



Consolidated Financial Statements for the Period from Jan 01 to Mar 31 2018

Unaudited

**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 Mar 31 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.



HPB GROUP

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).

Group has achieved a net profit of HRK 67,7 million in Q1 2018, which represents the Group's best quarterly result over the course of last ten years. In this way, significantly better result was achieved in comparison with Q1 2017, when the Group recorded a net profit of HRK 2,8 million as a consequence of impairments of Agrokor and related parties' exposures. Group's result is thus determined by the parent's result, which is better owing to reversal of impairments due to improved collection and better NPL portfolio structure. However, we would like to emphasize that all subsidiaries of the HPB Group achieved a net profit. Apart from HRK 66,2 million of parent's profit, HPB-Stambena recorded a profit of HRK 984 thousand, HPB Invest added a profit of HRK 223 thousand, while HPB-nekretnine achieved a net profit of HRK 227 thousand.

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

Mladen Mrvelj
Board Member

Domagoj Karadjole
Board Member



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 Mar 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., as well as companies included in consolidation as a whole.

Mladen Mrvelj
Board Member

Domagoj Karadjole
Board Member

David Tomašek
Head of Finance Division



HPB GROUP

Appendix 3.

Reporting period:

Jan 01

to

Mar 31 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

Internet address: www.hpb.hr

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

County code and name: **21** **GRAD ZAGREB** # of employees: **1.160**
(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/a

n/a

Contact: **Tomašek David**Phone: **014804900**Fax: **014804594**E-mail address: david.tomasek@hpb.hrSurname and name: **Karadjole Domagoj
Mrvelj Mladen**

(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 **Mar 31 2018**
in HRK

Item	AOP label	Dec 31 2016	Dec 31 2017
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	4.391.466.871	4.115.384.141
1.1.Cash	002	460.024.014	494.378.160
1.2.Deposits with the CNB	003	3.931.442.857	3.621.005.981
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	473.330.331	286.290.313
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	324.931.405	273.293.880
4. FINANCIAL ASSETS HELD FOR TRADING	006	654.815.717	646.612.466
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.459.982.241	2.458.183.022
6. FINANCIAL ASSETS HELD TO MATURITY	008	72.345.457	72.051.971
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	40.130.000
10. LOANS TO OTHER CUSTOMERS	012	11.013.731.914	11.461.726.442
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	20.000.000	20.000.000
12. REPOSSESSED ASSETS	014	-	-
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	141.615.708	143.541.540
14. OTHER ASSETS	016	455.167.665	417.062.909
A) TOTAL ASSETS (001+004 to 016)	017	20.069.837.309	19.934.276.684
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	651.970.981	649.878.185
1.1. Short-term	019	-	-
1.2. Long-term	020	651.970.981	649.878.185
2. DEPOSITS (022 to 024)	021	15.389.912.890	15.317.451.750
2.1. Transactional and current accounts	022	5.125.557.660	5.084.165.721
2.2. Savings deposits (demand)	023	1.538.006.561	1.495.675.702
2.3. Term deposits	024	8.726.348.669	8.737.610.327
3. OTHER BORROWINGS (026+027)	025	20.286.850	20.066.470
3.1. Short-term	026	-	-
3.2. Long-term	027	20.286.850	20.066.470
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	-	6.537
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	2.016.693.945
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	18.159.018.066	18.004.096.887
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	7.898.428	67.669.663
3. RETAINED EARNINGS	038	130.368.702	129.933.669
4. REGULATORY RESERVES	039	15.708.724	15.708.724
5. STATUTARY AND OTHER CAPITAL RESERVES	040	448.288.175	399.388.192
6. FAIR VALUE RESERVE	041	94.257.214	103.181.549
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	-	-
C) TOTAL EQUITY (036 to 042)	043	1.910.819.243	1.930.179.797
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	20.069.837.309	19.934.276.684
ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)			
1. TOTAL EQUITY	045	1.910.819.243	1.930.179.797
2. Equity attributable to the shareholders of the parent company	046	1.910.819.243	1.930.179.797
3. Minority interest (045-046)	047	0	0

PROFIT OR LOSS STATEMENT

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

in HRK

Item	AOP label	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	172.547.276	172.547.276	153.702.970	153.702.970
2. Interest expense	049	38.728.708	38.728.708	28.256.329	28.256.329
3. Net interest income (048-049)	050	133.818.568	133.818.568	125.446.641	125.446.641
4. Fee and commission income	051	117.764.443	117.764.443	116.719.794	116.719.794
5. Fee and commission expense	052	72.315.469	72.315.469	70.056.061	70.056.061
6. Net fee and commission income (051-052)	053	45.448.974	45.448.974	46.663.733	46.663.733
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	8.687.412	8.687.412	10.738.753	10.738.753
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	334.916	334.916	-	-
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	21.668	21.668	14.483	14.483
16. Gains less losses from exchange rate differences	063	1.229.631	1.229.631	1.351.108	1.351.108
17. Other income	064	1.543.951	1.543.951	2.230.787	2.230.787
18. Other operating costs	065	14.064.797	14.064.797	16.789.513	16.789.513
19. General and administrative expenses, amortization and depreciation	066	99.011.732	99.011.732	98.501.868	98.501.868
20. Operating profit (050+053 to 064-065-066)	067	78.008.591	78.008.591	71.154.124	71.154.124
21. Impairment losses and provisions	068	71.714.777	71.714.777	(11.272.837)	(11.272.837)
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	6.293.814	6.293.814	82.426.961	82.426.961
23. INCOME TAX EXPENSE / DEFERRED TAX	070	3.450.683	3.450.683	14.757.298	14.757.298
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	2.843.131	2.843.131	67.669.663	67.669.663
25. Earnings per share	072	2	2	33	33
ADDENDUM TO THE P&L (filled-in by the banks submitting consolidated financial statement)					
1. PROFIT FOR THE PERIOD	073	2.843.131	2.843.131	67.669.663	67.669.663
2. Attributable to the shareholders of the parent company	074	2.843.131	2.843.131	67.669.663	67.669.663
3. Minority interest (073-074)	075	-	-	-	-

Consolidated Financial Statements for the Period from Jan 01 to Mar 31 2018 (unaudited)

CASH FLOW STATEMENT - INDIRECT METHOD

 for the period from **Jan 01 2018** to **Mar 31 2018** in HRK

Item	AOP label	Jan 01 - Mar 31 2017	Jan 01 - Mar 31 2018
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	88.812.661	81.469.221
1.1. Profit/(loss) before tax	002	6.293.814	82.426.961
1.2. Impairment losses and provisions	003	71.714.777	(11.272.837)
1.3. Amortization and depreciation	004	11.337.253	11.460.284
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	696.448	340.387
1.5. Gains / losses from sale of tangible assets	006	-	(134.466)
1.6. Other gains / losses	007	(1.229.631)	(1.351.108)
2. Net increase / decrease of operating assets (009 to 016)	008	73.565.198	115.141.766
2.1. Deposits with the CNB	009	(381.110.261)	310.436.876
2.2. Treasury bills of the Croatian Ministry of Finance	010	4.246.968	51.637.525
2.3. Deposits with and loans to financial institutions	011	149.802.324	187.040.018
2.4. Loans to other customers	012	117.986.393	(483.018.687)
2.5. Financial assets held for trading	013	51.472.636	7.862.864
2.6. Financial assets available for sale	014	239.206.599	(7.125.116)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	(108.039.461)	48.308.286
3. Net increase / decrease of operating liabilities (018 to 021)	017	(194.338.203)	(152.608.003)
3.1. Transactional accounts	018	(79.135.050)	(41.391.939)
3.2. Savings and term deposits	019	(170.404.752)	(31.069.201)
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	6.537
3.4. Ostale liabilities	021	58.842.266	(80.153.400)
4. Net cash flow from operating activities before taxation (001+008+017)	022	(31.960.344)	44.002.984
5. Income tax paid	023	-	-
6. Net cash inflow / outflow from operating activities (022+023)	024	(31.960.344)	44.002.984
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	151.329.397	(6.210.136)
7.1. Purchase of tangible and intangible assets	026	(4.939.641)	(6.224.619)
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	156.247.370	-
7.4. Dividends received	029	21.668	14.483
7.5. Other inflows / outflows from investing activities	030	-	-
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(105.306.787)	(2.313.176)
8.1. Net increase / decrease of borrowings	032	(105.306.787)	(2.313.176)
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	14.062.266	35.479.672
10. Effect of foreign exchange differences on cash and cash equivalents	039	(472.981)	(1.125.526)
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	13.589.285	34.354.146
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	435.069.137	494.378.160

STATEMENT OF CHANGES IN EQUITY

 for the period from **Jan 01 2018** to **Mar 31 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	-	-	-	-	-	10.789.185	-	10.789.185
Tax on items recognised directly in/transferred from equity	006	-	-	-	-	-	(1.864.850)	-	(1.864.850)
Other gains and (losses) recognised directly in equity	007	-	-	-	-	-	-	-	-
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	-	-	-	8.924.335	-	8.924.335
Loss for the period	009	-	-	-	-	67.669.663	-	-	67.669.663
Total recognized income and expense for the period (008+009)	010	-	-	-	-	67.669.663	8.924.335	-	76.593.998
Increase/decrease in share capital	011	-	-	-	-	-	-	-	-
Purchase/sale of own shares	012	-	-	-	-	-	-	-	-
Other changes	013	-	-	8.333.460	(435.033)	(7.898.428)	-	-	-
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)	415.096.916	129.933.669	67.669.663	103.181.549	-	1.930.179.797



HPB GROUP

NOTES TO FINANCIAL STATEMENTS

A) Income statement

1) INTEREST INCOME

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	145.299.602	145.299.602	133.285.446	133.285.446
Deposits	(609.432)	(609.432)	339.249	339.249
Securities	27.857.106	27.857.106	20.078.275	20.078.275
TOTAL	172.547.276	172.547.276	153.702.970	153.702.970

2) INTEREST EXPENSE

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	5.912.448	5.912.448	2.904.801	2.904.801
Deposits	32.816.260	32.816.260	25.351.528	25.351.528
TOTAL	38.728.708	38.728.708	28.256.329	28.256.329

3) FEE AND COMMISSION INCOME

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	68.214.213	68.214.213	65.033.059	65.033.059
Retail and card operations	31.203.636	31.203.636	32.967.941	32.967.941
Corporate operations	13.287.726	13.287.726	13.795.537	13.795.537
Other fee and commission income	5.058.868	5.058.868	4.923.257	4.923.257
TOTAL	117.764.443	117.764.443	116.719.794	116.719.794

4) FEE AND COMMISSION EXPENSE

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	68.358.109	68.358.109	63.030.539	63.030.539
Other fee and commission expense	3.957.360	3.957.360	7.025.522	7.025.522
TOTAL	72.315.469	72.315.469	70.056.061	70.056.061

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	715.846	715.846	(108.242)	(108.242)
FX transactions	8.007.655	8.007.655	11.207.073	11.207.073
HRK cash transactions	8.050	8.050	7.200	7.200
Derivatives	(44.139)	(44.139)	(367.278)	(367.278)
TOTAL	8.687.412	8.687.412	10.738.753	10.738.753

6) OPERATING EXPENSES

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	87.674.479	87.674.479	87.041.584	87.041.584
Amortization and depreciation	11.337.253	11.337.253	11.460.284	11.460.284
Savings deposit insurance costs	9.246.539	9.246.539	8.761.077	8.761.077
Other costs	4.818.258	4.818.258	8.028.436	8.028.436
TOTAL	113.076.529	113.076.529	115.291.381	115.291.381

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

	Jan 01 - Mar 31 2017		Jan 01 - Mar 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
Impairments and provisions for losses	70.283.003	70.283.003	(15.823.493)	(15.823.493)
Other impairments and adjustments	1.431.774	1.431.774	4.550.656	4.550.656
TOTAL	71.714.777	71.714.777	(11.272.837)	(11.272.837)

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

	Dec 31 2017	Mar 31 2018
CASH	460.024.014	494.378.160
DEPOSITS WITH THE CNB	3.931.442.857	3.621.005.981
Mandatory reserve	1.300.268.691	1.306.069.829
Account for transaction settlement	2.631.174.166	2.314.936.152
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	-
TOTAL	4.391.466.871	4.115.384.141

9) DEPOSITS WITH FINANCIAL INSTITUTIONS
in HRK

	Dec 31 2017	Mar 31 2018
Deposits with foreign banking institutions	449.961.251	284.974.313
Deposits with domestic banking institutions	23.369.080	1.316.000
Portfolio based impairment allowance for identified losses	-	-
TOTAL	473.330.331	286.290.313

10) EQUITY INSTRUMENTS AND SECURITIES
in HRK

	Dec 31 2017	Mar 31 2018
Short term Treasury bills of the Croatian Ministry of Finance	324.931.405	273.293.880
Financial assets held for trading	654.815.717	509.069.639
Financial assets available for sale	2.459.982.241	2.458.183.022
Financial assets held to maturity	73.139.356	72.060.164
Portfolio based impairment allowance for identified losses	(775.376)	-
Deferred front-end fee	(18.523)	(8.193)
TOTAL	3.512.074.820	3.312.598.512

11) LOANS TO CUSTOMERS
in HRK

	Dec 31 2017	Mar 31 2018
Loans to financial institutions	62.450.000	40.130.000
Bruto krediti	62.454.545	40.134.746
Ispravci vrijednosti	(4.545)	(4.746)
Corporate & SME loans	2.942.304.493	3.422.236.134
Bruto krediti	3.902.668.309	4.380.499.049
Ispravci vrijednosti	(960.363.816)	(958.262.915)
Retail loans	5.036.923.707	5.121.461.114
Bruto krediti	5.333.998.299	5.421.830.675
Ispravci vrijednosti	(297.074.592)	(300.369.561)
Other loans	3.192.134.584	3.110.684.223
Bruto krediti	3.198.303.415	3.119.779.559
Ispravci vrijednosti	(6.168.831)	(9.095.336)
Portfolio based impairment allowance for identified losses	(118.064.812)	-
Expected credit losses (A1 and A2 risk groups)	-	(151.437.843)
Other adjustments	-	(3.330.654)
Deferred front-end fee	(39.566.058)	(37.886.532)
LOANS TO CUSTOMERS	11.076.181.914	11.501.856.442

B) Balance sheet (continued)

12) DEPOSITS		<i>in HRK</i>	
	Dec 31 2017	Mar 31 2018	
Financial institutions	1.116.153.667	1.156.108.683	
Corporations	3.574.264.999	3.755.918.172	
Retail	9.282.809.836	9.398.634.632	
Other	1.416.684.388	1.006.790.263	
TOTAL	15.389.912.890	15.317.451.750	

13) BORROWINGS		<i>in HRK</i>	
	Dec 31 2017	Mar 31 2018	
Borrowings from HBOR	656.196.151	653.994.908	
Borrowings from domestic banking institutions	-	-	
Borrowings from domestic non-banking institutions	-	-	
Borrowings from foreign banking institutions	20.286.850	20.066.470	
Deferred front-end fee	(4.225.170)	(4.116.723)	
TOTAL	672.257.831	669.944.655	

14) OTHER LIABILITIES		<i>in HRK</i>	
	Dec 31 2017	Mar 31 2018	
Restricted deposits	1.786.812.843	1.718.982.966	
Interest and fees payable	48.664.624	51.672.217	
Provisions for off-balance sheet exposure	25.193.152	41.369.799	
Other	236.176.726	204.668.963	
TOTAL	2.096.847.345	2.016.693.945	

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 Mar 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 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 GROUP

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 486,00 (trading day Mar 29 2018), representing a decline of 4,0 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:

