

Annual Financial Statements
for the Period from Jan 01 to Dec 31 2017

Audited

Zagreb, April 27 2018

In accordance with Capital Markets Act, HPB p.l.c. (Bank) publishes audited annual financial statements for the period from Jan 01 to Dec 31 2017.

Content of the report is as follows:

- Management Report of HPB p.l.c.,
- Statement by persons accountable for compiling the report of HPB p.l.c.,
- Audited set of financial statements (balance sheet, profit or loss statement, statement of changes in equity, cash flow statement),
- notes to financial statements,
- Resolution by the Supervisory Board on giving consent to annual financial statements of HPB p.l.c., and
- Proposal of allocation of profit earned in 2017 for HPB p.l.c.

Annual Report for 2017, which includes the full set of disclosures in accordance with Accounting Act and Credit Institutions Act, together with the auditor's report can be found on the following web link:

http://www.zse.hr/userdocsimages/revizor/249_revizor_2017_konsolidirano_HR.pdf

Key highlights of results for 2017 are as follows:

- **net profit amounting to HRK 8,3M** in spite of significant impairment losses on exposures towards Agrokor and related parties (HRK 281M of impairments towards this borrower group with impairment coverage standing at 62,2 percent on NPL exposures towards this borrower group).

- **operating profit amounts to HRK 373,4M**, representing a 1,8 percent y-o-y decrease consequent to significant one-offs in 2016 (e.g. VISA Europe Ltd. Transaction was closed in Jun 2016, resulting in HRK 33,5M gain for the Bank),

- **net interest income amounts to HRK 531,3M** – increase of **3,3%** y-o-y,

- **net fee income amounts to HRK 192,1M** – increase by **4,0%** or by HRK 7,4M y-o-y,

- almost **32 thousand new current accounts** have been opened during 2017,

- **book value per share increased by 0,9%** during 2017,

- other trends in HPB operations – **new digital banking products, e-cash, new web pages**; HPB carried out the **due diligence in Jadranska banka**; preparations for recapitalization of HPB which is postponed for 2018; 10 branches and outlets have been wholly refurbished; reorganization and personnel changes,

- own funds strengthened by retaining 2016 earnings, and decreased RWA have resulted in strengthened **capital adequacy ratio, which equals 18,1 percent**

HPB p.l.c.

Management Report of HPB p.l.c.

The year 2017 was marked by the effects associated with the deterioration of the Agrokor group's creditworthiness, which was felt by HPB as well. Since the end of 2016, and over the course of the larger part of 2017, growth was limited due to capital adequacy concerns, but we managed to end the year in positive territory, by achieving a net profit of HRK 8,3M. This was also the year in which we continued to realize the strategic development guidelines that consist of the modernization of the business network and digitization of the Bank, as well as utilizing some other opportunities on the market.

In order to better respond to the needs of our clients, in 2017, we carried out a reorganization in which we formed a division specialized in business with SME segment, digital marketing section and e-branch.

We continue to actively participate in the digital transformation of the banking industry, so we have introduced the first non-card cash withdrawal service on ATMs on the Croatian market, so-called e-cash. No less important is the HPB web site, as the point of first contact with HPB clients, which we redesigned in 2017 and made it more accessible to our customers who are more inclined to use this channel for using and gaining information about banking services.

In 2017, reconstruction of 4 outlets (Poreč, Zagreb - Jurišićeva, Vinkovci, Makarska) was completed, we opened one new outlet in Solin, and 5 others were moved and constructed on new locations that are more accessible and better in terms of customer frequency (Velika Gorica, Bjelovar, Rijeka, Zagreb - Gajnice, Beli Manastir). Domestic refurbishing and Croatian design are main features of our branches that are becoming more and more modern and functional.

In 2017, the Bank marked the 26th anniversary since foundation, and on that occasion we have redefined the mission, vision and corporate values to ensure the fulfillment of the goals we have - to be the largest Croatian-owned banking group that takes cares about clients, shareholders, while providing top-level service and achieving long-term sustainable return on capital.

The previous year was marked impairment losses recognized on Agrokor exposures. However, we ended the year with a positive result, with a net profit of HRK 8,3M. Meanwhile, the Bank has been able to substantially improve its core revenue. Thus, net interest income amounted to HRK 531,3M, representing an increase of 3,3 percent compared to 2016, despite declining interest income (by 8,0% or HRK 57,5M), because interest expenses decreased significantly (by 36,2% or by HRK 74,4M) through funding structure optimization and lower interest rates. Net income from commission and fees amounted to HRK 192,1M, increasing by 4% or HRK 7,4M in comparison with 2016. The Bank has recorded a rise in fee income, with growth in the retail and card operations segment excelling (+25,2%) due to the increased number of users and ATM transactions. Furthermore, income from guarantees and letters of credit increased as well (+2,9%), owing to dynamics of import-export activities of Croatian companies in the post-recession period.

Efforts made by the Bank to make internal improvements that would at least partly mitigate adverse effects of external factors limiting Bank's profitability, are reflected in almost unchanged operating costs level (+0,8%), in spite of a number of initiatives and projects having been launched and started in 2017, on top of the recapitalization process that has commenced.

Operating profit amounted to HRK 372,4M, representing a HRK 6,7M or 1,8 percent decrease compared to 2016, due to smaller one-off effects arising from the sale of securities.

HPB p.l.c.

Impairments spiked by 59,3%, resulting almost exclusively from impairment losses on exposures to the Agrokor group and economically and legally related parties. In addition to the provisions made, NPL coverage ratio does not materially differ from the 2016-level, equalling 59,8 percent (2016: 62,5%). Non-performing loan volume is unchanged when compared to 2016 e-o-y, as new deteriorations were neutralized by disposals of outstanding NPLs, thus reducing their burden on the financial position and making new liquidity available for placements.

During the past years, the Bank has achieved a strong growth in line with its strategy. However, this increase in the balance sheet led HPB to a relatively low capitalization, given that higher market share increases capital requirements. Limited capital base due to market share lingering around 5,00% significantly reduced the possibility of further balance sheet expansion over the majority of the period (until the new Decision on the Structural Systemic Risk Buffer came into force in August 2017), so the Bank's assets increased by 2,5 percent to HRK19,8B.

Due to the significant early repayments of loans recorded at the end of 2017, loans to customers decreased by 3,6 percent, although the Bank had a positive growth for almost the entire year. Retail loans continued to grow (+7,7%), but loans to corporate entities dropped by 10,4% due to the exceptionally good fiscal year and the realization of the budget above expectations, meaning that the government units had lower need for new debt.

HPB continues to be one of the most trusted banks in Croatia. Consequently, received deposits increased by 4,2 percent or by HRK 687M. As a result, deposits of all nonfinancial corporate entities and retail are on the increase. We are particularly proud of 32.000 newly opened retail current accounts of in 2017. At the same time, bank deposits fell by 21,5 percent, as the Bank had more than enough other available liquidity reserves.

As there was no need for other sources of funding, borrowings were partially repaid (-7,4%), with new debt not being contracted in a significant amount.

Capital adequacy equals 18,1 percent. Higher capital adequacy was achieved despite the postponement of the planned recapitalization at the end of 2017, through risk mitigation measures, where risk weighted assets ("RWA") dropped by 5,9 percent.

Mladen Mrvelj
Board Member

Domagoj Karadjole
Board Member



HPB p.l.c.

Statement by persons accountable for compiling the report of HPB p.l.c.

In accordance with the Capital Market Act, the Management of HPB p.l.c., states that according to their best knowledge the set of audited financial statements for the period from Jan 01 to Dec 31 2017, 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.

Mladen Mrvelj
Board Member

Domagoj Karadjole
Board Member

David Tomašek
Head of Finance Division

HPB p.l.c.

Appendix 3.

Reporting period:

Jan 01

to

Dec 31 2017

Annual financial statements for credit institutions GFI-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: 1.122
(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: Tomašek DavidPhone: 014804900Fax: 014804594E-mail address: david.tomasek@hpb.hrSurname and name: Karadjole Domagoj
Mrvelj Mladen

(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 2017

in HRK

Item	AOP label	Dec 31 2016 (restated)	Dec 31 2017
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	2.263.303.114	4.391.466.489
1.1. Cash	002	421.479.852	460.023.632
1.2. Deposits with the CNB	003	1.841.823.262	3.931.442.857
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	774.135.009	473.302.324
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	415.536.615	324.931.405
4. FINANCIAL ASSETS HELD FOR TRADING	006	551.322.886	513.989.813
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.630.574.528	2.459.982.241
6. FINANCIAL ASSETS HELD TO MATURITY	008	442.835.059	72.345.457
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	0	0
8. DERIVATIVE FINANCIAL ASSETS	010	3.780.197	0
9. LOANS TO FINANCIAL INSTITUTIONS	011	81.579.680	62.450.000
10. LOANS TO OTHER CUSTOMERS	012	11.250.340.147	10.851.664.988
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	53.420.000	65.490.000
12. REPOSSESSED ASSETS	014	0	0
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	146.091.281	141.461.846
14. OTHER ASSETS	016	692.909.263	441.748.035
A) TOTAL ASSETS (001+004 to 016)	017	19.305.827.779	19.798.832.598
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	620.995.448	651.970.981
1.1. Short-term	019	0	0
1.2. Long-term	020	620.995.448	651.970.981
2. DEPOSITS (022 to 024)	021	14.529.990.572	15.134.400.504
2.1. Transactional and current accounts	022	4.009.237.425	5.172.463.233
2.2. Savings deposits (demand)	023	1.486.719.761	1.538.006.561
2.3. Term deposits	024	9.034.033.386	8.423.930.710
3. OTHER BORROWINGS (026+027)	025	88.426.108	20.286.850
3.1. Short-term	026	0	0
3.2. Long-term	027	88.426.108	20.286.850
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	3.640.667	0
5. ISSUED SECURITIES (030+031)	029	0	0
5.1. Short-term	030	0	0
5.2. Long-term	031	0	0
6. SUBORDINATED DEBT ISSUED	032	0	0
7. HYBRID INSTRUMENTS	033	0	0
8. OTHER LIABILITIES	034	2.175.324.123	2.086.882.490
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	17.418.376.918	17.893.540.825
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT FOR THE YEAR	037	181.261.017	8.333.460
3. RETAINED EARNINGS	038	37.417.870	124.540.223
4. REGULATORY RESERVES	039	6.160.835	15.574.701
5. STATUTARY AND OTHER CAPITAL RESERVES	040	363.623.023	448.288.175
6. FAIR VALUE RESERVE	041	84.690.116	94.257.214
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	1.887.450.861	1.905.291.773
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	19.305.827.779	19.798.832.598

PROFIT OR LOSS STATEMENT

 for the period from **Jan 01 2017** to **Dec 31 2017** in HRK

Item	AOP label	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
		(restated)	
		Cumulative	Cumulative
1	2	3	5
1. Interest income	048	720.254.986	662.752.921
2. Interest expense	049	205.858.447	131.417.909
3. Net interest income (048-049)	050	514.396.539	531.335.012
4. Fee and commission income	051	493.880.472	520.964.661
5. Fee and commission expense	052	309.110.374	328.837.117
6. Net fee and commission income (051-052)	053	184.770.098	192.127.544
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	0	0
8. Gains less losses from trading activities	055	66.994.720	50.825.822
9. Gains less losses from built-in derivatives	056	0	0
10. Gains less losses arising from financial assets valued at fair value through P&L, not actively traded	057	0	0
11. Gains less losses arising from securities available for sale	058	48.595.443	30.212.617
12. Gains less losses arising from securities held to maturity	059	0	0
13. Gains less losses arising from hedging activities	060	0	0
14. Income from investments in subsidiaries, associated companies and joint ventures	061	3.500.000	3.200.000
15. Income from other equity instruments	062	826.626	974.919
16. Gains less losses from exchange rate differences	063	(4.098.561)	1.747.151
17. Other income	064	4.277.870	5.727.391
18. Other operating costs	065	59.443.791	62.027.539
19. General and administrative expenses, amortization and depreciation	066	380.657.744	381.736.318
20. Operating profit (050+053 to 064-065-066)	067	379.161.200	372.386.599
21. Impairment losses and provisions	068	225.991.387	359.925.881
22. PROFIT BEFORE TAXATION (067-068)	069	153.169.813	12.460.718
23. INCOME TAX EXPENSE / DEFERRED TAX	070	(28.091.204)	4.127.258
24. NET PROFIT FOR THE PERIOD (069-070)	071	181.261.017	8.333.460
25. Earnings per share	072	90	4

CASH FLOW STATEMENT - INDIRECT METHOD

 for the period from **Jan 01 2017** to **Dec 31 2017** in HRK

Item	AOP label	Jan 01 - Dec 31 2016 (restated)	Jan 01 - Dec 31 2017
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	404.831.685	403.482.933
1.1. Profit for taxation	002	153.169.813	12.460.718
1.2. Impairment losses and provisions	003	225.991.387	359.925.881
1.3. Amortization and depreciation	004	45.052.891	43.868.284
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(23.227.067)	(9.142.470)
1.5. Gains / losses from sale of tangible assets	006	(253.900)	(1.882.329)
1.6. Other gains / losses	007	4.098.561	(1.747.151)
2. Net increase / decrease of operating assets (009 to 016)	008	(1.994.921.390)	693.980.911
2.1. Deposits with the CNB	009	0	0
2.2. Treasury bills of the Croatian Ministry of Finance	010	85.698.193	90.605.210
2.3. Deposits with and loans to financial institutions	011	13.252.769	40.590.504
2.4. Loans to other customers	012	(1.350.232.552)	223.606.619
2.5. Financial assets held for trading	013	45.203.042	46.475.543
2.6. Financial assets available for sale	014	(634.815.410)	198.252.413
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	0	0
2.8. Other operating assets	016	(154.027.432)	94.450.622
3. Net increase / decrease of operating liabilities (018 to 021)	017	1.754.457.573	559.561.762
3.1. Transactional accounts	018	1.055.284.154	1.163.225.808
3.2. Savings and term deposits	019	1.082.600.372	(558.815.876)
3.3. Derivative financial liabilities and other liabilities actively traded	020	3.640.667	(3.640.667)
3.4. Ostale liabilities	021	(387.067.620)	(41.207.503)
4. Net cash flow from operating activities before taxation (001+008+017)	022	164.367.868	1.657.025.606
5. Income tax paid	023	(171.183)	(207.923)
6. Net cash inflow / outflow from operating activities (022+023)	024	164.196.685	1.656.817.683
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	85.557.602	146.708.515
7.1. Purchase of tangible and intangible assets	026	(42.125.587)	(42.434.067)
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	123.227.604	184.967.663
7.4. Dividends received	029	4.455.585	4.174.919
7.5. Other inflows / outflows from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(326.508.925)	(37.163.725)
8.1. Net increase / decrease of borrowings	032	(295.746.710)	(37.163.725)
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	(30.762.215)	0
8.6. Other inflows / outflows from financial activities	037	0	0
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038	(76.754.638)	1.766.362.473
10. Effect of foreign exchange differences on cash and cash equivalents	039	813.257	(4.982.723)
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	(75.941.381)	1.761.379.750
12. Cash and cash equivalents at the beginning of the year	041	3.247.051.855	3.171.110.474
13. Cash and cash equivalents as per reporting date (040+041)	042	3.171.110.474	4.932.490.224

STATEMENT OF CHANGES IN EQUITY

for the period from **Jan 01 2017** to **Dec 31 2017** 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 2017	001	1.214.775.000	(477.000)	369.783.858	82.293.647	188.277.328	84.690.116	0	1.939.342.949
Effects of changes in accounting policies and corrections of errors	002	0	0	0	(44.875.777)	(7.016.311)	0		(51.892.088)
Restated balance as per Jan 01 2017 (001+002)	003	1.214.775.000	(477.000)	369.783.858	37.417.870	181.261.017	84.690.116	0	1.887.450.861
Disposal of financial assets available for sale	004	0	0	0	0	0	(6.744.613)		(6.744.613)
Change in the fair value of financial assets available for sale	005	0	0	0	0	0	18.934.865		18.934.865
Tax on items recognised directly in/transferred from equity	006	0	0	13.093	0	0	(2.194.245)		(2.181.152)
Other gains and (losses) recognised directly in equity	007	0	0	(72.739)	0	0	(428.909)		(501.648)
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	0	0	(59.646)	0	0	9.567.098	0	9.507.452
Profit for the period	009	0	0	0	0	8.333.460	0		8.333.460
Total recognized income and expense for the period (008+009)	010	0	0	(59.646)	0	8.333.460	9.567.098	0	17.840.912
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	(7.016.311)	7.016.311	0		0
Transfer to reserves	014	0	0	94.138.664	94.138.664	(188.277.328)	0		0
Dividends paid	015	0	0	0	0	0	0		0
Profit allocation (014+015)	016	0	0	94.138.664	94.138.664	(188.277.328)	0	0	0
Balance as per reporting date (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	463.862.876	124.540.223	8.333.460	94.257.214	0	1.905.291.773

HPB p.l.c.

NOTES TO FINANCIAL STATEMENTS

A) Profit or Loss Statement

1) INTEREST INCOME

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
Loans	595.182.686	573.042.923
Deposits	2.001.471	(1.125.453)
Debt securities	123.070.829	90.835.451
TOTAL	720.254.986	662.752.921

2) INTEREST EXPENSE

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
Borrowings	18.962.631	14.083.983
Deposits	186.895.816	117.333.926
TOTAL	205.858.447	131.417.909

3) FEE AND COMMISSION INCOME

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
Cash payment operations - channels	285.883.396	277.133.722
Retail and card operations	143.639.056	176.067.813
Corporate operations	57.004.833	59.486.631
Other fee and commission income	7.353.187	8.276.495
TOTAL	493.880.472	520.964.661

4) FEE AND COMMISSION EXPENSE

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
Payment operations	284.852.560	278.084.072
Other fee and commission expense	24.257.814	50.753.045
TOTAL	309.110.374	328.837.117

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
Securities and equity instruments	25.153.961	12.093.968
FX transactions	43.408.098	38.157.579
HRK cash transactions	367.955	490.545
Derivatives	(1.935.294)	83.730
TOTAL	66.994.720	50.825.822

6) OPERATING EXPENSES

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
General and administrative expenses	335.532.113	337.868.034
Amortization and depreciation	45.125.631	43.868.284
Savings deposit insurance costs	33.913.498	35.559.103
Other costs	25.530.293	26.468.436
TOTAL	440.101.535	443.763.857

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

	Jan 01 - Dec 31 2016	Jan 01 - Dec 31 2017
	Cumulative	Cumulative
Individually identified impairment losses (risk group B i C)	171.720.380	352.638.151
Portfolio based provisions for identified losses (risk group A)	13.522.210	5.404.384
Other provisions	40.748.797	1.883.346
TOTAL	225.991.387	359.925.881

B) Balance sheet
8) CASH AND DEPOSITS WITH THE CNB
in HRK

	Dec 31 2016	Dec 31 2017
CASH	421.479.852	460.023.632
DEPOSITS WITH THE CNB	1.841.823.262	3.931.442.857
Mandatory reserve	1.300.796.321	1.300.268.691
Account for transaction settlement	541.026.941	2.631.174.166
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	-
TOTAL	2.263.303.114	4.391.466.489

9) DEPOSITS WITH FINANCIAL INSTITUTIONS
in HRK

	Dec 31 2016	Dec 31 2017
Deposits with foreign banking institutions	753.064.739	449.961.229
Deposits with domestic banking institutions	21.070.270	23.341.095
Portfolio based impairment allowance for identified losses	-	-
TOTAL	774.135.009	473.302.324

10) EQUITY INSTRUMENTS AND SECURITIES
in HRK

	Dec 31 2016	Dec 31 2017
Short term Treasury bills of the Croatian Ministry of Finance	415.536.615	324.931.405
Financial assets held for trading	551.322.886	513.989.813
Financial assets available for sale	2.630.574.528	2.459.982.241
Financial assets held to maturity	450.105.787	73.139.356
Portfolio based impairment allowance for identified losses	(6.771.524)	(775.376)
Deferred front-end fee	(499.204)	(18.523)
TOTAL	4.040.269.088	3.371.248.916

11) LOANS TO CUSTOMERS
in HRK

	Dec 31 2016	Dec 31 2017
Loans to financial institutions	81.579.680	62.450.000
Gross loans	81.583.376	62.454.545
Impairment allowance	(3.696)	(4.545)
Loans to companies	2.783.381.353	2.948.467.733
Gross loans	3.880.932.056	3.908.831.549
Impairment allowance	(1.097.550.703)	(960.363.816)
Retail loans	4.577.784.714	4.866.944.528
Gross loans	4.799.866.200	5.163.867.192
Impairment allowance	(222.081.486)	(296.922.664)
Other loans	4.037.506.783	3.192.134.584
Gross loans	4.040.077.723	3.198.303.415
Impairment allowance	(2.570.940)	(6.168.831)
Portfolio based impairment allowance for identified losses	(103.076.997)	(116.708.983)
Deferred front-end fee	(45.255.706)	(39.172.874)
TOTAL	11.331.919.827	10.914.114.988

HPB p.l.c.
B) Balance sheet (continued)

12) DEPOSITS *in HRK*

	Dec 31 2016	Dec 31 2017
Financial institutions	1.180.254.901	1.198.016.694
Corporations	3.010.655.654	3.891.544.698
Retail	8.886.016.253	9.150.703.429
Other	1.453.063.764	894.135.683
TOTAL	14.529.990.572	15.134.400.504

13) BORROWINGS *in HRK*

	Dec 31 2016	Dec 31 2017
Borrowings from HBOR	624.696.401	656.196.151
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	0	-
Borrowings from foreign banking institutions	88.426.109	20.286.850
Deferred front-end fee	(3.700.954)	(4.225.170)
TOTAL	709.421.556	672.257.831

14) OTHER LIABILITIES *in HRK*

	Dec 31 2016	Dec 31 2017
Restricted deposits	1.715.292.949	1.786.812.843
Interest and fees payable	58.731.565	48.664.624
Provisions for off-balance sheet exposure	22.269.210	25.171.072
Other	379.030.399	226.233.951
TOTAL	2.175.324.123	2.086.882.490

14) CASH AND CASH EQUIVALENTS *in HRK*

	Dec 31 2016 (restated)	Dec 31 2017
Cash and accounts held with banks	1.554.584.113	3.451.043.575
Mandatory reserve held in CNB	1.300.796.321	1.300.268.691
Placements to banks with original maturity of 90 days or less	148.462.493	101.668.054
Instruments in course of collection	167.267.547	79.509.904
TOTAL	3.171.110.474	4.932.490.224

C) Changes in accounting policies

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

D) Changes in presentation of financial reports

Bank has carried out a correction of prior period error with regard to certain items in financial statements. In line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, prior period financial reports have been restated.

Correction is related to a deduction from retained earnings for erroneously booked income from FX translation differences arising from foreign payment operations for a foreign partner, over the course of the period from Jan 01 2011 to Dec 31 2015, as well as correction of 2016 net profit for erroneously booked FX translation differences arising from aforementioned operations.

Corrections with regard to prior periods have been carried out during the current reporting period, error in booking has been eliminated, and P&L presented in these reports reflects correct effects of these transactions.

HPB p.l.c.

Effects arising from correction are presented below:

Effects on statement on financial position as per Dec 31 2016
(in HRK)

Item	as per 31.12.2016. - before restatement	Restatement effects	as per 31.12.2016. - after restatement
ASSETS			
Other assets (AOP 016)	744.801.351	(51.892.088)	692.909.263
EQUITY			
Profit/(loss) for the period (AOP 037)	188.277.328	(7.016.311)	181.261.017
Retained earnings (AOP 038)	82.293.647	(44.875.777)	37.417.870

Effects on P&L statement for the period from Jan 01. – Dec 31 2016:
(in HRK)

Item	01.01. - 31.12.2016. - before restatement	Učinci prepravljanja	01.01. - 31.12.2016. - after restatement
Gains less losses from exchange rate differences (AOP 063)	4.457.916	(8.556.477)	(4.098.561)
INCOME TAX EXPENSE / DEFERRED TAX (AOP 070)	(26.551.038)	1.540.166	(28.091.204)
Profit/loss for the period (AOP 071)	188.277.328	(7.016.311)	181.261.017

E) Ownership structure the Bank

Ownership structure of HPB p.l.c. as per Dec 31 2017 was as follows:

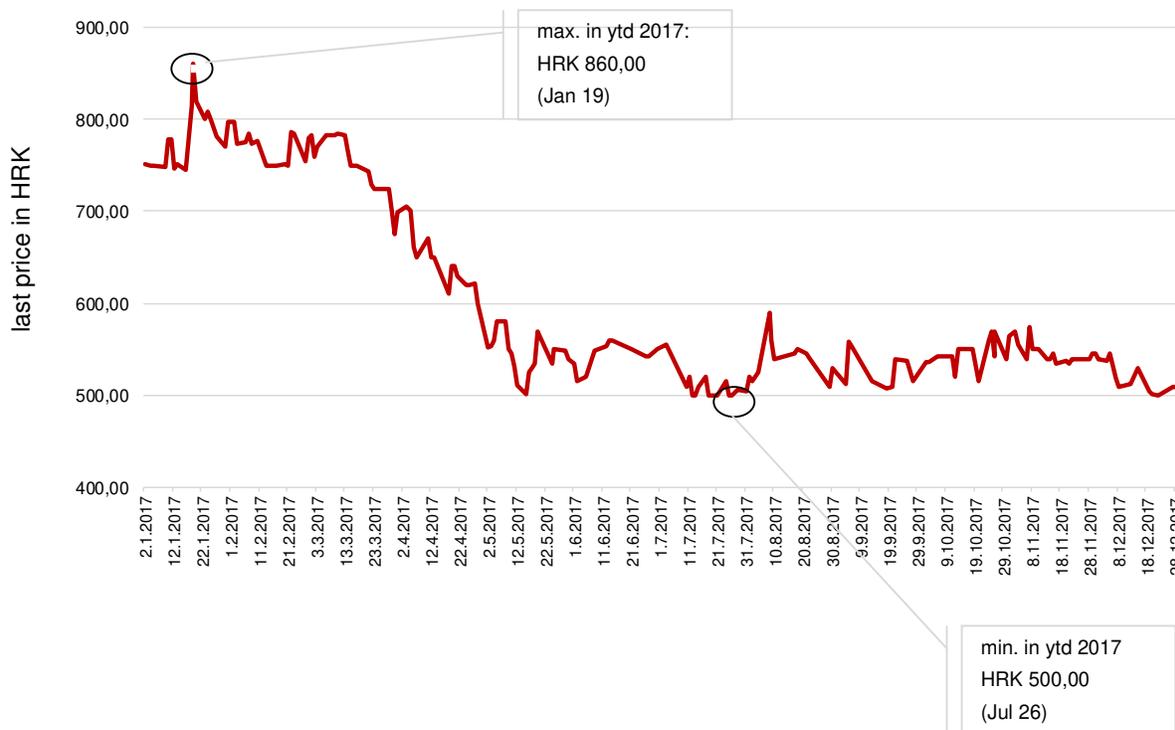
Shareholder	Ownership stake
Republic of Croatia (Ministry of State Assets)	42,43%
HP Hrvatska pošta Plc	11,93%
State Agency for Deposit Insurance and Bank Resolution	8,98%
Croatian Pension Insurance Institute (Ministry of State Assets)	8,76%
Prosperus Invest d.o.o., for Prosperus FGS	4,94%
PBZ CROATIA 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%
Fund for Financing the Decommissioning of the Krško Nuclear Power Plant and the Disposal of NEK Radioactive Waste and Spent Nuclear Fuel	2,36%
RAIFFEISEN D.D., for Raiffeisen OMF (B category)	2,20%
Minorities	4,99%
Own shares	0,04%

HPB p.l.c.

F) HPB stock

Shares of HPB p.l.c. are listed on the Official Market of ZSE. The last price per share at the end of the reporting period was HRK 506,00 (Dec 29 2017) representing a decrease of 32,6% when compared to the last traded price in 2016 (HRK 751,00 on Dec 30 2016).

Trading during the reporting period was as follows:



HPB p.l.c.
Zagreb, Jurišićeva 4

SUPERVISORY BOARD

Zagreb, March 30 2018

In accordance with the provision of article 21 of the Articles of Association of HPB p.l.c. (in further text: Bank), and in line with Articles 300.c and 300.d of the Companies Act, Supervisory Board of the Bank has at its meeting held on March 30 2018, made the following:

RESOLUTION

on giving consent to Annual financial statements and consolidated annual financial statements of the Bank and the Group, for the 2017 business year, comprising also the Management Board's annual report on condition of HPB p.l.c. and its subsidiaries

- I. Consent is given to Annual financial statements and consolidated annual financial statements of the Bank and the Group for the business year ended December 31 2017, comprising also the Management Board's annual report on condition of HPB p.l.c. and its subsidiaries, submitted by the Bank's Management Board.

Acceptance is given for Auditor's report by Ernst & Young d.o.o., Zagreb, Radnička 50. Auditor has conducted the audit of Annual financial statements the Bank and the Group for the year ended December 31 2017.

- II. By giving consent to statements outlined in paragraph I. of this Resolution, Annual financial statements and consolidated annual financial statements of the Bank and Group for the year ended December 31 2017 are considered to be confirmed by the Management Board and the Supervisory Board.
- III. This resolution comes into force on the day of its adoption.

President of the Supervisory Board

Marijana Miličević

HPB p.l.c.
Zagreb, Jurišićeva 4

SUPERVISORY BOARD

Zagreb, March 30 2018

In accordance with the provision of article 21 of the Articles of Association of HPB p.l.c. (in further text: Bank), and in line with Article 300.b and Article 275, paragraph 1, point 2 of the Companies Act, Supervisory Board of the Bank has at its meeting held on March 30 2018, made the following:

RESOLUTION
on giving consent to Management Board's proposal on
allocation of profit earned in 2017

I.

Bank's Supervisory Board gives its consent and accepts Management Board's proposal on allocation of profit earned in 2017, which is a constituent part of this resolution.

II.

By providing its consent outlined in paragraph I. of this Resolution, Management Board's proposal on allocation of profit earned in 2017 is considered to be confirmed.

III.

Supervisory Board proposes to General Assembly to vote in favour of profit allocation as outlined in Management Board's proposal.

IV.

This resolution comes into force on the day of its adoption and is submitted to General Assembly for adoption.

President of the Supervisory Board
Marijana Miličević