

**Unaudited Consolidated Quarterly
Financial Reports of HPB Group
for the Period from Jan 01 – Sep 30 2016
*(third quarter of 2016)***

Zagreb, October 2016

In accordance with the Capital Markets Act, HPB p.l.c., as the parent company of the HPB Group publishes unaudited consolidated quarterly financial report for 2016 (period from Jan 01 2016 to Sep 30 2016).

This report includes:

- Management report of HPB p.l.c., parent company of the HPB Group,
- statement by persons accountable for compiling the report,
- unaudited set of consolidated financial statements (balance sheet, profit or loss statement, statement of changes in equity, cash flow statement), and
- notes to financial statements.

Financial statements and notes were made in accordance with the TFI-KI reporting methodology by Croatian Financial Services Supervisory Agency. Items in the profit or loss statement are compiled in accordance with IFRS. Reports and notes for previous periods are harmonized for the purpose of comparability.

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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) i HPB Nekretnine (real estate agency). Lead by parent company, all Group members have been profitable during the reporting period, and have significantly improved their business results. Bank achieved HRK 147,5 million of net profit, HPB Stambena štedionica added HRK 4,4 million, HPB Nekretnine HRK 726 thousand, whilst HPB Invest realized a net profit amounting to HRK 1,6 million.

Overview of 9m 2016 net results

HPB GROUP MEMBER	ytd 2015	ytd 2016	Δ y-o-y (%)	Δ y-o-y (000 HRK)
HRVATSKA POŠTANSKA BANKA	106.840	147.522	+38,1%	+40.682
HPB STAMBENA ŠTEDIONICA	862	4.436	+414,6%	+3.574
HPB INVEST	540	1.557	+188,3%	+1.017
HPB NEKRETNINE	345	726	+110,4%	+381
HPB GROUP	108.587	154.241	+42,0%	+45.654

Alongside subsidiaries, where HPB p.l.c. acts as a founder and owner having a 100% ownership stake, results of H1 Telekom d.d. are included in the consolidated balance sheet. Bank has a controlling stake of 58,2% in H1 Telekom. This stake had been acquired through a debt-to-equity swap, during the pre-bankruptcy settlement proceedings, and is classified as assets held for sale.

Consolidated net profit after deferred tax amounts to HRK 154,2 million, increasing by 42,0% in comparison with the same period last year, and represents the record net profit level for the 9-month period.

Groups assets have increased by 3,9 percent since the beginning of 2016, with structural improvements aimed at greater profitability. This contributed to structural optimization aimed at achieving greater profitability. Liquidity surplus accumulated at the end of 2015 has been used for loans to customers (+8,8%) and liquid securities (+6,8%) in order to maximize return on assets.

We would like to emphasize results achieved in the retail banking segment where the Group recorded a loan growth of 12,9% with housing loans spiking by 44,1%.

Deposits have spiked substantially – by 9,7 percent, with retail and corporate deposits both increasing due to strong acquisition activities.

Tomislav Vuić
 Management Board of HPB p.l.c.
 President

Statement by persons accountable for compiling the report of HPB Group

In accordance with the Capital Market Act, the Management Board of HPB p.l.c., parent company of the HPB Group, states that according to their best knowledge the set of unaudited quarterly consolidated financial statements for 2016 (period from Jan 01 to Sep 30 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., as well as companies included in consolidation as a whole.

Signed on behalf of HPB p.l.c., parent company of HPB Group:

Goran Jamić
Finance Division
Deputy to Executive Director

Tomislav Vuić
Management Board
President

Appendix 3.

Reporting period:

Jan 01

to

Sep 30 2016

Quarterly financial statements for credit institutions TFI-KIRegistration 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.hrInternet address: www.hpb.hrCity code and name: **133** **ZAGREB**County code and name: **21** **GRAD ZAGREB**# of employees: **1.101**
(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
H1 TELEKOM d.d.	Split, Dračevac 2d	01834649

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: **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 **Sep 30 2016**
in HRK

Item	AOP label	Dec 31 2015	Jun 30 2016
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	2.179.809.734	2.313.312.878
1.1.Cash	002	412.197.218	451.003.058
1.2.Deposits with the CNB	003	1.767.612.516	1.862.309.820
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	958.338.782	945.432.627
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	501.234.808	612.920.409
4. FINANCIAL ASSETS HELD FOR TRADING	006	715.276.908	706.695.363
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	1.995.759.118	2.274.506.476
6. FINANCIAL ASSETS HELD TO MATURITY	008	566.062.663	441.917.263
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	0	-
8. DERIVATIVE FINANCIAL ASSETS	010	0	338.154
9. LOANS TO FINANCIAL INSTITUTIONS	011	104.187.886	89.322.439
10. LOANS TO OTHER CUSTOMERS	012	10.164.694.441	11.195.640.976
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	7.930.000	7.930.000
12. REPOSSESSED ASSETS	014	103.134.707	96.410.564
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	156.773.180	155.556.934
14. OTHER ASSETS	016	582.980.978	589.480.303
A) TOTAL ASSETS (001+004 to 016)	017	18.036.183.205	19.429.464.386
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	558.124.023	607.633.943
1.1. Short-term	019	393.994	-
1.2. Long-term	020	557.730.029	607.633.943
2. DEPOSITS (022 to 024)	021	12.392.106.047	14.430.923.517
2.1. Transactional and current accounts	022	2.936.586.232	3.803.915.134
2.2. Savings deposits (demand)	023	1.060.935.229	1.345.177.437
2.3. Term deposits	024	8.597.206.658	9.281.830.946
3. OTHER BORROWINGS (026+027)	025	446.650.250	175.681.420
3.1. Short-term	026	-	-
3.2. Long-term	027	446.650.250	175.681.420
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	-	53.688
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	2.657.714.032	2.300.803.060
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	16.054.594.352	17.515.095.628
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT FOR THE YEAR	037	124.777.141	154.240.782
3. RETAINED EARNINGS	038	(1.857.790)	81.996.301
4. REGULATORY RESERVES	039	0	6.160.835
5. STATUTARY AND OTHER CAPITAL RESERVES	040	359.660.725	363.660.725
6. FAIR VALUE RESERVE	041	82.088.705	94.012.115
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	0	-
C) TOTAL EQUITY (036 to 042)	043	1.778.966.781	1.914.368.758
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	17.833.561.133	19.429.464.386
ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)			
1. TOTAL EQUITY	045	1.778.966.781	1.914.368.758
2. Equity attributable to the shareholders of the parent company	046	1.778.966.781	1.914.368.758
3. Minority interest (045-046)	047	0	0

PROFIT OR LOSS STATEMENT

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

in HRK

Item	AOP label	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	602.381.166	199.541.563	548.756.877	183.065.919
2. Interest expense	049	213.281.716	64.852.707	168.370.542	51.924.413
3. Net interest income (048-049)	050	389.099.450	134.688.856	380.386.335	131.141.506
4. Fee and commission income	051	371.524.190	130.750.236	382.031.557	140.076.875
5. Fee and commission expense	052	226.678.291	78.209.970	232.154.382	83.026.214
6. Net fee and commission income (051-052)	053	144.845.899	52.540.266	149.877.175	57.050.661
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	-	-	-	-
8. Gains less losses from trading activities	055	30.702.059	13.625.363	56.874.218	34.146.890
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	-	-	41.698.418	-
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	920.726	5.993	794.185	6.835
16. Gains less losses from exchange rate differences	063	9.258.078	1.141.110	5.207.555	1.363.219
17. Other income	064	27.994.033	12.377.946	6.634.442	1.268.611
18. Other operating costs	065	33.614.796	10.883.410	43.557.243	16.069.239
19. General and administrative expenses, amortization and depreciation	066	300.046.317	103.544.118	292.419.680	100.368.058
20. Operating profit (050+053 to 064-065-066)	067	269.159.132	99.952.006	305.495.405	108.540.425
21. Impairment losses and provisions	068	157.864.888	73.542.050	151.719.362	47.704.695
22. PROFIT BEFORE TAXATION (067-068)	069	111.294.244	26.409.956	153.776.043	60.835.730
23. INCOME TAX EXPENSE / DEFERRED TAX	070	2.707.682	1.209.886	(464.739)	1.558.740
24. NET PROFIT FOR THE PERIOD (069-070)	071	108.586.562	25.200.070	154.240.782	59.276.990
25. Earnings per share	072	75	17	76	29
ADDENDUM TO THE P&L (filled-in by the banks submitting consolidated financial statement)					
1. PROFIT FOR THE PERIOD	073	108.586.562	25.200.070	154.240.782	59.276.990
2. Attributable to the shareholders of the parent company	074	108.586.562	25.200.070	154.240.782	59.276.990
3. Minority interest (073-074)	075	0	0	0	0

CASH FLOW STATEMENT - INDIRECT METHOD

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

in HRK

Item	AOP label	Jan 01 - Sep 30 2015	Jan 01 - Sep 30 2016
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	297.303.881	311.133.583
1.1. Profit for taxation	002	111.294.244	153.776.043
1.2. Impairment losses and provisions	003	157.864.888	151.719.362
1.3. Amortization and depreciation	004	36.536.060	33.658.590
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(4.126.476)	(22.957.412)
1.5. Gains / losses from sale of tangible assets	006	4.993.243	144.555
1.6. Other gains / losses	007	(9.258.078)	(5.207.555)
2. Net increase / decrease of operating assets (009 to 016)	008	(859.329.564)	(1.594.234.913)
2.1. Deposits with the CNB	009	(558.017.896)	(94.697.304)
2.2. Treasury bills of the Croatian Ministry of Finance	010	(302.405.331)	(111.685.601)
2.3. Deposits with and loans to financial institutions	011	(101.270.946)	27.771.602
2.4. Loans to other customers	012	110.613.938	(1.154.947.629)
2.5. Financial assets held for trading	013	(56.075.344)	31.538.957
2.6. Financial assets available for sale	014	(38.643.583)	(224.504.767)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	86.469.598	(67.710.171)
3. Net increase / decrease of operating liabilities (018 to 021)	017	458.702.357	1.480.961.995
3.1. Transactional accounts	018	144.423.979	868.952.783
3.2. Savings and term deposits	019	(164.606.476)	968.866.496
3.3. Derivative financial liabilities and other liabilities actively traded	020	(507.910)	53.688
3.4. Ostale liabilities	021	479.392.764	(356.910.972)
4. Net cash flow from operating activities before taxation (001+008+017)	022	(103.323.326)	197.860.665
5. Income tax paid	023	(224.658)	(199.988)
6. Net cash inflow / outflow from operating activities (022+023)	024	(103.547.984)	197.660.677
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	36.222.980	93.417.097
7.1. Purchase of tangible and intangible assets	026	(2.060.171)	(31.522.488)
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	37.362.425	124.145.400
7.4. Dividends received	029	920.726	794.185
7.5. Other inflows / outflows from investing activities	030	-	-
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	143.988.875	(252.221.125)
8.1. Net increase / decrease of borrowings	032	(405.588.454)	(221.458.910)
8.2. Net increase / decrease of issued debt securities	033	-	-
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	(422.271)	-
8.4. Share capital raised	035	549.999.600	-
8.5. Dividends paid	036	-	(30.762.215)
8.6. Other inflows / outflows from financial activities	037	-	-
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038	76.663.871	38.856.649
10. Effect of foreign exchange differences on cash and cash equivalents	039	(2.214.341)	(50.809)
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	74.449.530	38.805.840
12. Cash and cash equivalents at the beginning of the year	041	361.124.967	412.197.218
13. Cash and cash equivalents as per reporting date (040+041)	042	435.574.497	451.003.058

STATEMENT OF CHANGES IN EQUITY

for the period from

Jan 01 2016

to

Sep 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	(1.857.790)	124.777.141	82.088.705		1.778.966.781
Effects of changes in accounting policies and corrections of errors	002	0	0	0	0	0	0		0
Restated balance as per Jan 01 2016 (001+002)	003	1.214.775.000	(477.000)	359.660.725	(1.857.790)	124.777.141	82.088.705	0	1.778.966.781
Disposal of financial assets available for sale	004	0	0	0	0	0	(39.338.329)		(39.338.329)
Change in the fair value of financial assets available for sale	005	0	0	0	0	0	54.242.591		54.242.591
Tax on items recognised directly in/transferred from equity	006	0	0	0	0	0	(2.980.852)		(2.980.852)
Other gains and (losses) recognised directly in equity	007	0	0	0	0	0	0		0
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	0	0	0	0	0	11.923.410	0	11.923.410
Profit for the period	009	0	0	0	0	154.240.782	0		154.240.782
Total recognized income and expense for the period (008+009)	010	0	0	0	0	154.240.782	11.923.410	0	166.164.192
Increase/decrease in share capital	011	0	0	0	0	0	0		0
Purchase/sale of own shares	012	0	0	0	0	0	0		0
Other changes	013	0	0	0	0	0	0		0
Transfer to reserves	014	0	0	10.160.835	83.854.091	(94.014.926)	0		0
Dividends paid	015	0	0	0	0	(30.762.215)	0		(30.762.215)
Profit allocation (014+015)	016	0	0	10.160.835	83.854.091	(124.777.141)	0	0	(30.762.215)
Balance as per Sep 30 2016 (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	369.821.560	81.996.301	154.240.782	94.012.115	0	1.914.368.758

NOTES TO FINANCIAL STATEMENTS

A) PROFIT OR LOSS STATEMENT

1) INTEREST INCOME
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	495.591.757	159.952.230	447.293.248	149.884.820
Deposits	5.621.602	5.092.122	1.246.756	333.541
Debt securities	101.167.807	34.497.211	100.216.873	32.847.558
TOTAL	602.381.166	199.541.563	548.756.877	183.065.919

2) INTEREST EXPENSE
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	23.313.057	7.152.679	14.704.787	4.895.140
Deposits	189.968.659	57.700.028	153.665.755	47.029.273
TOTAL	213.281.716	64.852.707	168.370.542	51.924.413

3) FEE AND COMMISSION INCOME
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	217.991.510	73.692.871	215.613.935	73.314.012
Retail and card operations	101.774.257	38.110.752	111.738.124	47.424.857
Corporate operations	36.024.410	12.260.730	41.541.276	14.749.499
Other fee and commission income	15.734.013	6.685.883	13.138.222	4.588.507
TOTAL	371.524.190	130.750.236	382.031.557	140.076.875

4) FEE AND COMMISSION EXPENSE
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	215.371.763	73.154.497	214.816.633	73.574.948
Other fee and commission expense	11.306.528	5.055.473	17.337.749	9.451.266
TOTAL	226.678.291	78.209.970	232.154.382	83.026.214

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	4.588.275	(230.578)	24.483.973	21.509.539
FX transactions	27.948.538	13.352.430	33.561.065	12.831.643
HRK cash transactions	373.786	291.956	367.955	178.850
Derivatives	(2.208.540)	211.555	(1.538.775)	(373.142)
TOTAL	30.702.059	13.625.363	56.874.218	34.146.890

6) OPERATING EXPENSES
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	263.510.257	91.554.059	258.761.090	88.623.835
Amortization and depreciation	36.536.060	11.990.059	33.658.590	11.744.223
Savings deposit insurance costs	19.455.124	6.638.090	26.930.680	9.389.885
Other costs	14.159.672	4.245.320	16.626.563	6.679.354
TOTAL	333.661.113	114.427.528	335.976.923	116.437.297

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES
in HRK

	Jan 01 - Sep 30 2015		Jan 01 - Sep 30 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B I C)	143.646.270	58.648.165	112.567.872	31.041.133
Portfolio based provisions for identified losses (risk group A)	1.878.792	7.050.561	13.091.364	7.578.475
Other provisions	12.339.826	7.843.324	26.060.126	9.085.087
TOTAL	157.864.888	73.542.050	151.719.362	47.704.695

B) BALANCE SHEET

8) CASH AND DEPOSITS WITH THE CNB

in HRK

	Dec 31 2015	Sep 30 2016
CASH	412.197.218	451.003.058
DEPOSITS WITH THE CNB	1.767.612.516	1.862.309.820
Mandatory reserve	1.279.570.476	1.206.459.086
Account for transaction settlement	488.042.040	655.850.734
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	-
TOTAL	2.179.809.734	2.313.312.878

9) DEPOSITS WITH FINANCIAL INSTITUTIONS

in HRK

	Dec 31 2015	Sep 30 2016
Deposits with foreign banking institutions	810.491.087	744.752.625
Deposits with domestic banking institutions	147.847.695	200.680.002
Portfolio based impairment allowance for identified losses	-	-
TOTAL	958.338.782	945.432.627

10) EQUITY INSTRUMENTS AND SECURITIES

in HRK

	Dec 31 2015	Sep 30 2016
Short term Treasury bills of the Croatian Ministry of Finance	501.234.808	599.689.933
Financial assets held for trading	715.276.908	916.985.274
Financial assets available for sale	1.995.759.118	1.947.811.268
Financial assets held to maturity	574.826.429	566.223.733
Derivative financial assets	-	-
Portfolio based impairment allowance for identified losses	(8.255.991)	(7.857.921)
Deferred front-end fee	(507.775)	(473.265)
TOTAL	3.778.333.497	4.022.379.022

11) LOANS TO CUSTOMERS

in HRK

	Dec 31 2015	Sep 30 2016
Gross		
Financial institutions	104.190.902	121.995.934
Corporations	4.135.862.987	4.384.732.047
Retail	4.779.585.855	5.312.292.212
<i>wherein: housing loans</i>	1.106.022.806	1.502.860.131
Other	3.493.545.228	3.224.592.963
TOTAL GROSS LOAN PORTFOLIO	12.513.184.972	13.043.613.156
DEFERRED FRONT END FEE	(47.672.780)	(45.191.678)
Provisions for impairment losses	(2.104.931.823)	(2.151.781.411)
Portfolio based impairment allowance for identified losses	(91.698.042)	(95.277.301)
TOTAL IMPAIRMENTS AND PROVISIONS	(2.196.629.865)	(2.247.058.712)
TOTAL	10.268.882.327	10.751.362.766

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

	Dec 31 2015	Sep 30 2016
Financial institutions	879.218.202	1.021.373.805
Corporations	1.948.137.946	2.286.670.674
Retail	8.719.314.802	8.924.625.946
Other	1.048.057.169	1.137.836.447
TOTAL	12.594.728.119	13.370.506.872

13) BORROWINGS
in HRK

	Dec 31 2015	Sep 30 2016
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)
TOTAL	1.004.774.273	801.941.195

14) OTHER LIABILITIES
in HRK

	Dec 31 2015	Sep 30 2016
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	20.143.351	21.289.054
Other	376.805.272	453.120.226
TOTAL	2.657.714.032	2.741.567.965

D) INVESTMENTS IN SUBSIDIARIES

The Group's subsidiaries are as follows:

	<u>Industry</u>	<u>Country</u>	<u>Ownership as per Sep 30 2016 (%)</u>
HPB Invest d.o.o.	Investment Fund Management	Hrvatska	100,00
HPB Nekretnine d.o.o.	Real Estate Agency and Construction	Hrvatska	100,00
HPB-Stambena štedionica d.d.	Savings Bank	Hrvatska	100,00
H1 Telekom d.d.	Telecommunications	Hrvatska	58,17

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

Investment in H1 Telekom d.d.

On March 25 2008, the Bank made an agreement with H1 Telekom d.d. to convert credit receivables from long-term loan into the company's equity. HPB acquired an ownership stake of 41,25% through this agreement. The stake was increased to 58,17% after converting receivables from bond, long-term loan and interest receivables into equity after the completion of the pre-bankruptcy settlement on July 29 2015.

Financial position of H1 Telekom is included in the consolidated balance sheet of HPB Group by using short-cut consolidation procedure as described in IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

E) ACCOUNTING POLICIES

There were no changes in the Group's accounting policies during the reporting period.

F) OWNERSHIP STRUCTURE OF THE GROUP

Ownership structure of HPB p.l.c., the parent company of Group, as per Sep 30 2016 was as follows:

Shareholder	Ownership stake
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%

G) HPB-R-A STOCK

Share of the parent company HPB-R-A is listed on the Official Market of ZSE. Last price per share at the end of the reporting period equalled HRK 630,00 (trading day Sep 30 2016), representing a decrease of 1,6 percent in comparison with the last price recorded in 2015 (= HRK 640,00 on trading day Dec 30 2015).

HPB-R-A trading during 2016 has been as follows:

