



Hrvatska banka za obnovu i razvitak

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT  
GROUP**

**UNAUDITED INTERIM  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2018**

**Zagreb, July 2018**

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**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**  
**NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE**  
**FOR THE PERIOD 1 JANUARY – 31 MARCH 2018**

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Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements give a true and fair view of the assets, liabilities, financial position and performance (gains and losses) in the reporting period.

Since 1 January 2018, HBOR Group has applied the International Financial Reporting Standard (IFRS) 9 Financial Instruments and has not restated comparative data for 2017, as allowed by the standard. Pursuant to the mentioned, the current period from 1 January to 31 March 2018 is based on IFRS 9, whereas the results for 2017 and for the period from 1 January to 31 March 2017 are based on the International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement, and comparative data for 2017 are not comparable with the information presented in 2018.

The financial statements of HBOR Group are comprised of the consolidated and separate Statement of Financial Position as at 31 March 2018, the Statement of Profit or Loss for the Period 1 January – 31 March 2018, the Statement of Profit or Loss and Other Comprehensive Income for the Period 1 January – 31 March 2018, the Statement of Cash Flows for the Period 1 January – 31 March 2018, the Statement of Changes in Equity for the Period 1 January – 31 March 2018 and the accompanying Notes on Significant Changes in Financial Position and Performance.



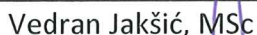
Tamara Perko, MSc

**President of the  
Management Board**



Hrvoje Čuvalo, MSc

**Member of the  
Management Board**



Vedran Jakšić, MSc

**Senior Executive Director**



Marin Pranjić

**Accounting Division  
Executive Director**

Zagreb, 20 July 2018



**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2018**

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**RESULTS OF THE GROUP**

## CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP

### NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

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#### Results of the Group

The effects of the application of IFRS 9 recognised directly in retained earnings and reserves as at 1 January 2018 amount to HRK 469.97 million.

In the period 1 January – 31 March 2018, the HBOR Group generated profit after tax in the amount of HRK 74,99 million.

Pursuant to the provisions of the Act on HBOR, the parent company is exempt from income tax and income tax liabilities arise exclusively from the activities of the other members of the Group.

In the period 1 January – 31 March 2018, total income on consolidated basis amounted to HRK 219,56 million, whereas total expenses amounted to HRK 144,57 million.

The consolidated total income decreased by 12.30 percent, whereas total expenses decreased by 30.81 percent compared to the same period previous year due to the developments in total income and expenses of the parent company.

In the structure of income of the Group, the largest portion, i.e. 86.94 percent, relates to interest income as a result of operations of the parent company.

The major part of total expenses, i.e. 58.38 percent, relates to interest expenses arising from the operations of the parent company.

The consolidated operating expenses in the period 1 January – 31 March 2018 amounted to HRK 33.52 million and consisted of general and administrative expenses and other operating expenses.

As of 31 March 2018, the Group had 367 active employees (31 March 2017: 351 active employees).

#### Assets and liabilities of the Group

Total assets of the Group on consolidated basis amount to HRK 27,699.05 million, an decrease of 1.34 percent compared with the beginning of the year. The reasons for such tendency are stated in the description of HBOR's financial performance.

In the structure of assets, the major portion relates to the lending activities of the parent company, i.e. net loans account for 83.77 percent of total assets.



**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2018**

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Total liabilities and total equity as at 31 March 2018 amount to HRK 27,699.05 million, of which amount total liabilities equal HRK 17,810.79 million, i.e. 64.30 percent.

In total liabilities and total equity of the Group, the major portion, i.e. 60.23 percent, consists of borrowings and bonds payable of the parent company.

At the end of the reporting period, total equity on consolidated basis amounted to HRK 9,888.26 million and accounted for 35.70 percent of total liabilities and total equity of the Group.

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2018**

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**RESULTS OF HBOR**

## CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP

### NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

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#### OVERVIEW OF FINANCIAL PERFORMANCE OF HBOR

The following text gives an overview and explanation of the significant changes in financial position and operating performance in the reporting period.

#### **Financial performance**

The effects of the application of IFRS 9 recognised directly in retained earnings and reserves as at 1 January 2018 amount to HRK 469.66 million.

In the reporting period, HBOR generated total income of HRK 217.15 million, expenses of HRK 142.76 million and profit in the amount of HRK 74.39 million. HBOR's profit in Q1 2018 increased by HRK 34.14 million, i.e. 84.82 percent, compared with the profit generated in the same reporting period in 2017.

Higher profit in the reporting period 2018 is mostly a result of a higher decrease in total expenses of HRK 64.38 million, i.e. 31.08 percent, against the total income that decreased by HRK 30.24 million, i.e. 12.22 percent. The circumstances that affected the financial result achieved in Q1 2018 compared to the results generated in the same period in 2017 are as follows:

- decrease in interest income of HRK 48.01 million,
- decrease in interest expenses of HRK 23.71 million,
- increase in net fee income of HRK 5.79 million,
- net gains from financial activities in the amount of HRK 13.22 million, whereas net losses from financial activities in the amount of HRK 3.09 million were recorded in the same period last year,
- decrease in operating expenses of HRK 3.72 million,
- decrease in impairment loss and provisions of HRK 33.44 million.

A detailed description of trends is given for each category separately in the following text.

#### ***Net interest income***

Net interest income amounted to HRK 106.09 million, a decrease of 18.64 percent on the same period of the previous reporting year.

Interest income amounted to HRK 190.49 million, a decrease of 20.13 percent on the same period of the previous reporting year. This trend is in line with the projections and is mostly a result of the following circumstances:



## CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP

### NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

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- interest rate reduction measure implemented by HBOR in the last six business years that will be implemented in 2018 as well,
- recalculation of interest due to the restructuring of loans,
- prepayment of loans in 2017 and the reporting period of 2018.

Interest expenses amounted to HRK 84.40 million, a decrease of 21.93 percent on the same period of the previous reporting year, which was for the major part influenced by the redemption of bonds issued at a higher interest rate and the use of credit lines of special financial institutions at a favourable interest rate.

Having in mind the described trends in interest income and interest expenses, net interest margin stood at 1.52 percent, a decrease of 17.84 percent on the same period in 2017 when it equalled 1.85 percent.

#### ***Net fee income***

Net fee income amounted to HRK 11.75 million, an increase of 97.15 percent compared with the same reporting period last year as a result of increased volume of guarantees issued and increased income from fees charged on new mandate transactions performed.

#### ***Net gains/(losses) from financial activities***

Net gains/(losses) from financial activities are comprised of net foreign exchange gains/(losses) on the principal amount of receivables and liabilities, net revenues or expenditures arising out of the loan contracts with embedded call option, gains/(losses) arising out of value adjustment of assets stated at fair value through profit or loss and realised gains/(losses) arising out of debt securities.

In the reporting period, net gains from financial activities amounted to HRK 13.22 million, whereas net losses amounted to HRK 3.09 million in the previous year.

In terms of kuna exchange rates on the reporting date compared to 31 December 2017, the reporting currency appreciated against EUR by 1.09 percent and against USD by 3.83 percent.

Foreign currency and foreign currency indexed assets and sources of funds are converted by HBOR into HRK equivalent value by applying the exchange rate of the Croatian National Bank valid at the reporting date.

Foreign currency revenues and expenditures are converted in accordance with the exchange rate at the transaction date. The resulting foreign exchange gains or losses are recorded in the Statement of Profit or Loss in net figures.

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2018**

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***Operating expenses***

Operating expenses that include general and administrative expenses and other operating expenses stood at HRK 31.77 million, a decrease of 10.48 percent compared with the same reporting period in 2017 mostly as a result of a decrease in general and administrative expenses of HRK 2.81 million, i.e. 8.53 percent.

As at 31 March 2018, HBOR had 350 active employees (31 March 2017: 337 active employees).

***Impairment loss and provisions***

Since 1 January 2018, HBOR has applied the International Financial Reporting Standard (IFRS) 9 Financial instruments and has not remodelled comparative data for 2017.

The effects of application of IFRS 9 are recognised directly in retained earnings and reserves as at 1 January 2018 in the amount of HRK 469.66 million.

In the reporting period, net impairment loss stood at HRK 26.13 million.

## CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP

### NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

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#### Significant changes in the financial position

Total assets of HBOR as at 31 March 2018 amounted to HRK 27,678.37 million, a decrease of 1.35 percent compared with 31 December 2017. The decrease in assets is mostly due to the effect of application of IFRS 9 since 1 January 2018, as a result of which the impairment of financial instruments in the total assets was increased by HRK 469.66 million.

#### *Classification of financial assets*

By the application of IFRS 9 since 1 January 2018, all financial assets are classified based on the allocation of financial assets in business models and SPPI test as assets measured subsequently at:

1) amortised cost, if both conditions are fulfilled:

- financial assets are allocated to the business model with the objective of holding the assets for the purpose of collection of contracted cash flows and
- SPPI test generated positive results – for financial assets, cash flows are established that are solely payment of principal and interest on unsettled principal amount.

2) fair value through other comprehensive income, if both conditions are fulfilled:

- financial assets are allocated to the business model with the objective of collecting the contracted cash flows and selling financial assets and
- SPPI test generated positive result – for financial assets, cash flows are established that are solely payment of principal and interest on unsettled principal amount.

3) fair value through profit or loss

- financial assets are subsequently measured at fair value through profit or loss, if not subsequently measured at amortised cost or at fair value through other comprehensive income. Exceptionally, for investments in equity instruments that would otherwise be measured at fair value through profit or loss, where at the initial recognition there is a possibility of irrevocable option of stating the changes in fair value through other comprehensive income. In such case, the provisions recognised under other comprehensive income will never be transferred to statement on profit or loss, even in the case of derecognition of a financial instrument (financial assets valued at fair value through other comprehensive income without „recycling“). The Bank has used this possibility for a portion of equity instruments.



CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP

NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

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***Cash on hand and deposits with other banks***

As at 31 March 2018, cash on hand and deposits with other banks amounted to HRK 655.04 million representing 2.37 percent of total assets, a decrease of 54.20 percent compared with 31 December 2017 as a result of reallocation of liquidity reserve funds.

***Loans to financial institutions and other customers***

Total net loans amounted to HRK 23,202.63 million and were realised at the level of end 2017 representing 83.83 percent of total assets.

Total gross loans amounted to HRK 26,886.91 million, an increase of 2.10 percent compared with 31 December 2017. Gross loans to other customers were increased by 5.22 percent compared with the end of 2017. Gross loans to financial institutions were decreased by 2.19 percent compared with the end of 2017 as a result of premature loan repayments.

***Financial assets at fair value through profit or loss***

Loans at fair value (HBOR has determined that mezzanine loans are reclassified here) and investments in investment funds (obligatory pursuant to IFRS) are classified in these assets. As at 31 March 2018, the total amount of these assets was HRK 782.62 million, representing 2.83 percent of total assets.

***Financial assets at fair value through other comprehensive income***

***a) Debt securities***

Bonds of the Republic of Croatia and treasury bills of the Ministry of Finance as a part of liquidity reserve as well as corporate bonds are classified in these assets. On the reporting date, they amounted to HRK 2,809.08 million, representing 10.15 percent of total assets. The impairment of these financial assets is calculated through the application of model of expected credit losses in the manner that impairment provisions are recognised in other comprehensive income, thus no reducing the carrying amount of these financial assets in the statement on financial position. On the reporting date, they amounted to HRK 4.75 million in other reserves.

***b) Equity securities***

Equity securities (shares of companies) that HBOR does not intend to sell and to which irrevocable option of subsequent measurement of fair value through other comprehensive income without recycling is applied are classified in these assets, i.e. reserves recognised under other comprehensive income will never be transferred to the statement on profit or loss.

On the reporting date, these assets amounted to HRK 25.19 million, representing 0.09 percent of total assets.

## CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP

### NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

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#### ***Other assets***

On the reporting date, other assets amounted to HRK 98.58 million, an increase of 343.53 percent compared to the end of 2017. The increase relates mostly to the funds intended for foreign exchange trading in the amount of HRK 81.75 million realised on 3 April 2018.

#### ***Total liabilities***

As at 31 March 2018, total liabilities amounted to HRK 17,797.54 million, which represents 64.30 percent of total liabilities and total equity. The major part of total liabilities consists of HBOR's foreign borrowings and bonds payable in the total amount of HRK 16,683.20 million.

During 2018, HBOR has continued to raise earmarked funds of special financial institutions, and on 6 March 2018, it concluded a Finance Contract with the European Investment Bank in the amount of EUR 15.00 million for the financing of green projects (Natural Capital Financing Facility – NCF). NCF is a financial instrument which combines the funds of EIB and the European Commission from the LIFE programme (Programme for the Environment and Climate Action), for the purpose of providing support to projects that are expected to have a positive impact on biodiversity and/or adjustment to climate changes.

#### ***Total equity***

Total equity amounted to HRK 9,880.83 million, representing 35.70 percent of total liabilities and total equity.

The decrease of total equity as compared with the end of 2017 was also affected by the application of IFRS 9 since 1 January 2018 for the purpose of recording the effect of IFRS 9 burdening the retained earnings.

Total equity of HBOR is comprised of the capital and the guarantee fund. HBOR's capital is comprised of founder's capital contributed from the budget of the Republic of Croatia, retained earnings from the profits generated in the previous years, other reserves and profits for the current year.

In the reporting period, there were no contributions from the budget of the Republic of Croatia to the founder's capital. The total amount of capital contributed from the budget of the Republic of Croatia amounted to HRK 6,583.00 million, and the remaining amount to be contributed to the founder's capital up to the total amount of HRK 7,000.0 million set by the HBOR Act is HRK 417.0 million.



**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT**

(expressed in HRK thousand)

	<b>Mar 31, 2018</b>	<b>Dec 31, 2017</b>
	<b>HRK '000</b>	<b>HRK '000</b>
<b>Assets</b>		
Cash on hand and due from banks	642,126	1,403,680
Deposits with other banks	14,510	29,138
Loans to financial institutions	10,707,391	10,836,141
Loans to other customers	12,495,242	12,383,623
Financial assets at fair value through profit or loss	789,087	291
Financial assets at fair value through other comprehensive income	2,873,924	n/a
Debt instruments at amortised cost	1,382	n/a
Assets available for sale	n/a	3,321,564
Assets held to maturity	n/a	1,399
Investments in associates	-	-
Property, plant and equipment and intangible assets	52,471	53,557
Non-current assets held for sale	16,740	16,697
Other assets	106,179	29,471
<b>Total assets</b>	<b>27,699,052</b>	<b>28,075,561</b>
<b>Liabilities</b>		
Deposits	451,908	644,741
Borrowings	15,516,728	15,387,881
Bonds payable	1,166,468	1,161,699
Other liabilities	675,681	605,453
<b>Total liabilities</b>	<b>17,810,785</b>	<b>17,799,774</b>
<b>Equity</b>		
Founder's capital	7,009,632	7,009,632
Retained earnings and reserves	2,717,111	2,996,968
Other reserves	74,361	94,683
Profit for the period	74,994	162,201
<b>Total equity</b>	<b>9,876,098</b>	<b>10,263,484</b>
Guarantee fund	12,169	12,303
<b>Total equity</b>	<b>9,888,267</b>	<b>10,275,787</b>
<b>Total liabilities and total equity</b>	<b>27,699,052</b>	<b>28,075,561</b>

\*n/a = not applicable due to the implementation of IFRS 9

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD 1 January – 31 March  
(expressed in HRK thousand)**

	<b>2018</b>	<b>2017</b>
Interest income	190,882	238,911
Interest expense	(84,403)	(108,107)
<b>Net interest income</b>	<b>106,479</b>	<b>130,804</b>
Fee income	12,719	7,493
Fee expense	(464)	(884)
<b>Net fee income</b>	<b>12,255</b>	<b>6,609</b>
Net gains/(losses) on financial operations	13,100	(3,284)
Other income	2,863	3,957
	<b>134,697</b>	<b>138,086</b>
Operating expenses	(33,517)	(37,148)
Impairment loss and provisions	(26,186)	(59,539)
<b>Profit before income tax</b>	<b>74,994</b>	<b>41,399</b>
Income tax	-	-
<b>Profit for the period</b>	<b>74,994</b>	<b>41,399</b>
<b>Attributable to:</b>		
<b>Equity holder of the parent</b>	<b>74,994</b>	<b>41,399</b>

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1 January – 31 March  
(expressed in HRK thousand)**

	2018	2017
<b>Profit for the period</b>	<b>74,994</b>	<b>41,399</b>
<b>Other comprehensive income</b>		
<b>Items that are not transferred subsequently to profit or loss:</b>		
Deferred tax – adjustment for previous period	(16)	-
<b>Total items that are not transferred subsequently to profit or loss</b>	<b>(16)</b>	<b>-</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Increase in fair value of financial assets at fair value through other comprehensive income	10,885	n/a
Decrease in fair value of financial assets at fair value through other comprehensive income	(7,651)	n/a
Increase in fair value of assets available for sale	n/a	16,552
Decrease in fair value of assets available for sale	n/a	(14,809)
Net foreign exchange on available for sale equity instruments	(227)	(408)
Transfer of realised gains on assets available for sale to statement of profit or loss	n/a	(1)
Transfer of realised losses on assets available for sale to statement of profit or loss	n/a	6
Impairment of financial assets at fair value through other comprehensive income	751	n/a
Deferred tax – other comprehensive income	(55)	(1)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>3,653</b>	<b>1,339</b>
<b>Other comprehensive income after income tax</b>	<b>3,637</b>	<b>1,339</b>
<b>Total comprehensive income after income tax</b>	<b>78,631</b>	<b>42,738</b>
<b>Attributable to:</b>		
<b>Equity holder of the parent</b>	<b>78,631</b>	<b>42,738</b>

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 January – 31 March**

(expressed in HRK thousand)

	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Profit before income tax	74,994	41,399
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation	1,737	2,092
Income tax	-	1
Impairment loss and provisions	26,186	59,539
Accrued interest	32,882	64,745
Deferred fees	(12,577)	(4,622)
<i>Operating profit before working capital changes</i>	<i>123,222</i>	<i>163,154</i>
<i>Changes in operating assets and liabilities:</i>		
Net decrease in deposits with other banks, before provision for impairment	14,990	3,669
Net decrease in loans to financial institutions, before provision for impairment	243,718	536,742
Net (increase)/decrease in loans to other customers, before provision for impairment	(678,595)	44,093
Net (gain) on financial assets at fair value through profit or loss	(3)	(3)
Net realised (gain) on assets available for sale	n/a	(1)
Decrease of discount in bonds payable	984	335
Net (increase)/decrease in other assets, before provision for impairment	(87,951)	1,948
Net (increase) in non-current assets held for sale	(37)	-
Net (decrease)/increase in deposits from banks and companies	(192,833)	106,865
Net increase/(decrease) in other liabilities, before provisions	47,157	(25,612)
<b>Net cash (used in)/provided by operating activities</b>	<b>(529,348)</b>	<b>831,190</b>
<b>Investment activities</b>		
IFRS 9 classification of financial assets at fair value through profit or loss	(812,521)	n/a
IFRS 9 classification of financial assets at fair value through other comprehensive income	(2,507,127)	n/a
IFRS 9 classification of assets available for sale	3,321,564	n/a
Net (purchase) of assets available for sale	n/a	(742,168)
Sale of assets available for sale	n/a	653,372
(Purchase) of financial assets at fair value through profit or loss	(1,786)	n/a
Sale of financial assets at fair value through profit or loss	25,000	n/a
(Purchase) of financial assets at fair value through other comprehensive income	(1,028,293)	n/a
Sale of financial assets at fair value through other comprehensive income	655,000	n/a
Net (purchase) of property, plant and equipment and intangible assets	(635)	(1,187)
<b>Net cash (used in) investment activities</b>	<b>(348,798)</b>	<b>(89,983)</b>
<b>Financing activities</b>		
Increase in borrowings – withdrawn funds	638,591	2,139,927
(Decrease) in borrowings – repayments of principal	(340,802)	(519,912)
<b>Net cash provided by financing activities</b>	<b>297,789</b>	<b>1,620,015</b>
<b>Effect of foreign currency to cash and cash equivalents</b>		
Net foreign exchange	(182,220)	(247,951)
Other	192	-
<b>Net effect</b>	<b>(182,028)</b>	<b>(247,951)</b>
Net (decrease)/increase in cash and cash equivalents	(762,385)	2,113,271
Balance as of 1 January, before provisions	1,404,538	494,325
Net (decrease)/increase in cash	(762,385)	2,113,271
<b>Balance as of 31 March, before provisions</b>	<b>642,153</b>	<b>2,607,596</b>
<b>Additional note - Operational cash flows</b>		
Interest paid	58,278	67,156
Interest received	162,577	225,191



**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1 January – 31 March**  
(expressed in HRK thousand)

	Founder's capital	Retained earnings and reserves	Other reserves	Net profit for the period	Total equity
<b>Balance as at 1 January 2017</b>	<b>6,959,632</b>	<b>2,682,127</b>	<b>73,733</b>	<b>314,841</b>	<b>10,030,333</b>
Profit for the period	-	-	-	41,399	41,399
Other comprehensive income	-	-	1,339	-	1,339
Total comprehensive income	-	-	1,339	41,399	42,738
Capital paid-in from the State Budget	-	-	-	-	-
Transfer of profit 2016 to retained earnings	-	314,841	-	(314,841)	-
<b>Balance as at 31 March 2017</b>	<b>6,959,632</b>	<b>2,996,968</b>	<b>75,072</b>	<b>41,399</b>	<b>10,073,071</b>
<b>Balance as at 31 December 2017</b>	<b>7,009,632</b>	<b>2,996,968</b>	<b>94,683</b>	<b>162,201</b>	<b>10,263,484</b>
Other adjustments	-	(330)	-	-	(330)
The effect of IFRS 9 as at 1 January 2018	-	(469,975)	-	-	(469,975)
Provisions recognised in Other comprehensive income	-	-	4,288	-	4,288
The effect of reclassification financial assets under IFRS 9 <sup>1</sup>	-	28,247	(28,247)	-	-
<b>Balance as at 1 January 2018</b>	<b>7,009,632</b>	<b>2,554,910</b>	<b>70,724</b>	<b>162,201</b>	<b>9,797,467</b>
Profit for the period	-	-	-	74,994	74,994
Other comprehensive income	-	-	3,637	-	3,637
Total comprehensive income	-	-	3,637	74,994	78,631
Transfer of profit 2017 to retained earnings	-	162,201	-	(162,201)	-
<b>Balance as at 31 March 2018</b>	<b>7,009,632</b>	<b>2,717,111</b>	<b>74,361</b>	<b>74,994</b>	<b>9,876,098</b>

<sup>1</sup> The effect of reclassification of financial assets that were measured under IAS 39 through other comprehensive income and reclassified under IFRS 9 as financial assets at fair value through the Statement on Profit or Loss, due to which the effect from Other reserves is stated on Retained Earnings and Reserves.



**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**SEPARATE STATEMENT OF FINANCIAL POSITION AS AT**

(expressed in HRK thousand)

	<b>Mar 31, 2018</b>	<b>Dec 31, 2017</b>
	<b>HRK '000</b>	<b>HRK '000</b>
<b>Assets</b>		
Cash on hand and due from banks	640,528	1,401,146
Deposits with other banks	14,510	29,138
Loans to financial institutions	10,707,391	10,836,141
Loans to other customers	12,495,242	12,383,623
Financial assets at fair value through profit or loss	782,622	n/a*
Financial assets at fair value through other comprehensive income	2,834,261	n/a
Assets available for sale	n/a	3,277,194
Investments in subsidiaries	36,124	36,124
Investments in associates	-	-
Property, plant and equipment and intangible assets	52,376	53,514
Non-current assets held for sale	16,740	16,697
Other assets	98,581	22,226
<b>Total assets</b>	<b>27,678,375</b>	<b>28,055,803</b>
<b>Liabilities</b>		
Deposits	451,908	644,741
Borrowings	15,516,728	15,387,881
Bonds payable	1,166,468	1,161,699
Other liabilities	662,438	592,651
<b>Total liabilities</b>	<b>17,797,542</b>	<b>17,786,972</b>
<b>Equity</b>		
Founder's capital	7,009,632	7,009,632
Retained earnings and reserves	2,715,028	2,995,656
Other reserves	69,614	90,457
Profit for the period	74,390	160,783
<b>Total equity</b>	<b>9,868,664</b>	<b>10,256,528</b>
Guarantee fund	12,169	12,303
<b>Total equity</b>	<b>9,880,833</b>	<b>10,268,831</b>
<b>Total liabilities and total equity</b>	<b>27,678,375</b>	<b>28,055,803</b>

\*n/a = not applicable due to the implementation of IFRS 9

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**SEPARATE STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD 1 January – 31 March  
(expressed in HRK thousand)**

	<b>2018</b>	<b>2017</b>
Interest income	190,493	238,503
Interest expense	(84,403)	(108,107)
<b>Net interest income</b>	<b>106,090</b>	<b>130,396</b>
Fee income	12,213	6,845
Fee expense	(464)	(884)
<b>Net fee income</b>	<b>11,749</b>	<b>5,961</b>
Net gains/(losses) on financial operations	13,216	(3,091)
Other income	1,235	2,044
	<b>132,290</b>	<b>135,310</b>
Operating expenses	(31,773)	(35,490)
Impairment loss and provisions	(26,127)	(59,569)
<b>Profit before income tax</b>	<b>74,390</b>	<b>40,251</b>
Income tax	-	-
<b>Profit for the period</b>	<b>74,390</b>	<b>40,251</b>
<b>Attributable to:</b>		
<b>Equity holder of the parent</b>	<b>74,390</b>	<b>40,251</b>

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1 January – 31 March  
(expressed in HRK thousand)**

	2018	2017
<b>Profit for the period</b>	<u>74,390</u>	<u>40,251</u>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Increase in fair value of financial assets at fair value through other comprehensive income	10,453	n/a
Decrease in fair value of financial assets at fair value through other comprehensive income	(7,520)	n/a
Increase in fair value of assets available for sale	n/a	15,821
Decrease in fair value of assets available for sale	n/a	(14,070)
Net foreign exchange on available for sale equity instruments	(277)	(408)
Impairment of financial assets at fair value through other comprehensive income	751	n/a
<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>3,407</u>	<u>1,343</u>
<b>Other comprehensive income after income tax</b>	<b>3,407</b>	<b>1,343</b>
<b>Total comprehensive income after income tax</b>	<u><b>77,797</b></u>	<u><b>41,594</b></u>
<b>Attributable to:</b>		
<b>Equity holder of the parent</b>	<u><b>77,797</b></u>	<u><b>41,594</b></u>

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**SEPARATE STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 January – 31 March  
(expressed in HRK thousand)**

	2018	2017
<b>Operating activities</b>		
Profit before income tax	74,390	40,251
<i>Adjustments to reconcile to net cash from and used in operating activities:</i>		
Depreciation	1,728	2,078
Impairment loss and provisions	26,127	59,569
Accrued interest	32,712	64,645
Deferred interest	(12,577)	(4,622)
<i>Operating profit before working capital changes</i>	<i>120,380</i>	<i>161,921</i>
<i>Changes in operating assets and liabilities:</i>		
Net decrease in deposits with other banks, before provision for impairment	14,990	3,669
Net decrease in loans to financial institutions, before provision for impairment	243,718	536,742
Net (increase)/decrease in loans to other customers, before provision for impairment	(678,595)	44,093
Decrease of discount in bonds payable	923	229
Net (increase) in other assets, before provision for impairment	(87,607)	(273)
Net (increase) in non-current assets held for sale	(37)	-
Net (decrease)/increase in deposits from banks and companies	(192,833)	106,865
Net increase/(decrease) in other liabilities, before provisions	47,208	(24,616)
<b>Net cash (used in)/provided by operating activities</b>	<b>(529,853)</b>	<b>828,630</b>
<b>Investment activities</b>		
IFRS 9 classification of financial assets at fair value through profit or loss	(807,844)	n/a
IFRS 9 classification of financial assets at fair value through other comprehensive income	(2,467,465)	n/a
IFRS 9 classification of assets available for sale	3,277,194	n/a
Net (purchase) of assets available for sale	n/a	(736,221)
Sale of assets available for sale	n/a	650,000
(Purchase) of financial assets at fair value through profit or loss	(286)	n/a
Sale of financial assets at fair value through profit or loss	25,000	n/a
(Purchase) of financial assets at fair value through other comprehensive income	(1,028,293)	n/a
Sale of financial assets at fair value through other comprehensive income	655,000	n/a
Net (purchase) of property, plant and equipment and intangible assets	(574)	(1,176)
<b>Net cash (used in) investment activities</b>	<b>(347,268)</b>	<b>(87,397)</b>
<b>Financing activities</b>		
Increase in borrowings – withdrawn funds	638,591	2,139,927
(Decrease) in borrowings – repayments of principle	(340,802)	(519,912)
<b>Net cash provided by financing activities</b>	<b>297,789</b>	<b>1,620,015</b>
<b>Effect of foreign currency to cash and cash equivalents</b>		
Net foreign exchange gains/losses	(182,339)	(248,152)
Other	222	-
<b>Net effect</b>	<b>(182,117)</b>	<b>(248,152)</b>
Net (decrease)/increase in cash and cash equivalents	(761,449)	2,113,096
Balance as of 1 January, before provisions	1,402,004	493,774
Net (decrease)/increase in cash	(761,449)	2,113,096
<b>Balance as at 31 March, before provisions</b>	<b>640,555</b>	<b>2,606,870</b>
<b>Additional note – operating activities</b>		
Interest paid	58,278	67,156
Interest received	161,953	224,578



**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

**SEPARATE STATEMENT OF CHANGES IN EQUITY**

**FOR THE PERIOD 1 January – 31 March**

(expressed in HRK thousand)

	Founder's capital	Retained earnings and reserves	Other reserves	Net profit for the period	Total equity
<b>Balance as at 1 January 2017</b>	<b>6,959,632</b>	<b>2,682,131</b>	<b>70,317</b>	<b>313,525</b>	<b>10,025,605</b>
Profit for the period	-	-	-	40,251	<b>40,251</b>
Other comprehensive income	-	-	1,343	-	<b>1,343</b>
Total comprehensive income	-	-	1,343	40,251	<b>41,594</b>
Capital paid-in from the State Budget	-	-	-	-	-
Transfer of profit 2016 to retained earnings	-	313,525	-	(313,525)	-
<b>Balance as at 31 March 2017</b>	<b>6,959,632</b>	<b>2,995,656</b>	<b>71,660</b>	<b>40,251</b>	<b>10,067,199</b>
<b>Balance as at 31 December 2017</b>	<b>7,009,632</b>	<b>2,995,656</b>	<b>90,457</b>	<b>160,783</b>	<b>10,256,528</b>
The effect of IFRS 9 as at 1 January 2018	-	(469,658)	-	-	<b>(469,658)</b>
Provisions recognised in Other comprehensive income	-	-	3,997	-	<b>3,997</b>
The effect of reclassification financial assets under IFRS 9 <sup>1</sup>	-	28,247	(28,247)	-	-
<b>Balance as at 1 January 2018</b>	<b>7,009,632</b>	<b>2,554,245</b>	<b>66,207</b>	<b>160,783</b>	<b>9,790,867</b>
Profit for the period	-	-	-	74,390	<b>74,390</b>
Other comprehensive income	-	-	3,407	-	<b>3,407</b>
Total comprehensive income	-	-	3,407	74,390	<b>77,797</b>
Capital paid-in from the State Budget	-	-	-	-	-
Transfer of profit 2017 to retained earnings	-	160,783	-	(160,783)	-
<b>Balance as at 31 March 2018</b>	<b>7,009,632</b>	<b>2,715,028</b>	<b>69,614</b>	<b>74,390</b>	<b>9,868,664</b>

<sup>1</sup> The effect of reclassification of financial assets that were measured under IAS 39 through other comprehensive income and reclassified under IFRS 9 as financial assets at fair value through the Statement on Profit or Loss, due to which the effect from Other reserves is stated on Retained Earnings and Reserves.