

**Consolidated quarterly financial statements
for the period from Jan 01 to Jun 30 2017**

Unaudited

Zagreb, July 31 2017

In accordance with Capital Markets Act, HPB p.l.c. (Bank) as the parent company of HPB Group (Group), publishes unaudited consolidated quarterly financial statements for the period from Jan 01 to Jun 30 2017.

This report includes:

- Management report of HPB Group,
- statement by persons accountable for compiling the report of Group,
- unaudited set of consolidated 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 were made in accordance with the TFI-KI reporting methodology by Croatian Financial Services Supervisory Agency. Items in the profit or loss statement are compiled in accordance with IFRS.

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).

In 1H 2017 the Group recorded a **net loss of HRK 64,6M**, resulting from deteriorated creditworthiness of Agrokor group and related parties, and consequent impairments for these exposures (HRK 187M in 1H 2017).

In spite of 1H 2017 being marked with adverse effects of Agrokor on profitability of the parent company, **subsidiaries continue to improve their results**. HPB Stambena štedionica made an after-tax profit of HRK527K, whereat trading losses were annuled by net interest income growth. HPB Invest made a net profit of HRK 1,0M and HPB Nekretnine made a net profit of HRK 631K.

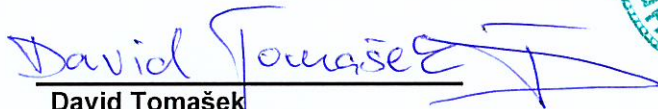
Apart from this, **subsidiaries have contributed to the parent through a dividend payout** from profits earned in 2016. HPB Stambena štedionica has for the first time in its history paid out a dividend amounting to HRK 400K. Meanwhile, after paying out HRK 3,5M in 2016, HPB Invest paid out a dividend amounting to HRK 1,8M in 2017.



Tomislav Vučić
President of the
Management Board

Statement by persons accountable for compiling the 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 quarterly financial statements for the period from Jan 01 to Jun 30 2017, 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.



David Tomašek
Deputy Executive Director
Finance Division



Tomislav Vuić
President of the
Management Board

Appendix 3.

Reporting period:

Jan 01

to

Jun 30 2017

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

Internet address: www.hpb.hr

City code and name: 133 ZAGREB

County code and name: 21 GRAD ZAGREB # of employees: 1.124
(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

Book-keeping service

provided by:

n/an/aContact: Tomašek DavidPhone: 014804900Fax: 014804594E-mail address: david.tomasek@hpb.hrSurname and name: Vuić Tomislav

(person 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 2017**

in HRK

Item 1	AOP label 2	Dec 31 2016 3	Jun 30 2017 4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	2.263.303.114	3.015.981.751
1.1. Cash	002	421.479.852	552.639.844
1.2. Deposits with the CNB	003	1.841.823.262	2.463.341.907
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	774.135.009	476.214.942
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	415.536.615	410.077.306
4. FINANCIAL ASSETS HELD FOR TRADING	006	696.314.398	674.066.764
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.630.574.528	2.320.703.469
6. FINANCIAL ASSETS HELD TO MATURITY	008	442.835.059	154.375.003
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	0	0
8. DERIVATIVE FINANCIAL ASSETS	010	3.780.197	0
9. LOANS TO FINANCIAL INSTITUTIONS	011	81.579.680	26.300.164
10. LOANS TO OTHER CUSTOMERS	012	11.406.936.798	11.640.936.202
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	7.930.000	20.000.000
12. REPOSSESSED ASSETS	014	0	0
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	155.541.052	143.013.916
14. OTHER ASSETS	016	879.444.143	689.703.842
A) TOTAL ASSETS (001+004 to 016)	017	19.757.910.593	19.571.373.359
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	620.995.448	620.451.541
1.1. Short-term	019	0	0
1.2. Long-term	020	620.995.448	620.451.541
2. DEPOSITS (022 to 024)	021	14.781.982.934	14.661.153.462
2.1. Transactional and current accounts	022	3.981.010.898	4.247.196.028
2.2. Savings deposits (demand)	023	1.486.719.761	1.427.919.853
2.3. Term deposits	024	9.314.252.275	8.986.037.581
3. OTHER BORROWINGS (026+027)	025	88.426.108	5.184.652
3.1. Short-term	026	0	0
3.2. Long-term	027	88.426.108	5.184.652
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	3.640.667	0
5. ISSUED SECURITIES (030+031)	029	0	0
5.1. Short-term	030	0	0
5.2. Long-term	031	0	0
6. SUBORDINATED DEBT ISSUED	032	0	0
7. HYBRID INSTRUMENTS	033	0	0
8. OTHER LIABILITIES	034	2.317.559.985	2.458.127.163
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	17.812.605.142	17.744.916.818
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	190.502.935	(64.556.740)
3. RETAINED EARNINGS	038	86.030.542	128.828.687
4. REGULATORY RESERVES	039	6.160.835	15.708.573
5. STATUTARY AND OTHER CAPITAL RESERVES	040	363.623.023	448.347.821
6. FAIR VALUE RESERVE	041	84.690.116	83.830.200
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	1.945.305.451	1.826.456.541
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	19.757.910.593	19.571.373.359
ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)			
1. TOTAL EQUITY	045	1.945.305.451	1.826.456.541
Equity attributable to the shareholders of the parent company	046	1.945.305.451	1.826.456.541
3. Minority interest (045-046)	047	0	0

PROFIT OR LOSS STATEMENT

for the period from **Jan 01 2017** to **Jun 30 2017**

in HRK

Item	AOP label	Jan 01 - Jun 30 2016		Jun 01 - Jun 30 2017	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	365.690.958	185.855.638	341.825.460	169.278.184
2. Interest expense	049	116.446.129	56.554.775	74.026.129	35.297.421
3. Net interest income (048-049)	050	249.244.829	129.300.863	267.799.331	133.980.763
4. Fee and commission income	051	241.954.682	124.871.218	249.466.296	131.701.853
5. Fee and commission expense	052	149.128.168	76.593.276	148.995.769	76.680.300
6. Net fee and commission income (051-052)	053	92.826.514	48.277.942	100.470.527	55.021.553
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	0	0	0	0
8. Gains less losses from trading activities	055	22.727.328	9.729.448	18.646.006	9.958.594
9. Gains less losses from built-in derivatives	056	0	0	0	0
10. Gains less losses arising from financial assets valued at fair value through P&L, not actively traded	057	0	0	0	0
11. Gains less losses arising from securities available for sale	058	41.698.418	33.483.579	5.457.492	5.122.576
12. Gains less losses arising from securities held to maturity	059	0	0	0	0
13. Gains less losses arising from hedging activities	060	0	0	0	0
14. Income from investments in subsidiaries, associated companies and joint ventures	061	0	0	0	0
15. Income from other equity instruments	062	787.350	780.212	815.653	793.985
16. Gains less losses from exchange rate differences	063	3.844.336	138.112	181.823	(1.047.808)
17. Other income	064	5.365.831	2.148.181	4.588.804	3.044.853
18. Other operating costs	065	27.488.004	16.225.745	28.547.626	14.482.829
19. General and administrative expenses, amortization and depreciation	066	192.051.622	97.078.121	196.859.876	97.848.144
20. Operating profit (050+053 to 064-065-066)	067	196.954.980	110.554.471	172.552.134	94.543.543
21. Impairment losses and provisions	068	104.014.667	62.874.617	237.033.993	165.319.216
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	92.940.313	47.679.854	(64.481.859)	(70.775.673)
23. INCOME TAX EXPENSE / DEFERRED TAX	070	(2.023.479)	534.612	74.881	(3.375.802)
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	94.963.792	47.145.242	(64.556.740)	(67.399.871)
25. Earnings per share	072	47	23	(32)	(33)
ADDENDUM TO THE P&L (filled-in by the banks submitting consolidated financial statement)					
1. PROFIT FOR THE PERIOD	073	94.963.792	47.145.242	(64.556.740)	(67.399.871)
2. Attributable to the shareholders of the parent company	074	94.963.792	47.145.242	(64.556.740)	(67.399.871)
3. Minority interest (073-074)	075	0	0	0	0

CASH FLOW STATEMENT - INDIRECT METHOD

 for the period from **Jan 01 2017** to **Jun 30 2017**

in HRK

Item	AOP label	Jan 01 - Jun 30 2016	Jan 01 - Jun 30 2017
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	212.280.166	196.316.874
1.1. Profit/(loss) before tax	002	92.940.313	(64.481.859)
1.2. Impairment losses and provisions	003	104.014.667	237.033.993
1.3. Amortization and depreciation	004	21.914.367	22.445.964
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(2.744.845)	23.999
1.5. Gains / losses from sale of tangible assets	006	0	1.476.600
1.6. Other gains / losses	007	(3.844.336)	(181.823)
2. Net increase / decrease of operating assets (009 to 016)	008	(795.214.115)	(146.400.284)
2.1. Deposits with the CNB	009	(111.498.102)	(621.518.645)
2.2. Treasury bills of the Croatian Ministry of Finance	010	(98.455.125)	5.459.309
2.3. Deposits with and loans to financial institutions	011	129.131.318	297.920.067
2.4. Loans to other customers	012	(545.056.413)	(339.485.304)
2.5. Financial assets held for trading	013	(198.963.521)	22.223.635
2.6. Financial assets available for sale	014	20.685.409	311.669.025
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	0	
2.8. Other operating assets	016	8.942.319	177.331.629
3. Net increase / decrease of operating liabilities (018 to 021)	017	864.651.599	16.097.039
3.1. Transactional accounts	018	387.734.131	266.185.130
3.2. Savings and term deposits	019	393.063.535	(387.014.602)
3.3. Derivative financial liabilities and other liabilities actively traded	020	0	(3.640.667)
3.4. Ostale liabilities	021	83.853.933	140.567.178
4. Net cash flow from operating activities before taxation (001+008+017)	022	281.717.650	66.013.629
5. Income tax paid	023	(65.680)	(776.410)
6. Net cash inflow / outflow from operating activities (022+023)	024	281.651.970	65.237.219
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	(9.917.403)	148.805.259
7.1. Purchase of tangible and intangible assets	026	(18.874.869)	(16.363.476)
7.2. Investment in / disposal of subsidiaries, associated companies and joint ventures	027	0	0
7.3. Investment in / disposal of financial assets held to maturity	028	8.170.116	164.353.082
7.4. Dividends received	029	787.350	815.653
7.5. Other inflows / outflows from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(233.595.293)	(83.785.363)
8.1. Net increase / decrease of borrowings	032	(202.833.078)	(83.785.363)
8.2. Net increase / decrease of issued debt securities	033	0	0
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	0	0
8.4. Share capital raised	035	0	0
8.5. Dividends paid	036	(30.762.215)	0
8.6. Other inflows / outflows from financial activities	037	0	0
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038	38.139.274	130.257.115
10. Effect of foreign exchange differences on cash and cash equivalents	039	193.857	902.877
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	38.333.131	131.159.992
12. Cash and cash equivalents at the beginning of the year	041	412.197.218	421.479.852
13. Cash and cash equivalents as per reporting date (040+041)	042	450.530.349	552.639.844

STATEMENT OF CHANGES IN EQUITY

Item	AOP label	for the period from		to		Jun 30 2017		in HRK	
		Jan 01 2017				Jun 30 2017			
		Attributable to the shareholders of the parent company							Minority interest
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 2017	001	1.214.775.000	(477.000)	369.783.858	86.030.542	190.502.935	84.690.116	0	1.945.305.451
Effects of changes in accounting policies and corrections of errors	002	0	0	0	(53.432.254)	0	0		(53.432.254)
Restated balance as per Jan 01 2017 (001+002)	003	1.214.775.000	(477.000)	369.783.858	32.598.288	190.502.935	84.690.116		1.891.873.197
Disposal of financial assets available for sale	004	0	0	0	0	0	817.457		817.457
Change in the fair value of financial assets available for sale	005	0	0	0	0	0	(1.797.966)		(1.797.966)
Tax on items recognised directly in/transferred from equity	006	0	0	0	0	0	120.593		120.593
Other gains and (losses) recognised directly in equity	007	0	0	0	0	0	0		0
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	0	0	0	0	0	(859.916)	0	(859.916)
Loss for the period	009	0	0	0	0	(64.556.740)	0		(64.556.740)
Total recognized income and expense for the period (008+009)	010	0	0	0	0	(64.556.740)	(859.916)	0	(65.416.656)
Increase/decrease in share capital	011	0	0	0	0	0	0		0
Purchase/sale of own shares	012	0	0	0	0	0	0		0
Other changes	013	0	0	0	0	0	0		0
Transfer to reserves	014	0	0	94.272.536	96.230.399	(190.502.935)	0		0
Dividends paid	015	0	0	0	0	0	0		0
Profit allocation (014+015)	016	0	0	94.272.536	96.230.399	(190.502.935)	0	0	0
Balance as per Jun 30 2017 (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	464.056.394	128.828.687	(64.556.740)	83.830.200	0	1.826.456.541

NOTES TO FINANCIAL STATEMENTS

A) PROFIT OR LOSS ACCOUNT

1) INTEREST INCOME
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	297.408.428	151.715.022	290.748.923	145.449.321
Deposits	913.215	455.638	(1.269.860)	(660.428)
Securities	67.369.315	33.684.978	52.346.397	24.489.291
TOTAL	365.690.958	185.855.638	341.825.460	169.278.184

2) INTEREST EXPENSE
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	9.809.647	4.222.281	6.904.796	992.348
Deposits	106.636.482	52.332.494	67.121.333	34.305.073
TOTAL	116.446.129	56.554.775	74.026.129	35.297.421

3) FEE AND COMMISSION INCOME
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	142.299.923	72.279.084	138.969.150	70.754.937
Retail and card operations	64.313.267	33.086.071	72.862.756	41.659.120
Corporate operations	26.791.777	14.504.588	27.722.194	14.434.468
Other fee and commission income	8.549.715	5.001.475	9.912.196	4.853.328
TOTAL	241.954.682	124.871.218	249.466.296	131.701.853

4) FEE AND COMMISSION EXPENSE
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	141.241.685	73.079.359	139.228.922	70.870.813
Other fee and commission expense	7.886.483	3.513.917	9.766.847	5.809.487
TOTAL	149.128.168	76.593.276	148.995.769	76.680.300

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	2.974.434	(1.244.229)	805.087	89.241
FX transactions	20.729.422	10.942.795	17.652.385	9.644.730
HRK cash transactions	189.105	166.922	209.545	201.495
Derivatives	(1.165.633)	(136.040)	(21.011)	23.128
TOTAL	22.727.328	9.729.448	18.646.006	9.958.594

6) OPERATING EXPENSES
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	170.137.255	86.201.367	174.413.912	86.739.433
Amortization and depreciation	21.914.367	10.876.754	22.445.964	11.108.711
Savings deposit insurance costs	17.540.795	8.779.404	17.803.541	8.557.002
Other costs	9.947.209	7.446.341	10.744.085	5.925.827
TOTAL	219.539.626	113.303.866	225.407.502	112.330.973

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES
in HRK

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	81.526.739	36.748.023	249.310.558	172.551.172
Portfolio based provisions for identified losses (risk group A)	5.512.889	9.239.492	(301.474)	6.174.909
Other provisions	16.975.039	16.887.102	(11.975.091)	(13.406.865)
TOTAL	104.014.667	62.874.617	237.033.993	165.319.216

B) BALANCE SHEET

8) CASH AND DEPOSITS WITH THE CNB

in HRK

	Dec 31 2016	Jun 30 2017
CASH	421.479.852	552.639.844
DEPOSITS WITH THE CNB	1.841.823.262	2.463.341.907
Mandatory reserve	1.300.796.321	1.215.090.831
Account for transaction settlement	541.026.941	1.248.251.076
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	-
TOTAL	2.263.303.114	3.015.981.751

9) DEPOSITS WITH FINANCIAL INSTITUTIONS

in HRK

	Dec 31 2016	Jun 30 2017
Deposits with foreign banking institutions	753.064.739	451.763.427
Deposits with domestic banking institutions	21.070.270	24.451.515
Portfolio based impairment allowance for identified losses	-	-
TOTAL	774.135.009	476.214.942

10) EQUITY INSTRUMENTS AND SECURITIES

in HRK

	Dec 31 2016	Jun 30 2017
Short term Treasury bills of the Croatian Ministry of Finance	415.536.615	410.077.306
Financial assets held for trading	551.322.886	674.066.764
Financial assets available for sale	2.630.574.528	2.320.703.469
Financial assets held to maturity	450.105.787	155.168.902
Portfolio based impairment allowance for identified losses	(6.771.524)	(775.376)
Deferred front-end fee	(499.204)	(18.523)
TOTAL	4.040.269.088	3.559.222.542

11) LOANS TO CUSTOMERS

in HRK

	Dec 31 2016	Jun 30 2017
Gross loans		
Loans to financial institutions	81.583.376	26.304.310
Loans to companies	3.831.863.830	4.074.743.681
Retail loans	4.966.265.650	5.154.345.019
<i>therein: housing loans</i>	<i>1.608.068.882</i>	<i>1.702.950.185</i>
Other loans	4.040.077.723	3.935.230.902
TOTAL GROSS LOANS	12.919.790.579	13.190.623.912
Impairment allowance	(1.280.732.419)	(1.363.681.540)
Portfolio based impairment allowance for identified losses	(104.459.180)	(111.251.948)
Deferred front-end fee	(46.082.502)	(48.454.058)
TOTAL	11.488.516.478	11.667.236.366

B) BALANCE SHEET (continued)
12) DEPOSITS
in HRK

	Dec 31 2016	Jun 30 2017
Financial institutions	1.153.448.334	1.156.813.796
Corporations	3.009.235.694	3.203.283.977
Retail	9.166.235.142	9.062.666.285
Other	1.453.063.764	1.238.389.404
TOTAL	14.781.982.934	14.661.153.462

13) BORROWINGS
in HRK

	Dec 31 2016	Jun 30 2017
Borrowings from HBOR	624.696.401	624.712.782
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	-	-
Borrowings from foreign banking institutions	88.426.109	5.184.652
Deferred front-end fee	(3.700.954)	(4.261.241)
TOTAL	709.421.556	625.636.193

14) OTHER LIABILITIES
in HRK

	Dec 31 2016	Jun 30 2017
Restricted deposits	1.715.292.949	1.946.450.797
Interest and fees payable	58.731.565	52.160.373
Provisions for off-balance sheet exposure	22.291.290	35.371.408
Other	521.244.181	424.144.585
TOTAL	2.317.559.985	2.458.127.163

C) INVESTMENTS IN SUBSIDIARIES

The Group's subsidiaries are as follows:

	Industry	Country	Ownership as per Jun 30 2017 (%)
HPB Invest d.o.o.	Investment Fund Management	Croatia	100,00
HPB Nekretnine d.o.o.	Real Estate Agency and Construction	Croatia	100,00
HPB-Stambena štedionica d.d.	Savings Bank	Croatia	100,00

Subsidiaries are consolidated in the Group's financial statements. HPB Invest d.o.o., HPB Nekretnine d.o.o., HPB-Stambena štedionica d.d. are fully consolidated.

Investment in H1 Telekom d.d.

As per the reporting date, Bank has a 58,17% ownership stake in H1 TELEKOM d.d., acquired via debt-to-equity swap. This ownership stake is classified as assets held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

H1 Telekom d.d. signed the merger agreement with OT-Optima Telekom d.d. Pursuant to the agreement, H1 Telekom d.d. as the transferor company, will be merged with OT-Optima Telekom d.d. as a transferee, by transferring the entire property and all rights and obligations of H1, without liquidation of the transferor company. Merger has commenced in front respective commercial courts of both companies, and corporate governance change in H1 TELEKOM has begun.

As per reporting date, financial position of H1 Telekom is no longer included in the consolidated financial statements of HPB Group, because conditions for consolidation outlined in IFRS 10 *Consolidated Financial Statements* with respect to control that Bank had over the subject, are not met.

D) CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies of the Group during the reporting period which might have impact on financial position or results of the Group.

D) BANK'S OWNERSHIP STRUCTURE

Ownership structure of HPB p.l.c., the parent company of Group, as per March 31 2017 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) HPB-R-A STOCK

Share HPB-R-A is listed on the Official Market of ZSE. The last price per share at the end of the reporting period was HRK 549,99 (Jun 30 2017) representing a decrease of 26,8% when compared to the last traded price in 2016 (HRK 751,00 on Dec 30 2016).

Trading during the reporting period was as follows:

