



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

Unaudited

Zagreb, February 27 2019

**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 Dec 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), HPB-nekretnine (real estate agency) and Jadranska banka d.d. Šibenik which is a member of a group from July 2018.

In February 2019 a contract was signed for merging Jadranska banka d.d. Šibenik with its parent company, HPB. Integration process will be finished in a first half of 2019.

Throughout 2018 the Group recorded net profit of HRK 126.3M. The Group recorded solid profitability in the environment of low interest rates and preparation activities for the acquisition of Jadranska banka d.d., owing to increased collection activities, better credit risk management and good NPL coverage.

Net profit is mainly consisted of parent-company result, apart from, HPB Invest recorded a net profit of HRK 905T, HPB-nekretnine added a net profit of HRK 949T. According to the relatively adverse effects from capital markets continued in fourth quarter, HPB-Stambena štedionica recorded a net loss amounting to HRK 4.1M, in spite of increasing volume and contribution of core operations to overall result. Following the acquisition of Jadranska banka d.d. during July 2018, the Bank includes its results to the HPB Group results. In a period from July to December 2018 Jadranska banka d.d. realized a loss of HRK 21.6M which was inevitable regardless the effort of rational cost management.

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

Tomislav Vuić
CEO



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

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

Tea Bažant
Head of Finance Division

Tomislav Vuić
CEO

Appendix 3.

Reporting period:

Jan 01

to

Dec 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: **1.343**
 (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
JADRANSKA BANKA dioničko društvo	Ante Starčevića 4, Šibenik	03019349

Book-keeping service provided by: **n/a** | **n/a**
 Contact: **Bažant Tea**
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 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 **Dec 31 2018**

in HRK

Item	AOP label	Dec 31 2017	Dec 31 2018
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	4.391.466.871	4.805.707.905
1.1. Cash	002	460.024.014	508.472.319
1.2. Deposits with the CNB	003	3.931.442.857	4.297.235.586
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	473.330.331	1.304.967.800
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	324.931.405	198.290.229
4. FINANCIAL ASSETS HELD FOR TRADING	006	654.815.717	659.424.671
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.459.982.241	3.972.478.840
6. FINANCIAL ASSETS HELD TO MATURITY	008	72.345.457	75.332.841
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	-	79.277
8. DERIVATIVE FINANCIAL ASSETS	010	-	479.860
9. LOANS TO FINANCIAL INSTITUTIONS	011	62.450.000	98.081.079
10. LOANS TO OTHER CUSTOMERS	012	11.013.731.914	11.212.144.807
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	20.000.000	20.000.000
12. REPOSSESSED ASSETS	014	-	4.702.677
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	141.615.708	142.701.788
14. OTHER ASSETS	016	455.167.665	599.047.962
A) TOTAL ASSETS (001+004 to 016)	017	20.069.837.309	23.093.439.736
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	651.970.981	592.582.908
1.1. Short-term	019	-	0
1.2. Long-term	020	651.970.981	592.582.908
2. DEPOSITS (022 to 024)	021	15.389.912.890	18.066.389.829
2.1. Transactional and current accounts	022	5.125.557.660	7.278.218.020
2.2. Savings deposits (demand)	023	1.538.006.561	2.561.800.876
2.3. Term deposits	024	8.726.348.669	8.226.370.933
3. OTHER BORROWINGS (026+027)	025	20.286.850	37.087.875
3.1. Short-term	026	-	-
3.2. Long-term	027	20.286.850	37.087.875
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	2.096.847.345	2.388.645.607
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	18.159.018.066	21.084.706.219
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	7.898.428	126.281.662
3. RETAINED EARNINGS	038	130.368.702	137.850.457
4. REGULATORY RESERVES	039	15.708.724	16.125.246
5. STATUTARY AND OTHER CAPITAL RESERVES	040	448.288.175	412.373.537
6. FAIR VALUE RESERVE	041	94.257.214	101.804.615
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	-	0
C) TOTAL EQUITY (036 to 042)	043	1.910.819.243	2.008.733.517
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	20.069.837.309	23.093.439.736
ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)			
1. TOTAL EQUITY	045	1.910.819.243	2.008.733.517
2. Equity attributable to the shareholders of the parent company	046	1.910.819.243	2.008.733.517
3. Minority interest (045-046)	047	-	-

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	676.898.411	165.364.479	661.974.571	181.471.336
2. Interest expense	049	139.435.674	31.766.128	110.584.707	25.982.549
3. Net interest income (048-049)	050	537.462.737	133.598.351	551.389.864	155.488.787
4. Fee and commission income	051	535.395.993	122.589.695	543.339.117	131.404.747
5. Fee and commission expense	052	329.247.214	75.942.705	324.677.550	77.220.652
6. Net fee and commission income (051-052)	053	206.148.779	46.646.990	218.661.567	54.184.095
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	48.629.494	9.624.373	47.048.122	11.198.829
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	-	-	(11.703)	(9.643)
11. Gains less losses arising from securities available for sale	058	30.212.617	24.755.125,00	-	-
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	974.919	139.907	982.314	18.720
16. Gains less losses from exchange rate differences	063	1.771.373	(350.017)	(2.499.955)	(1.705.757)
17. Other income	064	7.374.544	2.838.016	29.206.227	16.724.977
18. Other operating costs	065	63.144.219	20.055.311	75.545.200	25.645.947
19. General and administrative expenses, amortization and depreciation	066	396.427.546	103.328.851	464.320.286	153.497.829
20. Operating profit (050+053 to 064-065-066)	067	373.002.698	93.868.583	304.910.950	56.756.232
21. Impairment losses and provisions	068	359.842.586	83.554.571	144.656.318	36.616.860
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	13.160.112	10.314.012	160.254.632	20.139.372
23. INCOME TAX EXPENSE / DEFERRED TAX	070	5.261.684	3.392.390	33.972.970	5.688.311
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	7.898.428	6.921.622	126.281.662	14.451.061
25. Earnings per share	072	4	3	62	7
ADDENDUM TO THE P&L (filled-in by the banks submitting consolidated financial statement)					
1. PROFIT FOR THE PERIOD	073	7.898.428	6.921.622	126.281.662	14.451.061
2. Attributable to the shareholders of the parent company	074	7.898.428	6.921.622	126.281.662	14.451.061
3. Minority interest (073-074)	075	-	-	-	-

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
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	410.702.980	391.186.139
1.1. Profit/(loss) before tax	002	9.735.138	160.254.632
1.2. Impairment losses and provisions	003	363.869.243	144.656.318
1.3. Amortization and depreciation	004	44.073.387	54.267.413
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(7.085.744)	7.364.637
1.5. Gains / losses from sale of tangible assets	006	1.882.329	22.143.184
1.6. Other gains / losses	007	(1.771.373)	2.499.955
2. Net increase / decrease of operating assets (009 to 016)	008	(1.179.368.700)	(3.108.320.324)
2.1. Deposits with the CNB	009	(2.089.619.595)	(365.792.729)
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	300.758.678	(831.637.469)
2.4. Loans to other customers	012	391.973.064	(228.115.425)
2.5. Financial assets held for trading	013	48.584.425	(11.973.591)
2.6. Financial assets available for sale	014	159.563.400	(1.520.044.000)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	(81.233.882)	(277.398.286)
3. Net increase / decrease of operating liabilities (018 to 021)	017	518.513.020	2.968.275.201
3.1. Transactional accounts	018	1.144.453.856	2.152.660.360
3.2. Savings and term deposits	019	(536.641.977)	523.816.579
3.3. Derivative financial liabilities and other liabilities actively traded	020	(3.640.667)	0
3.4. Ostale liabilities	021	(85.658.192)	291.798.262
4. Net cash flow from operating activities before taxation (001+008+017)	022	(250.152.700)	251.141.016
5. Income tax paid	023	(1.172.733)	(537.596.00)
6. Net cash inflow / outflow from operating activities (022+023)	024	(251.325.433)	250.603.420
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	326.217.128	(159.771.469)
7.1. Purchase of tangible and intangible assets	026	(45.247.393)	(36.501.399)
7.2. Investment in / disposal of subsidiaries, associated companies and joint ventures	027	-	(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	974.919	982.314
7.5. Other inflows / outflows from investing activities	030	-	-
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(37.163.725)	(42.587.048)
8.1. Net increase / decrease of borrowings	032	(37.163.725)	(42.587.048)
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	37.727.970	48.244.903
10. Effect of foreign exchange differences on cash and cash equivalents	039	816.192	203.402
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	38.544.162	48.448.305
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	460.024.014	508.472.319

STATEMENT OF CHANGES IN EQUITY

 for the period from **Jan 01 2018** to **Dec 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						(7.259.118,00)		(7.259.118,00)
Change in the fair value of financial assets available for sale	005						15.319.076		15.319.076
Tax on items recognised directly in/transferred from equity	006			13.093,00			(512.557)		(499.464)
Other gains and (losses) recognised directly in equity	007			(72.739,00)					(72.739,00)
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	(59.646,00)	-	-	7.547.401	-	7.487.755
Loss for the period	009					126.281.662			126.281.662
Total recognized income and expense for the period (008+009)	010	-	-	(59.646,00)	-	126.281.662	7.547.401	-	133.769.417
Increase/decrease in share capital	011								-
Purchase/sale of own shares	012								-
Other changes	013			21.378.300					21.378.300
Transfer to reserves	014			416.673	7.481.755	(7.898.428)			-
Dividends paid	015								-
Profit allocation (014+015)	016	-	-	416.673	7.481.755	(7.898.428)	-	-	-
Balance as per the reporting date (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	428.498.783	137.850.457	126.281.662	101.804.615	-	2.008.733.517

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	579.734.596	142.452.730	555.014.585	145.668.948
Deposits	(1.125.442)	471.823	1.113.779	65.510
Securities	98.289.257	22.439.926	105.846.207	35.736.878
TOTAL	676.898.411	165.364.479	661.974.571	181.471.336

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	29.381.386	11.926.276
Deposits	125.351.691	28.089.974	81.203.321	14.056.273
TOTAL	139.435.674	31.766.128	110.584.707	25.982.549

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	277.133.723	67.452.911	265.601.621	65.507.516
Retail and card operations	179.789.439	35.201.430	191.402.901	42.297.158
Corporate operations	59.486.631	16.697.514	64.664.513	17.859.766
Other fee and commission income	18.986.200	3.237.840	21.670.082	5.740.307
TOTAL	535.395.993	122.589.695	543.339.117	131.404.747

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	267.180.834	66.265.917
Other fee and commission expense	51.163.142	9.808.919	57.496.716	10.954.735
TOTAL	329.247.214	75.942.705	324.677.550	77.220.652

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	9.891.502	(201.443)	(4.532.084)	(957.747)
FX transactions	38.157.579	9.693.413	49.703.940	11.852.441
HRK cash transactions	490.545	3.850	288.040	0
Derivatives	89.868	128.553	1.588.226	304.135
TOTAL	48.629.494	9.624.373	47.048.122	11.198.829

6) OPERATING EXPENSES
in HRK

	Jan 01 - Dec 31 2017		Jan 01 - Dec 31 2018	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	352.354.159	92.482.983	410.052.874	134.876.053
Amortization and depreciation	44.073.387	10.845.868	54.267.413	18.621.776
Savings deposit insurance costs	35.559.103	9.155.918	40.494.320	12.240.881
Other costs	27.585.116	10.899.393	35.050.879	13.405.066
TOTAL	459.571.765	123.384.162	539.865.486	179.143.776

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	357.852.818	78.575.203	94.943.990	18.207.426
Other impairments and adjustments	1.989.768	4.979.368	49.712.328	18.409.434
TOTAL	359.842.586	83.554.571	144.656.318	36.616.860

B) Balance sheet

8) CASH AND DEPOSITS WITH THE CNB

in HRK

	Dec 31 2017	Dec 31 2018
CASH	460.024.014	508.472.319
DEPOSITS WITH THE CNB	3.931.442.857	4.297.286.068
Mandatory reserve	1.300.268.691	1.526.837.660
Account for transaction settlement	2.631.174.166	2.770.448.408
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	(50.482)
TOTAL	4.391.466.871	4.805.707.905

9) DEPOSITS WITH FINANCIAL INSTITUTIONS

in HRK

	Dec 31 2017	Dec 31 2018
Deposits with foreign banking institutions	449.961.251	1.053.491.869
Deposits with domestic banking institutions	23.369.080	254.770.273
Portfolio based impairment allowance for identified losses	-	(3.294.342)
TOTAL	473.330.331	1.304.967.800

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	654.815.717	659.424.671
Financial assets available for sale	2.459.982.241	3.972.478.840
Financial assets held to maturity	73.139.356	75.343.907
Financial assets valued at fair value through profit or loss, not actively traded	-	79.277
Portfolio based impairment allowance for identified losses	(775.376)	-
Deferred front-end fee	(18.523)	(11.066)
TOTAL	3.512.074.820	4.905.605.858

11) LOANS TO CUSTOMERS

in HRK

	Dec 31 2017	Dec 31 2018
Loans to financial institutions	62.450.000	98.081.079
Bruto krediti	62.454.545	98.086.422
Ispravci vrijednosti	(4.545)	(5.343)
Corporate & SME loans	2.942.304.493	2.865.508.708
Bruto krediti	3.902.668.309	4.022.375.284
Ispravci vrijednosti	(960.363.816)	(1.156.866.576)
Retail loans	5.036.923.707	5.881.665.560
Bruto krediti	5.333.998.299	6.247.257.865
Ispravci vrijednosti	(297.074.592)	(365.592.305)
Other loans	3.192.134.584	2.652.303.941
Bruto krediti	3.198.303.415	2.659.946.757
Ispravci vrijednosti	(6.168.831)	(7.642.816)
Portfolio based impairment allowance for identified losses	(118.064.812)	0
Expected credit losses (A1 and A2 risk groups)	-	(147.155.227)
Other adjustments	-	(4.584.608)
Deferred front-end fee	(39.566.058)	(35.593.567)
LOANS TO CUSTOMERS	11.076.181.914	11.310.225.866

B) Balance sheet (continued)
12) DEPOSITS
in HRK

	Dec 31 2017	Dec 31 2018
Financial institutions	1.116.153.667	1.128.855.860
Corporations	3.574.264.999	4.276.803.988
Retail	9.282.809.836	11.259.935.431
Other	1.416.684.388	1.400.794.550
TOTAL	15.389.912.890	18.066.389.829

13) BORROWINGS
in HRK

	Dec 31 2017	Dec 31 2018
Borrowings from HBOR	656.196.151	596.036.649
Borrowings from domestic banking institutions	-	0
Borrowings from domestic non-banking institutions	-	0
Borrowings from foreign banking institutions	20.286.850	37.087.875
Deferred front-end fee	(4.225.170)	(3.453.741)
TOTAL	672.257.831	629.670.783

14) OTHER LIABILITIES
in HRK

	Dec 31 2017	Dec 31 2018
Restricted deposits	1.786.812.843	2.058.484.273
Interest and fees payable	48.664.624	40.325.778
Provisions for off-balance sheet exposure	25.193.152	31.935.581
Other	236.176.726	257.899.975
TOTAL	2.096.847.345	2.388.645.607

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 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) Consolidation of Jadranska banka d.d., Šibenik results

From July 13, 2018 Jadranska banka d.d. becomes an integral part of the HPB Group. After the acquisition, the HPB has injected HRK 110 million of new capital to Jadranska banka in order to meet regulatory requirements of Croatian National Bank. Process of merging Jadranska banka d.d. is in progress. From the acquisition until reporting period, Jadranska banka d.d., Šibenik reported a net loss of HRK 21.6 million.

F) 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:

