2015

2015 ANNUAL REPORT OF SID BANK AND SID BANK GROUP

Business Report

Financial Report

Other disclosures

Abbreviations

BAMC	Bank Assets Management Company
CEB	Council of Europe Development Bank
CMSR	Centre for International Cooperation and Development
CRR	Capital requirements regulation
CVA	Credit Valuation Adjustment
EAPB	European Association of Public Banks
EBA	European Banking Authority
ECB	European Central Bank
EFSI	European Fund for Strategic Investments
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EIF	European Investment Fund
ELTI	European Long-Term Investors
EU	European Union
EWS	Early Warning System
HICP	Harmonised Index of Consumer Prices
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
IMAD	Institute for Macroeconomic Analysis and Development
IREP	Interest Rate Equalisation Programme
IVS	International Valuation Standards
LCR	Liquidity Coverage Ratio
MEIP	Minimum Export Insurance Premiums
NEFI	Network of European Financial Institutions for Small and Medium Sized Enterprises
NSFR	Net Stable Funding Ratio
OECD	Organisation for Economic Co-operation and Development
PKZ	SID – Prva kreditna zavarovalnica
PSPP	Public Sector Purchase Programme
SME	Small and medium-sized enterprises
SREP	Supervisory Review and Evaluation Process
SSD	Schuldscheindarlehen
ZIPRS	Implementation of the Republic of Slovenia's Budget
ZJShemFO	The Act on the Natural Persons Guarantee Scheme of the Republic of Slovenia
ZJShemRS	The Republic of Slovenia Guarantee Scheme Act
ZPFIGD	Act Regulating Guarantees of the Republic of Slovenia for Financing Companies' Investments
ZPPOGD	Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities
ZSIRB	Slovene Export and Development Bank Act
ZVO-1	Environmental Protection Act
ZZFMGP	The Act Governing Insurance and Financing of International Commercial Transactions

BUSINESS REPORT

President's Statement

Dear stakeholders,

For the eighth consecutive year, despite the headwinds in a highly demanding economic environment full of challenges, SID Bank operated successfully also in 2015 and contributed significantly to the sustainable development of the Slovenian economy, thus reaffirming its mission. The Bank has adjusted its activities to the economic cycle determined mostly by macro-financial conditions. In order to keep pace with the fast-changing situation, it had to transform its way of work from the past interventionist role the Bank performed into the development-oriented role. By making the changes, it modified its business model so that it would be aligned to the market demand and economic conditions both in Slovenia and abroad.

Against the backdrop of the uneven improvement in economic conditions around the globe, the positive growth effect of lower prices of oil, energy and commodities, and the continuing financial area volatility with low interest rates and aggressive exchange rate policies, the economic recovery in the euro area remained muted. The ECB monetary policies aiming at stimulating the sluggish euro area economy has not yet given results as Europe's economy despite consolidation of the banking sector and partly of public finance, is still not investing in the necessary volume and consumption in most EU Member States remains subdued.

The Slovenian economy grew in 2015 at the rate of 2.9 percent and unemployment was down to 9 percent. Exports as the main generator of economic growth increased by 5.2 percent and for the first time after several years also private consumption recovered and grew by 1.7 percent. Nevertheless, investment activity was still low, development-oriented demand of the real sector was also weak, prices were dropping.

The conditions in the Slovenian banking system have improved after resolution of impaired bank assets; however, low interest rates and consequently lower returns and shrinking credit volumes have hit hard banks' operations, increased income risk and accelerated their consolidation.

Even though the economic conditions improved during the year under review, the credit cycle has not reversed yet as lending to the real sector experienced the downward trend for the sixth year in a row. Loans granted by the Slovenian banks to the non-bank customer segment fell in 2015 below 55 percent of banks' total assets, of which lending to the real sector declined by as much as 10 percent.

The conditions outlined above have played a crucial role in the operations carried out by SID Bank. The Bank's total assets dropped by 10.6 percent to 3.2 billion euros, which was in line with the Bank's entering the phase of pro-development activities. In the aftermath of the crisis, that is, the bank consolidation, the capacity of the Slovenian commercial banks to act as intermediaries for the funding made available by SID Bank was seriously affected. The Bank's aggregate portfolio was worth 2.2 billion euros. Loans to banks and deposits placed at banks totalled 1.6 billion euros - a 26 percent decrease year-on-year. At the end of 2015, loans to banks accounted for a 62 percent share of the loan portfolio. In 2015, loans to non-bank customers declined by 5 percent to 605 million euros, whereas their share in the Bank's loan portfolio increased by 8 percentage points to 38 percent of total lending.

In accordance with these trends, at SID Bank, we made adjustments to the marketing of our products with the aim to increase value-added for customers and, at the same time, to contribute to higher development effects for the Slovenian economy. In view of the fact that banks are reluctant to support enterprises in certain segments, we have upgraded some existing products and developed some new ones. The funding provided by SID Bank in 2015 was channelled as new credit facilities to approximately 450 enterprises and their projects in total value of nearly 350 million euros. Moreover, only within the framework of the funds set up for crediting SMEs (financing operations, investments and employment, efficient energy consumption) and for research, development and innovation that operate on the basis of the financial engineering, roughly 70 million euros was passed on to the real sector in the course of 2015. Since these funds were set up to provide access to financing to SMEs, more than 1,000 applications have been received in the total amount of 280 million euros, of which more than 600 were approved in the total amount of 142 million euros. That clearly confirms the needs of SMEs, particularly those with weaker credit worthiness, for funding provided by SID Bank. The Bank's facilities have assisted SMEs to become more competitive and to operate more efficiently when it comes to their environmental and energy footprint.

In the past year, we paid much attention to the use of financial engineering and took the first steps to set up advisory services. We signed an agreement with the European Investment Bank and under its terms, SID Bank became a national advisory hub for enhancing the environment for investment projects within the framework of the European Fund for Strategic Investment (EFSI), also called Juncker Plan. In addition, we spared no effort working together with other Slovenian public promotional institutions to improve efficiency of co-financing grants allocated from the budget and funding received under the European cohesion policies. The focus of attention was also on the products for capital strengthening and business restructuring of companies. To that end we established a special loan serving to fill the biggest market gap – the capital crunch of the Slovenian companies. We developed the product based on financial engineering together with the Ministry of Economic Development and Technology and made it available to clients in March 2016.

As regards the financial aspect of the Bank's operations, it was noteworthy for the past year that we focused effort on the diversification of our instruments serving to ensure long-term sources of funding from the budget or cohesion funds that would be of key importance, alongside bond issuance in the international capital market, to the adequate financing of the Slovenian economy. After 500 million euros in bonds issued in 2010 matured in April 2015, we issued in July a three-year 300 million euro bond with a fixed annual coupon. During the year under review, we were active in tapping long-term funds of the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Also in 2015, the Bank devoted increased attention to the risk management system, defining the Bank's risk profile and ensuring adequate risk management culture. We paid particular attention to the implementation of new banking legislation (CRR, Banking Act and Bank of Slovenia Guidelines) and fine-tuned the Bank's policies in that area. In accordance with the new regulatory requirements, we improved the way in which the Bank deals with certain risks, non-performing exposures and its appetite for assuming new risks. In the technical operating area SID Bank launched in 2015 the preparations for the implementation of the new accounting standard IFRS 9 and continued with the work on the IT platforms for automated handling of regulatory reports and reports for other institutions.

The low yield environment in the euro area made a significant impact on lower interest margin and income-related risk that, in addition to the existing credit risk, looms large as a new risk in a range of risks of SID Bank. Given the current volatile market conditions, plenty of effort was made in 2015 to manage properly the liabilities side of the balance sheet with focus on scaling down risks inherent in refinancing outstanding borrowings and liquidity management. As a consequence, the Bank maintains a high liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). A noteworthy achievement in the area of risk management and responsible corporate governance is the fact that during the past year, we did not book larger new non-performing exposures. Furthermore, the prospects for the repayment of some of the non-performing exposures improved and paved the way for slowing down the pace at which new impairments were made. The net expenses for impairments and provisions amounted 8.2 million euros, significantly less than in 2014.

Considering the increase in equity to 364 million euros and a decrease in the value of credit portfolio, the Bank's capital adequacy pushed to 29 percent, ensuring stable operations also in the future despite uncertain conditions.

During the year under review, we continued the ongoing activities in the area of the Bank's internal development. Most effort was made with the aim to improve processes and data hygiene and our commitment led to the completion of the data warehouse project in 2015, as well as the work in other forms of information technology and automation – above all in the area of back office. At the end of 2014, a unit for market support was established and its input was highly valuable for the market segment in discharging its tasks.

The Bank's operating results for the past year are best seen in the income statement with the main feature being a steep decline in net interest income by 49 percent to 22 million euros as a consequence of both interest rate cuts and lower asset and liability balances. The Bank generated 12.7 million euros in profit before tax and 10.5 million euros in net profit – an increase in comparison with 2014. The ratio between operating costs and income is higher than in the past years and stands at 34.5 percent – the level comparable to the CIR of other development banks and still far below the average for the Slovenian banks. It is primarily a consequence of the aforementioned specific costs for designing new products in the modified business model.

The ratings for SID Bank were upgraded twice in 2015. At year-end, the Bank's rating awarded by Standard & Poor's and Mooody's was A- and Baa 3, respectively.

Acting in the capacity as the authorised export credit agency, SID Bank provides in the name and on behalf of the Republic of Slovenia insurance coverage for non-marketable risks. In 2015, by taking into account the economic potential of Slovenia, the trend of insuring many low value business deals continued. The aggregate volume of transactions declined by 19 percent and totalled 644 million euros. In comparison with a year earlier, the amount of 6.1 million euros in claims paid under insurance contracts is a sharp drop. The Republic of Slovenia increased the Bank's contingency reserves by injecting 20 million euros and thus not only complied with its statutory obligation, but also enabled the Bank to carry out its activities in the area of export insurance. The Bank's contingency reserves stood at 118 million euros at the end of 2015. New demand by exporters in 2015 ensures higher insurance volumes in 2016, primarily in the medium-term insurance segment. Such trends also called for changes in the transaction processing process; hence, we became faster and more flexible for smaller clients.

The examination conducted by the Court of Audit of the Republic of Slovenia, that is, an audit of performance and efficiency of SID Bank in carrying out the operations SID Bank was mandated to carry out in the name and on behalf of the Republic of Slovenia during the period from 2008 to 2011, was wrapped up with the final audit. The recommendations issued contributed to further improvements in the operations performed for the account of the Republic of Slovenia, and SID Bank itself or in cooperation with the Ministry of Finance of the Republic of Slovenia took the necessary steps already in the period leading to the release of the audit report. The outstanding recommendations of the Court of Audit will be implemented in the course of 2016.

With the aim to ensure more efficient operation when performing activities for the account of the Republic of Slovenia and with its interventionist role discontinued, the Bank and the Government agreed to terminate the funding schemes for which no interest was shown. In line with this decision, SID Bank discontinued programme for interest rate equalisation and terminated the issuance of government-backed guarantees for financing company investments.

The economic conditions in the countries in which our subsidiaries operate have improved, even though they still remain challenging and volatile. Rising political tensions in the Balkans, refugee crisis and economic sanctions in Ukraine and Russia have also taken a toll. In line with the endorsed strategy of SID Bank and the focus on the Bank's core business, a decision on the commencement of the procedure to sell Prvi faktor and Pro Kolekt was taken in 2015. Due to worrisome political situations in various regions, there will be the need for the participation of SID Bank also in the forthcoming period when it comes to insuring short-term trade receivables where mostly credit and other insurance companies provide coverage to Slovenian exports and SID – Prva kreditna zavarovalnica is among these insurers. Despite stiff competition in the area of marketable insurance, SID – Prva kreditna zavarovalnica ended the financial year 2015 in black figures, even though the year-on-year profit was slightly lower.

As regards the Centre for International Cooperation and Development, its revenue may indeed be small, but its contribution to the internationalisation of the Slovenian companies is noteworthy since in its capacity as a promoter of international development cooperation and a provider of research and other advisory services it complements the activity and services of SID Bank.

Accountable corporate management and social responsibility are ingrained in all activities and daily operations of SID Bank. Alongside responsible lending and the provision of other financial services for clients, the Bank also participates in different forms and activities serving the ultimate goal of sustainable development. The Bank's pro-active stance is pursued both inside the Bank, in relation to the environment protection and efficient use of resources, and also in relation to external initiatives such as, for example, the development of the circular economy model. In line with this commitment, we organised in 2015 the traditional Knowledge hub to review that topic and at the December environmental conference in Paris signed together with other development banks in the EU the declaration on the future financing of energy and environmental projects with the aim to reduce CO_2 footprint. Furthermore, we continued to collaborate with much success with other development banks and export credit organisations within the framework of the Berne Union and the clubs (EAPB, ELTI and NEFI).

The present focus of SID Bank on the development segment of our operations should put us on track of development leading to a key financial pillar of a new development model prepared by the Government of the Republic of Slovenia within the framework of a new development strategy for Slovenia. In the event that the economic situation should worsen, SID Bank, thanks to its robustness and flexibility, has the capacity and is prepared to resume its interventionist role in the Slovenian economy. The fundamental purpose of the Bank's operation is to provide at all times additional value-added for enterprises, to support their growth and competitive edge in the international environment, so as to keep existing jobs and create new employment and uphold sustainable development of the Slovenian economy.

The success of SID Bank is primarily the result of the qualification and expertise, as well as commitment and energy we as employees are willing to invest. I thank the staff for the contribution they have made, and my sincere thanks also go to all supervisors and customers who have placed their trust in us so that we join forces to create development in this volatile environment.

An important element for continuing development of SID Bank will be responding to major changes against the backdrop of the new paradigms. This is a mission of promotional and development institutions. This is why we gaze into the future and look at the challenges it will bring with optimism, and I am confident that we will deliver on all our goals in the future as we have done over the past years.

Sibil Svilan, M.Sc.

Report of the Supervisory Board for 2015

In discharging its responsibilities for monitoring and overseeing the Bank's activities and the work of the Management Board in the course of 2015, the Supervisory Board complied with the applicable laws and regulations and the Bank's strategic orientation and its risk exposures, and assessed the appropriateness of running the Bank and its business within that framework against the backdrop of achieving its set strategic, business and financial objectives.

In 2015, the Supervisory Board consisted of Ms Monika Pintar Mesarič, Chair of the Supervisory Board, Mr Janez Tomšič, Deputy Chairperson, and members Mr Marjan Divjak (MSc), Mr Štefan Grosar, Mr Leo Knez (MSc), Mr Martin Jakše (until 26 March 2015), Mr Anton Rop (MSc) (until 11 September 2015) and Mr Boris Škapin (MSc) (from 2 July 2015 onward).

As regards meeting the independence standards laid down in the Statement of Independence signed by the members of the Supervisory Board in 2015, there were no circumstances that would affect their unbiased, professional, objective, fair and comprehensive judgement when discharging their duties or in the Supervisory Board deliberations. Furthermore, when the members of the Supervisory Board discharged their duties and took part in deliberations, there were no circumstances and conduct that could have been construed as, or that might have given rise to a conflict of interests and such member of the Supervisory Board would inform other members of the Supervisory Board of such conflict.

The Supervisory Board convened in 2015 for nine (9) regular and seven (7) correspondence meetings where its members gave thorough consideration to the matters of both general and specific nature with regard to the Bank's operations and decided on the matters falling within its competence.

In the course of 2015, the turnout of the Supervisory Board members at regular meetings was very high and any justified absences (due to sickness or unavoidable commitments) were notified in advance in accordance with the Rules of Procedure and did not prevent the Supervisory Board from smoothly discharging its duties.

The members of the Supervisory Board took part in discussions as proactive participants both by making observations and providing guidelines, and by raising a variety of matters and putting forward requests for explanations. The majority of resolutions were passed unanimously, and there were no uncast votes, i.e. abstentions when voting.

Three committees of the Supervisory Board vested with specific powers and duties assisted the Board in discharging its duties: the Audit Committee addressed the issues and prepared positions mostly in the area of accounting and the Bank's financial statements, internal and external audit, functioning of the internal control system and the findings made by the supervisory authorities during the supervisory procedures over the Bank, the Nomination and Remuneration Committee that assisted the Supervisory Board in assessing the appropriateness of the Bank's remuneration policies and practices, evaluating the Management Board performance and endorsing the policy for the selection of candidates for members of the Management Board, as well as the Risk Committee established in 2015 tasked with advising the Supervisory Board in the area of risk taking and risk management and drafts position papers as regards strategy and policies for risk management, methodology and assessment of the risk profile of the Bank and the Group, as well as the methodology and carrying out of the Internal Capital Adequacy Assessment Process.

During the year under review, the Supervisory Board considered and/or passed resolutions on the significant issues in relation to the following:

- the Annual Report for the financial year 2014 with the Auditor's Report and the proposal for the appropriation of the distributable profit for the financial year 2014
- the Bank's action strategy for the period 2016-2018 and achieving the strategic objectives in 2015
- the annual operational plan with the elements of business policy and risk policy, and the financial plan for the financial year 2016
- the reports issued at regular intervals on the Bank's operating results and the results of the companies in the Group (with focus on Prvi faktor) and the activities for the sale of its subsidiaries Prvi faktor and Pro Kolekt
- the plan of engagements of the internal audit function for 2016 and the strategic plan of activities of the internal audit function for 2016 and 2017, the Annual Report on Internal Audit for 2014 and quarterly reports by the internal audit function
- the revision of the financial plan for the year 2015
- deciding on particular matters within its competence
- the reports and the programme of activities of the compliance function
- the report on the implementation and enforcement of the Code of Ethics and Statement of Values and Professional Standards
- the strategy and risk management policy, and the assessment of the Bank's risk profile for 2015

- The Letter of the Bank of Slovenia following the ICAAP supervisory review and evaluation process
- the Bank's lending activity and its borrowings
- the development of new products and Bank's financing programmes
- the strategy and action plan for the management of non-performing exposures
- the reports prepared at regular intervals on the progress made at loan rescheduling and corporate restructuring
- reports on the findings made by supervisory authorities (with focus on the audit report of the Court of Audit)
- the policy for the selection of the candidates for members of the Management Board
- the publication of a vacancy announcement for the position of the president and member of the Management Board of SID Bank for the upcoming term of office
- the changes in the corporate governance policy.

In the course of monitoring, i.e. overseeing the Bank's management and operations, the Supervisory Board was supplied with all information requested appropriate to enable it to assess on an ongoing basis the results achieved and the work of the Management Board, as well as to pass resolutions that fall within the framework of its competence.

The Supervisory Board carried out a self-assessment exercise and the assessment of the work of the Supervisory Board in discharging its duties in the course of 2015 in March and April 2016 on the basis of the recommendations, i.e. the supervisory self-assessment matrix from the Supervisory Board Assessment Manual of the Association of Supervisory Board Members. Before embarking on the self-assessment procedure, the members of the Supervisory Board also obtained reports on the work of the committees of the Supervisory Board in discharging their duties. During the discussion on the results of the self-assessment exercise, the Supervisory Board adopted a position with regard to the necessity to undertake further activities (the areas with the room for improvement, setting the priorities and the necessary measures to be taken).

Approving the Annual Report for the financial year 2015.

The unaudited annual report and accounts of SID Bank and the SID Bank Group for the financial year 2015 were reviewed by the Audit Committee and the Risk Committee at the meetings held on 3 March 2016. The two committees examined the audited annual report at their respective meetings held on 5 April 2016 attended also by the representatives of the external certified auditor. The two committees assessed the drawing up of the Annual Report as adequate (each within the domain of its authority) and submitted a proposal to the Supervisory Board to confirm the Annual Report.

The Supervisory Board examined and verified the Annual Report SID Bank and the SID Bank Group for the financial year 2015 at the meeting held on 7 April 2016, together with the proposal for the appropriation of the distributable profit for the financial year 2015 submitted by the Management Board of SID Bank, and raised no objections.

In addition, the Supervisory Board examined the Auditor's Report in which the external auditor, Deloitte Revizija d.o.o., Ljubljana issued an unqualified opinion to the financial statements drawn up by SID Bank, d.d., Ljubljana, and the SID Bank Group for the financial year 2015. The auditor is of the opinion that the financial statements give a true and fair view of the financial position of SID Bank, d.d., Ljubljana and the SID Bank Group as at 31 December 2015 and the income statement and cash-flow statement for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, whereas the management report is in accordance with the audited financial statements. The Supervisory Board had no objection to the report of the external auditor Deloitte Revizija d.o.o., Ljubljana.

Having verified it, the Supervisory Board unanimously approved the Annual Report of SID Bank and the SID Bank Group for the financial year 2015.

Monika Pintar Mesarič

Chair of the Supervisory Board

1 Major Financial Data and Performance Indicators of SID Bank and the SID Bank Group

Major data

	SID Bank			SID Bank Group		
in EUR thousand	2015	2014	2013	2015	2014	2013
Statement of financial position						
Total assets	3,198,967	3,577,036	3,787,565	3,247,397	3,631,383	3,844,997
Loans from banks and central banks	1,638,908	1,841,494	1,752,721	1,638,908	1,841,494	1,783,667
Deposits from non-bank customers	6	6	6	6	6	6
Total equity	364,165	355,275	345,793	382,525	372,666	362,790
Loans to banks	1,606,153	2,180,886	2,614,462	1,612,787	2,186,274	2,624,659
Loans to non-bank customers	605,465	637,327	601,136	605,465	637,327	601,135
Impairments of financial assets measured at amortised cost and provisions for off-balance-sheet liabilities	239,977	261,860	237,135	239,977	261,860	237,135
Off-balance-sheet items	490,125	811,180	815,021	490,125	811,180	815,021
Income statement						
Net interest income	22,246	43,247	52,544	22,608	43,716	53,242
Net non-interest income	9,659	12,890	24,067	13,850	17,299	28,223
Labour costs, general and administrative expenses	(10,227)	(9,806)	(8,781)	(14,084)	(13,484)	(12,429)
Amortisation and depreciation	(789)	(613)	(589)	(1,114)	(984)	(945)
Impairments and provisions	(8,221)	(33,568)	(61,541)	(7,454)	(34,331)	(62,145)
Pre-tax profit	12,668	12,150	5,700	13,806	12,216	5,946
Corporate income tax	(2,169)	(7,606)	(834)	(2,411)	(7,824)	(1,538)
Net profit for the financial year	10,499	4,544	4,866	11,395	4,392	4,408
Statement of comprehensive income						
Other comprehensive income before tax	(1,940)	5,949	877	(1,852)	6,611	931
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	330	(1,011)	(174)	316	(1,126)	(180)
Number of employees as at 31 December	158	147	139	349	356	369
Shares						
Number of shareholders	1	1	1			
Number of shares	3,121,741	3,121,741	3,121,741			
Nominal value of share (in EUR)	96.10	96.10	96.10			
Book value of share (in EUR)	117.35	114.48	111.43			
International credit rating as at 31 December						
Moody's	Baa3	Ba1	Ba1			
Standard & Poor's	A-	A-				

Key performance indicators[1]

	SID Bank			SID Bank Group		
In %	2015	2014	2013	2015	2014	2013
Capital						
Total capital ratio	29.48	26.15	16.49	29.12	25.82	16.12
Quality of assets in the statement of financial position and assumed commitments						
Impairments of financial assets measured at amortised cost and provisions for commitments/Classified on- and off-balance-sheet items	9.74	8.57	6.45	10.50	9.20	6.92
Non-performing loan (NPL) ratio	14.75	14.90	7.60	11.30	14.27	8.59
Profitability						
Interest margin	0.69	1.17	1.31	0.68	1.17	1.32
Financial intermediation margin	1.00	1.52	1.90	0.94	1.45	1.80
After-tax return on assets	0.33	0.12	0.12	0.34	0.12	0.11
Pre-tax return on equity	3.52	3.42	1.66	3.67	3.29	1.65
After-tax return on equity	2.92	1.28	1.41	3.03	1.18	1.22
Operating costs						
Operating costs/average assets	0.34	0.28	0.23	0.46	0.39	0.33
Operating costs/net income	34.53	18.56	12.23	41.69	23.71	16.42

[1] Notes:

(1) The indicators are calculated using the Bank of Slovenia methodology.
(2) Due to the transition to a new capital requirements regulation, the data referring to capital adequacy for 2013 are not comparable with the data for 2014 and 2015.
(3) The calculation of capital adequacy and the ratio of impairments to rated items for the SID Bank Group takes into account a proportionate share of the assets of the Prvi faktor Group (prudential consolidation) in addition to SID Bank itself.
(4) The calculation of the financial intermediation margin for the SID Bank Group does not take into account PKZ's income from insurance operations.

2 About SID Bank and the SID Bank Group

2.1 About SID Bank

SID Bank is a specialist promotional export and development bank with the authority to carry out long-term financial services to complement the financial market in various areas in accordance with the Slovene Export and Development Bank Act (hereinafter "ZSIRB") which are relevant for the sustainable development of the Republic of Slovenia.

The operations of SID Bank are founded on long-term development documents of the European Union and the Republic of Slovenia. In order to perform business activities and all the activities of SID Bank with the purpose of pursuing long-term development guidelines of the Republic of Slovenia and the European Union, the Republic of Slovenia provides long-term stable operations of SID Bank. The Republic of Slovenia as the single shareholder is irrevocably and without limitations responsible for the liabilities incurred by SID Bank from transactions entered into during the pursuit of the activities laid down in Articles 11 and 12 of the ZSIRB. If SID Bank fails to settle its due liability to a creditor at the latter's written request, the Republic of Slovenia is obliged to settle such liability promptly at the request of the creditor. This allows SID Bank to borrow on financial markets without the need to obtain a guarantee from the Republic of Slovenia for each transaction.

SID Bank renders all its financial services to create direct or indirect added value for the users of the services pursuant to the purpose and goals of individual transactions, projects, investments or other such activities and, first and foremost, to maintain or increase the value of equity without the objective of maximising profit. In pursuing its activities it does not compete with other financial institutions on the market. To achieve the goal of non-competition with financial institutions on the market, SID Bank also follows the principle of equal access or non-discrimination for all users of SID Bank's financial services and the transparency of the services offered, business operations and business results.

While rendering services, SID Bank may use any applicable and available financial instrument in the European Union and Slovenian legislation, such as loans and other forms of guarantees, factoring, financial leasing, financial engineering, concession credits and other instruments for international development cooperation, as well as other forms of financing, capital investments and other means of assuming risks, and include them in development promotion financing programmes.

Development and status

1992 The Slovenian Export Company was established as a special private financial institution for insuring and financing Slovenian export. SID's business activities were regulated by the Slovenian Export Finance and Insurance Company Act.

2004 The Act Governing Insurance and Financing of International Commercial Transactions (hereinafter "ZZFMGP")[2] entered into force. It required SID to harmonise its activities related to the insurance operations carried out on its own behalf and for its own account with regulations governing the activities of insurance companies until the end of 2004, and its business operations not related to insurance and not covered by ZZFMGP with regulations governing bank activities by the end of 2006. On that legal basis, SID founded an insurance company and transferred to it the portfolio of marketable insurance products rendered on its own behalf and for its own account.

2005 The establishment of the insurance company SID – Prva kreditna zavarovalnica d.d., Ljubljana.

[2] ZZFMGP regulates the foundations of the insurance system and the financing of international commercial transactions as instruments of the Republic of Slovenia trade policy.

2006 At the end of the year the Slovenian Export Company transformed into a bank after having obtained a license from the Bank of Slovenia to pursue banking and other financial services. It then changed its name to SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (abbreviated name: SID banka, d.d., Ljubljana)[3].

2007 SID Bank began to operate as a specialist bank.

2008 ZSIRB entered into force and granted the Bank the following two powers:

- SID Bank became Slovenia's authorised specialist promotional, export and development bank for pursuing activities under ZSIRB;
- SID Bank was authorised to carry out all transactions under ZZFMGP.

2010 Amendments to the Banking Act expressly laid down that SID Bank was an authorised specialist Slovenian promotional export and development bank that was not allowed to accept public deposits.

With the adoption of Commission Directive 2010/16/EU amending the Directive 2006/48/EC of the European Parliament and of the Council and in line with the opinion of the European Banking Board, the European Commission confirmed that SID Bank was an institution involved in special activities of public interest and was therefore eligible for inclusion on the list of institutions exempt from the scope of application of Directive 2006/48/EC pursuant to Article 2 of the Directive.

2011 In October, SID Bank was recognised as a bank significant for the Republic of Slovenia banking system based on a decision by the Bank of Slovenia.

2014 SID Bank was one of the three Slovenian banks that underwent the Comprehensive Assessment conducted by the European Central Bank. The Bank successfully passed the asset quality reviews and stress tests.

2015 Based on the Banking Act, the Bank of Slovenia issued a decision on granting SID Bank the status of "Other systemically important institution".

[3] In the continuation of the Annual Report, the terms SID Bank or Bank refer to SID banka, d. d., Ljubljana, irrespective of the time and the change of company name, while the terms SID Bank Group and Group refer to the SID Bank Group.

Banking Services

In accordance with its role, purpose and tasks, SID Bank primarily provides financial services within the scope of the authorisations issued by the Bank of Slovenia. This primarily includes the provision of loans, largely via banks and in certain instances in cooperation with other commercial banks in bank syndicates, and to a lesser extent directly to final beneficiaries.

SID Bank's financial services are broken down to four main purposes:

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

The Bank provides its financial services with regard to identified market gaps, whereby carrying out developmental and promotional tasks of a finance nature and meeting the objectives of a long-term development policy primarily in the following areas (according to ZSIRB):

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

As at 31 December 2015, SID Bank held the Bank of Slovenia authorisation to render the following mutually recognised financial services under Article 5 of the Banking Act:

1. the acceptance of deposits from informed persons;
2. the provision of loans, including:
   - mortgage loans,
   - the purchase of receivables with or without recourse (factoring),
   - the financing of commercial transactions, including export financing based on the purchase of non-current non-past-due receivables collateralised with a financial instrument at a discount without recourse (forfeiting);

6. the issue of guarantees and other sureties;
7. trading for its own account and the accounts of clients:
   - in foreign legal tender, including currency-exchange transactions,
   - in standardised futures and options,
   - in currency and interest rate financial instruments;
   - trading for its own account:
     - in money-market instruments;

13. credit rating services: the collection, analysis and dissemination of information about creditworthiness.

SID Bank's Activities under the Republic of Slovenia's Authorisation

SID bank provides insurance for international business transactions against non-marketable risks and as an agent of the State carries out an interest equalisation programme on behalf of and for the account of the Republic of Slovenia. The funds required for the effective provision of insurance operations under ZZFMGP are provided to SID Bank by the Republic of Slovenia in the form of contingency reserves that are used to settle liabilities to the insured (claims payouts) and to cover losses on these operations. Contingency reserves are created primarily 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 claims cannot be settled from the aforementioned reserves, the funding for payouts is provided by the Republic of Slovenia.

As of 31 December 2015, SID Bank suspended all new transactions under the interest equalisation programme pursuant to the amendments to ZZFMGP and the contract concluded with the Ministry of Finance.

Under the Republic of Slovenia Guarantee Scheme Act, SID Bank was authorised in 2009 to provide a guarantee scheme for corporates on behalf of and for the account of the State. The act was adopted as part of the European Union stimulus package and was not renewed after its expiry at the end of 2010. SID Bank's activities now focus on processing applications for approvals of changes, claims for the payout of guarantees, enforcing recourse claims, and continuous monitoring of the compliance of loans with the law and other established requirements.

Under the Act on the Natural Persons Guarantee Scheme of the Republic of Slovenia, SID Bank was authorised in 2009 to provide a guarantee scheme for private individuals on behalf of and for the account of the State. The statutory deadline for the issue of government guarantees under this act expired at the end of 2010. SID Bank's activities are now focused on processing applications for approvals of changes, claims for the payout of guarantees, enforcing recourse claims, and continuous monitoring of the compliance of loans with the act and other established requirements.

By amending the Act Regulating Guarantees of the Republic of Slovenia for Financing Companies' Investments, SID Bank ceased issuing government guarantees as of 31 December 2015 and only carries out the tasks indicated in the previous paragraph in guarantee schemes for corporates and natural persons.

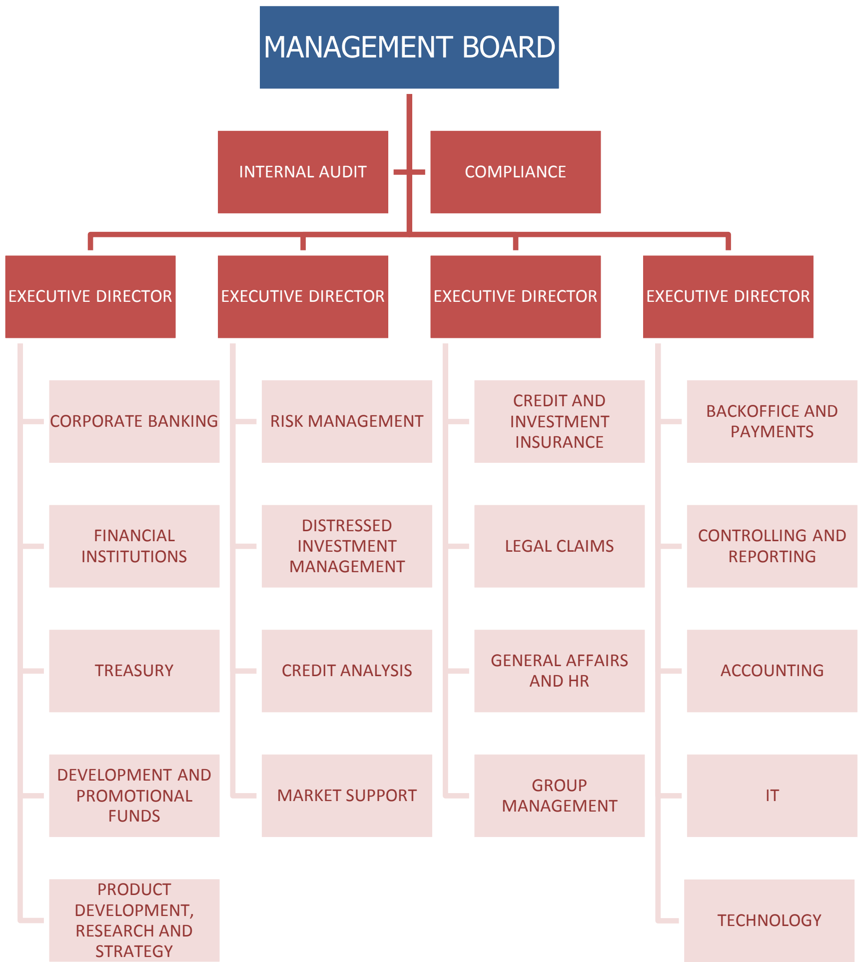
In the period between June 2012 and April 2013, the Court of Audit performed an audit of the efficiency and effectiveness of the operations of the Government of the Republic of Slovenia, the Ministry of Finance and SID Bank in the transactions carried out by SID Bank on behalf of and for the account of the Republic of Slovenia. The audit covered all transactions in the period from the beginning of 2008 to the end of 2011.

In 2015, the Court of Audit of the Republic of Slovenia issued a final audit report on the implementation of SID Bank's operations on behalf of and for the account of the Republic of Slovenia, which was received by SID Bank on 30 November 2015.

The Court proposed no corrective measures that would require a response report by SID Bank. During the audit and subsequently, SID Bank alone or in cooperation with the Ministry of Finance carried out various activities for improving its operations. The recommendations given by the Court of Audit will be implemented by SID Bank in 2016.

SID Bank's activities for the account of the state are described in detail in Section 8.2.3.

Organisational Structure of SID Bank as at 31 December 2015



Share Capital

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 share register and all procedures for trading the shares are administered at the Central Securities Clearing Corporation in Ljubljana.

There were no changes to the share capital in 2015, which stood at EUR 300 million as at 31 December 2015.

There are no constraints 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. Pursuant to the provisions of Article 4 of ZSIRB, the Republic of Slovenia is the sole shareholder of SID Bank.

Shareholders as at 31 December 2015	Number of shares	Holding of share capital (%)
Republic of Slovenia	3,103,296	99.4
SID Bank - own shares	18,445	0.6
Total	**3,121,741**	**100**

On 3 July 2015, SID Bank's General Meeting passed a resolution allocating the 2014 distributable profit of EUR 2,158,480.25 to other profit reserves.

Total equity amounted to EUR 364.2 million as at 31 December 2015. As at 31 December 2015, the audited book value per share stood at EUR 117.35 (compared to EUR 114.48 as at 31 December 2014).

Other Relevant Data

Business name	SID – Slovenska izvozna in razvojna banka, d. d., Ljubljana
Registered office	Ulica Josipine Turnograjske 6, 1000 Ljubljana
Registration number	5665493
Tax number	82155135
VAT identification number	SI82155135
Settlement account	0100 0000 3800 058
IBAN	SI056 0100 0000 3800 058
SWIFT	SIDRSI22
LEI code	549300BZ3GKOJ13V6F87
Website	http://www.sid.si
Email	info@sid.si
Telephone	+ 386 (01) 200 75 00
Telefax	+ 386 (01) 200 75 75

2.2 About the SID Bank Group

SID Bank Group

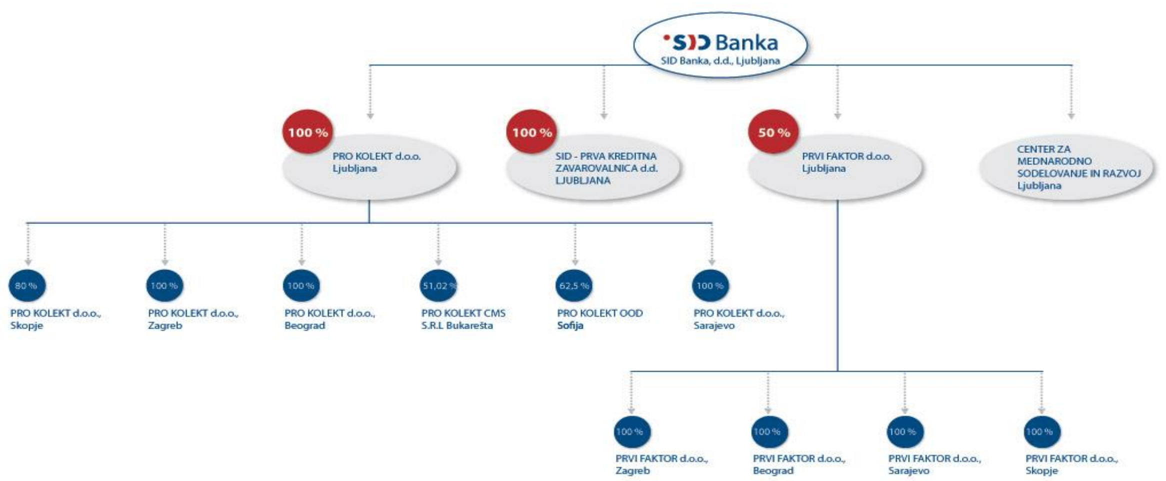
As at 31 December 2015, SID Bank Group comprised:

Company	Role	Holding of SID Bank (%)
SID - Prva kreditna zavarovalnica d.d., Ljubljana	Subsidiary	100
Pro Kolekt, družba za izterjavo, d.o.o.	Subsidiary	100
Prvi Faktor, faktoring družba d.o.o.	Joint venture	50
Center za mednarodno sodelovanje in razvoj	Joint foundation	-

SID Bank and SID – Prva kreditna zavarovalnica, d. d., Ljubljana, are included in the SID Bank Group's consolidated financial statements under the full consolidation method; the Prvi faktor Group is included under the equity method.

Given their insignificant impact on the financial position and profit or loss of the SID Bank Group, the Pro Kolekt Group and the Centre for International Cooperation and Development are not included in consolidation.

Organisational Structure of SID Bank Group as at 31 December 2015



About the Companies

SID – Prva kreditna zavarovalnica d. d., Ljubljana

Harmonisation with EU regulations and subsequently adopted acts, particularly ZZFMGP, resulted in the organisational restructuring of SID and the expansion of the SID Group. In 2004, SID established SID – Prva kreditna zavarovalnica d. d., Ljubljana (hereinafter "PKZ") as the sole owner.

PKZ commenced its insurance operations on 1 January 2005. On this date, short-term insurance contracts that had been concluded by SID for its own account by the end of 2004 were transferred to PKZ.

PKZ provides insurance for current operating receivables, typically with a maturity of up to 180 days or, exceptionally, up to one year, when required by the nature of transaction or the type of goods. The company provides insurance against commercial and, optionally, also non-commercial (political) risks. Insurance contracts are generally concluded for annual or biannual periods and cover the policyholder's whole turnover on an open account. In addition to the insurance of full sales, individual parts of sales can also be insured (e.g. only exports, only domestic sales or only the claims financed by the Bank), provided that PKZ assesses that the criteria used to decide whether a certain offered segment will be insured or not are objective and that there is no evidence of this being, for example, an attempt of negative selection. Within the scope of insurance contracts, pre-supply risks (production risks) can be insured separately. Furthermore, PKZ insures deals by factoring companies, individual projects and engineering deals under tailored conditions, provided that payment deadlines do not exceed two years.

In 2015, the company was headed by a three-person Management Board chaired by Ladislav Artnik and with members Barbara Kunc and Igor Pirnat, MSc. The Management Board took office on 1 January 2014. The Supervisory Board comprises three members. In 2015, Mr Jožef Bradeško was the President of the Supervisory Board, Mr Bojan Pecher was Deputy-President (both representatives of SID Bank) and Mr Andraž Tinta was the workers' representative. The Supervisory Board appointed a three-member Audit Committee which comprises two Members of the Supervisory Board and an independent expert, Ms Blanka Vezjak (MSc).

The nominal value of SID Bank's interest in PKZ stood at EUR 8.4 million as at 31 December 2015.

Prvi faktor, faktoring družba, d. o. o.

The activity of the company Prvi faktor, faktoring družba d. o. o., Ljubljana (hereinafter "Prvi faktor, Ljubljana") is the provision of factoring services. Within that scope the company primarily carries out the following transactions:

- the purchase, or takeover in return for consideration, of receivables from the sale of goods and services with or without payment risk;
- the financing of assumed receivables;
- the administrative management of assumed receivables;
- the realisation and recovery of assumed receivables;
- trading in assumed receivables;
- intermediation and brokerage of factoring transactions in Slovenia and abroad.

SID acquired 50% of the share capital and half of the voting rights of Prvi faktor, Ljubljana in 2002. The other member is Nova Ljubljanska banka d. d., Ljubljana. The nominal value of SID Bank's equity share in the company stood at EUR 1.6 million as at 31 December 2015.

The company's governance bodies are the General Meeting and two Directors. In 2015, SID Bank was represented at the General Meeting by Mr Saša Keleman and Mr Branko Jerak. Until 14 May 2015, the company Director was Mr Tomaž Kačar and, as of 15 May 2015, the company Directors are Mr Klemen Hauko and Mr Marcel Mišanović Osti. Prvi faktor, Ljubljana, is the founder and 100% owner of four companies.

Prvi faktor, faktoring društvo, d. o. o., Zagreb, Croatia, was established on 17 December 2003. Its principal line of business is factoring. The share capital of the company is EUR 2.6 million. Until 23 April 2015, the company Director was Mr Hrvoje Turkalj and, as of 24 April 2015, Mr Hrvoje Turkalj acted as the Chairman of the Management Board. Mr Mario Martinović was a Member of the Management Board as of the same day through 4 August 2015, and Mr Tomaž Kačar is also a Member of the Management Board as of 15 May 2015. The General Meeting of the company comprises representatives of Prvi faktor, Ljubljana. Until 3 June 2015, the General Meeting was made up of Mr Tomaž Kačar, Mr Aleš Sever and Mr Uroš Vidović; as of 4 June 2015, the General Meeting was represented by Mr Klemen Hauko, Mr Marcel Mišanović Osti, Mr Aleš Sever, Mr Uroš Vidović and Ms Tanja Sibinčič, and as of 8 December 2015 by Mr Marcel Mišanović Osti, Ms Mirjam Eržen and Ms Vesna Mladenović. As of 4 August 2015, members of the newly established Supervisory Board have been Mr Klemen Hauko, Mr Mile Bijelić and Mrs Tanja Sibinčič.

Prvi faktor, faktoring d. o. o., Belgrade, Serbia, was established on 24 February 2005. Its core activity is factoring. The share capital of the company is EUR 2.5 million. In 2015, the company Director was Mr Željko Atanasković. The General Meeting of the company comprises representatives of Prvi faktor, Ljubljana; until 3 June 2015, it was represented by Mr Tomaž Kačar, Mr Aleš Sever and Mr Uroš Vidovič, as of 4 June 2015 by Mr Klemen Hauko, Mr Marcel Mišanović Osti, Mr Aleš Sever, Mr Uroš Vidović and Mrs Tanja Sibinčič, and as of 8 December 2015 by Mr Klemen Hauko, Mr Marcel Mišanović Osti and Mrs Svetlana Miškić.

Prvi faktor d. o. o., financijski inženiring, Sarajevo, Bosnia and Herzegovina, is engaged in other financial intermediation. The company was established on 27 February 2006. The share capital of the company is EUR 1.5 million. The Director is Mr Đenan Bogdanić. The General Meeting of the company is made up of representatives of Prvi faktor, Ljubljana; until 3 June 2015, it was represented by Mr Tomaž Kačar, Mr Aleš Sever and Mr Uroš Vidovič, as of 4 June 2015 by Mr Klemen Hauko, Mr Marcel Mišanović Osti, Mr Aleš Sever, Mr Uroš Vidović and Mrs Tanja Sibinčič, and as of 8 December 2015 by Mr Klemen Hauko, Mr Marcel Mišanović Osti and Mrs Svetlana Miškić.

Prvi faktor d. o. o., Skopje, was registered with the court register on 22 September 2006. The share capital is EUR 5 thousand. The company Director is Mr Tomaž Kačar. The company is not in operation.

Pro Kolekt d. o. o.

Pro Kolekt, družba za izterjavo, d. o. o. (hereinafter "Pro Kolekt, Ljubljana") was established by SID in 2004 and is under its 100% ownership. The company's nominal capital amounted to EUR 418.8 thousand as at 31 December 2015. The nominal value of SID Bank's equity holding in Pro Kolekt, Ljubljana, was also EUR 418.8 thousand.

Pro Kolekt, Ljubljana specialises in extra-judicial recovery. The company accepts cases of Slovenian and foreign creditors. Foreign export credit agencies and recovery agencies are acting more and more frequently as agents for Pro Kolekt, Ljubljana. Pro Kolekt, Ljubljana, also represents creditors in judicial recovery, composition and bankruptcy proceedings, and provides credit rating information. The company Director is Leon Zalar. The General Meeting of the company is represented by the Management Board of SID Bank.

The Pro Kolekt Group comprises the parent company Pro Kolekt, Ljubljana, and a network of the following subsidiaries in south-eastern Europe:
- Pro Kolekt d. o. o., Zagreb;
- Pro Kolekt d. o. o., Skopje;
- Pro Kolekt, društvo za naplato duga d. o. o., Belgrade;
- Pro Kolekt Credit Management Services Bucuresti S.R.L., Bucharest;
- Pro Kolekt Sofia OOD, Sofia;
- Pro Kolekt d. o. o., društvo za financijsko posredovanje, Sarajevo.

Centre for International Cooperation and Development

In 2006, SID Bank officially became the joint holder, alongside the State, of the Centre for International Cooperation and Development (hereinafter "CMSR"), with which it had already worked closely. The institute's core activities are macroeconomic, political and other-purpose country analyses, assessments of country risk and publicity activities. On the basis of government authorisation, CMSR has become Slovenia's main institute for technical and operational work in the field of international development cooperation.

CMSR's governance bodies are the Director and the Council. The institute is represented by its Director Mr Gašper Jež. The Council has six members. SID Bank's representatives on the Council are Mr Sibil Svilan (MSc), who is also the Chairman of the Council, and Mr Bojan Pecher.

3 Corporate Governance Statement

3.1 Corporate Governance Code

As a public company, SID Bank observed the Corporate Governance Code for Capital Assets of the Republic of Slovenia in its 2015 operations, which was adopted by the Slovenian Sovereign Holding in December 2014, when it also entered into force, as well as the Recommendations and Expectations of the Slovenian Sovereign Holding. SID Bank fully observes the mentioned Code except in cases when a special act (Slovene Export and Development Bank Act) regulates an issue in some other way. SID Bank is also the signatory of the Slovenian Corporate Integrity Guidelines from January 2014.

Due to legal restrictions, SID Bank does not observe the following recommendations of the Corporate Governance Code of Companies with a State interest:

Point 4.2: "Relations between the company and the shareholders – equal treatment of shareholders": SID Bank has only one shareholder, i.e. the Republic of Slovenia (c.f. Article 4 of ZSIRB).

Point 6.4: "Supervisory Board – composition": Procedures for proposing and appointing Members of the Supervisory Board are regulated by the Banking Act, the Companies Act and ZSIRB; the latter lays down the number of supervisory board members and the composition of SID Bank's Supervisory Board (Article 18 of ZSIRB).

Point 6.6: "Supervisory Board – election of supervisory board members": Members of SID Bank's Supervisory Board are appointed by the Government of the Republic of Slovenia at the proposal of ministers (Article 18 of ZSIRB).

In 2015, SID Bank also observed the Management Code for Publicly Traded Companies, which has been applied since 1 December 2010. Due to the mentioned legal restrictions, SID Bank does not observe the following recommendations of the mentioned code:

Point 1: "Corporate governance framework": The fundamental principles of SID Bank's operations are laid down by the Slovene Export and Development Bank Act. SID Bank's basic objective is not to maximise the company's value, but to generate direct or indirect added value for the users of SID Bank's financial services and, most of all, to increase or keep the value of the equity without the objective of maximising profit (c.f. Article 9 of ZSIRB).

Point 4: "Relations between the company and the shareholders": Since the only shareholder of SID Bank is the Republic of Slovenia, the recommendations are applied mutatis mutandis (c.f. Article 4 of ZSIRB).

Points 6 and 7: "Supervisory Board": The recommendations are applied mutatis mutandis, as proposals and appointments of supervisory board members is regulated by the law (Article 18 of ZSIRB), whereby SID Bank is obliged to observe the provisions of the Banking Act and its derived regulations (among others, the Decision on internal governance, governing body and internal process for the assessment of suitable capital for banks and saving banks).

SID Bank implements its corporate governance system pursuant to the legislation applicable in the Republic of Slovenia while taking into account internal acts (e.g. SID Bank Articles of Association). Furthermore, SID Bank observes the regulations of the European Banking Authority (EBA), the legal acts of the European Central Bank, and the regulations and other acts of the Bank of Slovenia.

3.2 Governing Bodies

Functioning and Key Powers of the General Assembly

The Republic of Slovenia has been the sole shareholder of SID Bank since September 2008.

The Bank's General Meeting convenes at least once a year after the end of the financial year, in accordance with the Companies Act.

In 2015, the powers of the General Meeting were exercised by Slovenski državni holding d. d. or its representative with the relevant written authorisation pursuant to the Slovenian Sovereign Holding Act.

Composition and Functioning of Management and Supervisory Bodies and Their Committees

The Management and Supervisory Boards are appointed according to regulations, although additional conditions and procedures set out in Article 18 of ZSIRB need to be taken into account. The Bank has a two-tier system of governance, i.e. it is managed by the Management Board, while the Supervisory Board oversees its operations.

SID Bank's Supervisory Board

Pursuant to the provisions of ZSIRB, the Supervisory Board has seven members who are appointed by the Slovenian Government. Members of the Supervisory Board are appointed for a term of five years. As at 31 December 2015, the Supervisory Board consisted of Ms Monika Pintar Mesarič (President), Mr Janez Tomšič (Deputy-President), and Mr Marjan Divjak (MSc), Mr Štefan Grosar, Mr Leo Knez (MSc) and Mr Boris Škapin (MSc) as Members.

The Supervisory Board monitors and oversees the management and operations of the Bank. It operates on the basis of its Rules of Procedure, which set out in detail its principles, procedures and work methods, while its principal powers and responsibilities are set out by the Bank's Articles of Association and acts governing the Bank's operations, most notably the Companies Act, the Banking Act and ZSIRB.

The Supervisory Board's role includes approving the Bank's strategic policy, reviewing the Bank's annual and other financial reports and formulating an opinion thereof, explaining to the General Meeting its opinion of the Annual Report by the Internal Audit Department and its opinion of the Annual Report by the Management Board, approving the Bank's Annual Report and the Management Board's proposal for the use of the distributable profit, and discussing any findings from supervisory procedures by the Bank of Slovenia, tax inspectors and other supervisory authorities. Furthermore, the Supervisory Board gives its consent to the Bank's business policy, the financial plan, the remuneration policy, the organisation of the system of internal controls and the Internal Audit Department's annual programme of work. The Supervisory Board also provides guidance and consent to the Bank's business policy in line with the development guidelines based on EU and Slovenian long-term development documents.

The Supervisory Board has established an Audit Committee, a Risk Committee, and a Nomination and Remuneration Committee as consultative bodies. Each Committee's duties and responsibilities are set out by its own Rules of Procedure.

Audit Committee

The Audit Committee is appointed by the Supervisory Board. As at 31 December 2015, the Audit Committee was chaired by Mr Marjan Divjak (MSc), Mr Leo Knez (MSc) was the Deputy-Chairman, while Mr Štefan Grosar was a Member. In connection with its powers of monitoring and supervision, the Committee primarily discusses material relating to the Bank's interim and annual financial statements, the activities of the Internal Audit Department, the organisation of the system of internal controls, risk management, and any findings by supervisory authorities in procedures of supervision. The Committee also participates in procedures to select an external auditor and reviews and monitors the auditor's work and impartiality.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is appointed by the Supervisory Board. As at 31 December 2015, the members of the Committee were Ms Monika Pintar Mesarič(the Chair), Mr Janez Tomšič (the Deputy-Chair), and Mr Boris Škapin (Member). The Committee's duties and responsibilities relate to remuneration policy and other issues concerning members of the Management Board. Its main tasks comprise selection and recommendation of candidates for members of the Management Board, defining the tasks and required conditions for a specific appointment, assessing the composition and performance as well as the knowledge, skills and experiences of individual Members of the Management and Supervisory Boardand both bodies as a whole, and reviewing the remuneration policy and practices, including those that impact the risks the bank is exposed and the risk management.

Risk Committee

The Risk Committee was appointed by the Supervisory Board in 2015. As at 31 December 2015, it was chaired by Mr Leo Knez (MSc), while Mr Marjan Divjak (MSc) was his Deputy. Within the scope of its powers, the Risk Committee provides advice on the bank's general propensity to assume risks and on the risk management strategy, assists in the supervision of senior management with respect to the risk management strategy, and examines whether incentives within the remuneration system take into account the risks and whether the prices of the bank's products are compatible with the business model and risk management strategy.

Committee for the Assessment of Suitability of Members of the Management Board

The policy for selecting Members of SID Bank's Management Board takes into account the provisions of the relevant banking legislation (the Banking Act, the Management code for publicly traded companies, the Corporate Governance Code for Capital Assets of the Republic of Slovenia as adopted by the Slovenian Sovereign Holding, the regulations laid down by the Bank of Slovenia and the European Banking Authority (EBA), the particularities deriving from the Slovene Export and Development Bank Act (ZSIRB) and the provisions of SID Bank's internal acts.

SID Bank has adopted a Policy for Selecting the Management Body and a Policy for Assessing the Suitability of Members of the Management and Supervisory Boards and Key Function Holders that regulate the procedure of selecting appropriate candidates and define the required knowledge and competences as well as detailed criteria and procedures to make an assessment of the suitability of a particular member of the management body.

The suitability of management body members is assessed by an expert committee comprising one external member with knowledge and experiences and banking or financial services, one external member with knowledge and experiences in staffing, psychology and related sciences, and one member employed in SID Bank, thus providing high autonomy of the Committee.

Pursuant to the applicable legislation, the Committee assesses the suitability of members of the management body before and after they are appointed if circumstances arise that require a reassessment of suitability, but no less than once a year.

Management Board

The Bank's operations are 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. It is to have no more than three members. The number of members is determined by the Supervisory Board. The Management Board of SID Bank is chaired by Mr Sibil Svilan (MSc), with Mr Jožef Bradeško acting as its Member.

The Management Board directs the Bank's operations independently and at its own liability. The actions of the Management Board are regulated by its Rules of Procedure. The Management Board generally sits in sessions on a weekly basis, discussing issues concerning the Bank's operations. The Management Board regularly briefs the Supervisory Board of the most important issues in the Bank's operations, its business policy, financial position, and other significant issues relating to its performance and activity.

The Management Board may transfer certain decision-making rights to collective decision-making bodies such as the Credit Committee, the Liquidity Committee, the Asset/Liability Committee, the Committee for Operations on Behalf of the State, the Distressed Investment Management Committee and the Board of Executive Directors. Their chief powers and methods of work are laid down in the Rules on Committee Operations.

Credit Committee

At its sessions, the Credit Committee decides on approvals of investments in line with SID Bank's business policy, on the classification of individual investments, on the raising of funding with a maturity of more than one year, on exposure limits for individual clients, and on the introduction of new funding programmes or individual products. The Committee also discusses the credit risk reports drawn up by the competent departments. As at the end of 2015, the Credit Committee had six members.

Liquidity Committee

The Committee generally sits in weekly sessions to decide on transactions aimed to manage liquidity and interest-rate and currency risks, monitor the Bank's liquidity position and fulfilment of liquidity-related regulations, and to put forward principles and guidelines in relation to funds raising and placement on money and capital markets, the utilisation of the monetary policy instruments, the management of exchange rate and interest rate policies and the management of the portfolio of securities and other financial instruments. The Liquidity Committee had five members at the end of 2015.

Asset-Liability Committee

The Asset/Liability Committee analyses changes and trends in the Bank's on-balance-sheet items, and takes decisions to achieve a balance sheet structure compliant with the Bank's business policy and allowing normal operations and achievement of the plans adopted by the Bank. The Committee makes decisions on the policy of treasury investments, the implementation of the interest rate, liquidity and foreign exchange policy; it deals with the Bank's performance in terms of its commercial objectives, discussing capital adequacy and risk exposure reports, the Bank's draft business plan, and proposing changes to the plan in the event of a significant change of business indicators. The Committee meets in monthly sessions and had seven members at the end of 2015.

Committee for Operations on Behalf of the State

The Committee was established to discuss and decide on operations performed on behalf of the State, and to ensure an even more consistent separation of the operations of SID Bank from the operations on behalf of the Republic of Slovenia.

At its weekly sessions, the Committee decides on (re)insurance operations on behalf of the State, limits of exposure to an individual client, the policy of contingency reserve investments, transactions for financing international commercial deals from contingency reserves, transactions and other issues concerning guarantee schemes, and other issues connected with operations on behalf of the State. The Committee had five members at the end of 2015.

Distressed Investment Management Committee

The Committee, established at the end of 2014, makes decisions on the approval and amendments to the term and conditions of investment transactions for clients on warning lists and of the costs, consents, write-offs and other proposals related to the management of the distressed investments and equity stakes acquired during the management of these investments. At the end of 2015, the Committee had five members.

Board of Executive Directors

In addition to having the powers granted by internal acts and membership in board and other bodies of SID Bank, Executive Directors as members of the Board of Executive Directors primarily deal with issues concerning the decision adopted by the Management Board. Pursuant to the organisational structure of SID Bank, the Board had four Executive Directors at the end of 2015.

International Trade Promotion Commission

The Government of the Republic of Slovenia has appointed an International Trade Promotion Commission to coordinate the actions of the relevant government bodies and institutions in the implementation of ZZFMGP, and to ensure the effective implementation of the insurance and financing of international trade and investment.

The Commission decides on the Bank's proposals to conclude insurance transactions in excess of EUR 5 million and when SID Bank is involved in a transaction, whereby it also has the power to rule on other matters related to risk management, such as approvals for:

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

The International Trade Promotion Commission regularly monitors the Bank's operations in areas regulated by ZZFMGP, discusses performance reports and provides an opinion on the Bank's report on the implementation of authorisations under ZZFMGP to the Ministry of Finance of the Republic of Slovenia.

As at 31 December 2015, the Commission was chaired by Ms Eva Štravs Podlogar, Dr Sabina Koleša was the Deputy-Chairwoman, while Mr Matej Čepeljnik, Dr Robert Kokalj, Mr Janez Krevs and Mr Jože Renar (MSc) acted as its Members.

3.3 Main Features of Internal Control Systems and Risk Management in Relation to the Financial Reporting Procedure

Via bylaws, the Bank has put in place various internal controls in relation to financial reporting procedures which are primarily implemented by the organisational units responsible for risk management, accounting, and controlling and reporting. The functioning of internal controls and risk management at the Bank is subject to internal auditing, which is carried out by a dedicated organisational unit.

Furthermore, to exercise its functions more effectively, the Supervisory Board has established an Audit Committee which specifically focuses on financial reporting and a Risk Committee that is primarily responsible for controlling and providing advice on risk management. Part of the system of internal controls at the Bank consists of legal compliance management, which is the responsibility of a dedicated organisational unit.

Compliance Management

Pursuant to capital legislation (the Banking Act in relation to CRD IV), SID Bank holds the status of "other systemically important institution". Notwithstanding its status, SID Bank has its own Compliance Management Department, which is a vital element of the internal control system.

Compliance Management is an independent organisational unit whose Director reports directly to the Management Board and is allowed to communicate directly with the Supervisory Board.

The purpose of the compliance function is to eliminate or limit compliance risks, strengthen the corporate ethics and integrity, and prevent fraud and abuse. SID Bank observes the Corporate Governance Code for Capital Assets of the Republic of Slovenia and the Management Code for publicly traded companies with minor deviations (c.f. Section Corporate Governance Code), and is the signatory of the Slovenian Corporate Integrity Guidelines.

The Compliance Department holds a supervisory function and maintains the internal Code of Ethics and Professional Standards, and it is responsible for handling whistleblowing complaints.

The Compliance Department exercises its supervisory role by means of regular and extraordinary audits of operations in terms of compliance, focusing on those areas where the analysis of risk profile suggests that the risk of non-compliance is the highest. In conducting its audits, the Compliance Department co-operates with the Internal Audit Department by exchanging information and findings. The compliance function also includes monitoring and reporting compliance risks and providing advice and training on the management of that risk.

Irrespective of the establishment and implementation of the compliance function, the Bank's Management Board remains primarily responsible for managing compliance risk and for ensuring that the Bank's operations comply with regulations. All the Bank's employees are responsible for ensuring compliance, with regard to their role and level of responsibility. Their right and duty is also to educate themselves in compliance risk management.

Internal Audit

The Internal Audit Department is organised as an independent and impartial organisational unit that is separated from the Bank's other organisational units in terms of function and organisation. It is directly subordinate to the Management Board.

The work of the Internal Audit Department is performed in accordance with the Banking Act, the International Standards for the Professional Practice of Internal Auditing, the Internal Audit Code of Ethics, and the Code of Internal Audit Principles. The operation of the Internal Audit Department is based on the Internal Audit Charter, while a more detailed description of internal audit procedures is given in the Internal Audit Department's Rules of Procedure and the Internal Auditing Manual.

The purpose of the Internal Audit Department is to provide independent and impartial assessments of the effectiveness and quality of risk management, internal controls and internal governance, thereby contributing to improved operations and achievement of the Bank's goals. Its mission is realised through internal audits and advisory activities, focusing on the most risky areas as laid down within the scope of the Department's plan of work. The annual and strategic plans are drawn up primarily on the basis of the Bank's risk profile and regulator's requirements for mandatory auditing of individual areas of the Bank's operations with the aim to cover, in terms of audit, the riskiest areas of the Bank's operation, and periodically also the less risky or the areas not yet audited. Both plans are adopted by the Bank's Management Board with approval given by the Supervisory Board.

All the regular audits planned for 2015 were carried out except one. The latter has been postponed to 2016, when activities will have been carried out to the extent enabling auditing. In cooperation with other control functions, the Internal Audit Department completed an extensive extraordinary audit in the associated company in the first quarter of 2015.

The Internal Audit Department placed great importance on the course of the implementation of recommendations, where considerable progress was observed in 2015.

In addition to extraordinary and regular audits and audits of the implementation of recommendations, the Internal Audit Department also provided consulting services, actively cooperated in the selection of an external auditor and coordinated the reporting to regulators' inquiries.

The Internal Audit Department reports on its activities, findings and the implementation of recommendations to the Management Board, the Audit Committee, and the Supervisory Board on an annual and quarterly basis. The Management Board discusses all reports on individual audits conducted by the Internal Audit Department.

In the last quarter of 2015, the Internal Audit Department was reinforced, which will fill the gap arising from prolonged leaves of absence. At the end of 2015, the Department recruited three employees, one of whom is part time. All employees hold suitable licences or professional titles for performing internal auditing task.

4 Risk Management

SID Bank's risk management system is based on an effective risk management process which includes procedures for identifying, measuring or assessing, managing, and monitoring risks, as well as internal and external risk reporting.

The main risks faced by SID Bank are credit risk, interest rate risk, liquidity risk, currency risk, operational risk, strategic risk, capital risk, profit risk and reputational risk. In view of SID Bank's mission and activities, its risk appetite is defined to consider credit risk as the most important, followed by operational, interest rate, profit, liquidity, strategic, capital and currency risk. Risk management at SID Bank additionally takes account of the specific attributes of the implementation of promotional and development tasks and services of particular importance to Slovenia's development and to the segmentation of operations into those involving the Bank's own resources and those on behalf of and for the account of the Republic of Slovenia, including the management of contingency reserves and the reserves in the IREP[4].

Pursuant to its business strategy, risk appetite and risk management strategy, SID Bank takes up risks within a long-term sustainable target risk profile. It prioritises the security and stability of its operations, thus contributing to increased value of its equity in the long term, the maintenance of the Bank's reputation, and the maximisation of benefits for the users of its services and other stakeholders.

The organisational structure and work processes at SID Bank are put in place so as to allow business targets to be met while maintaining operations that are secure and compliant with banking regulations. In the implementation of risk management measures, the key objective is to achieve proper awareness of risks at all levels of the Bank's activities.

Risk management begins in commercial organisational units, continues in organisational units separate from the commercial organisational units, and proceeds all the way up to the Management Board, thereby ensuring its independence.

The following bodies and organisational units are responsible for the direct implementation of risk management:

- Management Board: adopting the risk profile, laying down, adopting and regularly reviewing the risk management strategy and policies to managing risks which the Bank is or could be exposed in its operations, including risks deriving from the macroeconomic environment in which the Bank operates, taking into account the credit and business cycle applicable at the time;
- Credit Committee: assessment, decision-making and monitoring of all types of credit risks, with specific focus on large exposures and consolidation;
- Liquidity Committee: liquidity risk, interest rate risk and currency risk;
- Distressed Investment Management Committee: the management of non-performing exposures;
- Asset/Liability Committee: the balance sheet structure, capital adequacy and overall Bank's risks;
- Executive Director for Risk Management: reporting to the Bank's Management Board on all significant risks and circumstances that affect or could affect the Bank's risk profile; independent reporting to the President of the Supervisory Board and the Chairman of the Risk Committee in case of specific risk developments that affect or could affect the Bank's risk profile, independently of the Management Board;
- Risk Management Department: the preparation of risk management strategy and policies, risk profile, risk monitoring;
- Credit Analyses Department: the assessment and monitoring of clients' financial positions and projections of their performance, the assessment of investment acceptability, the assessment of soft factors and the selection of appropriate indicators for determining financial commitments;
- Market Support Department: regular monitoring of clients and early detection of a deterioriation in a client's performance for clients with increased credit risk within early warning system (EWS), collateral monitoring, client's in-depth and crisis monitoring;
- Back Office and Payments Department: daily monitoring of currency risk and liquidity risk in accordance with internal limits;
- Distressed Investment Management Department: the management of non-performing exposures, proposing solutions to prevent and minimise potential losses.

SID Bank has not established a specific Risk Management Committe.

SID Bank has in place a risk management strategy and six policies, specifying the procedures of risk identification, measurement or assessment, management and monitoring. The documents are updated on an annual basis.

The risk management strategy is aligned with the applicable legislation and regulations governing risk management. Additionally, the specific attributes of SID Bank deriving from its status as an authorised institution under the Slovene Export and Development Bank Act and the Act Governing

[4] IREP – Interest Rate Equalisation Programme

Insurance and Financing of International Commercial Transactions are taken into account.

The strategy defines the types of risks faced by SID Bank as an independent institution and, at the same time, as the parent company in the SID Bank Group, which is in charge of consolidated risk management and the method of managing these risks.

The internal management system at SID Bank is based on:

- a clear organisational culture with clearly defined, transparent and consistent internal relationships regarding responsibilities and allowing effective communication and cooperation at all levels of organisation, including an adequate upstream and downstream flow of information. SID Bank has established a Credit Committee, Liquidity Committee, Distressed Investment Committee, Asset/Liability Committee and Committee for Operations on Behalf of the State, where the Bank's Management Board and senior management actively engage in the process of risk management;
- an effective risk management process that includes procedures to identify, measure or assess or evaluate, manage and monitor risks, as well as internal and external risk reporting;
- a suitable internal control system that includes administrative and accounting procedures. SID Bank has established an Internal Audit Department which regularly, independently and comprehensively audits the operation of the internal controls put in place and the implementation of the measures adopted to manage risks, giving recommendations to improve the system of internal controls and risk management procedures. Furthermore, it has established a Compliance Department that identifies, assesses and monitors the compliance risks to which SID Bank is exposed in its operations, and reports its findings to the Bank's Management and Supervisory Boards;
- a suitable remuneration system for employee categories with the specific nature of work that significantly affect the risk profile.

SID Bank systematically and regularly monitors all mentioned risks. Within the risk management framework it detects important risks early, considers them comprehensively, monitors them within the scope of its day-to-day activities and timely reports them to the Management Board. The Management Board promotes a culture of risk management that complies with the risk appetite and regularly reports to the Supervisory Board on the management of individual types of risks. Effective risk management reduces the probability of unexpected losses and, as a result, the realisation of reputational risk. The monitoring frequency and reporting method on risk exposure are laid down in internal acts, i.e. for each type of risk separately. Detailed description of adopted methodologies for managing each type of risks is included in Section 3 of the Financial Report. SID Bank's risk management framework is aligned with regulatory requirements of the Bank of Slovenia and other applicable legislation, taking into account EBA guidelines and good banking practices.

The risk profile of the Bank and the Group is assessed each year, and a report on the implementation of the internal capital adequacy assessment process is compiled. The Bank's risk profile is a documented and categorised collection of quantitative and qualitative assessments of the risks assumed by the Bank within the scope of its operations and the control environment used to manage such risks. The risk profile assessment is one of the key strategic performance indicators used for measurement the implementation of SID Bank's strategy.

SID Bank assesses the risk profile for the entire SID Bank Group, whereby it makes an aggregate assessment of subsidiaries and an assessment by activity for SID Bank.

In accordance with the risk management strategy and the capital risk and capital management policy, SID Bank has put in place an internal capital adequacy assessment process, which:

- is based on the identification, measurement or assessment of risks, the formulation of an aggregate assessment of risks, and the monitoring of significant risks that the Bank takes up in its operations;
- ensures adequate internal capital in relation to the Bank's risk profile;
- is properly incorporated into the governance system.

A comprehensive internal capital adequacy assessment process, tailored to the risks taken up, is carried out once per year, providing quarterly reports to the management bodies, thus ensuring that the risks taken up remain within the limits of SID Bank's risk absorption capacity.

SID Bank also conducts stress tests based on the basis of its own scenarios and scenarios suggested by the supervisor. Based on the results of these tests, SID Bank is able to identify in advance and timely those areas where it is most vulnerable, thus mitigating the risks and improving its performance by means of appropriate measures.

Considering the size and complexity of risks, SID Bank uses the standardised approach to calculate the minimum capital requirements for credit risk and the basic indicator approach for operational risk. SID Bank does not carry out trading transactions and is, therefore, exposed to minimum market risk. Within the scope of market risks, SID Bank monitors and manages currency risk and calculates the capital requirement for currency risk in accordance with the provisions of Articles 351 to 354 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereinafter "CRR Regulation").

In 2015, the SID Bank Group formed additional capital to sustain a capital conservation buffer and a capital buffer for other systemically important institutions.

In 2015, SID Bank maintained high capital adequacy, which amounted to 29.5% as at 31 December 2015, thus providing future stable operations. Furthermore, liquidity ratios were also high, the Liquidity Coverage Ratio (LCR) amounted to 1444% as at 31 December 2015 (in 2015, the required minimum was 60%), while the Net Stable Funding Ratio (NSFR) stood at 170%.

SID Bank's main efforts in risk management activities carried out in 2015:
- consolidated the organisational structure of risk management, which was changed with the reorganization at the end of 2014 and introduced the level of executive directors;
- revised the rules governing the management of non-performing exposures and upgraded IT support for external and internal reporting;
- upgraded the early warning system (EWS) for early identification of client difficulties by introducing additional indicators and information technology;
- placed special attention on reducing non-performing exposures pursuant to the regulator's guidelines and the Bank's strategy in that area;
- upgraded the monitoring of liquidity and interest rate risk.

SID Bank also places special attention on the risks deriving from loan funds. The promotional and development platform developed by SID Bank is an instrument for integrating and distributing national budget funds for the implementation of financial actions within the scope of national and European public policy. Within the scope of the platform, the Bank implements financial engineering measures where the State covers the first loss. The most important risk of the loan fund is credit risk.

In 2015, SID Bank continued to implement accounting measures (impairments of receivables, provisions for off-balance-sheet obligations) and other measures to manage credit risk within the scope of the financing business process, such as:
- approval of (changes to) the loan fund in line with the rulebook on the credit/investment approval;
- preparation of credit ratings for borrowers from the loan fund in line with the rulebook on the assessment of domestic and foreign persons pursuing economic activity;
- within the scope of quarterly reporting to the Asset/Liability Committee on credit risks (internal reporting), the preparation of a separate review of the loan fund credit portfolio by rating and activity;
- performance of sample checks of the intended use of assets for the loan fund's credits based on reports by beneficiaries/borrowers according to SID Bank's instructions.

In the risk management area, SID Bank will place special attention in the coming year on the implementation of the guidelines provided by the Bank of Slovenia to calculate the default and loss rates, on increased automation of reports for internal and external reporting and a procedure to introduce new International Financial Reporting Standards (IFRS 9 – Financial Instruments). It will continue to deal with non-performing exposures intensively and maintain due implementation of the credit process and a suitable risk management culture.

Pursuant to market developments, SID Bank expects that the environment will have an important impact in 2016, primarily on profitability risk as a result of low interest rates in the euro area. Considering the foreseen further stabilisation of economic conditions, it is expected to see further improvements to credit risk and therewith related share of non-performing exposures.

SID Bank also provides credit and investment insurance against non-marketable risks of a commercial and/or non-commercial nature on behalf of and for the account of the Republic of Slovenia. Claims payouts are covered from contingency reserves, from which policyholders are paid.

To prevent conflicts of interest and maximise efficiency, credit and investment insurance operations are provided in a special department that is organisationally separate from banking operations all the way to the level of the Executive Director or the Management Board, while transactions are decided and discussed by the separate Committee for Operations on Behalf of the State. The rights to conclude insurance operations are defined similarly to banking operations, whereby all transactions of EUR 5 million or more are decided by the International Trade Promotion Commission. The Commission has the power to make decisions in other areas related to risk management, such as approvals for insurance policies in individual countries or groups of countries, which together with limits on insurance already set out in the ZZFMGP act to limit potential claims. Furthermore, SID Bank uses a risk management model (a value-at-risk technique) to calculate potential claims on the basis of data on insurance concluded on behalf of and for the account of the Republic of Slovenia in order to assess whether contingency reserves are adequate to cover these claims and to estimate the maximum potential claim and the impact of new insurance operations on potential claims. The model variables are insurance type, country of risk, obligor's risk (expressed as credit rating under SID Bank's internal methodology), gross insured sum, type of insurance risk, amount of own share, estimated recourse, reinsurance percentage, insurance maturity date, assessment of individual insurance exposure at the end of each quarter until the expiry of the insurance period. To calculate potential claims deriving from the insurance portfolio, it uses a methodology based on loss event probability coefficients, both for countries as well as individual obligors. The calculation of the probability of default for a particular country for a certain period is based on the credit ratings provided by Moody's credit rating agency and the pertaining adjusted probabilities of default based on the relevant studies. The calculation of the probability of default of individual clients is based on their credit ratings under the S&P rating scale and the pertaining quarterly probabilities of default. Based on the mentioned parameters, the model may calculate up to 10,000 combinations or random examples for volumes of potential claims. Results may be obtained for different periods of up to 10 years.

More about risk management is available in Section 3 of the Financial Report.

5 Management Body Declaration on the Adequacy of Risk Management Arrangements

Pursuant to Article 435 (point 1.e) of the 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 (CRR Regulation), the governing body, i.e.

MANAGEMENT BOARD:

Mr Sibil Svilan, MSc, President, and Mr Jožef Bradeško, Member, and

SUPERVISORY BOARD:

Ms Monika Pintar Mesarič, Chair,

by signing this declaration approves the adequacy of risk management arrangements at SID Bank and the SID Bank Group providing assurance that the risk management systems put in place are adequate with regard to the Bank's risk profile and business strategy.

The risk management regulation or function is separated in the Bank's organisational structure up to the level of the Executive Director who covers only that area and is required to provide suitable realisation of risk management arrangements at the level of the Bank's day-to-day activities, regularly reporting to the Management Board. The Executive Director regularly participates in Supervisory Board meetings in the part referring to risks and in Risk Committee meetings and is given direct access to the President of the Supervisory Board and the Chairman of the Risk Committee to inform them of any important circumstances that affect or could affect the Bank's risk profile.

Notwithstanding that the Bank's governing body (Management Board and Supervisory Board) is fully competent and responsible for defining and adopting risk management arrangements, for regularly reviewing their adequacy, including the provision of updates relative to the impacts of the Bank's internal and external environment factors, and for controlling the realisation of the risk management strategies and policies adopted.

Ljubljana, 3 March 2016

6 Strategy of SID Bank

In line with the established strategic planning process foreseeing, inter alia, a "sliding" strategy, SID Bank's medium-term strategic plans were reviewed at the end of 2015. On that basis, SID Bank adopted its Action Strategy for the 2016-2018 period.

The key external circumstances taken into account by SID Bank when revising its strategy were primarily changes in the functionning of financial markets and the Slovenian banking sector and, at the same time, expectations of continued economic growth in Slovenia in the future medium-term period. The key internal factors encouraging the revision of the action strategy were primarily the adaptations of the business model, products and methods of lending. Another integral part of the action strategy is the risk profile by which SID Bank also manages risks at the strategic level.

Mission, Vision and Values

As the central Slovenian financial institution in the areas of promotion and development, SID Bank develops and provides long-term financial services to complement the financial market, thereby promoting economic competitiveness, job creation and the sustainable development of Slovenia.

By monitoring companies in various phases of their operations and offering tailored financial services, particularly long-term ones, SID Bank ensures suitable funding conditions where the existing market offer is insufficient. This way, the Bank promotes the realisation of opportunities for the Slovenian economy at home and abroad, especially for SMEs that show a high development potential.

The financial value of services for final beneficiaries, the implementation of the national development strategy, and the effective exercise of its public authorisations are the foundations on which SID Bank pursues its objective of being an effective and valued partner in promoting development.

SID Bank endeavours to ensure that its operations are transparent, efficient and socially responsible, with a concern for its staff and its own internal growth. Values, such as responsibility, expertise, commitment, cooperation, and creativity are the fundamental principles that guide SID Bank's staff in their everyday work, in their mutual relations, and in their dealings with clients and other stakeholders.

Key Strategic Policies

Market Aspect

From the market perspective, it is important that SID Bank continuously adapts its business model to new economic conditions and needs. The Bank is developing a new generation of financial services tailored to the environment and current challenges that will increase financial value for final beneficiaries and have development effects on the Slovenian economy.

Within this context, the Bank will continue to focus on the active adaptation of existing products and the development of new ones over the entire enterprise lifecycle. The Bank is developing new products primarily in the areas of SMEs, infrastructure financing, eco programmes, support for financial and business restructuring of the economy and capital market catalysation. Moreover, the Bank will endeavour to expand financial and consulting engineering and its product-based cooperation with other public promotional institutions in Slovenia, and to improve the effectiveness of the allocation of refundable budget funds and European cohesion policy funds. In project-based and investment funding, the Bank intends to develop suitable instruments.

SID Bank will act primarily in areas where market gaps are the largest and where support from commercial banks is diminished. That is why the Bank will continue to focus on SMEs with a high potential for developing or growing into medium-size or large enterprises, which will result in new job creation and sustainable growth of the economy.

SID Bank's new strategic perspective will, as a priority, develop programmes with elements of state aids, meaning the provision of favourable funding conditions in segments with market gaps. To achieve that objective, SID Bank uses the concept of financial engineering, where it uses its own funds in combination with fiscal and private funds, thereby also achieving proper risk distribution and management mechanisms.

SID Bank will continue to act primarily in the segment of indirect financing via banks on the basis of specially designed promotional development programmes. In market gaps, where banks are particularly inactive, it will increase its share of direct financing.

Upon the expected recovery of sustainable economic growth, the Bank will focus on the development segment in designing its future operations. The role of SID Bank is hence adjusted to the cyclical conditions determined by macro-financial conditions that have improved significantly in recent years. Progressive focusing on the development segment of operations will enable SID Bank to direct its role into becoming the key financial pillar of the new Slovenian development model. Despite that, SID Bank remains prepared to renew the activities of its intervention role in the event of deteriorating economic conditions.

Financial Aspect

SID Bank will implement the risk policy in the classical meaning of the operation of development banks (higher risk, longer maturity, lower return), and at the same time it will provide a financially sustainable business model. Namely, the Bank will ensure that all risks are managed to a degree that ensures the required level of security, while achieving adequate performance.

The Bank will continue working to diversify and use its new preferred instruments to provide long-term funding. If funding is also provided from the state budget or European cohesion policy, the Bank will be able to offer final beneficiaries more favourable financing terms.

SID Bank will remain committed to increasing the value of its capital and maintaining capital adequacy, also due to its important role as a systemically important bank. In terms of capital increase, cost-effectiveness is also vital, thus the Bank will try to keep it at a suitable level in the next period, although additional resources will be required due to new forms of operation.

Internal Aspect

The strategic priorities from the internal point of view are to adapt internal processes to the new business model, to speed up the development of products, and to further adapt the operations as required by the European Commission.

The organisational culture at the Bank will be developed in line with the established ethical values and high professional standards, and the optimisation of organisational structure will be completed. It is vital to manage a quality system that enables effective management of internal growth and mitigates operational risks.

The development of the IT system will be balanced between efficiency, flexibility and stability, and the process of designing an effective data model will continue. SID Bank will further endeavour to ensure data integrity and the availability of quality data to ensure suitable services and support even upon increased turnover.

Another of the Bank's strategic guidelines is the effective governance of the SID Bank Group and the exploitation of process synergies in the Group upon a suitable organisational structure or possible additional changes.

Learning and Development Aspect

One of the key strategic guidelines in terms of learning and development is primarily the use and strengthening of the important connection role SID Bank plays in relation to the economy, financial sector, public sector, and the development and promotional system. Furthermore, it will be important to maintain a network of expertise that SID Bank has built in the past in financial, technical, technological, and institutional areas, primarily with a goal to transfer good practice. SID Bank will endeavour to obtain competences in cohesion fund drawing, implementing the advisory function and project financing.

SID Bank will continue to apply the concepts of responsible lending and try to exercise its strategy outwards, while using its power to have an impact on wider society in terms of sustainable development.

Financial Plan for 2016

The adopted strategic guidelines and objectives formed the basis for the preparation of the Bank's annual operational and financial plans which provide support for the pursuit of strategic objectives at the operative level. The financial plan observes the assumptions of SID Bank's Strategy for the 2016-2018 period, prepared on the basis of a selected scenario.

In accordance with the Bank's adopted strategy, the activities of the Bank in 2016 will be focused on providing financial services in segments where market gaps or other irregularities have been identified. Due to reduced counter-cyclical financing needs, the Bank will next year expand a part of its activities to services where SID Bank seeks to contribute to a more effective transfer of EU promotional programmes in the Slovenian environment and to the transmission of European Cohesion Policy funds, thus enhancing its role in the formation of the economic and development policies.

According to the foreseen market developments, further improvement of the economic and financial situation, and the growth of the economy, total assets as at the end of 2016 will stand at EUR 2,682 million. In 2016, the Bank plans a loan portfolio balance of EUR 1,463 million, which means a somewhat lower amount of loan with respect to the balance at year-end. The reason for a reduced bank portfolio lies in a favourable liquidity situation of banks and reduced credit risks, which is reflected in lower demand for loans from SID Bank. Loans to non-bank clients will focus on loans within the financial engineering measures to ensure clients with favourable funding for operation and development.

The Bank plans to generate a positive result in 2016 despite the expected lower interest income. Due to expected payments of certain bad debts in 2016, the Bank plans somewhat lower net expenses for impairments and provisions. Somewhat higher operating costs are the result of the new planned activities of the Bank.

The balance of the Bank's operations, which is reflected through the provision of capital stability, adequate cost effectiveness, maintenance of adequate liquidity and proactive management of all risks, will continue to form the foundations of SID Bank's future operations in 2016.

7 Corporate Social Responsibility

SID Bank's Mission

The mission and activities of SID Bank focus on meeting the wider social objectives defined by all three components of sustainable development in Slovenia: the economy, social development, and environmental concern. SID Bank's activities are based on long-term development documents issued by the Republic of Slovenia and the European Union, laying down priority areas with the requisite social consensus.

The primary role of SID Bank is to promote the sustainable development of the Republic of Slovenia by contributing to long-term sustainable and stable economic growth through the provision and upgrades to the development financing system. Concern for social responsibility is integrated in the entire operation of SID Bank and is being realised within the scope of all its activities.

SID Bank's role is intermediation in financing and insurance in areas where there are market gaps in order to create wider social benefits primarily in terms of:

- sustainable and balanced economic development in Slovenia;
- research and innovations, and other forms of promoting economic development;
- close-to-nature environmental development with a high degree of protection for the environment and habitat, public infrastructure and utilities, and energy efficiency in particular;
- social progress, education and, in particular, employment and job creation and preservation;
- other activities contributing to economic growth, sustainable development and prosperity.

The final objective of the Bank's operations is to provide equal opportunities for future generations.

The Bank sees its role and activities from at least two perspectives. While the external activity focused on the environment is revealed at the national level in the support for sustainable projects by individual SID Bank funding programmes, its internal socially responsible actions by all employees help it in its pursuit of its core business activities and mission.

Outward Effects of Socially Responsible Activities

Effects of the Bank's Activities

After its establishment, SID Bank quickly affirmed itself as one of the most important institutions of the Slovenian Banking system, also due to the needs for its intervention activities. Using the methodology from an independent evaluation of SID Bank's activities in the 2007–2010 period, the SID Bank Group's services, excluding the guarantee schemes, facilitated EUR 7.5 billion in sales by Slovenian companies, EUR 3 billion in GDP, EUR 3.5 billion in exports and around 18,000 new jobs in 2015.

The scope of those effects derives from the Bank's focus on activities in the financial system's market gaps and development activities, where the financial system does not work adequately or at all. Due to its enhanced role during the crisis, SID Bank became the third largest bank in terms of total assets and capital, and the second largest bank in terms of corporate lending. The consolidation of the banking system, which is also revealed in the integration of banks after the crisis, naturally reduces the need for a large scope of the intervention role and focus on projects related to sustainable development funding. Despite that, SID Bank still took fourth place in 2015 according to the balance sheet total and the one of the leading roles in corporate lending.

Responsible Lending

SID Bank upholds the principle of responsible lending in its decision-making process, which in addition to an economic and financial assessment encompasses an assessment of five borrower's balance sheets (human capital contribution, raw materials, environment, energy efficiency and innovation). In addition to the planned adjustment in its lending activities, SID Bank is also developing and introducing systemic solutions and tailoring its range of services in substantive and technical terms to the changing needs of final beneficiaries and commercial banks when they act as intermediaries of SID Bank's earmarked funds.

In practice, SID Bank has integrated the responsible lending concept into its internal decision-making process. As a development bank, it primarily pursues the principles of sustainability and self-sufficiency, rather than maximizing profitability, which enables it to ensure favourable financial conditions of its incentive programmes. In accordance with ZSIRB, SID Bank reinvests and earmarks all profits for the additional financing of the economy.

SID Bank's role is thus not to support all transactions, but only those that are economically and financially justifiable and, at the same time, include a component of sustainable development.

The concept of responsible lending is also revealed in ensuring the added value of the Bank's services using the following levers:
- the diversity of own financial resources;
- more efficient use and allocation of funds;
- programmes of longer maturity and increased assumption of the risks of final beneficiaries;
- lower prices of services and other more favourable terms and conditions;
- co-financing and acting as a promotional factor together with other financial institutions;
- promoting the functioning of the private sector in the direction of sustainable development and an increase in its capacities;
- transferring financial benefits to final beneficiaries;
- developing financial instruments tailored to the needs of the Slovenian economy;
- achieving positive external effects (social benefits);
- integrating with other public promotional institutions;
- advisory services.

In dealing with clients or in specific projects, special attention is placed on preventing corruption and on environmental policy. The Bank is aware of its specific position as regards potential distortion of free competition, which is why it implements measures preventing it from competing with commercial financial institutions on the market in the implementation of its activities. Therefore, SID Bank's activities are embedded in a framework complementing other market participants.

Accessibility to Services

Due to its public functions, the Bank seeks to realise the principle of equal access or equal treatment of all users of its services, implying the same services under the same terms and condition to all entities equally eligible (the principle of non-discrimination). Special attention is placed on suitable regional dispersal of development funds.

With the aim of giving final beneficiaries access to financial services for sustainable development projects, SID Bank continued developing products and programmes in 2015 by pursuing the concept of covering the entire production chain where market gaps are present – from working capital, research and development, investments, all the way to sales on domestic and foreign markets, even up to the final repayment of related claims.

In 2015, the Bank implemented new and existing credit and other lines for:
- financing SMEs;
- financing technological and development projects;
- financing renewable energy sources and efficient energy use;
- financing the infrastructure and environmental projects of municipalities;
- insuring pre-export credits;
- insuring export credits pursuant to the OECD's sustainable funding policy.

Professional Commitments and Cooperation

Interbank agreements and recommendations enhancing best practices, rules and principles of the banking profession contribute in the long term to healthy operations, responsible lending, security and liquidity in the banking sector and beyond. The Bank therefore ascribes appropriate relevance to such agreements with financial institutions at national and international levels, and actively participates in the exchange of information, best business practices, and the establishment of professional values.

SID Bank considers agreements with the Bank Association of Slovenia and other domestic and foreign banking associations of which it is a member to be particularly important. The Bank is also a member of several international associations of financial institutions, including the EAPB, ELTI, NEFI, and the Berne Union. Together with over 50 other members of the Berne Union, the Bank signed a special declaration committing itself to pursuing the high ethical standards and values of association and to perform its activities professionally and in a financially responsible manner, while respecting the environment. To strengthen cooperation with European institutions, the Bank became a shareholder of the European Investment Fund (EFI) in 2015.

SID Bank is also included in the indicative list of national projects for financing from the European Fund for Strategic Investments (EFSI) in the area of promoting the energy renovation of state and other buildings, and financing SMEs via quasi-equity. SID Bank strengthened its advisory services in 2015 by taking part in the European Investment Advisory Hub (EIAH), where it acts as a national entry point for investment project support.

Members of the European Long-Term Investors Association (ELTI), including SID Bank since its establishment, signed a declaration at the Paris Climate Summit in December 2015, committing themselves to contribute to the transfer to a low-carbon society by dedicating a suitable share of project funds to achieve climate targets, encourage companies to such investments, monitor effects and develop products that will contribute to a low-carbon and climate-friendly economy.

At home, SID Bank, as the founding member, joined the European economic interest grouping the Slovenian Innovation Hub in 2015, along with 22 other founding members from the economy, banking sector, academic sphere, and regional and local organisations. The Hub's basic tasks will be to integrate different players in innovations (from an idea to production via funding to the end user) and implement activities to improve the Slovenian innovation and entrepreneurial environment while supporting and participating actively in the implementation of individual projects relating to innovations in order to industrialise and cash in as many innovation projects as possible.

Communication with External Audiences

As a promotional and development bank, SID Bank pays a great deal of attention to the transparency of its operations and, accordingly, open communication.

The Bank's primary focus in external communications is on the business public, in particular business partners. SID Bank provides comprehensive information about its programmes and opportunities to receive its funds. In addition to press releases and notification via its website, SID Bank organised regular presentations of new and existing products for companies and local governments in 2015, while providing ongoing information and upgrading business relationships with companies and banks that provide SID Bank's funds to companies.

Representatives of SID Bank actively participated and cooperated in various events, seminars, conferences, panel discussions, etc., discussing topics that are important for the activities of SID Bank, such as export, development, energy, environment, competitive entrepreneurship, etc. SID Bank also organised the event Knowledge Hub, which included a lecture and a panel discussion at which successful Slovenian entrepreneurs and financial experts discussed the experiences and significance of a circular economy for Slovenian sustainable development.

Environmentally Friendly Company

SID Bank upholds internal social responsibility in terms of environmental protection and energy efficiency. In 2015, it continued its socially responsible practices by compiling its own energy-environmental balance sheet, calculating its carbon footprint and keeping a corporate responsibility index. Using the latter, the Bank monitors the implementation of measures and the achievement of objectives in the implementation of corporate responsibility.

	unit	2015	2014
Energy consumption for heating	kWh	229.250	371.568
per employee	kWh/emp.	1.503,3	2.663,6
Electricity consumption	kWh	183.224	254.208
per employee	kWh/emp.	1.201,5	1.822,3
Water consumption	m^3	892	1.284
per employee	m^3/emp.	5,9	9,2
Carbon footprint/CO_2 emissions	t	294	457
per employee	t/emp.	1,9	3,3
Office paper consumption	t	5,5	4,7
per employee	kg/emp.	36,2	34,0
Expenses for other office supplies	€	20.762	25.591
per employee	€/emp.	136,1	183,4
Size of premises			
per employee	m^2/emp.	15,0	16,4

SID social responsibility Index$_{(2015/2014)}$= 118,96

In 2015, the renovation of the Bank's business premises was completed. The renovation of the building was carried out in line with sustainable development principles by renovating the existing building, which belongs to architectural monuments of national importance, rather than by engaging in a new construction. The renovation was carried out by taking account of energy efficiency principles, the impact on the environment, the optimal working environment, and principles of cultural heritage protection. The renovation will significantly decrease the cost of energy and building maintenance.

SID Bank ceased the practice of giving business gifts and dedicated the funds saved in 2015 to the Slovene Philanthropy to cover the costs of Slovenian volunteers helping refugees.

Inward Effects of Socially Responsible Activities

SID Bank is aware that socially responsible activities cannot be properly developed without incorporating the personal responsibility of every individual in the organisation. For this reason, SID Bank promotes the awareness of one's personal and social responsibility as the lifestyle of an individual and the entire organisation at all levels of its operation.

This is also taken into account in SID Bank's corporate responsibility policy, which was adopted in the broadest and most comprehensive sense. The formally binding document emphasises the role of the entire staff in the implementation of the policy, while the bases for the systematic management of the policy's content have also been put in place. The Bank constantly upgrades measures in social responsibility through the strategic and operational planning process.

Hence, SID Bank adopted a governance policy based on internal socially responsible activities. The policy emphasises corporate values, the reference governance code, cooperation with all stakeholders, the policy of transactions between the company and related parties, the commitment to identify conflicts of interest, the independence of management and supervisory bodies, the assessment of efficiency, and the protection of employee interests.

The Code of Ethics and Standards specifies the principles and rules by which the Bank, its bodies, and employees act while performing their tasks in relation to clients, other banks, the economic environment and within the Bank. The Code confirms the established practice of promoting an appropriate organisational culture and the positive behaviour and attitude of employees in the performance of their tasks. The Code also places special emphasis on social and environmental responsibility.

Internal Communications

SID Bank performs a highly specialised activity. It is therefore crucial to its successful functioning that employees understand and support its actions. Effective and open communication can contribute to that end.

Various forms of notifying and communicating with employees are in place at the Bank. They include direct communication between management and employees, such as regular internal meetings and meetings of the Management Board with employees, access to electronic data collections, notification via an internal electronic newsletter and the quarterly publication of the in-house newsletter.

Concern for Employees

SID Bank enables its employees flexible working hours, thus facilitating a balanced organisation of their business and private life. Special attention is given to the employees' rights, their safety and health, working conditions, social security, personal and professional development, social dialogue and relationships.

In the area of employees' health and safety, SID Bank continued specialist and periodic medical and ophthalmologic examinations for all employees in 2015. It also conducted regular training in the area of occupational health and safety and fire safety, which is obligatory for all employees.

The payment of salaries and other job-related expenses to employees is subject to the applicable legislation and the Bank's Collective Agreement, while remuneration for employees' job performance and promotions are governed by the Corporate Collective Agreement. In 2015, the Bank continued its practice of paying in health insurance and supplementary pension insurance premiums for its employees.

SID Bank gives special attention to employee development with the aim to keep an education and qualification structure appropriate for the Bank's development and strategic objectives, to ensure employees' effective adaptation to changes and challenges within the organisation and the environment, and to provide employees with a sufficiently stimulating work environment that will offer enough professional challenges in the future.

Annual career development interviews were conducted with employees. Such interviews are used to assess the development potential of individuals, define key employees and draft annual training plans. This enables the Bank to identify the needs for new knowledge in a timely manner, and to plan targeted training and education programmes for individuals and groups of employees.

In terms of social responsibility, annual interviews and meetings with employees contribute to implementation and integrattion of Bank's values into the daily life and work of the employees. At the same time, employees take part in various meetings and round tables, where they promote their business values of sustainable development and ethical operations as the basis for socially responsible and sustainable banking.

The Bank has been creating new jobs and providing new employment opportunities through its growth and development for many years. In 2015, new employees were hired in line with the annual employment plan and the guidelines from the action strategy, which are based primarily on the adjustment of employment to the growth of operations and the development of new products, on the employment of experts with specific skills and experience, and on keeping competent and promising employees at the Bank. In 2015, SID Bank hired 20 new employees, mostly as substitution for employees who retired or found new challenges outside the Bank and, partly, as an answer to the needs and challenges imposed by new tasks and expectations of stakeholders. The Bank had 158 employees at the end of the year, 104 of whom were women and 54 men. The average number of employees in 2015 was 153.

	SID Bank		SID Bank Group	
Qualification level	number	proportion, %	number	proportion, %
Level V or lower	15	9.5	48	13.8
Level VI	12	7.6	35	10.0
Level VII	113	71.5	233	66.8
Level VIII	15	9.5	29	8.3
Level IX	3	1.9	4	1.1
Total	**158**	**100.0**	**349**	**100.0**

The objectives of SID Bank's action strategy include promoting continuous acquisition of the required knowledge and skills and their transfer to practice. In 2015, a total of 158 employees participated in various forms of training. In terms of knowledge management great emphasis has been given to the internal transfer of acquired knowledge and the evaluation of training programmes.

8 Performance in 2015

8.1 Macroeconomic Environment in 2015[5]

International Environment

In 2015, global economic growth was steady and unequal. The data available show economic growth of just above 3%, which is slightly less than the year before. Most problems have been detected in the economic growth of developing countries, which was hindered by structural obstacles and macroeconomic imbalances, countries exporting raw materials being faced with decreased prices of raw materials, and certain parts of the world were subject to growing geopolitical tensions.

The largest improvement of economic conditions has been shown in the major part of developed countries. Developed economies were favourably affected by low oil prices, still favourable funding conditions, improved conditions on the labour market, increased trust and decreased dampening effects that are the result of private sector deleveraging and public finance consolidation.

In the euro area, growth increased with respect to 2014, achieving 1.6%. This was largely contributed by support for domestic demand, particularly private consumption. The main inhibitors of economic recovery in the euro area remained to be a steady growth in emerging market economies and moderate global trade. The European Commission expects further economic growth that would achieve 1.9% in 2017.

The effects of the actions taken within the scope of the expansionary ECB monetary policy were revealed in the real economy as improved loan conditions, which partly stimulated business investments. Low oil prices, which increased company profits and household purchasing power, boosted private consumption through increased purchasing power.

Improved monetary and credit indicators were partly the result of low interest rates, targeted long-term refinancing operations by ECB and an enlarged security purchase programme. Bank funding costs achieved their lowest values, after decreasing for several years. The Bank gradually transferred reduced prices of sources in the form of low interest rates on loans. Favourable loan conditions supported the recovery loan growth, while differences between interest rates on loans between countries further decreased.

The euro area budget balance has slightly improved due to favourable economic trends, low interest rates and fiscal consolidation actions. The downward trend is expected to decrease GDP from some 2% achieved to around 1.5% until 2017. Furthermore, the gross debts of countries within the euro area are expected to decrease from the current 93.5% to around 91% until 2017.

[5] Unless stated otherwise, the figures are taken from the following sources:
- IMAD – Economic Mirror (January 2016); Review of the realisation of the Autumn Forecast of Economic Trends 2015
- Bank of Slovenia – Economic and Financial Trends, January 2016;
- ECB – Economic Bulettin (December 2015)

Slovenian Economy

After GDP rose by 3% in 2014, it continued to grow in 2015, reaching 2.9%. Quarterly GDP growth rates had already been positive since the beginning of 2013 and, furthermore, unemployment has gradually decreased.

Upon further growth of foreign demand and improved competitiveness of the Slovenian economy, export remained the chief factor for GDP growth. Real growth of the export of goods and services remained relatively high in 2015, i.e. at 5.2%, despite a slight decrease with respect to the year before. Growth was also the result of increased private consumption in 2015. The latter grew in real terms due to increased available income and improved consumer sentiment by more than 1.5%. On the other hand, investment growth slowed down, primarily due to reduced construction investments in the second half of the year, when their strong growth, encouraged by accelerated drawing of EU funds before the expiry of the previous financial perspective, faded.

Improvements on the labour market further accelerated in 2015. The continuing growth of the working population is primarily the result of strengthened activities in manufacturing sector. Increased demand for labour force reduced the unemployment rate to close to 9% on the annual average, while the reduced unemployment trends are expected to continue in the coming years.

The harmonised index of consumer prices (HICP) fell by almost 0.5% in 2015 as a result of strong deflation pressures. The negative inflation rate was largely the result of decreased prices of energy products, particularly the continuing oil price decreases on global markets. Under the negative impact of cost factors in particular, the prices of durable goods decreased as well, while the prices of semi-durable goods, food and services rose.

The general government deficit fell below the Maastricht limit of 3% in 2015, for the first time since the crisis. Reduced deficit is in line with a gradual consolidation of public finance and the improvement of economic activity and conditions on the labour market. Expenses were similar to those a year ago, although expenses for investments, interest payments and subsidies were smaller. The European Commission expects the government debt to fall under 80% GDP in 2016 and 2017, i.e. from the 83.5% achieved in 2015.

Banking Environment

Conditions in the banking system improved in the past two years as a result of a more favourable macroeconomic environment. The latter contributes to reduced, although still relatively high credit risk. On the other hand, bank operation has been made increasingly difficult due to low returns in the environment, low and declining interest rates and reduced lending. High capital adequacy, which remained above the euro area average and amounted to some 18% on a consolidated basis at the end of the year, implies a low risk to bank solvency.

The quality of the credit portfolio improved somewhat in 2015. At the end of the year the share of classified receivables in default over 90 days amounted to some 10%, having peaked in 2013 when it exceeded 15%. The reduction of the share of bad assets, in addition to the transfers made to the Bank Asset Management Company (BAMC), were the result of banks' activities in relation to the restructuring and assets write-offs and of the favourable effect of economic growth. Banks to a large extent restructured their bad asstets due from large enterprises but restructuring form bad assets due from the SMEs increased as well in 2015. This group of companies concentrates a large share of the banks' bad asset portfolios, i.e. over 40%.

On the banksfunding side, the trends from 2014 largely continued but are about to end due to the repayment of most commercial bank liabilities to foreign banks. Hence, the strong deleveraging trend is expected to end.

The low liquidity risk and funding risk were favourably affected by high excess liquidity and availability of liquidity resources through non-standard ECB measures. Deposits by the non-bank sector sustained positive annual growth, accounting for two thirds of the banks' balance sheet totals at the end of the year. As a result, the loan-to-deposit ratio fell, achieving some 80%. A major share of deposits by the non-banking sector at the same time reduced the average maturity of banking resources.

Despite improved conditions in the banking system and favourable financing conditions, corporate lending continued to decrease. Reduced loans to the non-banking sector reached some 6% at year-end, taking into account the transfer of bad debts to BAMC, thus falling under 55% of the banks' balance sheet totals. Loans to non-financial companies at the end of 2015 fell by 10% YOY; however, more than half is accounted for by bad debt transfers. In particular, demand for short-term loans has decreased, thus increasing the share of long-term loans. As of May, household loans recorded positive growth, housing loans grew by some 1.5% annually, while the reduction of consumer loans continued to slow down.

The most prominent factor affecting loan provision in 2015 is the considerably reduced interest rates on loans. Interest rates for newly granted loans to companies not exceeding EUR 1 million decreased by more than 1.5 percentage points in 2015. The gap in the interest rates provided by Slovenian banks and those in the euro area hence reduced greatly. Decreases in the banks' passive interest rates largely contributed to decreases in active interest rates. Banks uphold more stringent loan standards when lending to the most risky clients, both in terms of the client's credit rating as well as the size of the company.

A reversal was noted in the past two years in corporate demand for loans, as companies save and return funds to other sectors on an annual level. This shows that companies have adjusted by increasing the share of activities that are financed with own resources, while reducing their debts. This has reduced demand for short-term loans as companies have increased the volume of liquidity investments, primarily cash and deposits.

The negative dynamics of loans are to a certain degree also affected by the commitments made by banks receiving state aid to the European Commission as regards reducing the scope of operations. Furthermore, certain banks owned by foreign institutions announced their withdrawal from the Slovenian banking environment due to their failure to achieve the expected returns, while activities have taken place to consolidate banks in the remaining part of the banking system.

The Impact of the External Environment on the Performance of SID Bank and SID Bank Group

Despite a general improvement of macroeconomic conditions, the conditions allowing the implementation of SID Bank's financial services that complement the market remained fairly unfavourable in 2015. The continued deleveraging process in the corporate and banking sectors, lack of investments at micro and macro levels, operation within the scope of an extremely stimulating monetary policy, and the presence of negative interest rates required further adaptations of the business model. Furthermore, the Bank was forced to respond to it with relevant cyclical adjustments that, upon preliminary extreme growth of intervention activities, automatically results in the decreased role or size of SID Bank when economic conditions improve.

The transmission of development funds to the economy has been made fairly difficult considering the consolidation of the Slovenian banking system, the availability of cheap ECB funds, low deposit interest rates and accelerated saving by the retail and corporate sectors. The loan-to-deposit ratio fell under 0.7 in May for several commercial banks, resulting in reduced needs of banks for external funding resources and, therewith, low affection for SID Bank's dedicated funding sources. The financial advantage of SID Bank's funds is hence merely the long maturity of funds provided for the stimulation of dedicated financing and, with respect to weak investment activity in the country, demand for such sources is limited. SID Bank further strengthened this part of funding and additionally developed some new development products (energy efficiency, sole proprietor funding, etc.); however, these cannot offset the loan reduction from the period of the Bank's crisis operations. Further deleveraging of commercial banks to SID Bank partially slowed down upon the assumption of administrative burdens accompanying dedicated funds and the adaptation of credit lines to new price conditions.

Notwithstanding the improved funding conditions, the corporate sector continues to save and deleverage – its net debt inter-sectoral position on the annual level has on average enabled companies to finance independently an increasingly large volume of production and investments, in addition to deleveraging, since 2013. Although this is still a market gap, particularly in SMEs with poor credit ratings, it remains extremely wide, particularly due to the commercial banks' reluctance to take up risks. This has also been confirmed by a study of market gaps performed by PWC, as banks have become much more aggressive, but typically only in the segment of top companies. Accordingly, SID Bank adjusted and focused primarily on the segment where the market gap is the largest.

Despite that, commercial banks are sensitive to any direct funding activity by development banks due to extraordinary cuts in business opportunities (the credit portfolio for the non-banking sector decreased from some EUR 20 billion before the crisis to some EUR 8 billion in 2015) and income pressures (decreased interest rates and interest margins, more and more frequent negative interest rates). Therefore, SID Bank develops a policy and measures ensuring it to deal with market gaps, thereby preventing its activity to crowd commercial banks out of the market segment operating properly.

The global economic activity continues to recover gradually and unevenly, while uncertainties in certain less developed countries have lately increased. Positive outlooks for developed economies are the result of low oil prices, still favourable financing conditions, improvements on the labour market, strengthened trust and the easing of dampening impacts from private sector deleveraging and public finance consolidation. Conversely, the outlook for growth in emerging market economies continues to be dampened by structural obstacles and macroeconomic imbalances.

The economic situation in the most important markets, other than Russia, for the companies within the SID Bank Group improved in 2015. GDP rose again in Slovenia and Germany, and, following a prolonged period of decrease, also in Croatia and Italy, while macroeconomic conditions in Russia deteriorated, with the Russian economy is remaining in recession in 2015.

On the other side, the tense political situation in Ukraine and Russia affected PKZ's decisions in limit approvals and, consequently, the volume of insured turnover and the premiums written. The changes in the environment described above affected the increase in PKZ's sales activities and search for new approaches to insurance sales and monitoring, which on one hand increased the cost of insurance acquisition and implementation and, on the other hand, increased activities reflected in an increased volume of insured turnover, but also in declining premium rates and the resulting decrease in the premium written in 2015 compared to the previous year. Low premium rates and, hence, the premium volume were affected by a competitive environment and more favourable loss ratios in recent years, which were taken into account by PKZ while setting premium rates.

In addition to Slovenia, the most important markets of the Pro Kolekt Group and Prvi faktor Group were the countries of Southeast Europe, where the economic and social situation remains difficult despite moderate recovery. Low economic activity and lack of payment discipline largely affected the operations of these companies in 2015 as well. Due to delays or even outstanding payments, many companies are faced with liquidity problems, while recovery procedures get prolonged and require more and more efforts.

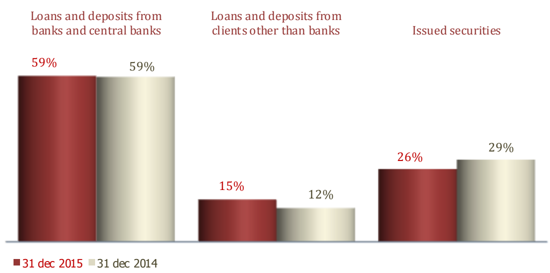
8.2 SID Bank's Performance

8.2.1 Funding and Liquidity

As a specialist banking institution with a government guarantee, SID Bank obtains long term funding, primarily on international financial markets and related banking institutions. In raising its funding, the Bank chooses debt instruments that allow for adaptability to the needs of financing. Therefore, its borrowing is diversified in terms of maturity, size and disbursement dynamics. The Bank endeavours to obtain long-term funding that is comparable in price terms to government funding, offering minimum mark-ups over sovereign borrowing.

For the purpose of providing favourable financing conditions for the economy, SID Bank in 2015 intensively drew funds from long-term loans that were concluded with the European Investment Bank (EIB) in 2013; at the same time it was also involved in other project structures of allocating EIB fund resources. Thus, the total volume of utilisation of EIB fund resources last year amounted to EUR 135.5 million, whereby multi-annual cooperation exceeded EUR 1 billion. In 2015, SID Bank also drew a long-term loan from the Council of Europe Development Bank in the amount of EUR 20 million.

Structure of financial liabilities

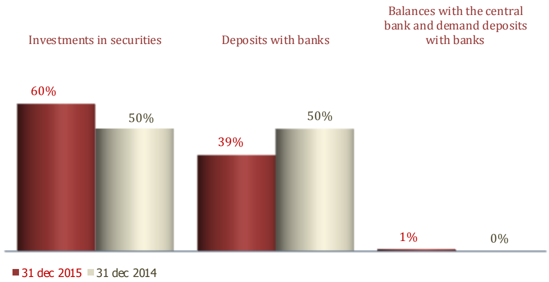


In April 2015, SID Bank repaid a due bond in the nominal amount of EUR 498 million. With a public issue on foreign capital markets, the Bank issued a new 3-year bond in August amounting to EUR 300 million at a fixed interest rate. For the purposes of hedging, the Bank also made interest rate swaps amounting to EUR 170 million upon bond issue, thus partly insuring the risk. The acquired source of funds was partly redirected to long-term loans and partly to early financing of its liabilities at the beginning of 2016. With the public issue of the bond abroad, the Bank at the same time maintained its visibility among foreign investors.

In 2015, the Bank occasionally borrowed, in the short term and at a fixed interest rate, on the interbank money market in commercial banks in Slovenia.

SID Bank also devotes much attention to managing its liabilities, in particular to mitigate refinancing risk. Hence, the Bank made an early redemption of promissory notes worth EUR 25 million (Schuldscheindarlehen), thus achieving a positive economic effect.

Structure of liquid assets



Due to volatile market conditions, SID Bank invested in 2015, for liquidity management reasons, in short-term deposits at domestic and foreign commercial banks and mainly in other short-term and medium-term debt instruments of issuers with high credit ratings. The share of long-term debt security purchases was minimal. Securities transactions were concluded as an alternative investment to complement the bank's core line of business, i.e. lending, and for the needs of liquidity management, and not for trading purposes.

The Bank's investments for the purposes of liquidity management totalled EUR 1,565 million at the end of 2015 or 48.9% of total assets. Almost two thirds of these investments comprised the securities portfolio in the amount of EUR 938.6 million, while the remaining amounting of EUR 626.4 million was invested in deposits with domestic and foreign commercial banks and the central bank. Investments in securities mostly consist of Slovenian and foreign government bonds and marketable bonds of other issuers. Investments are almost entirely euro-denominated. While investing in securities, the Bank gives priority to investments that can be used as collateral for entering into repo transactions on the market and at the European Central Bank and for investments that are considered in the first-bucket liquidity ratio on the basis of the Bank of Slovenia decisions. As a rule, the Bank puts surplus funds in investments considered at least investment-grade assets. As at 31 December 2015, a good third of all investments had a rating of at least A-. Deposits are placed with foreign commercial banks with a relevant international credit rating and with Slovenian banks.

As at 31 December 2015, investments with a fixed interest rate accounted for almost 86% of all investments for liquidity management purposes. Other investments were zero coupon (treasury bills, commercial papers) or had a variable interest rate tied to Euribor.

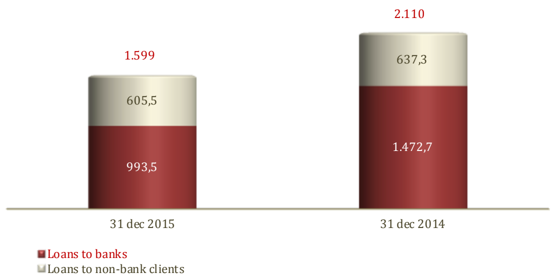
8.2.2 Financing

In 2015, SID Bank continued to perform majority of its lending operations by means of purpose lending to commercial banks, which use the funds to on-lend to their clients in line with the purposes laid down in ZSIRB. SID Bank provided financing for the remaining share of direct purpose lending to corporates and other clients, either within the state aid schemes or by means of co-financing together with other commercial banks.

The method and scope of its financing services were designed to complement the market needs and the activities of other financial institutions. The complementary financing services were based on already established financing instruments, such as dedicated loans to commercial banks, loans with or without the state aid status, loans and grants, factoring, debt and risk sharing, etc.

At the end of 2015 extended net loans totalled EUR 1,599 million (2014: EUR 2,110 million), having decreased by 24.2% compared to the end of 2014.

Loan portfolio (in EUR million)



Commercial banks remained SID Bank's most important partners in the provision of financing in 2015, accounting for 62% of its loan portfolio. As at 31 December 2015, loans to banks amounted to EUR 993.5 million. Direct financing represents a minor part of the loan portfolio; however, its share continued to increase in 2015 with respect to market developments. Lending to non-banks, as at 31 December 2015, amounted to EUR 605.5 million and represents 38% of the loan portfolio, which is 8 percentage points more than in 2014. In 2015, direct financing was carried out mainly in the form of specialized credit lines to promote technology development projects, research, development and innovations, investments and employment, energy efficiency, development of SMEs and environmentally friendly public investments at the local level.

Thus, the decreased absorption capacity of commercial banks and final beneficiaries of SID Bank's purpose funds in 2015 was, in particular, a reflection of:

- activities within the rehabilitation of the banking system (controlled liquidation of two banks, consolidation, ownership changes);
- conditions of banking system operations (funds, liquidity, ECB's credit activity);
- early repayments of loans to the economy on-lent through commercial banks;
- high exposures of banks towards specific sectors and industries;
- declining investments in development, improved energy efficiency, environmental protection, etc., and thus reduced demand for dedicated loans that can be provided by SID Bank under its assigned mandates;
- an overlap with state support instruments in certain areas;
- extensions and delays in project implementation and corresponding deferrals in disbursement;
- a lack of internal capital of companies for financing of investments;
- a lack of eligible collateral for corporate loans.

In line with the above, the Bank started redirecting its business model to more complex operation schemes, i.e. primarily in the direction of project financing and advisory services. Unlike other European development banks, SID Bank was not actively involved by the government in the implementation of the European cohesion policy, also because grant funds prevail in Slovenia. To this end, the Bank got involved in the promotion of the so-called Juncker Package and, as one of the first national development banks, established the European Investment Advisory Hub (EIAH) for the Republic of Slovenia. Furthermore, it strengthened cooperation with stakeholders in the preparation and realisation of major national and export projects and the opening of new markets for the Slovenian economy. It also prepared a development loan for strengthening the capital adequacy of SMEs and large enterprises and was involved in initiatives involving the energy renovation of the public and private housing stock and circular economy.

In view of the specific needs of the economy and the conditions on the market, SID Bank continued to implement its transformational role and created new value for target groups of final beneficiaries in 2015 by including special purpose funds from the European Investment Bank, the Council of Europe Development Bank and the Ministry of Economic Development and Technology in SID Bank's credit lines. Hence, the Bank contributed to further provision of favourable medium- and long-term funds for companies, particularly SMEs, the effective transfer of funds to final beneficiaries and, indirectly, to a faster transformation of companies as they change and introduce new business models.

The structure of SID Bank's loan portfolio by maturity reflects the orientation of SID Bank to activities compliant with ZSIRB and ZZFMGP, since almost all loans are long-term loans while the share of short-term loans is negligible.

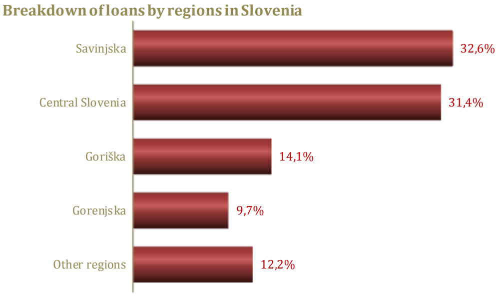
In the case of indirect financing, SID Bank started with some upgrades in 2015 that will be fully implemented in 2016 and refer to the optimized utilisation of dedicated resources by involving new agents, segmentation, creation of additionally specialized lines of credit, and reinforcement of technical support for intermediary banks. In cooperation with the European Investment Bank, SID Bank prepared two new long-term funding programmes in 2015 that are implemented in cooperation with commercial banks: a programme for financing energy efficiency measures in housing for natural persons in the approximate annual amount of EUR 10 million and, and a long-term financing programme for SMEs and Mid-Cap companies (of up to 3,000 employees) in the approximate amount of EUR 100 million. Using own resources, SID Bank also implemented a special funding programme for sole proprietors, craftsmen and SMEs via commercial banks. Accordingly, it upgraded its regular range of development financing.

Despite tightening conditions on financial markets, SID Bank maintained the quality of its products in 2015, measured as a combination of maturity, amounts, cost terms and effective logistics of the approval process, and provided dedicated funds in accordance with its role, mission and mandates. Despite the continued low creditworthiness or excessive indebtedness of the Slovenian economy and the capital crunch, SID Bank also introduced new products and upheld the concept of responsible lending, thereby improving the quality of financial solutions for greater economic competitiveness.

Target Groups of Final Beneficiaries

In 2015, SID Bank financed a total of 411 legal entities established in the Republic of Slovenia, either directly or indirectly via commercial banks, in the total amount of EUR 321 million. In 2015, SID Bank also started marketing a programme of energy efficiency measures in housing for natural persons. The eligible cost of the investments and projects financed by SID Bank (directly via commercial banks) totalled EUR 175 million, its funds accounting for 70% of the total sum. The funds were earmarked primarily for job preservation and creation, corporate growth, reduction of pollution and greater environmental protection.

In terms of the primary purpose, development of economic competitiveness accounted for 57.4% of the total value of new loans. In terms of corporate size, a total of 365 SMEs established in the Republic of Slovenia (86.5% of all borrowers) received support in the amount of EUR 103 million (32% of total new loans), 36 of which were sole proprietors (9.9% of all SMEs) who received EUR 1.8 million (1.8% of total new loans for SMEs).



In the regional breakdown of loans approved for the borrowers established in the Republic of Slovenia, the most loans were given to borrowers from Savinjska region (32.6%), followed by Central Slovenia (31.4%), Goriška (14.1%) and Gorenjska (9.7%), while other regions accounted for 12.2%.

Firms in the manufacturing sector were prevalent among borrowers (37.7% of total new loans in value terms), followed by the electricity, gas, steam and hot water supply sector (21.9% of total new loans in value terms), transport and storage (18.6% of total new loans in value terms) and other sectors. In the processing sector 44.1% of all new loans went to companies involved in the manufacture of electrical equipment, followed by the manufacture of motor vehicles, trailers and semi-trailers (14.8%), manufacture of fabricated metal products, excluding machinery and equipment (8%), manufacture of wood and of products of wood and cork, manufacture of articles of straw and plaiting materials, excluding furniture (5.8%), manufacture of machinery and equipment n.e.c. (5.2%), and manufacture of computer, electronic and optical products (5.1%).

Introduction of Products Based on Financial Engineering

To implement the financial measures and instruments of national and European public policies, SID Bank developed a set of financial instruments that are based on basic and derivative repayable incentives (e.g. a loan with or without elements of state aid) with a combination of own, budgetary and other favourable fund resources.

Based on that, the Bank implemented five financial engineering measures in 2015 (five specialised credit lines) in the total amount of up to EUR 650 million. In addition to an active credit line for direct financing of technology development projects and two credit lines for financing ongoing operations that can be acquired directly at SID Bank (the first one for loans not exceeding EUR 100,000 and the other one for loans between EUR 100,001 and EUR 1 million), SID Bank introduced two new credit lines in 2015 intended for directly financing SMEs: one for financing investments and job creation by SMEs and the other for financing research, development and innovations by SMEs.

The mentioned credit lines typically include state aid elements, which are reflected in favourable interest rates on loans. Using all five credit lines, SID Bank provided support to SMEs and development-oriented companies through direct funding in 2015.

In 2015, EUR 63.4 million of new funds in the form of loans were placed within the scope of financial engineering funds. As at the end of 2015, net loans given totalled EUR 120 million. The weighted average maturity of loans amounted to 5.6 years. The weighted average markup over the reference interest rate amounted to 1.74 percentage points. The used fund resources of the Ministry of Economic Development and Technology and the European Investment Bank were key to reduced costs of final beneficiary funding. For every EUR 1 from the source of the Ministry of Economic Development and Technology, there was EUR 3.8 of basic credit potential.

SID Bank and the Ministry of Economic Development and Technology used these measures to improve accessibility to long-term resources for financing SMEs and development projects that are based on own research and development activity of companies to enhance their innovation capacities and competitive advantages, including by entering new markets and new relations.

Coming out of the crisis, SID Bank has been rapidly developing new products that are intended to suitably address long-term development gaps. The greatest efforts in 2015 were made in the development of the so-called "patient loan" product, which is based on the principle of a favourable long-term loan with a long moratorium on the repayment of the principal amount. In addition to typical development effects with regard to targeted contents in market gaps (investments, research, development, innovations, long-term working capital), the goal of the product is to give companies with low capital adequacy a chance to improve their debt maturity structure, gradually strengthen in terms of capital, and introduce a (new) promising business model.

In 2015, SID Bank also carried out a pilot programme for promoting measures for efficient energy use by SMEs that was carried out within the scope of the so-called Green Initiative, i.e. as a combination of EIB funds and EU grants.

By introducing repayable financing and combining fund resources, SID Bank provides favourable lending conditions for the Slovenian economy (maturity, interest rate, insurance) and a multiplier and revolving effect on national budget funds.

8.2.3 Operations under the Republic of Slovenia Authorisation

Insurance against Non-Marketable Risks

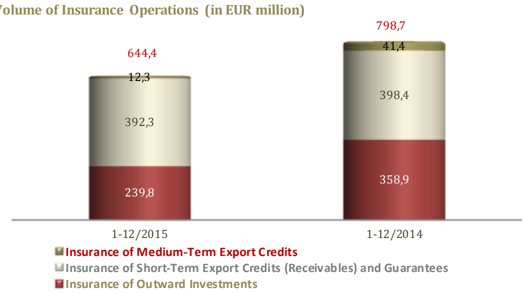
As an authorised institution, on behalf of and for the account of the Republic of Slovenia, SID Bank insures against commercial and non-commercial or political (non-marketable) risks that given their nature and the level of risk, the private sector is either unwilling or has limited capacity to insure. Pursuant to EU regulations, commercial and political risks in OECD countries with maturity over 2 years and all risks in non-OECD countries are classed as non-marketable. The role of the Republic of Slovenia is crucial in the area of non-marketable risks, as the majority of export transactions, particularly medium-term, would not be undertaken without such insurance. Exporters and investors can also mitigate their operating risks in high-risk countries by means of appropriate insurance, thereby creating high added value.

Volume of Insurance Operations

The volume of insurance against non-marketable risks stood at EUR 644.4 million in 2015 and fell by 19.3% compared to the previous year, primarily as a result of the following factors:

- low investment activity of companies;
- early termination of some of the major insurance contracts in the field of outward investment;
- changed corporate structure of the Slovenian economy, which is a result of recent aggravated conditions on the capital market (lack of manufacturers of various high-tech equipment and contractors of major investment works);
- convergence of key countries to European Union, thereby reducing risk levels;
- improper capital structure of Slovenian companies as a result of their past operations;
- lower absorption capacity of the economy and weaknesses of the banking system;
- more competitive lending by foreign banks compared to Slovenian banks;
- repayment of secured loans for investments;
- loss events that result in insurance termination.

Volume of Insurance Operations (in EUR million)



The achieved volume accounts for 6.4% of the maximum possible amount of newly assumed annual obligations as defined in ZZFMGP[6].

Reinsurance of short-term export receivables (renewable insurance of short-term non-marketable risks), insurance of credits, guarantees and pre-export credits (60.9%) and insurance of outward investments (37.2%) accounted for the largest shares of the realised volume of insurance operations, while medium-term credit insurance (1.9%) accounted for a minor share. In 2015, the largest share of short-term export credit, medium-term credit and investment insurance referred to transactions in Russia, followed by Bosnia and Herzegovina, Croatia and other countries.

Taking into account all insurance operations pursued by companies within the SID Bank Group (SID – PKZ provides insurance of marketable risks and SID Bank provides insurance of non-marketable risks), the coverage of the export of goods and services by insurance is assessed at 12% for 2015.

Favourable trends in the insurance of Slovenian outward investments from past years that were recorded by SID Bank compared to other national insurance providers changed in the last two years. Hence, the coverage of all Slovenian investments by SID Bank insurance is assessed at 0.7% for 2015 and, taking into account non-shareholder loans for investments abroad, the percentage of coverage amounts to 4.5%.

Contrary to a minor volume of transactions, the number of insurance policies remained at about the same level as last year. Notably, the number of policies was considerably higher this year and last year than in the preceding years, meaning that SID Bank insures more transactions of low value, primarily as a result of a changed structure of the Slovenian economy (large Slovenian companies going bankrupt of out of business, larger number of SMEs).

It is expected that the volume of insurance will no longer decrease in 2016, but the insurance structure by product will change. Expectations are based on the assumption that the economy would recover,

6 In accordance with the limit prescribed by ZZFMGP in relation to the volume of new obligations acquired in a calendar year, these cannot exceed 1/3 of the latest officially established value of annual exports of goods and services by the Slovenian economy (in 2015, exports totalled EUR 30,000,000,000, source: IMAD 2016). The volume of new insurance operations in the period between 1 January 2015 and 31 December 2015 amounts to EUR 644,362,329.12 and is within the scope of the legally prescribed limit under ZZFMGP amounting to EUR 10,000,000,000.

focusing on the continuation of restructuring. Investment cycles will continue to decrease, which is why investment insurance will continue to fall. Expectations are greater in export credit insurance and guarantees, which will be the result of increased export orientation of the real sector, penetration of new markets and a complex treatment of export operations, where all company departments interact.

Insurance of Short-Term Export Credits (Receivables) and Guarantees

In the insurance and reinsurance of export credits (receivables), guarantees and pre-shipment credits, the volume of 2015 short-term insurance (EUR 392.3 million) was down 1.5% on 2014.

Despite some encouraging data on the growth of Slovenian exports, the most important clients of renewable insurance recorded declines in turnover.

The majority of short-term insurance relates to the reinsurance of short-term revolving export credits on the basis of the reinsurance contracts made between SID Bank and the SID-PKZ subsidiary insurance company, as well as between SID Bank and Zavarovalnica Triglav (on the basis of a concluded reinsurance contract, SID Bank only covers those risks that private reinsurers are unable to accept for reinsurance because of a shortfall in available capacity – non-marketable risks), while only a small portion relates to the insurance of individual export transactions. The largest share of realised volume of such insurance in 2015 relates to the support of export transactions in Russia, followed by Ukraine and Greece.

Exposure from these (re)insurance operations totalled at EUR 260.1 million at the end of 2015, representing a 21.5% increase in the balance compared to the same period in 2014 (EUR 214.1 million). Higher exposure and a lower volume of insured and reinsured short-term export transactions are the result of increased valid limits and extended payment deadlines with clients. Extended payment deadlines led to lower volumes of goods being exported and, consequently, disclosing less turnover than in the year before.

The lower volume of secured claims in 2015 was followed by the realised (re)insurance premium. The latter was down by 16.1% to EUR 1.9 million, primarily as a result of newly made contracts between large insured entities and insurers (SID-PKZ) that provided more favourable insurance conditions. Despite a lower volume of secured claims, some other goals have been achieved, such as the diversification of assumed risks in terms of a higher number of foreign debtors, increased number of supported exporters (over 100 companies), and others.

Consistent with trends in recent years, commercial insurance risks in 2015 were insured mostly on the Russian market (distributors of pharmaceutical products), and non-commercial risks that the private market is unwilling to take (e.g. Iran, Uzbekistan, Argentina, Turkmenistan, Tajikistan, etc.) were covered.

In 2016, it is expected that Slovenian exports will increase, which would have a positive impact on the operations of primary insurance companies and, as a result, increase reinsurance transactions at SID Bank if their coverage is not assumed by private reinsurers.

Insurance of Medium-Term Export Credits

In 2015, the largest portion of the secured medium-term credits, secured guarantees and pre-shipment credits related to the following: export of wood and metal processing machines and equipment, machines for the food and tobacco industry, mobile homes, industrial machinery and technological equipment, services of engineering activities and related technical consultancy, the export of hydro turbines and civil engineering. The countries to which these were mostly exported are primarily Germany, Uganda, Belarus, Algeria, United Arab Emirates, Switzerland, the Czech Republic and other countries.

In 2015, the volume of realised insurance of medium-term export transactions (credits and guarantees) amounted to EUR 12.3 million. The volume of secured medium-term export credits fluctuates from year to year due to the small number projects realised annually and their size. In recent years, the volume of secured transactions has varied greatly with no specific trend, which is mainly related to increased activity of SMEs in foreign markets and greater visibility of SID Bank's services. The relatively small average value of each project that requires medium-term insurance and, as a rule, also financing, is the result of the structure of the Slovenian economy, which is reflected in a smaller number of such export operations.

A critical moment is also the structure of exporters. Companies producing and exporting investment goods were severely affected in the period of reduced export demand and mostly ended in insolvency proceedings or reduced their volume of business.

Exposure from insuring medium-term export credits, guarantees and pre-shipment credits (underwritten insurance policies and commitments) totalled EUR 50.3 million as at 31 December 2015, with Belarus as the prevailing country in terms of exposure with a 45.6% share. In 2015, premiums from these insurance products amounted to EUR 0.3 million and decreased by 54.2% compared to the year before, in line with a lower realised volume for insuring such export operations.

Claims paid from the insurance of medium-term export credits amounted to EUR 0.1 million, which is almost 93.5% less than in 2014.

Due to a quicker recovery of the economic situation in Slovenia's trading partners than in Slovenia, it is expected that SID Bank will enhance its role in the future support for exports. Increased export activities in 2016 will also be facilitated by State actions that have cleaned up the banking market (transfer of bad debts to BAMC) and encouraged banks to make the necessary organisational changes allowing them to revive their banking operations.

Insurance of Outward Investments

The volume of insured outward investments amounted to EUR 239.8 million in 2015, whereby the volume of insurance comprises newly insured outward investments and renewals of previously insured investments, which actually entail newly insured investments. Volume was down by 33.2% on the previous year, primarily as a result of:

- a downturn in corporate investment cycles;
- certain key countries' convergence with the EU, thus reducing risk levels;
- repayment of secured loans;
- premature cancellation of certain major insurance policies;
- claims paid, implying the termination of insurance policies.

When making decisions on investments, companies have become more careful than in the past as a result of factors relating to competition and changes to a business environment that tolerates no unoriginal, well-thought, well-prepared and, most of all, economically viable projects. The fact is that the previous period characterised by considerably decreased international demand considerably exhausted Slovenian companies, making them inadequately prepared, in terms of finance, for new investments.

Insurance on investment was a very successful insurance instrument in the period between 2010 and 2012 with which it was possible to provide financial support for the spread of economic activities of Slovenian companies abroad. Some insurance arrangements for investments did not develop in line with expectations following a period of general global decline in economic activity. As a result, the largest total maximum amount of damages from the insurance investments was paid in 2014, while the situation settled down in 2015.

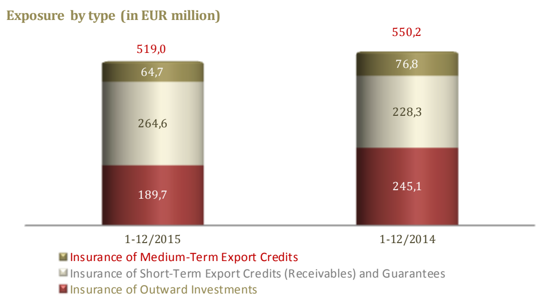
Exposure from insured investments as at the end of 2015 totalled EUR 189.7 million, decreasing by 22.6% compared to the end of the previous year. Reduced exposure from outward investments in 2015 derived from the same reasons as the reduced volume of insurance.

In the structure of insured investments, investments in Croatia account for the largest share, followed by Bosnia and Herzegovina, and Serbia. In 2015, premiums from investment insurance decreased by 20.4% to EUR 1.7 million, which is in line with the reduced volume of insurance.

As derives from the aforementioned reasons, major demand for investment insurance is not to be expected next year.

Total Exposure

Exposure from current insurance policies amounted to EUR 500.1 million at the end of 2015. Exposure from firm insurance commitments, which is included in the total net exposure as per ZZFMGP, amounted to EUR 18.9 million.



Total exposure from insurance operations for the account of the State and from issued firm insurance commitments amounted to EUR 519 million at the end of 2015, decreasing by 19.3% compared to the end of 2014. The decline in exposure is the result of regular payments for damage claims, regular expiries of insurance policies (secured medium-term credits, equity holdings and non-shareholder loans) and premature cancellations. The main reasons for premature cancellations lie in the diminishing risk of target countries which reduces demand for the insurance of equity holdings. There is also a cost impact, as loan insurance is at a disadvantage in relation to the cost-effectiveness of enterprises. From this perspective, many risks in the enterprise are undervalued.

The exposure amount represents 24.7% of the limit defined in the Implementation of the Republic of Slovenia Budget for 2015 Act (ZIPRS) and 1.7% of the limit as defined by ZZFMGP.[7]

The largest exposures in the insurance portfolio in 2015 were disclosed against Russia, Croatia and Bosnia and Herzegovina.

Insurance Technical Provisions and Operating Results

in EUR thousand	31 Dec 2015 or 1-12/2015	31 Dec 2014 or 1-12/2014	Index 2015/2014
Premiums	4,136	5,371	77.0
Potential claims	1,825	9,825	18.6
Claims under consideration	1,752	592	295.9
Claims paid	(6,134)	(38,044)	16.1
Recourse	282	266	106.0
Surplus of income	(1,254)	(33,214)	3.8

Premiums and fees from insurance against non-marketable risks amounted to EUR 4.1 million in 2015 and decreased by 23% with respect to 2014. The decreased insurance premium was the result of a reduced volume of insurance operations and the structure of insurance products. The largest percentage in the structure of paid premiums was accounted for by (re)insurance of short-term export credits and the insurance of outward investments, with the remainder accounted for by other products. Income from processing fees is negligible due to SID Bank's practice of including them in the premium if individual export transactions or investments are realised, pursuant to its business policy.

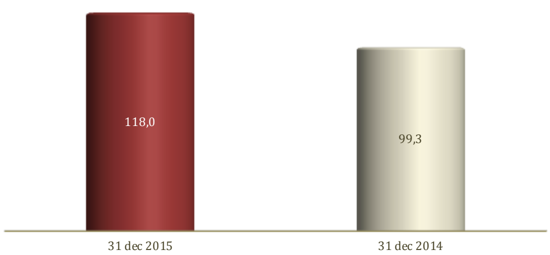
Claims paid in 2015 decreased by EUR 31.9 million with respect to the previous year and amount to EUR 6.1 million. The majority of claims paid related to the insurance of a non-shareholder loan in the total amount of EUR 4.4 million (Serbia), which was paid in part to the insurance of a medium-term credit to aforeign buyer (Kosovo), to claims from the reinsurance of short-term receivables (Azerbaijan, Kazakhstan, Russia, Ukraine and Tajikistan), while a lesser proportion related to claims from a claim for pre-shipment credit (Slovenia or, rather, Austria).

Claims under consideration (claims filed) stood at EUR 1.7 million as at 31 December 2015 and fell by EUR 1.1 million compared to the end of 2014. The volume of potential claims (EUR 1.8 million) decreased in 2015 by EUR 8 million compared to 2014, whereby the majority of potential claims derive from reinsured short-term receivables.
In 2015, the operating result for the account of the Republic of Slovenia was negative, in line with claims payouts. The surplus of expenses over income amounted to EUR 1.3 million, which means a 26.5-fold reduction compared to the previous year.

Contingency Reserves

Contingency reserves constitute an important capacity for SID Bank and for the Republic of Slovenia in insurance against non-marketable risks before any claims from insurance for the account of the Republic of Slovenia are paid out from the state budget.

Contingency reserves (in EUR million)



In line with the negative operating results, contingency reserves decreased to 99.3 million in 2014, but increased in net terms to EUR 118 million in 2015 due to the payment of funds by the Ministry of Finance on one hand and operating results on the other.

In view of the investment policy, contingency reserves must be invested in liquid assets at least in the amount representing the sum total of potential claims and claims under consideration deriving from non-marketable insurance or representing at least 20% of all contingency reserve investments. Liquid assets comprise debt securities quoted on the regulated market and all other forms of investment in debt instruments whose residual maturity is less than one year. Since contingency reserves decreased by more than 20% in 2014 compared to the end of 2013, the Ministry of Finance increased contingency reserves by EUR 20 million in 2015 using budget funds, pursuant to ZZFMGP.

[7] Pursuant to the limit of the maximum possible volume of liabilities arising from insurance against non-commercial, medium-term commercial and short-term commercial risks not marketed, as laid down in ZIPRS, exposure from current insurance and commitments amounts to EUR 2,100,000,000. Net exposure from current insurane and commitments as at 31 December 2015 amounts to EUR 519,032,018.

Pursuant to the limit laid down in ZZFMGP in relation to the volume of all assumed and current liabilities arising from insurance, active reinsurance and retrocession, other transactions, guarantees and other pledges, it must not exceed the officially established value of annual exports of goods and services of the Slovenian economy (in 2015, exports totalled at EUR 30,000,000,000; source: IMAD 2016). Net exposure from current insurance and commitments as at 31 December 2015 amounts to EUR 519,032,018.

Interest Rate Equalisation Programme

Pursuant to ZZFMGP, SID Bank, as an authorised institution, implemented the Interest Rate Equalisation Programme (IREP) for export credits that comply with OECD approval on behalf of and for the account of the Republic of Slovenia. SID Bank holds a contract with the Ministry of Finance for IREP implementation and management of IREP assets.

In June 2015, the last opened transactions from that programme fell due and all therewith related liabilities were settled. Considering market conditions, the instrument is no longer appealing to clients, which is why no new transactions were made. As a result, SID Bank arranged with the Slovenian Ministry of Finance to terminate IREP at the end of 2015 and transfer programme funds to the budget. Therefore, SID Bank paid EUR 8.2 million in January 2016 in the budget, while the remainder, following the settlements of all liabilities, was paid in February 2016.

Guarantee Scheme for Corporates

The Republic of Slovenia Guarantee Scheme Act (hereinafter "ZJShemRS") set up a system in 2009 for issuing government guarantees for the liabilities of companies rated A, B or C from long-term loans raised with commercial banks. The purpose of the act was to relieve the credit crunch resulting from the global financial crisis which reduced access to commercial banks' resources, thereby reducing the inflow of cash into the Slovenian economy. Of the total guarantee quota of EUR 1.2 billion, a total of EUR 809.4 million was assigned to banks in 15 auctions by 31 December 2010, when the legal deadline for issuing guarantees under the scheme passed. Twelve banks ranked 581 loan agreements of 428 borrowers under this scheme.

In line with its legal authorisations, SID Bank continued to actively manage the portfolio deriving from ZJShemRS in 2015. As a result of tightened business conditions, under which companies were unable to consolidate their performance as expected when the measure was introduced, the vast majority of companies embarked on a restructuring of the credit portfolio. Commercial banks, therefore, considered the restructuring of loans with government guarantees and verified and coordinated their proposals with SID Bank in line with the legal requirements. When companies failed to consolidate their performance, commercial banks made use of their legal possibilities and drew insurance, i.e. the government guarantee. In line with its authorisations, SID Bank obtained, reviewed and coordinated the documentation for modifying the terms of government-guaranteed loans and processed the claims for calling guarantees. Where it identified breaches resulting in a loan agreement being declared null and void, the repayment of a called guarantee or the payment of a contractual penalty, SID Bank filed motions with the State Attorney's Office for a voiding suit, a suit for the repayment of a called guarantee or a suit for the payment of a contractual penalty.

In 2015, SID Bank received 81 applications for approval, issued 73 approvals for modifying the terms of government-guaranteed loans following a diligent review, and rejected 3 applications where a breach of law was identified, while 5 applications were still being processed at the end of 2015 because of requests for extra documentation. On account of the established violations of statutory provisions or business decisions made by banks on the withdrawal of contracts from the guarantee scheme, 53 negative annexes were concluded with which banks renounced the state guarantee.

SID Bank received 15 requests for the issued guarantees to be called in 2015. A total of 19 requests for calling were granted in 2015 by the Ministry of Finance to commercial banks which met the conditions under ZJShemRS, based on which a total of EUR 2 million was paid out. Between 2009 and 2015, the Ministry of Finance paid out to banks a total of EUR 75.2 million on the basis of 291 requests for calling.

At the end of 2015, only 41 loan agreements secured by government guarantee were still active at commercial banks, with a stock of principal amounting to EUR 46.6 million as at 31 December 2015.

Guarantee Scheme for Private Individuals

The Act on the Natural Persons Guarantee Scheme of the Republic of Slovenia (hereinafter "ZJShemFO") allowed private individuals to obtain a government guarantee for loans not exceeding EUR 100,000 or EUR 10,000, depending on the category of borrowers. As a government anti-crisis measure, the guarantee scheme for private individuals covered four categories of borrowers: temporary employees, first-time home buyers, young families and the unemployed. The total guarantee quota to be allocated under ZJShemFO between 2009 and the end of 2010 amounted to EUR 350 million, EUR 50 million of which was earmarked for unemployed borrowers. The legal deadline for issuing government guarantees under that act was 31 December 2010. There were 141 loans outstanding as at 31 December 2015, and the total stock of principal amounted to EUR 4.9 million.

SID Bank received 12 requests for guarantees to be called in 2015 (bringing the total between 2010 and 2015 to 101). Seven requests for calling were granted by the Ministry of Finance in 2015 to commercial banks having met the conditions under ZJShemFO, based on which a total of EUR 42.3 thousand was paid out. In 6 cases, the guarantees paid out related to the category of unemployed borrowers, while one case related to the repayment of a housing loan. SID Bank initiates a recovery procedure for the guarantees paid out, provided that the conditions have been met. In the event that the borrower fails to fulfil its obligations within 8 days of receiving the call, SID Bank refers the matter for enforcement to the Financial Administration of the Republic of Slovenia (FURS).

Guarantees for Investments

The purpose of the Act Regulating Guarantees of the Republic of Slovenia for Financing Companies' Investments (ZPFIGD) is to ease corporate access to working capital and to funds for investments which will strengthen the development and competitiveness of Slovenian companies. As prime credit protection, a government guarantee is an instrument for improving access to funding for corporate development projects.

The total stock of loans supported by government guarantee reached EUR 18.3 million at the end of 2015, within the scope of which the government guarantee amounted to EUR 13.9 million.

Since the last, fifth tender was open until 30 October 2015 and the issue of new guarantees was limited to 31 December 2015 with an amendment to ZPFIGD, issuing of new guarantees under ZPFIGD is no longer possible.

Management of Emission Allowances and Kyoto Units

Pursuant to Article 127 of the Environmental Protection Act (ZVO-1), SID Bank continued acting as the official auctioneer of greenhouse gas emission allowances in 2015, in accordance with the Commission Regulation (EU) No. 1031/2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community, amended by Commission Regulation (EU) No. 1210/2011.

In auctions organised by the joint auctioning system of 24 EU members (the European Energy Exchange), SID Bank sells quantities of emission allowances (set out by the aforementioned regulation, the relevant European Commission decisions and the auction timetable) on behalf of the Republic of Slovenia and transfers the proceeds to the account of the Republic of Slovenia.

Under Article 142.a of ZVO-1, SID Bank is also authorised to carry out the Kyoto unit and emission allowance programme on behalf of and for the account of the State. The authorisation is not yet being exercised, as the government has not yet approved the programme.

As an official auctioneer of emission allowances (code: EUA), SID Bank participated in 139 auctions in 2015. There were 3,146,500 allowances sold at auction, with the purchase consideration of EUR 24 million.

In 2015, there were 9 auctions of emission allowances for airlines (EUAA) scheduled, where the Bank participated as the official auctioneer. There were 19,500 rights or emission allowances sold, with the purchase consideration of EUR 0.1 million.

Transparency of Financial Relations between SID Bank and the Republic of Slovenia

Activity EUR thousand	Income	Expenses
Insurance against non-marketable risks	1,620	(1,917)
Interest Rate Equalisation Programme	55	(7)
Guarantee scheme for Corporates	60	(280)
Guarantee scheme for Private Individuals	6	(42)
Guarantees for Investments	-	(43)
Auctions of Emission Allowances	25	(25)

The table discloses the total (direct and indirect) revenues and expenses for individual activities generated in 2015. Revenues for an individual activity represent fees that SID Bank receives for pursuing the activity based on contracts or legal provisions. Indirect expenses for an individual activity are determined on the basis of the criteria set forth in the Criteria for allocating indirect costs of activities under Republic of Slovenia authorisation by-law.

To ensure separate recording of the individual activities pursued by SID Bank under the Republic of Slovenia authorisation, the Bank has put in place a system of cost centres and cost drivers, against which transactions occurring in the pursuit of individual business activities are recorded. This is also the basis for determining the direct expenses of an individual activity.

For insurance against non-marketable risks and the Interest Rate Equalisation Programme, in which the Bank also manages the assets allocated to management, separate financial statements are compiled.

8.3 Performance of the SID Bank Group

8.3.1 SID – Prva kreditna zavarovalnica d. d., Ljubljana

Although economic conditions on most markets relevant to PKZ improved, PKZ continued to act in challenging conditions in 2015. Company operations were affected by the continuing tense political situation in Ukraine and Russia and, in particular, developments on the credit insurance market, primarily as a result of a continuing fierce competition by other insurance companies, which have put even more efforts into obtaining policy holders on the Slovenian market, and an even greater role of insurance brokers. The above-mentioned was reflected most strongly in a severe drop in premium rates and more difficult acquisition of new policy holders, but less in the loss of existing ones. Therefore, PKZ increased marketing activities, thus increasing the costs of acquisition. In addition to a more competitive environment, the reduced premium was also affected by more favourable loss ratios of individual PKZ policy holders in recent years, which PKZ took into account when setting premium rates.

EUR thousand	31 Dec 2015 or 1-12/2015	31 Dec 2014 or 1-12/2014	Index 2015/2014
Total assets	56,850	62,768	90.6
Total equity	26,773	25,804	103.8
Gross claims paid	11,889	7,397	160.7
Loss ratio	77%	44%	
Net profit	932	757	123.0

Due to the above mentioned reasons, PKZ achieved a 7% lower premium in 2015 compared to the previous year (gross premium written in 2015: EUR 15.5 million) and did not achieve the set goal for this category. PKZ's insured turnover in 2015 exceeded that planned; however, PKZ had planned a considerably smaller drop in premium rates when drawing up plans for 2015 than was in fact realised.

The claims experience in 2015 was steady. Some major claims were paid which, however, had already been known at the end of 2014 and had been subject to provisions by PKZ in the 2014 financial statements. Loss ratio remained stable, which PKZ achieved primarily through sound risk management in the assessment of assumed risks (buyers). Furthermore, the development of past claim provisions was more favourable than expected, therefore improving the estimates of provisions for outstanding claims and, consequently, final profit and loss in 2015.

As a result of the payout of several major claims and a premium drop, gross claims payments with respect to gross written premium rose from 44% in 2014 to 77% in 2015. The former increased by 61% in 2015 compared to 2014 (amounting to EUR 11.9 million), while the number of claims decreased slightly. Despite that, net expenses for claims were EUR 1.7 million or 43% lower in 2015 than in 2014. The reason for this mostly lies in reduced claims provisions in 2015 on account of a larger claims payout from previous years, better development of claims from the provisions made in previous years than expected and a more favourable loss ratio in 2015, while provisions increased in 2014. As a result, net premium income in 2015 exceeded net expenses for claims by EUR 3.8 million, representing 28% growth (2014: EUR 3 million), despite a drop in gross written premium.

In 2015, revenues from reinsurance commissions were 0.1 million or 3% higher than in 2014. Premiums ceded to reinsurers decreased; however, the commission rate in one of the reinsurance contracts increased in 2015. Operating costs increased in 2015, which, along with the low premium, contributed to an increased cost rate. Investment income fell by EUR 0.1 million or 20% compared to 2014 as a result of declining interest rates. 93% of 2015 investment income derived from interest (in 2014, all income derived from interest). PKZ otherwise invests exclusively in debt instruments and deposits with Slovenian banks. As at 31 December 2015, 65% (in 2014: 73%) of all investments were accounted for by securities of EU Member States or securities with a state guarantee.

Net profit in the accounting period amounted to EUR 0.9 million and increased by EUR 0.2 million compared to 2014.

Despite declining premium rates, PKZ plans to increase the premium in 2016 with regard to 2015 due to the planned growth in the volume of insured transactions. PKZ estimates that the calculated claims will be lower than in 2015, when several major claims from previous years, already included in provisions at the end of 2014, were settled. Because of high claims payouts in the past, the activity in terms of recourse claims will remain intensive. PKZ will continue to employ rigorous conditions for insurance assumption, since these proved successful in the past years, which is why it expects the loss ratio to remain stable in spite of harsh conditions. However, since credit insurance is cyclical and the loss ratio is not balanced within a year, there is a chance that the loss ratio may be worse than expected, though all known risks have already been taken into consideration, in spite of further implementation of the measures adopted in the past.

8.3.2 Prvi faktor Group

In 2015, the factoring volume at Prvi faktor Group totalled EUR 347.1 million. With regard to 2014, the realized volume decreased by 27.8% and is 16% lower, than planned for 2015.

The subsidiaries generated 68% of the volume of transactions of the Prvi faktor Group. Prvi faktor, Zagreb, still generates the largest share of the Group's turnover. In 2015, its share was 53% and increased by 5 percentage points compared to the previous year.

Prvi faktor, Ljubljana EUR thousand	31 Dec 2015 or 1-12/2015	31 Dec 2014 or 1-12/2014	Index 2015/2014
Total assets	83,338	88,885	93.8
Total equity	1,060	2,079	51.0
Net profit/loss	(897)	13,331	-
Purchased receivables	109,567	155,372	70.5

Prvi Faktor Group EUR thousand	31 Dec 2015 or 1-12/2015	31 Dec 2014 or 1-12/2014	Index 2015/2014
Total assets	173,860	202,652	85.8
Total equity	(2,437)	1,920	-
Net profit/loss	(4,359)	1,059	-
Purchased receivables	347,121	480,710	72.2

The Prvi faktor Group finances the majority of receivables arising from the supply of goods or services between entities in the country. In the past year, domestic factoring thus accounted for 69.6% (in 2014: 74.1%), export factoring for 18.2% (in 2014: 16.3%) and import factoring for 12.2% (in 2014: 9.6%) of the total volume in the structure. The share of export factoring grows mainly in Prvi faktor, Ljubljana, where it accounted for 48% of all factoring in 2015.

On a consolidated level, total assets amounted to EUR 173.9 million as at 31 December 2015 and decreased by 14.2% compared to the end of the previous year. In terms of total assets, the largest company of the Group is Prvi faktor, Ljubljana, with total assets amounting to EUR 83.3 million. It is followed by the Prvi faktor, Belgrade with EUR 65.6 million, Prvi faktor, Zagreb with EUR 65.2 million, and Prvi faktor, Sarajevo with EUR 9.8 million in total assets.

In 2015, only Prvi faktor, Zagreb, operated at a profit, amounting to EUR 0.5 million, while the other companies operated at a loss. The loss generated by Prvi faktor, Ljubljana, amounted to EUR 0.9 million. Prvi faktor, Sarajevo, operated at a loss of EUR 1.1 million and Prvi faktor, Belgrade, at a loss of EUR 2.5 million. Furthermore, the consolidated loss generated by the Group amounted to EUR 4.4 million as a result of the mentioned losses of Group companies totalling EUR 3 million and high tax liabilities amounting to EUR 1.4 million. Such loss was also the result of current market conditions, restrictions on new transactions in the companies Prvi faktor, Belgrade, and Prvi faktor, Sarajevo, relatively high costs due to non-optimal organization, high refinancing costs in the first half of 2015, etc.

The result of the loss is the Group's negative capital at the end of 2015 in the amount of EUR 2.4 million. Negative capital amounting to EUR 0.5 million was also disclosed by Prvi faktor, Sarajevo.

Since the beginning of 2015, the Prvi faktor Group has carried out activities to reorganise operations and management, with emphasis placed on cost reduction, restrictions on operations and activities to sell the equity stakes and/or assets of companies or controlled ceasing of operation. Within that scope, a new management was also appointed at Prvi faktor, Ljubljana, while all companies within the Prvi faktor Group other than Prvi faktor, Zagreb, also concluded the so-called loan restructuring agreements laying down uniform terms and conditions for financing and repaying liabilities in the next period.

Since the capital of Prvi faktor, Ljubljana, fell under 50% of the company's share capital at the end of 2015, the owners, who are also the sole financial creditor of Prvi Faktor Group, issued a letter of support, thus eliminating the presumption of insolvency as a result of reduced capital.

8.3.3 Pro Kolekt Group

In 2015, Pro Kolekt, Ljubljana, accepted 597 new recovery cases of the total value of EUR 17 million, while the Pro Kolekt Group accepted 4,792 new cases for recovery of the total value of EUR 52.6 million.

Pro Kolekt, Ljubljana, ended the year with 331 successfully closed cases of the total value of EUR 4.6 million, while the amount actually recovered stood at EUR 3 million. The Pro Kolekt Group successfully closed 1,541 cases of the total value of EUR 13.4 million, while the amount actually recovered stood at EUR 9.8 million.

Pro Kolekt, Ljubljana EUR thousand	31 Dec 2015 or 1-12/2015	31 Dec 2014 or 1-12/2014	Index 2015/2014
Total assets	410	445	92.1
Total equity	264	262	100.8
Net profit/loss	2	1	200.0

Pro Kolekt Group EUR thousand	31 Dec 2015 or 1-12/2015	31 Dec 2014 or 1-12/2014	Index 2015/2014
Total assets	4,123	4,051	101.8
Total equity	293	203	144.3
Net profit/loss	110	(11)	-
Net profit/loss of majority interest	81	(20)	-

Pro Kolekt focused on intensive marketing of its services and products, in particular credit rating information that is implemented under the methodology of SID Bank. The Group prepared 10,714 credit ratings in the total amount of EUR 418 thousand. However, this also includes its PK-NET online portal where it publishes a debtors' blacklist and offers online monitoring of individual recovery procedures.

Exporters continue to represent the key customers on the domestic market, to which the Pro Kolekt can provide excellent support with its well-organized worldwide network of partner agencies and a top quality team. The most important clients on the foreign market are credit insurance companies and networks of debt recovery agencies which have problems with Slovenian non-payers. In 2015, the Pro Kolekt Group improved all key income recovery indicators with respect to the previous year (number of cases, total value, number of successfully closed cases, the value of successfully closed cases), while the indicators remained at the level achieved in 2014 in the production credit rating reports (number and value of produced reports). As a result, net income increased. The Group managed to reduce costs, meaning that the Group's operated at a profit in 2015.

In autumn 2015, SID Bank adopted a decision to initiate a procedure to sell a 100% share in Pro Kolekt, Ljubljana, and in February 2016 sold that entire share.

8.3.4 Centre for International Cooperation and Development

In 2015, the Centre for International Cooperation and Development (CMSR) operated in line with the business plan.

EUR thousand	1-12/2015	1-12/2014	Index 2015/2014
Operating revenues	352	348	101.1
Total project value	3,719	3,957	94.0

In 2015, CMSR's priority was the implementation of international development cooperation. Multiannual programmes considerably contributed to the realisation of projects in international development cooperation, since donation providers and recipients see the predictability of available assets as the key feature in the implementation of the procedures required to organise all legal acts which allow the realisation of development projects.

CMSR maintained and spread a network of contacts with countries receiving development aid (primarily sectoral ministries and municipalities) and Slovenian operators (companies and selected institutions and experts), the potential providers of development aid. CMSR developed a methodology for the implementation of environmental projects deriving from the Convention on Climate Change and performance of suitable analyses.

CMSR continued its long-lasting successful cooperation with SID Bank as co-founder and important business partner. In addition to preparing country risk analyses, the organisations also cooperated in surveys and research studies among Slovenian companies, and in the performance of other types of analyses, such as political and macroeconomic country reviews, the comparative analyses of countries, etc.

CMSR continued cooperating with PKZ in country monitoring in the form of economic trend forecasts, sectoral analyses and provision of information about companies in such countries. CMSR has some comparative advantages in the provisions of the so-called soft information due to local resources.

CMSR intensified its cooperation with relative institutions in Slovenia and abroad, striving for the cooperation of researchers in projects. Foreign donors and transactions in Albania are promoted through the activities of the local non-governmental organisation Balkan Centre for Cooperation and Development (BCCD), which was co-founded by CMSR, and on eastern markets CMSR will open a representative office in Belarus.

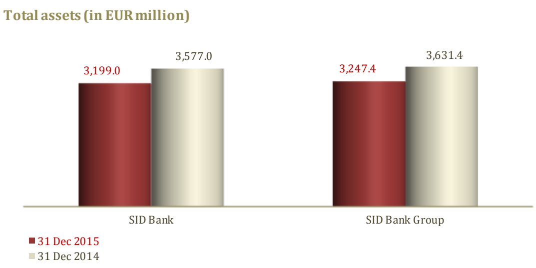
In publishing and law, CMSR continued issuing the *Mednarodno poslovno pravo* (International Business Law) magazine in 2015, along with the promotional business publication *Doing Business in Slovenia 2015*, which was issued in printed form in the first quarter of 2015, while the electronic version is being regularly updated on the Slovenian Business Portal.

While preparing legal analyses of countries worldwide, it also markets its know-how and information from international business law in cooperation with the SPIRIT Slovenia public agency.

With the acquisition of new deals and labour cost reductions, CMSR recorded a profit in 2015.

8.4 Operations Reflected in the Statement of Financial Position

Total assets

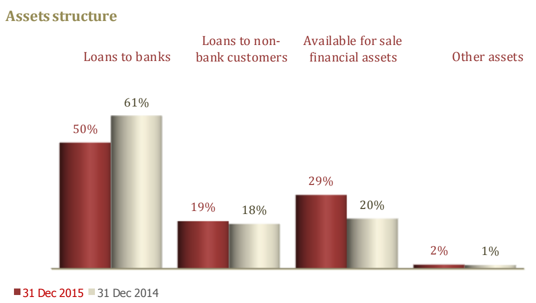


SID Bank's total assets at the end of 2015 amounted to EUR 3,199 million, which is 10.6% less than at the end of 2014.

Considering SID Bank's predominant influence in the SID Bank Group, the specific nature of the Group, and mutual relationships in the Group, the total assets of the SID Bank Group were only 1.5% higher than the total assets of SID Bank. As a result, the structure of the Group's assets and liabilities is very similar to that of the Bank.

The SID Bank Group's total assets at the end of 2015 totalled EUR 3,247.4 million, accounting for 89.4% of total assets at the end of 2014.

SID Bank's assets



Loans to banks accounted for a majority share among all investments in the Bank's total assets in 2015. Loans to banks include loans and deposits at banks; these totalled EUR 1,606.2 million as at the end of the year, which is 26.4% less that at the end of 2014. Long-term loans account for 62% of loans to banks, and the rest is short-term deposits at banks. Loans to banks account for 50.2% of the Bank's total assets (in 2014: 61%).

Loans to non-bank customers decreased by 5% in 2015 to EUR 605.5 million at end of the year. The stock of loans decreased by EUR 31.9 million. Loans to non-bank customers accounted for 18.9% of SID Bank's total assets at the end of 2015 or 1.1 percentage points more than at the end of 2014.

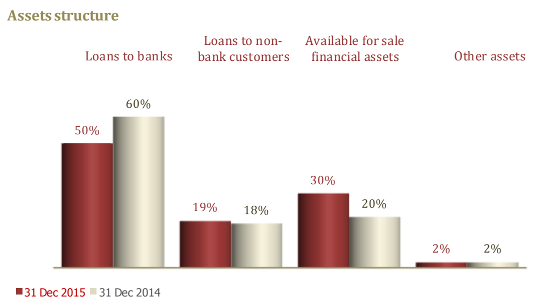
As at the end of 2015, SID Bank had EUR 13.8 million of assets in accounts at the central bank and commercial banks. These account for 0.4% (in 2014: 0.1%) of the Bank's total assets.

Investments in securities totalled EUR 938.6 million and increased by EUR 227.6 million in 2015. Their share in the structure of total assets increased from 19.9% to 29.3%.

Other assets amounting to EUR 34.9 million comprise:

- the fair value of derivatives held for hedging (EUR 14.3 million), which decreased in 2015 by EUR 14.1 million;
- investments in the equity of subsidiaries and joint ventures (EUR 8.4 million), which decreased in 2015 by EUR 0.4 million;
- property, plant and equipment, and intangible assets in the amount of EUR 6.4 million, which decreased by 0.5 million with respect to the end of 2014;
- tax assets deriving from corporate income tax in the amount of EUR 4.9 million;
- other assets in the amount of EUR 0.9 million.

Assets of the SID Bank Group



Loans to banks totalled EUR 1,612.8 million at the end of 2015 and decreased by 26.2% compared to the end of 2014. Nevertheless, they have preserved the largest share in the structure of the Group's total assets, i.e. 49.7% (in 2014: 60.2%).

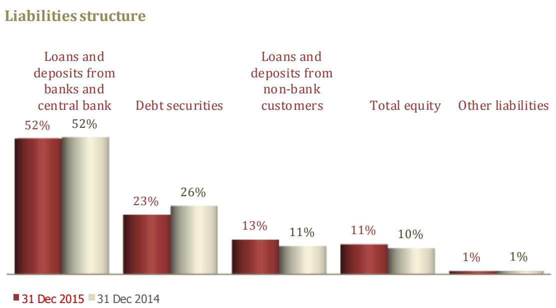
Loans to non-bank customers are in terms of value equivalent to the same item in the Bank's balance sheet (EUR 605.5 million), while their share in the Group's total assets increased from 17.6% to 18.6%.

As at the end of 2015, the SID Bank Group had EUR 17.5 million or 0.5% of total assets in assets on hand and in accounts at the central bank and commercial banks (in 2014: 0.2%).

Investments in securities were higher by EUR 228.6 million at the end of 2015 than at the end of 2014. At the end of 2015, they totalled at EUR 961.7 million and their share in the structure of total assets increased from 20.2% to 29.6%.

Other assets amounting to EUR 49.9 million include:
- the fair value of derivatives held for hedging in the amount of EUR 14.3 million;
- reinsurers' assets and receivables from insurance operations in the amount of EUR 20.4 million, down 23.1% on year-end 2014;
- property, plant and equipment, and intangible assets in the amount of EUR 9.4 million, down EUR 1.2 million on year-end 2014;
- tax assets deriving from corporate income tax in the amount of EUR 4.9 million;
- other assets in the amount of EUR 0.9 million.

Liabilities and Equity of SID Bank



SID Bank's liabilities and equity as at the end of 2015 comprised liabilities in the amount of EUR 2,834.8 million accounting for 88.6% of liabilities and equity in the amount of EUR 364.2 million, accounting for 11.4% in the structure of liabilities and equity.

Deposits and borrowings from banks accounted for a majority of liabilities at the end of 2015, including the liabilities to the central bank. This share amounted to 51.7% (in 2014: 52.1%). Liabilities to banks and the central bank totalled EUR 1,653.8 million. The liabilities decreased by EUR 211.5 million or 11.3%.

Liabilities to non-bank customers stood at EUR 420.5 million, i.e. 13.1% of the structure of total liabilities and equity at the end of 2015 (in 2014: 10.7%), and increased by EUR 39.1 million or 10.2%.

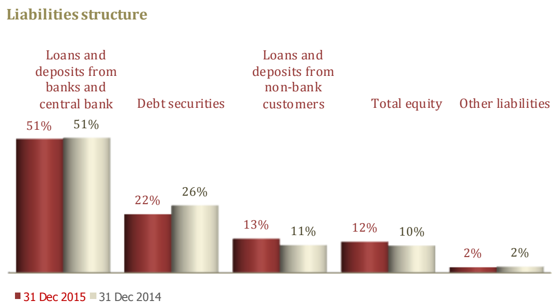
The share of liabilities from issued securities decreased in 2015 from 26% to 22.6%. The debt securities balance stood at EUR 723.5 million at the end of the year, decreasing by 22.2% or EUR 206.8 million compared to the end of 2014. The decrease is the result of the maturity of a bond in the nominal amount of EUR 498 million.

Provisions amounting to EUR 34.9 million decreased YOY by EUR 0.5 million. Provisions for off-balance-sheet liabilities amounted to EUR 34.6 million, while provisions for payables to employees amounted to EUR 0.3 million.

Other liabilities in the total amount of EUR 2.1 million comprise corporate income tax liabilities and other financial liabilities and other liabilities.

The Bank's total equity increased by 2.5% or EUR 8.9 million and amounted to EUR 364.2 million at the end of the year. Profit reserves increased by EUR 7.7 million, accumulated other comprehensive income related to financial assets available for sale decreased by EUR 1.6 million, while net profit for the financial year, including retained earnings, increased by EUR 2.8 million compared to the previous year.

Liabilities and Equity of the SID Bank Group



Liabilities and equity of the SID Bank Group are similar to liabilities and equity of SID Bank. Liabilities amounting to EUR 2,864.9 million accounted for 88.2% of total liabilities and equity, and total equity amounting to EUR 382.5 million accounted for 11.8% of liabilities and equity.

Borrowings and deposits from banks and liabilities to the central bank stood at EUR 1,653.8 million at the end of 2015, accounting for 50.9% of the Group's liabilities and equity (in 2014: 51.4%). Liabilities decreased by EUR 211.5 million compared to the previous year.

The Group's liabilities to non-bank customers accounted for 13% in liabilities and equity (in 2014: 10.5%) and equalled the liabilities of SID Bank.

The Group's liabilities from issued securities were also the same as those of the Bank, with their share accounting for 22.3% in the structure as at the end of 2015 (in 2014: 25.6%).

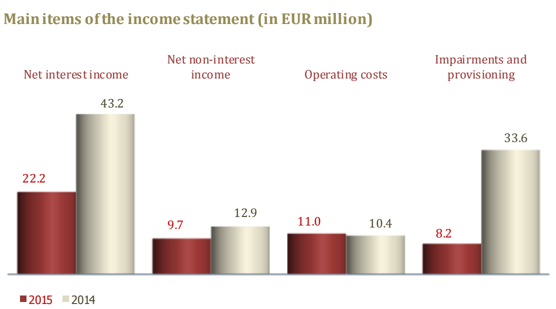
Provisions amounting to EUR 60.7 million decreased by EUR 6.8 million compared to the end of 2014. The largest proportion, i.e. EUR 34.6 million, related to provisions for off-balance-sheet liabilities, EUR 25.6 million arises from movement in liabilities from insurance contracts, while provisions for payables to employees amounted to EUR 0.5 million.

Other liabilities in the total amount of EUR 6.4 million related to corporate income tax liabilities (EUR 0.3 million), other financial liabilities (EUR 2.3 million) and other liabilities (EUR 3.8 million).

The SID Bank Group's total equity increased by 2.6% or EUR 9.9 million in terms of value in 2015. Profit reserves increased by EUR 7.6 million, accumulated other comprehensive income related to financial assets available for sale decreased by EUR 1.5 million, and net profit for the financial year, including retained earnings, increased in terms of value by EUR 3.8 million.

8.5 Operations Reflected in the Income Statement

Financial Results of SID Bank



SID Bank recorded a pre-tax profit of EUR 12.7 million in 2015, which was EUR 0.5 million more than in 2014. Net profit amounted to EUR 10.5 million, which is a EUR 6 million increase compared to the previous year.

Net interest income stood at EUR 22.2 million in 2015 and decreased by 48.6% compared to 2014. The Bank's interest income amounted to EUR 53.6 million in 2015 and decreased by 45% with respect to 2014, while interest expenses reached EUR 31.4 million, which is 42.2% less than in the previous year. Measured to average assets, the interest margin was 0.7%. Net interest income accounted for 69.7% of the total net income (in 2014: 77%).

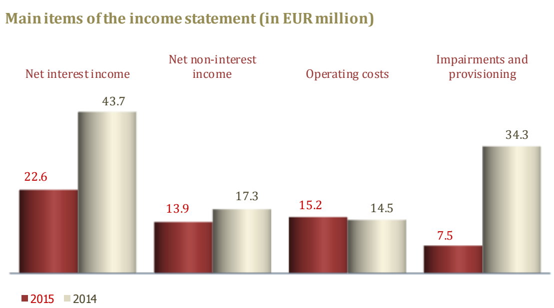
Net non-interest income amounted to EUR 9.7 million in 2015, decreasing by 25.1% compared to the total net non-interest income in 2014. Gains on financial assets and liabilities, measured at fair value through profit or loss, in the amount of EUR 3.2 million accounted for the largest portion of non-interest income, followed by gains on financial assets and liabilities not measured at fair value through profit or loss in the amount of EUR 2.8 million, net fee and commission amounting to EUR 2.2 million, and income from activities under Republic of Slovenia authorisation in the amount of EUR 1.8 million. Other net non-interest losses totalled EUR 0.3 million. Gains on financial assets and liabilities, measured at fair value through profit or loss, relate to revaluation income deriving from negative operating result of loan funds. In line with the contract, a negative operating result is as a priority covered from national budget by reducing SID Bank's liabilities to the Ministry of Economic Development and Technology.

The Bank's financial intermediation margin in 2015 stood at 1% (in 2014: 1.5%).

The Bank's operating costs achieved EUR 11 million in 2015, thus increasing by 5.7% with respect to 2014. Labour costs amounted to EUR 7.5 million or 12.2% more than in 2014. Costs of material and services totalled EUR 2.8 million, thus decreasing by 12.2% compared to the year before. Depreciation and amortisation costs increased by 28.7%, amounting to EUR 0.8 million. The cost-to-income ratio (CIR) amounted to 34.5% and remained under the average of Slovenian banks in 2015, although the ratio was higher than in the previous year (18.6%) as a result of previous growth and specific products in the changed business model.

Net impairment and provisioning costs amounted to EUR 8.2 million in 2015, which represents 24.5% of net impairments and provisions from 2014. Net impairments totalled at EUR 8.8 million while the Bank realised the positive result from net derecognition of provisions in the amount of EUR 0.6 million.

Financial results of the SID Bank Group



The SID Bank Group recorded a pre-tax profit of EUR 13.8 million in 2015, which increased by EUR 1.6 million compared to 2014, while net profit reached EUR 11.4 million (in 2014: EUR 4.4 million).

Net interest income amounted to EUR 54 million in 2015 and decreased by 44.9% compared to 2014, while interest expenses amounting to EUR 31.4 million decreased by 42.3%. Net interest income amounting to EUR 22.6 million decreased by 48.3% compared to 2014. Net interest income accounted for 62% of total net income (in 2014: 71.6%).

Net non-interest income amounted to EUR 13.9 million, decreasing by 19.9% compared to 2014 and including net income from insurance operations amounting to EUR 5.4 million, gains on financial assets and liabilities, measured at fair value through profit or loss in the amount of EUR 3.2 million; gains on financial assets and liabilities not measured at fair value through profit or loss were in the amount of EUR 2.8 million, net fee and commissions in the amount of EUR 2.2 milllion, an income from activities under Republic of Slovenia authorisation in the amount of EUR 1.8 million, and other net expenses in the total amount of EUR 1.5 million.

The SID Group's operating costs amounted to EUR 15.2 million in 2015, EUR 14.1 million of which were administrative costs and EUR 1.1 million were depreciation and amortisation costs. Labour costs amounted to EUR 10.3 million (in 2014: EUR 9.4 million), while the costs of material and services amounted to EUR 3.8 million (in 2014: EUR 4.1 million).

Net impairment and provisioning costs of the SID Bank Group totalled EUR 7.5 million and decreased by 78.3% compared to 2014.

8.6 Important Events in 2015

Bank Operations

In the first quarter of 2015, long-term refinancing operations of the European Central Bank fell due, which had already been partly replaced by targeted long-term refinancing operations in 2014. SID Bank repaid its liabilities to the ECB deriving from 3-year long-term refinancing operations (LTRO) in the principal amount of EUR 95 million plus pertaining interest.

In March, the European Central Bank introduced quantitative easing under the Public Sector Purchase Programme (PSPP) or, rather, the purchase of national bonds in order to approach the target limit of European inflation at 2%. SID Bank’s bonds became eligible for purchase by the ECB in April.

In April, SID Bank’s bond SEDABI 3 04/21/15 in the nominal amount of EUR 498 million, issued in 2010, matured.

At the beginning of May, the Ministry of Economic Development and Technology signed an annex to the Contract on financing and implementing a financial engineering measure to promote technology development projects and the development of SMEs, which extended the deadlines that expired in February 2015 and loosened the criteria for the approval of loans for certain SME financing programmes.

On 3 July 2015, the Ministry of Finance transferred funds to contingency reserves amounting to EUR 20 million to SID Bank.

On 28 July 2015, SID Bank issued a 3-year bond with a government guarantee on international capital markets in the amount of EUR 300 million and a fixed coupon interest rate of 0.875%.

In September, SID Bank bought 15 EIF (European Investment Fund) shares in the total value of EUR 6 million, representing 0.33% of EIF capital. Under the contract, unpaid subscribed capital amounts to EUR 12 million and is to be paid in on demand by EIF. The purchase of shares implies a possibility for SID Bank to be included in various development projects and access key information to allow the Bank to prepare suitable development programmes for the Slovenian economy.

At the last Supervisory Board session held in September, an amending financial plan of SID Bank for 2015 was adopted.

SID Bank and the Ministry of Finance signed Annex No. 1 to the contract on the implementation of the interest rate equalisation programme and the management of IREP reserve assets, establishing that SID Bank may enter into transactions under the programme until 31 December 2015. SID Bank returned all IREP reserve to the Republic of Slovenia budget by 29 February 2016.

Based on amendments to the Act Regulating Guarantees of the Republic of Slovenia for Financing Companies’ Investments, SID Bank ceased issuing government guarantees at the end of 2015.

In November, SID Bank signed a memorandum on cooperation with the EIB, within the scope of which the banks will operate jointly within the scope of the European Investment Advisory Hub (EIAH). The Bank, hence, also became an official point of entry for Slovenian companies and other organisations looking to cooperate in the projects of the Investment Plan for Europe or, specifically, the European Fund for Strategic Investments (EFSI).

Governing Bodies

At its session held on 2 July 2015, the Government of the Republic of Slovenia appointed Mr Boris Škapin (MSc) as a new Member of the Supervisory Board of SID Bank for a term of 5 years, to replace Mr Martin Jakše.

On 11 September 2015, Mr Tone Rop's function as a Member of the Supervisory Board of SID Bank ceased.

Group Operations

Taking into account the structure of the market and the fact that the activity and past results of the operations of Pro Kolekt and Prvi faktor no longer represent a strategic, i.e. development and promotional, activity of the Bank, SID Bank commenced activities for their sale pursuant to its action strategy.

Credit Rating

In January 2015, Standard & Poor's Rating Services published a new credit rating for SID Bank. The long-term credit rating remained at A-, while future credit rating outlooks changed from negative to stable, and the short-term credit rating is A-2. The credit rating of SID Bank stayed at the same level as the credit rating for the Republic of Slovenia.

In the same month, Moody's raised SID Bank's credit rating from Ba1 to Baa3, while outlooks remain stable. Increased rating from speculative to investment level is the result of the increased credit rating of the Republic of Slovenia resulting from progress in fiscal consolidation and stabilisation of the banking sector. The achieved stabilisation of the banking sector reduces future risks for any additional pressures on public finance.

Due to the changed future outlook for Slovenia's credit rating from stable to positive, Standard & Poor's Rating Services as a result changed future outlooks for SID Bank's credit rating from stable to positive on 14 July 2015. The credit rating of the Republic of Slovenia and SID Bank remain unchanged, i.e. long-term credit rating A- and short-term credit rating A-2.

In December, Moody's confirmed the existing credit rating of SID Bank at Baa3 and kept outlooks as stable.

In November, SID Bank cancelled one of the two credit ratings due to the rationalisation of costs, i.e. at Moody's, while preserving the rating by Standard & Poor's Rating Services.

FINANCIAL REPORT

Statement of the Management Board on the Financial Statements of SID Bank and the SID Bank Group

On 26 February 2016, the Management Board hereby approves the separate financial statements of SID Bank and consolidated financial statements of the SID Bank Group, and the annual report for the year ending 31 December 2015. The financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU.

The Management Board reasonably believes that SID Bank and the SID Bank Group have sufficient business resources to operate as going concerns.

The Management's responsibilities are the following:

- to employ relevant accounting policies and to ensure their consistent application;
- to make use of reasonable and prudent accounting estimates and judgements;
- to ensure that the financial statements are compiled on a going-concern basis for SID Bank and the SID Bank Group.

The Management Board is responsible for maintaining accounting documents and records to disclose the financial position of SID Bank and the SID Bank Group 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 the SID Bank Group, and it must undertake all necessary actions to prevent or detect any fraud or other irregularities.

The tax authorities may audit the bank's operations at any time in the five years after the date the 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 arising thereon.

The Management Board of SID banka d.d.

Jožef Bradeško	Sibil Svilan, MSc
Member	President

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

Deloitte.

Deloitte Revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
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INDEPENDENT AUDITORS REPORT TO THE OWNERS OF SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of bank SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana, d.o.o., which comprise the statement of financial position as at 31 December 2015, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of bank SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana, d.o.o. as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 25 March 2016

Deloitte.
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Ljubljana, Slovenija 3

FOR TRANSLATION PURPOSES ONLY- ORIGINAL PREVAILS

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INDEPENDENT AUDITORS REPORT TO THE OWNERS OF SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of bank SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana and its subsidiaries (»Group SID banka«), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group SID banka as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Yuri Sidorovich
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 25 March 2016

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FOR TRANSLATION PURPOSES ONLY- ORIGINAL PREVAILS

1 Financial Statements of SID Bank and the SID Bank Group

1.1 Statement of financial position

		SID Bank		SID Bank Group	
in EUR thousand	Note	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Cash on hand, balances with the central bank and demand deposits with banks	2.4.1	13,786	3,051	17,459	7,554
Available for sale financial assets	2.4.2	938,603	710,983	961,653	733,053
Derivatives held for hedging	2.4.4	14,312	28,394	14,312	28,394
Loans and receivables	2.4.3	2,212,014	2,818,627	2,218,645	2,824,019
Loans to banks		1,606,153	2,180,886	1,612,787	2,186,274
Loans to non-bank customers		605,465	637,327	605,465	637,327
Other financial assets		396	414	393	418
Non-current assets held for sale	2.4.6	197	0	197	0
Property, plant and equipment	2.4.5	5,665	6,190	8,032	9,229
Intangible assets	2.4.5	737	713	1,333	1,318
Long-term interests in subsidiaries, associates and joint ventures	2.4.6	8,413	8,831	0	419
Corporate income tax assets	2.4.7	4,861	0	4,861	427
Current tax assets		4,861	0	4,861	427
Other assets	2.4.8	379	247	20,905	26,970
TOTAL ASSETS		**3,198,967**	**3,577,036**	**3,247,397**	**3,631,383**
Financial liabilities held for trading		0	3	0	3
Financial liabilities measured at amortised cost	2.4.9	2,799,577	3,178,959	2,800,189	3,179,557
Bank deposits		14,913	23,827	14,913	23,827
Deposits from non-bank customers		6	6	6	6
Loans from banks and central banks		1,638,908	1,841,494	1,638,908	1,841,494
Loans from non-bank customers		420,532	381,461	420,532	381,461
Debt securities		723,527	930,353	723,527	930,353
Other financial liabilities		1,691	1,818	2,303	2,416
Provisions	2.4.10	34,921	35,468	60,672	67,435
Corporate income tax liabilities	2.4.7	120	7,025	253	7,103
Current tax liabilities		0	6,466	42	6,465
Deferred tax liabilities		120	559	211	638
Other liabilities	2.4.11	184	306	3,758	4,619
TOTAL LIABILITIES		2,834,802	3,221,761	2,864,872	3,258,717
Share capital		300,000	300,000	300,000	300,000
Share premium account		1,139	1,139	1,139	1,139
Accumulated other comprehensive income		5,034	6,644	5,597	7,132
Profit reserves		54,329	46,658	71,319	63,749
Treasury shares		(1,324)	(1,324)	(1,324)	(1,324)
Retained earnings (including net profit for the financial year)		4,987	2,158	5,794	1,970
TOTAL EQUITY	2.4.12	364,165	355,275	382,525	372,666
TOTAL LIABILITIES AND EQUITY		**3,198,967**	**3,577,036**	**3,247,397**	**3,631,383**

1.2 Income statement

		SID Bank		SID Bank Group	
in EUR thousand	Note	2015	2014	2015	2014
Interest income		53,641	97,604	54,003	98,093
Interest expense		(31,395)	(54,357)	(31,395)	(54,377)
Interest net income	2.5.1	22,246	43,247	22,608	43,716
Fee and commission income		3,097	3,528	3,097	3,528
Fee and commission expense		(911)	(690)	(925)	(703)
Net fee and commission	2.5.2	2,186	2,838	2,172	2,825
Gains/losses realised on financial assets and liabilities not measured at fair value through profit or loss	2.5.3	2,807	(1,148)	2,834	(1,148)
Net gains on financial assets and liabilities held for trading		3	13	3	13
Net gains on financial assets and liabilities measured at fair value through profit or loss	2.5.4	3,244	8,632	3,244	8,632
Changes in fair value in hedge accounting	2.5.5	(70)	134	(70)	133
Exchange differences	2.5.6	6	(10)	2	(7)
Net gains and losses on derecognition of assets		0	(5)	0	(5)
Other net operating gains	2.5.7	1,448	1,526	5,665	6,856
Administrative costs	2.5.8	(10,227)	(9,806)	(14,084)	(13,484)
Depreciation and amortisation	2.5.9	(789)	(613)	(1,114)	(984)
Provisions	2.5.10	551	(27,238)	2,032	(27,705)
Impairments	2.5.11	(8,772)	(6,330)	(9,486)	(6,626)
Share of the profit or loss of investment in subsidiaries, associates and joint ventures	2.5.12	35	910	0	0
Profit from ordinary operations		**12,668**	**12,150**	**13,806**	**12,216**
Corporate income tax on ordinary operations	2.5.13	(2,169)	(7,606)	(2,411)	(7,824)
Net profit for the financial year		**10,499**	**4,544**	**11,395**	**4,392**
Basic earnings per share:	2.5.14	**3.38**	**1.46**	**3.67**	**1.42**
Remedial earnings per share:		**3.38**	**1.46**	**3.67**	**1.42**

1.3 Statement of comprehensive income

		SID Bank		SID Bank Group	
in EUR thousand	Note	2015	2014	2015	2014
Net profit for the financial year after tax		10,499	4,544	11,395	4,392
Other comprehensive income after tax		(1,610)	4,938	(1,537)	5,485
Items not to be reclassified to profit or loss		0	0	3	(17)
Actuarial gains/losses in connection to pension plans with defined benefit plans		0	0	4	(21)
Corporate income tax in connection to items that will not be reclassified to profit or loss	2.4.7	0	0	(1)	4
Items that may be reclassified to profit or loss		(1,610)	4,938	(1,540)	5,502
Gains/losses in connection to available-for-sale financial assets	2.4.2	(1,940)	5,949	(1,856)	6,628
Valuation gains taken to equity		821	7,296	932	7,975
Transfer of gains/losses into profit or loss		(2,761)	(1,347)	(2,788)	(1,347)
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	2.4.7	330	(1,011)	316	(1,126)
Total comprehensive income for the financial year after tax		**8,889**	**9,482**	**9,858**	**9,877**

1.4 Statement of changes in equity

SID Bank

2015 in EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial year)	Treasury shares	Total equity
Opening balance in accounting period (before adjustment) as at 1 Jan 2015	300,000	1,139	6,644	46,658	2,158	(1,324)	355,275
Opening balance in accounting period as at 1 Jan 2015	300,000	1,139	6,644	46,658	2,158	(1,324)	355,275
Total comprehensive income for the financial year after tax	0	0	(1,610)	0	10,499	0	8,889
Transfer of net profit to profit reserves	0	0	0	7,670	(7,670)	0	0
Closing balance as at 31 Dec 2015	**300,000**	**1,139**	**5,034**	**54,328**	**4,987**	**(1,324)**	**364,164**
Distributable profit for financial year (note 2.4.13)					**4,987**		

2014 in EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial year)	Treasury shares	Total equity
Opening balance in accounting period (before adjustment) as at 1 Jan 2014	300,000	1,139	1,706	41,961	2,311	(1,324)	345,793
Opening balance in accounting period 1 Jan 2014	300,000	1,139	1,706	41,961	2,311	(1,324)	345,793
Total comprehensive income for the financial year after tax	0	0	4,938	0	4,544	0	9,482
Transfer of net profit to profit reserves	0	0	0	4,697	(4,697)	0	0
Closing balance as at 31 Dec 2014	**300,000**	**1,139**	**6,644**	**46,658**	**2,158**	**(1,324)**	**355,275**
Distributable profit for financial year (note 2.4.13)					**2,158**		

SID Bank Group

2015 in EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial year)	Treasury shares	Total equity
Opening balance in accounting period (before adjustment) as at 1 Jan 2015	300,000	1,139	7,132	63,750	1,970	(1,324)	372,667
Opening balance in accounting period as at 1 Jan 2015	300,000	1,139	7,132	63,749	1,970	(1,324)	372,666
Total comprehensive income for the financial year after tax	0	0	(1,537)	0	11,395	0	9,858
Transfer of net profit to profit reserves	0	0	0	7,570	(7,570)	0	0
Other *	0	0	2	0	(2)	0	0
Closing balance as at 31 Dec 2015	**300,000**	**1,139**	**5,597**	**71,319**	**5,794**	**(1,324)**	**382,525**

*Actuarial loss transfer

2014 in EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial year)	Treasury shares	Total equity
Opening balance in accounting period (before adjustment) as at 1 Jan 2014	300,000	1,139	1,648	58,621	2,706	(1,324)	362,790
Opening balance in accounting period 1 Jan 2014	300,000	1,139	1,648	58,621	2,706	(1,324)	362,790
Total comprehensive income for the financial year after tax	0	0	5,484	0	4,393	0	9,877
Transfer of net profit to profit reserves	0	0	0	5,129	(5,129)	0	0
Closing balance as at 31 Dec 2014	**300,000**	**1,139**	**7,132**	**63,750**	**1,970**	**(1,324)**	**372,667**

1.5 Cash flow statement

		SID Bank		SID Bank Group	
in EUR thousand	Note	2015	2014	2015	2014
A. CASH FLOWS FROM OPERATING ACTIVITIES					
a) Net profit or loss before tax		12,668	12,150	13,806	12,216
Depreciation and amortisation	2.5.9	790	613	1,114	984
Impairments of available-for-sale financial assets	2.5.11	313	828	313	828
Loan impairment	2.5.11	8,213	5,502	8,213	5,502
Impairment of property,plant and equipment, investment property, intangible assets and other assets	2.5.11	0	0	714	296
Impairment of capital investments in subsidiaries, associates and joint ventures	2.5.11	245	0	245	0
Net (gains) of investments in subsidiaries, associates and joint ventures	2.5.12	(35)	(910)	0	0
Net (gains)/losses from exchange differences		(6)	10	(2)	7
Net losses on disposal of property, plant and equipment and investment property		0	5	0	5
Other adjustments of net profit or loss before tax		(484)	27,092	(1,960)	27,558
Cash flows from operating activities before changes in operating assets and liabilities		21,704	45,290	22,443	47,396
b) Decrease in operating assets		380,746	8,510	404,570	10,065
Net (increase) in available-for-sale financial assets		(229,417)	(365,301)	(230,327)	(366,316)
Net decrease in loans		601,274	369,097	620,068	369,760
Net decrease in assets held for hedging		9,045	4,741	9,045	4,741
Net (increase) in non-current assets held for sale		(197)	0	(197)	0
Net (increase)/decrease in other assets		41	(27)	5,981	1,880
c) (Decrease) in operating liabilities		(377,557)	(253,928)	(383,022)	(257,720)
Net (decrease) in financial liabilities held for trading		0	(1)	0	(1)
Net (decrease) in deposits and loans measured at amortised cost		(175,572)	(52,629)	(175,558)	(53,557)
Net (decrease) in debt securities measured at amortised cost		(201,859)	(201,267)	(201,859)	(201,267)
Net (decrease) in derivative financial liabilities held for hedging		0	(129)	0	(129)
Net increase/(decrease) in other liabilities		(126)	98	(5,605)	(2,766)
d) Cash flows from operating activities (a+b+c)		24,893	(200,128)	43,991	(200,259)
e) (Paid)/refunded corporate income tax		(13,935)	(1,059)	(13,695)	(1,824)
f) Net cash flows from operating activities (d+e)		10,958	(201,187)	30,296	(202,083)
B. CASH FLOWS FROM INVESTING ACTIVITIES					
a) Receipts from investing activities		35	910	0	0
Other receipts from investment activities	2.5.12	35	910	0	0
b) Cash payments on investing activities		(289)	(3,520)	(388)	(3,635)
(Cash payments for the acquisition of property, plant and equipment and investment property)		(57)	(3,331)	(78)	(3,365)
(Cash payments for the acquisition of intangible long-term assets)		(232)	(189)	(310)	(270)
c) Net cash flows from investing activities (a+b)		(254)	(2,610)	(388)	(3,635)
D. Effect of exchange rate difference on cash and cash equivalents		31	6	31	6
E. Net increase in cash assets and cash equivalents (Af+Bc+Cb)		10,704	(203,797)	29,908	(205,718)
F. Opening balance of cash and cash equivalents	2.4.1	3,051	206,842	12,942	218,654
G. Closing balance of cash and cash equivalents (D+E+F)	2.4.1	13,786	3,051	42,881	12,942

The Statement of cash flows of SID Bank and SID Bank Group has been compiled using the indirect method.

Net profit or loss before tax has been used as the basis for the compilation of cash flow of SID Bank and SID Bank Group

Net cash flows from operating activities, which are calculated using the indirect method, are determined by adjusting net profit or loss before tax to the effects of changes in operating receivables and liabilities, the effects of non-cash items such as depreciation and amortisation, provisions, impairment, fair value adjustments in hedge accounting, exchange differences and the effects of cash flow from investing activities. SID Bank and SID Bank Group include effects of changes in the issued debt securities in net cash flows from operating activities.

Cash flows from investing activities are determined using the direct method and include dividends received among inflows from investing activities, and outflows for acquisition of property, plant and equipment and investment property and intangible assets among outflows from investing activities.

Cash flows from interest and dividends

	SID Bank		SID Bank Group	
in EUR thousand	2015	2014	2015	2014
Cash flows from interest and dividends				
Interest received	41,462	96,605	41,960	97,455
Interest paid	(10,966)	(53,233)	(10,966)	(53,248)
Dividends received	35	910	0	0
Total	**30,531**	**44,282**	**30,994**	**44,207**

2 Notes to the financial statements

Items 1.1 to 1.5 of this report present the Statement of financial position as at 31 December 2015, Statement of profit or loss for the fiscal year 2015, Statement of comprehensive income for the fiscal year 2015, Statement of changes in equity for the fiscal year 2015 and Statement of cash flows for the year 2015 for SID Bank (separate accounts) and SID Bank Group (consolidated statements). Statements also include comparable data as at 31 December 2014 or fiscal year 2014.

Where figures for the Bank and the Group are identical, they are only disclosed once.

2.1 Basic Information

SID Bank Group (hereinafter: SID Bank Group or the Group) consists of SID – Slovenska izvozna in razvojna banka d. d., Ljubljana (hereinafter: SID Bank or the Bank) as the parent company and its affiliates, joint ventures and co-foundation. The Group is presented in detail in Note 2.4.6.

SID Bank Group provides banking services in accordance with the licenses granted by the Bank of Slovenia, transactions under the authority of the Republic of Slovenia, credit insurance, factoring and debt collection. Among banking transactions the major part consists of granting loans to promote development, environmental and energy projects. A detailed description of transactions under the authority of the Republic of Slovenia is presented in Note 2.3.22.

SID Bank maintains its registered office at Ulica Josipine Turnograjske 6, 1000 Ljubljana, Slovenia.

SID Bank's share capital stood at EUR 300,000,090.70 divided into 3,121,741 ordinary registered no-par value shares issued in several issues. The Republic of Slovenia is the sole shareholder of the bank.

2.2 Statement of compliance

The financial statements of SID Bank and SID Bank Group are compiled in accordance with the International Standards of Financial Reporting and the corresponding Notes as adopted by the European Union (hereinafter: the IFRS), also taking into account the Companies Act, the Banking Act and regulations of the Bank of Slovenia.

2.3 Significant accounting policies

The significant accounting policies, which provide the measurement basis used for the compilation of financial statements of SID Bank and SID Bank Group, as well as other accounting policies that are relevant to the understanding of the separate and consolidated financial statements, are indicated below.

Given their lack of material significance, the accounting policies relating to insurance contracts are not disclosed in detail.

The approved accounting policies were consistently applied in the two reporting periods.

2.3.1 Basic premises for compiling financial statements

The financial statements of SID Bank and SID Bank Group have been compiled on the going concern assumption, based on historical cost, except in the case of financial assets held for trading, derivatives, available-for-sale financial assets and investment property, 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, judgements and material uncertainty

The compilation of the financial statements in accordance with the IFRS at SID Bank and SID Bank Group 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. Financial instruments are assigned to a category upon initial recognition with regard to the policy of SID Bank and SID Bank Group. Estimates and judgements were used for the following:

- impairment of loans and receivables, provisions for contingent liabilities and impairment of available-for-sale financial assets (further clarifications are in Note 2.3.11 under the title: Impairments of financial assets);
- estimate of fair value of financial assets and liabilities (further clarifications are in Note 2.3.11 under the title: The principles used in valuation at fair value);
- derivatives (further clarifications are in Note 2.3.12 under the title: Derivatives held for hedging);
- amortisation/depreciation period for property, plant and equipment and intangible assets (further clarifications are in Note 2.3.14 under the title: Property, plant and equipment and intangible assets);
- potential tax items (further clarifications are in Note 2.3.23 under the title: Taxes);
- provisions for employee benefits (further clarifications are in Note 2.3.24 – Employee benefits).

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 and the SID Bank Group make revisions to the estimates and assumptions used, and recognise their effects during the period of the revision.

2.3.3 Consolidation

Investees included in consolidation

The following are included in the consolidated financial statements:

- full consolidation: the parent company SID Bank, and the subsidiary SID – Prva kreditna zavarovalnica d. d., Ljubljana, and
- the equity method: the Prvi Faktor Group (joint venture).

All mutual receivables and liabilities between entities in the Group are excluded in the consolidation process, as are all revenues and expenses generated within the Group. There were no unrealised gains and losses arising from mutual transactions. There are no non-controlling interests.

Investees excluded from consolidation

Given their lack of material significance to a true and fair picture of the financial statements, SID Bank does not include Pro Kolekt Group or the Centre for International Cooperation and Development (hereinafter: CMSR) in the consolidation.

The total assets of Pro Kolekt Group and the CMSR amount to less than 1% of SID Bank's total assets. The consolidated revenues of the investees in Pro Kolekt Group and the CMSR also amount to less than 1% of SID Bank's revenues. On the basis of the aforementioned indicator, Pro Kolekt Group and the CMSR are not of material significance to SID Bank Group, and are therefore excluded from consolidation. The undertakings in Pro Kolekt Group and the CMSR are also excluded from consolidation according to the Regulation on the supervision of banks and savings banks on a consolidated basis.

Judgements in determination of control over investees

The principles of management and assessment of the following factors are used as a basis for consolidation: purpose and form of the investee, significant activities and decision-making concerning them, existence of investors' rights of influence over significant activities, exposure of the investor to variable returns and the investor's influence on the returns.

2.3.4 Functional and Presentation Currency

Euro is the functional and presentation currency of SID Bank and SID Bank Group.

All the amounts in the separate and consolidated financial statements and their notes are expressed in thousands of EUR, unless stated otherwise.

2.3.5 Translation of transactions and items in foreign currency

Transactions in foreign currency are translated into the functional currency on the transaction date. Exchange differences are recognised in the statement of profit or loss as exchange difference gains or losses.

Items in assets and liabilities denominated in foreign currencies are converted in the Group's financial statements using the reference European Central Bank exchange rate applicable on the reporting date. Translation effects are disclosed in the statement of profit or loss as exchange difference gains or losses.

Foreign exchange differences arising in the settlement of monetary items or in the translation of monetary 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 profit or loss in the period in which they arise. They are disclosed in the item Gains or losses from exchange rate differences.

Exchange differences on the principal and interest for debt instruments are recognised in the statement of profit or loss, while exchange differences arising in valuation (the effect of a change in the market price in a foreign currency) to fair value are disclosed in other comprehensive income.

Exchange differences arising on non-monetary items such as equities classed as available-for-sale financial assets are recognised in the accumulated other comprehensive income together with the effect of valuation at fair value in other comprehensive income.

The translation of the financial statements of investees whose functional currency differs from the presentation currency is reflected in exchange differences from consolidation, which are disclosed in a separate equity adjustment and only recognised in the statement of profit or loss when the investment is disposed of.

2.3.6 Cash equivalents

Assets not held for trading and with an original maturity of no more than three months are disclosed as cash equivalents in the statement of cash flows. All cash, deposits, loans to banks and available-for-sale securities are included.

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

2.3.7 Interest income and expense

Interest income and expense include income and expense for interest on loans granted and received, interest on derivatives, interest on available-for-sale financial assets and other interest.

Interest income and expense on loans granted and received and for other interest are recognised in the statement of profit or loss in the relevant period using the effective interest rate method.

Accrued interest on impaired loans is excluded from income by the Bank, and is only recognised if and when payment occurs.

For available-for-sale financial assets, interest income is calculated by means of the return to maturity on the basis of the calculation of the amortised cost using the effective interest rate method.

2.3.8 Fee and commission

Fee and commission income primarily comprises fees and commissions on loans and guarantees given, while fee and commission expense primarily comprises fees and commissions on borrowings.

Fees and commissions are generally recognized in the income statement when the service is performed.

2.3.9 Other net operating gains or losses

Other net operating gains or losses disclosed in the statement of profit or loss include revenues for non-banking services, revenues from insurance operations and expense from insurance operations.

Revenue from non-banking services include revenues from credit assessment information, fees for services provided under authorisation, rents and other services. It is recognised in the statement of profit or loss when the service is performed and the receivable recognised.

2.3.10 Share of the profit or loss of investment in subsidiaries, associates and joint ventures

Dividends received from subsidiaries and joint ventures are disclosed as share of the profit or loss of investments in subsidiaries, associates and joint ventures for the Bank. Income is recognised in the statement of profit or loss when the right to receive dividends is acquired.

2.3.11 Financial instruments

Classification

Financial assets

The Group classifies financial assets on initial recognition with regard to the purpose of acquisition, the time held in possession and the type of financial instrument into one of the following categories:

- Loans and receivables are financial assets with fixed or determinable payments not traded on an active market.
- Financial assets held to maturity are financial assets with fixed and determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.
- Available-for-sale financial assets are assets not purchased for the purpose of trading. The item includes equities and debt securities. Debt securities are classified in this category for the purpose of being held indefinitely, having been purchased for the management of current liquidity.
- Financial instruments at fair value through profit or loss, which are further divided into financial assets held for trading, derivatives held for hedging and other financial assets at fair value through profit or loss. The Group classifies derivatives not used to hedge against risk as financial assets held for trading. Derivatives held for hedging primarily comprise interest rate swaps, and serve to hedge against the interest rate risk that the Bank faces in its daily operations on the financial markets.

Financial liabilities

On 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 at fair value through profit or loss are:

- financial liabilities held for trading, where derivatives not held for hedging against risk are classified;
- derivatives held for hedging, where derivatives that meet the criteria for hedge accounting are classified.

Net gains or losses based on changes in the fair value of financial liabilities are disclosed in the statement of profit or loss.

All other financial liabilities are classified into the category of liabilities at amortised cost, which comprise liabilities from deposits and loans from banks, central banks and clients other than banks, issued debt securities and other financial liabilities.

Measurement, recognition and derecognition

Financial assets other than financial assets at fair value through profit or loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss are initially measured at fair value, while the transaction costs are recognised in the statement of profit or loss.

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.

After initial recognition loans and receivables are measured at amortised cost using the effective interest method. Loans and receivables are disclosed in the amount of the unamortised principal plus unamortised interest and fees minus impairments.

Financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair value.

Financial liabilities measured at amortised cost are recognised in the amount of the cash received minus directly attributable transaction costs.

After initial recognition the financial liabilities are measured by amortised cost, the difference between the initially recognised amount and the amount at maturity is recognised in the statement of profit or loss using the effective interest rate method.

Financial liabilities measured at amortised cost which use interest rate swaps as hedge against interest risk, are revalued at fair value for the purposes of hedging against risks.

Income from fees and commissions charged on loan approvals and expenses from fees and commissions on borrowings are allocated on a straight-line basis over the loan repayment term.

A financial asset is derecognised when the right to receive the corresponding cash flows expires, or when the financial asset has been transferred and the transfer meets the criteria for derecognition (the transfer of all risks and specific rewards deriving from the financial asset).

A financial liability is derecognised when the corresponding obligation has been discharged, has been cancelled or has expired. The difference between the carrying amount of a financial liability and the consideration paid is recognised in the statement of profit or loss.

The principles used in valuation at fair value

The fair value of financial instruments recognised at fair value, which are traded on the observed market, is based on their quoted market price at the measurement date. When prices for the same asset or liability can not be observed in the market, fair value is measured using valuation techniques.

For the financial instruments, which are recognised and measured at amortised cost, fair value is determined by the model, which calculates the net present value of cash flows using interest rates prevailing in new contracts for the same products.

Valuation methods and the assumptions used are also disclosed in Note 3.7, where the fair value hierarchy is also disclosed.

Gains and losses

Gains and losses arising on changes in the fair value of financial instruments at fair value through statement of profit or loss are recognised in profit or loss in the period in which they occur.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, except impairment losses. On derecognition cumulative gains and losses disclosed in equity are recognised in the statement of profit or loss. Interest on available-for-sale debt securities calculated using the effective interest rate method is recognised directly in the statement of profit or loss.

Impairment of financial assets

Loans and receivables

The Group regularly examines, by no later than the end of each reporting period, whether there is objective evidence of any impairment of loans, other financial assets, and factoring receivables.

Loans and receivables are impaired if events have occurred that reduce expected future cash flows and the reduction can be reliably estimated. Objective evidence of the impairment of financial assets includes significant information in connection with a client's financial difficulties, breaches of contract such as a failure to perform obligations or breaches in the payment of interest and principal, the likelihood of a client's bankruptcy or financial reorganisation, and an adverse economic situation in the local environment.

Significant adverse developments that occur in the technological, market, economic or legal environment in which the debtor operates and that indicate that the value of a given financial asset will not be recovered are also taken into account.

Estimation of credit risk losses is explained in detail in Chapter 3.1.

Impairment and provision – loans and guarantees

Financial assets derived from loans and guarantees are allocated into individually or collectively impaired assets. Individually impaired items comprise:

- individually significant items where the total exposure to a single client exceeds EUR 20 thousand for classification purposes;
- financial assets that the Bank judges should be impaired individually.

If during the individual assessment of a financial asset there exists objective evidence of impairment, the recoverable amount of the financial asset must be estimated. Impairment is measured for each individually significant financial asset. Impairment of financial assets that are not individually significant are measured collectively.

Total exposures not subject to individual impairment are classified into groups of exposures to debtors with comparable risk which are mainly related to the debtor's activity, geographical location and characteristics of financing products.

The estimated losses for collective impairment is based on a three-year average of estimated losses from financial assets in the group in question, which is adjusted to current economic situation. The calculation of losses arising from the debtor's geographical location takes account the risk of sovereign (both national or state guaranteed) debt where premium rates for collateral for risk classes from 2 to 7 are taken into account according to the rate of minimum export insurance premiums (MEIP) that are determined in accordance with the OECD methodology. SID Bank formed a separate methodology for the calculation of collective impairments and provisions for special financing programmes of SID Bank with the status of state aid.

If there is objecitve evidence of impairment, individual impairments and provisions are measured on the basis of an assessment of repayment from the debtor's cash flow operations and disposal of financially unviable assets and cash flow from liquidation of collateral where appropriate deductions are considered for each type of collateral. The assessment of repayment from the debtor's cash flow operations and disposal of financially unviable assets is calculated on the basis of compliance with different quantitative and qualitatitive indicators. Taking into account individual types of repayment, for the calculation of individual impairments and provisions depends on the determination of the debtor on a going and gone concern basis.

The calculation of the credit risk losses of an individually significant financial asset takes account of prime eligible collateral and other credit protection that fully satisfies the conditions specified in point 12 of the Regulation on the assessment of credit risk losses of banks and savings banks.

If financial assets are assessed individually but impairment is not necessary and consequently not recognised, these assets are subject to collective assessment in the full amount.

Provisions for contingent liabilities are formed using the method used for impairment of loans. When unused loans are disbursed or guarantees redeemed, the formed provisions are cancelled.

Impairment of factoring receivables

Impairments for financial assets arising from factoring transactions (factored receivables, receivables from reverse factoring – hereinafter: factoring receivables) are created whenever it is assessed that specific receivables cannot be redeemed in accordance with the contractual provisions and a loss is expected.

The amount of loss is the difference between the carrying amount of the loan and its recoverable amount, which comprises expected future payments, including repayments from guarantees and collateral, discounted at the interest rate applicable when the loan was raised.

In the case of individually significant items, where evidence exists of impairment of these assets, the factoring receivables are impaired individually, while other factoring receivables are impaired collectively. In case no evidence of impairment is found in individually assessed factoring receivables, they are included in a group of factoring receivables with similar credit risk characteristics and are impaired collectively.

The existing evidence of impairment shall be significant financial difficulties of the debtor, breach of contractual obligations by the debtor, restructuring of financial assets due to financial difficulties of the debtor, probability or the existence of bankruptcy or financial reorganization of the debtor, adverse changes in the payment of debts and worsening of the economic conditions affecting the settlement of funding.

The amount of the adjustment or impairment of a receivable is estimated on the basis of an assessment of the individual debtor.

Restructured loans

Restructured loans are loans incurred as a result of the inability of the debtor to repay debt under the originally agreed terms, with the modified terms and conditions of the original contract (with annex) or a new contract, in which the parties agree to partial or full repayment of the original debt.

All differences arising from the restructuring are recognised in the statement of profit or loss.

Available-for-sale financial assets

Equity instruments are impaired if there is objective evidence of impairment as a result of a loss event or events occurring after initial recognition. Objective evidence of impairment is assumed to have arisen when the fair value declines by more than 40% from the original cost or when the fair value has been lower than the original cost for more than nine months. When none of the impairment judgement criteria has been met, but in the opinion of the Bank's credit committee there is sufficient information providing solid, objective evidence of the impairment of equity instruments, impairment is applied after individual judgement of the financial asset in question.

Individual judgement of the application of impairment on the basis of solid, objective evidence also applies to debt instruments.

Objective evidence of impairment includes non-payment of interest or principal, significant financial difficulties on the part of the issuer, the likelihood of the issuer's bankruptcy or financial reorganisation, the disappearance of an active market as a result of financial difficulties and other significant information indicating that there is a measurable reduction in estimated future cash flows, including the economic situation in the issuer's country or local environment.

Impairment losses that are recognised in the statement of profit or loss for equity instruments may not be reversed through the statement of profit or loss.

If the fair value of a debt instrument increases in a subsequent period and the increase can be objectively connected to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in the statement of profit or loss.

2.3.12 Derivatives held for hedging

This item comprises 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 (usually 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 the statement of profit or loss, which would otherwise not be recognised in profit or loss simultaneously. In so doing the hedging relationship should be formally noted and appropriately documented.

At the inception of a hedge the Bank must compile a formal document describing the relationship between the hedged item and the hedging instrument, the risk management objective, the valuation methodology and the hedging strategy. It must also document the assessment of the effectiveness of hedging instruments when faced with exposure to changes in the fair value of the hedged item. These are the criteria that must be met to qualify as a hedge relationship. The Bank assesses the effectiveness of the hedge when the transaction is concluded and throughout the life of the hedging relationship, where the effectiveness should fall within the range of 80% to 125%. Hedge accounting discontinues if the hedging instrument expires or is sold, or when the hedge no longer satisfies the aforementioned criteria for hedge accounting.

Changes in the fair value of derivatives used as fair value hedges are recognised in the statement of profit or loss together with the change in the fair value of the hedged item that can be attributed to the hedge. When hedging is effective, changes in the fair value of hedging instruments and the related hedged items are disclosed in the statement of profit or loss in the item of changes in fair value in hedge accounting.

SID Bank actively manages interest rate risk by means of hedging transactions. The purpose of hedging is to mitigate risks deriving from potential losses occurring as a result of changes in market interest rates.

2.3.13 Non-current assets held for sale

Non-current assets held for sale include those assets whose carrying amount will be settled through sale rather than through continuing use. This prerequisite is met only in case of a highly probable sale and for an asset that is available for sale in its present condition. A non-current asset is reallocated to the said group in case there exists an intention of the owner in written form postulating that the asset will be sold and that the timeline of sales procedures is enclosed. The sale must be carried out within one year from the date of asset classification.

Non-current assets held for sale are disclosed at carrying value before classification or at fair value, less selling costs; whichever is lower. The effects of sales are disclosed in the statement of profit or loss under net gains/losses from non-current assets held for sale and related liabilities.

2.3.14 Property, plant and equipment and intangible assets

Property, plant and equipment

Property, plant and equipment comprises real estate, equipment and small items.

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, as well as the costs that can be directly attributed to making the asset fit for its intended use. Subsequently incurred costs in connection with an item of property, plant and equipment are disclosed as maintenance costs or an increase in the original cost of the asset.

After initial recognition a cost model is applied, which means that an item of property, plant and equipment is disclosed at its original cost, reduced by any accumulated depreciation and any accumulated impairment losses.

Land and buildings are treated separately, even if acquired together.

Property, plant and equipment become subject to depreciation when the asset is available for use. Amortisation is calculated on a straight-line basis. The following depreciation rates are applied:

	SID Bank and SID Bank Group (%)
Buildings and parts of buildings	2 – 5
Computer Equipment	25 – 50
Cars	12.5 – 20
Furniture	11 – 20
Other equipment	20 – 25
Small inventory	20 – 100

Property, plant and equipment are impaired when their carrying amount exceeds the recoverable amount. The impairment loss is recognised as an expense in the statement of profit or loss. At the end of each financial year, on the reporting date, it is assessed whether there are any indications of impairment.

If such indications exist, the recoverable amount of the asset is estimated according to whichever is larger:
- the fair value less cost to sell, or
- the value in use.

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal if future economic benefits are no longer expected from its use or disposal.

Intangible assets with a definite useful life

The item includes investments in software and other property rights. If the useful life is definite, its useful life is estimated and it is subject to amortisation at a rate of 20% to 25% for software and 12% to 20% for other property rights. Amortisation is calculated on a straight-line basis.

Intangible assets with definite useful life are impaired when their carrying amount exceeds the recoverable amount. The impairment loss is recognised as an expense in the statement of profit or loss. At the end of each financial year, on the reporting date, it is assessed whether there are any indications of impairment of intangible assets. If such indications exist, the recoverable amount of the asset is estimated according to whichever is larger:

- the fair value less cost to sell, or
- the value in use.

After initial recognition, intangible assets with definite 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 earlier.

Goodwill

Goodwill arises in the acquisition of investments in subsidiaries or joint ventures when the original cost exceeds the fair value.

The Group examines annually whether there are any grounds for the impairment of goodwill. Should the recoverable amount be lower than the carrying amount, impairment is recognised. The recoverable amount is taken into account as the value in use.

2.3.15 Investment property

Investment property is real estate that the Group does not use directly in the pursuit of its activities but instead holds for the purpose of renting in an operating lease.

Investment property is measured at fair value, which is determined by a certified appraiser. The fair value is based on current market prices.

Any gain or loss arising on remeasurement to fair value is recognised by the Group in profit or loss in the period in which it occurs.

2.3.16 Long-term interests in subsidiaries and joint ventures

Interests in subsidiaries and joint ventures are recognised in separate financial statements using the cost method, and dividends are recognised in the statement of profit or loss when the right to receive the dividend arises.

When there is evidence of the need for the impairment of an interest in a subsidiary or joint venture, the Bank assesses the recoverable amount for each investment separately. In the case of interests in subsidiaries where there was no goodwill at acquisition, indications of impairment are judged at the reporting date, and where such indications exist an impairment test is conducted. In the case of an interest in a joint venture, impairment testing is conducted on the basis of a test of impairment of goodwill for a cash generating unit that includes goodwill. In the consolidated financial statements a test of impairment of goodwill is conducted for cash generating units on each reporting date.

Impairment tests are made in accordance with the commercial expectations of the individual interest. The basis for the test is the valuation of the interest. The input data for valuation comprises commercial expectations supported by the individual investee's business plan and the impact that SID Bank has on the individual investee'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 interest is exposed.

2.3.17 Other assets

Other assets include receivables from insurance contracts, prepayments, tax assets and advances.

Receivables are recognised as an asset in the amounts arising from the relevant documents under the assumption that they will be repaid. The fair, i.e. recoverable amount, is checked on the balance sheet date for various types of receivables according to different methods. If there is objective evidence of an impairment of a receivable carried at amortized cost, the amount of the impairment loss is disclosed under impairment in connection to receivables; the carrying amount of the receivable is decreased in a separate allowance account.

2.3.18 Provisions for liabilities and costs

Provisions are created for potential loss in connection with risks deriving from off-balance-sheet liabilities (approved but unused loans and credit lines, guarantees), for retirement benefits and jubilee benefits, and for liabilities from insurance contracts. Provisions for liabilities from insurance contracts arise from credit insurance held by the subsidiary PKZ.

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 where a reliable estimate can be made of the commitment. The disposal of provisions occurs when excessive provisions are identified or when the potential losses related to risk are decreased.

SID Bank recognises provisions for off-balance-sheet liabilities on the basis of the risk level of the client and the transaction that are based on assessments similar to the assessments for loan impairments. They are calculated under the procedures stated in point 2.3.11 under the title Impairments of financial assets.

2.3.19 Other liabilities

Other liabilities include liabilities from insurance contracts, accruals and deferred income, tax liabilities and advances received.

2.3.20 Equity

Equity consists of share capital, the share premium account, profit reserves, the revaluation surplus in connection with financial assets, the equity adjustment (treasury shares) and net profit for the financial year.

Share capital is disclosed in the nominal value and has been paid up by the shareholders.

The share premium account may be used in accordance with law to cover losses and to increase capital.

Profit reserves are recognised when created by the body that compiles the annual report or via a resolution by the competent body, and they are used in accordance with the articles of association and with the law. Reserves under articles of association may be used to cover net loss for the financial year, to cover losses brought forward from previous years, to increase the share capital, to create reserves for own interests and for the rehabilitation of major losses arising from the operations or exceptional events. Other profit reserves are earmarked for strengthening capital adequacy.

Accumulated other comprehensive income includes revaluations in connection with available-for-sale financial assets.

Acquisition of treasury shares is disclosed in the amount of the paid purchase price debited against share capital.

The equalisation reserve, which derives from insurance contracts, is disclosed in a separate item in the profit reserves, and serves as a reserve for the equalisation of credit risks. Changes therein are similarly disclosed.

2.3.21 Contingent liabilities and financial liabilities

Assumed financial liabilities disclose financial and service guarantees, undrawn approved loans and credit lines.

Contingent liabilities for guarantees comprise irrevocable commitment for when a client fails to meet its liabilities to third parties.

The risks related to contingent liabilities and assumed financial liabilities are assessed on the basis of current accounting policies and internal regulations concerning risk management. Any increase in liabilities is reflected in the item Provisions.

2.3.22 Operations on behalf of and for the account of the Republic of Slovenia

The insurance operations and the Interest Rate Equalisation Programme that SID Bank (as an Agent) provides on behalf of the Republic of Slovenia are disclosed in 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.

2.3.23 Taxes

Accounting of corporate income tax is performed at the investees in SID Bank Group in accordance with local legislation.

Accounting of deferred taxes are done 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 were either applicable as at the reporting date, are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, if it is likely that available taxable profit will arise against which it will be possible to apply deductible temporary differences.

Deferred taxes in connection with the measurement of financial instruments available for sale at fair value are disclosed directly in other comprehensive income.

2.3.24 Employee benefits

Employee benefits include retirement benefits and jubilee or other long-service benefits.

Legislation stipulates that employees generally retire after 40 years of service, and are then entitled to a lump sum payment on retirement provided that the stipulated conditions are met. Employees are also entitled to jubilee or other long-service benefits in accordance with the collective agreements of individual investees in the Group. The aforementioned commitments and all corresponding gains or losses are included in the statement of profit or loss.

The requisite provisions on this basis are calculated in the amount of the present value of future expenses, specific assumptions being taken into account. The major assumptions are: a discount factor of 40% of the weighted average interest rate on government securities published by the Ministry of Finance for the purposes of pension insurance, the headcount on the final day of the year, and the average wage of employees in the final quarter. Provisions of this type are calculated every year; in the Prvi Faktor Group alone they are calculated for a three-year period.

2.3.25 Calculation of earnings per share

Earnings per share are calculated as the ratio of net profit disclosed in the Bank's statement of profit or loss to the number of shares comprising the share capital of the bank. Own shares held in treasury are not included in the calculation.

2.3.26 Segment reporting

Allocation and disclosure by operating segment is carried out on the basis of the attributes of individual business activities of SID Bank Group. Under IFRS 8, the operating segments SID Bank Group are banking, credit and investment insurance and factoring.

Banking represents a single operating segment, as the operations at the Bank do not vary significantly in terms of risk or return.

2.3.27 New standards and interpretations in the reporting period and issued/ approved standards and interpretations not yet effective and applied

The initial application of the new amendments to existing standards and interpretations applicable from 1 January 2015 and which were issued by the International Accounting Standards Board (IASB) and adopted by the EU:

- Amendments to different standards such as the "Improvements to IFRS – 2011–2013 Cycle" resulting from the annual improvements project of the IFRS (IFRS 3, IFRS 13 and IFRS 40) mainly for the purpose of eliminating inconsistencies and interpretation of the text (amendments shall apply for annual periods beginning on or after 1 January 2014);
- IFRIC 21 "Levies" that were adopted by the EU on 13 June 2014 shall apply for annual periods beginning on or after 17 June 2014.

The Group does not expect the initial application of this interpretation to have a significant impact on its financial statements.

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and were adopted by the EU but not yet effective:

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015, are effective for annual periods beginning on or after 1 January 2016;
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative, adopted by the EU on 18 December 2015, effective for annual periods beginning on or after 1 January 2016;
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015, effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' - Agriculture: Bearer Plants, adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 – Employee benefits: Employee Contributions adopted on 17 December 2014 by the EU is effective for annual periods beginning on of after 1 February 2015;
- Amendments to IAS 27 'Separate Financial Statements' – Equity Method in Separate Financial Statements are effective for annual periods beginning on or after 1 January 2016;
- "Annual Improvements to IFRSs 2010–2012 Cycle" comprising the amendments and interpretations of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) eliminating inconsistencies and ambigious interpretations and are effective for annual periods beginning on or after 1 February 2015;
- Amendments to different standards such as "Improvements to IFRS – 2012–2014 Cycle" resulting from the annual improvements project of the IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) mainly for the purpose of eliminating inconsistencies and interpretation of the text which the EU adopted as at 15 December and shall apply for annual periods beginning on or after 1 July 2016).

Standards and interpretations issued by IASB but not yet adopted by the EU:

- IFRS 9 Financial Instruments shall apply for annual periods beginning on or after 1 January 2018;
- IFRS 14 – Regulatory Deferral Accounts is effective for annual periods beginning on or after 1 January 2016;
- IFRS 15 – Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018;
- IFRS 16 - Leases is effective for annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception shall apply for annual periods beginning on or after 1 January 2016,
- 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 whose date of entry into force was delayed for an indefinite period pending the completion of the research project in relation to the equity method,
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets shall apply for annual periods beginning on or after 1 January 2017,
- Amendments to IAS 7 "Statement of Cash Flows" shall apply for annual periods beginning on or after 1 January 2017.

The Group anticipates that the adoption of these new standards and amendments to the existing will not have material impact on its financial statements in the period of initial application, except for the introduction of IFRS 9 whose effects will be assessed in 2016. The Group decided not to apply any standards before the date of mandatory application.

2.4 Notes to the statement of financial position

2.4.1 Cash

Cash on hand, balances with the central bank and demand deposits with banks

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Settlement account	13,224	2,979	13,224	2,979
Demand deposits at banks	562	72	4,235	4,574
Total	**13,786**	**3,051**	**17,459**	**7,554**

Cash equivalents

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Bank deposits	0	0	2,372	5,389
Securities	0	0	23,050	0
Cash on hand and balances on settlement account	13,224	2,979	13,224	2,979
Demand deposits at banks	562	72	4,235	4,574
Total	**13,786**	**3,051**	**42,881**	**12,942**

The decrease in cash equivalents from EUR 3,051 thousand at the end of 2014 to 13,786 as at 31 December 2015 is reflected in the cash flow statement.

2.4.2 Available-for-sale financial assets

Breakdown by type of available-for-sale financial asset

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Bonds	779,681	480,541	802,731	502,611
Treasury bills	147,291	211,625	147,291	211,625
Certificates of deposit	3,015	12,971	3,015	12,971
Shares and participating interests at fair value	8,616	5,846	8,616	5,846
Total	**938,603**	**710,983**	**961,653**	**733,053**
Listed	900,030	692,166	923,080	714,236
Unlisted	38,573	18,817	38,573	18,817
Total	**938,603**	**710,983**	**961,653**	**733,053**

Change in available-for-sale financial assets

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Balance as at 1 Jan	710,983	344,433	733,053	364,941
Recognition of new financial assets	653,453	590,106	660,024	595,371
Accrued interest	7,717	7,497	8,047	7,875
Interest paid	(19,351)	(7,617)	(19,827)	(8,377)
Changes in fair value	(1,940)	5,949	(1,856)	6,628
Net exchange dirrerences	121	127	121	127
Derecognition of financial assets	(412,065)	(228,684)	(417,594)	(232,684)
Impairment through profit or loss	(314)	(828)	(314)	(828)
Balance as at 31 Dec	**938,604**	**710,983**	**961,654**	**733,052**

2.4.3 Loans

Loans to the banks

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans	997,523	1,478,645	997,523	1,478,645
Deposits	615,106	711,045	621,740	716,434
Gross exposure	1,612,629	2,189,690	1,619,263	2,195,079
Value adjustments	(6,476)	(8,804)	(6,476)	(8,804)
Net exposure	**1,606,153**	**2,180,886**	**1,612,787**	**2,186,275**

Change in allowance account relating to impairment on loans to banks

	SID Bank and the SID Bank Group	
	2015	2014
Balance as at 1 Jan	8,804	10,611
Created value adjustments of loans	3,943	7,878
Elimination of value adjustments of loans	(6,271)	(9,685)
Balance as at 31 Dec	**6,476**	**8,804**

Loans to non-bank customers

	SID Bank and the SID Bank Group	
	31 Dec 2015	31 Dec 2014
Loans	799,600	851,517
Receivables from guarantees given	4,770	3,681
Gross exposure	804,370	855,198
Value adjustments	(198,905)	(217,871)
Net exposure	**605,465**	**637,327**

Measurement, recognition and derecognition of receivables from guarantees given is stated in Note 2.3.11 under the title Measurement, recognition and derecognition in the section concerning loans and receivables.

Change in allowance account relating to impairment on loans of clients other than banks

	SID Bank and the SID Bank Group	
	2015	2014
Balance as at 1 Jan	217,871	218,162
Created value adjustments of loans	63,988	139,278
Elimination of value adjustments of loans	(53,432)	(131,964)
Write-offs	(28,869)	(5,683)
Other	(653)	(1,922)
Balance as at 31 Dec	**198,905**	**217,871**

Other financial assets

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Gross exposure	422	443	419	447
Value adjustments	(26)	(29)	(26)	(29)
Total	**396**	**414**	**393**	**418**

Change in allowance account relating to impairment on other financial assets

	SID Bank and the SID Bank Group	
	2015	2014
Balance as at 1 Jan	29	380
Value adjustments	13	1,942
Elimination of value adjustments	(16)	(1,947)
Other	0	(346)
Balance as at 31 Dec	**26**	**29**

2.4.4 Financial derivatives held for hedging

	SID Bank and the SID Bank Group	
	31 Dec 2015	31 Dec 2014
Fair value	13,540	18,576
Net interest receivables	772	9,818
Total	**14,312**	**28,394**

Using the financial accounting method the Bank and the Group hedged the fair value of issued bonds and the hired loan in the total amount of EUR 374.8 million.

2.4.5 Property, plant and equipment and intangible assets

Change in property, plant and equipment and intangible assets at SID Bank

2015	Land and building	Computers	Other equipment	Total property, plant and equipment	Intangible assets (software)
Original cost					
Balance as at 1 Jan	9,912	782	847	11,541	1,974
Increase/decrease	39	(8)	13	44	232
Balance as at 31 Dec	9,951	774	860	11,585	2,206
Accumulated depreciation					
Balance as at 1 Jan	(4,056)	(655)	(639)	(5,351)	(1,261)
Depreciation and amortisation	(455)	(81)	(47)	(582)	(208)
Decrease	0	12	1	13	0
Balance as at 31 Dec	(4,511)	(724)	(685)	(5,920)	(1,469)
Carrying amount as at 31 Dec	**5,440**	**50**	**175**	**5,665**	**737**

2014	Land and building	Computers	Other equipment	Total property, plant and equipment	Intangible assets (software)
Original cost					
Balance as at 1 Jan	6,803	758	826	8,387	1,785
Increase/decrease	3,109	24	21	3,154	189
Balance as at 31 Dec	9,912	782	847	11,541	1,974
Accumulated depreciation					
Balance as at 1 Jan	(3,748)	(684)	(631)	(5,063)	(1,108)
Depreciation and amortisation	(316)	(96)	(47)	(460)	(153)
Decrease	7	125	40	172	0
Balance as at 31 Dec	(4,057)	(655)	(638)	(5,351)	(1,261)
Carrying amount as at 31 Dec	**5,855**	**127**	**209**	**6,190**	**713**

Change in property, plant and equipment and intangible assets at SID Bank Group

2015	Land and building	Computers	Other equipment	Total property, plant and equipment	Intangible assets (software)
Original cost					
Balance as at 1 Jan	13,009	1,382	1,297	15,688	2,883
Increase/decrease	39	11	14	64	295
Balance as at 31 Dec	13,048	1,393	1,310	15,752	3,178
Accumulated depreciation					
Balance as at 1 Jan	(4,458)	(1,165)	(835)	(6,458)	(1,565)
Depreciation and amortisation	(577)	(162)	(97)	(836)	(279)
Decrease	0	13	1	14	0
Impairment	(441)	0	0	(441)	0
Balance as at 31 Dec	(5,475)	(1,314)	(931)	(7,721)	(1,844)
Carrying amount as at 31 Dec	**7,573**	**79**	**379**	**8,031**	**1,334**

2014	Land and building	Computers	Other equipment	Total property, plant and equipment	Intangible assets (software)
Original cost					
Balance as at 1 Jan	9,900	1,360	1,273	12,533	2,613
Increase/decrease	3,109	22	25	3,156	270
Balance as at 31 Dec	13,009	1,382	1,298	15,689	2,883
Accumulated depreciation					
Balance as at 1 Jan	(4,028)	(1,086)	(776)	(5,890)	(1,354)
Depreciation and amortisation	(438)	(236)	(100)	(774)	(211)
Decrease	7	157	41	205	0
Balance as at 31 Dec	(4,459)	(1,165)	(835)	(6,459)	(1,565)
Carrying amount as at 31 Dec	**8,550**	**217**	**463**	**9,230**	**1,318**

Following the evaluation report in 2015, the SID Bank Group impaired the builiding in a total of EUR 441 thousand.

2.4.6 Long-term interests in subsidiaries and joint ventures

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Investment in SID – PKZ Ljubljana	8,413	8,412	0	0
Investment in Pro Kolekt, Ljubljana	0	419	0	419
Total	**8,413**	**8,831**	**0**	**419**

In 2015, SID Bank transferred two investments in Prvi faktor, Ljubljana and Pro kolekt, Ljubljana under non-current assets held for sale. SID Bank values the investment in Pro kolekt, Ljubljana under non-current assets held for sale at fair value totalling EUR 197 thousand. The investment in Prvi faktor, Ljubljanja was valued at EUR 0 already before the transfer. The investment in Pro Kolekt, Ljubljanja has been included with the data for the SID Bank Group; however, it is not consolidated due to insignificance.

Subsidiaries' data

	SID Bank's holding in equity, %	Voting rights, %	Nominal amount of participating interests	Equity	Profit or loss
31 Dec 2015					
SID – PKZ	100	100	8,413	26,773	932
Pro Kolekt Group	100	100	419	293	110
31 Dec 2014					
SID – PKZ	100	100	8,413	25,804	757
Pro Kolekt Group	100	100	419	203	(11)

Joint ventures' data

	Voting rights held, %	Current assets	Non-current assets	Current liabilities	Non-current debt	Equity	Profit or loss	Total revenue*
31 Dec 2015								
Prvi faktor Group	50	130,872	42,988	175,891	405	(2,436)	(4,359)	10,932
31 Dec 2014								
Prvi faktor Group	50	176,964	25,688	200,401	331	1,920	1,059	18,603

* includes income from interest, fees and commission and dividends

2.4.7 Corporate income tax assets and liabilities

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Current tax assets	4,861	0	4,861	427
Total tax receivables	**4,861**	**0**	**4,861**	**427**
Current tax liabilities	0	6,465	42	6,465
Deferred tax liabilities	120	559	211	637
Total tax liabilities	**120**	**7,024**	**252**	**7,102**

Deferred taxes

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Deferred tax assets				
Expense for impairment of equity investments	566	525	566	525
Revaluation expense for impairment of available-for-sale financial assets	293	240	293	240
Provisions for pensions and jubilee or other long-service benefits	40	37	67	63
Valuation of available-for-sale financial assets	447	134	447	134
Depreciation and amortisation	11	0	11	0
Total	**1,357**	**936**	**1,384**	**962**
Deferred tax liabilities				
Valuation of available-for-sale financial assets	1,478	1,494	1,596	1,598
Total	**1,478**	**1,494**	**1,596**	**1,598**
Included in the statement of profit or loss	109	145	112	148
Included in equity	330	(1,011)	315	(1,123)

2.4.8 Other assets

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Other assets	379	247	507	440
Reinsurers' assets	0	0	14,191	18,921
Receivables from insurance operations	0	0	16,130	17,291
Gross exposure	379	247	30,828	36,651
Value adjustments of insurance operations	0	0	(9,923)	(9,680)
Net exposure	**379**	**247**	**20,905**	**26,971**

The largest items from other assets of SID Bank Group consist of the technical reserves that are ceded to reinsurers, receivables from insurance operations (among them the largest are recourse receivables) and their value adjustments. In 2015, the reinsurers' assets decreased due to reduction provisions for outstanding claims at the expense of high-paid claims, which have already been reserved in the preparation of financial statements for the year 2014. Receivables from insurance operations decreased primarily due to payments of recourses and additional impairments.

2.4.9 Financial liabilities measured at amortised cost

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Loans from banks and central banks	1,653,821	1,865,321	1,653,821	1,865,321
Loans	1,638,908	1,841,494	1,638,908	1,841,494
Deposits	14,913	23,827	14,913	23,827
Loans from non-bank customers	420,538	381,467	420,538	381,467
Loans	420,532	381,461	420,532	381,461
Deposits	6	6	6	6
Debt securities	723,527	930,353	723,527	930,353
Other financial liabilities	1,691	1,818	2,303	2,416
Total	**2,799,577**	**3,178,959**	**2,800,189**	**3,179,557**

In April 2015, the SID Bank redeemed a due bond with ticker symbol SEDABI3 04/21/15 in a total amount of EUR 507.6 million (principal and interest) and additionally carried out a partial purchase of SSD (Schuldsscheindarlehen) under the contract with the HSH Nordbank AG totalling EUR 25 million. In August it issued a new three-year bond on the international capital markets with ticker symbol SEDABI 0.875 08/04/18 in the amount of EUR 300 million. From this interest rate swaps totalling EUR 170 million were concluded, and hedge accounting is used for this amount.

2.4.10 Provisions

Change in provisions at SID Bank

	Provisions for off-balance-sheet liabilities – guarantees	Provisions for off-balance-sheet liabilities – undrawn loans	Provisions for pensions jubilee or other long-service benefits	Total
Balance as at 1 Jan 2015	33,005	2,150	313	35,468
Additions	289	5,442	42	5,773
Disposals	(1,835)	(4,481)	0	(6,316)
Spent	0	0	(4)	(4)
Balance as at 31 Dec 2015	**31,459**	**3,111**	**351**	**34,921**
Balance as at 1 Jan 2014	1,888	6,093	265	8,246
Additions	36,575	8,649	65	45,289
Disposals	(5,458)	(12,592)	0	(18,050)
Spent	0	0	(17)	(17)
Balance as at 31 Dec 2014	**33,005**	**2,150**	**313**	**35,468**

Change in provisions at SID Bank Group

	Provisions for off-balance-sheet liabilities – guarantees	Provisions for off-balance-sheet liabilities – undrawn loans	Provisions for pensions and jubilee or other long-service benefits	Change in liabilities from insurance contracts	Change in deferred income from reinsurance commissions	Total
Balance as at 1 Jan 2015	33,005	2,150	463	31,816	0	67,436
Additions	289	5,442	62	16,418	0	22,211
Disposals	(1,835)	(4,481)	0	(12,545)	0	(18,861)
Spent	0	0	(14)	(10,098)	0	(10,112)
Balance as at 31 Dec 2015	**31,459**	**3,111**	**512**	**25,591**	**0**	**60,674**
Balance as at 1 Jan 2014	1,888	6,093	376	30,061	415	38,833
Additions	36,575	8,649	108	18,937	0	64,270
Disposals	(5,458)	(12,592)	0	(7,084)	(415)	(25,549)
Spent	0	0	(20)	(10,098)	0	(10,118)
Balance as at 31 Dec 2014	**33,005**	**2,150**	**464**	**31,816**	**0**	**67,436**

Provisions for off-balance sheet liabilities in the amount of EUR 34,570 thousand were formed for potential losses arising from guarantees issued, approved undrawn loans and credit lines.

The major part consists of provisions formed for guarantees given to companies in the Prvi Faktor Group in the amount of EUR 31.4 million.

SID Bank formed provisions for pensions and jubilee benefits as at 31 December 2015 on the basis of its own calculations. Assumptions for the calculation are disclosed in Note 2.3.24.

Liabilities from insurance contracts show gross technical reserves including the reinsurers' share.

2.4.11 Other liabilities

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Short-term deferred revenues	95	105	269	281
Deferred income	13	21	13	21
Included reinsurance liabilities	0	0	3,353	4,094
Liabilities from taxation	76	180	109	212
Other liabilities	0	0	13	11
Total	**184**	**306**	**3,758**	**4,619**

2.4.12 Equity

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Share capital	300,000	300,000	300,000	300,000
Profit reserves	54,329	46,658	71,318	63,749
Statutory reserves	9,937	9,412	10,792	10,268
Reserves for treasury shares	1,324	1,324	1,324	1,324
Reserves under articles of association	26,537	21,550	30,743	25,756
Other profit reserves	16,531	14,372	23,227	21,855
Credit risk equalisation reserves	0	0	5,232	4,545
Share premium account	1,139	1,139	1,139	1,139
Accumulated other comprehensive income in connection with available-for-sale financial assets	5,034	6,644	5,598	7,133
Repurchased treasury shares	(1,324)	(1,324)	(1,324)	(1,324)
Net profit for the financial year (including retained earnings)	4,987	2,158	5,794	1,970
Total	**364,165**	**355,275**	**382,525**	**372,667**

In 2015, there were no changes in the treasury shares fund. As st 31 December 2015 SID Bank held 18,445 shares of SID Bank with ticker symbol SIDR in total amount of EUR 1,324 thousand. In accordance with a decree of the General Meeting of Shareholders of SID Bank the undistributed profit of the year 2014 in the amount of EUR 2,158 thousand was allocated to other profit reserves.

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

2.4.13 Distributable profit

	SID Bank	
	31 Dec 2015	31 Dec 2014
Net profit for the financial year	10,499	4,544
Portion of net profit allocated to statutory reserves	(525)	(227)
Portion of net profit allocated to reserves under articles of association	(4,987)	(2,159)
Distributable profit	**4,987**	**2,158**

From the net profit of SID Bank, which amounted to EUR 10,499 thousand for the year 2015, the Management Board in accordance with the articles of association formed statutory reserves in the amount of EUR 525 thousand and reserves under articles of association in the amount of EUR 4,987 thousand.

In accordance with the Slovene Export and Development Bank Act (hereinafter: ZSIRB), the distributable profit of SID Bank must not be used for allocation to shareholders but is allocated to other profit reserves under a general meeting resolution.

2.5 Notes to the statement of profit or loss

2.5.1 Net interest income

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Interest income				
Loans and deposits	39,072	72,860	39,104	72,971
Derivatives held for hedging	6,850	17,236	6,850	17,236
Available for sale financial assets	7,717	7,497	8,047	7,875
Financial assets held for trading, other	2	11	2	11
Total	53,641	97,604	54,003	98,093
Interest expense				
Debt securities issued	(20,969)	(35,862)	(20,969)	(35,862)
Loans and deposits	(9,770)	(15,838)	(9,770)	(15,858)
Derivatives held for hedging	(517)	(2,572)	(517)	(2,572)
Financial liabilities held for trading, other	(139)	(85)	(139)	(85)
Total	(31,395)	(54,357)	(31,395)	(54,377)
Net interest income	**22,246**	**43,247**	**22,608**	**43,716**

In accordance with the explanation in Note 2.3.7., the interest in connection with impaired loans are excluded from income. The amount of accrued and excluded interest income as at 31 December 2015 amounts to EUR 14.3 million (EUR 9.9 million as at 31 December 2014). The effect of the accrued and excluded interest income relating to clients rated D and E as at 31 December 2015 amounts to EUR 14.2 million (the effect would have been EUR 9.8 million as at 31 December 2014).

2.5.2 Net fee and commission

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Fee and commission income				
Fee and commissions from loan operations	2,914	3,307	2,914	3,307
Fee and commissions arising from guarantees given	183	221	183	221
Total	3,097	3,528	3,097	3,528
Fee and commission expense				
Fee and commissions for loan operations	(575)	(542)	(575)	(542)
Other fee and commissions (stock exchange operations, other)	(336)	(148)	(350)	(162)
Total	(911)	(690)	(925)	(704)
Net fee and commission	**2,186**	**2,838**	**2,172**	**2,824**

2.5.3 Gains/losses realised on financial assets and liabilities not measured at fair value through profit or loss

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Realised net gains in available-for-sale financial assets	2,760	1,346	2,787	1,346
Gains	2,760	1,350	2,787	1,350
Losses	0	(4)	0	(4)
Realised net losses on loans	(273)	(649)	(273)	(649)
Losses	(273)	(649)	(273)	(649)
Realised net gains/losses from financial liabilities measured at amortised cost	320	(1,845)	320	(1,845)
Gains	320	51	320	51
Losses	0	(1,896)	0	(1,896)
Gains/losses realised on financial assets and liabilities not measured at fair value through profit or loss	**2,807**	**(1,148)**	**2,834**	**(1,148)**

2.5.4 Gains/losses on financial assets and liabilities measured at fair value through statement of profit or loss

	SID Bank and the SID Bank Group	
	2015	2014
Realised gains	3,244	8,632
Gains on financial assets and liabilities recognised at fair value through statement of profit or loss	**3,244**	**8,632**

These gains and losses arise from the results of the two loan funds established by SID Bank and the Ministry of Economic Development and Technology. Funding for the establishment of both funds was provided by the Ministry and SID Bank. Both funds are managed by SID bank in its own name and for its own account and are recorded in the financial statements of SID Bank; with results of each fund also being noted currently. In accordance with the agreements with the Ministry, the potential negative financial result of each loan fund is covered primarily by the funds provided by the Ministry. In 2015, a negative result in the total amount of EUR 3,244 thousand was identified in both funds; therefore, income in the same amount was recognised in the statement of profit or loss at the same time liability from loans received from the Ministry was decreased in accordance with the agreements.

Since the negative result of the funds was lower compared to 2014, the gains decreased in 2015. Generally, a better result of funds is a consequence of relatively lower amounts of expense for formed impairment loss.

2.5.5 Changes in fair value in hedge accounting

	SID Bank and the SID Bank Group	
	2015	2014
Net losses on derivatives held for hedging	(5,037)	(2,960)
Net gains on hedged items (bonds, loans)	4,967	3,094
Total	**(70)**	**134**

The realised losses on the valuation of derivatives and hedged items amounted to EUR 70 thousand in 2015, and a net positive effect of EUR 6,263 thousand was generated when net interest income from derivatives held for hedging in the amount of EUR 6,333 thousand is taken into account. Interest is disclosed in the table in Note 2.5.1.

2.5.6 Net exchange differences gain or loss

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Gain on exchange differences	9,820	5,157	9,821	5,161
Losses on exchange differences	(9,814)	(5,167)	(9,819)	(5,169)
Net gains/losses	**6**	**(10)**	**2**	**(8)**

2.5.7 Other net operating gains or losses

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Gains				
Income from activities under Republic of Slovenia authorisation	1,765	1,856	1,765	1,856
Insurance premium income	0	0	15,475	16,712
Income from reinsurance commissions	0	0	2,570	2,081
Reinsurance share in compensation, recourse and bonuses	0	0	6,050	3,867
Recourse income	0	0	2,361	1,589
Other operating income	95	111	760	812
Total	1,860	1,967	28,981	26,917
Losses				
Expense for reinsurance premiums	0	0	(9,159)	(9,938)
Expense for gross claims	0	0	(11,915)	(7,397)
Other operating expenses	(412)	(441)	(2,243)	(2,726)
Total	(412)	(441)	(23,317)	(20,061)
Net operating gains or losses	**1,448**	**1,526**	**5,664**	**6,855**

In 2015, the Bank realised profits in the amount of EUR 1.8 million from transactions under the authority of the Republic of Slovenia, of which EUR 1.6 million were realised from the management contingency reserve funds, EUR 0.2 million were realised from the guarantee schemes and EUR 0.1 million from other activities under the authority of Republic of Slovenia.

Insurance premium income in SID Bank Group contains gross premiums written; they decreased in 2015 mainly due to the strong drop in premium rates. This consequent decline is due to the intensification of the role of competing insurance companies and insurance brokers in the market. Due to the aforementioned, the expenses for reinsurance premiums are consequently lower as well. Income from reinsurance commissions are higher despite a lower reinsurance premium due to higher commission rates in one of the reinsurance contracts. Expenses on gross claims are higher due to payment of a few larger claims in 2015. The latter had already been provisioned when compiling statements in 2014. For this reason, the reinsurance share in compensation, recourse and bonuses is higher than in 2014.

2.5.8 Administrative costs

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Labour costs	(7,450)	(6,642)	(10,283)	(9,380)
Gross salaries	(5,731)	(5,117)	(7,832)	(7,159)
Pension insurance costs	(509)	(455)	(701)	(641)
Social security costs	(418)	(374)	(578)	(529)
Other labour costs	(792)	(696)	(1,172)	(1,051)
General and administrative costs	(2,777)	(3,164)	(3,801)	(4,104)
Material costs	(133)	(183)	(195)	(253)
Services costs	(2,644)	(2,981)	(3,606)	(3,852)
Total	**(10,227)**	**(9,806)**	**(14,084)**	**(13,485)**

2.5.9 Depreciation and amortisation

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Depreciation of property, plant and equipment	(582)	(459)	(835)	(773)
Amortisation of intangible assets	(207)	(154)	(280)	(211)
Total	**(789)**	**(613)**	**(1,114)**	**(984)**

2.5.10 Provisions

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Provisions for off-balance-sheet liabilities – guarantees	1,555	(31,115)	1,555	(31,115)
Provisions for off-balance-sheet liabilities – undrawn loans	(961)	3,942	(961)	3,942
Provisions for liabilities from insurance and reinsurance contracts	0	0	1,496	(447)
Other provisions	(43)	(65)	(58)	(85)
Total	**551**	**(27,238)**	**2,032**	**(27,705)**

In 2015, SID Bank realized income in the amount of EUR 551 thousand from the title of formed provisions for off-balance-sheet liabilities.

The balances of off-balance-sheet liabilities, for which provisions were created, are shown in the table in Note 2.6.1.

2.5.11 Impairments

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Impairments of loans and receivables measured at amortised cost	(8,213)	(5,502)	(8,213)	(5,502)
Impairments of available-for-sale financial assets	(314)	(828)	(314)	(828)
Impairment of equity investments in subsidiaries, associates and joint ventures	(245)	0	(245)	0
Impairment of other assets	0	0	(714)	(296)
Total	(8,772)	(6,330)	(9,486)	(6,626)

In 2015, impairments in the amount of EUR 8.5 million were formed, of which EUR 8.2 million were formed for granted loans and receivables measured at amortised cost. Additional impairments were formed primarily for specific high-risk borrowers while the collective impairment decreased in 2015.

2.5.12 Gains on equity investments in subsidiaries, associates and joint ventures

Dividend in the amount of EUR 35 thousand was paid to SID Bank by the subsidiary SID - Prva kreditna zavarovalnica, d. d. (2014: EUR 910 thousand).

2.5.13 Corporate income tax on ordinary operations

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Income tax	(2,278)	(7,751)	(2,522)	(7,972)
Deferred taxes	109	145	112	148
Total	**(2,169)**	**(7,606)**	**(2,411)**	**(7,824)**

The tax rate in Slovenia stood at 17% in 2015 and 2014.

An explanation of the tax rates applied in the calculation of deferred taxes is given in Note 2.3.23.

The income tax rate differs from tax calculated using the prescribed tax rate and is disclosed in the table below.

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Profit	12,668	12,150	13,806	12,215
Income tax (at rates applicable in relevant countries)	(2,155)	(2,067)	(2,354)	(2,232)
Income deducted from taxable base	6	165	16	165
Income added to taxable base	(6)	(5)	(6)	6
Non-tax-deductible expenses	(193)	(5,912)	(279)	(6,005)
Tax-deductible expenses	0	2	9	3
Increase in taxable base	0	(8)	(2)	(8)
Tax allowances	68	73	93	98
Tax	**(2,279)**	**(7,751)**	**(2,524)**	**(7,972)**
Effective tax rate, %	18	64	18	65

2.5.14 Net earnings per share

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Number of ordinary registered no-par value shares	3,121,741	3,121,741	3,121,741	3,121,741
Treasury shares	18,445	18,445	18,445	18,445
Number of ordinary shares other than treasury shares	3,103,296	3,103,296	3,103,296	3,103,296
Net profit in period, EUR thousand	10,499	4,544	11,395	4,391
Earnings per share, EUR	**3.38**	**1.46**	**3.67**	**1.41**

2.6 Other notes to the financial statements

2.6.1 Contingent liabilities and commitments

Contractual obligations of off-balance sheet financial instruments arising from commitments

	SID Bank and the SID Bank Group	
	31 Dec 2015	31 Dec 2014
Guarantees	53,953	58,384
Other off-balance-sheet liabilities	111,442	54,786
Total commitments	**165,395**	**113,170**
Provisions for off-balance-sheet risks – guarantees	(31,459)	(33,006)
Provisions for off-balance-sheet risks – other off-balance-sheet liabilities	(3,111)	(2,150)
Total provisions on commitments	**(34,570)**	**(35,156)**

SID Bank or the SID Bank Group shows under the commitments item the value of guarantees issued and the value of other off-balance-sheet liabilities which include the value of unused loans and the value of uncalled unpaid capital. In 2015, it decreased the value of guarantees issued, namely as a result of guarantees falling due. Loans granted to companies that have not been drawn as at 31 December 2015 totals EUR 32.1 million, while loans granted to the bank sector totals EUR 67.4 million. The value of uncalled unpaid capital totals EUR 12 million.

Contract value of derivatives

	SID Bank and the SID Bank Group	
	31 Dec 2015	31 Dec 2014
Interest rate swaps	374,832	698,011

The contract value of derivatives that meet the criteria for hedge accounting amounts to EUR 374,832 thousand.

Derivatives which meet the criteria for hedge accounting are used to hedge against interest rate risk.

The fair value and economic effects are disclosed in Note 2.4.4 and 2.5.5.

2.6.2 Related party disclosures

In ordinary operations specific banking transactions were also conducted with related parties, i.e. parties where one party controls the other or has a significant influence over its financial and business decisions.

Significant transactions between SID Bank and investees in SID Bank Group are disclosed below. They are mutually excluded from the consolidated financial statements.

Significant relations of SID Bank with subsidiaries and joint ventures

	2015			2014		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Receivables						
Loans	20	80,349	80,369	36	94,122	94,158
Other financial assets	8	0	8	13	0	13
Gross exposure	28	80,349	80,377	49	94,122	94,171
Value adjustments	(1)	(17,436)	(17,436)	(2)	(12,174)	(12,176)
Net exposure	27	62,913	62,940	47	81,948	81,995
Other financial liabilities	0	113	113	8	125	133
Provisions	2	31,375	31,377	2	31,625	31,627
Total liabilities	2	31,487	31,489	10	31,750	31,760

	2015			2014		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Interest income	1	2,480	2,480	1	4,286	4,287
Dividend income	35	0	35	910	0	910
Fee and commission income	0	0	0	0	55	55
Income from rents and other services	88	0	88	90	0	90
Fee and commission expense	0	(113)	(113)	0	(125)	(125)
Expense for rents and other services	(1)	0	(1)	(20)	0	(20)
Provisions	0	251	250	(2)	(31,625)	(31,627)
Impairments	1	(3,379)	(3,379)	2	9,079	9,081
Total	123	(762)	(638)	981	(18,330)	(17,349)

Exposure to the Republic of Slovenia and to state-owned business entities

SID Bank and SID Bank Group have business relations with business entities, which are owned by the state or in which the state has a significant influence.

	SID Bank		SID Bank Group	
Exposure to:	2015	2014	2015	2014
Bank of Slovenia				
Balance as at 31 Dec				
Settlement account	13,224	2,979	13,224	2,979
Securities as collateral	126,687	258,820	126,687	258,820
Loans as collateral	53,780	52,382	53,780	52,382
For Period				
Interest income	0	143	0	143
Republic of Slovenia				
Balance as at 31 Dec				
Bonds	342,336	173,001	336,095	180,512
Other securities	119,892	144,519	119,892	144,519
Loans and advances	63,184	63,700	63,184	63,700
Impairments	(2,483)	(2,848)	(2,483)	(2,848)
Other	57	375	57	375
For Period				
Interest income	3,715	5,172	3,901	5,369
Other revenues	5,343	3,524	5,343	3,524
Impairments and provisions	367	771	367	771
Other expense	(2,779)	(285)	(2,779)	(285)
State-owned business entities				
Balance as at 31 Dec				
Deposits	163	23	163	23
Loans and advances	886,242	1,207,261	887,743	1,207,801
Impairments	(58,872)	(32,287)	(58,872)	(32,287)
Securities	24,004	42,180	25,229	43,760
Impairments	(3,734)	(2,768)	(3,734)	(2,768)
Financial derivatives	12,285	16,830	12,285	16,830
Non-current assets held for sale	197	0	197	0
Long-term equity investments in subsidiaries, associates and joint ventures	8,413	8,831	0	419
Contingent liabilities and commitments	53,040	69,062	53,040	69,062
Provisions	(4,128)	(1,238)	(4,128)	(1,238)
Other	6	13	89	52
Impairments	0	0	0	0
Estimated recourse receivables	0	0	4,816	5,794
Impairments of estimated recourse receivables	0	0	(3,518)	(3,368)
For Period				
Interest income	21,802	42,758	21,862	42,838
Other income	141	1,932	4,345	6,474
Net interest from derivatives (gains minus losses)	1,650	4,471	1,650	4,471
Net fair value from derivatives (gains minus losses)	(394)	4,415	(394)	4,415
Other income from recourse receivables	0	0	1,144	312
Impairments for recourse receivables	0	0	(172)	(1,574)
Net expense for reinsurance (gains minus losses)	0	0	(5)	(15)
Impairments and provisions	(9,913)	14,783	(9,913)	14,782
Other expenses	(236)	(61)	(4,492)	(1,327)

2.6.3 Remuneration system

(Article 450(a,b,c,d,e,f) of the CRR Regulation)

Remuneration policy is adopted by the Management Board with the consent of the supervisory board. The tasks of the supervisory board concerning the review of adequacy and implementation of the remuneration policy are carried out by the Nomination and remunerationCommittee. In 2015, the Nomination and remuneration Committee verified the changes of legislation and regulations governing remuneration policies, compliance with the principles and provisions of the policy in the payments of remuneration, information on the remuneration of the employees whose work is of a special nature and especially the remuneration of the heads of the internal control system and the heads of other independent control functions.

In 2015, the existing remuneration policy effective as at 1 January 2015 was last amended due to the reorganization of the Bank at the end of 2014 because of the implementation of an additional level of management, i.e. the senior management. No outsourced advisor participated in the policy formulation.

The remuneration policy takes into account the size of the Bank, its internal organization and nature, scope and complexity of activities performed by the bank. In accordance with ZSIRB the Bank's aim is not pursuing profit maximization but primarily maintaining the capital, whereby all transactions shall be subject to the assessment of the economic quality on the basis of international criteria.The Bank, in comparison to other commercial banks, performs only specific services and transactions (corporate and bank funding) and does not perform most of the services rendered by other banks (e.g. the Bank does not accept deposits from the public or does not perform other services to the public it does not keep bank accounts of clients or does not perform payment services for clients, etc.) Due to a specific business model characteristic for development banks, SID Bank may be classified in the category of banks providing less complex transactions.

The remuneration policy defines employees and positions whose work is of a special nature, as follows: the management board, senior management, heads of the internal control system and heads of other independent functions as well as direct risk takers who have a significant influence on the Bank's risk profile (members of the Liquidity Committee, members of the Credit Committee and members of any other bodies making decisions with material consequences for the bank, and other employees who in the context of their competences conclude contracts above EUR 2,000 impacting the risk profile). The nature of their work and their competences as well as their responsibilities in concluding contracts or risk taking is considered as a measure of importance of their impact on the risk profile.

The measure of importance of their impact on the Bank's risk profile is quantitatively determined by making decisions on transactions with a value above 1 percent of the Bank's assets or according to the respective criteria for important items of the statement of financial position which is used for the purposes of compiling the annual report of the Bank.

Under the remuneration policy, the fixed portion of earnings accounts for at least 75% of the average employee's total earnings for all categories of employees. The variable portion of earnings is paid to employees whose work is of a special nature in accordance with the provisions of their employment contracts and internal remuneration system, namely:

1. The variable portion of earnings is paid to employees whose work is of a special nature in accordance with the provisions of the Collective Agreement for the Slovenian Banking Sector and the Corporate Collective Agreement, that is based on-the-job performance of the employee and business performance of the Bank, and also in the form of awards for outstanding achievements and for project work. On-the-job performance of the employee is monitored and annually assessed by his or her direct superior on the basis of the realisation of their commitments agreed upon in the annual development interviews and on the basis of the performance in terms of quantity and quality of work, economy, relationship to colleagues and clients, diligence, willingness to work and development of competences. In accordance with the Corporate Collective Agreement funds in the value of 10% of monthly salaries of employees under collective agreements are allocated for the onthe-job performance payments. Irrespective of this, the percentage may be reduced if so determined in the Bank's remuneration policy.

Business performance payment depends on the implementation of the annual operational plan at the level of the Bank and individual organizational units in terms of achieving the key performance indicators determined in the Bank's strategy and the implementation of the tasks of individual organizational units. It will, however, be equivalent to a maximum of a one-month employee's salary.

2. To employees whose work is of a special nature and are under the so-called individual employment

contracts, the variable part of the remuneration is paid once a year as remuneration for business performance based on achievement of predetermined objectives and tasks. As a rule, the provisions of individual contracts limit the amount of business performance up to a maximum of 25% of basic annual salary.

3. For benchmarks (as a basis for determining the variable remuneration) of the members of the Management Board, the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD) apply. The amount of the variable part of remuneration of each member of the Management Board is determined by the Supervisory Board on a proposal of the Nomination and Remuneration Committee, subsequent to the approval of the Bank’s annual report, depending on the fulfilment of the annual operational plan and other criteria or benchmarks.

Business performance payments for all employee categories are paid after the approval of the annual report by the Bank's Supervisory Board. Business performance is not paid if the Bank does not disclose any profit during the financial year. In case of the recommendations of a shareholder of the Bank or other entity responsible for such recommendations relating to restrictions on business performance payments or other earnings from employment, the Management Board can take a different decision than provided by the Corporate Collective Agreement.

Provisions with regard to business performance payment shall not apply if in accordance with the remuneration policy of the Bank, especially with the provisions relating to the impact of variable remuneration to the Bank's financial position,the assessment of performance, and the adjustment of remuneration to the risk, the variable component of remuneration should be reduced.

The accounting period is identical to the calendar year. A portion of the variable remuneration is deferred after the end of the accounting period, and according to the remuneration policy, a three-year deferral period applies for the president ,and the member of the Management Board and executive directors as well as employees whose work is of a special nature and have the so-called individual employment contracts. The possibility of omission is used for other employees in accordance with the regulations that apply to the variable part of the remuneration to which employees are entitled on the basis of rights acquired in accordance with labour legislation, collective agreements and employment contracts.

Taking into account the provisions of ZSIRB, that the Bank may have only one shareholder and that the guarantees for bank's liabilities are provided by the Republic of Slovenia, SID Bank is not allowed to pay the variable portion of the remuneration in the form of financial instruments.

Other non-cash benefits received by some employees whose work is of a special nature relate to the fringe benefits agreed in the employment contract (e.g. life insurance), whereby the credit standing is charged by the bank.

Quantitative information on remuneration in 2015

(Article 450(g,h,i,j) of the CRR Regulation)

in EUR	Supervisory board	Management board	Senior management	Crediting activity	Portfolio management	Independent control functions	Other
Total beneficiaries	8	2	4	7	5	3	13
Total remuneration in 2015	172,709	388,116	478,116	384,690	217,882	175,023	564,305
Fixed remuneration	171,352	339,396	408,002	332,407	191,417	152,266	495,726
Variable remuneration	0	38,821	67,224	51,901	26,111	22,502	68,069
Variable part of the remuneration for the current year	0	38,821	51,325	0	0	0	0
Paid deferred part of past variable remuneration	0	0	15,899	0	0	0	0
Other earnings	1,357	9,899	2,890	382	354	255	510
Additional data on variable remuneration							
Outstanding balance of past deferred variable remuneration	0	115,140	16,058	0	0	0	0
Of which deferred unpaid variable part of remuneration was allocated in 2015	0	38,821	8,049	0	0	0	0
New contractually agreed variable remuneration and severance pay in 2015	0	0	0	0	0	0	0
Total remuneration allocated in 2015	0	0	0	0	0	0	0

All variable remuneration has been paid in cash, no other types of variable remuneration exist.

All unpaid deferred past remuneration have not been assigned the right to payment.

No single person has been paid more than a EUR 1 million salary.

Remuneration of members of the Supervisory Board in 2015

Person	Function	Remuneration	Cost allowance	Total
Members of the Supervisory Board				
Monika Pintar Mesarič	Chairwoman of the Supervisory Board Chairwoman of the Appointments and Remuneration Committee	35	0	35
Janez Tomšič	Deputy Chairman of the Supervisory Board Deputy Chairman of the Appointments and Remuneration Committee	26	0	26
Marjan Divjak	Member of the Supervisory Board Deputy Chairman of the Audit Committee until 2 April 2015 Chairman of the Audit Committee from 2 April 2015 Member of the Risk Committee from 8 November 2015 Deputy Chairman of the Risk Committee from 8 November 2015	30	0	30
Štefan Grosar	Member of the Supervisory Board Member of the Audit Committee from 24 July 2015	22	0	22
Martin Jakše	Member of the Supervisory Board from 26 March 2015 Chairman of the Audit Committee from 26 March 2015	6	0	6
Leo Knez	Member of the Supervisory Board Member of the Audit Committee until 2 April 2015 Deputy Chairman of the Audit Committee from 2 April 2015 Deputy Chairman of the Risk Committee until 8 November 2015 Chairman of the Risk Committee from 8 November 2015	28	0	28
Anton Rop	Member of the Supervisory Board to 11 September 2015 Chairman of the Risk Committee until 10 September 2015	15	1	16
Boris Škapin	Member of the Supervisory Board from 2 July 2015 Chairman of the Appointments and Remuneration Committee from 24 July 2015	11	0	11
External committee members				
Alenka Stanič	External Remuneration Committee Member until 12 May 2015	2	0	2
Blanka Vezjak	External Audit Committee Member until 12 May 2015	3	0	3

Representatives of SID Bank on the supervisory bodies of subsidiaries did not receive session fees or other remuneration for supervisory duties at investees in SID Bank Group in 2015.

Remuneration of members of the Management Board in 2015

In 2015, SID Bank's Management Board was paid EUR 388 thousand, of which 339 thousand as fixed, EUR 39 thousand as current variable and EUR 10 thousand as other benefits. In 2015, the Chairman of the Management Board Sibil Svilan received a total of EUR 203 thousand in benefits (EUR 178 thousand as fixed, EUR 20 thousand as current variable and EUR 5 thousand as other earnings), the Management Board member Joseph Bradeško has received a total of EUR 185 thousand in remuneration (EUR 161 thousand as fixed, EUR 19 thousand as current variable and EUR 5 thousand as other earnings).

2.6.4 Total amount spent on the auditor

	SID Bank		SID Bank Group	
	2015	2014	2015	2014
Auditing of the annual report	47	43	71	72
Other auditing services	69	2	69	2
Other non-audit services	6	0	6	0
Total	122	45	146	74

2.6.5 Events after the reporting period

There were no business events after the reporting date that would have an impact on the separate and consolidated financial statements of SID Bank and SID Bank Group.

In February 2016, SID Bank successfully completed the sales procedure of the total shares of the subsidiary Pro Kolekt, Ljubljana with the signing of the contract of sale and transfer of the total purchase price.

3 Risk management

3.1 Credit risk

Credit risk is the risk of a loss as a result of the failure of a debtor to discharge its liabilities, irrespective of the reason of this failure.

The Credit risk management policy is the framework document covering the management of credit risk in the operations of SID Bank. The policy defines the risk appetite on credit risk in relation to business objectives and strategy of SID Bank, risk appetite, mechanisms and procedures for monitoring, control and management of credit risk from operating activities and the powers and responsibilities for the management of credit risk.

The integral documents of a comprehensive credit risk management system in SID Bank include all applicable regulations and internal regulations which SID Bank uses in credit approval process, collateral management, in monitoring and managing the credit portfolio, in determining the credit rating of the debtor and the debtor country, classification of exposures, interest calculation, the recovery of non-performing exposures, etc.

In the case of credit and guarantee transactions credit risk entails the risk of default with regard to the debtor's financial position and also the risk related to the geographical location of the debtor's country. Credit risk from securities derives from the portfolio managed by SID Bank for the purpose of ensuring liquidity and asset liability management. SID Bank manages credit risk arising from this type of activity primarily by means of limits on exposure with regard to the issuer's credit rating, the issuer's location, the type of issuer and the type of instrument, and the monitoring of market values of securities. SID Bank does not undertake trading. Counterparty credit risk in the settlement of transactions in securities and in relation to derivatives is also taken into account. SID Bank calculates its exposure to credit risk in relation to derivatives using an original exposure method under which the exposure value represents the hypothetical amount of each instrument, multiplied by percent reffered to in Article 275 of the CRR Regulation, which are determinate according to the remaining maturity of the contract. Exposure is managed in the framework of limits on exposure to credit risk, which are approved by the Credit Committee.

The management of credit risk begins before a contractual relationship is concluded with the determination of the client's creditworthiness and the establishment of eligible collateral. The occurance of exposure is approved by the Credit Committee or any other competent body in accordance with the authorisations for approving transactions, which are defined by internal acts and the Articles of association of SID Bank according to the value of investment and existing exposure. Throughout the lifetime of an investment transaction the credit risk is managed by means of the monitoring and management of the credit portfolio, the limitation of concentrations of credit risk in relation to individual clients, groups of connected clients, sectors and countries, the rating process and the creation of impairments and provisions for expected losses, and the provision of adequate capital for cases when losses exceed expectations.

Credit risk monitoring

SID Bank carries out regular and in-depth as well as crisis-oriented monitoring of credit risk. Regular monitoring of credit risk is carried out at the premises of SID Bank on the basis of the documentation received by the debtor and documentation which is available at SID Bank, namely: credit risk assessment of the individual debtor and groups of connected clients, information from databases which SID Bank can access directly or indirectly, the mass media, contacts with the debtor and its business partners, representations of Slovenian companies abroad, credit ratings made by international credit rating agencies, information on non-complaince with the contractual obligations, audit reports, annual reports, interim financial statements, notices of diplomatic consular offices of the Republic of Slovenia and others. In the event of crisis-oriented or in-depth monitoring a check is carried out at the premises of the debtor as well. SID Bank regularly carries out in-depth monitoring on the basis of a watch list approved by the Credit Committee. When the watch list on the amount and maturity of loan transactions is prepared, debtor's credit rating and other factors that affect credit risk shall be taken into account. The overview of the business operations of the debtor and the purposeful use of the loan (an overview of the books of account, records and other documents related to the operations of the debtor), overview of the subject of credit transaction and assets of credit transaction collateral are subject of in-depth monitoring. In the in-depth monitoring SID Bank obtains soft information on the debtor and its operations and other circumstances that are relevant to the successful conclusion of the credit transaction. SID Bank conducts crisis-oriented monitoring when it detects a serious breach of contractual obligations, the deterioration of the financial and economic situation of the debtor or other circumstances which affect or may affect the business of the debtor and the successful conclusion of the credit transaction. Responsibilities of individual organizational units and description of the procedures for crisis-oriented monitoring of credit operations and the duty of mutual communication and cooperation of individual organizational units are defined in the internal rulebook.

Early Warning System

SID Bank has formed an early warning system (the so-called "EWS"), which allows early detection of increased credit risk for each exposure. SID Bank monitors exposure with increased credit risk on watch lists, namely the potential list, the transitional list, the list of restructured exposures or the insolvency list which are dealt with weekly frequency by the Credit Committee or the Distressed Investment Management Committee. Indicators for the classification of exposures with increased credit risk in the corresponding list are defined in the internal rulebook.

Management of Non-performing exposures

The assessment that exposure will obtain the status of a non-performing exposure is based on the decision of the Credit Committee. In this case the exposure is assigned to a specific organizational unit, the Distressed Investment Management Department, which carries economical and legal review of exposure and on the basis of appropriate analysis begins either with the process of restructuring or the liquidiation of collateral. Criteria for determining non-performing exposures are defined in the internal rulebook and are consistent with the Basel and EBA guidelines.

In the field of management of non-performing exposures, SID Bank has formed a strategy for managing non-performing exposures. Additionally, SID Bank has prepared a plan of reducing non-performing exposures for a period of three years, which shows a significant reduction in non-performing exposures and which SID Bank shall realize through active management of non-performing exposures. When preparing the plan of reducing non-performing exposures, SID Bank, inter alia, takes into account the expectations of write-offs, repayments from collateral, disposal of exposure, repayments from ordinary operations and others. In the segmentation of the portfolio of non-performing exposures, SID Bank considers, inter alia, the assessment of the sustainability of the business model of the debtor and the type of collateral. As for debtors with a sustainable business model, SID Bank identifies those that have the ability to generate cash flow from core business, while simultaneously being capable of servicing financial debt, further classifying non-performing exposures as restructured or as those which have not been restructured (yet). Regarding debtors with unsustainable business models, SID Bank identifies those that have not the ability to generate cash flow from core operations, while they are further classified based on the expected and current status of the debtor, namely based on the fact of whether bankruptcy proceedings, elimination from the judicial record or regular procedure or compulsory liquidation is conducted against the debtor.

Foreclosure procedure

Foreclosure procedures and collection of receivables have been recorded in the internal rulebook by SID Bank. Foreclosure takes place in accordance with internal procedures and may vary from case to case. The type of foreclosure depends largely on the duration of the delay, the amount due and outstanding and the amount of exposure of SID Bank to the debtor.

Each foreclosure, irrespective of the method and the person conducting the foreclosure starts with an oral and written reminder to the debtor. The reminder proceeding shall commence the next business day after the default of the debtor of completing monetary or non-monetary obligations. Reminders shall be carried out by telephone, electronic mail, with written reminders, netting and carrying out other activities which contribute to a rapid, effective and successful repayment of overdue exposures. The method of reminding shall be decided according to the experience of conducting business with the debtor and other circumstances of the case, with the objective to achieve the fulfilment of obligations. The reminder prompts the debtor to the fulfilment of the obligations by a specified deadline.

In the event of an unsuccessfully finished reminder procedure, if exposure could not be restructured or if the Credit Committee dismisses a proposal for restructuring, it may initiate the procedures of repayment of overdue and unpaid exposures from liquidation of collateral instruments, which are referred as negotiable without previous processes and the conclusion of agreements with debtors on a different mode of repayment of the debt, as is clear from the basic loan agreement.

If the dialogue with the debtor is not successful, a judicial foreclosure is initiated headed by the Distressed Investment Management Department. It starts by sending out reminders before action, contacting debtors, filing claims and/or proposals for the execution and performance of other activities for judicial foreclosure and reporting of receivables from a debtor in compulsory liquidation procedure, bankruptcy, liquidation or other proceedings.

Credit Collateral

The types of credit collateral usually used by SID Bank are defined in the internal rulebook. The rulebook defines the general categories and principles of credit collateral, the criteria for individual types of collateral, minimum ratios between the value of collateral and loan amount, the operational procedures for establishing, recording, monitoring/valuing and exercising collateral as well as the responsibilities of organizational units related to credit collateral.

SID Bank accepts different forms of funded and unfunded credit protection as loan collateral, which must complying minimum requirements laid down in CRR Regulation. The collateral is by SID Bank treated as the secondary source of loan repayment and not a substitute for primary assessment of borrower's credit worthiness.

SID Bank value assets pledged as collateral at market value. The market value of financial instruments held by SID Bank is obtained from the stock exchange for listed financial instruments or determined on the basis of comparable transactions or in accordance with the internal methodology for unlisted financial instruments. The market value of real estate is obtained from valuation reports, prepared by independent certified appraisers according to international valuation standards (IVS), valuation based on market or liquidation value, or transaction price from sales agreements not older than one year obtained in a transaction with unconnected entities may also be used. Throughout the existence of exposure SID Bank monitors the value of assets pledge as collateral on a regular basis. For real estate used as collateral SID Bank estimates value by using statistical methods at least twice per year. In case of exposure above EUR 3,000 thousands and for which real estate is pledge as collateral or in case the value of real estate pledged as collateral exceeds EUR 3,000 thousands, SID Bank obtains market value from valuation reports, prepared by independent certified appraisers every three years.

Throughout the existence of exposure SID Bank regularly monitors the borrower's credit rating and the coverage of the investment (loan) by collateral. Should the collateral value decline, an additional collateral is established as appropriate.

The amount of indirect credit risk exposure deriving from credit protection received, together with the actual exposure to the individual client or group of connected clients, may not reach or exceed 10% of the stock of SID Bank's funding.

Credit collateral used by other companies within SID Bank Group are valued and monitored separately by each company within the SID Bank Group. For the purpose of external reporting on consolidated basis for SID Bank Group, the Bank obtains the relevant data directly from each company within the SID Bank Group.

Classification of financial assets and off-balance sheet liabilities

SID Bank classifies financial assets and off-balance-sheet liabilities according to the classification of the Bank of Slovenia in grades from A to E, where A is assigned to clients with the highest quality/rating and E is the lowest rating on the basis of the assessment of an individual debtor's financial position, the debtor's ability to ensure sufficient cash flow for the regular fulfilment of obligations to SID Bank in the future, the type and extent of debtor's collateral for a financial asset or commitment under off-balance-sheet item and the debtor's track record of fulfilment of the obligations to SID Bank. The basis for the classification consists of the internal credit rating methodology based on the assessment of quantitative and qualitative elements and Bank of Slovenia criteria for the classification of financial assets and off-balance sheet liabilities. SID Bank has formed a separate internal methodology for assessing credit risk for companies and entrepreneurs, banks and savings banks, municipalities and investment projects. The internal methodology for the credit risk assessment of banks and savings banks is validated by the S&P Capital IQ, London. SID Bank has established 21 internal credit ratings, where each defines, inter alia, the financial situation of the debtor, efficiency and profitability of its operations, as well as future trends. Throughout the lifetime of a credit transaction the Bank monitors the debtor's performance and reviews the appropriateness of the classification on a monthly basis.

SID Bank and SID Bank Group have internally developed guidlines on the classification of debtors, setting exposure limits and credit approval processes. The working gudelines include all necessary information, the criteria and the method of classification of financial assets and off-balance liabilities.

Assessment of Credit risk losses

SID Bank has internally developed methodology for the assessment of credit risk losses, which adequately covers the expected losses from credit risk. In accordance with IFRS, the debtors are classified individually or in groups as part of the collective assessment of credit risk losses. They are formed on the basis of groups of debtors with comparable risk which are mainly related to the debtor's activity, geographical location and characteristics of financing products.

For the calculation of the replacement value, SID Bank and the SID Bank Group consider the present value (discounted value) of the expected future cash flows. The amount of the impairments or provisions represent the difference between the carrying amount and replacement value of a financial asset or off-balance sheet liability. The policy of creating impairments and provisions is further described in section 2.3.11.

Maximum exposure to credit risk

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Gross exposure of balance-sheet items	**3,375,506**	**3,781,913**	**3,408,860**	**3,813,879**
Cash on hand, balances with the central bank and demand deposits with banks	13,786	3,051	17,459	7,554
Available for sale financial assets	929,988	705,137	953,038	727,207
Debt securities	929,988	705,137	953,038	727,207
Gross exposure	929,988	705,137	953,038	727,207
Impairments (individual)	0	0	0	0
Loans and receivables	2,212,013	2,818,627	2,218,644	2,824,020
Loans to banks	1,606,153	2,180,886	1,612,787	2,186,275
Gross exposure	1,612,629	2,189,690	1,619,263	2,195,079
Impairments (individual)	0	0	0	0
Impairments (group)	(6,476)	(8,804)	(6,476)	(8,804)
Loans to non-bank customers	605,465	637,327	605,465	637,327
Gross exposure	804,370	855,198	804,370	855,198
Impairments (individual)	(163,057)	(183,005)	(163,057)	(183,005)
Impairments (group)	(35,848)	(34,866)	(35,848)	(34,866)
Other financial assets	395	414	392	418
Gross exposure	421	443	418	447
Impairments (individual)	(26)	(29)	(26)	(29)
Impairments (group)	0	0	0	0
Derivatives held for hedging	14,312	28,394	14,312	28,394
Gross exposure of off-balance-sheet items	**165,395**	**113,170**	**165,395**	**113,170**
Guarantees	22,494	25,379	22,494	25,379
Gross exposure	53,953	58,384	53,953	58,384
Provisions (individual)	(31,375)	(32,840)	(31,375)	(32,840)
Provisions (group)	(84)	(165)	(84)	(165)
Other off-balance-sheet liabilities	108,331	52,636	108,331	52,636
Gross exposure	111,442	54,786	111,442	54,786
Provisions (individual)	(397)	(638)	(397)	(638)
Provisions (group)	(2,714)	(1,512)	(2,714)	(1,512)
Total gross exposure to credit risk	**3,540,901**	**3,895,083**	**3,574,255**	**3,927,049**
Total net exposure to credit risk	**3,300,924**	**3,633,224**	**3,334,278**	**3,665,190**

The table illustrates the maximum exposure to credit risk of SID Bank and the SID Bank Group deriving from balances at the central bank, loans, investments in financial instruments and off-balance-sheet liabilities, without taking into consideration collateral or credit quality. SID Bank's exposure to credit risk as at 31 December 2015 has increased compared to its exposure as at 31 December 2014 due to balances at the central bank, available-for-sale debt securities and off-balance-sheet liabilities, while exposure from loans and derivatives decreased.

Credit risk at the insurance company PKZ, which is a part of the SID Bank Group, mostly consists of available-for-sale financial assets and insurance-technical provisions that are ceded to reinsurers (totalling 82% of the exposure to credit risk or EUR 44 million in 2015).

The technical provisions transferred to reinsurers are not due or impaired. All reinsurers on the current private reinsurance contract and all reinsurers that are no longer on the contract, yet included in the technical reserves that are ceded to reinsurers (reserves for previous years), are rated in the range from A- to AA (S&P rating) or as A3 to Aa3 (Moody's rating), while the credit rating of SID Bank which acts as reinsurer in a smaller portion of the portfolio is Baa3 (according to Moody's).

Due to the specific nature of business operations of SID-PKZ and the insignificant exposure from loans, certain disclosures below are only reported for SID Bank.

Loan exposure by type of collateral

	SID Bank		SID Bank Group	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Carrying amount of secured loans	**389,908**	**335,361**	**389,908**	**335,362**
Secured by Slovenian government guarantee	16,761	23,234	16,761	23,234
Securities collateral	24,814	11,631	24,814	11,631
Commercial real estate collateral	138,585	137,698	138,585	137,698
Residential real estate collateral	1,781	1,740	1,781	1,740
Movable property collateral	104,691	99,838	104,691	99,838
Cession of claims as collateral	85,369	36,945	85,369	36,945
Other forms of credit protection	17,907	24,275	17,907	24,275
Carrying amount of unsecured loans	**1,822,105**	**2,483,265**	**1,828,736**	**2,488,657**
Carrying amount of loans	**2,212,013**	**2,818,626**	**2,218,644**	**2,824,019**

The table illustrates the breakdown of loan exposure by type of credit collateral. Secured loans comprise loans where the fair value of collateral is larger than or equal to the carrying amount of the loan. Where the fair value of the collateral is larger than the carrying amount of the loan, the loan is classed as secured in the amount of loan. Where the fair value of the collateral is lower than the carrying amount of the loan, the loan is classed as secured in the amount of the fair value of the collateral, while the remainder of the loan is included in unsecured loans. For loan agreements where not all disbursements have been made, collateral is taken into account proportionately with regard to the disbursed and undisbursed loan amounts.

The majority of SID Bank's credit portfolio comprises loans to banks established in Slovenia which transfer the funding to the final beneficiaries in accordance with Slovene Export and Development Bank Act (ZSIRB). The aforementioned loans are generally unsecured.

Total collateral value for exposures from loans at SID Bank and SID Bank Group amounted to EUR 816,551 thousand as at 31 December 2015, compared with EUR 663,933 thousand as at 31 December 2014. In the breakdown of collateral the largest value represents movable property collateral, followed by commercial real estate collateral, cession of claims as collateral, collateral in the form of participating interests, corporate guarantees by corporates rated A- or higher (according to SID Bank's internal methodology), SID Bank's insurance policy for the account of the Republic of Slovenia, equities collateral, and other types of collateral.

On 31 December 2015 SID Bank undertook a revaluation of real estate collateral that was appraised before 1 July 2015, using a statistical method.

Loan exposure and off-balance sheet liabilities by rating

	31 Dec 2015				31 Dec 2014			
SID Bank	Loans and off-balance-sheet liabilities		Impairments and provisions		Loans and off-balance-sheet liabilities		Impairments and provisions	
Total	**2,582,816**	**100.00%**	**(239,978)**	**100.00%**	**3,158,501**	**100.00%**	**(261,860)**	**100.00%**
A-rated	665,880	25.78%	(11,578)	4.82%	874,856	27.70%	(16,112)	6.15%
B-rated	1,471,066	56.96%	(32,620)	13.59%	1,649,450	52.22%	(27,640)	10.56%
C-rated	62,932	2.44%	(924)	0.39%	162,994	5.16%	(1,330)	0.51%
D-rated	330,132	12.78%	(143,505)	59.80%	405,310	12.83%	(151,032)	57.68%
E-rated	52,806	2.04%	(51,351)	21.40%	65,890	2.09%	(65,746)	25.11%

SID Bank disclosed a gross exposure of loans and off-balance-sheet liabilities in the amount EUR 2,582,816 thousand as at 31 December 2015, a decrease of 18.2% compared to 31 December 2014. As at 31 December 2015, 82.7% of total loans and off-balance-sheet liabilities were rated A or B, compared with 79.9% as at 31 December 2014. The proportion of loans and off-balance-sheet liabilities rated A decreased from 27.7% as at 31 December 2014 to 25.8% as at 31 December 2015. The decrease was the result of a decrease in exposure of SID Bank towards foreign banks. There were minor changes in the structure of the credit portfolio in all credit rating categories. Reduction of exposure in credit rating category B is mainly from regular and early repayments of loans to banks established in the Republic of Slovenia. Despite the fact that the number of defaults in 2015 increased, the exposure in rating categories D and E decreased. The partial repayment of loans from the disposal of business unviable assets and recovery of collateral and cash flow from operations as a result of successfully implemented procedures of restructuring affected the decrease in exposure in credit rating categories D and E. The reclassification of non-performing exposure to performing exposure also had an impact on the reduction where SID Bank appropriately considered the rules laid down in the EBA guidelines.

The average coverage of credit risk exposure by impairments and provisions for clients other than banks stood at 24.7% as at 31 December 2015 (31 December 2014: 25.5%). The coverage of credit risk exposure to D and E rated clients by impairments and provisions to these clients stood at 46.7% as at 31 December 2015 (31 December 2014: 43%).

Loan exposure by maturity and impairment

SID Bank	31 Dec 2015 Loans to banks	31 Dec 2015 Loans to non-bank customers	31 Dec 2015 Other financial assets	31 Dec 2015 Total loans and receivables	31 Dec 2014 Loans to banks	31 Dec 2014 Loans to non-bank sectors	31 Dec 2014 Other financial assets	31 Dec 2014 Total loans and receivables
Gross loans	**1,612,629**	**804,370**	**421**	**2,417,420**	**2,189,690**	**855,197**	**443**	**3,045,330**
Non-past due and individually non-impaired loans	1,612,629	451,802	394	2,064,825	2,189,690	426,676	407	2,616,773
Past due and individually non-impaired loans	0	3,575	0	3,575	0	2,856	0	2,856
Individually impaired loans	0	348,993	27	349,020	0	425,665	36	425,701
of which D- and E-rated loans	0	348,993	27	349,020	0	425,665	36	425,701
Impairments	**(6,476)**	**(198,905)**	**(26)**	**(205,407)**	**(8,804)**	**(217,871)**	**(29)**	**(226,704)**
Individual impairment	0	(163,057)	(26)	(163,083)	0	(183,005)	(29)	(183,034)
of which impairments of D- and E-rated loans	0	(163,057)	(26)	(163,083)	0	(183,005)	(29)	(183,034)
Collective impairments	(6,476)	(35,848)	0	(42,324)	(8,804)	(34,866)	0	(43,670)
Net loans	**1,606,153**	**605,465**	**395**	**2,212,013**	**2,180,886**	**637,326**	**414**	**2,818,626**
Fair value of collateral	**15,538**	**801,013**	**0**	**816,551**	**19,551**	**644,382**	**0**	**663,933**

As at 31 December 2015, SID Bank formed a total of EUR 239,977 thousand of impairments and provisions, which is EUR 21,882 thousand less than the balance as at 31 December 2014. The impairments of granted loans and other financial assets totalled EUR 205,407 thousand, and the provisions for off-balance sheet liabilities were EUR 34,570 thousand. Impairments and provisions derive from collective and individually assessed credit risk losses, whereby losses in exposures classified under credit rating categories D or E are assessed individually.

In 2015, individual impairments compared to 2014 decreased by EUR 19,951 thousand from the partial repayment of non-performing exposures and reclassification of non-performing exposures among performing exposure. The coverage of the exposure classified in the rating categories D and E with impairments and provisions rose by 3.7 percentage points.

Due to the decrease of collective impairments and lowering of SID Bank's total assets, collective impairments decreased by EUR 1,346 thousand.

The majority of SID Bank’s loan portfolio is classified in the group of banks from countries which fall into risk class 0 or 1 on the scale of minimum export insurance premiums (MEIP), since in accordance with the ZSIRB SID Bank grants loans to banks established in Slovenia which transfer the funding to the final beneficiaries.

SID Bank Group	31 Dec 2015 Loans to banks	31 Dec 2015 Loans to non-bank customers	31 Dec 2015 Other financial assets	31 Dec 2015 Total loans and receivables	31 Dec 2014 Loans to banks	31 Dec 2014 Loans to non-bank sectors	31 Dec 2014 Other financial assets	31 Dec 2014 Total loans and receivables
Gross loans	**1,619,263**	**804,370**	**418**	**2,424,051**	**2,195,079**	**855,197**	**447**	**3,050,723**
Non-past due and individually non-impaired loans	1,619,263	451,802	391	2,071,456	2,195,079	426,676	411	2,622,166
Past due and individually non-impaired loans	0	3,575	0	3,575	0	2,856	0	2,856
Individually impaired loans	0	348,993	27	349,020	0	425,665	36	425,701
of which D- and E-rated loans	0	348,993	27	349,020	0	425,665	36	425,701
Impairments	**(6,476)**	**(198,905)**	**(26)**	**(205,407)**	**(8,804)**	**(217,871)**	**(29)**	**(226,704)**
Individual impairment	0	(163,057)	(26)	(163,083)	0	(183,005)	(29)	(183,034)
of which impairments of D- and E-rated loans	0	(163,057)	(26)	(163,083)	0	(183,005)	(29)	(183,034)
Collective impairments	(6,476)	(35,848)	0	(42,324)	(8,804)	(34,866)	0	(43,670)
Net loans	**1,612,787**	**605,465**	**392**	**2,218,644**	**2,186,275**	**637,326**	**418**	**2,824,019**
Fair value of collateral	**15,538**	**801,013**	**0**	**816,551**	**19,551**	**644,382**	**0**	**663,933**

Loans neither past-due nor individually impaired

SID Bank	31 Dec 2015 Loans to banks	Loans to non-bank customers	Other financial assets	Total loans and receivables	31 Dec 2014 Loans to banks	Loans to non-bank sectors	Other financial assets	Total loans and receivables
Total	**1,612,629**	**451,802**	**395**	**2,064,826**	**2,189,690**	**426,675**	**407**	**2,616,772**
A-rated	509,960	129,710	394	640,064	648,650	201,550	392	850,592
B-rated	1,052,818	310,580	1	1,363,399	1,392,219	206,611	15	1,598,845
C-rated	49,851	11,512	0	61,363	148,821	13,002	0	161,823
D-rated	0	0	0	0	0	5,512	0	5,512
E-rated	0	0	0	0	0	0	0	0
Fair value of collateral	**15,538**	**602,849**	**0**	**618,387**	**19,551**	**406,154**	**0**	**425,705**

Loans past-due but not individually impaired

SID Bank and SID Bank Group	31 Dec 2015 Loans to banks	Loans to non-bank customers	Other financial assets	Total loans and receivables	31 Dec 2014 Loans to banks	Loans to non-bank customers	Other financial assets	Total loans and receivables
Total	**0**	**3,575**	**0**	**3,575**	**0**	**2,856**	**0**	**2,856**
Receivables past-due up to 30 days	0	2,332	0	2,332	0	823	0	823
Receivables past-due from 30 to 90 days	0	1,243	0	1,243	0	638	0	638
Receivables past-due more than 90 days	0	0	0	0	0	1,395	0	1,395
Fair value of collateral	**0**	**8,358**	**0**	**8,358**	**0**	**5,192**	**0**	**5,192**

Individually impaired loans

SID Bank and SID Bank Group	31 Dec 2015 Loans to banks	Loans to non-bank customers	Other financial assets	Total loans and receivables	31 Dec 2014 Loans to banks	Loans to non-bank customers	Other financial assets	Total loans and receivables
Total	**0**	**348,992**	**27**	**349,019**	**0**	**425,666**	**36**	**425,702**
Outstanding receivables	0	260,771	0	260,771	0	240,007	9	240,016
Receivables past-due up to 30 days	0	1,089	0	1,089	0	39,578	0	39,578
Receivables past-due from 30 to 90 days	0	1,181	0	1,181	0	12,283	0	12,283
Receivables past-due more than 90 days	0	85,951	27	85,978	0	133,798	27	133,825
Fair value of collateral	**0**	**189,806**	**0**	**189,806**	**0**	**233,036**	**0**	**233,036**

The gross exposure to receivables past-due from loans (collective and individually impaired) as at 31 December 2015 amounted to EUR 91,832 thousand at SID Bank and the SID Bank Group; it comprises loans to 60 companies from Slovenia, one from Bosnia and Herzegovina, one from Montenegro and to two companies from Serbia.

SID Bank's past-due exposures from loans are secured by commercial and residential real estate collateral, movable property collateral, cession of claims as collateral, SID Bank insurance policies for the account of the Republic of Slovenia and deposits pledged to SID Bank.

Restructured loans

SID Bank and SID Bank Group	31 Dec 2015 Loans to banks	31 Dec 2015 Loans to non-bank customers	31 Dec 2015 Other financial assets	31 Dec 2015 Total loans and receivables	31 Dec 2014 Loans to banks	31 Dec 2014 Loans to non-bank customers	31 Dec 2014 Other financial assets	31 Dec 2014 Total loans and receivables
Gross loans	**1,761**	**316,488**	**0**	**318,249**	**9,294**	**376,621**	**9**	**385,924**
Non-past due and individually non-impaired loans	1,761	7,379	0	9,140	9,294	72	0	9,366
Past due and individually non-impaired loans	0	7	0	7	0	0	0	0
Individually impaired loans	0	309,102	0	309,102	0	376,549	9	376,558
of which D- and E-rated loans	0	309,102	0	309,102	0	376,549	9	376,558
Impairments	**(7)**	**(138,497)**	**0**	**(138,504)**	**(37)**	**(158,349)**	**(3)**	**(158,389)**
Individual impairment	0	(138,206)	0	(138,206)	0	(158,349)	(3)	(158,352)
of which impairments of D- and E-rated loans	0	(138,206)	0	(138,206)	0	(158,349)	(3)	(158,352)
Collective impairments	(7)	(291)	0	(298)	(37)	0	0	(37)

The carrying value of restructured loans (gross exposure minus impairments) at SID Bank and the SID Bank Group amounted to EUR 179,745 thousand as at 31 December 2015 (31 December 2014: EUR 227,535 thousand). In 2015, a new agreement on repayment terms was reached with 17 companies, of which 13 were from Slovenia and four were foreign companies. Loans were restructured mainly by the extension or postponement of the due date of repayment. In some cases, part of the SID Bank loans were also written off or converted into equity and thus allowed the survival of many large companies, especially in the automotive industry. SID Bank is in most cases a member of the core group of banks which actively collaborates with the Management Boards of debtors and external consultants. In one of the cases, the SID Bank also took over the coordination of the banking syndicate, which has resulted in the rapid and successful financial and business restructuring of an important Slovenian export company. Good business relationships have been developed and constructive practices designed with banks and the BAMC, where SID Bank participates in complex projects of restructuring. SID Bank has struggled for consistent implementation of the principles of Slovenian financial restructuring of debt in the economy, which together with the Bank Association of Slovenia, were prepared by the Bank of Slovenia. Good practice is reflected in faster organisation of the bank when dealing with problematic exposure, faster processing procedures in accordance with established principles and more efficient programmes and projected development of companies, and in particular the proportion of successfully completed restructuring.

Available-for-sale securities by issuer's rating

	SID Bank 31 Dec 2015	SID Bank 31 Dec 2014	SID Bank Group 31 Dec 2015	SID Bank Group 31 Dec 2014
	929,988	**705,137**	**953,038**	**727,207**
AAA	20,121	39,196	22,139	41,219
AA- to AA+	29,856	35,172	31,909	37,238
A- to A+	134,681	137,454	144,400	146,723
Below A-	720,715	458,540	729,352	466,151
Unrated	24,615	34,775	25,239	35,877

The table illustrates the breakdown of the carrying amount of available-for-sale debt securities classified according to the credit rating of the issuer in accordance with the internal methodology of SID Bank. Where the issuer has been assessed by several international rating agencies (Moody's Investors service, Standard & Poor's Ratings Services in Fitch Ratings), the calculated average rating is used.

A detailed breakdown of the securities portfolio as at 31 December 2015 is given in Note 2.4.2.

Exposure to credit risk from derivatives held for hedging

	SID Bank and the SID Bank Group	
	31 Dec 2015	31 Dec 2014
Derivatives held for hedging	**14,312**	**28,394**
Interest rate swaps	14,312	28,394

As at 31 December 2015, SID Bank held 5 interest rate swaps as fair value hedges used in hedge accounting in the total nominal amount of EUR 374,832 thousand. In 2015, SID Bank issued a long-term bond with a fixed interest rate in the amount of EUR 300,000 and entered into two interest rate swaps in nominal value of EUR 170,000 thousand (the amount of the open position of interest rate spread), which are treated under a hedge accounting as a fair value hedge. As at 31 December 2015, SID Bank held no interest rate swaps for trading. Exposure to credit risk from derivatives, calculated by using the original exposure method amounted to EUR 8,508 thousand.

Exposure to credit risk by geographical regions

SID Bank	Slovenia	Other members of the EU	SE and E Europe (excluding EU members)	Other countries	Total
Financial assets as at 31 Dec 2015	**2,241,737**	**878,525**	**40,373**	**9,464**	**3,170,099**
Cash on hand, balances with the central bank and demand deposits with banks	13,786	0	0	0	13,786
Available for sale financial assets	550,041	370,483	0	9,464	929,988
Debt securities	550,041	370,483	0	9,464	929,988
Loans and receivables	1,665,625	506,015	40,373	0	2,212,013
Loans to banks	1,125,388	473,130	7,635	0	1,606,153
Loans to non-bank customers	539,856	32,870	32,738	0	605,464
Other financial assets	381	15	0	0	396
Derivatives held for hedging	12,285	2,027	0	0	14,312
Off-balance-sheet liabilities as at 31 Dec 2015	**109,731**	**12,000**	**384**	**0**	**130,825**
Guarantees	22,494	0	0	0	22,494
Gross exposure	25,584	0	28,370	0	53,954
Provisions	(3,090)	0	(28,370)	0	(31,460)
Other off-balance-sheet liabilities	87,237	12,000	384	0	108,331
Gross exposure	89,688	12,000	385	9,369	111,442
Provisions	(2,451)	0	(1)	(659)	(3,111)
Total exposure as at 31 Dec 2015	**2,351,468**	**890,525**	**40,757**	**9,464**	**3,300,924**
Financial assets as at 31 Dec 2014	2,539,374	954,629	58,079	3,127	3,555,209
Off-balance-sheet liabilities as at 31 Dec 2014	77,354	0	661	0	78,015
Total exposure as at 31 Dec 2014	**2,616,728**	**954,629**	**58,740**	**3,127**	**3,633,224**

The table illustrates the breakdown of net exposure to credit risk by geographical region as defined by the registered office of the debtor.

SID Bank's exposure to Slovenia as at 31 December 2015 decreased by EUR 265,260 thousand compared to 31 December 2014, and exposure to other EU members also decreased by EUR 64,104 thousand due to the decrease in SID Bank's total assets. The greatest exposure of its credit portfolio to foreign countries represents exposures from financial assets of the following: the Netherlands in the amount of EUR 122,143 thousand, followed by exposures to Spain in the amount of EUR 112,475 thousand, Italy in the amount of EUR 105,310 thousand, Austria in the amount of EUR 103,866 thousand, Germany in the amount of EUR 93,548 thousand, France in the amount of EUR 76,827 thousand, Ireland in the amount of EUR 74,293 thousand and other countries in the total amount of EUR 260,992 thousand. SID Bank uses internal exposure limits to apply a maximum allowable exposure to individual geographical region.

SID Bank Group	Slovenia	Other members of the EU	SE and E Europe (excluding EU members)	Other countries	Total
Financial assets as at 31 Dec 2015	**2,261,902**	**890,538**	**40,373**	**10,639**	**3,203,453**
Cash on hand, balances with the central bank and demand deposits with banks	17,459	0	0	0	17,459
Available for sale financial assets	559,903	382,496	0	10,639	953,038
Debt securities	559,903	382,496	0	10,639	953,038
Loans and receivables	1,672,256	506,015	40,373	0	2,218,644
Loans to banks	1,132,022	473,130	7,635	0	1,612,787
Loans to non-bank customers	539,856	32,870	32,738	0	605,464
Other financial assets	378	15	0	0	393
Derivatives held for hedging	12,285	2,027	0	0	14,312
Off-balance-sheet liabilities as at 31 Dec 2015	**109,731**	**12,000**	**384**	**8,710**	**130,825**
Guarantees	22,494	0	0	0	22,494
Gross exposure	25,584	0	28,370	0	53,954
Provisions	(3,090)	0	(28,370)	0	(31,460)
Other off-balance-sheet liabilities	87,237	12,000	384	8,710	108,331
Gross exposure	89,688	12,000	385	9,369	111,442
Provisions	(2,451)	0	(1)	(659)	(3,111)
Total exposure as at 31 Dec 2015	**2,371,633**	**902,538**	**40,757**	**19,349**	**3,334,278**
Financial assets as at 31 Dec 2014	2,559,922	965,413	58,079	3,760	3,587,174
Off-balance-sheet liabilities as at 31 Dec 2014	77,354	0	661	0	78,015
Total exposure as at 31 Dec 2014	**2,637,276**	**965,413**	**58,740**	**3,760**	**3,665,189**

Exposure to credit risk by industry sectors

SID Bank	Financial and insurance activities	Manufacturing	Public administration and defence	Trade	Transport and storage	Professional, scientific and technical activities	Other	Total
Financial assets as at 31 Dec 2015	**1,917,555**	**188,835**	**737,928**	**87,368**	**49,570**	**26,870**	**161,973**	**3,170,099**
Cash on hand, balances with the central bank and demand deposits with banks	13,786	0	0	0	0	0	0	13,786
Available for sale financial assets	209,457	10,896	674,472	16,772	1,860	8,198	8,333	929,988
Debt securities	209,457	10,896	674,472	16,772	1,860	8,198	8,333	929,988
Loans and receivables	1,680,000	177,939	63,456	70,596	47,710	18,672	153,640	2,212,013
Loans to banks	1,606,153	0	0	0	0	0	0	1,606,153
Loans to non-bank customers	73,822	177,938	63,088	70,596	47,710	18,672	153,639	605,465
Other financial assets	25	1	368	0	0	0	1	395
Derivatives held for hedging	14,312	0	0	0	0	0	0	14,312
Off-balance-sheet liabilities as at 31 Dec 2015	**100,033**	**5,969**	**8,710**	**430**	**0**	**0**	**15,683**	**130,825**
Guarantees	20,917	1,577	0	0	0	0	0	22,494
Gross exposure	21,001	19,108	0	13,134	709	0	0	53,952
Provisions	(84)	(17,531)	0	(13,134)	(709)	0	0	(31,458)
Other off-balance-sheet liabilities	79,116	4,392	8,710	430	0	0	15,683	108,331
Gross exposure	79,385	5,842	9,369	508	0	0	16,338	111,442
Provisions	(269)	(1,450)	(659)	(78)	0	0	(655)	(3,111)
Total exposure as at 31 Dec 2015	**2,017,588**	**194,804**	**746,638**	**87,798**	**49,570**	**26,870**	**177,656**	**3,300,924**
Financial assets as at 31 Dec 2014	2,403,660	233,512	623,886	81,236	49,580	29,849	133,486	3,555,209
Off-balance-sheet liabilities as at 31 Dec 2014	45,327	6,664	349	508	390	1,073	23,704	78,015
Total exposure as at 31 Dec 2014	**2,448,987**	**240,176**	**624,235**	**81,744**	**49,970**	**30,922**	**157,190**	**3,633,224**

In 2015, SID Bank was again most heavily exposed to the financial and insurance activities sector, as more than a half of its assets are earmarked for banks with registered office in the Republic of Slovenia, which transfer funding to the final beneficiaries in accordance with ZSIRB. Compared with the situation as at 31 December 2014, the exposure to financial and insurance activities decreased by EUR 431,400 thousand, mainly due to scheduled and early repayments of loans given to banks and other financial institutions, as well as the reduction of deposits. Between 31 December 2014 and 31 December 2015 an increase was recorded by the exposure to the public administration and defence sector, due to investments in debt securities of the central government units, to trade sector and other activities. The increase of exposure to other activities, among other things, affected the strategic orientation of SID Bank in supporting the primary market issues of securities of companies domiciled in the Republic of Slovenia, while ensuring an appropriate relationship between risk and return.

SID Bank Group	Financial and insurance activities	Manufacturing	Public administration and defence	Trade	Transport and storage	Professional, scientific and technical activities	Other	Total
Financial assets as at 31 Dec 2015	**1,935,250**	**188,835**	**753,030**	**87,368**	**49,570**	**26,870**	**162,530**	**3,203,453**
Cash on hand, balances with the central bank and demand deposits with banks	17,459	0	0	0	0	0	0	17,459
Available for sale financial assets	216,848	10,896	689,574	16,772	1,860	8,198	8,890	953,038
Debt securities	216,848	10,896	689,574	16,772	1,860	8,198	8,890	953,038
Loans and receivables	1,686,631	177,939	63,456	70,596	47,710	18,672	153,640	2,218,644
Loans to banks	1,612,787	0	0	0	0	0	0	1,612,787
Loans to non-bank customers	73,822	177,938	63,088	70,596	47,710	18,672	153,639	605,465
Other financial assets	22	1	368	0	0	0	1	392
Derivatives held for hedging	14,312	0	0	0	0	0	0	14,312
Off-balance-sheet liabilities as at 31 Dec 2015	**100,033**	**5,969**	**8,710**	**430**	**0**	**0**	**15,683**	**130,825**
Guarantees	20,917	1,577	0	0	0	0	0	22,494
Gross exposure	21,001	19,108	0	13,134	709	0	0	53,952
Provisions	(84)	(17,531)	0	(13,134)	(709)	0	0	(31,458)
Other off-balance-sheet liabilities	79,116	4,392	8,710	430	0	0	15,683	108,331
Gross exposure	79,385	5,842	9,369	508	0	0	16,338	111,442
Provisions	(269)	(1,450)	(659)	(78)	0	0	(655)	(3,111)
Total exposure as at 31 Dec 2015	**2,035,283**	**194,804**	**761,740**	**87,798**	**49,570**	**26,870**	**178,213**	**3,334,278**
Financial assets as at 31 Dec 2014	2,421,243	233,512	638,268	81,236	45,580	29,849	133,486	3,587,174
Off-balance-sheet liabilities as at 31 Dec 2014	45,327	6,664	349	508	390	1,073	23,704	78,015
Total exposure as at 31 Dec 2014	**2,466,570**	**240,176**	**638,617**	**81,744**	**49,970**	**30,922**	**157,190**	**3,665,189**

Counterparty credit risk

Derivatives held for hedging are valued at market interest rates and yield curves. The fair value should reflect the rating of the instrument. Since market interest rates and the yield curves used for the valuation of derivatives do not contain counterparty credit risk or other factors market participants would involve in the instrument valuation, an adjustment for these factors should be made.

For this purpose, credit valuation adjustment (hereinafter: CVA) is calculated, which represents value adjustment of the derivative for the counterparty credit risk and reflects the difference between the value of a financial instrument without taking into account the credit risk and value with taking credit risk into account. Counterparty credit risk (CVA) and debit valuation adjustment (DVA) are both taken into account in the valuation adjustment. SID bank does not calculate its debit valuation adjustment (DVA). CVA is calculated on a monthly basis for each closed transaction in derivatives.

Potential collateral is also taken into account when calculating the CVA. For the purpose of managing counterparty credit risk in transactions with derivatives the Bank may sign a credit support annex (CSA) – a legal supplement to the ISDA master agreement, which sets out the conditions and instructions for adjusting the mutual credit exposure by using collateral, which alternates between the two parties in the contract, according to the daily fair value of the derivative. A deposit is generally agreed to serve as collateral.

SID Bank discloses the calculated amount of the CVA in the income statement in the month in which the total amount of the CVA for all derivatives exceeds the 10 basis points of the last amount of total risk exposure from the 3rd paragraph of Article 92 of the CRR Regulation.

The amount of CVA for SID Bank and SID Bank Group as at 31 December 2015 amounted to EUR 794 thousand and did not exceed the threshold for recognition in profit or loss (income statement).

3.2 Liquidity risk

Liquidity risk is the risk of losses arising when a bank is unable to settle all its maturing liabilities or when a bank is unable to provide enough funds to settle liabilities at maturity and is thus compelled to provide the necessary funds at significantly higher costs than normal. The greater the mismatch between 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 a bank is unable to repay its liabilities via investment transactions. These liabilities are usually settled using cash inflows, readily convertible assets and borrowed funding. Liquidity risk in the broader sense is the risk that a bank will have to additionally borrow at a higher interest rate, and the risk that a bank will be compelled to sell non-cash investments at a discount owing to the need for liquidity. At SID Bank this risk is low, given the surplus position in current liquidity and adequate secondary liquidity, a significant proportion of which consists of government securities and other high-quality liquid securities.

SID Bank does not accept bank deposits from uninformed persons, other than for the purpose of credit collateral to its clients, and is therefore not exposed to liquidity risk in the traditional sense. Problems can nevertheless arise if a debtor falls into arrears in the repayment of a loan or fails to repay a loan, or if SID Bank is unable to replace its existing liabilities as they mature with new funding. SID Bank has precisely defined procedures for its action in such an eventuality. It also calculates liquidity ratios for a baseline scenario and discusses a stress scenario in the Liquidity Committee. The Asset/Liability Committee examines whether the assumptions used in the scenarios are appropriate.

In the field of liquidity risk management in the exceptional liquidity circumstances SID Bank has an internal rulebook which defines effective ways of managing situations of exceptional liquidity conditions, including the identification of appropriate measures for overcoming and limiting the consequences of liquidity crisis and restoration of normal liquidity position of the bank. For this purpose SID Bank defines the key elements of liquidity management in extraordinary liquidity conditions, which include the following:

- organization and competency;
- a series of measures for overcoming and limiting the consequences of liquidity crisis;
- a set of indicators which serve as the early warning of the possible development of a liquidity crisis;
- consistent internal and external communication for the duration of the liquidity crisis.

In addition to the set of selected indicators, with a view to an early warning on the possible development of a liquidity crisis, SID Bank in the context of reporting to competent committees regularly monitors the following:

- the trend of performance indicators of SID Bank which show possible changes in the structure of the balance sheet;

- the trend of macroeconomic indicators pointing to potential changes in the economy;
- developments in the financial markets which may affect the intensification of the liquidity situation.

By regularly monitoring of indicators SID Bank may detect intensified liquidity conditions in a timely manner and promptly take appropriate measures to bridge any liquidity problems.

The management of liquidity risk at SID Bank and SID Bank Group is conducted in accordance with the liquidity risk management policy, which defines the procedures for managing assets and liabilities in domestic and foreign currencies on a daily basis as well as in the long run. SID Bank and SID Bank Group manages liquidity risk through appropriate planning of inflows and outflows, which is performed separately for its own account, the contingency reserves and the funds of IREP reserves and by means of an adequate stock of high-quality liquid financial assets. In accordance with liquidity risk management policy, SID Bank and the SID Bank Group provide regular fulfilment of all financial obligations and quality management of operational and structural liquidity.

SID Bank monitors and measures exposure to liquidity risk on the basis of the daily calculation of the liquidity ratios in the manner laid down in the banking regulation, as prescribed by the Regulation on the minimum requirements for ensuring the adequate liquidity position of banks and savings banks. The Liquidity ratio represents the ratio of the sum of the financial assets in domestic and foreign currency and the sum of liabilities in national and foreign currency, according to the residual maturity. The first-bucket liquidity ratio (0–30 days) should be at least 1, the second-bucket liquidity ratio (0–180 days) is informative. SID Bank has set internal liquidity ratios that are higher than those prescribed by banking regulation, which provides additional security. In the event that the first-bucket liquidity ratio reaches a value of 1.2 or the second-bucket liquidity ratio reaches a value of 1.10, the Treasury Department is obliged to put forward measures to safeguard sufficient liquidity. Daily values of first - bucket liquidity ratios in 2015 surpassed the Bank of Slovenia's requirements. The first-bucket liquidity ratio as at 31 December 2015 was 7.8, while the second-bucket liquidity ratio stood at 2.62.

SID Bank calculates the Liquidity Coverage Ratio on a monthly basis and the Net Stable Funding Ratio on a quarterly basis, which substantially exceed the limits set by the regulator indicating a good liquidity position of SID Bank in 2015. The Liquidity Coverage Ratio for SID Bank as at 31 December 2015 amounted to 1.444%, as at 31 December 2014 it amounted to 6.758%. The Liquidity Coverage Ratio for the SID Bank Group as at 31 December 2015 was 1.501% (the regulatory limit for the year 2015 amounts to 60%) and as at 31 December 2014 was 2.731%. For SID Bank, the Net Stable Funding Ratio as at 31 December 2015 amounted to 170%, and 148% as at 31 December 2014. The Net Stable Funding Ratio for SID Bank Group as at 31 12 2015 was 168% and 146% as at 31 December 2014 (the regulatory limit is 100%). The calculations of the ratios are presented and discussed by the Liquidity Committee.

The Treasury Department in cooperation with other organizational units of SID Bank carries out weekly and monthly planning of liquidity flows and simulations of the first-bucket liquidity ratio for the coming period. When it is necessary to improve operational or structural liquidity, the Treasury Department proposes measures to manage the aforementioned risks to the Liquidity Committee (prolonging the maturities of liability transactions, shortening the maturities of asset transactions, raising deposits and credit lines on the money market, reducing guarantee and credit potential). For the purpose of raising additional reserves of daily liquidity from central bank and from other banks, SID Bank has constantly at its disposal a portfolio of ECB eligible securities.

Financial assets and financial liabilities by residual maturity as at 31 December 2015

SID Bank	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets	**63,326**	**266,723**	**751,974**	**1,029,100**	**1,067,592**	**3,178,715**
Cash on hand, balances with the central bank and demand deposits with banks	13,786	0	0	0	0	13,786
Available for sale financial assets	10,117	10,710	303,214	386,473	228,090	938,604
Loans and receivables	39,423	255,714	448,760	640,899	827,217	2,212,013
Loans to banks	29,904	237,990	398,676	429,035	510,548	1,606,153
Loans to non-bank customers	9,330	17,518	50,084	211,864	316,669	605,465
Other financial assets	189	206	0	0	0	395
Derivatives held for hedging	0	299	0	1,728	12,285	14,312
Financial liabilities	**40,828**	**361,626**	**245,044**	**672,614**	**1,644,860**	**2,964,972**
Financial liabilities measured at amortised cost	28,430	308,043	205,343	633,902	1,623,859	2,799,577
Bank deposits	12,303	0	0	2,610	0	14,913
Deposits from non-bank customers	6	0	0	0	0	6
Loans from banks and central banks	15,007	44,015	205,032	216,122	1,158,732	1,638,908
Loans from non-bank customers	0	0	0	15,607	404,925	420,532
Debt securities	0	263,871	0	399,454	60,202	723,527
Other financial liabilities	1,114	157	311	109	0	1,691
Assumed irrevocable liabilities and financial guarantees	12,398	53,583	39,701	38,712	21,001	165,395
Liquidity gap as at 31 December 2015	**22,498**	**(94,903)**	**506,930**	**356,486**	**(577,268)**	**213,743**
Financial assets as at 31 Dec 2014	318,982	240,359	826,216	781,395	1,394,103	3,561,055
Financial liabilities as at 31 Dec 2014	66,241	75,998	633,523	849,707	1,666,663	3,292,132
Liquidity gap as at 31 Dec 2014	**252,741**	**164,361**	**192,693**	**(68,312)**	**(272,560)**	**268,923**

SID Bank Group	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets	**67,948**	**268,042**	**759,228**	**1,041,858**	**1,074,993**	**3,212,069**
Cash on hand, balances with the central bank and demand deposits with banks	17,459	0	0	0	0	17,459
Available for sale financial assets	10,503	11,378	305,051	399,231	235,491	961,654
Loans and receivables	39,986	256,365	454,177	640,899	827,217	2,218,644
Loans to banks	30,470	238,641	404,093	429,035	510,548	1,612,787
Loans to non-bank customers	9,330	17,518	50,084	211,864	316,669	605,465
Other financial assets	186	206	0	0	0	392
Derivatives held for hedging	0	299	0	1,728	12,285	14,312
Financial liabilities	**41,216**	**361,723**	**245,148**	**672,637**	**1,644,860**	**2,965,584**
Financial liabilities measured at amortised cost	28,818	308,140	205,447	633,925	1,623,859	2,800,189
Bank deposits	12,303	0	0	2,610	0	14,913
Deposits from non-bank customers	6	0	0	0	0	6
Loans from banks and central banks	15,007	44,015	205,032	216,122	1,158,732	1,638,908
Loans from non-bank customers	0	0	0	15,607	404,925	420,532
Debt securities	0	263,871	0	399,454	60,202	723,527
Other financial liabilities	1,502	254	415	132	0	2,303
Assumed irrevocable liabilities and financial guarantees	12,398	53,583	39,701	38,712	21,001	165,395
Liquidity gap as at 31 December 2015	26,732	(93,681)	514,080	369,221	(569,867)	246,485
Financial assets as at 31 Dec 2014	326,086	244,903	829,008	793,430	1,399,593	3,593,020
Financial liabilities as at 31 Dec 2014	66,634	76,070	633,615	849,748	1,666,663	3,292,730
Liquidity gap as at 31Dec 2014	**259,452**	**168,833**	**195,393**	**(56,318)**	**(267,070)**	**300,290**

The breakdown of financial assets and financial liabilities by residual maturity illustrates the management of liquidity risk in connection with credit risk. The items are disclosed in net amounts (gross amounts minus impairments). Cash flows from interest payments of a fixed and variable portion of derivatives held for hedging are settled on a net basis. SID Bank did not have any liquidity problems in 2015 as a result of the long maturities of its liability transactions and its adequate secondary liquidity.

Since December 2011, SID Bank has again been 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 2 years. A general allowance of EUR 100 thousand is taken into account in the calculation.

SID Bank is deemed to have met the reserve requirement if the average balance in the settlement account at the end of the calendar day during the maintenance period is no less than the amount calculated for the aforementioned period. Under the Rules on the maintenance of the reserve requirement, the required average can be managed continually each day in the individual maintenance period or can be met on the final day of the period by providing the requisite funds on a one-off basis. The reserve requirement calculated for the period between 9 December 2015 and 26 January 2016 stood at 0 EUR.

3.3 Interest rate risk

Interest rate risk is the risk of a change in the interest rates of interest sensitive assets and liabilities items that could have an adverse impact on profit or loss, and on the economic value of assets, liabilities and off-balance-sheet items. To a great extent exposure to interest rate risk derives from interest sensitive assets with different maturities and a different repricing period compared with interest sensitive liabilities (the income aspect). Another part of interest rate risk consists of the sensitivity of investments to changes in interest rates (the economic aspect).

SID Bank is exposed to interest rate risk from available-for-sale securities, loans granted and the balance in the settlement account and in commercial accounts on the asset side, and from borrowings and issued debt securities on the liability side.

Since SID Bank also obtains funding at fixed interest rate and in order to reduce interest rate risk, it enters into derivative financial instruments (interest rate swaps), which are dealt with hedge accounting, thereby achieving lower volatility in profit or loss due to changes in fair value of derivatives held for hedging. As at 31 December 2015, the SID Bank concluded five interest-rate swaps designed to safeguard fair value using hedge accounting, for which it has internal documents describing the relationship between a secure item and the instrument for hedging, the purpose of risk management, valuation methodology and strategy. SID Bank also has documented performance assessments of hedge efficiency test prepared when concluding transactions. The hedge efficiency test is performed on a monthly basis, whereby the performance of hedge efficiency test always remained within the prescribed range from 80 to 125 percent.

SID Bank identifies, measures, manages and monitors the interest rate risk in accordance with the adopted interest rate risk management policy. The level of interest rate risk is limited by establishing a system of limits and the allocation of internal capital. With regular and consistent management of the interest rate risk in the banking book SID Bank achieves that the interest rate risk level remains within acceptable limits.

SID Bank primarily manages its exposure to interest rate risk by matching assets and liabilities whenever it is possible. The majority of assets and liabilities consist of euro-denominated instruments with an interest rate tied to a reference interest rate (the Euribor), and the bank thus remains exposed to the mismatches in the repricing periods and incomplete matching in the choice of interest rate (3-month or 6-month Euribor).

SID Bank analyses the interest rate risk exposure in the banking book by using the interest rate gap method. Furthermore, on a monthly basis it analyses the sensitivity of net interest income and economic value of capital based on various scenarios of changes in the interest rate curve; SID Bank uses for the change in net interest income and the change in the economic value of the Bank's capital stricter internal limits than defined by banking regulations.

Financial assets and financial liabilities by exposure to interest rate risk as at 31 December 2015

SID Bank	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total interest bearing items	Unremunerated bearing items	Total
Financial assets	**402,203**	**512,224**	**1,637,726**	**370,291**	**247,260**	**3,169,704**	**9,011**	**3,178,715**
Cash on hand, balances with the central bank and demand deposits with banks	13,786	0	0	0	0	13,786	0	13,786
Available for sale financial assets	10,548	41,718	294,703	354,929	228,090	929,988	8,616	938,604
Loans and receivables	377,869	470,207	1,343,023	13,634	6,885	2,211,618	395	2,212,013
Loans to banks	105,297	407,346	1,076,263	13,319	3,928	1,606,153	0	1,606,153
Loans to non-bank customers	272,572	62,861	266,760	315	2,957	605,465	0	605,465
Other financial assets	0	0	0	0	0	0	395	395
Derivatives held for hedging	0	299	0	1,728	12,285	14,312	0	14,312
Financial liabilities	**202,561**	**554,835**	**1,354,893**	**454,950**	**230,647**	**2,797,886**	**1,691**	**2,799,577**
Financial liabilities measured at amortised cost	202,561	554,835	1,354,893	454,950	230,647	2,797,886	1,691	2,799,577
Bank deposits	14,913	0	0	0	0	14,913	0	14,913
Deposits from non-bank customers	6	0	0	0	0	6	0	6
Loans from banks and central banks	115,131	170,956	1,312,932	39,889	0	1,638,908	0	1,638,908
Loans from non-bank customers	72,511	120,008	41,961	15,607	170,445	420,532	0	420,532
Debt securities	0	263,871	0	399,454	60,202	723,527	0	723,527
Other financial liabilities	0	0	0	0	0	0	1,691	1,691
Interest rate sensitivity gap as at 31 Dec 2015	**199,642**	**(42,611)**	**282,833**	**(84,659)**	**16,613**	**371,818**	**7,320**	**379,138**
Financial assets as at 31 Dec 2014	588,863	585,549	2,021,355	206,578	158,305	3,560,650	405	3,561,055
Financial liabilities as at 31 Dec 2014	355,304	501,345	1,926,650	201,311	192,536	3,177,146	1,816	3,178,962
Interest rate sensitivity gap as at 31 Dec 2014	**233,559**	**84,204**	**94,705**	**5,267**	**(34,231)**	**383,504**	**(1,411)**	**382,093**

SID Bank Group	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total interest bearing items	Unremunerated bearing items	Total
Financial assets	**406,800**	**515,411**	**1,644,838**	**381,191**	**254,821**	**3,203,061**	**9,008**	**3,212,069**
Cash on hand, balances with the central bank and demand deposits with banks	17,459	0	0	0	0	17,459	0	17,459
Available for sale financial assets	10,906	44,254	296,397	365,829	235,651	953,038	8,616	961,654
Loans and receivables	378,435	470,858	1,348,440	13,634	6,885	2,218,252	392	2,218,644
Loans to banks	105,863	407,997	1,081,680	13,319	3,928	1,612,787	0	1,612,787
Loans to non-bank customers	272,572	62,861	266,760	315	2,957	605,465	0	605,465
Other financial assets	0	0	0	0	0	0	392	392
Derivatives held for hedging	0	299	0	1,728	12,285	14,312	0	14,312
Financial liabilities	**202,561**	**554,835**	**1,354,893**	**454,950**	**230,647**	**2,797,886**	**2,303**	**2,800,189**
Financial liabilities measured at amortised cost	202,561	554,835	1,354,893	454,950	230,647	2,797,886	2,303	2,800,189
Bank deposits	14,913	0	0	0	0	14,913	0	14,913
Deposits from non-bank customers	6	0	0	0	0	6	0	6
Loans from banks and central banks	115,131	170,956	1,312,932	39,889	0	1,638,908	0	1,638,908
Loans from non-bank customers	72,511	120,008	41,961	15,607	170,445	420,532	0	420,532
Debt securities	0	263,871	0	399,454	60,202	723,527	0	723,527
Other financial liabilities	0	0	0	0	0	0	2,303	2,303
Interest rate sensitivity gap as at 31 Dec 2015	**204,239**	**(39,424)**	**289,945**	**(73,759)**	**24,174**	**405,175**	**6,705**	**411,880**
Financial assets as at 31 Dec 2014	595,988	593,432	2,024,154	217,167	161,870	3,592,612	409	3,593,020
Financial liabilities as at 31 Dec 2014	355,304	501,345	1,926,650	201,311	192,536	3,177,146	2,414	3,179,560
Interest rate sensitivity gap as at 31 Dec 2014	**240,684**	**92,087**	**97,504**	**15,856**	**(30,666)**	**415,466**	**(2,006)**	**413,460**

Sensitivity analysis

SID Bank and SID Bank Group conduct sensitivity analyses of interest sensitive positions to changes in interest rates.

The analysis of interest income sensitivity assumes a change in interest rates by 100 basis points in the short term. The impact on net interest income in the first year of the change is calculated.

In case interest rates would rise by 100 basis points SID Bank's net interest income in 2016 would increase by EUR 873 thousand (compared with EUR 3,620 thousand in 2015). The change would be reflected in higher income in the income statement. In case interest rates would rise by 100 basis points, SID Bank Group's net interest income in 2016 would increase by EUR 909 thousand (compared with EUR 3,673 thousand in 2015). The change would be reflected in higher income in the income statement. In case market interest rates would fall by 100 basis points, the changes would be of the same magnitude as after a rise in interest rates, but in the opposite direction. For larger or smaller changes in market interest rates, the results have been calculated proportionately.

Sensitivity analysis is also made for the risk of changes in prices of SID Bank's debt securities. For this purpose a 100 basis points parallel shift in yield curve is assumed. In case the prices of debt securities were to rise, the equity revaluation adjustment (accumulated other comprehensive income) would increase by EUR 8,591 thousand, while in case of a drop in the prices of debt securities, the equity revaluation adjustment (accumulated other comprehensive income) would decrease by the same amount.

3.4 Currency risk

Currency risk is the risk of a loss arising from adverse changes in exchange rates.

In the management of currency risk SID Bank determines the potential loss that would arise as a result of a change in exchange rates by means of the open foreign exchange position, which is the difference between the sums of all assets and liabilities in foreign currencies. Internal limits are set on the open foreign exchange position. Throughout 2015 the Bank has minimal open foreign exchange position.

Transactions executed by SID Bank and SID Bank Group in foreign currencies are not materially significant and therefore currency risk is also not of material significance. Given the lack of material significance, SID Bank and SID Bank Group do not prepare an analysis of currency sensitivity.

The SID Bank Group ties fiduciary cession advances to the euro in order to neutralise as far as possible the effect of changes in exchange rates on debts expressed in euros. In insurance operations the SID Bank Group matches the currency breakdown of its assets covering technical provisions with the currency structure of the exposure to the largest possible extent.

Financial assets and financial liabilities by currency as at 31 December 2015

	SID Bank				SID Bank Group			
	EUR	USD	Other currencies	Total	EUR	USD	Other currencies	Total
Financial assets	**3,155,948**	**22,766**	**1**	**3,178,715**	**3,189,302**	**22,766**	**1**	**3,212,069**
Cash on hand, balances with the central bank and demand deposits with banks	13,282	503	1	13,786	16,955	503	1	17,459
Available for sale financial assets	933,608	4,996	0	938,604	956,658	4,996	0	961,654
Loans and receivables	2,194,746	17,267	0	2,212,013	2,201,377	17,267	0	2,218,644
Loans to banks	1,588,886	17,267	0	1,606,153	1,595,520	17,267	0	1,612,787
Loans to non-bank customers	605,465	0	0	605,465	605,465	0	0	605,465
Other financial assets	395	0	0	395	392	0	0	392
Derivatives held for hedging	14,312	0	0	14,312	14,312	0	0	14,312
Financial liabilities	**2,780,952**	**18,625**	**0**	**2,799,577**	**2,781,564**	**18,625**	**0**	**2,800,189**
Financial liabilities measured at amortised cost	2,780,952	18,625	0	2,799,577	2,781,564	18,625	0	2,800,189
Bank deposits	12,624	2,289	0	14,913	12,624	2,289	0	14,913
Deposits from non-bank customers	6	0	0	6	6	0	0	6
Loans from banks and central banks	1,622,572	16,336	0	1,638,908	1,622,572	16,336	0	1,638,908
Loans from non-bank customers	420,532	0	0	420,532	420,532	0	0	420,532
Debt securities	723,527	0	0	723,527	723,527	0	0	723,527
Other financial liabilities	1,691	0	0	1,691	2,303	0	0	2,303
Net on-balance-sheet position as at 31 Dec 2015	**374,996**	**4,141**	**1**	**379,138**	**407,738**	**4,141**	**1**	**411,880**
Assumed irrevocable liabilities as at 31 Dec 2015	**135,025**	**9,369**	**21,001**	**165,395**	**135,025**	**9,369**	**21,001**	**165,395**
Financial assets as at 31 Dec 2014	3,533,767	27,288	0	3,561,055	3,565,731	27,288	0	3,593,019
Financial liabilities as at 31 Dec 2014	3,151,758	27,204	0	3,178,962	3,152,355	27,205	0	3,179,560
Net on-balance-sheet position as at 31 Dec 2014	**382,009**	**84**	**0**	**382,093**	**413,376**	**83**	**(0)**	**413,459**
Assumed irrevocable liabilities as at 31 Dec 2014	93,016	0	20,153	113,169	93,016	0	20,153	113,169

3.5 Operational risk

Operational risk arises as a result of inadequate or failed performance of internal processes, people's conduct and system malfunctioning or from external events which do not arise from credit, market and liquidity risks. Operational risk factors also include IT risks, legal risks and risks related to compliance of operations; however, it excludes strategic and reputational risk. Part of the legal risk is the compliance risk, which is the risk of legal or regulatory sanctions, material financial loss or loss of reputation of the bank due to non-compliance of the bank with the relevant regulations and standards of good practice. Operational risk arises as a result of inadequate or failed performance of internal processes, people and systems or from external events, and depends on internal organisation, the management of business processes, the functioning of internal controls, the effectiveness of internal and external auditing, etc.

Operational risk factors include personnel, business processes, information technology and other infrastructure, organisational arrangements and external events.

The expansion in SID Bank's role as Slovenia's primary financial institution concerned with promotional development has gradually increased the complexity of products and processes and consequently has increased the Bank's operational risk.

The Bank uses a basic indicator approach to measure operational risk. Management of operational risk is based on the established system of internal controls, the system of decision-making and powers, proper replacements during absences, the right training for personnel and investment in information technology. The bank constantly strives to improve the culture of awareness of the management and other employees about the importance of effective operational risk management, which is present in all the activities and processes of the business.

The systemic risks entailed by information technology, which are increasing as the level of computerisation increases, have been managed by additional measures such as the business continuity plan put in place, the duplication of server infrastructure and other measures to increase information security (systems to prevent penetrations, systems for detecting penetrations, surveillance systems). The implementation of a business continuity plan is the responsibility of formed groups of employees (emergency group, operational safety group, first aid and rescue group, fund reconstruction group). Members of these groups also participate in the process of changes in the business continuity plan; however, the Compliance Department takes care of mutual coordination and information in cooperation with the IT Department.

In the management of operational risk, the bank takes into account the provisions of the policy and the use of external contractors, the purpose of which is to create a framework for the selection, establishment, implementation and control of the contractual relationship with external contractors, to prevent inconsistencies, inequalities, ambiguities and imbalance in risk management when using external services, and the possible negative impact on the operations of SID Bank arising thereof and to ensure an appropriate level of professionalism of the external services of SID Bank while monitoring the performance of those services and risk management arising from the use of external contractors.

In recent years SID Bank has acquired many new clients, mostly with the introduction of funding programmes for small and medium-sized enterprises (Promotional and Development Platform), which required the employment of additional staff and the development of necessary software. Operational risks under this title are managed by using pre-set work flows and system of authorisations, by following the four eyes principle and setting up adequate IT support.

The operational risk management system includes the recording of detected events in the application database and their analysis and resolution with a view to the effective identification, assessment and management of operational risks. Supervision of registered loss events is performed by the Risk Management Department on a regular basis, usually reporting to the Management Board once quarterly, recording their number, potential loss assessment and on the proposals for measures to reduce the chances of a recurrence of a particular loss event.

In 2015, SID Bank recorded more loss events than in previous years. According to the type of loss event in accordance with the Basel II standards, the most numerous loss events concerned implementation, delivery and management of processes (65% of all outstanding operational risk events), followed by business disruptions and system failures (25%), external fraud (8%) and damage to movable and immovable property (2%). Most of the potential loss was expected from the loss events related to external frauds.

3.6 Capital management

SID Bank and SID Bank Group must always have adequate capital at their disposal as a reserve against the various risks that they are exposed to in their operations. This is a continuous process of determining and maintaining the amount and quality of capital that is adequate, taking the risks defined in the capital management policy into account.

Capital risk refers to the inappropriate composition of capital in relation to the scope and nature of the operations or the difficulties faced by the Bank in obtaining fresh capital, especially when it has to be increased rapidly, or when facing unfavourable conditions in the business environment.

The role and responsibilities of the Supervisory Board when managing the capital risk and capital are assessment of the adequacy capital risk and capital management policy, and evaluation of policy implementation. The Management Board is responsible for the adoption of appropriate policies for managing capital, provision of the proper amount and quality of capital and the meeting of the capital requirements of the regulator.

Capital for capital adequacy purposes

The calculation of regulatory capital is based on the provisions of the CRR Regulation. The calculation of capital adequacy of SID Bank Group is based on the consolidated financial statements, as defined by the CRR Regulation. Accordingly, the consolidated financial statements do not include insurance companies, and joint ventures are consolidated using the proportional method. In accordance with the CRR Regulation, SID Bank and proportionate part of the Prvi faktor Group (using the prudential consolidation), are included in the consolidation.

According to its attributes and requirements, capital is divided into common equity Tier 1 capital (CET1), additional Tier 1 capital and Tier 2 capital. The capital of SID Bank consists of only the components of highest quality CET1 core capital, and the bank has no additional Tier 1 capital or Tier 2 capital.

The Bank uses the standardised approach to calculate the capital requirements for credit risk at SID Bank and SID Bank Group. In order to calculate risk weighted exposure amounts for credit risk, instead of using credit ratings for each category of exposure, the Bank allocates risk weights for individual exposure categories according to the degree of risk of the client's country. For determining credit quality steps of the central government (Article 114 of the CRR Regulation), the Bank and the Group use credit assessment by SID Bank as a nominated ECAI, as provided for in Article 137 of the CRR Regulation.

The basic indicator approach is used to calculate the capital requirements for operational risks (Articles 315 and 316 of the CRR Regulation).

Capital requirements for credit valuation adjustment risk (CVA) are calculated by the standard method, as provided for in Article 384 of the CRR Regulation.

The capital requirement for foreign exchange risk is calculated in accordance with Articles 351 to 354 of the CRR Regulation. It is calculated whenever the sum of total net positions in foreign currency exceeds 2% of the total equity for the purpose of capital adequacy. At the end of 2015 SID Bank and the Group did not need to establish capital requirements for currency risks, since this threshold was not exceeded and the Group's capital requirements for currency risk total EUR 1.1 million.

A reconciliation of total equity to own funds and the statement of financial position, prudential filters, risk exposures and capital adequacy ratios

	SID Bank		SID Bank Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Total equity	**364.165**	**355.275**	**383.471**	**391.316**
Paid up capital instruments	300.000	300.000	300.000	300.000
Share premium	1.139	1.139	1.139	1.139
Treasury shares	(1.324)	(1.324)	(1.324)	(1.324)
Retained earnings and profit reserves	59.316	48.816	79.078	85.350
Accumulated other comprehensive income	5.034	6.644	4.579	6.152
Profit or loss not eligible	**(10.499)**	**(2.158)**	**(11.389)**	**(26.988)**
Year-end profit not eligible	(10.499)	(2.158)	(11.389)	(26.988)
Prudential filters	**(7.559)**	**(7.390)**	**(7.250)**	**(7.401)**
Intangible assets	(737)	(713)	(744)	(723)
Other transitional adjustments to AT1 Capital	(1.237)	(1.630)	(1.241)	(1.638)
CET1 Capital elements or deductions - other	(2.246)	0	(1.930)	0
Other transitional adjustments to CET1 Capital	(3.339)	(5.048)	(3.335)	(5.040)
Common Equity TIER 1 Capital (CET1)	**346.107**	**345.726**	**364.831**	**356.927**
Additional TIER 1 Capital (AT1)	0	0	0	0
TIER 1 Capital (T1)	**346.107**	**345.726**	**364.831**	**356.927**
Additional Capital (T2)	0	0	0	0
Own funds	**346.107**	**345.726**	**364.831**	**356.927**
Total credit risk exposure total	1.026.000	1.174.694	1.078.921	1.220.548
Of which:				
Central governments or central banks	9.585	23.643	11.673	24.846
Regional governments or local authorities	7.900	7.752	8.119	7.901
Public sector entities	7.445	5.020	8.414	5.532
Multilateralne razvojne banke	0	0	0	0
International Organisations	0	0	0	0
Institutions	362.087	455.572	369.054	458.587
Corporates	413.189	344.321	447.624	389.574
Exposures in default	187.409	304.199	194.622	298.765
Items associated with particular high risk	295	628	295	628
Covered bonds	0	258	0	258
Equity	32.048	26.878	32.048	26.878
Other items	6.042	6.424	7.071	7.579
Total market risk exposure (foreign exchange)	0	0	13.317	0
Total risk exposure amount for operational risk	140.007	143.102	152.349	157.332
Total risk exposure amount for credit valuation adjustment	8.170	4.544	8.170	4.544
Total risk exposure amount (RWA)	**1.174.178**	**1.322.340**	**1.252.757**	**1.382.424**
Surplus of CET1 Capital	293.269	286.221	308.457	294.718
Surplus of T1 Capital	275.656	266.386	289.665	273.982
Surplus of total Capital	252.173	239.939	264.610	246.334
CET1 Capital ratio	29,48%	26,15%	29,12%	25,82%
T1 Capital ratio	29,48%	26,15%	29,12%	25,82%
Total Capital ratio	29,48%	26,15%	29,12%	25,82%

Own funds requirements - breakdown by type of risk

	SID Bank				SID Bank Group			
	31 Dec 2015	Structure (%)	31 Dec 2014	Structure (%)	31 Dec 2015	Structure (%)	31 Dec 2014	Structure (%)
Own funds requirements								
for credit risk	82.080	87,4	93.998	88,8	86.314	86,1	97.644	88,3
for operational risk	11,201	11,9	11,448	10,8	12,188	12,2	12,587	11,4
for currency risk	0	-	0	0	1,065	1,1		0,0
for credit valuation adjustment risk (CVA)	654	0,7	363	0,3	654	0,7	363	0,3
Total	**93,934**	**100**	**105,809**	**100**	**100,221**	**100**	**110,594**	**100**

Own funds requirements for credit risk

	SID Bank		SID Bank Group	
Exposure class	2015	2014	2015	2014
Central governments or central banks	767	1,891	934	1,988
Regional governments or local authorities	632	620	650	632
Public sector entities	596	402	673	443
International Organisations	0	0	0	0
Multilateral Development Banks	0	0	0	0
Institutions	28,967	36,446	29,524	36,687
Corporates	33,055	27,568	35,810	31,166
Exposures in default	14,993	24,336	15,570	23,901
Items associated with particular high risk	24	50	24	50
Covered bonds	0	21	0	21
Equity	2,564	2,150	2,564	2,150
Other items	483	514	566	606
Total	**82,080**	**93,998**	**86,314**	**97,644**

Internal capital adequacy assessment

SID Bank annually assesses its risk profile, which comprises a documented and categorised collection of quantitative and qualitative assessments of the risks that a bank takes up within the framework of its operations and the control environment. Appropriateness of assumptions in the methodology of assessing the risk profile is verified by the SID Bank Group at least every 3 years and when significant changes in the risks occur to which the SID Bank Group is exposed (e.g. the introduction of new products), major changes in the organization of the business and operation of the internal control system.

The risk profile represents a basis for the integral risk management process, the internal capital adequacy assessment process, the planning of internal audit procedures, and direct supervision by the Bank of Slovenia.

The risk profile is assessed for the entire SID Bank Group in accordance with the CRR on risk management and the implementation of the internal capital adequacy assessment process for banks and savings banks.

The results of the assessment of the risk profile for 2015 show that the SID Bank Group puts the highest estimate on profitability risk, credit risk, reputation risk and strategic risk.

In the internal assessment of capital requirements, the SID Bank uses the method of addition. In the context of the element 1 (risks that are subject to minimum capital requirements), the SID Bank Group assesses capital requirements in the amount of minimum capital requirements. In the context of element 2 (risks that are not fully covered by minimum capital requirements), the SID Bank Group has not identified significant risks. In the context of element 3 (risks which are not subject to minimum capital requirements), the SID Bank Group identifies as significant risks interest rate risk from the banking ledger, concentration risk, profitability risk and strategic risk. In 2015, the SID Bank Group also guaranteed a supplementary capital buffer and buffer for other systemically important institutions in the context of capital requirements within the element 3. In the context of element 4 (factors external environment), the SID Bank Group assesses the capital requirements under the stress test scenarios. In the context of the external environment factors, SID Bank considers the fact that this is an additional component of equity, which is intended for use in emergency situations.

In 2015, SID Bank participated in the stress scenario under the leadership of the Bank of Slovenia, under which basic and adverse stress scenarios were performed. During the process of the supervisory review and evaluation (SREP), the Bank of Slovenia found a greater capital requirement as at 31 December 2014 under the stress scenarios, namely in the amount of EUR 48,307 thousand. With SID Bank it used the loss before taxes for the year 2015 according to the unfavourable scenario for the purpose of the external environment factors.

The SID Bank Group evaluated the capital requirement under stress scenarios as at 31 December 2015 at a rate of EUR 7,193 thousand. The methodology of calculation is predominantly the same as the methodology of the Bank of Slovenia, which was used in the supervisory review and evaluation process (SREP) for the year 2014. The results of the stress scenario have improved as a result of the improvement of the input parameters for the calculation in 2015 (the "loss rate" and "default rate").

Internal assessment of own funds requirements

	SID Bank Group			
	31 Dec 2015	v %	31.12.2014	v %
Own funds requierement				
for credit risk	86,314	47,1	97,644	63,7
for operational risk	12,188	6,6	12,587	8,2
for currency risk	1,065	0,6	0	0
for credit valuation adjustment	654	0,4	363	0,2
Own funds requierement				
for interest rate risk	15,694	8,6	4	0,0
for concentration risk	12,084	6,6	13,670	8,9
for profitability risk	6,573	3,6	/	/
for strategic risk	4,009	2,2	4,409	2,9
capital conservation buffer	31,319	17,1	/	/
systemic risk buffer	6,264	3,4	/	/
for external environmental factors	7,193	3,9	24,698	16,1
Internal assessment of own funds requirements	**183,357**	**100,0**	**153,376**	**100,0**

For the assessment of internal capital which totals EUR 364,831 thousand as at 31 December 2015, SID Bank uses regulatory capital.

Internal assessment of own funds requirements as at 31 December 2015 amounted to EUR 183,357 thousand. In the internal assessment of capital needs, the capital requirements for credit risk amount to 47.1%, 6.6% for operational risk, 0.6% for currency risk and 0.4% for credit valuation adjustment. Internal assessment of capital requirements for interest rate risk, concentration risk, profitability risk, strategic risk, capital conservation buffer and capital buffer for other systemically important institutions, as well as for the external environmental factors totals 45.4% of internal assessment of the total capital requirements. Taking into account the capital requirements of the second pillar, the capital adequacy of SID Bank Group amounted to 15.9% at the end of 2015.

3.7 Fair value of financial assets and liabilities

Fair value is the value that would be received when selling an asset or paid when transferring a liability in a regular transaction between market participants at the measurement date under current market conditions, irrespective of whether the price can be directly observed or estimated using other valuation techniques.

Fair values of financial assets and financial liabilities traded in active markets are based on quoted market prices. For all other financial instruments SID Bank and SID Bank Group determine the fair value using other valuation techniques.

An active market is a market in which transactions with the assets or liabilities are often concluded, so that information on prices is regularly provided for the public.

SID Bank and SID Bank Group measure the fair value using the fair value hierarchy that reflects the significance of the input data.

- Level 1: quoted prices in active markets for identical assets or liabilities that SID Bank and SID Bank Group can access on the measurement date.

- Level 2: input data other than quoted prices included in Level 1, which can be directly (prices) or indirectly (derived from prices) observed for the asset or liability. In Level 2 SID Bank and SID Bank Group include financial instruments which are valued using: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in non-functioning markets or input data other than quoted prices which can be observed for the assets or liabilities, i.e. interest rates and yield curves. This level also includes investments into bonds valued based on the BGN (Bloomberg Generic Price) exchange rate, as it represents a unanimous rate of the interbank or OTC market. Although SID Bank and SID Bank Group cannot use the BGN exchange rate directly as at the sale of securities, its use ensures objectivity in the valuation and the price is a reflection of actual market transactions and an adequate indicator of prices that would have been achieved in the sale of bonds on the market. Prices of the providers do not materially deviate from the rate applied.

- Level 3: in this category SID Bank and SID Bank Group include financial instruments for which fair value is calculated according to the model, which uses mainly unobserved input data and financial instruments valued at original cost in the transitional period.

Observed input data is developed based on market data, such as publicly available information about actual events or transactions. Unobserved input data is that for which market data is not available and is developed using the best available information concerning the assumptions that market participants would use in pricing the asset or liability.

Financial assets measured at fair value

The financial instruments that SID Bank and SID Bank Group disclose in the statement of financial position at fair value are financial assets and liabilities held for trading, available-for-sale financial assets and financial assets used for hedging.

Financial assets and liabilities held for trading and derivative financial instruments held for hedging, which include interest rate swaps, are valued with regard to market interest rates and the yield curve.

The fair value of available-for-sale financial assets is determined by using quoted prices in active markets for identical assets, or by using quoted prices in active markets for similar assets and quoted prices for identical or similar assets in non-functioning markets.

Financial instruments measured at fair value – the fair value hierarchy

The table illustrates financial instruments measured at fair value on the date of reporting according to the level in the fair value hierarchy in which they are classified.

	SID Bank							
	31 Dec 2015				31 Dec 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Available-for-sale financial assets	13,177	887,429	37,998	938,604	531,775	163,221	15,987	710,983
Debt securities	13,177	884,810	32,001	929,988	531,775	157,375	15,987	705,137
Equity securities		2,619	5,997	8,616	0	5,846	0	5,846
Derivatives held for hedging	0	14,312	0	14,312	0	28,394	0	28,394
Total financial assets	**13,177**	**901,741**	**37,998**	**952,916**	**531,775**	**191,615**	**15,987**	**739,377**
Financial liabilities measured at fair value								
Financial liabilities held for trading	0	0	0	0	0	3	0	3
Total financial liabilities	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**3**

	SID Bank Group							
	31 Dec 2015				31 Dec 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Available-for-sale financial assets	13,973	909,683	37,998	961,654	551,949	165,116	15,987	733,052
Debt securities	13,973	907,064	32,001	953,038	551,949	159,270	15,987	727,206
Equity securities	0	2,619	5,997	8,616	0	5,846	0	5,846
Derivatives held for hedging	0	14,312	0	14,312	0	28,394	0	28,394
Total financial assets	**13,973**	**923,995**	**37,998**	**975,966**	**551,949**	**193,510**	**15,987**	**761,446**
Financial liabilities measured at fair value								
Financial liabilities held for trading	0	0	0	0	0	3	0	3
Total financial liabilities	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**3**

Financial instruments not measured at fair value

The table illustrates the fair values of financial instruments not measured at fair value and analyses them according to the level in the fair value hierarchy in which they are classified.

	31 Dec 2015							
	SID Bank				SID Bank Group			
	Level 2	Level 3	Fair value	Carrying amount	Level 2	Level 3	Fair value	Carrying amount
Cash on hand, balances with the central bank and demand deposits with banks	13,786	0	13,786	13,786	17,459	0	17,459	17,459
Loans and receivables	1,608,612	607,930	2,216,542	2,212,013	1,615,243	607,930	2,223,173	2,218,644
Loans to banks	1,608,131	0	1,608,131	1,606,152	1,614,765	0	1,614,765	1,612,786
Loans to non-bank customers	0	607,930	607,930	605,465	0	607,930	607,930	605,465
Other financial assets	481	0	481	396	478	0	478	393
Total financial assets	**1,622,398**	**607,930**	**2,230,328**	**2,225,799**	**1,632,702**	**607,930**	**2,240,632**	**2,236,103**
Financial liabilities measured at amortised cost	2,076,691	723,527	2,800,218	2,799,577	2,077,303	723,527	2,800,830	2,800,189
Bank deposits	14,913	0	14,913	14,913	14,913	0	14,913	14,913
Deposits from non-bank customers	6	0	6	6	6	0	6	6
Loans from banks and central banks	1,639,380	0	1,639,380	1,638,908	1,639,380	0	1,639,380	1,638,908
Loans from non-bank customers	420,701	0	420,701	420,532	420,701	0	420,701	420,532
Debt securities	0	723,527	723,527	723,527	0	723,527	723,527	723,527
Other financial liabilities	1,691	0	1,691	1,691	2,303	0	2,303	2,303
Total financial liabilities	**2,076,691**	**723,527**	**2,800,218**	**2,799,577**	**2,077,303**	**723,527**	**2,800,830**	**2,800,189**

	31 Dec 2014							
	SID Bank				SID Bank Group			
	Level 2	Level 3	Fair value	Carrying amount	Level 2	Level 3	Fair value	Carrying amount
Cash on hand, balances with the central bank and demand deposits with banks	3,051	0	3,051	3,051	7,554	0	7,554	7,554
Loans and receivables	2,184,384	639,688	2,824,072	2,818,627	2,189,777	639,688	2,829,465	2,824,020
Loans to banks	2,183,879	0	2,183,879	2,180,886	2,189,268	0	2,189,268	2,186,275
Loans to non-bank customers	0	639,688	639,688	637,327	0	639,688	639,688	637,327
Other financial assets	505	0	505	414	509	0	509	418
Total financial assets	**2,187,435**	**639,688**	**2,827,123**	**2,821,678**	**2,197,331**	**639,688**	**2,837,019**	**2,831,574**
Financial liabilities measured at amortised cost	2,249,361	930,353	3,179,714	3,178,959	2,249,959	930,353	3,180,312	3,179,557
Bank deposits	23,827	0	23,827	23,827	23,827	0	23,827	23,827
Deposits from non-bank customers	6	0	6	6	6	0	6	6
Loans from banks and central banks	1,842,057	0	1,842,057	1,841,494	1,842,057	0	1,842,057	1,841,494
Loans from non-bank customers	381,653	0	381,653	381,461	381,653	0	381,653	381,461
Debt securities	0	930,353	930,353	930,353	0	930,353	930,353	930,353
Other financial liabilities	1,818	0	1,818	1,818	2,416	0	2,416	2,416
Total financial liabilities	**2,249,361**	**930,353**	**3,179,714**	**3,178,959**	**2,249,959**	**930,353**	**3,180,312**	**3,179,557**

The carrying values of money are assumed to be approximately equal to their fair value.

Market interest rates are used for the fair values of loans with variable yield and floating rate and in which the credit risk is not subject to significant change. Given that loans with fixed interest rates represent only 1.2% of the loan portfolio, SID Bank and SID Bank Group estimate that there is no material difference between the fair value of loans and their carrying amounts.

The fair values of financial liabilities with floating rates are approximately equal to their carrying amounts as at the reporting date. The liabilities for loans measured at amortized cost of SID Bank and SID Bank Group include 8.6% of loans with fixed interest rate. The Bank and the Group estimate that there is no material difference between their fair value and their carrying value. Market interest rates are used to calculate the fair value of liabilities for loans measured at amortized cost with floating rates.

The issued debt securities and loans at SID Bank and SID Bank Group are recognised and measured at amortized cost. For instruments included in the hedging relationship, the fair value for the purpose of calculating the effects of hedge accounting is calculated by using valuation techniques, namely the expected present value. The expected present value is calculated by using input data other than quoted prices that can be observed, namely interest rates and yield curves.

Table of transfers between levels in 2015

	SID Bank		SID Bank Group	
	Transfers from Level 1 to Level 2	Transfers from Level 3 to Level 1	Transfers from Level 1 to Level 2	Transfers from Level 3 to Level 1
Financial assets measured at fair value				
Financial assets held for trading	0	0	0	0
Financial assets available for sale	483,221	3,106	496,929	3,106
Debt securities	483,221	3,106	496,929	3,106

Transfer from level 1 to level 2 is due to the inclusion of investment in bonds, which are valued on the basis of the Bloomberg course (BGN-Bloomberg Generic Price) at level 2, while the securities that were in the year 2014 on the basis of this course, are included in level 1.

4 Concise risk statement approved by the Bank's management body

In accordance with Article 435 (the item 1. f) of the 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 (CRR) and the 2nd paragraph of Article 17 of the Decision on the regulation of internal management, the management body and the evaluation process of the appropriate internal capital for banks and savings banks, the management body notes the following.

1. The overall level of risk, and the level and type of single major risks is identified once a year in a comprehensive way in the process of identifying the risk profile of the Bank, which is confirmed by the management body. In the Internal Capital Adequacy Assessment Process (ICAAP), the management body consequently on a quarterly basis confirms the internal assessment of capital requirements and available capital to cover the losses in the event of realisation of the underwritten risks. The ability to take risks that were identified in this way, covering both normal and stressful circumstances in operations, is the basis for defining risk appetite and to define risks the bank is ready to take or is avoiding them. The management body defines the risk propensity at least once a year in the business strategy (for three years in advance) and in the annual operational plans and strategies and risk management policies. All the aforementioned acts take into account the risk level of SID Bank and the SID Bank Group.

2. In order to manage credit risk arising from investments held to manage bank liquidity, the internal regulations set limits of exposure to individual persons and in the case of persons forming a group of connected parties also the limit for the group of connected clients and the individual limit. In the case of loans limits are not specified in advance and in general, thus the creditworthiness is defined while addressing the individual transaction in relation to the calculation of the capacity of the borrowing, which takes into account the long-term sustainable cash flow, reduced by the alternative investment, taxes, any distributions of profits, as well as existing and foreseeable financial debt. The internal acts determine the way of identifying and measuring the concentration of risk for the entire portfolio, namely individually, by sectors and by country. Authorizations for approving transactions are defined by internal acts and the Articles of Association of SID Bank in relation to the amount of investments and existing exposure.

   Quantitative limits are set to manage market risks as well. For interest rate risk limits are specified for changes in net interest income and to changes in the economic value of bank equity (the limits of weighted interest gaps). Limits are determined significantly more stringently, as determined by the banking regulations. For managing the position risk the limits to positions (stop-loss limits) are determined. For currency risk, a limit is determined for net exposure in each foreign currency and net exposure in all foreign currencies in relation to the Bank's capital.

   Quantitative limits are set for the management of liquidity risk whereby the specified liquidity ratios are stricter than those regulatory prescribed. The Bank also compiles weekly and monthly cash flow plans, monthly liquidity simulations and scenarios and has made a plan for managing the liquidity risk in extraordinary liquidity situations. The annual liquidity plan is confirmed once per year by the management body.

3. The Bank assesses risks which are more difficult to measure, such as specific subtypes of operational risk, i.e. the compliance risk, reputational risk, business continuity risk, risk of money laundering and terrorist financing, and other unethical business practices, and manages them with qualitative risk management measures or internal control mechanisms, in particular with set internal rules and controls over the implementation of organisational, business and work processes of the Bank, as well as additional control by independent control functions. Regardless of this, these types of risks are qualititatively measured in the process of preparing a risk profile and are assessed (quantified) in accordance with defined criteria. If necessary, or depending on the assessment of the residual risk, the capital requirement is determined and the corresponding capital coverage.

4. As a development bank, SID Bank is in accordance with the Slovene Export and Development Bank Act (ZSIRB) obliged to take full account of the banking regulations except in those areas specifically mentioned. It handles of the specifics in the evaluation of large exposures, capital requirements and the establishment of the bank subsidiaries which SID Bank did not apply in 2015, but it ensured full compliance with banking regulations. The only exception that was used concerned the obligation of making a recovery and resolution plan and the use of provisions on guaranteed deposits because SID cannot and does not accept deposits from the public. Additional restrictions are determined by the ZSIRB or state aid rules applicable within the EU which among other things impose SID Bank that it provides financial services only in the segments where market gaps arise or are identified and must not compete with other commercial banks. Furthermore, the purpose of SID funding is consistent with the purposes that are specified by law. SID Bank also must not provide financing to the enterprises that meet the definition of an enterprise in financial difficulties. These and other regulatory requirements the Bank and its management body shall take into account when adopting and implementing its business objectives, strategies and policies.

Ljubljana, 3 March 2016

SID banka d.d. Management Board

Jožef Bradeško
Member

Sibil Svilan, MSc
President

SID banka d.d. Supervisory Board

Monika Pintar Mesarič
Chair

5 Segment reporting

Allocation and disclosure by operating segment is carried out on the basis of the attributes of individual business activities at SID Bank Group. The disclosure of information by operating segment takes account of supervisory approaches and the content of reports that serve the Bank's management in the governance of the SID Bank Group. Performance across the operating segments is monitored on the basis of the accounting policy as presented in Note 2.3.26. The reports are compiled in accordance with the IFRS. The majority of SID Bank Group's operations are on the domestic market, for which reason the Group does not disclose additional itemisation by geographical segments.

The SID Bank Group business activities can be divided into three operating segments:

- Banking;
- Credit and investment insurance;
- Factoring.

Each operating segment is organised as a legal entity in the form of an independent business entity. Within the SID Bank Group banking services are provided by the controlling company SID Bank, credit and investment insurance is carried out at PKZ, and factoring is the domain of the Prvi Faktor Group. The factoring operating segment includes proportionate share (50%) of the Prvi Faktor Group. The individual operating segments include products and services that differ from the other operating segments in terms of risk and return. Transactions between the operating segments are executed at normal commercial terms.

Analysis by operating segment

2015	Banking	Credit and investment insurance	Factoring	Total	Interrelations in the Group	Relations to third parties
Interest income	53,641	362	4,290	58,293	(1,325)	56,968
Interest expense	(31,395)	0	(2,557)	(33,952)	1,207	(32,745)
Net interest income	22,246	362	1,733	24,341	(118)	24,223
Fee and commission income	3,097	0	1,176	4,273	0	4,273
Fee and commission expense	(911)	(14)	(171)	(1,096)	124	(972)
Net fee and commission	2,186	(14)	1,005	3,177	124	3,301
Net gains/(losses) realised on financial assets and liabilities not measured at fair value through profit or loss	2,807	27	0	2,834	0	2,834
Net gains or losses from financial assets and liabilities held for trading	3	0	(5)	(2)	0	(2)
Net gains on financial assets and (liabilities) measured at fair value through profit or loss	3,244	0	0	3,244	0	3,244
Changes in fair value in hedge accounting	(70)	0	0	(70)	0	(70)
Net gain or loss from exchange differences	6	(4)	555	557	0	557
Net gains/losses from derecognition of assets	0	0	4	4	0	4
Other net operating gains or losses	1,448	4,222	(39)	5,631	(73)	5,558
NET INCOME/EXPENSES	31,870	4,593	3,253	39,716	(67)	39,649
Other information by segment	(19,202)	(3,420)	(4,752)	(27,374)	3,098	(24,276)
Administrative costs	(10,227)	(3,862)	(2,493)	(16,582)	5	(16,577)
Amortisation and depreciation	(789)	(325)	(59)	(1,173)	0	(1,173)
Provisions	551	1,481	(61)	1,971	(251)	1,720
Impairments	(8,772)	(714)	(2,139)	(11,625)	3,379	(8,246)
Net gains on investments in subsidiaries, associates and joint ventures	35	0	0	35	(35)	0
Profit/loss from ordinary operations	12,668	1,173	(1,499)	12,342	3,031	15,373
Corporate income tax on ordinary operations	(2,169)	(242)	(680)	(3,091)	0	(3,091)
Net profit for the financial year	10,499	931	(2,179)	9,251	3,031	12,282
ASSETS AND LIABILITIES						
Total assets	3,198,967	56,850	86,930	3,342,747	(59,499)	3,283,248
Long-term interests in subsidiaries, associates and joint ventures	8,413	0	0	8,413	(8,413)	0
Liabilities (other than equity) by segment	2,834,802	30,077	88,149	2,953,028	(71,610)	2,881,418
Total equity	364,165	26,773	(1,219)	389,719	12,112	401,831
Increase/decrease in property, plant and equipment and intangible assets	(501)	(681)	(45)	(1,227)	0	(1,227)

The column Interrelations in the Group presents all income and expense generated between companies in SID Bank Group, dividend income from subsidiaries, impairment of loans given to companies in SID Bank Group and the impairment of interest in Prvi Faktor, Ljubljana, interests in subsidiaries and joint ventures, mutual receivables and liabilities of the companies in SID Bank Group, and other consolidation entries.

2014	Banking	Credit and investment insurance	Factoring	Total	Interrelations in the Group	Relations to third parties
Interest income	97,604	489	7,272	105,365	(2,209)	103,156
Interest expense	(54,357)	(20)	(5,445)	(59,822)	2,138	(57,684)
Net interest income	43,247	469	1,827	45,543	(71)	45,472
Fee and commission income	3,528	0	2,030	5,558	(27)	5,531
Fee and commission expense	(690)	(13)	(494)	(1,197)	197	(1,000)
Net fee and commission	2,838	(13)	1,536	4,361	170	4,531
Net gains/(losses) realised on financial assets and liabilities not measured at fair value through statement of profit or loss	(1,148)	0	296	(852)	1,763	911
Net gains or losses from financial assets and liabilities held for trading	13	0	(2)	11	0	11
Net gains on financial assets and (liabilities) measured at fair value through profit or loss	8,632	0	0	8,632	0	8,632
Changes in fair value in hedge accounting	134	0	0	134	0	133
Net gain or loss from exchange differences	(10)	3	882	875	0	875
Net gains/losses from derecognition of assets	(5)	0	8	3	0	3
Other net operating gains or losses	1,526	5,334	(26)	6,834	(113)	6,721
NET INCOME/EXPENSES	55,226	5,793	4,521	65,540	1,749	67,289
Other information by segment	(43,076)	(4,818)	(3,301)	(51,195)	21,641	(29,554)
Administrative costs	(9,806)	(3,684)	(2,814)	(16,304)	5	(16,298)
Amortisation and depreciation	(613)	(371)	(67)	(1,051)	0	(1,051)
Provisions	(27,238)	(467)	0	(27,705)	31,625	3,920
Impairments	(6,330)	(296)	(420)	(7,046)	(9,079)	(16,125)
Net gains on investments in subsidiaries, associates and joint ventures	910	0	0	910	(910)	0
Profit from ordinary operations	12,150	975	1,220	14,345	23,390	37,735
Corporate income tax on ordinary operations	(7,606)	(218)	(691)	(8,515)	0	(8,515)
Net profit for the financial year	4,544	757	529	5,830	23,390	29,219
ASSETS AND LIABILITIES						
Total assets	3,577,036	62,768	102,116	3,741,920	(52,878)	3,689,042
Long-term interests in subsidiaries, associates and joint ventures	8,831	0	0	8,831	(8,413)	418
Liabilities (other than equity) by segment	3,221,761	36,964	100,366	3,359,091	(78,756)	3,280,335
Total equity	355,275	25,804	1,750	382,829	25,878	408,707
Increase/decrease in property, plant and equipment and intangible assets	2,902	(256)	(26)	2,620	0	2,620

The column Interrelations in the Group presents all income and expense generated between companies in SID Bank Group, dividend income from the subsidiary, impairment of loans given to companies in SID Bank Group, interests in subsidiaries and joint ventures, mutual receivables and liabilities of the companies in SID Bank Group, and other consolidation entries.

OTHER DISCLOSURES

1. Disclosures in accordance with the CRR Regulation

In this chapter are presented disclosures required by the CRR Regulation, which are not included in the business or financial section of the annual report.

1.1 Scope of application

(Article 436 of the CRR Regulation)

SID Bank has the status of an EU parent bank; therefore, it is obliged in accordance with the CRR Regulation to publish disclosures on the basis of prudential consolidation. The prudential consolidation under the CRR Regulation includes SID Bank according to the full consolidation method and the Prvi faktor Group (50% share) according to the proportional consolidation method. The Pro Kolekt Group and CMSR are excluded because their total assets are less than EUR 10 million. Investment in the Pro Kolekt Group is also not deductible in the calculation of capital of the SID Bank Group.

In accordance with the IFRS the consolidated financial statements of the SID Bank Group, apart from SID Bank, include the PKZ insurance company according to the full consolidation method and the Prvi faktor Group under the equity method. Consolidation for accounting and prudential purposes are different in that the accounting consolidation includes the PKZ insurance company and Pro faktor Group under the equity method.

	Code of activity	Share of voting rights of the SID Bank Group	Registered office	Method of accounting consolidation	Method of prudential consolidation
Subsidiaries:					
SID - Prva kreditna zavarovalnica d.d., Ljubljana	Financial and insurance activities	100.00%	Republic of Slovenia	Full	–
Pro kolekt Group:					
PRO KOLEKT, družba za izterjavo, d.o.o. Ljubljana	Other business activities	100.00%	Republic of Slovenia	–	–
PRO KOLEKT d.o.o. Zagreb	Other business activities	100.00%	Croatia	–	–
PRO KOLEKT d.o.o. Skopje	Other business activities	80.00%	FYR Macedonia	–	–
PRO KOLEKT, društvo za naplato duga, d.o.o. Belgrade	Other business activities	100.00%	Republic of Serbia	–	–
PRO KOLEKT CREDIT MANAGEMENT SERVICES BUCURESTI S.R.L. Bucharest	Other business activities	62.75%	Romania	–	–
PRO KOLEKT SOFIA OOD, Sofia	Other business activities	62.50%	Bulgaria	–	–
PRO KOLEKT d.o.o., društvo za finansijsko posredovanje, Sarajevo	Other business activities	100.00%	Bosnia and Herzegovina	–	–
Joint venture:					
Prvi faktor Group, Ljubljana	Financial and insurance activities	50.00%	Republic of Slovenia	Equity method	Proportional method
Co-foundation:					
Centre for International Cooperation and Development, Ljubljana	Professional, scientific and technical activities	33.00%	Republic of Slovenia	–	–

Statement of financial position as at 31 December 2015 – comparison of the two methods of consolidation

in EUR thousand	Accounting consolidation	Prudential consolidation	Difference
Cash on hand, balances with the central bank and demand deposits with banks	17,459	15,886	1,573
Available-for-sale financial assets	961,653	938,604	23,049
Derivatives held for hedging	14,312	14,312	0
Loans and receivables	2,218,645	2,244,106	(25,461)
Non-current assets held for sale	197	197	0
Property, plant and equipment	8,032	5,777	2,255
Investment property	0	693	(693)
Intangible assets	1,333	744	589
Long-term interests in subsidiaries, associates and joint ventures	0	8,413	(8,413)
Corporate income tax assets	4,861	5,678	(817)
Current tax assets	4,861	5,535	(674)
Deferred tax assets	0	143	(143)
Other assets	20,905	408	20,497
TOTAL ASSETS	**3,247,397**	**3,234,818**	**12,579**
Financial liabilities measured at amortised cost	2,800,189	2,847,186	(46,997)
Deposits	2,074,359	2,121,367	(47,008)
Debt securities	723,527	723,527	0
Other financial liabilities	2,303	2,292	11
Provisions	60,672	3,707	56,965
Corporate income tax liabilities	253	163	90
Current tax liabilities	42	43	(1)
Deferred tax liabilities	211	120	91
Other liabilities	3,758	291	3,467
TOTAL LIABILITIES	2,864,872	2,851,347	13,525
Share capital	300,000	300,000	0
Share premium account	1,139	1,139	0
Accumulated other comprehensive income	5,597	4,579	1,018
Profit reserves	71,319	54,372	16,947
Treasury shares	(1,324)	(1,324)	0
Retained earnings (including net profit for the financial year)	5,794	24,705	(18,911)
TOTAL EQUITY	382,525	383,471	(946)
TOTAL LIABILITIES AND EQUITY	**3,247,397**	**3,234,818**	**12,579**

Income statement as at 31 December 2015 – comparison of the two methods of consolidation

in EUR thousand	Accounting consolidation	Prudential consolidation	Difference
Interest income	54,003	56,606	(2,603)
Interest expense	(31,395)	(32,745)	1,350
Interest net income	22,608	23,861	(1,253)
Fee and commission income	3,097	4,273	(1,176)
Fee and commission expense	(925)	(1,026)	101
Net fee and commission	2,172	3,247	(1,075)
Gains/losses realised on financial assets and liabilities not measured at fair value through profit or loss	2,834	2,807	27
Net gains on financial assets and liabilities held for trading	3	(2)	5
Net gains on financial assets and liabilities measured at fair value through profit and loss	3,244	3,244	0
Changes in fair value in hedge accounting	(70)	(70)	0
Exchange differences	2	561	(559)
Net gains and losses from derecognition of assets	0	4	(4)
Other net operating gains	5,665	1,409	4,256
Administrative costs	(14,084)	(12,719)	(1,365)
Depreciation and amortisation	(1,114)	(848)	(266)
Provisions	2,032	239	1,793
Impairments	(9,486)	(7,530)	(1,956)
Share of the profit or loss of investments in subsidiaries, associates and joint ventures	0	35	(35)
Profit from ordinary operations	**13,806**	**14,238**	(432)
Corporate income tax on ordinary operations	(2,411)	(2,849)	438
Net profit for the financial year	**11,395**	**11,389**	6

There is no impediment for transfer of capital or settlement of liabilities between the parent company and subsidiaries.

All subsidiaries of the SID Bank Group which have not been included in prudential consolidation meet the minimum capital requirement. Total amount of capital deficit equals 0.

1.2 The main features of the capital instruments issued by the Bank

(Article 437(b,c) of the CRR Regulation)

1	Issuer	SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana
2	Unique identifier	SIDR, ISIN SI0021102932
3	Governing law(s) of the instrument	Slovene
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital	EUR 300 million
9	Nominal amount of instrument	No nominal amount - per value shares
9a	Issue price	No nominal amount - per value shares
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	20.6.1997
12	Perpeptual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subjet to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A

SID Bank Group has no additional Tier 1 capital and Tier 2 capital.

1.3 Disclosure of own funds, regulatory adjustments and prudential filters

(Article 437(d,e) of the CRR Regulation)

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at disclosure date	(B) CRR article reference	(C) Amounts subject to pre-CRR treatment or CRR prescribed residual amount
1	Capital instruments and the related share premium accounts	299,815	26(1), 27, 28, 29, 26(3)	299,815
	of which: Paid up capital instruments	300,000	26(3)	300,000
	of which: Share premium	1,139	26(3)	1,139
	of which: Own CET1 instruments	(1,324)	26(3)	(1,324)
2	Retained earnings	-	26(1)('c)	-
3	Accumulated other comprehensive income (and any other reserves)	72,266	26(1)	72,266
3a	Funds for general banking risk	-	26(1)(f)	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486(2)	-
	Public sector capital injections grandfathered until 1 january 2018	-	483(2)	-
5	Minority interests (amount allowed in consolidated CET1)	-	84, 479, 480	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26(2)	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	372,081		372,081
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-	34, 105	_
8	Intangible assets (net of related tax liability) (negative amount)	- (744)	36(1)(b), 37, 472(4)	(744)
9	Empty set in the EU			
24	Other CET1 capital adjustments	(1,930)		(1,930)
25	of which: deferred tax assets arising from temporary difference		36(1)('c), 38, 48(1)(a), 470, 472(5)	
25a	Losses for the current financial year (negative amount)		36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(4,576)		(458)
	of which: filter for unrealised gains - debt securities measured at fair value, others	(935)	467	(623)
	of which: filter for unrealised gains - debt securities measured at fair value, central governments	(5,069)	467	-
	of which: filter for unrealised loss - debt securities measured at fair value, others	469	468	313
	of which: filter for unrealised loss – debt securities measured at fair value, central government	1.181	468	-
	of which: filter for unrealised gains – equity instruments measured at fair value	(222)		(148)
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36(1)(j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(7,250)		(7,708)
29	**Common Equity Tier 1 (CET1) capital**	364,831		364,373

Common Equity Tier 1 capital: instruments and reserves		(A) Amount at disclosure date	(B) CRR article reference	(C) Amounts subject to pre-CRR treatment or CRR prescribed residual amount
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1)(b), 56(a), 57, 475(2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56(b), 58, 475(3)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56('c), 59, 60, 79, 475(4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56(d), 59, 79, 475(4)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477(3), 477(4)(a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56('e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			
44	**Additional Tier 1 (AT1) capital**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	364,831		364,373
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts		62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486(4)	
	Public sector capital injections grandfathered until 1 january 2018		483(4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486(4)	
50	Credit risk adjustments		62('c) in (d)	
51	**Tier 2 (T2) capital before regulatory adjustment**			
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63(b)(i), 66(a), 67, 477(2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477(3)	

Common Equity Tier 1 capital: instruments and reserves		(A) Amount at disclosure date	(B) CRR article reference	(C) Amounts subject to pre-CRR treatment or CRR prescribed residual amount
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66('c), 69, 70, 79, 477(4)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66(d), 69, 79, 477(4)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475(2)(a), 475(3), 475(4)(a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**			
58	**Tier 2 (T2) capital**			
59	**Total capital (TC = T1 + T2)**	364,831		364,373
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)			
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)		472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475(2)(b), 475(2)('c), 475(4)(b)	
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477(2)(b), 477(2)('c), 477(4)(b)	
60	**Total risk-weighted assets**	1,252,757		1,252,757
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	29.12%	92(2)(a), 465	29.09%
62	Tier 1 (as a percentage of total risk exposure amount)	29.12%	92(2)(b), 465	29.09%
63	Total capital (as a percentage of total risk exposure amount)	29.12%	92(2)('c)	29.09%

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at disclosure date	(B) CRR article reference	(C) Amounts subject to pre-CRR treatment or CRR prescribed residual amount
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)		128, 129 in 130, (direktiva o kapitalskih zahtevah)	
65	of which: capital conservation buffer requirement			
66	of which: countercyclical buffer requirement			
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		131 (direktiva o kapitalskih zahtevah)	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		128 (direktiva o kapitalskih zahtevah)	
69	[non-relevant in EU regulation]			
70	[non-relevant in EU regulation]			
71	[non-relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	5.997	36(1)(h), 45, 46, 472(10) 56('c), 59, 60, 475(4) 66('c), 69, 70, 477(4)	5.997
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	8.413	36(1)(i), 45, 48, 470, 472(11)	8.413
74	Empty set in the EU			
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		36(1)('c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements		484(3), 486(2) in (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484(3), 486(2) in (5)	
82	Current cap on AT1 instruments subject to phase-out arrangements		484(4), 486(3) in (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484(4), 486(3) in (5)	
84	Current cap on T2 instruments subject to phase-out arrangements		484(5), 486(4) in (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484(5), 486(4) in (5)	

Column C shows the amounts that will apply after the end of the transitional period, except in lines 26 to 27, which show the remaining part of regulatory adjustments after the end of the transitional period.

SID Bank banking group does not have equity instruments which under the new legislation would no longer be eligible for inclusion in capital and that would be the subject to pre - CRR treatment.

1.4 The total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by types of exposure classes

(Article 442(c) of the CRR Regulation)

Exposure class	Balance as at 31 Dec 2015	Average 2015	Balance as at 31 Dec 2014	Average 2014
Central governments or central banks	703,444	642,034	564,542	411,801
Regional governments or local authorities	39,722	38,697	38,820	30,312
Public sector entities	39,205	34,644	28,517	28,045
Multilateral Development Banks	13,592	13,616	13,624	13,501
International Organisations	-	4,900	17,374	19,876
Institutions	1,875,566	1,960,338	2,312,792	2,574,450
Corporates	476,419	433,993	438,205	421,840
Exposures in default	173,993	210,888	253,246	234,410
Items associated with particular high risk	197	374	419	1,681
Covered bonds	–	2,065	2,579	2,635
Equity	29,029	17,372	14,259	15,363
Other items	7,071	7,363	7,579	6,635
Total	**3,358,238**	**3,366,284**	**3,691,955**	**3,760,550**

1.5 The geographic distribution of the exposures, broken down in significant areas by material exposure classes

(Article 442(d) of the CRR Regulation)

2015 Exposure class	Slovenia	Other EU members	SE Europe (excluding EU members)	Other countries	Total
Central governments or central banks	466,910	224,754	526	11,254	703,444
Regional governments or local authorities	39,504	218	-	–	39,722
Public sector entities	38,247	958	-	–	39,205
Multilateral Development Banks	–	13,592	-	–	13,592
Institutions	1,282,405	583,101	4,104	5,955	1,875,566
Corporates	391,503	57,574	17,879	9,464	476,419
Exposures in default	124,251	31,232	18,236	275	173,993
Items associated with particular high risk	197	-	–	–	197
Equity	11,032	17,997	-	–	29,029
Other items	6,213	837	4	18	7,071
Total	**2,360,261**	**930,262**	**40,750**	**26,966**	**3,358,238**

2014 Exposure class	Slovenia	Other EU members	SE Europe (excluding EU members)	Other countries	Total
Central governments or central banks	321,169	242,849	524	0	564,542
Regional governments or local authorities	38,374	100	29	317	38,820
Public sector entities	28,015	503	0	0	28,517
Multilateral Development Banks	0	13,624	0	0	13,624
International Organisations	0	17,374	0	0	17,374
Institutions	1,681,071	618,958	3,196	9,567	2,312,792
Corporates	357,209	49,834	30,017	1,145	438,205
Exposures in default	171,441	34,991	46,814	0	253,246
Items associated with particular high risk	419	0	0	0	419
Covered bonds	0	2,579	0	0	2,579
Equity	14,259	0	0	0	14,259
Other items	6,575	848	156	0	7,579
Total	**2,618,530**	**981,659**	**80,736**	**11,029**	**3,691,955**

1.6 The distribution of the exposures by industry type, broken down by exposure classes

(Article 442(e) of the CRR Regulation)

2015 Exposure class	Financial and insurance activities	Public administration and defence, compulsory social	Manufacturing	Trade; maintenance and repairs of motor vehicles	Electricity, gas, steam and air conditioning supply	Other	Total
Central governments or central banks	13,224	690,220	-	–	–	–	703,444
Regional governments or local authorities	–	39,722	-	–	–	–	39,722
Public sector entities	14,877	24,262	-	–	–	65	39,205
Multilateral Development Banks	13,592	-	–	–	–	–	13,592
Institutions	1,875,566	-	–	–	–	–	1,875,566
Corporates	25,450	-	161,510	61,024	128,291	100,144	476,419
Exposures in default	44,385	319	48,081	46,917	-	34,292	173,993
Items associated with particular high risk	–	–	–	–	–	197	197
Equity	26,410	-	–	–	–	2,619	29,029
Other items	271	26	-	15	-	6,760	7,071
Total	**2,013,774**	**754,548**	**209,591**	**107,956**	**128,291**	**144,078**	**3,358,238**

2014 Exposure class	Financial and insurance activities	Public administration and defence, compulsory social	Manufacturing	Trade; maintenance and repairs of motor vehicles	Electricity, gas, steam and air conditioning supply	Other	Total
Central governments or central banks	2,979	561,521	0	0	0	43	564,542
Regional governments or local authorities	0	38,805	0	0	0	15	38,820
Public sector entities	2,868	25,596	0	0	0	53	28,517
Multilateral Development Banks	13,624	0	0	0	0	0	13,624
International Organisations	0	0	0	0	0	17,374	17,374
Institutions	2,312,792	0	0	0	0	0	2,312,792
Corporates	19,913	12	180,500	64,532	76,388	96,858	438,205
Exposures in default	51,397	70	76,543	61,865	2,860	60,511	253,246
Items associated with particular high risk	0	0	0	0	0	419	419
Covered bonds	2,579	0	0	0	0	0	2,579
Equity	8,413	0	0	0	0	5,846	14,259
Other items	76	0	0	0	0	7,503	7,579
Total	**2,414,639**	**626,004**	**257,043**	**126,398**	**79,248**	**188,622**	**3,691,955**

1.7 The distribution of the exposures by residual maturity, broken down by exposure classes

(Article 442(f) of the CRR Regulation)

	2015		2014	
Exposure class	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year
Central governments or central banks	241,173	462,939	259,506	305,036
Regional governments or local authorities	224	41,060	228	40,316
Public sector entities	1,985	38,148	552	29,096
Multilateral Development Banks	–	13,592	0	13,624
International Organisations	-	-	11,284	6,089
Institutions	763,459	1,118,970	968,663	1,353,115
Corporates	50,158	462,000	77,084	394,531
Exposures in default	156,222	221,525	178,518	278,838
Items associated with particular high risk	4,558	-	3,569	0
Covered bonds	-	-	2,579	0
Equity	29,029	-	17,027	0
Other items	6,318	761	339	7,240
Total	**1,253,127**	**2,358,993**	**1,519,349**	**2,427,884**

1.8 The amount of impaired exposures, past due exposures and credit risk adjustments by significant industry type

(Article 442(g) of the CRR Regulation)

	2015			2014		
Sector	Impaired exposures	Credit risk adjustments for impaired exposures	Past due exposures	Impaired exposures	Credit risk adjustments for impaired exposures	Past due exposures
Finance and insurance activities	1.855.910	(23.014)	11.080	2.356.014	(21.780)	13.806
Manufacturing	297.995	(98.735)	10.773	360.592	(107.291)	10.872
Trade; maintenance and repairs of motor vehicles	147.896	(42.852)	21.744	159.477	(34.177)	9.768
Electricity, gas, steam and air conditioning supply	133.453	(5.162)	106	77.969	(3.798)	106
Public administration and defence, compulsory social	77.196	(3.201)	77	67.423	(2.888)	104
Other	203.337	(80.918)	65.427	241.111	(85.346)	41.594
Total	**2.715.787**	**(253.882)**	**109.207**	**3.262.586**	**(255.279)**	**76.250**

1.9 The amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including the amounts of credit risk adjustments

(Article 442(h) of the CRR Regulation)

	2015			2014		
Region	Impaired exposures	Credit risk adjustments for impaired exposures	Past due exposures	Impaired exposures	Credit risk adjustments for impaired exposures	Past due exposures
Slovenia	2.044.288	(188.612)	54.775	2.484.007	(213.560)	54.690
Other EU members	567.239	(13.898)	12.819	666.155	(13.820)	11.750
SE Europe (excluding EU members)	88.628	(50.677)	41.613	104.489	(27.866)	9.809
Other countries	15.632	(695)	0	7.935	(34)	0
Total	**2.715.787**	**(253.882)**	**109.207**	**3.262.586**	**(255.279)**	**76.250**

1.10 The reconciliation of changes in the credit risk adjustments for impaired exposures

(Article 442(i) of the CRR Regulation)

	2015			2014		
	Impairments	Provisions	Total	Impairments	Provisions	Total
Balance as at 1 Jan	251,749	3,530	255,279	242,495	7,981	250,476
Increase	72.828	6,928	79,756	156,057	1,718	157,775
Decrease	(73.925)	(7,228)	(81,153)	(146,803)	(6,169)	(152,972)
Balance as at 31 Dec	**250,652**	**3,230**	**253,882**	**251,749**	**3,530**	**255,279**

1.11 Encumbered and unencumbered assets

(Article 443 of the CRR Regulation)

	Encumbered assets		Unencumbered assets	
2015	Carrying amount	Fair value	Carrying amount	Fair value
Loans on demand	0	0	15,886	15,886
Equity instruments	0	0	8,617	8,617
Debt securities	31,234	31,234	898,754	898,754
Loans and advances other than loans on demand	8,719	9,089	2,235,387	2,330,221
Other assets	0	0	36,221	36,221
Total	**39,953**	**40,323**	**3,194,865**	**3,289,698**

	Encumbered assets		Unencumbered assets	
2014	Carrying amount	Fair value	Carrying amount	Fair value
Loans on demand	0	0	5,685	5,685
Equity instruments	0	0	5,847	5,847
Debt securities	266,118	266,118	439,018	439,018
Loans and advances other than loans on demand	61,834	61,989	2,809,849	2,814,871
Other assets	0	0	46,344	46,344
Total	**327,952**	**328,108**	**3,306,744**	**3,311,766**

1.12 The exposure values and the exposure values after credit risk mitigation associated with each credit quality step

(Article 444(e) of the CRR Regulation)

	2015		2014	
Credit quality step - MEIP	Exposure values	Exposure values after credit risk mitigation	Exposure values	Exposure values after credit risk mitigation
0	3,418,517	3,399,156	3,723,832	3,683,015
2	-	–	4,448	4,448
3	13,951	13,951	22,756	22,756
4	3,549	281	4,876	316
5	72,742	71,677	79,876	78,283
6	59,709	58,569	51,565	48,128
7a	43,652	29,951	59,881	43,076
Total	**3,612,120**	**3,573,584**	**3,947,234**	**3,880,024**

1.13 Exposures in equities not included in the trading book

(Article 447 of the CRR Regulation)

	31 Dec 2015	31 Dec 2014
Carrying amount	8,616	5,847
Revaluation surplus	445	3,672
Realised gains	–	296

The exposures in equities totalling 2,619 thousand EUR were obtained through the conversion of bank receivables, and 5,997 thousand EUR relates to investments in the EIF shares. All of these securities are classified as available-for-sale financial assets, which are unlisted and are disclosed in the accounts at fair value.

In 2015 there were no disposals of investments in equities.

1.14 Leverage

(Article 451 of the CRR Regulation)

Summary reconciliation of accounting assets and leverage ratio exposures

		31 Dec 2015
1	Total assets as per published financial statements	3,412,792
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(57,048)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	5,804
5	Adjustments for securities financing transactions "SFTs"	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(70,753)
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	(6,644)
8	Total leverage ratio exposure	3,284,151

Leverage ratio common disclosure

		31 Dec 2015
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,219,842
2	(Asset amounts deducted in determining Tier 1 capital)	(6,644)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	3,213,198
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	–
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	–
EU-5a	Exposure determined under Original Exposure Method	8,508
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	8,508
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	133,197
18	(Adjustments for conversion to credit equivalent amounts)	(70,753)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	62,444
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of	-

		31 Dec 2015
EU-19b	Regulation (EU) No 575/2013 (on and off balance sheet)) (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	Tier 1 capital	364,831
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3,284,151
		-
Leverage ratio		
22	Leverage ratio	11.1%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	No
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	N/A

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31 Dec 2015
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3,219,842
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	3,219,842
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	746,938
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	77,958
EU-7	Institutions	1,757,232
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	440,476
EU-11	Exposures in default	172,955
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	24,283

In accordance with Article 451 of the CRR Regulation, leverage ratio for the year 2015 shall be reported for the first time. After calculating the leverage ratio, the corresponding amount is considered according to provisions of Article 429 of the CRR Regulation of adjusted balance sheet and off-balance-sheet exposures as well as the amount of TIER1 capital as at 31 December 2015.

For this calculation, the Group considers the balance on each date of quarterly reporting. The leverage ratio for the SID Bank banking group as at 31 December 2015 stood at 11.1%, which significantly exceeds the indicative minimum value of 3% set by the Basel Committee. The bank monitors the leverage ratio within context of the bank's risk profile, for which it has established an internal scale to assess excessive leverage risks. In accordance with the Slovene Export and Development Bank Act (ZSIRB), the Republic of Slovenia guarantees SID Bank's liabilities. For the reasons above, as at 31 December 2015, SID Bank had not formed the internal capital requirements within the context of the internal capital adequacy assessment process for risk of excessive leverage.

1.15 Use of credit risk mitigation techniques

(Article 453 of the CRR Regulation)

The SID Bank banking group classifies the following as eligible providers of unfunded credit protection: central governments and central banks, regional governments or local authorities, public sector entities, multilateral development banks, international organisations, and legal entities with a high credit rating (credit quality step of at least 2 under the ECAI methodology). The SID Bank banking group does not use credit derivatives to mitigate credit risk.

The total exposure value by exposure classes that is covered by guarantees

	2015		2014	
Exposure class	Amount	Structure in %	Amount	Structure in %
Public sector entities	969	2.5	2,868	4.2
Regional governments or local authorities	0	-	12	0.0
Institutions	21,826	56.6	42,557	62.0
Corporates	15,325	39.8	21,515	31.4
Exposures in default	415	1.1	1,660	2.4
Total	**38,536**	**100**	**68,612**	**100**

The list of all disclosures required under Part 8 of the Regulation (EU) no. 575/2013

Article	Requirement	Section of Annual report	Chapter
435	**Risk management objectives and policies**		
1.	**Risk management objectives and policies**		
	(a) the strategies and processes to manage those risks	BUS	4
	(b) the structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements	BUS	4
	(c) the scope and nature of risk reporting and measurement systems	BUS	4
	(d) the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	FIN	2.3.12, 3.3
	(e) a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	BUS	5
	(f) a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.	FIN	4
2.	**Information regarding governance arrangements**	BUS	4
	(a) the number of directorships held by members of the management body		
	(b) the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise		
	(c) the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved		
	(d) whether or not the institution has set up a separate risk committee and the number of times the risk committee has met		
	(e) the description of the information flow on risk to the management body	BUS	4, 3.2
436	**Scope of application**	OTH	1.1.
	(a) the name of the institution to which the requirements of this Regulation apply		
	(b) an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are fully consolidated, proportionally consolidated, deducted from own funds, neither consolidated nor deducted;		
	(c) any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;		
	(d) the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries;		
	(e) if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9	N/A	-
437	**Own funds**		
	(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	FIN	3.6
	(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	OTH	1.2
	(c) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	OTH	1.2
	(d) separate disclosure of the nature and amounts of the following:	OTH	1.3
	(i) each prudential filter applied pursuant to Articles 32 to 35		
	(ii) each deduction made pursuant to Articles 36, 56 and66		
	(iii) items not deducted in accordance with Articles 47, 48, 56, 66 and 79		
	(e) a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	OTH	1.3
	(f) where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	N/A	-
438	**Capital requirements**		
	(a) a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	BUS FIN	4 3.6

Article	Requirement	Section of Annual report	Chapter
	(b) upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU	N/A	-
	(c) for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112	FIN	3.6
	(d) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147. For the retail exposure class, this requirement applies to each of the categories of exposures to which the different correlations in Article 154 (1) to (4) correspond.	N/A	-
	(e) own funds requirements calculated in accordance with points (b) and (c) of Article 92(3);	FIN	3.6
	(f) own funds requirements calculated in accordance with PartThree, Title III, Chapters 2, 3 and 4 and disclosed separately.	FIN	3.6
439	**Exposure to counterparty credit risk**	FIN	3.1
	(a) a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures (b) a discussion of policies for securing collateral and establishing credit reserves (c) a discussion of policies with respect to Wrong-Way risk exposures (d) a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating (e) gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements (f) measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable; (g) the notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure (h) the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group (i)the estimate of α if the institution has received the permission of the competent authorities to estimate α.		
440	**Capital buffers**	N/A	-
	(a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer (b) the amount of its institution specific countercyclical capital buffer.		
441	**Indicators of global systemic importance**	N/A	-
442	**Credit risk adjustments**		
	(a) the definitions for accounting purposes of "past due" and "impaired";	FIN	2.3.11, 3.1.
	(b) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	FIN	2.3.11, 3.1.
	(c) the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes	OTH	1.4
	(d) the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate	OTH	1.5
	(e) the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate	OTH	1.6
	(f) the residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate;	OTH	1.7
	(g) by significant industry or counterparty type, the amount of: - impaired exposures and past due exposures, provided separately - specific and general credit risk adjustments - charges for specific and general credit risk adjustments during the reporting period	OTH	1.8
	(h) the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area	OTH	1.9
	(i) the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise: - a description of the type of specific and general credit risk adjustments - the opening balances - the amounts taken against the credit risk adjustments during the reporting period	FIN OTH	2.4 1.10

Article	Requirement	Section of Annual report	Chapter
	- the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments - the closing balances. Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.		
443	**Unencumbered assets**	**OTH**	**1.11**
444	**Use of ECAIs**		
	(a) the names of the nominated ECAIs and ECAs and the reasons for any changes	FIN	3.6
	(b) the exposure classes for which each ECAI or ECA is used	N/A	-
	(c) a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book	FIN	3.6
	(d) the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA	N/A	-
	(e) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds.	OTH	1.12
445	**Exposure to market risk**	**FIN**	**3.6**
	The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions.		
446	**Operational risk**	**FIN**	**3.5, 3.6**
	Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.		
447	**Exposures in equities not included in the trading book**	**FIN** **OTH**	**2.3.11, 2.4.2** **1.13**
	(a) the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices (b) the balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value (c) the types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures; (d) the cumulative realised gains or losses arising from sales and liquidations in the period; (e) the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in Common Equity Tier 1 capital.		
448	**Exposure to interest rate risk on positions not included in the trading book**		
	(a) the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk	FIN	3.3
	(b) the variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency.	FIN	3.3,3.4
449	**Exposure to securitisation positions**	**N/A**	**-**
450	**Remuneration policy**	**FIN**	**2.6.3**
	Institutions shall disclose at least the following information, for those categories of staff whose professional activities have a material impact on its risk profile: (a) information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders (b) information on link between pay and performance (c) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria; (d) the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;		

Article	Requirement	Section of Annual report	Chapter
	(e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based; (f) the main parameters and rationale for any variable component scheme and any other non-cash benefits; (g) aggregate quantitative information on remuneration, broken down by business area; (h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of theinstitution, indicating the following: (i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries (ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types (iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions (iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments (v) new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments (vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person (i) the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million; (j) upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.		
451	**Leverage**	**OTH**	**1.14**
	(a) the leverage ratio and how the institution applies Article 499(2) and (3) (b) a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements (c) where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11) (d) a description of the processes used to manage the risk of excessive leverage (e) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers.		
452	**Use of the IRB Approach to credit risk**	**N/A**	**-**
453	**Use of credit risk mitigation techniques**		
	(a) the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting	N/A	-
	(b) the policies and processes for collateral valuation and management	FIN	3.1
	(c) a description of the main types of collateral taken by the institution	FIN	3.1
	(d) the main types of guarantor and credit derivative counterparty and their creditworthiness	OTH	1.15
	(e) information about market or credit risk concentrations within the credit mitigation taken;	N/A	-
	(f) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGDs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, onor off-balance sheet netting) that is covered - after the application of volatility adjustments - by eligible financial collateral, and other eligible collateral	N/A	-
	(g) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155.	OTH	1.15
454	**Use of the Advanced Measurement Approaches to operational risk**	**N/A**	**-**
455	**Use of Internal Market Risk Models**	**N/A**	**-**
492	**Disclosure of own funds**		
	2 From 1 January 2014 to 31 December 2015, institutions shall disclose the extent to which the level of Common Equity Tier 1 capital and Tier 1 capital exceed the requirements laid down in Article 465.	FIN	3.6
	3 From 1 January 2014 to 31 December 2017, institutions shall disclose the following additional information about their own funds: (a) the nature and effect on Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and own funds of the individual filters and deductions applied in accordance with Articles 467 to 470, 474, 476 and 479	FIN OTH	3.6 1.3

Article	Requirement	Section of Annual report	Chapter
	(b) the amounts of minority interests and Additional Tier 1 and Tier 2 instruments, and related retained earnings and share premium accounts, issued by subsidiaries that are included in consolidated Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and own funds in accordance with Section 4 of Chapter 1 (c) the effect on Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital and own funds of the individual filters and deductions applied in accordance with Article 481 (d) the nature and amount of items that qualify as Common Equity Tier 1 items, Tier 1 items and Tier 2 items by virtue of applying the derogations specified in Section 2 of Chapter 2.		
	4 From 1 January 2014 to 31 December 2021, institutions shall disclose the amount of instruments that qualify as Common Equity Tier 1 instruments, Additional Tier 1 instruments and Tier 2 instruments by virtue of applying Article 484.	N/A	-

BUS: Business report
FIN: Financial report
OTH: Other disclosures
N/A: Not applicable

2. Disclosures in accordance with the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks

(Article 20(c) of the Regulation)

Country	Company	Nature of activities	Turnover*	Number of employees on a full time equivalent basis (integers)	Profit or loss before tax	Tax on profit or loss	Public subsidies received
2015							
EU members							
Slovenia	SID banka, d.d., Ljubljana	Banking	56,773	143.02	12,668	(2,169)	0
	PRVI FAKTOR, faktoring družba, d.o.o., Ljubljana	Factoring	3,863	26.79	(359)	(249)	0
Croatia	PRVI FAKTOR, faktoring družba, d.o.o., Zagreb	Factoring	6,298	31.41	823	(303)	0
Other countries							
Bosnia and Herzegovina	PRVI FAKTOR d.o.o., Sarajevo	Factoring	1,173	14.23	(1,130)	0	0
Serbia	PRVI FAKTOR - faktoring, d.o.o., Belgrade	Factoring	1,624	13.20	(2,322)	(208)	0
2014							
EU members							
Slovenia	SID banka, d.d., Ljubljana	Banking	102,042	130.03	12,150	(7,606)	0
	PRVI FAKTOR, faktoring družba, d.o.o., Ljubljana	Factoring	7,742	29.06	13,773	(442)	0
Croatia	PRVI FAKTOR, faktoring družba, d.o.o., Zagreb	Factoring	6,784	33.65	177	(55)	0
Other countries							
Bosnia and Herzegovina	PRVI FAKTOR d.o.o., Sarajevo	Factoring	2,224	15.00	42	0	0
Serbia	PRVI FAKTOR - faktoring, d.o.o., Belgrade	Factoring	6,073	24.00	1,447	(838)	0

* includes income from interest, fee and commission and dividends

3. Other disclosures

3.1 Operations on behalf of and for the account of the Republic of Slovenia

As an authorized institution SID Bank insures on behalf and for the account of the Republic of Slovenia commercial and non-commercial or political risks of the nature and level for which private reinsurance market is not willing to cover or has limited capabilities of covering.

On behalf and for the account of the Republic of Slovenia, SID Bank also implements the Interest Rate Equalization Programme (IREP) for export credits.

Operations on behalf of and for the account of the Republic of Slovenia is not included in the financial statements of SID Bank. They are recorded on specific items defined by the Bank of Slovenia for their keeping.

31 Dec 2015	Insurance on behalf and for the account of the Republic of Slovenia	Interest rate equalisation programme
Assets		
Cash at customer transaction accounts	644	2,292
Receivables from financial instruments	134,984	5,913
Loans and advances	24,347	0
Available-for-sale financial assets	94,530	5,913
Other	16,107	0
Investments in equity	5,083	0
Total assets	**140,711**	**8,205**
Payables		
Liabilities to customers from cash and financial instruments	140,711	8,205
Total tax liabilities	**140,711**	**8,205**
Memorandum account for brokerage	**519,032**	**0**

31 Dec 2014	Insurance on behalf and for the account of the Republic of Slovenia	Interest rate equalisation programme
Assets		
Cash at customer transaction accounts	100	57
Receivables from financial instruments	125,187	8,106
Loans and advances	34,523	650
Financial assets available for sale	65,907	7,449
Other	24,757	7
Total assets	**125,287**	**8,163**
Payables		
Liabilities to customers from cash and financial instruments	125,287	8,163
Total tax liabilities	**125,287**	**8,163**
Memorandum account for brokerage	**550,229**	**1,328**

Memorandum account for brokerage in insurance on behalf and for the account of the Republic of Slovenia represents exposure from valid insurance policies and promises, while in the Interest Rate Equalization Programme it represents derivatives designed to hedge against interest rate risk.