

Banka

INTERIM FINANCIAL REPORT

SID Bank and SID Bank
Group

January – June, 2017

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Statement of management's responsibility

The Management Board hereby confirms its responsibility for the preparation of the financial statements of SID Bank and SID Bank Group for the period ended 30 June 2017.

The Management Board is responsible for the preparation and presentation of these interim financial report in accordance with the IAS 34 "Interim Financial Reporting".

The management's responsibilities are:

- to employ relevant accounting policies, and to ensure that they are consistently applied,
- to make use of reasonable and prudent accounting estimates and judgements,
- to appropriately disclose and clarify any material deviations from the accounting standards applied, to ensure that the financial statements are compiled on a going-concern basis for SID Bank and the SID Bank Group and the IAS 34 "Interim Financial Reporting".

Management board of SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana



Goran Katušin

Member



Sibil Svilar, MSc

President

1 Basic information

Company ID

Company name	SID - Slovenska izvozna in razvojna banka, d.d., Ljubljana
Address	Ulica Josipine Turnograjske 6, 1000 Ljubljana
ID Number	5665493
Tax Number	82155135
VAT Identification Number	SI82155135
Account number	0100 0000 3800 058
BIC (SWIFT)	SIDRSI22
Telephone	01 200 75 00
Telefax	01 200 75 75
E-mail	info@sid.si
Website	http://www.sid.si

SID Bank Group

SID Bank Group is consisted of the following companies:

	Relationship	Ownership of SID Bank in percent
SID banka, d.d., Ljubljana	Parent company	-
SID – Prva kreditna zavarovalnica, d.d., Ljubljana	Subsidiary company	100
Prvi faktor, faktoring družba d.o.o., v likvidaciji, Ljubljana	Joint venture	50
Centre for International Cooperation and Development, Ljubljana	Co-foundation	

2 Financial highlight and performance indicators

Statement of Financial Position Summary

(In EUR thousand)	SID Bank		SID Bank Group	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Total assets	2,428,351	2,548,643	2,494,986	2,596,076
Loans to banks	935,726	996,368	942,465	1,002,502
Loans to non-bank customers	580,943	610,563	580,943	610,563
Financial liabilities	2,022,981	2,135,023	2,023,462	2,135,753
Total equity	399,036	393,829	419,150	413,808

Income Statement Summary

(In EUR thousand)	SID Bank		SID Bank Group	
	1-6/2017	1-6/2016	1-6/2017	1-6/2016
Net interest income	10,200	13,363	10,361	13,528
Net non-interest income	2,787	7,050	6,404	10,548
Operating costs	(6,418)	(5,744)	(8,614)	(7,846)
Impairment and Provisions	(638)	2,868	(1,959)	1,667
Profit on ordinary activities	5,931	17,537	6,192	17,897
Net profit for the financial period	4,805	14,556	5,008	14,842

Selected indicators¹

(in percent)	SID Bank			SID Bank Group		
	1-6/2017	1-12/2016	1-6/2016	1-6/2017	1-12/2016	1-6/2016
Profitability						
Interest margin	0.82	0.85	0.90	0.80	0.85	0.91
Financial intermediation margin ²	1.04	1.60	1.36	1.01	1.57	1.37
After-tax return on assets	0.39	0.76	0.98	0.39	0.81	0.99
Pre-tax return on equity	3.00	6.60	9.35	2.97	6.80	9.08
After-tax return on equity	2.43	5.57	7.76	2.40	5.71	7.53
Operating cost						
Operating costs/ average assets	0.51	0.42	0.39	0.67	0.58	0.53
Operating costs/net income	49.42	26.39	28.37	51.38	31.94	32.59
Capital						
Capital adequacy ratio	35.82	33.63	34.00	-	33.98	32.14
Leverage ratio	15.15	14.03	13.21	-	14.53	13.07
Quality assets of the statement of financial position and contingent liabilities						
Level of coverage of classified items by impairments and provisions	8.63	10.48	10.33	-	11.42	10.72

¹ The selected indicators relating to the quarterly period are calculated on annual level. From 31 March 2017 the capital adequacy ratio and the level of coverage of classified items by impairments and provisions are calculated only for SID Bank, since SID Bank is no longer obligated to fulfil the requirements of Regulation CRR on a consolidated basis.

² The calculations of financial intermediation margin for SID Bank Group do not include income from SID – Prva kreditna zavarovalnica insurance transactions.

	SID Bank			SID Bank Group		
	30.6.2017	31.12.2016	30.6.2016	30.6.2017	31.12.2016	30.6.2016
Number of employees	163	162	163	264	277	302

	SID Bank		
	30.6.2017	31.12.2016	30.6.2016
International credit rating			
Standard & Poor's	A+	A	A
Moody's			
Shares			
Number of shareholders	1	1	1
Number of shares	3,121,741	3,121,741	3,121,741
The corresponding amount of par value shares in the share capital (in EUR)	96.10	96.10	96.10
Nominal value per share (in EUR)	128.58	126.91	124.61

Operations Reflected in the Statement of Financial Position

At the end of the first half of 2017 SID Bank's total assets amounted to EUR 2,428.4 million, accounting for 95.3% of the total assets from 2016.

Loans to banks still accounted for a major share among all investments in the Bank's total assets in the first half of 2017. Loans to banks include loans and deposits at banks and were valued at EUR 935.7 million at the end of the period. That is a 6.1% decrease compared with the end of 2016. Loans to non-banking clients decreased by 4.9% in 2017, mainly due to the repayment of loans, and totalled EUR 580.9 million as at the end of June 2017. Investments in securities totalled EUR 755.4 million, which is a 2.9% decrease compared with the end of 2016.

Deposits and borrowings from banks, including the liabilities to the central bank, accounted for a majority of liabilities at the end of the first half of 2017. This share amounted to 49.6% of the Bank's liabilities. Liabilities to banks and the central bank totalled EUR 1,205.3 million, which is a EUR 20.4 million increase compared to the end of 2016. Liabilities to non-banking

clients stood at EUR 447.9 million and compared to the previous year they have not changed significantly. Due to early redemption and payments, the liabilities from issued securities decreased by 23.3% and totalled EUR 353.5 million.

The total equity of SID Bank increased by EUR 5.2 million or 1.3% compared to the end of 2016 and totalled EUR 399.0 million as at the end of the period. Net profit for the financial period, including retained earnings, increased by EUR 4.8 million, accumulated other comprehensive income in connection to available-for-sale financial assets also increased in terms of value by EUR 0.4 million.

Considering SID Bank's predominant influence in SID Bank Group, the specific nature of the Group and mutual relationships in the Group, the total assets of SID Bank Group were only 2.7% higher than the total assets of SID Bank and at the end of the first half of 2017 amounted to EUR 2,495.0 million; consequently the structure of the Group's assets and liabilities is very similar to those of the Bank.

Operations Reflected in the Income Statement

SID Bank recorded a pre-tax profit of EUR 5.9 million in the first half of 2017, a decrease of EUR 11.6 million compared to the first half of 2016 and a net profit in the amount EUR 4.8 million. The reason for the lower profit compared to the first half of 2016 is mainly in one-time effects of restructuring processes that influenced the relatively higher profit in the first half of 2016. There were no such effects in the first half of 2017.

Net interest income amounted to EUR 10.2 million and were 23.7% lower than in the first half of 2016. Measured to the average assets, the interest margin was 0.82%.

Operating costs amounted to EUR 6.4 million, of which administrative expenses stood at EUR 6.0 million, and amortisation and depreciation totalled EUR 0.4 million.

Net expenses of impairments and provisions amounted to EUR 0.6 million in the first half of 2017.

SID Bank Group recorded a pre-tax profit of EUR 6.2 million in the first half of 2017, a EUR 11.7 million decrease compared to the first half of 2016 and net profit amounted to EUR 5.0 million.

3 Significant events

In February 2017, SID Bank conducted an early partial redemption of own bonds with the ticker symbol SEDABI 0,875 08/04/18 in the amount of EUR 9.2 million and in March in the amount of EUR 1.1 million.

In March 2017 SID Bank obtained long-term refundable funds from the European Central Bank in the amount of EUR 173.1 million.

In the context of the strategic orientation of SID Bank, in March 2017 sales process and verification of the possibility to sell different packages of shares of the subsidiary SID – Prva kreditna zavarovalnica, d.d., Ljubljana started. SID Bank will carry out the process of sales in cooperation with financial advisor in accordance with customary international standards when selling the companies.

According to the process of liquidation and consequently the reduction in total assets of the Prvi Faktor Group, as at 31 March 2017 SID Bank is no longer obligated to fulfill the requirements on a consolidated basis under EU Regulation No. 575/2013 (Regulation CRR), as the proportionate share of the total assets of

the Prvi Faktor Group that belongs to SID Bank, is less than EUR 10 million.

On 5 April 2017 membership in the Supervisory Board ended for Deputy Chair Janez Tomšič and members Štefan Grosar and Marjan Divjak. The following new members of Supervisory Board were appointed: Aleš Berk Skok, Zlatko Vili Hodnjec and Marjan Divjak.

In April 2017, a 3-year bond SEDABI 2.25% 04/24/17 in the nominal amount of EUR 96,8 million ended. In addition, SID Bank also repayed a 10-year schuldschein loan in the nominal amount of EUR 77.0 mio which was due May 2017.

Due to the increase in the credit rating of the Republic of Slovenija, the rating agency Standard & Poor's Rating Services in June 2017 consequently increased the credit rating of SID Bank from A to A+. The outlook ratings of SID Bank remains stable. Short-term credit rating is A-1.

4 Notes to separate and consolidated financial statements

Separate and consolidated financial statements for the period from January to June 2017 are unaudited.

Statement of Compliance

The financial statements of SID Bank (separate statements) and SID Bank Group (consolidated statements) are compiled in accordance with the International Standards of Financial Reporting and their notes, as adopted by the European Union, also taking into account the Companies Act and the regulations of the Bank of Slovenia.

Interim financial statements are prepared in a condensed form and include significant notes as requested in accordance with IAS 34 "Interim Financial Reporting". They need to be read in context with Annual Report of SID Bank and SID Bank Group for 2016.

Accounting Policies

The accounting policies applied are presented in detail in the Annual Report of SID Bank and SID Bank Group for 2016.

The most important accounting policies, which serve as the measurement basis used for the compilation of financial statements of SID Bank and SID Bank Group and are relevant to the understanding of separate and consolidated financial statements have been consistently applied in both reporting periods.

Consolidation

Consolidated financial statements include the following companies:

- by the method of full consolidation SID Bank and the subsidiary SID – Prva kreditna zavarovalnica
- by the equity method Prvi Faktor Group.

Due to immateriality for the true and fair representation of financial statements of SID Bank Group SID Bank excluded the Centre for International Cooperation and Development from consolidation.

5 Statement of financial position

In EUR thousand	SID Bank		SID Bank Group	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Cash on hand, balances with the central bank and demand deposits with banks	32,637	147,668	36,320	153,355
Financial assets held for trading	140	0	140	0
Available for sale financial assets	755,362	777,676	780,205	801,044
Derivatives held for hedging	45	0	45	0
Loans and advances	1,620,425	1,608,458	1,627,165	1,614,591
Loans and advances to banks	935,726	996,368	942,465	1,002,502
Loans and advances to non-bank customers	580,943	610,563	580,943	610,563
Other financial assets	103,756	1,527	103,757	1,526
Property, plant and equipment	5,211	5,287	7,834	7,491
Intangible assets	750	805	1,301	1,292
Long-term interests in subsidiaries, associates and joint ventures	8,413	8,413	0	0
Corporate income tax assets	5,003	31	5,202	31
Current tax assets	1,828	0	2,027	0
Deferred tax assets	3,175	31	3,175	31
Other assets	365	305	36,774	18,272
TOTAL ASSETS	2,428,351	2,548,643	2,494,986	2,596,076
Financial liabilities held for trading	0	312	0	312
Financial liabilities measured at amortised cost	2,022,981	2,134,711	2,023,462	2,135,441
Deposits from banks and central banks	27,217	31,740	27,217	31,740
Deposits from non-bank customers	0	30,000	0	30,000
Loans from banks and central banks	1,178,074	1,153,125	1,178,074	1,153,125
Loans from non-bank customers	447,951	457,427	447,951	457,427
Debt securities issued	353,539	460,652	353,539	460,652
Other financial liabilities	16,200	1,767	16,681	2,497
Derivatives held for hedging	6	0	6	0
Provisions	2,895	15,546	45,910	38,957
Tax liabilities	3,298	4,105	3,420	4,568
Current tax liabilities	0	4,105	0	4,430
Deferred tax liabilities	3,298	0	3,420	138
Other liabilities	135	140	3,038	2,990
TOTAL LIABILITIES	2,029,315	2,154,814	2,075,836	2,182,268
Share capital	300,000	300,000	300,000	300,000
Share premium	1,139	1,139	1,139	1,139
Accumulated other comprehensive income	13,737	13,335	14,372	14,039
Profit reserves	70,531	70,531	83,101	83,188
Treasury shares	(1,324)	(1,324)	(1,324)	(1,324)
Retained earnings (including net profit for the period)	14,953	10,148	21,862	16,766
Equity attributable to owners of the parent	399,036	393,829	419,150	413,808
TOTAL EQUITY	399,036	393,829	419,150	413,808
TOTAL LIABILITIES AND EQUITY	2,428,351	2,548,643	2,494,986	2,596,076

6 Statement of profit or loss

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2017	1-6/2016	1-6/2017	1-6/2016
Interest income	14,830	22,040	14,990	22,205
Interest expense	(4,630)	(8,677)	(4,629)	(8,677)
Net interest	10,200	13,363	10,361	13,528
Dividend income	87	27	87	27
Fee and commission income	98	1,041	98	1,041
Fee and commission expense	(257)	(380)	(267)	(388)
Net fees and commissions	(159)	661	(169)	653
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	1,498	5,713	1,497	5,713
Net gains on financial assets and liabilities held for trading	301	0	301	0
Net gains/(losses) on financial assets and liabilities measured at fair value through profit or loss	1,202	(678)	1,202	(678)
Changes in fair value in hedge accounting	23	377	24	377
Exchange differences	(952)	(20)	(952)	(23)
Net (losses) on derecognition of assets	(8)	0	(8)	0
Other net operating gains	795	806	4,422	4,315
Administrative costs	(6,010)	(5,343)	(8,023)	(7,296)
Depreciation and amortisation	(408)	(401)	(591)	(550)
Provisions	(853)	(81)	(2,208)	(1,138)
Impairments	215	2,949	249	2,805
Total profit from non-current assets and disposal groups classified as held for sale	0	164	0	164
Profit from ordinary operations	5,931	17,537	6,192	17,897
Corporate income tax on ordinary operations	(1,126)	(2,981)	(1,184)	(3,055)
Net profit for the financial period	4,805	14,556	5,008	14,842
Attributable to owners of the parent	4,805	14,556	5,008	14,842
Basic earnings per share in EUR³	1.55	4.69	1.61	4.78

³ Basic earnings per share are equal to the revised earnings per share because the SID Bank has no dilutive instruments.

7 Income statement – by quarters

7.1 Income statement of SID Bank – by quarters

In EUR thousand	SID Bank			
	Q2 2017	Q1 2017	Q2 2016	Q1 2016
Interest income	7,186	7,644	9,887	12,153
Interest expense	(2,162)	(2,468)	(3,123)	(5,554)
Net interest	5,024	5,176	6,764	6,599
Dividend income	87	0	27	0
Fee and commission income	35	63	575	466
Fee and commission expense	(148)	(109)	(232)	(148)
Net fees and commissions	(113)	(46)	343	318
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	1,220	278	681	5,032
Net gains on financial assets and liabilities held for trading	212	89	0	0
Net gains/(losses) on financial assets and liabilities measured at fair value through profit or loss	1,646	(444)	914	(1,592)
Changes in fair value in hedge accounting	28	(5)	336	41
Exchange differences	(683)	(269)	100	(120)
Net (losses) on derecognition of assets	0	(8)	0	0
Other net operating gains	389	406	385	421
Administrative costs	(3,361)	(2,649)	(2,876)	(2,467)
Depreciation and amortisation	(209)	(199)	(203)	(198)
Provisions	(852)	(1)	283	(364)
Impairments	(1,870)	2,085	1,391	1,558
Total profit from non-current assets and disposal groups classified as held for sale	0	0	11	153
Profit from ordinary operations	1,518	4,413	8,156	9,381
Corporate income tax on ordinary operations	(288)	(838)	(1,387)	(1,594)
Net profit for the financial period	1,230	3,575	6,769	7,787
Attributable to owners of the parent	1,230	3,575	6,769	7,787

7.2 Income statement of SID Bank Group – by quarters

In EUR thousand	SID Bank Group			
	Q2 2017	Q1 2017	Q2 2016	Q1 2016
Interest income	7,267	7,723	9,969	12,236
Interest expense	(2,160)	(2,469)	(3,123)	(5,554)
Net interest	5,107	5,254	6,846	6,682
Dividend income	87	0	27	0
Fee and commission income	35	63	575	466
Fee and commission expense	(154)	(113)	(236)	(152)
Net fees and commissions	(119)	(50)	339	314
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	1,219	278	681	5,032
Net gains on financial assets and liabilities held for trading	212	89	0	0
Net gains/(losses) on financial assets and liabilities measured at fair value through profit or loss	1,646	(444)	914	(1,592)
Changes in fair value in hedge accounting	29	(5)	336	41
Exchange differences	(684)	(268)	95	(118)
Net (losses) on derecognition of assets	0	(8)	0	0
Other net operating gains	2,173	2,249	2,043	2,272
Administrative costs	(4,393)	(3,630)	(3,895)	(3,401)
Depreciation and amortisation	(315)	(276)	(287)	(263)
Provisions	(1,586)	(622)	(187)	(951)
Impairments	(1,864)	2,113	1,354	1,451
Total profit from non-current assets and disposal groups classified as held for sale	0	0	11	153
Profit from ordinary operations	1,512	4,680	8,277	9,620
Corporate income tax on ordinary operations	(288)	(896)	(1,412)	(1,643)
Net profit for the financial period	1,224	3,784	6,865	7,977
Attributable to owners of the parent	1,224	3,784	6,865	7,977

8 Statement of comprehensive income

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2017	1-6/2016	1-6/2017	1-6/2016
Net profit for the financial period after tax	4,805	14,556	5,008	14,842
Other comprehensive income after tax	401	7,972	333	8,174
Items that may be reclassified subsequently to profit or loss	401	7,972	333	8,174
Available-for-sale financial assets	495	9,605	411	9,848
Valuation gains taken to equity	2,142	15,219	2,057	15,462
Transferred to profit or loss	(1,646)	(5,614)	(1,646)	(5,614)
Income tax relating to items that may be subsequently reclassified to profit or loss	(94)	(1,633)	(78)	(1,674)
Total comprehensive income for the financial period after tax	5,207	22,528	5,341	23,016
Attributable to owners of the parent	5,207	22,528	5,341	23,016

9 Statement of comprehensive income – by quarters

9.1 Statement of comprehensive income of SID Bank– by quarters

In EUR thousand	SID Bank			
	Q2 2017	Q1 2017	Q2 2016	Q1 2016
Net profit for the financial period after tax	1,230	3,575	6,769	7,787
Other comprehensive income after tax	887	(485)	3,883	4,089
Items that may be reclassified subsequently to profit or loss	887	(485)	3,883	4,089
Available-for-sale financial assets	1,095	(599)	4,678	4,927
Valuation gains taken to equity	1,654	488	5,340	9,879
Transferred to profit or loss	(559)	(1,087)	(662)	(4,952)
Income tax relating to items that may be subsequently reclassified to profit or loss	(208)	114	(795)	(838)
Total comprehensive income for the financial period after tax	2,117	3,090	10,652	11,876
Attributable to owners of the parent	2,117	3,090	10,652	11,876

9.2 Statement of comprehensive income of SID Bank Group– by quarters

In EUR thousand	SID Bank Group			
	Q2 2017	Q1 2017	Q2 2016	Q1 2016
Net profit for the financial period after tax	1,224	3,784	6,865	7,977
Other comprehensive income after tax	854	(521)	3,932	4,242
Items that may be reclassified subsequently to profit or loss	854	(521)	3,932	4,242
Available-for-sale financial assets	1,054	(643)	4,737	5,111
Valuation gains taken to equity	1,613	444	5,399	10,063
Transferred to profit or loss	(559)	(1,087)	(662)	(4,952)
Income tax relating to items that may be subsequently reclassified to profit or loss	(200)	122	(805)	(869)
Total comprehensive income for the financial period after tax	2,078	3,263	10,797	12,219
Attributable to owners of the parent	2,078	3,263	10,797	12,219

10 Statement of changes in equity

10.1 Statement of changes in equity of SID Bank

For the period 1 January 2017 to 30 June 2017

In EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial period)	Treasury shares	Total equity
OPENING BALANCE AS AT 1 Jan 2017	300,000	1,139	13,335	70,531	10,148	(1,324)	393,829
Net profit for the financial period	0	0	0	0	4,805	0	4,805
Other comprehensive income	0	0	402	0	0	0	402
Total comprehensive income for the financial period after tax	0	0	402	0	4,805	0	5,207
CLOSING BALANCE AS AT 30 June 2017	300,000	1,139	13,737	70,531	14,953	(1,324)	399,036

For the period 1 January 2016 to 30 June 2016

In EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial period)	Treasury shares	Total equity
OPENING BALANCE AS AT 1 Jan 2016	300,000	1,139	5,034	54,328	4,987	(1,324)	364,164
Net profit for the financial period	0	0	0	0	14,556	0	14,556
Other comprehensive income	0	0	7,972	0	0	0	7,972
Total comprehensive income for the financial period after tax	0	0	7,972	0	14,556	0	22,528
CLOSING BALANCE AS AT 30 June 2016	300,000	1,139	13,006	54,328	19,543	(1,324)	386,692

10.2 Statement of changes in equity of SID Bank Group

For the period 1 January 2017 to 30 June 2017

In EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial period)	Treasury shares	Equity attributable to owners of the parent	Total equity
OPENING BALANCE AS AT 1 Jan 2017	300,000	1,139	14,039	83,187	16,766	(1,324)	413,807	413,807
Net profit for the financial period	0	0	0	0	5,008	0	5,008	5,008
Other comprehensive income	0	0	333	0	0	0	333	333
Total comprehensive income for the financial period after tax	0	0	333	0	5,008	0	5,341	5,341
Allocation of net profit to profit reserves	0	0	0	(88)	88	0	0	0
CLOSING BALANCE AS AT 30 June 2017	300,000	1,139	14,372	83,099	21,862	(1,324)	419,148	419,148

For the period 1 January 2016 to 30 June 2016

In EUR thousand	Share capital	Share premium account	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the financial period)	Treasury shares	Equity attributable to owners of the parent	Total equity
OPENING BALANCE (before adjustment) AS AT 1 Jan 2016	300,000	1,139	5,597	71,319	5,794	(1,324)	382,525	382,525
Effects of accounting policy amendments	0	0	0	(5,232)	5,102	0	(130)	(130)
OPENING BALANCE AS AT 1 Jan 2016	300,000	1,139	5,597	66,087	10,896	(1,324)	382,395	382,395
Net profit for the financial period	0	0	0	0	14,842	0	14,842	14,842
Other comprehensive income	0	0	8,174	0	0	0	8,174	8,174
Total comprehensive income for the financial period after tax	0	0	8,174	0	14,842	0	23,016	23,016
CLOSING BALANCE AS AT 30 June 2016	300,000	1,139	13,771	66,087	25,738	(1,324)	405,411	405,411

11 Statement of cash flows

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2017	1-6/2016	1-6/2017	1-6/2016
A. CASH FLOWS FROM OPERATING ACTIVITIES				
a) Net profit before tax	5,931	17,537	6,192	17,897
Depreciation/amortisation	408	401	591	550
Reversal of impairment to loans	(215)	(2,949)	(215)	(2,949)
Impairments to property, plant and equipment, investment property, intangible assets and other assets	0	0	(34)	144
Net losses from foreign exchange differences	952	20	952	23
Other (gains) from investing activities	(87)	(27)	(87)	(27)
Net losses from sale of tangible assets and investment properties	8	0	8	0
Net unrealised (gains) from non-current assets held for sale and discontinuing operations and liabilities associated therewith	0	(164)	0	(164)
Other adjustments of net profit or loss before tax	529	(296)	1,885	761
Cash flows from operating activities before changes in operating assets and liabilities	7,526	14,522	9,292	16,235
b) (Increase)/decrease in operating assets	8,184	552,717	(12,374)	526,394
Net (increase) in financial assets held for trading	(139)	0	(139)	0
Net decrease in available-for-sale financial assets	22,048	72,264	20,504	71,780
Net (increase)/decrease in loans	(13,665)	463,497	(14,271)	439,677
Net decrease in assets held for hedging	0	16,708	0	16,708
Net decrease in non-current assets held for sale	0	361	0	361
Net (increase) in other assets	(60)	(113)	(18,468)	(2,132)
c) (Decrease) in operating liabilities	(123,548)	(538,736)	(105,495)	(536,074)
Net (decrease) in deposits and loans measured at amortised cost	(2,912)	(276,281)	(3,161)	(276,448)
Net (decrease) in debt securities measured at amortised cost	(107,144)	(262,406)	(107,144)	(262,406)
Net increase in liability held for hedging	15	0	15	0
Net increase/(decrease) in other liabilities	(13,507)	(49)	4,795	2,780
d) Cash flows from operating activities (a+b+c)	(107,838)	28,503	(108,577)	6,555
e) (Paid)/refunded corporate income tax	(6,905)	5,540	(7,503)	5,437
f) Net cash flows from operating activities (d+e)	(114,743)	34,043	(116,080)	11,992
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a) Receipts from investing activities	87	27	87	27
b) Cash payments on investing activities	(285)	(149)	(951)	(168)
c) Net cash flows from investing activities (a+b)	(198)	(122)	(864)	(141)
D. Effect of exchange rate difference on cash and cash equivalents	(90)	(76)	(90)	(76)
E. Net increase in cash assets and cash equivalents (Af+Bc)	(114,941)	33,921	(116,944)	11,851
F. Opening balance of cash and cash equivalents	147,668	13,786	153,355	42,881
G. Closing balance of cash and cash equivalents (D+E+F)	32,637	47,631	36,321	54,656

12 Other disclosures

12.1 Related party disclosures

Significant relations of SID Bank with subsidiaries and joint ventures

In EUR thousand	30.6.2017			31.12.2016		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Receivables						
Loans and advances	0	3,297	3,297	0	17,934	17,934
Other financial assets	5	0	5	7	0	7
Gross exposure	5	3,297	3,302	7	17,934	17,941
Value adjustments	0	(1,735)	(1,735)	0	(2,527)	(2,527)
Net exposure	5	1,562	1,567	7	15,407	15,414
Provisions	0	0	0	0	14,618	14,618
Total liabilities	0	0	0	0	14,618	14,618

In EUR thousand	1-6/2017			1-6/2016		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Interest income	0	29	29	0	454	454
Revenues from other services	30	0	30	34	0	34
Fee and commission expense	0	0	0	0	(22)	(22)
Provisions	0	1,118	1,118	0	(741)	(741)
Impairments	0	792	792	0	(208)	(208)
Total	30	1,939	1,969	34	(516)	(482)

12.2 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 majority of SID Bank Group's operations are on the domestic market, therefore the Group does not disclose additional itemization by geographical segments.

SID Bank Group business activities can be divided into two operating segments:

- banking and
- credit and investment insurance.

Each operating segment is organised as a legal entity in the form of an independent undertaking. Within SID Bank Group the banking services are provided by the

controlling company SID Bank, while credit and investment insurance is carried out by SID – Prva kreditna zavarovalnica. 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.

In the comparable financial period from January to June 2016 the business segments also included a separate business segment, namely factoring. The factoring segment included a 50% proportionate share of the Prvi faktor Group.

For the period 1 January 2017 to 30 June 2017

In EUR thousand	Banking	Credit and investment insurance	Total	Interrelations in the Group	Relations to third parties
Interest income	14,830	160	14,990	0	14,990
Interest expenses	(4,630)	0	(4,630)	0	(4,630)
Net interest	10,200	160	10,360	0	10,360
Dividend income	87	0	87	0	87
Fee and commission income	98	0	98	0	98
Fee and commission expense	(257)	(10)	(267)	0	(267)
Net fee and commission	(159)	(10)	(169)	0	(169)
Net gains realised on financial assets and liabilities not measured at fair value through profit or loss	1,498	0	1,498	0	1,498
Net gains from financial assets and liabilities held for trading	301	0	301	0	301
Net gains from financial assets and liabilities designated at fair value through profit or loss	1,202	0	1,202	0	1,202
Changes in fair value in hedge accounting	23	0	23	0	23
Net (losses) from exchange differences	(952)	0	(952)	0	(952)
Net (losses) on derecognition of assets	(8)	0	(8)	0	(8)
Other net operating gains	795	3,630	4,425	(3)	4,422
NET INCOME	12,987	3,780	16,767	(3)	16,764
Other information by segment	(7,056)	(3,520)	(10,576)	3	(10,573)
Administrative expenses	(6,010)	(2,016)	(8,026)	3	(8,023)
Depreciation and amortisation	(408)	(183)	(591)	0	(591)
Provisions	(853)	(1,355)	(2,208)	0	(2,208)
Impairments	215	34	249	0	249
Profit from ordinary operations	5,931	260	6,191	0	6,191
Corporate income tax on ordinary operations	(1,126)	(57)	(1,183)	0	(1,183)
Net profit for the financial period	4,805	203	5,008	0	5,008
30.6.2017					
ASSETS AND LIABILITIES					
Total assets	2,428,351	75,053	2,503,404	(8,418)	2,494,986
Investments in subsidiaries, associates and joint ventures	8,413	0	8,413	(8,413)	0
Liabilities (other than equity) by segment	2,029,315	46,527	2,075,842	(5)	2,075,836
Total equity	399,036	28,526	427,562	(8,413)	419,150
Increase/(decrease) in property, plant and equipment and intangible assets	(131)	483	352	0	352

For the period 1 January 2016 to 30 June 2016

In EUR thousand	Banking	Credit and investment insurance	Factoring	Total	Interrelations in the Group	Relations to third parties
Interest income	22,040	165	1,045	23,250	(238)	23,012
Interest expenses	(8,677)	0	(521)	(9,198)	227	(8,971)
Net interest	13,363	165	524	14,052	(11)	14,041
Dividend income	27	0	0	27	0	27
Fee and commission income	1,041	0	272	1,313	0	1,313
Fee and commission expenses	(380)	(8)	(44)	(432)	28	(404)
Net fee and commission	661	(8)	228	881	28	909
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	5,713	0	0	5,713	0	5,713
Net losses on financial assets and liabilities recognised at fair value through the statement of profit or loss	(678)	0	0	(678)	0	(678)
Changes in fair value in hedge accounting	377	0	0	377	0	377
Net gains/(losses) from exchange differences	(20)	(3)	378	355	0	355
Net gains on derecognition of assets	0	0	12	12	0	12
Other net operating gains	806	3,512	132	4,450	(20)	4,430
NET INCOME	20,249	3,666	1,274	25,189	(3)	25,186
Other information by segments	(2,712)	(3,306)	(1,971)	(7,989)	952	(7,037)
Administrative costs	(5,343)	(1,956)	(1,317)	(8,616)	3	(8,613)
Depreciations and amortisation	(401)	(149)	(21)	(571)	0	(571)
Provisions	(81)	(1,057)	0	(1,138)	741	(397)
Impairments	2,949	(144)	(633)	2,172	208	2,380
Total profit from non-current assets and disposal groups classified as held for sale	164	0	0	164	0	164
Profit/(loss) from ordinary operations	17,537	360	(697)	17,200	949	18,149
Corporate income tax on ordinary operations	(2,981)	(74)	9	(3,046)	0	(3,046)
Net profit/(loss) for the financial period	14,556	286	(688)	14,154	949	15,103
31.12.2016						
ASSETS AND LIABILITIES						
Total assets	2,548,643	55,853	22,760	2,627,256	(25,983)	2,601,273
Long-term interests in subsidiaries, associates and joint ventures	8,413	0	0	8,413	(8,413)	0
Liabilities (other than equity) by segment	2,154,814	27,461	19,568	2,201,843	(23,591)	2,178,252
Total equity	393,829	28,392	3,192	425,413	(2,392)	423,021
(Decrease) in property, plant and equipment and intangible assets	(310)	(272)	(70)	(652)	0	(652)

12.3 Fair value of financial assets and liabilities

Fair values of financial assets and liabilities measured at fair value

In EUR thousand	SID Bank							
	30.6.2017				31.12.2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets held for trading	0	140	0	140	0	0	0	0
Available-for-sale financial assets	33,697	669,280	52,385	755,362	18,332	724,069	35,275	777,676
Debt securities	33,697	659,836	46,040	739,573	18,332	718,237	28,871	765,440
Equity securities	0	9,444	6,345	15,789	0	5,832	6,404	12,236
Derivatives held for hedging	0	45	0	45	0	0	0	0
Total financial assets	33,697	669,465	52,385	755,547	18,332	724,069	35,275	777,676
Financial liabilities measured at fair value								
Financial liabilities held for trading	0	0	0	0	0	312	0	312
Derivatives held for hedging	0	6	0	6	0	0	0	0
Total financial liabilities	0	6	0	6	0	312	0	312

In EUR thousand	SID Bank Group							
	30.6.2017				31.12.2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets held for trading	0	140	0	140	0	0	0	0
Available-for-sale financial assets	57,528	670,292	52,385	780,205	41,271	724,498	35,275	801,044
Debt securities	57,528	660,848	46,040	764,416	41,271	718,666	28,871	788,808
Equity securities	0	9,444	6,345	15,789	0	5,832	6,404	12,236
Derivatives held for hedging	0	45	0	45	0	0	0	0
Total financial assets	57,528	670,477	52,385	780,390	41,271	724,498	35,275	801,044
Financial liabilities measured at fair value								
Financial liabilities held for trading	0	0	0	0	0	312	0	312
Derivatives held for hedging	0	6	0	6	0	0	0	0
Total financial liabilities	0	6	0	6	0	312	0	312

The financial instruments that SID Bank and SID Bank Group disclose in the statement of financial position at fair value are available-for-sale financial assets and derivative financial instruments.

Derivative financial instruments held for hedging include interest rate swaps, and derivative financial instrument held for trading include currency forward. They are valued on

the basis of an internal model, taking into account foreign exchange rates, 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.

Table of transfers between levels

In EUR thousand	SID Bank	SID Bank Group	
	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Financial assets measured at fair value			
Available-for-sale financial assets	18,544	575	18,544
Debt securities	18,544	575	18,544

12.4 Contingent and potential liabilities

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

In EUR thousand	SID Bank and SID Bank Group	
	30.6.2017	31.12.2016
Guarantees	17,103	32,871
Other off-balance-sheet liabilities	64,268	23,570
Total commitments	81,371	56,441
Provisions for off-balance-sheet risks - guarantees	(125)	(14,750)
Provisions for off-balance-sheet risks – other off-balance-sheet liabilities	(2,047)	(327)
Total provisions for commitments	(2,172)	(15,077)

SID Bank or SID Bank Group show 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. Loans granted to companies that have not

been drawn as at 30 June 2017 amount to EUR 21.8 million, while loans granted to the bank sector amount to EUR 30.5 million. The value of uncalled unpaid capital totals EUR 12.0 million.

13 Events after reporting date

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.