



**Unaudited Quarterly Financial Reports of HPB p.l.c.  
for the Period from Jan 01 – Jun 30 2016**

Zagreb, July 22 2016

In accordance with the articles 407-411 of the Capital Markets Act, HPB p.l.c. publishes unaudited quarterly financial report for 2016 (period from Jan 01 2016 to Jun 30 2016).

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 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. Reports and notes for previous periods are harmonized for the purpose of comparability.

Key features of financial position and result achieved during the reporting period are as follows:

- continuous positive profitability trend with **net profit** amounting to **HRK 91,3 million** which is **11,0% better** in comparison with the same period last year,
- **operating profit** in the amount of **HRK 192,8 mil** which is **14,5% higher** than in the first half of 2015,
- **substantially better cost to income ratio (C/I indicator)** which the Bank managed to lower furtherly to **52,4%** (peer average for Q1 2016 is 59,1%),
- **number of HPB clients exceeds 650K**, with an increase of 13K in H1 2016,
- **Bank's assets increased by 3,8% since the beginning of 2016 to HRK 18,4 bn** with improved structure aimed at better profitability,
- **retail loans are up by a strong 11,3% (+13,7% YoY)** with a **40,1% spike in housing loans** (47,6% YoY).

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

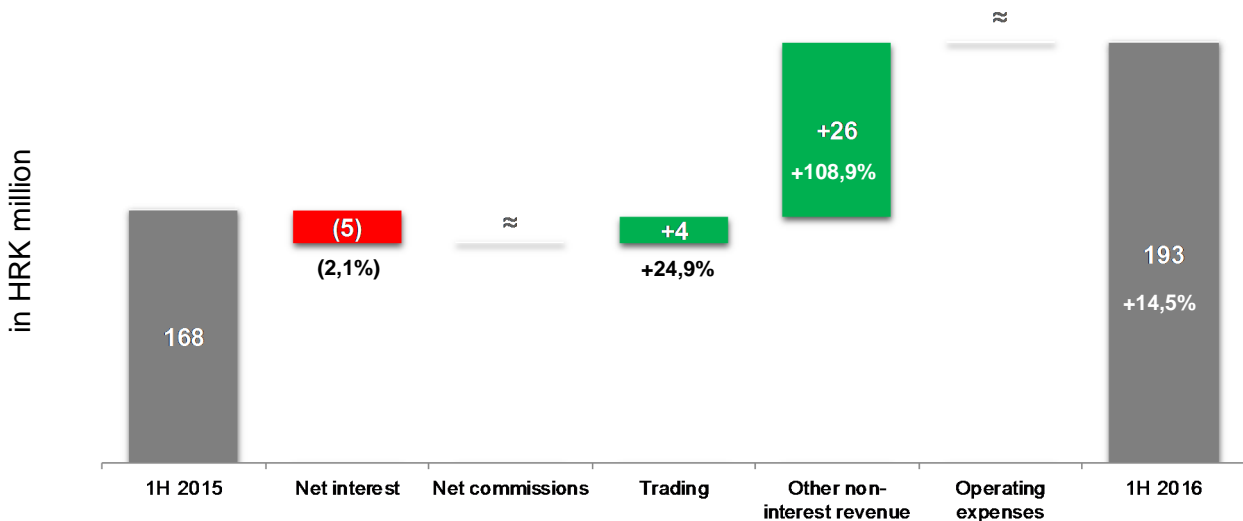
After excellent 2015 when best financial result since the foundation had been achieved, HPB Banka continued to improve its business in 2016.

**Operating profit in the first half of 2016 amounts to HRK 192,8 mil**, representing a 14,5% increase in comparison with the same period last year. The main growth driver was **non-interest revenue which spiked by 23,4%**. Contribution from the financial markets segment should be emphasized, with a **substantial increase in gains trading activities (+24,9%)**, and one-off gains from sale of VISA Europe Ltd stake in the amount of HRK 33,5 million.

This neutralized the expected drop in **net interest income** (-2,1%) due to market trend of slower growth of debt and reducing interest rates.

In spite of new contributions set aside for the EU recovery fund, the Bank maintained its operating expenses on the same level as in H1 2015 due to organizational improvements.

**Figure 1. Operating profit in H1 2016**



Bank provisioned a substantial amount of operating profit for **impairment allowance for losses and other provisions**. Impairment losses on NPLs amounted to HRK 81,5 million which is HRK 4,0 million or 4,7% less than in the same period last year. Largest part of expenses relate to provisions for placements already identified as impaired.

Due to the increase in assets and loans, the Bank has made portfolio based provisions for A-placements in the amount of HRK 5,5 million which compares to a revenue of HRK 5,1 million from provisions' reversal in H1 2015.

During the reporting period, provisions for liabilities and other provisions in the amount of HRK 17,0 million have been incurred. This is almost 4 times as high as in the same period 2015.

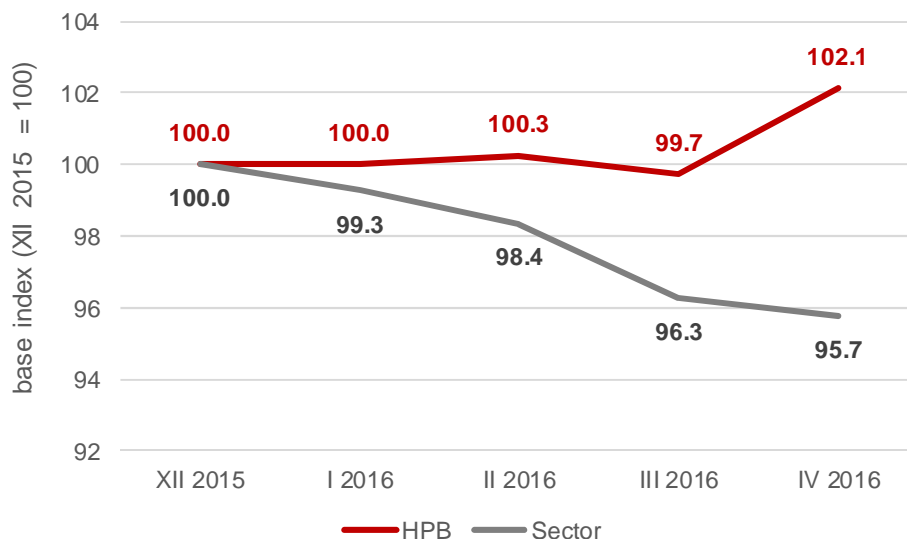
NPL coverage ratio has increased to 67,0% (estimated peer average on Jun 30 2016 = 59,0%).

**Net profit after deferred tax** amounts to HRK 91,3 million which represents an increase of 21,5% when compared to the same period last year.

Strong profitability is reflected by **Return on Average Equity (ROAE)** equalling 11,1% (annualized), which exceeds strategic guidelines, as well as improved **C/I indicator** which the Bank managed to lower furtherly to 52.4%, while peer average for Q1 2016 equalled 59.1%.

**Bank's assets increased by 3,7%** since the beginning of 2016 with improved structure aimed at better profitability.

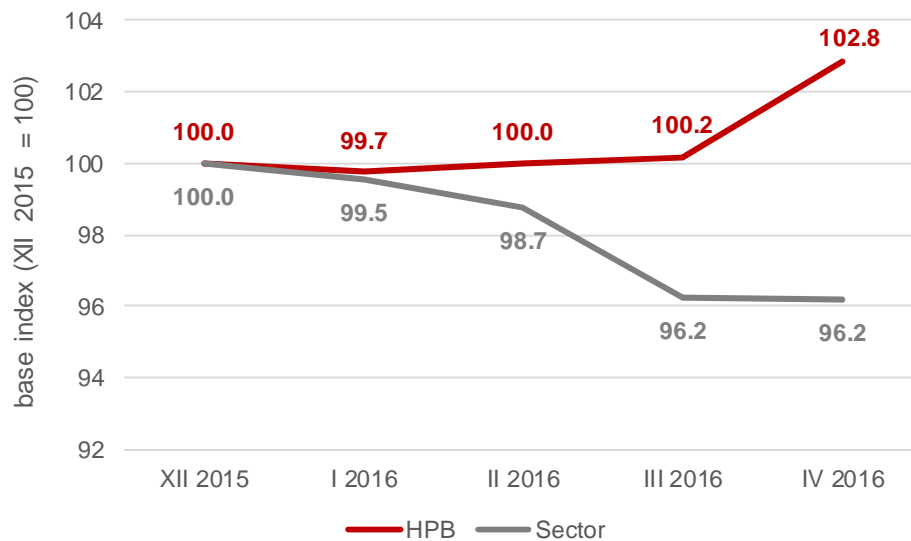
**Figure 2. Assets of HPB and credit institutions in 2016**



\*source for the sector: [www.hnb.hr](http://www.hnb.hr) (aggregated monthly reports of credit institutions, Apr 30 2016)

Excess liquidity has been placed mostly in loans to customers which are higher by 4,2% despite the market trend characterized by decreased needs for investing and higher propensity to save. Meanwhile, a lesser part of the mentioned surplus has been invested in liquid securities (+5,9%) in order to maximize return on assets.

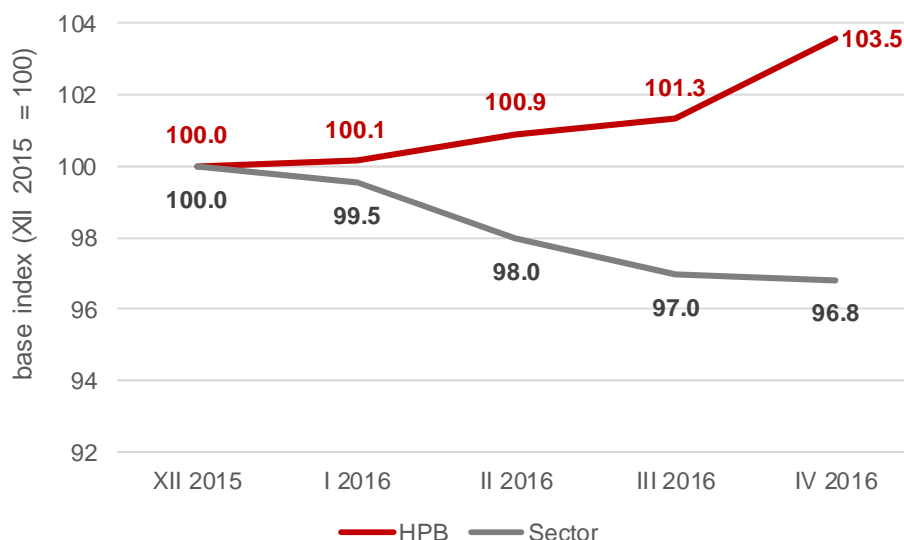
**Figure 3. Loan growth of HPB on decreasing market**



\*source for the sector: [www.hnb.hr](http://www.hnb.hr) (aggregated monthly reports of credit institutions, 30 Apr 2016)

We are deeply proud of results achieved in the **retail banking** where the Bank recorded a **substantial loan growth of 11,2%** (13,7% YoY) with **housing loans** spiking by 40,1% (47,6% YoY). In the observed period the Bank issued HRK 430 million worth of housing loans (around 1.100 loans in total). Out of HRK 833 million of total new retail loans, HRK 300 million relates to loans used to refinance CHF obligations.

**Figure 4. Strong growth of housing loans**



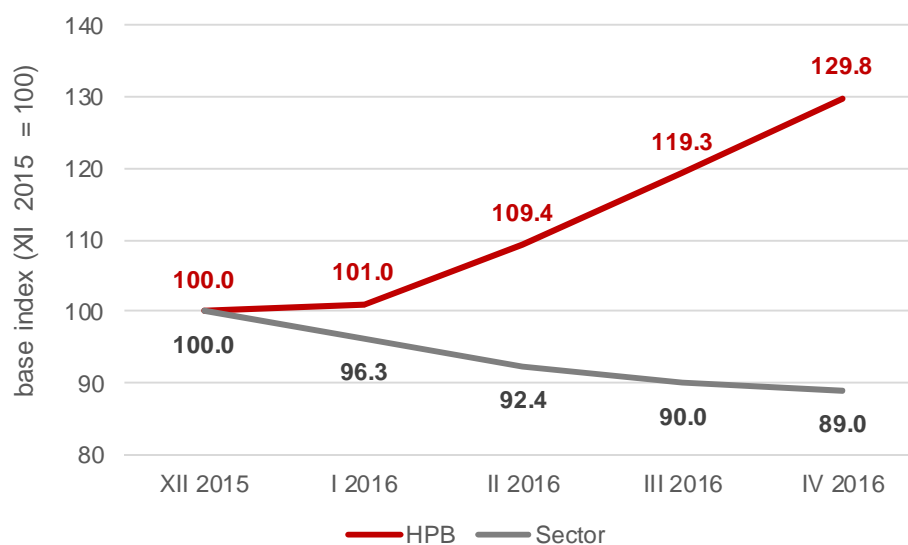
\*source for the sector: [www.hnb.hr](http://www.hnb.hr) (aggregated monthly reports of credit institutions, 30 Apr 2016)

Volume of corporate loans was marginally down by 0,1 percent. Meanwhile, the Bank continues to support companies and sectors which generate value for the Croatian economy.

The Bank has also improved its balance sheet structure on the liabilities' side by returning a part of the funds which weigh on the interest margin, mainly **borrowings** (-20,1%).

**Received deposits** were up by a substantial 5,1% mainly due to corporate deposits (+11,3%) which increased on the back of strong client acquisition within the local government, small and medium enterprises and large corporations.

**Figure 5. Deposit growth of HPB on decreased market**



\*source for the sector: [www.hnb.hr](http://www.hnb.hr) (aggregated monthly reports of credit institutions, 30 Apr 2016)

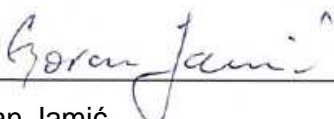
Retail deposits have increased by 2,1%, with newly created accounts increasing by 15% (+17.668) compared to the last year. Corporate and retail deposits were in line with the market trend of decreased needs for investments and rising propensity to save.

**Capital adequacy** decreased during the the first half of 2016, from 15,9% to approximately 15,2% due to higher loans and other investments which increased risk weighted assets.

Tomislav Vuić  
Management Board  
President

## 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 quarterly financial statements for 2016 (period from 01 Jan to 30 Jun 2016), 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.

  
\_\_\_\_\_  
Goran Jamić  
Finance Division  
Deputy Executive Director



\_\_\_\_\_  
Tomislav Vuić  
Management Board  
President

HPB p.l.c.

**Appendix 3.**

Reporting period:

Jan 01

to

Jun 30 2016

**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](mailto:hpb@hpb.hr)Internet address: [www.hpb.hr](http://www.hpb.hr)City code and name: **133** **ZAGREB**County code and name: **21** **GRAD ZAGREB**# of employees: **1.062**  
(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: **Čizmešija Marko**Phone: **014888191**Fax: **014804594**E-mail address: [marko.cizmesija@hpb.hr](mailto:marko.cizmesija@hpb.hr)Surname 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 2016**

in HRK

Item	AOP label	Dec 31 2015	Jun 30 2016
1	2	3	4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	<b>001</b>	2.179.809.734	2.329.640.967
1.1.Cash	<b>002</b>	412.197.218	450.530.349
1.2.Deposits with the CNB	<b>003</b>	1.767.612.516	1.879.110.618
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	<b>004</b>	958.338.782	805.392.798
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	<b>005</b>	501.234.808	599.689.933
4. FINANCIAL ASSETS HELD FOR TRADING	<b>006</b>	596.525.929	773.820.498
5. FINANCIAL ASSETS AVAILABLE FOR SALE	<b>007</b>	1.995.759.118	1.947.811.268
6. FINANCIAL ASSETS HELD TO MATURITY	<b>008</b>	566.062.663	557.892.547
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	<b>009</b>	-	-
8. DERIVATIVE FINANCIAL ASSETS	<b>010</b>	-	1.532
9. LOANS TO FINANCIAL INSTITUTIONS	<b>011</b>	104.187.886	121.992.552
10. LOANS TO OTHER CUSTOMERS	<b>012</b>	10.051.115.650	10.503.836.811
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	<b>013</b>	53.420.000	53.420.000
12. REPOSSESSED ASSETS	<b>014</b>	103.134.707	99.309.575
13. TANGIBLE ASSETS (LESS DEPRECIATION)	<b>015</b>	147.109.089	144.512.312
14. OTHER ASSETS	<b>016</b>	456.468.108	437.778.945
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>17.713.166.474</b>	<b>18.375.099.738</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	<b>018</b>	558.124.023	538.244.126
1.1. Short-term	<b>019</b>	393.994	387.682
1.2. Long-term	<b>020</b>	557.730.029	537.856.444
2. DEPOSITS (022 to 024)	<b>021</b>	12.392.106.047	13.129.181.942
2.1. Transactional and current accounts	<b>022</b>	2.953.953.271	3.345.860.219
2.2. Savings deposits (demand)	<b>023</b>	1.060.935.229	1.158.409.015
2.3. Term deposits	<b>024</b>	8.377.217.547	8.624.912.708
3. OTHER BORROWINGS (026+027)	<b>025</b>	446.650.250	263.697.069
3.1. Short-term	<b>026</b>	-	-
3.2. Long-term	<b>027</b>	446.650.250	263.697.069
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	<b>028</b>	-	-
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>	2.537.022.027	2.625.987.115
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>15.933.902.347</b>	<b>16.557.110.252</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	<b>036</b>	1.214.298.000	1.214.298.000
2. PROFIT FOR THE YEAR	<b>037</b>	123.216.697	91.297.527
3. RETAINED EARNINGS	<b>038</b>	-	82.293.647
4. REGULATORY RESERVES	<b>039</b>	-	6.160.835
5. STATUTARY AND OTHER CAPITAL RESERVES	<b>040</b>	359.660.725	363.660.725
6. FAIR VALUE RESERVE	<b>041</b>	82.088.705	60.278.752
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	<b>042</b>	-	-
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.779.264.127</b>	<b>1.817.989.486</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>17.713.166.474</b>	<b>18.375.099.738</b>

**PROFIT OR LOSS STATEMENT**

for the period from **Jan 01 2016** to **Jun 30 2016**

in HRK

Item	AOP label	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	397.280.875	199.319.333	359.436.773	182.612.428
2. Interest expense	049	145.096.981	69.891.713	112.551.789	54.560.154
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>252.183.894</b>	<b>129.427.620</b>	<b>246.884.984</b>	<b>128.052.274</b>
4. Fee and commission income	051	235.435.722	119.885.009	236.102.117	121.975.443
5. Fee and commission expense	052	147.789.808	74.301.779	148.458.407	76.260.179
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>87.645.914</b>	<b>45.583.230</b>	<b>87.643.710</b>	<b>45.715.264</b>
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	17.048.335	10.952.082	21.291.847	10.206.671
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	0	0	41.698.418	33.483.579
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	914.733	908.606	787.350	780.212
16. Gains less losses from exchange rate differences	063	8.298.435	1.792.304	3.875.971	150.485
17. Other income	064	14.408.482	5.426.240	2.990.908	1.094.794
18. Other operating costs	065	23.165.495	11.582.762	27.953.907	16.442.470
19. General and administrative expenses, amortization and depreciation	066	189.011.829	90.940.738	184.422.374	93.149.925
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>168.322.469</b>	<b>91.566.582</b>	<b>192.796.907</b>	<b>109.890.884</b>
21. Impairment losses and provisions	068	84.819.443	51.485.290	103.957.043	62.781.626
<b>22. PROFIT BEFORE TAXATION (067-068)</b>	<b>069</b>	<b>83.503.026</b>	<b>40.081.292</b>	<b>88.839.864</b>	<b>47.109.258</b>
<b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>	<b>070</b>	1.233.724	71.624	(2.457.663)	367.082
<b>24. NET PROFIT FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>82.269.302</b>	<b>40.009.668</b>	<b>91.297.527</b>	<b>46.742.176</b>
25. Earnings per share	072	74	26	45	23

**CASH FLOW STATEMENT - INDIRECT METHOD**

 for the period from **Jan 01 2016** to **Jun 30 2016** in HRK

Item	AOP label	Jan 01 - Jun 30 2015	Jan 01 - Jun 30 2016
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>191.190.226</b>	<b>209.347.274</b>
1.1. Profit for taxation	002	83.503.026	88.839.864
1.2. Impairment losses and provisions	003	84.819.443	103.957.043
1.3. Amortization and depreciation	004	24.364.993	21.735.702
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	1.807.956	(1.309.364)
1.5. Gains / losses from sale of tangible assets	006	4.993.243	0
1.6. Other gains / losses	007	(8.298.435)	(3.875.971)
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>60.800.969</b>	<b>(749.849.272)</b>
2.1. Deposits with the CNB	009	(188.730.547)	(111.498.102)
2.2. Treasury bills of the Croatian Ministry of Finance	010	(299.386.160)	(98.455.125)
2.3. Deposits with and loans to financial institutions	011	393.672.498	135.141.318
2.4. Loans to other customers	012	115.722.877	(534.189.635)
2.5. Financial assets held for trading	013	109.586.247	(177.294.569)
2.6. Financial assets available for sale	014	(63.241.424)	20.685.409
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	0	0
2.8. Other operating assets	016	(6.822.522)	15.761.432
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>126.996.362</b>	<b>822.040.983</b>
3.1. Transactional accounts	018	(103.579.178)	391.906.948
3.2. Savings and term deposits	019	(170.625.343)	345.168.947
3.3. Derivative financial liabilities and other liabilities actively traded	020	(507.910)	0
3.4. Ostale liabilities	021	401.708.793	84.965.088
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>378.987.557</b>	<b>281.538.985</b>
5. Income tax paid	023	(26.505)	(65.680)
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>378.961.052</b>	<b>281.473.305</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>(2.304.060)</b>	<b>(9.738.738)</b>
7.1. Purchase of tangible and intangible assets	026	(4.935.942)	(18.696.204)
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	1.717.149	8.170.116
7.4. Dividends received	029	914.733	787.350
7.5. Other inflows / outflows from investing activities	030	0	0
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 to 037)</b>	<b>031</b>	<b>(301.681.427)</b>	<b>(233.595.293)</b>
8.1. Net increase / decrease of borrowings	032	(301.681.427)	(202.833.078)
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	0	(30.762.215)
8.6. Other inflows / outflows from financial activities	037	0	0
<b>9. Net increase / decrease of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>74.975.565</b>	<b>38.139.274</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	(528.348)	193.857
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>74.447.217</b>	<b>38.333.131</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>361.121.698</b>	<b>412.197.218</b>
<b>13. Cash and cash equivalents as per reporting date (040+041)</b>	<b>042</b>	<b>435.568.915</b>	<b>450.530.349</b>

**STATEMENT OF CHANGES IN EQUITY**

for the period from **Jan 01 2016** to **Jun 30 2016** 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 for the period	Fair value reserve		
1	2	3	4	5	6	7	8	9	10
Balance as per Jan 01 2016	001	1.214.775.000	(477.000)	359.660.725	0	123.216.697	82.088.705	0	1.779.264.127
Effects of changes in accounting policies and corrections of errors	002								0
Restated balance as per Jan 01 2016 (001+002)	003	1.214.775.000	(477.000)	359.660.725	0	123.216.697	82.088.705	0	1.779.264.127
Disposal of financial assets available for sale	004								0
Change in the fair value of financial assets available for sale	005						(27.262.441)		(27.262.441)
Tax on items recognised directly in/transferred from equity	006						5.452.488		5.452.488
Other gains and (losses) recognised directly in equity	007								0
<b>Net gains/(losses) recognised directly in equity (004+005+006+007)</b>	<b>008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21.809.953)</b>	<b>0</b>	<b>(21.809.953)</b>
Profit for the period	009					91.297.527			91.297.527
<b>Total recognized income and expense for the period (008+009)</b>	<b>010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91.297.527</b>	<b>(21.809.953)</b>	<b>0</b>	<b>69.487.574</b>
Increase/decrease in share capital	011								0
Purchase/sale of own shares	012								0
Other changes	013								0
Transfer to reserves	014			10.160.835	82.293.647	(92.454.482)			0
Dividends paid	015					(30.762.215)			(30.762.215)
<b>Profit allocation (014+015)</b>	<b>016</b>	<b>0</b>	<b>0</b>	<b>10.160.835</b>	<b>82.293.647</b>	<b>(123.216.697)</b>	<b>0</b>	<b>0</b>	<b>(30.762.215)</b>
<b>Balance as per Jun 30 2016 (003+010+011+012+013+016)</b>	<b>017</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>369.821.560</b>	<b>82.293.647</b>	<b>91.297.527</b>	<b>60.278.752</b>	<b>0</b>	<b>1.817.989.486</b>

## NOTES TO FINANCIAL STATEMENTS

### A) PROFIT OR LOSS STATEMENT

#### 1) INTEREST INCOME

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	332.933.140	166.356.557	294.722.523	150.353.955
Deposits	483.483	158.703	863.215	428.378
Debt securities	63.864.252	32.804.073	63.851.035	31.830.095
<b>TOTAL</b>	<b>397.280.875</b>	<b>199.319.333</b>	<b>359.436.773</b>	<b>182.612.428</b>

#### 2) INTEREST EXPENSE

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	16.160.378	7.409.743	9.809.647	4.750.610
Deposits	125.108.109	61.607.997	102.742.142	49.809.544
Hybrid instruments and subordinated debt	3.828.494	873.973	0	0
<b>TOTAL</b>	<b>145.096.981</b>	<b>69.891.713</b>	<b>112.551.789</b>	<b>54.560.154</b>

#### 3) FEE AND COMMISSION INCOME

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	144.298.639	72.360.763	142.299.923	72.279.084
Retail and card operations	62.380.142	32.868.430	63.530.439	33.543.741
Corporate operations	23.763.680	12.741.909	26.791.777	14.504.588
Other fee and commission income	4.993.261	1.913.907	3.479.978	1.648.030
<b>TOTAL</b>	<b>235.435.722</b>	<b>119.885.009</b>	<b>236.102.117</b>	<b>121.975.443</b>

#### 4) FEE AND COMMISSION EXPENSE

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	134.388.282	67.166.724	141.241.685	72.191.340
Other fee and commission expense	13.401.526	7.135.055	7.216.722	4.068.839
<b>TOTAL</b>	<b>147.789.808</b>	<b>74.301.779</b>	<b>148.458.407</b>	<b>76.260.179</b>

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

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	4.895.492	1.039.267	1.698.953	(736.007)
FX transactions	14.596.108	9.820.186	20.729.422	10.942.795
HRK cash transactions	81.830	77.980	189.105	166.922
Derivatives	(2.525.095)	14.649	(1.325.633)	(167.039)
<b>TOTAL</b>	<b>17.048.335</b>	<b>10.952.082</b>	<b>21.291.847</b>	<b>10.206.671</b>

#### 6) OPERATING EXPENSES

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	164.646.836	78.946.151	162.686.672	82.363.193
Amortization and depreciation	24.364.993	11.994.587	21.735.702	10.786.732
Savings deposit insurance costs	12.466.171	6.236.171	17.095.868	8.535.868
Other costs	10.699.324	5.346.591	10.858.039	7.906.602
<b>TOTAL</b>	<b>212.177.324</b>	<b>102.523.500</b>	<b>212.376.281</b>	<b>109.592.395</b>

#### 7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

*in HRK*

	Jan 01 - Jun 30 2015		Jan 01 - Jun 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	85.443.117	50.791.917	81.468.474	36.714.066
Portfolio based provisions for identified losses (risk group A)	(5.105.094)	(3.687.520)	5.514.809	9.181.605
Other provisions	4.481.420	4.380.893	16.973.760	16.885.955
<b>TOTAL</b>	<b>84.819.443</b>	<b>51.485.290</b>	<b>103.957.043</b>	<b>62.781.626</b>

## B) BALANCE SHEET

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

	Dec 31 2015	Jun 30 2016
<b>CASH</b>	<b>412.197.218</b>	<b>450.530.349</b>
<b>DEPOSITS WITH THE CNB</b>	<b>1.767.612.516</b>	<b>1.879.110.618</b>
Mandatory reserve	1.279.570.476	1.184.729.739
Account for transaction settlement	488.042.040	694.380.879
<b>MANDATORY TREASURY BILLS</b>	<b>-</b>	<b>-</b>
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>2.179.809.734</b>	<b>2.329.640.967</b>

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

	Dec 31 2015	Jun 30 2016
Deposits with foreign banking institutions	810.491.087	623.086.860
Deposits with domestic banking institutions	147.847.695	182.305.938
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>958.338.782</b>	<b>805.392.798</b>

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

	Dec 31 2015	Jun 30 2016
Short term Treasury bills of the Croatian Ministry of Finance	501.234.808	599.689.933
Financial assets held for trading	596.525.929	773.820.498
Financial assets available for sale	1.995.759.118	1.947.811.268
Financial assets held to maturity	574.826.429	566.223.733
Portfolio based impairment allowance for identified losses	(8.255.991)	(7.857.921)
Deferred front-end fee	(507.775)	(473.265)
<b>TOTAL</b>	<b>3.659.582.518</b>	<b>3.879.214.246</b>

### 11) LOANS TO CUSTOMERS

*in HRK*

	Dec 31 2015	Jun 30 2016
<b>Gross</b>		
Financial institutions	104.190.902	121.995.934
Corporations	4.185.847.569	4.434.165.674
Retail	4.634.571.446	5.155.802.446
<i>wherein: housing loans</i>	<i>961.008.397</i>	<i>1.346.370.365</i>
Other	3.493.545.227	3.224.592.963
<b>TOTAL GROSS LOAN PORTFOLIO</b>	<b>12.418.155.144</b>	<b>12.936.557.017</b>
<b>DEFERRED FRONT END FEE</b>	<b>(46.845.984)</b>	<b>(44.364.882)</b>
Provisions for impairment losses	(2.125.589.596)	(2.172.365.566)
Portfolio based impairment allowance for identified losses	(90.416.028)	(93.997.206)
<b>TOTAL IMPAIRMENTS AND PROVISIONS</b>	<b>(2.216.005.624)</b>	<b>(2.266.362.772)</b>
<b>TOTAL</b>	<b>10.155.303.536</b>	<b>10.625.829.363</b>

**B) BALANCE SHEET (continued)**

**12) DEPOSITS** *in HRK*

	<b>Dec 31 2015</b>	<b>Jun 30 2016</b>
Financial institutions	913.221.701	1.042.913.661
Corporations	1.954.309.669	2.291.689.587
Retail	8.476.517.508	8.656.742.247
Other	1.048.057.169	1.137.836.447
<b>TOTAL</b>	<b>12.392.106.047</b>	<b>13.129.181.942</b>

**13) BORROWINGS** *in HRK*

	<b>Dec 31 2015</b>	<b>Jun 30 2016</b>
Borrowings from HBOR	561.173.123	541.096.652
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	393.994	387.681
Borrowings from foreign banking institutions	446.650.250	263.697.069
Deferred front-end fee	(3.443.094)	(3.240.207)
<b>TOTAL</b>	<b>1.004.774.273</b>	<b>801.941.195</b>

**14) OTHER LIABILITIES** *in HRK*

	<b>Dec 31 2015</b>	<b>Jun 30 2016</b>
Restricted deposits	2.187.135.040	2.195.633.799
Interest and fees payable	73.630.369	71.524.886
Provisions for off-balance sheet exposure	20.118.045	21.275.857
Other	256.138.573	337.552.573
<b>TOTAL</b>	<b>2.537.022.027</b>	<b>2.625.987.115</b>

**C) Changes in Accounting Policies**

There were no changes in accounting policies of the Bank during 2016.

## D) BANK'S OWNERSHIP STRUCTURE

Bank's ownership structure as per Jun 30 2016 was as follows:

Shareholder	Vlasnički udio
Republic of Croatia (DUUDI)	42,43%
HP Hrvatska pošta Plc	11,93%
State Agency for Deposit Insurance and Bank Resolution	8,98%
Croatian Pension Insurance Institute (DUUDI)	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%
RAIFFEISEN D.D., for Raiffeisen OMF (B category)	2,42%
Fund for Financing the Decommissioning of the Krško Nuclear Power Plant and the Disposal of NEK Radioactive Waste and Spent Nuclear Fuel	2,36%
Minorities	4,77%
Own shares	0,04%

## E) Dionica HPB-R-A

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 597,00 (June 16 2016) representing a decrease of 6,7% when compared to the last traded price in 2015. (HRK 640,00 on Dec 31 2015).

Trading during 2016 was as follows:

