

**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

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 |  | Hrvoje Čuvalo, MSc |
|  |  |  |
| **President of the****Management Board**  |  | **Member of the Management Board** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Vedran Jakšić, MSc |  |  |  | Marin Pranjić |
|  |  |  |  |  |
| **Senior Executive Director** |  |  |  | **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

**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

**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

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

**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

**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:

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NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE

FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

* 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

***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

**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.

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NOTES ON SIGNIFICANT CHANGES IN FINANCIAL POSITION AND PERFORMANCE

FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

***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

***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 – NCFF). NCFF 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)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Mar 31, 2018** |  | **Dec 31, 2017** |
|  | **HRK ‘000** |  | **HRK ‘000**  |
|  |  |  |  |
| **Assets**  |  |  |  |
| 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 |
|  |  |  |  |
| **Total assets**  | **27,699,052** |  | **28,075,561** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| 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 |
|  |  |  |  |
| **Total liabilities** | **17,810,785** |  | **17,799,774** |
|  |  |  |  |
| **Equity**  |  |  |  |
| 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 |
|  |  |  |  |
| **Total equity**  | **9,876,098** |  | **10,263,484** |
|  |  |  |  |
| Guarantee fund  | 12,169 |  | 12,303 |
|  |  |  |  |
| **Total equity**  | **9,888,267** |  | **10,275,787** |
|  |  |  |  |
| **Total liabilities and total equity** | **27,699,052** |  | **28,075,561** |
|  |  |  |  |

\*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)

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

**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** |
|  |  |  |
| **Profit for the period**  | **74,994** | **41,399** |
|  |  |  |
| **Other comprehensive income**  |  |  |
|  |  |  |
| **Items that are not transferred subsequently to profit or loss:** |  |  |
| Deferred tax – adjustment for previous period | (16) | - |
| **Total items that are not transferred subsequently to profit or loss** | **(16)** | **-** |
|  |  |  |
| **Items that may be reclassified subsequently to profit or loss:** |  |  |
| 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) |
| **Total items that may be reclassified subsequently to profit or loss**  | **3,653** | **1,339** |
|  |  |  |
| **Other comprehensive income after income tax** | **3,637** | **1,339** |
|  |  |  |
| **Total comprehensive income after income tax** | **78,631** | **42,738** |
|  |  |  |
|  |  |  |
| **Attributable to:** |  |  |
| **Equity holder of the parent** | **78,631** | **42,738** |

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

### **CONSOLIDATED STATEMENT OF CASH FLOWS**

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

(expressed in HRK thousand)

|  |  |  |
| --- | --- | --- |
|  | **2018** | **2017** |
| **Operating activities** |  |  |
| Profit before income tax | 74,994 | 41,399 |
| *Adjustments to reconcile to net cash from and used in operating activities:* |  |  |
| 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) |
| *Operating profit before working capital changes* | *123,222* |  163,154  |
| *Changes in operating assets and liabilities:* |  |  |
| 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) |
|  |  |  |
| **Net cash (used in)/provided by operating activities** | **(529,348)** | **831,190** |
|  |  |  |
| **Investment activities** |  |  |
| 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) |
|  |  |  |
| **Net cash (used in) investment activities** | **(348,798)** | **(89,983)** |
|  |  |  |
| **Financing activities** |  |  |
| Increase in borrowings – withdrawn funds | 638,591 | 2,139,927 |
| (Decrease) in borrowings – repayments of principal | (340,802) | (519,912) |
|  |  |  |
| **Net cash provided by financing activities** | **297,789** | **1,620,015** |
|  |  |  |
| **Effect of foreign currency to cash and cash equivalents** |  |  |
| Net foreign exchange | (182,220) | (247,951) |
| Other | 192 | - |
|  |  |  |
| **Net effect** | **(182,028)** | **(247,951)** |
|  |  |  |
| 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 |
| **Balance as of 31 March, before provisions**  | **642,153** | **2,607,596** |
|  |  |  |
| **Additional note - Operational cash flows** |  |  |
| 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**  |
|  |  |  |  |  |  |
| **Balance as at 1 January 2017** | **6,959,632** | **2,682,127** | **73,733** | **314,841** | **10,030,333** |
|  |  |  |  |  |  |
| 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 StateBudget  | - | - | - | - | **-** |
| Transfer of profit 2016 toretained earnings | - | 314,841 |  | (314,841) | **-** |
| **Balance as at 31 March 2017** | **6,959,632** | **2,996,968** | **75,072** | **41,399** | **10,073,071** |
|  |  |  |  |  |  |
| **Balance as at 31 December 2017** | **7,009,632** | **2,996,968** | **94,683** | **162,201** | **10,263,484** |
| 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[[1]](#footnote-1) | - | 28,247 | (28,247) | - | **-** |
| **Balance as at 1 January 2018** | **7,009,632** | **2,554,910** | **70,724** | **162,201** | **9,797,467** |
| 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) | **-** |
|  |  |  |  |  |  |
| **Balance as at 31 March 2018** | **7,009,632** | **2,717,111** | **74,361** | **74,994** | **9,876,098** |

**CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT GROUP**

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT

(expressed in HRK thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Mar 31, 2018** |  | **Dec 31, 2017** |
|  | **HRK ‘000** |  | **HRK ‘000**  |
|  |  |  |  |
| **Assets**  |  |  |  |
| 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 |
|  |  |  |  |
| **Total assets**  | **27,678,375** |  | **28,055,803** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| 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 |
|  |  |  |  |
| **Total liabilities** | **17,797,542** |  | **17,786,972** |
|  |  |  |  |
| **Equity**  |  |  |  |
| 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 |
|  |  |  |  |
| **Total equity**  | **9,868,664** |  | **10,256,528** |
|  |  |  |  |
| Guarantee fund  | 12,169 |  | 12,303 |
|  |  |  |  |
| **Total equity**  | **9,880,833** |  | **10,268,831** |
|  |  |  |  |
| **Total liabilities and total equity** | **27,678,375** |  | **28,055,803** |
|  |  |  |  |

\*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)

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

**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** |
|  |  |  |
| **Profit for the period**  | **74,390** | **40,251** |
|  |  |  |
| **Other comprehensive income**  |  |  |
|  |  |  |
| **Items that may be reclassified subsequently to profit or loss:** |  |  |
| 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 |
| **Total items that may be reclassified subsequently to profit or loss**  | **3,407** | **1,343** |
|  |  |  |
| **Other comprehensive income after income tax** | **3,407** | **1,343** |
|  |  |  |
| **Total comprehensive income after income tax** | **77,797** | **41,594** |
|  |  |  |
|  |  |  |
| **Attributable to:** |  |  |
| **Equity holder of the parent** | **77,797** | **41,594** |

**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** |
| **Operating activities**  |  |  |
| Profit before income tax | 74,390 | 40,251 |
| *Adjustments to reconcile to net cash from and used in operating activities:* |  |  |
| 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) |
| *Operating profit before working capital changes* | *120,380* | *161,921* |
| *Changes in operating assets and liabilities:* |  |  |
| 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) |
|  |  |  |
| **Net cash (used in)/provided by operating activities**  | **(529,853)** | **828,630** |
|  |  |  |
| **Investment activities**  |  |  |
| 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) |
|  |  |  |
| **Net cash (used in) investment activities**  | **(347,268)** | **(87,397)** |
|  |  |  |
| **Financing activities**  |  |  |
| Increase in borrowings – withdrawn funds  | 638,591 | 2,139,927 |
| (Decrease) in borrowings – repayments of principle  | (340,802) | (519,912) |
|  |  |  |
| **Net cash provided by financing activities**  | **297,789** | **1,620,015** |
|  |  |  |
| **Effect of foreign currency to cash and cash equivalents** |  |  |
| Net foreign exchange gains/losses  | (182,339) | (248,152) |
| Other  | 222 | - |
| **Net effect** | **(182,117)** | **(248,152)** |
|  |  |  |
| 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 |
|  |  |  |
| **Balance as at 31 March, before provisions**  | **640,555** | **2,606,870** |
|  |  |  |
| **Additional note – operating activities**  |  |  |
| 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**  |
|  |  |  |  |  |  |
| **Balance as at 1 January 2017** | **6,959,632** | **2,682,131** | **70,317** | **313,525** | **10,025,605** |
|  |  |  |  |  |  |
| Profit for the period  | - | - | - | 40,251 | **40,251** |
| Other comprehensive income  | - | - | 1,343 | - | **1,343** |
| Total comprehensive income  | - | - | 1,343 | 40,251 | **41,594** |
| Capital paid-in from the StateBudget  | - | - | - | - | **-** |
| Transfer of profit 2016 toretained earnings | - | 313,525 |  | (313,525) | **-** |
| **Balance as at 31 March 2017** | **6,959,632** | **2,995,656** | **71,660** | **40,251** | **10,067,199** |
|  |  |  |  |  |  |
| **Balance as at 31 December 2017** | **7,009,632** | **2,995,656** | **90,457** | **160,783** | **10,256,528** |
| The effect of IFRS 9 as at 1 January 2018 | - | (469,658) | - | - | **(469,658)** |
| Provisions recognised in Other comprehensive income | - | - | 3,997 | - | **3.997** |
| The effect of reclassification financial assets under IFRS 91[[2]](#footnote-2) | - | 28,247 | (28,247) | - | **-** |
| **Balance as at 1 January 2018** | **7,009,632** | **2,554,245** | **66,207** | **160,783** | **9,790,867** |
| Profit for the period  | - | - | - | 74,390 | **74,390** |
| Other comprehensive income | - | - | 3,407 | - | **3,407** |
| Total comprehensive income  | - | - | 3,407 | 74,390 | **77,797** |
| Capital paid-in from the StateBudget  | - | - | - | - | **-** |
| Transfer of profit 2017 to retained earnings  | - | 160,783 | - | (160,783) | **-** |
|  |  |  |  |  |  |
| **Balance as at 31 March 2018** | **7,009,632** | **2,715,028** | **69,614** | **74,390** | **9,868,664** |

1. *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.* [↑](#footnote-ref-1)
2. 1 *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.* [↑](#footnote-ref-2)