



Consolidated quarterly financial statements  
for the period from Jan 01 to Sep 30 2017

*Unaudited*

In accordance with Capital Markets Act, HPB p.l.c. (Bank) as the parent company of HPB Group (Group), publishes unaudited consolidated financial statements for the period from Jan 01 to Sep 30 2017.

This report includes:

- Management report of HPB Group,
- statement by persons accountable for compiling the report of Group,
- 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.

## 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) and HPB Nekretnine (real estate agency).

In the 2017 reporting period, Group has recorded a net profit of HRK 1,0M, as opposed to HRK 147,9M of net profit in the same period of prior year. Loss is a consequence of deteriorated creditworthiness of Agrokor and group of related parties, i.e. is a result of impairment losses that the Bank recognized on these exposures (HRK 193,5M of impairments on exposures towards this group of economically and legally related parties as per Sep 30 2017).

In spite of 2017 reporting period being marked with adverse effects of Agrokor on profitability of the parent company, **subsidiaries continue to improve their results and contribute to Group's results**. HPB Stambena štedionica made an after-tax profit of HRK2,2M. HPB Invest made a net profit of HRK 1,5M, whilst HPB Nekretnine added a net profit of HRK 823K.

Apart from this, **subsidiaries have contributed to the parent through a dividend payout** from profits earned in 2016. HPB Stambena štedionica has for the first time in its history paid out a dividend amounting to HRK 400K. Meanwhile, after paying out HRK 3,5M in 2016, HPB Invest paid out a dividend amounting to HRK 1,8M in 2017.

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**Mladen Mrvelj**  
Board member

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**Domagoj Karadjole**  
Board member

## **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., the parent company of HPB Group, states that according to their best knowledge the set of consolidated unaudited financial statements for the period from Jan 01 to Sep 30 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., as well as companies included in consolidation as a whole.

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**Mladen Mrvelj**  
Board member

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**Domagoj Karadjole**  
Board member

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**Tomislav Katić**  
Executive director  
Finance Division

**Appendix 3.**

Reporting period:

Jan 01

to

Sep 30 2017

**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: **1.152**  
 (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>

Book-keeping service provided by: **n/a** | **n/a**  
 Contact: **Tomašek David**  
 Phone: **014804900** | Fax: **014804594**  
 E-mail address: [david.tomasek@hpb.hr](mailto:david.tomasek@hpb.hr)  
 Surname and name: **Karadjole Domagoj Mrvelj Mladen**  
 (persons authorized for representation)

Documentation to be made public:

1. Financial reports (balance sheet, profit or loss statement, cash flow statement, statement on changes in equity and notes to financial statements)
2. Management report
3. Statement by persons accountable for compiling the report

**BALANCE SHEET**  
as per **Sep 30 2017**

*in HRK*

Item 1	AOP label 2	Dec 31 2016 3	Sep 30 2017 4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	<b>001</b>	2.263.303.114	3.100.192.913
1.1. Cash	<b>002</b>	421.479.852	544.564.885
1.2. Deposits with the CNB	<b>003</b>	1.841.823.262	2.555.628.028
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	<b>004</b>	774.135.009	436.698.700
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	<b>005</b>	415.536.615	414.640.114
4. FINANCIAL ASSETS HELD FOR TRADING	<b>006</b>	696.314.398	598.546.487
5. FINANCIAL ASSETS AVAILABLE FOR SALE	<b>007</b>	2.630.574.528	2.388.859.389
6. FINANCIAL ASSETS HELD TO MATURITY	<b>008</b>	442.835.059	144.016.101
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>	3.780.197	0
9. LOANS TO FINANCIAL INSTITUTIONS	<b>011</b>	81.579.680	77.624.352
10. LOANS TO OTHER CUSTOMERS	<b>012</b>	11.406.936.798	11.766.014.431
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	<b>013</b>	7.930.000	20.000.000
12. REPOSSESSED ASSETS	<b>014</b>	0	0
13. TANGIBLE ASSETS (LESS DEPRECIATION)	<b>015</b>	155.541.052	141.413.090
14. OTHER ASSETS	<b>016</b>	827.552.055	584.883.453
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>19.706.018.505</b>	<b>19.672.889.030</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	<b>018</b>	620.995.448	652.062.586
1.1. Short-term	<b>019</b>	0	0
1.2. Long-term	<b>020</b>	620.995.448	652.062.586
2. DEPOSITS (022 to 024)	<b>021</b>	14.781.982.934	14.813.806.613
2.1. Transactional and current accounts	<b>022</b>	3.981.010.898	4.283.905.555
2.2. Savings deposits (demand)	<b>023</b>	1.486.719.761	1.530.372.708
2.3. Term deposits	<b>024</b>	9.314.252.275	8.999.528.350
3. OTHER BORROWINGS (026+027)	<b>025</b>	88.426.108	5.247.981
3.1. Short-term	<b>026</b>	0	0
3.2. Long-term	<b>027</b>	88.426.108	5.247.981
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	<b>028</b>	3.640.667	0
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>	2.317.559.985	2.285.880.271
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>17.812.605.142</b>	<b>17.756.997.451</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	<b>036</b>	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	<b>037</b>	183.486.624	976.806
3. RETAINED EARNINGS	<b>038</b>	41.154.765	130.368.702
4. REGULATORY RESERVES	<b>039</b>	6.160.835	15.708.724
5. STATUTARY AND OTHER CAPITAL RESERVES	<b>040</b>	363.623.023	448.347.821
6. FAIR VALUE RESERVE	<b>041</b>	84.690.116	106.191.526
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	<b>042</b>	0	0
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.893.413.363</b>	<b>1.915.891.579</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>19.706.018.505</b>	<b>19.672.889.030</b>
<b>ADDENDUM TO THE BALANCE SHEET (filled-in by the banks submitting consolidated financial statement)</b>			
<b>1. TOTAL EQUITY</b>	<b>045</b>	<b>1.893.413.363</b>	<b>1.915.891.579</b>
2. Equity attributable to the shareholders of the parent company	<b>046</b>	1.893.413.363	1.915.891.579
3. Minority interest (045-046)	<b>047</b>	0	0

**PROFIT OR LOSS STATEMENT**

 for the period from **Jan 01 2017** to **Sep 30 2017**

in HRK

Item	AOP label	Jan 01 - Sep 30 2016		Jun 01 - Sep 30 2017	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	<b>048</b>	548.756.877	183.065.919	511.533.932	169.708.472
2. Interest expense	<b>049</b>	168.370.542	51.924.413	107.669.546	33.643.417
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>380.386.335</b>	<b>131.141.506</b>	<b>403.864.386</b>	<b>136.065.055</b>
4. Fee and commission income	<b>051</b>	382.031.557	140.076.875	412.806.298	163.340.002
5. Fee and commission expense	<b>052</b>	232.154.382	83.026.214	253.304.509	104.308.740
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>149.877.175</b>	<b>57.050.661</b>	<b>159.501.789</b>	<b>59.031.262</b>
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	<b>054</b>	0	0	0	0
8. Gains less losses from trading activities	<b>055</b>	56.874.218	34.146.890	39.005.121	20.359.115
9. Gains less losses from built-in derivatives	<b>056</b>	0	0	0	0
10. Gains less losses arising from financial assets valued at fair value through P&L, not actively traded	<b>057</b>	0	0	0	0
11. Gains less losses arising from securities available for sale	<b>058</b>	41.698.418	0	5.457.492	0
12. Gains less losses arising from securities held to maturity	<b>059</b>	0	0	0	0
13. Gains less losses arising from hedging activities	<b>060</b>	0	0	0	0
14. Income from investments in subsidiaries, associated companies and joint ventures	<b>061</b>	0	0	0	0
15. Income from other equity instruments	<b>062</b>	794.185	6.835	835.012	19.359
16. Gains less losses from exchange rate differences	<b>063</b>	(1.177.568)	(708.537)	2.121.390	1.939.567
17. Other income	<b>064</b>	6.634.442	1.268.611	4.536.528	(52.276)
18. Other operating costs	<b>065</b>	43.557.243	16.069.239	43.088.908	14.541.282
19. General and administrative expenses, amortization and depreciation	<b>066</b>	292.419.680	100.368.058	293.098.695	96.238.819
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>299.110.282</b>	<b>106.468.669</b>	<b>279.134.115</b>	<b>106.581.981</b>
21. Impairment losses and provisions	<b>068</b>	151.719.362	47.704.695	276.288.015	39.254.022
<b>22. PROFIT/(LOSS) BEFORE TAX (067-068)</b>	<b>069</b>	<b>147.390.920</b>	<b>58.763.974</b>	<b>2.846.100</b>	<b>67.327.959</b>
<b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>	<b>070</b>	<b>(464.739)</b>	<b>1.558.740</b>	<b>1.869.294</b>	<b>1.794.413</b>
<b>24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>147.855.659</b>	<b>57.205.234</b>	<b>976.806</b>	<b>65.533.546</b>
25. Earnings per share	<b>072</b>	73	28	0	32
<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>147.855.659</b>	<b>57.205.234</b>	<b>976.806</b>	<b>65.533.546</b>
<b>2. Attributable to the shareholders of the parent company</b>	<b>074</b>	<b>147.855.659</b>	<b>57.205.234</b>	<b>976.806</b>	<b>65.533.546</b>
<b>3. Minority interest (073-074)</b>	<b>075</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**CASH FLOW STATEMENT - INDIRECT METHOD**

 for the period from **Jan 01 2017** to **Sep 30 2017**

in HRK

Item	AOP label	Jan 01 - Sep 30 2016	Jan 01 - Sep 30 2017
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>311.133.583</b>	<b>304.316.209</b>
1.1. Profit/(loss) before tax	002	147.390.920	2.846.100
1.2. Impairment losses and provisions	003	151.719.362	276.288.015
1.3. Amortization and depreciation	004	33.658.590	33.227.519
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(22.957.412)	(7.376.887)
1.5. Gains / losses from sale of tangible assets	006	144.555	1.452.852
1.6. Other gains / losses	007	1.177.568	(2.121.390)
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>(1.594.707.622)</b>	<b>(532.984.954)</b>
2.1. Deposits with the CNB	009	(94.697.304)	(713.804.766)
2.2. Treasury bills of the Croatian Ministry of Finance	010	(111.685.601)	896.501
2.3. Deposits with and loans to financial institutions	011	27.771.602	337.436.309
2.4. Loans to other customers	012	(1.154.947.629)	(358.882.367)
2.5. Financial assets held for trading	013	31.538.957	105.144.798
2.6. Financial assets available for sale	014	(224.504.767)	220.213.729
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	(68.182.880)	(123.989.158)
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>1.480.961.995</b>	<b>128.183.271</b>
3.1. Transactional accounts	018	868.952.783	302.894.657
3.2. Savings and term deposits	019	968.866.496	(271.070.978)
3.3. Derivative financial liabilities and other liabilities actively traded	020	53.688	(3.640.667)
3.4. Ostale liabilities	021	(356.910.972)	100.000.259
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>197.387.956</b>	<b>(100.485.474)</b>
5. Income tax paid	023	(199.988)	(1.065.525)
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>197.187.968</b>	<b>(101.550.999)</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>93.417.097</b>	<b>275.428.314</b>
7.1. Purchase of tangible and intangible assets	026	(31.522.488)	(24.225.656)
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	124.145.400	298.818.958
7.4. Dividends received	029	794.185	835.012
7.5. Other inflows / outflows from investing activities	030	-	-
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 to 037)</b>	<b>031</b>	<b>(252.221.125)</b>	<b>(52.110.989)</b>
8.1. Net increase / decrease of borrowings	032	(221.458.910)	(52.110.989)
8.2. Net increase / decrease of issued debt securities	033	-	-
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	-	-
8.4. Share capital raised	035	-	-
8.5. Dividends paid	036	(30.762.215)	-
8.6. Other inflows / outflows from financial activities	037	-	-
<b>9. Net increase / decrease of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>38.383.940</b>	<b>121.766.326</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	(50.809)	1.318.707
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>38.333.131</b>	<b>123.085.033</b>
12. Cash and cash equivalents at the beginning of the year	041	412.197.218	421.479.852
13. Cash and cash equivalents as per reporting date (040+041)	042	450.530.349	544.564.885



**STATEMENT OF CHANGES IN EQUITY**

 for the period from **Jan 01 2017** to **Sep 30 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/(loss) for the period	Fair value reserve		
1	2	3	4	5	6	7	8	9	10
<b>Balance as per Jan 01 2017</b>	<b>001</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>369.783.858</b>	<b>86.030.542</b>	<b>190.502.935</b>	<b>84.690.116</b>	<b>0</b>	<b>1.945.305.451</b>
Effects of changes in accounting policies and corrections of errors	002	0	0	0	(44.875.777)	(7.016.311)	0		(51.892.088)
<b>Restated balance as per Jan 01 2017 (001+002)</b>	<b>003</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>369.783.858</b>	<b>41.154.765</b>	<b>183.486.624</b>	<b>84.690.116</b>		<b>1.893.413.363</b>
Disposal of financial assets available for sale	004	0	0	0	0	0	(1.797.966)		(1.797.966)
Change in the fair value of financial assets available for sale	005	0	0	0	0	0	26.249.225		26.249.225
Tax on items recognised directly in/transferred from equity	006	0	0	0	0	0	(2.949.849)		(2.949.849)
Other gains and (losses) recognised directly in equity	007	0	0	0	0	0	0		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>21.501.410</b>	<b>0</b>	<b>21.501.410</b>
Loss for the period	009	0	0	0	0	976.806	0		976.806
<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>976.806</b>	<b>21.501.410</b>	<b>0</b>	<b>22.478.216</b>
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	94.272.687	96.230.248	(190.502.935)	0		0
Dividends paid	015	0	0	0	0	0	0		0
<b>Profit allocation (014+015)</b>	<b>016</b>	<b>0</b>	<b>0</b>	<b>94.272.687</b>	<b>96.230.248</b>	<b>(190.502.935)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as per Jun 30 2017 (003+010+011+012+013+016)</b>	<b>017</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>464.056.545</b>	<b>130.368.702</b>	<b>976.806</b>	<b>106.191.526</b>	<b>0</b>	<b>1.915.891.579</b>

## NOTES TO FINANCIAL STATEMENTS

### A) PROFIT OR LOSS ACCOUNT

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	447.293.248	149.884.820	437.281.866	146.532.943
Deposits	1.246.756	333.541	(1.597.265)	(327.405)
Securities	100.216.873	32.847.558	75.849.331	23.502.934
<b>TOTAL</b>	<b>548.756.877</b>	<b>183.065.919</b>	<b>511.533.932</b>	<b>169.708.472</b>

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	14.704.787	4.895.140	10.407.829	3.503.033
Deposits	153.665.755	47.029.273	97.261.717	30.140.384
<b>TOTAL</b>	<b>168.370.542</b>	<b>51.924.413</b>	<b>107.669.546</b>	<b>33.643.417</b>

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	215.613.935	73.314.012	209.680.812	70.711.662
Retail and card operations	111.738.124	47.424.857	144.588.009	71.725.253
Corporate operations	41.541.276	14.749.499	42.789.117	15.066.923
Other fee and commission income	13.138.222	4.588.507	15.748.360	5.836.164
<b>TOTAL</b>	<b>382.031.557</b>	<b>140.076.875</b>	<b>412.806.298</b>	<b>163.340.002</b>

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	214.816.633	73.574.948	211.950.286	72.721.364
Other fee and commission expense	17.337.749	9.451.266	41.354.223	31.587.376
<b>TOTAL</b>	<b>232.154.382</b>	<b>83.026.214</b>	<b>253.304.509</b>	<b>104.308.740</b>

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	24.483.973	21.509.539	10.092.945	9.287.858
FX transactions	33.561.065	12.831.643	28.464.166	10.811.781
HRK cash transactions	367.955	178.850	486.695	277.150
Derivatives	(1.538.775)	(373.142)	(38.685)	(17.674)
<b>TOTAL</b>	<b>56.874.218</b>	<b>34.146.890</b>	<b>39.005.121</b>	<b>20.359.115</b>

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	258.761.090	88.623.835	259.871.176	85.457.264
Amortization and depreciation	33.658.590	11.744.223	33.227.519	10.781.555
Savings deposit insurance costs	26.930.680	9.389.885	26.403.185	8.599.644
Other costs	16.626.563	6.679.354	16.685.723	5.941.638
<b>TOTAL</b>	<b>335.976.923</b>	<b>116.437.297</b>	<b>336.187.603</b>	<b>110.780.101</b>

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

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	112.567.872	31.041.133	279.374.433	30.063.875
Portfolio based provisions for identified losses (risk group A)	13.091.364	7.578.475	(96.818)	204.656
Other provisions	26.060.126	9.085.087	(2.989.600)	8.985.491
<b>TOTAL</b>	<b>151.719.362</b>	<b>47.704.695</b>	<b>276.288.015</b>	<b>39.254.022</b>

## B) BALANCE SHEET

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

	Dec 31 2016	Sep 30 2017
<b>CASH</b>	<b>421.479.852</b>	<b>544.564.885</b>
<b>DEPOSITS WITH THE CNB</b>	<b>1.841.823.262</b>	<b>2.555.628.028</b>
Mandatory reserve	1.300.796.321	1.272.024.572
Account for transaction settlement	541.026.941	1.283.603.456
<b>MANDATORY TREASURY BILLS</b>	<b>-</b>	<b>-</b>
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>2.263.303.114</b>	<b>3.100.192.913</b>

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

	Dec 31 2016	Sep 30 2017
Deposits with foreign banking institutions	753.064.739	413.872.903
Deposits with domestic banking institutions	21.070.270	22.825.797
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>774.135.009</b>	<b>436.698.700</b>

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

	Dec 31 2016	Sep 30 2017
Short term Treasury bills of the Croatian Ministry of Finance	415.536.615	414.640.114
Financial assets held for trading	696.314.398	598.546.487
Financial assets available for sale	2.630.574.528	2.388.859.389
Financial assets held to maturity	450.105.787	144.810.000
Portfolio based impairment allowance for identified losses	(6.771.524)	(775.376)
Deferred front-end fee	(499.204)	(18.523)
<b>TOTAL</b>	<b>4.185.260.600</b>	<b>3.546.062.091</b>

### 11) LOANS TO CUSTOMERS

*in HRK*

	Dec 31 2016	Sep 30 2017
<b>Gross loans</b>		
Loans to financial institutions	81.583.376	77.628.719
Loans to companies	3.831.863.830	4.249.562.673
Retail loans	4.966.265.650	5.238.267.053
<i>therein: housing loans</i>	<i>1.608.068.882</i>	<i>1.814.108.539</i>
Other loans	4.040.077.723	3.824.774.457
<b>TOTAL GROSS LOANS</b>	<b>12.919.790.579</b>	<b>13.390.232.902</b>
Impairment allowance	(1.280.732.419)	(1.389.557.868)
Portfolio based impairment allowance for identified losses	(104.459.180)	(113.076.502)
Deferred front-end fee	(46.082.502)	(43.959.749)
<b>TOTAL</b>	<b>11.488.516.478</b>	<b>11.843.638.783</b>

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

	<b>Dec 31 2016</b>	<b>Sep 30 2017</b>
Financial institutions	1.153.448.334	974.976.468
Corporations	3.009.235.694	3.208.376.691
Retail	9.166.235.142	9.223.392.810
Other	1.453.063.764	1.407.060.644
<b>TOTAL</b>	<b>14.781.982.934</b>	<b>14.813.806.613</b>

**13) BORROWINGS**
*in HRK*

	<b>Dec 31 2016</b>	<b>Sep 30 2017</b>
Borrowings from HBOR	624.696.401	656.194.033
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	-	-
Borrowings from foreign banking institutions	88.426.109	5.247.981
Deferred front-end fee	(3.700.954)	(4.131.447)
<b>TOTAL</b>	<b>709.421.556</b>	<b>657.310.567</b>

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

	<b>Dec 31 2016</b>	<b>Sep 30 2017</b>
Restricted deposits	1.715.292.949	1.836.660.314
Interest and fees payable	58.731.565	53.846.505
Provisions for off-balance sheet exposure	22.291.290	40.954.420
Other	521.244.181	354.419.032
<b>TOTAL</b>	<b>2.317.559.985</b>	<b>2.285.880.271</b>

## C) Investments in subsidiaries

The Group's subsidiaries are as follows:

	<b>Industry</b>	<b>Country</b>	<b>Ownership as per Sep 30 2017 (%)</b>
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

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.

## D) Changes in accounting policies

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

## E) Changes in presentation of financial reports

Group 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.

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
<b>ASSETS</b>			
Other assets (AOP 016)	879.444.143	(51.892.088)	827.552.055
<b>EQUITY</b>			
Profit/(loss) for the period (AOP 037)	190.502.935	(7.016.311)	183.486.624
Retained earnings (AOP 038)	86.030.542	(44.875.777)	41.154.765

**Effects on P&L statement for the period from Jan 01. – Sep 30 2016:**  
(in HRK)

Item	01.01. - 30.09.2016. - before restatement	Učinci prepravljaja	01.01. - 30.09.2016. - after restatement
Gains less losses from exchange rate differences (AOP 063)	5.207.555	(6.385.123)	(1.177.568)
Profit/loss for the period (AOP 071)	154.240.782	(6.385.123)	147.855.659

**F) Post balance sheet events**

In October 2017, by the date these reports have been published, events occurred and indications occurred that have an adverse effects on creditworthiness of one debtor to settle his obligations towards the Bank. Exposure towards this debtor as per Sep 30 2017 is classified as non-performing (NPL), and equals HRK 14.490 thousand, with recognized impairment equalling 10 percent. New assessment of recovery rate is being made presently, and Bank estimates that it should result in additional impairments during Q4 2017 in amount of approximately HRK 9 million.

**G) Ownership structure of the HPB Group parent company**

Ownership structure of HPB p.l.c., the parent company of Group, as per Sep 30 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%

## H) HPB STOCK

HPB's share is listed on the Official Market of ZSE. The last price per share at the end of the reporting period was HRK 515,00 (Sep 27 2017) representing a decrease of 31,4% when compared to the last traded price in 2016 (HRK 751,00 on Dec 30 2016).

Trading during the reporting period was as follows:

