

Banka

INTERIM FINANCIAL REPORT

SID Bank and SID Bank
Group

January – March, 2017

Contents

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Statement of management's responsibility

The Management Board hereby confirms its responsibility for the preparation of the financial statements of SID Bank and SID Bank Group for the period ended 31 March 2017.

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

The management's responsibilities are:

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

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



Goran Katušin

Member



mag. Sibil Svilar

President

1 Basic information

Company ID

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

SID Bank Group

SID Bank Group is consisted of the following companies:

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

2 Financial highlight and performance indicators

Statement of Financial Position Summary

| (In EUR thousand) | SID Bank | | SID Bank Group | |
|-----------------------------|-----------|------------|----------------|------------|
| | 31.3.2017 | 31.12.2016 | 31.3.2017 | 31.12.2016 |
| Total assets | 2,596,259 | 2,548,643 | 2,650,653 | 2,596,076 |
| Loans to banks | 1,023,715 | 996,368 | 1,029,853 | 1,002,502 |
| Loans to non-bank customers | 580,280 | 610,563 | 580,280 | 610,563 |
| Financial liabilities | 2,189,487 | 2,135,023 | 2,190,139 | 2,135,753 |
| Total equity | 396,919 | 393,829 | 417,072 | 413,808 |

Income Statement Summary

| (In EUR thousand) | SID Bank | | SID Bank Group | |
|-------------------------------------|----------|----------|----------------|----------|
| | 1-3/2017 | 1-3/2016 | 1-3/2017 | 1-3/2016 |
| Net interest income | 5,176 | 6,599 | 5,254 | 6,682 |
| Net non-interest income | 1 | 4,253 | 1,841 | 6,102 |
| Operating costs | (2,848) | (2,665) | (3,906) | (3,664) |
| Impairment and Provisions | 2,084 | 1,194 | 1,491 | 500 |
| Profit on ordinary activities | 4,413 | 9,381 | 4,680 | 9,620 |
| Net profit for the financial period | 3,575 | 7,787 | 3,784 | 7,977 |

Selected indicators¹

| (in percent) | SID Bank | | | SID Bank Group | | |
|---|----------|-----------|----------|----------------|-----------|----------|
| | 1-3/2017 | 1-12/2016 | 1-3/2016 | 1-3/2017 | 1-12/2016 | 1-3/2016 |
| Profitability | | | | | | |
| Interest margin | 0.82 | 0.85 | 0.84 | 0.80 | 0.85 | 0.86 |
| Financial intermediation margin ² | 0.82 | 1.60 | 1.37 | 0.80 | 1.57 | 1.39 |
| After-tax return on assets | 0.56 | 0.76 | 1.00 | 0.58 | 0.81 | 1.03 |
| Pre-tax return on equity | 4.47 | 6.60 | 10.16 | 4.51 | 6.80 | 9.92 |
| After-tax return on equity | 3.62 | 5.57 | 8.43 | 3.64 | 5.71 | 8.21 |
| Operating cost | | | | | | |
| Operating costs/ average assets | 0.45 | 0.42 | 0.34 | 0.60 | 0.58 | 0.47 |
| Operating costs/net income | 55.01 | 26.39 | 24.91 | 55.05 | 31.94 | 29.01 |
| Capital | | | | | | |
| Capital adequacy ratio | 35.85 | 33.63 | 32.7 | - | 33.98 | 30.65 |
| Leverage ratio | 14.27 | 14.03 | 12.01 | - | 14.53 | 11.86 |
| Quality assets of the statement of financial position and contingent liabilities | | | | | | |
| Level of coverage of classified items by impairments and provisions | 9.35 | 10.48 | 9.74 | - | 11.42 | 12.01 |

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

² The calculations of financial intermediation margin for SID Bank Group do not include income from PKZ insurance transactions.

| | SID Bank | | | SID Bank Group | | |
|----------------------------|-----------|------------|-----------|----------------|------------|------------|
| | 31.3.2017 | 31.12.2016 | 31.3.2016 | 31.3.2017 | 31.12.2016 | 31.03.2016 |
| Number of employees | 161 | 162 | 163 | 265 | 277 | 316 |

| | SID Bank | | |
|--|-----------|------------|------------|
| | 31.3.2017 | 31.12.2016 | 31.03.2016 |
| International credit rating | | | |
| Standard & Poor's | A | A | A- |
| Moody's | | | |
| Shares | | | |
| Number of shareholders | 1 | 1 | 1 |
| Number of shares | 3,121,741 | 3,121,741 | 3,121,741 |
| The corresponding amount of par value shares in the share capital (in EUR) | 96.10 | 96.10 | 96.10 |
| Nominal value per share (in EUR) | 127.90 | 126.91 | 121.17 |

Operations Reflected in the Statement of Financial Position

At the end of the first quarter of 2017 SID Bank's total assets amounted to EUR 2,596.3 million, accounting for 101.9% of the total assets from 2016.

Loans to banks still accounted for a major share among all investments in the Bank's total assets in the first quarter of 2017. Loans to banks include loans and deposits at banks and were valued at EUR 1,023.7 million at the end of the period. That is a 2.7% decrease compared with the end of 2016. Loans to non-banking clients decreased by 5% in 2017, mainly due to the repayment of loans, and totalled EUR 580.3 million as at the end of March 2017. Investments in securities totalled EUR 836.2 million, which is a 7.5% increase compared with the end of 2016.

Deposits and borrowings from banks, including the liabilities to the central bank, accounted for a majority of liabilities at the end of the first quarter 2017, amounting to 48.9%. Liabilities to banks and the central bank totalled EUR 1,269.5 million, which is a EUR 84.7 million increase compared to the end of 2016. Liabilities to non-banking clients stood at EUR

452.3 million and compared to the previous year they have not changed significantly. Due to early redemption, the liabilities from issued securities decreased for 2% and totalled EUR 451.7 million.

The total equity of SID Bank increased by EUR 3.1 million or 0.8% compared to the end of 2016 and totalled EUR 396.9 million 31 March 2017. Net profit for the financial period, including retained earnings, increased by EUR 3.6 million, while accumulated other comprehensive income in connection to available-for-sale financial assets decreased in terms of value by EUR 0.5 million.

Considering SID Bank's predominant influence in SID Bank Group, the specific nature of the Group and mutual relationships in the Group, the total assets of SID Bank Group were only 2.1% higher than the total assets of SID Bank and at the end of the first quarter 2017 amounted to EUR 2,650.7 million; consequently the structure of the Group's assets and liabilities is very similar to those of the Bank.

Operations Reflected in the Income Statement

SID Bank recorded a pre-tax profit of EUR 4.4 million in the first quarter of 2017, a decrease of EUR 4.9 million compared to the first quarter of 2016 and a net profit in the amount EUR 3.6 million. The reason for the lower profit compared to the first quarter of 2016 is mainly in one-time effects of restructuring processes that have been completed in the first quarter of 2016 that influenced the relatively higher profit in 2016. There were no such effects in the first quarter of 2017.

Net interest income amounted to EUR 5.2 million and were 21.6% lower than in the first quarter of 2016. Measured to the average assets, the interest margin was 0.82%.

Operating costs amounted to EUR 2.8 million, of which administrative expenses stood at EUR 2.6 million, and amortisation and depreciation totalled EUR 0.2 million.

Net income of impairments and provisions amounted to EUR 2.1 million in the first quarter of 2017.

SID Bank Group recorded a pre-tax profit of EUR 4.7 million in the first quarter of 2017, down EUR 4.9 million on the first quarter of 2016 and net profit amounted to EUR 3.8 million.

3 Significant events

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

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

In the context of the strategic orientation of SID Bank to focus on implementation of the basic activities of development bank, SID Bank has already completed the sale of its subsidiary Pro Kolekt in the early 2016. A formal liquidation process of Prvi Faktor Group started at the end of 2016, sales process and verification of the possibility to sell different packages of shares of the subsidiary SID –

Prva kreditna zavarovalnica, d.d., Ljubljana started in March 2017. SID Bank will carry out the process of sales in cooperation with financial advisor in accordance with customary international standards when selling the companies.

According to the process of liquidation and consequently the reduction in total assets of the Prvi Faktor Group, as at 31 March 2017 SID Bank is no longer obligated to fulfill the requirements on a consolidated basis under EU Regulation No. 575/2013 (Regulation CRR), as the proportionate share of the total assets of the Prvi Faktor Group that belongs to SID Bank, is less than EUR 10 million.

4 Notes to separate and consolidated financial statements

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

Statement of Compliance

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

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

Accounting Policies

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

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

Consolidation

Consolidated financial statements include by the full consolidation method, the parent company SID Bank and subsidiary SID – Prva kreditna zavarovalnica.

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

5 Statement of financial position

| In EUR thousand | SID Bank | | SID Bank Group | |
|---|------------------|------------------|------------------|------------------|
| | 31.3.2017 | 31.12.2016 | 31.3.2017 | 31.12.2016 |
| Cash on hand, balances with the central bank and demand deposits with banks | 137,145 | 147,668 | 142,455 | 153,355 |
| Available for sale financial assets | 836,169 | 777,676 | 861,013 | 801,044 |
| Loans and advances | 1,605,098 | 1,608,458 | 1,611,232 | 1,614,591 |
| Loans and advances to banks | 1,023,715 | 996,368 | 1,029,853 | 1,002,502 |
| Loans and advances to non-bank customers | 580,280 | 610,563 | 580,280 | 610,563 |
| Other financial assets | 1,103 | 1,527 | 1,099 | 1,526 |
| Property, plant and equipment | 5,160 | 5,287 | 7,908 | 7,491 |
| Intangible assets | 750 | 805 | 1,204 | 1,292 |
| Long-term interests in subsidiaries, associates and joint ventures | 8,413 | 8,413 | 0 | 0 |
| Corporate income tax assets | 3,162 | 31 | 3,162 | 31 |
| Current tax assets | 3,162 | 31 | 3,162 | 31 |
| Deferred tax assets | 362 | 305 | 23,679 | 18,272 |
| TOTAL ASSETS | 2,596,259 | 2,548,643 | 2,650,653 | 2,596,076 |
| Financial liabilities held for trading | 212 | 312 | 212 | 312 |
| Financial liabilities measured at amortised cost | 2,189,275 | 2,134,711 | 2,189,927 | 2,135,441 |
| Deposits from banks and central banks | 13,797 | 31,740 | 13,797 | 31,740 |
| Deposits from non-bank customers | 0 | 30,000 | 0 | 30,000 |
| Loans from banks and central banks | 1,255,735 | 1,153,125 | 1,255,736 | 1,153,125 |
| Loans from non-bank customers | 452,300 | 457,427 | 452,300 | 457,427 |
| Debt securities issued | 451,652 | 460,652 | 451,652 | 460,652 |
| Other financial liabilities | 15,791 | 1,767 | 16,442 | 2,497 |
| Derivatives held for hedging | 33 | 0 | 33 | 0 |
| Provisions | 2,292 | 15,546 | 32,195 | 38,957 |
| Tax liabilities | 7,391 | 4,105 | 7,843 | 4,568 |
| Current tax liabilities | 4,360 | 4,105 | 4,682 | 4,430 |
| Deferred tax liabilities | 3,031 | 0 | 3,161 | 138 |
| Other liabilities | 137 | 140 | 3,371 | 2,990 |
| TOTAL LIABILITIES | 2,199,340 | 2,154,814 | 2,233,581 | 2,182,268 |
| Share capital | 300,000 | 300,000 | 300,000 | 300,000 |
| Share premium | 1,139 | 1,139 | 1,139 | 1,139 |
| Accumulated other comprehensive income | 12,850 | 13,335 | 13,519 | 14,039 |
| Profit reserves | 70,531 | 70,531 | 83,100 | 83,188 |
| Treasury shares | (1,324) | (1,324) | (1,324) | (1,324) |
| Retained earnings (including net profit for the period) | 13,723 | 10,148 | 20,638 | 16,766 |
| Equity attributable to owners of the parent | 396,919 | 393,829 | 417,072 | 413,808 |
| TOTAL EQUITY | 396,919 | 393,829 | 417,072 | 413,808 |
| TOTAL LIABILITIES AND EQUITY | 2,596,259 | 2,548,643 | 2,650,653 | 2,596,076 |

6 Statement of profit or loss

| In EUR thousand | SID Bank | | SID Bank Group | |
|--|--------------|--------------|----------------|--------------|
| | 1-3/2017 | 1-3/2016 | 1-3/2017 | 1-3/2016 |
| Interest income | 7,644 | 12,153 | 7,723 | 12,236 |
| Interest expense | (2,468) | (5,554) | (2,469) | (5,554) |
| Net interest | 5,176 | 6,599 | 5,254 | 6,682 |
| Fee and commission income | 63 | 466 | 63 | 466 |
| Fee and commission expense | (109) | (148) | (113) | (152) |
| Net fees and commissions | (46) | 318 | (50) | 314 |
| Gains realised on financial assets and liabilities not measured at fair value through profit or loss | 278 | 5,032 | 278 | 5,032 |
| Net gains on financial assets and liabilities held for trading | 89 | 0 | 89 | 0 |
| Net losses on financial assets and liabilities measured at fair value through profit or loss | (444) | (1,592) | (444) | (1,592) |
| Changes in fair value in hedge accounting | (5) | 41 | (5) | 41 |
| Exchange differences | (269) | (120) | (268) | (118) |
| Net gains and losses on derecognition of assets | (8) | 0 | (8) | 0 |
| Other net operating gains | 406 | 421 | 2,249 | 2,272 |
| Administrative costs | (2,649) | (2,467) | (3,630) | (3,401) |
| Depreciation and amortisation | (199) | (198) | (276) | (263) |
| Provisions | (1) | (364) | (622) | (951) |
| Impairments | 2,085 | 1,558 | 2,113 | 1,451 |
| Total profit from non-current assets and disposal groups classified as held for sale | 0 | 153 | 0 | 153 |
| Profit from ordinary operations | 4,413 | 9,381 | 4,680 | 9,620 |
| Corporate income tax on ordinary operations | (838) | (1,594) | (896) | (1,643) |
| Net profit for the financial period | 3,575 | 7,787 | 3,784 | 7,977 |
| Attributable to owners of the parent | 3,575 | 7,787 | 3,784 | 7,977 |
| Basic earnings per share in EUR³ | 1.15 | 2.51 | 1.22 | 2.57 |

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

7 Statement of comprehensive income

| In EUR thousand | SID Bank | | SID Bank Group | |
|--|--------------|---------------|----------------|---------------|
| | 1-3/2017 | 1-3/2016 | 1-3/2017 | 1-3/2016 |
| Net profit for the financial period after tax | 3,575 | 7,787 | 3,784 | 7,977 |
| Other comprehensive income after tax | (485) | 4,089 | (521) | 4,242 |
| Items that may be reclassified subsequently to profit or loss | (485) | 4,089 | (521) | 4,242 |
| Available-for-sale financial assets | (599) | 4,927 | (643) | 5,111 |
| Valuation gains taken to equity | 488 | 9,879 | 444 | 10,063 |
| Transferred to profit or loss | (1,087) | (4,952) | (1,087) | (4,952) |
| Income tax relating to items that may be subsequently reclassified to profit or loss | 114 | (838) | 122 | (869) |
| Total comprehensive income for the financial period after tax | 3,090 | 11,876 | 3,263 | 12,219 |
| Attributable to owners of the parent | 3,090 | 11,876 | 3,263 | 12,219 |

8 Statement of changes in equity

8.1 Statement of changes in equity of SID Bank

For the period January 1st, 2017 to March 31st, 2017

| In EUR thousand | Share capital | Share premium account | Accumulated other comprehensive income | Profit reserves | Retained earnings (including net profit for the financial period) | Treasury shares | Total equity |
|---|----------------|-----------------------|--|-----------------|---|-----------------|----------------|
| OPENING BALANCE AS AT 1 Jan 2017 | 300,000 | 1,139 | 13,335 | 70,531 | 10,148 | (1,324) | 393,829 |
| Net profit for the financial period | 0 | 0 | 0 | 0 | 3,575 | 0 | 3,575 |
| Other comprehensive income | 0 | 0 | (485) | 0 | 0 | 0 | (485) |
| Total comprehensive income for the financial period after tax | 0 | 0 | (485) | 0 | 3,575 | 0 | 3,090 |
| CLOSING BALANCE AS AT 31 Mar 2017 | 300,000 | 1,139 | 12,850 | 70,531 | 13,723 | (1,324) | 396,919 |

For the period January 1st, 2016 to March 31st, 2016

| In EUR thousand | Share capital | Share premium account | Accumulated other comprehensive income | Profit reserves | Retained earnings (including net profit for the financial period) | Treasury shares | Total equity |
|---|----------------|-----------------------|--|-----------------|---|-----------------|----------------|
| OPENING BALANCE AS AT 1 Jan 2016 | 300,000 | 1,139 | 5,034 | 54,328 | 4,987 | (1,324) | 364,164 |
| Net profit for the financial period | 0 | 0 | 0 | 0 | 7,787 | 0 | 7,787 |
| Other comprehensive income | 0 | 0 | 4,090 | 0 | 0 | 0 | 4,090 |
| Total comprehensive income for the financial period after tax | 0 | 0 | 4,090 | 0 | 7,787 | 0 | 11,877 |
| CLOSING BALANCE AS AT 31 Mar 2016 | 300,000 | 1,139 | 9,124 | 54,328 | 12,774 | (1,324) | 376,041 |

8.2 Statement of changes in equity of SID Bank Group

For the period January 1st, 2017 to March 31st, 2017

| In EUR thousand | Share capital | Share premium account | Accumulated other comprehensive income | Profit reserves | Retained earnings (including net profit for the financial period) | Treasury shares | Equity attributable to owners of the parent | Total equity |
|---|----------------|-----------------------|--|-----------------|---|-----------------|---|----------------|
| OPENING BALANCE AS AT 1 Jan 2017 | 300,000 | 1,139 | 14,039 | 83,187 | 16,766 | (1,324) | 413,807 | 413,807 |
| Net profit for the financial period | 0 | 0 | 0 | 0 | 3,784 | 0 | 3,784 | 3,784 |
| Other comprehensive income | 0 | 0 | (521) | 0 | 0 | 0 | (521) | (521) |
| Total comprehensive income for the financial period after tax | 0 | 0 | (521) | 0 | 3,784 | 0 | 3,263 | 3,263 |
| Allocation of net profit to profit reserves | 0 | 0 | 0 | (88) | 88 | 0 | 0 | 0 |
| CLOSING BALANCE AS AT 31 Mar 2017 | 300,000 | 1,139 | 13,519 | 83,100 | 20,638 | (1,324) | 417,072 | 417,072 |

For the period January 1st, 2016 to March 31st, 2016

| In EUR thousand | Share capital | Share premium account | Accumulated other comprehensive income | Profit reserves | Retained earnings (including net profit for the financial period) | Treasury shares | Equity attributable to owners of the parent | Total equity |
|---|----------------|-----------------------|--|-----------------|---|-----------------|---|----------------|
| OPENING BALANCE (before adjustment) AS AT 1 Jan 2016 | 300,000 | 1,139 | 5,597 | 71,319 | 5,794 | (1,324) | 382,525 | 382,525 |
| Effects of accounting policy amendments | 0 | 0 | 0 | (5,232) | 5,102 | 0 | (130) | (130) |
| OPENING BALANCE AS AT 1 Jan 2016 | 300,000 | 1,139 | 5,597 | 66,087 | 10,896 | (1,324) | 382,395 | 382,395 |
| Net profit for the financial period | 0 | 0 | 0 | 0 | 7,977 | 0 | 7,977 | 7,977 |
| Other comprehensive income | 0 | 0 | 4,243 | 0 | 0 | 0 | 4,243 | 4,243 |
| Total comprehensive income for the financial period after tax | 0 | 0 | 4,243 | 0 | 7,977 | 0 | 12,220 | 12,220 |
| CLOSING BALANCE AS AT 31 Mar 2016 | 300,000 | 1,139 | 9,840 | 66,087 | 18,873 | (1,324) | 394,615 | 394,615 |

9 Statement of cash flows

| In EUR thousand | SID Bank | | SID Bank Group | |
|--|----------|-----------|----------------|-----------|
| | 1-3/2017 | 1-3/2016 | 1-3/2017 | 1-3/2016 |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| a) Net profit before tax | 4,413 | 9,381 | 4,680 | 9,620 |
| Depreciation/amortisation | 199 | 198 | 276 | 263 |
| Reversal of impairment to loans | (2,085) | (1,558) | (2,085) | (1,558) |
| Impairments to property, plant and equipment, investment property, intangible assets and other assets | 0 | 0 | (28) | 107 |
| Net losses from foreign exchange differences | 269 | 120 | 268 | 118 |
| Net losses from sale of tangible assets and investment properties | 8 | 0 | 8 | 0 |
| Net unrealised gains from non-current assets held for sale and discontinuing operations and liabilities associated therewith | 0 | (153) | 0 | (153) |
| Other adjustments of net profit or loss before tax | (84) | 325 | 539 | 911 |
| Cash flows from operating activities before changes in operating assets and liabilities | 2,720 | 8,313 | 3,658 | 9,308 |
| b) (Increase)/decrease in operating assets | (54,254) | 338,883 | (61,088) | 313,591 |
| Net (increase)/decrease in available-for-sale financial assets | (59,183) | 26,747 | (60,695) | 26,022 |
| Net decrease in loans | 4,986 | 312,250 | 4,985 | 288,840 |
| Net (increase) in assets held for hedging | 0 | (495) | 0 | (495) |
| Net decrease in non-current assets held for sale | 0 | 350 | 0 | 350 |
| Net (increase)/decrease in other assets | (57) | 31 | (5,378) | (1,126) |
| c) Increase/(decrease) in operating liabilities | 41,693 | (303,573) | 47,869 | (302,665) |
| Net (decrease) in financial liabilities held for trading | (11) | 0 | (11) | 0 |
| Net increase/(decrease) in deposits and loans measured at amortised cost | 63,935 | (41,681) | 63,856 | (41,662) |
| Net (decrease) in debt securities measured at amortised cost | (8,977) | (261,858) | (8,977) | (261,858) |
| Net increase in liability held for hedging | 5 | 0 | 5 | 0 |
| Net increase/(decrease) in other liabilities | (13,259) | (34) | (7,004) | 855 |
| d) Cash flows from operating activities (a+b+c) | (9,841) | 43,623 | (9,561) | 20,234 |
| e) (Paid)/refunded corporate income tax | (683) | (1,101) | (752) | (1,125) |
| f) Net cash flows from operating activities (d+e) | (10,524) | 42,522 | (10,313) | 19,109 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| a) Receipts from investing activities | 0 | 0 | 0 | 0 |
| b) Cash payments on investing activities | (25) | (92) | (613) | (88) |
| c) Net cash flows from investing activities (a+b) | (25) | (92) | (613) | (88) |
| D. Effect of exchange rate difference on cash and cash equivalents | 26 | (19) | 26 | (19) |
| E. Net increase in cash assets and cash equivalents (Af+Bc) | (10,549) | 42,430 | (10,926) | 19,021 |
| F. Opening balance of cash and cash equivalents | 147,668 | 13,786 | 153,355 | 42,881 |
| G. Closing balance of cash and cash equivalents (D+E+F) | 137,145 | 56,197 | 142,455 | 61,883 |

10 Other disclosures

10.1 Related party disclosures

Significant relations of SID Bank with subsidiaries and joint ventures

| In EUR thousand | 31.3.2017 | | | 31.12.2016 | | |
|--------------------------|--------------|----------------|---------|--------------|----------------|---------|
| | Subsidiaries | Joint ventures | Total | Subsidiaries | Joint ventures | Total |
| Receivables | | | | | | |
| Loans and advances | 0 | 5,169 | 5,169 | 0 | 17,934 | 17,934 |
| Other financial assets | 7 | 0 | 7 | 7 | 0 | 7 |
| Gross exposure | 7 | 5,169 | 5,176 | 7 | 17,934 | 17,941 |
| Value adjustments | 0 | (2,719) | (2,719) | 0 | (2,527) | (2,527) |
| Net exposure | 7 | 2,450 | 2,457 | 7 | 15,407 | 15,414 |
| Provisions | 0 | 1,347 | 1,347 | 0 | 14,618 | 14,618 |
| Total liabilities | 0 | 1,347 | 1,347 | 0 | 14,618 | 14,618 |

| In EUR thousand | 1-3/2017 | | | 1-3/2016 | | |
|------------------------------|--------------|----------------|-------|--------------|----------------|-------|
| | Subsidiaries | Joint ventures | Total | Subsidiaries | Joint ventures | Total |
| Interest income | 0 | 17 | 17 | 0 | 235 | 235 |
| Revenues from other services | 16 | 0 | 16 | 16 | 0 | 16 |
| Fee and commission expense | 0 | (43) | (43) | 0 | (11) | (11) |
| Provisions | 0 | 16 | 16 | 0 | (495) | (495) |
| Impairments | 0 | (193) | (193) | 0 | 1,665 | 1,665 |
| Total | 16 | (203) | (187) | 16 | 1,393 | 1,409 |

10.2 Segment reporting

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

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

- banking and
- credit and investment insurance.

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

controlling company SID Bank, while credit and investment insurance is carried out by PKZ. The individual operating segments include products and services that differ from the other operating segments in terms of risk and return. Transactions between the operating segments are executed at normal commercial terms.

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

For the period January 1st, 2017 to March 31st, 2017

| In EUR thousand | Banking | Credit and investment insurance | Total | Interrelations in the Group | Relations to third parties |
|--|--------------|---------------------------------|--------------|-----------------------------|----------------------------|
| Interest income | 7,644 | 79 | 7,723 | 0 | 7,723 |
| Interest expenses | (2,468) | 0 | (2,468) | 0 | (2,468) |
| Net interest | 5,176 | 79 | 5,255 | 0 | 5,255 |
| Fee and commission income | 63 | 0 | 63 | 0 | 63 |
| Fee and commission expense | (109) | (4) | (113) | 0 | (113) |
| Net fee and commission | (46) | (4) | (50) | 0 | (50) |
| Net gains realised on financial assets and liabilities not measured at fair value through profit or loss | 278 | 0 | 278 | 0 | 278 |
| Net gains from financial assets and liabilities held for trading | 89 | 0 | 89 | 0 | 89 |
| Net losses from financial assets and liabilities designated at fair value through profit or loss | (444) | 0 | (444) | 0 | (444) |
| Changes in fair value in hedge accounting | (5) | 0 | (5) | 0 | (5) |
| Net gains/losses from exchange differences | (269) | 1 | (268) | 0 | (268) |
| Net gains/losses on derecognition of assets | (8) | 0 | (8) | 0 | (8) |
| Other net operating gains or losses | 406 | 1,843 | 2,249 | (1) | 2,248 |
| NET INCOME/EXPENSES | 5,177 | 1,919 | 7,096 | (1) | 7,095 |
| Other information by segment | (764) | (1,652) | (2,416) | 1 | (2,415) |
| Administrative expenses | (2,649) | (981) | (3,630) | 1 | (3,629) |
| Depreciation and amortisation | (199) | (77) | (276) | 0 | (276) |
| Provisions | (1) | (622) | (623) | 0 | (623) |
| Impairments | 2,085 | 28 | 2,113 | 0 | 2,113 |
| Profit from ordinary operations | 4,413 | 267 | 4,680 | 0 | 4,680 |
| Corporate income tax on ordinary operations | (838) | (58) | (896) | 0 | (896) |
| Net profit for the financial period | 3,575 | 209 | 3,784 | 0 | 3,784 |

31.3.2017

ASSETS AND LIABILITIES

| | | | | | |
|--|-----------|--------|-----------|---------|-----------|
| Total assets | 2,596,259 | 62,814 | 2,659,073 | (8,420) | 2,650,653 |
| Investments in subsidiaries, associates and joint ventures | 8,413 | 0 | 8,413 | (8,413) | 0 |
| Liabilities (other than equity) by segment | 2,199,340 | 34,248 | 2,233,588 | (7) | 2,233,581 |
| Total equity | 396,919 | 28,566 | 425,485 | (8,413) | 417,072 |
| Increase/decrease in property, plant and equipment and intangible assets | (182) | 511 | 329 | 0 | 329 |

For the period January 1st, 2016 to March 31st, 2016

| In EUR thousand | Banking | Credit and investment insurance | Factoring | Total | Interrelations in the Group | Relations to third parties |
|---|---------------|---------------------------------|--------------|---------------|-----------------------------|----------------------------|
| Interest income | 12,153 | 83 | 620 | 12,856 | (128) | 12,728 |
| Interest expenses | (5,554) | 0 | (282) | (5,836) | 123 | (5,713) |
| Net interest | 6,599 | 83 | 338 | 7,020 | (5) | 7,015 |
| Fee and commission income | 466 | 0 | 161 | 627 | 0 | 627 |
| Fee and commission expenses | (148) | (4) | (27) | (179) | 15 | (164) |
| Net fee and commission | 318 | (4) | 134 | 448 | 15 | 463 |
| Net realised gains on financial assets and liabilities not measured at fair value through profit or loss | 5,032 | 0 | 0 | 5,032 | 0 | 5,032 |
| Losses on financial assets and liabilities recognised at fair value through the statement of profit or loss | (1,592) | 0 | 0 | (1,592) | 0 | (1,592) |
| Changes in fair value in hedge accounting | 41 | 0 | 0 | 41 | 0 | 41 |
| Net gains/losses from exchange differences | (120) | 2 | 314 | 196 | 0 | 196 |
| Net gains on derecognition of assets | 0 | 0 | 3 | 3 | 0 | 3 |
| Other net operating gains or losses | 421 | 1,852 | 112 | 2,385 | (11) | 2,374 |
| NET INCOME/EXPENSE | 10,699 | 1,933 | 901 | 13,533 | (1) | 13,532 |
| Other information by segments | (1,318) | (1,694) | (1,178) | (4,190) | (1,169) | (5,359) |
| Administrative costs | (2,467) | (935) | (577) | (3,979) | 1 | (3,978) |
| Depreciations and amortisation | (198) | (65) | (11) | (274) | 0 | (274) |
| Provisions | (364) | (587) | 0 | (951) | 495 | (456) |
| Impairments | 1,558 | (107) | (590) | 861 | (1,665) | (804) |
| Total profit from non-current assets and disposal groups classified as held for sale | 153 | 0 | 0 | 153 | 0 | 153 |
| Profit/loss from ordinary operations | 9,381 | 239 | (277) | 9,343 | (1,170) | 8,173 |
| Corporate income tax on ordinary operations | (1,594) | (49) | (87) | (1,730) | 0 | (1,730) |
| Net profit/loss for the financial period | 7,787 | 190 | (364) | 7,613 | (1,170) | 6,443 |
| 31.12.2016 | | | | | | |
| ASSETS AND LIABILITIES | | | | | | |
| Total assets | 2,548,643 | 55,853 | 22,760 | 2,627,256 | (25,983) | 2,601,273 |
| Long-term interests in subsidiaries, associates and joint ventures | 8,413 | 0 | 0 | 8,413 | (8,413) | 0 |
| Liabilities (other than equity) by segment | 2,154,814 | 27,461 | 19,568 | 2,201,843 | (23,591) | 2,178,252 |
| Total equity | 393,829 | 28,392 | 3,192 | 425,413 | (2,392) | 423,021 |
| Decrease in property, plant and equipment and intangible assets | (310) | (272) | (70) | (652) | 0 | (652) |

10.3 Fair value of financial assets and liabilities

Fair values of financial assets and liabilities measured at fair value

| In EUR thousand | SID Bank | | | | | | | |
|--|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | 31.3.2017 | | | | 31.12.2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | | | | | |
| Available-for-sale financial assets | 18,212 | 773,652 | 44,305 | 836,169 | 18,332 | 724,069 | 35,275 | 777,676 |
| Debt securities | 18,212 | 765,265 | 37,901 | 821,378 | 18,332 | 718,237 | 28,871 | 765,440 |
| Equity securities | 0 | 8,387 | 6,404 | 14,791 | | 5,832 | 6,404 | 12,236 |
| Total financial assets | 18,212 | 773,652 | 44,305 | 836,169 | 18,332 | 724,069 | 35,275 | 777,676 |
| Financial liabilities measured at fair value | | | | | | | | |
| Financial liabilities held for trading | 0 | 212 | 0 | 212 | 0 | 312 | 0 | 312 |
| Derivatives held for hedging | 0 | 33 | 0 | 33 | 0 | 0 | 0 | 0 |
| Total financial liabilities | 0 | 245 | 0 | 245 | 0 | 312 | 0 | 312 |

| In EUR thousand | SID Bank Group | | | | | | | |
|--|----------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | 31.3.2017 | | | | 31.12.2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value | | | | | | | | |
| Available-for-sale financial assets | 42,623 | 774,085 | 44,305 | 861,013 | 41,271 | 724,498 | 35,275 | 801,044 |
| Debt securities | 42,623 | 765,698 | 37,901 | 846,222 | 41,271 | 718,666 | 28,871 | 788,808 |
| Equity securities | 0 | 8,387 | 6,404 | 14,791 | 0 | 5,832 | 6,404 | 12,236 |
| Total financial assets | 42,623 | 774,085 | 44,305 | 861,013 | 41,271 | 724,498 | 35,275 | 801,044 |
| Financial liabilities measured at fair value | | | | | | | | |
| Financial liabilities held for trading | 0 | 212 | 0 | 212 | 0 | 312 | 0 | 312 |
| Derivatives held for hedging | 0 | 33 | 0 | 33 | 0 | 0 | 0 | 0 |
| Total financial liabilities | 0 | 245 | 0 | 245 | 0 | 312 | 0 | 312 |

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

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

the basis of an internal model, taking into account foreign exchange rates, interest rates and the yield curve.

The fair value of available-for-sale financial assets is determined by using quoted prices in active markets for identical assets, or by using quoted prices in active markets for similar assets and quoted prices for identical or similar assets in non-functioning markets.

Table of transfers between levels

| In EUR thousand | SID Bank and SID Bank Group | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| | Transfers from level 1 to level 2 | Transfers from level 2 to level 3 | Transfers from level 2 to level 1 |
| Financial assets measured at fair value | | | |
| Available-for-sale financial assets | 4,861 | 261 | 5,662 |
| Debt securities | 4,861 | 261 | 5,662 |

10.4 Contingent and potential liabilities

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

| In EUR thousand | SID Bank and SID Bank Group | |
|--|-----------------------------|-----------------|
| | 31.3.2017 | 31.12.2016 |
| Guarantees | 18,956 | 32,871 |
| Other off-balance-sheet liabilities | 22,685 | 23,570 |
| Total commitments | 41,641 | 56,441 |
| Provisions for off-balance-sheet risks - guarantees | (1,475) | (14,750) |
| Provisions for off-balance-sheet risks – other off-balance-sheet liabilities | (278) | (327) |
| Total provisions for commitments | (1,753) | (15,077) |

SID Bank or SID Bank Group shows under the commitments item the value of guarantees issued and the value of other off-balance-sheet liabilities which include the value of unused loans and the value of uncalled unpaid capital.

Loans granted to companies that have not been drawn as at 31 March 2017 totals EUR 10.2 million, while loans granted to the bank sector totals EUR 0.5 million. The value of uncalled unpaid capital totals EUR 12 million.

11 Events after reporting date

There were no business events after the reporting date that would have an impact on

the separate and consolidated financial statements of SID Bank and SID Bank Group.