



**INTERIM FINANCIAL REPORT OF  
SID BANK AND SID BANK GROUP  
JANUARY 1<sup>st</sup> - SEPTEMBER 30<sup>th</sup>, 2014**

**Edition: November 28<sup>th</sup>, 2014**



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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 six months, ended September 30<sup>th</sup>, 2014.

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



Jožef Bradeško  
Member



Sibil Svilan M.Sc.  
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	+386 1 200 75 00
Telefax	+386 1 200 75 75
E-mail	info@sid.si
Website	<a href="http://www.sid.si">http://www.sid.si</a>

### SID Bank Group

SID Bank Group is consisted of the following companies:

	Relationship	Ownership share of SID Bank in percent
SID banka, d. d., Ljubljana	Parent company	-
SID – Prva kreditna zavarovalnica, d.d., Ljubljana	Subsidiary company	100
Pro Kolekt, družba za izterjavo, d. o. o., 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 HIGHLIGHTS AND PERFORMANCE INDICATORS

### Income Statement Summary

(in EUR thousand)	SID Bank		SID Bank Group	
	1-9/2014	1-9/2013	1-9/2014	1-9/2013
Net interest income	33,186	39,421	33,557	39,964
Net non-interest income	7,300	19,549	9,636	21,544
Operating costs	(7,508)	(6,585)	(10,376)	(9,404)
Impairment and Provisions	(27,480)	(48,487)	(28,097)	(49,768)
Profit on ordinary activities	5,498	3,898	4,720	2,336
Net profit for the financial period	4,718	3,477	3,698	1,671

### Statement of Financial Position Summary

(in EUR thousand)	SID Bank		SID Bank Group	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Total assets	3,548,152	3,787,565	3,604,021	3,844,997
Loans to banks	2,430,477	2,614,504	2,443,988	2,626,986
Loans to non-bank customers	568,015	601,136	568,015	601,136
Financial liabilities	3,176,676	3,432,422	3,177,768	3,433,948
Total equity	356,446	345,793	374,754	362,790

### Selected indicators<sup>1</sup>

(in percent)	SID Bank			SID Bank Group		
	1-9/2014	1-12/2013	1-9/2013	1-9/2014	1-12/2013	1-9/2013
<b>Profitability</b>						
Interest margin	1.19	1.31	1.29	1.18	1.31	1.30
Financial intermediation margin <sup>2</sup>	1.45	1.90	1.92	1.52	2.01	2.00
Return on assets before tax	0.20	0.14	0.13	0.17	0.15	0.08
Return on equity before tax	2.07	1.66	1.51	1.71	1.65	0.87
Return on equity after tax	1.77	1.41	1.35	1.34	1.23	0.62
<b>Operating cost</b>						
Operating costs/ average assets	0.27	0.23	0.21	0.37	0.33	0.31
Operating costs/net income	18.54	12.23	11.17	24.02	16.42	15.29
<b>Capital</b>						
Capital adequacy ratio <sup>3</sup>	27.3	16.4	16.0	25.6	16.1	15.54
<b>Quality assets of the statement of financial position and contingent liabilities</b>						
Impairments of financial assets measured at amortised cost and provisions for contingent liabilities/classified on-balance-sheet items and classified off-balance-sheet items <sup>3</sup>	7.78	6.45	6.18	7.95	6.92	6.52

<sup>1</sup> The selected indicators relating to the quarterly period are converted on annual level.

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

<sup>3</sup> Due to the transition to the new regulation on Capital Requirements, the data per 30 September 2014 are not comparable with data for year 2013.

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		
	30.09.2014	31.12.2013	30.09.2013	30.09.2014	31.12.2013	30.09.2013
<b>Number of employees</b>	148	139	127	372	369	353

	SID Bank		
	30.09.2014	31.12.2013	30.09.2013
<b>International credit rating</b>			
<b>Standard &amp; Poor's</b>	A-	Ba1	Ba1
<b>Moody's</b>	Ba1	Ba1	Ba1
<b>Shares</b>			
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)	114.86	111.43	110.49



### 3 SIGNIFICANT EVENTS

In January, SID Bank and NLB Bank (owners of the Prvi faktor Group) signed the shareholders' agreement with FIMBank allowing the latter to purchase a 40% stake in Prvi faktor Group with the possibility to increase the share to 60%, thereby reducing SID Bank's stake in the Prvi faktor Group to 30%. In accordance with the agreement the FIMBank joined the Prvi faktor company, Ljubljana on 30 June 2014. The procedure was not completed until that date.

Due to the poor financial standing of the Prvi faktor Group in January 2014, SID Bank assumed the risk for a part of their portfolio totaling EUR 12.2 million and under this title has already generated loss in the amount of EUR 1.7 million.

In February 2014, SID Bank was awarded a credit rating by Standard & Poor's Rating Services, namely the long-term credit rating, of A- with stable future prospects and a short-term credit rating of A-2. SID Bank's rating is at the same level as the credit rating of the Republic of Slovenia. That same month Moody's Investors Service credit rating agency published the rating for SID Bank, which remains Ba1, while the future prospects of the credit rating changed from negative to stable.


In April, SID Bank conducted an early partial redemption of own issued bonds with the symbol SEDABI 3 04/21/15, namely with the possibility of payment in cash or replacement with SID Bank's new bond. For this purpose SID Bank issued a new 3-year bond in the amount of EUR 96.8 million with an annual 2.25% coupon interest rate. All offers have been accepted for the purchase of the bond, namely for payment in cash of the total nominal value of EUR 53.1 million and for the replacement of the new bond with a total nominal value of EUR 95.2 million. With both transactions, the offered redemption price totalled 101.50 percent of the nominal amount of the bond. The amount of the existing bond SEDABI 3 04/21/15 fell below EUR 500 million following the transaction, which further reduced SID Bank's refinancing risk for 2015.

Ernest Ribič and Matej Špragar, directors of the company Prvi faktor, Ljubljana, were discharged at the General Meeting of Prvi faktor, Ljubljana on 29 May 2014, and Tomaž Kačar, the director of the company Prvi faktor Zagreb, was appointed as acting director.

Due to a change in future prospects of the Republic of Slovenia's credit rating from stable to negative as of 27 June 2014, Standard & Poor's credit rating agency as of 1 July 2014 consequently changed the future prospects of the credit rating of SID Bank, d.d., Ljubljana from stable to negative.

In the field of direct lending to companies with the help of EU funds or funds of the Republic of Slovenia an annex to the agreement with the Ministry of Economic Development and Technology was signed which extended deadlines for the implementation of the Development-incentive program of SID Bank for microfinancing operations of small and medium-sized enterprises 2013-2014 and for financing municipalities infrastructure and environmental projects. SID Bank may approve loans up to 30 June 2015. In July 2014, it was also concluded as a supplement to the contract with the Ministry of Economic Development and Technology, which has extended the deadline for spending the first loan fund by one year as well as the related deadlines because of the expiry of the deadline for the approval of loans under the credit line of the Development-incentive program of SID Bank to fund the operations of technological development projects 2011-2013 for one year.

The balance of the loan portfolio of SID Bank on 30 September 2014 totals EUR 2,998.6 million and, compared to the balance at the end of 2013, is down by 6.8%, reflecting changes in the situation in the banking market after the rehabilitation or liquidation of some



banks. The main reason for a decrease in the loan portfolio is early repayment of bank loans in the amount of EUR 116.9 million and early repayment of loans to non-banks in the amount of EUR 41.6 million.

The balance impairment of loans on 30 September 2014 totals EUR 244.2 million and, compared to the balance at the end of 2013, is high for 15.1 million. In the first nine months of 2014 amounted to expenses for impairments and provisions EUR 27,5 million, compared the same period of 2013, is less by 43.3% or EUR 21 million.

SID Bank is one of three Slovenian banks (besides NLB and Nova KBM), which have taken place in this year's Europe-wide stress tests of banks. Tests have been completed by 30 September 2014, the European Central Bank has published the results on 26 October 2014.

## **4 NOTES TO SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**

Separate and consolidated financial statements for the period from January to September 2014 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 2013.

### **Accounting Policies**

The accounting policies applied are presented in detail in the Annual Report of SID Bank and SID Bank Group for 2013.

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, with the exception of the adoption of new standards and amendments which came into force on January 1<sup>st</sup> 2014.

The newly adopted standards and amendments: IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, a revised version of IAS 27 Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements and the revised version of IAS 28 Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11 ; amendments to IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – Transition Guidance ; amendments to IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities - Investment Entities; amendments to IAS 39 – Novation of derivatives and Continuation of Hedge Accounting; amendments to IAS 36 - Disclosure of the





recoverable amount for non-financial assets; amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities.

Newly adopted standards and amendments of existing standards did not represent any significant changes in accounting policies of SID Bank and SID Bank Group. The exception is IFRS 11 - Joint Arrangements, which replaces IAS 31 - Investments in joint ventures. IFRS 11 provides that a joint venturer's share in their joint venture is recognized as a financial investment, which is accounted for using the equity method. In accordance with the newly adopted standards, by 1 January 2014 SID Bank Group included investment in the Prvi Faktor Group in the consolidated financial statements of the Group using the equity method.

### **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 Pro Kolekt Group and Centre for International Cooperation and Development.

## 5 INCOME STATEMENT

In EUR thousand	SID Bank		SID Bank Group	
	1-9/2014	1-9/2013	1-9/2014	1-9/2013
Interest income	75,494	90,112	75,877	90,671
Interest expenses	(42,308)	(50,691)	(42,320)	(50,707)
Net interest income	33,186	39,421	33,557	39,964
Dividend income	910	1,422	0	0
Fee and commission income	2,723	2,518	2,723	2,518
Fee and commission expenses	(430)	(467)	(440)	(477)
Fee and commission net income	2,293	2,051	2,283	2,041
Realised gains and losses on financial assets and liabilities not measured at fair value through profit and loss	(1,171)	13,751	(1,171)	13,752
Gains on financial assets and liabilities held for trading	10	21	10	21
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	4,089	(66)	4,089	(66)
Fair value adjustments in hedge accounting	17	809	17	809
Exchange differences	(6)	0	(4)	0
Losses on derecognition of assets other than held for sale	(4)	0	(4)	0
Other operating net income	1,162	1,561	5,465	6,509
Administration costs	(7,051)	(6,145)	(9,642)	(8,697)
Depreciation	(457)	(440)	(734)	(707)
Provisions	(4,936)	4,206	(5,313)	3,399
Impairment	(22,544)	(52,693)	(22,784)	(53,167)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	0	0	(1,049)	(1,522)
<b>Profit on ordinary activities</b>	<b>5,498</b>	<b>3,898</b>	<b>4,720</b>	<b>2,336</b>
Tax expense (income) related to profit from continuing operations	(780)	(421)	(1,022)	(665)
<b>Net profit for the financial period</b>	<b>4,718</b>	<b>3,477</b>	<b>3,698</b>	<b>1,671</b>
<b>Basic earnings per share<sup>4</sup></b>	<b>1.52</b>	<b>1.12</b>	<b>1.19</b>	<b>0.54</b>

<sup>4</sup> Basic earnings per share are equal to the revised earnings per share because the SID Bank has no dilutive instruments.

## 6 INCOME STATEMENT – BY QUARTERS

### 6.1 Income Statement of SID Bank – by quarters

In EUR thousand	SID Bank					
	2014			2013		
	Q3	Q2	Q1	Q3	Q2	Q1
Interest income	24,103	25,849	25,542	27,811	31,221	31,080
Interest expenses	(13,680)	(14,173)	(14,455)	(15,859)	(17,935)	(16,897)
Net interest income	10,423	11,676	11,087	11,952	13,286	14,183
Dividend income	910	0	0	0	0	1,422
Fee and commission income	551	1,455	717	425	1,291	802
Fee and commission expenses	(137)	(159)	(134)	(163)	(148)	(156)
Fee and commission net income	414	1,296	583	262	1,143	646
Realised gains and losses on financial assets and liabilities not measured at fair value through profit and loss	114	(1,598)	313	471	13,199	81
Gains on financial assets and liabilities held for trading	2	4	4	5	7	9
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	665	316	3,108	302	189	(557)
Fair value adjustments in hedge accounting	284	(192)	(75)	78	367	364
Exchange differences	(2)	1	(5)	(11)	9	2
Losses on derecognition of assets other than held for sale	(4)	0	0	0	0	0
Other operating net income	347	367	448	529	486	546
Administration costs	(2,332)	(2,011)	(2,708)	(2,011)	(1,899)	(2,235)
Depreciation	(151)	(153)	(153)	(145)	(148)	(147)
Provisions	409	5,343	(10,688)	733	913	2,560
Impairment	(9,777)	(16,108)	3,341	(12,105)	(32,101)	(8,487)
<b>Profit or loss on ordinary activities</b>	<b>1,302</b>	<b>(1,059)</b>	<b>5,255</b>	<b>60</b>	<b>(4,549)</b>	<b>8,387</b>
Tax expense (income) related to profit from continuing operations	(67)	180	(893)	(10)	773	(1,184)
<b>Net profit or loss for the financial period</b>	<b>1,235</b>	<b>(879)</b>	<b>4,362</b>	<b>50</b>	<b>(3,776)</b>	<b>7,203</b>

## 6.2 Income Statement of SID Bank Group – by quarters

In EUR thousand	SID Bank Group					
	2014			2013		
	Q3	Q2	Q1	Q3	Q2	Q1
Interest income	24,218	25,969	25,690	27,979	31,412	31,280
Interest expenses	(13,684)	(14,177)	(14,459)	(15,864)	(17,940)	(16,903)
Net interest income	10,534	11,792	11,231	12,115	13,472	14,377
Dividend income	0	0	0	0	0	0
Fee and commission income	551	1,455	717	425	1,291	802
Fee and commission expenses	(141)	(162)	(137)	(167)	(151)	(159)
Fee and commission net income	410	1,293	580	258	1,140	643
Realised gains and losses on financial assets and liabilities not measured at fair value through profit and loss	114	(1,598)	313	471	13,199	82
Gains on financial assets and liabilities held for trading	2	4	4	5	7	9
Gains and losses on financial assets and liabilities designated at fair value through profit or loss	665	315	3,109	302	189	(557)
Fair value adjustments in hedge accounting	284	(192)	(75)	78	367	364
Exchange differences	(1)	2	(5)	(11)	9	2
Losses on derecognition of assets other than held for sale	(4)	0	0	0	0	0
Other operating net income	1,684	2,307	1,474	1,845	1,927	2,737
Administration costs	(3,200)	(2,878)	(3,564)	(2,854)	(2,809)	(3,034)
Depreciation	(245)	(245)	(244)	(232)	(239)	(236)
Provisions	779	4,428	(10,520)	1,335	(77)	2,141
Impairment	(9,823)	(16,273)	3,312	(12,192)	(32,246)	(8,729)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(492)	(380)	(177)	(1,360)	(195)	33
<b>Profit or loss on ordinary activities</b>	<b>707</b>	<b>(1,425)</b>	<b>5,438</b>	<b>(240)</b>	<b>(5,256)</b>	<b>7,832</b>
Tax expense (income) related to profit from continuing operations	(232)	177	(967)	(197)	863	(1,331)
<b>Net profit or loss for the financial period</b>	<b>475</b>	<b>(1,248)</b>	<b>4,471</b>	<b>(437)</b>	<b>(4,393)</b>	<b>6,501</b>

## 7 STATEMENT OF COMPREHENSIVE INCOME

In EUR thousand	SID Bank		SID Bank Group	
	1-9/2014	1-9/2013	1-9/2014	1-9/2013
<b>Net profit for the financial period after tax</b>	<b>4,718</b>	<b>3,477</b>	<b>3,698</b>	<b>1,671</b>
<b>Other comprehensive income after tax</b>	<b>5,935</b>	<b>(828)</b>	<b>6,432</b>	<b>(1,043)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>5,935</b>	<b>(828)</b>	<b>6,432</b>	<b>(1,043)</b>
Available for sale financial assets	7,151	(968)	7,750	(1,221)
Valuation gains taken to equity	8,116	(710)	8,715	(962)
Transferred to profit or loss	(965)	(258)	(965)	(259)
Income tax in connection with items that may be reclassified subsequently to profit or loss	(1,216)	140	(1,318)	178
<b>Total comprehensive income for the financial period after tax</b>	<b>10,653</b>	<b>2,649</b>	<b>10,130</b>	<b>628</b>

## 8 STATEMENT OF COMPREHENSIVE INCOME – BY QUARTERS

### 8.1 Statement of Comprehensive Income of SID Bank – by quarters

In EUR thousand	SID Bank					
	2014			2013		
	Q3	Q2	Q1	Q3	Q2	Q1
<b>Net profit or loss for the financial period after tax</b>	<b>1,235</b>	<b>(879)</b>	<b>4,362</b>	<b>50</b>	<b>(3,776)</b>	<b>7,203</b>
<b>Other comprehensive income after tax</b>	<b>1,810</b>	<b>264</b>	<b>3,861</b>	<b>361</b>	<b>538</b>	<b>(1,727)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>1,810</b>	<b>264</b>	<b>3,861</b>	<b>361</b>	<b>538</b>	<b>(1,727)</b>
Available for sale financial assets	2,181	318	4,652	432	631	(2,031)
Valuation gains taken to equity	2,405	746	4,965	432	808	(1,950)
Transferred to profit or loss	(224)	(428)	(313)	0	(177)	(81)
Income tax in connection with items that may be reclassified subsequently to profit or loss	(371)	(54)	(791)	(71)	(92)	303
<b>Total comprehensive income for the financial period after tax</b>	<b>3,045</b>	<b>(615)</b>	<b>8,223</b>	<b>411</b>	<b>(3,238)</b>	<b>5,476</b>



## 8.2 Statement of Comprehensive Income of SID Bank Group – by quarters

In EUR thousand	SID Bank Group					
	Q3	Q2	Q1	Q3	Q2	Q1
<b>Net profit or loss for the financial period after tax</b>	<b>475</b>	<b>(1,248)</b>	<b>4,471</b>	<b>(437)</b>	<b>(4,393)</b>	<b>6,501</b>
<b>Other comprehensive income after tax</b>	<b>1,950</b>	<b>380</b>	<b>4,102</b>	<b>379</b>	<b>552</b>	<b>(1,974)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>	<b>1,950</b>	<b>380</b>	<b>4,102</b>	<b>379</b>	<b>552</b>	<b>(1,974)</b>
Available for sale financial assets	2,350	458	4,942	454	646	(2,321)
Valuation gains taken to equity	2,574	886	5,255	454	823	(2,239)
Transferred to profit or loss	(224)	(428)	(313)	0	(177)	(82)
Income tax in connection with items that may be reclassified subsequently to profit or loss	(400)	(78)	(840)	(75)	(94)	347
<b>Total comprehensive income for the financial period after tax</b>	<b>2,425</b>	<b>(868)</b>	<b>8,573</b>	<b>(58)</b>	<b>(3,841)</b>	<b>4,527</b>

## 9 STATEMENT OF FINANCIAL POSITION

In EUR thousand	SID Bank		SID Bank Group	
	30.09.2014	31.12.2013	30.09.2014	31.12.2013
Cash and cash balances with the central banks	15,955	177,416	15,955	177,416
Available-for-sale financial assets	490,740	344,433	509,984	364,941
Loans	2,998,563	3,216,262	3,012,068	3,228,741
– Loans to banks	2,430,477	2,614,504	2,443,988	2,626,986
– Loans to non - bank customers	568,015	601,136	568,015	601,136
– Other financial assets	71	622	65	619
Derivatives – hedge accounting	26,963	36,095	26,963	36,095
Property, plant and equipment	3,658	3,324	6,775	6,643
Intangible assets	701	677	1,303	1,258
Investments in subsidiaries, associates and joint ventures	8,831	8,831	1,203	419
Tax assets	932	307	1,161	338
– Current tax assets	143	0	372	0
– Deferred tax assets	789	307	789	338
Other assets	1,809	220	28,609	29,146
<b>TOTAL ASSETS</b>	<b>3,548,152</b>	<b>3,787,565</b>	<b>3,604,021</b>	<b>3,844,997</b>
Deposits from central banks	208,055	207,742	208,055	207,742
Financial liabilities held for trading	9	17	9	17
Financial liabilities measured at amortised cost	2,968,612	3,224,663	2,969,704	3,226,189
– Deposits from banks	22,249	40,497	22,249	40,497
– Deposits from non-bank customers	6	6	6	6
– Loans and advances from banks	1,568,161	1,574,979	1,568,823	1,575,925
– Loans and advances from non-bank customers	397,899	472,965	397,899	472,965
– Debt securities	976,444	1,134,713	976,444	1,134,713
– Other financial liabilities	3,853	1,503	4,283	2,083
Derivatives held for hedging	0	129	0	129
Provisions	13,166	8,246	45,001	38,832
Tax liabilities	1,697	785	1,768	1,014
– Current tax liabilities	0	785	0	1,014
– Deferred tax liabilities	1,697	0	1,768	0
Other liabilities	167	190	4,730	8,284
<b>TOTAL LIABILITIES</b>	<b>3,191,706</b>	<b>3,441,772</b>	<b>3,229,267</b>	<b>3,482,207</b>
Share capital	300,000	300,000	300,000	300,000
Share premium	1,139	1,139	1,139	1,139
Revaluation reserve	7,641	1,706	8,079	1,648
Reserves from profit	44,272	41,961	61,328	58,621
Treasury shares	(1,324)	(1,324)	(1,324)	(1,324)
Retained earnings (including income from the reporting period)	4,718	2,311	5,532	2,706
<b>TOTAL EQUITY</b>	<b>356,446</b>	<b>345,793</b>	<b>374,754</b>	<b>362,790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,548,152</b>	<b>3,787,565</b>	<b>3,604,021</b>	<b>3,844,997</b>

## 10 STATEMENT OF CHANGES IN EQUITY

### 10.1 Statement of Changes in Equity of SID Bank

#### For the period January 1<sup>st</sup>, 2014 to September 30<sup>th</sup>, 2014

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
<b>Balance as at January 1<sup>st</sup>, 2014</b>	<b>300,000</b>	<b>1,139</b>	<b>1,706</b>	<b>41,961</b>	<b>2,311</b>	<b>(1,324)</b>	<b>345,793</b>
Comprehensive income for the financial period after tax	0	0	5,935	0	4,718	0	10,653
Transfer of net profit to reserves from profit	0	0	0	2,311	(2,311)	0	0
<b>Balance as at September 30<sup>th</sup>, 2014</b>	<b>300,000</b>	<b>1,139</b>	<b>7,641</b>	<b>44,272</b>	<b>4,718</b>	<b>(1,324)</b>	<b>356,446</b>

#### For the period January 1<sup>st</sup>, 2013 to September 30<sup>th</sup>, 2013

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
<b>Balance as at January 1<sup>st</sup>, 2013</b>	<b>300,000</b>	<b>1,139</b>	<b>1,003</b>	<b>37,012</b>	<b>2,394</b>	<b>(1,324)</b>	<b>340,224</b>
Comprehensive income for the financial period after tax	0	0	(828)	0	3,477	0	2,649
Transfer of net profit to reserves from profit	0	0	0	2,394	(2,394)	0	0
<b>Balance as at September 30<sup>th</sup>, 2013</b>	<b>300,000</b>	<b>1,139</b>	<b>175</b>	<b>39,406</b>	<b>3,477</b>	<b>(1,324)</b>	<b>342,873</b>



## 10.2 Statement of Changes in Equity of SID Bank Group

### For the period January 1<sup>st</sup>, 2014 to September 30<sup>th</sup>, 2014

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
<b>Balance as at January 1<sup>st</sup>, 2014</b>	<b>300,000</b>	<b>1,139</b>	<b>1,648</b>	<b>58,621</b>	<b>2,706</b>	<b>(1,324)</b>	<b>362,790</b>
Comprehensive income for the financial period after tax	0	0	6,432	0	3,698	0	10,130
Transfer of net profit to reserves from profit	0	0	0	2,706	(2,706)	0	0
Other	0	0	0	1,834	0	0	1,834
<b>Balance as at September 30<sup>th</sup>, 2014</b>	<b>300,000</b>	<b>1,139</b>	<b>8,080</b>	<b>63,161</b>	<b>3,698</b>	<b>(1,324)</b>	<b>374,754</b>

### For the period January 1<sup>st</sup>, 2013 to September 30<sup>th</sup>, 2013

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
<b>Balance as at January 1<sup>st</sup>, 2013</b>	<b>300,000</b>	<b>1,139</b>	<b>897</b>	<b>52,028</b>	<b>4,891</b>	<b>(1,324)</b>	<b>357,631</b>
Comprehensive income for the financial period after tax	0	0	(1,042)	0	1,672	0	630
Transfer of net profit to reserves from profit	0	0	0	3,130	(3,130)	0	0
<b>Balance as at September 30<sup>th</sup>, 2013</b>	<b>300,000</b>	<b>1,139</b>	<b>(145)</b>	<b>55,158</b>	<b>3,433</b>	<b>(1,324)</b>	<b>358,261</b>

## 11 STATEMENT OF CASH FLOWS<sup>5</sup>

In EUR thousand	SID Bank		SID Bank Group	
	1-9/2014	1-9/2013	1-9/2014	1-9/2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
a) Total profit before tax	5,498	3,898	4,720	2,336
Amortisation and depreciation	457	440	734	707
Reversal of impairment of available-for-sale financial assets	(13)	(47)	(13)	(47)
Impairments of loans	22,557	52,740	22,557	52,735
Impairments of property, plant and equipment, investment property, intangible assets and other assets	0	0	240	479
Share of the loss of associates and joint ventures accounted for using the equity method	0	0	1,049	1,522
Net losses from exchange differences	6	0	4	0
Net losses from sale of tangible assets and investment properties	4	0	4	0
Other (gains) from investing activities	(910)	(1,422)	0	0
Other adjustments in pre-tax profit or loss	4,910	(5,034)	5,289	(4,227)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>32,509</b>	<b>50,575</b>	<b>34,584</b>	<b>53,505</b>
b) Decreases in operating assets	33,893	288,314	37,614	285,225
c) Decreases in operating liabilities	(256,820)	(256,014)	(259,913)	(252,967)
d) Cash flow from operating activities (a+b+c) <sup>6</sup>	(190,418)	82,875	(187,715)	85,763
e) Income taxes (paid)/refunded	(493)	(96)	(1,091)	169
f) Net cash flow from operating activities (d+e)	(190,911)	82,779	(188,806)	85,932
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
a) Inflows from investing activities	910	1,422	0	0
b) Outflows from investing activities	819	193	915	230
c) Net cash from investing activities (a-b)	91	1,229	(915)	(230)
<b>D. Effect of foreign exchange differences on cash and cash equivalents</b>	<b>5</b>	<b>163</b>	<b>5</b>	<b>163</b>
<b>E. Net increase in cash and cash equivalents (Af+Bc)</b>	<b>(190,820)</b>	<b>84,008</b>	<b>(189,721)</b>	<b>85,702</b>
<b>F. Cash and cash equivalents at beginning of the year</b>	<b>206,842</b>	<b>317,641</b>	<b>218,654</b>	<b>327,441</b>
<b>G. Cash and cash equivalents at end of period (D+E+F)</b>	<b>16,027</b>	<b>401,812</b>	<b>28,938</b>	<b>413,306</b>

<sup>5</sup> Condensed statement of cash flows.

<sup>6</sup> Negative cash flows from operating activities in 2014 resulted from lower inflows from loans and large outflows due to new placements in available for sale financial assets.

## 12 OTHER DISCLOSURES

### 12.1 Related Party Disclosures

Significant relations with subsidiaries and joint ventures:

	30.09.2014			31.12.2013		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Receivables						
- loans	54	94,425	94,479	55	94,590	94,645
- other financial assets	11	0	11	13	0	13
Gross exposure	65	94,425	94,490	68	94,590	94,658
Value adjustments	(4)	(19,634)	(19,638)	(4)	(21,252)	(21,256)
<b>Net exposure</b>	<b>61</b>	<b>74,791</b>	<b>74,852</b>	<b>64</b>	<b>73,338</b>	<b>73,402</b>

	1-9/2014			1-9/2013		
	Subsidiaries	Joint ventures	Total	Subsidiaries	Joint ventures	Total
Interest income	1	3,053	3,054	0	3,134	3,134
Dividend income	910	0	910	1,422	0	1,422
Fee and commission income	0	50	50	0	65	65
Income from other services	68	0	68	95	0	95
Expenses from other services	(10)	0	(10)	(3)	0	(3)
Realised losses on financial liabilities not measured at fair value through profit and loss – other financial liabilities	0	(1,763)	(1,763)	0	0	0
Provisions	(1)	(9,569)	(9,570)	0	0	0
Impairment on loans and receivables measured at amortised cost	0	1,617	1,617	0	78	78
<b>Total</b>	<b>968</b>	<b>(6,612)</b>	<b>(5,644)</b>	<b>1,514</b>	<b>3,277</b>	<b>4,791</b>

### 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 1<sup>st</sup>, 2014 to September 30<sup>th</sup>, 2014

	Banking	Credit and investment insurance	Factoring	Total	Mutual relations	Relations to third parties
Interest income	75,494	383	5,814	81,691	(1,369)	80,322
Interest expense	(42,308)	(12)	(4,126)	(46,446)	1,526	(44,920)
<b>Net interest income</b>	<b>33,186</b>	<b>371</b>	<b>1,688</b>	<b>35,245</b>	<b>157</b>	<b>35,402</b>
Dividend income	910	0	0	910	(910)	0
Fee and commission income	2,723	0	1,540	4,263	(25)	4,238
Fee and commission expenses	(430)	(10)	(624)	(1,064)	114	(950)
<b>Fee and commission net income</b>	<b>2,293</b>	<b>(10)</b>	<b>916</b>	<b>3,199</b>	<b>89</b>	<b>3,288</b>
Realised gains and losses on financial assets and liabilities not measured at fair value through profit and loss	(1,171)	0	299	(872)	1,763	891
Gains (losses) on financial assets and liabilities held for trading	10	0	(2)	8	0	8
Gains on financial assets and liabilities designated at fair value through profit or loss	4,089	0	0	4,089	0	4,089
Fair value adjustments in hedge accounting	17	0	(691)	(674)	0	(674)
Exchange differences	(6)	2	363	359	0	359
Gains /losses on derecognition of assets other than held for sale	(4)	0	3	(1)	0	(1)
Other operating net income	1,162	4,307	(54)	5,415	(93)	5,322
<b>NET INCOME/EXPENSES</b>	<b>40,486</b>	<b>4,670</b>	<b>2,522</b>	<b>47,678</b>	<b>1,006</b>	<b>48,684</b>
<b>Other information by segments</b>	<b>(34,988)</b>	<b>(3,489)</b>	<b>(3,188)</b>	<b>(41,665)</b>	<b>7,955</b>	<b>(33,710)</b>
Administrative costs	(7,051)	(2,595)	(2,059)	(11,705)	4	(11,701)
Amortisation and depreciations	(457)	(277)	(51)	(785)	0	(785)
Provisioning	(4,936)	(377)	0	(5,313)	9,569	4,256
Impairments	(22,544)	(240)	(1,078)	(23,862)	(1,618)	(25,480)
<b>Profit/loss from ordinary operations</b>	<b>5,498</b>	<b>1,181</b>	<b>(666)</b>	<b>6,013</b>	<b>8,961</b>	<b>14,974</b>
Tax expense(income) related to profit from continuing operations	(780)	(242)	(383)	(1,405)	0	(1,405)
<b>Net profit for the financial period</b>	<b>4,718</b>	<b>939</b>	<b>(1,049)</b>	<b>4,608</b>	<b>8,961</b>	<b>13,569</b>

### 30.09.2014

#### ASSETS AND LIABILITIES

<b>Total assets</b>	<b>3,548,152</b>	<b>63,506</b>	<b>107,991</b>	<b>3,719,649</b>	<b>(45,340)</b>	<b>3,674,309</b>
- long-term interests in subsidiaries, associates and joint ventures	8,831	0	0	8,831	(8,412)	419
<b>Liabilities (other than equity) by segment</b>	<b>3,191,706</b>	<b>37,570</b>	<b>107,015</b>	<b>3,336,291</b>	<b>(56,790)</b>	<b>3,279,501</b>
<b>Total equity</b>	<b>356,446</b>	<b>25,936</b>	<b>976</b>	<b>383,358</b>	<b>11,450</b>	<b>394,808</b>
Increase/decrease in property, plant and equipment and intangible assets	358	(181)	(172)	5	(488)	(483)

## For the period January 1<sup>st</sup>, 2013 to September 30<sup>th</sup>, 2013

	Banking	Credit and investment insurance	Factoring	Total	Mutual relations	Relations to third parties
Interest income	90,112	559	8,798	99,469	(1,525)	97,944
Interest expense	(50,691)	(16)	(4,973)	(55,680)	1,591	(54,089)
<b>Net interest income</b>	<b>39,421</b>	<b>543</b>	<b>3,825</b>	<b>43,789</b>	<b>66</b>	<b>43,855</b>
Dividend income	1,422	0	0	1,422	(1,422)	0
Fee and commission income	2,518	0	1,663	4,181	(32)	4,149
Fee and commission expenses	(467)	(10)	(660)	(1,137)	118	(1,019)
<b>Fee and commission net income</b>	<b>2,051</b>	<b>(10)</b>	<b>1,003</b>	<b>3,044</b>	<b>86</b>	<b>3,130</b>
Realised gains on financial assets and liabilities not measured at fair value through profit and loss	13,751	1	0	13,752	0	13,752
Gains (losses) on financial assets and liabilities held for trading	21	0	(8)	13	0	13
Losses on financial assets and liabilities designated at fair value through profit or loss	(66)	0	0	(66)	0	(66)
Fair value adjustments in hedge accounting	809	0	0	809	0	809
Exchange differences	0	0	376	376	0	376
Gains on derecognition of assets other than held for sale	0	0	6	6	0	6
Other operating net income	1,561	4,952	(161)	6,352	(90)	6,262
<b>NET INCOME/EXPENSES</b>	<b>58,970</b>	<b>5,486</b>	<b>5,041</b>	<b>69,497</b>	<b>(1,360)</b>	<b>68,137</b>
<b>Other information by segments</b>	<b>(55,072)</b>	<b>(4,104)</b>	<b>(5,750)</b>	<b>(64,926)</b>	<b>(74)</b>	<b>(65,000)</b>
Administrative costs	(6,145)	(2,556)	(2,234)	(10,935)	4	(10,931)
Amortisation and depreciations	(440)	(267)	(62)	(769)	0	(769)
Provisioning	4,206	(807)	0	3,399	0	3,399
Impairments	(52,693)	(474)	(3,454)	(56,621)	(78)	(56,699)
<b>Profit/loss from ordinary operations</b>	<b>3,898</b>	<b>1,382</b>	<b>(709)</b>	<b>4,572</b>	<b>(1,434)</b>	<b>3,138</b>
Tax expense(income) related to profit from continuing operations	(421)	(244)	(813)	(1,478)	0	(1,478)
<b>Net profit for the financial period</b>	<b>3,477</b>	<b>1,138</b>	<b>(1,522)</b>	<b>3,094</b>	<b>(1,434)</b>	<b>1,660</b>

### 31.12.2013

#### ASSETS AND LIABILITIES

<b>Total assets</b>	<b>3,787,565</b>	<b>65,852</b>	<b>120,551</b>	<b>3,973,968</b>	<b>(34,393)</b>	<b>3,939,575</b>
- long-term interests in subsidiaries, associates and joint ventures	8,831	0	0	8,831	(8,412)	419
<b>Liabilities (other than equity) by segment</b>	<b>3,441,772</b>	<b>40,442</b>	<b>130,701</b>	<b>3,612,915</b>	<b>(47,303)</b>	<b>3,565,612</b>
<b>Total equity</b>	<b>345,793</b>	<b>25,410</b>	<b>(10,151)</b>	<b>361,052</b>	<b>12,911</b>	<b>373,963</b>
Increase/decrease in property, plant and equipment and intangible assets	(154)	(283)	4	(433)	(488)	(921)

## 12.3 Fair Values of Financial Assets and Liabilities

Fair values of financial assets and liabilities measured at fair value:

	SID Bank					
	30.09.2014			31.12.2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>						
Financial assets for trading	0	0	0	0	0	0
Available-for-sale financial assets	338,603	152,137	490,740	337,221	7,212	344,433
- <i>debt securities</i>	338,603	144,195	482,798	337,221	5,037	342,258
- <i>equities</i>	0	7,942	7,942	0	2,175	2,175
Derivatives used for hedging	0	26,963	26,963	0	36,095	36,095
Total financial assets	338,603	179,100	517,703	337,221	43,307	380,528
<b>Financial liabilities measured at fair value</b>						
Financial liabilities for trading	0	9	9	0	17	17
Derivatives used for hedging	0	0	0	0	129	129
Total financial liabilities	0	9	9	0	146	146

	SID Bank Group					
	30.09.2014			31.12.2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>						
Financial assets for trading	0	0	0	0	0	0
Available-for-sale financial assets	357,847	152,137	509,984	357,729	7,212	364,941
- <i>debt securities</i>	357,847	144,195	502,042	357,729	5,037	362,766
- <i>equities</i>	0	7,942	7,942	0	2,175	2,175
Derivatives used for hedging	0	26,963	26,963	0	36,095	36,095
Total financial assets	357,847	179,100	536,947	357,729	43,307	401,036
<b>Financial liabilities measured at fair value</b>						
Financial liabilities for trading	0	9	9	0	17	17
Derivatives used for hedging	0	0	0	0	129	129
Total financial liabilities	0	9	9	0	146	146

Financial instruments, which the SID Bank and the SID Bank Group presents according to fair value in its statement of financial position are financial assets and liabilities intended for trading, available-for-sale financial assets and derivatives used for hedging.

Financial assets and liabilities for trading and derivatives used for hedging, which include interest rate swaps, are valued by acknowledging market interest rates and yield curves.

Fair value of available-for-sale financial assets is determined by prices quoted on active markets for identical assets, by prices quoted for similar assets and by prices quoted for identical or similar assets on inactive markets.

Table of transfers between levels of valuation:

<b>SID Bank in SID Bank Group</b>	
Transfers from level 1 to level 2	
<b>Financial assets measured at fair value</b>	
Financial assets for trading	0
Available-for-sale financial assets	34,393
- <i>debt securities</i>	<i>34,393</i>
- <i>equities</i>	<i>0</i>
Derivatives used for hedging	0

## 12.4 Contingent and Potential Liabilities

	<b>SID Bank and SID Bank Group</b>	
	30.09.2014	31.12.2013
Guarantees	25,936	35,439
Liabilities from approved unused loans	28,927	11,015
<b>Total assumed commitments</b>	<b>54,863</b>	<b>46,454</b>
Provisions for off-balance-sheet liabilities	(12,865)	(7,981)

In 2014, while the contingent liabilities fell by EUR 8.4 million, approved guarantees increased due to the assumed risks of the Prvi faktor Group. However, the balance of approved unused loans decreased significantly. Higher provisions in this item are the result of higher risk level of the potential liabilities.

## 13 EVENT AFTER REPORTING DATE

The European Central Bank published the results of stress tests on 26 October 2014. SID Bank successfully concluded comprehensive assessment as there was no capital shortfall ascertained. This applies to the AQR Adjusted CET1 Ratio, which in the case of SID Bank is 22.83% to the threshold of 8%, for the Adjusted CET1 Ratio after Baseline Scenario, which in the case of SID Bank is 23.80% to the threshold of 8%, as well as for the Adjusted CET1 Ratio after Adverse Scenario which is 14.45% to the threshold of 5.5%.

That indicates that the business model of SID Bank, including its risk management, is robust enough and consequently no recapitalization in the short and medium term will be needed, providing that the business model and other presumptions remain the same.