



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

Unaudited

Zagreb, October 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 Sep 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). From current reporting period, Financial Statements of HPB Group include the results from newly acquired member – Jadranska banka d.d. Šibenik. Bank has successfully closed the acquisition of Jadranska banka at the beginning of third quarter of 2018. 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.

Through the acquisition of Jadranska banka d.d., HPB's market share increased by more than 5% with the client base expansion of over 50,000 new clients. Acquisition of Jadranska banka will enable HPB to achieve stronger presence in Šibenik – Knin County, which according to the CBS estimates (2016) has 102,000 residents and the the opportunity for further growth in market share in the region as well as the Republic of Croatia as a whole.

Following the demanding 2017, parent company returned to the long-term profitability trend, contributing to the net profit of the Group in the amount of HRK 111.8 million, as opposed to the HRK 1.0 million in profit in the comparable period of 2017. Profitability improvements have been achieved owing to better collection and NPL coverage, resulting in significantly lower cost-of-risk.

Apart from HRK 123.4M of net profit achieved by the parent-company, HPB Invest recorded a net profit of HRK 699T, HPB-nekretnine added a net profit of HRK 722T. According to the relatively adverse effects from capital markets continued in third quarter, HPB-Stambena štedionica recorded a net loss amounting to HRK 906T, in spite of increasing volume and contribution of core operations to overall result. Following the acquisition of Jadranska banka d.d. during July 2018, the Bank includes its results to the HPB Group results. In a period from July 13 to September 30, 2018 Jadranska banka d.d. realized a loss of HRK 12.0M which is continuously decreased from the inclusion date.

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

Tomislav Vuić
CEO



HPB GROUP

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 Sep 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

Sep 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: JURISIĆEVA 4

E-mail address: hpb@hpb.hr

Internet address: www.hpb.hr

City code and name: 133 ZAGREB

County code and name: 21 GRAD ZAGREB

of employees: 1.354
(as per reporting date)

Consolidated report: YES

Industry code: 6419

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

HPB-Stambena Štedionica d.d.	Savska 58, 10000 Zagreb	02068001
HPB Invest d.o.o.	Strojarska 20, 10000 Zagreb	01972278
HPB-nekretnine d.o.o.	Amruševa 8, 10000 Zagreb	01972260
JADRANSKA BANKA dioničko društvo	Ante Starčevića 4, Šibenik	03019349

Book-keeping service provided by: n/a

n/a

Contact: Bažant Tea

Phone: 014804670

Fax: 014804594

E-mail address: 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 **Sep 30 2018**

in HRK

Item	AOP label	Dec 31 2017	Sep 30 2018
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	4.391.466.871	3.938.374.353
1.1. Cash	002	460.024.014	608.733.627
1.2. Deposits with the CNB	003	3.931.442.857	3.329.640.726
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	473.330.331	1.076.526.361
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	324.931.405	273.389.007
4. FINANCIAL ASSETS HELD FOR TRADING	006	654.815.717	741.465.394
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.459.982.241	4.069.261.488
6. FINANCIAL ASSETS HELD TO MATURITY	008	72.345.457	68.219.282
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	-	81.912
8. DERIVATIVE FINANCIAL ASSETS	010	-	30.179
9. LOANS TO FINANCIAL INSTITUTIONS	011	62.450.000	106.021.781
10. LOANS TO OTHER CUSTOMERS	012	11.013.731.914	11.966.519.412
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	20.000.000	20.000.000
12. REPOSSESSED ASSETS	014	-	4.702.677
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	141.615.708	149.848.770
14. OTHER ASSETS	016	455.167.665	486.488.731
A) TOTAL ASSETS (001+004 to 016)	017	20.069.837.309	22.900.929.347
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	651.970.981	733.433.800
1.1. Short-term	019	-	0
1.2. Long-term	020	651.970.981	733.433.800
2. DEPOSITS (022 to 024)	021	15.389.912.890	17.897.454.751
2.1. Transactional and current accounts	022	5.125.557.660	6.726.748.421
2.2. Savings deposits (demand)	023	1.538.006.561	2.521.734.496
2.3. Term deposits	024	8.726.348.669	8.648.971.834
3. OTHER BORROWINGS (026+027)	025	20.286.850	37.120.075
3.1. Short-term	026	-	-
3.2. Long-term	027	20.286.850	37.120.075
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	-	-
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	2.096.847.345	2.221.231.695
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	18.159.018.066	20.889.240.321
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	7.898.428	111.830.601
3. RETAINED EARNINGS	038	130.368.702	137.850.457
4. REGULATORY RESERVES	039	15.708.724	16.125.397
5. STATUTARY AND OTHER CAPITAL RESERVES	040	448.288.175	418.531.835
6. FAIR VALUE RESERVE	041	94.257.214	113.052.736
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	-	0
C) TOTAL EQUITY (036 to 042)	043	1.910.819.243	2.011.689.026
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	20.069.837.309	22.900.929.347

PROFIT OR LOSS STATEMENT

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

in HRK

Item	AOP label	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2018	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	511.533.932	169.708.472	480.503.235	168.232.406
2. Interest expense	049	107.669.546	33.643.417	84.602.158	26.842.372
3. Net interest income (048-049)	050	403.864.386	136.065.055	395.901.077	141.390.034
4. Fee and commission income	051	412.806.298	163.340.002	411.934.370	163.259.638
5. Fee and commission expense	052	253.304.509	104.308.740	247.456.898	97.460.515
6. Net fee and commission income (051-052)	053	159.501.789	59.031.262	164.477.472	65.799.123
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	39.005.121	20.359.115	35.849.293	18.220.544
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	-	-	(2.060)	(2.060)
11. Gains less losses arising from securities available for sale	058	5.457.492	-	-	-
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	-	-	-	-
15. Income from other equity instruments	062	835.012	19.359	963.594	160.453
16. Gains less losses from exchange rate differences	063	2.121.390	1.939.567	(794.198)	266.595
17. Other income	064	4.536.528	(52.276)	12.481.250	9.153.876
18. Other operating costs	065	43.088.908	14.541.282	49.899.253	15.443.010
19. General and administrative expenses, amortization and depreciation	066	293.098.695	96.238.819	310.822.457	109.831.952
20. Operating profit (050+053 to 064-065-066)	067	279.134.115	106.581.981	248.154.718	109.713.603
21. Impairment losses and provisions	068	276.288.015	39.254.022	108.039.458	85.254.388
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	2.846.100	67.327.959	140.115.260	24.459.215
23. INCOME TAX EXPENSE / DEFERRED TAX	070	1.869.294	1.794.413	28.284.659	6.822.682
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	976.806	65.533.546	111.830.601	17.636.533
25. Earnings per share	072	0	32	55	9

CASH FLOW STATEMENT - INDIRECT METHOD

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

in HRK

Item	AOP label	Jan 01 - Sep 30 2017	Jan 01 - Sep 30 2018
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	304.316.209	298.209.396
1.1. Profit/(loss) before tax	002	2.846.100	140.115.260
1.2. Impairment losses and provisions	003	276.288.015	108.039.458
1.3. Amortization and depreciation	004	33.227.519	35.645.637
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(7.376.887)	4.834.194
1.5. Gains / losses from sale of tangible assets	006	1.452.852	8.780.649
1.6. Other gains / losses	007	(2.121.390)	794.198
2. Net increase / decrease of operating assets (009 to 016)	008	(532.984.954)	(2.736.942.916)
2.1. Deposits with the CNB	009	(713.804.766)	601.802.131
2.2. Treasury bills of the Croatian Ministry of Finance	010	896.501	51.542.398
2.3. Deposits with and loans to financial institutions	011	337.436.309	(603.196.030)
2.4. Loans to other customers	012	(358.882.367)	(981.768.272)
2.5. Financial assets held for trading	013	105.144.798	(91.483.871)
2.6. Financial assets available for sale	014	220.213.729	(1.628.074.769)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	(123.989.158)	(85.764.503)
3. Net increase / decrease of operating liabilities (018 to 021)	017	128.183.271	2.631.926.211
3.1. Transactional accounts	018	302.894.657	1.601.190.761
3.2. Savings and term deposits	019	(271.070.978)	906.351.100
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	0
3.4. Ostale liabilities	021	100.000.259	124.384.350
4. Net cash flow from operating activities before taxation (001+008+017)	022	(100.485.474)	193.192.691
5. Income tax paid	023	(1.065.525)	(537.596.00)
6. Net cash inflow / outflow from operating activities (022+023)	024	(101.550.999)	192.655.095
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	275.428.314	(142.311.215)
7.1. Purchase of tangible and intangible assets	026	(24.225.656)	(26.135.984)
7.2. Investment in / disposal of subsidiaries, associated companies and joint ventures	027	-	(121.265.000)
7.3. Investment in / disposal of financial assets held to maturity	028	298.818.958	4.126.175
7.4. Dividends received	029	835.012	963.594
7.5. Other inflows / outflows from investing activities	030	-	-
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(52.110.989)	98.296.044
8.1. Net increase / decrease of borrowings	032	(52.110.989)	98.296.044
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	121.766.326	148.639.924
10. Effect of foreign exchange differences on cash and cash equivalents	039	1.318.707	69.689
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	123.085.033	148.709.613
12. Cash and cash equivalents at the beginning of the year	041	421.479.852	460.024.014
13. Cash and cash equivalents as per reporting date (040+041)	042	544.564.885	608.733.627

STATEMENT OF CHANGES IN EQUITY

 for the period from **Jan 01 2018** to **Sep 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)
Restated balance as per Jan 01 2018 (001+002)	003	1.214.775.000	(477.000)	406.763.456	130.368.702	7.898.428	94.257.214	-	1.853.585.800
Disposal of financial assets available for sale	004						-		-
Change in the fair value of financial assets available for sale	005						21.032.777		21.032.777
Tax on items recognised directly in/transferred from equity	006						(2.237.255)		(2.237.255)
Other gains and (losses) recognised directly in equity	007								-
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	-	-	-	18.795.522	-	18.795.522
Loss for the period	009					111.830.601			111.830.601
Total recognized income and expense for the period (008+009)	010	-	-	-	-	111.830.601	18.795.522	-	130.626.123
Increase/decrease in share capital	011								-
Purchase/sale of own shares	012								-
Other changes	013			27.477.103					27.477.103
Transfer to reserves	014			416.673	7.481.755	(7.898.428)			-
Dividends paid	015								-
Profit allocation (014+015)	016	-	-	416.673	7.481.755	(7.898.428)	-	-	-
Balance as per the reporting date (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	434.657.232	137.850.457	111.830.601	113.052.736	-	2.011.689.026



HPB GROUP

NOTES TO FINANCIAL STATEMENTS

A) Income statement

Notes to financial statements

1) INTEREST INCOME

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	437.281.866	146.532.943	409.345.637	138.736.354
Deposits	(1.597.265)	(327.405)	1.048.269	410.541
Securities	75.849.331	23.502.934	70.109.329	29.085.511
TOTAL	511.533.932	169.708.472	480.503.235	168.232.406

2) INTEREST EXPENSE

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	10.407.829	3.503.033	17.455.110	11.069.941
Deposits	97.261.717	30.140.384	67.147.048	15.772.431
TOTAL	107.669.546	33.643.417	84.602.158	26.842.372

3) FEE AND COMMISSION INCOME

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	209.680.812	70.711.662	200.094.105	67.984.445
Retail and card operations	144.588.009	71.725.253	149.105.743	72.057.835
Corporate operations	42.789.117	15.066.923	46.804.747	17.364.787
Other fee and commission income	15.748.360	5.836.164	15.929.775	5.852.571
TOTAL	412.806.298	163.340.002	411.934.370	163.259.638

4) FEE AND COMMISSION EXPENSE

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	211.950.286	72.721.364	200.914.917	69.069.160
Other fee and commission expense	41.354.223	31.587.376	46.541.981	28.391.355
TOTAL	253.304.509	104.308.740	247.456.898	97.460.515

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	10.092.945	9.287.858	(3.574.337)	2.222.124
FX transactions	28.464.166	10.811.781	37.851.499	15.337.431
HRK cash transactions	486.695	277.150	288.040	136.960
Derivatives	(38.685)	(17.674)	1.284.091	524.029
TOTAL	39.005.121	20.359.115	35.849.293	18.220.544

6) OPERATING EXPENSES

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	259.871.176	85.457.264	275.176.821	97.215.648
Amortization and depreciation	33.227.519	10.781.555	35.645.637	12.616.305
Savings deposit insurance costs	26.403.185	8.599.644	28.253.439	10.212.736
Other costs	16.685.723	5.941.638	21.645.813	5.230.273
TOTAL	336.187.603	110.780.101	360.721.710	125.274.962

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

	Jan 01 - Sep 30 2017		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Impairments and provisions for losses	279.277.615	30.268.531	76.736.564	61.411.855
Other impairments and adjustments	(2.989.600)	8.985.491	31.302.894	23.842.533
TOTAL	276.288.015	39.254.022	108.039.458	85.254.388

B) Balance sheet

8) CASH AND DEPOSITS WITH THE CNB

in HRK

	Dec 31 2017	Sep 30 2018
CASH	460.024.014	608.733.627
DEPOSITS WITH THE CNB	3.931.442.857	3.332.739.263
Mandatory reserve	1.300.268.691	1.514.172.204
Account for transaction settlement	2.631.174.166	1.818.567.059
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	(3.098.537)
TOTAL	4.391.466.871	3.938.374.353

9) DEPOSITS WITH FINANCIAL INSTITUTIONS

in HRK

	Dec 31 2017	Sep 30 2018
Deposits with foreign banking institutions	449.961.251	958.984.091
Deposits with domestic banking institutions	23.369.080	120.341.812
Portfolio based impairment allowance for identified losses	-	(2.799.542)
TOTAL	473.330.331	1.076.526.361

10) EQUITY INSTRUMENTS AND SECURITIES

in HRK

	Dec 31 2017	Sep 30 2018
Short term Treasury bills of the Croatian Ministry of Finance	324.931.405	273.389.007
Financial assets held for trading	654.815.717	741.465.394
Financial assets available for sale	2.459.982.241	4.069.261.488
Financial assets held to maturity	73.139.356	68.221.429
Financial assets valued at fair value through profit or loss, not actively traded	-	81.912
Portfolio based impairment allowance for identified losses	(775.376)	-
Deferred front-end fee	(18.523)	(2.147)
TOTAL	3.512.074.820	5.152.335.171

11) LOANS TO CUSTOMERS

in HRK

	Dec 31 2017	Sep 30 2018
Loans to financial institutions	62.450.000	106.021.781
Bruto krediti	62.454.545	106.026.989
Ispravci vrijednosti	(4.545)	(5.208)
Corporate & SME loans	2.942.304.493	3.777.042.661
Bruto krediti	3.902.668.309	4.772.544.074
Ispravci vrijednosti	(960.363.816)	(995.501.413)
Retail loans	5.036.923.707	5.553.606.806
Bruto krediti	5.333.998.299	5.905.355.946
Ispravci vrijednosti	(297.074.592)	(351.749.140)
Other loans	3.192.134.584	2.855.143.093
Bruto krediti	3.198.303.415	2.862.822.387
Ispravci vrijednosti	(6.168.831)	(7.679.294)
Portfolio based impairment allowance for identified losses	(118.064.812)	0
Expected credit losses (A1 and A2 risk groups)	-	(175.622.773)
Other adjustments	-	(10.988.871)
Deferred front-end fee	(39.566.058)	(32.661.504)
LOANS TO CUSTOMERS	11.076.181.914	12.072.541.193

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

	Dec 31 2017	Sep 30 2018
Financial institutions	1.116.153.667	1.356.049.725
Corporations	3.574.264.999	3.793.291.344
Retail	9.282.809.836	11.187.557.321
Other	1.416.684.388	1.560.556.361
TOTAL	15.389.912.890	17.897.454.751

13) BORROWINGS
in HRK

	Dec 31 2017	Sep 30 2018
Borrowings from HBOR	656.196.151	622.124.856
Borrowings from domestic banking institutions	-	115.000.000
Borrowings from domestic non-banking institutions	-	-
Borrowings from foreign banking institutions	20.286.850	37.120.075
Deferred front-end fee	(4.225.170)	(3.691.056)
TOTAL	672.257.831	770.553.875

14) OTHER LIABILITIES
in HRK

	Dec 31 2017	Sep 30 2018
Restricted deposits	1.786.812.843	1.884.823.340
Interest and fees payable	48.664.624	64.643.740
Provisions for off-balance sheet exposure	25.193.152	30.557.965
Other	236.176.726	241.206.650
TOTAL	2.096.847.345	2.221.231.695

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 Sep 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 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%

E) Consolidation of Jadranska banka d.d., Šibenik results

From July 13, 2018 Jadranska banka d.d. becomes an integral part of the HPB Group. After the acquisition, the HPB has injected HRK 110 million of new capital to Jadranska banka in order to meet regulatory requirements of Croatian National Bank. The Bank started process of merging Jadranska banka d.d. From the acquisition until reporting period, Jadranska banka d.d., Šibenik reported a net loss of HRK 12.0 million. The business result of Jadranska banka is continuously improving since it becomes part of HPB Group and the same trend is expected in the future. On the side of the sources of funds, Jadranska banka d.d. contributes to HRK 1,543 million in customer deposits, representing 8.6% of total deposits of the Group.

F) 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 515,00 (trading day Sep 25 2018), representing an increase of 1,8 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:

