



**INTERIM FINANCIAL REPORT OF
SID BANK AND SID BANK GROUP
JANUARY 1st - MARCH 31st, 2014**

Edition: May 30th, 2014



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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board hereby confirms its responsibility for the preparation of the financial statements of SID Bank and SID Bank Group for three months, ended March 31st, 2014.


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

The management's responsibilities are:

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

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


Jožef Bradeško
Member


Sibil Svilar M.Sc.
President



1 BASIC INFORMATION

Company ID

Company name	SID - Slovenska izvozna in razvojna banka, d. d., Ljubljana
Address	Ulica Josipine Turnograjske 6, 1000 Ljubljana
ID Number	5665493
Tax Number	82155135
VAT Identification Number	SI82155135
Account number	0100 0000 3800 058
BIC (SWIFT)	SIDRSI22
Telephone	+386 1 200 75 00
Telefax	+386 1 200 75 75
E-mail	info@sid.si
Website	http://www.sid.si

SID Bank Group

SID Bank Group is consisted of the following companies:

	Relationship	Ownership share of SID Bank in percent
SID banka, d. d., Ljubljana	Parent company	-
SID – Prva kreditna zavarovalnica, d.d., Ljubljana	Subsidiary company	100
Pro Kolekt, družba za izterjavo, d. o. o., Ljubljana	Subsidiary company	100
Prvi Faktor, faktoring družba, d. o. o., Ljubljana	Joint venture	50
Centre for International Cooperation and Development, Ljubljana	Co-foundation	



2 NOTES TO SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

Separate and consolidated financial statements for the period from January to March 2014 are unaudited.

Statement of compliance

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

Interim financial statements are prepared in a condensed form and include significant notes as requested in accordance with IAS 34 "Interim Financial Reporting". They need to be read in context with Annual Report of SID Bank and SID Bank Group for 2013.

Accounting policies

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

The most important accounting policies, which serve as the measurement basis used for the compilation of financial statements of SID Bank and SID Bank Group and are relevant to the understanding of separate and consolidated financial statements have been consistently applied in both reporting periods, with the exception of the adoption of new standards and amendments which came into force on January 1st 2014.

The newly adopted standards and amendments: IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, a revised version of IAS 27 Separate Financial Statements, which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements and the revised version of IAS 28 Investments in Associates and Joint Ventures, which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11 ; amendments to IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – Transition Guidance ; amendments to IFRS 10 Consolidated Financial Statements , IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities - Investment Entities; amendments to IAS 39 – Novation of derivatives and Continuation of Hedge Accounting ; amendments to IAS 36 - Disclosure of the recoverable amount for non-financial assets; amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities.

Consolidation

Consolidated financial statements include the following companies:

- By the method of full consolidation SID banka and SID – Prva kreditna zavarovalnica
- By the equity method Prvi Faktor Group.

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

Significant events

Due to the poor financial position of Prvi Faktor Group, in January 2014 SID Bank assumed a part of the risks in their portfolio in total amount of EUR 12.2 million. In addition, SID bank in January signed a shareholders' agreement with FIMBank, which enables FIMBank the purchase of a 40 percent ownership in Prvi Faktor Group, with the possibility of its increase to 60 percent. This way, SID Bank would reduce its share in Prvi Faktor Group to 30 percent.

In February 2014, SID Bank was rated by Standard & Poor's Rating Services. SID Bank's long-term rating is A- with a stable outlook, and the short-term rating is A-2. The rating of SID Bank equals the rating of the Republic of Slovenia.

Moreover, the Moody's Investors Service published a new rating of SID Bank in February 2014, which has remained Ba1; however, the outlook for this rating was changed from negative to stable.

In April 2014 SID Bank performed early partial redemption of existing bonds bearing SEDABI 3 21/04/15 with the possibility of payment in cash or replacement for new bonds of SID Bank. All offers were accepted; for the payment in money in a total nominal value of EUR 53.1 million and for the exchange of new bonds in a total nominal value of EUR 95.2 million. In both transactions the offered redemption price was 101.50 percent of the nominal value of the bonds.

For the purpose of replacement bonds after the agreed replacement ratio of 101.70 percent, SID Bank issued a new 3-year bond in a total nominal value of EUR 96.8 million with a coupon rate of 2.25 percent on an annual basis.

3 FINANCIAL HIGHLIGHTS AND PERFORMANCE INDICATORS

Income Statement Summary

(in EUR thousand)	SID Bank		SID Bank Group	
	1-3/2014	1-3/2013	1-3/2014	1-3/2013
Net interest income	11,087	14,183	11,231	14,377
Net non-interest income	4,376	2,513	5,223	3,313
Operating costs	(2,861)	(2,382)	(3,808)	(3,270)
Impairment and Provisions	(7,347)	(5,927)	(7,208)	(6,588)
Profit on ordinary activities	5,255	8,387	5,438	7,832
Net profit for the financial period	4,362	7,203	4,471	6,501

Statement of Financial Position Summary

(in EUR thousand)	31.3.2014	31.12.2013	31.3.2014	31.12.2013
Total assets	3,804,701	3,787,565	3,864,774	3,844,997
Loans to banks	2,632,922	2,614,504	2,646,725	2,626,986
Loans to non-bank customers	617,352	601,136	617,352	601,136
Financial liabilities	3,428,809	3,432,422	3,430,118	3,433,948
Total equity	354,017	345,793	373,198	362,790

Selected indicators¹

(in percent)	SID Bank			SID Bank Group		
	1-3/2014	1-12/2013	1-3/2013	1-3/2014	1-12/2013	1-3/2013
Profitability						
Interest margin	1.16	1.31	1.37	1.12	1.31	1.35
Financial intermediation margin ²	1.62	1.90	1.61	1.65	2.01	1.66
Return on assets before tax	0.55	0.14	0.81	0.54	0.15	0.74
Return on equity before tax	5.97	1.66	9.73	5.99	1.65	8.70
Return on equity after tax	4.96	1.41	8.35	4.93	1.23	7.23
Operating cost						
Operating costs/ average assets	0.30	0.23	0.23	0.38	0.33	0.31
Operating costs/net income	18.50	12.23	14.26	23.14	16.42	18.49
Capital						
Capital adequacy ratio ³	25.06	16.49	14.22	23.61	16.12	13.75
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 ³	6.58	6.45	5.03	7.22	6.92	5.37

	SID Bank			SID Bank Group		
	31.3.2014	31.12.2013	31.3.2013	31.3.2014	31.12.2013	31.3.2013
International credit rating						
Standard & Poor's	A-	Ba1	Ba1			
Moody's	Ba1	Ba1	Ba1			
Number of employees	135	139	125	362	369	353
Shares						
Number of shareholders	1	1	1			
Number of shares	3,121,741	3,121,741	3,121,741			
Nominal value per share (in EUR)	96.10	96.10	96.10			
Book value per share (in EUR)	114.08	111.43	111.40			

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

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

³ The capital adequacy at March 31st 2014 is an estimation. The final calculation is not yet available due to new European legislation, as the deadline for supervisory reporting for the first quarter for all European banks extended to June 30th 2014. The capital adequacy ratio as at March 31st 2014, is higher compared to December 31st 2013, primarily due to changes in certain parameters calculated in accordance with the provisions of the new legislation.

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

4 INCOME STATEMENT

In EUR thousand	SID Bank		SID Bank Group	
	1-3/2014	1-3/2013	1-3/2014	1-3/2013
Interest income	25,542	31,080	25,690	31,280
Interest expenses	(14,455)	(16,897)	(14,459)	(16,903)
Net interest income	11,087	14,183	11,231	14,377
Dividend income	0	1,422	0	0
Fee and commission income	717	802	717	802
Fee and commission expenses	(134)	(156)	(137)	(159)
Fee and commission net income	583	646	580	643
Realised gains on financial assets and liabilities not measured at fair value through profit and loss	313	81	313	82
Gains and losses on financial assets and liabilities held for trading	4	9	4	9
Losses on financial assets and liabilities designated at fair value through profit or loss	3,108	(557)	3,109	(557)
Fair value adjustments in hedge accounting	(75)	364	(75)	364
Exchange differences	(5)	2	(5)	2
Other operating net income	448	546	1,474	2,737
Administration costs	(2,708)	(2,235)	(3,564)	(3,034)
Depreciation	(153)	(147)	244	(236)
Provisions	(10,688)	2,560	(10,520)	2,141
Impairment	3,341	(8,487)	3,312	(8,729)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	0	0	(177)	33
Profit on ordinary activities	5,255	8,387	5,438	7,832
Tax expense (income) related to profit from continuing operations	(893)	(1,184)	(967)	(1,331)
Net profit for the financial period	4,362	7,203	4,471	6,501
Basic earnings per share⁴	1.41	2.32	1.44	2.09

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

5 STATEMENT OF COMPREHENSIVE INCOME

In EUR thousand	SID Bank		SID Bank Group	
	1-3/2014	1-3/2013	1-3/2014	1-3/2013
Net profit for the financial period after tax	4,362	7,203	4,471	6,501
Other comprehensive income after tax	3,861	(1,727)	4,102	(1,974)
Items that may be reclassified subsequently to profit or loss	3,861	(1,727)	4,102	(1,974)
Available for sale financial assets	4,652	(2,031)	4,942	(2,321)
Valuation gains taken to equity	4,965	(1,950)	5,255	(2,239)
Transferred to profit or loss	(313)	(81)	(313)	(82)
Income tax in connection with items that may be reclassified subsequently to profit or loss	(791)	303	(840)	347
Total comprehensive income for the financial period after tax	8,223	5,476	8,573	4,527

6 STATEMENT OF FINANCIAL POSITION

In EUR thousand	SID Bank		SID Bank Group	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013
Cash and cash balances with the central banks	163,101	177,416	163,101	177,416
Available-for-sale financial assets	336,711	344,433	357,412	364,941
Loans	3,251,851	3,216,262	3,265,649	3,228,741
– Loans to banks	2,632,922	2,614,504	2,646,725	2,626,986
– Loans to non - bank customers	617,352	601,136	617,352	601,136
– Other financial assets	1,577	622	1,572	619
Derivatives – hedge accounting	38,764	36,095	38,764	36,095
Property, plant and equipment	3,258	3,324	6,516	6,643
Intangible assets	642	677	1,232	1,258
Investments in subsidiaries, associates and joint ventures	8,831	8,831	2,075	419
Tax assets	789	307	789	338
– Deferred tax assets	789	307	789	338
Other assets	754	220	29,236	29,146
TOTAL ASSETS	3,804,701	3,787,565	3,864,774	3,844,997
Deposits from central banks	207,870	207,742	207,870	207,742
Financial liabilities held for trading	17	17	17	17
Financial liabilities measured at amortised cost	3,220,922	3,224,663	3,222,231	3,226,189
– Deposits from banks	30,364	40,497	30,364	40,497
– Deposits from non-bank customers	6	6	6	6
– Loans and advances from banks	1,567,317	1,574,979	1,568,168	1,575,925
– Loans and advances from non-bank customers	482,473	472,965	482,473	472,965
– Debt securities	1,138,897	1,134,713	1,138,897	1,134,713
– Other financial liabilities	1,865	1,503	2,323	2,083
Derivatives held for hedging	0	129	0	129
Provisions	18,919	8,246	49,023	38,832
Tax liabilities	2,811	785	3,002	1,014
– Current tax liabilities	1,538	785	1,711	1,014
– Deferred tax liabilities	1,273	0	1,291	0
Other liabilities	145	190	9,433	8,284
TOTAL LIABILITIES	3,450,684	3,441,772	3,491,576	3,482,207
Share capital	300,000	300,000	300,000	300,000
Share premium	1,139	1,139	1,139	1,139
Revaluation reserve	5,567	1,706	5,751	1,648
Reserves from profit	41,961	41,961	58,106	58,621
Treasury shares	(1,324)	(1,324)	(1,324)	(1,324)
Retained earnings (including income from the reporting period)	6,673	2,311	9,526	2,706
TOTAL EQUITY	354,016	345,793	373,198	362,790
TOTAL LIABILITIES AND EQUITY	3,804,701	3,787,565	3,864,774	3,844,997

7 STATEMENT OF CHANGES IN EQUITY

7.1 Statement of changes in equity of SID Bank

For the period January 1st, 2014 to March 31st, 2014

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
Balance as at January 1st, 2014	300,000	1,139	1,706	41,961	2,311	(1,324)	345,793
Comprehensive income for the financial period after tax	0	0	3,861	0	4,362	0	8,223
Balance as at March 31st, 2014	300,000	1,139	5,567	41,961	6,673	(1,324)	354,016

For the period January 1st, 2013 to March 31st, 2013

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
Balance as at January 1st, 2013	300,000	1,139	1,003	37,012	2,394	(1,324)	340,224
Comprehensive income for the financial period after tax	0	0	(1,727)	0	7,203	0	5,476
Balance as at March 31st, 2013	300,000	1,139	(725)	37,012	9,598	(1,324)	345,700

7.2 Statement of changes in equity of SID Bank Group

For the period January 1st, 2014 to March 31st, 2014

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
Balance as at January 1st, 2014	300,000	1,139	1,648	58,621	2,706	(1,324)	362,790
Comprehensive income for the financial period after tax	0	0	4,102	0	4,471	0	8,573
Transfer of net profit to reserves from profit	0	0	0	(515)	515	0	0
Other	0	0	0	0	1,834	0	1,834
Balance as at March 31st, 2014	300,000	1,139	5,750	58,106	9,526	(1,324)	373,197

For the period January 1st, 2013 to March 31st, 2013

In EUR thousand	Share capital	Share premium	Revaluation reserves	Reserves from profit	Retained earnings (including income from the reporting period)	Treasury shares	Total equity
Balance as at January 1st, 2013	300,000	1,139	897	52,028	4,891	(1,324)	357,631
Comprehensive income for the financial period after tax	0	0	(1,974)	0	6,501	0	4,527
Transfer of net profit to reserves from profit	0	0	0	735	(735)	0	0
Balance as at March 31st, 2013	300,000	1,139	(1,077)	52,763	10,657	(1,324)	362,158

8 STATEMENT OF CASH FLOWS⁵

In EUR thousand	SID Bank		SID Bank Group	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
A. CASH FLOWS FROM OPERATING ACTIVITIES				
a) Total profit before tax	5,255	8,387	5,438	7,832
Amortisation and depreciation	153	147	244	236
Impairments/(reversal of impairment) of available-for-sale financial assets	(22)	51	(22)	51
Impairments/(reversal of impairment) of loans	(3,319)	8,436	(3,319)	8,436
Impairments of property, plant and equipment, investment property, intangible assets and other assets	0	0	29	242
Share of the profit or loss of associates and joint ventures accounted for using the equity method	0	0	177	(33)
Net (gains)/losses from exchange differences	5	(2)	5	(2)
Other (gains) from investing activities	0	(1,422)	0	0
Other adjustments in pre-tax profit or loss	10,760	(2,932)	10,584	(2,512)
Cash flows from operating activities before changes in operating assets and liabilities	12,832	12,664	13,136	14,250
b) (Increases)/decreases in operating assets	(22,602)	(40,936)	(21,623)	(39,865)
c) Increases/(decreases) in operating liabilities	(2,589)	208,295	(1,926)	210,002
d) Cash flow from operating activities (a+b+c)	(12,359)	180,023	(10,413)	184,387
e) Income taxes (paid)/refunded	651	(576)	570	(948)
f) Net cash flow from operating activities (d+e)	(11,708)	179,447	(9,843)	183,439
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a) Inflows from investing activities	0	1,422	0	0
b) Outflows from investing activities	(52)	(121)	(91)	(129)
c) Net cash from investing activities (a-b)	(52)	1,301	(91)	(129)
D. Effect of foreign exchange differences on cash and cash equivalents	(1)	4	(1)	4
E. Net increase in cash and cash equivalents (Af+Bc)	(11,760)	180,748	(9,934)	183,310
F. Cash and cash equivalents at beginning of the year	206,842	317,641	218,654	327,441
G. Cash and cash equivalents at end of period (D+E+F)	195,081	498,393	208,719	510,755

⁵ Condensed statement of cash flows.