

Quarterly Financial Statements for the Period from Jan 01 to Sep 30 2017

Unaudited

Zagreb, October 24 2017

In accordance with the Capital Markets Act, HPB p.l.c. publishes unaudited quarterly financial statements for the period from Jan 01 2017 to Sep 30 2017).

This report includes:

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

Financial statements and notes were made in accordance with the TFI-KI reporting methodology by Croatian Financial Services Supervisory Agency. Items in the profit or loss statement are compiled in accordance with IFRS.

Key highlights of results for the reporting period are as follows:

- ✓ 1H 2017 net loss amounting to HRK 64,5M – due to impairment losses recognized with regard to exposure towards Agrokor and related parties – has been almost annuled. Accordingly **net loss amounts to HRK 1,3M** has been recorded during the reporting period, as opposed to a net profit of HRK 141,1M achieved during the same period in 2016. Had the impairment losses for Agrokor exposures not been recognized, Bank's after-tax profit would have amounted to at least HRK 150M,
- ✓ **operating profit amounts to HRK 276,3M**, representing a y-o-y decrease consequent to no significant one-offs in 2017, as had been the case in 2016 (e.g. VISA Europe Ltd. Transaction was closed in Jun 2016, resulting in HRK 33,5M gain for the Bank). Operating profit excluding one-offs would be higher by 6 percent y-o-y,
- Bank's focus on core operations resulted in an increase in client acquisition and activation, as well as higher loan & deposit volume, and is reflected in a **significant increase in net interest income (+6,0%) and net fee income (+3,6%)**,
- ✓ **over 25 thousand retail current accounts** newly opened, as well as **over 1.200 corporate business accounts**,
- ✓ **book-value per share** has increased by 1,1 percent ytd, in spite of recorded net loss,
- ✓ own funds strengthened by retaining 2016 earnings, and decreased RWA have annuled the effect that loss had on capital adequacy. As a result **preliminary CAR equals around 17,5 percent**.

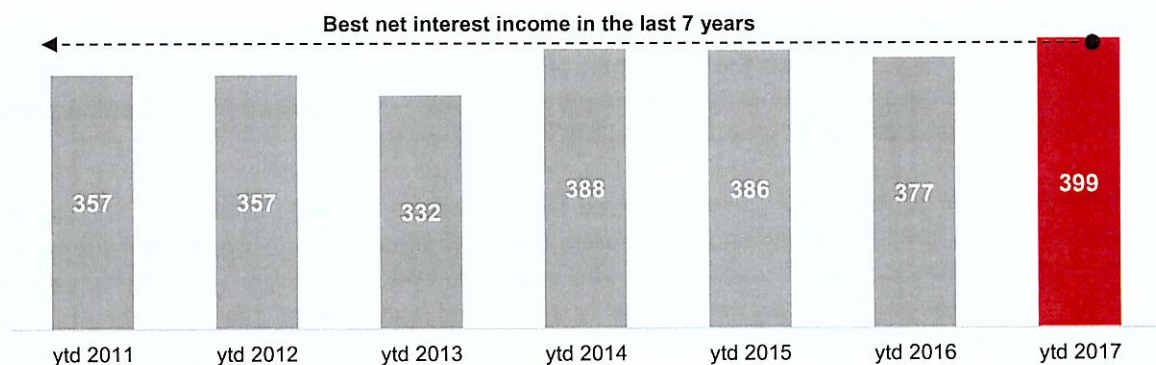
Management report of HPB p.l.c.

Bank has achieved a significant improvement on its 1H results (net loss amounting to HRK 64,5M), and has accordingly recorded a net loss of HRK 1,3M during the reporting period, as a result of deteriorated creditworthiness of Agrokor group and related parties, i.e. due to impairment losses that have been recognized on these exposures (as per Sep 30 2017, HRK 193,5M of impairments on exposure to the Agrokor group and economically and legally related parties).

Operating profit amounts to HRK 276,3M, representing a decrease of HRK 15,1 million in comparison with the same period 2016 due to significantly lower one offs and non-recurring transactions with regard to securities portfolio (excluding one-offs, operating profit ytd 2017 would amount to HRK 272,8 million, as opposed to HRK 256,6 million ytd 2016).

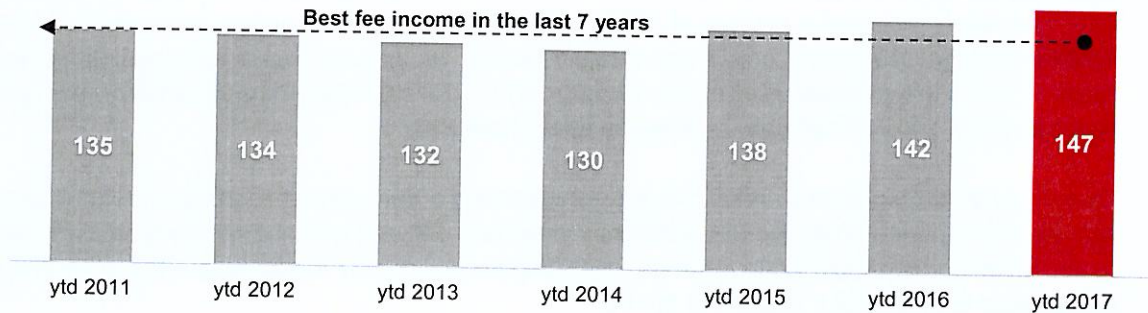
As a result of acquisition activities, income from core operations is increasing. **Net interest income** amounts to HRK 399,3 million, and has increased by 6,0% y-o-y. Albeit gross interest revenue decreased by 7,1% or HRK 38,1 million, interest expenses have been cut by a larger margin (by 37,3% or HRK 60,6 million) due to optimized funding structure and pricing policy. Net interest income is on the highest level over the course of the last seven years.

ytd net interest income development between 2011 and 2017 (in HRK million)



Net fee and commission income amounts to HRK 147,0 million, representing a 3,6 percent or HRK 5,0 million increase in comparison with the same period 2016. As with other core income categories, net fees are also on the highest ytd level over the course of the last seven years.

A growth in sustainable fees has been achieved in ytd 2017 – in retail segment (+0,8%) owing to higher number of new HPB combinations (product bundles), as well as in corporate segment (+3,0%) due to higher volume in guarantees and domestic payment operations. Increase resulted also from higher number of active clients in corporate segment due to substantial acquisition of new corporate accounts. Simultaneously, fees from card operations have increased significantly due to larger number of users and ATM transactions, in accordance with record tourism results in Croatia achieved in 2017.

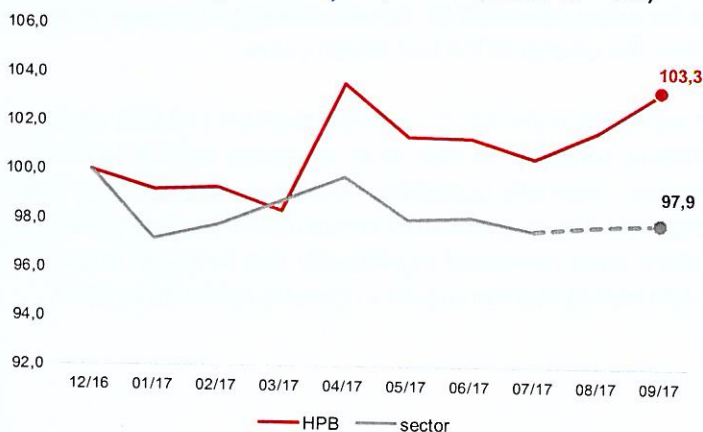
ytd net fee income development between 2011 and 2017 (in HRK million)


In conditions when external factors limit profitability, Bank endeavours to achieve internal improvements which might mitigate these effects. This is reflected in lower **operating expenses** in almost all relevant cost categories (personnel, general and administrative expenses, depreciation).

Impairment losses have spiked by 82,6 percent which is almost entirely related to provisioning made on exposures towards Agrokor group and related parties (NPL coverage of balance and off-balance sheet items towards Agrokor and parties that are related legally and economically with Agrokor, equals 45,1 percent as per Sep 30 2017).

Limited capital base due to market share close to 5 percent has significantly limited potential for further balance sheet expansion over the larger part of the reporting period (until new Resolution on capital buffer for structural and systemic risk was issued by the CNB – in August 2017), so **Bank's assets** have remained almost unchanged, amounting to HRK 19,4 billion (+0,5%).

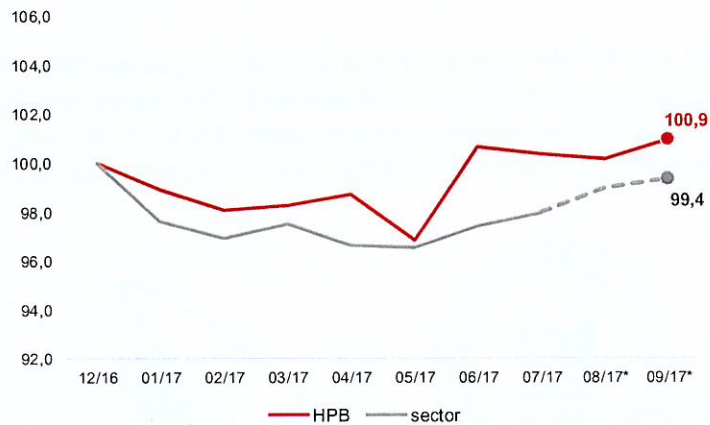
Owing to good trends, loans have increased by 3,3 percent, wherein retail loans increased by 5,5 percent, whilst loans to non-financial corporate sector increased by 2,0 percent. New loan volume dominantly relates to housing loans in the retail segment (+HRK 200 million or +13,9%), while majority of new volume in corporate segment relates to investment loans (+HRK 124 million or +11,1 percent). With an increase in volume, as opposed to sector stagnation, HPB achieved market share growth in 2017.

Gross loans development in 2017 (base index 12/16 = 100)


Source for sector movements: www.hnb.hr (aggregate statistical reporting for credit institutions)
 *projected sector movement in Aug and Sep 2017 (source: HPB)

Deposits have increased by 0,9%. Deposit growth was moderate owing to necessity to limit balance sheet growth over the course of the larger part of the reporting period due to capital constraints.

Deposits development in 2017 (base index 12/16 = 100)



Source for sector movements: www.hnb.hr (aggregate statistical reporting for credit institutions)
 *projected sector movement in Aug and Sep 2017 (source: HPB)

Taking into consideration that Bank's liquidity has been accumulated through sale of securities, there was no need for additional funding. Therefore, a proportion of borrowings has been repaid (-7,3%), while new borrowing deals have not been made in significant amounts.

Bank's equity as per Sep 30 2017 totals HRK 1.908 million, representing an increase of 1,1 percent during 2017. Capital adequacy according to preliminary calculations should stand at approximately 17,5 percent, owing to RWA optimization and to increased own funds due to retained earnings for 2016.





Tomislav Vuić
 President of the Management Board

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

In accordance with the Capital Market Act, the Management Board of HPB p.l.c., states that according to their best knowledge the set of quarterly 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.



David Tomašek
Deputy Executive Director
Finance Division



Tomislav Vuić
President of the Management
Board

HPB p.l.c.

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

Internet address: www.hpb.hr

City code and name: 133 ZAGREB

County code and name: 21 GRAD ZAGREB

of employees: 1.113
(as per reporting date)

Consolidated report: NO

Industry code: 6419

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

Book-keeping service

provided by: n/a

n/a

Contact: Tomašek David

Phone: 014804900

Fax: 014804594

E-mail address: david.tomasek@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 **Sep 30 2017**

in HRK

Item 1	AOP label 2	Dec 31 2016 3	Sep 30 2017 4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	2.263.303.114	3.100.192.913
1.1. Cash	002	421.479.852	544.564.885
1.2. Deposits with the CNB	003	1.841.823.262	2.555.628.028
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	774.135.009	436.685.012
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	415.536.615	414.640.114
4. FINANCIAL ASSETS HELD FOR TRADING	006	551.322.886	457.274.094
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	2.630.574.528	2.388.859.389
6. FINANCIAL ASSETS HELD TO MATURITY	008	442.835.059	144.016.101
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	77.624.352
10. LOANS TO OTHER CUSTOMERS	012	11.250.340.147	11.602.119.603
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	53.420.000	65.490.000
12. REPOSSESSED ASSETS	014	0	
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	146.091.281	141.265.885
14. OTHER ASSETS	016	692.909.263	569.699.249
A) TOTAL ASSETS (001+004 to 016)	017	19.305.827.779	19.397.866.712
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	620.995.448	652.062.586
1.1. Short-term	019	0	0
1.2. Long-term	020	620.995.448	652.062.586
2. DEPOSITS (022 to 024)	021	14.529.990.572	14.555.994.103
2.1. Transactional and current accounts	022	4.009.237.425	4.319.245.053
2.2. Savings deposits (demand)	023	1.486.719.761	1.530.372.708
2.3. Term deposits	024	9.034.033.386	8.706.376.342
3. OTHER BORROWINGS (026+027)	025	88.426.108	5.247.981
3.1. Short-term	026	0	
3.2. Long-term	027	88.426.108	5.247.981
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	3.640.667	
5. ISSUED SECURITIES (030+031)	029	0	0
5.1. Short-term	030	0	
5.2. Long-term	031	0	
6. SUBORDINATED DEBT ISSUED	032	0	
7. HYBRID INSTRUMENTS	033	0	
8. OTHER LIABILITIES	034	2.175.324.123	2.276.944.235
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	17.418.376.918	17.490.248.905
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	181.261.017	(1.334.464)
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	448.347.821
6. FAIR VALUE RESERVE	041	84.690.116	106.191.526
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	1.887.450.861	1.907.617.807
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	19.305.827.779	19.397.866.712

PROFIT OR LOSS STATEMENT

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

in HRK

Item	AOP label	Jan 01 - Jun 30 2016		Jun 01 - Jun 30 2017	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	539.165.281	179.728.508	501.026.942	166.143.873
2. Interest expense	049	162.268.732	49.716.943	101.699.606	31.632.110
3. Net interest income (048-049)	050	376.896.549	130.011.565	399.327.336	134.511.763
4. Fee and commission income	051	373.151.521	137.049.404	400.184.087	158.607.722
5. Fee and commission expense	052	231.161.522	82.703.115	253.153.398	104.880.628
6. Net fee and commission income (051-052)	053	141.989.999	54.346.289	147.030.689	53.727.094
7. Gains less losses arising from investments in subsidiaries, associated companies and joint ventures	054	0	0		0
8. Gains less losses from trading activities	055	53.191.512	31.899.665	39.150.514	19.167.224
9. Gains less losses from built-in derivatives	056	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
11. Gains less losses arising from securities available for sale	058	41.698.418	0	5.457.492	0
12. Gains less losses arising from securities held to maturity	059	0	0		0
13. Gains less losses arising from hedging activities	060	0	0		0
14. Income from investments in subsidiaries, associated companies and joint ventures	061	0	0	2.200.000	0
15. Income from other equity instruments	062	794.185	6.835	835.012	19.359
16. Gains less losses from exchange rate differences	063	(1.125.462)	(688.065)	2.094.430	1.905.123
17. Other income	064	3.666.006	675.098	4.508.162	339.008
18. Other operating costs	065	44.424.913	16.471.006	40.971.160	12.103.804
19. General and administrative expenses, amortization and depreciation	066	281.281.740	96.859.366	283.345.957	93.712.588
20. Operating profit (050+053 to 064-065-066)	067	291.404.554	102.921.015	276.286.518	103.853.179
21. Impairment losses and provisions	068	151.359.550	47.402.507	276.395.996	39.120.157
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	140.045.004	55.518.508	(109.478)	64.733.022
23. INCOME TAX EXPENSE / DEFERRED TAX	070	(1.092.082)	1.365.581	1.224.986	1.563.487
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	141.137.086	54.152.927	(1.334.464)	63.169.535
25. Earnings per share	072	70	27	(1)	31

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
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	306.789.438	301.125.401
1.1. Profit/(loss) before tax	002	140.045.004	(109.478)
1.2. Impairment losses and provisions	003	151.359.550	276.395.996
1.3. Amortization and depreciation	004	33.389.573	33.002.741
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(19.274.706)	(7.522.280)
1.5. Gains / losses from sale of tangible assets	006	144.555	1.452.852
1.6. Other gains / losses	007	1.125.462	(2.094.430)
2. Net increase / decrease of operating assets (009 to 016)	008	(1.531.584.556)	(528.662.937)
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	33.777.602	337.449.997
2.4. Loans to other customers	012	(1.140.853.033)	(351.779.456)
2.5. Financial assets held for trading	013	33.625.053	101.571.072
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	(27.246.506)	(123.210.014)
3. Net increase / decrease of operating liabilities (018 to 021)	017	1.422.386.765	123.982.976
3.1. Transactional accounts	018	882.791.474	310.007.628
3.2. Savings and term deposits	019	909.668.111	(284.004.097)
3.3. Derivative financial liabilities and other liabilities actively traded	020	53.688	(3.640.667)
3.4. Ostale liabilities	021	(370.126.508)	101.620.112
4. Net cash flow from operating activities before taxation (001+008+017)	022	197.591.647	(103.554.560)
5. Income tax paid	023	(199.988)	(421.217)
6. Net cash inflow / outflow from operating activities (022+023)	024	197.391.659	(103.975.777)
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	93.686.114	277.853.092
7.1. Purchase of tangible and intangible assets	026	(31.253.471)	(24.000.878)
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	3.035.012
7.5. Other inflows / outflows from investing activities	030	-	-
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	(252.221.125)	(52.110.989)
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	-	-
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038	38.856.648	121.766.326
10. Effect of foreign exchange differences on cash and cash equivalents	039	(50.809)	1.318.707
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	38.805.839	123.085.033
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	451.003.057	544.564.885

STATEMENT OF CHANGES IN EQUITY

Item	AOP label	for the period from					to		in HRK	
		Jan 01 2017		Sep 30 2017			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	
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	-	1.939.342.949	
Effects of changes in accounting policies and corrections of errors	002	-	-	-	(44.875.777)	(7.016.311)	-	-	(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	-	1.887.450.861	
Disposal of financial assets available for sale	004	-	-	-	-	-	(1.797.966)	-	(1.797.966)	
Change in the fair value of financial assets available for sale	005	-	-	-	-	-	26.249.225	-	26.249.225	
Tax on items recognised directly in/transferred from equity	006	-	-	-	-	-	(2.949.849)	-	(2.949.849)	
Other gains and (losses) recognised directly in equity	007	-	-	-	-	-	-	-	-	
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	-	-	-	21.501.410	-	21.501.410	
Loss for the period	009	-	-	-	-	(1.334.464)	-	-	(1.334.464)	
Total recognized income and expense for the period (008+009)	010	-	-	-	-	(1.334.464)	21.501.410	-	20.166.946	
Increase/decrease in share capital	011	-	-	-	-	-	-	-	-	
Purchase/sale of own shares	012	-	-	-	-	-	-	-	-	
Other changes	013	-	-	-	(7.016.311)	7.016.311	-	-	-	
Transfer to reserves	014	-	-	94.138.664	94.138.664	(188.277.328)	-	-	-	
Dividends paid	015	-	-	-	-	-	-	-	-	
Profit allocation (014+015)	016	-	-	94.138.664	94.138.664	(188.277.328)	-	-	-	
Balance as per Jun 30 2017 (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	463.922.522	124.540.223	(1.334.464)	106.191.526	-	1.907.617.807	

NOTES TO FINANCIAL STATEMENTS

A) PROFIT OR LOSS STATEMENT

1) INTEREST INCOME

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	443.174.324	148.451.801	432.328.435	144.834.128
Deposits	1.168.756	305.541	(1.597.268)	(327.402)
Securities	94.822.201	30.971.166	70.295.775	21.637.147
TOTAL	539.165.281	179.728.508	501.026.942	166.143.873

2) INTEREST EXPENSE

	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	147.563.945	44.821.803	91.291.777	28.129.077
TOTAL	162.268.732	49.716.943	101.699.606	31.632.110

3) FEE AND COMMISSION INCOME

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	215.613.934	73.314.011	209.680.811	70.711.662
Retail and card operations	110.588.003	47.057.564	141.544.818	70.777.642
Corporate operations	41.541.276	14.749.499	42.789.117	15.066.923
Other fee and commission income	5.408.308	1.928.330	6.169.341	2.051.495
TOTAL	373.151.521	137.049.404	400.184.087	158.607.722

4) FEE AND COMMISSION EXPENSE

	Jan 01 - Jun 30 2016		Jan 01 - Jun 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	16.344.889	9.128.167	41.203.112	32.159.264
TOTAL	231.161.522	82.703.115	253.153.398	104.880.628

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	20.988.266	19.289.313	10.244.476	8.095.967
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	(1.725.775)	(400.142)	(44.823)	(17.674)
TOTAL	53.191.512	31.899.665	39.150.514	19.167.224

6) OPERATING EXPENSES

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	247.892.167	85.205.495	250.343.216	82.931.033
Amortization and depreciation	33.389.573	11.653.871	33.002.741	10.781.555
Savings deposit insurance costs	26.269.792	9.173.924	26.403.185	8.599.644
Other costs	18.155.121	7.297.082	14.567.975	3.504.160
TOTAL	325.706.653	113.330.372	324.317.117	105.816.392

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

	Jan 01 - Sep 30 2016		Jan 01 - Sep 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	112.308.228	30.839.754	279.681.429	30.014.808
Portfolio based provisions for identified losses (risk group A)	12.991.196	7.476.387	(208.549)	103.945
Other provisions	26.060.126	9.086.366	(3.076.884)	9.001.404
TOTAL	151.359.550	47.402.507	276.395.996	39.120.157

B) BALANCE SHEET
8) CASH AND DEPOSITS WITH THE CNB
in HRK

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

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	22.812.109
Portfolio based impairment allowance for identified losses	-	-
TOTAL	774.135.009	436.685.012

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	551.322.886	457.274.094
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)
TOTAL	4.040.269.088	3.404.789.698

11) LOANS TO CUSTOMERS
in HRK

	Dec 31 2016	Sep 30 2017
Loans to financial institutions	81.579.680	77.624.352
Gross loans	81.583.376	77.628.719
Impairment allowance	(3.696)	(4.367)
Loans to companies	2.783.381.353	3.150.300.030
Gross loans	3.880.932.056	4.255.871.354
Impairment allowance	(1.097.550.703)	(1.105.571.324)
Retail loans	4.577.784.714	4.787.642.034
Gross loans	4.799.866.200	5.065.586.001
Impairment allowance	(222.081.486)	(277.943.967)
therein: housing loans	1.423.592.367	1.623.317.963
Gross loans	1.441.669.433	1.641.427.487
Impairment allowance	(18.077.066)	(18.109.524)
Other loans	4.037.506.783	3.819.157.306
Gross loans	4.040.077.723	3.824.774.458
Impairment allowance	(2.570.940)	(5.617.152)
Portfolio based impairment allowance for identified losses	(103.076.997)	(111.466.193)
Deferred front-end fee	(45.255.706)	(43.513.574)
TOTAL	11.331.919.827	11.679.743.955

B) BALANCE SHEET (continued)

12) DEPOSITS

	<i>in HRK</i>	
	Dec 31 2016	Sep 30 2017
Financial institutions	1.180.254.901	1.009.839.486
Corporations	3.010.655.654	3.208.853.171
Retail	8.886.016.253	8.930.240.802
Other	1.453.063.764	1.407.060.644
TOTAL	14.529.990.572	14.555.994.103

13) BORROWINGS

	<i>in HRK</i>	
	Dec 31 2016	Sep 30 2017
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)
TOTAL	709.421.556	657.310.567

14) OTHER LIABILITIES

	<i>in HRK</i>	
	Dec 31 2016	Sep 30 2017
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	22.269.210	40.932.340
Other	379.030.399	345.505.076
TOTAL	2.175.324.123	2.276.944.235

C) CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies of the Bank during the reporting period which might have had an 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.

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. – Sep 30 2016:
(in HRK)

Item	01.01. - 30.09.2016. - before restatement	Učinci prepravljanja	01.01. - 30.09.2016. - after restatement
Gains less losses from exchange rate differences (AOP 063)	5.259.661	(6.385.123)	(1.125.462)
Profit/loss for the period (AOP 071)	147.522.209	(6.385.123)	141.137.086

E) 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.

F) BANK'S OWNERSHIP STRUCTURE

Bank's ownership structure 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%

G) 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:

