



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

*Unaudited*

Zagreb, October 25 2018

In accordance with the Capital Markets Act, HPB p.l.c. publishes unaudited financial statements for the period from Jan 01 2018 to Sep 30 2018.

This report includes:

- Management report of HPB p.l.c.,
- statement by persons responsible 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 of 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:

- acquisition of Jadranska banka d.d. Šibenik (hereinafter „JABA“) was successfully closed in mid-July and after completion of the transaction HPB has injected HRK 110 million of new capital to Jadranska banka in order to meet regulatory requirements. HPB commenced with merger activities,

- in spite of limiting factors and competition on the credit market as well as Jadranska banka acquisition, HPB achieved solid profitability during the first 9M of 2018 – **net profit amounts to HRK 123.1 million**, as opposed to the recorded loss in comparison with the same period 2017,

- **operating profit of HRK 239.0M**, decreasing by HRK 37.3M or 13.5% in comparison with the same period 2017; result is mainly affected by continuous decreasing interest rates on the market, reducing the exposure to the state institutions due to the continuous debt repayment, absence of positive effects from securities trading and higher costs of initiated strategic projects whose aim is to strengthen the HPB's Group market position; Nevertheless, in third quarter HPB recorded best quarterly operating result in 2018 – operating profit of HRK 101M

- continued **ytd growth of loans to companies (+5.4%)** and retail loans (+6.6%),

- **book value per share increased by 4.0%** on y-o-y basis (+4.1% ytd).

## Management report of HPB p.l.c.

HPB successfully meets the market demand challenges and pressure of new regulations in Y2018. However, lower operating profit neutralized improved results of value adjustments and portfolio management, but the numerous projects that are launched, including the acquisition and merging process of JABA should provide better results in the future.

### Commentary on P&L movements

In spite of lower operating profit that was driven by significant decrease of net interest income, Bank recorded solid profitability amounting to HRK 123.4M of net profit as a result of positive collection effects and high level of portfolio coverage with impairments and collaterals. In addition, we would like to point out that the Bank's management is striving to optimize its operations in order to improve operating result.

**Operating profit amounted to HRK 239.0M**, representing a **decrease of HRK 37.3M** when compared to the same period of 2017. Decline in operating profit arises from higher decrease in active interest rates in comparison with passive ones (interest income declined by 8.2% or HRK 41.0M) leaving very little space for further reduction in financing cost (interest expense decreased by 25.2% or HRK 25.6M). Accordingly, net interest income is lower by 3.9 percent. Furthermore, since the fourth quarter of 2017, there has been a trend of debt repayment by state institutions, which has affected the reduction of interest income. Mentioned reduction is partially offset by the expansion of the client base and loan placements in the Small and Medium Enterprises Sector and the Retail business Sector.

**Net income from commissions and fees** increased by 1.4% in comparison with first 9M 2017 according to extremely good results achieved in third quarter of 2018.

**Other non-interest income** is comprised of trading gains on securities and FX operations, dividends received and other income. These income categories have dropped by 23.5 percent in comparison with same period of 2017, due to absence of one-off or non-recurring items relating to securities trading gains, dividends received from subsidiaries following the retention of 2017 earnings.

**Operating costs** inevitably increased (+3.4%), following a variety of initiated projects and activities that are driven by regulatory requirements (GDPR, IFRS9, AML, MIFID II). Merger of JABA also had an impact on current P&L account, but on the other hand optimization of cost structure in terms of preferring those expenditure that will generate revenue in the future, remain a lasting goal.

**In the reporting period**, the Bank recorded **significantly lower impairment losses** in comparison with 9M 2017 which was burdened by provisioning for Agrokor in 2017. By transitioning to the new IFRS 9 standard, the Bank recognized additional impairments amounting to HRK 57,3M as per January 1 2018, by charging capital reserves directly, mostly for performing loans. Effects in P&L account since the first application of the standard are not material for now.

Owing to the fact that Bank reported a net loss in 9M 2017, no tax expenses were recorded. On the other hand, due to pre-tax income of HRK 151.0M in 9M 2018, Bank has recognized a tax expense amounting to HRK 27.6M. This expense does not represent nor it will represent cash outflow, because it relates to deferred tax assets, that can be utilized in the following period, based on past tax losses.

Commentary on balance sheet movements

In line with continued positive trends during 2018, **deposits received from clients have increased by HRK 120 million (+5.3%) in Q3** and HRK 1,028 million (+6.1%) in a first 9M of 2018 reflecting the trust of our depositors. Assets have correspondingly increased by 5.4% and amount to HRK 20.9B. Assets' structure remains stable (share of net loans amount cca 55.5%) even though the Bank had significant growth in net loans (by 5.9%). Retail loans level continues to grow (+6.6%) as well as loans to companies (+5.4%). Bank seeks to adequately utilise liquidity surpluses, hence the investments in liquid securities rose by 26.8 percent.

**In 2018 Bank's equity and reserves** approached the level of HRK 2B and on Sep 30 2018 **amount to HRK 1,983M, up by 4.1 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 +11.3M).

Although the Bank does not plan to expand the physical network of branches further, we do not miss 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 Dalmatia, we opened a new branch office in Zadar. In third quarter of 2018, Jadranska banka d.d. became part of HPB Group, the largest Croatian-owned bank. The Bank strengthens its position on banking market and takes more active role through newly established Regional Center in Šibenik.

Business event of the year, that we are especially proud of, is the acquisition of Jadranska banka d.d. Šibenik. The transaction has been successfully closed on mid-July 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. Acquisition of Jadranska banka will enable HPB to achieve stronger presence in prosperous mid-Dalmatia region, and will expand the HPB client base further. Merger activities have been initiated.

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.

We will continue to be dedicated to our clients, and will work on achieving adequate return for our shareholders.

**Tomislav Vuić**  
CEO

## **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 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.

**Tea Bažant**  
Head of Finance Division

**Tomislav Vuić**  
CEO



HPB p.l.c.

**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: **1.137**

(as per reporting date)

Consolidated report: **NO**Industry code: **6419**

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:


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)	001	4.391.466.489	3.973.300.998
1.1. Cash	002	460.023.632	656.730.597
1.2. Deposits with the CNB	003	3.931.442.857	3.316.570.401
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	473.302.324	487.110.594
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	324.931.405	272.507.001
4. FINANCIAL ASSETS HELD FOR TRADING	006	513.989.813	547.955.953
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.459.982.241	2.739.906.667
6. FINANCIAL ASSETS HELD TO MATURITY	008	72.345.457	71.124.811
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	41.415.186
10. LOANS TO OTHER CUSTOMERS	012	10.851.664.988	11.924.060.066
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	136.945.733
14. OTHER ASSETS	016	441.748.035	470.803.251
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>19.798.832.598</b>	<b>20.730.620.260</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	651.970.981	624.533.197
1.1. Short-term	019	-	-
1.2. Long-term	020	651.970.981	624.533.197
2. DEPOSITS (022 to 024)	021	15.134.400.504	16.008.511.168
2.1. Transactional and current accounts	022	5.172.463.233	5.922.570.745
2.2. Savings deposits (demand)	023	1.538.006.561	1.754.368.145
2.3. Term deposits	024	8.423.930.710	8.331.572.278
3. OTHER BORROWINGS (026+027)	025	20.286.850	36.897.885
3.1. Short-term	026	-	-
3.2. Long-term	027	20.286.850	36.897.885
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	-	29.846
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	2.113.564.825
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>17.893.540.825</b>	<b>18.783.536.921</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	8.333.460	94.360.007
3. RETAINED EARNINGS	038	124.540.223	132.457.010
4. REGULATORY RESERVES	039	15.574.701	15.991.374
5. STATUTARY AND OTHER CAPITAL RESERVES	040	448.288.175	391.054.732
6. FAIR VALUE RESERVE	041	94.257.214	98.922.216
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	-	-
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.905.291.773</b>	<b>1.947.083.339</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>19.798.832.598</b>	<b>20.730.620.260</b>



HPB p.l.c.

### 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	048	334.883.069	165.795.194	305.169.628	154.974.728
2. Interest expense	049	70.067.496	33.313.270	53.763.133	27.505.863
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>264.815.573</b>	<b>132.481.924</b>	<b>251.406.495</b>	<b>127.468.865</b>
4. Fee and commission income	051	241.576.365	126.991.999	240.368.186	127.813.156
5. Fee and commission expense	052	148.272.770	76.310.801	149.726.521	79.785.727
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>93.303.595</b>	<b>50.681.198</b>	<b>90.641.665</b>	<b>48.027.429</b>
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	19.983.290	10.287.819	19.529.782	9.019.229
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	5.457.492	5.122.576	-	-
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	-	-	-
15. Income from other equity instruments	062	815.653	793.985	803.141	788.658
16. Gains less losses from exchange rate differences	063	189.307	(910.806)	(1.216.563)	(2.400.682)
17. Other income	064	4.169.154	3.394.376	3.928.442	1.374.871
18. Other operating costs	065	28.867.356	14.376.484	33.680.816	17.769.888
19. General and administrative expenses, amortization and depreciation	066	189.633.369	94.077.208	193.473.526	97.905.361
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>172.433.339</b>	<b>93.397.380</b>	<b>137.938.620</b>	<b>68.603.121</b>
21. Impairment losses and provisions	068	237.275.839	166.313.908	22.546.394	33.901.534
<b>22. PROFIT/(LOSS) BEFORE TAX (067-068)</b>	<b>069</b>	<b>(64.842.500)</b>	<b>(72.916.528)</b>	<b>115.392.226</b>	<b>34.701.587</b>
<b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>	<b>070</b>	<b>(338.501)</b>	<b>(3.560.204)</b>	<b>21.032.219</b>	<b>6.507.904</b>
<b>24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>(64.503.999)</b>	<b>(69.356.324)</b>	<b>94.360.007</b>	<b>28.193.683</b>
25. Earnings per share	072	(32)	(34)	47	14



**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>194.628.533</b>	<b>166.335.962</b>
1.1. Profit/(loss) before tax	002	(64.842.500)	115.392.226
1.2. Impairment losses and provisions	003	237.275.839	22.546.394
1.3. Amortization and depreciation	004	22.221.186	22.769.143
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(1.313.285)	4.217.970
1.5. Gains / losses from sale of tangible assets	006	1.476.600	193.666
1.6. Other gains / losses	007	(189.307)	1.216.563
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>(276.018.865)</b>	<b>(847.539.178)</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	297.932.023	(13.808.270)
2.4. Loans to other customers	012	(334.729.651)	(1.103.269.140)
2.5. Financial assets held for trading	013	18.531.506	(38.184.110)
2.6. Financial assets available for sale	014	310.730.975	(285.519.302)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	47.575.618	(74.055.216)
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>144.565.801</b>	<b>900.822.845</b>
3.1. Transactional accounts	018	262.837.846	750.107.512
3.2. Savings and term deposits	019	(387.718.912)	124.003.152
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	29.846
3.4. Ostale liabilities	021	273.087.534	26.682.335
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>63.175.469</b>	<b>219.619.629</b>
5. Income tax paid	023	(363.028)	-
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>62.812.441</b>	<b>219.619.629</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>151.230.037</b>	<b>(12.258.605)</b>
7.1. Purchase of tangible and intangible assets	026	(16.138.698)	(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	3.015.653	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>196.534.275</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	902.877	172.690
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>131.159.992</b>	<b>196.706.965</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>421.479.852</b>	<b>460.023.632</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)	463.862.876	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)
<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>406.629.433</b>	<b>124.540.223</b>	<b>8.333.460</b>	<b>94.257.214</b>	<b>-</b>	<b>1.848.058.330</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	-	-	-	-	94.360.007	-	-	94.360.007
<b>Total recognized income and expense for the period (008+009)</b>	<b>010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94.360.007</b>	<b>4.665.002</b>	<b>-</b>	<b>99.025.009</b>
Increase/decrease in share capital	011	-	-	-	-	-	-	-	-
Purchase/sale of own shares	012	-	-	-	-	-	-	-	-
Other changes	013	-	-	416.673	7.916.787	(8.333.460)	-	-	-
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>407.046.106</b>	<b>132.457.010</b>	<b>94.360.007</b>	<b>98.922.216</b>	<b>-</b>	<b>1.947.083.339</b>



HPB p.l.c.

## 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	287.494.307	143.805.324	267.332.665	135.716.582
Deposits	(1.269.866)	(655.007)	636.300	297.051
Securities	48.658.628	22.644.877	37.200.663	18.961.095
<b>TOTAL</b>	<b>334.883.069</b>	<b>165.795.194</b>	<b>305.169.628</b>	<b>154.974.728</b>

2) INTEREST EXPENSE in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	6.904.796	2.966.830	6.385.169	3.480.368
Deposits	63.162.700	30.346.440	47.377.964	24.025.495
<b>TOTAL</b>	<b>70.067.496</b>	<b>33.313.270</b>	<b>53.763.133</b>	<b>27.505.863</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	138.969.149	70.754.937	132.109.659	67.076.601
Retail and card operations	70.767.176	39.893.459	75.062.519	43.159.693
Corporate operations	27.722.194	14.434.468	29.439.960	15.644.423
Other fee and commission income	4.117.846	1.909.135	3.756.048	1.932.439
<b>TOTAL</b>	<b>241.576.365</b>	<b>126.991.999</b>	<b>240.368.186</b>	<b>127.813.156</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	9.043.848	5.439.988	17.880.764	10.970.509
<b>TOTAL</b>	<b>148.272.770</b>	<b>76.310.801</b>	<b>149.726.521</b>	<b>79.785.727</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	2.148.509	420.779	(3.895.428)	(3.558.986)
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	(27.149)	20.815	760.062	1.127.340
<b>TOTAL</b>	<b>19.983.290</b>	<b>10.287.819</b>	<b>19.529.782</b>	<b>9.019.229</b>

6) OPERATING EXPENSES in HRK

	Jan 01 - Jun 30 2017		Jan 01 - Jun 30 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	167.412.183	83.083.177	170.704.383	86.470.506
Amortization and depreciation	22.221.186	10.994.031	22.769.143	11.434.855
Savings deposit insurance costs	17.803.541	8.805.541	17.601.264	9.059.264
Other costs	11.063.815	5.570.943	16.079.552	8.710.624
<b>TOTAL</b>	<b>218.500.725</b>	<b>108.453.692</b>	<b>227.154.342</b>	<b>115.675.249</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	249.354.127	178.737.916	15.089.070	30.993.355
Other impairments and adjustments	(12.078.288)	(12.424.008)	7.457.324	2.908.179
<b>TOTAL</b>	<b>237.275.839</b>	<b>166.313.908</b>	<b>22.546.394</b>	<b>33.901.534</b>

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

	Dec 31 2017	Jun 30 2018
<b>CASH</b>	<b>460.023.632</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>4.391.466.489</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	449.961.229	485.308.870
Deposits with domestic banking institutions	23.341.095	1.801.724
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>473.302.324</b>	<b>487.110.594</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	513.989.813	547.955.953
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>3.371.248.916</b>	<b>3.631.494.432</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>2.948.467.733</b>	<b>3.573.604.125</b>
Bruto krediti	3.908.831.549	4.506.206.728
Ispravci vrijednosti	(960.363.816)	(932.602.603)
<b>Retail loans</b>	<b>4.866.944.528</b>	<b>5.075.883.844</b>
Bruto krediti	5.163.867.192	5.396.077.815
Ispravci vrijednosti	(296.922.664)	(320.193.971)
<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	(116.708.983)	-
Expected credit losses (A1 and A2 risk groups)	-	(145.938.366)
Other adjustments	-	(7.493.627)
Deferred front-end fee	(39.172.874)	(33.323.926)
<b>LOANS TO CUSTOMERS</b>	<b>10.914.114.988</b>	<b>11.965.475.252</b>

## B) Balance sheet (continued)

### 12) DEPOSITS

*in HRK*

	Dec 31 2017	Jun 30 2018
Financial institutions	1.198.016.694	1.330.604.293
Corporations	3.891.544.698	4.158.146.250
Retail	9.150.703.429	9.225.610.482
Other	894.135.683	1.294.150.143
<b>TOTAL</b>	<b>15.134.400.504</b>	<b>16.008.511.168</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	25.171.072	33.239.377
Other	226.233.951	218.557.359
<b>TOTAL</b>	<b>2.086.882.490</b>	<b>2.113.564.825</b>

## 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).

## D) Bank's ownership structure

Bank's ownership structure 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 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%



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 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:

