

2016

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



Ljubljana, November 30th, 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 nine months, ended September 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	
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Total assets	2,571,392	3,198,967	2,620,359	3,247,397
Loans to banks	1,029,972	1,606,153	1,036,111	1,612,787
Loans to non-bank customers	567,500	605,465	567,500	605,465
Financial liabilities	2,135,261	2,799,577	2,135,708	2,800,189
Total equity	395,192	364,164	414,373	382,525

Income Statement Summary

(In EUR thousand)	SID Bank		SID Bank Group	
	1-9/2016	1-9/2015	1-9/2016	1-9/2015
Net interest income	18,752	17,532	18,999	17,810
Net non-interest income	8,912	5,144	13,140	8,386
Operating costs	(8,543)	(8,125)	(11,719)	(11,096)
Impairment and Provisions	4,103	(8,391)	3,572	(7,076)
Profit on ordinary activities	23,224	6,160	23,992	8,024
Net profit for the financial period	19,291	5,118	19,883	6,558

Selected indicators ¹

(in percent)	SID Bank			SID Bank Group		
	1-9/2016	1-12/2015	1-9/2015	1-9/2016	1-12/2015	1-9/2015
Profitability						
Interest margin	0.87	0.69	0.73	0.88	0.68	0.71
Financial intermediation margin ²	1.27	1.00	0.94	1.48	0.94	1.05
After-tax return on assets	0.90	0.33	0.21	0.92	0.34	0.26
Pre-tax return on equity	8.14	3.52	2.28	8.01	3.67	2.85
After-tax return on equity	6.76	2.92	1.90	6.64	3.03	2.33
Operating cost						
Operating costs/ average assets	0.40	0.34	0.34	0.54	0.46	0.44
Operating costs/net income	31.09	34.53	35.83	36.46	41.69	42.36
Capital						
Capital adequacy ratio	34.38	29.48	29.90	32.69	29.12	29.10
Leverage ratio	13.85	10.65	11.03	13.76	11.11	11.04
Quality assets of the statement of financial position and contingent liabilities						
Level of coverage of classified items by impairments and provisions ³	10.84	9.74	9.53	11.31	10.50	8.67

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		
	30.9.2016	31.12.2015	30.9.2015	30.9.2016	31.12.2015	30.9.2015
Number of employees	158	158	157	289	349	359

	SID Bank		
	30.9.2016	31.12.2015	30.9.2015
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)	127.35	117.35	114.88

Operations Reflected in the Statement of Financial Position

At the end of the first three quarter of 2016 SID Bank's total assets amounted to EUR 2,571.4 million which represents 80% of the total assets compared with 2015. The falling trend in total assets from 2015 continued in the first three quarters 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 three quarters of 2016. Loans to banks include loans and deposits at banks and were valued at the end of the period at EUR 1,030 million. That is 35.9% less compared with the end of 2015. Loans to non-banking clients decreased by 6.3% in 2016 and totalled EUR 567.5 million as at the end of September 2016. Investments in securities totalled EUR 865.6 million. That is 7.8% less compared with the end of 2015.

Deposits and borrowings from banks accounted for a majority of liabilities at the end of the first three quarter of 2016, including the liabilities to the central bank. This share amounted to 48%. Liabilities to banks and the central bank totalled EUR 1,242.7 million,

which is EUR 411.1 million less compared to the end of 2015. Liabilities to non-banking clients stood at EUR 429.5 million and they have not changed significantly compared to the previous year. Liabilities from issued securities have fell for 36.2 % because of the payment and totalled EUR 461.8 million.

The SID Bank total equity increased by EUR 31.0 million or 8.5% compared to the end of 2015 and totalled EUR 395.2 million as at the end of the period. Net profit for the financial period, including retained earnings increased for EUR 14.3 million, accumulated other comprehensive income in connection to available-for-sale financial assets, increased by EUR 11.7 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 1.9% higher than the total assets of SID Bank and at the end of the first three quarters of 2016 amounted to EUR 2,620.4 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 23.2 million in the first three quarters of 2016, which is EUR 17.0 million more than in the same period of 2015 and net profit in the amount EUR 19.3 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 18.8 million which is despite the reducing in total assets 6,9% more than in the same period 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 0.87%, without

mentioned effects it would be 0.70%. Net interest income accounted for 67.9% of the total net income.

Net non-interest income amounted to EUR 8.9 million in the first three quarters of 2016.

Operating costs amounted to EUR 8.5 million, of which administrative expenses stood at EUR 7.9 million, and amortisation and depreciation totalled EUR 0.6 million.

Net income from the reversal of impairments and provisions amounted to EUR 4.1 million in the first three quarters of 2016, while in the same period last year the SID Bank had EUR 8.4 million expenses arising therefrom.

The SID Bank Group recorded a pre-tax profit of EUR 24 million in the first three quarters of 2016 and net profit amounted to EUR 19.9 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 Svilar, 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 Slovenia, 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.

The Government of the Republic of Slovenia at its session on 28. 7. 2016, named Marko Tišma

as a new member of the Supervisory Board of SID Bank.

In July and September 2016, SID Bank signed two new loan agreements with EIB in the

amount of EUR 50 million for the financing of infrastructure, energy efficiency and environment and EUR 50 million for financing projects and operations for SMEs and Mid Cap companies.

4. Notes to separate and consolidated financial statements

Separate and consolidated financial statements for the period from January to September 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		
	30.9.2016	31.12.2015	30.9.2016	1.1.2016	31.12.2015
Cash on hand, balances with the central bank and demand deposits with banks	83,739	13,786	86,988	17,459	17,459
Available for sale financial assets	865,583	938,604	890,691	961,653	961,653
Derivatives held for hedging	0	14,312	0	14,312	14,312
Loans and receivables	1,606,223	2,212,013	1,612,357	2,218,645	2,218,645
Loans to banks	1,029,972	1,606,153	1,036,111	1,612,787	1,612,787
Loans to non-bank customers	567,500	605,465	567,500	605,465	605,465
Other financial assets	8,751	395	8,746	393	393
Non-current assets held for sale	0	197	0	197	197
Property, plant and equipment	5,374	5,665	7,620	8,032	8,032
Intangible assets	761	737	1,283	1,333	1,333
Long-term interests in subsidiaries, associates and joint ventures	8,413	8,413	0	0	0
Corporate income tax assets	808	4,861	808	4,861	4,861
Current tax assets	0	4,861	0	4,861	4,861
Deferred tax assets	808	0	808	0	0
Other assets	491	379	20,612	20,905	20,905
TOTAL ASSETS	2,571,392	3,198,967	2,620,359	3,247,397	3,247,397
Financial liabilities measured at amortised cost	2,135,261	2,799,577	2,135,708	2,800,189	2,800,189
Bank deposits	6,330	14,913	6,330	14,913	14,913
Deposits from non-bank customers	0	6	0	6	6
Loans from banks and central banks	1,236,389	1,638,908	1,236,389	1,638,908	1,638,908
Loans from non-bank customers	429,493	420,532	429,493	420,532	420,532
Debt securities	461,750	723,527	461,750	723,527	723,527
Other financial liabilities	1,299	1,691	1,746	2,303	2,303
Provisions	35,069	34,922	60,670	60,672	60,672
Corporate income tax liabilities	5,740	120	6,047	383	253
Current tax liabilities	1,830	0	1,844	42	42
Deferred tax liabilities	3,910	120	4,203	341	211
Other liabilities	130	184	3,561	3,758	3,758
TOTAL LIABILITIES	2,176,200	2,834,803	2,205,986	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	16,770	5,034	17,692	5,597	5,597
Profit reserves	59,316	54,328	71,127	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)	19,291	4,987	25,739	10,898	5,794
TOTAL EQUITY	395,192	364,164	414,373	382,395	382,525
TOTAL LIABILITIES AND EQUITY	2,571,392	3,198,967	2,620,359	3,247,397	3,247,397

6. Statement of profit or loss

In EUR thousand	SID Bank		SID Bank Group	
	1-9/2016	1-9/2015	1-9/2016	1-9/2015
Interest income	29,874	42,473	30,120	42,751
Interest expense	(11,122)	(24,941)	(11,121)	(24,941)
Interest net income	18,752	17,532	18,999	17,810
Dividend income	27	0	27	0
Fee and commission income	1,443	2,408	1,443	2,408
Fee and commission expense	(533)	(656)	(545)	(667)
Net fee and commission	910	1,752	898	1,741
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	6,242	2,351	6,242	2,378
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	(105)	90	(105)	90
Changes in fair value in hedge accounting	377	(34)	377	(34)
Exchange differences	(59)	(91)	(64)	(93)
Other net operating gains	1,268	1,038	5,601	4,301
Administrative costs	(7,936)	(7,528)	(10,883)	(10,246)
Depreciation and amortisation	(607)	(597)	(836)	(850)
Provisions	(181)	1,613	(318)	3,184
Impairments	4,284	(10,004)	3,890	(10,260)
Share of the profit of investment in subsidiaries, associates and joint ventures	88	35	0	0
Total profit from non-current assets and disposal groups classified as held for sale	164	0	164	0
Profit from ordinary operations	23,224	6,160	23,992	8,024
Corporate income tax on ordinary operations	(3,933)	(1,042)	(4,109)	(1,466)
Net profit for the financial period	19,291	5,118	19,883	6,558
Basic earnings per share (in EUR)⁴	6.22	1.65	6.41	2.11

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					
	Q3 2016	Q2 2016	Q1 2016	Q3 2015	Q2 2015	Q1 2015
Interest income	7,834	9,887	12,153	10,955	13,699	17,819
Interest expense	(2,445)	(3,123)	(5,554)	(6,249)	(7,550)	(11,142)
Interest net income	5,389	6,764	6,599	4,706	6,149	6,677
Dividend income	0	27	0	0	0	0
Fee and commission income	402	575	466	608	790	1,010
Fee and commission expense	(153)	(232)	(148)	(153)	(326)	(177)
Net fee and commission	249	343	318	455	464	833
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	529	681	5,032	1,339	665	347
Net gains on financial assets and liabilities held for trading	0	0	0	0	1	2
Net losses/gains on financial assets and liabilities measured at fair value through profit or loss	573	914	(1,592)	(662)	1,871	(1,119)
Changes in fair value in hedge accounting	0	336	41	57	(252)	161
Exchange differences	(39)	100	(120)	(18)	(70)	(3)
Other net operating gains	462	385	421	344	337	357
Administrative costs	(2,593)	(2,876)	(2,467)	(2,474)	(2,675)	(2,379)
Depreciation and amortisation	(206)	(203)	(198)	(203)	(203)	(191)
Provisions	(100)	283	(364)	177	1,027	409
Impairments	1,335	1,391	1,558	(1,796)	(8,866)	658
Share of the profit of investment in subsidiaries, associates and joint ventures	88	0	0	35	0	0
Total profit from non-current assets and disposal groups classified as held for sale	0	11	153	0	0	0
Profit/loss from ordinary operations	5,687	8,156	9,381	1,960	(1,552)	5,752
Corporate income tax on ordinary operations	(952)	(1,387)	(1,594)	(328)	264	(978)
Net profit/loss for the financial period	4,735	6,769	7,787	1,632	(1,288)	4,774

7.2 Income statement of SID Bank Group – by quarters

In EUR thousand	SID Bank Group					
	Q3 2016	Q2 2016	Q1 2016	Q3 2015	Q2 2015	Q1 2015
Interest income	7,915	9,969	12,236	11,040	13,792	17,919
Interest expense	(2,444)	(3,123)	(5,554)	(6,249)	(7,549)	(11,143)
Interest net income	5,471	6,846	6,682	4,791	6,243	6,776
Dividend income	0	27	0	0	0	0
Fee and commission income	402	575	466	608	790	1,010
Fee and commission expense	(157)	(236)	(152)	(157)	(330)	(180)
Net fee and commission	245	339	314	451	460	830
Gains realised on financial assets and liabilities not measured at fair value through profit or loss	529	681	5,032	1,366	665	347
Net gains on financial assets and liabilities held for trading	0	0	0	0	1	2
Net losses/gains on financial assets and liabilities measured at fair value through profit or loss	573	914	(1,592)	(662)	1,871	(1,119)
Changes in fair value in hedge accounting	0	336	41	57	(252)	161
Exchange differences	(41)	95	(118)	(20)	(70)	(3)
Other net operating gains	1,286	2,043	2,272	1,643	866	1,792
Administrative costs	(3,587)	(3,895)	(3,401)	(3,359)	(3,640)	(3,247)
Depreciation and amortisation	(286)	(287)	(263)	(276)	(289)	(285)
Provisions	820	(187)	(951)	749	2,218	217
Impairments	1,085	1,354	1,451	(1,835)	(8,907)	482
Total profit from non-current assets and disposal groups classified as held for sale	0	11	153	0	0	0
Profit/loss from ordinary operations	6,095	8,277	9,620	2,905	(834)	5,953
Corporate income tax on ordinary operations	(1,054)	(1,412)	(1,643)	(547)	104	(1,023)
Net profit/loss for the financial period	5,041	6,865	7,977	2,358	(730)	4,930

8. Statement of comprehensive income

In EUR thousand	SID Bank		SID Bank Group	
	1-9/2016	1-9/2015	1-9/2016	1-9/2015
Net profit for the financial period after tax	19,291	5,118	19,883	6,558
Other comprehensive income after tax	11,736	(3,893)	12,095	(3,872)
Items that may be reclassified to profit or loss	11,736	(3,893)	12,095	(3,872)
Gains/losses in connection to available-for-sale financial assets	14,140	(4,690)	14,572	(4,665)
Valuation gains taken to equity	20,283	(2,512)	20,715	(2,460)
Transfer of gains/losses into profit or loss	(6,143)	(2,178)	(6,143)	(2,205)
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	(2,404)	797	(2,477)	793
Total comprehensive income for the financial period after tax	31,027	1,225	31,978	2,686

9. Statement of comprehensive income – by quarters

9.1 Statement of comprehensive income of SID Bank – by quarters

In EUR thousand	SID Bank						
	Q3 2016	Q2 2016	Q1 2016	Q3 2015	Q2 2015	Q1 2015	
Net profit/loss for the financial period after tax	4,735	6,769	7,787	1,632	(1,289)	4,775	
Other comprehensive income after tax	3,764	3,883	4,089	4,241	(13,046)	4,912	
Items that may be reclassified to profit or loss	3,764	3,883	4,089	4,241	(13,046)	4,912	
Gains/losses in connection to available-for-sale financial assets	4,535	4,678	4,927	5,110	(15,718)	5,918	
Valuation gains taken to equity	5,064	5,340	9,879	6,449	(15,226)	6,265	
Transfer of gains/losses into profit or loss	(529)	(662)	(4,952)	(1,339)	(492)	(347)	
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	(771)	(795)	(838)	(869)	2,672	(1,006)	
Total comprehensive income for the financial period after tax	8,499	10,652	11,876	5,873	(14,335)	9,687	

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

In EUR thousand	SID Bank Group					
	Q3 2016	Q2 2016	Q1 2016	Q3 2015	Q2 2015	Q1 2015
Net profit/loss for the financial period after tax	5,041	6,865	7,977	2,358	(730)	4,930
Other comprehensive income after tax	3,921	3,932	4,242	4,360	(13,352)	5,120
Items that may be reclassified to profit or loss	3,921	3,932	4,242	4,360	(13,352)	5,120
Gains/losses in connection to available-for-sale financial assets	4,724	4,737	5,111	5,253	(16,086)	6,168
Valuation gains taken to equity	5,253	5,399	10,063	6,619	(15,594)	6,515
Transfer of gains/losses into profit or loss	(529)	(662)	(4,952)	(1,366)	(492)	(347)
Corporate income tax in connection to items which may be subsequently reclassified to profit or loss	(803)	(805)	(869)	(893)	2,734	(1,048)
Total comprehensive income for the financial period after tax	8,962	10,797	12,219	6,718	(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 September 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	11,736	0	19,291	0	31,027
Transfer of net profit to reserves from profit	0	0	0	4,987	(4,987)	0	0
Closing balance as at 30 September 2016	300,000	1,139	16,770	59,315	19,291	(1,324)	395,191

For the period January 1st, 2015 to September 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	(3,893)	0	5,118	0	1,225
Transfer of net profit to reserves from profit	0	0	0	2,158	(2,158)	0	0
Closing balance as at 30 September 2015	300,000	1,139	2,751	48,816	5,118	(1,324)	365,500

10.2 Statement of Changes in Equity of SID Bank Group

For the period January 1st, 2016 to September 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	12,095	0	19,883	0	31,978
Transfer of net profit to reserves from profit	0	0	0	5,040	(5,040)	0	0
Closing balance as at 30 September 2016	300,000	1,139	17,692	71,127	25,738	(1,324)	414,373

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

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For the period January 1st, 2015 to September 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	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	(3,872)	0	6,558	0	2,686
Transfer of net profit to reserves from profit	0	0	0	1,970	(1,970)	0	0
Closing balance as at 30 September 2015	300,000	1,139	3,260	65,720	6,558	(1,324)	375,353

11. Statement of cash flows

In EUR thousand	SID Bank		SID Bank Group	
	1-9/2016	1-9/2015	1-9/2016	1-9/2015
A. CASH FLOWS FROM OPERATING ACTIVITIES				
a) Net profit or loss before tax	23,224	6,160	23,992	8,024
Depreciation and amortisation	607	597	836	850
Impairments / (reversal of impairments) of loans	(4,284)	10,004	(4,284)	10,004
Impairment of property, plant and equipment, investment property, intangible assets and other assets	0	0	394	256
Net (gains) of investments in subsidiaries, associates and joint ventures	(88)	(35)	0	0
Net losses from exchange differences	59	91	64	93
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	(195)	(1,580)	(59)	(3,152)
Cash flows from operating activities before changes in operating assets and liabilities	19,132	15,237	20,752	16,075
b) Decrease in operating assets	711,311	493,283	688,737	494,653
Net (increase)/decrease in available-for-sale financial assets	84,628	(134,810)	82,928	(135,387)
Net decrease in loans	609,726	620,213	588,840	619,049
Net decrease in assets held for hedging	16,708	7,979	16,708	7,979
Net decrease in non-current assets held for sale	361	0	361	0
Net (increase)/decrease in other assets	(112)	(99)	(100)	3,012
c) Decrease in operating liabilities	(665,924)	(438,273)	(666,523)	(442,762)
Net decrease in deposits and loans measured at amortised cost	(402,067)	(234,375)	(402,232)	(234,541)
Net decrease in debt securities measured at amortised cost	(263,796)	(203,777)	(263,796)	(203,777)
Net decrease in other liabilities	(61)	(121)	(495)	(4,444)
d) Cash flows from operating activities (a+b+c)	64,519	70,247	42,966	67,966
e) (Paid) / refunded corporate income tax	5,740	(12,462)	5,608	(12,178)
f) Net cash flows from operating activities (d+e)	70,259	57,785	48,574	55,788
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a) Receipts from investing activities	115	35	27	0
b) Cash payments on investing activities	(340)	(176)	(375)	(261)
c) Net cash flows from investing activities (a+b)	(225)	(141)	(348)	(261)
D. Effect of exchange rate difference on cash and cash equivalents	(81)	8	(81)	8
E. Net increase in cash assets and cash equivalents (Af+Bc)	70,034	57,644	48,226	55,527
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)	83,739	60,703	91,026	68,477

12. Other disclosures

12.1 Related Party Disclosures

Significant relations of SID Bank with subsidiaries and joint ventures

In EUR thousand	30.9.2016			31.12.2015		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Receivables						
Loans	0	52,150	52,150	20	80,349	80,369
Other financial assets	7	0	7	8	0	8
Gross exposure	7	52,150	52,157	28	80,349	80,377
Value adjustments	0	(15,280)	(15,280)	(1)	(17,436)	(17,436)
Net exposure	7	36,870	36,877	27	62,913	62,940
Other financial liabilities	0	33	33	0	113	113
Provisions	0	32,948	32,948	2	31,375	31,377
Total tax liabilities	0	32,981	32,981	2	31,487	31,489

In EUR thousand	1-9/2016			1-9/2015		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Interest income	0	623	623	0	2,198	2,198
Income from other services	50	0	50	68	0	68
Fee and commission expense	0	(33)	(33)	0	(129)	(129)
Expense for other services	0	0	0	(1)	0	(1)
Provisions	0	(1,178)	(1,178)	1	0	1
Impairments	0	2,156	2,156	(1)	2,082	2,081
Share of the profit of investment in subsidiaries, associates and joint ventures	88	0	88	35	0	35
Total	138	1,568	1,706	102	4,151	4,253

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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 September 30th, 2016

In EUR thousand	Banking	Credit and investment insurance	Factoring	Total	Interrelations in the Group	Relations to third parties
Interest income	29,874	247	1,279	31,400	(328)	31,072
Interest expenses	(11,122)	0	(708)	(11,830)	311	(11,519)
Net interest	18,752	247	571	19,570	(17)	19,553
Dividend income	27	0	0	27	0	27
Fee and commission income	1,443	0	267	1,710	0	1,710
Fee and commission expenses	(533)	(12)	(49)	(594)	33	(561)
Net fee and commission	910	(12)	218	1,116	33	1,149
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	6,242	0	0	6,242	0	6,242
Net gains on financial assets and liabilities held for trading	0	0	(1)	(1)	0	(1)
Losses on financial assets and liabilities recognised at fair value through the statement of profit or loss	(105)	0	0	(105)	0	(105)
Changes in fair value in hedge accounting	377	0	0	377	0	377
Net exchange differences gain or loss	(59)	(5)	1,278	1,214	0	1,214
Net gains on derecognition of assets	0	0	13	13	0	13
Other net operating gains or losses	1,268	4,337	55	5,660	(21)	5,639
NET INCOME/EXPENSE	27,381	4,567	2,134	34,082	(5)	34,077
Other information by segments	(4,157)	(3,711)	(3,382)	(11,250)	(1,062)	(12,312)
Administrative costs	(7,936)	(2,951)	(1,773)	(12,660)	4	(12,656)
Depreciations and amortisation	(607)	(229)	(30)	(866)	0	(866)
Provisions	(181)	(137)	(116)	(434)	1,178	744
Impairments	4,284	(394)	(1,462)	2,428	(2,156)	272
Share of the profit of investment in subsidiaries, associates and joint ventures	88	0	(1)	87	(88)	(1)
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	23,224	856	(1,248)	22,832	(1,067)	21,765
Corporate income tax on ordinary operations	(3,933)	(176)	10	(4,099)	0	(4,099)
Net profit/loss for the financial period	19,291	680	(1,238)	18,733	(1,067)	17,666
30.9.2016						
ASSETS AND LIABILITIES						
Total assets	2,571,392	57,387	52,576	2,681,355	(45,529)	2,635,826
Long-term interests in subsidiaries, associates and joint ventures	8,413	0	0	8,413	(8,413)	0
Liabilities (other than equity) by segment	2,176,200	29,793	55,052	2,261,045	(58,649)	2,202,396
Total equity	395,192	27,594	(2,476)	420,310	13,119	433,429
Decrease in property, plant and equipment and intangible assets	(267)	(195)	(29)	(491)	0	(491)

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

In EUR thousand	Banking	Credit and investment insurance	Factoring	Total	Interrelations in the Group	Relations to third parties
Interest income	42,473	278	3,200	45,951	(1,193)	44,758
Interest expenses	(24,941)	0	(2,232)	(27,173)	1,067	(26,106)
Net interest	17,532	278	968	18,778	(126)	18,652
Fee and commission income	2,408	0	903	3,311	0	3,311
Fee and commission expenses	(656)	(11)	(131)	(798)	116	(682)
Net fee and commission	1,752	(11)	772	2,513	116	2,629
Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	2,351	27	0	2,378	0	2,378
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	90	0	0	90	0	90
Changes in fair value in hedge accounting	(34)	0	0	(34)	0	(34)
Net exchange differences gain or loss	(91)	(2)	568	475	0	475
Net gains on derecognition of assets	0	0	4	4	0	4
Other net operating gains or losses	1,038	3,268	(33)	4,273	(56)	4,217
NET INCOME/EXPENSE	22,641	3,560	2,279	28,480	(66)	28,414
Other information by segments	(16,481)	(1,661)	(2,892)	(21,034)	2,975	(18,059)
Administrative costs	(7,528)	(2,723)	(1,786)	(12,037)	4	(12,033)
Depreciations and amortisation	(597)	(253)	(45)	(895)	0	(895)
Provisions	1,613	1,571	0	3,184	0	3,184
Impairments	(10,004)	(256)	(1,061)	(11,321)	3,006	(8,315)
Share of the profit of investment in subsidiaries, associates and joint ventures	35	0	0	35	(35)	0
Profit/loss from ordinary operations	6,160	1,899	(613)	7,446	2,909	10,355
Corporate income tax on ordinary operations	(1,042)	(424)	(691)	(2,157)	0	(2,157)
Net profit/loss for the financial period	5,118	1,475	(1,304)	5,289	2,909	8,198
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							
	30.9.2016				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	86,392	743,313	35,878	865,583	13,177	887,429	37,998	938,604
Debt securities	86,392	737,674	29,474	853,540	13,177	884,810	32,001	929,988
Equity securities	0	5,639	6,404	12,043	0	2,619	5,997	8,616
Derivatives held for hedging	0	0	0	0	0	14,312	0	14,312
Total financial assets	86,392	743,313	35,878	865,583	13,177	901,741	37,998	952,916

In EUR thousand	SID Bank Group							
	30.9.2016				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	86,986	767,827	35,878	890,691	13,973	909,683	37,998	961,654
Debt securities	86,986	762,188	29,474	878,648	13,973	907,064	32,001	953,038
Equity securities	0	5,639	6,404	12,043	0	2,619	5,997	8,616
Derivatives held for hedging	0	0	0	0	0	14,312	0	14,312
Total financial assets	86,986	767,827	35,878	890,691	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 2 to level 3	Transfers from level 2 to level 1
Financial assets measured at fair value		
Available-for-sale financial assets	259	76,822
Debt securities	259	76,822

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	
	30.9.2016	31.12.2015
Guarantees	52,338	53,953
Other off-balance-sheet liabilities	57,975	111,442
Total commitments	110,313	165,395
Provisions for off-balance-sheet risks - guarantees	(32,630)	(31,459)
Provisions for off-balance-sheet risks – other off-balance-sheet liabilities	(1,966)	(3,111)
Total provisions for commitments	(34,596)	(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 September 2016 totals EUR 31.5 million, while loans granted to the bank sector totals EUR 14.5 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.