	1,087	(13)	2,448	2,435
Other changes without effects on profit or loss	0	(57)	(57)	0	(1,969)	(1,969)
Net changes without effects on profit or loss	0	(57)	(57)	0	(1,969)	(1,969)
Balance as at 31 Dec	**(202)**	**(90)**	**(292)**	**(313)**	**(1,009)**	**(1,322)**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

As at 31 December 2024 the Bank did not hold pledged loans and advances to non-bank customers (31 December 2023: EUR 44,379 thousand).

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.

Loans and advances to non-bank customers

	31 Dec 2024	31 Dec 2023
Loans and advances	1,335,589	1,429,888
Government	150,917	166,871
Non-financial corporations	1,184,274	1,262,492
Financial institutions	398	525
Receivables from factoring	38,774	44,656
Gross exposure	1,374,363	1,474,544
Loss allowances	(48,545)	(48,349)
Net exposure	**1,325,818**	**1,426,195**

Changes in loans and advances to non-bank customers (gross exposure)

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 Jan	1,304,473	101,343	65,210	3,518	1,474,544
Transfer from Stage 1 to Stage 2	(145,868)	145,868	0	0	0
Transfer from Stage 1 to Stage 3	(818)	0	818	0	0
Transfer from Stage 2 to Stage 3	0	(17,754)	17,754	0	0
Transfer from Stage 2 to Stage 1	29,068	(29,068)	0	0	0
Transfer from Stage 3 to Stage 2	0	11,767	(11,767)	0	0
Increase due to new loan drawdowns/recognitions	132,254	2,039	0	5,521	139,814
Decrease due to repayments/derecognition	(198,006)	(13,652)	(12,632)	(2,365)	(226,655)
Other net changes	(10,335)	417	1,929	(1,170)	(9,159)
Net changes due to modification of contractual cash flows (excluding derecognition)	400	46	108	95	649
Write-offs	0	0	(4,830)	0	(4,830)
Balance as at 31 Dec	**1,111,168**	**201,006**	**56,590**	**5,599**	**1,374,363**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Changes in loans and advances to non-bank customers (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**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Changes in loans and advances to non-bank customers (loss allowances)

2024	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at 1 Jan	(4,926)	(10,122)	(35,272)	1,971	(48,349)
Transfer from Stage 1 to Stage 2	763	(763)	0	0	0
Transfer from Stage 1 to Stage 3	5	0	(5)	0	0
Transfer from Stage 2 to Stage 3	0	2,500	(2,500)	0	0
Transfer from Stage 2 to Stage 1	(2,428)	2,428	0	0	0
Transfer from Stage 3 to Stage 2	0	(1,939)	1,939	0	0
Increase due to new loan drawdowns/recognitions	(591)	(106)	0	(139)	(836)
Decrease due to repayments/derecognition	2,454	5,039	4,029	197	11,719
Net change due to change in credit risk	(288)	(9,059)	(7,517)	(1,136)	(18,000)
Net change due to change in methodology	2,919	(1,773)	917	812	2,875
Net changes with effects on profit or loss	2,834	(3,673)	(3,137)	(266)	(4,242)
Changes due to derecognition of existing and recognition of new asset	0	0	2,970	0	2,970
Other changes without effects on profit or loss	0	0	(3,525)	(229)	(3,754)
Write-offs	0	0	4,830	0	4,830
Net changes without effects on profit or loss	0	0	4,275	(229)	4,046
Balance as at 31 Dec	**(2,092)**	**(13,795)**	**(34,134)**	**1,476**	**(48,545)**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Changes in loans and advances to non-bank customers (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)**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Receivables on other bases include receivables for assets in the fiduciary account, for refunds and for approved subsidies.

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.

Other financial assets

	31 Dec 2024	31 Dec 2023
Fee and commission receivables	19	20
Trade receivables	1,941	371
Receivables on other bases	3,344	3,463
Gross exposure	5,304	3,854
Loss allowances	(7)	(4)
Net exposure	**5,297**	**3,850**

Changes in other financial assets (gross exposure)

	2024			2023		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Balance as at 1 Jan	3,854	0	3,854	3,043	1	3,044
Increase due to new recognitions	140,363	4	140,367	154,689	0	154,689
Decrease due to repayments	(138,916)	(1)	(138,917)	(153,878)	0	(153,878)
Write-offs	0	0	0	0	(1)	(1)
Balance as at 31 Dec	**5,301**	**3**	**5,304**	**3,854**	**0**	**3,854**

2.4 Notes to the statement of financial position

2.4.4 Financial assets measured at amortised cost

Changes in other financial assets (loss allowances)

	2024			2023		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Balance as at 1 Jan	(4)	0	(4)	0	(1)	(1)
Increase due to new recognitions	0	(4)	(4)	(4)	0	(4)
Decrease due to repayments	0	1	1	0	0	0
Write-offs	0	0	0	0	1	1
Balance as at 31 Dec	**(4)**	**(3)**	**(7)**	**(4)**	**0**	**(4)**

2.4 Notes to the statement of financial position

2.4.5 Derivatives – hedge accounting

Derivatives - hedge accounting, breakdown by risk category and hedge type

	31 Dec 2024			31 Dec 2023		
	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	0	0	0	15,000	734	0
Hedging of issued bonds measured at amortised cost	440,000	15,033	6,069	315,000	9,126	12,294
Total	**440,000**	**15,033**	**6,069**	**330,000**	**9,860**	**12,294**

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 2024 the Bank held four long-term interest rate swaps as fair value hedges of issued bonds, with a total contractual value of EUR 440,000 thousand.

The Bank discontinued its hedge accounting in two interest rate swaps held as fair value hedges for fixed-rate bonds disclosed under financial assets measured at fair value through other comprehensive income on account of the balancing of the interest rate position and the maturity of the hedged instrument.

The Bank did not hold any instruments as cash flow hedges or hedges of a net investment in a foreign operation in 2023 or 2024.

2.4 Notes to the statement of financial position

2.4.5 Derivatives – hedge accounting

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.

Upon the termination of the contract for reason of the balancing of the interest rate position, 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 552 thousand as at the day of termination and it will be transferred to interest income through the recalculated higher interest rate until the maturity of the bond in 2027.

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 407 thousand in 2024 (2023: EUR 319 thousand).

Accumulated amount of adjustments to fair value hedges for hedged items

	31 Dec 2024		31 Dec 2023	
	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-rate bonds	0	0	14,721	(610)
Financial liabilities measured at amortised cost				
Fixed-rate bonds	446,535	8,930	319,653	(1,310)

Changes in fair value in hedge accounting recognised in income statement

	2024	2023
Fair value hedge		
Net gains/(losses) on derivatives held for hedging	9,813	11,556
Interest rate swaps	9,813	11,556
Net gains/(losses) on hedged items	(10,220)	(11,875)
Bonds measured at fair value through other comprehensive income	20	2,104
Issued bonds measured at amortised cost	(10,240)	(13,979)
Total gains/(losses)	**(407)**	**(319)**

2.4 Notes to the statement of financial position

2.4.6 Investments in subsidiaries and joint ventures

	31 Dec 2024				31 Dec 2023		
	SID Svetovanje	Prvi faktor, Ljubljana (in liquidation)	Prvi faktor, Beograd (in liquidation)	Total	Prvi faktor, Ljubljana (in liquidation)	Prvi faktor, Beograd (in liquidation)	Total
Equity investments	50	15,337	279	15,666	15,337	279	15,616
Allowances for equity investments	0	(15,337)	(279)	(15,616)	(15,337)	(279)	(15,616)
Total	**50**	**0**	**0**	**50**	**0**	**0**	**0**

The Bank's share of the losses of the joint ventures was larger than its participating interest, for which reason it ceased recognising its share in subsequent losses. Given the uncertainty in the liquidation proceedings, the investments remained impaired in full.

SID Bank established SID Svetovanje d.o.o. as the sole member in December 2024, as a vehicle to which it will spin off certain parts of the business in 2025. The aforementioned undertaking did not trade in 2024, and did not disclose any profits or losses.

Data on joint ventures

	31 Dec 2024		31 Dec 2023	
	Share of voting rights, %	Net profit	Share of voting rights, %	Net profit
Prvi Faktor Group	50	970	50	1,502

2.4 Notes to the statement of financial position

2.4.7 Property, plant and equipment and intangible assets

The Bank did not hold any pledged non-current assets in the reported years. The historical cost of fully depreciated property, plant and equipment that are still in use amounted to EUR 4,521 thousand as at 31 December 2024, of which EUR 3,174 thousand related to buildings (31 December 2023: EUR 4,828 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 property, plant and equipment

2024	Real estate under operating lease	Land and buildings	Computers	Other equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost						
Balance as at 1 Jan	237	10,069	2,578	1,170	0	14,054
Additions	46	0	583	216	799	1,644
Disposals	0	0	(588)	(85)	(799)	(1,472)
Balance as at 31 Dec	283	10,069	2,573	1,301	0	14,226
Accumulated depreciation						
Balance as at 1 Jan	0	(7,264)	(1,472)	(764)	0	(9,500)
Depreciation	(47)	(328)	(392)	(109)	0	(876)
Disposals	0	0	587	72	0	659
Balance as at 31 Dec	(47)	(7,592)	(1,277)	(801)	0	(9,717)
Carrying amount as at 31 Dec	**236**	**2,477**	**1,296**	**500**	**0**	**4,509**

2.4 Notes to the statement of financial position

2.4.7 Property, plant and equipment and intangible assets

Changes in property, plant and equipment

2023	Real estate under operating 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
Additions	237	0	1,060	18	1,078	2,393
Disposals	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)
Disposals	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**

2.4 Notes to the statement of financial position

2.4.7 Property, plant and equipment and intangible assets

Changes in intangible assets

	31 Dec 2024			31 Dec 2023		
	Intangible assets	Intangible assets under construction	Total intangible assets	Intangible assets	Intangible assets under construction	Total intangible assets
Cost						
Balance as at 1 Jan	4,757	430	5,187	4,490	138	4,628
Additions	1,665	1,494	3,159	274	566	840
Disposals	(53)	(1,665)	(1,718)	(7)	(274)	(281)
Balance as at 31 Dec	6,369	259	6,628	4,757	430	5,187
Accumulated amortisation						
Balance as at 1 Jan	(3,984)	0	(3,984)	(3,631)	0	(3,631)
Amortisation	(385)	0	(385)	(360)	0	(360)
Disposals	53	0	53	7	0	7
Balance as at 31 Dec	(4,316)	0	(4,316)	(3,984)	0	(3,984)
Carrying amount as at 31 Dec	**2,053**	**259**	**2,312**	**773**	**430**	**1,203**

2.4 Notes to the statement of financial position

2.4.8 Leases

Bank as lessee

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. The Bank treats the lease agreement in accordance with IFRS 16, 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.

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.

The Bank remeasured the lease liabilities at the end of 2024. The Bank recognised the amount from the remeasurement of the lease liabilities as an adjustment to the value of the right-of-use asset, disclosing it as an increase in the table of changes in property, plant and equipment.

Impact of leases on the statement of financial position

	31 Dec 2024	31 Dec 2023
Assets		
Right-of-use assets	236	237
Commercial premises	236	237
Total assets	**236**	**237**
Liabilities		
Long-term lease liabilities	238	237
Total liabilities	**238**	**237**

2.4 Notes to the statement of financial position

2.4.8 Leases

The Bank did not have any costs in connection with variable rents or gains/losses from sale and leaseback transactions in 2024.

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.

Maturity analysis of liabilities under lease agreements

	31 Dec 2024	31 Dec 2023
Lease liabilities		
Up to 1 month	4	4
1 to 3 months	7	7
3 to 12 months	34	34
1 to 5 years	193	192
Total	**238**	**237**

Impact of leases on the income statement

	2024	2023
Depreciation of right-of-use assets	(47)	0
Commercial premises	(47)	0
Interest expenses for lease liabilities	(6)	0
Expenses for short-term leases (included under administrative expenses – cost of services)	(112)	(141)

Impact of leases on the statement of cash flows

	2024	2023
Total cash expenditure for leases	(152)	(136)

2.4 Notes to the statement of financial position

2.4.9 Tax assets and liabilities

The Bank disclosed an asset vis-à-vis the FARS from levied corporate income tax at the end of 2024 due to overpaid tax prepayments, having disclosed a liability in the amount of EUR 1,564 thousand vis-à-vis the FARS in 2023.

	31 Dec 2024	31 Dec 2023
Corporate income tax assets	898	46
Deferred tax assets (net)	7,351	10,440
Total tax assets	**8,249**	**10,486**
Corporate income tax liabilities	0	1,564
Total tax liabilities	**0**	**1,564**

Breakdown by type of deferred tax

	31 Dec 2024	31 Dec 2023
Deferred tax assets from:		
Equity investments	3,436	3,436
Provisions for pensions and jubilee benefits	54	63
Financial assets measured at fair value through other comprehensive income	4,496	7,892
Financial assets measured at amortised cost	487	42
Fixed assets	161	146
Total deferred tax assets	**8,634**	**11,579**
Deferred tax liabilities from:		
Financial assets measured at fair value through other comprehensive income	1,283	1,139
Total deferred tax liabilities	**1,283**	**1,139**
Net deferred tax assets/(liabilities)	**7,351**	**10,440**

2.4 Notes to the statement of financial position

2.4.9 Tax assets and liabilities

SID Bank did not have any unrecognised deferred taxes in the reported years.

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, while the deferred tax liabilities are primarily due to deductible temporary differences in connection with the positive valuation of financial assets measured at fair value through other comprehensive income.

The decline in deferred tax assets compared with the previous year is attributable to the maturing of debt securities measured at fair value through other comprehensive income and the consequent decline in the associated portfolio.

	2024	2023
Included in income statement from:		
Impairment of financial assets measured at fair value through other comprehensive income	(17)	(6)
Impairment of financial assets measured at amortised cost	444	41
Impairment of equity investments	0	468
Provisions for pensions and jubilee benefits	(9)	(76)
Amortisation/depreciation above the prescribed tax rate	16	35
Total included in income statement	**434**	**462**
Included in other comprehensive income from:		
Revaluation of financial assets measured at fair value through other comprehensive income	(3,522)	(3,156)
Total included in other comprehensive income	**(3,522)**	**(3,156)**

2.4 Notes to the statement of financial position

2.4.10 Other assets

	31 Dec 2024	31 Dec 2023
Receivables for advances	1	1
Deferred expenses	894	882
Accrued income	109	65
Other accruals	1	0
Gross exposure	1,005	948
Net exposure	**1,005**	**948**

2.4 Notes to the statement of financial position

2.4.11 Financial liabilities measured at amortised cost

The Bank issued its SEDABI 3.423 06/20/31 seven-year fixed-rate bonds with a nominal value of EUR 125,000 thousand in June 2024.

Loans and advances from non-bank customers include long-term purpose-specific funding received from foreign development institutions, and purpose-specific funding from the METS and MoI used by the Bank for implementation of financial instruments within the framework of European Cohesion Politic and implementation of financial engineering. The decline in loans and advances to non-bank customers is attributable to the regular repayments of loans and negative overall result in the loan funds, which owing to the agreed first loss clause reflected in decline liabilities from loans and advances from non-bank customers.

	31 Dec 2024	31 Dec 2023
Deposits and loans from banks and central banks	262,796	322,887
Loans and advances	247,085	286,108
Deposits	15,711	36,779
Deposits and loans from non-bank customers	1,108,688	1,114,735
Loans and advances	1,108,688	1,114,735
Debt securities	830,445	742,437
Other financial liabilities	4,991	4,367
Total	**2,206,920**	**2,184,426**

2.4 Notes to the statement of financial position

2.4.11 Financial liabilities measured at amortised cost

Debt securities

					31 Dec 2024		31 Dec 2023	
	Quotation	Currency	Maturity date	Interest rate	Carrying amount	Nominal value	Carrying amount	Nominal value
Senior, unsecured								
NSV1-M.M.WARBURG	Not quoted	EUR	16 Dec 2024	4.865%	0	0	31,072	30,000
NSV2-DEBEKA LEBENSVERSICHERUNGSVEREIN	Not quoted	EUR	16 Dec 2024	4.865%	0	0	7,250	7,000
NSV3-DEBEKA PENSIONSKASSE AG	Not quoted	EUR	16 Dec 2024	4.865%	0	0	1,036	1,000
NSV4-Kirchliche Zusatzversorgungskasse	Not quoted	EUR	16 Dec 2024	4.865%	0	0	10,357	10,000
SEDABI 0.125 07/08/25	Frankfurt	EUR	08 July 2025	0.125%	347,466	350,000	341,299	350,000
SEDABI 0.125 06/24/26	Vienna	EUR	24 June 2026	0.125%	199,920	200,000	199,776	200,000
SEDABI 4.03 03/13/30	Frankfurt	EUR	13 March 2030	4.030%	151,874	140,000	151,647	140,000
SEDABI 3.423 06/20/31	Frankfurt	EUR	20 June 2031	3.423%	131,185	125,000	0	0
Total					**830,445**	**815,000**	**742,437**	**738,000**

2.4 Notes to the statement of financial position

2.4.12 Provisions

Provisions for employee benefits comprise provisions for jubilee benefits and provisions for retirement indemnity bonuses.

The value of guarantees given declined in 2024, primarily as a result of a decline in 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 under undrawn loans consists in full of loans and advances approved to non-bank customers.

Uncalled unpaid capital increased in 2024, primarily as a result of additional commitments for payments into funds under the SEGIP investment programme.

Breakdown by type of provision

	31 Dec 2024	31 Dec 2023
Provisions for commitments given	137	443
Guarantees	40	106
Undrawn loans	97	337
Provisions for employee benefits	1,184	1,061
Total	**1,321**	**1,504**

Contractual value of off-balance-sheet financial instruments arising from commitments given

	31 Dec 2024	31 Dec 2023
Commitments given		
Guarantees	89,338	104,207
Undrawn loans	99,858	78,253
Uncalled unpaid capital	41,162	31,333
Total	**230,358**	**213,793**

2.4 Notes to the statement of financial position

2.4.12 Provisions

Changes in contractual value of off-balance-sheet financial instruments arising from commitments given

2024	Guarantees	Undrawn loans			Uncalled unpaid capital
	Stage 1	Stage 1	Stage 2	Total	
Balance as at 1 Jan	104,207	77,633	620	78,253	31,333
Transfer from Stage 1 to Stage 2	0	(1,419)	1,419	0	0
Increase in commitments given	0	193,224	0	193,224	14,129
Decrease in commitments given	(14,869)	(169,580)	(2,039)	(171,619)	(4,300)
Balance as at 31 Dec	**89,338**	**99,858**	**0**	**99,858**	**41,162**

2023	Guarantees	Undrawn loans				Uncalled unpaid capital
	Stage 1	Stage 1	Stage 2	Stage 3	Total	
Balance as at 1 Jan	92,344	143,412	0	1,689	145,101	41,921
Transfer from Stage 1 to Stage 2	0	(3,120)	3,120	0	0	0
Increase in commitments given	16,300	320,651	0	0	320,651	193
Decrease in commitments given	(4,437)	(383,310)	(2,500)	(1,689)	(387,499)	(10,781)
Balance as at 31 Dec	**104,207**	**77,633**	**620**	**0**	**78,253**	**31,333**

2.4 Notes to the statement of financial position

2.4.12 Provisions

Changes in provisions for commitments given

2024	Guarantees	Undrawn loans		
	Stage 1	Stage 1	Stage 2	Total
Balance as at 1 Jan	106	225	112	337
Transfer from Stage 1 to Stage 2	0	(2)	2	0
Increase due to additional commitments given	0	178	0	178
Decrease due to decline in commitments given	(13)	(245)	(100)	(345)
Net change due to change in credit risk	(61)	(29)	(65)	(94)
Net change due to change in methodology	8	(30)	51	21
Balance as at 31 Dec	**40**	**97**	**0**	**97**

2023	Guarantees	Undrawn loans			
	Stage 1	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan	66	466	0	78	544
Transfer from Stage 1 to Stage 2	0	(16)	16	0	0
Increase due to additional commitments given	23	648	0	0	648
Decrease due to decline in commitments given	(9)	(509)	(14)	(69)	(592)
Net change due to change in credit risk	26	(364)	110	(9)	(263)
Balance as at 31 Dec	**106**	**225**	**112**	**0**	**337**

2.4 Notes to the statement of financial position

2.4.12 Provisions

The analysis shows how much the present values of the commitment for jubilee benefits and retirement indemnity bonuses as at 31 December 2024 and, by way of comparison, 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.

Changes in provisions for employee benefits

	2024			2023		
	Jubilee benefits	Retirement indemnity bonuses	Total	Jubilee benefits	Retirement indemnity bonuses	Total
Balance as at 1 Jan	77	984	1,061	110	1,688	1,798
Created	67	119	186	12	111	123
Reversed	(4)	0	(4)	(41)	(892)	(933)
Used (paid) provisions	(10)	(26)	(36)	(6)	(58)	(64)
Interest expenses	2	29	31	2	29	31
Actuarial (gains)/losses	0	(54)	(54)	0	106	106
Balance as at 31 Dec	**132**	**1,052**	**1,184**	**77**	**984**	**1,061**

Sensitivity analysis of actuarial assumptions

Actuarial assumption	Change in present value of commitment				
	Change in assumption (percentage points)	31 Dec 2024		31 Dec 2023	
		Jubilee benefits	Retirement indemnity bonuses	Jubilee benefits	Retirement indemnity bonuses
Return	+0.5	(4.8)	(55.2)	(2.7)	(54.7)
	-0.5	5.1	59.6	2.9	59.3
Wage growth	+0.5	5.3	59.9	2.9	59.4
	-0.5	(5.0)	(55.6)	(2.8)	(54.9)
Employee turnover	+0.5	(5.1)	(57.8)	(2.9)	(57.3)
	-0.5	4.5	31.3	2.6	32.0

2.4 Notes to the statement of financial position

2.4.12 Provisions

Itemisation of actuarial gains and losses by cause

	2024		2023	
	Jubilee benefits	Retirement indemnity bonuses	Jubilee benefits	Retirement indemnity bonuses
Actuarial gains/(losses) based on changes in financial items	(4)	11	(2)	(78)
Actuarial gains/(losses) based on changes in demographic items	4	20	0	0
Actuarial gains/(losses) based on experience	(48)	23	4	(28)
Total	**(48)**	**54**	**2**	**(106)**

Average weighted term of liabilities (years)

	31 Dec 2024	31 Dec 2023
Jubilee benefits	9.0	8.7
Retirement indemnity bonuses	12.8	13.5
Total	**12.4**	**13.2**

2.4 Notes to the statement of financial position

2.4.13 Other liabilities

A tax on the balance sheets of banks was introduced for the banking sector for a period of five years in 2024 by the ZORZFS. A tax liability in the amount of EUR 4,797 thousand is disclosed for 2024 under other liabilities (more precisely, under tax liabilities). The tax expenses are disclosed under administrative expenses.

	31 Dec 2024	31 Dec 2023
Liabilities for wages, wage compensation, and taxes and contributions on wages	1,275	1,260
Current deferred income	7	21
Tax liabilities	4,900	129
Total	**6,182**	**1,410**

2.4.14 Shareholder equity

The negative value of accumulated other comprehensive income declined in 2024, primarily as a result of the ongoing fall in interest rates and the decline in the portfolio of debt securities measured at fair value through other comprehensive income.

There were no changes to the treasury shares reserve in 2024. SID Bank held 18,445 own shares, ticker symbol SIDR, in the total amount of EUR 1,324 thousand as at 31 December 2024.

Under a general meeting resolution, the undistributed profit for 2023 in the amount of EUR 7,428 thousand was allocated to other profit reserves.

The changes are disclosed in the statement of changes in equity.

	31 Dec 2024	31 Dec 2023
Share capital	300,000	300,000
Profit reserves	213,537	201,370
Regulatory reserves	17,292	16,841
Reserves for treasury shares	1,324	1,324
Reserves under articles of association	96,414	92,126
Other profit reserves	98,507	91,079
Share premium	1,139	1,139
Accumulated other comprehensive income	(11,389)	(23,934)
Treasury shares	(1,324)	(1,324)
Retained earnings (including net profit for the financial year)	4,288	7,428
Total	**506,251**	**484,679**

2.4 Notes to the statement of financial position

2.4.14 Shareholder equity

Breakdown of accumulated other comprehensive income

	31 Dec 2024	31 Dec 2023
Actuarial gains/(losses) in association with defined-benefit pension plans	(52)	(106)
Revaluation	(52)	(106)
Financial assets measured at fair value through other comprehensive income: equity instruments	4,384	4,036
Revaluation	5,621	5,175
Deferred taxes	(1,237)	(1,139)
Financial assets measured at fair value through other comprehensive income: debt securities	(15,721)	(27,864)
Revaluation	(20,156)	(35,723)
Deferred taxes	4,435	7,859
Total	**(11,389)**	**(23,934)**

2.4 Notes to the statement of financial position

2.4.15 Distributable profit

In accordance with the articles of association, the management board used SID Bank's net profit for 2024 in the amount of EUR 9,027 thousand (2023: EUR 15,638 thousand) to create regulatory reserves in the amount of EUR 451 thousand (2023: EUR 782 thousand) and reserves under the articles of association in the amount of EUR 4,288 thousand (2023: EUR 7,428 thousand). The distributable profit from 2023 in the amount of EUR 7,428 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 2024 financial year in the amount of EUR 4,288 thousand should be allocated to other profit reserves.

	31 Dec 2024	31 Dec 2023
Net profit for the financial year	9,027	15,638
Increase in profit reserves	(4,739)	(8,210)
Regulatory reserves	(451)	(782)
Reserves under articles of association	(4,288)	(7,428)
Distributable profit	**4,288**	**7,428**

2.5 Notes to the income statement

2.5.1 Net interest

	2024	2023
Interest income and similar income		
Interest income calculated using the effective interest method	103,569	88,467
Financial assets measured at fair value through other comprehensive income	1,892	1,283
Financial assets measured at amortised cost	85,497	72,350
Debt securities	10,385	4,052
Loans and advances to banks	10,056	11,133
Loans and advances to non-bank customers	65,056	57,165
Balances at banks and central banks	16,180	14,834
Other interest income and similar income	180	854
Non-trading financial assets mandatorily at fair value through profit or loss	55	49
Derivatives – hedge accounting	125	805
Total interest income and similar income	103,749	89,321
Interest expenses and similar expenses		
Interest expenses calculated using the effective interest method	(60,390)	(52,326)
Financial liabilities measured at amortised cost	(60,201)	(52,055)
Loans and deposits from banks	(10,473)	(13,073)
Loans and deposits from non-bank customers	(40,147)	(32,375)
Issued debt securities	(9,575)	(6,607)
Other financial liabilities	(6)	0
Interest on financial assets carrying negative interest rate	(189)	(271)

2.5 Notes to the income statement

2.5.1 Net interest

SID Bank generated net interest of EUR 34,846 thousand in 2024, up 15.5% on 2023. The increase in net interest was mainly attributable to an increase in interest income on loans and advances granted and on holdings of debt securities.

The increase in interest income in 2024 was also attributable to a change in the approach to disclosing interest for financial assets that are credit impaired (see note under section 2.3.19 Interest income and interest expenses).

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.

Net interest (continuing)

	2024	2023
Other interest expenses and similar expenses	(8,513)	(6,825)
Derivatives – hedge accounting	(8,481)	(6,794)
Other liabilities	(32)	(31)
Total interest expenses and similar expensest	(68,903)	(59,151)
Net interest	**34,846**	**30,170**

2.5 Notes to the income statement

2.5.2 Dividend income

The Bank received dividends in the amount of EUR 814 thousand in 2024 (2023: EUR 773 thousand) from investments within the framework of the SEGIP, and EUR 78 thousand (2023: EUR 45 thousand) from its investment in the EIF.

	2024	2023
Non-trading financial assets mandatorily at fair value through profit or loss	814	773
Financial assets measured at fair value through other comprehensive income	78	45
Total	**892**	**818**

2.5 Notes to the income statement

2.5.3 Net fee and commission income

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.

Fee and commission expenses exceeded fee and commission income by EUR 472 thousand in 2024, primarily on account of higher fee and commission expenses for asset management under the SEGIP.

	2024	2023
Fee and commission income		
Fee and commission income from financial instruments not measured at fair value through profit or loss	1,197	1,192
Fee and commission income from loan operations	961	970
Fee and commission income from guarantees given	236	222
Fee and commission income from financial instruments measured at fair value through profit or loss	1	1
Fee and commission income from loan operations	1	1
Total fee and commission income	1,198	1,193
Fee and commission expenses		
Fee and commission expenses from financial instruments not measured at fair value through profit or loss	(587)	(611)
Fees and commission for loan operations	(19)	(19)
Fees and commission for stock exchange transactions	(127)	(110)
Fees and commission for guarantees received	(435)	(477)
Fees and commission for other services	(6)	(5)
Fee and commission expenses from financial instruments measured at fair value through profit or loss	(1,083)	(217)
Fees and commission for other services	(1,083)	(217)
Total fee and commission expensest	(1,670)	(828)
Net fee and commission income	**(472)**	**365**

2.5 Notes to the income statement

2.5.4 Net gains/losses on financial assets and liabilities not measured at fair value through profit or loss

	2024	2023
Financial assets measured at fair value through other comprehensive income	(2,625)	(693)
Gains	1	0
Losses	(2,626)	(693)
Financial liabilities measured at amortised cost	4,075	93
Gains	10,339	9,342
Losses	(6,264)	(9,249)
Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	**1,450**	**(600)**

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.

The net gains and losses on financial liabilities measured at amortised cost derive from the valuation of liabilities to government. At the end of 2024 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.

The gross carrying amount of the loans and advances within the framework of the loan funds amounted to EUR 449,523 thousand at the end of 2024, down EUR 15,214 thousand on the end of 2023. Net impairments and provisions were disclosed in 2024, and together with the costs exceeded the net interest and thus caused a negative overall result in the funds in the amount of EUR 4,081 thousand (2023: positive result in the amount of EUR 504 thousand), which owing to the agreed first loss clause was reflected in recognised gains (2023: losses) on financial liabilities measured at amortised cost.

Under the same item the Bank also recognised losses of EUR 6 thousand in 2024 (2023: gains of EUR 597 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 Notes to the income statement

2.5.5 Net gains/losses on non-trading financial assets mandatorily at fair value through profit and loss

	2024	2023
Equity instruments	(1,311)	1,064
Gains	888	2,161
Losses	(2,199)	(1,097)
Alternative investment funds	3,124	3,967
Gains	24,088	6,096
Losses	(20,964)	(2,129)
Loans and advances	713	1,036
Gains	937	2,086
Losses	(224)	(1,050)
Net gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss	**2,526**	**6,067**

2.5 Notes to the income statement

2.5.6 Other net operating income/expenses

The Bank recognised revenue of EUR 3,991 thousand in 2024 (2023: EUR 3,624 thousand) from the provision of services in operations under authorisation, of which EUR 2,109 thousand was from the management of contingency reserve assets (2023: EUR 1,740 thousand), EUR 1,701 thousand was from the management and performance of funds (2023: EUR 1,728 thousand), EUR 1 thousand was from guarantee schemes (2023: EUR 7 thousand), EUR 149 thousand was from guarantee schemes under the ZIUZEOP, ZDLGPE, ZSJSM and ZORZFS, 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 (2023: EUR 117 thousand), and EUR 31 thousand was from other operations under authorisation (2023: EUR 32 thousand).

	2024	2023
Gains	5,940	5,711
Income from activities under Republic of Slovenia authorisation	3,991	3,624
Other operating income	1,949	2,087
Losses	(23)	(33)
Other operating expenses	(23)	(33)
Net operating gains/(losses)	**5,917**	**5,678**

2.5 Notes to the income statement

2.5.7 Administrative expenses

A tax on the balance sheets of banks was imposed on the banking sector for a period of five years by the ZORZFS in 2024. It is a wealth tax that is independent of performance, although it is limited to 30% of the pre-tax profit in the financial year, and the corresponding expenses are included under administrative expenses (more precisely, under taxes and membership fees). Expenses for the tax on the balance sheets of banks amounted to EUR 4,797 thousand in 2024. The tax liability is disclosed as other liabilities under the item of tax liabilities.

	2024	2023
Labour costs	(17,173)	(16,378)
Gross salaries	(12,875)	(12,155)
Pension insurance costs	(1,126)	(1,075)
Social security costs	(936)	(889)
Other labour costs	(2,236)	(2,259)
General and administrative costs	(10,611)	(5,083)
Costs of materials	(223)	(227)
Costs of services	(5,292)	(4,520)
Taxes and membership fees	(5,096)	(336)
Total	**(27,784)**	**(21,461)**

Total amount spent on auditors

	2024	2023
Auditing of annual report	100	93
Other assurance services	17	16
Total	**117**	**109**

2.5 Notes to the income statement

2.5.8 Depreciation and amortisation

	2024	2023
Depreciation of property, plant and equipment	(876)	(664)
Own property, plant and equipment	(829)	(664)
Right-of-use assets	(47)	0
Amortisation of intangible assets	(385)	(360)
Total	**(1,261)**	**(1,024)**

2.5 Notes to the income statement

2.5.9 Net modification gains/losses

	2024				2023				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets measured at amortised cost									
Gains	7	8	0	15	7	17	147	1	172
Losses	(7)	0	(115)	(122)	(1,062)	(9)	(945)	0	(2,016)
Net gains/(losses) on modification of financial assets	**0**	**8**	**(115)**	**(107)**	**(1,055)**	**8**	**(798)**	**1**	**(1,844)**

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 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 Notes to the income statement

1.1.1 Provisions

Provisions for commitments given consist of expected credit losses in accordance with IFRS 9, while other provisions include provisions for retirement indemnity bonuses and jubilee benefits and are recognised in accordance with IAS 19.

Net income from provisions amounted to EUR 124 thousand in 2024 (2023: EUR 977 thousand), of which EUR 306 thousand was net income from the reversal of provisions for credit losses (2023: EUR 167 thousand) and EUR 182 thousand was net expenses for creation of other provisions (2023: EUR 810 thousand of net income from reversal of other provisions). The impact on provisions from the change in the methodology for calculating expected credit losses amounted to EUR 29 thousand of net expenses in 2024.

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.

	2024	2023
Provisions for commitments given	306	167
Guarantees	66	(40)
Undrawn loans	240	207
Other provisions	(182)	810
Total	**124**	**977**

2.5 Notes to the income statement

2.5.11 Impairments

Net impairment expenses amounted to EUR 4,538 thousand in 2024 (2023: EUR 444 thousand), and relate entirely to the creation of impairments for credit losses (2023: EUR 443 thousand for credit losses and EUR 1 thousand for creation of impairments for non-financial assets).

Debtor rating upgrades and the new macroeconomic scenarios had a favourable impact in 2024 on the amount of expected credit losses, although the economic downturn in the steel and automotive industries and the resulting reclassification of their exposures to Stage 2 meant that the Bank created higher credit loss allowances for debt securities and loans and advances to non-bank customers.

The impact of the change in methodology for calculating expected credit losses amounted to EUR 2,958 thousand in net income in 2024, and was disclosed under the changes in allowances for various categories of financial instruments.

	2024	2023
Impairments of financial assets measured at fair value through other comprehensive income	78	59
Impairments of financial assets measured at amortised cost	(4,616)	(502)
Debt securities	(2,020)	(186)
Loans and advances to banks	817	571
Loans and advances to non-bank customers	(3,410)	(883)
Other financial assets	(3)	(4)
Impairments of non-financial assets	0	(1)
Total	**(4,538)**	**(444)**

2.5 Notes to the income statement

2.5.12 Corporate income tax

The corporate income tax rate in Slovenia changed relative to the previous year, and stood at 22% in 2024. The new tax rate was introduced by the ZORZFS for corporate income taxation during the period of 2024 to 2028.

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 Corporate income tax assets and liabilities.

	2024	2023
Corporate income tax	(2,600)	(3,209)
Deferred taxes	434	462
Total	**(2,166)**	**(2,747)**

2.5 Notes to the income statement

2.5.12 Corporate income tax

The majority of non-taxable income comes 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 financial assets.

SID Bank's effective tax rate (calculated as the ratio of expenses for corporate income tax to profit before tax) stood at 23.2% in the 2024 financial year (2023: 17.5%). The rise in the effective tax rate compared with 2023 was mainly attributable to the rise in the tax rate for corporate income tax from 19% to 22%. Another factor in the rise in the effective tax rate in 2024 was the introduction of the tax on the balance sheets of banks, which was disclosed under administrative expenses in the amount of EUR 4,797 thousand, thereby reducing the profit before tax. The cap on the tax on balance sheets of banks defined by law in the amount of 30% of the profit before tax did mean that the taxation was limited in nominal terms, but the tax burden on the Bank relative to its profit was very high in 2024. SID Bank's overall tax rate (calculated as the ratio of the sum of the corporate income tax and the tax on balance sheets of banks to profit before tax) stood at 46.3% in 2024.

	2024	2023
Profit before tax	11,193	18,385
Tax calculated at prescribed rate of 22% (2023: 19%)	(2,462)	(3,493)
Untaxed income	209	245
Non-deductible expenses	(667)	(219)
Reduction in tax base for expenses not recognised for tax purposes in the past	5	6
Change in tax base as a result of revaluations	(6)	21
Increase in tax base	(9)	(8)
Tax allowances	334	239
Additional tax for previous year	(4)	0
Net created/(used) deferred taxes	434	462
Total	**(2,166)**	**(2,747)**

2.5 Notes to the income statement

2.5.13 Basic and diluted earnings per share

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.

	2024	2023
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)	9,027	15,638
Basic and diluted earnings per share (EUR)	**2.91**	**5.04**

2.6 Other notes to the financial statements

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. SID Bank's related parties include members of the management board and the supervisory board and their family members, undertakings that they control or over which they exert a significant influence, the Republic of Slovenia as the sole shareholder in the Bank, undertakings in which the Republic of Slovenia has a significant influence, and the subsidiaries and joint ventures.

The Bank did not execute any transactions with the subsidiaries or joint ventures in 2024, or any transactions with members of the management board or the supervisory board, their family members, or undertakings over which they exert a significant influence.

Only the more significant transactions between SID Bank and the Republic of Slovenia or government-owned undertakings, the fees for key senior management and the corresponding open liabilities are disclosed below.

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

SID Bank's significant relationships with the Republic of Slovenia and 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:	2024	2023
Bank of Slovenia		
Balance as at 31 Dec		
ASSETS		
Cash, cash balances at central banks and demand deposits at banks	493,001	323,682
LIABILITIES		
Loans from banks and central banks	0	34,390
Other financial liabilities	532	461
For period		
Interest income	16,163	14,825
Interest expenses	(322)	(4,555)
Fee and commission expenses	(40)	(46)
Administrative expenses	(582)	(461)
Republic of Slovenia		
Balance as at 31 Dec		
ASSETS		
Financial assets measured at fair value through other comprehensive income	146,405	118,166
Loans and advances to non-bank customers	189,557	211,368
Debt securities measured at amortised cost	10,277	10,334
Other financial assets	1,970	381
Tax assets	8,249	10,486
Other assets	111	65

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

SID Bank's significant relationships with the Republic of Slovenia and government-owned undertakings

Table continuing

Exposure to:	2024	2023
LIABILITIES		
Loans from non-bank customers	333,178	331,044
Other financial liabilities	159	66
Tax liabilities	0	1,564
Other liabilities	5,473	694
CONTINGENT LIABILITIES AND COMMITMENTS GIVEN	1,100	586
For period		
Interest income	7,898	6,606
Interest expenses	(9,099)	(6,040)
Fee and commission income	15	3
Net gains/(losses) on financial assets and liabilities not measured at fair value through profit or loss	4,075	93
Changes in fair value in hedge accounting	20	2,041
Other net operating income/(expenses)	5,913	5,617
Administrative expenses	(100)	(123)
Net modification gains/(losses)	0	1
Impairments and provisions	25	(87)
Government-owned undertakings		
Balance as at 31 Dec		
ASSETS		
Cash, cash balances at central banks and demand deposits at banks	134	74
Financial assets measured at fair value through other comprehensive income	0	6,913

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

SID Bank's significant relationships with the Republic of Slovenia and government-owned undertakings

Table continuing

Exposure to:	2024	2023
Debt securities measured at amortised cost	65,122	44,370
Loans and advances to banks	8,594	10,026
Loans and advances to non-bank customers	393,993	411,340
Other financial assets	51	0
Investments in subsidiaries, joint ventures and associates	50	0
Other assets	42	35
LIABILITIES		
Deposits from banks	0	5,007
Other financial liabilities	1,698	1,477
Provisions	12	212
Other liabilities	57	46
CONTINGENT LIABILITIES AND COMMITMENTS GIVEN	91,861	118,421
For period		
Interest income	19,032	14,617
Interest expenses	(63)	(7)
Fee and commission income	538	515
Fee and commission expenses	(51)	(25)
Administrative expenses	(688)	(688)
Net modification gains/(losses)	0	1
Impairments and provisions	462	830

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

Fees for key senior management

The Bank disclosed liabilities to members of the management board from gross salaries for December 2024 accrued but not yet paid, costs from accrued travel orders, and deferred remuneration from previous years in the total amount of EUR 125 thousand at the end of 2024 (31 December 2023: EUR 76 thousand).

The following tables disclose the remuneration paid to members of the management board and members of the supervisory board in the reported periods.

(EUR)

Management board member	Term of office	Type of remuneration	2024	2023
Borut Jamnik	president of management board	Current benefits	243,849	161,413
	since 17 Apr 2023	- gross salary and leave allowance	242,778	161,102
		- fringe benefits and other current benefits	1,071	311
		Reimbursement of expenses	1,451	1,197
		Non-current benefits	25,503	2,578
		- variable remuneration	22,587	400
		- other benefits	2,916	2,178
		Termination benefits	0	0
		Total	**270,803**	**165,187**
Stanka Šarc Majdič	member of management board	Current benefits	219,647	206,965
	since 1 Jan 2022	- gross salary and leave allowance	217,961	206,122
		- fringe benefits and other current benefits	1,686	843
		Reimbursement of expenses	1,570	1,762
		Non-current benefits	31,722	25,894
		- variable remuneration	28,806	22,991
		- other benefits	2,916	2,904
		Termination benefits	0	0
		Total	**252,939**	**234,622**

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

Fees for key senior management

Table continuing

(EUR)

Management board member	Term of office	Type of remuneration	2024	2023
Damijan Dolinar	president of management board	Current benefits	0	74,327
	1 Jan 2022 to 16 Apr 2023	- gross salary and leave allowance	0	73,858
		- fringe benefits and other current benefits	0	469
		Reimbursement of expenses	0	522
		Non-current benefits	0	726
		- variable remuneration	0	0
		- other benefits	0	726
		Termination benefits	0	126,559
		Total	**0**	**202,133**
Sibil Svilan	president of management board	Current benefits	0	0
	until 31 Dec 2021	- gross salary and leave allowance	0	0
		- fringe benefits and other current benefits	0	0
		Reimbursement of expenses	0	0
		Non-current benefits	4,487	1,660
		- variable remuneration	4,487	1,660
		- other benefits	0	0
		Termination benefits	0	0
		Total	**4,487**	**1,660**

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

Fees for key senior management

(EUR)

Supervisory board member	Term of office	Term of office	2024	2023
Janez Tomšič	since 11 Sep 2020	Remuneration for function performed	27,782	29,153
		Session fees	5,225	8,206
		Other fringe benefits	1,042	416
		Reimbursement of expenses	0	0
		Total	**34,050**	**37,775**
Leo Knez	since 23 Feb 2023	Remuneration for function performed	25,875	25,755
		Session fees	7,260	8,690
		Other fringe benefits	1,042	416
		Reimbursement of expenses	0	0
		Total	**34,177**	**34,861**
Marjan Divjak	since 19 May 2022	Remuneration for function performed	20,625	22,063
		Session fees	4,840	7,326
		Other fringe benefits	1,042	416
		Reimbursement of expenses	0	0
		Total	**26,507**	**29,805**
Marko Tišma	since 29 Jul 2021	Remuneration for function performed	24,375	24,375
		Session fees	6,820	9,966
		Other fringe benefits	1,042	416
		Reimbursement of expenses	1,087	2,433
		Total	**33,325**	**37,190**

2.6 Other notes to the financial statements

2.6.1 Related party disclosures

Fees for key senior management

Table continuing

(EUR)

Supervisory board member	Term of office	Term of office	2024	2023
Matija Šenk	since 7 Jun 2023	Remuneration for function performed	22,500	10,583
		Session fees	6,380	3,080
		Other fringe benefits	1,042	0
		Reimbursement of expenses	0	0
		Total	**29,922**	**13,663**
Katja Lautar	since 4 Apr 2024	Remuneration for function performed	13,343	0
		Session fees	2,970	0
		Other fringe benefits	0	0
		Reimbursement of expenses	0	0
		Total	**16,313**	**0**
Zlatko Vili Hohnjec	until 14 Mar 2023	Remuneration for function performed	0	4,536
		Session fees	0	1,595
		Other fringe benefits	0	416
		Reimbursement of expenses	0	292
		Total	**0**	**6,839**
Igor Masten	until 20 Mar 2023	Remuneration for function performed	0	4,546
		Session fees	0	1,210
		Other fringe benefits	0	416
		Reimbursement of expenses	0	23
		Total	**0**	**6,195**

2.6 Other notes to the financial statements

2.6.2 Disclosure of remuneration in accordance with Article 69 of the ZGD-1

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, 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 previous terms 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.

The increase in the remuneration of other employees on individual contracts in 2024 was primarily attributable to a reorganisation that led to a rise in the number of other employees on individual contracts.

	2024	2023
Members of management board	528	604
Other employees on individual contracts	2,120	1,004
Members of supervisory board	174	166
Total	**2,822**	**1,774**

2.6.3 Significant events after the end of the financial year

In early 2025 the Bank continued the processes related to the spin-off, based on which it will transfer part of its assets in the form of its equity financing business and the associated liabilities to the acquirer SID Svetovanje d.o.o., under the assumption that all the necessary authorisations have been obtained.

As part of the transfer of assets and the associated liabilities that will be transferred in the spin-off process in the form of a non-cash acquisition, cash intended for the settlement of the portion of commitments for contribution to funds and for new equity investments that has not yet been paid up will also be transferred to SID Svetovanje d.o.o. The spin-off will be executed with an accounting date of 31 December 2024, and will be recorded in the books of account of both undertakings as at the date of the entry of the spin-off in the companies register.

As at the accounting date of the spin-off, the assets that will be the subject of the spin-off were valued at EUR 70,586 thousand, while the associated liabilities were valued at EUR 636 thousand. The unpaid commitments administered by the Bank in off-balance-sheet records amounted to EUR 21,162 thousand as at the date of the spin-off.

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 defining:

- specific types of risk;
- risk-bearing capacity;
- risk appetite;
- a risk management action plan, i.e. risk identification, measurement and assessment, management and monitoring procedures;
- appropriate internal control mechanisms; and
- internal relations with regard to responsibilities.

The key strategic focuses in the area of risk management, which take into account the Bank's business model and business strategy, are defined in the risk management strategy, key components of which are the risk-bearing capacity and the 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.

The risk-bearing 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-bearing 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. The risk management policies and bylaws define the limits, including the procedures for addressing breaches and for informing the management board, and for managing credit risk, market risks in the banking book including currency risk, and liquidity risk.

SID Bank carries out a comprehensive process for the assessment of risk-bearing capacity and risk appetite tailored to the risks taken up, at least once a year, and reports to the management body, thereby ensuring that the risks taken up remain within the limits of SID Bank's risk-bearing capacity. The assessed risk-bearing 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-bearing 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, or by the definition of allocated capital. The risk appetite is defined in the applicable risk management strategy and through internally set limits. SID Bank assesses its risk appetite at least once a year against its risk-bearing capacity, and whenever the Bank hits internally set triggers for an assessment of capital reallocation.

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 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 its risk management, SID Bank also conducts 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 rulebook primarily covers general stress testing and sets 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 realisation of credit protection. SID Bank actively manages its credit risk, and is continually improving its risk management processes and approaches and upgrading its methodologies 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 commitments given, deposits placed, factoring, transactions involving investments in debt securities that SID Bank manages for the purpose of ensuring liquidity, stabilising net interest income, pursuing its asset-liability management, and implementing existing mandate frameworks to support domestic bank and corporate issuers, 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 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 current accounts, arrears in the payment of taxes and liabilities to employees, and official entries. Soft factors are taken into account within the framework of the qualitative elements, and relate to non-financial information about the customer, and ESG factors, which take account of the environment, social and governance aspects of the customer's business.

Before an investment operation is approved, all customers are assigned to the appropriate rating grade. Their transactions 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 customers 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 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 provides 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 are signs 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. 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 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 Impairments of financial assets and provisions.

Credit risk monitoring

SID Bank conducts regular monitoring of its investment operations. Regular monitoring of investment operations 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.

SID Bank regularly conducts enhanced monitoring on the basis of a watch list approved by the monitoring committee, and briefs the credit committee accordingly. 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) that facilitates the early detection of increased credit risk for any exposure and of potential defaulters.

Trigger levels are defined for individual early warning indicators, based on which the customer is placed on the watch list.

When one or more early warning indicators are triggered, customers are classified into various credit risk levels, which provides for a better overview of the portfolio of exposure with a significant increase in credit risk, faster treatment of customers on the watch list, and prompt action.

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 are informed accordingly. The adequacy of the early warning indicators is reviewed by the Bank at least once a year.

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.

The EWS is continually being improved and upgraded by the Bank from the perspective of the inclusion of new quantitative and qualitative indicators for identifying debtors' potential difficulties in debt repayment, and the optimisation of the processes for taking action after a significant increase in credit risk has been identified, and information support.

Management of non-performing exposures

Non-performing exposures that have been classified as distressed investments by the Bank 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 exposures are exposures to 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).

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 enterprises 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 predefined 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 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 level of the individual debtor, and creating allowances and provisions for credit losses; and
- by ensuring sufficient capital to cover unexpected credit 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 Bank also takes account of ESG risk factors in its internal ratings.

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.

Credit risk on debt securities derives from the portfolio managed by SID Bank for the purpose of ensuring liquidity, stabilising net interest income, pursuing its asset-liability management, and exercising its existing mandate frameworks to support domestic bank and corporate issuers. SID Bank manages this credit risk primarily by means of limits on exposure with regard to the credit rating, registered office and type of the issuer, and the type of instrument. The system of limits in the area of debt securities 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. Within the framework of its management of the risks inherent in debt securities the Bank regularly monitors the differences between the current market price and the amortised cost of each debt security in connection with the defined indicators of a change in market price. It also monitors and evaluates changes in the market value of debt securities caused by changes in credit spreads and market interest rates. It regularly monitors developments in financial markets, and actively manages the portfolio of debt securities held in the banking book. The Bank also regularly monitors and evaluates the debt securities portfolio from the perspective of ESG risk factors. 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.

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, 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.

3.1 Risk management

Maximum exposure to credit risk

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.

31 Dec 2024	Maximum credit risk	Collateral in the form of property	Other credit enhancements	Overall credit risk mitigation
Gross on-balance-sheet exposures	**2,648,560**	**1,577,028**	**171,254**	**1,748,282**
Cash, cash balances at central banks and demand deposits at banks	493,158	0	0	0
Non-trading financial assets mandatorily at fair value through profit or loss	2,609	8,168	212	8,380
Loans and advances to non-bank customers	2,609	8,168	212	8,380
Financial assets measured at fair value through other comprehensive income	393,314	0	16,109	16,109
Debt securities	393,314	0	16,109	16,109
Financial assets measured at amortised cost	1,744,446	1,568,860	154,933	1,723,793
Debt securities	223,478	0	0	0
Loans and advances to banks	189,853	0	8,325	8,325
Loans and advances to non-bank customers	1,325,818	1,568,860	146,608	1,715,468
Other financial assets	5,297	0	0	0
Derivatives – hedge accounting	15,033	0	0	0
Gross off-balance-sheet exposures	**230,221**	**52,456**	**23,682**	**76,138**
Guarantees	89,298	41,992	23,682	65,674
Assets: undrawn loans	99,761	10,464	0	10,464
Uncalled unpaid capital	41,162	0	0	0
Total gross credit risk exposure	**2,878,781**	**1,629,484**	**194,936**	**1,824,420**

3.1 Risk management

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	**2,599,888**	**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	406,509	0	18,146	18,146
Debt securities	406,509	0	18,146	18,146
Financial assets measured at amortised cost	1,857,758	1,532,787	169,415	1,702,202
Debt securities	168.526	0	0	0
Loans and advances to banks	259,187	0	19,163	19,163
Loans and advances to non-bank customers	1,426,195	1,532,787	150,252	1,683,039
Other financial assets	3,850	0	0	0
Derivatives – hedge accounting	9,860	0	0	0
Gross off-balance-sheet exposures	**213,350**	**51,908**	**26,160**	**78,068**
Guarantees	104,101	51,908	26,160	78,068
Assets: undrawn loans	77,916	0	0	0
Uncalled unpaid capital	31,333	0	0	0
Total gross credit risk exposure	**2,813,238**	**1,592,863**	**213,721**	**1,806,584**

3.1 Risk management

Types of credit protection

31 Dec 2024	Irrevocable Slovenian government guarantees	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	Other funded credit protection	Other forms of credit protection	Total
Financial assets	**28,087**	**143,167**	**992,813**	**22,018**	**86,666**	**0**	**442,316**	**33,215**	**1,748,282**
Non-trading financial assets mandatorily at fair value through profit or loss	0	212	8,168	0	0	0	0	0	8,380
Loans and advances to non-bank customers	0	212	8,168	0	0	0	0	0	8,380
Financial assets measured at fair value through other comprehensive income	0	16,109	0	0	0	0	0	0	16,109
Debt securities	0	16,109	0	0	0	0	0	0	16,109
Financial assets measured at amortised cost	28,087	126,846	984,645	22,018	86,666	0	442,316	33,215	1,723,793
Loans and advances to banks	8,325	0	0	0	0	0	0	0	8,325
Loans and advances to non-bank customers	19,762	126,846	984,645	22,018	86,666	0	442,316	33,215	1,715,468
Off-balance-sheet liabilities	**0**	**23,682**	**10,464**	**0**	**0**	**41,992**	**0**	**0**	**76,138**
Guarantees	0	23,682	0	0	0	41,992	0	0	65,674
Assets: undrawn loans	0	0	10,464	0	0	0	0	0	10,464
Total	**28,087**	**166,849**	**1,003,277**	**22,018**	**86,666**	**41,992**	**442,316**	**33,215**	**1,824,420**

The total value of SID Bank's credit protection amounted to EUR 1,824,420 thousand as at 31 December 2024, an increase of EUR 17,836 thousand relative to 31 December 2023. The credit protection 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 estimation of expected credit losses.

The largest single type of credit protection 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, other forms of credit protection, irrevocable Slovenian government guarantees, and residential real estate.

The credit protection 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

3.1 Risk management

Types of credit protection

31 Dec 2023	Irrevocable Slovenian government guarantees	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	Other funded credit protection	Other forms of credit protection	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**

the Pan-European Guarantee Fund, followed by sovereign limited conditional subsidiary guarantees, bank guarantees, guarantees from legal persons with a rating higher than BBB- based on the internal credit quality assessment methodology where the guarantor demonstrates adequate creditworthiness, 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, 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 credit protection is the assignment of secured claims.

3 Risk management

Securing of loans and receivables

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.

	Fully secured and over-secured loans		Unsecured and under-secured loans	
31 Dec 2024	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	0	0	189,853	8,325
Loans and advances to non-bank customers	567,988	1,563,013	757,830	152,454
Other financial assets	0	0	5,297	0
Total	**567,988**	**1,563,013**	**952,980**	**160,779**

	Fully secured and over-secured loans		Unsecured and under-secured loans	
31 Dec 2023	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**

3.1 Risk management

Analysis of credit quality: financial assets measured at amortised cost and off-balance-sheet liabilities

SID Bank disclosed gross exposure from financial assets measured at amortised cost and off-balance-sheet liabilities in the amount of EUR 2,025,860 thousand as at 31 December 2024.

As at 31 December 2024, 94% of financial assets measured at amortised cost and off-balance-sheet liabilities were assigned ratings of A or B, comparable to the previous year. There was an improvement in the ratings breakdown in 2024 (an increase in the share assigned a rating of A compared with the share assigned a rating of B).

As at 31 December 2024 3.4% of financial assets measured at amortised cost and off-balance-sheet liabilities were assigned ratings of D or E (31 December 2023: 4.1%). Gross exposure from financial assets measured at amortised cost assigned a rating of D was down EUR 30,583 thousand on 31 December 2023, primarily as a result of the reclassification of a material exposure to a foreign customer as performing, partial repayments by a customer from Ukraine and by Belarusian banks, and reclassification to a rating of E.

Gross exposure from financial assets measured at amortised cost assigned a rating of E was up EUR 12,524 thousand on 31 December 2023, primarily as a result of reclassification from a rating of D. The prevailing reasons for the reclassifications from a rating of D were exceeding the number of days past due for material credit obligations, and the initiation of bankruptcy proceedings.

SID Bank held total allowances and provisions for credit losses in the amount of EUR 51,193 thousand as at 31 December 2024 (31 December 2023: EUR 50,310 thousand).

	31 Dec 2024	31 Dec 2023
Gross carrying amount	**2,025,860**	**2,121,418**
A	1,360,171	1,121,844
B	547,868	843,462
C	49,555	69,787
D	42,400	72,983
E	25,866	13,342
Allowances and provisions for credit losses	**(51,193)**	**(50,310)**
A	(988)	1,357
B	(7,703)	(6,344)
C	(8,621)	(8,646)
D	(12,093)	(23,728)
E	(21,788)	(12,949)
Net carrying amount	**1,974,667**	**2,071,108**

3.1 Risk management

Analysis of credit quality: non-trading financial assets mandatorily at fair value through profit or loss - loans and advances to non-bank customers

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 a rating of C to a rating of A in 2024. The fair value of performing loans and advances is calculated in accordance with the internal methodology.

	31 Dec 2024	31 Dec 2023
Gross carrying amount	**2,854**	**2,935**
A	2,854	0
C	0	2,935
Accumulated fair value changes owing to credit risk	**(80)**	**(792)**
A	(80)	0
C	0	(792)
Accumulated fair value changes owing to other risks	**(165)**	**(167)**
A	(165)	0
C	0	(167)
Net carrying amount	**2,609**	**1,976**

3.1 Risk management

Analysis of credit quality: financial assets measured at fair value through other comprehensive income - debt securities

SID Bank disclosed gross exposure from financial assets (debt securities) measured at fair value through other comprehensive income in the amount of EUR 393,386 thousand as at 31 December 2024.

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 72 thousand.

	31 Dec 2024	31 Dec 2023
	Stage 1	Stage 1
Gross carrying amount	**393,386**	**406,659**
A	393,386	398,329
B	0	8,330
Allowances for credit losses	**(72)**	**(150)**
A	(72)	(81)
B	0	(69)
Net carrying amount	**393,314**	**406,509**

3.1 Risk management

Analysis of credit quality: financial assets measured at amortised cost - debt securities

SID Bank disclosed exposure from financial assets (debt securities) measured at amortised cost in the amount of EUR 225,690 thousand as at 31 December 2024.

	31 Dec 2024			31 Dec 2023
	Stage 1	Stage 2	Total	Stage 1
Gross carrying amount	**220,003**	**5,687**	**225,690**	**168,718**
A	175,186	0	175,186	133,386
B	44,817	0	44,817	35,332
C	0	5,687	5,687	0
Allowances for credit losses	**(288)**	**(1,924)**	**(2,212)**	**(192)**
A	(85)	0	(85)	(32)
B	(203)	0	(203)	(160)
C	0	(1,924)	(1,924)	0
Net carrying amount	**219,715**	**3,763**	**223,478**	**168,526**

3.1 Risk management

Analysis of credit quality: financial assets measured at amortised cost - loans and advances to banks

SID Bank disclosed exposure from financial assets measured at amortised cost (loans and advances to banks) in the amount of EUR 190,145 thousand as at 31 December 2024. 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 2024. The exposure to Belarusian banks was reduced by regular repayments.

31 Dec 2024	Stage 1	Stage 3	Total
Gross carrying amount	**181,412**	**8,733**	**190,145**
A	136,080	0	136,080
B	45,332	0	45,332
D	0	8,733	8,733
Allowances for credit losses	**(202)**	**(90)**	**(292)**
A	(72)	0	(72)
B	(130)	0	(130)
D	0	(90)	(90)
Net carrying amount	**181,210**	**8,643**	**189,853**

31 Dec 2023	Stage 1	Stage 3	Total
Gross carrying amount	**240,594**	**19,915**	**260,509**
A	175,579	0	175,579
B	65,015	0	65,015
D	0	19,915	19,915
Allowances for credit losses	**(313)**	**(1,009)**	**(1,322)**
A	(91)	0	(91)
B	(222)	0	(222)
D	0	(1,009)	(1,009)
Net carrying amount	**240,281**	**18,906**	**259,187**

3.1 Risk management

Analysis of credit quality: financial assets measured at amortised cost - loans and advances to non-bank customers

SID Bank disclosed exposure from financial assets measured at amortised cost (loans and advances to non-bank customers) in the amount of EUR 1,374,363 thousand as at 31 December 2024.

The gross carrying amount of POCI items was EUR 5,599 thousand as at 31 December 2024. Allowances for credit losses from POCI items were positive and amounted to EUR 1,476 thousand.

31 Dec 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	**1,111,168**	**201,006**	**56,590**	**5,599**	**1,374,363**
A	865,699	2,104	0	63	867,866
B	245,469	155,565	0	2,065	403,099
C	0	43,337	0	531	43,868
D	0	0	30,726	2,940	33,666
E	0	0	25,864	0	25,864
Allowances for credit losses	**(2,092)**	**(13,795)**	**(34,134)**	**1,476**	**(48,545)**
A	(801)	(23)	0	22	(802)
B	(1,291)	(7,079)	0	1,112	(7,258)
C	0	(6,693)	0	(4)	(6,697)
D	0	0	(12,348)	346	(12,002)
E	0	0	(21,786)	0	(21,786)
Net carrying amount	**1,109,076**	**187,211**	**22,456**	**7,075**	**1,325,818**

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**

3.1 Risk management

Analysis of credit quality: financial assets measured at amortised cost - other financial assets

SID Bank disclosed exposure from financial assets measured at amortised cost (other financial assets) in the amount of EUR 5,304 thousand as at 31 December 2024.

	31 Dec 2024			31 Dec 2023
	Stage 1	Stage 3	Total	Stage 1
Gross carrying amount	**5,301**	**3**	**5,304**	**3,854**
A	5,151	0	5,151	3,699
B	150	0	150	155
D	0	1	1	0
E	0	2	2	0
Allowances for credit losses	**(4)**	**(3)**	**(7)**	**(4)**
A	0	0	0	0
B	(4)	0	(4)	(4)
D	0	(1)	(1)	0
E	0	(2)	(2)	0
Net carrying amount	**5,297**	**0**	**5,297**	**3,850**

3.1 Risk management

Analysis of credit quality: financial assets measured at amortised cost - total

31 Dec 2024	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount	**1,517,884**	**206,693**	**65,326**	**5,599**	**1,795,502**
A	1,182,116	2,104	0	63	1,184,283
B	335,768	155,565	0	2,065	493,398
C	0	49,024	0	531	49,555
D	0	0	39,460	2,940	42,400
E	0	0	25,866	0	25,866
Allowances for credit losses	**(2,586)**	**(15,719)**	**(34,227)**	**1,476**	**(51,056)**
A	(958)	(23)	0	22	(959)
B	(1,628)	(7,079)	0	1,112	(7,595)
C	0	(8,617)	0	(4)	(8,621)
D	0	0	(12,439)	346	(12,093)
E	0	0	(21,788)	0	(21,788)
Net carrying amount	**1,515,298**	**190,974**	**31,099**	**7,075**	**1,744,446**

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**

3.1 Risk management

Analysis of credit quality: off-balance-sheet items

SID Bank disclosed gross exposure from off-balance-sheet liabilities in the amount of EUR 230,358 thousand as at 31 December 2024.

	31 Dec 2024	31 Dec 2023		
	Stage 1	Stage 1	Stage 2	Total
Gross carrying amount	**230,358**	**213,173**	**620**	**213,793**
A	175,888	95,889	0	95,889
B	54,470	117,284	0	117,284
C	0	0	620	620
Provisions	**(137)**	**(332)**	**(111)**	**(443)**
A	(30)	(65)	0	(65)
B	(107)	(267)	0	(267)
C	0	0	(111)	(111)
Net carrying amount	**230,221**	**212,841**	**509**	**213,350**

3.1 Risk management

Forborne loans

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 69,429 thousand as at 31 December 2024. Performing forborne loans increased by EUR 996 thousand in 2024, while non-performing forborne loans decreased by EUR 2,704 thousand.

	31 Dec 2024	31 Dec 2023
Gross carrying amount	**69,429**	**71,137**
Performing forborne exposures	32,414	31,418
Non-performing forborne exposures	37,015	39,719

3.1 Risk management

Maturity of financial assets

31 Dec 2024	Gross carrying amount					Allowances for credit losses				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to banks										
Non-past-due	181,412	0	8,552	0	189,964	(202)	0	(88)	0	(290)
Up to 29 days past due	0	0	181	0	181	0	0	(2)	0	(2)
Total loans and advances to banks	**181,412**	**0**	**8,733**	**0**	**190,145**	**(202)**	**0**	**(90)**	**0**	**(292)**
Loans and advances to non-bank customers										
Non-past-due	1,110,630	200,760	17,389	5,394	1,334,173	(2,087)	(13,786)	(2,883)	1,681	(17,075)
Up to 29 days past due	538	246	0	0	784	(5)	(9)	0	0	(14)
30 to 89 days past due	0	0	7,091	0	7,091	0	0	(5,091)	0	(5,091)
90 to 180 days past due	0	0	3,427	205	3,632	0	0	(2,303)	(205)	(2,508)
More than 180 days past due	0	0	28,683	0	28,683	0	0	(23,857)	0	(23,857)
Total loans and advances to non-bank customers	**1,111,168**	**201,006**	**56,590**	**5,599**	**1,374,363**	**(2,092)**	**(13,795)**	**(34,134)**	**1,476**	**(48,545)**
Other financial assets										
Non-past-due	5,301	0	0	0	5,301	(4)	0	(1)	0	(5)
More than 180 days past due	0	0	3	0	3	0	0	(2)	0	(2)
Total other financial assets	**5,301**	**0**	**3**	**0**	**5,304**	**(4)**	**0**	**(3)**	**0**	**(7)**

3 Risk management

Maturity of financial assets

31 Dec 2023	Gross carrying amount					Allowances for credit losses				
	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)**

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.

3.1 Risk management

Debt securities

Credit risk on debt securities derives from the portfolio managed by SID Bank primarily for the purpose of ensuring liquidity, stabilising net interest income, pursuing its asset-liability management, and exercising its existing mandate frameworks to support domestic bank and corporate issuers.

Debt securities accounted for 22.6% of SID Bank's balance sheet total on the asset side as at the end of 2024 (2023: 21.4%). The Bank had 63.8% of its debt securities portfolio classified as debt securities measured at fair value through other comprehensive income and 36.2% classified as debt securities measured at amortised cost as at the end of 2024 (2023: 70.7% and 29.3% respectively).

The proportion of the entire debt securities portfolio accounted for by green, social and sustainability bonds was 14.6% at the end of 2024 (2023: 16.9%). 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 Bank does not hold investments of this kind in the debt securities portfolio.

SID Bank has no exposure to Russian or Ukrainian bonds.

In 2024 the Bank made new purchases within its mandate frameworks, namely MREL-eligible debt securities of domestic banks and debt securities of domestic corporates that meet green, social, sustainability and other conditions, which resulted in a further increase in the share of the portfolio accounted for by debt securities measured at amortised cost.

Debt securities measured at fair value through other comprehensive income by issuer rating

	31 Dec 2024	31 Dec 2023
AAA	21,795	21,490
From AA- to AA+	53,610	28,725
From A- to A+	232,137	253,446
From BBB+ to BBB-	85,772	94,587
Lower than BBB–	0	8,261
Skupaj	**393,314**	**406,509**

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.

The portfolio of debt securities measured at fair value through other comprehensive income at the end of 2024 was down EUR 13,195 thousand 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 76.9% of the total as at 31 December 2024 (31 December 2023: 64.8%). Slovenian government debt securities accounted for 32.9% (31 December 2023: 29.1%) of the portfolio of debt securities measured at fair value through other comprehensive income. The remainder of the portfolio of debt securities measured at fair value through other comprehensive income consists of debt securities issued by banks, non-financial corporations and financial institutions.

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. The Bank held no exposures in debt securities measured at fair value through other comprehensive income rated lower than BBB- at the end of 2024 (end of 2023: 2.0% of the portfolio).

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.

3 Risk management

Debt securities

Debt securities measured at amortised cost by issuer rating

The table shows the amortised cost of debt securities classified according to the issuer's rating in accordance with SID Bank's methodology.

The portfolio of debt securities measured at amortised cost expanded by EUR 54,952 thousand in 2024, on account of new purchases made within the mandate frameworks to support domestic bank and corporate issuers.

In 2024 SID Bank made new purchases of MREL-eligible debt securities of domestic banks and debt securities of domestic corporates that meet green, social, sustainability and other conditions, which upon 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 banks and sovereign issuers from the EU with an investment-grade rating (BBB- or higher). The remainder of the portfolio consists of two holdings in a domestic bank issuer and a non-financial 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.

	31 Dec 2024	31 Dec 2023
From AA- to AA+	52,850	52,748
From A- to A+	15,451	10,334
From BBB+ to BBB-	106,800	70,271
Lower than BBB–	48,377	35,173
Total	**223,478**	**168,526**

3.1 Risk management

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 registered office.

Exposure to Slovenia from financial assets amounted to EUR 2,270,643 thousand at the end of 2024 (end of 2023: EUR 2,183,384 thousand). The main factor in the increase in exposure from financial assets compared with the end of 2023 was an increase in balances at the central bank and in demand deposits at banks, while the stock of financial assets measured at amortised cost declined in 2024.

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 348,756 thousand at the end of 2024 (end of 2023: EUR 372,958 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 exposures by individual country is given in a separate table.

SID Bank's exposure to Belarus amounts to EUR 8,643 thousand, and its exposure to Ukraine to EUR 7,460 thousand. SID Bank has no direct exposure to Russia.

31 Dec 2024	Slovenia	Other EU Member States	Other Europe	Other countries	Total
Financial assets	**2,270,643**	**348,756**	**18,224**	**10,937**	**2,648,560**
Cash, cash balances at central banks and demand deposits at banks	493,158	0	0	0	493,158
Financial assets mandatorily at fair value through profit or loss	2,609	0	0	0	2,609
Loans and advances to non-bank customers	2,609	0	0	0	2,609
Financial assets measured at fair value through other comprehensive income	130,491	262,823	0	0	393,314
Debt securities	130,491	262,823	0	0	393,314
Financial assets measured at amortised cost	1,644,385	70,900	18,224	10,937	1,744,446
Debt securities	170,628	52,850	0	0	223,478
Loans and advances to banks	166,290	14,920	8,643	0	189,853
Loans and advances to non-bank customers	1,305,300	0	9,581	10,937	1,325,818
Other financial assets	2,167	3,130	0	0	5,297
Derivatives – hedge accounting	0	15,033	0	0	15,033
Off-balance-sheet liabilities	**193,769**	**36,452**	**0**	**0**	**230,221**
Guarantees	89,298	0	0	0	89,298
Gross exposure	89,338	0	0	0	89,338
Provisions	(40)	0	0	0	(40)
Other off-balance-sheet liabilities	104,471	36,452	0	0	140,923
Gross exposure	104,568	36,452	0	0	141,020
Provisions	(97)	0	0	0	(97)
Total	**2,464,412**	**385,208**	**18,224**	**10,937**	**2,878,781**

3.1 Risk management

Breakdown of exposure to credit risk by geographical area

31 Dec 2023	Slovenia	Other EU Member states	Other Europe	Other countries	Total
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
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**

3.1 Risk management

Breakdown of exposure to credit risk by geographical area

	31 Dec 2024			31 Dec 2023		
	Financial assets	Off-balance-sheet liabilities	Total exposure	Financial assets	Off-balance-sheet liabilities	Total exposure
Slovenia	2,270,643	193,769	2,464,412	2,183,384	188,019	2,371,403
France	62,687	0	62,687	69,601	0	69,601
Belgium	47,306	0	47,306	33,008	0	33,008
Spain	40,710	0	40,710	39,614	0	39,614
Hungary	27,885	0	27,885	27,264	0	27,264
Italy	27,764	0	27,764	37,953	0	37,953
Austria	23,111	0	23,111	13,071	0	13,071
Luxembourg	19,103	36,444	55,547	18,873	25,283	44,156
Germany	32,747	0	32,747	50,866	0	50,866
Lithuania	16,331	0	16,331	15,510	0	15,510
Netherlands	11,245	8	11,253	13,974	48	14,022
Belarus	8,643	0	8,643	18,906	0	18,906
Ukraine	7,460	0	7,460	9,038	0	9,038
Other	52,925	0	52,925	68,826	0	68,826
Total	**2,648,560**	**230,221**	**2,878,781**	**2,599,888**	**213,350**	**2,813,238**

3.1 Risk management

Breakdown of credit risk exposure by economic sector

31 Dec 2024	Financial and insurance activities	Manufacturing	Public administration and defence	Wholesale and retail trade and repair of motor vehicles and motorcycles	Transportation and storage	Professional, scientific and technical activities	Electricity, gas, steam and air conditioning supply	Other	Total
Financial assets	**904,736**	**455,647**	**550,111**	**123,763**	**156,492**	**24,676**	**141,906**	**291,229**	**2,648,560**
Cash, cash balances at central banks and demand deposits at banks	493,158	0	0	0	0	0	0	0	493,158
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	0	0	0	0	0	2,609	2,609
Loans and advances to non-bank customers	0	0	0	0	0	0	0	2,609	2,609
Financial assets measured at fair value through other comprehensive income	47,894	19,195	302,294	0	0	0	6,958	16,973	393,314
Debt securities	47,894	19,195	302,294	0	0	0	6,958	16,973	393,314
Financial assets measured at amortised cost	348,651	436,452	247,817	123,763	156,492	24,676	134,948	271,647	1,744,446
Debt securities	146,425	4,989	63,127	0	0	3,763	5,174	0	223,478
Loans and advances to banks	189,853	0	0	0	0	0	0	0	189,853
Loans and advances to non-bank customers	9,211	431,318	182,719	123,763	156,473	20,913	129,774	271,647	1,325,818
Other financial assets	3,162	145	1,971	0	19	0	0	0	5,297
Derivatives – hedge accounting	15,033	0	0	0	0	0	0	0	15,033
Off-balance-sheet liabilities	**83,119**	**27,256**	**1,100**	**0**	**49,931**	**0**	**12,996**	**55,819**	**230,221**
Guarantees	41,957	0	0	0	47,341	0	0	0	89,298
Gross exposure	41,992	0	0	0	47,346	0	0	0	89,338
Provisions	(35)	0	0	0	(5)	0	0	0	(40)
Other off-balance-sheet liabilities	41,162	27,256	1,100	0	2,590	0	12,996	55,819	140,923
Gross exposure	41,162	27,290	1,100	0	2,595	0	13,000	55,873	141,020
Provisions	0	(34)	0	0	(5)	0	(4)	(54)	(97)
Total	**987,855**	**482,903**	**551,211**	**123,763**	**206,423**	**24,676**	**154,902**	**347,048**	**2,878,781**

The tables illustrate the breakdown of net exposure to credit risk by economic sector. SID Bank's largest exposure remained to the sector of financial and insurance activities at the end of 2024.

3.1 Risk management

Breakdown of credit risk exposure by economic sector

31 Dec 2023	Financial and insurance activities	Manufacturing	Public administration and defence	Wholesale and retail trade and repair of motor vehicles and motorcycles	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**

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 2024 was down on 2023.

Losses were recognised in the income statement in the total amount of EUR 122 thousand in response to the modification to contractual cash flows in the case of 12 financial assets, while gains in the total amount of EUR 15 thousand were recognised in the case of six financial assets.

Financial assets modified in period

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.

	2024	2023
Gross carrying amount before modification	15,736	61,361
Credit loss allowances before modification	(8,003)	(16,054)
Net amortised cost before modification	**7,733**	**45,307**
Net gains/(losses) from modification	(107)	(790)
Net amortised cost after modification	**7,626**	**44,517**

Financial assets modified after initial recognition in a period when the credit loss allowance is based on lifetime ECLs

	2024	2023
Gross carrying amount of financial assets for which allowances for credit losses were changed in the period from lifetime to 12-month ECLs	209	2.606

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.

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.

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.

A credit valuation adjustment (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. When calculating the CVA for the purpose of recognition in the income statement, the Bank also takes account of any collateral, and does not calculate a CVA if collateral has been established or clearing is being executed in accordance with the EMIR. The valuation adjustment needs to take account of counterparty credit risk (CVA), and also own credit risk (DVA). Given that the Republic of Slovenia bears irrevocable and unlimited liability for SID Bank's liabilities on the basis of the ZSIRB, the Bank does not calculate a DVA.

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.

SID Bank agreed on cash deposits as collateral with counterparties with whom it concluded derivatives transactions in 2024, and therefore did not calculate a CVA for the purpose of recognition in the income statement as at 31 December 2024.

The Bank used the standardised method in accordance with Article 384 of the CRR to calculate the capital requirements for CVA risk in 2024. In 2025 the Bank will use a simplified approach in accordance with Article 385 of the new CRR. The Bank does not use collateral to reduce 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 funds 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 by means of 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.

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-bearing 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 determines an adequate liquidity position and liquidity buffer level, and a stable funding structure via its adopted liquidity risk appetite. This is reflected by setting minimum values for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). Each year the management body determines the scope of liquidity risk take-up in accordance with the business strategy, the estimated risk-bearing 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 transgressed, 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 for 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. The Bank draws up an ILAAP report once a year, which is discussed and approved by the management body. This report also serves as a basis for the supervisory review and evaluation of liquidity risk at the Bank.

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 monitors its liquidity position by means of various indicators and by reviewing its attainment 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 setting of a liquidity risk appetite framework and limits for liquidity risk management;
- the regular planning and monitoring of future liquidity flows;
- 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 annual financial plan and information from the business units for future periods under the baseline scenario and in internally defined liquidity scenarios;
- monitoring of the appropriate structure of funding 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.

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 2024 the reserve requirement was zero.

SID Bank does not accept deposits from uninformed investors as a rule. It is therefore 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. This framework includes:

- 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 toolkit of possible measures for addressing 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, an institution-specific scenario, and a combined scenario, which represents a combination of the institution-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 liquidity difficulties, including macroeconomic indicators, and by reviewing 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. ESG risk factors are also incorporated into the liquidity stress testing framework, which provides for even more precise and comprehensive management of the ILAAP.

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 4,181% at the end of 2024 (end of 2023: 1,069%). The Bank maintains the LCR at high levels, but it is also volatile, primarily because the Bank usually does not usually have a high volume of maturities over a period of 30 days, except when long-term funding is maturing.

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 2024 for covering its expected and unexpected liquidity outflows, and for business continuity purposes. The structure of the liquidity buffer at the end of 2024 compared with the end of 2023 shows that the Bank significantly increased its exposure to the central bank, and reduced 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 98.5% at the end of 2024 (31 December 2023: 95.7%).

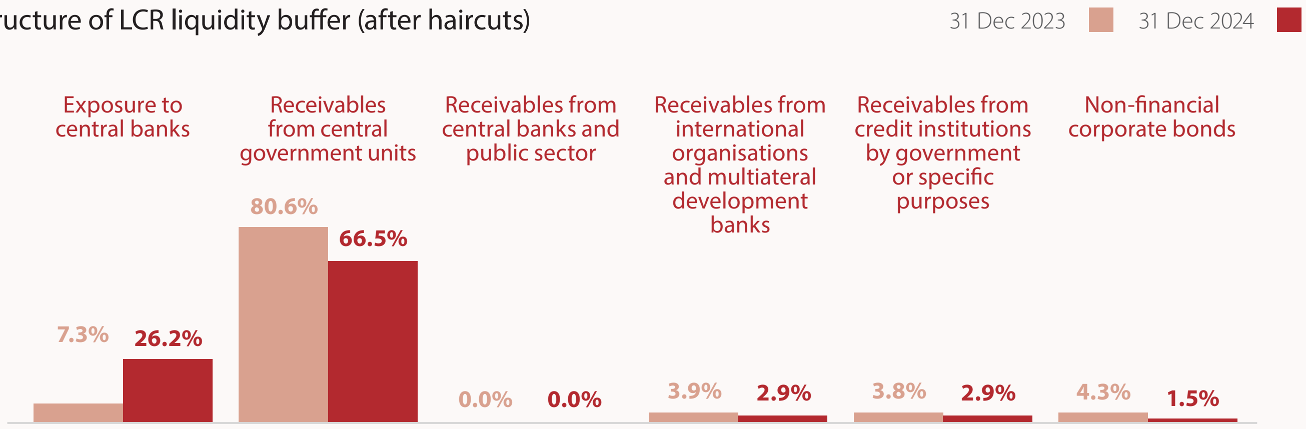
The liquid assets eligible for inclusion in the LCR calculation amounted to EUR 546,966 thousand as at 31 December 2024, after haircuts had been taken into account (31 December 2023: EUR 402,334 thousand), with the liquid assets of central government units accounting for 66.5% (31 December 2023: 80.6%), and exposure to central banks increasing to 26.2% (31 December 2023: 7.3%) of all eligible liquid assets after haircuts.

In addition to the regular calculation of the LCR, the Bank regularly conducts and reviews 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 carried out 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

Structure of LCR liquidity buffer (after haircuts)



maintain an NSFR of at least 100% under the CRR.

Its NSFR stood at 160.8% at the end of 2024 (end of 2023: 151.8%). The level of the ratio, its evolution over time, and compliance with the internal limits put in place 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.

The changes in the structure of the liquidity gaps by maturity bucket at the end of 2024 relative to the end of 2023 relate to the regular maturing of financial assets and liabilities, i.e. shortening residual maturity, and the issuance of new long-term bonds in the amount of EUR 125 million. Some 21.3% of future cash flows from financial liabilities have a residual maturity of up to 12 months, the largest of which comprise the maturing of a bond worth EUR 350 million and regular repayment instalments of long-term dedicated funding.

3.2 Liquidity risk

Exposure to liquidity risk

31 Dec 2024	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets	**518,609**	**58,066**	**257,733**	**1,483,758**	**633,223**	**2,951,389**
Cash, cash balances at central banks and demand deposits at banks	493,199	0	0	0	0	493,199
Non-trading financial assets mandatorily at fair value through profit or loss	4	9	28	2,932	0	2,973
Loans and advances to non-bank customers	4	9	28	2,932	0	2,973
Financial assets measured at fair value through other comprehensive income	39	9,979	39,737	320,142	48,704	418,601
Debt securities	39	9,979	39,737	320,142	48,704	418,601
Financial assets measured at amortised cost	25,367	45,713	219,338	1,151,166	584,519	2,026,103
Debt securities	2,845	10,910	47,649	119,808	23,821	205,033
Loans and advances to banks	19,847	34,441	160,804	820,503	510,269	1,545,864
Loans and advances to non-bank customers	508	362	10,885	210,855	47,299	269,909
Other financial assets	2,167	0	0	0	3,130	5,297
Derivatives – hedge accounting	0	2,365	(1,370)	9,518	0	10,513
Financial liabilities	**9,186**	**24,972**	**497,468**	**1,219,024**	**726,603**	**2,477,253**
Financial liabilities measured at amortised cost	5,892	24,972	494,655	1,219,024	726,603	2,471,146
Deposits from banks and central banks	41	74	348	17,186	0	17,649
Loans from banks and central banks	0	13,597	37,038	134,671	95,688	280,994
Loans from non-bank customers	1,364	5,572	102,232	826,993	351,586	1,287,747
Debt securities	0	5,642	354,966	239,933	279,200	879,741
Other financial liabilities	4,487	87	71	241	129	5,015
Derivatives – hedge accounting	3,294	0	2,813	0	0	6,107
Liquidity gap	**509,423**	**33,094**	**(239,735)**	**264,734**	**(93,380)**	**474,136**

Off-balance-sheet liabilities	**31,508**	**2,595**	**84,481**	**13,590**	**13,313**	**145,487**
Other off-balance-sheet liabilities	27,041	2,595	84,481	13,590	13,313	141,020
Guarantees	4,467	0	0	0	0	4,467

3.2 Liquidity risk

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

3.2 Liquidity risk

Non-derivative on-balance-sheet liabilities and guarantees by contractual maturity

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.

31 Dec 2024	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	**32,933**	**27,567**	**626,481**	**1,232,614**	**781,908**	**2,701,503**
Financial liabilities measured at amortised cost	5,892	24,972	494,654	1,219,024	726,603	2,471,145
Deposits from banks and central banks	41	75	347	17,186	0	17,649
Loans from banks and central banks	0	13,597	37,038	134,671	95,688	280,994
Loans from non-bank customers	1,364	5,572	102,232	826,993	351,586	1,287,747
Debt securities	0	5,642	354,966	239,933	279,200	879,741
Other financial liabilities	4,487	86	71	241	129	5,014
Off-balance-sheet liabilities	27,041	2,595	131,827	13,590,	55,305	230,358
Other off-balance-sheet liabilities	27,041	2,595	84,481	13,590	13,313	141,020
Guarantees	0	0	47,346	0	41,992	89,338

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

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. 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 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 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 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 determination of the interest rate risk appetite, the establishment of a limit system, and the determination of internal capital requirements.

The Bank has put in place an internal limit system for restricting interest rate risk. The limits set are more stringent than the legal and regulatory limits, with regard to the maximum allowed loss in EVE and the maximum allowed decline in NII. The regulatory limits stipulate 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, while the potential decline in NII under the scenario of a parallel shift in the curve of +/- 200 basis points may not exceed 5% of Common Equity Tier 1 capital.

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.

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% as at 31 December 2024. 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, the EBA guidelines on the management of interest rate risk and credit spread risk arising from the banking book, and the regulatory technical standards in this area.

Interest rate risk in the banking book (IRRBB) 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, and from the possibility of early redemption of MREL-eligible debt securities of domestic banks. The Bank conducts an annual inventory of instruments with embedded options, and annual analysis of early repayment of loans, but having identified immateriality it does not make adjustments to cash flows from loans and advances granted and received with the contractual option of early repayment. 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.

The Bank also includes non-performing exposures in its interest rate risk management in accordance with expected value and the repayment of future cash flows, applying the methodology for the assessment of expected credit losses.

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.

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 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 a chosen scenario of market interest rates. 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.

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 at least half-yearly discussion of internal interest rate risk simulations, and takes measures to manage interest rate risk on the basis of analysis for achieving the optimal balance sheet structure from the perspective of interest rate risk. In the event of increased exposure to interest rate risk, the relevant 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. The management body discusses exposure to interest rate risk quarterly within the framework of the risk report. 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 2024, SID Bank held four interest rate swaps as fair value hedges of issued bonds, with a total contractual value of EUR 440,000 thousand. All hedging relationships were effective according to hedge accounting rules at the end of 2024.

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. The Bank thus regularly determines and reviews whether the potential loss in EVE or decline in NII is within internally defined limits, and within the limits prescribed by regulations.

The Bank uses six supervisory interest rate scenarios (taking into account the prescribed interest rate floor, which depends on maturity). The calculation of EVE and NII is made on the basis of the individual position, having regard for the precise revaluation dates.

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. Measurement is made under the assumption of a runoff balance sheet, while shareholder equity and non-interest-sensitive items are not included in the calculation. The Bank also excludes commercial margins and other margin components (premium) from measurement. The change in EVE under a specific interest rate scenario is measured relative to the baseline interest rate scenario.

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, where the total size of the balance sheet is maintained by replacing maturing items with new items that have comparable attributes with regard to amount, type of interest rate, repricing period and composition of margin/premium. The premiums on new or revolving operations are determined by taking account of the regulatory technical standards, which set out a standardised methodology and a simplified standardised methodology for the assessment of risks deriving from potential changes in interest rates that impact the economic value of equity and net interest income in activities in the banking book of institutions, and by taking account of the specifics of SID Bank's operations. The change in NII under a specific interest rate scenario is measured relative to the baseline interest rate scenario.

Results of sensitivity analysis

According to sensitivity analysis for the economic value of equity based on data at the end of 2024, 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 26,715 thousand (31 December 2023: 20,078 thousand), which is equal to 5.4% of Common Equity Tier 1 capital. The increase in loss is primarily attributable to new purchases of fixed-rate debt securities. In June 2024 the Bank issued a seven-year fixed-rate bond in the amount of EUR 125 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 2024, 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 3,400 thousand (31 December 2023: EUR 2,466 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 1,704 thousand over one year (31 December 2023: EUR 1,227 thousand), after applying a factor of 0.5 in accordance with the applicable EBA guidelines.

Exposure to interest rate risk

The tables on pages 218 and 219 ilustrate 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.

3.3 Interest rate risk

Results of sensitivity analysis

	ΔEVE		ΔNII	
Prescribed (supervisory) interest rate scenarios	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
Upward parallel shift of 200 basis points	(26,715)	(20,078)	1,704	1,227
Downward parallel shift of 200 basis points	12,420	8,182	(3,400)	(2,466)
Steeper interest rate yield curve (fall in short-term and rise in long-term interest rates)	1,352	274	(1,445)	(130)
Flatter interest rate yield curve (rise in short-term and fall in long-term interest rates)	(8,070)	(5,458)	1,022	268
Rise in short-term interest rates	(15,009)	(10,345)	1,474	611
Fall in short-term interest rates	7,506	4,761	(2,949)	(1,227)
Largest negative impact	**(26,715)**	**(20,078)**	**(3,400)**	**(2,466)**
Common Equity Tier 1 capital	493,100	467,264	493,100	467,264
Ratio of loss to equity	**-5.4%**	**-4.3%**	**-0.7%**	**-0.5%**

3.3 Interest rate risk

Exposure to interest rate risk

31 Dec 2024	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	**663,023**	**354,426**	**814,041**	**542,963**	**253,777**	**2,628,230**	**67,355**	**2,695,585**
Cash, cash balances at central banks and demand deposits at banks	493,158	0	0	0	0	493,158	0	493,158
Non-trading financial assets mandatorily at fair value through profit or loss	1,376	0	0	1,233	0	2,609	46,080	48,689
Financial assets measured at fair value through other comprehensive income	2,990	5,101	37,749	300,187	47,287	393,314	15,978	409,292
Financial assets measured at amortised cost	165,499	349,325	776,292	241,543	206,490	1,739,149	5,297	1,744,446
Debt securities	0	0	0	184,864	38,614	223,478		223,478
Loans and advances to banks	21,556	43,714	105,344	950	18,289	189,853	0	189,853
Loans and advances to non-bank customers	143,943	305,611	670,948	55,729	149,587	1,325,818	0	1,325,818
Other financial assets	0	0	0	0	0	0	5,297	5,297
Financial liabilities	**207,962**	**362,234**	**1,012,624**	**211,682**	**407,427**	**2,201,929**	**4,991**	**2,206,920**
Financial liabilities measured at amortised cost	207,962	362,234	1,012,624	211,682	407,427	2,201,929	4,991	2,206,920
Loans from banks and central banks	33,968	123,367	82,200	11,762	11,499	262,796	0	262,796
Loans from non-bank customers	173,994	238,867	582,958	0	112,869	1,108,688	0	1,108,688
Debt securities	0	0	347,466	199,920	283,059	830,445	0	830,445
Other financial liabilities	0	0	0	0	0	0	4,991	4,991
Effect of hedging derivatives	**(175,000)**	**(140,000)**	**50,000**	**0**	**265,000**	**0**	**0**	**0**
Interest rate sensitivity gap	**280,061**	**(147,808)**	**(148,583)**	**331,281**	**111,350**	**426,301**	**62,364**	**488,665**

3.3 Interest rate risk

Exposure to interest rate 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-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**

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. Regular monitoring and supervision of the implementation of the policy are ensured on the asset-liability and risk management committee via the discussion of monthly reports. Exposure to credit spread risk is discussed by the management body on a quarterly basis within the framework of 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 CSRBB for:

- 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 the CSRBB risk appetite and 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 2024 amounted to EUR 6,090 thousand for the portfolio of debt securities measured at fair value through other comprehensive income (31 December 2023: EUR 9,365 thousand) and EUR 10,605 thousand for the portfolio of debt securities measured at amortised cost (31 December 2023: EUR 10,084 thousand). The decline in NII under the scenario of the fall in credit spreads is measured at EUR 173 thousand for the portfolio of debt securities measured at fair value through other comprehensive income and EUR 137 thousand for the portfolio of debt securities measured at amortised cost. The impacts are estimated in accordance with the internal methodology for measuring credit spread risk.

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 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 framework of 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 2024 (less than 0.1% of regulatory capital), which is evident from the analysis of currency sensitivity, and also from the table of exposure to currency risk.

3.4 Currency risk

Currency sensitivity analysis

Sensitivity analysis for currency risk as at 31 December 2024 shows that the Bank would suffer a loss of around EUR 8 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 2024	31 Dec 2023
All currencies other than the euro	5%	-2.2	-1.0
All currencies other than the euro	10%	-4.2	-2.0
All currencies other than the euro	20%	-7.7	-3.6
US dollar	5%	-3.4	-0.8
US dollar	10%	-6.6	-1.6
US dollar	20%	-12.1	-2.9

3.4 Currency risk

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 2024	Euro	US dollar	Other currencies	Total
Financial assets	**2,710,540**	**73**	**5**	**2,710,618**
Cash, cash balances at central banks and demand deposits at banks	493,080	73	5	493,158
Non-trading financial assets mandatorily at fair value through profit or loss	48,689	0	0	48,689
Financial assets measured at fair value through other comprehensive income	409,292	0	0	409,292
Financial assets measured at amortised cost	1,744,446	0	0	1,744,446
Debt securities	223,478	0	0	223,478
Loans and advances to banks	189,853	0	0	189,853
Loans and advances to non-bank customers	1,325,818	0	0	1,325,818
Other financial assets	5,297	0	0	5,297
Derivatives – hedge accounting	15,033	0	0	15,033
Financial liabilities	**2,212,957**	**1**	**31**	**2,212,989**
Financial liabilities measured at amortised cost	2,206,888	1	31	2,206,920
Loans from banks and central banks	262,796	0	0	262,796
Loans from non-bank customers	1,108,688	0	0	1,108,688
Debt securities	830,445	0	0	830,445
Other financial liabilities	4,959	1	31	4,991
Derivatives – hedge accounting	6,069	0	0	6,069
Net on-balance-sheet position	**497,583**	**72**	**(26)**	**497,629**
Off-balance-sheet liabilities (net amount)	**230,221**	**0**	**0**	**230,221**

3.4 Currency risk

Exposure to currency risk for on-balance-sheet and off-balance-sheet financial instruments

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**
Financial liabilities measured at amortised cost	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**

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, control of business processes, and the approaches to and performance of internal controls, which are reviewed by the internal and external audit functions during their processes, 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 deputisation 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. Under the model risk management framework, the Bank has put in place a past and future plan of model evaluations within the catalogue 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 sub-types of operational risk in the software 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 department, which reports regularly to the management board and the supervisory board. 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 losses 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 2024 were execution, delivery and process management (55% of all loss events), followed by business disruption and system failures (22%), damage to physical assets (13%), external fraud (8%), and clients, products and business practices (2%).

There were no significant loss events in 2024. The cumulative loss from operational loss events amounts to less than EUR 13 thousand in 2024.

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. This 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 2024.

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, vulnerability scanning, security systems and incident-management operating processes, security checks, staff training, etc.). The Bank strengthened and upgraded these measures in 2024. 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 remediation 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 2024, and also tested it in full.

Inside the risk and asset-liability management department, SID Bank has put in place an information security function in the area of operational risk and information security, which monitors and controls information security procedures to prevent unauthorised access to information in storage, being processed or being transferred, and to prevent changes to information. One of the duties of this function is to manage security incidents and potential security incidents. The information security function draws up quarterly reports for the management board on the state of information security at the Bank, and heads a security information team that handles specific security issues and policies.

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 the second half of 2024 SID Bank worked intensively to introduce Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (DORA), which begins to be applied on 17 January 2025.

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 half-yearly 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 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 2024, SID Bank was not required to formulate capital requirements for currency risk, as the limit was not exceeded.

The net profit for the financial year, which amounted to EUR 9,027 thousand in 2024, was not taken into account in the calculation of capital for capital adequacy purposes as at 31 December 2024.

Capital requirements

During its regular supervisory review and evaluation process (SREP), 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 2024, 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. The total capital ratio and the Common Equity Tier 1 capital ratio stood at 30.70% as at 31 December 2024.

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.

SID Bank's overall capital requirement (OCR) stood at 13.50% at the end of 2024. Within the overall capital requirement, the total SREP capital requirement amounted to 10.25%, broken down into 8.00% under Pillar 1 and 2.25% under Pillar 2. There was no change in the Pillar 2 requirement compared with the previous year. The total buffer requirement stood at 3.25%, comprising a capital conservation buffer of 2.50%, an O-SII buffer of 0.25%, and a countercyclical capital buffer of 0.50%. In addition to the above requirements, the Pillar 2 guidance (P2G) stood at 1.75% of Common Equity Tier 1 capital.

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 stood at 0.50% as at 31 December 2024. 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.

As of 1 January 2025 SID Bank has a higher overall capital requirement in the amount of 14.25%. The countercyclical capital buffer rate for exposures in Slovenia is rising by 0.5 percentage points, while the O-SII buffer rate is rising by 0.25 percentage points.

3.6 Capital management

Reconciliation of items of Common Equity Tier 1 capital with the statement of financial position, risk exposure and capital adequacy ratios

	31 Dec 2024	31 Dec 2023
Total equity	**506,251**	**484,679**
Total adjustments to Common Equity Tier 1 capital	**(13,151)**	**(17,415)**
Of which:		
Net profit for financial year and retained earnings	(9,027)	(15,638)
Intangible assets	(2,312)	(1,203)
Adjustments for assets and liabilities at fair value	(479)	(499)
Deduction for insufficient coverage of non-performing exposures	(34)	0
Deduction for specific credit risk adjustments	(1,299)	(75)
Common Equity Tier 1 capital (CET1)	**493,100**	**467,264**
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1)	493,100	467,264
Tier 2 capital (T2)	0	0
Capital for capital adequacy purposes	**493,100**	**467,264**
Risk-weighted exposure amounts for credit risk and counterparty credit risk	1,496,905	1,615,245
Central governments and central banks	22,242	30,794
Regional governments or local authorities	26,723	28,786
Public sector entities	3,553	4,625
Multilateral development banks	4,000	4,000
Institutions	79,459	86,627
Corporates	1,201,120	1,275,224
Exposures in default	45,358	68,662
Regulatory high-risk exposures	75	0
Collective investment undertakings (CIUs)	85,022	95,493
Equity instruments	23,840	15,532
Other items	5,513	5,502

3.6 Capital management

Reconciliation of items of Common Equity Tier 1 capital with the statement of financial position, risk exposure and capital adequacy ratios

	31 Dec 2024	31 Dec 2023
Exposure to market risk	0	0
Exposure to operational risk	72,972	64,771
Exposure to credit valuation adjustment risk	36,540	29,746
Total risk exposure amount (RWA)	**1,606,417**	**1,709,762**
Surplus of Common Equity Tier 1 capital (CET1)	420,811	390,325
Surplus of Tier 1 capital (T1)	396,715	364,678
Total capital surplus	364,587	330,483
Common Equity Tier 1 capital ratio (CET1)	30.70%	27.33%
Tier 1 capital ratio (T1)	30.70%	27.33%
Total capital ratio	**30.70%**	**27.33%**

3.6 Capital management

Breakdown of capital requirements by type of risk and structure

	31 Dec 2024	Breakdown, %	31 Dec 2023	Breakdown, %
Capital requirements				
For credit risk	119,752	93.2	129,220	94.5
For operational risk	5,838	4.5	5,182	3.8
For credit valuation adjustment risk	2,923	2.3	2,380	1.7
Total	**128,513**	**100.0**	**136,781**	**100.0**

Capital requirements for credit risk

	31 Dec 2024	31 Dec 2023
Exposure class		
Central governments and central banks	1,779	2,464
Regional governments or local authorities	2,138	2,303
Public sector entities	284	370
Multilateral development banks	320	320
Institutions	6,356	6,930
Corporates	96,090	102,018
Exposures in default	3,629	5,493
Regulatory high-risk exposures	6	0
Collective investment undertakings (CIUs)	6,802	7,639
Equity exposures	1,907	1,243
Other items	441	440
Total	**119,752**	**129,220**

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 16.88% as at 31 December 2024 (end of 2023: 16.28%), well above the regulatory requirement. 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.

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 material 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 outcomes of the determination of the risk profile before the end of 2024 do not deviate materially from the profile in the previous year. Of the identified risks, the Bank treats credit risk as the most material risk that it faces.

In line with its business strategy SID Bank is or will be exposed to the following material risks: credit risk, market risks in the banking book (excluding IRRBB), interest rate risk in the banking book (IRRBB), liquidity risk, operational risk, and business/strategic risk.

There were six material sub-types of risk within credit risk in 2024: default risk, concentration risk, country risk, downgrade risk, participation risk and residual credit risk. Four sub-types will be material in 2025: default risk, concentration risk, country risk and participation risk. The metrics used to measure each sub-type 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.

The following sub-types of market risk in the banking book were assessed as material by the Bank in 2024:

- 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 adopted internal methodology, which is based on the EBA guidelines on the management of interest rate risk and credit spread risk arising from the banking book. More detailed disclosures are given in section 3.3 Interest rate risk. In 2025 the Bank will separately monitor market risks in the banking book (excluding IRRBB), within which it will monitor, as material risk sub-types, CSRBB, the risk of de facto hidden losses in the portfolio of debt securities measured at amortised cost, and equity revaluation risk, and separately monitor interest rate risk in the banking book (IRRBB), within which it will monitor, as material risk sub-types, alongside the metrics of EVE, NII and aggregate EVE and NII for the entire banking book, EVE for the portfolio of debt securities measured at fair value through other comprehensive income.

The Bank addressed 12 material risk sub-types under operational risks in 2024: internal fraud risk, external fraud risk, ICT risk, cyber risk, ML/TF risks, legal risk, model risk, compliance risk, outsourcing risk, HR risk, residual operational risk and reputation risk. In 2025 it will monitor seven material risk sub-types: 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. The metric for measuring operational risk is the Pillar 1 capital requirement for operational risks.

Within business/strategic risk, the Bank treated two sub-types of risk as material in 2024: 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. In addition the Bank will also monitor the risk of an external factor (the regulatory environment) as a material sub-type in 2025. The Bank measures this risk as the effect of the new arrangements under capital regulations (CRR3), which envisages a gradual increase in certain capital requirements. The metric measures the difference between current estimates of capital requirements and the requirements under the full arrangements.

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 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 at least once a year.

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 the 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 the security on the market. The prices of vendors do not deviate from the applied price to a materially significant extent. Level 2 also includes hedging derivatives, including interest rate swaps. Market interest rates and yield curves are taken into consideration when valuing derivatives. SID Bank does not have any loans and advances at Level 2 measured at fair value.
- Level 3: In this category SID Bank includes financial instruments for which fair value is calculated using an internal fair value methodology 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 measured at fair value that are classed as non-performing exposures is calculated on the basis of two repayment scenarios. The first scenario represents the estimated repayments from the entity's cash flows, while the second consists of estimated repayments from collateral. A standard interest rate at recognition is used to discount the estimated repayments. The total estimated value of future cash flows is a weighted average of estimated repayments from the entity's cash flows and estimated repayments from collateral. The Bank also classes equities not listed on functioning markets and 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.

3.7 Fair value of financial assets and liabilities

Fair value hierarchy of financial instruments measured at fair value

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 2024	Level 1	Level 2	Level 3	Total
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	48,689	48,689
Equity instruments	0	0	1,068	1,068
Alternative investment funds	0	0	45,012	45,012
Loans and advances	0	0	2,609	2,609
Financial assets measured at fair value through other comprehensive income	30,568	378,724	0	409,292
Debt instruments	14,590	378,724	0	393,314
Equity instruments	15,978	0	0	15,978
Derivatives – hedge accounting	0	15,033	0	15,033
Total financial assets measured at fair value	**30,568**	**393,757**	**48,689**	**473,014**
Derivatives – hedge accounting	0	6,069	0	6,069
Total financial liabilities measured at fair value	**0**	**6,069**	**0**	**6,069**

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**

3.7 Fair value of financial assets and liabilities

Level 3: changes in non-trading financial assets mandatorily at fair value through profit or loss

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 2024 increases by EUR 11 thousand (31 December 2023: 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 2024 decreases by EUR 11 thousand (31 December 2023: 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 2024 decreases by EUR 77 thousand (31 December 2023: EUR 76 thousand). If the credit spread used to calculate the fair value decreases by 100 basis points, the cumulative valuation result as at 31 December 2024 increases by EUR 80 thousand (31 December 2023: EUR 79 thousand).

	2024	2023
Equity instruments		
Balance as at 1 Jan	4,930	3,810
Recognition of new financial assets	40	57
Derecognition of financial assets	(2,591)	0
Net changes in fair value	(1,311)	1,063
Balance as at 31 Dec	**1,068**	**4,930**

	2024	2023
Alternative investment funds		
Balance as at 1 Jan	48,336	33,836
Recognition of new financial assets	4,260	10,725
Derecognition of financial assets	(10,708)	0
Net changes in fair value	3,124	3,775
Balance as at 31 Dec	**45,012**	**48,336**

	2024	2023
Loans and advances		
Balance as at 1 Jan	1,976	1,336
Accrued interest, fees and commission	56	60
Repayments	(136)	(445)
Net changes in fair value	713	1,142
Write-offs	0	(117)
Balance as at 31 Dec	**2,609**	**1,976**

3.7 Fair value of financial assets and liabilities

Financial instruments not measured at fair value

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.

31 Dec 2024	Level 1	Level 2	Level 3	Fair value	Carrying amount
Balances at central banks and demand deposits at banks	493,158	0	0	493,158	493,158
Financial assets measured at amortised cost	0	419,456	1,297,770	1.717,226	1,744,446
Debt securities	0	229,037	5,858	234,895	223,478
Loans and advances to banks	0	185,268	0	185,268	189,853
Loans and advances to non-bank customers	0	0	1,291,840	1,291,840	1,325,818
Other financial assets	0	5,151	72	5,223	5,297
Total financial assets	**493,158**	**419,456**	**1,297,770**	**2,210,384**	**2,237,604**
Financial liabilities measured at amortised cost	0	267,884	1,924,729	2,192,613	2,206,920
Deposits from banks and central banks	0	15,711	0	15,711	15,711
Loans from banks and central banks	0	247,182	0	247,182	247,085
Loans from non-bank customers	0	0	1,108,731	1,108,731	1,108,688
Debt securities	0	0	815,998	815,998	830,445
Other financial liabilities	0	4,991	0	4,991	4,991
Total financial liabilities	**0**	**267,884**	**1,924,729**	**2,192,613**	**2,206,920**

3.7 Fair value of financial assets and liabilities

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**

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: The concise statement represents the qualitative part of the willingness to take up risks, which is complemented by a quantitative part, and is drawn up by the Bank in the form of indicators. The indicators relate to the Bank's capital and liquidity. The willingness to take up risks reflects the existing culture, principles and strategy of SID Bank in connection with risk management.

SID Bank is a specialist promotional, export and development bank that is authorised to provide long-term financial services designed to complement 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. SID Bank's essential activities involve 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.

The overall risk level and the levels and types of individual material risks are subject to comprehensive identification at least once a year in the process of drawing up the Bank's risk profile, which is approved by its management body. At least 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 Bank defines its risk-bearing capacity as the largest overall risk level that it 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-bearing capacity as the higher of the economic and normative perspectives, with the ICAAP representing the economic perspective and the SREP the normative perspective.

The assessed risk-bearing 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) at least 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.

The management body defines the risk appetite taking into account its risk-bearing 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 Bank defines the risk appetite as the sum of the ICAAP profile, the effect of the change in the business plan, and the buffers. The buffers generally represent the effects of stress testing.

Within its risk management the Bank has put in place a stress testing framework, which is part of its advanced determination of risks and vulnerabilities. The stress testing framework includes all material types of risk, and those in the area of ESG.

The risk appetite framework takes into account all material risks identified in the risk management process, 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, it 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 2024 for the selected first-level risk appetite thresholds:

- total capital ratio (TCR): 30.70% (threshold: 16.56%);
- leverage ratio (LR): 16.9% (threshold: 13.3%);
- liquidity coverage ratio (LCR): 4,181% (threshold: 144%);
- net stable funding ratio (NSFR): 160.8% (threshold: 108%).

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 banking book and liquidity risk, including the procedures for dealing with limit breaches and notification of the management board.

The risk appetite framework is monitored and discussed by SID Bank's management body on a quarterly basis.

The Bank managed all the identified material risks within its adopted risk appetite framework in 2024.

In terms of limiting exposure to credit risk, in operations of all types account is first taken of the regulatory limits set out in the applicable banking legislation concerning exposure to individual customers and groups of connected clients. 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 with regard to credit rating, registered office, type of issuer and type of instrument, where 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 operation with regard to a calculation of the customer's borrowing capacity. 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 current exposure. Bylaws also set out the approach to identifying and measuring concentration risks for the total portfolio. 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. Within the framework of its credit risk management SID Bank regularly monitors the financial position of debtors and reviews the accuracy of their assignment to ratings, creates allowances and provisions for credit losses, reviews the fulfilment of financial and other contractual commitments, and assesses the eligibility and level of collateral. The early warning system for increased credit risk (EWS), where debtors are classified into various credit risk levels on the basis of internally defined quantitative and qualitative indicators and trigger levels, gives the Bank early warning of increased credit risk and allows it to act promptly to reduce the risk of the debtor defaulting. The Bank is continually improving and upgrading the EWS. In 2024 it introduced additional quantitative and qualitative indicators for identifying debtors' potential difficulties in debt repayment, optimised the process for taking action after identifying increased credit risk, and improved the information support.

The quality of the credit portfolio improved in general in 2024, except in the segment where the Bank is exposed to the steel and automotive industries. Debtor upgrades and the new macroeconomic scenarios had a favourable impact on the level of expected credit losses. There was nevertheless an increase in aggregate allowances and provisions for credit losses relative to 2023 as a result of the deterioration in the economic situation in the steel and automotive industries and the resulting reclassification of exposures to Stage 2. The proportion of classified claims and other financial assets accounted for by non-performing loans and other non-performing financial assets was down and stood at 4.3% at the end of 2024 (end of 2023: 5%). Coverage of non-performing exposures stood at 49.6% at the end of 2024, up 7.1 percentage points on the end of 2023.

SID Bank will continue its high-quality credit risk management in 2025, and in accordance with best banking practice will upgrade its credit risk assessment tools and its early warning system for increased credit risk.

Quantitative limits are also set for the management of market risk in the 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.

The liquidity risk management framework includes the regular implementation of the ILAAP, and the limit system put in place to manage liquidity risk, where the limits are more stringent than those prescribed by regulations. The management body annually reviews and approves the outcomes 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 targets. The Bank regularly plans and monitors cash flows, reviews its liquidity position and adequacy, while also taking account of the internally defined liquidity stress test scenarios, which also incorporate ESG risk factors. The Bank has also drawn up a liquidity risk management plan for emergency liquidity situations, has put in place an early warning system for potential adverse developments on the financial markets, and has put in place regular implementation of liquidity simulations in connection with the financial plan for future periods under a baseline scenario and adverse scenario. The regular assessment of funding adequacy is also reviewed during the preparation of the financial plan, which is approved for the next three financial years by the management body each year. Debt securities account for a significant share of the liquidity buffer. When investing in them the Bank upholds the principles of security and prudence, while taking account of the market liquidity and credit quality of the selected instruments, which is reflected in the high share of liquid debt securities eligible as collateral at the central bank. Monitoring the portfolio of debt securities from the perspective of ESG risk factors ensures that the Bank complies with sustainability targets.

The Bank's liquidity position remained strong in 2024, which was reflected in the key liquidity indicators, which were well above their regulatory requirements and inside the range set out by the risk appetite. The ILAAP was assessed as adequate. The Bank maintained an adequate level, quality and structure of liquid assets in 2024 for covering its expected and unexpected liquidity outflows, and for ensuring business continuity and an adequate liquidity position under the baseline scenario and during a liquidity emergency. In the event of the realisation of the most severe adverse combined scenario, the Bank would survive for more than 12 months under these circumstances. In its management of liquid assets in 2025 the Bank will pursue a conservative and prudent investment strategy, and will manage funding risk through new long-term borrowing, which will provide adequate funding for the execution of its mandates.

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. For its monitoring of environmental and climate-related performance indicators, SID Bank has also defined a strategic indicator that measures the average ESG score of new loans, which may not underperform the average ESG score on exposures from the previous year.

In 2024 the Bank continued its implementation and upgrade of risk management requirements in the area of ESG, and implemented the incorporation of internal ESG scores into its internal credit ratings. The Bank defined its functions in the area of sustainability and ESG (Catalogue of sustainability functions and process tasks), defined the custodians of these functions and processes, and amended its organisational rulebook while having regard for the proper allocation of roles between departments in their implementation. The organisational structure was thus adjusted to fit the management of ESG risk factors, while taking account of the risk profile and the concept of three lines of defence.

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. The Bank quantifies the risks that are difficult to measure when compiling its risk profile, with the exception of strategic risk.

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 on covered deposits, as SID Bank is not allowed to accept deposits from the public, except through a public offering of debt securities where SID Bank is the issuer. 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 2025

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 generally 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.

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.

Contingency reserves

	31 Dec 2024	31 Dec 2023
Assets		
Customer funds in current accounts	296	147
Financial assets measured at fair value through other comprehensive income	177,795	171,268
Equity investments	2,820	2,820
Other assets	91	307
Total assets	**181,002**	**174,542**
Liabilities		
Contingency reserves	180,365	177,519
Accumulated other comprehensive income	(2,278)	(6,108)
Other financial liabilities	4	4
Other liabilities	2,911	3,127
Total liabilities	**181,002**	**174,542**
Memorandum account for brokerage	**580,110**	**529,914**

5 Operations under Republic of Slovenia authorisation

Operations on behalf of and for the account of the Republic of Slovenia

Special contingency reserves for Ukraine

	31 Dec 2024	31 Dec 2023
Assets		
Customer funds in current accounts	95	128
Financial assets measured at fair value through other comprehensive income	10,198	9,692
Total assets	**10,293**	**9,820**
Liabilities		
Contingency reserves	10,284	9,821
Accumulated other comprehensive income	9	(1)
Total liabilities	**10,293**	**9,820**
Memorandum account for brokerage	**13,880**	**4,845**

Operations on its own behalf and for the account of the Republic of Slovenia

The METS (previously 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 METS 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 METS 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.

FI 2014–2020 Fund of Funds

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.

	31 Dec 2024	31 Dec 2023
Assets		
Balances at the central bank	791	1,380
Non-trading financial assets mandatorily at fair value through profit or loss	181,834	186,970
Other assets	13	26
Total assets	**182,638**	**188,376**
Liabilities		
Financial liabilities	182,638	188,362
Loans from non-bank customers	207,394	211,087
Revaluation of loans from non-bank customers	(25,874)	(22,733)
Other financial liabilities	1,118	8
Other liabilities	0	14
Total liabilities	**182,638**	**188,376**

5 Operations under Republic of Slovenia authorisation

Operations on its own behalf and for the account of the Republic of Slovenia

COVID-19 Fund of Funds

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.

	31 Dec 2024	31 Dec 2023
Assets		
Balances at the central bank	16	103
Non-trading financial assets mandatorily at fair value through profit or loss	48,275	49,001
Other assets	7	15
Total assets	**48,298**	**49,119**
Liabilities		
Financial liabilities	48,298	49,110
Loans from non-bank customers	60,267	61,578
Revaluation of loans from non-bank customers	(12,552)	(12,468)
Other financial liabilities	583	0
Other liabilities	0	9
Total liabilities	**48,298**	**49,119**

List of abbrevations and terms

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ALM	Asset and Liability Management
AML/CFT	Anti-money laundering and countering the financing of terrorism
ASF	Available stable funding
CET1	Common Equity Tier 1 Capital
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
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)
CSRBB	Credit Spread Risk in the Banking Book
CSRD	Corporate Sustainability Reporting Directive
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected credit losses
ECP	EU Cohesion Policy
EGF	European Guarantee Fund
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
EWS	Early Warning System
FARS	Financial Administration of the Republic of Slovenia
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HQLA	High-quality liquid assets
HR	Human Resources

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
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.
IRRBB	Interest Rate Risk in the Banking Book
IT	Information technology
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MEDT	Ministry of Economic Development and Technology
METS	The Ministry of the Economy, Tourism and Sports
ML/TF	Money Laundering/Financing of Terrorism
MoI	Ministry of Infrastructure
MREL	Minimum Requirement for own funds and eligible liabilities
MSP9	Programme for financing SMEs
NII	Net interest income
NPL	Non-performing loan
NSFR	Net Stable Funding Ratio
OCR	Overall capital requirement
O-SII	Other Systematically Important Institutions
P2G	Pillar 2 guidance
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired Assets
RDI	Research, development and innovation
RSF	Required stable funding
RWA	Risk-weighted assets
SEGIP	Slovenian Equity Growth Investment Programme
SIOK	Slovenian organisational climate
SMEs	Small and Medium Sized Enterprises
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
SSH	Slovenian Sovereign Holding
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
ZPIZ-2	Pension and Disability Insurance 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

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