

## **ANNOUNCEMENT OF THE PERFORMANCE OF ABANKA D.D. IN THE FIRST QUARTER OF 2017 INCLUDING THE CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Ljubljana Stock Exchange Rules and the applicable legislation and with best business practices, Abanka d.d. hereby publishes its performance results including the unaudited unconsolidated and consolidated financial statements for the first quarter of 2017.

This announcement will also be available online [www.abanka.si](http://www.abanka.si) as of 19 May 2017.

The announcement in the English language is for information purposes only.

Abanka posted a net profit of EUR 17.0 million for the reporting period, whereas in the same period last year it recorded a net profit of EUR 20.2 million. Lower profit is primarily a result of EUR 3.6 million less reversed impairments and provisions compared to the corresponding period last year. In the low interest rate and highly competitive environment, Abanka's net interest income of EUR 19.0 million was by 5.7% lower compared to the first three months of 2016, while net fee and commission income increased by 5.7% to EUR 10.8 million. In 2017, the Bank continues to implement cost optimisation processes of its operations, which is reflected in lower expenses in the first quarter of 2017 compared to the respective period of 2016. Compared to the corresponding period of the previous year, operating expenses equalled EUR 16.2 million, having decreased by 5.9% or EUR 1.0 million in nominal terms.

As at 31 March 2017, total assets of Abanka amounted to EUR 3,677.9 million, whilst its market share in terms of total assets stood at 9.8%. The Bank has high liquidity and a strong capital base. As at the reporting date, total capital ratio and Common Equity Tier 1 capital ratio of Abanka were 25.64%.

The stability and soundness of the Bank are also confirmed by the rating agency Fitch Ratings, which on 5 May 2017 upgraded Abanka's Long-Term Issuer Default Rating from BB to BB+ and assigned it a stable outlook. Abanka's Viability Rating was also upgraded from bb to bb+. Other Bank ratings remain unchanged: Short-Term IDR at B, Support Rating at 5 and Support Rating Floor at No Floor.

In 2017, the Bank continues to implement the restructuring and optimisation processes of its operations. Moreover, the Bank actively pursues digitisation of banking services as well as upgrades the functionality of the electronic and mobile channels, committed to excellent financial services, consequently reducing operating expenses.

Management Board of Abanka d.d.

Ljubljana, 19 May 2017

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**ABANKA**

## 1. RELEVANT NOTES TO THE UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2017

As at 31 March 2017, **total assets** of Abanka equalled EUR 3,677,888 thousand, having increased by 1.8% or EUR 65,526 thousand in nominal terms over the 2016 year-end.

As at the reporting date, loans to non-bank customers totalled EUR 1,843,616 thousand of total **assets**, which presented an increase of 0.9% or EUR 17,092 thousand compared to the 2016 year-end. Loans to corporate customers increased by 1.4% or EUR 13,439 thousand, retail loans by 0.4% or EUR 3,032 thousand, whilst loans to sole proprietors were up by 1.9% or EUR 621 thousand. As at the reporting date, loans to banks amounted to EUR 71,987 thousand, up by 9.9% or EUR 6,498 thousand nominally compared to the 2016 year-end. The securities portfolio totalled EUR 1,252,365 thousand and decreased by 3.3% or EUR 42,867 thousand compared to 31 December 2016. Equity securities grew by EUR 2,272 thousand to EUR 47,275 thousand, whereas debt securities dropped by EUR 45,139 thousand to EUR 1,205,090 thousand. Cash, cash balances with the central bank and other demand deposits with banks of EUR 386,715 thousand increased by 12.3% or EUR 42,474 thousand compared to the 2016 year-end.

Compared to 31 December 2016, **on the liabilities side**, financial liabilities measured at amortised cost totalled EUR 2,981,233 thousand as at the reporting date, which represented an increase of 1.8% or EUR 52,031 thousand in nominal terms. As at the reporting date, deposits from non-bank customers in Abanka amounted to EUR 2,799,237 thousand, after having increased by 0.8% or EUR 23,218 thousand. Deposits from corporate customers increased by 0.1% or EUR 980 thousand nominally and deposits from retail customers by 1.0% or EUR 19,720 thousand, whereas deposits from sole proprietors grew by 3.9% or EUR 2,518 thousand. As at the reporting date, loans from banks and the central bank decreased by 6.5% or EUR 5,818 thousand in nominal terms and reached EUR 83,840 thousand. As at the reporting date, debt securities amounted to EUR 12,659 thousand; certificates of deposits decreased by 39.9% or EUR 8,389 thousand to EUR 12,610 thousand, whereas other debt securities increased by EUR 1 thousand to EUR 49 thousand in nominal terms. Total equity as at the end of the first quarter of 2017 amounted to EUR 630,557 thousand, up by 2.6% or EUR 16,106 thousand compared to the 2016 year-end. Total equity increased as the result of profit for the year of EUR 16,987 thousand, whilst it decreased by EUR 881 thousand due to accumulated other comprehensive income.

Net interest income disclosed in the **income statement** for the reporting period totalled EUR 18,977 thousand, down by EUR 1,157 thousand or 5.7% compared to the respective period of 2016. Interest income decreased by EUR 3,841 thousand, while interest expenses dropped by EUR 2,684 thousand. Both interest income and interest expenses were lower due to lower realised interest rates; however, the declining interest rates on loans to non-bank customers had a greater impact than the reduction in interest rates on the liabilities side, which resulted in a decrease in net interest. Net fee and commission income grew by EUR 589 thousand or 5.7% to EUR 10,842 thousand. In the reporting period, other net non-interest income (excluding net fee and commission income) amounted to EUR 1,250 thousand, while in the corresponding period last year other net non-interest income (excluding net fee and commission income) stood at EUR 3,799 thousand. Operating expenses totalled EUR 16,202 thousand, which was EUR 1,013 thousand or 5.9% lower than in the first quarter of 2016, of which EUR 309 thousand were accounted for by restructuring costs. In the reporting period, net impairments and provisions cancelled amounted to EUR 3,929 thousand, whilst in the corresponding period of 2016 they totalled EUR 7,483 thousand. In the reporting period, the

Bank cancelled impairments amounting to EUR 1,575 thousand, specifically impairments for financial assets recognised at amortised cost (loan repayments), and cancelled provisions of EUR 2,354 thousand (of which EUR 2,131 thousand was accounted for by provisions for off-balance-sheet liabilities). For the first quarter of 2017, Abanka posted a net profit of EUR 16,987 thousand, whereas in the same period last year it recorded a net profit of EUR 20,226 thousand.

**Unaudited book value per share** as at 31 March 2017 was EUR 41.76. It was calculated as the ratio of all capital components to the number of shares subscribed as at the end of March 2017. Capital components also include net profit for the reporting period.

	<b>31 March 2017</b> (EUR thousand)	<b>31 Dec. 2016</b> (EUR thousand)	<b>Index</b> <b>31 Mar. 2017/ 31 Dec. 2016</b>
Total assets	3,677,888	3,612,362	102
Book value per share (in EUR 1)	41.76	40.69	103
	<b>Jan.-Mar. 2017</b> (EUR thousand)	<b>Jan.-Mar. 2016</b> (EUR thousand)	<b>Index</b> <b>Jan.-Mar. 2017/ Jan.-Mar. 2016</b>
Net interest income	18,977	20,134	94
Net non-interest income	12,092	14,052	86
Operating costs	(16,202)	(17,215)	94
Net impairments and provisions	3,929	7,483	53
<b>Profit before tax</b>	<b>18,796</b>	<b>24,454</b>	<b>77</b>
Taxes	(1,809)	(4,228)	43
<b>Net profit for the financial year</b>	<b>16,987</b>	<b>20,226</b>	<b>84</b>

## Changes to the Supervisory Board

In early 2017, the Supervisory Board was composed of Marko Garbajs as Chairman of the Supervisory Board, Melita Malgaj as its Vice-Chairman, and Blaž Šterk, Alenka Vrhovnik Težak, Rok Pivk and Vid Leskovec as its members. At the 34<sup>th</sup> General Meeting of Shareholders held on 28 February 2017, Dejan Kaisersberger was appointed a Supervisory Board member with a four-year term of office starting on 28 February 2017.

## Changes to the Management Board

In the beginning of 2017, Abanka was governed by a three-member Management Board, composed of Jože Lenič as its President and Aleksander Vozel and Matej Golob Matzele as its members. Aleksander Vozel served as a Management Board member until 31 March 2017, after having resigned as a Management Board Member in December 2016. On 13 March 2017, the Supervisory Board appointed Matevž Slapničar a new member of the Management Board, who will start his term of office after he will have been issued an authorisation to serve on the Management Board.

## Changes to the shareholder structure

The Bank's share capital amounted to EUR 151,000 thousand as at the reporting date. As at the reporting date, the Republic of Slovenia held 15,100,000 ordinary registered no-par value shares with voting rights attached, thus being the 100% owner of Abanka, which was the same as at the 2016 year-end. The corresponding amount per no-par value share in the share capital was EUR 10.00 as at the reporting date.

## **Additional explanatory notes to the unaudited consolidated financial statements for the first quarter of 2017**

In line with the strategy of the Bank, the activities to sell Aleasing d.o.o. continued in the first quarter of 2017. Due to immateriality in the financial statements, the subsidiary was not re-classified into non-current assets held for sale. In the consolidated statement of financial position, the assets of the subsidiary Aleasing as at 31 March 2017 amounted to EUR 40,598 thousand, which accounted for 1.10% of consolidated assets, and its liabilities totalled EUR 38,372, which accounted for 1.26% of consolidated liabilities. In the consolidated income statement, the net profit of Aleasing equalled EUR 188 thousand, accounting for 1.09% of consolidated net profit, its income totalled EUR 1,098 thousand (1.59% of total consolidated income) and its expenses amounted to EUR 910 thousand (1.75% of total consolidated expenses).

## **Major events after the reporting period**

On 5 May 2017, the international rating agency Fitch Ratings upgraded Abanka's Long-Term Issuer Default Rating from BB to BB+ and assigned it a stable outlook. Abanka's Viability Rating was also upgraded from bb to bb+. Other Bank ratings remain unchanged: Short-Term IDR at B, Support Rating at 5 and Support Rating Floor at No Floor.

On 18 May 2017, the Supervisory Board took note of the resignation of Vid Leskovec, resigning as a member of the Supervisory Board of Abanka d.d. as of 18 May 2017.

Management Board of Abanka d.d.

## 2. UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF ABANKA D.D.

### STATEMENT OF FINANCIAL POSITION as at 31 March 2017

in EUR thousand

Ser. No.	ITEM DESCRIPTION	AMOUNT	
		As at 31 March 2017	As at 31 December 2016
1	2	3	4
1	Cash, cash balances with the central bank and other demand deposits with banks	386,715	344,241
2	Financial assets held for trading	4,235	5,225
3	Financial assets designated at fair value through profit or loss	2,408	2,412
4	Available-for-sale financial assets	1,230,507	1,260,618
5	Loans and receivables	1,971,748	1,903,830
	- loans to banks	71,987	65,489
	- loans to non-bank customers	1,843,616	1,826,524
	- other financial assets	56,145	11,817
6	Held-to-maturity investments	19,280	32,032
7	Non-current assets held for sale	806	806
8	Property and equipment	37,739	38,698
9	Investment property	197	165
10	Intangible assets	7,783	8,032
11	Investments in subsidiaries	4,483	4,483
12	Tax assets	9,396	9,396
	- deferred tax assets	9,396	9,396
13	Other assets	2,591	2,424
<b>14</b>	<b>TOTAL ASSETS (from 1 to 13)</b>	<b>3,677,888</b>	<b>3,612,362</b>
15	Financial liabilities held for trading	4,492	4,933
16	Financial liabilities measured at amortised cost	2,981,233	2,929,202
	- deposits from banks and the central bank	26,526	19,706
	- deposits from non-bank customers	2,799,237	2,776,019
	- loans from banks and the central bank	83,840	89,658
	- loans from non-bank customers	548	564
	- debt securities issued	12,659	21,047
	- other financial liabilities	58,423	22,208
17	Provisions	47,875	50,792
18	Tax liabilities	13,028	11,834
	- current tax liabilities	5,438	4,041
	- deferred tax liabilities	7,590	7,793
19	Other liabilities	703	1,150
<b>20</b>	<b>TOTAL LIABILITIES (from 15 to 19)</b>	<b>3,047,331</b>	<b>2,997,911</b>
21	Share capital	151,000	151,000
22	Share premium	282,459	282,459
23	Accumulated other comprehensive income	41,585	42,466
24	Reserves from profit	47,448	47,448
25	Retained earnings (including income from the current year)	108,065	91,078
<b>26</b>	<b>TOTAL EQUITY (from 21 to 25)</b>	<b>630,557</b>	<b>614,451</b>
<b>27</b>	<b>TOTAL LIABILITIES AND EQUITY (20+26)</b>	<b>3,677,888</b>	<b>3,612,362</b>

## INCOME STATEMENT for the period from 1 January to 31 March 2017

in EUR thousand

Ser. No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 31 March 2017	Period ended 31 March 2016
1	2	3	4
1	Interest income	20,914	24,755
2	Interest expenses	(1,937)	(4,621)
3	<b>Net interest income (1+2)</b>	<b>18,977</b>	<b>20,134</b>
4	Dividend income	5	18
5	Fee and commission income	13,556	13,127
6	Fee and commission expenses	(2,714)	(2,874)
7	<b>Net fee and commission income (5+6)</b>	<b>10,842</b>	<b>10,253</b>
8	Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,600	535
9	Net gains on financial assets and liabilities held for trading	388	678
10	Net losses on financial assets and liabilities designated at fair value through profit or loss	(5)	(24)
11	Fair value adjustments in hedge accounting	-	238
12	Exchange differences	105	5
13	Net (losses)/gains on derecognition of assets	(10)	12
14	Net other operating expenses	(833)	(879)
15	Administrative expenses	(14,327)	(15,333)
16	Depreciation and amortisation	(1,875)	(1,882)
17	Provisions	2,354	1,375
18	Impairment	1,575	6,108
19	Total profit from non-current assets held for sale	-	3,216
20	<b>TOTAL PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (3+4+7+8+9+10+11+12+13+14+15+16+17+18+19)</b>	<b>18,796</b>	<b>24,454</b>
21	Tax expense related to profit from continuing operations	(1,809)	(4,228)
22	<b>TOTAL PROFIT AFTER TAX FROM CONTINUING OPERATIONS (20+21)</b>	<b>16,987</b>	<b>20,226</b>
23	<b>NET PROFIT for the financial year (22)</b>	<b>16,987</b>	<b>20,226</b>

## STATEMENT OF COMPREHENSIVE INCOME for the period from 1 January to 31 March 2017

in EUR thousand

Item No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 31 March 2017	Period ended 31 March 2016
1	2	3	4
1	NET PROFIT FOR THE FINANCIAL YEAR AFTER TAX	16,987	20,226
2	OTHER COMPREHENSIVE INCOME AFTER TAX (3)	(881)	5,772
3	ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (3.1 + 3.2)	(881)	5,772
3.1	Available-for-sale financial assets (3.1.1 + 3.1.2)	(1,087)	6,954
3.1.1	Net valuation (losses)/gains taken to equity	(735)	6,958
3.1.2	Net gains transferred to profit or loss	(352)	(4)
3.2	Income tax relating to items that may be reclassified to profit or loss	206	(1,182)
4	TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (1+2)	16,106	25,998



## 3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ABANKA GROUP

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 March 2017

in EUR thousand

Item No.	ITEM DESCRIPTION	AMOUNT	
		As at 31 March 2017	As at 31 December 2016
1	2	3	4
1	Cash, cash balances with the central bank and other demand deposits with banks	387,245	344,259
2	Financial assets held for trading	4,235	5,225
3	Financial assets designated at fair value through profit or loss	2,408	2,412
4	Available-for-sale financial assets	1,230,507	1,260,618
5	Loans and receivables	1,952,224	1,884,134
	- loans to banks	71,987	65,489
	- loans to non-bank customers	1,823,733	1,806,473
	- other financial assets	56,504	12,172
6	Held-to-maturity investments	19,280	32,032
7	Non-current assets held for sale	806	973
8	Property and equipment	40,694	41,730
9	Investment property	8,627	8,700
10	Intangible assets	7,983	8,240
11	Tax assets	9,466	9,466
	- deferred tax assets	9,466	9,466
12	Other assets	16,152	17,044
<b>13</b>	<b>TOTAL ASSETS (from 1 to 12)</b>	<b>3,679,627</b>	<b>3,614,833</b>
14	Financial liabilities held for trading	4,492	4,933
15	Financial liabilities measured at amortised cost	2,978,662	2,928,606
	- deposits from banks and the central bank	26,526	19,706
	- deposits from non-bank customers	2,796,119	2,774,878
	- loans from banks and the central bank	83,840	89,658
	- loans from non-bank customers	512	521
	- debt securities issued	12,659	21,047
	- other financial liabilities	59,006	22,796
16	Provisions	47,973	50,891
17	Tax liabilities	13,037	11,863
	- current tax liabilities	5,447	4,070
	- deferred tax liabilities	7,590	7,793
18	Other liabilities	2,248	1,712
<b>19</b>	<b>TOTAL LIABILITIES (from 14 to 18)</b>	<b>3,046,412</b>	<b>2,998,005</b>
20	Share capital	151,000	151,000
21	Share premium	282,459	282,459
22	Accumulated other comprehensive income	41,564	42,445
23	Reserves from profit	47,468	47,468
24	Retained earnings (including income from the current year)	110,724	93,456
<b>25</b>	<b>TOTAL EQUITY (from 20 to 24)</b>	<b>633,215</b>	<b>616,828</b>
<b>26</b>	<b>TOTAL LIABILITIES AND EQUITY (19 + 25)</b>	<b>3,679,627</b>	<b>3,614,833</b>

## CONSOLIDATED INCOME STATEMENT for the period from 1 January to 31 March 2017

in EUR thousand

Item No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 31 March 2017	Period ended 31 March 2016
1	2	3	4
1	Interest income	21,312	25,064
2	Interest expenses	(1,944)	(4,620)
<b>3</b>	<b>Net interest income (1+2)</b>	<b>19,368</b>	<b>20,444</b>
4	Dividend income	5	18
5	Fee and commission income	13,552	13,133
6	Fee and commission expenses	(2,729)	(2,905)
<b>7</b>	<b>Net fee and commission income (5+6)</b>	<b>10,823</b>	<b>10,228</b>
8	Net realised gains on financial assets and liabilities not measured at fair value through profit or loss	1,600	535
9	Net gains on financial assets and liabilities held for trading	388	678
10	Net losses on financial assets and liabilities designated at fair value through profit or loss	(5)	(24)
11	Fair value adjustments in hedge accounting	-	238
12	Exchange differences	105	5
13	Net (losses)/gains on derecognition of assets	(5)	39
14	Net other operating expenses	(723)	(392)
15	Administrative expenses	(14,897)	(15,941)
16	Depreciation and amortisation	(2,167)	(2,150)
17	Provisions	2,354	1,420
18	Impairment	2,184	6,033
19	Total profit from non-current assets held for sale	62	3,216
20	TOTAL PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (3+4+7+8+9+10+11+12+13+14+15+16+17+18+19)	19,092	24,347
21	Tax expense related to profit from continuing operations	(1,824)	(4,508)
22	TOTAL PROFIT AFTER TAX FROM CONTINUING OPERATIONS (20+21)	17,268	19,839
<b>23</b>	<b>NET PROFIT for the financial year (22)</b>	<b>17,268</b>	<b>19,839</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period from 1 January to 31 March 2017

in EUR thousand

Item No.	ITEM DESCRIPTION	AMOUNT	
		Period ended 31 March 2017	Period ended 31 March 2016
1	2	3	4
1	<b>NET PROFIT FOR THE FINANCIAL YEAR AFTER TAX</b>	<b>17,268</b>	<b>19,839</b>
2	<b>OTHER COMPREHENSIVE (LOSS)/INCOME AFTER TAX (3)</b>	<b>(881)</b>	<b>5,772</b>
3	<b>ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (3.1+3.2)</b>	<b>(881)</b>	<b>5,772</b>
3.1	Available-for-sale financial assets (3.1.1+3.1.2)	(1,087)	6,954
3.1.1	Net valuation (losses)/gains taken to equity	(735)	6,958
3.1.2	Net gains transferred to profit or loss	(352)	(4)
3.2	Income tax relating to items that may be reclassified to profit or loss	206	(1,182)
4	<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (1+2)</b>	<b>16,387</b>	<b>25,611</b>