

2016

Interim financial report of
SID Bank and SID Bank
Group January – June, 2016



Ljubljana, August 31st, 2016

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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 first six months, ended June 30th, 2016.


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


mag. Jožef Bradeško
Member


mag. Sibil Svilar
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., 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	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Total assets	2,689,064	3,198,967	2,741,703	3,247,397
Loans to banks	1,164,854	1,606,153	1,171,493	1,612,787
Loans to non-bank customers	575,904	605,465	575,904	605,465
Financial liabilities	2,262,631	2,799,577	2,263,076	2,800,189
Total equity	386,692	364,164	405,411	382,525

Income Statement Summary

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015
Net interest income	13,363	12,826	13,528	13,019
Net non-interest income	7,050	3,594	10,548	5,551
Operating costs	(5,744)	(5,448)	(7,846)	(7,461)
Impairment and Provisions	2,868	(6,772)	1,667	(5,990)
Profit on ordinary activities	17,537	4,200	17,897	5,119
Net profit for the financial period	14,556	3,486	14,842	4,200

Selected indicators ¹

In percent	SID Bank			SID Bank Group		
	1-6/2016	1-12/2015	1-6/2015	1-6/2016	1-12/2015	1-6/2015
Profitability						
Interest margin	0.90	0.69	0.78	0.91	0.68	0.77
Financial intermediation margin ²	1.36	1.00	1.00	1.61	0.94	1.10
After-tax return on assets	0.98	0.33	0.21	0.99	0.34	0.25
Pre-tax return on equity	9.35	3.52	2.33	9.08	3.67	2.73
After-tax return on equity	7.76	2.92	1.93	7.53	3.03	2.24
Operating cost						
Operating costs/ average assets	0.39	0.34	0.33	0.53	0.46	0.44
Operating costs/net income	28.37	34.53	33.18	32.59	41.69	40.18
Capital						
Capital adequacy ratio	34.00	29.48	30.83	32.14	29.12	30.10
Leverage ratio	13.21	10.65	11.88	13.07	11.11	11.90
Quality assets of the statement of financial position and contingent liabilities						
Level of coverage of classified items by impairments and provisions ³	10.33	9.74	9.87	10.72	10.50	11.53

¹ The selected indicators relating to the quarterly period are converted on annual level.

² The computations of financial intermediation margin for SID Bank Group do not consider income from PKZ insurance business.

³ The computations of capital adequacy and the ratio of impairments and classified items for SID Bank Group considered the assets of SID Bank and 50 percent of assets of the Prvi Faktor Group (banking group of SID Bank).

	SID Bank			SID Bank Group		
	30.6.2016	31.12.2015	30.6.2015	30.6.2016	31.12.2015	30.6.2015
Number of employees	163	158	154	302	349	359

	SID Bank		
	30.6.2016	31.12.2015	30.6.2015
International credit rating			
Standard & Poor's	A	A-	A-
Shares			
Number of shareholders	1	1	1
Number of shares	3,121,741	3,121,741	3,121,741
Nominal value per share (in EUR)	96.10	96.10	96.10
Book value per share (in EUR)	124.61	117.35	112.99

Operations Reflected in the Statement of Financial Position

At the end of the first half of 2016 SID Bank's total assets amounted to EUR 2,689 million which represents 84% of the total assets compared with 2015. The falling trend in total assets from 2015 continued in the first half of this year and is due to market conditions, by reducing the need for resources of SID Bank, which is directly reflected in a substantial fall in loans to bank.

Loans to banks accounted for a major share among all investments in the Bank's total assets in the first half of 2016. Loans to banks include loans and deposits at banks and were valued at the end of the period at EUR 1,164.9 million. That is 27.5% less compared with the end of 2015. Loans to non-banking clients decreased by 4.9% in 2016 and totalled EUR 575.9 million as at the end of June 2016. Investments in securities totalled EUR 874.2 million. That is 6.9% less compared with the end of 2015.

Deposits and borrowings from banks accounted for a majority of liabilities at the end of the first half of 2016, including the liabilities to the central bank. This share amounted to 51%. Liabilities to banks and the central bank totalled EUR 1,371.4 million,

which is EUR 282.4 million less compared to the end of 2015. Liabilities to non-banking clients stood at EUR 426.7 million and they have not changed significantly compared to the previous year. Liabilities from issued securities have fell for 36% because of the payment and totalled EUR 463.1 million.

The SID Bank total equity increased by EUR 22.5 million or 6.2% compared to the end of 2015 and totalled EUR 386.7 million as at the end of the period. Net profit for the financial period, including retained earnings increased for EUR 14.6 million, accumulated other comprehensive income in connection to available-for-sale financial assets, increased in terms of value by EUR 8 million.

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 2.0% higher than the total assets of SID Bank and at the end of the first half 2016 amounted to EUR 2,741.7 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 17.5 million in the first half of 2016, up EUR 13.3 million on the first half of 2015 and net profit in the amount EUR 14.6 million. Significantly higher profits compared to the same period of last year is due to the positive effects of impairments and provisions, mainly stemming from the successful completion of the restructuring.

Net interest income amounted to EUR 13.4 million which is despite the reducing in total assets by 4.2% more than in the first half of 2015. The reason for the increase is in a one-time effects of the completion of the restructuring, when all interest paid from the payments of bad debts were recognized in the profit or loss. Measured to the average assets, the interest margin was 0.90%, without

mentioned effects it would be 0.65%. Net interest income accounted for 65.5% of the total net income.

Net non-interest income amounted to EUR 7 million in the first half of 2016.

Operating costs amounted to EUR 5.7 million, of which administrative expenses stood at EUR 5.3 million, and amortisation and depreciation totalled EUR 0.4 million.

Net income of impairment and provisioning costs amounted to EUR 2.9 million in the first half of 2016, while the SID Bank in the first half of last year had EUR 6.8 million expenses arising therefrom.

The SID Bank Group recorded a pre-tax profit of EUR 17.9 million in the first half of 2016 and net profit amounted to EUR 14.8 million.

3. Significant events

In February 2016, SID Bank has successfully completed the sales process by signing the sales contract for the total proportion of the subsidiary company Pro Kolekt, Ljubljana and transfer of the total purchase price.

In the same month, SID Bank has according to the financing agreement and the implementation of financial engineering measures to encourage investment, operating and capital consolidation SMEs, established a new lending fund in which were established two credit lines, namely Development incentive program of SID Bank to finance operations and capital consolidation of SMEs and Development incentive program of SID Bank to finance investments and equity consolidation of SMEs, each to the extent of EUR 100 million.

SEDABI Float 03/29/16 in the nominal amount of EUR 200 million and SEDABI 4.12 03/31/16 in the nominal amount of EUR 60 million issued on international capital markets, ended in March 2016.

At the end of March 2016 the sales process of the company Trimo was successfully completed, in which SID bank had equity from

the conversion of receivables into equity in the process of company restructuring.

The Supervisory Board of SID bank has at its 146th meeting on 19. 5. 2016 appointed a two-member Management Board for a new term, which enters into force on 1. 1. 2017. For the president of the SID bank Management Board the Supervisory Board appointed mag. Sibil Svilan, the current president, for a term of five years. For a member of the Management Board of SID Bank for a term of five years was named Goran Katušin, Executive Director for risk management at SID bank.

Due to the increase in the credit rating of the Republic of Slovenija, the rating agency Standard & Poor's Rating Services in June 2016 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.

For managing interest rate positions of the Bank, SID Bank in June 2016 broke interest rate swaps. At the end of the first half of the year SID Bank had no exposures arising from derivatives.

4. Notes to separate and consolidated financial statements

Separate and consolidated financial statements for the period from January to June 2016 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 2015.

Accounting Policies

The accounting policies applied are presented in detail in the Annual Report of SID Bank and SID Bank Group for 2015.

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.

By January 2016 entered into force Insurance Act (ZZavar-1), which no longer allows up equalization reserves, the change has affected the financial position of the subsidiary SID – Prva kreditna zavarovalnica and, consequently, the SID Bank Group. The transition was made as at 1st January 2016 as an adjustment to the opening balance on the capital and corporate income tax liabilities.

Consolidation

Consolidated financial statements include the following companies:

- by the method of full consolidation SID Bank and 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 from consolidation Centre for International Cooperation and Development.

5. Statement of financial position

In EUR thousand	SID Bank		SID Bank Group		
	30.6.2016	31.12.2015	30.6.2016	1.1.2016	31.12.2015
Cash on hand, balances with the central bank and demand deposits with banks	42,648	13,786	48,069	17,459	17,459
Available for sale financial assets	874,187	938,604	897,922	961,653	961,653
Derivatives held for hedging	0	14,312	0	14,312	14,312
Loans and receivables	1,756,324	2,212,013	1,762,958	2,218,645	2,218,645
Loans to banks	1,164,854	1,606,153	1,171,493	1,612,787	1,612,787
Loans to non-bank customers	575,904	605,465	575,904	605,465	605,465
Other financial assets	15,566	395	15,561	393	393
Non-current assets held for sale	0	197	0	197	197
Property, plant and equipment	5,440	5,665	7,717	8,032	8,032
Intangible assets	710	737	1,265	1,333	1,333
Long-term interests in subsidiaries, associates and joint ventures	8,413	8,413	0	0	0
Corporate income tax assets	850	4,861	878	4,861	4,861
Current tax assets	0	4,861	28	4,861	4,861
Deferred tax assets	850	0	850	0	0
Other assets	492	379	22,894	20,905	20,905
TOTAL ASSETS	2,689,064	3,198,967	2,741,703	3,247,397	3,247,397
Financial liabilities measured at amortised cost	2,262,631	2,799,577	2,263,076	2,800,189	2,800,189
Bank deposits	24,783	14,913	24,783	14,913	14,913
Deposits from non-bank customers	0	6	0	6	6
Loans from banks and central banks	1,346,622	1,638,908	1,346,622	1,638,908	1,638,908
Loans from non-bank customers	426,679	420,532	426,679	420,532	420,532
Debt securities	463,140	723,527	463,140	723,527	723,527
Other financial liabilities	1,407	1,691	1,852	2,303	2,303
Provisions	34,972	34,922	63,570	60,672	60,672
Corporate income tax liabilities	4,630	120	4,892	383	253
Current tax liabilities	1,491	0	1,491	42	42
Deferred tax liabilities	3,139	120	3,401	341	211
Other liabilities	139	184	4,754	3,758	3,758
TOTAL LIABILITIES	2,302,372	2,834,803	2,336,292	2,865,002	2,864,872
Share capital	300,000	300,000	300,000	300,000	300,000
Share premium account	1,139	1,139	1,139	1,139	1,139
Accumulated other comprehensive income	13,006	5,034	13,771	5,597	5,597
Profit reserves	54,328	54,328	66,087	66,085	71,319
Treasury shares	(1,324)	(1,324)	(1,324)	(1,324)	(1,324)
Retained earnings (including net profit for the financial year)	19,543	4,987	25,738	10,898	5,794
TOTAL EQUITY	386,692	364,164	405,411	382,395	382,525
TOTAL LIABILITIES AND EQUITY	2,689,064	3,198,967	2,741,703	3,247,397	3,247,397

6. Statement of profit or loss

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015
Interest income	22,040	31,518	22,205	31,711
Interest expense	(8,677)	(18,692)	(8,677)	(18,692)
Interest net income	13,363	12,826	13,528	13,019
Dividend income	27	0	27	0
Fee and commission income	1,041	1,800	1,041	1,800
Fee and commission expense	(380)	(503)	(388)	(510)
Net fee and commission	661	1,297	653	1,290
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	5,713	1,012	5,713	1,012
Net gains on financial assets and liabilities held for trading	0	3	0	3
Net losses/gains on financial assets and liabilities measured at fair value through profit or loss	(678)	752	(678)	752
Changes in fair value in hedge accounting	377	(91)	377	(91)
Exchange differences	(20)	(73)	(23)	(73)
Other net operating gains	806	694	4,315	2,658
Administrative costs	(5,343)	(5,054)	(7,296)	(6,887)
Depreciation and amortisation	(401)	(394)	(550)	(574)
Provisions	(81)	1,436	(1,138)	2,435
Impairments	2,949	(8,208)	2,805	(8,425)
Total profit from non-current assets and disposal groups classified as held for sale	164	0	164	0
Profit from ordinary operations	17,537	4,200	17,897	5,119
Corporate income tax on ordinary operations	(2,981)	(714)	(3,055)	(919)
Net profit for the financial period	14,556	3,486	14,842	4,200
Basic earnings per share (in EUR)⁴	4.69	1.12	4.78	1.35

⁴ 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 2016	Q1 2016	Q2 2015	Q1 2015
Interest income	9,887	12,153	13,699	17,819
Interest expense	(3,123)	(5,554)	(7,550)	(11,142)
Interest net income	6,764	6,599	6,149	6,677
Dividend income	27	0	0	0
Fee and commission income	575	466	790	1,010
Fee and commission expense	(232)	(148)	(326)	(177)
Net fee and commission	343	318	464	833
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	681	5,032	665	347
Net gains on financial assets and liabilities held for trading	0	0	1	2
Net losses/gains on financial assets and liabilities measured at fair value through profit or loss	914	(1,592)	1,871	(1,119)
Changes in fair value in hedge accounting	336	41	(252)	161
Exchange differences	100	(120)	(70)	(3)
Other net operating gains	385	421	337	357
Administrative costs	(2,876)	(2,467)	(2,675)	(2,379)
Depreciation and amortisation	(203)	(198)	(203)	(191)
Provisions	283	(364)	1,027	409
Impairments	1,391	1,558	(8,866)	658
Total profit from non-current assets and disposal groups classified as held for sale	11	153	0	0
Profit/loss from ordinary operations	8,156	9,381	(1,552)	5,752
Corporate income tax on ordinary operations	(1,387)	(1,594)	264	(978)
Net profit/loss for the financial period	6,769	7,787	(1,288)	4,774

7.2 Income statement of SID Bank Group – by quarters

In EUR thousand	SID Bank Group			
	Q2 2016	Q1 2016	Q2 2015	Q1 2015
Interest income	9,969	12,236	13,792	17,919
Interest expense	(3,123)	(5,554)	(7,549)	(11,143)
Interest net income	6,846	6,682	6,243	6,776
Dividend income	27	0	0	0
Fee and commission income	575	466	790	1,010
Fee and commission expense	(236)	(152)	(330)	(180)
Net fee and commission	339	314	460	830
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	681	5,032	665	347
Net gains on financial assets and liabilities held for trading	0	0	1	2
Net gains/losses on financial assets and liabilities measured at fair value through profit or loss	914	(1,592)	1,871	(1,119)
Changes in fair value in hedge accounting	336	41	(252)	161
Exchange differences	95	(118)	(70)	(3)
Other net operating gains	2,043	2,272	866	1,792
Administrative costs	(3,895)	(3,401)	(3,640)	(3,247)
Depreciation and amortisation	(287)	(263)	(289)	(285)
Provisions	(187)	(951)	2,218	217
Impairments	1,354	1,451	(8,907)	482
Total profit from non-current assets and disposal groups classified as held for sale	11	153	0	0
Profit/loss from ordinary operations	8,277	9,620	(834)	5,953
Corporate income tax on ordinary operations	(1,412)	(1,643)	104	(1,023)
Net profit/loss for the financial period	6,865	7,977	(730)	4,930

8. Statement of comprehensive income

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015
Net profit for the financial period after tax	14,556	3,486	14,842	4,200
Other comprehensive income after tax	7,972	(8,134)	8,174	(8,232)
Items that may be reclassified to profit or loss	7,972	(8,134)	8,174	(8,232)
Gains/losses in connection to available-for-sale financial assets	9,605	(9,800)	9,848	(9,918)
Valuation gains taken to equity	15,219	(8,961)	15,462	(9,079)
Transfer of gains/losses into profit or loss	(5,614)	(839)	(5,614)	(839)
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	(1,633)	1,666	(1,674)	1,686
Total comprehensive income for the financial period after tax	22,528	(4,648)	23,016	(4,032)

9. Statement of comprehensive income – by quarters

9.1 Statement of comprehensive income of SID Bank – by quarters

In EUR thousand	SID Bank			
	Q2 2016	Q1 2016	Q2 2015	Q1 2015
Net profit/loss for the financial period after tax	6,769	7,787	(1,289)	4,775
Other comprehensive income after tax	3,883	4,089	(13,046)	4,912
Items that may be reclassified to profit or loss	3,883	4,089	(13,046)	4,912
Gains/losses in connection to available-for-sale financial assets	4,678	4,927	(15,718)	5,918
Valuation gains taken to equity	5,340	9,879	(15,226)	6,265
Transfer of gains/losses into profit or loss	(662)	(4,952)	(492)	(347)
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	(795)	(838)	2,672	(1,006)
Total comprehensive income for the financial period after tax	10,652	11,876	(14,335)	9,687

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

In EUR thousand	SID Bank Group			
	Q2 2016	Q1 2016	Q2 2015	Q1 2015
Net profit/loss for the financial period after tax	6,865	7,977	(730)	4,930
Other comprehensive income after tax	3,932	4,242	(13,352)	5,120
Items that may be reclassified to profit or loss	3,932	4,242	(13,352)	5,120
Gains/losses in connection to available-for-sale financial assets	4,737	5,111	(16,086)	6,168
Valuation gains taken to equity	5,399	10,063	(15,594)	6,515
Transfer of gains/losses into profit or loss	(662)	(4,952)	(492)	(347)
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	(805)	(869)	2,734	(1,048)
Total comprehensive income for the financial period after tax	10,797	12,219	(14,082)	10,050

10. Statement of changes in equity

10.1 Statement of Changes in Equity of SID Bank

For the period January 1st, 2016 to June 30th, 2016

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 2016	300,000	1,139	5,034	54,328	4,987	(1,324)	364,164
Opening balance in accounting period as at 1 Jan 2016	300,000	1,139	5,034	54,328	4,987	(1,324)	364,164
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

For the period January 1st, 2015 to June 30th, 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 period after tax	0	0	(8,134)	0	3,486	0	(4,648)
Closing balance as at 30 June 2015	300,000	1,139	(1,490)	46,658	5,644	(1,324)	350,627

10.2 Statement of Changes in Equity of SID Bank Group

For the period January 1st, 2016 to June 30th, 2016

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 2016	300,000	1,139	5,597	71,319	5,794	(1,324)	382,525
Effects of changes in accounting policies*	0	0	0	(5,232)	5,102	0	(130)
Opening balance in accounting period as at 1 Jan 2016	300,000	1,139	5,597	66,087	10,896	(1,324)	382,395
Total comprehensive income for the financial period after tax	0	0	8,174	0	14,842	0	23,016
Closing balance as at 30 June 2016	300,000	1,139	13,771	66,087	25,738	(1,324)	405,411

* correction due to the breakdown of the equalization reserve (ZZavar-1) and the effects of consolidation

For the period January 1st, 2015 to June 30th, 2015

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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	63,750	1,970	(1,324)	372,667
Total comprehensive income for the financial period after tax	0	0	(8,232)	0	4,200	0	(4,032)
Closing balance as at 30 June 2015	300,000	1,139	(1,100)	63,750	6,170	(1,324)	368,635

11. Statement of cash flows

In EUR thousand	SID Bank		SID Bank Group	
	1-6/2016	1-6/2015	1-6/2016	1-6/2015
A. CASH FLOWS FROM OPERATING ACTIVITIES				
a) Net profit or loss before tax	17,537	4,200	17,897	5,119
Depreciation and amortisation	401	394	550	574
Reversal of loan impairment	(2,949)	8,208	(2,949)	8,208
Impairment of property, plant and equipment, investment property, intangible assets and other assets	0	0	144	217
Net losses from exchange differences	20	73	23	73
Other (gains) from investing activities	(27)	0	(27)	0
Net unrealised gains from non-current assets held for sale and discontinuing operations and liabilities associated therewith	(164)	0	(164)	0
Other adjustments of net profit or loss before tax	(296)	(1,348)	761	(2,348)
Cash flows from operating activities before changes in operating assets and liabilities	14,522	11,527	16,235	11,843
b) (Increase)/decrease in operating assets	552,717	761,147	526,394	762,105
Net (increase)/decrease in available-for-sale financial assets	72,264	(1,849)	71,780	(813)
Net (increase)/decrease in loans	463,497	754,581	439,677	752,781
Net (increase)/decrease in assets held for hedging	16,708	8,680	16,708	8,680
Net (increase)/decrease in non-current assets held for sale	361	0	361	0
Net (increase)/decrease in other assets	(113)	(265)	(2,132)	1,457
c) Increase/(decrease) in operating liabilities	(538,736)	(676,065)	(536,074)	(678,580)
Net increase/(decrease) in deposits and loans measured at amortised cost	(276,281)	(173,033)	(276,448)	(173,125)
Net increase/(decrease) in debt securities measured at amortised cost	(262,406)	(502,905)	(262,406)	(502,905)
Net increase/(decrease) in other liabilities	(49)	(127)	2,780	(2,550)
d) Cash flows from operating activities (a+b+c)	28,503	96,609	6,555	95,368
e) (Paid)/refunded corporate income tax	5,540	(11,390)	5,437	(11,075)
f) Net cash flows from operating activities (d+e)	34,043	85,219	11,992	84,293
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a) Receipts from investing activities	27	0	27	0
b) Cash payments on investing activities	(149)	(148)	(168)	(199)
c) Net cash flows from investing activities (a+b)	(122)	(148)	(141)	(199)
D. Effect of exchange rate difference on cash and cash equivalents				
	(76)	9	(76)	9
E. Net increase in cash assets and cash equivalents (Af+Bc)	33,921	85,071	11,851	84,094
F. Opening balance of cash and cash equivalents	13,786	3,051	42,881	12,942
G. Closing balance of cash and cash equivalents (D+E+F)	47,631	88,131	54,656	97,045

12. Other disclosures

12.1 Related Party Disclosures

Significant relations of SID Bank with subsidiaries and joint ventures

In EUR thousand	30.6.2016			31.12.2015		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Receivables						
Loans	0	60,216	60,216	20	80,349	80,369
Other financial assets	7	0	7	8	0	8
Gross exposure	7	60,216	60,224	28	80,349	80,377
Value adjustments	0	(17,643)	(17,643)	(1)	(17,436)	(17,436)
Net exposure	7	42,573	42,581	27	62,913	62,940
Other financial liabilities	0	22	22	0	113	113
Provisions	0	32,948	32,948	2	31,375	31,377
Total tax liabilities	0	32,969	32,969	2	31,487	31,489

In EUR thousand	1-6/2016			1-6/2015		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Interest income	0	454	454	0	1,859	1,859
Fee and commission income	0	0	0	0	0	0
Income from other services	34	0	34	46	0	46
Fee and commission expense	0	(22)	(22)	0	(114)	(114)
Expense for other services	0	0	0	(1)	0	(1)
Provisions	0	(741)	(741)	1	0	1
Impairments	0	(208)	(208)	(1)	(1,656)	(1,657)
Total	34	(516)	(482)	46	89	134

12.2 Segment reporting

Allocation and disclosure by operating segment is carried out on the basis of the attributes of individual business activities at the SID Bank Group. The majority of the SID Bank Group's operations are on the domestic market, for which reason the Group does not disclose additional itemization by geographical segments.

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

- banking,
- credit and investment insurance, and
- factoring.

Each operating segment is organised as a legal entity in the form of an independent

undertaking. 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 segment includes 50% proportionate share 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.

For the period January 1st, 2016 to June 30th, 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
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 exchange differences gain or loss	(20)	(3)	378	355	0	355
Net gains on derecognition of assets	0	0	12	12	0	12
Other net operating gains or losses	806	3,512	132	4,450	(20)	4,430
NET INCOME/EXPENSE	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
30.6.2016						
ASSETS AND LIABILITIES						
Total assets	2,689,064	61,059	63,580	2,813,703	(48,422)	2,765,281
Long-term interests in subsidiaries, associates and joint ventures	8,413	0	0	8,413	(8,413)	0
Liabilities (other than equity) by segment	2,302,372	33,927	65,508	2,401,807	(61,871)	2,339,936
Total equity	386,692	27,132	(1,928)	411,896	13,449	425,345
Decrease in property, plant and equipment and intangible assets	(252)	(131)	(18)	(401)	0	(401)

For the period January 1st, 2015 to June 30th, 2015

In EUR thousand	Banking	Credit and investment insurance	Factoring	Total	Interrelations in the Group	Relations to third parties
Interest income	31,518	192	2,245	33,955	(1,017)	32,939
Interest expenses	(18,692)	0	(1,858)	(20,550)	899	(19,651)
Net interest	12,826	192	387	13,405	(118)	13,288
Fee and commission income	1,800	0	626	2,426	0	2,426
Fee and commission expenses	(503)	(7)	(97)	(607)	94	(513)
Net fee and commission	1,297	(7)	529	1,819	94	1,913
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,012	0	0	1,012	0	1,012
Net gains on financial assets and liabilities held for trading	3	0	0	3	0	3
Gains on financial assets and liabilities recognised at fair value through the statement of profit or loss	752	0	0	752	0	752
Changes in fair value in hedge accounting	(91)	0	0	(91)	0	(91)
Net exchange differences gain or loss	(73)	0	524	451	0	451
Net gains on derecognition of assets	0	0	2	2	0	2
Other net operating gains or losses	694	1,967	(42)	2,619	(40)	2,579
NET INCOME/EXPENSE	16,420	2,152	1,400	19,972	(64)	19,909
Other information by segments	(12,220)	(1,233)	(1,728)	(15,181)	1,659	(13,523)
Administrative costs	(5,054)	(1,835)	(1,179)	(8,068)	3	(8,066)
Depreciations and amortisation	(394)	(180)	(30)	(604)	0	(604)
Provisions	1,436	999	0	2,435	0	2,435
Impairments	(8,208)	(217)	(519)	(8,944)	1,656	(7,288)
Profit/loss from ordinary operations	4,200	919	(328)	4,791	1,595	6,386
Corporate income tax on ordinary operations	(714)	(205)	(685)	(1,604)	0	(1,604)
Net profit/loss for the financial period	3,486	714	(1,013)	3,187	1,595	4,782
31.12.2015						
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	2,834,803	30,077	88,149	2,953,029	(71,610)	2,881,418
Total equity	364,164	26,773	(1,219)	389,718	12,112	401,831
Decrease in property, plant and equipment and intangible assets	(501)	(681)	(45)	(1,227)	0	(1,227)

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							
	30.6.2016				31.12.2015			
	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	0	820,703	53,484	874,187	13,177	887,429	37,998	938,604
Debt securities	0	809,999	53,484	863,483	13,177	884,810	32,001	929,988
Equity securities	0	10,704	0	10,704	0	2,619	5,997	8,616
Derivatives held for hedging	0	0	0	0	0	14,312	0	14,312
Total financial assets	0	820,703	53,484	874,187	13,177	901,741	37,998	952,916

In EUR thousand	SID Bank Group							
	30.6.2016				31.12.2015			
	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	586	843,852	53,484	897,922	13,973	909,683	37,998	961,654
Debt securities	586	833,148	53,484	887,218	13,973	907,064	32,001	953,038
Equity securities	0	10,704	0	10,704	0	2,619	5,997	8,616
Derivatives held for hedging	0	0	0	0	0	14,312	0	14,312
Total financial assets	586	843,852	53,484	897,922	13,973	923,995	37,998	975,966

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 financial assets used for hedging.

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.

Table of transfers between levels

In EUR thousand	SID Bank and SID Bank Group		
	Transfers from level 1 to level 2	Transfers from level 2 to level 3	Transfers from level 3 to level 2
Financial assets measured at fair value			
Available-for-sale financial assets	9,421	267	6,404
Debt securities	9,421	267	6,404

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	
	30.6.2016	31.12.2015
Guarantees	53,167	53,953
Other off-balance-sheet liabilities	56,699	111,442
Total commitments	109,866	165,395
Provisions for off-balance-sheet risks - guarantees	(32,196)	(31,459)
Provisions for off-balance-sheet risks – other off-balance-sheet liabilities	(2,240)	(3,111)
Total provisions for commitments	(34,436)	(34,570)

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. Loans granted to companies that have not

been drawn as at 30 June 2016 totals EUR 27.2 million, while loans granted to the bank sector totals EUR 17.5 million. Potential liabilities from uncalled unpaid capital totals EUR 12 million.

13. Events after reporting date

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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.