



# Consolidated Financial Statements for the Period from Jan 01 to Jun 30 2018

*Unaudited*

Zagreb, July 25 2018



HPB GROUP

In accordance with Capital Markets Act, HPB p.l.c. (Bank) as the parent company of HPB Group (Group), publishes unaudited consolidated financial statements for the period from Jan 01 to Jun 30 2018.

This report includes:

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

## Management report of HPB Group

HPB Group is, apart from the parent company – HPB p.l.c., comprised of HPB-Stambena štedionica (savings bank), HPB Invest (investment fund management) and HPB-nekretnine (real estate agency).

Parent company has, by achieving the best net result since foundation, driven the Group's result as well. Group has recorded 1H 2018 net profit amounting to HRK 94,2 million, as opposed to HRK 64,6 million loss in 1H 2017 consequent to impairments on Agrokor and related parties exposures. Profitability improvements have been achieved owing to better collection and NPL coverage, resulting in significantly lower cost-of-risk.

Apart from HRK 94,4M of net profit achieved by the parent-company, HPB Invest recorded a net profit of HRK 421T, HPB-nekretnine added a net profit of HRK 470T. Consequent to relatively adverse effects from capital markets at the end of the reporting period, HPB-Stambena štedionica recorded a net loss amounting to HRK 1,1M, in spite of increasing volume and contribution of core operations to overall result.

Bank has successfully closed the acquisition of Jadranska banka post balance-sheet date. Ownership transfer has been completed on July 12 2018, while on July 13 2018 HPB has injected HRK 110 million of new capital to Jadranska banka in order to achieve full compliance with applicable capital demands. Merger activities have been initiated.

On behalf of HPB p.l.c., the parent company of HPB Group :

**Tomislav Vuić**  
CEO

## Statement by persons accountable for compiling the consolidated report of HPB Group

In accordance with the Capital Market Act, the Management Board of HPB p.l.c., the parent company of HPB Group, states that according to their best knowledge the set of consolidated unaudited financial statements for the period from Jan 01 to Jun 30 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., as well as companies included in consolidation as a whole.

On behalf of HPB p.l.c., the parent company of HPB Group :

**Tea Bažant**  
Head of Finance Division

**Tomislav Vuić**  
CEO

**HPB GROUP**
**Appendix 3.**

Reporting period:

Jan 01

to

Jun 30 2018

**Quarterly financial statements for credit institutions TFI-KI**

 Registration number (MB): **03777928**

 Registration number (MBS): **080010698**

 Personal identification number (OIB): **87939104217**

 Company: **HPB p.l.c.**

 Postal code and city: **10000**
**ZAGREB**

 Address: **JURIŠIĆEVA 4**

 E-mail address: [hpb@hpb.hr](mailto:hpb@hpb.hr)

 Internet address: [www.hpb.hr](http://www.hpb.hr)

 City code and name: **133** **ZAGREB**

 County code and name: **21** **GRAD ZAGREB**

 # of employees: **1.179**  
 (as per reporting date)

 Consolidated report: **YES**

 Industry code: **6419**

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

<b>HPB-Stambena Štedionica d.d.</b>	<b>Savska 58, 10000 Zagreb</b>	<b>02068001</b>
<b>HPB Invest d.o.o.</b>	<b>Strojarska 20, 10000 Zagreb</b>	<b>01972278</b>
<b>HPB-nekretnine d.o.o.</b>	<b>Amruševa 8, 10000 Zagreb</b>	<b>01972260</b>

 Book-keeping service provided by: **n/a**
**n/a**

 Contact: **Bažant Tea**

 Phone: **014804670**

 Fax: **014804594**

 E-mail address: [tea.bazant@hpb.hr](mailto:tea.bazant@hpb.hr)

 Surname and name: **Vuić Tomislav**

(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 **Jun 30 2018**
*in HRK*

Item	AOP label	Dec 31 2017	Jun 30 2018
1	2	3	4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	<b>001</b>	4.391.466.871	3.973.300.998
1.1. Cash	<b>002</b>	460.024.014	656.730.597
1.2. Deposits with the CNB	<b>003</b>	3.931.442.857	3.316.570.401
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	<b>004</b>	473.330.331	487.139.081
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	<b>005</b>	324.931.405	272.507.001
4. FINANCIAL ASSETS HELD FOR TRADING	<b>006</b>	654.815.717	711.762.646
5. FINANCIAL ASSETS AVAILABLE FOR SALE	<b>007</b>	2.459.982.241	2.739.906.667
6. FINANCIAL ASSETS HELD TO MATURITY	<b>008</b>	72.345.457	71.124.811
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	<b>009</b>	-	-
8. DERIVATIVE FINANCIAL ASSETS	<b>010</b>	-	-
9. LOANS TO FINANCIAL INSTITUTIONS	<b>011</b>	62.450.000	41.415.186
10. LOANS TO OTHER CUSTOMERS	<b>012</b>	11.013.731.914	12.082.846.167
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	<b>013</b>	20.000.000	20.000.000
12. REPOSSESSED ASSETS	<b>014</b>	-	-
13. TANGIBLE ASSETS (LESS DEPRECIATION)	<b>015</b>	141.615.708	137.134.408
14. OTHER ASSETS	<b>016</b>	455.167.665	487.124.384
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>20.069.837.309</b>	<b>21.024.261.349</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	<b>018</b>	651.970.981	624.533.197
1.1. Short-term	<b>019</b>	-	-
1.2. Long-term	<b>020</b>	651.970.981	624.533.197
2. DEPOSITS (022 to 024)	<b>021</b>	15.389.912.890	16.284.529.294
2.1. Transactional and current accounts	<b>022</b>	5.125.557.660	5.892.546.726
2.2. Savings deposits (demand)	<b>023</b>	1.538.006.561	1.754.368.145
2.3. Term deposits	<b>024</b>	8.726.348.669	8.637.614.423
3. OTHER BORROWINGS (026+027)	<b>025</b>	20.286.850	36.897.885
3.1. Short-term	<b>026</b>	-	-
3.2. Long-term	<b>027</b>	20.286.850	36.897.885
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	<b>028</b>	-	29.846
5. ISSUED SECURITIES (030+031)	<b>029</b>	-	-
5.1. Short-term	<b>030</b>	-	-
5.2. Long-term	<b>031</b>	-	-
6. SUBORDINATED DEBT ISSUED	<b>032</b>	-	-
7. HYBRID INSTRUMENTS	<b>033</b>	-	-
8. OTHER LIABILITIES	<b>034</b>	2.096.847.345	2.125.826.257
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>18.159.018.066</b>	<b>19.071.816.479</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	<b>036</b>	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	<b>037</b>	7.898.428	94.194.068
3. RETAINED EARNINGS	<b>038</b>	130.368.702	137.850.456
4. REGULATORY RESERVES	<b>039</b>	15.708.724	16.125.397
5. STATUTARY AND OTHER CAPITAL RESERVES	<b>040</b>	448.288.175	391.054.733
6. FAIR VALUE RESERVE	<b>041</b>	94.257.214	98.922.216
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	<b>042</b>	-	-
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.910.819.243</b>	<b>1.952.444.870</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>20.069.837.309</b>	<b>21.024.261.349</b>
<b>ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)</b>			
<b>1. TOTAL EQUITY</b>	<b>045</b>	<b>1.910.819.243</b>	<b>1.952.444.870</b>
2. Equity attributable to the shareholders of the parent company	<b>046</b>	1.910.819.243	1.952.444.870
3. Minority interest (045-046)	<b>047</b>	0	0

**PROFIT OR LOSS STATEMENT**

 for the period from **Jan 01 2018** to **Jun 30 2018** in HRK

Item	AOP label	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	<b>048</b>	341.825.460	169.278.184	312.270.829	158.567.859
2. Interest expense	<b>049</b>	74.026.129	35.297.421	57.759.786	29.503.457
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>267.799.331</b>	<b>133.980.763</b>	<b>254.511.043</b>	<b>129.064.402</b>
4. Fee and commission income	<b>051</b>	249.466.296	131.701.853	248.674.732	131.954.938
5. Fee and commission expense	<b>052</b>	148.995.769	76.680.300	149.996.383	79.940.322
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>100.470.527</b>	<b>55.021.553</b>	<b>98.678.349</b>	<b>52.014.616</b>
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	<b>054</b>	-	-	-	-
8. Gains less losses from trading activities	<b>055</b>	18.646.006	9.958.594	17.628.749	6.889.996
9. Gains less losses from built-in derivatives	<b>056</b>	-	-	-	-
10. Gains less losses arising from financial assets valued at fair value through P&L, not actively traded	<b>057</b>	-	-	-	-
11. Gains less losses arising from securities available for sale	<b>058</b>	5.457.492	5.122.576	-	-
12. Gains less losses arising from securities held to maturity	<b>059</b>	-	-	-	-
13. Gains less losses arising from hedging activities	<b>060</b>	-	-	-	-
14. Income from investments in subsidiaries, associated companies and joint ventures	<b>061</b>	-	-	-	-
15. Income from other equity instruments	<b>062</b>	815.653	793.985	803.141	788.658
16. Gains less losses from exchange rate differences	<b>063</b>	181.823	(1.047.808)	(1.060.793)	(2.411.901)
17. Other income	<b>064</b>	4.588.804	3.044.853	3.327.374	1.096.587
18. Other operating costs	<b>065</b>	28.547.626	14.482.829	34.456.243	17.666.730
19. General and administrative expenses, amortization and depreciation	<b>066</b>	196.859.876	97.848.144	200.990.505	102.488.637
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>172.552.134</b>	<b>94.543.543</b>	<b>138.441.115</b>	<b>67.286.991</b>
21. Impairment losses and provisions	<b>068</b>	237.033.993	165.319.216	22.785.070	34.057.907
<b>22. PROFIT/(LOSS) BEFORE TAX (067-068)</b>	<b>069</b>	<b>(64.481.859)</b>	<b>(70.775.673)</b>	<b>115.656.045</b>	<b>33.229.084</b>
23. INCOME TAX EXPENSE / DEFERRED TAX	070	74.881	(3.375.802)	21.461.977	6.704.679
<b>24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>(64.556.740)</b>	<b>(67.399.871)</b>	<b>94.194.068</b>	<b>26.524.405</b>
25. Earnings per share	<b>072</b>	(32)	(33)	47	13
<b>ADDENDUM TO THE P&amp;L (filled-in by the banks submitting consolidated financial statement)</b>					
<b>1. PROFIT FOR THE PERIOD</b>	<b>073</b>	<b>(64.556.740)</b>	<b>(67.399.871)</b>	<b>94.194.068</b>	<b>26.524.405</b>
<b>2. Attributable to the shareholders of the parent company</b>	<b>074</b>	<b>(64.556.740)</b>	<b>(67.399.871)</b>	<b>94.194.068</b>	<b>26.524.405</b>
<b>3. Minority interest (073-074)</b>	<b>075</b>	-	-	-	-

**CASH FLOW STATEMENT - INDIRECT METHOD**

 for the period from **Jan 01 2018** to **Jun 30 2018**

in HRK

Item	AOP label	Jan 01 - Jun 30 2017	Jan 01 - Jun 30 2018
1	2	3	4
<b>OPERATING ACTIVITIES</b>			
<b>1. Cash flow from operating activities before changes in assets (002 to 007)</b>	<b>001</b>	<b>196.316.874</b>	<b>168.843.909</b>
1.1. Profit/(loss) before tax	002	(64.481.859)	115.656.045
1.2. Impairment losses and provisions	003	237.033.993	22.785.070
1.3. Amortization and depreciation	004	22.445.964	23.029.332
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	23.999	6.119.003
1.5. Gains / losses from sale of tangible assets	006	1.476.600	193.666
1.6. Other gains / losses	007	(181.823)	1.060.793
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>(146.400.284)</b>	<b>(872.746.823)</b>
2.1. Deposits with the CNB	009	(621.518.645)	614.872.456
2.2. Treasury bills of the Croatian Ministry of Finance	010	5.459.309	52.424.404
2.3. Deposits with and loans to financial institutions	011	297.920.067	(13.808.750)
2.4. Loans to other customers	012	(339.485.304)	(1.099.622.854)
2.5. Financial assets held for trading	013	22.223.635	(63.065.932)
2.6. Financial assets available for sale	014	311.669.025	(284.589.428)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	177.331.629	(78.956.719)
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>16.097.039</b>	<b>923.625.162</b>
3.1. Transactional accounts	018	266.185.130	766.989.066
3.2. Savings and term deposits	019	(387.014.602)	127.627.338
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	29.846
3.4. Ostale liabilities	021	140.567.178	28.978.912
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>66.013.629</b>	<b>219.722.248</b>
5. Income tax paid	023	(776.410)	-
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>65.237.219</b>	<b>219.722.248</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>148.805.259</b>	<b>(12.258.605)</b>
7.1. Purchase of tangible and intangible assets	026	(16.363.476)	(14.282.392)
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	164.353.082	1.220.646
7.4. Dividends received	029	815.653	803.141
7.5. Other inflows / outflows from investing activities	030	-	-
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 to 037)</b>	<b>031</b>	<b>(83.785.363)</b>	<b>(10.826.749)</b>
8.1. Net increase / decrease of borrowings	032	(83.785.363)	(10.826.749)
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	-	-
<b>9. Net increase / decrease of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>130.257.115</b>	<b>196.636.894</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	902.877	69.689
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>131.159.992</b>	<b>196.706.583</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>421.479.852</b>	<b>460.024.014</b>
<b>13. Cash and cash equivalents as per reporting date (040+041)</b>	<b>042</b>	<b>552.639.844</b>	<b>656.730.597</b>



**STATEMENT OF CHANGES IN EQUITY**

 for the period from **Jan 01 2018** to **Jun 30 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)	463.996.899	130.368.702	7.898.428	94.257.214	-	1.910.819.243
Effects of changes in accounting policies and corrections of errors	002	-	-	(57.233.443)	-	-	-	-	(57.233.443)
<b>Restated balance as per Jan 01 2018 (001+002)</b>	<b>003</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>406.763.456</b>	<b>130.368.702</b>	<b>7.898.428</b>	<b>94.257.214</b>	<b>-</b>	<b>1.853.585.800</b>
Disposal of financial assets available for sale	004	-	-	-	-	-	-	-	-
Change in the fair value of financial assets available for sale	005	-	-	-	-	-	5.594.876	-	5.594.876
Tax on items recognised directly in/transferred from equity	006	-	-	-	-	-	(929.874)	-	(929.874)
Other gains and (losses) recognised directly in equity	007	-	-	-	-	-	-	-	-
<b>Net gains/(losses) recognised directly in equity (004+005+006+007)</b>	<b>008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.665.002</b>	<b>-</b>	<b>4.665.002</b>
Loss for the period	009	-	-	-	-	94.194.068	-	-	94.194.068
<b>Total recognized income and expense for the period (008+009)</b>	<b>010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94.194.068</b>	<b>4.665.002</b>	<b>-</b>	<b>98.859.070</b>
Increase/decrease in share capital	011	-	-	-	-	-	-	-	-
Purchase/sale of own shares	012	-	-	-	-	-	-	-	-
Other changes	013	-	-	416.674	7.481.754	(7.898.428)	-	-	-
Transfer to reserves	014	-	-	-	-	-	-	-	-
Dividends paid	015	-	-	-	-	-	-	-	-
<b>Profit allocation (014+015)</b>	<b>016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as per the reporting date (003+010+011+012+013+016)</b>	<b>017</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>407.180.130</b>	<b>137.850.456</b>	<b>94.194.068</b>	<b>98.922.216</b>	<b>-</b>	<b>1.952.444.870</b>



HPB GROUP

## NOTES TO FINANCIAL STATEMENTS

## A) Income statement

## 1) INTEREST INCOME

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	290.748.923	145.449.321	270.609.283	137.323.837
Deposits	(1.269.860)	(660.428)	637.728	298.479
Securities	52.346.397	24.489.291	41.023.818	20.945.543
<b>TOTAL</b>	<b>341.825.460</b>	<b>169.278.184</b>	<b>312.270.829</b>	<b>158.567.859</b>

## 2) INTEREST EXPENSE

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	6.904.796	992.348	6.385.169	3.480.368
Deposits	67.121.333	34.305.073	51.374.617	26.023.089
<b>TOTAL</b>	<b>74.026.129</b>	<b>35.297.421</b>	<b>57.759.786</b>	<b>29.503.457</b>

## 3) FEE AND COMMISSION INCOME

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	138.969.150	70.754.937	132.109.660	67.076.601
Retail and card operations	72.862.756	41.659.120	77.047.908	44.079.967
Corporate operations	27.722.194	14.434.468	29.439.960	15.644.423
Other fee and commission income	9.912.196	4.853.328	10.077.204	5.153.947
<b>TOTAL</b>	<b>249.466.296</b>	<b>131.701.853</b>	<b>248.674.732</b>	<b>131.954.938</b>

## 4) FEE AND COMMISSION EXPENSE

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	139.228.922	70.870.813	131.845.757	68.815.218
Other fee and commission expense	9.766.847	5.809.487	18.150.626	11.125.104
<b>TOTAL</b>	<b>148.995.769</b>	<b>76.680.300</b>	<b>149.996.383</b>	<b>79.940.322</b>

## 5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	805.087	89.241	(5.796.461)	(5.688.219)
FX transactions	17.652.385	9.644.730	22.514.068	11.306.995
HRK cash transactions	209.545	201.495	151.080	143.880
Derivatives	(21.011)	23.128	760.062	1.127.340
<b>TOTAL</b>	<b>18.646.006</b>	<b>9.958.594</b>	<b>17.628.749</b>	<b>6.889.996</b>

## 6) OPERATING EXPENSES

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	174.413.912	86.739.433	177.961.173	90.919.589
Amortization and depreciation	22.445.964	11.108.711	23.029.332	11.569.048
Savings deposit insurance costs	17.803.541	8.557.002	18.040.703	9.279.626
Other costs	10.744.085	5.925.827	16.415.540	8.387.104
<b>TOTAL</b>	<b>225.407.502</b>	<b>112.330.973</b>	<b>235.446.748</b>	<b>120.155.367</b>

## 7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Impairments and provisions for losses	249.009.084	178.726.081	15.324.709	31.148.202
Other impairments and adjustments	(11.975.091)	(13.406.865)	7.460.361	2.909.705
<b>TOTAL</b>	<b>237.033.993</b>	<b>165.319.216</b>	<b>22.785.070</b>	<b>34.057.907</b>

## B) Balance sheet

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

	Dec 31 2017	Jun 30 2018
<b>CASH</b>	<b>460.024.014</b>	<b>656.730.597</b>
<b>DEPOSITS WITH THE CNB</b>	<b>3.931.442.857</b>	<b>3.316.570.401</b>
Mandatory reserve	1.300.268.691	1.328.294.502
Account for transaction settlement	2.631.174.166	1.988.275.899
<b>MANDATORY TREASURY BILLS</b>	<b>-</b>	<b>-</b>
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>4.391.466.871</b>	<b>3.973.300.998</b>

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

	Dec 31 2017	Jun 30 2018
Deposits with foreign banking institutions	449.961.251	485.308.870
Deposits with domestic banking institutions	23.369.080	1.830.211
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>473.330.331</b>	<b>487.139.081</b>

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

	Dec 31 2017	Jun 30 2018
Short term Treasury bills of the Croatian Ministry of Finance	324.931.405	272.507.001
Financial assets held for trading	654.815.717	711.762.646
Financial assets available for sale	2.459.982.241	2.739.906.667
Financial assets held to maturity	73.139.356	71.136.103
Portfolio based impairment allowance for identified losses	(775.376)	-
Deferred front-end fee	(18.523)	(11.292)
<b>TOTAL</b>	<b>3.512.074.820</b>	<b>3.795.301.125</b>

### 11) LOANS TO CUSTOMERS

*in HRK*

	Dec 31 2017	Jun 30 2018
<b>Loans to financial institutions</b>	<b>62.450.000</b>	<b>41.415.186</b>
Bruto krediti	62.454.545	41.420.157
Ispravci vrijednosti	(4.545)	(4.971)
<b>Corporate &amp; SME loans</b>	<b>2.942.304.493</b>	<b>3.568.276.684</b>
Bruto krediti	3.902.668.309	4.500.879.287
Ispravci vrijednosti	(960.363.816)	(932.602.603)
<b>Retail loans</b>	<b>5.036.923.707</b>	<b>5.241.380.938</b>
Bruto krediti	5.333.998.299	5.562.412.265
Ispravci vrijednosti	(297.074.592)	(321.031.327)
<b>Other loans</b>	<b>3.192.134.584</b>	<b>3.461.328.016</b>
Bruto krediti	3.198.303.415	3.468.621.555
Ispravci vrijednosti	(6.168.831)	(7.293.539)
Portfolio based impairment allowance for identified losses	(118.064.812)	-
Expected credit losses (A1 and A2 risk groups)	-	(147.025.795)
Other adjustments	-	(7.493.627)
Deferred front-end fee	(39.566.058)	(33.620.049)
<b>LOANS TO CUSTOMERS</b>	<b>11.076.181.914</b>	<b>12.124.261.353</b>

**B) Balance sheet (continued)**
**12) DEPOSITS**
*in HRK*

	Dec 31 2017	Jun 30 2018
Financial institutions	1.116.153.667	1.301.165.497
Corporations	3.574.264.999	4.157.561.027
Retail	9.282.809.836	9.531.652.627
Other	1.416.684.388	1.294.150.143
<b>TOTAL</b>	<b>15.389.912.890</b>	<b>16.284.529.294</b>

**13) BORROWINGS**
*in HRK*

	Dec 31 2017	Jun 30 2018
Borrowings from HBOR	656.196.151	624.110.359
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	-	4.300.000
Borrowings from foreign banking institutions	20.286.850	36.897.885
Deferred front-end fee	(4.225.170)	(3.877.162)
<b>TOTAL</b>	<b>672.257.831</b>	<b>661.431.082</b>

**14) OTHER LIABILITIES**
*in HRK*

	Dec 31 2017	Jun 30 2018
Restricted deposits	1.786.812.843	1.809.857.319
Interest and fees payable	48.664.624	51.910.770
Provisions for off-balance sheet exposure	25.193.152	33.261.457
Other	236.176.726	230.796.711
<b>TOTAL</b>	<b>2.096.847.345</b>	<b>2.125.826.257</b>

**C) Changes in accounting policies**

During the reporting period, Group 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 Group's capital. Migration from IAS 39 to IFRS 9 resulted in an initial effect on the Group's capital reserves amounting to HRK 57.233 thousand (reduction).

## D) Parent company's ownership structure

Ownership structure of HPB p.l.c., parent company of HPB Group as per Jun 30 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 Insitute (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%

## 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 525,00 (trading day Jun 14 2018), representing a decline of 3,8 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:

