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INTERIM FINANCIAL REPORT

SID Bank and the SID Bank Group

March 2018

Ljubljana, 31 May 2018

Contents

Statement of management's responsibility

The management board approves the financial statements of SID Bank and the SID Bank Group as at 31 March 2018.

The management board is responsible for the preparation of the interim financial report of SID Bank and the SID Bank Group pursuant to IAS 34 Interim Financial Reporting.

The management board's responsibilities are:

- to employ relevant accounting policies, and to ensure that they are consistently applied,
- to make reasonable and prudent accounting estimates and judgements,
- to ensure that the financial statements are compiled on a going-concern basis for SID Bank and the SID Bank Group and in accordance with current legislation and IAS 34 Interim Financial Reporting.

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

Goran Katušin	Sibil Svilan, MSc
member	president

1 General information

SID Bank company profile

Company name	SID – Slovenska izvozna in razvojna banka, d.d., Ljubljana
Registered office	Ulica Josipine Turnograjske 6, 1000 Ljubljana
ID number	5665493
Tax number	82155135
VAT ID No.	SI82155135
Settlement account	0100 0000 3800 058
SWIFT	SIDRSI22
Tel.:	+01 200 75 00
Fax:	+01 200 75 75
E-mail:	info@sid.si
Web:	http://www.sid.si

SID Bank Group

The SID Bank Group comprises:

	Relation	SID Bank's participating interest (in %)
SID banka d.d., Ljubljana	Parent company	-
SID – Prva kreditna zavarovalnica, d.d., Ljubljana	Subsidiary	100
Prvi Faktor Group	Joint venture	50
Centre for International Cooperation and Development, Ljubljana	Joint foundation	-

2 Financial highlight and performance indicators

Summary of the statement of financial position

	SID Bank		SID Bank Group	
(EUR thousand)	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Total assets	2,477,300	2,451,641	2,529,594	2,497,302
Loans and advances to banks	1,014,947	1,032,179	1,020,950	1,037,431
Loans and advances to non-banking clients	601,773	597,740	601,773	597,740
Financial liabilities	2,052,613	2,038,239	2,053,286	2,039,110
Total equity	418,234	409,893	435,981	427,600

Summary of statement of profit and loss

	SID Bank		SID Bank Group	
(EUR thousand)	1-3/2018	1-3/2017	1-3/2018	1-3/2017
Net interest	5,510	5,176	5,573	5,254
Net non-interest income	1,229	1	2,832	1,841
Operating costs	(3,232)	(2,848)	(4,176)	(3,906)
Impairments and provisions	(740)	2,084	(1,368)	1,491
Profit from continuing operations	2,767	4,413	2,861	4,680
Net profit for the accounting period	2,241	3,575	2,316	3,784

Selected indicators[1]

	SID Bank			SID Bank Group		
(in %)	1-3/2018	1-12/2017	1-3/2017	1-3/2018	1-12/2017	1-3/2017
Profitability						
Interest margin	0.9	0.8	0.8	0.9	0.8	0.8
Financial intermediation margin[2]	1.1	0.9	0.8	1.1	0.8	0.8
Return on assets after tax	0.4	0.6	0.6	0.4	0.5	0.6
Return on equity before tax	2.7	4.0	4.5	2.6	3.4	4.5
Return on equity after tax	2.2	3.5	3.6	2.2	2.8	3.6
Operating costs						
Operating costs/average assets	0.5	0.5	0.5	0.7	0.7	0.6
Operating costs/net income	48.0	57.8	55.0	49.7	70.2	55.1
Equity						
Capital adequacy	38.3	36.8	35.9	-	-	-
Leverage ratio	16.1	15.5	14.3	-	-	-

[1] Indicators referring to quarterly periods have been converted to annual levels.

[2] The calculation of the financial intermediation margin for the SID Bank Group does not include income from insurance transactions by SID – Prva kreditna zavarovalnica.

	SID Bank			SID Bank Group		
(in %)	1-3/2018	1-12/2017	1-3/2017	1-3/2018	1-12/2017	1-3/2017
Quality of assets in the statement of financial position and contingent liabilities[3]						
Level of coverage of classified items by impairments and provisions	-	8.0	9.4	-	-	-
Proportion of non-performing claims	-	6.6	10.3	-	-	-
Non-performing exposure (NPE)[4]	4.0	-	-	-	-	-
Non-performing loans (NPL)[5]	6.0	-	-	-	-	-
Non-performing coverage ratio[6]	63.4	-	-	-	-	-

	SID Bank			SID Bank Group		
	31 Mar 2018	31 Dec 2017	31 Mar 2017	31 Mar 2018	31 Dec 2017	31 Mar 2017
No. of employees	171	170	161	269	266	265

	SID Bank		
	31 Mar 2018	31 Dec 2017	31 Mar 2017
International credit rating			
Standard & Poor's	A+	A+	A
Shares			
Number of shareholders	1	1	1
Number of shares	3,121,741	3,121,741	3,121,741
Corresponding amount of share capital of one no-par-value share (EUR)	96.10	96.10	96.10
Book value per share (EUR)	134.77	132.08	126.91

3 The asset quality indicators have been calculated on 1 January 2018 on the basis of the new Regulation on Books of Accounts and Annual Reports of Banks and Savings Banks (Official Gazette of the Republic of Slovenia, No. 69/2017 of 8 December 2017) and Instructions for the preparation of the statement of financial position, statement of profit or loss and statement of comprehensive income and the calculation of performance indicators for banks and savings banks. Because of the change in calculation methodology, the indicators are not comparable with previous periods.

4 Non-performing (balance sheet and off-balance-sheet) exposures / classified balance sheet and off-balance sheet exposures

5 Non-performing loans and other financial assets / classified loans and other financial assets

6 Impairments or value adjustments and provisons for credit losses / non-performing exposures

Reflection of performance in the statement of financial position

As at 31 March 2018, the total assets of SID Bank stood at EUR 2,477.3 million, up 1.1% on the end of 2017.

The largest share of investments remains loans and advances to banks, including loans to and deposits at banks, which totalled EUR 1,014.9 million at the end of the first quarter of this year, and which is 1.7% down on the end of 2017. Loans and advances to non-banking customers in the first quarter of 2018 rose by 0.7%, which is primarily the consequence of lower impairments, which in the first quarter of 2018 are created in accordance with the expected credit losses model introduced in the new IFRS 9. Net loans and advances to non-banking customers stood at EUR 601.8 million at the end of March. Investments in securities, measured at fair value through other comprehensive income, stood at EUR 719.3 million at the end of the quarter.

Deposits and loans from banks and liabilities to the central bank accounted for the largest proportion of liabilities at the end of the first quarter of 2018, at 48.8%, and totalled EUR 1,208.9 million, which is EUR 21.8 million down on the end of 2017. Liabilities to non-banking customers amounted to EUR 488.3 million and did not significantly change with respect to the previous year, which also applies to debt securities issued at EUR 351.1 million.

SID Bank’s equity increased by EUR 8.3 million, up 2.0% on the end of 2017, and stood at EUR 418.2 million at the end of the quarter. The capital increase is the result of the first-quarter profits amounting to EUR 2.2 million and retained earnings created through the effect of the transition to IFRS 9 amounting to EUR 9.6 million, while the positive effect on capital of the items in question is offset by accumulated other comprehensive income, which fell by EUR 3.5 million in the first quarter.

Given the controlling influence of SID Bank within the SID Bank Group, the specific nature of the Group and taking regard of the Group's mutual relations, the SID Bank Group’s total assets were only 2.1% higher than SID Bank’s total assets and stood at EUR 2,529.6 million at the end of March. As a result, the structure of the Group’s assets and liabilities is very similar to those of the Bank.

Reflection of performance in the statement of profit or loss

SID Bank recorded profits from continuing operations of EUR 2.8 million in first quarter 2018, which is EUR 1.6 million down on the same period last year. Net profit amounted to EUR 2.2 million.

The main reason for the lower profits is net expenses for impairments and provisions, which amounted to EUR 0.7 million in first quarter 2018, while the Bank recorded income of EUR 2.0 million under that item in the same period last year.

Net interest amounting to EUR 5.5 million was 6.5% higher than in the first quarter of 2017, which is primarily the result of recording EUR 0.9 million in interest income upon the repayment of bad loans arising from bankruptcy estates. The interest margin expressed as net interest per average assets was 0.89%.

Total net non-interest income was also up on the first quarter of last year, and stood at EUR 1.2 million.

Operating costs in the first quarter of 2018 stood at EUR 3.2 million, of which administrative expenses amounted to EUR 3.0 million, and amortisation and depreciation to EUR 0.2 million. The main reason for the increased costs with respect to the same period last year is increased labour costs due to the higher number of employees.

The SID Bank Group recorded a pre-tax profit from continuing operations of EUR 2.9 million in first quarter 2018, which is EUR 1.8 million down on the same period in 2017. Net profit amounted to EUR 2.3 million.

3 Significant events

In the first quarter of 2018, the Bank continued the procedures for verifying the possibility of selling the subsidiary SID – Prva kreditna zavarovalnica. The procedures have not yet been completed.

4 Notes to the individual and consolidated financial statements

The individual and consolidated financial statements for the period January to March 2018 have not been audited.

Statement of compliance

The financial statements of SID Bank (individual statements) and the SID Bank Group (consolidated statements) have been compiled in accordance with the International Financial Reporting Standards and the corresponding interpretations as approved by the EU, and taking account of the Companies Act, the Banking Act and Bank of Slovenia regulations.

The unaudited interim financial report is compiled in condensed form and contains explanatory notes in line with IAS 34 Interim Financial Reporting. It should be read in connection with the annual report of SID Bank and the SID Bank Group for 2017.

Consolidation

The following are included in the consolidated financial statements:
– full consolidation method: the parent company SID Bank and the subsidiary SID – Prva kreditna zavarovalnica, and
– equity method: the Prvi Faktor Group (joint venture).

Given their lack of material significance to a true and fair picture of the financial statements, SID Bank does not include the Centre for International Cooperation and Development in the consolidated accounts.

Accounting guidelines

As of 1 January 2018, SID Bank began using the new International Financial Reporting Standard 9 Financial Instruments (hereinafter: IFRS 9), issued by the International Accounting Standards Board in July 2014, which replaced International Accounting Standard 39. For this reason the accounting guidelines for financial instruments were changed, and are presented below, while other accounting guidelines which remained unchanged are presented in the annual report of SID Bank and the SID Bank Group for 2017.

Financial instruments

Classification and measurement

Business model

Classification and measurement of financial assets in the financial statements is determined by the selected business model within which financial assets are managed, and the characteristics of their contractual cash flows. Upon their initial recognition, each financial asset is classified into one of the following business models:
1. a model whose purpose is the collection of contractual cash flows (measured at amortised cost),
2. a model whose purpose is the collection of contractual cash flows and sale (measured at fair value through other comprehensive income),
3. other models (measured at fair value through profit or loss and through other comprehensive income).

SID Bank assesses the purpose of the business model under which the financial asset is classified on a portfolio basis, as this is the method used for the management of operating activities and the submission of information to the management. Given its role and framework of operation, SID Bank manages financial assets under the first two basic business models, and only classifies financial assets under the third business model when they fail to meet the conditions of one of the first two business models.

SID Bank's basic business activity involves lending transactions performed either via commercial banks or in cooperation with them, or by lending directly to final beneficiaries. The aim of lending activities is to collect contractual cash flows, which is why these transactions are classified under business model 1.

The purpose of treasury transactions is to manage liquidity, interest rate and currency risks and to provide sources of funding. The purpose of deposit and credit operations is the collection of contractual cash flows and they are therefore classified under business model 1. Transactions in debt securities may only be concluded to collect contractual cash flows or with the eventual aim of sale, and on this basis they can be classified under business model 1 or 2.

According to the requirements of the standard, all equity instruments may only be classified under business model 3. Upon initial recognition, the Bank decides whether it will use an alternative option to measure other comprehensive income, as the Bank does not trade in equity instruments.

Assessment of whether contractual cash flows are comprised solely of payments of principal and interest (SPPI test)

SID Bank carries out an SPPI test for debt instruments assigned to the model whose objective is to collect contractual cash flows and the model whose objective is to collect contractual cash flows and sell financial assets. For the purpose of this assessment, the principal is defined as the fair value of financial assets upon initial recognition. Interest is defined as a fee for time value of money, the credit risk associated with the unpaid principal and other lending risks and costs (liquidity risk and administrative expenses) and the profit margin.

The Bank assesses whether contractual cash flows are comprised solely of payments of principal and interest on the basis of the contractual characteristics of the financial instrument. This estimate also involves the assessment of whether the financial asset contains contractual provisions that may change the time and amount of the contractual cash flows so that this condition would no longer be met. In so doing, the Bank takes account of:
- potential events that could change the time and amount of contractual cash flows;
- the possibility of early repayment or extended loan repayment;
- conditions that restrict the Group's cash flows for certain assets (e.g. subordination of payments);

- characteristics that change the understanding of the time value of money (e.g. periodic resetting of interest rates).

If a debt instrument fails an SPPI test, it has to be measured at fair value.

Categories of financial assets

Based on the business model and the SPPI test carried out for business models 1 and 2, financial assets are divided into the following categories:

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are assets under business model 1, the object of which is the collection of contractual cash flows and for which the contractual provisions stipulate the payment of certain time-dependent cash flows, which constitute solely the payment of the principal and interest on the unpaid principal.

The Bank includes in this category loans and other financial assets such as trade receivables, etc. and debt securities that it has determined that it does not intend to sell.

The effects of interest, foreign exchange differences and impairments are recognised in profit or loss.

Financial assets measured at fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income if it is financial asset under business model 2, the object of which is the collection and sale of cash flows, and for which the contractual provisions stipulate the payment of certain time-dependent cash flows, which constitute solely the payment of the principal and interest on the unpaid principal.

The Bank includes debt securities in this category.

Such assets are recognised at fair value in the statement of financial position. The effects in profit or loss are the same as in the case of measurement at amortised cost, i.e. interest, foreign exchange differences from the amortised cost of the financial assets and impairments. The difference between the amortised cost and the fair value, taking account of the creation of impairments for expected credit losses, is recorded under other comprehensive income.

Upon derecognition the accumulated effect of the measurement is transferred from other comprehensive income to profit or loss.

The Bank also valuates equities at fair value through other comprehensive income. The Bank does not trade in equities and it acquires them either through the conversion of non-performing claims or as a strategic investment, and in each individual case chooses the option of measuring them at fair value through other comprehensive income. In this case only dividend income is recognised in profit or loss, while effects accumulated under other comprehensive income are never transferred to profit or loss, even upon derecognition.

Financial assets at fair value through profit or loss

If financial assets are not measured at amortised cost or fair value through other comprehensive income, they are measured at fair value through profit or loss.

This category includes primarily financial assets mandatorily at fair value through profit or loss and financial assets designated for measurement at fair value through profit or loss.

Financial assets mandatorily at fair value through profit or loss include any debt instruments that are otherwise managed under the first and second business models, but owing to the characteristics of the contractual cash flows did not pass the SPPI test, and derivatives otherwise used for securing other on-balance sheet items but which do not meet all of the conditions to be classified as hedging derivatives.

The Bank would classify debt instruments that passed the SPPI test, but which were defined as hedges upon initial recognition, among financial assets designated for measurement at fair value through profit or loss, if such classification would materially reduce or eliminate accounting discrepancies that occur due to the use of different valuation methods.

Derecognition of modified financial assets

In defining whether a change in financial assets results in derecognition and the recognition of a new financial asset, or the existing financial asset remains recognised and its gross carrying amount is adjusted by a gain or loss arising from the change, SID Bank has applied the criteria below.

The primary criteria for derecognition are:

- when the net present value of modified contractual cash flows of a financial asset differs by more than 10% from the net present value of other cash flows prior to the modification, it is recognised as a material change resulting in derecognition;
- notwithstanding the 10% criterion, the Bank may derecognise an asset in the event the change in repayment terms (e.g. a change in maturity, currency and/or interest rate) did not occur as the result of the debtor's inability to repay debt under the originally agreed terms, but for commercial and/or market-related reasons, and the original exposure was classified as stage 1, in accordance with IFRS 9, for the purpose of creating impairments and/or provisions for credit losses, prior to the change in repayment terms;
- when in accordance with IFRS 9 the change results in the reclassification of an on-balance sheet exposure and a transition to measurement at fair value;
- when a new debtor replaces the original debtor in the credit relationship by virtue of a new contract or annex to the contract based on which the original debtor's debt is repaid. The aforementioned rule shall not apply if the new debtor is part of a group of connected clients that includes the original debtor;
- consolidation of several financial assets into a single or modified structure of new financial assets with a new cash flow scheme;
- a change in contractual currency;
- partial conversion of debt to equity.

Upon derecognition, all costs and fees are disclosed in profit or loss upon derecognition of the original financial asset, and the new financial asset is recognised at fair value or is accordingly lowered by expected credit losses.

Financial liabilities

Financial liabilities are measured either at amortised cost or at fair value through profit or loss.

At initial recognition financial liabilities are classified with regard to the purpose of acquisition, the time held in possession and the type of financial instrument.

Financial liabilities at fair value through profit or loss are:

– financial liabilities held for trading, under which derivatives not used to hedge against risk are classified, and
– hedging derivatives, including derivatives that meet the conditions for hedge accounting.

Net gains/losses on the basis of changes in the fair value of financial liabilities are disclosed in profit or loss.

All other liabilities are classified into the category of liabilities at amortised cost, which comprises liabilities from deposits and loans from banks and central banks and non-banking customers, issued debt securities and other financial liabilities.

Impairments of financial assets and provisions

IFRS 9 replaces the incurred losses model with the expected credit losses model, where in addition to historical data on recoverability it is necessary to take account of macroeconomic forecasts and other internal and external factors that indicate the debtor's solvency in the future.

The new impairment model applies to the following financial instruments:

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income,
- lease receivables,
- off-balance sheet exposures from loan commitments and financial guarantee contracts.

Impairment losses are not recognised under IFRS 9 in the case of equities.

IFRS 9 differentiates between recognition of a loss taking into account all potential losses expected within 12 months, and taking into account all potential losses expected over the entire lifetime of a financial asset. In this connection, SID Bank classifies financial assets subject to impairment under IFRS 9 into the following stages:

- financial assets where there has not yet been a significant increase in credit risk, and for which impairments and/or provisions for credit losses are measured on the basis of expected credit losses over a 12-month period are classified as Stage 1. Interest income from these financial assets are calculated on the basis of the gross carrying amount;
- financial assets where there has been a significant increase in credit risk in the period between initial recognition and the reporting date, and for which impairments and/or provisions for credit losses are measured on the basis of expected credit losses over the entire lifetime of the financial assets are classified as Stage 2. Interest income from these financial assets are calculated on the basis of the gross carrying amount;
- financial assets where there is objective evidence of impairment or there has been a debtor default event, including a financial asset impaired when incurred or at the time of purchase, are classified as Stage 3. Impairments and provisions are calculated, taking into account all potential losses expected in the entire lifetime of a financial asset. Interest income from these financial assets is calculated on the basis of the net carrying amount.

The Bank classifies a financial asset as Stage 1 upon initial recognition, except when a financial asset is impaired when incurred or at the time of purchase. Upon subsequent measurement, the Bank assesses whether there has been a significant increase in credit risk of the financial asset in the period between initial recognition and the assessment date. If the credit risk has not increased significantly or if a financial asset with low credit risk is involved, the financial asset remains classified as Stage 1. If there has been a significant increase in credit risk and the financial asset in question has not been defined as defaulted, the Bank classifies the financial asset as Stage 2.

The requirements of IFRS 9 with regard to impairments are complex and require critical assessments by the management, and estimates and assumptions primarily in the following areas described in detail below:

- assessment of a significant increase in credit risk since initial recognition;
- inclusion of forward-looking information in the measurement of expected credit losses.

Measurement of expected losses from credit risk

The Bank must measure expected credit losses of a financial asset in a manner that takes into account:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money, and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past

events, current conditions and forecasts of future economic conditions.

Expected credit losses are a probability-weighted estimate of credit losses, and for individual financial assets are measured as follows:

– a financial asset where there has been no debtor default event: the present value of the difference between the contractual cash flows that are due to the Bank in accordance with the contract, and the cash flows that the Bank expects to receive;
– a financial asset where there has been a debtor default event, but that is not impaired when incurred or at the time of purchase: the difference between the financial asset's gross carrying amount and the present value of estimated future cash flows;
– an undrawn loan commitment: the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan, and the cash flows that the Bank expects to receive if the loan is drawn down;
– a financial guarantee contract: the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

Definition of default

In determining the default of an obligor, SID Bank applies the definition of a default of an obligor set out in Article 178 of the CRR, namely:

– the obligor is past due more than 90 days on any material credit obligation to SID Bank or any of its subsidiaries, and/or
– it is unlikely that the obligor will settle its credit obligations to SID Bank or any of its subsidiaries in full, without recourse by the Bank to actions such as redemption of collateral or other procedures.

Material increase in credit risk

SID Bank assesses on each reporting date whether the credit risk on the financial asset has increased materially since initial recognition. The Bank assesses material increases in credit risk using reasonable and supportable information at the level of the individual financial asset, taking into account the following criteria:

– a change in credit rating with respect to the initial recognition,
– a change in weighted lifetime probability of default with respect to the initial recognition,
– number of days in arrears at the level of the financial asset is more than 30 days,
– the financial asset becomes a performing forborne financial asset,
– the fair value is lower (by a specified percentage) than the amortised cost of a marketable debt security throughout a specified period.

Inputs used to calculate expected credit losses

SID Bank calculates expected credit losses on the basis of the following methodologies:

– methodology for Stages 1 and 2,
– methodology for Stage 3 – estimate of cash flows,
– methodology for Stage 3 – estimate of collateral.

The inputs used to calculate expected credit losses on the basis of the methodologies for Stages 1 and 2 are the following:

– probability of default (PD),
– loss given default (LGD),
– exposure at default (EAD),
– discount factor.

SID Bank defines the probability-of-default curve and loss-given-default curve for individual homogeneous groups defined internally on the basis of internally developed methodologies.

Probability of default for two main homogeneous PD groups: SID Bank determines exposures to large enterprises in Slovenia and exposures to SMEs in Slovenia on the basis of modelled transition matrices, using the method of the regression of the symmetrical cells of the transition matrices, and uses the Bank of

Slovenia's transition matrices as inputs for the model. For the purposes of determining the probability of default for other main homogeneous PD groups, SID Bank uses the data of the credit rating agency FitchRatings, which is microdata to which SID Bank applies regression methods in survival analysis for modelling.

In the determination of loss given default, SID Bank applies the adjusted parameters contained in the Guidelines for calculating default rate and loss rate issued by the Bank of Slovenia.

SID Bank determines exposure at default with respect to the exposure of a financial asset on the calculation date and the expected future cash flows from the financial asset. When calculating exposures at default for off-balance sheet exposures, SID Bank takes the account of regulatory conversion factors as set out in the CRR.

The effective interest rate determined at initial recognition or an approximation thereof is used as a discount factor. The credit-adjusted effective interest rate determined at initial recognition is used to discount financial assets impaired when incurred or at the time of purchase. In connection with financial guarantee contracts and loan commitments for which the effective interest rate cannot be determined, SID Bank takes into account the weighted interest rate of performing exposures of its credit portfolio.

SID Bank calculates the expected credit losses on financial assets classified as Stage 3 on the basis of the methodology of cash flow estimation or collateral estimation, taking into account forward-looking information.

When a financial asset is impaired when incurred or at the time of purchase and defined as a non-performing exposure, SID Bank calculates the lifetime expected credit losses on the basis of the Stage 3 methodologies. When a financial asset becomes a performing exposure, SID Bank calculates the lifetime expected credit losses on the basis of the Stage 2 methodology.

Forward-looking information

In determining the probability of default, SID Bank takes into account forward-looking information on the basis of the link between the default rate and GDP growth.

When determining loss given default, SID Bank takes into account forward-looking information concerning the parameter Recovery rate for unsecured exposure and the parameter Haircut in the form of the factors of macroeconomic forecasts.

When determining the dependence of the parameter Recovery rate for an unsecured exposure on the state of the economy, SID Bank examined the recovery rates for unsecured exposures depending on the level of the macroeconomic indicator from GDP growth.

In order to calculate the factors of macroeconomic forecasts for the parameter Haircut, SID Bank divided collateral into two groups:

- real estate collateral (commercial and residential real estate),
- other types of collateral (securities, other physical collateral and collaterals based on receivables).

In order to identify the dependence of the real estate value on the state of the economy, SID Bank took into account the connection between the index of the Surveying and Mapping Authority of the Republic of Slovenia and the macroeconomic indicator derived from GDP growth, and for other types of collateral the connection between the values of the collateral in the Bank's portfolio and the macroeconomic indicator derived from GDP growth.

SID Bank uses the same macroeconomic forecasting factors to calculate expected credit losses for the entire portfolio. The factors of macroeconomic forecasts are taken into account in the calculation of individual points on the loss-given-defaults curve for the exposures classified in Stages 1 and 2, and in the calculation of estimated repayments for the exposures in Stage 3.

When calculating expected credit losses, SID Bank takes into account three scenarios of macroeconomic forecasts, or more in the event that major shocks are expected. The scenarios usually comprise basic, favourable and unfavourable projections of the primary macroeconomic factors. The gap between the favourable and unfavourable scenarios reflects the internally evaluated risk in the domestic macro-financial environment.

Forborne loans

Forborne loans are loans resulting from the debtor's inability to repay a debt under the originally agreed terms, either by modifying the terms of the original contract or by signing a new contract under which the contracting parties agree on the partial or total repayment of the original debt.

In the forbearance of loans, financial difficulties and the ability to repay a debt are assessed by the Bank at the level of the debtor. All associate companies in the Group subject to consolidation for accounting purposes are classed as debtors. The debtor's ability to repay the debt is assessed by the Bank, in addition to the possibility of the acceptance of other assets or repayment via the redemption of loan collateral, primarily from the perspective of the impact of the forbearance on the sufficiency of cash flows from the debtor's operating activities or from the perspective of the possibility of controlling those affiliates that are capable of generating cash flows from operating activities.

The Bank forbears financial loans vis-à-vis debtors by undertaking one or more activities that it would not normally decide to undertake were the debtor in a normal economic and financial position. The potential activities which can be undertaken individually or in combination are determined by the implementing regulation issued by the Bank of Slovenia, namely:

- an extension of the deadline or a deferral of the repayment of the claims,
- a reduction in the interest rate and/or other charges,
- a reduction in the amount of the claims as a result of contractually agreed debt forgiveness and/or ownership restructuring,
- conversion of the claims into an equity investment in a debtor,
- acceptance of other assets (including the redemption of loan collateral) for the partial or full repayment of the claims, and
- other activities.

All differences resulting from forbearance are recognised in profit or loss.

The Bank documents all decisions regarding the forbearance of loans whose value exceeds EUR 100,000 with an appropriate analysis of alternative solutions with their economic effects (from the redemption of collateral, the sale of financial assets, the termination of an agreement, and any other activities).

The Bank provides analytical records for forborne loans in its books of account, including information about the method of forbearance (via an annex or a new contract), the types of forbearance, the dates of forbearance, and effects that change the value of loans, including the effects of write-offs and derecognition from the statement of financial position, a change in the probability of loss, a change in the debtor's credit rating and a potential change in the performance status of the forborne loans.

5 Disclosures upon the introduction of IFRS 9

SID Bank first applied IFRS 9 on 1 January 2018 and did not make use of the possibility of the early application of the amendments to the standard which apply to annual periods starting on 1 January 2019 or later. Due to option of later application of IFRS 9, the subsidiary SID PKZ did not change over to IFRS 9 in its individual statements. In view of the fact that the calculated effects are non-material (less than EUR 20 thousand), it also does not provide the calculation of impairments pursuant to the IFRS 9 for purposes of consolidation.

In line with the transitional provisions of IFRS 9, data for the previous year are not recalculated in line with the new standard, therefore the on-balance sheet items in the financial statements for the previous year are presented in accordance with the accounting schemas that were in force in the previous year.

Companies can use hedge accounting in accordance with IAS 39 until the new standard on macro-hedging is published by the International Accounting Standards Board. SID Bank uses this option.

The cumulative effect of the introduction of IFRS 9 on retained earnings from the transition to IFRS 9 for SID Bank as at 1 January 2018 amounts to EUR 9,557 thousand, and comprises:
- EUR -5,595 thousand from the effect of classification and measurement,
- EUR 50,495 thousand from the effect of impairments,
- EUR -2,239 thousand from the effect of current and deferred taxes,
- EUR -33,104 thousand of decrease in total positive effects resulting from the transfer of the effect to liabilities to the MEDT arising from loan funds.

SID Bank classifies exposures from loan funds as on-balance sheet items of SID Bank. Nevertheless, the performance of loan funds is established separately, and potential negative result of loan funds is covered first from the MEDT funds invested as a reduction of liabilities to the MEDT. On this basis, the subsequent positive result is also first allocated to the MEDT as an increase in liabilities to the MEDT so that the previously reduced liability resulting from the negative result of the loan funds increases again. Since part of the positive effect of the transition to IFRS 9 amounting to EUR 33,104 thousand relates to loans from loan funds, liabilities to the MEDT were increased by this amount, and there was no effect on retained earnings from this part of the effect of the transition.

In view of the fact that the Bank did not reclassify any financial liabilities, and does not recognise any financial liabilities except hedging derivatives at fair value, there were no effects arising from the transition to IFRS 9 with regard to financial liabilities. Therefore, only the effects of the transition relating to financial assets are disclosed below.

Classification and measurement

SID Bank did not reclassify any financial assets upon the transition to IFRS 9, except loans which owing to their failure to pass the SPPI test had to be reclassified as mandatorily measured at fair value through profit or loss. All debt securities that in accordance with IAS 39 were classified as available-for-sale were classified as measured at fair value through other comprehensive income. For equities, that were also classified as available-for-sale in accordance with IAS 39, the Bank exercised the option of measurement at fair value through other comprehensive income, such that the entire securities portfolio remained valued at fair value through other comprehensive income. An overview of the changes to the measurement categories and the carrying values of financial assets as at 31 December 2017 in accordance with IAS 39 and as at 1 January 2018 in accordance with IFRS 9 is given in the following table.

(EUR thousand)	Comment	Category under IAS 39: Portfolio	Category under IAS 39: Measurement category	Item and new category under IFRS 9	Original carrying amount in accordance with IAS 39	New carrying amount in accordance with IFRS 9
Cash, cash balances at central banks and demand deposits at banks	1.	Loans and receivables	Amortised cost	Cash, cash balances at central banks and demand deposits at banks (amortised cost)	71,071	71,071
Available-for-sale financial assets						
Debt instruments	2.	Available-for-sale financial assets	Fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income	714,287	714,287
Equities		Available-for-sale financial assets	Fair value through other comprehensive income	Financial assets measured at fair value through other comprehensive income – option	16,234	16,234
Loans						
Loans and advances to banks		Loans and receivables	Amortised cost	Financial assets measured at amortised cost	1,032,179	1,039,135
Loans and advances to non-bank customers	3.	Loans and receivables	Amortised cost	Financial assets measured at amortised cost	579,212	613,808
				Non-trading financial assets mandatorily at fair value through profit or loss	18,528	18,019
Other financial assets		Loans and receivables	Amortised cost	Financial assets measured at amortised cost	1,553	1,553

Comments:

1. The Bank also calculates expected credit losses for cash balances at the central bank and demand deposits at banks, but the impairment amounts established are non-material, so the impairments were not recognised.

2. All securities remain measured at fair value through other comprehensive income, therefore their values did not change.

3. The on-balance sheet item loans under IAS 39 is reclassified under IFRS 9 partly into the category of financial assets at amortised cost and partly as financial assets mandatorily at fair value through profit or loss. The differences in the carrying amounts arise from the changed level of impairments for loans at amortised cost and from valuation at fair value for loans at fair value.

4. In accordance with both standards, other financial assets are valuated at amortised cost and expected credit losses are established for them, but due to the non-materiality of the amounts the impairments were not recognised.

The effects of the reclassification and revaluation of financial assets are shown in the table below:

(EUR thousand)	IAS 39 31 Dec 2017	Reclassification	Remeasurement	IFRS 9 1 Jan 2018
Fair value through profit or loss	-			
from amortised cost	-	18,528	(509)	18,019
Total fair value through profit or loss	-	18,528	(509)	18,019
Fair value through other comprehensive income	-			
from available-for-sale financial assets (IAS 39)	-	730,521	0	730,521
Total fair value through other comprehensive income	-	730,521	0	730,521
Amortised cost				
to fair value through profit or loss (IFRS 9)	18,528	(18,528)	-	-
amortised cost (IAS 39) (change to impairment)	1,612,944	0	41,552	1,654,496
Total amortised cost	1,631,472	(18,528)	41,552	1,654,496
Available-for-sale financial assets (IAS 39)	730,521	(730,521)	-	N/A
Total assets IFRS 9, reclassification and remeasurement	2,361,993	0	41,043	2,403,036

Impairments and provisions

Upon the transition to IFRS 9, SID Bank reduced its impairments, as can be seen in the table below:

(EUR thousand)	IAS 39 impairments and provisions 31 Dec 2017	Impairments used in transition to fair value	Impairments used in transition to POCI	Changes to impairments and provisions	IFRS 9 1 Jan 2018
Fair value through profit or loss					
from amortised cost	-	-	-	-	-
Total fair value through profit or loss	-	-	-	-	-
Fair value through other comprehensive income					
from available-for-sale financial assets (IAS 39)	2,768	-	-	(1,724)	1,044
Total fair value through other comprehensive income	2,768	-	-	(1,724)	1,044
Amortised cost					
from amortised cost	97,173	-	(29,578)	(44,294)	23,301
to fair value through profit or loss (IFRS 9)	45,837	(45,837)	-	-	-
Total amortised cost	143,010	(45,837)	(29,578)	(44,294)	23,301
Total impairments under IFRS 9	143,010	(45,837)	(29,578)	(46,018)	24,345
Provisions for off-balance sheet liabilities	2,946	-	-	(2,134)	812
Total impairments and provisions under IFRS 9	145,956	(45,837)	(29,578)	(48,152)	25,157

The total effect on securities that in accordance with IAS 39 were classified as available-for-sale were classified under IFRS 9 as measured at fair value through other comprehensive income and amounted to EUR 1,724 thousand. Impairments were created for debt securities amounting to EUR 1,044 thousand, while under IAS 39 the Bank had created a permanent impairment of equities amounting to EUR 2,768 thousand, which it discontinued upon the transition to IFRS 9.

The positive effect on financial assets measured at amortised cost in a total amount of EUR 118,665 thousand is composed of three parts:

- EUR 44,294 thousand in impairments were discontinued for loans that remain measured at fair value and were not classified among POCI items upon transition;
- for loans that were classified among POCI items upon transition, EUR 29,578 thousand in revaluations were used for the recognition of those loans at net value with a credit-adjusted effective interest rate;

- for loans that did not pass the SPPI test upon transition and under IFRS 9 are measured at fair value, EUR 45,837 thousand of impairments was used for the valuation of those loans at fair value.

Corporate income tax assets and liabilities

(EUR thousand)	IAS 39 31 Dec 2017	Effect IFRS 9	IFRS 9 1 Jan 2018
Tax assets	4,086	95	4,181
Tax liabilities	447	2,006	2,453

Upon the transition to IFRS 9, gross retained earnings increased by EUR 11,796 thousand, of which EUR 2,333 thousand was calculated as corporate income tax, while deferred tax assets were created in the amount of EUR 95 thousand. In addition, the gross effect of the transition on other comprehensive income was negative in the amount of EUR 1,723 thousand, of which deferred tax assets were created in the amount of EUR 327 thousand. The net effect on retained earnings was thus positive at EUR 9,557 thousand, while the net effect on accumulated other comprehensive income was negative at EUR 1,395 thousand.

6 Statement of financial position

	SID Bank		SID Bank Group	
(EUR thousand)	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Cash, cash balances at central banks and demand deposits at banks	97,471	71,071	104,784	75,950
Available-for-sale financial assets	N/A	730,521	N/A	750,004
Non-trading financial assets mandatorily at fair value through profit or loss	18,252	N/A	18,252	N/A
Financial assets measured at fair value through other comprehensive income	719,275	N/A	738,395	N/A
Financial assets measured at amortised cost	1,618,743	1,631,472	1,624,751	1,636,725
Loans and advances to banks	1,014,947	1,032,179	1,020,950	1,037,431
Loans and advances to non-bank customers	601,773	597,740	601,773	597,740
Other financial assets	2,023	1,553	2,028	1,554
Derivatives - hedge accounting	28	0	28	0
Investments in subsidiaries, associates and joint ventures	8,413	8,413	0	0
Property, plant and equipment	5,055	4,992	7,495	7,476
Intangible assets	819	804	1,260	1,281
Tax assets	8,878	4,086	9,439	4,513
Current tax assets	5,438	4,086	5,999	4,513
Deferred tax assets	3,440	0	3,440	0
Other assets	366	282	25,190	21,353
TOTAL ASSETS	**2,477,300**	**2,451,641**	**2,529,594**	**2,497,302**
Financial liabilities measured at amortised cost	2,051,724	2,038,146	2,052,397	2,039,017
Deposits from banks and central banks	9,993	25,264	9,993	25,264
Loans from banks and central banks	1,198,969	1,205,543	1,198,969	1,205,543
Loans from non-bank customers	488,300	454,828	488,300	454,828
Debt securities	351,123	350,320	351,123	350,320
Other financial liabilities	3,339	2,191	4,012	3,062
Derivatives - hedge accounting	889	93	889	93
Provisions	874	2,946	31,084	27,137
Tax liabilities	5,454	447	5,568	569
Current tax liabilities	2,465	0	2,465	0
Deferred tax liabilities	2,989	447	3,103	569
Other liabilities	125	116	3,675	2,886
TOTAL LIABILITIES	2,059,066	2,041,748	2,093,613	2,069,702
Share capital	300,000	300,000	300,000	300,000
Share premium	1,139	1,139	1,139	1,139
Accumulated other comprehensive income	11,987	15,444	12,576	16,068
Profit reserves	88,006	88,005	104,507	107,859
Treasury shares	(1,324)	(1,324)	(1,324)	(1,324)
Retained earnings (including net profit for the period)	18,426	6,629	19,083	3,858
Equity attributable to owners of the parent bank	418,234	409,893	435,981	427,600
TOTAL EQUITY	418,234	409,893	435,981	427,600
TOTAL LIABILITIES AND EQUITY	**2,477,300**	**2,451,641**	**2,529,594**	**2,497,302**

7 Statement of profit or loss

	SID Bank		SID Bank Group	
(EUR thousand)	1-3/2018	1-3/2017	1-3/2018	1-3/2017
Interest income	7,665	7,644	7,728	7,723
Interest expense	(2,155)	(2,468)	(2,155)	(2,469)
Net interest	5,510	5,176	5,573	5,254
Fee and commission income	42	63	42	63
Fee and commission expenses	(61)	(109)	(65)	(113)
Net fees and commissions	(19)	(46)	(23)	(50)
Net gains/losses on financial assets and liabilities not measured at fair value through profit or loss	413	278	413	278
Net gains/losses on financial assets and liabilities held for trading	(1)	89	(1)	89
Net gains/losses on non-trading financial assets mandatorily at fair value through profit or loss	204	N/A	204	N/A
Net gains/losses on financial assets and liabilities designated at fair value through profit or loss	(170)	(444)	(170)	(444)
Changes in fair value in hedge accounting	(24)	(5)	(24)	(5)
Net foreign exchange gains/losses	(59)	(269)	(59)	(268)
Net gains/losses on derecognition of non-financial assets	4	(8)	4	(8)
Other net operating gains/losses	881	406	2,488	2,249
Administrative expenses	(3,014)	(2,649)	(3,841)	(3,630)
Depreciation and amortisation	(218)	(199)	(335)	(276)
Provisions	(64)	(1)	(689)	(622)
Impairments	(676)	2,085	(679)	2,113
Profit before tax from continuing operations	**2,767**	**4,413**	**2,861**	**4,680**
Income tax on continuing operations	(526)	(838)	(545)	(896)
Net profit for the financial period	**2,241**	**3,575**	**2,316**	**3,784**
Attributable to owners of the parent bank	2,241	3,575	**2,316**	3,784
Basic earnings per share/Diluted earnings per share (in EUR)	0.72	1.15	0.75	1.22

8 Statement of comprehensive income

	SID Bank		SID Bank Group	
(EUR thousand)	1-3/2018	1-3/2017	1-3/2018	1-3/2017
Net profit for the accounting period after tax	2,241	3,575	2,316	3,784
Other comprehensive income after tax	(2,061)	(485)	(2,095)	(521)
Items that will not be reclassified to profit or loss	6,527	0	6,527	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	8,058	N/A	8,058	N/A
Income tax relating to items that will not be reclassified in profit or loss	(1,531)	0	(1,531)	0
Items that may be reclassified subsequently to profit or loss	(8,588)	(485)	(8,622)	(521)
Cash flow hedges (effective portion)	(801)	0	(801)	0
Valuation gains/losses taken to equity	(824)	0	(824)	0
Transferred to profit or loss	23	0	23	0
Available-for-sale financial assets	N/A	(599)	N/A	(643)
Valuation gains/(losses) taken to equity	N/A	488	N/A	444
Transferred to profit or loss	N/A	(1,087)	N/A	(1,087)
Debt instruments at fair value through other comprehensive income	(9,801)	N/A	(9,843)	N/A
Valuation gains/(losses) taken to equity	(9,388)	N/A	(9,430)	N/A
Transferred to profit or loss	(413)	N/A	(413)	N/A
Income tax relating to items that may be subsequently reclassified to profit or loss	2,014	114	2,022	122
Total comprehensive income for the period after tax	**180**	**3,090**	**221**	**3,263**
Attributable to owners of the parent bank	180	3,090	221	3,263

9 Statement of changes in equity

9.1 Statement of changes in equity at SID Bank

For the period 1-3/2018

(EUR thousand)	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the accounting period)	Treasury shares	Total equity
Opening balance (before adjustment) as at 1 Jan 2018 (IAS 39)	300,000	1,139	15,444	88,005	6,629	(1,324)	409,893
Effects of changes in accounting policies (IFRS 9)	0	0	(1,396)	0	9,557	0	8,161
Opening balance as at 1 Jan 2018 (IFRS 9)	300,000	1,139	14,048	88,005	16,186	(1,324)	418,054
Net profit for the period	0	0	0	0	2,241	0	2,241
Other comprehensive income	0	0	(2,061)	0	0	0	(2,061)
Total comprehensive income for the period after tax	0	0	(2,061)	0	2,241	0	180
Closing balance as at 31 Mar 2018	**300,000**	**1,139**	**11,987**	**88,005**	**18,427**	**(1,324)**	**418,234**

For the period 1-3/2017

(EUR thousand)	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the accounting 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 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 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**

9.2 Statement of changes in equity of the SID Bank Group

For the period 1-3/2018

(EUR thousand)	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the accounting period)	Treasury shares	Equity attributable to owners of the parent bank	Total equity
Opening balance (before adjustment) as at 1 Jan 2018 (IAS 39)	300,000	1,139	16,068	107,859	3,858	(1,324)	427,600	427,600
Effects of changes in accounting policies (IFRS 9)	0	0	(1,396)	0	9,557	0	8,161	8,161
Opening balance as at 1 Jan 2018 (IFRS 9)	300,000	1,139	14,672	107,859	13,415	(1,324)	435,761	435,761
Net profit for the period	0	0	0	0	2,316	0	2,316	2,316
Other comprehensive income	0	0	(2,095)	0	0	0	(2,095)	(2,095)
Total comprehensive income for the period after tax	0	0	(2,095)	0	2,316	0	221	221
Allocation of net profit to profit reserves	0	0	0	(3,353)	3,353	0	0	0
Closing balance as at 31 Mar 2018	**300,000**	**1,139**	**12,576**	**104,507**	**19,083**	**(1,324)**	**435,982**	**435,982**

For the period 1-3/2017

(EUR thousand)	Share capital	Share premium	Accumulated other comprehensive income	Profit reserves	Retained earnings (including net profit for the accounting period)	Treasury shares	Equity attributable to owners of the parent bank	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 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 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**	**13,518**	**83,099**	**20,638**	**(1,324)**	**417,070**	**417,070**

10 Cash flow statement

	SID Bank		SID Bank Group	
(EUR thousand)	1-3/2018	1-3/2017	1-3/2018	1-3/2017
A. CASH FLOWS FROM OPERATING ACTIVITIES				
a) Net profit or loss before tax	2,767	4,413	2,861	4,680
Depreciation and amortisation	218	199	335	276
Impairments/(reversal of impairments) of investments in debt instruments at fair value through other comprehensive income	(47)	N/A	(47)	N/A
Impairments/(reversal of impairments) of loans and other financial assets measured at amortised cost	723	(2,085)	723	(2,085)
Impairments of tangible assets (including investment property), intangible assets and other assets	0	0	3	(28)
Net foreign exchange (gains)/losses	59	269	59	268
Net (gains)/losses through the sale of property, plant and equipment	(4)	8	(4)	8
Other adjustments in pre-tax profit	(139)	(84)	485	539
Cash flows from operating activities before changes in operating assets and liabilities	3,577	2,720	4,415	3,658
b) (Increase)/decrease in operating assets	44,312	(54,254)	40,130	(61,088)
Net (increase)/decrease in available-for-sale financial assets	N/A	(59,183)	N/A	(60,695)
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	(29)	N/A	(29)	N/A
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	9,881	N/A	10,210	N/A
Net (increase)/decrease in loans and other financial assets measured at amortised cost	34,541	4,986	33,786	4,985
Net (increase)/decrease in hedging derivatives	3	0	3	0
Net (increase)/decrease in other assets	(84)	(57)	(3,840)	(5,378)
c) Increase/(decrease) in operating liabilities	(18,971)	41,693	(12,995)	47,869
Net increase/(decrease) in financial liabilities held for trading	0	(11)	0	(11)
Net increase/(decrease) in deposits and loans measured at amortised cost	(19,896)	63,935	(20,094)	63,856
Net increase/(decrease) in issued debt securities measured at amortised cost	733	(8,977)	733	(8,977)
Net increase/(decrease) in hedging derivatives	185	5	185	5
Net increase/(decrease) in other liabilities	7	(13,259)	6,181	(7,004)
d) Cash flows from operating activities (a+b+c)	28,918	(9,841)	31,550	(9,561)
e) (Paid)/refunded corporate income tax	(2,223)	(683)	(2,384)	(752)
f) Net cash flow from operating activities (d+e)	26,695	(10,524)	29,166	(10,313)
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a) Receipts from investing activities	4	0	4	0
b) Cash payments from investing activities	(296)	(25)	(333)	(613)
c) Net cash flow from investing activities (a-b)	(292)	(25)	(329)	(613)
D. Effect of foreign exchange differences on cash and cash equivalents	(3)	26	(3)	26
E. Net increase in cash and cash equivalents (Af+Bc)	26,403	(10,549)	28,837	(10,926)
F. Opening balance of cash and cash equivalents	71,071	147,668	75,950	153,355
G. Closing balance of cash and cash equivalents (D+E+F)	97,471	137,145	104,784	142,455

11 Other disclosures

11.1 Disclosures relating to connected clients

Significant relations of SID Bank with subsidiaries and joint ventures

(EUR thousand)	31 Mar 2018			31 Dec 2017		
	Subsidiary companies	Joint ventures	Total	Subsidiary companies	Joint ventures	Total
Receivables						
Loans	0	1,793	1,793	0	2,988	2,988
Other financial assets	5	0	5	5	0	5
Gross exposure	5	1,793	1,798	5	2,988	2,993
Impairments	0	(441)	(441)	0	(1,590)	(1,590)
Net exposure	5	1,352	1,357	5	1,398	1,403
Other financial liabilities	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	0

(EUR thousand)	1-3/2018			1-3/2017		
	Subsidiary companies	Joint ventures	Total	Subsidiary companies	Joint ventures	Total
Interest income	0	15	15	0	17	17
Revenues from other services	11	0	11	16	0	16
Fee and commission expenses	0	0	0	0	(43)	(43)
Provisions	0	0	0	0	16	16
Impairments	0	98	98	0	(193)	(193)
Total	11	113	124	16	(203)	(187)

11.2 Reporting by operating segment

Allocation and disclosure by operating segment is carried out on the basis of the attributes of individual business activities at the SID Bank Group. The majority of the SID Bank Group's operating activities are on the domestic market, for which reason the Group does not disclose additional itemisation by geographical area.

The SID Bank Group's business activities can be divided into two operating segments:
- banking, and
- collateralisation of receivables.

Each operating segment is organised as a legal entity in the form of an independent undertaking. Within the SID Bank Group, banking services are provided by the controlling company SID Bank and collateralisation of receivables is carried out at 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 under normal commercial terms.

For the period 1-3/2018

(EUR thousand)	Banking	Collateralisation of receivables	Total	Mutual relations	Relations to third parties
Interest income	7,665	63	7,728	0	7,728
Interest expense	(2,155)	0	(2,155)	0	(2,155)
Net interest	5,510	63	5,573	0	5,573
Fee and commission income	42	0	42	0	42
Fee and commission expenses	(61)	(4)	(65)	0	(65)
Net fees and commissions	(19)	(4)	(23)	0	(23)
Net gains on financial assets and liabilities not measured at fair value through profit or loss	413	0	413	0	413
Net losses on financial assets and liabilities held for trading	(1)	0	(1)	0	(1)
Net gains on non-trading financial assets mandatorily at fair value through profit or loss	204	0	204	0	204
Net losses on financial assets and liabilities designated at fair value through profit or loss	(170)	0	(170)	0	(170)
Changes in fair value in hedge accounting	(24)	0	(24)	0	(24)
Net foreign exchange losses	(59)	0	(59)	0	(59)
Net gains on derecognition of non-financial assets	4	0	4	0	4
Other net operating gains	881	1,608	2,489	(1)	2,488
NET REVENUES/EXPENSES	6,739	1,667	8,406	(1)	8,405
Other information by segment	(3,972)	(1,573)	(5,545)	1	(5,544)
Administrative expenses	(3,014)	(828)	(3,842)	1	(3,841)
Depreciation and amortisation	(218)	(117)	(335)	0	(335)
Provisions	(64)	(625)	(689)	0	(689)
Impairments	(676)	(3)	(679)	0	(679)
Profit from continuing operations	2,767	94	2,861	0	2,861
Income tax on continuing operations	(526)	(19)	(545)	0	(545)
Net profit for the financial period	2,241	75	2,316	0	2,316
31 Mar 2018					
ASSETS AND LIABILITIES					
Total assets	2,477,300	60,712	2,538,012	(8,418)	2,529,594
Long-term investments in subsidiaries, associates and joint ventures	8,413	0	8,413	(8,413)	0
Liabilities (other than equity) by segment	2,059,066	34,552	2,093,618	(5)	2,093,613
Total equity	418,234	26,160	444,394	(8,413)	435,981
Appreciation/(depreciation) of property, plant and equipment and intangible assets	78	(80)	(2)	0	(2)

The Mutual relations column shows all income and expenses generated between SID Bank Group companies, income from subsidiary dividends, mutual claims and liabilities of SID Bank Group companies, investments in subsidiaries and other consolidation bookings (accounting entries).

For the period 1-3/2017

(EUR thousand)	Banking	Collateralisation of receivables	Total	Mutual relations	Relations to third parties
Interest income	7,644	79	7,723	0	7,723
Interest expense	(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 expenses	(109)	(4)	(113)	0	(113)
Net fees and commissions	(46)	(4)	(50)	0	(50)
Net gains on financial assets and liabilities not measured at fair value through profit or loss	278	0	278	0	278
Net gains on financial assets and liabilities held for trading	89	0	89	0	89
Net losses on 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 foreign exchange gain/loss	(269)	1	(268)	0	(268)
Net losses on derecognition of non-financial assets	(8)	0	(8)	0	(8)
Other net operating gains	406	1,843	2,249	(1)	2,248
NET REVENUES/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
Gain/loss from continuing operations	4,413	267	4,680	0	4,680
Income tax on continuing operations	(838)	(58)	(896)	0	(896)
Net gain/loss for the financial period	3,575	209	3,784	0	3,784
31 Mar 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
Appreciation/(depreciation) of property, plant and equipment and intangible assets	(182)	511	329	0	329

11.3 Fair value of financial assets and liabilities

Fair value of financial assets and liabilities

Fair value is the price that would be received when selling an asset or paid when transferring a liability in a standard transaction between market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique.

The fair value of financial assets and financial liabilities traded on an active market is based on the published market prices. SID Bank and the SID Bank Group establish fair value for all other financial instruments using other valuation techniques.

An active market is a market on which frequent transactions are made using assets or liabilities whereby public information on prices is provided on a regular basis.

SID Bank and the SID Bank Group measure fair value using a fair value hierarchy that reflects the significance of the input data.

– Level 1: quoted prices on active markets for identical assets or liabilities to which SID Bank and the SID Bank Group have access as at the measurement date. For the SID Bank Group, level 1 includes investments in bonds, to which the MTS rate applies within the MTS Slovenia trading system, and the Composite Bloomberg Bond Trader (CBBT) rate applies for other trading systems.

– Level 2: inputs other than the quoted prices included in level 1 that can be directly (prices) or indirectly (derived from prices) observed for assets or liabilities. In level 2, SID Bank and the SID Bank Group include financial instruments valuated through the use of quoted prices for similar assets and liabilities on active markets, quoted prices for equivalent or similar assets and liabilities on inactive markets, or inputs that are not quoted prices and can be observed as assets or liabilities, e.g. interest rates and yield curves. Level 2 also includes investment in bonds, which are valuated based on the Bloomberg Generic Price (BGN), as this rate is identical to the interbank or OTC market rate. The BGN is otherwise not a direct rate that SID Bank and the SID Bank Group could use to sell securities on the valuation date, but its use ensures impartiality in valuation, and the price is a reflection of the actual transactions on the market and is an appropriate indicator of the prices that could be achieved through the sale of bonds on the market. The prices of sellers do not deviate from the applied rate to a materially significant extent. SID Bank and the SID Bank Group do not have any loans at level 2 measured at fair value.

– Level 3: SID Bank and the SID Bank Group include in this category financial instruments for which fair value is calculated according to models that mainly use unobservable inputs, and financial instruments that were valuated at historical cost in the previous period. The fair value of loans mandatorily at fair value is calculated through the discounting of estimated cash flows at a uniform interest rate upon recognition. Estimated future cash flows for loans to going concerns are calculated on the basis of contractual cash flows, the likelihood of repayment and macroeconomic forecasting factors. For loans to companies that are not going concerns, estimated future cash flows are calculated taking account of redemption of collateral, the haircut, collateral redemption period and macroeconomic forecasting factors. Observable inputs are developed on the basis of market data such as public information on actual events and transactions. Unobservable inputs are inputs for which market data are not available and are developed using the best available information on the assumptions that market participants would use when pricing the asset or liability.

Financial assets measured at fair value

The financial instruments that SID Bank and the SID Bank Group disclose at fair value in the statement of financial position are non-trading financial assets mandatorily at fair value through profit or loss and measured at fair value through other comprehensive income and hedging derivatives.

Hedging derivatives that include interest rate swaps are valuated taking account of market interest rates and yield curves.

The fair value of non-trading financial assets mandatorily at fair value through profit or loss and measured at fair value through other comprehensive income is determined using prices quoted on active markets for identical assets, prices quoted on active markets for similar assets and prices quoted for identical and similar assets on inactive markets.

The fair value of loans mandatorily at fair value is calculated through the discounting of estimated cash flows at a uniform interest rate upon recognition. Estimated future cash flows for loans to going concerns are calculated on the basis of contractual cash flows, the likelihood of repayment and macroeconomic forecasting factors. For loans to companies that are not going concerns, estimated future cash flows are calculated taking account of redemption of collateral, the haircut, collateral redemption period and macroeconomic forecasting factors.

Financial assets not measured at fair value

The carrying amounts for cash are assumed to be approximately equal to their fair values.

The fair values of loans are calculated using discount curves composed of probability of default values for large Slovenian corporates. The fair value of financial liabilities with variable interest rates is approximately equal to their carrying amounts as at the reporting date. Market interest rates are used to calculate the fair value of liabilities for variable interest rate loans measured at amortised cost. Loans with fixed interest rates account for 15.3% of liabilities for loans measured at amortised cost at SID Bank and the SID Bank Group, and they conclude that there are no material differences between the fair value of the loans and their carrying amounts.

SID Bank and SID Bank Group recognise and measure issued debt securities and loans according to amortised cost. For instruments included in the hedge ratio for purposes of calculation of the effects of the calculation of hedging, the fair value is calculated using valuation techniques and the expected current value. The expected current value is calculated using inputs that are not quoted prices and which can be observed, i.e. interest rates and yield curves. For instruments not included in hedging relationships, fair value is calculated through the use of quoted prices for similar liabilities on active markets, quoted prices for equivalent or similar liabilities on inactive markets, or inputs that are not quoted prices and can be observed, e.g. interest rates and yield curves.

Fair value hierarchy – financial assets measured at fair value

	SID Bank							
	31 Mar 2018				31 Dec 2017			
(EUR thousand)	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	N/A	N/A	N/A	N/A	32,048	628,282	70,191	730,521
Debt securities	N/A	N/A	N/A	N/A	32,048	618,393	63,846	714,287
Equity securities	N/A	N/A	N/A	N/A	0	9,889	6,345	16,234
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	18,252	18,252	N/A	N/A	N/A	N/A
Financial assets measured at fair value through other comprehensive income	32,213	622,120	64,942	719,275	N/A	N/A	N/A	N/A
Debt securities	32,213	612,236	58,597	703,046	N/A	N/A	N/A	N/A
Equity securities		9,884	6,345	16,229	N/A	N/A	N/A	N/A
Hedging derivatives	0	28	0	28	0	0	0	0
Total financial assets	**32,213**	**622,148**	**83,194**	**737,555**	**32,048**	**628,282**	**70,191**	**730,521**
Financial liabilities measured at fair value								
Hedging derivatives	0	889	0	889	0	93	0	93
Total financial liabilities	**0**	**889**	**0**	**889**	**0**	**93**	**0**	**93**

	SID Bank Group							
	31 Mar 2018				31 Dec 2017			
(EUR thousand)	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	N/A	N/A	N/A	N/A	50,513	629,300	70,191	750,004
Debt securities	N/A	N/A	N/A	N/A	50,513	619,411	63,846	733,770
Equity securities	N/A	N/A	N/A	N/A	0	9,889	6,345	16,234
Non-trading financial assets mandatorily at fair value through profit or loss	0	0	18,252	18,252	N/A	N/A	N/A	N/A
Financial assets measured at fair value through other comprehensive income	50,333	623,120	64,942	738,395	N/A	N/A	N/A	N/A
Debt securities	50,333	613,236	58,597	722,166	N/A	N/A	N/A	N/A
Equity securities	0	9,884	6,345	16,229	N/A	N/A	N/A	N/A
Hedging derivatives	0	28	0	28	0	0	0	0
Total financial assets	**50,333**	**623,148**	**83,194**	**756,675**	**50,513**	**629,300**	**70,191**	**750,004**
Financial liabilities measured at fair value								
Hedging derivatives	0	889	0	889	0	93	0	93
Total financial liabilities	**0**	**889**	**0**	**889**	**0**	**93**	**0**	**93**

Table of transfers between levels

There were no transfers between levels at SID Bank and the SID Bank Group in first quarter 2018.

1-3/2017	SID Bank and SID Bank Group		
(EUR thousand)	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

Movement of financial assets measured at fair value classified as level 3

(EUR thousand)	Balance as at 1 Jan 2018	Recognition of new financial assets	Interest	Net revaluation through equity	Fair value changes	Derecognition of financial assets	Impairments through profit or loss	Transition to level 3	**Balance as at 31 Mar 2018**
Financial assets measured at fair value through other comprehensive income	70,191	1,800	(50)	(364)	0	(7,000)	365	0	**64,942**
Debt securities	63,846	1,800	(50)	(364)	0	(7,000)	365	0	**58,597**
Equities	6,345	0	0	0	0	0	0	0	**6,345**
Financial assets measured at fair value through profit or loss	18,019	0	0	0	204	(139)	0	168	**18,252**
Total financial assets at level 3	88,210	1,800	(50)	(364)	204	(7,139)	365	168	**83,194**

(EUR thousand)	Balance as at 1 Jan 2017	Recognition of new financial assets	Interest	Net revaluation through equity	Fair value changes	Derecognition of financial assets	Impairments through profit or loss	Transition to level 3	**Balance as at 31 Mar 2017**
Financial assets measured at fair value through other comprehensive income	35,275	9,000	54	(24)	0	0	0	0	**44,305**
Debt securities	28,871	9,000	54	(24)	0	0	0	0	**37,901**
Equities	6,404	0	0	0	0	0	0	0	**6,404**
Total financial assets at level 3	35,275	9,000	54	(24)	0	0	0	0	**44,305**

Table of fair values of financial assets not measured at fair value

	31 Mar 2018				31 Dec 2017			
	SID Bank		SID Bank Group		SID Bank		SID Bank Group	
(EUR thousand)	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Cash balances at central bank and demand deposits at banks	97,471	97,471	104,784	104,784	71,071	71,071	75,950	75,950
Loans	1,688,131	1,618,743	1,694,139	1,624,751	1,647,698	1,631,472	1,639,691	1,636,725
Loans and advances to banks	1,027,237	1,014,947	1,033,240	1,020,950	1,033,700	1,032,179	1,038,952	1,037,431
Loans and advances to non-bank customers	658,871	601,773	658,871	601,773	612,445	597,740	599,138	597,740
Other financial assets	2,023	2,023	2,028	2,028	1,553	1,553	1,601	1,554
Total financial assets	**1,785,602**	**1,716,214**	**1,798,923**	**1,729,535**	**1,718,769**	**1,702,543**	**1,715,641**	**1,712,675**
Financial liabilities measured at amortised cost	2,052,260	2,051,724	2,052,933	2,052,397	2,038,693	2,038,145	2,039,564	2,039,016
Deposits from banks and central banks	9,993	9,993	9,993	9,993	25,264	25,264	25,264	25,264
Loans from banks and central banks	1,199,389	1,198,969	1,199,389	1,198,969	1,205,968	1,205,542	1,205,968	1,205,542
Loans from non-bank customers	488,416	488,300	488,416	488,300	0	454,828	0	454,828
Debt securities	351,533	351,123	351,533	351,123	350,320	350,320	350,320	350,320
Other financial liabilities	3,339	3,339	4,012	4,012	2,191	2,191	3,062	3,062
Total financial liabilities	**2,052,260**	**2,051,724**	**2,052,933**	**2,052,397**	**2,038,693**	**2,038,145**	**2,039,564**	**2,039,016**

11.4Contingent liabilities and assumed commitments

Contractual liabilities for off-balance sheet financial instruments arising from assumed commitments

	SID Bank and SID Bank Group	
(EUR thousand)	31 Mar 2018	31 Dec 2017
Guarantees	13,123	13,863
Other off-balance sheet liabilities	66,795	60,409
Total assumed commitments	**79,918**	**74,272**
Provisions for off-balance sheet risks – guarantees	(5)	(101)
Provisions for off-balance-sheet liabilities – other off-balance-sheet liabilities	(253)	(2,269)
Total provisions for assumed commitments	**(258)**	**(2,370)**

Under assumed commitments, SID Bank or the SID Bank Group disclose the value guarantees given and the value of other off-balance sheet liabilities, including the value of undrawn loans and the value of uncalled unpaid capital. The value of guarantees issued as a result of their expiry fell slightly in the first quarter of 2018, while undrawn loans increased. The amount of loans and advances approved for non-bank customers, undrawn as at 31 March 2018 amounts to EUR 33,291 thousand, while those approved for banks amount to EUR 21,504 thousand. The value of uncalled unpaid capital amounts to EUR 12,000 thousand.

11.5 Changes in impairments and provisions

Movement of impairments in the period 1-3/2018 (IFRS 9)

	SID Bank and SID Bank Group			
(EUR thousand)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2018	9,077	(6,100)	21,368	24,345
Increases due to origination and acquisitions	6,105	1,505	517	8,127
Decreases due to derecognition	(6,280)	(1,685)	(903)	(8,868)
Changes due to change in credit risk	0	321	(94)	227
Write-offs	0	0	(750)	(750)
Other adjustments	(116)	86	0	(30)
Balance as at 31 Mar 2018	8,786	(5,873)	20,137	23,051
Recoveries of previously written-off amounts recorded directly in profit or loss	0	0	0	0
Written-off amounts directly in profit or loss	0	0	0	0

Movement of provisions for assumed commitments and financial guarantees in the period 1-3/2018 (IFRS 9)

	SID Bank and SID Bank Group			
(EUR thousand)	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 Jan 2018	224	12	0	236
Increases due to origination and acquisitions	935	0	0	935
Decreases due to derecognition	(901)	(12)	0	(913)
Balance as at 31 Mar 2018	258	0	0	258
Recoveries of previously written-off amounts recorded directly in profit or loss	0	0	0	0
Written-off amounts directly in profit or loss	0	0	0	0

Movement of impairments in the period 1-3/2017 (IAS 39)

	SID Bank and SID Bank Group		
(EUR thousand)	Individual impairments	Collective impairments	Total
Balance as at 1 Jan 2017	125,116	59,551	184,667
Impairments created	4,134	3,562	7,696
Reversal of impairments	(5,863)	(3,919)	(9,782)
Decreases due to amounts accepted with respect to impairments	(439)	0	(439)
Other adjustments	84	(86)	(2)
Balance as at 31 Mar 2017	123,032	59,108	182,140
Impairments of amounts recorded directly in profit or loss	659	0	659

Movement of provisions for assumed commitments and financial guarantees in the period 1-3/2017 (IAS 39)

	SID Bank and SID Bank Group		
(EUR thousand)	Individual impairments	Collective impairments	Total
Balance as at 1 Jan 2017	14,618	459	15,077
Impairments created	0	3,037	3,037
Reversal of impairments	(16)	(3,091)	(3,107)
Use of provisions	(13,254)	0	(13,254)
Balance as at 31 Mar 2017	1,348	405	1,753
Recoveries recorded directly in profit or loss	0	0	0
Impairments of amounts recorded directly in profit or loss	0	0	0

Movement of provisions for retirement benefits and loyalty bonuses and provisions from insurance contracts

	SID Bank	SID Bank Group	
(EUR thousand)	Provisions for retirement benefits and loyalty bonuses	Provisions for retirement benefits and loyalty bonuses	Movements in liabilities from insurance contracts
Balance as at 1 Jan 2018	576	727	24,040
Additions	42	42	13,256
Disposals	0	0	(3,506)
Utilised	(2)	(3)	(3,729)
Balance as at 31 Mar 2018	**616**	**766**	**30,061**
Balance as at 1 Jan 2017	469	639	23,241
Additions	71	71	12,177
Disposals	0	0	(2,229)
Utilised	(1)	(1)	(3,456)
Balance as at 31 Mar 2017	**539**	**709**	**29,733**

11.6 Disclosures pursuant to the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA GL/2016/11)

EU OV1 – Review of amounts of risk-weighted assets			RWA		Minimum capital requirements	
			31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
	1	Credit risk without counterparty credit risk	965,246	948,753	77,220	75,900
Article 438(c)(d)	2	using standardised approach	965,246	948,753	77,220	75,900
Article 438(c)(d), Article 107	6	Counterparty credit risk	15,627	2,117	1,250	169
Article 438(c)(d)	12	involving credit valuation adjustment (CVA)	15,627	2,117	1,250	169
Article 438(e)	19	Market risk	0	0	0	0
	20	using standardised approach	0	0	0	0
Article 438(f)	23	Operational risk	55,106	77,152	4,409	6,172
	24	using basic indicator approach	55,106	77,152	4,409	6,172
Article 437(2), Article 48 and Article 60	27	Amounts lower than write-off threshold (after application of risk weighting of 250%)	29,630	21,032	2,370	1,683
Total			**1,065,610**	**1,049,055**	**85,249**	**83,924**

12 Significant events after the accounting period

There were no events after the date of the statement of financial position that could have an impact on the individual and consolidated financial statements of SID Bank and of the SID Bank Group.