



Financial Statements for the Period
from Jan 01 to Mar 31 2018

Unaudited



HPB p.l.c.

In accordance with the Capital Markets Act, HPB p.l.c. publishes unaudited financial statements for the period from Jan 01 2018 to Mar 31 2018.

This report includes:

- Management report of HPB p.l.c.,
- statement by persons accountable for compiling the report of HPB p.l.c.,
- unaudited set of unconsolidated financial statements (balance sheet, profit or loss statement, statement of changes in equity, cash flow statement), and
- notes to financial statements.

Financial statements and notes have been compiled in accordance with instructions defined in Rulebook on format and content of interim financial reports of issuers (NN 47/2011). Accordingly, there can be certain differences between reporting items outlined in the statement on financial position – with regard to new IFRS 9 classification. However, all the effects of transactions recognized since Jan 01 2018 are presented in the income statement, as well as through other comprehensive income, in compliance with IFRS 9.

Key highlights of results for the reporting period are as follows:

- **net profit of HRK 66,2M** represents the best quarterly result over the course of last ten years. Such result has been achieved in exceptionally demanding market conditions which are characterized by liquidity surplus on one side, and stagnant loan demand on the other.
- **operating profit of HRK 69.3M**, decreased by HRK 9.7M in comparison with the same period 2017, due to decreased net interest income arising from lower interest margins and declining average interest bearing assets,
- significant **ytd growth of corporate loans (+16,2%)** and continued growth of retails loans (+1,9%),
- **over 2.000 new clients**, with increase being recorded in all segments,
- **book value per share increased by 0,9%**,
- **binding acquisition offer for Jadranska banka d.d. Šibenik submitted** after the balance sheet date.

Management report of HPB p.l.c.

We leave 2017 behind us, and it was marked by Agrokor and by adapting to new market conditions characterized by a vast surplus of liquidity on the one hand, and stagnant credit demand on the other. In order to understand the context in which the Croatian banking sector operates, it is necessary to take into account that domestic bank placements to the private sector have been decreasing for 22 consecutive quarters y-o-y, whereas the last quarter of 2017 was marked by a significant reduction of indebtedness by the public sector. Absent demand and the growth of money supply has led to the continued decline in interest rate levels. HPB p.l.c. was not immune to such trends, but we are exceptionally proud that in spite of everything, we started 2018 by achieving the best quarterly result over the course of the last ten years (since 4Q 2007) – recording **a net profit of HRK 66,2M**. This does not mean that such an achievement can be projected linearly over the rest of the year, but we intend to return to the way we paved in record 2015 and 2016.

Operating profit amounted to HRK 69,3M, representing a **decrease of HRK 9,7M less** than in the same period of 2017 due to the fall in interest income in line with the previously described trends of declining loans and falling interest rates. Accordingly, **net interest income decreased by 6,3 percent**, with the fall in interest income (by 11,2 percent or HRK 18,9M) being only partially neutralized by optimized structure of source of funding, i.e. by reduced interest expenses (by 28,6 % or HRK 10,5 million).

Net income from commissions and fees was kept at the same level as in the previous year. However, within the structure of these revenues, fees **in the corporate segment (+ 3,8%), as well as in retail and card operations (+3,3%) continue to grow**. On the other hand, due to the substitution of cash payments, fees from cash transaction in externalized network are unchanged on a net basis.

Operating costs have been slightly increased (+1,3%), following a variety of initiated projects and activities that are driven by regulatory requirements (GDPR, IFRS9, AML, MIFID II). In addition, we would like to point out that the Bank's management is striving to optimize its operations in order to neutralize the cost growth driven by regulations.

In the reporting period, the Bank recorded **income from reversal of impairments** due to collection activities and due to improved structure of the NPL portfolio. Impairment coverage of placements to Agrokor group in the broad sense, i.e. to economically and legally related parties amounts to 64,1 percent. Furthermore, the transition to the new IFRS 9 accounting standard, which prescribes the calculation of impairments based on expected losses instead of incurred losses, has also resulted in favorable effects on the profit and loss account. It should also be noted that by migrating to IFRS 9 standard, the Bank recognized additional impairments amounting to HRK 57,3M as per January 1 2018, by charging capital reserves directly. These impairments mainly relate to income-generating loans.



HPB p.l.c.

Due to the accumulated liquidity surpluses at the end of 2017, it was opportune to repay some of the sources of funding to creditors (**deposits decreased by 0,8 percent** or by HRK 127,8M), whilst the growth of placements was financed from these surpluses. Accordingly, **assets fell by 0,6 percent to HRK 19,7 billion**, but assets' structure has been improved in terms of **net loan growth** (+ 4,0%). Retail loans continued to grow (+ 1,9%), but the quarter was marked by the growth of loans to companies (+ 16,2%). On the other hand, loans to other corporate entities dropped by 2,6% due to decreased need of state units for this type of new financing.

Capital of the Bank on March 31, 2018 **amounted to HRK 1.923M, up by 0.9 percent** ytd. Increase in capital refers mainly to the net profit achieved during the reporting period, while, as mentioned previously, capital reserves have been reduced for the effects of introduction of IFRS 9. Other changes relate to the positive change in the value of financial instruments valued through other comprehensive income (HRK +8,9M).

After the reporting date, the Bank submitted a binding acquisition offer for Jadranska banka d.d. Šibenik, which is subject to obtaining the approval of the regulator, the Supervisory Board and the HPB's General Assembly. Acquisition of JABA would result in stronger HPB presence in the prosperous central-Dalmatian region, while on the other hand it would expand the Bank's customer base.

Although the Bank does not plan to expand the physical network of branches further, would take favourable opportunities to extend the coverage of the Bank's network if there is a growing demand for banking services. Consequently, for our present and future clients in the Adriatic Croatia, we opened a new office in Zadar.

As opposed to the physical network, e-branch is increasingly recognized as the preferred channel. Digitalization and technology is a developmental direction for which we have chosen, and that we will continue to invest in.

In line with our orientation towards the development of the SME segment, we intensified the cooperation with the EBRD, which was marked by the joint organization of the conference "Women in Business".

In the coming period, we will remain dedicated to our clients, but also to earning an adequate return for shareholders, as well as to create value for the community as a whole.

Mladen Mrvelj
Board Member

Domagoj Karadjole
Board Member



HPB p.l.c.

Statement by persons accountable for compiling the report of HPB p.l.c.

In accordance with the Capital Market Act, the Management Board of HPB p.l.c., states that according to their best knowledge the set of unaudited financial statements for the period from Jan 01 to Mar 31 2018, compiled in accordance with the accounting regulation applicable to credit institutions in Croatia, presents complete and accurate view of assets and liabilities, losses and gains, financial position and results of HPB p.l.c.

Mladen Mrvelj
Board Member

Domagoj Karadjole
Board Member

David Tomašek
Head of Finance Division



HPB p.l.c.

Appendix 3.

Reporting period:

Jan 01

to

Mar 31 2018

Quarterly financial statements for credit institutions TFI-KI

Registration number (MB):

Registration number (MBS):

Personal identification number (OIB):

Company:

Postal code and city:

Address:

E-mail address:

Internet address:

City code and name:

County code and name: # of employees:
(as per reporting date)

Consolidated report: Industry code:

Consolidated companies (in accordance with IFRS):	Headquarters:	Registration number:

Book-keeping service provided by:

Contact:

Phone: Fax:

E-mail address:

Surname and name:

(persons authorized for representation)

- Documentation to be made public:
1. Financial reports (balance sheet, profit or loss statement, cash flow statement, statement on changes in equity and notes to financial statements)
 2. Management report
 3. Statement by persons accountable for compiling the report

BALANCE SHEET
 as per Mar 31 2018

in HRK

Item	AOP label	Dec 31 2016	Dec 31 2017
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	4.391.466.489	4.115.384.141
1.1. Cash	002	460.023.632	494.378.160
1.2. Deposits with the CNB	003	3.931.442.857	3.621.005.981
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	473.302.324	286.262.457
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	324.931.405	273.293.880
4. FINANCIAL ASSETS HELD FOR TRADING	006	513.989.813	509.069.639
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.459.982.241	2.458.183.022
6. FINANCIAL ASSETS HELD TO MATURITY	008	72.345.457	72.051.971
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	-	-
8. DERIVATIVE FINANCIAL ASSETS	010	-	-
9. LOANS TO FINANCIAL INSTITUTIONS	011	62.450.000	40.130.000
10. LOANS TO OTHER CUSTOMERS	012	10.851.664.988	11.307.166.002
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	65.490.000	65.490.000
12. REPOSSESSED ASSETS	014	-	-
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	141.461.846	143.387.359
14. OTHER ASSETS	016	441.748.035	402.549.851
A) TOTAL ASSETS (001+004 to 016)	017	19.798.832.598	19.672.968.322
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	651.970.981	649.878.185
1.1. Short-term	019	-	-
1.2. Long-term	020	651.970.981	649.878.185
2. DEPOSITS (022 to 024)	021	15.134.400.504	15.074.413.823
2.1. Transactional and current accounts	022	5.172.463.233	5.145.577.802
2.2. Savings deposits (demand)	023	1.538.006.561	1.495.675.702
2.3. Term deposits	024	8.423.930.710	8.433.160.319
3. OTHER BORROWINGS (026+027)	025	20.286.850	20.066.470
3.1. Short-term	026	-	-
3.2. Long-term	027	20.286.850	20.066.470
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	-	6.537
5. ISSUED SECURITIES (030+031)	029	-	-
5.1. Short-term	030	-	-
5.2. Long-term	031	-	-
6. SUBORDINATED DEBT ISSUED	032	-	-
7. HYBRID INSTRUMENTS	033	-	-
8. OTHER LIABILITIES	034	2.086.882.490	2.005.454.318
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	17.893.540.825	17.749.819.333
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	8.333.460	66.166.324
3. RETAINED EARNINGS	038	124.540.223	124.540.223
4. REGULATORY RESERVES	039	15.574.701	15.574.701
5. STATUTARY AND OTHER CAPITAL RESERVES	040	448.288.175	399.388.192
6. FAIR VALUE RESERVE	041	94.257.214	103.181.549
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	-	-
C) TOTAL EQUITY (036 to 042)	043	1.905.291.773	1.923.148.989
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	19.798.832.598	19.672.968.322

PROFIT OR LOSS STATEMENT

 for the period from **Jan 01 2018** to **Mar 31 2018**

in HRK

Item	AOP label	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	169.087.875	169.087.875	150.194.900	150.194.900
2. Interest expense	049	36.754.226	36.754.226	26.257.270	26.257.270
3. Net interest income (048-049)	050	132.333.649	132.333.649	123.937.630	123.937.630
4. Fee and commission income	051	114.584.366	114.584.366	112.555.030	112.555.030
5. Fee and commission expense	052	71.961.969	71.961.969	69.940.794	69.940.794
6. Net fee and commission income (051-052)	053	42.622.397	42.622.397	42.614.236	42.614.236
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	9.695.471	9.695.471	10.510.553	10.510.553
9. Gains less losses from built-in derivatives	056	-	-	-	-
10. Gains less losses arising from financial assets valued at fair value through P&L, not actively traded	057	-	-	-	-
11. Gains less losses arising from securities available for sale	058	334.916	334.916	-	-
12. Gains less losses arising from securities held to maturity	059	-	-	-	-
13. Gains less losses arising from hedging activities	060	-	-	-	-
14. Income from investments in subsidiaries, associated companies and joint ventures	061	2.200.000	2.200.000	-	-
15. Income from other equity instruments	062	21.668	21.668	14.483	14.483
16. Gains less losses from exchange rate differences	063	1.100.113	1.100.113	1.184.119	1.184.119
17. Other income	064	774.778	774.778	2.553.571	2.553.571
18. Other operating costs	065	14.490.872	14.490.872	15.910.928	15.910.928
19. General and administrative expenses, amortization and depreciation	066	95.556.161	95.556.161	95.568.165	95.568.165
20. Operating profit (050+053 to 064-065-066)	067	79.035.959	79.035.959	69.335.499	69.335.499
21. Impairment losses and provisions	068	70.961.931	70.961.931	(11.355.140)	(11.355.140)
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	8.074.028	8.074.028	80.690.639	80.690.639
23. INCOME TAX EXPENSE / DEFERRED TAX	070	3.221.703	3.221.703	14.524.315	14.524.315
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	4.852.325	4.852.325	66.166.324	66.166.324
25. Earnings per share	072	2	2	33	33

CASH FLOW STATEMENT - INDIRECT METHOD

 for the period from **Jan 01 2018** to **Mar 31 2018** in HRK

Item	AOP label	Jan 01 - Mar 31 2017	Jan 01 - Mar 31 2018
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	88.851.390	79.919.789
1.1. Profit/(loss) before tax	002	8.074.028	80.690.639
1.2. Impairment losses and provisions	003	70.961.931	(11.355.140)
1.3. Amortization and depreciation	004	11.227.155	11.334.288
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(311.611)	568.587
1.5. Gains / losses from sale of tangible assets	006	-	(134.466)
1.6. Other gains / losses	007	(1.100.113)	(1.184.119)
2. Net increase / decrease of operating assets (009 to 016)	008	68.193.335	105.491.893
2.1. Deposits with the CNB	009	(381.110.261)	310.436.876
2.2. Treasury bills of the Croatian Ministry of Finance	010	4.246.968	51.637.525
2.3. Deposits with and loans to financial institutions	011	155.333.721	187.039.867
2.4. Loans to other customers	012	224.641.088	(490.182.180)
2.5. Financial assets held for trading	013	48.252.357	4.351.587
2.6. Financial assets available for sale	014	239.651.866	(8.989.966)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	(222.822.404)	51.198.184
3. Net increase / decrease of operating liabilities (018 to 021)	017	(191.320.650)	(141.408.316)
3.1. Transactional accounts	018	(75.278.523)	(26.885.431)
3.2. Savings and term deposits	019	(171.854.842)	(33.101.250)
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	6.537
3.4. Ostale liabilities	021	59.453.382	(81.428.172)
4. Net cash flow from operating activities before taxation (001+008+017)	022	(34.275.925)	44.003.366
5. Income tax paid	023	-	-
6. Net cash inflow / outflow from operating activities (022+023)	024	(34.275.925)	44.003.366
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	153.639.495	(6.210.136)
7.1. Purchase of tangible and intangible assets	026	(4.829.543)	(6.224.619)
7.2. Investment in / disposal of subsidiaries, associated companies and joint ventures	027	-	-
7.3. Investment in / disposal of financial assets held to maturity	028	156.247.370	-
7.4. Dividends received	029	2.221.668	14.483
7.5. Other inflows / outflows from investing activities	030	-	-
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(105.306.787)	(2.313.176)
8.1. Net increase / decrease of borrowings	032	(105.306.787)	(2.313.176)
8.2. Net increase / decrease of issued debt securities	033	-	-
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	-	-
8.4. Share capital raised	035	-	-
8.5. Dividends paid	036	-	-
8.6. Other inflows / outflows from financial activities	037	-	-
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038	14.056.783	35.480.054
10. Effect of foreign exchange differences on cash and cash equivalents	039	(472.981)	(1.125.526)
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	13.583.802	34.354.528
12. Cash and cash equivalents at the beginning of the year	041	421.479.852	460.023.632
13. Cash and cash equivalents as per reporting date (040+041)	042	435.063.654	494.378.160

STATEMENT OF CHANGES IN EQUITY

for the period from Jan 01 2018 to Mar 31 2018 in HRK

Item	AOP label	Attributable to the shareholders of the parent company						Minority interest	Total equity
		Share capital	Own shares	Regulatory, statutory and other reserves	Retained earnings	Profit/(loss) for the period	Fair value reserve		
1	2	3	4	5	6	7	8	9	10
Balance as per Jan 01 2018	001	1.214.775.000	(477.000)	463.862.876	124.540.223	8.333.460	94.257.214	-	1.905.291.773
Effects of changes in accounting policies and corrections of errors	002	-	-	(57.233.443)	-	-	-	-	(57.233.443)
Restated balance as per Jan 01 2018 (001+002)	003	1.214.775.000	(477.000)	406.629.433	124.540.223	8.333.460	94.257.214	-	1.848.058.330
Disposal of financial assets available for sale	004	-	-	-	-	-	-	-	-
Change in the fair value of financial assets available for sale	005	-	-	-	-	-	10.789.185	-	10.789.185
Tax on items recognised directly in/transferred from equity	006	-	-	-	-	-	(1.864.850)	-	(1.864.850)
Other gains and (losses) recognised directly in equity	007	-	-	-	-	-	-	-	-
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	-	-	-	8.924.335	-	8.924.335
Loss for the period	009	-	-	-	-	66.166.324	-	-	66.166.324
Total recognized income and expense for the period (008+009)	010	-	-	-	-	66.166.324	8.924.335	-	75.090.659
Increase/decrease in share capital	011	-	-	-	-	-	-	-	-
Purchase/sale of own shares	012	-	-	-	-	-	-	-	-
Other changes	013	-	-	8.333.460	-	(8.333.460)	-	-	-
Transfer to reserves	014	-	-	-	-	-	-	-	-
Dividends paid	015	-	-	-	-	-	-	-	-
Profit allocation (014+015)	016	-	-	-	-	-	-	-	-
Balance as per the reporting date (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	414.962.893	124.540.223	66.166.324	103.181.549	-	1.923.148.989



HPB p.l.c.

NOTES TO FINANCIAL STATEMENTS

A) Income statement

1) INTEREST INCOME

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	143.688.983	143.688.983	131.616.083	131.616.083
Deposits	(614.859)	(614.859)	339.249	339.249
Securities	26.013.751	26.013.751	18.239.568	18.239.568
TOTAL	169.087.875	169.087.875	150.194.900	150.194.900

2) INTEREST EXPENSE

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	3.937.966	3.937.966	2.904.801	2.904.801
Deposits	32.816.260	32.816.260	23.352.469	23.352.469
TOTAL	36.754.226	36.754.226	26.257.270	26.257.270

3) FEE AND COMMISSION INCOME

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	68.214.212	68.214.212	65.033.058	65.033.058
Retail and card operations	30.873.717	30.873.717	31.902.826	31.902.826
Corporate operations	13.287.726	13.287.726	13.795.537	13.795.537
Other fee and commission income	2.208.711	2.208.711	1.823.609	1.823.609
TOTAL	114.584.366	114.584.366	112.555.030	112.555.030

4) FEE AND COMMISSION EXPENSE

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	68.358.109	68.358.109	63.030.539	63.030.539
Other fee and commission expense	3.603.860	3.603.860	6.910.255	6.910.255
TOTAL	71.961.969	71.961.969	69.940.794	69.940.794

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	1.727.730	1.727.730	(336.442)	(336.442)
FX transactions	8.007.655	8.007.655	11.207.073	11.207.073
HRK cash transactions	8.050	8.050	7.200	7.200
Derivatives	(47.964)	(47.964)	(367.278)	(367.278)
TOTAL	9.695.471	9.695.471	10.510.553	10.510.553

6) OPERATING EXPENSES

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	84.329.006	84.329.006	84.233.877	84.233.877
Amortization and depreciation	11.227.155	11.227.155	11.334.288	11.334.288
Savings deposit insurance costs	8.998.000	8.998.000	8.542.000	8.542.000
Other costs	5.492.872	5.492.872	7.368.928	7.368.928
TOTAL	110.047.033	110.047.033	111.479.093	111.479.093

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Impairments and provisions for losses	70.616.211	70.616.211	(15.904.285)	(15.904.285)
Other impairments and adjustments	345.720	345.720	4.549.145	4.549.145
TOTAL	70.961.931	70.961.931	(11.355.140)	(11.355.140)

B) Balance sheet
8) CASH AND DEPOSITS WITH THE CNB
in HRK

	Dec 31 2017	Mar 31 2018
CASH	460.023.632	494.378.160
DEPOSITS WITH THE CNB	3.931.442.857	3.621.005.981
Mandatory reserve	1.300.268.691	1.306.069.829
Account for transaction settlement	2.631.174.166	2.314.936.152
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	-
TOTAL	4.391.466.489	4.115.384.141

9) DEPOSITS WITH FINANCIAL INSTITUTIONS
in HRK

	Dec 31 2017	Mar 31 2018
Deposits with foreign banking institutions	449.961.229	284.974.313
Deposits with domestic banking institutions	23.341.095	1.288.144
Portfolio based impairment allowance for identified losses	-	-
TOTAL	473.302.324	286.262.457

10) EQUITY INSTRUMENTS AND SECURITIES
in HRK

	Dec 31 2017	Mar 31 2018
Short term Treasury bills of the Croatian Ministry of Finance	324.931.405	273.293.880
Financial assets held for trading	513.989.813	509.069.639
Financial assets available for sale	2.459.982.241	2.458.183.022
Financial assets held to maturity	73.139.356	72.060.164
Portfolio based impairment allowance for identified losses	(775.376)	-
Deferred front-end fee	(18.523)	(8.193)
TOTAL	3.371.248.916	3.312.598.512

11) LOANS TO CUSTOMERS
in HRK

	Dec 31 2017	Mar 31 2018
Loans to financial institutions	62.450.000	40.130.000
Bruto krediti	62.454.545	40.134.746
Ispravci vrijednosti	(4.545)	(4.746)
Corporate & SME loans	2.948.467.733	3.428.014.783
Bruto krediti	3.908.831.549	4.386.277.698
Ispravci vrijednosti	(960.363.816)	(958.262.915)
Retail loans	4.866.944.528	4.959.030.019
Bruto krediti	5.163.867.192	5.259.251.838
Ispravci vrijednosti	(296.922.664)	(300.221.819)
Other loans	3.192.134.584	3.110.684.223
Bruto krediti	3.198.303.415	3.119.779.559
Ispravci vrijednosti	(6.168.831)	(9.095.336)
Portfolio based impairment allowance for identified losses	(116.708.983)	-
Expected credit losses (A1 and A2 risk groups)	-	(149.684.184)
Other adjustments	-	(3.330.654)
Deferred front-end fee	(39.172.874)	(37.548.185)
LOANS TO CUSTOMERS	10.914.114.988	11.347.296.002

B) Balance sheet (continued)

12) DEPOSITS		<i>in HRK</i>	
	Dec 31 2017	Mar 31 2018	
Financial institutions	1.198.016.694	1.216.900.076	
Corporations	3.891.544.698	3.756.538.860	
Retail	9.150.703.429	9.094.184.624	
Other	894.135.683	1.006.790.263	
TOTAL	15.134.400.504	15.074.413.823	

13) BORROWINGS		<i>in HRK</i>	
	Dec 31 2017	Mar 31 2018	
Borrowings from HBOR	656.196.151	653.994.908	
Borrowings from domestic banking institutions	-	-	
Borrowings from domestic non-banking institutions	-	-	
Borrowings from foreign banking institutions	20.286.850	20.066.470	
Deferred front-end fee	(4.225.170)	(4.116.723)	
TOTAL	672.257.831	669.944.655	

14) OTHER LIABILITIES		<i>in HRK</i>	
	Dec 31 2017	Mar 31 2018	
Restricted deposits	1.786.812.843	1.718.982.966	
Interest and fees payable	48.664.624	51.672.217	
Provisions for off-balance sheet exposure	25.171.072	41.347.719	
Other	226.233.951	193.451.416	
TOTAL	2.086.882.490	2.005.454.318	

C) Changes in accounting policies

During the reporting period, Bank has transitioned to new reporting standard IFRS 9 „Financial instruments“. Standard supplants the old IAS 39: „Financial instruments: classification and measurement“ and consists of conditions relating to classification and measurement, impairment, derecognition and hedge accounting in general.

Classification and measurement – IFRS 9 introduces a new approach to classification of financial assets, based on cash flow features and business model in which certain financial assets is maintained. New model introduces the unique model of impairment.

Impairment – IFRS 9 introduces the new model of impairment based on expected losses. This model instructs that expected credit losses should be recorded in a more timely manner.

Hedge accounting - IFRS 9 brings significant changes to hedge accounting. Based on this changes, more information must be disclosed about risk management activities.

Bank and its subsidiaries have initiated the project of IFRS 9 implementation in 2016, and have succeeded in implementing it with first adoption as of Jan 01 2018.

From the impairment aspect, adoption of this standard has significant effects on the Bank's capital. Migration from IAS 39 to IFRS 9 resulted in an initial effect on the Bank's capital reserves amounting to HRK 57.233 thousand (reduction).



HPB p.l.c.

D) Bank's ownership structure

Bank's ownership structure as per Mar 31 2018 was as follows:

Shareholder	Ownership stake
Republic of Croatia (Ministry of State Assets)	42,43%
HP Hrvatska pošta Plc	11,93%
State Agency for Deposit Insurance and Bank Resolution	8,98%
Croatian Pension Insurance Institute (Ministry of State Assets)	8,76%
Prosperus Invest d.o.o., for Prosperus FGS	4,94%
PBZ CROATIA OSIGURANJE OMF (B category)	4,12%
ERSTE d.o.o. for ERSTE PLAVI OMF (B category)	3,90%
Allianz ZB d.o.o., for AZ OMF (B category)	2,88%
CROATIA osiguranje Plc	2,47%
Fund for Financing the Decommissioning of the Krško Nuclear Power Plant and the Disposal of NEK Radioactive Waste and Spent Nuclear Fuel	2,36%
RAIFFEISEN D.D., for Raiffeisen OMF (B category)	2,20%
Minorities	4,99%
Own shares	0,04%



HPB p.l.c.

E) HPB stock

HPB Stock is listed on ZSE's Official market. Last share price at the end of the 2018 reporting period amounted to HRK 486,00 (trading day Mar 29 2018), representing a decline of 4,0 percent in comparison with the last price achieved in 2017 (=HRK 506,00 as per Dec 29 2017 trading day).

Trading during the reporting period was as follows:

