



# Financial Statements for the Period from Jan 01 to Dec 31 2018

*Unaudited*

Zagreb, February 27 2019

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

- **Bank recorded net profit of HRK 150.2M** and gross profit of HRK 183.2M that represents the best result since the establishment,
- achieved **market share growth** in accordance with capital capability. Bank has turned to the retail segment (**loans increased by 13.4%** on an annual basis) and the SME segment (**loans increased by 20.6%** on an annual basis),
- Bank has reached 6th position in the structure of bank assets in Croatia,
- **operating profit of HRK 302.4M**, decreasing by HRK 70M or 18.8% 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, high level of liquidity reserves, activities related to the acquisition of Jadranska banka d.d. and higher costs of initiated strategic projects whose aim is to strengthen the HPB's Group market position.
- **book value per share increased by 5.0%** on y-o-y basis and amounts HRK 988.

## 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.

During 2018, the Bank launched a number of projects in order to respond to the challenges ahead of it in the near future, including responses to a large number of new regulatory changes and requirements and to tighten competition in the banking market through new and attractive products at very low interest margins. In term of strengthening the position in the intensive banking market, the purchase of the Jadranska banka d.d. significantly contributes to the increase in Bank presence in the area of Central Dalmatia and broadens its client base. Acquisition process will be completed during the first half of 2019.

### Commentary on P&L movements

Solid profitability in the amount of HRK 150.2M was achieved with lower operating profit through a lower level of provisions as a result of increased collection activity, better credit risk management and good NPL coverage. The Bank's management continues its activities as response to the pressure of interest rate reduction through initiated projects, process optimization with the goal of achieving internal improvements, as well as continued intensive participation in digital transformation, in order to achieve better results in the future.

**Operating profit amounted to HRK 302.4M**, representing a **decrease of HRK 70M** 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 8.5%) leaving very little space for further reduction in financing cost (interest expense decreased by 29.8%). Accordingly, **net interest income is lower by 3.1 percent** or HRK 16.9M. During the fourth quarter of 2018, 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 loan placements in the Small and Medium Enterprises Sector and the Retail business Sector.

**Net income from commissions and fees** remained at the same level as in 2017.

**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 42.5% 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 (+3.1%)**, following an intense activities regarding Jadranska banka acquisition and variety of initiated projects and activities that are driven by regulatory requirements in 2018. Optimization of processes and other expenses in the future will lead to the lower expenses of initiated projects and initiatives on operating profit.

**In the reporting period**, the Bank recorded **significantly lower impairment losses (66.9 percent or HRK 240.7M)** in comparison with the same period of 2017 which was burdened by provisioning for Agrokor in 2017. Lower level of provisions is a result of increased collection activity, better credit risk management and good NPL coverage. 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 gross profit of HRK 183.2M in 2018, tax expenses were recorded in the amount of HRK 33.0M. 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.



HPB p.l.c.

Commentary on balance sheet movements

A stable client base is visible through the continuous increase of **received deposits by HRK 1,164M (+7.7%)**.

**Assets have increased by 7.3%** and amount to HRK 21.3B as of 31 December 2018. Bank seeks to adequately utilise liquidity surpluses, hence the investments in liquid securities rose by HRK 806.7M and deposits with financial institutions. Gross loans increased by 1.3%. Hence the debt repayment by state institutions is partially offset by loan placements in the Small and Medium Enterprises Sector and the Retail business Sector.

**At the end of 2018 Bank's equity** reached the level of HRK 2B and on Dec 31 2018 **amount to HRK 2,001M, up by 5 percent** ytd. Increase in capital refers mainly to the net profit achieved during the reporting period.

According to the digital transformations and our desire to be more accessible to our clients we are continuously improving e-branch office through mobile banking and its functionalities. With digital channels, we want to strengthen our physical presence and by building good cooperation with Croatian Post, we bring banking services throughout the whole Croatia. We offered online opening of business account and online application of credit request to the corporate sector. We have signed agreement with the Zagreb Stock Exchange to encourage the development of SME and financing through the capital market.

Business event of the year is previously mentioned acquisition of Jadranska banka d.d. and in February 2019 a contract was signed for merging with HPB. Integration process will be finished in a first half of 2019.

Focusing on strategic guidelines such as modernization of business network, digitalisation, focus on retail and SME sectors, we are striving will continue to achieve better results and adequate return for our shareholders and keeping a trust of our clients.

**Tomislav Vuić**  
CEO



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 Dec 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.

**Tea Bažant**  
Head of Finance Division

**Tomislav Vuić**  
CEO



HPB p.l.c.

## Appendix 3.

reporting  
period:

Jan 01 2018

to

Dec 31 2018

## Quarte

Number (MB):	03777928	
Registration number:	080010698	
Personal identification number:	87939104217	
Company:	HPB p.l.c.	
Postal code and city:	10000	ZAGREB
Address:	JURIŠIĆEVA 4	
Email address:	<a href="mailto:hpb@hpb.hr">hpb@hpb.hr</a>	
Web address:	<a href="http://www.hpb.hr">www.hpb.hr</a>	
Country and name:	133	ZAGREB
Country and name:	21	GRAD ZAGREB
Number of employees:		1.118
		(as per reporting date)
Reported report:	NO	Industry code: 6419
Companies (in accordance with IFRS):	Headquarters:	Registration number:
Documentation provided by:	n/a	n/a
Contact:	Bažant Tea	
Phone:	014804670	Fax: 014804594
Email address:	<a href="mailto:tea.bazant@hpb.hr">tea.bazant@hpb.hr</a>	
Country and name:	Vuk 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 **Dec 31 2018**

in HRK

Item	AOP label	Dec 31 2017	Dec 31 2018
1	2	3	4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	4.391.466.489	3.370.330.704
1.1. Cash	002	460.023.632	561.549.578
1.2. Deposits with the CNB	003	3.931.442.857	2.808.781.126
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	473.302.324	862.929.108
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	513.989.813	576.411.745
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.459.982.241	3.361.589.545
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	-	0
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	10.851.664.988	11.492.566.904
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	65.490.000	186.755.000
12. REPOSSESSED ASSETS	014	-	0
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	141.461.846	138.813.740
14. OTHER ASSETS	016	441.748.035	432.668.405
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>19.798.832.598</b>	<b>20.869.725.400</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	651.970.981	618.433.800
1.1. Short-term	019	-	-
1.2. Long-term	020	651.970.981	618.433.800
2. DEPOSITS (022 to 024)	021	15.134.400.504	16.068.651.045
2.1. Transactional and current accounts	022	5.172.463.233	6.330.248.772
2.2. Savings deposits (demand)	023	1.538.006.561	2.168.990.098
2.3. Term deposits	024	8.423.930.710	7.569.412.175
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	2.086.882.490	2.162.868.638
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>17.893.540.825</b>	<b>18.887.073.558</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	123.371.555
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	105.479.171
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	-	0
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.905.291.773</b>	<b>1.982.651.842</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>19.798.832.598</b>	<b>20.869.725.400</b>
<b>ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)</b>			
1. TOTAL EQUITY	045		
2. Equity attributable to the shareholders of the parent company	046		
3. Minority interest (045-046)	047	0	0

### PROFIT OR LOSS STATEMENT

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

in HRK

Item	AOP label	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	662.752.921	161.725.979	606.624.517	146.623.512
2. Interest expense	049	131.417.909	29.718.303	92.240.163	16.121.968
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>531.335.012</b>	<b>132.007.676</b>	<b>514.384.354</b>	<b>130.501.544</b>
4. Fee and commission income	051	520.964.661	120.780.574	513.500.629	118.155.328
5. Fee and commission expense	052	328.837.117	75.683.719	321.386.033	75.132.231
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>192.127.544</b>	<b>45.096.855</b>	<b>192.114.596</b>	<b>43.023.097</b>
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	50.825.822	11.675.308	48.506.087	11.516.178
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	30.212.617	24.755.125	-	-
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	3.200.000	1.000.000	-	-
15. Income from other equity instruments	062	974.919	139.907	982.314	18.720
16. Gains less losses from exchange rate differences	063	1.747.151	(347.279)	(3.745.368)	(2.431.118)
17. Other income	064	5.727.391	1.219.229	7.581.202	2.713.455
18. Other operating costs	065	62.027.539	21.056.379	66.847.608	19.597.275
19. General and administrative expenses, amortization and depreciation	066	381.736.318	98.390.361	390.617.948	102.420.795
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>372.386.599</b>	<b>96.100.081</b>	<b>302.357.629</b>	<b>63.323.806</b>
21. Impairment losses and provisions	068	359.925.881	83.529.885	119.188.488	31.112.149
<b>22. PROFIT/(LOSS) BEFORE TAX (067-068)</b>	<b>069</b>	<b>12.460.718</b>	<b>12.570.196</b>	<b>183.169.141</b>	<b>32.211.657</b>
<b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>	<b>070</b>	<b>4.127.258</b>	<b>2.902.272</b>	<b>33.016.162</b>	<b>5.430.233</b>
<b>24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>8.333.460</b>	<b>9.667.924</b>	<b>150.152.979</b>	<b>26.781.424</b>
25. Earnings per share	072	4	5	74	41
<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>2. Attributable to the shareholders of the parent company</b>	<b>074</b>				
<b>3. Minority interest (073-074)</b>	<b>075</b>	0	0	0	0



**CASH FLOW STATEMENT - INDIRECT METHOD**

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

in HRK

Item	AOP label	Jan 01 - Dec 31 2017	Jan 01 - Dec 31 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>407.891.101</b>	<b>359.606.784</b>
1.1. Profit/(loss) before tax	002	9.018.025	183.169.141
1.2. Impairment losses and provisions	003	364.171.361	119.188.488
1.3. Amortization and depreciation	004	43.848.609	45.270.615
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(9.282.072)	5.906.672
1.5. Gains / losses from sale of tangible assets	006	1.882.329	2.326.500
1.6. Other gains / losses	007	(1.747.151)	3.745.368
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>(1.179.148.942)</b>	<b>(1.543.348.153)</b>
2.1. Deposits with the CNB	009	(2.089.619.595)	42.361.531
2.2. Treasury bills of the Croatian Ministry of Finance	010	90.605.210	126.641.176
2.3. Deposits with and loans to financial institutions	011	300.786.685	(673.643.780)
2.4. Loans to other customers	012	397.858.387	(120.241.320)
2.5. Financial assets held for trading	013	46.615.145	11.460.601
2.6. Financial assets available for sale	014	150.624.542	(817.154.470)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	0	0
2.8. Other operating assets	016	(76.019.316)	(112.771.891)
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>516.928.465</b>	<b>1.402.074.400</b>
3.1. Transactional accounts	018	1.163.225.808	1.731.295.664
3.2. Savings and term deposits	019	(558.815.876)	(567.497.019)
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	0
3.4. Ostale liabilities	021	(83.840.800)	238.275.755
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>(254.329.376)</b>	<b>218.333.031</b>
5. Income tax paid	023	(421.217)	(537.596)
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>(254.750.593)</b>	<b>217.795.435</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>329.641.906</b>	<b>(159.771.469)</b>
7.1. Purchase of tangible and intangible assets	026	(45.022.615)	(36.501.399)
7.2. Investment in / disposal of subsidiaries, associated companies and joint ventures	027	0	(121.265.000)
7.3. Investment in / disposal of financial assets held to maturity	028	370.489.602	(2.987.384)
7.4. Dividends received	029	4.174.919	982.314
7.5. Other inflows / outflows from investing activities	030	0	0
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 to 037)</b>	<b>031</b>	<b>(37.163.725)</b>	<b>(42.587.048)</b>
8.1. Net increase / decrease of borrowings	032	(37.163.725)	(42.587.048)
8.2. Net increase / decrease of issued debt securities	033	0	
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	0	
8.4. Share capital raised	035	0	
8.5. Dividends paid	036	0	
8.6. Other inflows / outflows from financial activities	037	0	
<b>9. Net increase / decrease of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>37.727.588</b>	<b>15.436.918</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	816.192	163.402
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>38.543.780</b>	<b>15.600.320</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>460.023.632</b>	<b>475.623.952</b>

STATEMENT OF CHANGES IN EQUITY

Item	AOP label	for the period from		to			in HRK		
		Jan 01 2018		Dec 31 2018					
		Attributable to the shareholders of the parent company							Minority interest
1	2	Share capital	Own shares	Regulatory, statutory and other reserves	Retained earnings	Profit/(loss) for the period	Fair value reserve	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						(7.259.118)		(7.259.118,00)
Change in the fair value of financial assets available for sale	005						10.416.239		10.416.239
Tax on items recognised directly in/transferred from equity	006			13.093			(512.557)		(499.464)
Other gains and (losses) recognised directly in equity	007			(72.739)					(72.739,00)
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	(59.646,00)	-	-	2.644.564	-	2.584.918
Loss for the period	009					150.152.979			150.152.979
Total recognized income and expense for the period (008+009)	010	-	-	(59.646,00)	-	150.152.979	2.644.564	-	152.737.897
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								-
Profit allocation (014+015)	016	-	-	-	-	-	-	-	-
Balance as per the reporting date (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	406.986.460	132.457.010	150.152.979	96.901.778	-	2.000.796.227

## NOTES TO FINANCIAL STATEMENTS

### A) Income statement

#### 1) INTEREST INCOME

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	573.042.923	140.714.488	524.670.406	125.269.383
Deposits	(1.125.453)	471.815	1.071.947	(40.073)
Securities	90.835.451	20.539.676	80.882.164	21.394.202
<b>TOTAL</b>	<b>662.752.921</b>	<b>161.725.979</b>	<b>606.624.517</b>	<b>146.623.512</b>

#### 2) INTEREST EXPENSE

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	14.083.983	3.676.154	12.842.912	3.421.373
Deposits	117.333.926	26.042.149	79.397.251	12.700.595
<b>TOTAL</b>	<b>131.417.909</b>	<b>29.718.303</b>	<b>92.240.163</b>	<b>16.121.968</b>

#### 3) FEE AND COMMISSION INCOME

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	277.133.722	67.452.911	265.601.621	65.507.516
Retail and card operations	176.067.813	34.522.995	179.095.923	35.340.136
Corporate operations	59.486.631	16.697.514	61.032.169	15.380.894
Other fee and commission income	8.276.495	2.107.154	7.770.916	1.926.782
<b>TOTAL</b>	<b>520.964.661</b>	<b>120.780.574</b>	<b>513.500.629</b>	<b>118.155.328</b>

#### 4) FEE AND COMMISSION EXPENSE

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	278.084.072	66.133.786	265.907.890	65.302.763
Other fee and commission expense	50.753.045	9.549.933	55.478.143	9.829.468
<b>TOTAL</b>	<b>328.837.117</b>	<b>75.683.719</b>	<b>321.386.033</b>	<b>75.132.231</b>

#### 5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	12.093.968	1.849.492	223.711	1.173.091
FX transactions	38.157.579	9.693.413	46.406.110	10.038.952
HRK cash transactions	490.545	3.850	288.040	0
Derivatives	83.730	128.553	1.588.226	304.135
<b>TOTAL</b>	<b>50.825.822</b>	<b>11.675.308</b>	<b>48.506.087</b>	<b>11.516.178</b>

#### 6) OPERATING EXPENSES

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	337.868.034	87.524.818	345.347.333	91.103.986
Amortization and depreciation	43.868.284	10.865.543	45.270.615	11.316.809
Savings deposit insurance costs	35.559.103	9.155.918	34.916.300	8.477.242
Other costs	26.468.436	11.900.461	31.931.308	11.120.033
<b>TOTAL</b>	<b>443.763.857</b>	<b>119.446.740</b>	<b>457.465.556</b>	<b>122.018.070</b>

#### 7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

*in HRK*

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Impairments and provisions for losses	358.042.535	78.569.655	98.570.038	26.763.440
Other impairments and adjustments	1.883.346	4.960.230	20.618.450	4.348.709
<b>TOTAL</b>	<b>359.925.881</b>	<b>83.529.885</b>	<b>119.188.488</b>	<b>31.112.149</b>

## B) Balance sheet

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

	Dec 31 2017	Dec 31 2018
<b>CASH</b>	<b>460.023.632</b>	<b>475.623.952</b>
<b>DEPOSITS WITH THE CNB</b>	<b>3.931.442.857</b>	<b>3.889.081.326</b>
Mandatory reserve	1.300.268.691	1.419.939.919
Account for transaction settlement	2.631.174.166	2.469.141.407
<b>MANDATORY TREASURY BILLS</b>		
Portfolio based impairment allowance for identified losses		
<b>TOTAL</b>	<b>4.391.466.489</b>	<b>4.364.705.278</b>

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

	Dec 31 2017	Dec 31 2018
Deposits with foreign banking institutions	449.961.229	957.618.140
Deposits with domestic banking institutions	23.341.095	189.327.964
Portfolio based impairment allowance for identified losses		
<b>TOTAL</b>	<b>473.302.324</b>	<b>1.146.946.104</b>

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

	Dec 31 2017	Dec 31 2018
Short term Treasury bills of the Croatian Ministry of Finance	324.931.405	198.290.229
Financial assets held for trading	513.989.813	496.622.540
Financial assets available for sale	2.459.982.241	3.266.720.472
Financial assets held to maturity	73.139.356	75.343.907
Portfolio based impairment allowance for identified losses	(775.376)	-
Deferred front-end fee	(18.523)	(11.066)
<b>TOTAL</b>	<b>3.371.248.916</b>	<b>4.036.966.082</b>

### 11) LOANS TO CUSTOMERS

*in HRK*

	Dec 31 2017	Dec 31 2018
<b>Loans to financial institutions</b>	<b>62.450.000</b>	<b>98.081.079</b>
Bruto krediti	62.454.545	98.086.422
Ispravci vrijednosti	(4.545)	(5.343)
<b>Corporate &amp; SME loans</b>	<b>2.948.467.733</b>	<b>2.762.170.141</b>
Bruto krediti	3.908.831.549	3.869.177.354
Ispravci vrijednosti	(960.363.816)	(1.107.007.213)
<b>Retail loans</b>	<b>4.866.944.528</b>	<b>5.511.218.252</b>
Bruto krediti	5.163.867.192	5.863.631.187
Ispravci vrijednosti	(296.922.664)	(352.412.935)
<b>Other loans</b>	<b>3.192.134.584</b>	<b>2.650.791.321</b>
Bruto krediti	3.198.303.415	2.658.434.137
Ispravci vrijednosti	(6.168.831)	(7.642.816)
Portfolio based impairment allowance for identified losses	(116.708.983)	-
Expected credit losses (A1 and A2 risk groups)	-	(140.828.980)
Other adjustments	-	(4.584.608)
Deferred front-end fee	(39.172.874)	(34.314.464)
<b>LOANS TO CUSTOMERS</b>	<b>10.914.114.988</b>	<b>10.842.532.741</b>

**B) Balance sheet (continued)**

12) DEPOSITS		<i>in HRK</i>	
	Dec 31 2017	Dec 31 2018	
Financial institutions	1.198.016.694	1.148.143.813	
Corporations	3.891.544.698	4.199.811.090	
Retail	9.150.703.429	9.574.636.573	
Other	894.135.683	1.375.607.673	
<b>TOTAL</b>	<b>15.134.400.504</b>	<b>16.298.199.149</b>	

13) BORROWINGS		<i>in HRK</i>	
	Dec 31 2017	Dec 31 2018	
Borrowings from HBOR	656.196.151	596.036.649	
Borrowings from domestic banking institutions	-	-	
Borrowings from domestic non-banking institutions	-	-	
Borrowings from foreign banking institutions	20.286.850	37.087.875	
Deferred front-end fee	(4.225.170)	(3.453.741)	
<b>TOTAL</b>	<b>672.257.831</b>	<b>629.670.783</b>	

14) OTHER LIABILITIES		<i>in HRK</i>	
	Dec 31 2017	Dec 31 2018	
Restricted deposits	1.786.812.843	2.055.861.176	
Interest and fees payable	48.664.624	38.376.030	
Provisions for off-balance sheet exposure	25.171.072	29.897.396	
Other	226.233.951	201.023.643	
<b>TOTAL</b>	<b>2.086.882.490</b>	<b>2.325.158.245</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 Dec 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%
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	7,46%
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 450.00 (trading day Dec 28 2018), representing an decrease of 11.1 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:

