

**Annual consolidated financial statements  
for the period from Jan 01 to Dec 31 2016**

*Unaudited*

Zagreb, February 28 2017

In accordance with the Capital Markets Act, HPB p.l.c., as the parent company of the HPB Group publishes unaudited annual consolidated financial statements for 2016 (period from Jan 01 2016 to Dec 31 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.

## 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 180,2 million of net profit, HPB Stambena štedionica added HRK 3,5 million, HPB Nekretnine HRK 630 thousand, whilst HPB Invest realized a net profit amounting to HRK 1,8 million.

### Overview of 2016 net results – HPB Group members

HPB GROUP MEMBER	2015	2016	Δ y-o-y (%)	Δ y-o-y (000 HRK)
HRVATSKA POŠTANSKA BANKA	123.217	180.192	+46,2%	+56.975
HPB STAMBENA ŠTEDIONICA	405	3.501	+764,4%	+3.096
HPB INVEST	740	1.837	+148,2%	+1.097
HPB NEKRETNINE	415	630	+51,8%	+215
(-) consolidation eliminations	-	(3.500)	n/p	n/p
<b>HPB GROUP</b>	<b>124.777</b>	<b>182.660</b>	<b>+46,4%</b>	<b>+57.883</b>

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 and consolidation eliminations amounts to HRK 182,6 million, increasing by 46,4% in comparison with 2015. Achieved profits represents the record net profit level in the Group's corporate history.

Driven by parent company's growth, Group's assets have increased by 10,0 percent since the beginning of 2016, with structural improvements aimed at greater profitability.

Within assets' structure, 11,8 percent net loan portfolio growth stands out. Loan volume growth on declining market is something we are especially proud of. Group's and Bank's market shares in almost all loan categories have increased during 2016.

Deposits have spiked substantially – by 11,6 percent, with retail and corporate deposits both increasing due to strong acquisition activities.

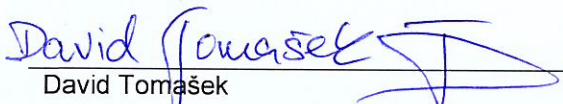



Tomislav Vučić  
President of the Management Board

## 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 annual consolidated financial statements for 2016 (period from Jan 01 to Dec 31 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:

  
\_\_\_\_\_  
David Tomašek  
Deputy Executive Director  
Finance Division

  
\_\_\_\_\_  
Tomislav Vuić  
President of the Management Board



HPB Group

**Appendix 3.**

Reporting period:

Jan 01

to

Dec 31 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: **1.104**  
(as per reporting date)

Consolidated report: **YES**

Industry code: **6419**

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

<b>HPB Stambena Štedionica d.d.</b>	<b>Savska 58, 10000 Zagreb</b>	<b>02068001</b>
<b>HPB Invest d.o.o.</b>	<b>Strojarska 20, 10000 Zagreb</b>	<b>01972278</b>
<b>HPB Nekretnine d.o.o.</b>	<b>Amruševa 8, 10000 Zagreb</b>	<b>01972260</b>
<b>H1 TELEKOM d.d.</b>	<b>Split, Dračevac 2d</b>	<b>01834649</b>

Book-keeping service provided by: **n/a**

**n/a**

Contact: **Čižmešija 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 **Dec 31 2016**

in HRK

Item	AOP label	Dec 31 2015	Dec 31 2016
1	2	3	4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	<b>001</b>	2.179.809.734	2.263.303.114
1.1. Cash	<b>002</b>	412.197.218	421.479.852
1.2. Deposits with the CNB	<b>003</b>	1.767.612.516	1.841.823.262
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	<b>004</b>	958.338.782	774.134.891
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	<b>005</b>	501.234.808	415.536.615
4. FINANCIAL ASSETS HELD FOR TRADING	<b>006</b>	596.525.929	696.314.398
5. FINANCIAL ASSETS AVAILABLE FOR SALE	<b>007</b>	1.995.759.118	2.630.574.528
6. FINANCIAL ASSETS HELD TO MATURITY	<b>008</b>	566.062.663	442.835.059
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	<b>009</b>	0	0
8. DERIVATIVE FINANCIAL ASSETS	<b>010</b>	0	3.780.197
9. LOANS TO FINANCIAL INSTITUTIONS	<b>011</b>	104.187.886	81.579.680
10. LOANS TO OTHER CUSTOMERS	<b>012</b>	10.051.115.650	11.404.039.802
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	<b>013</b>	53.420.000	7.930.000
12. REPOSSESSED ASSETS	<b>014</b>	103.134.707	87.209.063
13. TANGIBLE ASSETS (LESS DEPRECIATION)	<b>015</b>	147.109.089	155.457.145
14. OTHER ASSETS	<b>016</b>	456.468.108	882.685.950
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>17.713.166.474</b>	<b>19.845.380.442</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	<b>018</b>	558.124.023	621.264.677
1.1. Short-term	<b>019</b>	393.994	0
1.2. Long-term	<b>020</b>	557.730.029	621.264.677
2. DEPOSITS (022 to 024)	<b>021</b>	12.392.106.047	14.781.982.934
2.1. Transactional and current accounts	<b>022</b>	2.953.953.271	3.981.010.898
2.2. Savings deposits (demand)	<b>023</b>	1.060.935.229	1.486.719.761
2.3. Term deposits	<b>024</b>	8.377.217.547	9.314.252.275
3. OTHER BORROWINGS (026+027)	<b>025</b>	446.650.250	88.426.108
3.1. Short-term	<b>026</b>	0	0
3.2. Long-term	<b>027</b>	446.650.250	88.426.108
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	<b>028</b>	0	3.640.667
5. ISSUED SECURITIES (030+031)	<b>029</b>	0	0
5.1. Short-term	<b>030</b>	0	0
5.2. Long-term	<b>031</b>	0	0
6. SUBORDINATED DEBT ISSUED	<b>032</b>	0	0
7. HYBRID INSTRUMENTS	<b>033</b>	0	0
8. OTHER LIABILITIES	<b>034</b>	2.537.022.027	2.418.724.425
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>15.933.902.347</b>	<b>17.914.038.811</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	182.659.457
3. RETAINED EARNINGS	<b>038</b>	0	81.996.301
4. REGULATORY RESERVES	<b>039</b>	0	6.160.835
5. STATUTARY AND OTHER CAPITAL RESERVES	<b>040</b>	359.660.725	363.602.534
6. FAIR VALUE RESERVE	<b>041</b>	82.088.705	82.624.504
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	<b>042</b>	0	0
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.779.264.127</b>	<b>1.931.341.631</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>17.713.166.474</b>	<b>19.845.380.442</b>
<b>ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)</b>			
1. TOTAL EQUITY	<b>045</b>	<b>1.779.264.127</b>	<b>1.931.341.631</b>
2. Equity attributable to the shareholders of the parent company	<b>046</b>	1.779.264.127	1.931.341.631
3. Minority interest (045-046)	<b>047</b>	0	0

## PROFIT OR LOSS STATEMENT

for the period from **Jan 01 2016** to **Dec 31 2016**

in HRK

Item	AOP label	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	792.827.047	190.445.881	733.387.784	184.630.907
2. Interest expense	049	278.496.941	65.215.225	213.939.602	45.569.060
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>514.330.106</b>	<b>125.230.656</b>	<b>519.448.182</b>	<b>139.061.847</b>
4. Fee and commission income	051	495.327.235	123.803.045	503.662.083	121.630.526
5. Fee and commission expense	052	302.342.735	75.664.444	310.164.854	78.010.472
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>192.984.500</b>	<b>48.138.601</b>	<b>193.497.229</b>	<b>43.620.054</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	46.697.713	15.995.654	69.656.894	12.782.676
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	670	670	48.595.443	6.897.025
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	1.073.257	152.531	826.626	32.441
16. Gains less losses from exchange rate differences	063	9.668.008	409.930	4.639.356	(568.199)
17. Other income	064	31.181.412	3.187.379	7.786.346	1.151.904
18. Other operating costs	065	62.388.680	28.773.884	61.980.558	18.423.315
19. General and administrative expenses, amortization and depreciation	066	411.188.110	111.141.793	392.839.804	100.420.124
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>322.358.876</b>	<b>53.199.744</b>	<b>389.629.714</b>	<b>84.134.309</b>
21. Impairment losses and provisions	068	193.680.189	35.815.301	237.053.471	85.334.109
<b>22. PROFIT BEFORE TAXATION (067-068)</b>	<b>069</b>	<b>128.678.687</b>	<b>17.384.443</b>	<b>152.576.243</b>	<b>(1.199.800)</b>
<b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>	<b>070</b>	<b>3.901.546</b>	<b>1.193.864</b>	<b>(30.083.215)</b>	<b>(29.618.476)</b>
<b>24. NET PROFIT FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>124.777.141</b>	<b>16.190.579</b>	<b>182.659.458</b>	<b>28.418.676</b>
25. Earnings per share	072	86	11	90	14
<b>ADDENDUM TO THE P&amp;L (filled-in by the banks submitting consolidated financial statement)</b>					
<b>1. PROFIT FOR THE PERIOD</b>	<b>073</b>	<b>124.777.141</b>	<b>16.190.579</b>	<b>182.659.458</b>	<b>28.418.676</b>
<b>2. Attributable to the shareholders of the parent company</b>	<b>074</b>	<b>124.777.141</b>	<b>16.190.579</b>	<b>182.659.458</b>	<b>28.418.676</b>
<b>3. Minority interest (073-074)</b>	<b>075</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Annual consolidated financial statements for the period from Jan 01 – Dec 31 2016 (unaudited)

**CASH FLOW STATEMENT - INDIRECT METHOD**

 for the period from **Jan 01 2016** to **Dec 31 2016** in HRK

Item	AOP label	Jan 01 - Dec 31 2015	Jan 01 - Dec 31 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>354.603.113</b>	<b>409.928.173</b>
1.1. Profit for taxation	002	128.678.687	152.576.243
1.2. Impairment losses and provisions	003	193.680.189	237.053.471
1.3. Amortization and depreciation	004	35.194.252	45.487.838
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(7.915.529)	(20.803.923)
1.5. Gains / losses from sale of tangible assets	006	14.934.511	253.900
1.6. Other gains / losses	007	(9.968.997)	(4.639.356)
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>(529.566.414)</b>	<b>(2.138.011.363)</b>
2.1. Deposits with the CNB	009	365.516.253	(74.210.746)
2.2. Treasury bills of the Croatian Ministry of Finance	010	(501.234.808)	85.698.193
2.3. Deposits with and loans to financial institutions	011	30.074.634	206.812.097
2.4. Loans to other customers	012	6.875.255	(1.389.637.208)
2.5. Financial assets held for trading	013	(326.557.954)	39.766.433
2.6. Financial assets available for sale	014	(12.469.475)	(634.815.410)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	0	0
2.8. Other operating assets	016	(91.770.319)	(371.624.722)
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>174.022.628</b>	<b>1.953.298.570</b>
3.1. Transactional accounts	018	38.059.625	1.045.817.361
3.2. Savings and term deposits	019	(128.742.977)	1.142.830.149
3.3. Derivative financial liabilities and other liabilities actively traded	020	(507.910)	3.640.667
3.4. Ostale liabilities	021	265.213.890	(238.989.607)
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>(940.673)</b>	<b>225.215.380</b>
5. Income tax paid	023	(318.136)	(857.992)
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>(1.258.809)</b>	<b>224.357.388</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>5.476.081</b>	<b>81.036.316</b>
7.1. Purchase of tangible and intangible assets	026	(18.991.264)	(43.017.914)
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	23.394.088	123.227.604
7.4. Dividends received	029	1.073.257	826.626
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>48.056.085</b>	<b>(295.083.488)</b>
8.1. Net increase / decrease of borrowings	032	(501.943.515)	(295.083.488)
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	549.999.600	0
8.5. Dividends paid	036	0	0
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>52.273.357</b>	<b>10.310.216</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	(1.201.106)	(1.027.582)
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>51.072.251</b>	<b>9.282.634</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>361.124.967</b>	<b>412.197.218</b>
<b>13. Cash and cash equivalents as per reporting date (040+041)</b>	<b>042</b>	<b>412.197.218</b>	<b>421.479.852</b>



**STATEMENT OF CHANGES IN EQUITY**

for the period from **Jan 01 2016** to **Dec 31 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	0	1.778.966.781
Effects of changes in accounting policies and corrections of errors	002	0	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	(44.147.709)	0	(44.147.709)
Change in the fair value of financial assets available for sale	005	0	0	0	0	0	44.817.458	0	44.817.458
Tax on items recognised directly in/transferred from equity	006	0	0	14.548	0	0	(133.950)	0	(119.402)
Other gains and (losses) recognised directly in equity	007	0	0	(72.739)	0	0	-	0	(72.739)
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	0	0	(58.191)	0	0	535.799	0	477.608
Profit for the period	009	0	0	0	0	182.659.457	0	0	182.659.457
Total recognized income and expense for the period (008+009)	010	0	0	(58.191)	0	182.659.457	535.799	0	183.137.065
Increase/decrease in share capital	011	0	0	0	0	0	0	0	0
Purchase/sale of own shares	012	0	0	0	0	0	0	0	0
Other changes	013	0	0	0	0	0	0	0	0
Transfer to reserves	014	0	0	10.160.835	83.854.091	(94.014.926)	0	0	0
Dividends paid	015	0	0	0	0	(30.762.215)	0	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 Dec 31 2016 (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	369.763.369	81.996.301	182.659.457	82.624.504	0	1.931.341.631

## NOTES TO FINANCIAL STATEMENTS

### A) PROFIT OR LOSS STATEMENT

**1) INTEREST INCOME**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	653.562.861	157.971.104	600.916.177	153.622.929
Deposits	2.773.259	(2.848.343)	2.104.322	857.566
Debt securities	136.490.927	35.323.120	130.367.285	30.150.412
<b>TOTAL</b>	<b>792.827.047</b>	<b>190.445.881</b>	<b>733.387.784</b>	<b>184.630.907</b>

**2) INTEREST EXPENSE**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	36.602.806	13.289.749	18.962.631	4.257.844
Deposits	241.894.135	51.925.476	194.976.971	41.311.216
<b>TOTAL</b>	<b>278.496.941</b>	<b>65.215.225</b>	<b>213.939.602</b>	<b>45.569.060</b>

**3) FEE AND COMMISSION INCOME**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	290.870.928	72.879.418	285.883.397	70.269.462
Retail and card operations	133.189.658	31.415.401	146.326.916	34.588.792
Corporate operations	50.279.820	14.255.410	55.089.786	13.548.510
Other fee and commission income	20.986.829	5.252.816	16.361.984	3.223.762
<b>TOTAL</b>	<b>495.327.235</b>	<b>123.803.045</b>	<b>503.662.083</b>	<b>121.630.526</b>

**4) FEE AND COMMISSION EXPENSE**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	270.460.872	55.089.109	284.852.560	70.035.927
Other fee and commission expense	31.881.863	20.575.335	25.312.294	7.974.545
<b>TOTAL</b>	<b>302.342.735</b>	<b>75.664.444</b>	<b>310.164.854</b>	<b>78.010.472</b>

**5) GAINS LESS LOSSES FROM TRADING ACTIVITIES**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	8.251.673	3.663.398	27.643.005	3.159.032
FX transactions	40.654.631	12.706.093	43.408.082	9.847.017
HRK cash transactions	421.619	47.833	367.955	0
Derivatives	(2.630.210)	(421.670)	(1.762.148)	(223.373)
<b>TOTAL</b>	<b>46.697.713</b>	<b>15.995.654</b>	<b>69.656.894</b>	<b>12.782.676</b>

**6) OPERATING EXPENSES**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	365.134.995	101.799.985	347.351.966	88.590.876
Amortization and depreciation	46.053.115	9.341.808	45.487.838	11.829.248
Savings deposit insurance costs	35.194.252	15.739.128	34.691.397	7.760.717
Other costs	27.194.428	13.034.756	27.289.161	10.662.598
<b>TOTAL</b>	<b>473.576.790</b>	<b>139.915.677</b>	<b>454.820.362</b>	<b>118.843.439</b>

**7) IMPAIRMENT LOSSES AND PROVISION EXPENSES**
*in HRK*

	Jan 01 - Dec 31 2015		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	191.896.138	48.249.868	174.284.057	61.716.185
Portfolio based provisions for identified losses (risk group A)	(5.935.916)	(7.814.708)	13.634.237	542.873
Other provisions	7.719.967	(4.619.859)	49.135.177	23.075.051
<b>TOTAL</b>	<b>193.680.189</b>	<b>35.815.301</b>	<b>237.053.471</b>	<b>85.334.109</b>

## B) BALANCE SHEET

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

	Dec 31 2015	Dec 31 2016
<b>CASH</b>	<b>412.197.218</b>	<b>421.479.852</b>
<b>DEPOSITS WITH THE CNB</b>	<b>1.767.612.516</b>	<b>1.841.823.262</b>
Mandatory reserve	1.279.570.476	1.300.796.321
Account for transaction settlement	488.042.040	541.026.941
<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>2.263.303.114</b>

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

	Dec 31 2015	Dec 31 2016
Deposits with foreign banking institutions	810.491.087	753.064.621
Deposits with domestic banking institutions	147.847.695	21.070.270
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>958.338.782</b>	<b>774.134.891</b>

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

	Dec 31 2015	Dec 31 2016
Short term Treasury bills of the Croatian Ministry of Finance	501.234.808	415.536.615
Financial assets held for trading	715.276.908	696.314.398
Financial assets available for sale	1.995.759.118	2.630.574.528
Financial assets held to maturity	574.826.429	450.105.787
Portfolio based impairment allowance for identified losses	(8.255.991)	(6.771.524)
Deferred front-end fee	(507.775)	(499.204)
<b>TOTAL</b>	<b>3.778.333.497</b>	<b>4.185.260.600</b>

### 11) LOANS TO CUSTOMERS

*in HRK*

	Dec 31 2015	Dec 31 2016
<b>Gross</b>		
Loans to financial institutions	104.190.902	81.583.376
Loans to companies	4.135.862.987	3.831.863.831
Retail loans	4.779.585.855	4.966.265.649
<i>therein: housing loans</i>	1.106.022.806	1.608.068.882
Other loans	3.493.545.228	4.039.141.626
<b>Total gross loans</b>	<b>12.513.184.972</b>	<b>12.918.854.482</b>
Impairment allowances	(2.104.931.823)	(1.282.693.318)
Portfolio based impairment allowance for identified losses	(91.698.042)	(104.459.180)
Deferred front-end fee	(47.672.780)	(46.082.502)
<b>TOTAL</b>	<b>10.268.882.327</b>	<b>11.485.619.482</b>

**B) BALANCE SHEET (continued)**

**12) DEPOSITS** *in HRK*

	<b>Dec 31 2015</b>	<b>Dec 31 2016</b>
Financial institutions	879.218.202	1.153.448.334
Corporations	1.948.137.946	3.009.235.694
Retail	8.719.314.802	9.166.235.142
Other	1.048.057.169	1.453.063.764
<b>TOTAL</b>	<b>12.594.728.119</b>	<b>14.781.982.934</b>

**13) BORROWINGS** *in HRK*

	<b>Dec 31 2015</b>	<b>Dec 31 2016</b>
Borrowings from HBOR	561.173.123	624.965.630
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	393.994	-
Borrowings from foreign banking institutions	446.650.250	88.426.109
Deferred front-end fee	(3.443.094)	(3.700.954)
<b>TOTAL</b>	<b>1.004.774.273</b>	<b>709.690.785</b>

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

	<b>Dec 31 2015</b>	<b>Dec 31 2016</b>
Restricted deposits	2.187.135.040	1.715.292.949
Interest and fees payable	73.630.369	58.731.565
Provisions for off-balance sheet exposure	20.143.351	22.291.290
Other	376.805.272	622.408.621
<b>TOTAL</b>	<b>2.657.714.032</b>	<b>2.418.724.425</b>

## C) INVESTMENTS IN SUBSIDIARIES

The Group's subsidiaries are as follows:

	Industry	Country	Ownership as per Dec 31 2016 (%)
HPB Invest d.o.o.	Investment Fund Management	Croatia	100,00
HPB Nekretnine d.o.o.	Real Estate Agency and Construction	Croatia	100,00
HPB-Stambena štedionica d.d.	Savings Bank	Croatia	100,00
H1 Telekom d.d.	Telecommunications	Croatia	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.

H1 Telekom d.d. signed the merger agreement with OT-Optima Telekom d.d. Pursuant to the agreement, H1 Telekom d.d. as the transferor company, will be merged with OT-Optima Telekomu d.d. as a transferee, by transferring the entire property and all rights and obligations of H1, without liquidation of the transferor company. The effect of merger should occur after obtaining all necessary permits and approvals.

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*.

## D) ACCOUNTING POLICIES

There were no changes in accounting policies of the Group during 2016 which might have impact on financial position or results of the Group.

Group has intention to start with capitalization of internal personnel expenses with regard to project development, should all the necessary requirements as sety by IAS 38 be met. Group has commenced with preparations for this change during 2016. Useful life of such developed intangible asset will be in line with estimated period of use, and estimated period of inflow of economic benefits linked with this fixed asset.

## E) 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 (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%
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%

## F) HPB-R-A STOCK

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 750,00 (Dec 31 2016) representing an increase of 17,3% when compared to the last traded price in 2015 (HRK 640,00 on Dec 31 2015).

Trading during 2016 was as follows:

