



# Financial Statements for the Period from Jan 01 to Jun 30 2018

*Unaudited*

Zagreb, July 25 2018



HPB p.l.c.

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

This report includes:

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

Key highlights of results for the reporting period are as follows:

- in spite of limiting factors and competition on the credit market, due diligence process and Jadranska banka acquisition, HPB achieved excellent profitability during the first half of 2018 – **net profit amounts to HRK 94,4 million**,
- **operating profit of HRK 137,9M**, decreasing by HRK 34,5M or 20% in comparison with the same period 2017; due to decreasing interest margins, slight decrease in net fee income arising from higher prices that Bank pays to third parties on services rendered to clients, and due to absence of positive effects from securities trading,
- significant **ytd growth of loans to companies (+15,3%)** and continued growth of retails loans (+4,5%),
- addition of **4.000 new clients**,
- **book value per share increased by 7,0%** on y-o-y basis (+2,2% ytd),
- **acquisition of Jadranska banka d.d. Šibenik closed** after the balance sheet date. HPB commenced with merger activities.

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

2018 marks the beginning of new positive cycle after all the challenges we have went through last year. However, new year has brought new challenges – increase in liquidity surplus, new regulation that significantly impact credit institutions' operations, and loan demand that is growing slowly. We have simultaneously entered into comprehensive improvements process aimed at increasing quality of service and Bank's agility in order that excellence towards clients and shareholders can be achieved. Apart from this, we have also engaged in acquisition of Jadranska banka d.d. Šibenik and correspondingly – have made preparations for the merger.

### Commentary on P&L movements

Interest margin decline was expected, as well as the need for service quality enhancement and initiative for general improvements of business operations. Accordingly, HPB has achieved the best 1H result since the Bank's foundation, with the profit amounting to HRK 94,4 million. At the same time, operating profit should have been better, and it will be after we finish with the projects that are under way.

**Operating profit amounted to HRK 137,9M**, representing a **decrease of HRK 34,5M** when compared to the same period of 2017. Decline in operating profit arises from lower income, consequent to interest rate trends and on the other hand – continuous growth in liquidity surplus. These trends might be nearing their end. Accordingly, **net interest income is lower by 5,1 percent**. As in previous periods, we have strived to mitigate the effects of interest income drop (by 8,9% or HRK 29,7 million) by slashing funding costs (by 23,3% or HRK 16,3 million) and optimizing funding structure.

**Net income from commissions and fees** decreased slightly (by 2,9%) in comparison with 1H 2017 even though income from services rendered is almost unchanged. However, cost of providing certain services to clients has increased, being a drag on income.

**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 29,8 percent in comparison with 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** have been slightly increased (+4,0%), following a variety of initiated projects and activities that are driven by regulatory requirements (GDPR, IFRS9, AML, MIFID II). Bank's management continues to strive to optimize the business processes so that cost growth driven by regulation might be neutralized. On the other hand, the most important project in the coming period is the merger of Jadranska banka d.d. Šibenik, which is also having effects on slight cost growth in the short term.

**In the reporting period**, the Bank recorded **significantly lower impairment losses** in comparison with 1H 2017 which was burdened by provisioning for Agrokor. 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. Such trends are resulting from solid collection and satisfactory NPL coverage ratio (65% as per Jun 30 2018).

Owing to the fact that Bank reported a net loss in 1H 2017, no tax expenses were recorded. On the other hand, due to pre-tax income of HRK 115,4M in 1H 2018, Bank has recognized a tax expense amounting to HRK 21 million. 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 seasonal movements over the course of Q2, **deposits received from clients have increased by HRK 897 million (+5,3%)**, reflecting the trust of our depositors. Assets have correspondingly increased by 4,7% and amount to HRK 20,7B. Assets' structure has improved – share of net loans in assets has increased from 55,1% to 57,7% owing to net loan growth (by 9,6%). Retail loans level continues to grow (+4,5%), but is eclipsed by strong loans to companies (+15,3%). After dropping in Q1, loans to other non-financial entities have increased by 8,5% due to demand by state units for short-term funding.

**Kapital Banke** na 30.06.2018. iznosi **1.947 milijuna kuna**, te je u 2018. **povećan za 2,2 posto**. Najznačajniji doprinos rastu kapitala odnosi se na ostvarenu neto dobit razdoblja, dok su kako je prethodno spomenuto terećene rezerve kapitala za inicijalni efekt od uvođenja MSFI 9. Ostale promjene proizlaze iz pozitivne promjene vrijednosti financijskih instrumenata koji se vrednuju kroz ostalu sveobuhvatnu dobit (+4,7 milijuna kuna).

**Bank's equity and reserves** on Jun 30 2018 **amount to HRK 1,947M, up by 2,2 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 +4,7M).

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.

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 post-balance sheet date. 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



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 Jun 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: JURISICEVA 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: 1.137  
(as per reporting date)

Consolidated report: NO

Industry code: 6419

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

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

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)	<b>001</b>	4.391.466.489	3.973.300.998
1.1. Cash	<b>002</b>	460.023.632	656.730.597
1.2. Deposits with the CNB	<b>003</b>	3.931.442.857	3.316.570.401
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	<b>004</b>	473.302.324	487.110.594
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	<b>005</b>	324.931.405	272.507.001
4. FINANCIAL ASSETS HELD FOR TRADING	<b>006</b>	513.989.813	547.955.953
5. FINANCIAL ASSETS AVAILABLE FOR SALE	<b>007</b>	2.459.982.241	2.739.906.667
6. FINANCIAL ASSETS HELD TO MATURITY	<b>008</b>	72.345.457	71.124.811
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	<b>009</b>	-	-
8. DERIVATIVE FINANCIAL ASSETS	<b>010</b>	-	-
9. LOANS TO FINANCIAL INSTITUTIONS	<b>011</b>	62.450.000	41.415.186
10. LOANS TO OTHER CUSTOMERS	<b>012</b>	10.851.664.988	11.924.060.066
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	<b>013</b>	65.490.000	65.490.000
12. REPOSSESSED ASSETS	<b>014</b>	-	-
13. TANGIBLE ASSETS (LESS DEPRECIATION)	<b>015</b>	141.461.846	136.945.733
14. OTHER ASSETS	<b>016</b>	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)	<b>018</b>	651.970.981	624.533.197
1.1. Short-term	<b>019</b>	-	-
1.2. Long-term	<b>020</b>	651.970.981	624.533.197
2. DEPOSITS (022 to 024)	<b>021</b>	15.134.400.504	16.008.511.168
2.1. Transactional and current accounts	<b>022</b>	5.172.463.233	5.922.570.745
2.2. Savings deposits (demand)	<b>023</b>	1.538.006.561	1.754.368.145
2.3. Term deposits	<b>024</b>	8.423.930.710	8.331.572.278
3. OTHER BORROWINGS (026+027)	<b>025</b>	20.286.850	36.897.885
3.1. Short-term	<b>026</b>	-	-
3.2. Long-term	<b>027</b>	20.286.850	36.897.885
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	<b>028</b>	-	29.846
5. ISSUED SECURITIES (030+031)	<b>029</b>	-	-
5.1. Short-term	<b>030</b>	-	-
5.2. Long-term	<b>031</b>	-	-
6. SUBORDINATED DEBT ISSUED	<b>032</b>	-	-
7. HYBRID INSTRUMENTS	<b>033</b>	-	-
8. OTHER LIABILITIES	<b>034</b>	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	<b>036</b>	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	<b>037</b>	8.333.460	94.360.007
3. RETAINED EARNINGS	<b>038</b>	124.540.223	132.457.010
4. REGULATORY RESERVES	<b>039</b>	15.574.701	15.991.374
5. STATUTARY AND OTHER CAPITAL RESERVES	<b>040</b>	448.288.175	391.054.732
6. FAIR VALUE RESERVE	<b>041</b>	94.257.214	98.922.216
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	<b>042</b>	-	-
<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>

**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	<b>048</b>	334.883.069	165.795.194	305.169.628	154.974.728
2. Interest expense	<b>049</b>	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	<b>051</b>	241.576.365	126.991.999	240.368.186	127.813.156
5. Fee and commission expense	<b>052</b>	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	<b>054</b>	-	-	-	-
8. Gains less losses from trading activities	<b>055</b>	19.983.290	10.287.819	19.529.782	9.019.229
9. Gains less losses from built-in derivatives	<b>056</b>	-	-	-	-
10. Gains less losses arising from financial assets valued at fair value through P&L, not actively traded	<b>057</b>	-	-	-	-
11. Gains less losses arising from securities available for sale	<b>058</b>	5.457.492	5.122.576	-	-
12. Gains less losses arising from securities held to maturity	<b>059</b>	-	-	-	-
13. Gains less losses arising from hedging activities	<b>060</b>	-	-	-	-
14. Income from investments in subsidiaries, associated companies and joint ventures	<b>061</b>	2.200.000	-	-	-
15. Income from other equity instruments	<b>062</b>	815.653	793.985	803.141	788.658
16. Gains less losses from exchange rate differences	<b>063</b>	189.307	(910.806)	(1.216.563)	(2.400.682)
17. Other income	<b>064</b>	4.169.154	3.394.376	3.928.442	1.374.871
18. Other operating costs	<b>065</b>	28.867.356	14.376.484	33.680.816	17.769.888
19. General and administrative expenses, amortization and depreciation	<b>066</b>	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	<b>068</b>	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	<b>072</b>	(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)
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	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	-	-	-	4.665.002	-	4.665.002
Loss for the period	009	-	-	-	-	94.360.007	-	-	94.360.007
Total recognized income and expense for the period (008+009)	010	-	-	-	-	94.360.007	4.665.002	-	99.025.009
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)	407.046.106	132.457.010	94.360.007	98.922.216	-	1.947.083.339



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 Jun 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%

## 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 525,00 (trading day Jun 14 2018), representing a decline of 3,8 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:

