ANNUAL REPORT OF

SID BANK AND SID BANK GROUP

FOR 2009

Company name:	SID – Slovene Export and Development Bank, Inc., Ljubljana
Address:	Ulica Josipine Turnograjske 6, SI-1000 Ljubljana, Slovenia
ID Number:	5665493
VAT Identification Number:	SI 82155135
Telephone:	+386 1 200 75 00
Management Board:	+386 1 200 75 53
Telefax:	+386 1 200 75 75
E-mail:	info@sid.si
Website:	http://www.sid.si

Companies of SID Bank Group

SID – Prva kreditna zavarovalnica d.d., Ljubljana
Ulica Josipine Turnograjske 6, SI-1000 Ljubljana, Slovenia
tel.: +386 1 200 58 00; fax: +386 1 425 84 45
http://www.sid-pkz.si

PRO KOLEKT, družba za izterjavo, d.o.o.
Ulica Josipine Turnograjske 6, SI-1000 Ljubljana, Slovenia
tel.: +386 1 200 75 90, fax: +386 1 421 06 21
http://www.prokolekt.si

PRO KOLEKT d.o.o., Rapska cesta 46B, 10000 Zagreb, Croatia
tel.: +385 1 617 70 08, fax: +385 1 617 72 16
http://www.prokolekt.hr
PRO KOLEKT d.o.o. Bulevar Goce Delčev 11, 1000 Skopje, Macedonia
tel./fax: +389 2 312 18 13
http://www.prokolekt.com.mk
PRO KOLEKT d.o.o., Bulevar Mihajla Pupina 10ž/222, 11070 Novi Beograd, Serbia
tel.: +381 11 213 93 81
http://www.prokolekt-serbia.com
S.C. Pro Kolekt Credit Management Services Bucuresti s.r.l.
Prof. George Murgoci Str. 2, District 4, 040526 Bucuresti, Romania
tel.: +40 21 335 90 30, fax: +40 21 337 03 43
Pro Kolekt Sofia EOOD, 65, Shipchenski prohod Blvd., 1574 Sofia, Bulgaria
tel./fax: +359 2 971 44 63
Pro Kolekt d.o.o. Sarajevo, Ulica Hamdije Čermelića 2, 71000 Sarajevo, Bosnia and Herzegovina, tel.: +387 70 35 80, fax: +387 70 35 81

PRVI FAKTOR, faktoring družba, d.o.o.,
Slovenska cesta 17, SI-1000 Ljubljana, Slovenia
tel.: +386 1 200 54 10; fax: +386 1 426 07 47
http://www.prvifaktor.si

PRVI FAKTOR, faktoring društvo, d.o.o., Hektorovićeva 2/V,10000 Zagreb, Croatia
tel.: : +385 1 617 78 05; fax: +385 1 617 66 29
http://www.prvifaktor.hr
PRVI FAKTOR - faktoring d.o.o., Bulevar Mihajla Pupina 165/v, 11070 Novi Beograd, Serbia
tel.: +381 11 2225 400; fax: +381 11 2225 444
http://www.prvifaktor.co.yu
PRVI FAKTOR d.o.o., finansijski inžinjering, Džemala Bijedića bb,
71000 Sarajevo, Bosnia and Herzegovina
tel.: +387 33 767 210, faks: +387 33 767 211
http://www.prvifaktor.ba

Center za mednarodno sodelovanje in razvoj
(Centre for International Cooperation and Development)
Kardeljeva ploščad 1, SI-1000 Ljubljana, Slovenia
tel.: +386 1 568 13 96, fax: +386 1 568 15 85
http://www.cmsr.si

Contents

Statement by the President of Management Board

Dear Ladies and Gentlemen,

In 2009, activities were heavily impacted by the crisis in economic and financial markets, though SID Bank performed strongly and was successful in demonstrating its importance and generating high value added to the Slovenian economy and the Bank's owner. The set of strategic objectives were met in all the Bank's activities and even exceeded in several. The Bank's total asset growth rate totalled 45 percent, rising to EUR 3 billion. According to these figures, SID Bank ranks fifth among Slovenian banks in business volume and equity, and first in direct and indirect new financing extended to the Slovenian banks and companies.

The main drivers behind the success were SID Bank's action strategy and business model (both have proved appropriate in the harsh conditions), sound risk management and, in particular, the employees who played the major role in adapting the Bank to face the challenges brought by the crisis.

The crisis forced economic entities, in particular financial institutions, to adjust their market position and modify their financial structures. Consequently, the cash flows from investing and financing were utilized differently than before the downturn. This created an opportunity for SID Bank, whose core task is filling the market gaps, to expand its activities by focusing on anti-crisis measures.

Working to ease the liquidity and credit crunch that hit Slovenia's banking/financial system hard, SID Bank issued another bond at the beginning of 2009 worth EUR 250 million in an attempt to enhance the liquidity and creditworthiness of both banks and companies. Throughout the year, the Bank maintained high lending and insurance levels that it set in the last quarter of 2008 when the crisis intensified. Its intensive response to the credit crunch resulted in a 44 percent growth in loans to Slovenian banks and corporate clients, totalling EUR 1.5 billion gross and in a rise in export credit insurance against both non-marketable and marketable risks.

In 2009 SID Bank provided the Slovenian corporate sector with numerous credit lines intended for export financing, research and development, environmental protection, energy efficiency, and financing of municipalities and infrastructure projects. The Bank's funds were extended, in one form or another, to over 1500 Slovenian companies. Special attention was paid to financing small and medium-sized enterprises (SMEs) and automotive industry. Based on the findings that in the time of crisis Slovenian industry in dire need of a capital injection, SID Bank worked with the European Investment Bank (EIB) to provide a special credit line for the financing of automotive industry. These long-term loans were designed to enable local suppliers to make a "development breakthrough" in the manufacture of components for the new generation of automotive technology with lower CO_2 emissions and higher energy efficiency.

In view of the fact that in 2009 business was done in considerably more demanding conditions with increased liquidity and credit risks, the Bank closed the year with a slightly lower profit than planned (EUR 0.9 million). The operating result for the year reflected the higher credit involvement and higher risks SID Bank had assumed as a result of the crisis. Accordingly, the Bank created impairments and provisions totalling EUR 21 million (in 2008: EUR 11 million), arising mostly from impairments for new transactions. The quality of loan portfolio, however, showed no considerable change or deterioration. Capital adequacy remained high above the regulatory and internal minimum.

Transactions conducted on behalf and for the account of the state, pertaining to insurance against non-marketable risks, reached EUR 953 million, up from EUR 914 million in 2008). As private insurers and reinsurers started to withdraw from the market, SID Bank introduced several anti-crisis products (e.g., insurance of non-shareholders' loans) and assumed additional non-marketable risks. However, a sizeable increase in claims paid (EUR 5 million) and a crisis-induced decline in exports (down by 20 percent) reduced the Bank's operating result from this activity to EUR 0.1 million in 2009 from EUR 6.9 million in 2008.). Potential claims rose as well, pushing the figure for 2009 to EUR 36.2 million (2008: EUR 8.7 million).

An important part of the Bank's activities in 2009 was the crisis- related mandate from the Government to jointly prepare appropriate guarantee schemes for the banking and corporate sector. The guarantee schemes were implemented, on behalf and for the account of the state, first for corporate clients and then also for natural persons. Striving to secure financial support for the implementation of guarantee schemes and to refinance banks and companies, SID Bank intensified efforts in launching new products. At the point when the country's market was hamstrung by the lack of new funding, SID Bank was still able to provide financing to the economy, and was Slovenia's only bank which continued, and was successful in, obtaining funds on the international markets.

The Bank carried out efficient risk management for existing and newly emerging risks and adapted its risk portfolio accordingly. The risk portfolio was modified to reflect the changes in operational risks and portfolio quality, as well as the reputation risk arising from a series of new tasks the Bank had undertaken in 2009. It is important to note that despite the newly introduced activities the Bank managed to enhance its cost efficiency, with the ratio of operating costs to net revenues (CIR) totalling 22 percent at the end of 2009. Implementation of certain other projects, aimed at optimizing processes, costs and IT solutions, was limited due to the dispersal of activities and the intensity of operations conducted under crisis conditions. Completion of said projects is now expected in 2010.

Due to intensive operations in the domestic market, SID Bank's international involvement decreased slightly in 2009. However, the Bank continues to exchange experiences on anti-crisis measures with other partners within the framework of the ISLTC (Club of Institutions of the European Union Specialising in Long-Term Credit) , EAPB (European Association of Public Banks), NEFI (Network of European Financial Institutions for Small and Medium Sized Enterprises), and in particular the Berne Union (International Union of Export Credit and Investment Insurers).

Adverse conditions in 2009 were the primary reason for weaker operating results at most Group companies. The Most negatively affected was SID – Prva kreditna zavarovalnica, whose low results are related to the specific nature of a operations that insures receivables against the risk of non-payment. Payment default risk and insolvency have increased dramatically during the crisis but the long-term relations with clients and the long-term importance of insurance for the Slovenian economy have made withdrawal of insurance largely impossible, pushing the company's result for the year 2009 in the negative, with the estimated claims paid totalling EUR 44 million. However, harsh conditions have clearly pointed out the advantages and synergies of the Group's structure, in particular with regards to insurance against marketable and non-marketable risks and debt collection, in which PRO KOLEKT played a crucial role.

In addition to the suitability of SID Bank's business model, the crisis has also affirmed the effectiveness of the Bank's HR policies; despite the extraordinary circumstances the employees in both SID Bank and SID Bank Group managed to achieve the expected results. Therefore, we would like to extend our thanks to all employees, and also to the owners and business partners, for their unwavering trust and support.

The future economic trends and developments in financial markets are uncertain. It is our assumption that the economic conditions will improve very slowly and at a varying rate of intensity, which will enhance the role of SID Bank in the future years. To cope with the challenge, the Bank is developing new financial products and services for the sustainable development of Slovenia.

Also, we are certain that the only answer to the current development paradigm is a fresh, comprehensive development model with SID Bank as one of its financial pillars. We eagerly await the challenge, equipped with our knowledge, financial strength and ability to assume risks. In 2009, SID Bank Strategy and business model for the period up to 2013 were adapted to incorporate the recent developments.

Therefore, we hold a cautiously optimistic stance; we intend to implement the planned strategic objectives and continually adapt to the changing demands of the environment. We are aware of our responsibility and willing to act in support of the sustainable development of Slovenia's economy. This is our mission. In these times, it is even more important to be aware of the fact that the only way to mitigate risks and finance a better future is through a comprehensive, innovative and long-term approach. We are sure that in the next couple of years, which will be crucial for Slovenian economy, we will again prove this to you.

Yours faithfully,

Sibil Svilan, M.Sc.

Report of the Supervisory Board on the review and approval of the 2009 Annual Report of SID bank and SID bank Group

In 2009 SID Bank's operations were overseen by the Supervisory Board in the following compositions:

From 1 January to 23 April 2009 the Supervisory Board consisted of the following members: Mitja Gaspari, M.Sc., Chairperson; Franc Križanič, Ph.D., Deputy Chairperson; Gregor Golobič; Maja Klun, Ph.D.; Matej Lahovnik, Ph.D.; Zlata Ploštajner, M.Sc.; Ivan Svetlik, Ph.D., and Stanislava Zadravec Caprirolo, M.Sc. From 23 April 2009 the Supervisory Board's composition was as follows: Andreja Kert, Chairperson; Samo Hribar Milič, M.Sc., Deputy Chairperson; Aleš Berk-Skok, Ph.D.; Marko Jaklič, Ph.D.; Gregor Kastelic, M.Sc.; Peter Kraljič, Ph.D., and Viljem Pšeničny, Ph.D.

The Supervisory Board comprehensively monitored and supervised the operations of the Bank against its set strategic goals and business objectives, working in accordance with the Rules of Procedure of the Supervisory Board, the Statute of SID Bank, and in line with the regulations stating the authorities of the Supervisory Board.

Professional support for the work of the Supervisory Board was provided by the Audit Committee, which studied the issues and drew up opinions mainly with regard to the accounting policies and accounting data, risk management, internal audit and controls, and external audit.

In 2009, the Supervisory Board met at seven (7) regular and five (5) correspondence meetings where it studied periodical reports on the operations of SID Bank and the companies of the SID Bank Group, reports prepared by the Internal Audit and other departments of the Bank, and other general and specific issues related to the business operations of the company, and decided on the matters within its powers.

In 2009 the Supervisory Board discussed and decided on the following important issues:

- the Annual Report for 2008, the Independent Auditor's Report, and the proposal concerning the distribution of accumulated profit,
- the Bank's Action Strategy for the period ending in 2013,
- the annual operational plan and financial plan for the year 2010,
- internal audit report for 2009 and quarterly internal audit reports for 2009,
- the findings made by the Bank of Slovenia and other supervision bodies,
- risk management strategy and policies, and the Bank's risk profile,
- Compliance Management Work Plan,
- code of ethics and professional standards of the Bank,
- borrowings of the Bank,
- implementation of anti-crisis measures, including the review of financial plan for 2009,
- increase in capital of SID – Prva kreditna zavarovalnica.

In monitoring and supervising the business operations of SID Bank, the Supervisory Board obtained all the information necessary for continuous evaluation of results achieved and of the performance of the Management Board, and adopted decisions within its powers.

At its meeting held on 22 April 2010, the Supervisory Board examined in detail the Annual Report of SID – Slovenska izvozna in razvojna banka d.d., Ljubljana and group SID – Slovenska izvozna in razvojna banka d.d., Ljubljana for 2009 together with the reports of certified auditors prepared by the auditing company Deloitte revizija d.o.o., which gave its positive opinion on the financial statements of SID Bank and the SID Bank Group for 2009. According to the Independent Auditor's Report, the financial statements give a true and fair view of the financial position of SID – Slovenska izvozna in razvojna banka d.d., Ljubljana and group SID – Slovenska izvozna in razvojna banka d.d., Ljubljana as of 31 December 2009 and of its financiral performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU, and the Bank's business report is consistent with the audited financial statements.

The Supervisory Board had no comments as to the Independent Auditor's Report of Deloitte revizija d.o.o.

Upon examination of the Annual Report, the Supervisory Board had no reservations to and gave its approval to the 2009 Annual Report of SID – Slovenska izvozna in razvojna banka d.d., Ljubljana and group SID – Slovenska izvozna in razvojna banka d.d., Ljubljana.

Andreja Kert
Chairperson of the Supervisory Board

1. HIGHLIGHTS FROM THE BUSINESS OPERATIONS OF 2009

Introduction

As at 31 December 2009, SID Bank Group consisted of the following companies:

	Relationship	Ownership share of SID Bank
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.	Subsidiary company	100%
PRVI FAKTOR, faktoring družba, d.o.o.	Joint venture	50%
Centre for International Cooperation and Development	Co-foundation	-

Notes in the continuation of this report refer to SID Bank and SID Bank Group and shall be read together as one. The consolidated statements of SID Bank Group include SID-Prva kreditna zavarovalnica d.d., Ljubljana by the method of full consolidation and the PRVI FAKTOR Group by the proportional consolidation method. Due to its immateriality for the financial position of SID Bank Group, the PRO KOLEKT Group is not included in the consolidation (cf. Notes, Chapter II, points 2.1.2. and 2.1.3.).

Business results of SID Bank and SID Bank Group in 2009 or as at 31 December 2009

Business results of SID Bank from operations on own account

- **Total assets:** EUR 3.0 billion (up by 44.9%)
- **Loans given:** EUR 3.0 billion (up by 46.8%)
- **Net profit for the year:** EUR 0.9 million (down by 65.7%)
- **Guarantees and assumed risks:** EUR 38.8 million (down by 46.3%)

SID Bank Key Figures

in EUR million	**2007**	**2008**	**2009**
Number of shareholders	85	1	1
Total assets	1,248.7	2,087.7	3,024.9
Loans given	1,164.1	1,952.2	2,922.4
Nominal capital	89.6	140.0	300.0
Equity	107.6	160.8	322.0
Net profit for the year	3.6	2.8	0.9
Return on equity after tax (ROE)	3.72%	2.28%	0.54%
International credit rating (Moody's)	-	-	Aa2
Number of employees (31 Dec.)	69	76	87

Business volume and results from operations on behalf and for the account of the Republic of Slovenia

- **Export credit and investment insurance against non-marketable risks** on behalf and for the account of the state: EUR 952.5 million (an increase of 4.2%), broken down into: short term export credit insurance EUR 227,9 million, medium term export credit insurance EUR 22,8 million, and outward investment insurance EUR 701,8 million.
- **Premiums:** EUR 4.8 million (up by 18.1%); claims: EUR 4.9 million (2008: EUR 13 thousand)
- **Contingency reserves**: EUR 120 million (up by 9.2%)
- **IREP funds**: EUR 7.6 million (up by 13.7%)
- **Guarantee Scheme for enterprises**: EUR 509 million in loan guarantee quota distributed in 2009
- **Guarantee Scheme for individuals**: EUR 38 million in loan guarantee quota distributed in 2009

Consolidated financial statements of SID Bank Group

- **Total assets:** EUR 3.2 billion (up by 39.7%)
- **Equity:** EUR 333.7 million (up by 85.5%)
- **Loss for the year:** EUR 5.4 million (in 2008: net profit EUR 2.9 million)
- **Return on equity after tax:** - 2.09% (in 2008: 1.86%)

SID Bank Group Key Figures

in EUR million	**2007**	**2008**	**2009**
Number of shareholders	85	1	1
Total assets	1,437.0	2,301.7	3,215.6
Loans given	1,312.3	2.112,4	3.049,5
Equity	127.6	179.9	333.7
Net profit/loss for the year	6.7	2.9	-5.4
Return on equity after tax (ROE)	5.45%	1.86%	-2.09%
Number of employees (31 Dec.)	241	287	306

Business results of SID Bank Group companies in 2009 or as at 31 December 2009

SID – Prva kreditna zavarovalnica d.d., Ljubljana

- Equity: EUR 9.2 million (down by 45.7%), including credit risk equalisation reserve in the amount of EUR 0.8 million (down by 91.6%)
- Business volume (domestic and export credit insurance against marketable risks): EUR 4.0 billion (down by 23.0%)
- Gross claims paid: EUR 11.4 million (up by 149.6%)
- Loss ratio: 104.7% (in 2008: 32.8%)
- Total assets: EUR 62.7 million (up by 21.7%)
- Loss for the year: EUR 6.5 million (in 2008: net profit EUR 0.4 million)

PRO KOLEKT, družba za izterjavo, d.o.o.

- Equity: EUR 1.9 million (up by 30.4%)
- Value of debts collected: EUR 9,2 million (up by 235,9%)
- Total assets: EUR 0.5 million (up by 57.7%)
- Net profit: EUR 44.1 thousand (in 2008: loss of EUR 0.1 million)

PRO KOLEKT Group

- Made up of PRO KOLEKT, Ljubljana, and its subsidiaries in Zagreb, Belgrade, Sarajevo, Skopje, Bukarest, and Sofia
- SID Bank's equity: EUR 222.9 thousand (up by 91.8%); minority owners' equity: EUR 67 thousand
- Value of debts collected: EUR 12,4 million (up by 100,0%)
- Total assets: EUR 4.2 million (up by 7.7%)
- Net profit: EUR 0.1 million (in 2008: loss of EUR 56.6 thousand)

PRVI FAKTOR, faktoring družba, d.o.o.

- Equity: EUR 7.2 million (down by 28.3%)
- Value of receivables purchased: EUR 217.0 million (down by 27.8%)
- Total assets: EUR 134.0 million (down by 14.4%)
- Net profit: EUR 1.8 million (in 2008: EUR 4.7 million)

PRVI FAKTOR Group

- Made up of PRVI FAKTOR, Ljubljana, and its subsidiaries in Zagreb, Belgrade, Sarajevo, and Skopje
- Equity: EUR 11.0 million (down by 24.5%)
- Value of receivables purchased: EUR 819.0 million (down by 20.7%)
- Total assets: EUR 336.0 million (down by 8.8%)
- Net profit: EUR 1.1 million (in 2008: EUR 3.0 million)

Centre for International Cooperation and Development

- SID Bank co-founded the institution Centre for International Cooperation and Development
- Operating income: EUR 0.5 million (up by 10.4%)
- Net revenue surplus in the busines year: EUR 0 (in 2008: EUR 5 thousand).

2. CORPORATE PROFILE OF SID BANK

Legal status and history

- SID Bank was established on 22 October 1992 under the name of Slovenska izvozna družba, družba za zavarovanje in financiranje izvoza Slovenije, d.d., Ljubljana (hereinafter referred to as SID), a specialised private-law financial institution for insurance and financing of exports of the Republic of Slovenia. The operation of SID Bank was governed by the Export Insurance and Finance Corporation of Slovenia Act, adopted in 1992.
- The Corporation was entered into the Register of Companies at the District Court of Ljubljana with Decision No. SRG 8096/92 of 27 October 1992, under record entry number 1/19966/00.
- The Act on Insurance and Finance of International Business Transactions (ZZFMGP), which entered into force in February 2004, codifies the fundamental principles governing the insurance and financing of international business transactions as Slovenia's trade policy instruments, and defines the role of the Republic of Slovenia in such transactions. Pursuant to the ZZFMGP, SID was obligated to harmonise its insurance-related operations which it had conducted on its own behalf and for its own account with the regulations governing the operation of insurance companies by 31 December 2004, and to harmonise its non-insurance related operations (i.e. operations not regulated by the ZZFMGP) with the regulations governing the operation of banks by 31 December 2006. Acting in accordance with the law, SID:
  - signed an agreement with the Ministry of Finance on the regulation of mutual relations concerning implementation of Chapter II of the ZZFMGP on 1 December 2004;
  - established an insurance company to which it transferred the portfolio of marketable insurance performed on its own behalf up until the end of 2004; SID – Prva kreditna zavarovalnica d.d., Ljubljana, wholly-owned by SID held a 100 percent ownership share, was entered into the Register of Companies on 31 December 2004;
  - in 2006 completed the project of transforming into a bank in compliance with the deadlines specified in the Decision on Harmonising Business Operations of Slovenska izvozna družba, d.d., Ljubljana with the Regulations Governing the Operation of Banks, issued by the Bank of Slovenia pursuant to the ZZFMGP, by obtaining a banking license to provide banking and other financial services from the Bank of Slovenia on 18 October 2006. Upon entry into the Register of Companies on 29 December 2006, the company was renamed SID – Slovenska izvozna in razvojna banka, or SID Bank, Inc., Ljubljana for short[1], and
  - began formally operating as a specialised bank on 1 January 2007.
- On 23 May 2008 the National Assembly of the Republic of Slovenia passed the Slovene Export and Development Bank Act (hereinafter ZSIRB). The Act entered into force on 21 June 2008 and, pursuant to the provisions of Article 21 of the ZSIRB, became applicable from the date when the Republic of Slovenia became the single shareholder of SID Bank, namely from 18 September 2008. The ZSIRB bestows upon SID Bank two mandates: firstly, SID Bank shall be Slovenia's specialized promotional, export and development bank authorized to promote and pursue the activities under the ZSIRB and, secondly, the Bank shall have the authority to perform all transactions under the ZZFMGP.
- On its own behalf and for its own account SID Bank acts in accordance with the ZSIRB by performing mainly financial services in segments where market gaps occur or have been observed. In conducting its operations, SID Bank uses all financial instruments provided for by the existing legislation. As a national export credit agency (ECA), SID Bank performs insurance against non-marketable risks and conducts the Interest Rate Equalization Programme (IREP) on behalf and for the account of the Republic of Slovenia.

Capital

- On 16 March 2009 the National Assembly of RS adopted the Act Amending the Slovene Export and Development Bank Act (ZSIRB). The amendments included Article 4 of the ZSIRB which stipulates the amount of share capital of SID Bank. The minimum amount of the share capital of SID Bank after the amendment shall be equal to EUR 300 million. Further, the amended Article 4 of the ZSIRB states that the distributable profit of the SID Bank shall not be utilized for distribution to the shareholders and shall be transferred to other profit reserves.
- In consideration of the above amendments, at the General Meeting of Shareholders, held on 20 May 2009, the Republic of Slovenia as the single shareholder of SID Bank endorsed a decision to increase the share capital from EUR 140 million to EUR 300 million through the issue of 1,664,933 new ordinary no-par value shares in a total value of EUR 160 million. All the newly issued shares are held by the single shareholder, Republic of Slovenia. The capital increase was entered into the Register of Companies on 14 August 2009.
- At the Annual General Meeting of SID Bank held on 28 July 2009, a decision was taken that the distributable profit for the year 2008 totalling EUR 657 thousand shall be transferred to other profit reserves.

The capital was EUR 300 million as at 31 December 2009 compared to EUR 140 million as at 31 December 2008.

[1] In the continuation of this Annual Report, regardless of the time of operation and the change of company name, SID Bank, Inc., Ljubljana, and prior to 29 December 2006 Slovene Export Corporation, Inc. Ljubljana, are referred to as SID Bank or SID, whereas all capital-linked SID Bank companies are referred to as SID Bank Group or SID Group.

- The nominal capital is divided into 3,121,741 ordinary registered no-par value shares issued in uncertificated form. The central securities register and all securities trading procedures are managed by the Central Securities Clearing Corporation in Ljubljana.
- Equity was EUR 322.0 million as at 31 December 2009. The audited book value per share as at 31 December 2009 was EUR 103.75 and EUR 111.76 as at 31 December 2008.

Shareholders as at 31 December 2009

Shareholders	Number of shares	Ownership share
Republic of Slovenia	3,103,296	99.4%
SID banka – own shares	18,445	0.6%
Total	3,121,741	100.00%

The voting rights of the shareholders of SID Bank are not limited, and the one share-one vote principle is applied. Financial rights attached to shares are linked to share ownership. Pursuant to the provisions of Article 4 of the ZSIRB, the Republic of Slovenia is the single shareholder of SID Bank.

Role, purpose and tasks of SID Bank

On the basis of, and in accordance with the following:

- the Slovene Export Insurance and Finance Corporation Act, on the basis of which SID was established in 1992 as a financial institution for insurance and financing of exports and for performance of other transactions aimed at encouragement and promotion of economic relations with foreign countries;
- the Act on Insurance and Financing of International Business Transactions (ZZFMGP), which regulates the fundamentals of insurance and financing of international business transactions as Slovenia's trade policy instruments;
- the Slovene Export and Development Bank Act (ZSIRB), which designates SID Bank as a specialised Slovene export and development bank authorised to engage in activities specified in the ZSIRB and as an authorised institution under the ZZFMGP;
- other laws and individual documents governing the promotional and development forms and instruments of the Slovenian, European and international economic activities in covering market gaps and other (permitted) forms of interventions and assistance, in particular international development cooperation, through exercising individual rights and obligations and the role of the Republic of Slovenia and its institutions in actively pursuing the objectives set forth in the development strategy of the Republic of Slovenia;

the role, purpose and tasks of SID Bank are to promote, in the general economic and public interests, in particular through appropriate financial instruments and services:

- a balanced and sustainable economic development of the Republic of Slovenia, through financing and insurance for international business transactions and cooperation as well as other forms of operation of economic operators, in particular SMEs, in Slovenia; research and innovation, along with other forms of economic and development cooperation which increase competitiveness and excellence of economic operators in the territory of the Republic of Slovenia;
- a sustainable development of the environment characterized by a high degree of protection of the environment and habitat, public and utility infrastructure, and in particular energy efficiency, with special stress on voluntary restraint and quality as well as local factors;
- social progress, education and employment and other diverse forms and methods of significance in these areas in the Republic of Slovenia and abroad through international development cooperation;

and other forms of economic activities contributing to the growth, development and prosperity, whereby the management and supervision bodies of SID Bank will, within the framework of the Bank's strategic policies, strive to meet the requirements of the users of such services and exercise as well as progressively improve the same by way of introducing and implementing:

- systems for overall assessment and management of specific development risks,
- quality management systems, and
- corporate and social responsibility.

Furthermore, the ZSIRB authorizes SID Bank to pursue its activities concerning deployment of EU funds and other assets from the EU budget. In so doing, SID Bank may, under agreements concluded with the competent Ministries and other national authorities, entities and persons, extend diverse types of development finance and carry out various measure packages of the Republic of Slovenia as well as other schemes and projects compliant with EU rules, and for this purpose participate in various ways with European financial institutions.

In conducting its operations, SID Bank may use all financial instruments provided for in the existing legislation, namely loans, guarantees and other forms of collateral, purchase of receivables, financial leasing, concession credits and other international development cooperation instruments, other forms of finance, grants, subsidies, capital investments and other forms of risk assumption, with particular emphasis on combining the financial engineering instruments.

Activities

Financial services which SID Bank, in accordance with the law and with the approval of the competent authority, provided for own account in 2009, include:

- granting credits, financing of business transactions,
- issuing guarantees and other warranties,
- trading for its own account or for the account of clients in foreign currencies, including foreign exchange transactions, currency and interest financial instruments, transferable securities,
- trading for its own account with monetary market instruments,
- credit rating services: collection, analysis and provision of information on creditworthiness of legal entities.

Pursuant to the provisions of ZSIRB and after its date of implementation SID Bank used the above indicated services and financial instruments for to support economic, structural, social and other policies in the areas specified in Article 11, point 1, of the Act, as follows:

- international business transactions and international economic cooperation,
- economic incentives, with particular emphasis on small and medium-sized enterprises, entrepreneurship, and venture capital,
- research and development,
- education and employment,
- preserving the environment and energy efficiency,
- regional development,
- commercial and public infrastructure.

Under a legal authorisation provided for in the ZSIRB, SID Bank enjoys a status of an authorised institution under the ZZFMGP. For the account of the Republic of Slovenia, SID Bank carries out the following activities:

- short-term export credit insurance and reinsurance against non-commercial and other non-marketable risks,
- investment insurance against non-commercial risks,
- medium-term export credit insurance against commercial and/or non-commercial risks,
- Interest Rate Equalization Programme (IREP).

In performing its activities, SID Bank uses all financial instruments available to provide various forms of financing or related activities, also with an intent to promote international development cooperation. In the framework of international development cooperation that includes development and/or official assistance schemes of the Republic of Slovenia, SID Bank may also act in the role of an agent.

With consideration to its status and legal nature, the Bank may perform other tasks and activities under a special agreement concluded with the Republic of Slovenia or with other public-law entities.

SID Bank operations for the account of the Republic of Slovenia

SID Bank performs insurance of international business transactions against non-marketable risks and conducts the Interest Rate Equalization Programme on behalf and for the account of the Republic of Slovenia, as an agent of the state. The funds needed to ensure efficient provision of insurance under the ZZFMGP were guaranteed by the Republic of Slovenia in form of contingency and special contingency reserves, primarily utilised to settle liabilities to the insureds (claims payments), cover the cost of prevention and mitigation of future or reported losses, and to cover losses incurred. If the losses cannot be indemnified from the contingency reserves, the funds for claims payments are supplied by the Republic of Slovenia. Contingency reserves are set aside primarily from paid premiums, fees and commissions, recourses from paid claims and other revenues from insurance and reinsurance against non-marketable risks.

SID Bank manages contingency reserves under the agreement signed with the Ministry of Finance on 1 December 2004. In insurance operations a special role is played by the government-appointed International Trade Promotion Commission.

The operations which SID Bank as the national export credit agency (ECA) performs on behalf and for the account of the Republic of Slovenia are kept separate, in terms of management and accounting, from the operations which SID Bank performs for its own account.

In 2009 SID Bank, acting on authorisation by the Republic of Slovenia provided for in the Guarantee Scheme Act of the Republic of Slovenia (Official Gazette of RS 59/09 of 30 April 2009) and Guarantee Scheme Act of the Republic of Slovenia for Individuals (Official Gazette of RS, 33/09, of 30 July 2009), started a guarantee scheme for companies and a guarantee scheme for individuals (for more information, see 6.2.7.).

3. SID BANK GROUP

SID Bank is a constituent part of SID Bank Group, which also includes:
- SID – Prva kreditna zavarovalnica d.d., Ljubljana
- PRO KOLEKT, družba za izterjavo, d.o.o., with its subsidiaries
- PRVI FAKTOR, faktoring družba, d.o.o., with its subsidiaries

SID Bank is also a co-founder of the institute Centre for International Cooperation and Development.

SID – Prva kreditna zavarovalnica d.d., Ljubljana

The harmonisation of Slovenian legislation with the acquis communautaire and the adoption of new legislation, in particular the ZZFMGP, have led to changes in the organisational structure of SID and seen the expansion of the SID Group. As the sole owner of the company, SID established a specialised credit insurance company SID – Prva kreditna zavarovalnica d.d., Ljubljana (hereinafter PKZ), in 2004, thus harmonising its legal status and insurance-related business on own account with the regulations governing the operation of insurance companies.

PKZ was entered into the Register of Companies on 31 December 2004 and started operating on 1 January 2005. On that date, the insurance portfolio of short-term insurance which SID had conducted for its own account up to the end of 2004, was transferred from SID onto the assuming insurance company, PKZ.

The registered principal business activity of PKZ is the conclusion and execution of property insurance in the insurance class of credit insurance. The company provides insurance for short-term credits to private-law entities (normally, suppliers' credit for up to 180 days or, exceptionally, up to one year). PKZ provides insurance against commercial and non-commercial risks for companies selling abroad and/or in Slovenia on deferred payment, normally on open account. Insurance contracts are normally made on a whole turnover revolving basis covering the risks of non-payment on foreign and/or domestic markets.

In 2007 PKZ started and in 2008 and 2009 continued to conclude indirect insurance contracts used to provide coverage, based on facultative quota reinsurance, for insurance operations of loan collateral, collateralised with export credit agencies. The principal characteristics of insurance transactions insured in such a manner were the same as for direct insurance transactions.

The company is led by a two-member Management Board, represented by Mr. Ladislav Artnik, President of the Board, and Dr. Rasto Hartman, Member of the Board. The Supervisory Board is composed of three members: Mr. Jožef Bradeško, President, and Mr. Leon Lebar, Deputy President (since 27 July 2009; prior to that the position was held by Ms. Alenka Ferjančič) of SID Bank, and Mr. Ivan Štraus, Employee Representative of PKZ.

The nominal value of the equity interest owned by SID Bank was EUR 4.2 million as at 31 December 2009.

PRO KOLEKT, družba za izterjavo, d.o.o.

PRO KOLEKT, družba za izterjavo d.o.o., with registered offices at Ulica Josipine Turnograjske 6, Ljubljana (hereinafter PRO KOLEKT, Ljubljana), was established in 2004 by SID as its sole owner. The nominal capital of the company as at 31 December 2009 was SIT 418.8 thousand. The nominal value of the equity interest of SID Bank in PRO KOLEKT, Ljubljana, was also EUR 418.8 thousand.

PRO KOLEKT, Ljubljana, specializes in out-of-court debt collection. Originally, the company was established as a debt collection service for SID Group. Today it handles debt collection cases for creditors in Slovenia and abroad. Among foreign clients, the principals of PRO KOLEKT increasingly include export credit agencies and debt collection agencies. For foreign creditors, PRO KOLEKT, Ljubljana, performs representation in court proceedings (recovery of debt through court action, voluntary compositions, bankruptcy proceedings, etc.) and provides credit rating information.

Aware of the importance of South East European markets for the Slovenian economy and the comparative benefits associated with the presence in the regional market, PRO KOLEKT, Ljubljana, began setting up a network of subsidiaries in 2006 and has established six affiliates to date:
- PRO KOLEKT d.o.o., Zagreb, Croatia, specialising in entrepreneurial consulting, was founded on 1 February 2006 by PRO KOLEKT, Ljubljana, as its sole owner. The nominal capital of the company is EUR 23.8 thousand. The General Manager of the company is Mr. Ivica Balenović; the General Meeting of PRO KOLEKT d.o.o., Zagreb, is represented by the General Manager of PRO KOLEKT, Ljubljana. The nominal value of the equity interest owned by PRO KOLEKT, Ljubljana, as at 31 December 2009, equalled the balance of the nominal capital on the same day.
- PRO KOLEKT d.o.o., Skopje, Macedonia, specializing in entrepreneurial consulting, was founded on 6 July 2006 and is 80 percent owned by PRO KOLEKT, Ljubljana, and 20 percent owned by Mr. Vlado Naumovski. The nominal capital of the company is EUR 10.0 thousand. The General Manager of the company is Mr. Goran Markovski; the General Meeting of PRO KOLEKT, d.o.o, Skopje is represented by the General Manager of PRO KOLEKT, Ljubljana and Mr. Vlado

Naumovski. The nominal value of the equity interest owned by PRO KOLEKT, Ljubljana, as at 31 December 2009 equalled EUR 8.0 thousand.
- PRO KOLEKT, društvo za izterjavo dolga, d.o.o., Beograd, Serbia, specializing in other financial activities, was founded on 18 December 2006, and is wholly-owned by PRO KOLEKT, Ljubljana. The nominal capital of the company is EUR 25.0 thousand. The General Manager of the company is Mr. Nikola Debač; the General Meeting of PRO KOLEKT, društvo za izterjavo dolga, d.o.o., Beograd is represented by the General Manager of PRO KOLEKT, Ljubljana. The nominal value of the equity interest owned by PRO KOLEKT, Ljubljana, as at 31 December 2009, equalled the balance of the nominal capital on the same day.
- PRO KOLEKT CREDIT MANAGEMENT SERVICES BUCURESTI S.R.L., Bukarest, Romania, specializing in business consulting, was founded on 6 April 2007, with a nominal capital of EUR 25.0 thousand. The nominal capital of the company is EUR 39.2 thousand. PRO KOLEKT, Ljubljana holds a 51.02 percent ownership share of the company, Mr. Teodor Gigea 25.51 percent, and Roexpert S.R.L. Bucaresti 23.47 percent. The General Manager of the company is Mr. Teodor Gigea; the General Meeting of the company is represented by the General Manager of PRO KOLEKT, Ljubljana, the Director of Roexpert S.R.L.Bucuresti, and Mr. Teodor Gigea. The nominal value of the equity interest owned by PRO KOLEKT, Ljubljana, as at 31 December 2009 equalled EUR 20.0 thousand.
- PRO KOLEKT SOFIA EOOD, Sofia, Bulgaria, specializing in business consulting, was founded on 9 May 2007, with a nominal capital of EUR 25.0 thousand. The nominal capital of the company is EUR 40.0 thousand. PRO KOLEKT, Ljubljana owns 62.50 percent of the company, the remaining share of 37.50 percent is owned by Ms. Mariana Ikonomova, who is also the General Manager of the company. The General Meeting of PRO KOLEKT SOFIA EOOD is represented by the General Manager of PRO KOLEKT, Ljubljana, and Ms. Mariana Ikonomova. The nominal value of the equity interest owned by PRO KOLEKT, Ljubljana, as at 31 December 2009 equalled EUR 25.0 thousand.
- PRO KOLEKT d.o.o. Sarajevo, Bosnia and Herzegovina, specializing in business consulting, was founded on 13 July 2007 and is wholly-owned by PRO KOLEKT, Ljubljana. The nominal capital of the company is EUR 25.0 thousand. The General Manager of the company is Mr. Vedad Tuzović; the General Meeting of PRO KOLEKT d.o.o., Sarajevo, is represented by the General Manager of PRO KOLEKT, Ljubljana. In 2009 the owner carried out a capital increase in the amount of EUR 10.0 thousand, which was entered into the Register of Companies in February 2010. After the capital increase, the nominal value of the equity interest owned by PRO KOLEKT, Ljubljana, as at 31 December 2009, equalled the balance of the nominal capital on the same day.

The General Manager of PRO KOLEKT is Mr. Miloš Varga. The General Meeting of the company is represented by the Management Board of SID Bank.

PRVI FAKTOR, faktoring družba, d.o.o.

PRVI FAKTOR, faktoring družba d.o.o., with registered offices at Slovenska cesta 17, Ljubljana (hereinafter PRVI FAKTOR, Ljubljana), is the leading factoring company in Slovenia. The principal business activity of the company is the performance of factoring services for clients with registered offices in the Republic of Slovenia and abroad with regard to claims arising from the sale of goods and services. The company mainly provides the following services: repayment assumption or purchasing of claims arising from the sale of goods and services with or without protection against the risk of non-payment; financing of purchased claims; claims management; encashment and collection of claims; trading in claims; mediation and representation in factoring transactions in Slovenia and abroad.

In 2002 SID acquired a 50 percent equity interest and half of the voting rights in the company PRVI FAKTOR, the other shareholder being Nova Ljubljanska banka d.d., Ljubljana. The nominal value of the equity interest owned by SID Bank was EUR 1.6 million as at 31 December 2009.

PRVI FAKTOR, Ljubljana, has founded and is the sole owner of four enterprises:
- PRVI FAKTOR, faktoring društvo, d.o.o., Zagreb, Croatia, specializing in factoring. The company was founded on 17 March 2003 with a nominal capital of EUR 2.6 million. The General Manager of the company is Mr. Tomaž Kačar; the General Meeting is made up of the representatives from PRVI FAKTOR, Ljubljana.
- PRVI FAKTOR, faktoring d.o.o., Beograd, Serbia, specializing in factoring, was founded on 24 February 2005. The nominal capital of the company is EUR 1.3 million. The General Manager of the company is Mr. Dmitar Polovina; the General Meeting is made up of the representatives from PRVI FAKTOR, Ljubljana.
- PRVI FAKTOR d.o.o., financijski inženiring, Sarajevo, Bosnia and Herzegovina, specializing in other types of financial intermediation, was founded on 27 February 2006. The nominal capital of the company is EUR 451.0 thousand. The General Manager of the company is Mr. Nedim Rizvanović; the General Meeting consists of representatives from PRVI FAKTOR, Ljubljana.
- On 22 September 2006, PRVI FAKTOR d.o.o., Skopje was entered into the Register of Companies; the founding capital of the company is EUR 5.0 thousand. The company has not begun operating yet.

The company's bodies are the General Meeting and General Manager, Mr. Ernest Ribič. In 2009, SID Bank was represented at the General Meeting of PRVI FAKTOR, faktoring družba, d.o.o. , by Mr. Sibil Svilan (MSc) and Mr. Leon Lebar (since 22 May 2009; prior to that the position was held by Ms. Alenka Ferjančič).

The nominal value of the equity interests owned by PRVI FAKTOR, Ljubljana in the companies of the PRVI FAKTOR Group as at 31 December 2009 equalled the balance of the nominal capital of these enterprises on the same day.

Centre for International Cooperation and Development

Upon signing the second Amendment to the Agreement Concerning the Restructuring of the Centre for International Cooperation and Development (hereinafter CMSR) on 28 December 2006, SID Bank became a co-founder of CMSR with whom it had worked closely prior to the signing. The other co-founder is the Republic of Slovenia. The key activities of the institute are macroeconomic and political analyses of various countries, country risk assessments and similar macroeconomic and other analyses and public relations work. In recent years CMSR has become Slovenia's central institute to perform technical and operational tasks linked to international development cooperation on the basis of an authorisation issued by the Government of the Republic of Slovenia.

The CMSR management bodies are Director and Council of the Centre. The institute is represented by Mr. Gašper Jež, temporarily appointed Acting Director. The CMSR Council is made up of seven members; SID Bank's representatives sitting on the Council are Mr. Sibil Svilan (MSc), who is also the President of the Council, and Mr. Bojan Pecher.

4. INTERNATIONAL ECONOMIC ENVIRONMENT AND SLOVENIAN ECONOMY

World Economy in 2009

2009 was the year of continued slowdown in economic growth in the European Union (4.0 percent compared to 2008); the euro area faced a 2.1 decline in the fourth quarter of 2009 compared to the fourth quarter of 2008. Besides, there was a significant drop in the value of trade exchange, which was, in particular at the beginning of the year, the main reason for the economic insecurity.

According to Eurostat, GDP growth in the EU and in the euro area was negative in the first half of 2009 against the previous quarter while in the second half of the year 2009 minimal growth was recorded, namely 0.3 percent in the third and 0.1 percent in the fourth quarters.

At the start of 2009 all EU member states experienced a large contraction of GDP among which Lithuania’s, Latvia’s and Estonia’s GDP dropped most. Slovenia's GDP declined by 6.2 percent in the first quarter, placing Slovenia among the countries that were hit hardest by the crisis. In the second half of 2009 the majority of countries reported positive GDP growth or at least some weakening of the decline.

China's year-on-year GDP growth increased quarterly in 2009, reaching 10.7 percent in the last quarter with the annual growth rate amounting to 8.7 percent. According to the fist estimates, the annual growth rate in the USA in the last quarter of 2009 was 5.7 percent, and for the first time in four quarters the year-on-year GDP growth stood at 0.1 percent. In 2009 the USA experienced the biggest drop in GDP (-2.4 percent) since 1946.

In the countries of South East Europe, the largest drops in GDP were observed in Romania and Bulgaria (with 7.0 and 4.8 percent, respectively) and Albania with 2.3 percent. Serbia’s economy contracted by 3.1 percent, the economy of Montenegro shrank by 4.3 percent, of Bosnia and Herzegovina by 4.4 percent and that of Macedonia by 1.2 percent. According to the latest EBRD estimates, the Russian economy weakened by 8.7 percent, Ukrainian by 14.5 percent and the economy of Turkey by 5.6 percent.

The indicators in the international environment suggest continued economic growth. The expected recovery of economy in the year 2010 will vary from region to region while the fastest growth is to be expected in Asia. In its January report the International Monetary Fund expects a 1 percent GDP growth rate in the euro area and a 2.7 percent rise in the USA in 2010. Inflation in the euro area has been increasing moderately in the last months mainly as a result of the gradual fading of the effect of increased energy prices. The prices of oil and other raw materials are increasing, partly as a result of the global recovery.

Slovenian Economy in 2009

Slovenia's GDP dropped by 7.5 percent in 2009 and is expected to grow by 0.9 percent in the coming year while a strong economic upswing and a 2.5 percent increase of GDP is expected to begin only in 2011.

The year-on-year export par value in the first eleven months of 2009 was 20.3 percent lower, bringing the figure close to the average export figures in 2006. The imports show sharp fluctuations since they are affected not only by the export but also by domestic demand. Average year-on-year import value in the first eleven months of 2009 was 27.7 percent lower.

Year-on-year trade in services figures fell less (-11,5 percent) than trade in goods in the eleven months of 2009 (with the exception of November) by 24.3 percent. Similarly, the year-on-year par value of the export of services went down by 15.8 percent in November. A similar drop was reported for the period January-November 2009 (-15.4 percent), caused mainly by the reduction in exports related to road transport, travelling and construction services. The import of services in the eleven months of last year was lower by 5.7 percent.

As much as 85 percent of the year-on-year decrease in goods deficit was attributable to improved terms of trade. In the ten months of 2009 the average import prices dropped significantly more (9.4 percent) than the export prices (4.0 percent) while the conditions of trade experienced a year-on-.year improvement of 6.2 percent. In the eleven months of last year the trade surplus from travelling and road transport dropped most. The accumulated surplus in services trade balance was EUR 1,013.6 million, posting a drop of EUR 537.9 million over the same period previous year.

In the eleven months of the year 2009 the current account deficit reached EUR 114.2 million compared to EUR 1,952.8 million in the same period of 2008.

Net outflow from international financial transactions in the eleven months of last year was EUR 218.0 million while the in the same period of 2008 the figures show net inflows of EUR 1,910.2 million. The banking sector sold money market instruments and increased investments in capital market instruments.

Gross external debt stood at EUR 40.5 billion at the end of November last year with gross debt claims totalling EUR 30.1 billion. Slovenia’s total gross external debt increased by EUR 1.2 billion by November compared to the end of 2008. Net external debt was EUR 10.4 billion (28.9 percent of estimated GDP) at the end of November and had increased by EUR 0.5 billion or 2.3 percent compared to the end of 2008. Public debt and publicly guaranteed debt increased significantly in the eleven months of last year by EUR 4.7 billion to EUR 13.8 billion (34.2 percent of estimated GDP). Private non-guaranteed debt dropped by EUR 3.5 billion in the same period mostly due to deleveraging of domestic banks abroad (EUR 2.8 billion) and reached EUR 26.6 billion at the end of November 2009 (65.8 percent of estimated GDP).

Net flows in the entire year of 2009 were EUR 896.7 million, which is less than a fifth of the 2008 figure, two thirds of the figure linked to net household borrowing. Such downturn is mostly the result of a significant decline in corporate borrowing. The weakening of the year-on-year growth rate for loans to domestic customers other than banks stabilized significantly towards the end of the year, with annual growth rate reaching 2.8 percent. Harsh economic conditions pushed the share of unprofitable loans up to 2.3 percent, which is 0.5 percent more than at the end of 2008. Net household indebtedness in the year 2009 reached EUR 585.9 million, a drop of over 40 percent compared to the year before.

In mostly export-oriented sectors the production activity in the eleven months of 2009 experienced the lowest average drop against the same period of 2008 (16.3 percent) while the decline in the production activity in the processing industry averaged 19.7 percent and was down at the level of 2004.

Construction activity declined by 18.1 percent year-on-year, which is almost the average of eleven months. Even more, there was a plunge of 39 percent in new contracts for construction of residential buildings in the eleven months of 2009 compared to the year before.

In the year 2009 there were 60,951 new private cars and commercial vehicles that were licensed for the first time, which is 20.9 percent less than in 2008. The Slovenian automotive industry, which employs more than 24,500 workers and more than 100,000 people indirectly, contributes more than a fifth of the total Slovenia's export of goods and services and produces EUR 32,563 of value added per worker and 6 percent of GDP. The production of private cars represents about 9 percent (EUR 1.2 billion) of total export of goods and services. The production of spare parts or components (and accessories) for the automotive industry represents the value of more than EUR 1.5 billion, of which 80 percent are exported, and amounts to 12 percent of Slovenia's export of goods and services. Slovenian suppliers were hit hard by the crisis because of the strong connections that exist between them and the West European automotive industry.

Insolvency of legal entities increased greatly in 2009. According to AJPES (Agency of the Republic of Slovenia for Public Legal Records and Services), 5,252 legal entities had overdue financial obligations outstanding for more than five days in a month in the average daily amount of EUR 257 million. In 2009 (comparing December 2009 with December 2008) the number of such entities increased by 53.8 percent and the average daily amount of outstanding overdue financial obligations rose by 74.3 percent.

In 2009 the average unemployment rate was 86,354 persons, which is 23,139 or 36.6 percent higher than in 2008. A total of 90,528 persons lost their job in 2009, which is 37,484 or 70.7 percent more than in 2008

Year-on-year growth of total gross wages levelled off (1.3 percent) as well as the average annual growth rate, which reached 3.5 percent nominally in the eleven months of last year (8.3 percent in 2008). With low inflation rate the 2.7 percent real increase of gross salaries and wages exceeded the 2008 rise (2.2 percent).

Inflation rate in Slovenia in 2009 was among the highest in the euro area. The consumer prices rose on average by 0.9 percent in the euro area while in Slovenia they rose by 2.1 percent; despite the relatively modest increase, it was the third largest rise of prices of all the countries in the euro area. Core inflation, not including the prices of energy products, food, alcohol and tobacco, was also reduced by 2.1 percentage points (to 1.7 percent), mostly due to stagnation of the industrial products prices and lower growth of services prices.

After the banks had, in the preceding three months, recorded EUR 0.6 billion of net outflow of foreign investments, they posted net inflow in the amount of EUR 356.6 million in November, the highest since April 2008. In the eleven months of last year banks recorded net outflow of foreign loans and deposits in the amount of EUR 2.8 billion.

In December higher expenses from impairments and provisions in comparison with the month before brought the profit before taxation of banks (according to unaudited data) down to EUR 161 million, 47.5 percent less than in 2008.

According to the latest information available, the differences between the lending interest rates for businesses and deposits in Slovenia and the average rates of the euro area remain high. The difference in lending interes rates for businesses was reduced at the end of 2009 and reached the lowest level in the last ten months at 249 basis points. On the other hand, the borrowing rates exceeded the average euro area value of short term deposits by approximately 45 basis points. There was a somewhat bigger difference with interest rates for new long term deposits which were on average on the level of 130 basis points which is significantly less than the difference with active interest rates for businesses and NFIs. Slovenian interest rates were the highest in the euro area. The value of three-month EURIBOR interest rate remained on the same level in December as in the previous three months and was on average 0.71 percent.

On an annual basis the value of the turnover on Ljubljana Stock Exchange was EUR 904.0 million, nearly 30 percent less than in the year 2008. Considering the large drop in shares trading and the practically stagnating market capitalisation of shares, the liquidity on Ljubljana Stock Exchange, measured as the ratio between the turnover and market capitalisation, dropped to 0.08 in the year 2009, the lowest level in the last three years.

The net position of Slovenia's budget to the budget of the European Union was again positive in 2009, in the amount of EUR 155.7 million. The disbursement of allocated funds was 73 percent and is comparable to 2006, which was, with the planned 77 percent disbursement of funds, the most successful year for Slovenia so far.

In the eleven months of last year the national budget of Slovenia in relation to the EU budget achieved budgetary surplus in the amount of EUR 62.0 million. In 2009 Slovenia paid EUR 439.3 million into the EU budget which is almost EUR 13 million less than it was planned in the national budget with the second amending budget.

The Fitch Ratings agency confirmed the current 'AA' credit rankings for Slovenia's long-term debt in foreign and local currency (IDR); prospects are stable. The agency also confirmed the 'F1+' credit ranking for short-term operations in foreign currency and 'AAA' ranking for the general limitation on transfers of payments abroad (Country Ceiling). In their latest report Dun & Bradstreet kept Slovenia's DB2c rating, which means low level risk. In the annual report on Slovenia, Moody's Investor Service determines that the Aa2 rating of the country and government bonds with stable prospects indicate a predictable government framework of economic policy, a relatively low debt and the benefits of European Union and the euro area membership.

Influences on SID Bank Operations in 2009

- **Loans and guarantees**

The continuation of the financial and economic crisis affected profoundly the dynamics and the structure of SID Bank's loans to the economy. The year 2009 was marked by extreme reluctance of the banking sector towards providing corporate financing; as a result, loans to businesses dropped and were limited to short-term transactions. Banks became considerably more conservative in assessing risks and tightened their credit insurance requirements. Enhanced risk monitoring and risk assessment was also reflected in the evaluation of the risks in financing costs which, together with limited sources, contributed to the increase in interest margins above the reference interest rates.

In 2009 SID Bank, aiming to help alleviate the credit crunch and provide the much-needed long term finance in support of new, development-oriented projects in Slovenian economy, secured a hefty EUR 1.5 billion worth of long-term earmarked funds and extended it to the Slovenian corporate sector through commercial banks and direct loans. Also, the Bank carefully monitored utilisation of funds in accordance with the contractually agreed dynamics and criteria, and carried out monitoring of financial institutions and companies.

In its efforts to mitigate the effects of the financial crisis, SID Bank, acting on behalf and for the account of the state, met the technical requirements to established two guarantee schemes in 2009, one for enterprises and the other for individuals (cf. point 6.2.7). Both schemes have facilitated access to funding of commercial banks, as borrowers were now able to obtain a guarantee of the Republic of Slovenia for a part of their loan-related obligations, thereby lowering the requirements for credit insurance by commercial banks.

- **Treasury and borrowing**

The global financial crisis pushed the key interest rates of central banks worldwide to all time low in 2008, and the trend continued, at full force, in 2009. Following the bankruptcy of Lehman Brothers in September 2008 and the bankruptcies of Iceland's three biggest banks at the end of the same year, the crisis plummeted to new depths and hit the bottom at the end of the first quarter 2009. Mistrust among economic agents continued to pervade financial markets, which led to an almost complete paralysation of both the money market and the market od syndicated loans. At the beginning of 2009, the only way to access fresh funds was in international capital markets, and the issuers were mainly countries with higher credit ratings and transnational organisations and banks that issued bonds with state guarantees.

SID Bank was not significantly exposed to changed (reduced) euro interest rates due to the composition of its Statement of Financial Position. Variable-rate investments and variable-rate liabilities linked to Euribor take up a significant portion of assets and liabilities, respectively. SID Bank conducted most of its transactions in euro, and most of the Statement is also denominated in euro. The changes in currency markets had no marked effect on SID Bank as its open foreign currency position was cut back.

- **Insurance against non-marketable risks**

In 2009 SID Bank saw continued growth in its business performed on behalf and for the account of the Republic of Slovenia in the field of investment insurance as well as short-term and medium-term export credit insurance, extending its support largely to exports and investments to the CIS markets and the markets of South East Europe.

Russia remains the leading market for medium-term export credit insurance although in 2009 the country, like all other states, was faced with the effects of the global crisis. The political situation in Russia is estimated as stable, though its stability may be compromised in the future by a further deterioration in the standard of living which may hit the population if the economic recovery is slower than expected. Russia's anti-crisis measures in 2009 were judged by the International Monetary Fund as appropriate and timely, and the country expects the econony to recover in 2010 mainly due to a re-start of the privatization process expected to restrain the budgetary deficit. Continuation of the crisis led to a decline in domestic demand for products and services, causing the production and sales volumes to drop, and negatively affected the volume of investment insurance provided by SID Bank. Nevertheless, in 2009 SID Bank conducted the first insurance of an investment project in Russia, which is related to ownership shares and non-shareholder loans. Exports transactions and investments insured in Russia chiefly cover construction sector, exports of high technology equipment, and logistics.

Exporters showed no increased interest for medium-term export credit insurance to the markets of former Yugoslavia; the trade in goods was largely related to exports of goods on short-term payment, these primarily covered by SID Bank's subsidiary, PKZ (insurance of marketable risks), and in the face of the crisis the volume of business insured in 2009 was lower than in 2008. The low demand for medium-term export credit insurance was exceeded by the demand for insurance of outward investments. To a large extent, the situation was triggered by a relatively unstable political environment which continues to characterize the Balkan countries despite their moving closer to the EU. As a result, risk exposure for investment insurance in the area of the Balkans is increasing, with the majority of investments insured being placed in Serbia and Bosnia and Herzegovina.

Influence on the operations of other companies within SID Bank Group

- **PKZ**

Owing to the characteristics of credit insurance, national economic conditions in Slovenia and in the markets where PKZ clients perform their business activities have a decisive influence on the operations of PKZ. The most important economic indicators include the scope of economic activity (economic growth, exports and imports of products and services), inflation, liquidity (number of insolvency cases and payment incidents) and the trend observed in corporate credit ratings in individual markets.

PKZ insures risks in a number of countries. However, its operations are most sensitive to the economic situation in the countries that form the largest part of the total PKZ portfolio in terms of premiums, business insured or exposure. According to, and in the order of, the above mentioned criteria, PKZ main markets include Slovenia as the most important market, followed by Germany, Italy, Croatia, Russia, Austria, France, and the Netherlands.

All these countries experienced negative economic growth in 2009. Slovenia's total exports decreased compared to 2008, considerably also to the above mentioned countries. In all of the above, the number of bankruptcies rose in 2009 and the liquidity situation worsened, much like in most other countries where PKZ insures risks.

The economic crisis that spurred the slowdown in Slovenia's economic activity in the domestic market and, more so, in exports, was also reflected in a decline in business insured by PKZ. Although PKZ managed to retain most of its clients, these clients' business volume dropped significantly, leading to a weakening of potential for insurance. In part, lower volume of business insured is attributable to a deteriorating risk quality and the number of insurable risks (deterioration in risk credit rating for most markets and industries). At the same time, tightened liquidity situation led to a significant increase in claims and lowered the recoveries forecasts.

Such economic conditions in Slovenia and PKZ's most important markets resulted in lower business insured by PKZ, lower premium and a considerable increase in claims volume, both factors pushing PKZ's the result from the technical account into the negative range.

Of all the companies in the Group, PKZ is most exposed to the effects of the economic crisis and it is also PKZ's operations that are the first to feel and show the full impact of the crisis. PKZ is a specialized credit insurance company, dealing exclusively in insurance of short-term credits to private-law entities against commercial and non-commercial risks. This class of insurance was most severely affected by the crisis: on the one hand, the decline in economic activity led to a reduction in business insured, and, on the other hand, it increased the probability of claims due to lower liquidity of companies. Both led to a negative operational result of PKZ. Other classes of insurance are not as exposed to the effects of the crisis in the same manner and the same intensity in both components (premiums and claims) so their result was not so severely affected.

As per persons insured, PKZ is a local insurance company, operating mainly in the Slovenian market. Its portfolio structure by risk (country, industry) depends on the structure of sales of its clients (Slovenian exports and domestic sales). In order to maintain an appropriate portfolio volume and long-term relations with its clients, as well as to ensure its long-term position on the market, PKZ must closely observe these trends and act accordingly, of course in compliance with the risk management regulations, also concerning the accumulation of risks.

The specifics of its insurance class, dependence upon the given market and the relatively small size, along with significantly worse economic conditions in PKZ's most important markets were the factors that contributed to decrease to the result for the year 2009.

- **PRO KOLEKT Group**

In 2009 the worsening of the economic and financial crisis led to increased payment risk which fuelled the demand for the services of the PRO KOLEKT Group. Liquidity problems are most pronounced in the economies of South East Europe, where large importers of Slovenian goods and services operate and where Slovenia's companies find the majority of its business partners. In 2009 the PRO KOLEKT Group saw increased demand in SEE markets and rising demand for services in the Italian market.

In 2009 all companies of the PRO KOLEKT Group reported a rise in the number of applications for debt collections and rise in the value of debt collections assumed. The number of new cases grew mainly in the first half of 2009, whereas the second half of the year was marked by a rise in individual debt collection cases. Thin overall liquidity makes debt collection much more demanding and in order to be successful, collection agents need to invest much more knowledge, be more resourceful and creative in their activities.

- **PRVI FAKTOR Group**

Harsh economic climate in South East Europe also affected the operations of PRVI FAKTOR Group. In 2009 all markets where the companies of PRVI FAKTOR Group are based experienced a significant drop in GDP and, more importantly, a contraction of industrial production and exports. The last two categories had the greatest effect on the business volume of PRVI FAKTOR Group, which was lower in 2009 also due to a decline in the creditworthiness of debtors. The operations of PRVI FAKTOR Group were also affected by deteriorating economic conditions in the region.

In Croatia, the government's efforts were centred on the financing of external debt. Contraction in industrial production led to a fall in government liquidity, forcing the government to impose a "crisis tax" in July 2009 to fight the debt problem. Low lending activity of banks enabled other financial market participants, provided they had no liquidity problems of their own, to achieve their set goals despite the poor economic climate. PRVI FAKTOR, Zagreb, managed to do just that.

In Serbia the economic environment was relatively stable despite the decline in industrial activity. Serbia's National Bank kept the exchange rate of the dinar relatively stable whereas the Serbian government managed to sign an agreement enabling the country to conduct duty-free trade with EU member states, at the same time looking to secure new sources of funding to cover the budget and finance small and medium-sized enterprises and infrastructure. PRVI FAKTOR Beograd operated within these stable conditions.

Acquiring access to financial sources provided by international financial institutions was the primary task of the government of Bosnia and Herzegovina. Deteriorating economic conditions were reflected in an increase in unemployment figures, pushing the unemployment rate to over 40 percent at the end of 2009. The situation had a negative influence on the operations of PRVI FAKTOR Sarajevo, which was his harder by the crisis than the other companies of the PRVI FAKTOR Group due to a slow economic recovery and the resultingly low volume of business operations.

5. DEVELOPMENT STRATEGY OF SID BANK AND SID BANK GROUP

The Action Strategy of SID Bank for the period up to 2013 reflects the changed conditions resulting from the global financial and economic crisis and also considers other factors which have a significant influence on SID Bank's operations. To this aim, three scenarios (pessimistic, realistic, and optimistic scenario) were developed on the basis of an assessment of the development of key factors by the year 2013.

The concrete activities which SID Bank intends to carry out by the year 2013 as part of its Action Strategy are based on the realistic scenario, although the company has also prepared stress scenarios including impact assessments and a set of measures prepared in advance. An integral element of the Action Strategy is SID Bank's Risk Profile, which is the basis for risk management, mainly at strategic level.

In developing the Action Strategy, the Bank considered the institutional framework within which SID Bank operates as a specialized export and development bank, institutionalised (through the ZSIRB) operating principles and areas of work and the established business model and modes of operation.

Mission

We develop, promote and provide innovative, long-term financial services designed to complement financial markets for the sustainable development of Slovenia.

Vision

Through dedication to its mission, acquisition of new knowledge and skills and development of optimal solutions tailored to the needs of Slovenian companies and banks, SID Bank will become a main Slovenian promotional institution by the year 2013 whose comprehensive range of services complementary to the financial market and the integrating role in the field of Slovenian development financing will continue to be an important factor in Slovenia's economic growth. Using development promotion instruments, SID Bank intends to nearly double its total assets by the year 2013, while at the same time maintaining the Bank's financial stability.

By assisting clients in all phases of their business transactions, supporting development projects, ensuring safety in internationalization of operations and positioning itself as a one-stop-shop for modern financial services, SID Bank will encourage Slovenian companies to exploit the opportunities opening up in the international economic and development cooperation. The Bank will strive to achieve its objectives largely through the provision of long-term financing and insurance facilities.

Transparent, efficient and socially responsible SID Bank operations, sensitive to the needs of its employees and customers, in particular SMEs, performed at a high technological level and to high quality standards, and implementation of the objectives of Slovenia's development strategy will be the framework on which SID Bank will base its efforts – to be seen as an effective and valued development partner.

Values

SID Bank's corporate values, a set of basic principles guiding the Bank's operations, which employees should embrace and demonstrate in their daily work, relations with colleagues and contacts with customers and other interest groups, include:

- the ability to identify and satisfy the needs of customers and the environment,
- responsibility and sustainable development,
- loyalty and commitment,
- openness and creativity,
- professionalism and teamwork,
- trustworthiness and transparency,
- cooperation and efficiency.

Strategy

The core of SID Bank's future operations will be long-term promotion and integration, aimed largely at raising the innovation and competitive ability of Slovenia's economy, effective protection and development of the environmental, energy, infrastructure and other components of sustainable development and at providing efficient and high-quality finance for sustainable development. In this way, SID Bank wishes to become the hub and a pillar of the new Slovenian development model.

Market aspect

From the market aspect, SID Bank will, in the period up to 2013, actively develop its range of support instruments in line with the "one-stop-shop" principle (supporting the companies through their entire life cycle), introduce new products and financial instruments (mainly in promotional and development financing), adapt these to the needs of the economy and use them, along with advisory services for clients, in the current and emerging business areas. The development of new products and business operations will be based on identified market gaps, positive externalities, and value added.

SID Bank will continue to pursue its above-average lending and investment growth, striving to achieve high growth rates mainly in new products of development banking. Also, SID Bank intends to extend an increasingly larger share of funds available to small and medium-sized companies (SMEs) and their projects. For SID Bank, inclusion in the EU funding schemes and the use of these funds in conjunction with integrated budgetary resources through promotion and development funding instruments, coupled with an appropriate pricing policy and implementation of state aid schemes, will be seen as important factors in strengthening SID Bank's position as a main Slovenian development institution for financing and promotion and helping the Bank integrate the current fragmented development-support system and optimize its functions.

Within its national economic system, SID Bank will continue to conduct anti-cyclical activities and strive to obtain the knowledge and skills to carry out other forms of intervention, taking due care not to let the anti-crisis measures shade its development-oriented activities. In defining its financing conditions, the Bank will, in the future even more than so far, pay close attention to the impacts of individual projects or programs on sustainable development, that is to their social benefits.

As regards individual business areas and associated companies, particular emphasis will be placed on strengthening direct lending to non-residents and project financing and the Bank will strive to achieve at least 15 percent insurance coverage of exports at SID Bank Group's level. The key orientation in the field of internationalization of Slovenia's economy will be to ensure competitive funding comparable in terms to international sources of finance and to support the efforts of Slovenian economy to enter new markets, thereby reducing its dependence on traditional export destinations.

One of the key strategic goals of PKZ in the next strategic period is to retain its position as the leading regional credit insurance company by maintaining the largest market share in the domestic market; CMSR's priority goal is to expand its international development cooperation operations in terms of volume and area of activity. Also, SID Bank will continue to expand its network of associates with an aim to provide Slovenian companies abroad with a comprehensive range of services, and will continue the construction of a South East Europe Information Centre.

Financial aspect

From the financial aspect, SID Bank will strive to retain the same international rating as the rating of the Republic of Slovenia, keep the Bank's capital adequacy at the set internal capital adequacy ratio and hold its capital valuation at the grade of risk-free long term investments in the Republic of Slovenia.

In due consideration to the tightened operating conditions brought about by the financial and economic crisis and continued above-average business volume growth, SID Bank will place greater emphasis in the period up to 2013 on ensuring high-quality investments on the one hand and improving bad debt management practices in SID Bank Group and strengthening the control over the risks of individual investments on the other. Additionally, the Bank will strive to secure appropriate long-term sources of funding to achieve planned business growth (in terms of volume and conditions). In export credit and investment insurance against non-marketable risks the financial aspect relates to pursuing a key strategic objective, namely to meet the minimum rate of return (threshold rate) and retain the first-class quality of insurance instruments.

Internal aspect

As regards SID Bank's internal processes, the key strategic orientations will be the following: to continue the development of information technology and support in line with the adopted information system development strategy; to ensure comprehensive and efficient risk management; to further develop the corporate culture of the Bank by promoting the ethical values and high professional standards; to ensure the needed organizational and process dynamics through continuous adaptation to global changes; and to implement further optimization of business processes.

A particular challenge will be to maximize the synergies within SID Bank Group, adapt the Group's corporate culture and HR policy to effectively respond to the challenges arising from the Group's expansion and rapid social development, and to focus in the development of business and other information on implementation of a comprehensive business intelligence system, which includes setting up a data warehouse and CMR and MIS systems as well as upgrading of the credit-rating-based decision making process.

Learning and development aspect

The key strategic objectives associated with the learning and development aspect relate mainly to exploitation of rich Slovenian and international connections for transfer of knowledge, experience and contemporary trends in insurance as well as promotional and development financing, in particular with regard to acquisition and pooling of comprehensive expertise that will enable the Bank's employees to conduct, quickly and effectively, the Bank's new and existing activities. The latter has been recognized as an important goal by several associated companies, in particular CMSR, which will develop towards a think-tank institution specializing in international development cooperation.

Additionally, SID Bank will proceed with its implementation of the "Learning Organisation and Knowledge Management" and strive to translate the principles of sustainable development into the internal operations of the Bank. Also, the Bank will attempt to modify its innovation management system and pay particular attention to communications with external and internal stakeholders, in line with its special Communications Strategy.

Strategic and operational business process

In accordance with its strategic and operational system in place SID Bank will in 2010 run regular checks, at least quarterly, of the performance of planned activities undertaken to achieve long-term strategic goals in 2010 (annual operational plan) and consequently the Action Strategy; it will take corrective measures, whenever necessary, and promptly amend the Action Strategy when the change in conditions, in particular external conditions, is so significant that insistence on keeping the text unchanged would be unreasonable or even detrimental to the interests of the Bank.

As regards its strategic business process, SID Bank will pay particular attention in 2010 to cascading strategic goals and will enhance its focus on delivering top priorities for a given period as well as ensuring a more effective way to manage new initiatives.

6. BUSINESS OPERATIONS OF SID BANK AND THE SID BANK GROUP IN 2009

6.1. Financial Review of the Operations of SID Bank and the SID Bank Group

The operations and business results of SID Bank and the SID Bank Group in the year 2009 were profoundly affected by the financial and economic crisis. Through its participation in the anti-crisis measures, SID Bank extended corporate lending through commercial banks and as direct loans to clients other than banks. The total assets of the SID Bank Group at year-end exceeded EUR 3 billion, thereby meeting the planned objectives for the year 2009. Owing to the changed business conditions, higher growth and the effects of the crisis, the net profit of SID Bank for the year 2009 is slightly below the plan, mainly due to a rise in impairment expenses. The SID Bank Group ended the year 2009 with a loss that is largely attributable to the loss incurred by its subsidiary company, PKZ. All the other companies of the SID Bank Group ended the year with a net profit.

In the continuation we present the Statement of Financial Position and the Statement of Comprehensive Income for 2009 for SID Bank and the SID Bank Group. The consolidated statements of the SID Bank Group include PKZ according to the full consolidation method and the PRVI FAKTOR Group according to the proportional consolidation method. Owing to its insignificant impact on the financial position and business results of the SID Bank Group, the PRO KOLEKT Group is not included in the consolidation.

Statement of Financial Position Summary as at 31 December 2009 – Assets

	SID Bank			SID Bank Group		
	in EUR thousand	as % of total	Index 09/08	in EUR thousand	as % of total	Index 09/08
Available-for-sale financial assets	50,051	1.7	81.6	72,390	2.3	91.1
Loans to banks	2,292,668	75.8	151.2	2,306,883	71.7	150.0
Loans to clients other than banks	662,284	21.9	132.4	784,616	24.4	120.1
Tangible fixed assets and intangible long-term assets	4,836	0.2	91.0	5,923	0.2	90.6
Long-term investments in equity of SID Bank Group companies	7,712	0.3	100.0	419	0.0	100.0
Other assets	7,343	0.2	927.1	45,402	1.4	187.5
- reinsurers' assets and receivables form insurance business	-	-	-	*32,228*	*1.0*	*159.7*
Total assets	**3,024,894**	**100.0**	**144.9**	**3,215,663**	**100.0**	**139.7**
Investments of contingency reserves	125,428		110.8	125,428		110.8
Investments from IREP	7,627		113.7	7,627		113.7

As at 31 December 2009, total assets of SID Bank stood at EUR 3.0 billion, showing an increase of 44.9 percent compared to 31 December 2008. Contingency reserves for insurance performed on behalf and for the account of the state and the corresponding liabilities rose by 10.8 percent in 2009 to EUR 125.4 million. The increase in contingency reserves of EUR 10 million is related to additional contingency reserve funds which the Ministry of Finance of RS transferred to SID Bank in December 2009. The Ministry of Finance of RS transferred a further EUR 0.5 million for investments from IREP, which rose by a total of EUR 0.9 million in the year 2009.

In 2009 the increase in the total assets of SID Bank was, like in the previous years, a result of intensive financing activities. Loans to banks (including deposits totalling EUR 32.5 million) went up 51.2 percent, and loans to clients other than banks saw a 32.4 percent upturn. Loans to banks represent 75.8 percent of total assets, their share as at 31 December 2008 was 71.7 percent.

The composition of assets of the SID Bank Group is similar to the composition of assets of SID Bank.

Statement of Financial Position Summary as at 31 December 2009 – Liabilities

	SID Bank			SID Bank Group		
	in EUR thousand	as % of total	Index 09/08	in EUR thousand	as % of total	Index 09/08
Deposits	246,936	8.2	656.9	246,936	7.7	656.9
Loans	1,899,056	62.8	116.2	2.020,460	62.8	112.7
Debt securities	547,142	18.1	218.7	547,142	17.0	218.7
Provisions	4,382	0.1	191.4	56,695	1.8	160.8
- obligations from insurance contracts	-	-	-	*50,295*	*1.6*	*162.8*
Other liabilities	5,396	0.2	179.9	10,674	0.3	162.9
Equity	321,982	10.6	200.3	333,726	10.4	185.5
Total liabilities	**3,024,894**	**100.0**	**144.9**	**3,215,633**	**100.0**	**139.7**
Contingency reserves	125,428		110.8	125,428		110.8
IREP	7,627		113.7	7,627		113.7

SID Bank's loans rose by 62.8 percent, totalling EUR 1.9 billion at the end of 2009. Debt securities, including the SI01 bond issued at the end of 2008 and at the beginning of 2009, with a total value of EUR 500 million, and promissory notes and registered bonds issued in 2009 make up 18.1 percent of total liabilities. The Bank's increase in equity of 100.3 percent resulted mainly from the capital increase implemented in 2009 in total amount of EUR 160 million.

In view of the dominating influence of SID Bank in the SID Bank Group and the specific nature of the Group, and considering the inter-company relations within the Group, the total assets of the SID Bank Group were only 6.3 percent higher than those of SID Bank, standing at EUR 3.2 billion end of year. The composition structure of assets and liabilities in the consolidated financial statements of the SID Bank Group is therefore very similar to that of the Statement of Financial Position of SID Bank.

Statement of Comprehensive Income Summary for 2009

	SID Bank		SID Bank Group	
	in EUR thousand	Index 09/08	in EUR thousand	Index 09/08
Net interest	21,502	150.3	28,471	143.7
Net non-interest income	6,939	127.8	8,934	100.9
Net income from insurance	-	-	2,078	32.9
Operating costs	-6,372	110.3	-11,852	101.3
Impairments and provisions	-20,891	190.7	-34,152	177.2
- change in insurance contract liabilities	-	-	-8,618	229.1
Pre-tax profit/loss	**1,178**	**39.2**	**-6,521**	**162.8**
Corporate income tax	-230	97.5	1,137	99.0
Net profit/loss of the year	**948**	**34.3**	**-5,384**	**188.5**

Net interest totalled EUR 21.5 million in SID bank rising 50.3 percent over 2008, mainly as a result of strong growth in loans.

Net non-interest income of SID Bank was EUR 6.9 million, the 27.8 percent increase from the 2008 levels largely attributable to higher realized net fees and commissions. Income from net fees and commissions from loans, guarantees and treasury transactions was up 96.6 percent year-on-year, contributing EUR 1.6 million to the total net non-interest income. Income from dividends of SID Bank's subsidiaries PKZ and PRVI FAKTOR, Ljubljana, was EUR 2.5 million in 2009, compared to EUR 2.3 million in 2008. Income from the reimbursement SID Bank receives from the state for performing transactions on behalf and for the account of the Republic of Slovenia, totalled EUR 2.3 million (in 2008: EUR 2.1 million).

The largest share in the structure of net income generated by the SID Bank Group is taken up by net interest, which totalled EUR 28.5 million in 2009 and was up 43.7 percent from the previous year. At 72.1 percent, however, the share of net interest as of net income for the SID Bank Group was considerably lower than that of SID Bank. Net income from insurance dropped significantly in 2009: it was EUR 6.3 million in 2008 and EUR 2.1. million in 2009. The share of net income from insurance as of net income of the SID Bank Group is also down from the previous year: in 2009 it was 5.2 percent while in 2008 its value was 18.0 percent.

In 2009 SID Bank continued its successful management of operating costs. The operating costs of the SID Bank Group totalled EUR 6.4 million and were 10.3 percent higher compared to 2008, due to a growth in business volumes. Costs of services rose by 23.7 percent, and costs of material were up 24.3. percent. The increase in costs of services was largely due to higher costs of advisory services. Labour costs went up 5.9 percent as a result of increased recruitment carried out in 2009 to cope with the expansion of SID Bank's activities. The number of SID Bank employees rose from 76 at the end of 2008 to 87 at the end of 2009 (up by 14.5 percent). In the structure of operating costs, labour costs accounted for 61.2 percent (in 2008: 63.8 percent), costs of services 26.5 percent, depreciation and amortization 10.1 percent, and material costs 2.2 percent. The percentage of operating costs as of assets lowered from 0.4 percent in 2008 to 0.3 in 2009. Efficient cost management was also reflected in the ratio between the operating costs and net income (CIR), falling from 29.3 percent to 22,4 percent.

The operating costs of the SID Bank Group totalled EUR 11.9 million in 2009 and were 1.2 percent higher compared to 2008. Labour costs maintained the 2008 level while the material and services costs recorded a rise of 3.4 percent. Operating costs as of assets lowered from 0.6 percent in 2008 to 0.4 percent in 2009.

SID Bank's net expenses from impairments and provisions totalled EUR 20.9 million (EUR 11.0 million in 2008). The rise in expenses from impairments is attributable to the growth in loans given, changes in the industry-based structure of loans to clients other than banks (automotive industry), and additional impairments of loans required due to the effects of the financial crisis. For the SID Bank Group, expenses from impairments and provisions totalled EUR 34.2 million at the end of 2009; the figure includes changes in insurance contract liabilities of EUR 8.6 million. High expenses from impairments and provisions in the SID Bank Group were largely attributable to the effects of the financial and economic crisis.

In 2009 pre-tax profit of SID Bank amounted to EUR 0.9 million, whereas the SID Bank Group reported a loss in the amount of EUR 5.4 million related to the loss made by its subsidiary, PKZ. All the other companies of the SID Bank Group report a net profit for the year 2009.

Key figures of SID Bank and SID Bank Group

in EUR thousand	2007		2008		2009	
	SID Bank	Group	SID Bank	Group	SID Bank	Group
Statement of Financial Position Summary						
Total assets	1,248,717	1,437,034	2,087,717	2,301,654	3,024,894	3,215,633
Loans of banks	1,069,125	1,211,554	1,633,867	1,792,105	1,799,948	1,921,338
Deposits from non-bank sectors	32,880	32,878	22,376	22,376	91,870	91,870
Equity	107,554	127,590	160,757	179,928	321,982	333,726
Loans to banks	915,674	922,927	1,512,381	1,534,606	2,292,668	2,306,883
Loans to clients other than banks	276,822	423,099	500,183	653,075	662,284	784,616
Impairments of financial assets measured at amortised cost, and provisions	16,530	21,324	26,414	33,220	47,424	56,081
Off-balance-sheet operations (B1 to B4)	176,304	187,324	162,921	169,257	566,747	580,129
Statement of Comprehensive Income Summary						
Net interest	8,737	13,021	14,308	19,809	21,502	28,471
Net non-interest income	3,834	6,600	5,428	8,853	6,939	8,934
Net income from insurance	-	6,793	-	6,317	-	2,078
Labour, general and administrative costs	(5,240)	(10,036)	(5,161)	(10,843)	(5,729)	(10,971)
Depreciation and amortisation	(562)	(746)	(617)	(860)	(643)	(881)
Impairments and provisions	(2,678)	(7,382)	(10,955)	(19,272)	(20,891)	(34,152)
- change in insurance contract liabilities	-	(2,803)	-	(3,761)	-	(8,618)
Pre-tax profit or loss	4,091	8,250	3,003	4,005	1,178	(6,521)
Corporate income tax	(475)	(1,514)	(236)	(1,149)	(231)	1,137
Net profit/loss for the year	3,616	6,736	2,767	2,856	948	(5,384)
Shares						
– number of shareholders	85		1		1	
– number of shares	932,354		1,456,808		3,121,741	
– nominal value per share (in EUR)	96.10		96.10		96.10	
– book value of a share (in EUR)	117.69		111.76		103.75	

Selected indicators*						
Equity:						
– capital adequacy**	12.8%	8.6%	11.1%	9.9%	16,7%	15,7%
Quality assets of the statement of financial position and contingent liabilities:						
- impairments of financial assets measured at amortised cost, and provisions for contingent liabilities/classified on-balance-sheet items and classified off-balance-sheet items	1.36%	-	1.19%	-	1.46%	-
Profitability:						
– interest margin***	0.93%	1.10%	0.93%	1.06%	0.87%	1.03%
– financial intermediation margin	1.34%	1.65%	1.29%	1.53%	1.15%	1.50%
– return on assets before tax	0.44%	0.70%	0.20%	0.21%	0.05%	-
– return on equity before tax	4.21%	6.67%	2.48%	2.60%	0.53%	-
– return on equity after tax	3.72%	5.45%	2.28%	1.86%	0.42%	-
Operating costs:						
– operating costs / average assets	0,62%	0,91%	0,38%	0,63%	0,26%	0,43%
– operating costs / net income	46.15%	40.82%	29.28%	33.46%	22,40%	28,57%
Liquidity:						
– liquid assets / short-term deposits to non-bank sectors	1.42%	1.43%	2.49%	1.57%	1,04%	6,19%
– liquid assets / average assets	0.02%	0.01%	0.03%	0.02%	0.02%	0.13%
Number of employees ****	69	241	76	287	87	306

* The indicators are calculated following the methodology of the Bank of Slovenia.

** The computations of capital adequacy for 2007 as well as for 2008 and 2009 considered, for SID Bank: investment from own SID Bank assets, investments from sources backed by the guarantees of the Republic of Slovenia and additionally, for the SID Bank Group, 50 percent of investments made by the PRVI FAKTOR Group.

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

**** The figure also includes all employees of the PRVI FAKTOR Group, PRO KOLEKT Group and CMSR.

Events after the statement of financial position date

There were no business events after the statement of financial position date that would influence the separate and consolidated financial statements of SID Bank and SID Bank Group. However, the following business events were important for SID Bank:

Activities for the issuing of Eurobond on international capital market, which is expected to be realized in April 2010, are taking place in SID Bank.

On its regular session dated 15 January 2010, the Supervisory Board of SID Bank consented to increase in capital of the subsidiary PKZ in the amount of EUR 4,2 milion. General Meeting of PKZ confirmed the increase in capital in January 2010, which has been paid-in since.

On its regular session dated 17 March 2010, the Supervisory Board of SID Bank allocated the profit from 2009 in the amount of EUR 225 thousand to other profit reserves, in accordance with the 3rd paragraph of Article 230 of The Companies Act.

After the statement of financial position date, the company Vegrad d.d. stated publicly that it is in financial difficulties. SID Bank Group has exposure towards Vegrad d.d. in the amount of EUR 4,7 milion due to issued service guarantees, in the amount of EUR 5,0 milion due to repurchased receivables and in amount of EUR 2,8 milion due to credit insurance.

6.2. Review of SID Bank Operations by Business Activity

6.2.1. Loans and Guarantees

In 2009 SID Bank used the financial instruments mainly to support economic, structural, social and other policies in the areas specified in Article 11, point 1, of the ZSIRB and in accordance with the provisions of the ZZFMGP, with special emphasis on the following:

- international business transactions and international economic cooperation,
- economic incentives, with particular emphasis on small and medium-sized enterprises, and entrepreneurship,
- research and development,
- preserving the environment and energy efficiency,
- regional development,
- commercial and public infrastructure.

Also in 2009, SID Bank's financing activities focused on extending loans in support of international business transactions, mainly provided under indirect exporter financing schemes, through banks and other financial institutions, in particular by refinancing loans and co-financing international business transactions. In addition, 2009 saw an expansion in the funds intended for project financing associated with entrepreneurship, research and development, protecting the environment and energy efficiency, infrastructure, and similar areas. With a view to meeting the required geographic distribution, leverage and other eligibility criteria, the funds were extended to final beneficiaries largely through commercial banks.

As of 1 June 2009, the Loans and Guarantees reorganized into two independent departments – the Department of Export and Project Financing and the Department of Promotional and Development Financing.

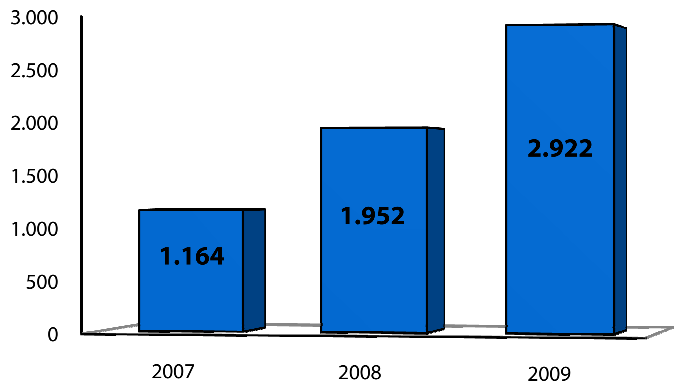
The field of promotional and development financing comprises the development and marketing functions of banking products and services aimed at providing promotional and development financing for residents, mainly for projects associated with entrepreneurship, research, development and innovations, environment conservation, efficient energy use, regional development, and infrastructure, which includes products with elements of state aid and grants (i.e. financial engineering), advisory services and certain agency services for the Republic of Slovenia.

Export and project financing comprises the development and marketing functions of banking products and services aimed at providing export and project financing for residents and non-residents, focusing mainly on the projects of Slovenian exporters abroad, their international business transations and support to internationalisation, as well as certain agency services for the Republic of Slovenia.

Within the scope of both fields, the financing facilities offered by SID Bank included loans, purchase of receivables, project financing, participation in syndicated loans, purchase of assets, and unfunded risk taking, in the provision of which SID Bank actively cooperated with most Slovenian banks.

Business results in the field of financing

Outstanding loans of SID bank as at 31 December, by year, in EUR million



The Bank's outstanding loan portfolio at the end of 2009 was EUR 2,922.4 million and was up 49.7 percent from the end of 2008 when it stood at EUR 1,952.2 million. The share of loan portfolio in total assets of SID Bank was 97.7 percent.

The growth of SID Bank's loan portfolio in 2009 mainly reflects the Bank's participation in the anti-crisis measures. Throughout the year the Bank ensured EUR 1.1 billion to be extended to businesses through commercial banks and EUR 409.5 million in direct loans to clients other than banks.

Despite the effects of the financial crisis the growth of SID Bank financing enabled the banking sector to achieve a similar financial volume that had been loaned to the corporate sector in 2008. The annual growth of all loans extended to the Slovenian corporate sector recorded a drop of 1 percent over the year 2008 whereas the share of SID Bank financing in all loans extended to the Slovenian corporate sector in 2009, directly or through commercial banks, reached 14.6 percent (in 2008: 5.9 percent).

Portfolio structure

- **By maturity**

The maturity structure of SID Bank loan portfolio confirms the orientation of SID Bank towards the activities specified in the ZZFMGP and ZSIRB; the share of long-term financing amounted to 97.0 percent of SID Bank loan portfolio at the end of 2009, with short-term loans taking up a low 3 percent of the total loan portfolio. Long-term loans went up 4.9 percentage points over the previous year. Most loans extended in 2009 were long-term in nature.

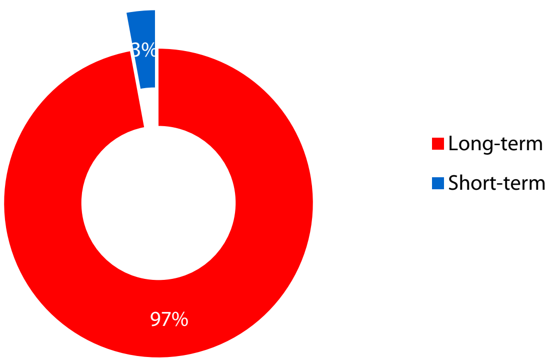
In 2009 loans to clients other than banks at the entire banking system level were mostly short-term; as a result, SID Bank's year-round provision of earmarked long-term funds through commercial banks contributed significantly to the alleviation of the credit crunch and provision of the much need long-term funds to the corporate sector.

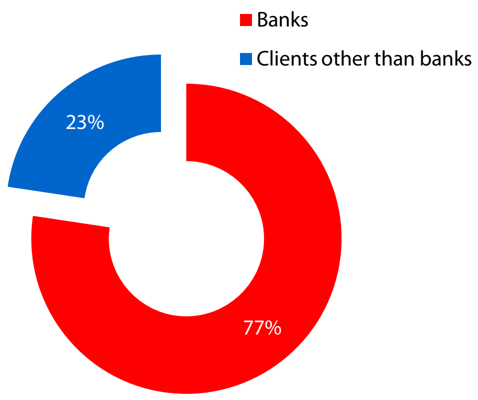
- **By borrower**

In 2009 commercial banks remained the most important SID Bank's partner, their share in SID Bank loan portfolio reaching 77.3 percent, compared to 74.4 percent in 2008. The demand for cofinancing and direct financing by SID Bank of projects by Slovenian exporters abroad, their international business transactions as well as demand for financial support to internationalization and development and environmental projects of the Slovenian economy rose steadily throughout 2009, showing a 32.4 percent increase for loans extended to clients other than banks compared to the year 2008.

Despite a significant growth in loans to clients other than banks, this segment only took up 22.7 percent of the total loan portfolio as at 31 December 2009 (in 2008: 25.6 percent). The share of loans to non-residents in SID Bank's loan portfolio remains a low 6.1 percent, as most placements were performed indirectly, through commercial banks. Compared to 2008, the share of loans to non-residents went down 1.1 percentage points.

Oustanding amounts of SID bank by maturity and borrower as at 31 December 2009





- **By risk**

The sizeable increase in the volume of direct financing extended to Slovenian exporters, their buyers and investors abroad in 2009 did not affect the high quality of the Bank's loan portfolio as the assets classified in classes lower than A and B only take up 2.4 percent of SID Bank's loan portfolio (in 2008: 3.0 percent). For more information on portfolio classification and risk in accordance with IFRS see point 6.4.

Income from SID Bank's financing

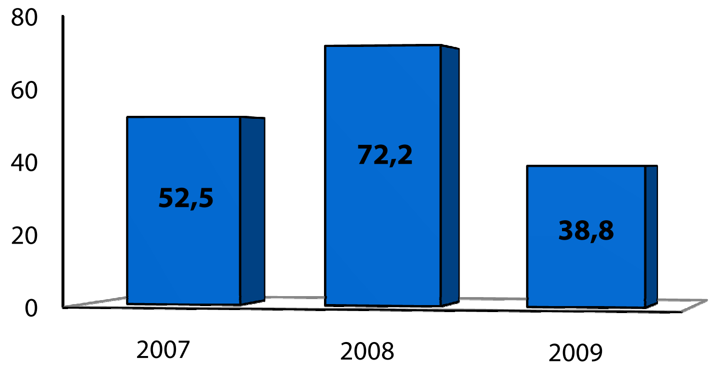
In 2009 SID Bank generated 78.7 million in interest income from financing, a 4.4 percent rise on the year before, despite the negative trend observed in the Euribor reference interest rates in the European market throughout the year. Income from fees and commissions rose 61.8 percent on the year 2008 and totalled EUR 1.9 million largely as a result of loan portfolio growth.

Guarantees

Guarantees are a welcome supplement to the range of services SID Bank provides in the field of financing and insurance. In issuing guarantees, SID Bank is focused on providing support for the international business transactions and activities that are consistent with the purposes set forth in Article 11, point 1, of the ZSIRB. SID Bank uses the following forms of guarantees:

- Service and payment guarantees
- Unfunded risk sharing

Guarantees and unfunded risk sharing as at 31 December 2009



The balance of issued guarantees and unfunded risk sharing arrangements as at 31 December 2009 amounted to EUR 38.8 million, posting a 46.3 percent decrease over the year before as a result of the decline in service and payment guarantees. The 2009 volume of newly issued guarantees was EUR 16.0 million (in 2008: EUR 51.9 million). The negative trend was also observed in liabilities arising from unfounded risk sharing, which went down 11.2 percent over the year 2008.

New developments in 2009 concerning loans and guarantes

The year 2009 brought about the following new developments in the field of investments:

- SID Bank participated in the measures aimed at containing the crisis, especially by increasing the amount of funds placed through commercial banks and by taking a more active approach to direct financing and co-financing of companies.
- Benefiting from European Investment Bank (hereinafter EIB) funding, SID Bank was granted EUR 380 million and at the end of 2009 provided, through commercial banks, three credit lines for long-term finance particularly aimed at:
  - small and medium-sized companies, in the amount of EUR 150 million;
  - infrastructure investments mounted by public sector authorities and companies providing municipal utility services (or public services at municipal level) for infrastructure projects in the amount of EUR 63.5 million;
  - investments in the field of environment protection and environmental investments, in the amount of EUR 35 million.
- Part of the funds (EUR 80 million and a further EUR 56 million from other SID Bank funds) was allocated to development projects concerning investments in the field of research, development and innovation activities for use in the automotive sector, targeting the EU requirements on CO_2 emissions and other emission regulations, notably the development of new generation technologies that aim for emissions reduction and higher efficiency. In 2009 SID Bank received applications for financing from 15 companies applying for finance for 31 development projects. Following a comprehensive technological and financial assessment of the projects, SID Bank signed agreements with six companies to finance 13 projects worth a total of EUR 104 million; funds allocated by the end of 2009 reached 74 million.

- SID Bank intends to extend a part of the EIB loan to the Slovenian corporate sector in 2010 through the EKO Fund, notably for the purpose of financing infrastructure investments in the total value of EUR 37 million and investments concerning the environment and environment protection in the amount of EUR 15 million.

- Under the new Environment Protection Act (hereinafter ZVO-01), adopted in December 2009, SID Bank has become an authorised agency which will, on behalf and for the account of the state, perform a part of the activities (largely provision of flexible mechanisms and trading in emission coupons) within the framework of the Kyoto Protocol, thereby working towards a reduction of greenhouse gas emissions in the future.

SID Bank also participates in the international SEE-IFA Network Programme, which has been selected at a EU tender within the framework of the South East Europe Transnational Cooperation Programme. The project is financed by the European Regional Development Fund (ERDF). The aim of the project, which will run up until 2011, is to build up the support for innovation and patent financing, primarily in SMEs, in the countries of South East Europe.

6.2.2. Treasury

A function of SID Bank Treasury is to manage the liquidity of SID Bank's accounts and close deals with instruments of the monetary, currency and capital markets and derivative financial instruments with the purpose of asset management.

In closing deals in the financial market, the Treasury operates as a business field; on the other hand, the role of the Treasury is of particular importance in balance sheet management and mitigation of liquidity, interest rate and currency risks and provision of certain special products.

The Treasury manages, in part or in total, three portfolios: besides SID Bank's own funds it also manages contingency reserves and IREP reserves on behalf and for the account of the state.

The procedure for entering into stated transactions is governed by the Bank's internal acts, which specify the decision-making process, authorisations and the potential risks SID Bank may encounter in treasury transactions. SID Bank's investments are held in the banking book, with securities investments classified as available-for-sale financial assets. Transactions in derivatives are held in the trading book, given that the volume of these transactions does not exceed EUR 15 million or five percent of all transactions conducted by SID Bank.

In 2009 SID Bank took an active approach to interest rate management. To contain the potential loss of the Bank arising from changes in market interest rates, SID Bank introduced hedging against interest rate risk occurring as a result of the difference between the interest-bearing receivables and interest-bearing liabilities of the Bank (for more information see point 6.4.).

Treasury investments from SID Bank's own funds amounted to EUR 83.6 million as at 31 December 2009, representing 2.8 percent of the Bank's total own assets . The Treasury conducted transactions with partners rated BBB- or higher and with certain unrated Slovenian banks whose credit rating under the methodology of SID Bank was not lower than B (for more information see point 6.4.).

For the purpose of liquidity control, the Treasury mainly held investments in short-term deposits with Slovenian and foreign commercial banks and investments in other short-term and medium-term debt instruments issued by high-rated issuers. In liquidity control, the Treasury followed the strategy aimed at limiting the risk concentration, which means that excess liquidity was placed with banks to which SID has a low exposure in terms of financing transactions.

The currency structure of investments corresponded with the currency structure of SID Bank's assets and was closely coordinated with the adopted limits. The policy of closed foreign exchange positions was followed in this area. In this segment of SID Bank's operations, currency denominated derivative instruments were only used to a limited extent, solely to close open foreign exchange positions.

The Treasury also coordinated the maturity structure of assets and liabilities. As at 31 December 2009, 88 percent of all Treasury investments were taken up by fixed rate investments.

SID Bank is not an authorised participant in the securities market. Transactions in securities were concluded as an investment option supplementing the Bank's core activities and a way to control the Bank's liquidity and not for the purpose of trading.

Normally, the Treasury does not hold investments that are not settled by an independent institution. Priority is given to investments which can be used in concluding REPO transactions as well as investments which, on the basis of the existing decisions of the Bank of Slovenia, can be considered as category one investments in the calculation of liquidity ratios or can be considered as ECB eligible. On account of lower transaction costs, primary market investments are preferred slightly over secondary market investments. SID Bank operates in the financial markets of EEA and OECD member states
Treasury investments from SID Bank's own funds include mainly Slovenian and foreign government bonds, market bonds issued by other issuers, and deposits. All the investments are denominated in euro. In accordance with its investment policy, SID Bank's investments in this segment are to investments rated investment-grade or higher. Just under 50 percent of all investments are rated A- or higher (S&P), and 47 percent are held in investments to unrated issuers, mainly in the form of deposits to unrated Slovenian commercial banks.

SID Bank Treasury also undertakes technical activities concerning the management of assets covering the technical provisions and own assets for a Bank's subsidiary, PKZ. In 2009 SID Bank 's Treasury performed control of liquidity and currency risks for PKZ. These services are carried out on the basis of the Agreement on Excluded Treasury Transactions and in accordance with the decisions taken by the Management Board of PKZ by placing orders with authorised market players on behalf of PKZ.

6.2.3. Borrowing

SID Bank, as an authorised institution under the ZZFMGP and ZSIRB, strives to obtain favourable sources of long-term financing in Slovenia and in international markets, and is Slovenia's only bank that has in the previous years continuously raised funds in the international markets.
In raising funds SID Bank focuses on selecting flexible borrowing instruments that can be fully tailored to meet various customers' needs. Accordingly, it has a diversified portfolio of borrowings, funds obtained varying in maturity, size and the dynamics of disbursements. The Bank aims to obtain long-term sources of funding with a maturity of up to 20 years, comparable in rates to funds secured by the Republic of Slovenia, with due consideration paid to the mark-up over the government borrowing.

Working to provide businesses and their commercial banks with favourable long-term sources of financing for the operations under the ZSIRB, SID Bank raised funds through diverse financial instruments in Slovenia and international financial markets.

At the beginning of the year 2009 SID Bank, acting in response to the ongoing financial crisis and the pressing need of the Slovenian banking and economic sectors for fresh long-term finance, issued the second series of long-term bonds in the total amount of EUR 250 million and with a maturity of 3 years, in the domestic capital market. The buyers of these bonds were mainly Slovenian commercial banks SID Bank used the collected funds to finance long-term earmarked loans extended through commercial banks for the purposes specified in the ZSIRB. The whole emission of the first SID Bank bond labelled SI01 totalled EUR 500 million.

Furthermore, SID Bank and the European Investment Bank (EIB) signed four long-term loan agreements worth a total of EUR 380 million. In December 2009 SID Bank drew EUR 190 million from this agreement, and the remaining amount of EUR 190 million is to be disbursed in 2010.

In foreign capital markets SID Bank has issued several emissions of debt instruments (i.e. Schuldscheindarlehen) and registered bonds (i.e. Namensschuldverschreibung) in a total value of EUR 256 million and a maximum maturity of 20 years. Several bilateral loan agreements worth EUR 110 million were concluded. In 2009 SID Bank obtained a limited amount of short-term fixed interest rate funds in the domestic inter-bank money market, in particular from commercial banks and the Ministry of Finance of the Republic of Slovenia. The total amount of SID Bank's long-term borrowings amounted to EUR 0,7 billion in 2009.

Already in 2009, SID Bank started preparations to place its debut Eurobond on the international capital market; the issue is expected to be completed in April 2010.

6.2.4. Credit Rating and Other Credit Information

Enterprises and financial institutions operate in a highly competitive, dynamic, rapidly changing and uncertain environment, which requires from them to be well-informed and to respond quickly and adequately to the ever-changing situation on the market in order to carry out effective risk management.

Aware of these requirements, SID Bank continued to develop its own Credit Rating System in 2009. In its work, the department uses cutting-edge risk assessment methodology recommended by Basel II, which is further upgraded to consider SID Bank's vast experience in the area and is supported by the Bank's own information system. SID Bank has put in place a number of internal databases which are updated daily to include reliable up-to-date information and analyses of Slovenian and foreign data providers.

In assessing risks of foreign markets SID Bank works closely with other relevant institutions, in particular with the Centre for International Cooperation and Development, which provides basic country risk reports for selected markets. For internal use, within SID Bank and SID Bank Group, the Credit Rating Department prepares credit rating reports and credit information on domestic and foreign companies and banks. With a view to ensuring efficient credit risk management in financing, issuing guarantees and in certain classes of insurance and for the Bank's business partners, the department prepares corporate credit rating reports along with recommended credit and short-term exposure limits.

For the needs of SID Bank Group companies and other clients SID Bank prepares and acquires credit rating information on Slovenian companies (companies and sole proprietors), Slovenian banks and banks and companies based in South East Europe, etc.

In 2009 clients were most interested in the information on individual markets, companies and banks in Slovenia and in those SEE countries that represent Slovenia's traditional markets.

SID Bank's internal company assessment methodology is also used by the Bank's subsidiary, PRO KOLEKT, which prepares, for the needs of SID Bank Group companies and other clients, credit rating reports on enterprises from Croatia, Serbia, Bosnia and Herzegovina, Macedonia, Hungary, Romania and Bulgaria.

6.2.5. Operations under Special Authorisation – Insurance against Non-Marketable Risks

Certain commercial and non-commercial or political risks (non-marketable risks) of the nature and level for which private reinsurance market lacks either willingness or capacity to cover are insured by SID Bank as an authorised institution on behalf and for the account of the Republic of Slovenia. According to the EU legislation, non-marketable risks are defined as commercial and political risks of a time horizon exceeding two years in the OECD countries, and all risks in countries which are not OECD members. The role of the Republic of Slovenia is of key importance as without an insurance cover most such business transactions, especially medium-term, would not be carried out. Furthermore, it is in insurance of such transactions that export promotion as one of the core activities of SID Bank is most expressed.

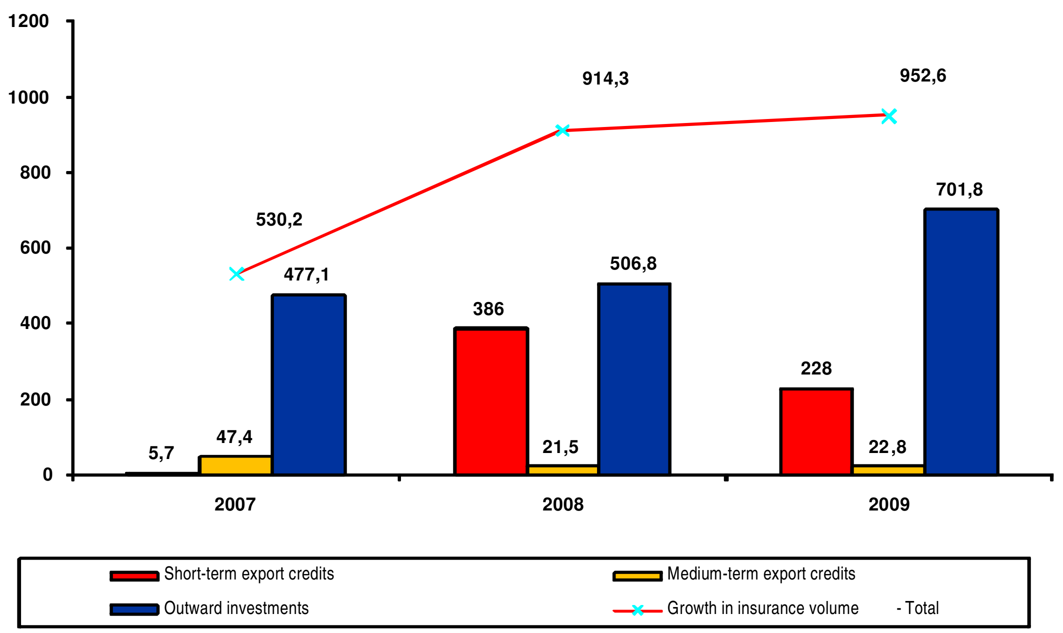
The operations which SID Bank as the national export credit agency (ECA) performs on behalf and for the account of the Republic of Slovenia are in terms of management and accounting clearly separated from the operations performed on SID Bank's own account.

Review of operations in 2009

Insurance against non–marketable risks on behalf and for the account of the state 2007–2009

in EUR million	2007	2008	2009
Business insured	530.2	914.3	952.6
Exposure (31 Dec.) – net	631.9	932.8	962.0
Premiums	4.0	4.1	4.8
Claims	0.4	0.01	4.9
Number of claims	5	0	1
Recoveries	0.1	0.1	0.00

Business insured by class of insurance (2007–2009), in EUR million



Business insured

The volume of business insured against non-marketable risks reached EUR 952.5 million in 2009, posting a 4.2 percent rise on the previous year. The realized volume represents 11.5 percent of the maximum amount of new yearly obligations as defined in the ZZFMGP. At 73.7 percent, the largest share in the structure of generated business insured was taken up by insurance of outward investment, totalling EUR 701.8 million, and reinsurance of short-term export credits (renewable insurance against non-marketable risks), generating EUR 227.9 million or 23.9 percent of total business insured.

Outward investment insurance rose 38.5 percent over the previous year; the figure includes new insurance for outward investments and insurance renewals for insured investments which are actually treated as new insurance covers considering the right of investors to terminate their contracts after a lapse of a 3-year period. The growth in business insured can be partly attributed to the introduction of a new insurance product, namely insurance of non-shareholder loans or loans to subsidiaries of Slovenian investors abroad, which covers commercial as well as non-commercial risks. In 2009 new insurance covers were made for investments into trade, finance, automotive, construction, and wood processing industries, mainly for the area of South East Europe and Russia.

The 2009 insurance figures indicate that the demand for insurance of investment abroad is likely to continue. The positive trend is driven largely by significant risk arising from the global financial and economic crisis and the ownership structure of Slovenian companies, which has been increasing the demand for insurance of ownership shares. Another contributing factor is the experience Slovenian managers have gained in their business operations with foreign entities.

In export credit (re)insurance (of trade receivables), short-term insurance totalled EUR 227.9 million in 2009, experiencing a drop of approximately 41 percent over the 2008 figure in the aftermath of the global financial and economic crisis. In the light of adverse economic conditions, the private (re) insurance market was also affected by a series of changes. Reinsurance of non-marketable short-term credits which SID bank reinsures on behalf of Slovenian insurance companies when they are unable to obtain reinsurance cover in the private market went down due to the crisis and the related decrease in sales volume. In part, the decrease in reinsurance against non-marketable risks resulted from lower capacity of insurers and their apparent inability to approve credit limits to the amounts required by Slovenian exporters. The major part of reinsurance volume realized in 2009 was linked to supporting export transactions in the area of Russia.

In view of the relevant market conditions and the circumstances which led to the shortage in reinsurance capacity that made it temporarily impossible to obtain cover for market risks from private reinsurers (and in accordance with the European Commission's Memorandum), SID Bank as a publicly held insurer and a state authorised agency filed a proposal with the Commission to introduce a scheme aimed at reinsuring risks in the private insurance market as a temporary state aid measure to fight the current financial and economic crisis. In 2010, pending approval from the European Commission, SID Bank will start implementing a new reinsurance scheme covering reinsurance against marketable risks which have temporarily been rendered non-market or non-marketable.

Insurance of medium-term export credits rose by 5.8 percent compared to 2008, with the relatively low increase in insurance volume largely attributable to the global financial turmoil that led to a decrease in medium-term export transactions and made access to funds to finance these transactions much harder. Other factors contributing to this situation include: less favourable insurance conditions for the markets of South East Europe resulting largely from unfavourable classification of these markets into risk categories (consistent with OECD classification) and, finally, the fact that the financing options provided to Slovenian exporters by potential Slovenian lending banks are still less competitive than those provided by foreign banks. Medium-term export credit insurance holds a 2.4 percent share in the total business insured. The majority of export credits (trade receivables), investments and medium-term credits insured in 2009 were linked to exports to Russia, Serbia, and Bosnia and Herzegovina.

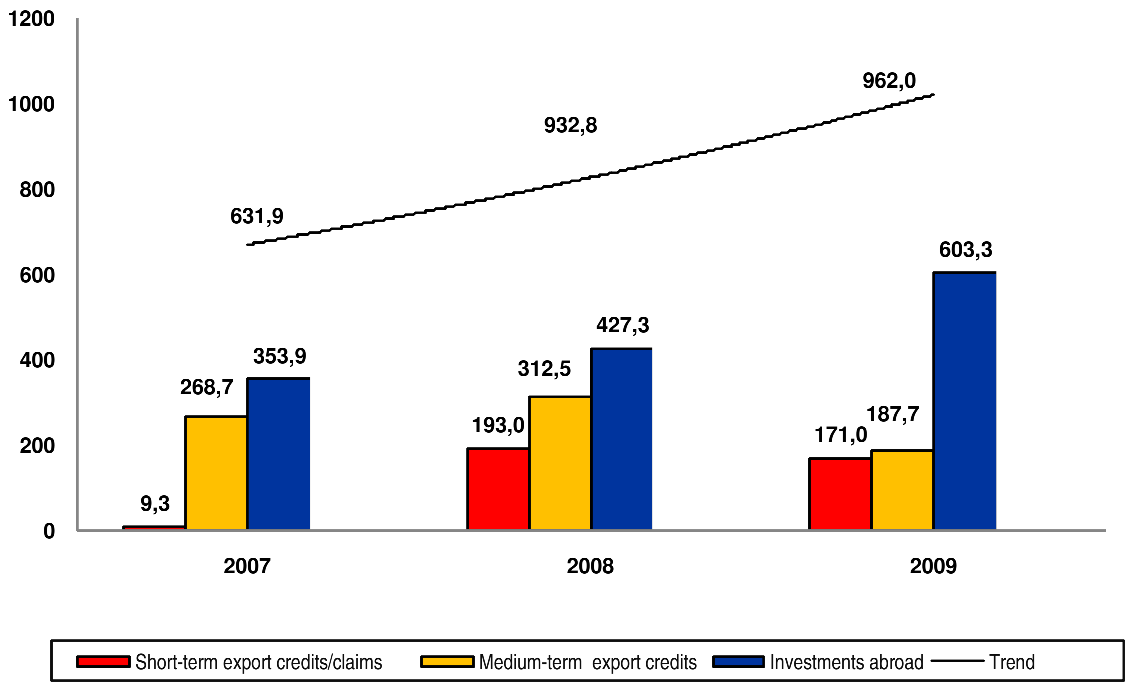
Exposure

Total exposure due to insurance transactions for the account of the Republic of Slovenia and from valid offers of insurance amounted to EUR 962,0 million at the end of 2009.

Exposure from business insured for the account of the Republic of Slovenia stood at EUR 956,5 million at the end of 2009, posting a rise of 15.8 percent over the year 2008. The amount of exposure represents 32.1 percent of the limit as defined in the Republic of Slovenia Budget for 2009 Implementation Act and 3.8 percent of the limit as defined in the ZZFMGP. The growth was driven by a 41.2 percent rise in exposure from outward investment insurance while exposure from insurance against medium-term commercial and non-commercial risks dropped 8.9 percent below the 2008 figure. Exposure from short-term export credit (re)insurance also decreased compared to 2008, dropping 11,4 percent as a result of the emerging global financial and economic crisis.

Exposure on valid offers of insurance, counted under total net exposure pursuant to the ZZFMGP, decreased 94.8 percent to reach EUR 5.5 million at the end of the year.

Exposure of business insured, by class of insurance (2007-2009) – in EUR million



Insurance technical figures

Insurance premium from insurance against non-marketable risks amounted to EUR 4.8 million in 2009, up 18.1 percent from the 2008 figure. The premium growth, largely attributable to outward investment insurance, pushed the 2009 figure 52.3 percent above the year 2008. Income from handling fees was negligible because SID Bank, in conformity with its business policy and valid price lists, returns the amount charged to exporters and other persons insured, or considers it in the premium charged, if the project is implemented.

Claims paid in 2009 posted a significant increase over the year 2008, amounting to EUR 4.9 million at the end of the year (in 2008: EUR 13 thousand). The volume of claims under consideration showed no increase against the previous year and was EUR 0.2 million as at 31 December 2009. As a result of the financial crisis, processing of potential claims in particular in the area of the Russian Federation and Kazakhstan (financial sector) pushed the volume of potential claims up to EUR 36.1 million (in 2008: EUR 8.7 million).
The current business result from insurance made for the account of the state recorded a drop from the 2008 levels, totalling EUR 143 thousand at the end of the year (in 2008: EUR 6.9 million).

Contingency reserves

The contingency reserve fund constitutes an important capacity of SID Bank and the Republic of Slovenia for insurance against non-marketable risks before claims arising from insurance for the account of the Republic of Slovenia are paid out of the state budget.

Investment policy aims at contingency reserve management, which is the capacity to settle insurance claims. Contingency reserve funds are invested in liquid instruments to the amount representing the sum of all potential claims and claims under consideration from non-marketable risks insurance, or not less than 20 percent of investments from contingency reserve funds. Liquid investments include debt securities traded on a regulated market and all other debt documents with residual maturity of under one year.

As at 31 December 2009, contingency reserves utilized for financing were comprised of long-term domestic currency loans extended to A-rated financial institutions, totalling EUR 72.1 million, securities in a total value of EUR 18.3 million, and short-term deposits in banks amounting to EUR 29.7 million and other assets of EUR 5.3 million.

At the end of 2009 the Ministry of Finance of the Republic of Slovenia deposited additional contingency reserves funds in the amount of EUR 10 million as part of Slovenia's anti-crisis measures.

New developments relating to insurance on behalf and for the account of the state

In 2009 the department for credit and investment insurance introduced a new product to complement the scope of insurance services for the account of the state. The product is aimed at providing banks with insurance of (service) guarantees to protect them from the risk of forfeiture for any reason (expansion of insurance cover including an option to cover the exporter's performance risk). In the context of temporary state aid measures SID Bank started activities to conduct reinsurance of risks in the market of private insurers.

6.2.6. Operations under Special Authorisation – Interest Rate Equalization Programme (IREP)

In accordance with the ZZFMGP and on behalf and for the account of the Republic of Slovenia, SID Bank implements the Interest Rate Equalization Programme (IREP) for export credits falling within the scope of the OECD Arrangement on Officially Supported Export Credits. SID Bank and the Ministry of Finance of RS have concluded an Agreement on Implementation of the Interest Rate Equalization Programme and Management of IREP Funds.

The primary objective of IREP is to offer export credits at fixed interest rates which are lower than commercial interest rates. In so doing, SID Bank enters into interest rate swaps with participating banks, providing them with fixed interest rate finance. SID Bank covers the interest rate risks linked to IREP through reverse interest rate swaps into which the Bank enters with foreign banks not rated lower than BBB- by Standard & Poor's.

The purpose of interest rate swaps is to reduce the exposure of the participating bank to interest rate risks arising from approvals of fixed-rate export credits. As the participating bank needs to observe the fixed interest rate component in defining its margin, it is entitled to a compensation factor of up to 1 percent of the loan (expressed as the annual interest rate and subject to loan maturity), though the compensation factor can be transferred to the end borrower in full. For final borrowers (foreign buyers of Slovenian goods or services) the interest rate is not lower than the Commercial Interest Reference Rates (CIRR), and it has a set maximum. More favourable financing enhanced the competitiveness of Slovenian exporters in foreign markets.

6.2.7. Operations under Special Authorisation – Guarantee Schemes

The authorisation under which SID Bank has implemented guarantee schemes for companies and individuals arises from the Guarantee Scheme Act of the Republic of Slovenia (Official Journal of RS 33/09 of 30 April 2009) and the Guarantee Scheme Act of the Republic of Slovenia for Individuals (Official Journal of RS 59/09 of 30 July 2009). Through the above Acts, the Republic of Slovenia authorizes SID Bank to implement, on behalf and for the account of the state, all operations related to the issue, supervision, forfeiture and collection of loan guarantees as well as control over the use of loans funds guaranteed under these Acts.

The Guarantee Scheme Act of the Republic of Slovenia (hereinafter ZJShem) set up a system for the issue of government-backed guarantees to assume liabilities of A-, B- or C- rated companies which arise from long-term loans acquired with commercial banks. The purpose of the Act was to relieve the credit crunch resulting from the global financial crisis that has reduced access to liquid assets of commercial banks, thereby decreasing the flow of funds into Slovenia's economy. According to the ZJShem, the total guarantee quota amounting to EUR 1.2 billion is to be assigned to banks by the end of 2010. By the end of 2009, banks were granted a total of EUR 509 million in guarantee quota at seven auctions.

By the end of 2009, the banks profiting from the guarantee quota distributed at the first six auctions had granted 353 corporate loans worth a total amount of EUR 535 million. Although the implementation of the guarantee scheme for corporate loans started later than originally expected, it has proved an efficient tool to mitigate the effects of the global financial crisis that also shook Slovenian economy.

The Guarantee Scheme for Individuals (hereinafter ZJShemFO) enabled individuals to obtain guarantees of the Republic of Slovenia for loans up to EUR 100,000 or EUR 10,000, depending on the category of borrower. The guarantee scheme for individuals lists four categories of borrowers, namely employees on fixed-term contracts, persons seeking to resolve their housing issue for the first time, young families and people who have lost their jobs. The total guarantee quota to be assigned by the end of 2010 under the ZJShemFO is EUR 350 million, of which EUR 50 million of the quota is held for the category of unemployed borrowers. By the end of 2009, SID Bank held two auctions at which it assigned EUR 38 million of guarantee quota.

6.3. Review of SID Bank Group Operations in 2009

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

After a period of strong growth extending from the company's establishment to the end of 2007, the situation changed considerably in 2008 and 2009. While in 2008 the company still managed to achieve a 9 percent growth in business insured, insurance volume decreased by 23 percent in 2009 due to the effects of the economic crisis. Although PKZ has managed to retain the majority of its existing clients and even acquired new ones, the volume of their business activity shrank considerably, thereby reducing the insurance potential of these companies. As most PKZ's insurance transactions involve insurance of risks abroad, the decline in Slovenia's exports had a significant impact on its operations. With the clients' credit rating worsening on most markets, the number of insurable risks dropped as well, both in number and amount. Furthermore, all PKZ's important markets saw a drop in liquidity, which contributed to an increase in insolvency cases and late payments.

Despite the measures taken to mitigate the consequences of the crisis, the impact of the crisis on the operating results of PKZ was two-fold: the company reported a decline in premium written (in 2009: EUR 11.1 million; in 2008: EUR 14.0 million, down by 21 percent) and a considerable rise in claims (claims paid in 2009: EUR 11.6 million, claims paid in 2008: EUR 4.8 million, posting an increase of 142 percent; gross claims outstanding in 2009: EUR 44 million, gross claims outstanding in 2008: EUR 26 million, an increase of 69 percent). The result for insurance technical account was negative for the fist time since the company was founded (EUR 8.3 million). For use in such cases, PKZ had formed equalization provisions (provisions for credit risks). To cover its loss from the technical account, PKZ used up most of its credit risk/equalization provisions (i.e. EUR 8.3 million of the total EUR 9.0 million, ending the year with EUR 0.7 million). The equity of the insurance company declined accordingly since equalization provisions (provisions for credit risks) are included in this item (in 2009: EUR 9.1 million, in 2008: EUR 16.9 million). The net profit or loss for the period was negative (EUR 6.5 million); however, after the use of equalization provisions (provisions for credit risks) PKZ did not report a loss to be covered by allocation from other equity components.

By the end of 2009, PKZ managed to renew over 95 percent of insurance contracts under the conditions consistent with the current economic situation, which stresses the fact that the insurance company has managed to build long-term partnership relations with its clients. The measures aimed at mitigating the consequences of market uncertainties were first adopted in 2008 and adapted in 2009. In the adoption and implementation of these measures PKZ sought to maintain the balance between tightening its insurance conditions in the light of the changed economic environment and catering, to the highest extent possible, to the transactions performed by its clients. Therefore, PKZ chose not to withdraw from certain markets or industries or drastically reduce its exposure to these market or industries. Instead it opted for individual approach to insurance limits and tightened its risk control. Even if the company had withdrawn from problem markets/industries in 2009, such action would not have improved its operating results for the year but would weaken PKZ's competitive position in the future and reduce the support available to its clients in the harsh economic conditions.

In an effort to enable PKZ to continue fulfilling its mission in 2010 and catering to the needs of its clients, SID Bank approved a capital increase of EUR 4.2 million, in full consideration of the risk management regulations, and carried it out in January 2010. The capital increase will enable PKZ to service its clients in the face of economic uncertainty and to maintain the level of its activity paying due attention to the risk management rules.

To streamline its business operations, PKZ has transferred some of its activities to SID Bank based on contracts for outsourced transactions. In terms of ownership and business performance, the operations of PKZ remain an integral part of the SID Bank Group, thus ensuring synergetic effects of these complementary facilities.

6.3.2. PRO KOLEKT Group

In 2009 business operations of the PRO KOLEKT Group were focused on active marketing of the Group's services and its recognisability in the markets of South East Europe.

The PRO KOLEKT Group performs debt collection services (in-court and out-of-court) in almost all countries across the globe, on the basis of contracts or agreements concluded with over a hundred debt collection agencies. In 2009 the PRO KOLEKT Group maintained fruitful cooperation with renowned worldwide debt collection agencies such as Atradius, Intrum Justitia, and the Hermes Group.

In 2009 the Group resolved its business and liquidity problems of previous years. The business indicators of the PRO KOLEKT Group saw a marked upturn in the same period. In that year particular attention was paid to corporate organisation of the PRO KOLEKT Group.

In 2009, 3,152 debt collection cases in the total value of EUR 75.5 million were referred to the PRO KOLEKT Group. In 2008, the number of assigned claims was 3,063, with their total value reaching EUR 32.2 million. In 2009 the Group resolved 770 debt collections in the total value of EUR 12.4 million, whereas in the year 2008 the number of resolved claims was 627, their total value amounting to EUR 6.2 million. The 2009 results show a 3 percent rise in the number of resolved cases, and a 100 percent rise in the value of debt collected. In 2009 the PRO KOLEKT Group continued to conduct marketing and preparation of credit rating reports.

In 2009 the PRO KOLEKT Group acquired most of its business from clients insured by PKZ and expects the growth of business cooperation to continue in 2010 mainly as a result of the general efforts to combat the effects of the financial and economic crisis. The PRO KOLEKT Group also performs debt collection services for other insurance companies who are members of the Berne Union.

In 2009 the Group generated EUR 1.9 million in revenues from sale of services, whereas in 2008 the end-of-year figure amounted to EUR 772 thousand. The PRO KOLEKT Group ended the business year 2009 with a profit of EUR 137 thousand.

In 2010, the Group plans to successfully handle debt collections in the total amount of EUR 14.9 million, an increase of 20 percent compared to 2009. Furthermore, it plans to sell EUR 443 thousand worth of credit rating reports, 21 percent above the 2009 figure. All in all, the PRO KOLEKT Group intends to generate EUR 2.0 million in revenue from sale of services and a profit of EUR 197 thousand.

6.3.3. PRVI FAKTOR Group

In 2009 the value of accounts receivable purchased by the PRVI FAKTOR Group was EUR 818 million. The 2009 figures are 21 percent lower than the value of receivable purchased in 2008 and fall 8 percent below the plan for the year 2009. Subsidiaries contributed more than 80 percent to the total turnover of the PRVI FAKTOR Group. The 2009 turnover target was only surpassed by PRVI FAKTOR Zagreb whose share in the total volume of receivables purchased by the PRVI FAKTOR Group was 41 percent.

The PRVI FAKTOR Group finances most receivables arising from deliveries of goods or services among the entities within the country. In 2009, factoring of domestic receivables accounted for 91.0 percent of the total business volume (in 2008: 86.6 percent), export factoring for 6.2 percent and import factoring for 2.8 percent. PRVI FAKTOR is a member of several networks of factoring companies (Factors Chain International and International Factors Group) and through these networks it generated EUR 34.5 million of business (insurance and financing of export-import related receivables), accounting for 3.3 percent of the Group's total turnover.

The drop in business volume led to a decrease in consolidated total assets which stood at EUR 336.4 million as at 31 December 2009, marking a year-on-year fall of 9 percent. In terms of total assets, the largest company in the PRVI FAKTOR Group is PRVI FAKTOR, Zagreb, whose total assets amounted to EUR 157,5 million at the end of the year.

The total assets of PRVI FAKTOR, Ljubljana stood at EUR 134 million at the end of the year 2009, posting a drop of 14 percent over the previous year. The company allocated EUR 4.8 million in dividends to its stakeholders; the equity of the company was decreased by the dividend amount. The drop in business volume resulting from harsh business conditions was also reflected in the operating results for the year with the Group's profit lagging behind the 2008 figure. The generated net profit totalled EUR 1.2 million.

The objectives of PRVI FAKTOR Group for the year 2010 are to maintain the Group's share in the existing markets and to further improve the services the Group delivers to its clients. PRVI FAKTOR Group plans to acquire receivables in the amount of EUR 814 million and generate pre-tax profit of EUR 2.6 million. In 2010, the PRVI FAKTOR Group will pay particular attention to upgrading its information support for most back office and management processes.

6.3.4. Centre for International Cooperation and Development

In 2009 the Centre for International Cooperation and Development (hereinafter CMSR) positioned itself as Slovenia's central institution in the field of knowledge and implementation of international development cooperation which has become the Centre's core activity. Over the three years of its operations, the Centre has standardized its procedures for assessment, selection and monitoring of development projects. In 2010 CMSR plans to expand its contact network of Official Development Assistance (ODA) recipient countries to the selected countries of sub-Saharan Africa and East Europe (Moldova, Ukraine, Belarus).

In the period 2007-2009 CMSR extended to the ODA beneficiary states a total of EUR 4.8 million of donations of the Republic of Slovenia. Funds granted were used to support implementation of projects worth a total of EUR 20.5 million.

CMSR continued its long and fruitful coperation with SID Bank, its co-founder and an important business partner, in preparing risk analyses and short-form reports on foreign markets and sectors. Together with the Ministry of Foreign Affairs of RS, CMSR implemented the "Cost of Living Abroad" project. Apart from preparing an indexed bill of costs, CMSR also provides the Ministry with relevant advisory services. In 2009 CMSR continued its cooperation with Nova Ljubljanska banka d.d., for which CMSR prepares short-form risk analysis reports, monographs, and other studies.

CMSR continued its publishing activity in 2009 by publishing the magazine *Mednarodno poslovno pravo* and regularly updating the contents of *Doing Business in Slovenia* with relevant legislation changes and publishing it on Slovenia's Electronic Portal.

Although increasingly oriented towards international development cooperation, CMSR remains a professional research institution which can continue to actively cooperate with partners in economic and legal research.

6.4. Risk Management

SID Bank manages and controls risk in conformity with all risk management regulations. The principal riskes faced by SID Bank are credit, currency, liquidity, interest rate and operational risks. In assuming risks, the Bank pays particular attention to credit risk, while minimising other types of risk (currency, liquidity and interest rate risk). SID Bank's risk management practices need to reflect the Bank's distinctive character derived from its public role and the division of its business into transactions involving the Bank's own assets and activities performed for the account of the state, including the management of contingency reserves.

The primary objective of risk management is to reduce the probability of risk incidents and to mitigate loss when a loss event occurs. Risk management is concerned with identifying, measuring and reducing risks, thus ensuring a safe and stable operation which is also SID Bank's priority risk management objective as in the long term it leads to increased equity value, helps the Bank maintain its reputation, and maximises the benefits for the Bank's clients and other stakeholders.

The risk management process starts with establishing an appropriate organisational structure and regulated work processes, which facilitate the achievement of business objectives accompanied by the implementation of safe business operations in compliance with existing regulations. The key objective in the implementation of risk management measures is to ensure an appropriate level of risk awareness at all levels of the Bank's operation.

The identification of risks starts in commercial organisational units and continues within organisational units separated from commercial units up to the level of the Management Board, which ensures independence of the process. Responsibility for the direct implementation of risk management lies with the following bodies and organisational units:

- Credit Risk Committee: management of credit risk and large exposures,
- Liquidity Risk Committee: liquidity and currency risks,
- Asset - Liability Committee: balance sheet structure, capital adequacy, aggregate risks,
- Risk Management Department, preparation of risk management policies, risk monitoring,
- Credit Rating Department: assessment of the clients' financial posiiton,
- Back Office and Payment Transactions: daily follow-up of currency and liquidity risk within the limits set.

In accordance with the Basel II guidelines, SID Bank assessed its risk profile and set up a portal for reviewing and evaluating the internal capital adequacy assessement process.

Under its risk management strategy and capital risk and capital management policy, SID Bank established an appropriate process of assessing the adequacy of its internal capital, which:
- is based on the identification and measurement or assessment of risks, preparation of an aggregate risk assessment, and monitoring of material risks assumed by the Bank during the course of its operations,
- provides for adequate internal capital consistent with the Bank’s risk profile,
- is appropriately integrated in the management system.

A comprehensive process of assessing the adequacy of internal capital, adapted to the risks assumed, ensures that the risks assumed remain within the limits of SID Bank’s capacity to assume risks.

SID Bank also performs stress tests based on its own scenarios and scenarios provided by the regulator. By considering the results of these tests, SID Bank is able to identify the most exposed areas in time and well in advance, and improve its performance by taking appropriate measures.

The risk management aspect is particularly important in credit and investment insurance as these operations are conducted on behalf and for the account of the Republic of Slovenia. While the loss ratio can be offset using the contingency reserve, higher losses from these operations could bring contingency funds down to a level at which the Act Governing Insurance and Financing of International Commercial Transactions (ZZFMGP) requires additional funds to be appropriated from the budget of the Republic of Slovenia.
At SID Bank, effective risk management starts with a proper organisational structure. Credit and investment insurance transactions are carried out by a special department, which is separated from banking operations up to the level of the Management Board. Similar to the banking segment, the authorisation to conclude transactions is clearly defined, with all transactions of EUR 5 million or more requiring an approval from the International Trade Promotion Commission. The Commission also holds ultimate authority over other risk management issues, such as approving insurance policies for certain countries or groups of countries which, in addition to the insurance limits specified in the ZZFMGP, limit the potential amount of loss. Moreover, SID Bank addresses the issues relating to the classification of risks, establishment of premium rates, etc., through a special analysis of fiscal sustainability of insurance transactions conducted for the account of the Republic of Slovenia in cooperation with the competent ministry and the International Trade Promotion

Commission. The initial findings revealed and the subsequent findings confirmed that even if worst-case scenarios were to materialise, the state budget would not suffer direct consequences, and any subsequent impacts would not be significant.

Capital and capital adequacy

Adequate amount of capital is the key element to ensuring the solvency and liquidity of the Bank and to providing a basis for its uninterrupted operation and financial resources needed for the expansion of its business activities. Capital adequacy, expressed in relative terms with regard to the volume of business and the risks assumed, creates trust in the Bank's operations and ensures its stable development in line with the set goals.

SID Bank's capital as calculated in accordance with the Regulation on the Capital Adequacy of Banks and Savings Banks (CABSB), which covers all SID Bank's transactions conducted for its own account (i.e. all operations except transactions involving the insurance of international business transactions, the management of contingency reserves and IREP), amounted to EUR 313.9 million as at 31 December 2009, an increase of EUR 163.4 million compared to the end of 2008. The increase in the capital largely stems from the EUR 160 million paid in capital of the Bank in August 2009.

SID Bank's capital requirements for credit and currency risks are calculated using the standardized approach, and the capital requirement for operational risk is calculated using the basic indicator approach.

The capital adequacy ratio is the ratio between the capital and the capital requirements relating to credit, currency, and operational risks. In accordance with the Regulation on Reporting on the Capital and Capital Requirements of Banks and Saving Banks, SID Bank was not required to form capital requirements for currency risks at the end of 2009.

Capital adequacy as calculated based on Basel II requirements for all transactions that SID Bank conducted for its own account (i.e. all operations except transactions involving the insurance of international business transactions, contingency reserve management and IREP), stood at 16.7 percent as at 31 December 2009 (in 2008: 11.1 percent).

Credit risk

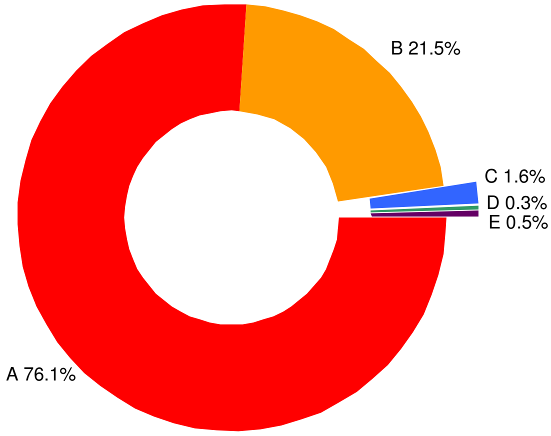
Credit risk is the risk of loss arising from a debtor's failure to settle its financial obligations. Credit risk management starts prior to entering into a contractual relationship by determining the credit rating of a client and by securing appropriate collateral. The credit exposure is approved by the Credit Risk Committee. During the course of a transaction, credit risk is managed by closely monitoring and managing the credit portfolio, limiting credit risk concentration to a client, group of clients, sector or country, by classifying and creating impairments for expected losses, and providing sufficient capital for cases when losses exceed expectations.

In credit and guarantee transactions, credit risk includes risk of losses arising from credit transactions and risk arising from the geographic location of the debtor's country. In securities invetsments risks arising from a securities issuer are considered. Counterparty credit risk is considered in settlements and derivative financial instruments.

Notwithstanding SID Bank’s introduction of individual assessment of losses and the calculation of impairments under IFRS, as a result of which it did not have to monitor impaired financial assets agains the Bank of Slovenia classification into categories A to E, SID Bank Group continued maintaining such classification[2]. The clients with the highest credit ranking are rated 'A' while the clients with the worst credit rating are rated 'E'. The quality of credit portfolio can thus be monitored continuously against these rating classes and compared with other banks.

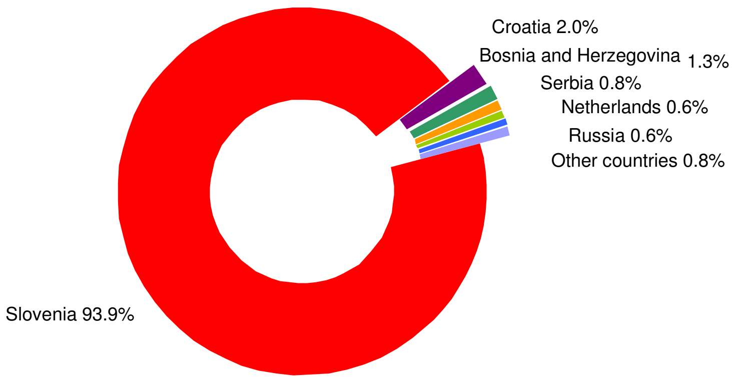
[2] For its internal use, SID Bank uses more detailed credit rating classes expressed in three-letter codes.

SID Bank credit portfolio by credit rating class as at 31 December 2009:



The balance of SID Bank's credit portfolio as at 31 December 2009 shows that 76.1 percent of all loans, other claims and off-balance sheet liabilities are classified in the highest credit rating class, 'A', further 21.5 percent of the portfolio falls into the 'B' credit rating class, 1.6 percent in 'C', whereas classes 'D' and 'E' together acccount for 0.8 percent.

SID Bank credit portfolio by debtor country as at 31 December 2009:

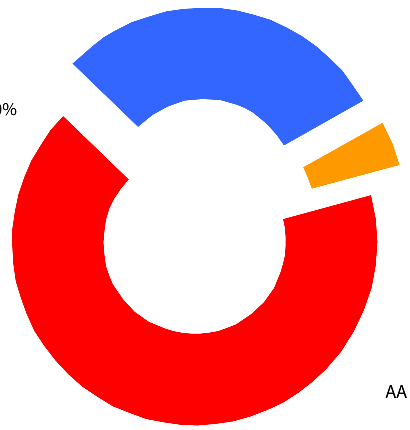


Claims and off-balance sheet liabilities from Slovenian debtors account for slightly less than 94 percent of the credit portfolio, followed by exposure to the countries of South East Europe (Croatia, Bosnia and Herzegovina, Serbia), the Netherlands and Russia.

Impairments and provisions constitute an important element of managing the risk of loss arising from credit transactions. (The impairments and provision creation policy is described in more detail in item 2.2.5. of Notes to the Financial Statements.) As at 31 December 2009, SID Bank's impairments and provisions totalled EUR 43.1 million, which was EUR 19.0 million more than as at 31 December 2008. Impairments and provisions are derived from group and individual assessments of losses, with losses arising from exposures in credit rating classes 'C', 'D' or 'E' assessed on an individual basis. The ratio between total provisions and impairments and total exposure classified in these classes is 1.5 percent (in 2008: 1.2 percent).

Issuer risk arises from the credit portfolio which is managed by SID Bank with an aim of ensuring liquidity and managing assets and liabilities. SID Bank does not conduct trading transactions. The Bank manages credit risk mainly by setting limits regarding the issuer credit rating and by monitoring the market values of securities.

Securities portfolio by issuer credit rating as at 31 December 2009



Detailed breakdown of the securities portfolio by issuer credit rating as at 31 December 2009 is available in point 2.4.3. of Notes to the Financial Statements.

Liquidity risk

Liquidity risk, in the narrow sense of the word, is the risk which arises if SID Bank is unable to offset its liabilities with its investments. Therefore, liquidity is the capacity of a company to hold and secure sufficient resources to meet its (balance-sheet or off-balance-sheet) obligations when they are due. These liabilities are normally settled using cash inflows, liquid assets and borrowed funds. The larger the mismatch between the principal and interest flows on the side of assets, and liabilities and off-balance-sheet items, the larger the liquidity risk.

SID Bank does not accept deposits, meaning it is not exposed to liquidity risk in the conventional sense. Nevertheless, problems could occur should SID Bank be unable to draw on the funds promised. If circumstances so require, SID Bank performs a stress test scenario.

In accordance with the adopted liquidity management policy, SID Bank ensured that all its financial liabilities were met regularly. Liquidity management is based on the planning the inflows and outflows, which is performed separately for the Bank's own account and for the account of contingency reserves.

SID Bank also monitors its exposure to liquidity risk by means of liquidity ratios (ratios between outflows and inflows over one- to six-month periods). The Bank of Slovenia set the minimum value of one for this ratio for the period of up to 30 days. With SID Bank, the mentioned ratio mostly exceeded 2.0. Despite the worsening financial and economic conditions, SID Bank has not experienced liquidity-related difficulties, thanks to the long maturity of its liabilities and adequate secondary liquidity.

Liquidity risk in its broader sense, that is the risk of the Bank having to acquire additional funding at a higher interest rate (funding risk) and the risk that due to its liquidity needs the Bank will have to sell non-monetary investments at a discount (market liquidity risk), is low thanks to an excess short-term liquidity position and adequate secondary liquidity. Secondary liquidity contains a relatively high proportion of government and other securities of high quality and liquidity. The liquidity ratio for the periods up to 30 days, calculated following the methodology of the Bank of Slovenia, was 1.64 as at 31 December 2009.

Statement of Financial Position by maturity showss a connection between liquidity risk management in connection with credit risk. The items are given in net values, which means that the value of investmentsreduced by impairments.

Statement of financial position of SID Bank by maturity as at 31 December 2009

	Assets		**Liabilities**		**Gap**	**Ratio***
Maturity class	in EUR million	% of total assets	in EUR million	% of total assets	in EUR million	in %
Sight	9.0	0.3	0.3	0.0	8.7	30.00
Up to 1 month	51.4	1.7	41.5	1.4	9.9	1.44
1 month to 3 months	12.5	0.4	41.0	1.3	-28.5	0.88
3 months to 1 year	218.2	7.2	250.5	8.3	-32.3	0.87
1 year to 5 years	1,593.6	52.7	931.7	30.8	661.9	1.49
Over 5 years	1,140.2	37.7	1.759.9	58.2	-619.7	1.00
Total	**3,024.9**	**100.0**	**3.024.9**	**100.0**	**0.0**	

Note: The ratio is the sum of all assets items up to, and including, this maturity class and the sum of liabilities items up to, and including, this maturity class.

Detailed breakdown of assets and liabilities items as at 31 December 2009 by maturity is available in point 3.1.1. of Notes to the Financial Statements.

Currency risk

When managing currency risk, SID Bank determines the potential loss which could arise as a result of changes in foreign exchange rates, through the application of an open foreign currency position, that is the difference between the sum of all investments denominated in a foreign currency and liabilities in a foreign currency. Open foreign currency position, constrained by internal limits, was minimal throughout the year 2009.

At the end of 2009, SID Bank had a single foreign-currency forward contract amounting to USD 1 million to hedge against currency risk it encounters in its daily operations on financial markets.

Statement of financial position of SID Bank by currency as at 31 December 2009

	Assets		Liabilities		Gap	
	in EUR million	% of total assets	in EUR million	% of total assets	in EUR million	% of capital*
EUR	3,010.4	99.5	3,010.9	99.5	-0.5	0.2
USD	14,5	0.5	14.0	0.5	0.5	0.2
Other currencies	0,0	0.0	0.0	0.0	0.0	0.0
Total	**3,024,9**	**100.0**	**3,024.9**	**100.0**	**0.0**	**0.0**

** Note: Capital taken into account is in accordance with the Regulation of the Bank of Slovenia on the Calculation of Capital Adequacy of Banks and Saving Banks.*

Detailed presentation of the balance sheet by currency structure as at 31 December 2009 is available in point 3.2.1. of Notes to the Financial Statements.

Interest rate risk

In the conduct of its business operations, SID Bank encounters two types of interest rate risks. The first type arises from the difference between the SID Bank lending and borrowing interest rates or the difference in the sensitivity of these interest rates to changes in the overall level of market interest rates. The second type arises from the interest rate sensitivity of investments financed from SID Bank's capital.

SID Bank manages exposure to interest rate risk mainly through a coordinated interest accrual on assets and liabilities. Euro-denominated instruments with Euribor-linked interest rates account for the biggest share of assets and liabilities, which means the only remaining risk is the risk arising from the timing differences of repricing to the reference rate and incomplete coordination in selecting the reference interest rate (three- or six-month Euribor).

During the year, in addition to coordinating the accrual of interest, SID Bank also used, to a limited extent, derivative financial instruments (interest rate swaps) as an additional tool to mitigate interest risk. At the end of 2009, SID Bank held two derivative financial instruments (interest rate swaps).

Assets and liabilities items by period remaining to interest rate repricing as at 31 December 2009

	Assets		Liabilities		Gap
Maturity class	in EUR million	% of total assets	in EUR million	% of total assets	in EUR million
Non-interest bearing	26.0	0.9	332.1	11.0	-306.0
Demand	94.8	3.1	0.0	0.0	94.8
Up to 1 month	376.0	12.4	0.0	0.0	376.0
1 month to 3 months	484.3	16.0	15.2	0.5	469.1
3 months to 1 year	2,007.7	66.4	813.4	26.9	1,194.3
1 year to 5 years	28.1	0.9	427.4	14.1	-399.4
Over 5 years	7.9	0.3	1,436.7	47.5	-1,428.8
Total	**3,024.9**	**100.0**	**3,024.9**	**100.0**	**0.0**

Detailed presentation of the balance sheet by exposure to interetst rate risk as at 31 December 2009 is available in point 3.3.1. of Notes to the Financial Statements.

Operational risk

Operational risk refers to the risk of occurrence of loss resulting from the company's failure to perform or perform effectively its internal processes, from deficiencies in human action or system operation, or from external factors. The degree of operational risk depends on the company's internal organisation, business process management, functioning of internal controls, effectiveness of internal and external audits, etc. The main factors affecting operational risk are human resources, business processes, information technology and other infrastructure, organisational structure and external events.

Streghtening of the role of SID Bank as a main Slovenian development institution for financing and promotion increases the probability of operational risk. Provision of planned new activities is to be accompanied with recruitment of appropriate qualified staff and introduction of new information technologies for providing the required data and application support.

SID Bank has put in place an operational risk management policy according to the recommendations of the Basel standards. The Bank monitors its operational risk using the basic indicator approach. The management of operational risk is based on the established system of internal controls, the decision-making and authorisation system, appropriate substitution for absent workers, suitable staff qualifications and investments in information technology. System risks inherent in information technology are increasing in line with the level of computerisation. They were managed through additional measures such as an established business continuity plan and other measures aimed at increasing information security.

Risk management in SID Bank Group

Consolidated risk management reflects the heterogeneous nature of SID Bank Group, which consists of the parent company authorised and supervised under banking regulations; a subsidiary insurance company authorised and supervised under the Insurance Supervision Agency; a factoring company, which assumes risks similar to those assumed by the Bank, but is not regulated, and PRO KOLEKT, a non-financial company which does not assume any greater financial risks.

Business relationships among the Group companies affect the type and volume of shared risks. Particular attention is paid to areas in which the nature of transactions performed could lead to a concentration of the same risk, which is of particular importance in cases of concentration of credit and insurance risks to the same debtor (taking into account the risk/debtor relationship).

Similar to SID Bank, the primary objective of risk management in SID Bank Group is to reduce the likelihood of risk incidents and mitigate losses when a loss event occurs. Particular attention is given to the measurement and management of credit risk at SID Bank Group level as well as to the exposure of SID Bank Group to a client, sector or country.

All Group companies have in place an appropriate organisational structure which enables effective risk management based on the determination of risk assumption procedures as well as procedures aimed at identifying, measuring and mitigating risks.

SID Bank Group has adopted adequate policies and guidelines relating to risk management and protection against risk. The parent company has upgraded its policies and guidelines to specify risk management instructions for particular risks. Furthermore, the parent has coordinated the operations of the subsidiaries in the Group so as to ensure relevant and efficient risk management at the level of the entire Group.

In accordance with its risk management strategy, SID Bank Group pays particular attention to the following risks: capital, credit, liquidity, currency, interest rate, operational, securities and derivatives, strategic, reputation, and profitability risks as well as other types of risk related to the probability of an event which is contrary to what is expected and may lead to losses from business operations.

Responsibility for the management of risks which SID Bank Group members assume in the scope of their business operations lies primarily with the management body of a certain Group member, which is obliged to pursue the business and strategic risk management objectives for the whole SID Bank Group. The Management Board, or the management bodies, of the Group member concerned transfer their authority-based risk management powers to lower levels of management.

All the supervisory bodies of subsidiary companies contain employees of the parent company who through their opinions and activities contribute to a balanced and coordinated risk management in SID Bank Group.

SID Bank Group places great emphasis on credit risk, as it is the most significant risk at the level of the Group. In its organisational structure SID Bank Group has in place a hierarchical model for determination of credit limits depending upon the amount of the required credit limit and the type of transaction. In factoring transactions, the lowest limits are approved by commercial units, higher credit limits are approved by the credit committee of the subsidiary company and the highest limits are approved by the credit committee of the parent company. The highest limits are classified as limits exceeding EUR 2 million. All these transactions are reassessed and evaluated by the Credit Rating Department of the parent company. These transactions are carefully inspected at SID Bank Credit Committee Meetings, taking account of the economic and legal aspects, with special attention paid to credit insurance.

The companies of SID Bank Group make regular monthly reports on their operating results, which include reports on exposure and bad investments. The submitted reports are regularly discussed at the meetings of SID Bank's Credit Committee, which reviews them and, when appropriate, gives instructions for activities.

Risk profile and internal capital adequacy assessment

SID Bank has prepared a risk profile which documents and categorizes a set of quantitative and qualitative assessments of risks which the Bank assumes in the course of its operation, and the control environment used to manage those risks.

The risk profile is used as a basis for:
- a comprehensive risk management process,
- internal capital adequacy assesment,
- planning internal audit procedures,
- direct supervision by the Bank of Slovenia.

In accordance with the Regulation on Risk Management and Implementation of the Internal Capital Adequacy Assessment Process for Banks and Savings Banks, the risk profile is assessed for the entire SID Bank Group.

The following risks and factors are taken into account in assessing internal capital adequacy assessment process:
- Pillar I risks (credit risk, market risk, operational risk),
- Pillar II risks (concentration risk, transfer risk, interest rate risk, liquidity risk, profitability risk, settlement risk, reputation risk, strategic risk, capital risk),
- other elements and external factors (regulatory changes, impact of economic cycles, stress tests).

In the internal capital adequacy assessment, capital requirements for credit risks hold a 82 percent share, followed by 2 percent share for operational risks, and 16 percent for strategic risk, concentration risk and external factors.

Risk management in SID Bank Group based on the Bank's consolidation is presented in detail in Chapter III on disclosures.

6.5. Information system

A banking information system must ensure safe and controlled access to timely, integral and available information. In addition to supporting business processes, the information system must enable reporting to banking regulators and other external institutions and help users in the decision-making process. In response to the constantly changing and increasing business needs of SID Bank and regulatory requirements, the information system needs to be regularly updated and improved.

In 2008 SID Bank adopted a renewed information system development strategy which served as the basis for conducting numerous activities in the field of IT and technological development also in 2009.

In 2009 particular attention was paid to the continuation of activities aimed at renewing, updating, standardizing and optimizing server infrastructure to integrate virtual environment technologies as well as to the introduction of a composite data field. As part of the package of measures designed to ensure business continuity, activities were underway to test the disaster recovery plans. In terms of security, several improvements and upgrades on various system segments were made, including upgrade of firewalls, etc.

The activities to unify and standardize the system software continued throughout 2009, as did standardization of work with outsource providers and expansion of IT support to software change management. The primary document information system was upgraded and supplemented with a transaction-based and relational database system.

In the field of application software, particular attention was given to IT support to the entire process of guarantee scheme implementation, optimization of work processes and work on the process for supporting loan transactions. Certain activities were carried out in relation to preparing the groundwork for projects and tasks to be implemented in 2010.

One of SID Bank's crucial ongoing tasks associated with the information system is to provide the basis for high-quality and timely reporting. In this respect, 2009 saw execution of a number of activities aimed both at supplementing and upgrading the Bank's external reporting processes in line with the requirements from external institutions and the Bank's internal reporting, which is becoming increasingly complex and extensive in response to the growing business needs. In this context, SID Bank continued its work on the construction of a data warehouse. In addition to the above, the Bank ran other activities relating to development and maintenance of the information system in compliance with the ISO27001 (ISO/BS17799) standard.

Given the role of SID Bank in SID Bank Group, the activities performed in line with the Strategy were focused on coordinating the development of information systems of all companies of the Group. The operations of PRO KOLEKT

were fully informatized in 2009, applying a site-independent system and re-establishing a local information system. In PKZ, IT support activities resulted in implementing a secure change management system.
To enhance its efficiency, risk management and business strategy, the Bank also worked on the optimization of its processes, aware that the business strategy and risk management strategy are the main construction elements of the strategy for future development of the SID Bank information system.

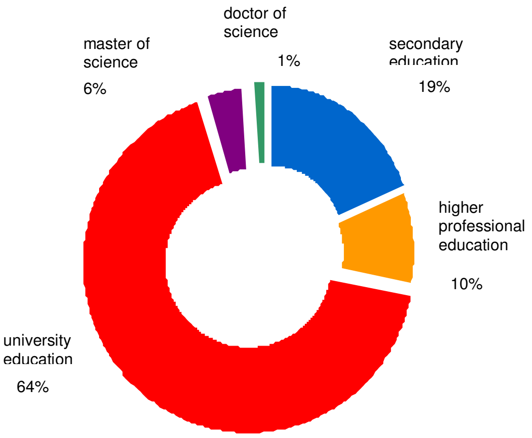
6.6. Personnel

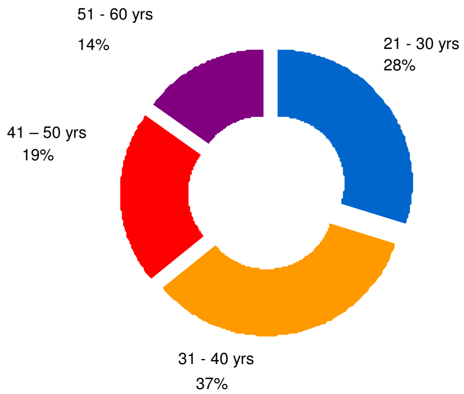
Recruitment - structure and trends

Personnel recruitment in 2009 was conducted in accordance with the annual recruitment plan and the orientations of the Action Strategy, based primarily on balancing recruitment against the growth of business volume and development of new products, hiring professionals who possess industry-specific knowledge and experience, and on retaining competent and high-potential staff working for SID Bank or SID Bank Group.

In 2009, 20 new employees were engaged. SID Bank ended the year with 87 employees (59 women and 28 men) with the average number of employees in 2009 totalling 79.75.

Personnel structure of SID bank by education level as at 31 December 2009





Employee development

SID Bank is committed to promoting employee development to ensure the education and qualification structure comparable to the development level and strategic goals of the Bank and successful adaptation of the employees to the changes and challenges of their work environment.

Annual appraisal interviews and semi-annual interviews were conducted with all employees in order to determine the achievement of set goals. Annual appraisal interviews provide the basis for an assessment of an individual's development potential, the identification of key personnel (managers and specialists – responsible for the development of new activities) and the preparation of an annual training plan, as they point to requirements for new knowledge and facilitate targeted training and education of individual employees and employee groups.

Training

In line with the SID Bank Action Strategy, the Bank encourages acquisition of the needed knowledge and skills and their transfer into practice. In 2009 SID Bank employees acquired knowledge required for specific expert fields. Training took the form of in-house training and participation in conferences, workshops, seminars, postgraduate studies and the like, both in Slovenia and abroad.

Employees also acquired certain general skills, especially with regard to foreign languages, information technology, presenting and public speaking, etc. More specific target areas included banking topics, financial markets and financial instruments, risk management, legal matters, prevention of money laundering, corporate financial and business analyses, project finance, international financial reporting standards, tax legislation, payment systems, and public procurement.

In 2009 eighty-five employees (98 percent of all employees) attended various forms of training. The number of hours spent on training averaged at 43 per employee.

Remuneration

The remuneration and promotion scheme put in use at SID Bank was designed to reward and motivate high-performance personnel and utilize their capabilities to achieve ambitious business plans.

The payment of salaries and other remuneration complies with the provisions of existing legislation and the Collective Agreement of Banks and Savings Banks in Slovenia, whereas promotion and performance benefits are regulated with an internal SID Bank Act. Performance incentives are awarded to the employees by their superiors on a monthly basis as a variable component of pay, amounting to no more than 10 percent of ther employee's salary, or, not more than 20 percent of the salary for special achievements. The grounds for promotion at the same job position are established on the basis of the appraisal report drawn up by the superior following the conduct of annual and semi-annual interviews. In 2009, 25 employees were promoted through this process.

Project work is subject to special rewards and forms the basis of individual development and development of team-work and cooperation.

In accordance with its pension scheme, SID Bank covered, also in 2009, part of the premium for the voluntary supplementary pension insurance and the premiums for the voluntary supplementary health insurance for all employees.

Internal communications

As SID Bank performs a highly-specialized activity, it is critical for its performance that the employees understand and support the Bank's activities, and this can also be ensured through efficient and open communication.

The Bank ensures exchange of information and communication with its employees through numerous well-established tools and applications, including direct communication between the management and the employees (regular internal meetings and meetings with the Board), access to a number of databases (e.g., memos on business meetings, minutes and decisions of corporate bodies, internal rules and regulations, expert library, descriptions of processes and procedures, proposals and ideas, and clippings), internal e-newsletter and quarterly publications of SID Bank's newsletter Cekin.

In 2009 SID Bank, with the consent of the Supervisory Board, adopted the Code of Ethics Values and Professional Standards, which is, in a large part, a record of the existing good practice of the Bank and its employees. To ensure implementation of those Code provisions which represent a novelty with regard to the current practice, the Bank adopted a special action plan specifying concrete measures and deadlines for responsible persons.

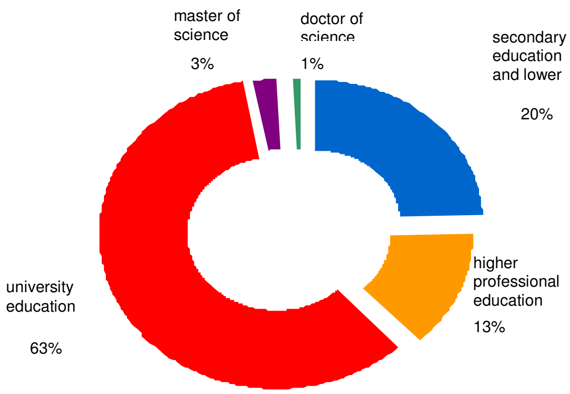
The Code is a formal confirmation of the established practice for promoting sound corporate culture and positive action and attitude from the employees in the performance of their tasks, both with regard to the customers and wihin the Bank environment. The Code places special emphasis on social responsibility and a responsible attitude to the environment.

Employees of SID Bank Group

Company	2007	2008	2009
SID BANK	69	76	87
PKZ	40	51	52
PRO KOLEKT Group	15	19	25
PRVI FAKTOR Group	108	130	131
CMSR	9	11	11
Total	241	287	306

At the end of 2009, PRO KOLEKT Group employed 25 people, seven of whom work in Ljubljana, six in Zagreb, two in Belgrade, four in Bukarest, two in Skopje, three in Sarajevo and one in the Sofia affiliate. The PRVI FAKTOR Group ended the year 2009 with a total of 131 employees, 38 of whom work in the Ljubljana company whereas another 45 work in Zagreb, 34 in Belgrade and 14 in Sarajevo.

Education structure of SID Bank Group employees as at 31 December 2009



6.7. Internal Audit

The Internal Audit of SID Bank is organised as a service directly responsible to the Management Board. It provides audit assurances and advisory services consistent with the applicable legislation of the Republic of Slovenia and the International Standards for the Professional Practice of Internal Auditing, the code of internal auditing principles and the code of professional ethics for internal auditors. The key purpose of its operations is to increase the benefits and improve the overall performance of the Bank. The Internal Audit helps SID Bank accomplish its set goals by supporting a conceptually sound and consistent method for assessing and improving the efficiency of risk management and mitigation procedures.

The operations of the Internal Audit in 2009 were conducted in accordance with the annual plan, which had been approved by the Management Board and the Supervisory Board. The basis for planning the areas subject to Internal Audit reviews in 2009 was the SID Bank Risk Profile for 2008; risk profile analyses lay the groundwork for identifying the business activities and risk areas within certain business activities which were to be reviewed. Throughout 2009, the Internal Audit conducted 19 reviews, 15 regular reviews and four ad hoc reviews. All reports on conducted reviews were discussed by the Management Board.

The recommendations made by the Internal Audit following reviews were oriented towards further improvements of internal controls by individual organisational units and business processes and towards a further reduction of risks in various segments of the Bank's operation. The Internal Audit continuously monitored the implementation of recommendations made, as well as the recommendations made by the Bank of Slovenia and external auditors, and reported on the status of these in its quarterly reports to the Management Board.

Another important segment of the Internal Audit activities was provision of advisory services related to various fields of work within SID Bank, in particular the preparation of the Bank's internal acts and coordination of external audit.

The Internal Audit drew up quarterly reports of its operations and relevant findings. All the reports were discussed by the Management Board, Audit Committee, and the Supervisory Board of SID Bank.

6.8. Compliance Management

At the beginning of the second half of the business year 2009, the Compliance Management started provision of the independent compliance function, which had previously been implemented in a decentralized manner. The compliance function is responsible for identifying, assessing and monitoring the compliance risk, and includes relevant reports. As part of the Bank’s internal control system, the compliance function is one of the interrelated elements of a comprehensive, stable and reliable bank management system.

The operations of Compliance Management, which holds special authorisations, responsibilities and tasks stated in the internal acts of the Bank that have been agreed upon by the Supervisory Board, are mainly focused on preventive action. Apart from advising the Management Board on the implementation of suitable internal controls devised to ensure compliance risk management, Compliance Management carries out periodic and ad hoc business reviews, focusing on areas which the risk profile analyses have singled out as those bearing the highest compliance risk. In conducting reviews, the Compliance Management cooperates with the Internal Audit, for example by exchanging information and findings to ensure synergy effects and avoid doubling of operations performed by the two departments.

Notwithstanding the new (centralized) form of compliance implementation, the Management Board retains primary responsibility for compliance risk management and for the compliance of SID Bank's business practices with the relevant regulations. Moreover, the responsibility to ensure compliance of business practices rests with all SID Bank's employees, with due consideration given to their role and accountability. This means that all staff have to undergo training related to the oversight and management of compliance risk. Additionally, heads of organizational units shall closely monitor the implementation of compliance risk in their respective areas and report to the Management Board and Compliance Management accordingly.

The Compliance Management prepares a half-yearly report and hands it over it to the Management Board, which submits it to the Supervisory Board for consideration. Such a report is made up of a report on the activities conducted in the past period, findings regarding the daily compliance against the required standard, potential recommendations for the management, and comments on the status of compliance recommendations made in the previous periods.

7. APPENDICES

7.1. Management Bodies of SID Bank as at 31 December 2009

Supervisory Board of SID Bank

- Andreja Kert, President
- Samo Hribar Milič, M.Sc., Deputy President
- Aleš Berk Skok, Ph.D.
- Marko Jaklič, Ph.D.
- Gregor Kastelic, M.Sc.
- Peter Kraljič, Ph.D.
- Viljem Pšeničny, Ph.D.

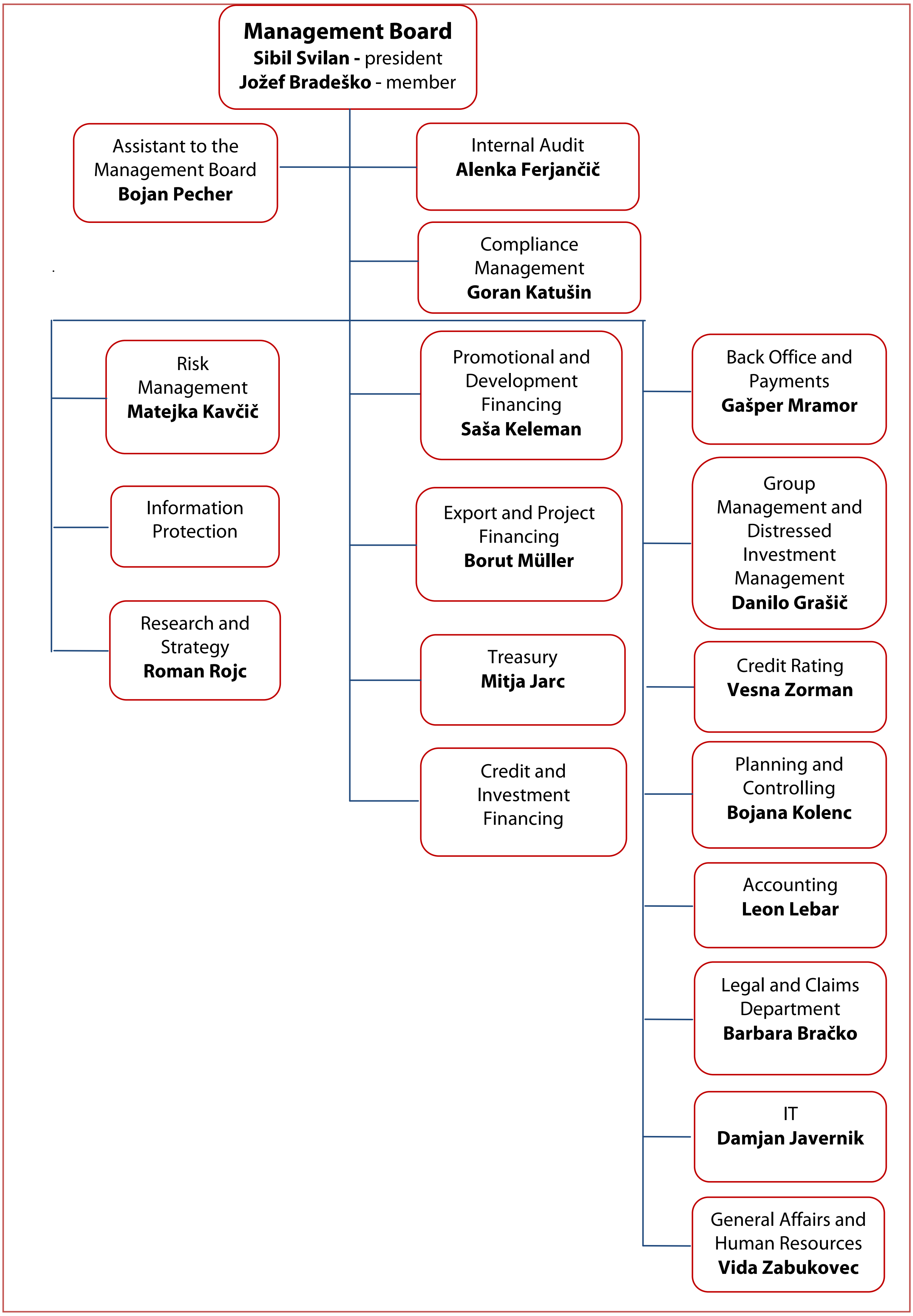
International Trade Promotion Commission

- Metka Jerina, Chairperson, Ministry of the Economy of RS
- Janko Burgar, M.Sc. – Deputy Chairperson, Ministry of the Economy of RS
- Robert Kokalj, Ph.D., Ministry of Foreign Affairs of RS
- Janez Krevs, Bank of Slovenia
- Monika Pintar Mesarič, Ministry of Finance of RS
- Jože Renar, M.Sc., Chamber of Commerce and Industry of Slovenia

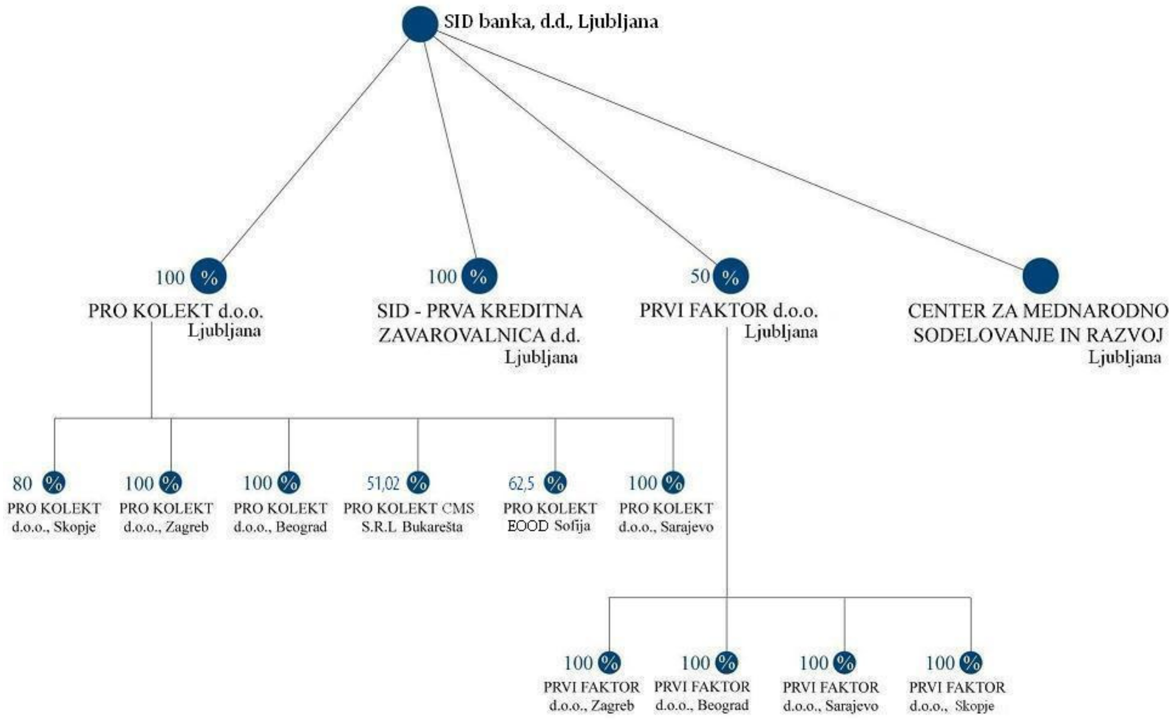
Management Board

- Sibil Svilan, M.Sc., President
- Jožef Bradeško, Member

7.2. Organisation Chart of SID Bank as at 31 December 2009



7.3. Organisation Chart of SID Bank Group as at 31 December 2009



7.4. Statement of Corporate Governance

In the business year 2009 SID Bank as a public company followed the Corporate Governance Code for Joint-Stock Companies (hereinafter the Code), which was jointly phrased and adopted by the Ljubljana Stock Exchange, Inc., Ljubljana, the Association of Supervisory Board Members of Slovenia, and the Managers' Association of Slovenia on 18 March 2004, agreeing on adopting its amendments on 14 December 2005 and 5 February 2007. The Code is available online at http://www.ljse.si/.

In terms of the corporate governance data which go beyond the requirements of the Companies Act, special emphasis is to be given to the regulations applicable to corporate governance in banks. These are contained in the provisions of the Banking Act (Chapter 2) and the Decision regulating due care of management board and supervisory board members of banks and savings banks, the latter summarizing the relevant recommendations derived from the Code. Another act to be considered is the Slovene Export and Development Bank Act (ZSIRB), which contains several specific corporate management provisions, also regarding the composition of the Supervisory Board. All the above regulations are published in the Official Gazette of the Republic of Slovenia. Corporate governance shall also abide by SID Bank's Statute (also available at SID Bank's website http://www.sid.si/sidslo.nsf), strategy and policies adopted by the Bank's management or supervisory bodies.

Corporate governance of SID Bank does not abide by the following recommendations of the Code:

- Point 1.1.1 (Company goals): Unlike other joint-stock companies, the key goal of SID Bank is not to maximize the company's value, but rather to perform promotional and development tasks aiming to retain or increase the value of capital without pursuing the goal of profit maximization (cf. primarily Article 9 of ZSIRB);

- Points 1.2 and 1.3 (Equal treatment of shareholders and protection of their rights and General Meeting of Shareholders): The recommendations are applied as appropriate since the Republic of Slovenia is the single shareholder of the Bank (cf. Article 4 of ZSIRB).

- Point 2.3.2 (Remuneration, compensations and other benefits, and the ownership of company shares): The management board remuneration policy has not formalized in one document; however, in line with the employment contracts of management board members, the amount of the remuneration depends on the achievement of goals set in the company strategy and upon the annual business policy and financial plan. A positive operating result of the company is just one of the criteria to assess job performance; all the other criteria deriving from the aforementioned documents are time-defined and measurable. In accordance with the employment contract, performance-related earnings may in no case exceed two monthly salaries of a management board member. Moreover, SID Bank also pays due regard to the decree passed by the Government of RS in January 2009, which lays out recommendations which the representatives of the Republic of Slovenia on supervisory bodies of companies whose majority owner is the Republic of Slovenia shall observe in closing agreements with managers.

- Points 3.1.9 and 3.1.12 (Duties and responsibilities): With a view to distributing materials and convening Supervisory Board meetings, we need to point out that information technology is only used for holding correspondence meetings. The company does not publicly release the Supervisory Board's report.

- Point 3.3.3 (Composition of Supervisory Board): SID Bank does not organize or finance training and education for supervisory board members.

- Point 3.4.6 (Remuneration, compensations and other benefits, and the ownership of company shares) SID Bank does not cover supervisory board members' liability insurance for the performance of their tasks.

- Point 8.2 (Communicating in English): Public announcements in English are only provided for the most important information on the company, e.g. Annual Report.

- Point 8.4 (Annual document): The list of all the information pertaining to the company that was publicly announced, pursuant to the law, during the previous 12 months, is not published.

- Point 8.6 (Financial calendar): The financial calendar is not published.

- Point 8.12.1 (Rumours and the press): SID Bank does not comment on misleading rumours and articles in the press related to its business operations in all such cases.

SID Bank has adopted internal acts regulating accounting reporting procedures and through these put in place various internal controls. The functioning of internal controls and risk management practices is subject to internal audit reviews conducted by a special organisational unit. To enhance the efficiency of its operation, the Supervisory Board has set up an Audit Committee, whose work is mainly concerned with accounting reporting and risk management. As part of the internal control system within the organization, SID Bank has also established a compliance function, performed by a separate organisational unit.

Since September 2008, the Republic of Slovenia has been the single shareholder of SID Bank. The Bank's management and supervisory bodies are appointed in accordance with the regulations, and in consideration of the specific conditions and procedures set forth in Article 18 of ZSIRB. The authority of the General Meeting of Shareholders is exercised by the Government of the Republic of Slovenia or its representative holding a written authorisation.

In adopting decisions, the two-member Board shall endeavour to act by mutual agreement and shall not issue or purchase the Bank's shares within the scope of their authorization.

In 2009 the Management Board was composed of Sibil Svilan, MSc, as President of the Board, and Jožef Bradeško, as Member of the Board.

The members of the Supervisory Board, nominated by a decree from the Government of the Republic of Slovenia on 23 April 2009, as at 31 December 2008 were:

- Andreja Kert, President,
- Samo Hribar Milič, M.Sc., Deputy President,
- Aleš Berk Skok, Ph.D.
- Marko Jaklič, Ph.D.
- Gregor Kastelic, M.Sc.,
- Peter Kraljič, Ph.D.
- Viljem Pšeničny, Ph.D.

The members of the Audit Committee as at 31 December 2009 were:

- Gregor Kastelic, M.Sc., Chairperson,
- Aleš Berk Skok, Ph.D.
- Blanka Vezjak, M.Sc.

II. FINANCIAL STATEMENTS OF SID BANK AND SID BANK GROUP

Contents

Statement of the Management Board on the financial statements of SID Bank and SID Bank Group

On 26 February 2010 the Management Board confirmed the Financial statements and Annual report of SID Bank and Consolidated financial statements of SID Bank Group for the year ended 31 December 2009. Financial statements have been compiled in line with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The Management Board reasonably believes that SID Bank and SID Bank Group have sufficient business resources to continue their operations.

The management is responsible for the following:

- Appropriate accounting policies which are applied consistently,
- Business estimates and judgements that are reasonable and prudent,
- Any material deviations from the applied accounting standards are appropriately disclosed and explained,
- Financial statements are prepared on a going concern basis for the SID Bank Group, unless there are substantiated reasons to anticipate discontinuation of operation.

The Management Board is responsible for maintaining bookkeeping documents and records which disclose the financial status of SID Bank and SID Bank Group with reasonable accuracy at all times. Furthermore, the Management Board is responsible for the preparation of financial statements in accordance with the legislation and regulations of the Republic of Slovenia. The Management Board must take all necessary steps to protect the assets of SID Bank and SID Bank Group and carry out all the required procedures to prevent or discover potential fraud or violation.

SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana

Jožef Bradeško
Member of Management Board

Sibil Svilan M.Sc.
President of Management Board

Statement of the independent auditor on the financial statements of SID Bank and SID Bank Group

Deloitte.

DELOITTE REVIZIJA D.O.O.
Davčna ulica 1
1000 Ljubljana
Slovenija

Tel: +386 (0) 1 3072 800
Faks: +386 (0) 1 3072 900
www.deloitte.si

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

Report on the Financial Statements

We have audited the accompanying financial statements of the SID – Slovenska izvozna in razvojna banka d.d., Ljubljana and group SID – Slovenska izvozna in razvojna banka d.d., Ljubljana which comprise the statement of the financial position as at December 31, 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SID – Slovenska izvozna in razvojna banka d.d., Ljubljana and group SID – Slovenska izvozna in razvojna banka d.d., Ljubljana as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report On Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the Company's business report. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Andreja Bajuk Mušič
Certified auditor

Andreja Bajuk Mušič

Yuri Sidorovich
President of the board

Deloitte.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 1

Ljubljana, 18 March 2010

1. Financial statements of SID Bank and SID Bank Group

Accounting policies and notes are an integral part of the financial statements and should be consulted together.

1.1. Statement of financial position 31 December 2009

		SID Bank		SID Bank Group	
In EUR thousand	Notes	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Cash and balances of transaction accounts with the state and the central bank	2.3.1.	1,073	112	3,636	3,437
Financial assets held for trading	2.3.2.	248	125	248	125
Financial assets held for hedging	2.3.3.	2,101	0	2,101	0
Available-for-sale financial assets	2.3.4.	50,051	61,332	72,390	79,450
Loans	2.3.5.	2,954,952	2,012,539	3,091,499	2,187,680
- Loans to banks		*2,292,668*	*1,512,356*	*2,306,883*	*1,534,606*
- Loans to clients other than banks		*662,284*	*500,183*	*784,616*	*653,074*
Property, plant and equipment	2.3.6.	4,441	4,749	4,845	5,230
Investment property		0	0	80	0
Intangible assets	2.3.7.	395	568	1,078	1,306
Long-term investments in equity of subsidiaries, associates and joint ventures	2.3.8.	7,712	7,712	419	419
Corporate income tax assets	2.3.9.	1,019	328	2,155	1,213
- Assets for corporate income tax		*656*	*0*	*1,180*	*255*
- Assets for deferred taxes		*363*	*328*	*975*	*958*
Other assets	2.3.10.	2,902	252	37,182	22,794
- Insurers assets		*0*	*0*	*32,228*	*20,177*
- Other assets		*2,902*	*252*	*4,954*	*2,617*
TOTAL ASSETS		**3,024,894**	**2,087,717**	**3,215,633**	**2,301,654**
Financial liabilities held for trading	2.3.11.	271	172	271	172
Derivative financial instruments held for hedging	2.3.12.	1,202	0	1,202	0
Financial liabilities measured at amortized cost	2.3.13.	2,693,134	1,921,672	2,814,538	2,079,910
- Bank deposits		*155,066*	*15,216*	*155,066*	*15,216*
- Deposits of clients other than banks		*91,870*	*22,376*	*91,870*	*22,376*
- Loans of banks		*1,799,948*	*1,633,867*	*1,921,338*	*1,792,105*
- Loans of clients other than banks		*99,108*	*0*	*99,122*	*0*
- Debt securities		*547,142*	*250,213*	*547,142*	*250,213*
Provision	2.3.14.	4,382	2,289	56,695	35,265
- Bank provision		*4,250*	*2,165*	*4,250*	*2,165*
- Liabilities from insurance contracts		*0*	*0*	*50,294*	*30,896*
- Other provision		*132*	*124*	*2,151*	*2,204*
Corporate income tax liabilities	2.3.9.	138	1,939	138	2,321
- Tax liabilities		*0*	*1,904*	*0*	*2,284*
- Non-current deferred tax liabilities		*138*	*35*	*138*	*37*
Other liabilities	2.3.15.	3,785	888	9,063	4,058
TOTAL LIABILITIES		2,702,912	1,926,960	2,881,907	2,121,726
Share capital	2.3.16.	300,000	140,000	300,000	140,000
Capital reserves	2.3.17.	1,139	1,139	1,139	1,139
Revaluation surplus	2.3.18.	(18)	(295)	126	(838)
Reserves from profit (including retained profit)	2.3.19.	21,735	19,923	39,667	38,095
Treasury shares	2.3.20.	(1,324)	(1,324)	(1,324)	(1,324)
Net profit/loss for the year		450	1,314	(5,882)	2,856
EQUITY		321,982	160,757	333,726	179,928
TOTAL LIABILITIES AND EQUITY		**3,024,894**	**2,087,717**	**3,215,633**	**2,301,654**
CONTINGENCY RESERVES	2.3.22.	**125,428**	**113,186**	**125,428**	**113,186**
INTEREST RATE EQUALIZATION PROGRAMME	2.3.22.	**7,627**	**6,709**	**7,627**	**6,709**

Contingency reserves and the Interest Rate Equalization Programme (IREP) refer to transactions performed by SID Bank on behalf and for the account of the Republic of Slovenia, which are not a part of the assets and the liabilities side of the sources of SID Bank. They are kept in separate accounts, which were defined by the Bank of Slovenia for keeping of transactions pursuant to special authorization. Transactions pursuant to special authorization are presented in item 2.3.22.

1.2. Statement of comprehensive income for the year 2009

		SID Bank		SID Bank Group	
In EUR thousand	Notes	2009	2008	2009	2008
Interest income and similar income		82,256	82,491	95,779	97,238
Interest expense and similar expense		(60,754)	(68,183)	(67,308)	(77,429)
Net interest	2.4.1.	21,502	14,308	28,471	19,809
Dividend income	2.4.2.	2,474	2,273	0	0
Fees and commissions received		2,006	1,209	6,456	5,398
Fees and commissions paid		(437)	(411)	(1,233)	(1,412)
Net fees and commissions	2.4.3.	1,569	798	5,223	3,986
Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss	2.4.4.	330	(184)	605	(255)
Net profits/losses from financial assets and liabilities held for trading	2.4.5.	24	(59)	24	(58)
Changes in fair value when calculating risk insurance	2.4.6.	(40)	0	(40)	0
Net foreign exchange gains/losses	2.4.7.	44	97	1,073	2,866
Net profits/losses from derecognition of assets, excluding non-current assets held for sale		(4)	2	(2)	2
Other net operating profits/losses	2.4.8.	2,542	2,501	4,129	8,629
- Income from non-banking services		*2,542*	*2,501*	*2,051*	*2,312*
- Revenues from insurance operations		*0*	*0*	*7,876*	*9,077*
- Expenses for insurance operations		*0*	*0*	*(5,798)*	*(2,760)*
Administrative costs	2.4.9.	(5,729)	(5,161)	(10,971)	(10,843)
Depreciation, amortization	2.4.10.	(643)	(617)	(881)	(860)
Provision	2.4.11.	(1,985)	(1,526)	(10,556)	(5,088)
- Bank provision		*(2,085)*	*(1,387)*	*(2,085)*	*(1,387)*
- Liabilities from insurance contracts		*0*	*0*	*(8,618)*	*(3,761)*
- Other provision		*100*	*(139)*	*147*	*60*
Impairments	2.4.12.	(18,906)	(9,429)	(23,596)	(14,183)
Profits/losses on ordinary activities		**1,178**	**3,003**	**(6,521)**	**4,005**
Corporate income tax on ordinary activities	2.4.13.	(231)	(424)	(755)	(1,463)
Deferred taxes		1	188	1,892	314
Net profit/loss for the year		**948**	**2,767**	**(5,384)**	**2,856**
Net profit/loss for the year		**948**	**2,767**	**(5,384)**	**2,856**
Net profits/losses derecognized from revaluation surplus from available-for-sale financial assets		347	48	1,206	(629)
Corporate income tax on other comprehensive income		(70)	(12)	(242)	124
Post-tax comprehensive income for the year		**1,225**	**2,803**	**(4,420)**	**2,351**
Of owners of the parent company				(4,420)	2,351

1.3. Cash flow statement for the financial year 2009

In EUR thousand	SID Bank 2009	SID Bank 2008	SID Bank Group 2009	SID Bank Group 2008
A. CASH FLOWS FROM OPERATING ACTIVITIES				
a) Net profit or loss before tax	1,178	3,003	(6,521)	4,005
Depreciation, amortization	643	617	881	860
Impairments of tangible fixed assets, investment property, intangible long-term assets and other assets	18,905	970	23,596	1,700
Net foreign exchange (gains)/losses	(44)	(97)	(1,073)	(2,866)
Net (profits)-losses due to sales of tangible fixed assets and investment real estate	4	(2)	4	(2)
Other (profits)/losses from investment activities	(2,474)	(2,273)	0	0
Other net profit and loss adjustments before tax	3,735	9,985	10,572	17,096
Cash flows from operating activities before changes in operating assets and liabilities	21,947	12,203	27,459	20,793
b) (Increase)/decrease in operating assets	(973,655)	(822,222)	(959,791)	(840,097)
Net (increase)/decrease in financial assets recognized at fair value through profit and loss	(2,101)	3	(2,101)	3
Net increase/(reduction) in available-for-sale financial assets	11,628	(21,538)	8,304	(18,571)
Net (increase)/reduction in loans	(980,531)	(800,610)	(951,924)	(819,760)
Net (increase)/reduction in deferred costs	(383)	49	(427)	0
Net (increase)/reduction in other assets	(2,268)	(126)	(13,643)	(1,768)
c) Increase/(decrease) in operating liabilities	774,137	784,530	752,370	805,307
Net increase/(reduction) in financial liabilities held for trading	295	(14)	295	(14)
Net increase/(decrease) in deposits and loans measured at amortized cost	770,838	784,534	736,199	806,158
Net (increase)/reduction in deferred income	1,801	23	1,300	0
Net increase/(reduction) in other liabilities	1,203	40	14,576	(837)
d) Cash flows from operating activities (a+b+c)	(177,571)	(25,436)	(179,962)	(13,997)
e) (Paid)/refunded corporate income tax	(2,793)	546	(3,967)	(28)
f) Net cash flows from operating activities (d+e)	(180,364)	(24,890)	(183,929)	(14,025)
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a) Inflows from investing activities	2,476	2,313	2	242
Proceeds from the sale of property, plant and equipment and investment property	2	12	2	196
Proceeds from the sale of intangible long-term assets	0	28	0	46
Other inflows from investment activities	2,474	2,273	0	0
b) Outflows from investing activities	(168)	(281)	(354)	(830)
(Outflows for the acquisition of tangible fixed assets and investment property)	(157)	(121)	(317)	(462)
(Outflows for the acquisition of intangible long-term assets)	(11)	(160)	(37)	(368)
c) Net cash flows from investing activities (a-b)	2,308	2,032	(352)	(588)
C. CASH FLOWS FROM FINANCING ACTIVITIES				
a) Inflows from financing activities	160,000	50,400	160,000	50,400
Inflows from the issue of shares and other capital instruments	160,000	50,400	160,000	50,400
b) Net cash flows from financing activities (a)	160,000	50,400	160,000	50,400
D. Effect of exchange rate fluctuations on cash and cash equivalents	2	2	2	2
E. Net increase in cash assets and cash equivalents (Af+Bc+Cb)	(18,056)	27,542	(24,281)	35,787
F. Cash and cash equivalents at the beginning of the period	40,129	12,585	58,384	22,595
G. Cash and cash equivalents at the end of period (D+E+F)*	22,075	40,129	34,105	58,384

* The item includes cash on transaction accounts, cash in hand and bank deposits up to 90 days.

1.3.1. Cash equivalents

	SID Bank		SID Bank Group	
In EUR thousand	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Cash in hand	0	0	0	1
Cash in business accounts	69	25	2.632	2,593
Bank deposits, of which:	22,205	40,104	31,473	55,790
- Unicredit banka Slovenija d.d.	*12,820*	*15,313*	*12,820*	*15,354*
- Sparkasse d.d.	*6,855*	*0*	*6,855*	*0*
- Adria Bank A.G.	*2,000*	*2,003*	*2,000*	*2,003*
- Factor banka d.d.	*330*	*0*	*2,242*	*2,547*
- Hypo Bank d.d.	*0*	*11,617*	*0*	*11,617*
- Banka Celje d.d.	*0*	*5,303*	*0*	*7,909*
- Volksbank d.d.	*0*	*5,152*	*0*	*7,229*
- NLB d.d.	*0*	*465*	*2,484*	*2,088*
- Lon d.d.	*0*	*251*	*0*	*251*
- Probanka d.d.	*0*	*0*	*1,881*	*1,608*
- NLB LHB banka a.d. Beograd	*0*	*0*	*1,161*	*2,425*
- Gorenjska banka d.d.	*0*	*0*	*2,030*	*2,191*
- NLB Tuzlanska banka d.d.	*0*	*0*	*0*	*555*
- Societe General - Splitska banka d.d.	*0*	*0*	*0*	*13*
Total	22,074	40,129	34,105	*58,384*

Cash flows from operating activities amount to EUR -180,364 thousand. The negative amount is principally the result of the increase of loan placements in the year 2009. SID Bank financed the increased credit activity mainly with an increase of raised loans and partly with an increase in capital.

SID Bank compensated for the deficit of cash flow from operating activities to a large extent by cash flow from financing, and to a lesser extent with cash flow from investing activities. Cash flow from investing activities in content represents the received dividends from affiliated companies.

In SID Bank Group cash flows from operating activities amount to EUR -183,929 thousand. The negative amount is principally the result of the increase of placed loans of SID Bank Group and to a lesser extent the result of negative operation of SID Bank Group. SID Bank Group financed the increased credit activity with additional borrowing in the form of raised loans. The deficit of cash flow from operating activities was compensated for by cash flow from financing. Cash flow from financing in content represents the increase in capital.

1.4. Statement of changes in equity

1.4.1. SID Bank

For the 2009 financial year

In EUR thousand	Share capital	Capital reserves	Revaluation surplus	Reserves from profit	Retained earnings (including net profit of fin. year)	Treasury shares	EQUITY
OPENING BALANCE FOR THE PERIOD (1 January 2009)	**140,000**	**1,139**	**(295)**	**19,923**	**1,314**	**(1,324)**	**160,757**
Post-tax comprehensive income for the year	**0**	**0**	**277**	**0**	**948**	**0**	**1,225**
New share capital subscribed (paid)	160,000	0	0	0	0	0	160,000
Allocation of net profit to profit reserves in accordance with a decision of General Meeting of Shareholders	0	0	0	1,314	(1,314)	0	0
Allocation of net profit to statutory reserves	0	0	0	47	(47)	0	0
Allocation of net profit to reserves under articles of association	0	0	0	451	(451)	0	0
CLOSING BALANCE FOR THE PERIOD (31 December 2009)	**300,000**	**1,139**	**(18)**	**21,735**	**450**	**(1,324)**	**321,982**
DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR					**450**		

For the 2008 financial year

In EUR thousand	Share capital	Capital reserves	Revaluation surplus	Reserves from profit	Retained earnings (including net profit of fin. year)	Treasury shares	EQUITY
OPENING BALANCE FOR THE PERIOD (1 January 2008)	**89,600**	**1,139**	**(331)**	**17,566**	**904**	**(1,324)**	**107,554**
Post-tax comprehensive income for the year	**0**	**0**	**36**	**0**	**2,767**	**0**	**2,803**
New share capital subscribed (paid)	50,400	0	0	0	0	0	50,400
Allocation of net profit to reserves from profit in accordance with a decision of General Meeting of Shareholders	0	0	0	904	(904)	0	0
Allocation of net profit to statutory reserves	0	0	0	139	(139)	0	0
Allocation of net profit to reserves under articles of association	0	0	0	1,314	(1,314)	0	0
CLOSING BALANCE FOR THE PERIOD (31 December 2008)	**140,000**	**1,139**	**(295)**	**19,923**	**1,314**	**(1,324)**	**160,757**
DISTRIBUTABLE PROFIT FOR THE FINANCIAL YEAR					**1,314**		

1.4.2. SID Bank Group

For the 2009 financial year

In EUR thousand	Share capital	Capital reserves	Revaluation surplus	Reserves from profit	Retained earnings (including net profit of fin. year)	Treasury shares	EQUITY
OPENING BALANCE FOR THE PERIOD (1 January 2009)	**140,000**	**1,139**	**(838)**	**34,850**	**6,101**	**(1,324)**	**179,928**
Post-tax comprehensive income for the year	**0**	**0**	**964**	**0**	**(5,384)**	**0**	**4,420**
New share capital subscribed (paid)	160,000	0	0	0	0	0	160,000
Allocation of net profit to profit reserves in accordance with a decision of General Meeting of Shareholders	0	0	0	1,314	(1,314)	0	0
Allocation of net profit to statutory reserves	0	0	0	47	(47)	0	0
Allocation of net profit to reserves under articles of association	0	0	0	451	(451)	0	0
Other changes of net profit*	0	0	0	77	(1,859)	0	(1,782)
CLOSING BALANCE FOR THE PERIOD (31 December 2009)	**300,000**	**1,139**	**126**	**36,739**	**(2,954)**	**(1,324)**	**333,726**

* Other changes of profit reserves include changes in profit reserves and retained earnings due to consolidation entry in accounts. The largest portion of the amount EUR 1,736 thousand is due to changes of equalization provisions. EUR 45 thousand is due to currency differences which occurred in the course of consolidation and EUR 77 thousand is the result of harmonization of profit reserves and net profit for the year in the consolidation process.

For the 2008 financial year

In EUR thousand	Share capital	Capital reserves	Revaluation surplus	Reserves from profit	Retained earnings (including net profit of fin. year)	Treasury shares	EQUITY
OPENING BALANCE FOR THE PERIOD (1 January 2008)	**89,600**	**1,139**	**(396)**	**30,547**	**8,024**	**(1,324)**	**127,590**
Post-tax comprehensive income for the year	**0**	**0**	**(506)**	**0**	**2,856**	**0**	**2,350**
New share capital subscribed (paid)	50,400	0	0	0	0	0	50,400
Allocation of net profit to reserves from profit in accordance with a decision of General Meeting of Shareholders	0	0	0	940	(940)	0	0
Allocation of net profit to statutory reserves	0	0	0	139	(139)	0	0
Allocation of net profit to reserves under articles of association	0	0	0	1,314	(1,314)	0	0
Other changes of net profit*	0	0	64	1,910	(2,386)	0	(412)
CLOSING BALANCE FOR THE PERIOD (31 December 2008)	**140,000**	**1,139**	**(838)**	**34,850**	**6,101**	**(1,324)**	**179,928**

* Other changes of profit reserves include changes in profit reserves and retained earnings due to consolidation entry in accounts. The majority portion of the amount of EUR 1,189 thousand is represented by elimination of formed loan impairments in the group from the previous years, while EUR 478 thousand result from the change of credit risk provision. Retained earnings were adjusted due to paying out of the dividends inside the group, which were correspondingly excluded during the consolidation process. The remaining amount refers to adjustment values between the consolidated statement of financial position and the consolidated statement of comprehensive income.

Distributable profit

In EUR thousand	2009	2008
Net profit for the year	948	2,767
Portion of net profit allocated to statutory reserves	(47)	(139)
Portion of net profit allocated to reserves under articles of association	(451)	(1,314)
Portion of net profit allocated to other profit reserves	0	(657)
Distributable profit	450	657

In accordance with Article 60 of The Companies Act (ZGD-1) the proposal for the use of distributable profit has to be annexed to the annual report.

Distributable profit of SID Bank may not be distributed to shareholders. In accordance with Act Amending the Slovene Export and Development Bank Act (ZSIRB–A), distributable profit shall be allocated to other profit reserves.

When compiling the annual report, the Management Board formed statutory reserves in the amount of EUR 47 thousand from net profit totalling EUR 948 thousand pursuant to the 3rd and 4th paragraph of Article 64 or 2nd item of the 1st paragraph of Article 230 of the Companies Act (ZGD-1). In accordance with the 4th item of the 1st paragraph of Article 230 of the Companies Act (ZGD-1), the Management Board formed reserves under articles of association in the amount of 50% or EUR 451 thousand.

As at 31 December 2009, distributable profit amounted to EUR 450 thousand, including the unused profit for the year 2009.

The Management Board proposes to Supervisory Board that 50% of the net profit of year 2009 in the amount of EUR 225 thousand is allocated to other profit reserves in accordance with 3rd paragraph of Article 230 of The Companies Act.

In accordance with 3rd paragraph of Article 4 of the Slovene Export and Development Bank Act and Article 27 of the Articles of Association, Management Board and Supervisory Board propose that the General Meeting of SID Bank allocates the distributable profit for 2009 in the total amount of EUR 225 thousand to other profit reserves.

2. Notes to the financial statements

Items 1 to 4 of this report present the statement of financial position as at 31 December 2009, the statement of comprehensive income for the year 2009, the cash flow statement for the year 2009 and the statement of changes in equity for the year 2009 of SID Bank (separate statements) and SID Bank Group (consolidated statements). Statements also include comparable data as at 31 December 2008 or for the 2008 financial year

Financial statements are presented in EUR thousand. Assets and liabilities, denominated in foreign currencies, are translated into EUR at the mean exchange rate of the European Central Bank as at the date of the statement of financial position. Revenues and expenses, denominated in foreign currencies, are translated into EUR at the mean exchange rate of the European Central Bank as at the day they occur or are recorded.

Consolidated financial statements are financial statements of the group, presented as statements of a uniform corporation.

2.1. Basic information

2.1.1. SID Bank

SID - Slovenska izvozna in razvojna banka d.d., Ljubljana (hereinafter: SID Bank or the bank) with registered office at Ulica Josipine Turnograjske 6, 1000 Ljubljana, Slovenia.

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

Financial services performed by SID Bank for own account pursuant to the acquired authorization, are mainly:
- granting of loans, financing of business transactions,
- issuing of bonds and other guarantees,
- dealing for its own account or for the account of clients with foreign currencies, including exchange transactions, futures contracts and options, currency and interest financial instruments, transferable securities,
- dealing for its own account with money market instruments,
- credit rating services: collection, analysis and provision of information on credit status of legal entities.

In accordance with Slovene Export and Development Bank Act (ZSIRB) and after its applicability, SID Bank used the above indicated services and financial instruments for the promotion of economic, structural, social and other policies in the areas defined in the 1st item of Article 11 of this act; for example:
- international business transactions and international business cooperation
- business incentives with a special emphasis on small and medium enterprises, entrepreneurship and risk capital,
- research and development,
- education and employment,
- environmental protection and energy efficiency,
- regional development,
- commercial and public infrastructure.

Pursuant to a statutory authorization (Slovene Export and Development Bank Act - ZSIRB), SID Bank has a status of authorized institution in accordance with Act Governing Insurance and Financing of International Commercial Transactions (ZZFMGP). For the account of the Republic of Slovenia SID Bank carries out the following activities:
- short-term export credit insurance and reinsurance against non-commercial and other non-marketable risks,
- investment insurance against non-commercial risks,
- medium-term export credit insurance against commercial and/or non-commercial risks,
- Interest Rate Equalization Programme (IREP).

In accordance with authorizations pursuant to the Republic of Slovenia Guarantee Scheme Act and the Act on the Individuals Guarantee Scheme of the Republic of Slovenia, in 2009 SID bank began to carry out transactions in relation to issuing, monitoring, realization and recovery of guarantees, as well as supervision of expenditure of loans insured by guarantees pursuant to these two acts, for companies as well as individuals. In view of the above, the financial statements of SID Bank comprise the assets and liabilities and the results of operations for its own account. Transactions carried out by SID Bank on behalf of the Republic of Slovenia are recorded in separate accounts, which were defined by the Bank of Slovenia for keeping of transactions pursuant to special authorization.

As at 31 December 2009, SID Bank had 87 employees (as at 31 December 2008 there were 76).

SID Bank is a large company pursuant to Article 55 of ZGD-1.

2.1.2. SID Bank Group

Parent company

SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana (SID Bank, Inc., Ljubljana)

Subsidiary companies:

- SID - Prva kreditna zavarovalnica d.d., Ljubljana (SID - First Credit Insurance Company Inc., Ljubljana; hereinafter: PKZ), registered at Josipine Turnograjske 6, 1000 Ljubljana, Slovenia, in which SID Bank holds a 100% ownership share.
- PRO KOLEKT, družba za izterjavo, d.o.o. , Ljubljana , registered at Josipine Turnograjske 6, 1000 Ljubljana, Slovenia (hereinafter: PRO KOLEKT Ljubljana) in which SID Bank holds a 100% ownership share and which has six affiliated companies:.
  - PRO KOLEKT d.o.o. Zagreb, registered at Rapska 46B, 10000 Zagreb, Croatia (hereinafter: PRO KOLEKT Zagreb),
  - PRO KOLEKT d.o.o. Skopje, registered at Bulevar Goce Delčev 11, 91000 Skopje, Macedonia (hereinafter: PRO KOLEKT Skopje),
  - PRO KOLEKT, društvo za naplatu duga, d.o.o. Beograd, registered at Bulevar Mihajla Pupina 10ž, 11070 New Belgrade, Serbia (hereinafter: PRO KOLEKT Belgrade),
  - S.C. PRO KOLEKT Credit Management Services Bucuresti s.r.l., Bukarešta , registered at Prof. George Murgoci Str.2, District 4, 040526 Bucharest, Romania (hereinafter: PRO KOLEKT Bucharest),
  - PRO KOLEKT SOFIA EOOD, Sofija, registered at 65, Shipchenski prohod Blvd.,1574 Sofia, Bulgaria (hereinafter: PRO KOLEKT Sofia),
  - PRO KOLEKT d.o.o., Sarajevo, registered at Ulica Hamdije Čemerlića 2, 71000 Sarajevo, Bosnia and Herzegovina (hereinafter: PRO KOLEKT Sarajevo).

Joint ventures:

- PRVI FAKTOR, faktoring družba, d.o.o., Ljubljana, Slovenija, registered at Slovenska cesta 17, 1000 Ljubljana, Slovenia (hereinafter: PRVI FAKTOR Ljubljana), in which SID Bank holds a 50% ownership share and which has four affiliated companies:
  - PRVI FAKTOR, faktoring društvo, d.o.o., Zagreb, registered at Hektorovićeva 2/V, 10000 Zagreb, Croatia (hereinafter: PRVI FAKTOR Zagreb),
  - PRVI FAKTOR - faktoring d.o.o., Beograd, registered at Bulevar Mihajla Pupina 165/v, 11070 New Belgrade, Serbia (hereinafter: PRVI FAKTOR Beograd),
  - PRVI FAKTOR d.o.o., finansijski inžinjering, d.o.o., Sarajevo, registered at Džemala Bijedića bb, 71000 Sarajevo, MBosnia and Herzegovina (hereinafter: PRVI FAKTOR Sarajevo),
  - PRVI FAKTOR d.o.o. Skopje, registered at Mito Hasivasilev-Jasmin 20, 91000 Skopje, Macedonia (hereinafter: PRVI FAKTOR Skopje).

Basic data on companies in SID Bank Group as at 31 December 2009

In EUR thousand	Ownership share of SID Bank	Voting rights	Nominal value of investment	Capital	Assets	Liabilities	Net sales revenues*	Net profit/ loss	No. of emplo-yees
SID Bank				321,982	3,024,894	2,702,912	84,262	948	87
PKZ	100%	100%	4,206	9,168	62,741	53,572	9,364	(6,529)	52
PK Ljubljana	100%	100%	419	189	495	192	702	44	7
PK Zagreb	100%	100%	24	95	3,760	3,667	520	60	6
PK Skopje	80%	80%	8	4	6	2	19	2	2
PK Belgrade	100%	100%	25	7	25	18	66	0	2
PK Bucharest	51.02%	51.02%	20	124	202	78	284	111	4
PK Sofia	62.5%	62.5%	26	59	73	14	82	38	1
PK Sarajevo	100%	100%	26	19	45	22	114	12	3
PF Ljubljana	50%	50%	3,087	7,171	134,015	126,844	4,867	1,837	38
PF Zagreb	50%	50%	2,651	5,534	157,478	151,944	10,024	1,403	45
PF Belgrade	50%	50%	1,250	2,336	94,332	91,996	4,212	43	34
PF Sarajevo	50%	50%	451	545	10,643	10,098	584	(273)	14
PF Skopje	50%	50%	5	5	5	0	0	0	0

Basic data on companies in SID Bank Group as at 31 December 2008

In EUR thousand	Ownership share of SID Bank	Voting rights	Nominal value of investment	Capital	Assets	Liabilities	Net sales revenues*	Net profit/loss	No. of emplo-yees
SID Bank				160,757	2,087,717	1,926,960	83,700	2,767	76
PKZ	100%	100%	4,206	16,884	51,560	34,676	11,145	345	51
PK Ljubljana	100%	100%	419	145	314	169	354	(114)	6
PK Zagreb	100%	100%	24	33	3,676	3,643	311	46	6
PK Skopje	80%	80%	8	3	5	2	14	1	1
PK Belgrade	100%	100%	25	7	23	16	66	0	2
PK Bucharest	51.02%	51.02%	20	13	25	12	70	(1)	2
PK Sofia	62.5%	62.5%	26	21	34	13	27	(9)	1
PK Sarajevo	100%	100%	26	(3)	31	34	44	(9)	2
PF Ljubljana	50%	50%	3,087	10,005	156,704	146,699	4,243	4,748	38
PF Zagreb	50%	50%	2,651	5,909	168,708	162,799	6,945	2,385	44
PF Belgrade	50%	50%	1,250	2,441	91,814	89,373	3,876	43	34
PF Sarajevo	50%	50%	451	817	15,971	15,154	970	242	14
PF Skopje	50%	50%	5	5	5	0	0	0	0

* Net revenues of SID Bank include income from interest and commissions as its principal activity.

Co-foundation:
Centre for International Cooperation and Development, Ljubljana, registered at Kardeljeva ploščad 1, 1000 Ljubljana, Slovenia (hereinafter: CICD), a public institute for business and entrepreneurial consulting.

Basic data on other companies in SID Bank Group as at 31 December 2009

In EUR thousand	Ownership share of SID Bank	Voting rights	Nominal value of investment	Capital	Assets	Liabilities	Net sales revenues	Net profit/loss	No. of emplo-yees
CICD	0	29%	0	97	2,861	2,764	371	0	11

Basic data on other companies in SID Bank Group as at 31 December 2008

In EUR thousand	Ownership share of SID Bank	Voting rights	Nominal value of investment	Capital	Assets	Liabilities	Net sales revenues	Net profit (loss)	No. of emplo-yees
CICD	0	29%	0	97	2,556	2,455	460	2	11

2.1.3. Consolidation

Companies included in consolidation

Consolidated financial statements include the following companies:

- By the method of full consolidation:
- Parent company - SID Bank,
- Subsidiary – PKZ, in which SID Bank holds a 100% stake,

- By the proportional consolidation method the PRVI FAKTOR Group. SID Bank holds a 50% stake (joint venture) in PRVI FAKTOR Ljubljana, the parent company of the PRVI FAKTOR Group. PRVI FAKTOR Ljubljana compiles consolidated financial statements for the PRVI FAKTOR Group. The PRVI FAKTOR Group consists of:
  - PRVI FAKTOR Ljubljana,
  - PRVI FAKTOR Zagreb,
  - PRVI FAKTOR Belgrade,
  - PRVI FAKTOR Sarajevo.

In the consolidation process, all mutual receivables and liabilities between the companies of the SID Bank Group were excluded, as well as revenues and expenses generated within the SID Bank Group. There were no unrealized profits or losses arising from mutual transactions.

In the case of the PRVI FAKTOR Group, all accounting relationships are included and mutual relationships are excluded, accounting for 50%. There is no minority stake.

Companies excluded from consolidation

Due to immateriality for the true and fair representation of its financial position, profit or loss, cash flows and changes in equity, SID Bank excluded from consolidation the CIDC institute and PRO KOLEKT Group, which consists of:

- PRO KOLEKT Ljubljana,
- PRO KOLEKT Zagreb,
- PRO KOLEKT Skopje,
- PRO KOLEKT Belgrade,
- PRO KOLEKT Bucharest,
- PRO KOLEKT Sofia,
- PRO KOLEKT Sarajevo.

The total assets the CIDC institute and of all companies of the PRO KOLEKT Group account for less than 1% of the total assets of SID Bank. Consolidated income of the CIDC institute and of all companies of the PRO KOLEKT Group also account for less than 1% of the income of SID Bank. Pursuant to the indicated key figures the CIDC institute and PRO KOLEKT Group are immaterial in SID Bank Group; therefore it is not necessary to consolidate them. The CIDC institute and companies of PRO KOLEKT GROUP are excluded from consolidation also in accordance with provisions of the Decree on Supervision of Banks and Savings Banks on Consolidated Basis.

SID Bank has a majority stake (100%) in the parent company PRO KOLEKT Ljubljana. The investment in the subsidiary PRO KOLEKT Ljubljana was included in the consolidated financial statements using the cost method.

SID Bank is a co-founder of the CIDC institute with the Republic of Slovenia, but has no investments in it.

2.2. Accounting policies

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

In compiling these financial statements the basic accounting assumptions were taken into account:

- Accrual basis,
- Going concern,
- True and fair presentation under the circumstances of a fluctuating value of the Euro and of individual prices, disregarding hyperinflation.

Accounting policies shall only change if the change:

- Is required by a standard or an interpretation; or
- Results in the financial statements providing more reliable and relevant information.

SID Bank or SID Bank Group also made use of estimations and assessments when compiling financial statement. Estimations were used for impairments of loans to clients, provisions for off-balance-sheet risks, deprecation period of plant, property and equipment and intangible assets, potential tax items, provisions for liabilities to employees and for legal actions. Finally, estimations were used for classification of financial assets.

Although the estimations used are based on the best knowledge of current events and activities, actual results may differ from the estimations. SID Bank or SID Bank Group regularly update the estimations and suppositions; their adjustments are recognized in the period of change.

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 other accounting policies that are relevant to the understanding of the financial statements, are indicated bellow.

2.2.1. Cash and cash equivalents

Cash assets consist of cash and cash equivalents. Cash comprises cash on hand, transaction accounts at banks and cash in transit. Cash assets are disclosed separately for the local and foreign currencies.

In the balance sheet, cash on hand, mandatory reserve, balances of transaction accounts with banks and cash items in the process of collection are a constituent part of the item Cash and balances of transaction accounts with the state and the central bank.

In the cash flow statement, all cash items and deposits with banks with original maturity of less than 90 days after acquisition are disclosed as cash and cash equivalents. This item comprises all cash assets, bank deposits and loans.

All items of cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash.

2.2.2. Financial assets held for trading

Financial assets held for trading, as one of the two types of financial assets measured at fair value through profit and loss, include derivatives.

Fair value of financial instruments, published on the statement of financial position date, is used in valuation. As a rule, market prices are determined on the basis of quoted market prices. If market price is not known fair value is determined based on the model of future discounted cash flows. When using price model, data from active market on the statement of financial position date are used.

SID Bank concludes derivatives contracts which represent a small initial contribution compared to the nominal value of the contract. Derivative financial instruments are currency forwards, agreements, interest rates and interest swaps, used primarily for hedging against foreign exchange and interest risks encountered daily during operations on financial markets.

Derivative financial instruments, including forward contracts and interest rate swaps, are initially recognized at fair value in the statement of financial position. In the statement of financial position, fair values are denominated in assets in the case of positive valuation or in liabilities in the case of negative valuation. The manner of recognizing profit and loss from changes of the fair value depends on whether the derivative financial instrument has been subjected to accounting treatment as an instrument for hedging against risk. Accounting treatment of hedging against risks is used when certain conditions have been fulfilled. Please consult item 2.2.3.

In case financial instruments do not fulfil these conditions, realized profits or losses are stated in the statement of comprehensive income in the item profits or losses from financial assets.

2.2.3. Derivative financial instruments held for hedging

This item is comprised of those derivative financial instruments, which fulfil all the criteria for the application of accounting treatment of hedging against risk.

When introducing hedging against risk, the bank compiles a formal document which describes the relation between the hedged item and the instrument of hedging against risk, the purpose of risk management, methodology of valuation and the strategy of hedging. Estimation of effectiveness of the instruments for hedging against risks, when facing exposure to changes in fair value of the hedged item, is also recorded. The bank estimates the effectiveness of hedging when concluding the transaction and then in the period of continuation of hedging relation; effectiveness of hedging always moving in the span of 80 to 125%.

In the year 2009 SID Bank has started to actively manage interest rate risk. The purpose of hedging is to limit the risks pursuant to possible loss due to changes in market interest rate, since the bank sourced funds at fixed interest rate, but it places loans at floating interest rate. With the instrument of interest rate swap the bank changed the interest rate of the sourced funds into a floating rate. This way it minimized interest rate risk, which arises due to inconsistency between interest sensitive receivables and interest sensitive liabilities of the bank.

The bank uses derivative financial instruments for hedge of fair value of recognized assets and liabilities.

Changes in fair value of derivative financial instruments for hedge of fair value against risk are recognized in the statement of comprehensive income together with the change of fair value with the hedged item, which might be the result of hedged risk. In the case of successful hedging the changes of fair values of the hedging instruments and items connected to it in the statement of comprehensive income are disclosed under the item "Fair value adjustments in hedge accounting".

2.2.4. Available-for-sale financial assets

This item discloses debt securities and equity instruments. They are classified under this item with the plan of possession for an indefinite period, since they are purchased with the aim of balancing its current liquidity.

Securities are initially recognized at fair value, which usually equals the purchase price, taking into account date of the transaction (trading date). The purchase cost includes additional costs directly attributable to the acquisition, and increase the purchase value. Purchase price is divided to "net" purchase price and the interest paid.

The usual dates of purchase/sale of securities are set at T + 3 days for securities and T + 2 days for treasury bills. In all securities, interest is paid until the day the contractual amount is settled.

The amortised cost of debt instruments (bonds) is calculated upon initial recognition according to the effective interest rate method which equally distributes the revenues over the entire period for which the debt instrument is held, i.e. from the purchase until maturity – the calculation is based on yield until maturity.

After the initial recognition, debt and equity securities are disclosed on the basis of quoted market prices. The differences between the market price and the amortized cost (unrealized profits/losses) of debt instruments and the differences between the fair value and the acquisition cost in capital instruments are recognized in the statement of comprehensive income, as the item net profit/loss, recognized in revaluation surplus from available-for-sale financial assets and in the item corporate income tax on other comprehensive income. Upon elimination of recognition the above mentioned items are closed, while their effects are transferred to the item Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss.

In case there is objective proof of impairment due to an event or events which occurred after the initial recognition, debt and equity instruments have to be permanently impaired.

In case the criteria of impairment assessment are not fulfilled, but enough information reporting conclusive and objective proof of impairment of equity instruments exist according to the opinion of the Credit Committee, an impairment according to individual assessment of individual financial assets is implemented.

Individual assessment of impairment is also used for debt instruments.

Conclusive and objective proof of impairment comprise: failure to pay interest or principal, material financial difficulties of the issuer, probability of bankruptcy or financial reorganization of the issuer, disappearance of an active market due to financial difficulties and other important information showing a measurable decrease in estimated future cash flows including economic situation in the country or local environment of the issuer.

Credit Committee is the body assessing whether important events recognizable as conclusive and objective proof of impairment have occurred.

Losses due to impairment recognized in comprehensive income for equity instruments cannot be cancelled through the comprehensive income.

In case the fair value of a debt instrument increases in the next period and the increase can be impartially connected to an event occurring after recognizing the loss due to impairment in the statement of comprehensive income, the loss due to the impairment has to be cancelled, and the amount of cancellation be recorded in the statement of comprehensive income.

Exchange rate differences arising from debt instruments are recognized in the statement of comprehensive income, while exchange rate differences arising from revaluation to fair value are recognized in the revaluation surplus.

Exchange rate differences arising from capital instruments are recognized together with the effects of revaluation to the market value.

2.2.5. Loans

The item includes loans to banks, loans to clients other than banks, banks deposits and factoring receivables.

Loans and deposits are recognized when cash is transferred to the client. They are disclosed at amortized cost comprising the initial value of the principal reduced by eventual repayments and increased by accrued interest for the period and charged loan approval fees.

Revenues from charged loan approval fees are evenly distributed over the entire period of loan repayment. The Management Board believes that the even distribution of revenues arising from these commissions over the loan repayment period is a good approximation for the recognition of these revenues using the effective interest rate method.

Factoring receivables are receivables with fixed or determinable payments and are not quoted on an active market. Financing of receivables is possible with or without the right to return the receivable back if not paid.
Factoring receivables are measured at amortized cost using the effective interest rate method reduced potential value adjustments due to impairment. Factoring receivables are derecognized when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all the risks and rewards of ownership.

2.2.6. Impairment of loans, guarantees and factoring receivables

SID Bank and SID Bank Group regularly, at least per statement of financial position date, check for the existence of objective proof on eventual impairment of loans, guarantees and factoring receivables.

Assets are impaired when events occur, which affect the decrease of estimated future cash flows, and if the decrease can be reliably estimated. Objective proof of impairment of financial assets are important information on financial difficulties of the associated subject, non-payment interest or principal, possibility of bankruptcy or financial reorganization of the associated subject, economic situation in the local environment, which coincide with the non-payment.

We also take into account major changes with unfavourable effect, which occurred in technological, market, economic or legal environment of operation of the associated subject, and which indicate that the value of given financial assets will not be reimbursed.

In this item, financial assets include loans to banks, loans to clients other than banks, banks deposits and factoring receivables.

<u>Impairment of loans and guarantees</u>

Financial assets from loans and guarantees are classified into assets impaired on individual or group basis. Individually impaired balance-sheet and off-balance-sheet items comprise:
- Individually significant items, of which joint exposure for classification to one client exceeds EUR 200 thousand,
- Balance-sheet items which represent minimal risk.

Total exposures which are not individually impaired are classified into groups on the basis of the type of financial asset and the debtor's credit rating.

The estimate of losses for group impairment is based on a three year average of estimated losses from financial assets in individual groups, adjusted to current economic situation.

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

In the calculation of losses from credit risk of an individually significant financial asset, prime and adequate security are taken into account as well as other collateral which fully meets the conditions stipulated under Item 9 of the Regulation on the Assessment of Credit Risk Losses of Banks and Savings Banks.

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

<u>Impairment of factoring receivables</u>

Impairments for financial assets arising from factoring (factored receivables, bills of exchange, supplier factoring receivables – hereinafter: factoring receivables) are created whenever it is assessed that it will not be possible to realize certain receivables in accordance with contractual provisions and that losses will be incurred.

The amount of adjustment or impairment is assessed on the basis individual assessment of individual debtor. When creating impairments of individually significant receivables, the estimated recoverable amount of the receivable is taken into account.

2.2.7. Property, plant and equipment

Property, plant and equipment include real estate, equipment, and small tools.

Property, plant and equipment are initially recognized at purchase value. The purchase value consists of the purchase price, import duties and non-refundable purchase taxes as well as directly attributable costs of bringing the asset to the condition necessary for the intended use. Subsequent costs incurred in connection with a component of property, plant and equipment may be disclosed as maintenance costs or an increase in the purchase cost of the asset. Current maintenance and repairs are included in the statement of comprehensive income when the expenses arise. Investment in the existing construction works and equipment, which increases future economic benefits, increases the value of property, plant and equipment.

After initial recognition an item of property, plant and equipment is carried at its purchase cost reduced by any accumulated depreciation and any accumulated impairment losses.

Land and buildings are accounted for separately, even when they are acquired together.

Depreciation of an item of property, plant and equipment begins when the item has become available for use. Depreciation is calculated individually on a straight-line basis. The following depreciation rates are used:

	SID Bank Group
Buildings	Up to 5.0%
Computer equipment	Up to 50.0%
Passenger cars	12.5-20.0%
Other equipment	Up to 25.0%
Furniture	11.0-25.0%
Small tools	25.0-100.0%

Tangible fixed assets are impaired, when their carrying amount exceeds their recoverable amount. The value of impairment loss is recognized as expenses in the statement of comprehensive income. At the balance sheet cut-off at the end of each financial year it is assessed if there are any signs of impairment of an asset. If such signs exist, the recoverable value of the asset is estimated, equalling:

- Fair value reduced by costs of sale or
- Value in use, whichever is higher.

The carrying amount of an item of tangible fixed assets is derecognized upon disposal or when no future economic benefits are expected from its future use or disposal.

2.2.8. Intangible assets

Intangible assets with a definite useful life

The item includes investments in software and other property rights. If the useful life is definite, the asset is amortized at amortization rate which is 20% to 25% for software and 12% to 20% for other property rights. Depreciation is calculated individually on a straight-line basis.

Intangible assets with a definite useful life are impaired when their carrying amount exceeds their recoverable amount. The value of impairment loss is recognized as expenses in the statement of comprehensive income. At the balance sheet cut-off at the end of each financial year, it is assessed if there are any signs of impairment of an intangible asset. If such signs exist, the recoverable value of the asset is estimated, equalling:

- Fair value reduced by costs of sale or
- Value in use, whichever is higher.

After initial recognition an intangible asset with a definite useful life is carried at its purchase cost reduced by any accumulated depreciation and any accumulated impairment losses.

Amortization shall cease at the earlier of: the date that the asset is classified as held for sale or the date that the asset is derecognized.

Intangible assets with indefinite useful life

The item includes goodwill.

At the end of each financial year, at the balance sheet cut-off date, the impairment of goodwill is tested by comparing the total carrying amount of the asset consisting of equity interest and goodwill with the recoverable value – value in use. The value in use is the present value of future cash flows calculated by using the discounted rate which reflects the required rate of return on investment. Future cash flows are expected dividends.

2.2.9. Long-term investments in equity of subsidiaries, associates and joint ventures

An investment in the equity of a subsidiary or an associated company is disclosed at purchase value.

Subsidiaries are those companies in which SID Bank directly or indirectly holds more than one half of the voting rights or in any other way controls their operations.

Associated companies are companies in which the parent company directly or indirectly holds between 20% and 50% of voting rights. SID Bank holds a 50% stake in the parent company of the PRVI FAKTOR Group; therefore PRVI FAKTOR Group is consolidated proportionally.

If there is evidence which indicates the need for impairment of an investment in a subsidiary or associated company, the recoverable value is assessed for each individual investment.

Dividends received are disclosed among the income from dividends in the separate statement of comprehensive income. Income is also booked in case dividends have not been paid out, but there is the appropriate decree of supervisory bodies of the company, which substantiates that their remittance will be realized in the near future.

In the consolidated financial statements an investment in the equity of a subsidiary not included in consolidation is disclosed at purchase value. The investment in the parent company of PRO KOLEKT Group is disclosed at purchase value.

2.2.10. Other assets

Assets from insurance operations

The item includes share of reinsurers in unearned premiums, share of reinsurers in reserves for outstanding claims, share of reinsurers in reserves for bonuses and discounts, share of reinsurers in reserves for unexpired risks and other receivables.

Concluded reinsurance contracts transfer significant insurance risk to reinsurance companies and meet the conditions from the IFRS for classification among insurance contracts; therefore they are valued, recorded and disclosed as such in the relevant statements.

The reinsurers' assets (shares of technical provisions) are calculated on the basis of the reinsurance contract and disclosed under the reinsurance assets. On the balance sheet date the insurer verifies if the reinsurance assets are impaired. If the impairment is confirmed, the carrying amount of reinsurance assets is reduced and loss disclosed in relation to impairment in the income statement. Impairment is established individually for each reinsurer on the contract, taking into account credit rating, monitoring of financial situation of reinsurers and their general situation, particularly on the specialized market of credit insurance/reinsurance.

The reinsurance contract contains a provision on the reinsurance commission which depends on the claims ratio. In the quarterly statements, the reinsurers pay fees accounting for 33%. In revenues the lowest commission from the sliding scale (24.5%) is recognized, which is in accordance with the assessed claims ratio for the current year in the provisions for outstanding claims. The difference between the commission according to reinsurance statements and the commission recognized in revenues is deferred until the first settlement to the provisions for deferred revenues.

Other assets

Receivables are recognized as an asset in the amounts arising from the relevant documents under the assumption that they will be repaid. The fair, i.e. realizable value is checked on the balance sheet date for various types of receivables according to different methods. If there is objective proof that an impairment loss has been incurred on an item of receivables carried at amortized cost, the amount of the impairment loss is disclosed under revaluation operating expenses related to receivables; the carrying amount of the receivable is decreased through the allowance account.

Receivables due from policyholders arising from insurance premiums and benefits, and other receivables

Fair, i.e. realizable value of these receivables and their adjustments are assessed on the basis of individual assessment of the insurer's solvency, taking into account also the financial position of the insurer and its fulfilment of insurer's obligations in the previous periods. Receivables due from policyholders are not secured, and thus not taken into account in the assessment of value adjustments.

Recourse receivables

Recourse receivables are recorded as exercised upon the payment of the insurance premium in the amount when it is reasonable to expect that they will lead to cash receipts. The difference between this amount and the paid insurance premium is disclosed in the off-balance-sheet record until the closing of the recourse case. Adjustments of the value of recourse receivables are formed on the basis of individual assessment of realizable value.

Recourse receivables are divided into three groups based on the cause of damage: liquidation procedures, rehabilitation procedures and payment of insurance premium due to extended non-payment. In the case of bankruptcy, the estimate of realizable value of a recourse receivable can be up to 1%, in the case of other insolvency procedures specific written information is material. If there is no such information, the estimate of the realizable value may not exceed 5%.

In rehabilitation procedures also information is material. If there is no such information, the estimate of the realizable value may not exceed 20%.

In the payment of insurance premium in the event of extended non-payment, the important factors are debtor/guarantor credit rating, age of receivables, estimated recoverability of receivables submitted by authorized outside bodies. As a rule, the estimate of a recourse receivable may not exceed 50%.

2.2.11. Financial liabilities measured at amortized cost

The item includes liabilities to banks and clients other than banks.

The items are disclosed at amortized cost comprising the initial value of the principal reduced by eventual repayments and increased by accrued interest for the period and eventual expenses for fees related to the raising of loans.

Expenses for fees related to the raising of loans are equally distributed over the loan repayment period. The Management Board of SID Bank believes that even distribution of expenses over the loan repayment period is a good approximation for the recognition of expenses using the effective interest rate method.

2.2.12. Provision

Provisions are established for potential losses related to risks arising from off-balance-sheet items (guarantees, approved undrawn credit facilities and credit lines), provisions for loyalty bonuses, provisions for retirement severance pay and liabilities arising from insurance contracts.

<u>Bank provision</u>

This item includes impairments for issued guarantees, approved undrawn credit facilities and credit lines, calculated according to procedures shown in the item 2.2.6. of this report.

<u>Liabilities from insurance contracts</u>

- Unearned premiums

Provisions for unearned premiums are the unearned amounts of premiums written. Gross provisions for unearned premiums are calculated for each invoice separately (i.e. invoice issued by the policyholder to the buyer). The calculation of unearned premiums takes into account the assessed distribution of the probability of occurrence of a loss event, which is even for the risk of non-payment due to the buyer's permanent insolvency or bankruptcy and uneven for the risk of extended non-payment (upon invoice maturity). The provisions for unearned premiums also foresee that operating costs are evenly distributed during the insurance period.

The reinsurance part of the unearned premium is formed on the basis of a quota and facultative reinsurance protection. For the part of the premium estimated (sold in December, for which the insurer is already covered, but not yet reported), the unearned premium is calculated on the basis of the flat rate method in proportion to the premium written by individual levels of reinsurance classes and in view of the past statistical data; the reinsurance portions for this part of unearned premium were calculated taking into account the adequate shares of individual classes.

- Provisions for outstanding claims

Provisions for claims outstanding are formed in the amount of estimated liabilities that the insurer is obliged to pay out on the basis of insurance contracts on which an insurance event arises before the end of the accounting period, irrespective of whether the insurance event has already been reported, including all the costs borne on the basis of these contracts.

Provisions for claims reported and not yet settled as at the balance sheet date are inventoried separately for each loss event on the basis of foreseen costs arising from the liquidation of such losses.

Provisions for claims incurred and not yet reported as at the balance sheet date are determined on the basis of past experience using the Chain Ladder method. The method is adjusted according to particularity of each financial year. Insurer has not discounted gross provisions for outstanding claims as at the balance sheet date.

Provisions for appraisal costs have also been formed.

- Provisions for bonuses

Provisions for bonuses are calculated for contracts signed with those insurers which include a clause on refunding part of the premium in the case of low claims ratio or in if the insurers do not incur loss events within the deadline defined by the contract.

Provisions for bonuses are calculated independently and the calculation comprises all contracts containing the clause on the bonus; for each of the contracts, the fulfilment of contractual provisions for obtaining the right to bonuses is checked before the balance sheet date. When calculating provisions for bonuses, the insurer took into account the premium written for an individual calendar year, the claims paid in individual years, reported claims and potential claims as at the balance sheet date.

Reinsurance part of provisions for bonuses is calculated as part of gross provisions for bonuses by shares arising from reinsurance contracts from the relevant years.

- Provisions for unexpired risks

Provisions are formed for risks which will be realized in future, for coverage of losses and costs related to the existing insurance contracts. The amount of these provisions represents the difference between the amount needed for coverage of unexpired risks and provisions for unearned premiums.

Other provisions

- Long-term accrued expenses and deferred revenue arising from reinsurance commissions

The reinsurance contract defines the sliding scale of commission levels. The minimum rate is 24.5%, reinsurers pay temporary commission at the rate of 33%, which shall be charged in the period stated by the contract and disclosed in the statements when the reinsurers confirm it. The difference between the calculations at the two rates is temporarily deferred until the accounts are compiled, and posted under long-term provisions for deferred revenues.

- Provisions for loyalty bonuses

These provisions were calculated on the basis of the amounts of bonuses specified by the relevant collective agreement as at the balance sheet day. The calculation takes into account the difference between the period for which the bonus was earned and the period that has yet to pass in order to meet the conditions for receiving the jubilee bonus.

- Provisions for retirement severance pay

These provisions were calculated on the basis of the provisions of collective agreement, the contribution rates paid by the employers and the conditions for retirement applicable as at the balance sheet day, assuming that all current employees will meet the conditions for retirement in SID Bank or SID Bank Group and that they will meet and exercise the age related retirement condition.

In accordance with Slovene legislation, social security and pension insurance contributions for their employees, which are accounted on the basis of gross salaries and recognized in profit or loss under labour costs for the period, are being paid. Compensations for short-term absences (paid annual leave) are included in the costs of the period.

2.2.13. Other liabilities

Liabilities are initially recognized at the amounts stated in the relevant documents concerning their origin, which usually prove, in the scope of operating debt, the acceptance of goods or services or the work performed or the charged costs, expenses or share in the statement of comprehensive income. Liabilities may subsequently be increased directly or may, irrespective of amounts paid or potential other settlements, also be decreased on the basis of a contract concluded to that effect with the creditors.

Liabilities arising from insurance transactions are settled in accordance with the reinsurance contracts, as a rule by the end of the first or second quarter after the quarter in which the statement was issued. According to the provisions of the reinsurance contract, only the balance arising from the reinsurance contract is paid so that the receivables and liabilities to individual reinsurer are mutually offset.

Through concluding contracts for short-term credit insurance the company assumes important insurance risks, which fulfil the conditions of the IFRS 4 for classification under insurance contracts. All the contracts for short-term credit insurance are valued, recorded and disclosed as insurance contracts in the relevant statements.

No interest is accrued on other liabilities.

2.2.14. Capital

Capital includes share capital, capital reserves, profit reserves, revaluation surplus from financial assets, capital revaluation – own shares and net profit for the year.

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

In accordance with legislation, capital reserves may be used for the coverage of losses and for increase in capital. Profit reserves are recognized when determined by the body preparing the annual report and/or by a resolution adopted by the competent body and used in accordance with the Articles of Association and applicable law. Reserves under articles of association may be used for covering net losses for the financial year, for covering the losses brought forward from previous years, for increasing the share capital, for establishing reserves for own interests and for the rehabilitation of major losses arising from the operations or extraordinary business events. Other profit reserves are intended for strengthening the capital adequacy.

Acquired own shares are disclosed in the amount of the paid purchase price debited against share capital.

Revaluation surplus includes the revaluation of available-for-sale financial assets.

Profit reserves in the consolidated financial statements also include credit risk equalization provisions (equalization provisions).

In accordance with the Insurance Act, equalization provisions and their changes are disclosed in a separate item credit risk equalization provisions.

If the credit insurance technical result is positive, equalisation provisions are created in the amount of 75% of the former, but may not exceed 12% of the written net premium for the year.

2.2.15. Off-balance-sheet items

Off-balance-sheet records discloses in separate financial statements the issued guarantees, undrawn approved loans and credit lines, undrawn raised loans, nominal value of derivative financial instruments and guarantees received. In the consolidated financial statements are also disclosed contingent liabilities, which comprise unclaimed recourse receivables.

Assumed financial liabilities for issued guarantees, both financial and service, represent SID Bank's irrevocable payment liability, if a client fails to meet its liabilities to a third person.

The principal aim of assumed and irrevocable liabilities arising from approved undrawn credit facilities and credit lines is to provide assets for SID Bank's client in accordance with the concluded contract.

Guarantees received for approved loans represent the value of insurances and guarantees received from creditors and third persons for the insurance of receivables in case of non-payment of contractual obligations.

Risks related to contingent liabilities and assumed financial liabilities are estimated on the basis of applicable accounting policies and internal provisions concerning risk control.

2.2.16. Operations under Special Authorization

Operations carried out on behalf of the Republic of Slovenia are kept in separate accounts, which were defined by the Bank of Slovenia for keeping of transactions pursuant to special authorization.

2.2.17. Interest income and expense

Interest income and expenses comprise interest income and expenses arising from granted or received loans, interest from available-for-sale financial assets and other interest.

In the income statement, income and expenses arising from granted and received loans and other interest are recognized in the relevant period on the basis of applicable interest method.

In available-for-sale financial assets, interest income is evenly distributed over the period for which the security is held, on the basis of the calculation of amortized cost according to the effective interest rate method.

2.2.18. Fees and commissions received and paid

Revenues from fees and commissions comprise commissions from granted loans and guarantees. As stated in the item 2.2.5, revenues from loan approval fees are evenly distributed over the entire period of loan repayment.

Expenses for fees and commissions comprise commissions for loans raised abroad. Expenses for fees and commissions are also evenly distributed over the loan repayment period.

2.2.19. Other net operating profits/losses

Other net operating profits/losses in the income statement include income from non-banking services, revenues from insurance operations and expenses for insurance operations.

Income from non-banking services include revenues for preparation of credit rating, commission charged for operation on special authorization, rents charged and other services.

Insurance premiums are recognized under revenues upon the issue of invoices to third parties and have already been reduced by insurance contract tax. Premiums also include an estimate of uncharged premium for assumed risks (sales carried out by the insurers in December, which were reported in January). Part of the gross unearned premiums written is transferred to the reinsurers with the aim of spreading and managing risks. The reinsurers' share of gross premiums written reduces gross premiums written. Revenues from insurance premiums also include fees for credit rating charged to policyholders.

Expenses for insurance operations include settled claims, recourse receivables and bonuses. Settled claims include insurance premiums paid to the insured, which arise from the occurrence of loss event. Amounts of net claims settled are reduced by enforced recourse receivables. Settled bonuses represent the payment of bonuses to the insured in the current year.

2.2.20. Impairment of loans and factoring receivables, measured at amortized cost

Losses arising from impairment of loans are recognized if there is objective evidence that the client will not be able to repay the total amount of an approved loan and accrued interest. The amount of loss is the difference between the carrying amount of the loan and its recoverable value which consists of expected future payments, including the amounts of payments from guarantees and collateral, discounted by the interest rate applicable upon the raising of the loan.

The basis for the impairment of loans is the borrower's creditworthiness and performance, taking into account the value of received third-party collateral and guarantees.

2.2.21. Taxation

Corporate income tax is calculated based on the revenues and expenses reported in the statement of comprehensive income in accordance with all relevant legislation. Corporate income tax on ordinary activities is calculated according to applicable tax rate of the taxable base.

Deferred corporate income taxes are fully disclosed using the method of a liability on the statement of financial position for the temporary differences arising between the tax values of assets and liabilities and their book values in the financial statements. Deferred corporate income taxes are determined based on the tax rates that are applicable as at the statement of financial position date and that are expected to be in use when the deferred tax asset is realized or the deferred tax liability is settled.

The most important temporary differences arise from valuation of available-for-sale financial assets and from provisions. Deferred tax assets are recognized for all deduction temporary differences, if it is probable that available taxable profit might arise, to which deduction temporary differences may be charged.

Deferred tax is related to valuation of available-for-sale financial instruments at fair value are recorded directly in capital.

2.2.22. Effect of changes in foreign exchange rates

The functional currency used in presenting these separate financial statements is the Euro (EUR).

All foreign currency assets and liabilities are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at spot exchange rate between the functional currency and the foreign currency on the date of the transaction (the mean exchange rate of the European Central Bank.

At each statement of financial position date:

- Foreign currency cash items are translated using the closing rate;
- Non-cash items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- Non-cash items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of cash items or when translating cash items at rates different from those at which they were translated on initial recognition or in the previous financial statements are recognized in the statement of comprehensive income for the period in which they arise. They are disclosed under the item gains and losses from exchange rate differences.

2.2.23. Significant amounts

Significant items in the separate statement of financial position are those which exceed 1% of total assets of separate statement of financial position on the balance sheet date, i.e. EUR 30,249 thousand as at 31 December 2009. Significant items in the separate statement of comprehensive income are those, which exceed 0.5% of total assets of the separate balance sheet on the balancing date, i.e. EUR 15,124 thousand in the separate statement of comprehensive income for 2009.

Significant items in the consolidated statement of financial position are those which exceed 1% of total assets of consolidated statement of financial position on the balance sheet date, i.e. EUR 32,156 thousand as at 31 December 2009. Significant items in the consolidated statement of comprehensive income are those, which exceed 0.5% of total assets of the separate balance sheet on the balancing date, i.e. EUR 16,078 thousand in the consolidated statement of comprehensive income for 2009.

2.2.24. Cash flow statement

The separate cash flow statement was compiled on the basis of the indirect method or Version II.

Pursuant to this method, cash flows from operations are first calculated on the basis of broken down data from the separate statement of financial position and separate statement of comprehensive income. All effects related to financing, i.e. property, plant and equipment, investment property, intangible assets, investments in the capital of associates, joint ventures and subsidiaries, fixed assets or liabilities held for sale, financial assets held to maturity, subordinated liabilities, issued capital instruments and own shares are deducted from the net profit for the financial year. All unrealized exchange rate differences and unrealized effects from the change in the fair value, which are transferred to cash equivalents are also deducted, while the effects of the change in the fair value of financial instruments from the revaluation surplus before tax, related to the operating items, i.e. available-for-sale financial assets and derivatives held for hedging cash flows are added. The resulting amount of the effects of the separate statement of comprehensive income and the revaluation surplus needs to be further adjusted for net increase or decrease in operating assets and liabilities and paid or refunded corporate income tax. The result is net cash flows from operating activities.

In the section relating to cash flows from financing, the direct method is used, based on inflows and outflows. Cash assets are taken into account in line with the definition stated in Item 2.2.1.

2.2.25. Statement of changes in equity

Statement of changes in equity discloses the changes in individual equity components during the accounting period. The form is based on the requirements of IAS 1.96. The change in each equity item, as disclosed in the statement of financial position, is presented in the form.

The statement of changes in equity is compiled by entering in the relevant items the balances of individual equity components from the previous financial year, the amounts of changes in individual equity components during the accounting period, including the utilization of net profit and the coverage of loss during the accounting period, and the balances of individual equity components at the end of the accounting period. In a separate row, amounts are disclosed by equity components which comprise net distributable profit or balance sheet loss for the accounting period, for which a change in equity statement is compiled.

The consolidated statement of changes in equity also includes the alignment of differences, consolidation entries and elimination in separate financial years.

2.2.26. Calculation of net profit per share

It is calculated as the ratio of net profit recorded in the bank's statement of comprehensive income per the number of shares that comprise the share capital of the bank. Own shares are not included in this calculation.

2.2.27. The newly applicable standards and interpretations in the reporting period and not as yet applicable but already issued/adopted standards and interpretations

In the reporting year the following standard and interpretations issued by the International Accounting Standards Committee and adopted by the EU have changed: IFRS 8 Operating Segments; IFRS 1 First time Adoption of International Financial Reporting Standards and IAS 27 Consolidated Financial Statements (purchase value of investment into a subsidiary company, joint venture or associated enterprise); IFRS 4 Insurance Contracts and IFRS 7 Financial Instruments: Disclosures (enhanced financial instruments disclosure); IAS 32 Financial Instruments: Presentation (puttable instruments and obligations arising on liquidation); IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (reclassification of financial assets); IAS 1 Presentation of Financial Statements (amended presentation); IAS 23 Borrowing Costs; IFRS 2 Share-based Payment (required conditions and recalls); IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (embedded derivatives); IFRIC 11 IFRS 2 Group and Treasury Share Transactions; IFRS 13 Customer Loyalty Programmes; IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of these interpretations did not result in a change of accounting policies applied by SID Bank; however they influenced the outlines of statements, which changed due to the changes of IAS 1. A new statement (Statement of comprehensive income) and an adjusted Statement of changes in equity are presented. In accordance with provisions of the IFRS 8 Operating Segments the company has disclosed the structure of its group in accordance with its internal reporting system. This way, the company recorded business sources and effectiveness of separate segments of operation

Not yet applicable and unused but already issued/adopted standards and interpretations

As at the date of approval of these statements, the following standards and interpretations had been issued by the International Accounting Standards Board and which had been adopted by the EU, but not yet applicable: IFRS 1 First time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IAS 27 Consolidated Financial Statements; IAS 32 Financial Instruments: Presentation (accounting of the issue of subscription rights); IAS 39 Financial Instruments: Recognition and Measurement (items which fulfil conditions for risk hedging); IFRIC 12 Service Concession Arrangements; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 16 Hedges of a Net Investment in a Foreign Operation; IFRIC 17 Distributions of Non-cash Assets; IFRIC 18 Transfers of Assets from Customers.

SID Bank has decided to not use the not yet applicable standards, interpretations and amendments until they become applicable. The bank estimates that the beginning of applicability of these standards, amendments and interpretations will have no fundamental impact on its financial statements.

The issued standards which are not yet adopted in the EU

The IFRS, which were adopted by the EU, currently do not differ essentially from the regulations adopted by the International Accounting Standards Committee, with the exception of: IFRS 9 Financial Instruments; IAS 24 Related Party Disclosures (simplification of disclosure requirements for stake related companies and explanation of the definition of related party);IFRS 1 First time Adoption of International Financial Reporting Standards (additional exceptions on the first adoption); IFRS 2 Share-based Payment (share transactions in the group paid in cash);IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (payments in advance of the requirements concerning minimal financing); IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

2.3. Notes to the Statement of financial position

(In EUR thousand)

2.3.1. Cash and balances in transaction accounts with the state and mandatory reserves with the central bank

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Cash in hand	0	0	0	1
Transaction accounts	69	25	2.632	3.349
Mandatory reserves	1,004	87	1,004	87
Total	1,073	112	3,636	3,437

The amount of mandatory reserves of banks and savings banks with the Bank of Slovenia is stipulated by the Decree on Mandatory Reserve of Banks and Savings Banks. Increase in mandatory reserve in 2009 results from the increase of up to 2-year maturity lease with non-financial organizations, which are included in the base for calculation of mandatory reserve. Assets received from banks and savings banks are not included in the base.

2.3.2. Financial assets held for trading

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Derivative financial instruments held for trading under forward contracts	248	125	248	125
Total	248	125	248	125

The item indicates receivables due to positive valuation of forward in the amount of USD 1 million.

2.3.3. Financial assets held for hedging

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Derivative financial instruments held for hedging under swap contracts	2,101	0	2,101	0
Total	2,101	0	2,101	0

Effects due to interest rate hedging amounted to EUR 907 thousand. They are recognized in aggregate in the statement of comprehensive income.

2.3.4. Available-for-sale financial assets

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term debt securities	0	992	3,733	6,410
Long-term debt securities	49,921	60,248	68,341	72,654
Equity instruments	130	92	316	386
Total	50,051	61,332	72,390	79,450

Debt securities by type of issuer

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Government securities	22,205	32,106	31,625	38,660
- Republic of Slovenia bonds	*22,205*	*31,114*	*31,625*	*35,683*
- Republic of Slovenia treasury bills	*0*	*992*	*0*	*2,977*
Bonds of foreign countries	33	8,069	1,055	8,331
- Central government bonds	*0*	*8,029*	*1,022*	*8,291*
- Local government bonds	*33*	*40*	*33*	*40*
Bank bonds	23,718	7,147	30,748	10,765
- Domestic banks	*12,920*	*2,542*	*17,811*	*3,478*
- Domestic banks- subordinate bonds	*1,714*	*2,271*	*2,711*	*3,678*
- Foreign banks	*4,027*	*2,334*	*5,169*	*3,609*
- Multilat. and development banks	*5,057*	*0*	*5,057*	*0*
Bonds of other foreign financial organizations	190	620	964	1,267
Domestic unit central government bonds	304	333	304	333
Bonds of other domestic financial organizations	0	0	1,282	1,412
Bonds of non-financial companies	3,471	12,965	6,096	18,296
- Domestic non-financial companies	*1,704*	*10,271*	*2,133*	*10,699*
- Foreign non-financial companies	*1,767*	*2,694*	*3,963*	*7,597*
Capital investment	130	92	316	386
Total	50,051	61,332	72,390	79,450

The disclosed balance of long-term securities of SID Bank as at 31 December 2009 includes interest calculated at effective interest rate in the amount of EUR 797 thousand. The interest calculated at effective interest rate equally distributes the interest revenues over the entire period for which the debt instrument is held, i.e. from the purchase until maturity – the calculation is based on yield until maturity.

Interest calculated at effective interest rate for SID Bank Group amounts to EUR 1,202 thousand.

Debt securities by interest accrual method

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
At fixed interest rate	38,353	54,091	53,722	66,242
At variable interest rate	11,538	6,156	18,322	11,829
Non-interest	160	1,085	346	1,379
Total	50,051	61,332	72,390	79,450

Breakdown of securities by issuer rating

Rating	SID Bank		SID Bank Group	
	Fair value as at 31 December 2009	Structure in %	Fair value as at 31 December 2009	Structure in %
Rating according to S&P				
AAA	6,120	12.2	7,131	9.8
AA+	253	0.5	730	1.0
AA	26,814	53.6	40,296	55.7
AA-	2,001	4.0	2,001	2.8
A+	998	2.0	1,828	2.5
A	0	0.0	1,613	2.2
A-	7,100	14.1	8,390	11.6
BBB+	3,929	7.9	4,723	6.5
BBB	858	1.7	1,648	2.3
BB+	0	0.0	416	0.6
D	0	0.0	41	0.1
No rating	1,978	4.0	3,573	4.9
Total	50,051	100	72,390	100

Changes in debt securities and equity instruments

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	61,332	40,728	79,450	63,035
Purchases	53,237	53,810	71,507	59,693
Foreign exchange differences	0	0	37	(78)
Sale, realization	(64,518)	(32,236)	(79,454)	(41,500)
Change in fair value – impairment	0	(970)	850	(1,700)
Balance as at 31 December	50,051	61,332	72,390	79,450

Debt securities of SID Bank include EUR 1,714 thousand in subordinated securities, namely BDM, NovakrFloat49 and NLB13 bonds. Exposure to interest rate risk is presented in items 2.4.1. and 3.3.1.

Of the total portfolio of SID Bank as at 31 December 2009, TallinFloat bond in the amount of EUR 33 thousand and the mutual fund MP Plus in the amount of EUR 130 thousand were not listed on the stock exchange. Besides these, from the portfolio of SID Bank Group as at 31 December 2009, NLB Dinamični mutual fund was also not listed on the stock exchange. Total value of securities not listed on the stock exchange in SID Bank Group was EUR 348 thousand.

In the year 2009 SID Bank Group in addition permanently impaired the NLB Dinamični mutual fund in the amount of EUR 10 thousand as well as abolished impairment of KAUPTFloat security in the amount of EUR 37 thousand due to sale.

SID Bank Group owns EUR 3,507 thousand in subordinated securities beside the ones in SID Bank, namely FB15, AB08, BCE7 and ZT01. Exposure to interest rate risk is presented in items 2.4.1. and 3.3.2., while exposure to foreign exchange risk is presented in item 3.2.2.

2.3.5. Loans

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loans to banks	2,292,668	1,512,356	2,306,883	1,534,606
Loans to clients other than banks	662,284	500,183	784,616	653,074
Total	2,954,952	2,012,539	3,091,499	2,187,680

Loans to banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term loans	0	39,762	4,747	47,083
Long-term loans	2,260,130	1,412,279	2,260,130	1,412,278
Deposits	32,538	60,315	42,007	75,245
Total	2,292,668	1,512,356	2,306,884	1,534,606

Loans to banks, granted by SID Bank in foreign currency, amount to USD 19,406 thousand, deposits in foreign value amount to USD 390 thousand.

In 2009 commercial banks remained the most important clients of SID Bank, with their share in SID Bank loan portfolio amounting to 77.6 percent. Majority of investments are thus represented by loans to Slovene commercial banks and to banks of foreign buyers of Slovene goods and services. The remaining 22.4% share in SID Bank loan portfolio is represented by loans to Slovene companies and their foreign buyers.

The maturity structure of SID Bank's loan portfolio confirms the orientation of SID Bank towards operations in accordance with Slovene Export and Development Bank Act (ZSIRB) and the Act Governing Insurance and Financing of International Business Transactions (ZZFMGP), with the share of long-term loans amounting to 98.6 percent at the end of 2009.

Loans to banks represent a 74.6 percent share in SID Bank Group. The majority of assets are placed as long-term loans. Direct financing of companies represents the minor share of the loan potential of SID Bank Group. Factoring services are mainly aimed at financing of companies.

A part of deposits in commercial banks, are allocated by SID Bank Group to coverage of liabilities from insurance contracts and liquidity control.

Short-term loans to banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loans in EUR	0	39,762	2,009	39,762
Loans with currency clause	0	0	2,738	7,321
Value adjustments of loans	0	0	0	0
Total	0	39,762	4,747	47,083

Long-term loans to banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loans in EUR	2,249,743	1,399,124	2,249,743	1,399,123
Loans in foreign currency	13,535	14,287	13,535	14,287
Value adjustments of loans	(3,148)	(1,132)	(3,148)	(1,132)
Total	2,260,130	1,412,279	2,260,130	1,412,278

Long-term loans to banks issued by SID Bank or SID Bank Group in foreign currency amount to USD 19,406 thousand.

Deposits to banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term in EUR	32,298	59,850	41,767	74,780
Short-term in foreign currency	272	465	272	465
Value adjustments of special purpose deposits	(32)	0	(32)	0
Total	32,538	60,315	42,007	75,245

Short-term deposits to banks issued by SID Bank or SID Bank Group in foreign currency amount to USD 390 thousand.

Changes in loans – gross exposure

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	1,513,488	916,932	1,535,738	918,895
New loans and deposits	3,529,276	2,762,923	4,326,197	2,905,341
Repayments	(2,746,916)	(2,166,366)	(3,551,872)	(2,288,497)
Balance as at 31 December	2,295,848	1,513,489	2,310,063	1,535,739

Changes in adjustments (impairment)

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	1,133	1,321	1,133	1,321
Value adjustments of loans	2,716	384	2,716	384
Elimination of value adjustments of loans	(669)	(572)	(669)	(572)
Balance as at 31 December	3,180	1,133	3,180	1,133

Notes to impairments are presented in Chapter I., item 6.4.; notes to expenditure for impairments and income from impairment elimination are presented in item 2.4.12. of the financial section of the annual report.

Interest rate for loans and deposits to banks in domestic currency, attained by SID Bank, consisted of 3 or 6-month EURIBOR and the margin of between 0.18% p.a. and 3.75% p.a. Fixed interest rate of moves between 0.20% p.a. and

6.25% p.a. Fixed interest rate in SID Bank Group moves between 0.20% p.a. and 8.06% p.a., in some separate cases even up to 40%, due to the markets on which the companies of the group operate.

Interest rate for loans and deposits to banks in foreign currency, attained by SID Bank, consisted of 6-month LIBOR and the margin of between 0.18% p.a. and 3.00% p.a. Fixed interest rate of moves between 0.10% p.a. and 5.23% p.a. The same applies for SID Bank Group.

Exposure of SID Bank to interest rate risk is presented in items 2.4.1. and 3.3.1., while exposure to foreign exchange risk is presented in item 3.2.1.

Exposure of SID Bank Group to interest rate risk is presented in items 2.4.1. and 3.3.2., while exposure to foreign exchange risk is presented in detail in item 3.2.2.

Exposure of SID Bank and SID Bank Group to credit risk is presented in items 3.4.

Loans to clients other than banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term loans	80,695	113,948	71,811	124,352
Long-term loans	574,695	385,044	573,721	383,091
Claims arising from guarantees	6,894	1,191	6,894	1,191
Factoring	0	0	132,190	144,440
Total	662,284	500,183	784,616	653,074

Short-term loans to clients other than banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Foreign currency loans to non-financial companies	0	0	77	0
Domestic currency loans to non-financial companies	13,602	68,978	13,738	69,251
Domestic currency loans to other financial organizations	44,825	14,547	22,413	7,274
Domestic currency loans to foreign entities	26,790	34,197	14,891	27,164
Foreign currency loans to foreign entities	0	0	22,289	23,243
Value adjustments of short-term loans	(4,522)	(3,774)	(1,597)	(2,580)
Total	80,695	113,948	71,811	124,352

Long-term loans to clients other than banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Foreign currency loans to non-financial organizations	834	1,044	3,028	1,044
Domestic currency loans to non-financial organizations	415,971	293,169	415,971	293,306
Domestic currency loans to other financial organizations	54,190	46,399	54,190	46,399
Domestic currency loans to local level state units	13,967	13,974	13,967	13,974
Domestic currency loans to subordinate clients	25	29	25	29
Domestic currency loans to foreign entities	121,333	48,427	118,805	45,846
Value adjustments of long-term loans	(31,625)	(17,998)	(32,265)	(17,507)
Total	574,695	385,044	573,721	383,091

Long-term loans to clients other than banks, issued by SID Bank in foreign currency, amount to USD 1,196 thousand.

Claims arising from guarantees of SID Bank

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Claims arising from realized guarantees	10,609	2,412	10,609	2,412
Value adjustments of realized guarantees	(3,715)	(1,221)	(3,715)	(1,221)
Total	6,894	1,191	6,894	1,191

Claims arising from factoring operations

	SID Bank Group	
	31.12.2009	31.12.2008
Domestic factoring	101,920	98,822
Export factoring	5,630	14,060
Import factoring	5,502	6,889
Domestic factoring - loan	27,894	30,169
Export factoring - loan	169	15
Value adjustments of short-term receivables - factoring	(8,924)	(5,515)
Total	132,190	144,440

A predominant part of export factoring and a part of domestic and import factoring are insured against non-payment.

Changes in loans to clients other than banks - gross exposure

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	523,177	291,149	679,898	438,734
New loans and deposits	425,696	399,229	818,856	914,874
Repayment	(246,727)	(167,201)	(667,637)	(673,710)
Balance as at 31 December	702,146	523,177	831,117	679,898

Changes in adjustments (impairment)

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	22,994	14,327	26,824	15,637
Value adjustments of loans (impairments)	25,787	15,235	27,907	19,213
Elimination of value adjustments of loans (elimination of impairments)	(8,919)	(6,568)	(8,230)	(8,026)
Balance as at 31 December	39,862	22,994	46,501	26,824

Notes to impairments are presented in item 6.4. in the business section of the annual report, notes to expenditure for impairments and income from impairment elimination are presented in item 2.4.12. of the financial section of the annual report.

Floating rates of SID Bank for clients, other than banks in domestic currency for direct financing of legal entities consisted of 1, 3, 4, 5 or 6-month EURIBOR and the margin of between 0.18% p.a. and 5.50% p.a., while the fixed interest rate moves between 3.25% p.a. and 8.06% p.a.

Floating rates of SID Bank and SID Bank Group for loans to clients, other than banks in foreign currency for direct financing of legal entities consisted of 2, 3, 4 or 6-month LIBOR and the margin of between 0.60% p.a. and 2.25% p.a., while the fixed interest rate is 5% p.a.

SID Bank Group operates on various markets; therefore the range of interest rates is large, particularly in factoring activities.

Floating rates of SID Bank Group for clients, other than banks in domestic currency consisted of 1, 3, 4, 5 or 6-month EURIBOR and the margin of between 0.18% p.a. and 13% p.a., as well as 3-month LIBOR and the margin of 7% p.a. Fixed interest rates of SID Bank Group for loans to clients, other than banks in domestic currency ranged between 3.0% p.a. and 14.0% p.a.

Exposure of SID Bank to interest rate risk is presented in items 2.4.1. and 3.3.1., while exposure to foreign exchange risk is presented in detail in item 3.2.1.

Exposure of SID Bank Group to interest rate risk is presented in items 2.4.1. and 3.3.2., while exposure to foreign exchange risk is presented in detail in item 3.2.2. Exposure of SID Bank and SID Bank Group to credit risk is presented in items 3.4.

2.3.6. Property, plant and equipment

Changes in property, plant and equipment in 2009

	SID Bank			SID Bank Group		
	Real estate	Equipment	Total	Real estate	Equipment	Total
Purchase value						
Balance as at 1 January 2009	6,588	1,484	8,072	6,588	2,468	9,056
Opening-balance adjustment	0	0	0	0	17	17
Transfer	0	0	0	0	(51)	(51)
Increase	0	158	158	0	288	288
Decrease	0	(55)	(55)	0	(113)	(113)
Balance as at 31 December 2009	6,588	1,587	8,175	6,588	2,609	9,197
Value adjustments						
Balance as at 1 January 2009	(2,168)	(1,155)	(3,323)	(2,168)	(1,658)	(3,826)
Opening-balance adjustment	0	0	0	0	(16)	(16)
Transfer	0	0	0	0	21	21
Depreciation, amortization	(315)	(143)	(458)	(315)	(296)	(611)
Increase	0	0	0	0	(1)	(1)
Decrease	0	47	47	0	81	81
Balance as at 31 December 2009	(2,483)	(1,251)	(3,734)	(2,483)	(1,869)	(4,352)
Net book value as at 01 January 2009	4,420	329	4,749	4,420	810	5,230
Net book value as at 31 December 2009	4,105	336	4,441	4,105	740	4,845

SID Bank and SID Bank Group have no pledged property, plant and equipment.

Changes in property, plant and equipment in 2008

	SID Bank			SID Bank Group		
	Real estate	Equipment	Total	Real estate	Equipment	Total
Purchase value						
Balance as at 1 January 2008	6,588	1,404	7,992	6,588	2,259	8,847
Transfer	0	0	0	0	(40)	(40)
Increase	0	122	122	0	337	337
Decrease	0	(32)	(32)	0	(88)	(88)
Balance as at 31 December 2008	6,588	1,484	8,072	6,588	2,468	9,056
Value adjustments						
Balance as at 1 January 2008	(1,852)	(1,049)	(2,901)	(1,852)	(1,425)	(3,277)
Depreciation, amortization	(316)	(138)	(454)	(316)	(302)	(618)
Decrease	0	32	32	0	69	69
Balance as at 31 December 2008	(2,168)	(1,155)	(3,323)	(2,168)	(1,658)	(3,826)
Net book value as at 01 January 2008	4,736	355	5,091	4,736	834	5,570
Net book value as at 31 December 2008	4,420	329	4,749	4,420	810	5,230

2.3.7. Intangible assets

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Property rights	395	568	590	818
Goodwill	0	0	488	488
Total	395	568	1,078	1,306

Property rights are represented by investments in software used in the course of operation by SID Bank and SID Bank Group.

Goodwill in SID Bank Group occurred as a result of purchase of a share in capital of PRVI FAKTOR, Ljubljana. Pursuant to a test of impairments performed as at 31 December 2009, it was established that an impairment of goodwill is not necessary.

Changes in intangible assets in 2009

	SID Bank			SID Bank Group		
	In acquisition	In use	Total	In acquisition	In use	Total
Purchase value						
Balance as at 1 January 2009	0	996	996	0	1,408	1,408
Adjustments	0	0	0	0	(42)	(42)
Transfer	(11)	11	0	(11)	62	51
Increase	11	0	11	11	16	27
Decrease	0	0	0	0	0	0
Balance as at 31 December 2009	0	1,007	1,007	0	1,444	1,444
Value adjustments						
Balance as at 1 January 2009	0	(428)	(428)	0	(590)	(590)
Opening-balance adjustment	0	0	0	0	25	25
Transfer	0	0	0	0	(21)	(21)
Depreciation, amortization	0	(184)	(184)	0	(268)	(268)
Decrease	0	0	0	0	0	0
Balance as at 31 December 2009	0	(612)	(612)	0	(854)	(854)
Net book value as at 01 January 2009	0	568	568	0	818	818
Net book value as at 31 December 2009	0	395	395	0	590	590

SID Bank and SID Bank Group have no pledged intangible assets.

Changes in intangible assets in 2008

	SID Bank			SID Bank Group		
	In acquisition	In use	Total	In acquisition	In use	Total
Purchase value						
Balance as at 1 January 2008	36	834	870	51	1,040	1,091
Transfer	(197)	197	0	(197)	238	41
Increase	161	0	161	161	167	328
Decrease	0	(35)	(35)	(15)	(37)	(52)
Balance as at 31 December 2008	0	996	996	0	1,408	1,408
Value adjustments						
Balance as at 1 January 2008	0	(270)	(270)	0	(342)	(342)
Depreciation, amortization	0	(164)	(164)	0	(254)	(254)
Decrease	0	6	6	0	6	6
Balance as at 31 December 2008	0	(428)	(428)	0	(590)	(590)
Net book value as at 01 January 2008	36	564	600	51	698	749
Net book value as at 31 December 2008	0	568	568	0	818	818

2.3.8. Long-term investments in equity of subsidiaries, associates and joint ventures

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Investment in PKZ Ljubljana	4,206	4,206	0	0
Investment in PRO KOLEKT Ljubljana	419	419	419	419
Investment in PRVI FAKTOR Ljubljana	3,087	3,087	0	0
Total	7,712	7,712	419	419

Basic data on companies in the group

	PRVI FAKTOR Group		PKZ	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Participating interest of the group in capital in percent	50%	50%	100%	100%
Portion of voting rights in percent	50%	50%	100%	100%
Assets	168,154	184,399	62,741	51,560
Liabilities	162,540	176,992	53,572	34,676
Capital	5,614	7,407	9,168	16,884
Income	18,122	18,668	9,364	11,145
Profit/loss	587	1,521	(6,529)	345

2.3.9. Corporate income tax assets and liabilities

Tax assets

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Receivables for prepaid corporate income tax	656	0	1,180	255
Deferred tax assets	363	328	975	958
Total	1,019	328	2,155	1,213

As at 31 December 2009, SID Bank had long-term deferred receivables for taxes arising from the provisions for severance pay upon retirement and loyalty bonuses of bank employees, and from the impairment of available-for-sale financial asset – LANISL Float 09 bond.

As at 31 December 2009, SID Bank Group had deferred receivables for taxes arising from impairment of available-for-sale financial assets, the provisions for severance pay upon retirement and loyalty bonuses of bank employees, for impaired operating receivables and tax loss.

Tax liability

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Income tax liabilities	0	1,904	0	2,284
Non-current deferred tax liabilities	138	35	138	37
Total	138	1,939	138	2,321

The deferred liability for tax represents a liability arising from the revaluation adjustment of available-for-sale financial assets.

Deferred taxes

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Deferred tax liability				
- Value adjustments of receivables	0	0	385	118
- Deferred income from reinsurance premium	0	0	0	118
- Provisions for fees and loyalty bonuses	27	25	53	44
- Revaluation expense due to impairments, available-for-sale financial assets	194	194	304	342
- Revaluation surplus, available-for-sale financial assets	142	109	106	245
- Expenses for deferred taxes from tax loss	0	0	36	0
- Delimited costs or income	0	0	91	91
Total deferred tax liability	363	328	975	958
Deferred tax liability				
- Available-for-sale financial assets	138	35	138	37
Total deferred tax liability	138	35	138	37
Included in the statement of comprehensive income	1	188	1,892	314
Included in capital	(70)	(12)	(242)	124

2.3.10. Other assets

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Insurers assets	0	0	32,228	20,177
Other assets	2,902	252	4,954	2,617
Total	2,902	252	37,182	22,794

Insurers' assets

	SID Bank Group	
	31.12.2009	31.12.2008
Reinsurers' assets in unearned premiums	839	1,011
Reinsurers' assets in claims provisions	24,515	14,388
Reinsurers' assets in bonuses and discounts	1,016	1,060
Reinsurers' assets in provision for unexpired risks	1,599	729
Receivables from premiums	2,096	1,979
Value adjustments of receivables from premiums	(170)	(121)
Grant receivables	2,677	2,025
Value adjustments of receivables from premiums	(1,430)	(971)
Receivables from credit ratings	135	87
Other value adjustments	(14)	(10)
Receivables arising from reinsurance	967	0
Other accrued revenues and deferred expenses	0	0
Total	32,228	20,177

Other assets

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Inventories	0	0	5	5
Fees and commissions receivables	35	39	1,032	1,709
Advances to suppliers for operating assets	5	5	277	34
Trade receivables	69	55	1,047	500
Other receivables	2,340	83	2,380	109
Value adjustments of other receivables	(2)	(2)	(336)	(27)
Deferred costs and accrued revenues	455	72	499	72
Other short-term deferred costs	0	0	10	182
Other accrued revenues and deferred expenses	0	0	42	33
Total	2,902	252	4,954	2,617

2.3.11. Financial liabilities held for trading

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Derivative financial instruments held for trading, forward contract valuation	271	172	271	172
Total	271	172	271	172

The item discloses liabilities due to negative valuation of currency forward in the amount of USD 1 million.

2.3.12. Derivative financial instruments held for hedging

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Long-term in EUR	1,202	0	1,202	0
Total	1,202	0	1,202	0

The item includes effects of interest rate hedging in the amount of EUR 907 thousand and interest liability in the amount of EUR 295 thousand.

2.3.13. Financial liabilities measured at amortized cost

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Bank deposits	155,066	15,216	155,066	15,216
Deposits of clients other than banks	91,870	22,376	91,870	22,376
Loans of banks	1,799,948	1,633,867	1,921,338	1,792,105
Loans of clients other than banks	99,108	0	99,122	0
Debt securities	547,142	250,213	547,142	250. 213
Total	2,693,134	1,921,672	2,814,538	2,079,910

Bank deposits

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Deposits	155,066	15,216	155,066	15,216
Total	155,066	15,216	155,066	15,216

Deposits of clients other than banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Deposits	91,870	22,376	91,870	22,376
Total	91,870	22,376	91,870	22,376

Loans of banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term in EUR	19,966	0	133,571	146,137
Short-term in foreign currency	0	0	0	803
Long-term in EUR	1,766,031	1,619,673	1,773,816	1,630,971
Long-term in foreign currency	13,951	14,194	13,951	14,194
Total	1,799,948	1,633,867	1,921,338	1,792,105

Loans of clients other than banks

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term in EUR	0	0	14	0
Long-term in EUR	99,108	0	99,108	0
Total	99,108	0	99,122	0

Debt securities

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Debt securities	547,142	250,213	547,142	250,213
Total	547,142	250,213	547,142	250,213

In January 2009 SID Bank or SID Bank Group issued a bond in the amount of EUR 250 million on the domestic market.

Changes in financial liabilities measured at amortized cost

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	1,921,672	1,137,069	2,079,910	1,274,967
New loans and deposits	1,169,551	1,247,196	1,400,586	1,420,696
Repayment	(398,089)	(462,593)	(665,958)	(615,753)
Balance as at 31 December	2,693,134	1,921,672	2,814,538	2,079,910

As a specialized institution pursuant to Slovene Export and Development Bank Act, SID Bank acquires long-term funds principally in international financial markets; namely long-term loans, bilateral credit lines, issuing of debentures and registered bonds.

Float rates of SID Bank for received long-term loans from foreign banks range between 2, 3 or 6-month EURIBOR/LIBOR + 0.115% p.a. and 2, 3 or 6-month EURIBOR/LIBOR + 1.85% p.a.

Float rates of and SID Bank Group for received loans range between 1, 2, 3 or 6-month EURIBOR/LIBOR + 0.115% p.a. and 1, 2, 3 or 6-month EURIBOR/LIBOR + 5.5% p.a. Interest rates for loans in foreign currency are fixed and range between 5.3% and 6.5% p.a. for SID Bank Group.

2.3.14. Provision

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Bank provision	4,250	2,165	4,250	2,165
Liabilities from insurance contracts	0	0	50,294	30,896
Other provisions	132	124	2,151	2,204
Total	4,382	2,289	56,695	35,265

Bank provisions include provisions for covering contingent losses arising from issued guarantees and undrawn credit facilities and credit lines.

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Provisions for guarantees	2,044	1,374	2,044	1,374
Provisions for undrawn credit facilities and credit lines	2,206	791	2,206	791
Total	4,250	2,165	4,250	2,165

Changes in bank provisions

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	2,165	778	2,165	778
Provisions formed	8,502	2,770	8,502	2,770
Foreign exchange difference	0	(1)	0	(1)
Provisions released	(6,417)	(1,382)	(6,417)	(1,382)
Balance as at 31 December	4,250	2,165	4,250	2,165

Liabilities from insurance contracts

	SID Bank Group	
	31.12.2009	31.12.2008
Unearned premiums	1,445	1,577
Provisions for outstanding claims	43,855	26,079
Provisions for bonuses and discounts	1,853	1,878
Provisions for unexpired risks	3,141	1,362
Total	50,294	30,896

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

Provisions for outstanding claims

	SID Bank Group	
	31.12.2009	31.12.2008
Provisions for incurred and reported loss events	14,482	2,303
[Provisions for incurred and unreported loss events	28,522	23,177
Provisions for appraisal costs	851	599
Total	43,855	26,079

Changes in liabilities from insurance contracts

	SID Bank Group	
	2009	2008
Balance as at 1 January	30,896	23,803
Changes	19,398	7,093
Balance as at 31 December	50,294	30,896

Other provisions

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Long-term provisions to employees	132	124	283	285
Deferred income from reinsurance premiums	0	0	1,868	1,919
Total	132	124	2,151	2,204

Provisions to employees

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Long-term provisions for loyalty bonuses	17	9	49	27
Long-term provisions for retirement severance pay	115	115	234	258
Total	132	124	283	285

Changes in provisions for pensions and similar liabilities to employees

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Balance as at 1 January	124	105	285	245
Provisions formed	22	20	63	32
Provisions released	(14)	(1)	(62)	(2)
Foreign exchange differences	0	0	(3)	10
Balance as at 31 December	132	124	283	285

The calculation for loyalty bonuses was based on the assumption that all beneficiaries are still the employees of SID Bank when the conditions are established for the payment of this bonus. The amounts of bonuses were discounted to the present value, taking into account the time schedule of the payment of loyalty bonuses and the average interest rate of government debt securities published by the Ministry of Finance for the purpose of calculating the returns of voluntary supplementary pension insurance. The full interest rate calculated in such way was taken into account (4.225%). The following input parameters were used: loyalty bonuses for 10 years EUR 382.58, for 20 years EUR 573.87, for 30 years EUR 765.16 and for 40 years EUR 956.45.

The calculation of severance pay takes into account the difference between the period for which the severance pay was earned and the period that has yet to pass in order to meet the conditions for retirement. The amounts of severance pay were discounted to the present value, taking into account the time schedule of the payment of bonuses and the average interest rate of government debt securities published by the Ministry of Finance for the purpose of calculating the returns of voluntary supplementary pension insurance. The full interest rate calculated in such way was taken into account (4.225%). The following input parameters were used: amount based on the Employment Relationship Act (two average monthly salaries of the employee for the past three months), increased by the achieved growth in salaries in the banking sector in the last five years, a length of service upon retirement for men 40 years and for women 38 years.

SID Bank Group has a unified methodology of calculating provision for severance pay and loyalty bonuses. A part of companies in SID Bank Group calculates provisions based on actuarial calculation. The calculation takes into account suppositions included in the calculations of other companies in SID Bank Group.

Changes in deferred revenues from reinsurance commissions

	SID Bank Group	
	2009	2008
Balance as at 1 January	1,919	2,129
Provisions formed	537	645
Provisions released	(588)	(855)
Balance as at 31 December	1,868	1,919

Receivables and liabilities due to deferred taxes are presented in detail in items 2.4.11.

2.3.15. Other liabilities

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Liabilities for salaries and other liabilities to employees	378	310	633	570
Liabilities to suppliers	184	120	368	1,025
Liabilities from insurance operations	0	0	19	69
Other liabilities	984	20	4,674	326
Accrued costs and deferred income	2,239	438	3,368	2,068
- Accrued costs	*170*	*348*	*341*	*692*
- Accrued reinsurance statement	*0*	*0*	*0*	*616*
- Accrued costs of reinsurers for recourses	*0*	*0*	*948*	*666*
- Short-term deferred revenues	*317*	*90*	*327*	*94*
- Deferred income	*1,752*	*0*	*1,752*	*0*
Total	3,785	888	9,063	4,058

2.3.16. Share capital

At the General Meeting of Shareholders held on 20 May 2009, a Decree on increase in capital in the amount of EUR 160,000,061.30 was adopted. After the deposit of newly issued shares on 25 May 2009 and 5 August 2009, the increase in capital was entered in registry on 14 August 2009.

All of the entered capital, which amounts to EUR 300,000,090.70 and is divided into 3,121,741 ordinary registered no-par value shares, is deposited. All the shares are ordinary registered shares of the same class; each ordinary registered no-par value share has a corresponding amount in share capital.

2.3.17. Capital reserves

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Payments exceeding nominal amounts of paid-up shares	1,139	1,139	1,139	1,139
Total	1,139	1,139	1,139	1,139

2.3.18. Revaluation surplus

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Revaluation surplus from available-for-sale financial assets	(18)	(295)	126	(838)
Total	(18)	(295)	126	(838)

Revaluation surplus from available-for-sale financial assets

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Balance as at 1 January	(295)	(331)	(838)	(333)
Revaluation	347	48	1,206	(629)
Deferred taxes	(70)	(12)	(242)	124
Balance as at 31 December	(18)	(295)	126	(838)

2.3.19. Reserves from profit (including retained profit)

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Reserves from profit	21,735	19,923	36,739	34,850
- Statutory reserves	*8,080*	*8,033*	*8,439*	*8,392*
- Reserves for treasury shares	*1,324*	*1,325*	*1,324*	*1,325*
- Reserves under articles of association	*8,900*	*8,449*	*11,003*	*10,552*
- Other reserves from profit	*3,431*	*2,116*	*15,210*	*5,548*
- Credit risk equalization provisions	*0*	*0*	*763*	*9,033*
Retained earnings	0	0	2,928	3,245
Total	21,735	19,923	39,667	38,095

In accordance with a decree of the Supervisory Board of SID Bank dated 29 May 2009, the net distributable profit in the amount of EUR 657 thousand was allocated to other profit reserves. In accordance with a decree of the General Meeting of Shareholders of SID Bank dated 28 July 2009, the net distributable profit in the amount of EUR 657 thousand was allocated to other profit reserves.

When compiling the annual report, from net profit in the amount of EUR 948 thousand the Management Board formed statutory reserves totalling EUR 47 thousand and reserves under articles of association in the amount of EUR 451 thousand.

Capital (revenues and expenses recognized directly in capital) is directly influenced by revaluations of available-for-sale financial assets and changes in credit risk equalization provisions.

Credit risk equalization provisions of SID Bank Group decreased for EUR 8,269 thousand in 2009. Tax effect due to this change amounts to EUR 1,737 thousand (current tax), net effect amounting to EUR 6,532 thousand.

2.3.20. Treasury shares

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Repurchased treasury shares	(1,324)	(1,324)	(1,324)	(1,324)
Total	(1,324)	(1,324)	(1,324)	(1,324)

2.3.21. Off-balance-sheet items

Off-balance-sheet items

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Off-balance-sheet receivables	1,047,805	50,852	1,068,394	61,837
- Raised undrawn loans	*235,000*	*25,000*	*235,000*	*25,000*
Derivative financial instruments (swap, forward)	*58,678*	*678*	*58,678*	*678*
- Guarantees received	*754,127*	*25,174*	*754,127*	*25,174*
- Unclaimed recourse receivables	*0*	*0*	*20,589*	*10,985*
Off-balance-sheet liabilities	222,022	137,243	237,280	143,594
- Guarantees	*38,804*	*72,192*	*39,686*	*72,812*
- Approved undrawn loans	*182,521*	*64,342*	*195,021*	*68,592*
Derivative financial instruments (forward)	*697*	*709*	*697*	*709*
- Guarantees given	*0*	*0*	*34*	*15*
- Other financial liabilities assumed	*0*	*0*	*1,842*	*1,466*
Total	1,269,827	188,095	1,305,674	205,431

Off-balance-sheet receivables - raised undrawn loans

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Raised undrawn loans	235,000	25,000	235,000	25,000
Total	235,000	25,000	235,000	25,000

As at 31 December 2009 SID Bank has not drawn loans granted by European Investment Bank Luxemburg in the amount of EUR 190 million and EUR 30 million with Hypo Investment Bank AG Austria, as well as credit lines raised with Hypo Alpe - Adria Bank International AG Austria in the amount of EUR 15 million.

Off-balance-sheet receivables - derivative financial instruments

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Currency forward	678	678	678	678
Interest swap	58,000	0	58,000	0
Total	58,678	678	58,678	678

As at 31 December 2009, SID Bank had a concluded currency forward in the amount of USD 1 million and two interest swaps in total amount of EUR 58 million.

Off-balance-sheet receivables - Guarantees received

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Guarantees received	754,127	25,174	754,127	25,174
Total	754,127	25,174	754,127	25,174

In comparison with the balance as at 31 December 2008, the balance of guarantees received of SID Bank as at 31 December 2009 shows a large increase, which resulted from implementation of bookkeeping records in 2009 also in general ledger (balances of guarantees received as at 31 December 2008 amounted to EUR 381,971 thousand). By types of insurance the largest portion is represented by pledge of commercial real estate, followed by other corporate guarantees (disposal of claims, pledge of share in capital, insurance policies of SID Bank for the account of the Republic of Slovenia, fiduciary transfer of real estate ownership right, pledge of receivables for insurance, bills and other insurances).

Balance of guarantees received of SID Bank Group as at 31 December 2009 amounts to EUR 808,437 thousand (bookkeeping records in companies of SID Bank Group has not been fully implemented), while it amounted to EUR 409,022 thousand as at 31 December 2008. The most important issuers of personal guarantees are banks, insurance companies, companies with good credit rating (joint and several guarantee) and individuals.

Unclaimed recourse receivables

	SID Bank Group	
	31.12.2009	31.12.2008
Unclaimed recourse receivables	*20,589*	10,984
Total	*20,589*	10,984

Off-balance-sheet liabilities - guarantees

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Short-term	114	8,902	996	9,522
Long-term	38,690	63,290	38,690	63,290
Total	38,804	72,192	39,686	72,812

The breakdown of guarantees by type

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Guarantees	24,144	55,682	25,026	56,302
- Waste export	*11,281*	*21,640*	*11,281*	*21,640*
- Advance repayment	*2,096*	*15,324*	*2,096*	*15,324*
- Performance	*6,308*	*9,293*	*6,308*	*9,293*
- Payment bonds	*2,858*	*4,951*	*3,740*	*5,571*
- Warranty	*1,601*	*2,045*	*1,601*	*2,045*
- Customs bonds	*0*	*2,317*	*0*	*2,317*
- Bid bonds	*0*	*112*	*0*	*112*
Assumed risk	14,660	16,510	14,660	16,510
Total	38,804	72,192	39,686	72,812

The breakdown of guarantees by currency

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
EUR	37,806	69,906	38,688	70,526
HRK	976	2,260	976	2,260
EGP	22	26	22	26
Total	38,804	72,192	39,686	72,812

Off-balance-sheet liabilities - approved undrawn loans

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Approved undrawn loans	182,521	64,342	195,021	68,592
Total	182,521	64,342	195,021	68,592

In this item SID bank or SID Bank Group discloses the value of undrawn loans granted to domestic banks and companies as at 31 December 2009. Drawing date is in 2010.

Other guarantees given

	SID Bank Group	
	31.12.2009	31.12.2008
Guarantees given for factoring operations	34	15
Total	34	15

2.3.22. Operations under Special Authorization

The operations which SID Bank as the national export credit agency (ECA) performs on behalf and for the account of the Republic of Slovenia are in terms of accounting clearly separated from the operations performed for SID Bank's own account.

In accordance with the Act Governing Insurance and Financing of International Business Transactions (ZZFMGP) and on behalf and for the account of the Republic of Slovenia, SID Bank implements the Interest Rate Equalization Programme (IREP) for export credits in euro and American dollars falling within the scope of the OECD Arrangement on Officially Supported Export Credits.

Operations carried out on behalf and for the account of the Republic of Slovenia are kept in separate accounts, which were defined by the Bank of Slovenia for keeping of transactions pursuant to special authorization.

Transactions pursuant to special authorization are presented in detail in the business report, in items 6.2.5. and 6.2.6.

Investments of contingency reserves

	SID Bank	
	31.12.2009	31.12.2008
Cash in business accounts	43	2
Loans to banks	101,859	91,811
Available-for-sale financial assets	18,258	17,647
Other assets	5,268	3,726
Total	125,428	113,186

In other assets, receivable on PRO KOLEKT Zagreb in the amount of EUR 3,726 thousand is disclosed.

Liabilities for contingency reserves

	SID Bank	
	31.12.2009	31.12.2008
Contingency reserves	120,039	109,896
Revaluation surplus from available-for-sale financial assets	208	(362)
Accrued (costs) and deferred income	5,181	3,652
Total	125,428	113,186

Changes in contingency reserves

	SID Bank	
	2009	2008
Balance as at 1 January	109,896	102,965
Surplus of income over expenses	143	6,931
Remittance	10,000	0
Balance as at 31 December	120,039	109,896

Contingency reserves in 2009 increased by EUR 143 thousand, which equalled the surplus of operating income over expenses on behalf of and for the account of the state, pursuant to a remittance by the Ministry of Finance of the Republic of Slovenia as at 21 December 2009 in the amount of EUR 10.0 million.

Investments from the interest rate equalization programme

	SID Bank	
	31.12.2009	31.12.2008
Cash in business accounts	1	7
Loans	2,843	3,038
Available-for-sale financial assets	4,782	3,663
Other assets	1	0
Total	7,627	6,708

Liabilities from the interest rate equalization programme

	SID Bank	
	31.12.2009	31.12.2008
Liabilities from the interest rate equalization programme	7,585	6,907
Revaluation surplus from available-for-sale financial assets	42	(199)
Total	7,627	6,708

Changes in liabilities from the interest rate equalization programme

	SID Bank	
	2009	2008
Balance as at 1 January	6,907	5,401
Surplus of income over expenses	178	276
Remittance	500	1,230
Balance as at 31 December	7,585	6,907

The assets from the interest rate equalization programme in 2009 increased by EUR 178 thousand, which equalled the surplus of operating income over expenses on behalf of and for the account of the state, pursuant to a remittance of the Ministry of Finance of the Republic of Slovenia as at 21 December 2009 in the amount of EUR 500 thousand.

2.4. Notes to the Statement of comprehensive income

(In EUR thousand)

2.4.1. Net interest

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Interest from financial assets held for hedging	97	(27)	0	0
Interest from financial assets held for trading	0	0	90	(48)
Interest from available-for-sale assets	1,760	0	1,799	0
Interest from granted loans and deposits made	80,391	(44,371)	80,445	(67,906)
Interest for issued securities	0	(16,356)	0	(229)
Interest from other financial assets	8	0	157	0
Total	82,256	(60,754)	82,491	(68,183)
Net interest	21,502		14,308	

Income from overdue interest amounts to EUR 311 thousand. There are no expenses for overdue interest in the year 2009.

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Interest from financial assets held for hedging	97	(27)	0	0
Interest from financial assets held for trading	0	0	90	(48)
Interest from available-for-sale assets	2,493	0	2,664	0
Interest from granted loans and deposits made	93,181	(50,925)	94,327	(77,152)
Interest for issued securities	0	(16,356)	0	(229)
Interest from other financial assets	8	0	157	0
Total	95,779	(67,308)	97,238	(77,429)
Net interest	28,471		19,809	

2.4.2. Dividend income

	SID Bank	
	2009	2008
Dividend income	2,474	2,273
Total	2,474	2,273

Dividend was paid by the subsidiary PKZ Ljubljana in the amount of EUR 138 thousand. PRVI FAKTOR Ljubljana adopted a decree on due share in the profits in the amount of EUR 2,336 thousand for which the remittance will be realized in the year 2010.

2.4.3. Net fees

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Fees and commissions on banking services	0	(208)	0	(152)
Fees and commissions from loans	1,337	0	763	0
Fees and commissions for guarantee transactions	528	0	390	0
Fees and commissions for securities	0	(92)	0	(13)
Other fees and commissions	141	(137)	56	(246)
Total	2,006	(437)	1,209	(411)
Net fees	1,569		798	

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Fees and commissions on banking services	0	(265)	0	(152)
Commissions for payment transactions	16	(77)	0	(123)
Fees and commissions from loans	5,523	(305)	4,970	(334)
Fees and commissions for guarantee transactions	528	(340)	372	(544)
Fees and commissions for securities	0	(93)	0	(13)
Other fees and commissions	389	(153)	56	(246)
Total	6,456	(1,233)	5,398	(1,412)
Net fees	5,223		3,986	

2.4.4. Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Available-for-sale financial assets	680	(350)	102	(286)
Total	680	(350)	102	(286)
Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss	330			(184)

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Available-for-sale financial assets	960	(355)	108	(363)
Total	960	(355)	108	(363)
Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss	605			(255)

2.4.5. Net profits/losses from financial assets and liabilities held for trading

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Derivative financial instruments under forward transactions	123	(99)	207	(257)
Derivative financial instruments under swap transactions	0	0	0	(9)
Total	123	(99)	207	(266)
Net profits/losses from financial assets and liabilities held for trading	24			(59)

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Derivative financial instruments under forward transactions	123	(99)	208	(257)
Derivative financial instruments under swap transactions	0	0	0	(9)
Total	123	(99)	208	(266)
Net profits/losses from financial assets and liabilities held for trading	24			(58)

2.4.6. Change in fair value when calculating hedging against risk

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Change in fair value when calculating hedging against risk	867	907	0	0
Total	867	907	0	0
Net profit/loss from financial assets held for hedging	(40)		0	

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Change in fair value when calculating hedging against risk	867	907	0	0
Total	867	907	0	0
Net profit/loss from financial assets held for hedging	(40)		0	

2.4.7. Net foreign exchange profits/losses

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Foreign exchange differences	5,091	(5,047)	7,797	(7,700)
Total	5,091	(5,047)	7,797	(7,700)
Net foreign exchange profits/losses	44		97	

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Foreign exchange differences	12,862	(11,789)	18,746	(15,880)
Total	12,862	(11,789)	18,746	(15,880)
Net foreign exchange profits/losses	1,073		2,866	

2.4.8. Other net operating profits/losses

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Income from non-banking services	2,542	2,501	2,051	2,312
Revenues from insurance operations	0	0	7,876	9,077
Expenses for insurance operations	0	0	(5,798)	(2,760)
Total	2,542	2,501	4,129	8,629

Income from non-banking services

	SID Bank			
	2009		2008	
	Income	Expenses	Income	Expenses
Income from non-banking services	2,709	0	2,528	0
Other operating profits/losses	0	0	115	0
Subscriptions	0	(108)	0	(98)
Other operating expenses	0	(59)	0	(44)
Total	2,709	167	2,643	(142)
Other net operating profits/losses	2,542		2,501	

The majority of income from non-banking services is accounted for by the service fee according to the Act Governing Insurance and Financing of International Commercial Transactions under the agreement concluded with the Ministry of Finance regulating mutual relations associated with the implementation of Chapter II of the said Act dated 1 December 2004 in the amount of EUR 2,075 thousand (2008: EUR 2.075 thousand). In the year 2009 SID Bank as the authorized institution for implementing the Republic of Slovenia Guarantee Scheme Act realized income in the amount of EUR 81 thousand. The rest is represented by income from credit rating information, income from rents and services performed for subsidiary companies.

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Income from non-banking services	2,382	0	2,257	0
Other operating profits/losses	166	0	657	0
Subscriptions	0	(158)	0	(112)
Other operating expenses	0	(339)	0	(490)
Total	2,548	(497)	2,914	(602)
Other net operating profits/losses	2,051		2,312	

Revenues from insurance operations

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Gross insurance premiums written	10,884	0	13,661	0
Reinsurance commissions	2,283	0	3,026	0
Reinsurance premiums written	0	(6,238)	0	(8,420)
Credit rating information written	947	0	810	0
Total	14,114	(6,238)	17,497	(8,420)
Net insurance premiums written	7,876		9,077	

Expenses for insurance operations

	SID Bank Group			
	2009		2008	
	Income	Expenses	Income	Expenses
Gross claims settled	0	(11,414)	0	(4,576)
Settled bonuses	0	(341)	0	(868)
Credit rating information expenses	0	(1,080)	0	(709)
Settled gross recourses	1,642	0	1,064	0
Reinsurance share in claims and recourses	5,193	0	1,819	0
Reinsurance share in bonuses	202	0	510	0
Total	7,037	(12,835)	3,393	(6,153)
Net expenses for insurance operations		(5,798)		(2,760)

2.4.9. Administrative costs

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Labour costs	(3,901)	(3,684)	(7,829)	(7,804)
General and administrative costs	(1,828)	(1,477)	(3,142)	(3,039)
Total	(5,729)	(5,161)	(10,971)	(10,843)

Labour costs

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Gross salaries	(2,781)	(2,560)	(5,747)	(5,569)
Costs of pension insurance	(250)	(230)	(410)	(390)
Social security costs	(205)	(189)	(520)	(501)
Payroll tax	0	(79)	(134)	(280)
Other labour costs	(665)	(626)	(1,018)	(1,064)
Total	(3,901)	(3,684)	(7,829)	(7,804)

In 2009, SID Bank had 79.75 employees on average; as at 31 December 2009, there were 87 employees, of which 16 (18.4%) had finished secondary school, 9 (10.3%) had finished post-secondary vocational studies (level VI), 56 (64.4%) had finished higher education (level VII), 5 (5.7%) had a master's and 1 (1.1%) a doctor's degree.

In SID Bank the costs of pension insurance (EUR 250 thousand) together with the costs of voluntary supplementary pension insurance (EUR 133 thousand) totalled EUR 383 thousand in 2009.

As at 31 December 2009, SID Bank Group (including PRO KOLEKT Group and the CIDC institute) had 306 employees. 20% of the employees in SID Bank Group had finished secondary school, 13% had finished post-secondary vocational studies (level VI), 63% had finished higher education (level VII), 3% had a master's and 1% a doctor's degree.

In SID Bank Group the costs of pension insurance totalled EUR 410 thousand and the costs of voluntary supplementary pension insurance EUR 234 thousand in 2009.

Members of managements in the companies of SID Bank Group realized the following revenues in 2009: President of Management Board of SID Bank Mr. Sibil Svilan M.Sc. EUR 169 thousand, Member of Management Board of SID Bank Mr. Jožef Bradeško EUR 148 thousand, President of Management Board of PKZ Mr. Ladislav Artnik EUR 127 thousand, Member of Management Board of PKZ Dr. Rasto Hartman EUR 106 thousand, Director of PRVI FAKTOR Ljubljana Mr. Ernest Ribič EUR 129 thousand, Director of PRVI FAKTOR Sarajevo Mr. Nedim Rizvanović EUR 14 thousand, Director of PRVI FAKTOR Beograd Mr. Dmitar Polovina EUR 66 thousand, Director of PRVI FAKTOR Zagreb Mr. Tomaž Kačar EUR 110 thousand.

In 2009 the representatives of SID Bank in Supervisory Boards of affiliated companies received no bonuses or other revenues (attendance fees) from performing supervisory functions in the companies of SID Bank Group.

Revenues pursuant to attendance fees and travel reimbursement of members of Supervisory Board and Audit Committee of SID Bank in 2009 amounted to: Dr. Aleš Berk Skok: EUR 4.1 thousand (of which travel reimbursement in the amount of EUR 0.1 thousand); Mr. Samo Hribar Milič, M.Sc.: EUR 3.3 thousand; Dr. Marko Jaklič: EUR 2.8 thousand; Mr. Gregor Kastelic, M.Sc.: EUR 7.4 thousand (of which travel reimbursement in the amount of EUR 3.6 thousand); Ms. Andreja Kert: EUR 4,3 thousand; Dr. Maja Klun: EUR 2.1 thousand; Dr. Peter Kraljič: EUR 3.6 thousand (of which travel reimbursement in the amount of EUR 0.5 thousand); Dr. Franc Križanič: EUR 2.4 thousand; Ms. Romana Logar: EUR 1.3 thousand; Dr. Viljem Pšeničny: EUR 3.3 thousand; Dr. Ivan Svetlik: EUR 2.4 thousand; Ms. Blanka Vezjak, M.Sc.: EUR 1.6 thousand (of which travel reimbursement in the amount of EUR 0.3 thousand); Mr. Andrej Vizjak, M.Sc.: EUR 0.9 thousand; Ms. Stanislava Zadravec-Caprirolo, M.Sc: EUR 2.5 thousand.

In SID Bank in 2009, the earnings of other employees with service contracts amounted EUR 255 thousand; in SID Bank Group they amounted to EUR 541 thousand.

General and administrative costs

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Material costs	(143)	(115)	(263)	(202)
Service costs	(1,685)	(1,362)	(2,879)	(2,837)
Total	(1,828)	(1,477)	(3,142)	(3,039)

Costs of payments to auditors (part of the service costs item - in net amount)

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Auditing of the annual report	(46)	(38)	(112)	(99)
Other auditing services	(1)	(6)	(1)	(12)
Advice on taxation	0	0	0	(7)
Total	(47)	(44)	(113)	(118)

2.4.10. Depreciation, amortization

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Depreciation of tangible fixed assets	(459)	(454)	(614)	(607)
Amortization of intangible assets	(184)	(163)	(267)	(253)
Total	(643)	(617)	(881)	(860)

2.4.11. Dividend income/expenses

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
- Income/expenses for banking operations	(2,085)	(1,387)	(2,085)	(1,387)
- Income/expenses for liabilities from insurance contracts	0	0	(8,618)	(3,761)
- Income/expenses for other operations	100	(139)	147	60
Total	(1,985)	(1,526)	(10,556)	(5,088)

- Income/expenses for banking operations

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Net changes in provisions for guarantees	(685)	(618)	(685)	(618)
- Provision expenses	(3,623)	(1,037)	(3,623)	(1,037)
- Revenues from the release of provisions	2,938	419	2,938	419
Net change in provisions for undrawn loans	(1,400)	(769)	(1,400)	(769)
- Provision expenses	(4,877)	(1,732)	(4,877)	(1,732)
- Revenues from the release of provisions	3,477	963	3,477	963
Total	(2,085)	(1, 387)	(2,085)	(1,387)

Income/expenses for liabilities from insurance contracts

	SID Bank Group	
	2009	2008
Changes in gross unearned premiums	133	275
Changes in unearned premiums - reinsurers' share	(172)	(115)
Changes in gross provisions for outstanding claims	(17,777)	(6,150)
Change in provisions for outstanding claims – reinsurers' share	10,127	2,842
Changes in gross provision for bonuses and rebates	25	144
Reinsurers' share in expenses for bonuses and rebates	(44)	(124)
Changes in provisions for unexpired risks	(1,779)	(1,362)
Changes in provisions for unexpired risks - reinsurers' share	869	729
Total	(8,618)	(3,761)

Income/expenses for other operations

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Net changes in provisions for legal issues	108	(99)	108	(110)
- Provision expenses	0	(99)	0	(110)
- Provision expenses	108	0	108	0
Net change in provisions for pensions and similar liabilities	(8)	(40)	(12)	(40)
- Provision expenses	(136)	(138)	(140)	(138)
- Revenues from the release of provisions	128	98	128	98
Net deferred revenues from reinsurance commissions	0	0	51	210
- Provision expenses	0	0	(537)	(645)
- Revenues from the release of provisions	0	0	588	855
Total	100	(139)	147	60

Provision balance is presented in detail in item 2.3.13.

2.4.12. Impairments

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Impairment of loans, guarantees and receivables measured at amortized cost	(28,457)	(15,419)	(36,478)	(20,262)
Impairment of available-for-sale financial assets	0	(970)	(10)	(1,704)
Impairments of other assets	(4)	(2)	(328)	(13)
Adjustment to impairments of loans granted to companies of the group	0	0	2,084	496
Income from loans, guarantees and receivables measured at amortized cost	9,552	6,962	11,096	7,284
Income from the elimination of impairments of available-for-sale financial assets	0	0	37	4
Income from the elimination of impairments of other assets	3	0	3	12
Total	(18,906)	(9,429)	(23,596)	(14,183)

Notes to impairments are presented in item 6.4. in the business section of the annual report, while changes in impairments are presented in item 2.3.4. of the financial section of the annual report.

2.4.13. Corporate income tax on ordinary activities

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Income tax	(231)	(424)	(755)	(1,463)
Deferred taxes	1	188	1,892	314
Total	(230)	(236)	1,137	(1,149)

Receivables and liabilities due to deferred taxes are presented in detail in item 2.3.9.

Income tax and tax calculated according to applicable tax rates (difference between accounting profit and tax profit) differ as shown bellow.

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Profit/loss	1,178	3,003	(6,521)	4,005
Tax profit (according to applicable tax rates in respective countries)	(247)	(661)	(647)	(1,684)
Tax base reducing revenues	31	489	620	1,280
Expenditures not recognized in tax	(50)	(260)	(786)	(1,164)
Expenditures recognized in tax	0	0	26	31
Increase in tax base	(3)	(25)	(13)	(48)
Tax reliefs	38	33	45	122
Tax	(231)	(424)	(755)	(1,463)

Current tax represents the tax amount which has to be paid according to the Corporate Income Tax Act at the prescribed tax rate. Effective tax rate for SID Bank for 2009 was 21% and average effective tax rate was 19.61%.

Despite the disclosed loss of SID Bank Group at the end of 2009, corporate income tax liability for the year 2009 amounts to EUR 755 thousand, since the majority of companies in the group operated viably. Tax rate for the companies in Slovenia amounted to 21%, for the companies in Croatia it amounted to 20%, for those in Serbia 10%, while the company in Bosnia and Herzegovina realized loss. SID Bank Group discloses losses on ordinary activities in 2009; consequently the average effective tax rate is negative and amounts to -11.58%.

The majority part of revenues not subject to tax charge is referred to revenues from dividends, which the bank may exclude from tax base, because all the conditions of tax legislation have been fulfilled.

The majority part of expenditures not recognized in tax refer to provisions for retirement severance pay and loyalty bonuses, which in the amount of formed 50% are not recognized in tax, and to 50% of expenses for Supervisory Board and the expenses for donations not recognized in tax.

SID Bank had no outstanding tax liabilities on 31 December 2009.

In SID Bank Group corporate income tax liability for 2009 amounted to EUR 755 thousand. The liability in income statement was reduced by deferred tax assets arising from drawing from the credit risk provision, impairment of debt securities, from receivables adjustments formed and from the demarcation of expenses and revenues in total amount of EUR 1,892 thousand, which increases the net loss for the year 2009.

Deferred tax income or expense results from the change of carrying amounts of deferred tax assets or deferred tax liabilities. SID Bank Group had EUR 837 thousand in net receivables arising from deferred taxes as at 31 December 2009.

SID Bank Group had no outstanding tax liabilities on 31 December 2009.

2.4.14 Net profit per share

	SID Bank	
	2009	2008
Number of ordinary registered no-par value shares of the parent bank	3,121,741	1,456,808
Treasury shares	1,324	1,324
Net profit of majority shareholders for the period	948	2,767
Net profit per share	0.31	1.92

2.5. Geographical structure

Revenues and long-term assets in Slovenia and abroad are disclosed in detail in item 4.

2.6. Relations with subsidiaries
(In EUR thousand)

2.6.1. Loans given

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Loans given - principal	25	29	81,116	43,679
Value adjustments	(1)	(1)	(4,314)	(2,209)
Total	24	28	76,802	41,470

2.6.2. Other receivables

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Other receivables - receivables for services	39	54	0	0

2.6.3. Net interest

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	2009	2008	2009	2008
Income	5	0	2,467	2,537
Expenses	0	(195)	0	0
Total	5	(195)	2,467	2,537

Interest rate risk - realized interest rates in %

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	2009	2008	2009	2008
Assets: Interest rate risk - realized interest rates in %	5.00	4.15	4.00 - 6.31	5.50 - 6.46

*including the syndicated loan (7-58/7) with NLB

2.6.4. Dividend income

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	2009	2008	2009	2008
Dividend income	138	1.498	2,336	775

2.6.5. Net fees

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	2009	2008	2009	2008
Income	0	0	81	40
Total	0	0	81	40

2.6.6. Other net operating profits/losses

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	2009	2008	2009	2008
Income	319	320	0	0
Expenses	(11)	(7)	0	0
Total	308	313	0	0

2.6.7. Guarantees

	SID Bank			
	Subsidiary companies		Total associated companies and subsidiaries	
	2009	2008	2009	2008
Guarantees issued by the parent company to subsidiaries	0	0	950	0
Total	0	0	950	0

By the end of 2009, the parent company issued to the subsidiary non-binding comfort letters in the amount of EUR 64.9 million.

The majority of revenues from non-banking services relates to rents charged for business premises, services provided for the compilation of credit rating information, information support services, treasury, accounting and human resources services.

All legal transactions in the group were conducted in such manner, that under circumstances known to contract partners at the time of transaction, no deprivation among the companies occurred.

All the transactions were carried out at market conditions and in accordance with the arms length principal.

Transactions with the employees (members of the management, employees and representatives of the supervisory bodies) are recorded in item 2.4.9.

2.7. Events after the statement of financial position date

There were no business events after the statement of financial position date that would influence the separate and consolidated financial statements of SID Bank and SID Bank Group. However, the following business events were important for SID Bank:

Activities for the issuing of Eurobond on international capital market, which is expected to be realized in April 2010, are taking place in SID Bank.

On its regular session dated 15 January 2010, the Supervisory Board of SID Bank consented to increase in capital of the subsidiary PKZ in the amount of EUR 4,2 milion. General Meeting of PKZ confirmed the increase in capital in January 2010, which has been paid-in since.

On its regular session dated 17 March 2010, the Supervisory Board of SID Bank allocated the profit from 2009 in the amount of EUR 225 thousand to other profit reserves, in accordance with the 3rd paragraph of Article 230 of The Companies Act.

After the statement of financial position date, the company Vegrad d.d. stated publicly that it is in financial difficulties. SID Bank Group has exposure towards Vegrad d.d. in the amount of EUR 4,7 milion due to issued service guarantees, in the amount of EUR 5,0 milion due to repurchased receivables and in amount of EUR 2,8 milion due to credit insurance.

3. Risk management and other disclosures

(In EUR thousand)

Risk management is presented in Chapter I., item 6.4.

3.1. Liquidity Risk

Managing liquidity risk means maintaining sufficient liquidity sources to settling current liabilities. The companies of the SID Bank Group manage liquidity risk by planning inflows and outflows and by ensuring an appropriate balance of highly liquid financial investments. Therefore, part of the investments of the SID Bank Group is short-term, which reduces the liquidity risk. Each company in the SID Bank Group is responsible for its liquidity; occasional surpluses and deficits of liquid assets within the SID Bank Group are bridged by intra-group placement of assets. SID Bank monitors its exposure to liquidity risk by means of liquidity indicators (ratios between outflows and inflows over one- to six-month periods).

3.1.1. SID Bank - Assets and liabilities items according to residual maturity as at 31 December 2009

	Sight	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Cash and balances of transaction accounts with the state and the central bank	69	0	0	0	0	1,004	1,073
Financial assets held for trading	0	0	0	248	0	0	248
Financial assets held for hedging	0	0	0	0	0	2,101	2,101
Available-for-sale financial assets	130	0	0	2,854	32,603	14,464	50,051
Loans	8,818	51,330	10,194	213,940	1,560,734	1,109,936	2,954,952
Property, plant and equipment	0	0	0	0	0	4,441	4,441
Intangible assets	0	0	0	0	0	395	395
Long-term investments in equity of subsidiaries, associates and joint ventures	0	0	0	0	0	7,712	7,712
Corporate income tax assets	0	0	0	677	236	106	1,019
Other assets	0	90	2,346	466	0	0	2,902
TOTAL ASSETS	**9,017**	**51,420**	**12,540**	**218,185**	**1,593,573**	**1,140,159**	**3,024,894**
Financial liabilities held for trading	0	0	0	271	0	0	271
Derivative financial instruments held for hedging	0	0	0	295	0	907	1,202
Financial liabilities measured at amortized cost	328	40,937	39,519	248,168	927,439	1,436,743	2,693,134
Provision	0	0	0	0	4,266	116	4,382
Corporate income tax liabilities	0	0	0	0	0	138	138
Other liabilities	0	596	1,437	1,752	0	0	3,785
Share capital	0	0	0	0	0	300,000	300,000
Capital reserves	0	0	0	0	0	1,139	1,139
Revaluation surplus	0	0	0	0	0	(18)	(18)
Reserves from profit (including retained profit)	0	0	0	0	0	21,735	21,735
Treasury shares	0	0	0	0	0	(1,324)	(1,324)
Net profit for the year	0	0	0	0	0	450	450
TOTAL LIABILITIES	**328**	**41,533**	**40,956**	**250,486**	**931,705**	**1,759,886**	**3,024,894**
DIFFERENCE BETWEEN ASSETS AND LIABILITIES	**8,689**	**9,887**	**(28,416)**	**(32,301)**	**661,868**	**(619,727)**	**0**

3.1.2. SID Bank Group - Assets and liabilities items according to residual maturity as at 31 December 2009

	Sight	Up to 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Cash and balances of transaction accounts with the state and the central bank	2.632	0	0	0	0	1,004	3,636
Financial assets held for trading	0	0	0	248	0	0	248
Financial assets held for hedging	0	0	0	0	0	2,101	2,101
Available-for-sale financial assets	130	0	3,191	3,397	44,141	21,531	72,390
Loans	51,327	87,252	58,496	221,379	1,563,109	1,109,936	3,091,499
Property, plant and equipment	0	0	0	0	0	4,845	4,845
Investment property	0	0	0	0	0	80	80
Intangible assets	0	0	0	0	0	1,078	1,078
Long-term investments in equity of subsidiaries, associates and joint ventures	0	0	0	0	0	419	419
Corporate income tax assets	0	0	485	783	782	106	2,155
Other assets	2,155	6,729	4,270	5,428	18,600	0	37,182
TOTAL ASSETS	**56,244**	**93,981**	**66,442**	**231,235**	**1,626,631**	**1,141,100**	**3,215,633**
Financial liabilities held for trading	0	0	0	271	0	0	271
Derivative financial instruments held for hedging	0	0	0	295	0	907	1,202
Financial liabilities measured at amortized cost	328	41,855	59,420	341,575	934,618	1,436,743	2,814,538
Provision	0	5,966	3,460	7,421	39,732	116	56,695
Corporate income tax liabilities	0	0	0	0	0	138	138
Other liabilities	0	4,841	2,470	1,752	0	0	9,063
Share capital	0	0	0	0	0	300,000	300,000
Capital reserves	0	0	0	0	0	1,139	1,139
Revaluation surplus	0	0	(1)	1	105	21	126
Reserves from profit (including retained profit)	0	0	0	0	0	39,667	39,667
Treasury shares	0	0	0	0	0	(1,324)	(1,324)
Net profit for the year	0	0	0	0	0	(5,882)	(5,882)
TOTAL LIABILITIES	**328**	**52,662**	**65,349**	**351,314**	**974,455**	**1,771,525**	**3,215,633**
DIFFERENCE BETWEEN ASSETS AND LIABILITIES	**55,916**	**41,319**	**1,093**	**(120,079)**	**652,176**	**(630,425)**	**0**

SID Bank does not hire or place redeemable deposits. With all transactions due date and fixed interest rate are stipulated.

Internal procedures for liquidity management of SID Bank Group portfolios proceed in accordance with the Policy of Liquidity Risk Management, which defines manners of management of assets and funds on a daily level, as well as on a long-term level.

These procedures ensure regular daily fulfilment of all the monetary liabilities of the bank and the whole group, as well as quality management of operational and structural liquidity. For the purpose of monitoring and measuring of liquidity risk, the bank calculates liquidity ration in the manner stipulated by a Bank of Slovenia decree. Due to precautionary principle, there is an internally determined liquidity ratio, which must be fulfilled by SID Bank, and which is higher than the one stipulated by the Bank of Slovenia, thus ensuring additional safety measure against liquidity risk.

Treasury in cooperation with other organizational units plans weekly and monthly liquidity flows, as well as simulates in advance the first class liquidity ratio. In case of need for improvement of operational or structural liquidity Treasury proposes to Liquidity Committee adoption of certain measures for control of these risks (extension of maturity of passive transactions, shortening of maturity of active transactions, hiring of deposits and monetary market lines, reduction of guarantee and credit potential etc.).

The bank is bound to fulfilling the liquidity ratio in accordance with provisions of the Bank of Slovenia For more information on this matter please consult Chapter I., item 6.4.

In order to achieve the agreed upon business results, the bank has made additional requirements beside the usual credit requirements to some borrowers when approving credits. In the event of failure them, the bank has a right to recall its receivables. The value of such credits amounts to EUR 2,437 thousand. In the event of the above mentioned business facts their repayment would be faster than it is disclosed in the liquidity risk table.

3.2. Foreign exchange risk

When monitoring foreign exchange risk, potential losses which might arise due to change of exchange rates are determined. They were calculated through the application of an open foreign currency position, which is the difference between the sum of all investments in foreign currency and all liabilities in foreign currency.

At the end of year 2009 SID Bank and SID Bank Group had one currency forward contract in the amount of USD 1 million, with the aim of hedging against foreign exchange risk. In order to neutralise as much as possible the effects of exchange rate differences on loans in EUR, SID Bank Group terms advances of transferors of receivables to EUR. In the insurer sector SID Bank Group harmonizes as much as possible the currency structure of assets covering technical provisions with currency structure of exposure.

3.2.1. SID Bank - Assets and liabilities items according to foreign currencies as at 31 December 2009

	EUR	USD	Other currencies	Total
Cash and balances of transaction accounts with the state and the central bank	1,046	25	2	1,073
Financial assets held for trading	248	0	0	248
Financial assets held for hedging	2,101	0	0	2,101
Available-for-sale financial assets	50,051	0	0	50,051
Loans	2,940,528	14,424	0	2,954,952
Property, plant and equipment	4,441	0	0	4,441
Intangible assets	395	0	0	395
Long-term investments in equity of subsidiaries, associates and joint ventures	7,712	0	0	7,712
Corporate income tax assets	1,019	0	0	1,019
Other assets	2,902	0	0	2,902
TOTAL ASSETS	**3,010,443**	**14,449**	**2**	**3,024,894**
Financial liabilities held for trading	271	0	0	271
Derivative financial instruments held for hedging	1,202	0	0	1,202
Financial liabilities measured at amortized cost	2,679,183	13,951	0	2,693,134
Provision	4,366	0	16	4,382
Corporate income tax liabilities	138	0	0	138
Other liabilities	3,785	0	0	3,785
Share capital	300,000	0	0	300,000
Capital reserves	1,139	0	0	1,139
Revaluation surplus	(18)	0	0	(18)
Reserves from profit (including retained profit)	21,735	0	0	21,735
Treasury shares	(1,324)	0	0	(1,324)
Net profit for the year	450	0	0	450
TOTAL LIABILITIES	**3,010,927**	**13,951**	**16**	**3,024,894**
DIFFERENCE BETWEEN ASSETS AND LIABILITIES	**(484)**	**498**	**(14)**	**0**

3.2.2. SID Bank Group - Assets and liabilities items according to foreign currencies as at 31 December 2008

	EUR	EUR With currency clause	USD	GBP	Other currencies	Total
Cash and balances of transaction accounts with the state and the central bank	1,704	15	57	20	1,840	3,636
Financial assets held for trading	248	0	0	0	0	248
Financial assets held for hedging	2,101	0	0	0	0	2,101
Available-for-sale financial assets	72,390	0	0	0	0	72,390
Loans	2,960,576	112,601	14,424	0	3,898	3,091,499
Property, plant and equipment	4,659	0	0	0	186	4,845
Investment property	0	0	0	0	80	80
Intangible assets	1,073	0	0	0	5	1,078
Long-term investments in equity of subsidiaries, associates and joint ventures	419	0	0	0	0	419
Corporate income tax assets	1,630	0	0	0	526	2,155
Other assets	35,290	1,137	0	0	756	37,182
TOTAL ASSETS	**3,080,089**	**113,753**	**14,481**	**20**	**7,290**	**3,215,633**
Financial liabilities held for trading	271	0	0	0	0	271
Derivative financial instruments held for hedging	1,202	0	0	0	0	1,202
Financial liabilities measured at amortized cost	2,800,587	0	13,951	0	0	2,814,538
Provision	56,634	0	0	0	61	56,695
Corporate income tax liabilities	138	0	0	0	0	138
Other liabilities	8,379	442	1	0	241	9,063
Share capital	300,000	0	0	0	0	300,000
Capital reserves	1,139	0	0	0	0	1,139
Revaluation surplus	126	0	0	0	0	126
Reserves from profit (including retained profit)	38,225	0	0	0	1,442	39,667
Treasury shares	(1,324)	0	0	0	0	(1,324)
Net profit for the year	(6,468)	0	0	0	586	(5,882)
TOTAL LIABILITIES	**3,198,909**	**442**	**13,952**	0	**2,330**	**3,215,633**
DIFFERENCE BETWEEN ASSETS AND LIABILITIES	**(118,820)**	**113,311**	**529**	**20**	**4,960**	**0**

3.3. Interest Rate Risk

First part of interest rate risk is represented by the difference between interest rate used by SID Bank when lending, and interest rate of borrowed funds, or rather the difference in sensitivity of these interest rates to the change of general level of market interest rates.

In assets, available-for-sale assets, given loans and cash in accounts are exposed to interest rate risk. In liabilities, borrowed loans are exposed to interest rate risk.

At the end of year 2009 SID Bank and SID Bank Group had two interest rate swaps in the amount of EUR 58 million, with the aim of hedging against interest rate risk.

Second part of interest rate risk is represented by sensitivity of investments to the change of interest rate (notes on interest rate risk are in Chapter I., item 6.4.).

3.3.1. SID Bank - Assets and liabilities items according to exposure to interest rate risk as at 31 December 2009

	Total	Interest free	Total Interest accrued	Sight	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash and balances of transaction accounts with the state and the central bank	1,073	0	1,073	0	1,073	0	0	0	0
Financial assets held for trading	248	248	0	0	0	0	0	0	0
Financial assets held for hedging	2,101	2,101	0	0	0	0	0	0	0
Available-for-sale financial assets	50,051	0	50,051	130	0	0	13,951	28,056	7,914
Loans	2,954,952	7,230	2,947,722	94,689	374,908	484,327	1,993,798	0	0
Property, plant and equipment	4,441	4,441	0	0	0	0	0	0	0
Intangible assets	395	395	0	0	0	0	0	0	0
Long-term investments in equity of subsidiaries, associates and joint ventures	7,712	7,712	0	0	0	0	0	0	0
Corporate income tax assets	1,019	1,019	0	0	0	0	0	0	0
Other assets	2,902	2,902	0	0	0	0	0	0	0
TOTAL ASSETS	**3,024,894**	**26,048**	**2,998,846**	**94,819**	**375,981**	**484,327**	**2,007,749**	**28,056**	**7,914**
Financial liabilities held for trading	271	271	0	0	0	0	0	0	0
Derivative financial instruments held for hedging	1,202	1,202	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	2,693,134	327	2,692,807	0	0	15,200	813,425	427,439	1,436,743
Provision	4,382	4,382	0	0	0	0	0	0	0
Corporate income tax liabilities	138	138	0	0	0	0	0	0	0
Other liabilities	3,785	3,785	0	0	0	0	0	0	0
Share capital	300,000	300,000	0	0	0	0	0	0	0
Capital reserves	1,139	1,139	0	0	0	0	0	0	0
Revaluation surplus	(18)	(18)	0	0	0	0	0	0	0
Reserves from profit (including retained profit)	21,735	21,735	0	0	0	0	0	0	0
Treasury shares	(1,324)	(1,324)	0	0	0	0	0	0	0
Net profit for the year	450	450	0	0	0	0	0	0	0
TOTAL LIABILITIES	**3,024,894**	**332,087**	**2,692,807**	**0**	**0**	**15,200**	**813,425**	**427,439**	**1,436,743**
Net exposure to interest rate risk	**0**	**(306,039)**	**306,039**	**94,819**	**375,981**	**469,127**	**1,194,324**	**(399,383)**	**(1,428,829)**
Cumulative exposure	**0**	**(306,039)**	**0**	**94,819**	**470,800**	**939,927**	**2,134,251**	**1,734,868**	**306,039**

3.3.2. SID Bank Group - Assets and liabilities items according to exposure to interest rate risk as at 31 December 2009

	Total	Interest free	Total Interest accrued	Sight	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Cash and balances of transaction accounts with the state and the central bank	3,636	0	3,636	2,563	1,073	0	0	0	0
Financial assets held for trading	248	248	0	0	0	0	0	0	0
Financial assets held for hedging	2,101	2,101	0	0	0	0	0	0	0
Financial assets measured at amortized cost	72,390	186	72,204	130	2,575	5,737	16,116	33,951	13,695
Loans	3,091,499	11,107	3,080,392	133,405	447,240	504,347	1,995,259	143	0
Property, plant and equipment	4,845	4,845	0	0	0	0	0	0	0
Investment property	80	80	0	0	0	0	0	0	0
Intangible assets	1,078	1,078	0	0	0	0	0	0	0
Long-term investments in equity of subsidiaries, associates and joint ventures	419	419	0	0	0	0	0	0	0
Corporate income tax assets	2,155	2,155	0	0	0	0	0	0	0
Other assets	37,183	35,774	1,409	1,409	0	0	0	0	0
TOTAL ASSETS	**3,215,633**	**57,992**	**3,157,641**	**137,506**	**450,888**	**510,084**	**2,011,375**	**34,094**	**13,695**
Financial liabilities held for trading	271	271	0	0	0	0	0	0	0
Derivative financial instruments held for hedging	1,202	1,202	0	0	0	0	0	0	0
Financial liabilities measured at amortized cost	2,814,538	619	2,813,919	0	1,137	36,700	911,900	427,439	1,436,743
Provision	56,695	56,695	0	0	0	0	0	0	0
Corporate income tax liabilities	138	138	0	0	0	0	0	0	0
Other liabilities	9,063	9,063	0	0	0	0	0	0	0
Share capital	300,000	300,000	0	0	0	0	0	0	0
Capital reserves	1,139	1,139	0	0	0	0	0	0	0
Revaluation surplus	126	126	0	0	0	0	0	0	0
Reserves from profit (including retained profit)	39,667	39,667	0	0	0	0	0	0	0
Treasury shares	(1,324)	(1,324)	0	0	0	0	0	0	0
Net profit for the year	(5,882)	(5,882)	0	0	0	0	0	0	0
TOTAL LIABILITIES	**3,215,633**	**401,714**	**2,813,919**	**0**	**1,137**	**36,700**	**911,900**	**427,439**	**1,436,743**
Net exposure to interest rate risk	**0**	**(343,722)**	**343,722**	**137,506**	**449,751**	**473,384**	**1,099,475**	**(393,345)**	**(1,423,048)**
Cumulative exposure	**0**	**(343,722)**	**0**	**137,506**	**587,257**	**1,060,640**	**2,160,115**	**1,766,770**	**343,722**

3.3.3. Sensitivity analysis

SID Bank and SID Bank Group yearly compile a sensitivity analysis of all assets and liabilities to sources of funds, which pay interest, to the change of interest rate. Separately an analysis of available-for-sale financial assets is compiled.

Sensitivity analysis of all assets and liabilities items sensitive to interest rate is based on the assumption that the market interest rate would change by 100 basis points (1% p.a.). The impact on net interest income in the first year of change has also been calculated.

If the market interest rates increased by 100 basis points, net interest income of SID Bank would increase by EUR 1,118 thousand in 2010 (by EUR 1,148 thousand in 2009). The change would be reflected as higher revenues in the statement of comprehensive income. If the market interest rates dropped by 100 basis points, the changes would be the same in absolute terms as in the case of increase, only reversed.

If the market interest rates increased by 100 basis points, net interest income of SID Bank Group would increase by EUR 1,434 thousand in 2010 (by EUR 1,524 thousand in 2009). The change would be reflected as higher revenues in the statement of comprehensive income. If the market interest rates dropped by 100 basis points, the changes would be the same, in absolute terms, as in the case of increase, only reversed.

If the market interest rates change for less or more, the calculated results are proportional.

Available-for-sale financial assets

The sensitivity analysis of the securities portfolio carried out by SID Bank was based on the change in the interest rate. The analysis shows how the fair values of securities or future cash flows of financial instruments would fluctuate due to the changes in market interest rates on the reporting date. The analysis does not include deposits given, which are typically of a very short-term nature and placed at a pre-arranged fixed interest rate, as well as mutual funds, which do not respond to the changes in interest rates to the same extent as debt financial instruments – bonds with fixed or variable interest rate.

The analysis separately calculates the responsiveness of bonds with variable and those with fixed interest rates in view of the changes in the market interest rate. The analysis is based on the assumption of a change in the market interest rate by 100 basis points (1% p.a.).

SID Bank

In EUR thousand	2009 +100 bps	2009 -100 bps	2008 +100 bps	2008 -100 bps
BONDS AT FIXED INTEREST RATE				
Fixed - change of portfolio	-1,200	1,200	-1,047	1,047
Increase or decrease in capital	-1,200	1,200	-1,047	1,047
BONDS AT FLOATING INTEREST RATE				
Floating - change of portfolio	106	-106	61	-61
Impact on the statement of comprehensive income	106	-106	61	-61
TOTAL				
Total - change of portfolio	-1,094	1,094	-986	986
Increase or decrease in capital	-1,200	1,200	-1,047	1,047
Impact on the statement of comprehensive income	106	-106	61	-61

SID Bank Group

In EUR thousand	2009 +100 bps	2009 -100 bps	2008 +100 bps	2008 -100 bps
BONDS AT FIXED INTEREST RATE				
Fixed - change of portfolio	-1,521	1,521	-1,399	1,399
Increase or decrease in capital	-1,521	1,521	-1,399	1,399
BONDS AT FLOATING INTEREST RATE				
Floating - change of portfolio	172	-172	109	-109
Impact on the statement of comprehensive income	172	-172	109	-109
TOTAL				
Total - change of portfolio	-1,349	1,349	-1,290	1,290
Increase or decrease in capital	-1,521	1,521	-1,399	1,399
Impact on the statement of comprehensive income	172	-172	109	-109

3.4. Credit Risk

SID Bank and SID bank Group have compiled adequate guidelines concerning credit rating classification of clients, determination of transactions' limits and processes of investment approval. The guidelines include all the data, criteria and model of classification of clients and investments (see Chapter I., item 6.4.).

Items included in credit risk are: loans and deposits given, guarantees and approved undrawn loans.

Total credit exposure

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Gross exposure	3,224,259	2,175,921	3,384,098	2,361,605
Individual impairments	(17,187)	(9,052)	(29,072)	(14,631)
Other impairments	(25,856)	(15,073)	(22,088)	(13,389)
Delimited fees and commissions	(4,939)	(2,722)	(6,732)	(4,501)
Net exposure	3,176,277	2,149,073	3,326,206	2,329,084

	SID Bank			
	31.12.2009		31.12.2008	
	Balance	Impairments	Balance	Impairments
Undue/group impaired	3,193,244	(25,827)	2,134,509	(13,519)
Undue/individually impaired	16,660	(6,123)	39,292	(10,274)
Undue/unimpaired	0	0	0	0
Due/unimpaired	0	0	0	0
Due impaired	14,354	(11,093)	2,120	(333)
Total	3,224,259	(43,043)	2,175,921	(24,126)

	SID Bank Group			
	31.12.2009		31.12.2008	
	Balance	Impairments	Balance	Impairments
Undue/group impaired	3,156,156	(22,059)	2,117,622	(11,834)
Undue/individually impaired	25,474	(6,976)	40,243	(10,568)
Undue/unimpaired	139,624	0	168,104	0
Due/unimpaired	19,851	0	20,372	0
Due impaired	42,988	(22,125)	15,264	(5,618)
Total	3,384,097	(51,159)	2,361,605	(28,020)

Aging receivables are insured by real estate mortgage, liens on property, assignment of debts, guarantees, bonds and other insurances. Total fair value of insurance of SID Bank for aging receivables surmounts EUR 30 million. Aging receivables of SID Bank Group in total fair value of over EUR 70 million are also insured with similar insurances.

Loan rescheduling

As at 31 December 2009, the carrying amount of rescheduled loans in SID Bank amounted to EUR 103,683 thousand (in 2008: EUR 4,501 thousand). The new agreement on the repayment conditions was reached for ten Slovene companies.

As at 31 December 2009, the carrying amount of rescheduled loans in SID Bank Group amounted to EUR 112.853 thousand (in 2008: EUR 6,883 thousand). Loan reschedules of significant value in SID Bank Group were concluded with 16 companies. Most of them are from Slovenia, one is from Serbia and one from Bosnia and Herzegovina. Beside these, several loan reschedules of minor values with other companies were also concluded.

SID Bank or SID Bank Group took into account the expected cash flow when establishing of the amount of impairments.

Individually impaired loans

	SID Bank		SID Bank Group	
	2009	2008	2009	2008
Gross exposure	28,779	37,391	66,228	51,422
Individual impairments	(17,187)	(9,052)	(29,072)	(14,567)
Delimited fees and commissions	(11)	(50)	(11)	(96)
Net exposure	11,581	28,289	37,145	36,759

Value of collateral for granted and received loans

Total value of loan collateral in SID Bank as at 31 December 2009 was EUR 754,127 thousand (in 2008: EUR 381,971 thousand). Given the type of insurance, pledge of commercial real estate, followed by other guarantees of companies without rating or rating of less than A-, cession of claims for insurance, guarantees of companies without credit rating, guarantees of companies categorized as A class, pledging of ownership share in the company, insurance policy of SID bank for the account of the Republic of Slovenia, fiduciary transfer of real estate ownership rights, pledging of receivables for insurance and other insurances.

Total fair value of loan collateral in SID Bank Group as at 31 December 2009 was EUR 808,437 thousand (in 2008: EUR 409,022 thousand). Given the type of insurance, pledge of commercial real estate, followed by other guarantees of companies without rating or rating of less than A-, cession of claims for insurance, guarantees of companies without credit rating, guarantees of companies categorized as A class, pledging of ownership share in the company, insurance policy of SID bank for the account of the Republic of Slovenia, fiduciary transfer of real estate ownership rights, pledging of receivables for insurance, bills and other insurances.

Debt collection procedures or procedures of collection of receivables and liabilities are laid down in the internal company rules of the bank. Debt collection is carried out case by case in accordance with procedures of the bank.

Each debt collection, irrespective of manner and executor of the recovery, starts with oral and written reminder of the debtor.

Start of debt collection is classified in the group of regular recovery. Regular recovery includes monitoring of claims on debtors, regular monthly written reminders of debtors to overdue unpaid receivables, contacts with debtors in writing and in person, execution of set offs, as well as performance of other necessary actions which may contribute to faster, more effective and successful repayment of overdue receivables.

Subsequently, procedures of extraordinary recovery begin. These include repayment of overdue receivables from insurance instruments, which are realisable with no preceding procedures, as well as concluding agreements with debtors on manners of repayment of debts, which differ from the ones agreed upon in the basic investment contract.

If the dialogue with the debtor is not successful, court collection begins under the direction of Legal and Claims Department. Court recovery begins with the sending of reminders before lawsuit, contacts with debtors, filing of claims and/or propositions for enforcement and carrying out of other activities in court collection, as well as registering claims of the company in the compulsory settlement procedure, bankruptcy, liquidation or other procedures.

Type of recovery or collection depends on duration of overdue, amount of overdue and unpaid receivables and the extent of exposure of the company towards the debtor.

Overdue, unpaid receivables

The carrying amount of overdue, unpaid receivables in SID Bank and SID Bank Group is shown in the Total credit exposure table.

SID Bank has overdue, unpaid receivables of nine Slovenian companies.

SID Bank Group discloses most of overdue, unpaid receivables (close to 90 percent) of 27 companies. 12 of these are in Slovenia, 10 in Croatia and 5 in Serbia.

Due loans and receivables and impairments

The structure of exposure of loans and receivables by maturity

Year 2009

	SID Bank					
	Outstanding	Overdue up to 1 month	Overdue 1 - 3 months	Overdue 3 - 12 months	Overdue more than 1 year	Total
Loans to banks	2,292,668	0	0	0	0	2,292,668
Loans to clients other than banks	659,023	39	592	2,629	1	662,284
Approved undrawn loans	182,521	0	0	0	0	182,521
Guarantees	38,804	0	0	0	0	38,804
Total	3,173,016	39	592	2,629	1	3,176,277

Year 2008

	SID Bank					
	Outstanding	Overdue up to 1 month	Overdue 1 - 3 months	Overdue 3 - 12 months	Overdue more than 1 year	Total
Loans to banks	1,512,356	0	0	0	0	1,512,356
Loans to clients other than banks	498,396	406	14	176	1,191	500,183
Approved undrawn loans	64,342	0	0	0	0	64,342
Guarantees	72,192	0	0	0	0	72,192
Total	2,147,286	406	14	176	1,191	2,149,073

Year 2009

	SID Bank Group					
	Outstanding	Overdue up to 1 month	Overdue 1 - 3 months	Overdue 3 - 12 months	Overdue more than 1 year	Total
Loans to banks	2,306,883	0	0	0	0	2,306,883
Loans to clients other than banks	743,902	9,911	6,395	22,333	2,076	784,616
Approved undrawn loans	195,021	0	0	0	0	195,021
Guarantees	39,696	0	0	0	0	39,686
Total	3,285,492	9,911	6,395	22,333	2,076	3,326,206

Year 2008

	SID Bank Group					
	Outstanding	Overdue up to 1 month	Overdue 1 - 3 months	Overdue 3 - 12 months	Overdue more than 1 year	Total
Loans to banks	1,534,606	0	0	0	0	1,534,606
Loans to clients other than banks	623,056	14,890	6,547	6,545	2,036	653,074
Approved undrawn loans	68,592	0	0	0	0	68,592
Guarantees	72,812	0	0	0	0	72,812
Total	2,299,066	14,890	6,547	6,545	2,036	2,329,084

Concentration of credit portfolio risks by activity

SID Bank Group assesses concentration of risks by activity

	2009		2008	
Banks	2,316,015	68.4%	1,541,169	65.3%
Non-financial organizations	956,472	28.3%	725,764	30.7%
Other financial institutions	111,611	3.3%	94,672	4.0%
Total	3,384,098	100.0%	2,361,605	100.0%

SID Bank also assesses risks by debtors' countries (Chapter I., item 6.4.).

3.5. Other disclosures for the insurance sector of the SID Bank Group

Insurance risk

Short-term receivables from private buyers (as a rule, these are the loans of suppliers with a maturity of up to 180 days, exceptionally up to 1 year) are insured against commercial and non-commercial risks for sales abroad and/or at home on deferred payment and usually on an open account. The contracts are renewable and as a rule, the total turnover of the insured on the foreign and/or domestic markets is secured.

The policyholder obtains insurance coverage for an individual buyer/debtor when the limit for such coverage is granted. The limits of individual buyers represent an important tool for managing risks, which is used for determining the maximum amount of loss. The insurance contract allows reduction or cancellation of the granted limit for any buyer at any time. By cancelling or reducing the limit for a client exposure to such that client is reduced.

Risks can also be managed by limiting exposure by individual activities. The common exposure limits by country can be determined in the same way or by completely excluding coverage for an individual country, which represents an important tool for managing political risks.

The competences and management of insurance risks and tools for managing insurance risks

Insurance contracts can only be signed by the Management Board of PKZ. The director authorized to assume risks has the Management Board’s authorization to make agreements on credit insurance up to a certain amount of the annual premium, while only the Management Board is authorized to assume risks above the amount of the annual premium. The insurance offers and contracts are prepared according to the “four-eye” principle.

The employees of the Risk Department of PKZ are authorized, based on their experience, to assess risks on the basis of which the receivables due from individual buyer/debtor or the debtors belonging to the same group (companies associated in terms of ownership or management) are insured. Depending on the amount of exposure to the debtor or the group of debtors, the employee signatures with appropriate authorizations must be provided. Insurance of large exposures to debtors is decided by the Management Board of the insurance company and, when a certain amount is exceeded, also the leading reinsurers. For most of receivables to be insured, the debtor's assessment is required as well as approval of insurance by (at least) two expert colleagues or management with appropriate authorizations (four-eye principle).

Management of parent company requires the subsidiary, which engages in insurance, to report regularly concerning concluded aggregate-based insurance transactions. At the same time it reports, how insurances change in connection with important events, which affect the risk of operation (industries, country level credit rating information, industry level credit rating information and important market information). The subsidiary discloses exposure in breakdown of individual policy holders, levels of limit amounts, industries and geographical regions.

Reinsurance

The insurance sector of the SID Bank Group protects its portfolio of insured risk with several reinsurance contracts. The majority of operations are secured by means of a quota reinsurance contract which is multi-level, with a controlling interest of 50%. Since retention amount exceeds the maximal own share, PKZ additionally protected its retention with damages by excess of loss reinsurance.

The reinsurance contract covers all risks of the insurance portfolio (insurance against commercial and non-commercial risks).

The insurance sector of the SID Bank Group further protected its portfolio with a contract made between SID Bank as the authorized institution representing the Republic of Slovenia (reinsurer) and the insurer (cedant). For the insurance sector of the SID Bank Group, this contract represents additional protection of own share in countries where non-commercial risks are also insured, and for which private market reinsurer contract is concluded, and reinsurance coverage for countries where coverage from private market reinsurers cannot be obtained.

Frequency of and scope of losses

The business process of the insurance sector of the SID Bank Group is structured so as to manage the impact of as many factors that affect the scope and frequency of losses as possible. Several factors affect the frequency and scope of losses which otherwise affect credit risks. The economic situation has the strongest impact. The actions of the insured can also have a significant impact on the scope and frequency of losses - on the one hand through the inherent risk related to policy holder's activity and on the other hand by the method of managing risks used by the policy holder.

3.6. Assets carried at fair value and liabilities to fund sources

	SID Bank				SID Bank Group			
	31.12.2009		31.12.2008		31.12.2009		31.12.2008	
In EUR thousand	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and balances of transaction accounts with the state and the central bank	1,073	1,073	87	87	3,636	3,636	88	88
Financial assets held for trading	2,349	2,349	125	125	2,349	2,349	126	126
Available-for-sale financial assets	50,051	50,051	61,332	61,332	72,390	72,390	79,449	79,449
Loans	2,954,952	2,959,891	2,012,564	2,015,282	3,091,499	3,096,409	2,191,029	2,191,636
- Loans to banks	*2,292,668*	*2,296,171*	*1,512,381*	*1,514,492*	*2,306,883*	*2,310,386*	*1,537,955*	*1,537,955*
- Loans to clients other than banks	*662,284*	*663,720*	*500,183*	*500,790*	*784,616*	*786,023*	*653,074*	*653,681*
Property, plant and equipment	4,441	4,895	4,749	6,028	4,845	5,299	5,230	6,509
Investment property	0	0	0	0	80	80	0	0
Intangible assets	395	395	568	568	1,078	1,078	1,306	1,306
Long-term investments in equity of subsidiaries, associates and joint ventures	7,712	7,712	7,712	7,712	419	419	419	419
Corporate income tax assets	1,019	1,019	328	328	2,155	2,155	1,213	1,213
- Assets for corporate income tax	*656*	*656*	*0*	*0*	*1,180*	*1,180*	*255*	*255*
- Assets for deferred taxes	*363*	*363*	*328*	*328*	*975*	*975*	*958*	*958*
Other assets	2,902	2,902	252	252	37,182	37,182	22,794	22,794
TOTAL ASSETS	**3,024,894**	**3,030,287**	**2,087,717**	**2,091,714**	**3,215,633**	**3,220,997**	**2,301,654**	**2,303,540**
Financial liabilities held for trading	566	566	172	172	566	566	172	172
Derivative financial instruments held for hedging	907	907	0	0	907	907	0	0
Financial liabilities measured at amortized cost	2,502,156	2,694,289	1,921,672	1,922,267	2,814,538	2,815,664	2,079,910	2,080,508
- Bank deposits	*155,066*	*155,066*	*15,216*	*15,216*	*155,066*	*155,066*	*15,216*	*15,216*
- Deposits of clients other than banks	*91,870*	*91,870*	*22,376*	*22,376*	*91,870*	*91,870*	*22,376*	*22,376*
- Loans of banks	*1,799,948*	*1,800,827*	*1,633,867*	*1,634,499*	*1,921,338*	*1,922,188*	*1,792,105*	*1,792,756*
- Loans to clients other than banks	*99,108*	*99,384*	*0*	*0*	*99,122*	*99,398*	*0*	*0*
- Debt securities	*547,142*	*547,142*	*250,213*	*250,176*	*547,142*	*547,142*	*250,213*	*250,160*
Provision	4,382	4,382	2,289	2,289	56,695	56,695	35,265	35,265
Corporate income tax liabilities	138	138	1,939	1,950	138	138	2,321	2,332
- Tax liabilities	*0*	*0*	*1,904*	*1,915*	*0*	*0*	*2,284*	*2,295*
- Non-current deferred tax liabilities	*138*	*138*	*35*	*35*	*138*	*138*	*37*	*37*
Other liabilities	3,785	3,785	888	888	9,063	9,063	4,058	4,058
TOTAL LIABILITIES	2,702,912	2,704,067	1,926,960	1,927,566	2,881,907	2,883,033	2,121,726	2,122,335
EQUITY	321,982		160,757		333,726		179,928	
TOTAL LIABILITIES AND EQUITY	**3,024,894**	**2,704,067**	**2,087,717**	**1,927,566**	**3,215,633**	**2,883,033**	**2,301,654**	**2,122,335**

The financial instruments in SID Bank's statement of financial position disclosed at fair value include financial assets and liabilities held for trading, financial assets available for sale and issued debt securities.

The fair values of loans, property, plant and equipment and financial liabilities measured at amortized cost differ from their book values disclosed in the statement of financial position.

All listed financial instruments are initially recognized at fair value. Upon initial recognition, the fair value of a financial instrument is typically the cost of transaction. In any subsequent measurement of financial instruments, the market price of the financial instrument is used (purchase or offer price).

The fair value of loans given to banks and clients other than banks, and raised loans is the principal as at 31 December 2009 and the accrued interest for the period.

The fair value of property, plant and equipment as at 31 December 2009 was only calculated for the construction facility. The assessment was prepared on the basis of inquiries for the purchase of similar facilities comparable by size, activity and location.

The material bases for all other items of property, plant and equipment and intangible assets that would justify the reasons for the deviation of the carrying amount from the fair value are checked at least once a year. It was assessed that the carrying amount is a good approximation of the fair value.

3.7. Capital

Pursuant to the Banking Act, SID Bank calculates its capital and capital adequacy for transactions carried out on its own behalf and for its own account from its own resources.

SID Bank Equity

	31.12.2009	31.12.2008
Share capital	300,000	140,000
Treasury shares	(1,324)	(1,324)
Capital reserves	1,139	1,139
Profit reserves and retained earnings	21,735	19,923
Core capital deduction items	(396)	(568)
Core capital	321,154	157,717
Tier I additional capital	63	93
Deduction items from core capital and Tier I additional capital	(7,294)	(7,294)
Tier II additional capital	0	0
EQUITY	313,923	150,516

SID Bank Group

	31.12.2009	31.12.2008
Share capital	300,000	140,000
Treasury shares	(1,324)	(1,324)
Capital reserves	1,139	1,139
Profit reserves and retained earnings	28,183	23,722
Core capital deduction items	(992)	(1,190)
Core capital	327,006	162,347
Tier I additional capital	63	93
Deduction items from core capital and Tier I additional capital	(4,206)	(4,206)
Tier II additional capital	0	0
EQUITY	322,863	158,234

In accordance with Slovene Export and Development Bank Act, when calculating capital adequacy, total operations of SID Bank for its own account were taken into account, while transactions on behalf and for the account of the Republic of Slovenia have been excluded.

Higher share capital of SID Bank and SID Bank Group is the result of increase in capital of SID Bank in the amount of EUR 160 million in August 2009.

Capital management policy is presented in detail in Chapter I., item 6.4.

a) Core capital deduction items

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Intangible assets	(396)	(568)	(992)	(1,190)

b) Deduction items from core capital and additional capital

	SID Bank		SID Bank Group	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Investments in other financial institutions that individually exceed 10% of the institution's capital	(3,088)	(3,088)	-	-
Share in insurance companies	(4,206)	(4,206)	(4,206)	(4,206)
Total	(7,294)	(7,294)	(4,206)	(4,206)

4. Segmented reporting

(In EUR thousand)

Distribution and segmented disclosures is done based on business characteristics of separate activities of SID Bank Group. When disclosing information in segments, we have taken into consideration supervisory approach and contents of reports used by the management of the bank for the management of SID Bank Group. It is based on the system of internal financial reporting of SID Bank Group to members of representatives of SID Bank in supervisory bodies of the companies in SID Bank Group. Business operation in segments of operation is monitored on the basis of accounting policies as presented in item 2.2. Reports are compiled in compliance with the IFRS.

Activities of the SID Bank Group can be divided into three separate segments:

- Banking,
- Credit insurance,
- Factoring.

Each segment is organized into a legal entity in the form of independent business company. In SID Bank Group the banking activity is conducted in the parent company - SID Bank, credit insurance activity is conducted in PKZ and factoring is conducted in PRVI FAKTOR Group. Separate business segments include products and services, which differ from other segments in their risk and profitability.

Transactions between the segments are conducted under usual business conditions.

NLB d.d., Abanka d.d., Nova KBM d.d. and other Slovenian commercial banks are the important clients of the banking segment. Larger Slovenian companies (Gorenje d.d., Acroni d.d., Hidria and others) are the important clients of the credit insurance segment. Larger companies from the area of Croatia, Serbia and Slovenia (Agrokor Group, Delta Group, Petrol d.d., Žito d.o.o., Hidrogradnja d.d.), as well as Slovenian and Croatian state institutions are the important clients of the factoring segment.

The majority portion of assets is bound to the geographic area of Slovenia. Also, the majority portion of income is realized on Slovenian market. Consequently the geographical segments are prepared accordingly.

Geographical structure of proceeds and long-term assets

	SID Bank			
	2009		2008	
	Slovenia	Abroad	Slovenia	Abroad
Balance of long-term assets as at 31 December	2,648,413	85,319	1,713,548	33,000
Interest income and income from fees	83,488	774	83,394	306

	SID Bank Group			
	2009		2008	
	Slovenia	Abroad	Slovenia	Abroad
Balance of long-term assets as at 31 December	2,680,305	87,426	1,733,686	34,935
Interest income and income from fees	86,698	15,537	87,307	15,330

Statement of financial position by segments as at 31 December 2009

	31.12.2009				
	SID Bank	PKZ	PF Group	Eliminations	SID Bank Group
Cash and balances of transaction accounts with the state and the central bank	1,073	102	2,461	0	3,636
Financial assets held for trading	248	0	0	0	248
Financial assets held for hedging	2,101	0	0	0	2,101
Available-for-sale financial assets	50,051	22,338	1	0	72,390
Loans	2,954,952	7,680	162,184	(33,317)	3,091,499
Property, plant and equipment	4,441	94	310	0	4,845
Investment property	0	0	80	0	80
Intangible assets	395	88	107	488	1,078
Long-term investments in equity of subsidiaries, associates and joint ventures	7,712	0	0	(7,293)	419
Corporate income tax assets	1,019	162	974	0	2,155
Other assets	2,902	32,277	2,038	0	37,182
- Insurers assets	*0*	*32,228*	*0*	*0*	*32,228*
- Other assets	*2,902*	*49*	*2,038*	*(34)*	*4,954*
TOTAL ASSETS	**3,024,894**	**62,741**	**168,154**	**(40,156)**	**3,215,633**
Financial liabilities held for trading	271	0	0	0	271
Derivative financial instruments held for hedging	1,202	0	0	0	1,202
Financial liabilities measured at amortized cost	2,693,134	0	158,489	(37,085)	2,814,538
Provision	4,382	52,227	86	0	56,695
- Bank provision	*4,250*	*0*	*0*	*0*	*4,250*
- Liabilities from insurance contracts	*0*	*50,295*	*0*	*0*	*50,294*
- Other provision	*132*	*1,932*	*86*	*0*	*2,151*
Corporate income tax liabilities	138	0	0	0	138
Other liabilities	3,785	1,347	3,965	(34)	9,063
EQUITY	321,982	9,167	5,614	(3,037)	333,726
TOTAL LIABILITIES AND EQUITY	**3,024,894**	**62,741**	**168,154**	**(40,156)**	**3,215,633**
CONTINGENCY RESERVES	**125,428**				**125,428**
INTEREST RATE EQUALIZATION PROGRAMME	**7,627**				**7,627**

In the course of consolidation for 2009 loans given in the amount of EUR 37,085 thousand have been eliminated. Loans received in the same amount have been eliminated. Accordingly, impairments formed for these loans in the amount of EUR 3,768 thousand have been eliminated. On the other side, due provision adjustments in the amount of EUR 1,684 thousand have been made. For the remaining amount of EUR 2,084 thousand an adjustment was made in net profit for the period.

Furthermore, other assets in the amount of EUR 34 thousand and other liabilities in the same amount have been eliminated. Other assets or other liabilities represent in content short-term operating receivables or short-term operating liabilities.

Investments in subsidiary and associated companies in the amount of EUR 7,293 thousand have been eliminated. Accordingly, appropriate eliminations from the item share capital in the amount of EUR 5,790 thousand and in capital reserves in the amount of EUR 945 thousand have been made. Profit reserves in the amount of EUR 70 thousand have been eliminated. Goodwill in the amount of EUR 488 thousand was formed in intangible assets.

Finally, dividend income in total amount of EUR 2,474 EUR has also been eliminated from the item net profit of the year in the consolidation process. Accordingly, profit reserves have been increased for the same amount. Furthermore, income (credit risk equalization provisions) in the amount of EUR 6,533 thousand has been eliminated from the item net profit for the year and profit reserves have been increased in the same amount.

In consolidation procedures the matter of proportionality of ownership interest of the parent company in the associated company was taken into account appropriately. For more information on this matter see Chapter II., item 2.1.2.

	31.12.2008				
	SID Bank	PKZ	PF Group	Eliminations	SID Bank Group
Cash and balances of transaction accounts with the state and the central bank	112	37	3,287	0	3,437
Financial assets held for trading	125	0	0	0	125
Available-for-sale financial assets	61,332	18,117	1	0	79,450
Loans	2,012,539	12,550	177,794	(15,202)	2,187,680
Property, plant and equipment	4,749	110	371	0	5,230
Intangible assets	568	117	133	488	1,306
Long-term investments in equity of subsidiaries, associates and joint ventures	7,712	0	0	(7,293)	419
Corporate income tax assets	328	414	471	0	1,213
Other assets	252	20,215	2,342	(15)	22,794
- Insurers assets	*0*	*20,177*	*0*	*0*	*20,177*
- Other assets	*252*	*38*	*2,342*	*(15)*	*2,617*
TOTAL ASSETS	**2,087,717**	**51,560**	**184,399**	**(22,022)**	**2,301,654**
Financial liabilities held for trading	172	0	0	0	172
Financial liabilities measured at amortized cost	1,921,672	0	175,125	(16,888)	2,079,910
Provision	2,289	32,877	99	0	35,265
- Bank provision	*2,165*	*0*	*0*	*0*	*2,165*
- Liabilities from insurance contracts	*0*	*30,896*	*0*	*0*	*30,896*
- Other provision	*124*	*1,981*	*99*	*0*	*2,204*
Corporate income tax liabilities	1,939	0	336	0	2,321
Other liabilities	888	1,753	1,432	(15)	4,058
EQUITY	160,757	16,884	7,407	(5,119)	179,928
TOTAL LIABILITIES AND EQUITY	**2,087,717**	**51,560**	**184,399**	**(22,022)**	**2,301,654**
CONTINGENCY RESERVES	**113,186**				**113,186**
INTEREST RATE EQUALIZATION PROGRAMME	**6,709**				**6,709**

Non-cash items on the level of SID Bank Group in value terms are represented mainly by the formed impairments and provisions. In 2009, expenses for newly formed impairments amounted to EUR 23,596 thousand, while for the newly formed provisions they amounted to EUR 10,556 thousand. Expenses for amortization and depreciation amounted to EUR 881 thousand, revenues for revaluated available-for-sale financial assets amounted to EUR 964 thousand, deferred taxes due to revaluation of financial assets amounted to EUR 242 thousand. Other non-cash items are of minor values; in content they represent expenses from revaluation of financial instruments and foreign exchange differences in total amount of EUR 52 thousand.

Statements of comprehensive income by segments for the year 2009

	2009				
	SID Bank	PKZ	PF Group	Eliminations	Total
Interest income and similar income	82,256	985	13,633	(1,094)	95,779
Interest expense and similar expense	(60,754)	0	(7,648)	1,094	(67,308)
Net interest	21,502	985	5,985	0	28,471
Dividend income	2,474	0	0	(2,474)	0
Fees and commissions received	2,006	0	4,489	0	6,456
Fees and commissions paid	(437)	(14)	(821)	0	(1,233)
Net fees and commissions	1,569	(14)	3,668	0	5,223
Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss	330	274	0	0	605
Net profits/losses from financial assets and liabilities held for trading	24	(59)	0	0	24
Changes in fair value when calculating risk insurance	(40)	0	0	0	(40)
Net foreign exchange gains/losses	44	29	1,000	0	1,073
Net profits/losses from derecognition of assets, excluding non-current assets held for sale	(4)	0	2	0	(2)
Other net operating profits/losses	2,542	2,039	(101)	(351)	4,129
Administrative costs	(5,729)	(66)	(3,063)	(351)	(10,971)
Depreciation, amortization	(643)	(617)	(172)	0	(881)
Provision	(1,985)	(8,517)	0	0	(10,556)
Impairments	(18,906)	(292)	(6,482)	(2,084)	(23,596)
Profits/losses on ordinary activities	**1,178**	**(8,146)**	**837**		**(6,521)**
Corporate income tax on ordinary activities	(230)	0	(525)		(755)
Deferred taxes	1	1,617	274		1,892
Net profit/loss for the year	**948**	**(6,529)**	**587**		**(5,384)**
Net profit/loss for the year	**948**	**(6,529)**	**587**		**(5,384)**
Net profits/losses derecognized from revaluation surplus from available-for-sale financial assets	347	859	0		1,206
			0		
Corporate income tax on other comprehensive income	(70)	(172)	0		(242)
Post-tax comprehensive income for the year	**1,225**	**(5,842)**	**587**		**(4,420)**
Of owners of the parent company					(4,420)

In the course of consolidation impairments in the amount of EUR 2,084 thousand have been eliminated. These impairments were formed for the loans of the parent company granted to a subsidiary in 2009.

Furthermore, interest income in the amount of EUR 1,094 EUR has been eliminated with the parent company. Interest expenses in the same amount have been eliminated with the subsidiary.

Intra-group revenues from fees and commissions amounted to EUR 39 thousand and have been appropriately eliminated from the consolidation. Also, expenses for fees and commissions in the same amount have been eliminated with the subsidiary.

Furthermore, revenues from insurance premiums in the amount of EUR 210 thousand have been eliminated from the consolidation. Administrative costs in the same amount have been eliminated.

Other operating profits/losses in the amount of EUR 281 thousand have also been eliminated. On the other side, expenses for insurance operations in the amount of EUR 114 thousand, administrative costs in the amount of EUR 141 thousand and operating losses in the amount of EUR 36 thousand have been eliminated accordingly.

Finally, dividend income in total amount of EUR 2,474 EUR has been eliminated in the consolidation process.

	2008				
	SID Bank	PKZ	PF Group	Eliminations	Total
Interest income and similar income	82,491	1,419	14,461	(1,134)	97,238
Interest expense and similar expense	(68,183)	0	(10,378)	1,134	(77,429)
Net interest	14,308	1,419	4,083	0	19,809
Dividend income	2,273	0	0	(2,273)	0
Fees and commissions received	1,209	0	4,207	(18)	5,398
Fees and commissions paid	(411)	(14)	(1,005)	18	(1,412)
Net fees and commissions	798	(14)	3,202	0	3,986
Realized profits/losses from financial assets and liabilities not measured at fair value through profit or loss	(184)	(72)	1	0	(255)
Net profits/losses from financial assets and liabilities held for trading	(59)	0	0	0	(58)
Net foreign exchange gains/losses	97	(82)	2,851	0	2,866
Net profits/losses from derecognition of assets, excluding non-current assets held for sale	2	0	0	0	2
Other net operating profits/losses	2,501	6,379	255	(506)	8,629
Administrative costs	(5,161)	(2,607)	(3,580)	506	(10,843)
Depreciation, amortization	(617)	(57)	(186)	0	(860)
Provision	(1,526)	(3,562)	0	0	(5,088)
Impairments	(9,429)	(899)	(4,352)	496	(14,183)
Profits/losses on ordinary activities	**3,003**	**505**	**2,274**		**4,005**
Corporate income tax on ordinary activities	(236)	(160)	(753)		(1,149)
Net profit/loss for the year	**2,767**	**345**	**1,521**		**2,856**
Net profit/loss for the year	**2,767**	**345**	**1,521**		**2,856**
Net profits/losses derecognized from revaluation surplus from available-for-sale financial assets	48	(677)	0		(629)
Corporate income tax on other comprehensive income	(12)	135	0		124
Post-tax comprehensive income for the year	**2,803**	**(198)**	**1,521**		**2,351**
Of owners of the parent company					2,351

In the course of consolidation for the year 2009, revenues and expenses in total amount of EUR 4,059 thousand have been eliminated. Transactions among the companies of SID Bank Group amount to the same value.

Consolidated financial statements in Chapter II., item 1, disclose transactions with third persons expressed in terms of value.

5. Appendices

5.1. Financial statements of insurance against non-marketable risks (on behalf of the Republic of Slovenia)

Statement of financial position

In EUR thousand	31.12.2009	31.12.2008
Cash in transaction accounts with banks in the country	43	2
Loans to banks	101,859	91,811
Available-for-sale financial assets	18,258	17,647
Other assets	5,268	3,726
TOTAL INVESTMENTS OF CONTINGENCY RESERVES	**125,428**	**113,186**

In EUR thousand	31.12.2009	31.12.2008
Contingency reserves	120,039	109,896
Revaluation surplus from available-for-sale financial assets	208	(362)
Other liabilities	5,181	3,652
TOTAL LIABILITIES FOR CONTINGENCY RESERVES	**125,428**	**113,186**

Profit or loss

In EUR thousand	2009	2008
Interest income and similar income	3,101	6,376
Loans and deposits	2,570	4,563
- Securities	531	1,811
- Other	0	2
Net interest	**3,101**	**6,376**
Technical items		
- Insurance and reinsurance premiums	*4,754*	*4,083*
- Reinsurance and processing commissions	*(445)*	*(354)*
- Claims	*(4,899)*	*(13)*
- Recourses	*6*	*71*
Total technical items	**(584)**	**3,787**
Other net fees	13	142
Profits/losses from securities	103	(885)
- Sale	103	(423)
- Impairment	0	(462)
Other operating profits/losses	0	2
Operating costs	(2,490)	(2,491)
Surplus of income over expenses	**143**	**6,931**

5.2. Financial statements of the IREP programme (on behalf of the Republic of Slovenia)

Statement of financial position

In EUR thousand	31.12.2009	31.12.2008
Cash in transaction accounts with banks in the country	1	7
Loans to banks	2,843	3,038
Available-for-sale financial assets	4,782	3,663
Other assets	1	0
TOTAL INVESTMENTS OF IREP PROGRAMME	**7,627**	**6,708**

In EUR thousand	31.12.2009	31.12.2008
Liabilities from the interest rate equalization programme	7,585	6,907
Revaluation surplus from available-for-sale financial assets	42	(199)
TOTAL LIABILITIES OF IREP PROGRAMME	**7,627**	**6,708**

Profit or loss

In EUR thousand	2009	2008
Interest income and similar income	197	280
Loans and deposits	59	86
- Securities	138	194
Net interest	**197**	**280**
Other net fees	(4)	(4)
Profits/losses from securities	(15)	0
- Sale	*(15)*	*0*
Surplus of income over expenses	**178**	**276**

III. DISCLOSURES IN ACCORDANCE WITH THE DECREE ON DISCLOSURES BY BANKS AND SAVINGS BANKS

Disclosures in this chapter are compiled in accordance with the Decree on Disclosures by Banks and Savings Banks. In accordance with capital legislation of the EU, SID Bank has the status of parent undertaking, therefore it is obliged to publish disclosures in accordance with this decree based on consolidated financial position.

Policy and goals of risk management

Strategy and processes of risk management

Risk management with the relation to risks, while taking into account business goals of the company, represent one of the main challenges of any bank or other financial institution. SID Bank banking group is not a homogeneous group. Business activity of the parent company is financing or crediting of legal persons, while factoring is the business activity of PRVI FAKTOR Group, of which NLB d.d. is the joint owner. In the field of factoring, processes of risk management of two owners are therefore intertwined. In risk management of SID Bank banking group these particularities need to be taken into account.

Risk management strategy and policies of SID Bank are approved by its management board, while the policies of PRVI FAKTOR are approved by its supervisory body - General Meeting of Shareholders, which consists of representatives of both companies. This method ensures harmonization of risk management rules on the level of SID Bank banking group. In order to achieve strategic goals of SID Bank banking group, special attention is paid to credit risk on the group level.

Strategy and policies of risk management are recorded in item 6.4 of the business section.

Structure and organization

Structure and organization of risk management are described in item Risk Management in SID Bank Group of item 6.4 in the business section of the annual report.

Extent and characteristics of risk reporting and risk measuring systems

Organization and demarcation of competences of risk management are devised in a way which prevents development of conflict of interests, as well as ensure transparent and documented process of decision making along with an adequate upward and downward information flow.

SID Bank banking group has an established system of regular reporting. On consolidated basis it prepares reports on exposure, insurances, bad investments and ongoing recovery procedures. These reports are discussed by the Credit Committee, and also acquainted with by the management board of the bank.

Risk measuring systems are integral parts of risk management policies; for the needs of supervision on consolidated basis they also comply with regulatory requirements of the Bank of Slovenia.

Hedging against risks policies, policies for reduction of risks, strategies and processes for monitoring of effectiveness of types of hedging against risks and their reduction

For the purpose of hedging against risks in SID Bank, the following documents are the most important:

- Risk Management Strategy
- Operational Risk Management Policy
- Interest Rate Risk Management Policy
- Liquidity Risk Management Policy
- Foreign Exchange Risk Management Policy
- Credit Risk Management Policy
- Capital Risk and Capital Management Policy
- Rules on Limits of Exposure to Credit Risk
- Rules on Monitoring of Exposure to Credit Risk
- Rules on Assessment of Credit Risk Losses

For the more significant types of risk, PRVI FAKTOR Group also has policies, which supplement risk management on the level of SID Bank banking group:

- Non-credit Risk Management Policy (Interest rate, Foreign Exchange, Liquidity Risk)
- Operational Risk Management Policy (OR)
- Policy of investment insurance in company PRVI FAKTOR Ljubljana and PRVI FAKTOR Group
- Policy of restricting big exposure in PRVI FAKTOR Group

Policy and objectives of risk management for each type of risk are presented in more detail in item 6.4 of the business section, and in item 3 of the financial section.

Information on persons included in disclosures

Pursuant to Decree on Supervision on the Basis of Consolidation (Bank Consolidation), the consolidated financial statements include SID Bank and PRVI FAKTOR Group by the method of proportional consolidation. PRO KOLEKT Group and the CIDC institute were excluded, since their total assets account for less than 1% of the total assets of SID Bank and their income accounts for less than 1% of the income of SID Bank. Investment in PRO KOLEKT Group is also not a deduction when calculating capital of the SID Bank banking group. In accordance with the IFRS, beside SID Bank the consolidated financial statements include insurance company PKZ by the method of full consolidation and PRVI FAKTOR Group by the method of proportional consolidation. The difference between banking and accounting consolidation is therefore in the latter also including insurance company PKZ.

Companies of SID Bank Group are presented in detail in the business section of annual report, in items 2 and 3.

There are no obstacles to transfer of capital or settlement of liabilities between parent and subsidiary companies of SID Bank banking group.

All the companies of SID Bank Group, which are excluded from consolidation in accordance with the Decree on Supervision of Banks and Savings Banks on Consolidated Basis, fulfil the required capital minimum. Total amount of capital deficit is 0.

Capital, minimal capital requirements and the process of assessment of necessary internal capital

Capital adequacy of SID Bank Group

In EUR thousand	31.12.2009	31.12.2008
Paid-up share capital	300,000	140,000
Treasury shares	(1,324)	(1,324)
Capital reserves	1,139	1,139
Profit reserves and retained earnings	28,183	23,722
Other core capital deduction items	(992)	(1,190)
- Intangible assets	(992)	(1,190)
- Difference between the reported impairments and provisions according to IFRS and the regulation on loss assessment	0	0
Core capital	327,006	162,347
Tier I additional capital	63	93
Total core and additional capital I	327,069	162,440
Deduction items from core capital and Tier I additional capital	(4,206)	(4,206)
- Interest in insurance companies	(4,206)	(4,206)
Total capital - for the purpose of capital adequacy	322,863	158,234
Tier II additional capital	0	0
Capital requirements	(164,511)	(127,310)
- For credit, settlement and counterparty risks	(161,391)	(124,237)
Central governments and central banks	*(197)*	*(123)*
Regional governments and local authorities	*(162)*	*(50)*
Public sector entities	*(571)*	*(581)*
Multilateral development banks	*0*	*0*
Institutions	*(95,917)*	*(62,529)*
Corporate	*(60,077)*	*(59,372)*
Past due items	*(3,082)*	*(734)*
Items belonging to regulatory high-risk categories	*(896)*	*(367)*
Positions in investment funds	*(10)*	*(7)*
Other exposure classes	*(479)*	*(474)*
- For foreign exchange risk	0	(722)
- For market risks	0	0
- For operational risk	(3,120)	(2,351)
Share premium	158,352	30,924
Capital adequacy ratio	15.7	9.9

In accordance with Slovene Export and Development Bank Act, when calculating capital adequacy, total operations of SID Bank for its own account were taken into account, while transactions on behalf and for the account of the Republic of Slovenia have been excluded.

Higher share capital of SID Bank and SID Bank Group is the result of increase in capital of SID Bank in the amount of EUR 160 million in August 2009.

In accordance with Slovene Export and Development Bank Act, the whole distributable profit is allocated to other profit reserves.

Tier I additional capital includes adjustment of revaluation of available-for-sale financial assets (debt securities). Deduction items of core capital and Tier I additional capital includes investment in insurance company PKZ.

Pursuant to Banking Act, in 2008 SID Bank for the first time fully calculated capital requirements in accordance with the requirements of Basel II. Capital requirements for credit and foreign exchange risks are calculated under standardized approach, while capital requirements for operational risks are calculated under simple approach.

In accordance with requirements of the Bank of Slovenia, the lowest amount of share capital of a bank is EUR 5,000 thousand, while the requisite capital adequacy ratio is 8%. In accordance with Slovene Export and Development Bank Act, the lowest amount of share capital of SID Bank is EUR 300,000 thousand, while the requisite capital adequacy ratio is 4%.

Summary of approach to assessment of adequate internal capital is presented in item 6.4 of the business section of annual report.

Credit risk and risk of reduction of value of repurchased claims on money

Credit risk is presented in item 6.4 of the business section of annual report and in item 3.4 of the financial section.

Definition of past due items and impaired items for accounting purposes

	31.12.2009		31.12.2008	
In EUR thousand	Balance	Impairments	Balance	Impairments
Undue/group impaired	3,156,159	(22,059)	2,117,622	(11,834)
Undue/individually impaired	25,474	(6,976)	40,243	(10,568)
Undue/unimpaired	131,945	0	155,554	0
Due/unimpaired	19,851	0	20,372	0
Due impaired	42,988	(22,125)	15,264	(5,618)
Total	3,376,417	(51,159)	2,349,055	(28,020)

Data in the table includes deposits, granted loans, guarantees and approved undrawn loans. Items are disclosed at gross value.

The policy of adjustment forming is presented in item 2.2.6 of the financial section of the annual report.

Aggregate amount of exposure, reduced by impairments or provisions, without notice of effects of credit insurance and average amount of exposure in the reporting period broken down by all exposure classes

Year 2009 (In EUR thousand)

EXPOSURE CLASS	Original exposure value before the application of conversion factors	Impairments and provisions related to original exposure	Net exposure value	Average net exposure value in 2009
Central governments and central banks	29,522	0	29,522	27,849
Regional governments and local authorities	3,012	0	3,012	1,366
Public sector entities	14,428	308	14,120	14,181
Multilateral development banks	5,057	0	5,057	2,272
Institutions	2,485,686	3,777	2,481,909	2,071,238
Corporate	821,096	25,948	795,148	720,127
Past due items	35,394	7,708	27,686	41,039
Items belonging to regulatory high-risk categories	30,218	19,275	10,943	12,348
Positions in investment funds	130	0	130	115
Other exposures	5,985	0	5,985	5,857
Total	3,430,528	57,016	3,373,512	2,896,390

Data in the table includes all assets and risky off-balance-sheet items

Year 2008 (In EUR thousand)

EXPOSURE CLASS	Original exposure value before the application of conversion factors	Impairments and provisions related to original exposure	Net exposure value	Average net exposure value in 2008
Central governments and central banks	42,098	0	42,098	15,599
Regional governments and local authorities	1,082	0	1,082	1,108
Public sector entities	14,862	349	14,513	13,152
Multilateral development banks	0	0	0	375
Institutions	1,561,436	3,255	1,558,181	763,587
Corporate	787,735	19,909	767,826	517,655
Past due items	14,139	7,480	6,659	6,549
Items belonging to regulatory high-risk categories	7,290	3,557	3,733	2,049
Positions in investment funds	92	0	92	174
Other exposures	5,929	0	5,929	7,178
Total	2,434,663	34,550	2,400,113	1,327,425

Data in the table includes all assets and risky off-balance-sheet items

Distribution of exposure by important geographical areas, segmented by important exposure classes

Year 2009 (In EUR thousand)

EXPOSURE CLASS	Slovenia	Croatia	Serbia	Bosnia and Herzegovina	Russia	Netherlands	Other countries	TOTAL
Central governments and central banks	27,057	2,465	0	0	0	0	0	29,522
Regional governments and local authorities	2,105	717	0	157	0	0	33	3,012
Public sector entities	13,964	50	90	16	0	0	0	14,120
Multilateral development banks	0	0	0	0	0	0	5,057	5,057
Institutions	2,411,508	5,612	13,868	12,085	15,866	253	22,717	2,481,909
Corporate	567,061	101,050	59,198	34,133	1,988	20,145	11,573	795,148
Past due items	11,205	7,353	8,618	402	0	31	77	27,686
Items belonging to regulatory high-risk categories	8,790	2,009	0	5	0	0	139	10,943
Positions in investment funds	130	0	0	0	0	0	0	130
Other exposures	5,325	468	192	0	0	0	0	5,985
Total	3,047,145	119,724	81,966	46,798	17,854	20,429	39,596	3,373,512

Data in the table includes all assets and risky off-balance-sheet items at net value.

Year 2008 (In EUR thousand)

EXPOSURE CLASS	Slovenia	Croatia	Serbia	Bosnia and Herzegovina	Russia	Netherlands	Other countries	TOTAL
Central governments and central banks	32,960	1,110	0	0	0	0	8,028	42,098
Regional governments and local authorities	885	157	0	0	0	0	40	1,082
Public sector entities	14,513	0	0	0	0	0	0	14,513
Multilateral development banks	0	0	0	0	0	0	0	0
Institutions	1,483,210	403	17,555	14,210	18,833	2	23,968	1,558,181
Corporate	529,041	127,525	74,791	8,481	703	1,196	26,089	767,826
Past due items	3,108	1,527	821	257	719	0	227	6,659
Items belonging to regulatory high-risk categories	2,760	962	0	0	0	0	11	3,733
Positions in investment funds	92	0	0	0	0	0	0	92
Other exposures	4,889	0	0	0	0	0	1,040	5,929
Total	2,071,458	131,684	93,167	22,948	20,255	1,198	59,403	2,400,113

Data in the table includes all assets and risky off-balance-sheet items at net value.

Distribution of exposure according to industry or type of clients segmented by exposure classes

Year 2009 (In EUR thousand)	DOMESTIC EXPOSURES									OFFSHORE	TOTAL
EXPOSURE CLASS	Financial and insuring activities	Public administration activity	Processing industry	Transport and storage	Cultural activities	Sale, maintenance and repairs of vehicles	IT and communication activities	Other	Total domestic	Total offshore	Total
Central governments and central banks	1,004	26,046	0	0	8	0	0	0	27,058	2,464	29,522
Regional governments and local authorities	0	1,757	0	0	0	0	0	347	2,104	908	3,012
Public sector entities	305	13,659	0	0	0	0	0	0	13,964	156	14,120
Multilateral development banks	0	0	0	0	0	0	0	0	0	5,057	5,057
Institutions	2,411,508	0	0	0	0	0	0	0	2,411,508	70,401	2,481,909
Corporate	90,996	17	239,803	41,719	19,842	81,799	21,135	71,749	567,060	228,088	795,148
Past due items	1	135	6,960	10	0	45	4	4,049	11,204	16,482	27,686
Items belonging to regulatory high-risk categories	6,714	0	1,503	0	0	0	0	574	8,791	2,152	10,943
Positions in investment funds	130	0	0	0	0	0	0	0	130	0	130
Other exposures	459	0	0	0	0	0	0	4,867	5,326	659	5,985
Total	2,511,117	41,614	248,266	41,729	19,850	81,844	21,139	81,586	3,047,145	326,367	3,373,512

Data in the table includes all assets and risky off-balance-sheet items at net value.

Year 2008 (In EUR thousand)	DOMESTIC EXPOSURES									OFFSHORE	TOTAL
EXPOSURE CLASS	Financial and insuring activities	Public administration activity	Processing industry	Transport and storage	Cultural activities	Sale, maintenance and repairs of vehicles	Power, gas and water supply	Other	Total domestic	Total offshore	Total
Central governments and central banks	87	32,873	0	0	0	0	0	0	32,960	9,138	42,098
Regional governments and local authorities	0	885	0	0	0	0	0	0	885	197	1,082
Public sector entities	509	13,937	0	0	19	0	0	48	14,513	0	14,513
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0
Institutions	1,483,210	0	0	0	0	0	0	0	1,483,210	74,971	1,558,181
Corporate	77,462	0	192,790	31,570	21,975	107,338	41,788	56,118	529,041	238,785	767,826
Past due items	0	62	298	3	3	100	0	2,642	3,108	3,551	6,659
Items belonging to regulatory high-risk categories	0	0	1,223	0	0	347	0	1,190	2,760	973	3,733
Positions in investment funds	92	0	0	0	0	0	0	0	92	0	92
Other exposure classes	141	0	0	0	0	0	0	4,748	4,889	1,040	5,929
Total	1,561,501	47,757	194,311	31,573	21,997	107,785	41,788	64,746	2,071,458	328,655	2,400,113

Data in the table includes all assets and risky off-balance-sheet items at net value.

Remaining maturity exposure breakdown

In EUR thousand	2009		2008	
EXPOSURE CLASS	Short-term (Up to 1 year)	Long-term (Over 1 year)	Short-term (Up to 1 year)	Long-term (Over 1 year)
Central governments and central banks	7,528	21,994	30,882	11,216
Regional governments and local authorities	2,489	523	842	240
Public sector entities	156	14,272	516	14,346
Multilateral development banks	0	5,057	0	0
Institutions	215,891	2,269,794	225,997	1,335,439
Corporate	294,083	527,013	358,892	428,843
Past due items	33,001	2,393	14,126	13
Items belonging to regulatory high-risk categories	22,335	7,883	7,263	27
Positions in investment funds	130	0	92	0
Other exposures	680	5,306	139	5,789
Total	576,293	2,854,235	638,749	1,795,913

Data in the table includes all assets and risky off-balance-sheet items at gross value.

Past due and impaired exposures

Year 2009 (In EUR thousand)

	DOMESTIC PAST DUE EXPOSURES									OFFSHORE	TOTAL
	Processing industry	Agriculture	Professional, scientific and technical activities	Building sector	Sale, maintenance and repairs of vehicles	Financial and insuring activities	Real estate activities	Other	Total domestic	Total offshore	Total
Past due exposures	10,281	6,368	3,835	2,526	1,291	8,392	570	290	33,553	26,695	60,248
Impairments and provisions	6,753	5,794	2,785	365	238	1,678	202	68	17,883	9,934	27,817

Table includes past due exposures over 90 days at gross value.

Year 2008 (In EUR thousand)

	DOMESTIC PAST DUE EXPOSURES									OFFSHORE	TOTAL
	Processing industry	Agriculture	Professional , scientific and technical activities	Building sector	Sale, maintenance and repairs of vehicles	Other various business activities	Public administration	Other	Total domestic	Total offshore	Total
Past due exposures	1,432	6,123	2,412	873	194	166	67	101	11,368	8,591	19,959
Impairments and provisions	330	4,576	1,221	213	99	0	5	14	6,458	4,998	11,456

Table includes past due exposures over 90 days at gross value.

Changes of revaluations and presentation of adjustments in provisions by types of assets

Changes in adjustments (impairment)

	2009			2008		
In EUR thousand	Adjustments of loans to banks	Adjustments of loans to clients other than banks	Total adjustments	Adjustments of loans to banks	Adjustments of loans to clients other than banks	Total adjustments
Balance as at 1 January	1,133	26,824	27,957	1,321	15,637	16,958
Adjustments formed	2,716	27,907	30,623	384	19,213	19,597
Elimination of adjustments	(669)	(8,230)	(8,899)	(572)	(8,026)	(8,598)
Balance as at 31 December	3,180	46,501	49,681	1,133	26,824	27,957

Changes in provisions

	2009	2008
In EUR thousand	Provisions for off-balance-sheet liabilities	Provisions for off-balance-sheet liabilities
Balance as at 1 January	2,165	778
Provisions formed	8,502	2,770
Foreign exchange differences	0	(1)
Elimination of provisions	(6,417)	(1,382)
Balance as at 31 December	4,250	2,165

Total changes in adjustments (impairments) and provisions

	2009			2008		
In EUR thousand	Impairments	Provision	Total	Impairments	Provision	Total
Balance as at 1 January	27,957	2,165	30,122	16,958	778	17,736
Increase	30,623	8,502	39,125	19,597	2,770	22,367
Foreign exchange differences	0	0	0	0	(1)	(1)
Decrease	(8,899)	(6,417)	(15,316)	(8,598)	(1,382)	(9,980)
Balance as at 31 December	49,681	4,250	53,931	27,957	2,165	30,122

Additional disclosures of the bank, which uses the standardized approach

Exposure value and exposure values with effects of credit insurances broken down by credit quality steps

In EUR thousand		2009		2008	
EXPOSURE CLASS	Risk weight	Net exposure value	Net exposure after allowing for credit insurance and before the application of conversion factors	Net exposure value	Net exposure after allowing for credit insurance and before the application of conversion factors
Central governments and central banks		29,523	99,749	42,098	66,372
	0%	27,058	97,284	40,136	64,410
	50%	0	0	852	852
	100%	2,465	2,465	1,110	1,110
Regional governments and local authorities		3,011	3,011	1,082	1,082
	50%	2,137	2,137	925	925
	100%	717	717	157	157
	150%	157	157	0	0
Public sector entities		14,120	14,120	14,513	14,513
	50%	13,964	13,964	14,513	14,513
	100%	156	156	0	0
Multilateral development banks		5,057	5,057	0	0
	0%	5,057	5,057	0	0
Institutions		2,481,909	2,452,336	1,558,181	1,553,452
	20%	22,974	22,974	49,741	49,741
	50%	2,393,102	2,381,615	1,461,752	1,457,023
	100%	34,537	21,573	11,780	11,780
	150%	31,296	26,174	34,908	34,908
Corporate		795,148	754,495	767,826	748,281
	100%	712,494	705,259	684,540	684,470
	150%	82,654	49,236	83,286	63,811
Past due items		27,686	27,686	6,659	6,659
	100%	6,008	6,008	1,622	1,622
	150%	21,678	21,678	5,037	5,037
Items belonging to regulatory high-risk categories		10,943	10,943	3,733	3,733
	100%	10,420	10,420	2,013	2,013
	150%	523	523	1,720	1,720
Positions in investment funds		130	130	92	92
	100%	130	130	92	92
Other exposures		5,985	5,985	5,929	5,929
	100%	5,985	5,985	5,929	5,929
Total		3,373,512	3,373,512	2,400,113	2,400,113

A risk weight us determined according to the level of credit quality, which can be different for the same level of credit quality depending on the class of each exposure.

Operational risk

The approach used for calculation of capital requirement for operational risk is presented in detail in the business section of annual report, in item 6.4, segment Operational risk.

Investments in equity shares not included in the trading book

Carrying amount of investments in equity shares not included in the trading book as at 31 December 2009 amounted to EUR 131 thousand.

Interest rate risk from items not included in the trading book

Interest rate risk from items not included in the trading book arises from time discrepancy of items sensitive to interest rate and from different types of interest rates. SID Bank banking group decreases interest rate risk through coordination of investments and liabilities by their maturity, due date, types of interest rate and through use of derivative financial instruments.

SID Bank banking group measures interest rate risk with the method of interest gaps. Items are included in interest gaps according to due date or the date of first resumed determination of interest rates. Interest rate risk monitoring is conducted monthly.

SID Bank banking group measures exposures to sudden changes of interest rates by calculating the effect of change of level of interest rates on interest income and on capital value.

Effect on income or other measure of value used when managing interest rate risk in case of sudden increase or decrease of interest rate

Sensitivity analysis of all assets and liabilities items sensitive to interest rate is based on the assumption that the market interest rate would change by 100 basis points (1% p.a.). The impact on net interest income in the first year of change has also been calculated.

If the market interest rates increased by 100 basis points, net interest income of SID Bank banking group would increase by EUR 1,434 thousand in 2010 (by EUR 1,524 thousand in 2009). The change would be reflected as higher revenues in the income statement. If the market interest rates dropped by 100 basis points, the changes would be the same, in absolute terms, as in the case of increase, only reversed.

If the market interest rates change for less or more, the calculated results are proportional.

Available-for-sale financial assets

SID Bank banking group carried out a sensitivity analysis of the securities portfolio to the change of interest rate. The analysis shows how the fair values of securities or future cash flows of financial instruments would fluctuate due to the changes in market interest rates on the reporting date. The analysis does not include deposits given, which are typically of a very short-term nature and placed at a pre-arranged fixed interest rate, as well as mutual funds, which do not respond to the changes in interest rates to the same extent as debt financial instruments – bonds with fixed or variable interest rate. Only SID Bank has securities in its portfolio.

The analysis separately calculates the responsiveness of bonds with variable and those with fixed interest rates in view of the changes in the market interest rate. The analysis is based on the assumption of a change in the market interest rate by 100 basis points (1% p.a.).

SID Bank banking group

	2009		2008	
In EUR thousand	+100 bps	-100 bps	+100 bps	-100 bps
BONDS AT FIXED INTEREST RATE				
Fixed - change of portfolio	-1,200	1,200	-1,047	1,047
Increase or decrease in capital	-1,200	1,200	-1,047	1,047
BONDS AT FLOATING INTEREST RATE				
Floating - change of portfolio	106	-106	61	-61
Impact on the statement of comprehensive income	106	-106	61	-61
TOTAL				
Total - change of portfolio	-1,094	1,094	-986	986
Increase or decrease in capital	-1,200	1,200	-1,047	1,047
Impact on the statement of comprehensive income	106	-106	61	-61

Credit insurance

SID Bank Group uses set-off of receivables as a form of credit insurance only to a lesser extent. Set-off of receivables can be made by a unilateral statement on the basis of stipulations by Code of Obligations. Beside this, PRVI FAKTOR Group additionally regulates this option in its factoring contracts. This way, the problem of set-off in different currencies and set-off of past due and outstanding receivables is solved with contract clauses.

Types of insurances, used as a rule by SID bank, are defined in Rules on insurance of investment operations. The Rules define general categories and principles of insurance, criteria for separate types of insurances, as well as operational procedures of establishing, documenting, monitoring/valuation and realization of insurance. The Rules also include rules on valuation of separate types of insurance and procedures of handling the property which is used as insurance.

In SID Bank banking group valuation of pledged property is carried out at market value. If the property is listed, current rate is used for valuation. Unlisted property is valued on the basis of comparable transactions. Real estate is valued by independent and qualified asset appraiser, taking into consideration the international standards of value assessment. Real estate valuation is prepared by market and mortgage value. Transaction price, which is not older than one year and is achieved in transactions among unrelated persons, may also be used.

All the insurances are evidenced in analytical evidences of operational support.

During the whole time of repayment period of investment SID Bank banking group monitors credit rating of the receivable and insurance coverage of the investment. In the event of reduction in value of insurance, SID Bank Group takes out an additional insurance if necessary.

Total value of loan collateral in SID Bank banking group as at 31 December 2009 was EUR 808,437 thousand.

Majority portion is represented by the following types of insurance: pledge of commercial real estate, followed by other guarantees of companies without rating or rating of less than A-, cession of claims for insurance, guarantees of companies without credit rating, guarantees of companies categorized as A class, pledging of ownership share in the company, insurance policy of SID bank for the account of the Republic of Slovenia, fiduciary transfer of real estate ownership rights, pledging of receivables for insurance, bills and other insurances.

The most important issuers of personal guarantees are banks, insurance companies, companies with good credit rating (joint and several guarantee) and individuals - creditworthy joint and several guarantors.

Insurance value and concentration of credit risk

In EUR thousand	2009		2008	
INSURANCE TYPES:	Insurance value	%	Insurance value	%
Pledge of commercial real estate	313,854	39%	114,845	28%
Other guarantees of companies without credit rating	165,909	21%	41,928	10%
Pledging of receivables for insurance	71,030	9%	144,148	35%
Guarantees of companies without credit rating	56,314	7%	11,066	3%
Insurance policy of SID Bank for the account of the RS	43,821	5%	23,777	6%
Pledge of capital share in the company	43,836	5%	765	0%
Other	113,673	14%	72,493	18%
TOTAL	808,437	100%	409,022	100%

Total exposure value by classes, insured by property

(In EUR thousand)

EXPOSURE CLASS	31.12.2009	31.12.2008
Corporate	906	282
Total	906	282

Total exposure value by classes, insured by personal guarantees or credit derivative financial instruments

(In EUR thousand)

EXPOSURE CLASS	31.12.2009	31.12.2008
Institutions	839	858
Corporate	917	787
Total	1,756	1,645