



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

Unaudited

In accordance with the Capital Markets Act, HPB p.l.c. publishes unaudited financial statements for the period from Jan 01 2017 to Dec 31 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:

- ✓ **net profit amounting to HRK 7,1M** in spite of significant impairment losses on exposures towards Agrokor and related parties (HRK 281M of impairments towards this borrower group). Very good results achieved in 2H 2017 have recouped losses recorded in 1H (HRK 64,5M) and Bank has thereby managed to finish the year in positive territory,
- ✓ **operating profit amounts to HRK 373,2M**, representing a 1,6 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**, increasing by **+3,3%** y-o-y
- ✓ **net fee income amounts to HRK 191,2M**, representing an increase of **4,0%** or 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 according to temporary calculations **equals around 18,0 percent**.

Management report of HPB p.l.c.

2017 was marked with deterioration in creditworthiness of Agrokor and related parties, which was felt by HPB as well (HRK 281M of impairments on exposures towards this borrower group as per Dec 31 2017). We have managed to finish the year in positive territory in spite of these demanding circumstances. Net profit for the year amounts to HRK 7,1M. Losses incurred in 1H (HRK 64,5M) have thereby been recouped.

Operating profit amounts to HRK 373,2M, which represents a HRK 6,0M or **1,6% decrease y-o-y**, due to lower one-off effects arising from sale of securities.

Net interest income amounts to HRK **531,3M** and has **increased by 3,3%** y-o-y in spite of declining interest income (decline by 8,0% or HRK 57,5M) due to even lower interest expenses which have been cut by 36,2% or HRK 74,4M through optimized funding structure and lower interest rates.

Net fee and commission income amounts to **HRK 192,1M** representing an **increase of 4%** or HRK 7,4M when compared to 2016.

HPB has managed to **increase fee income**, primarily in corporate segment (**+4,4%**) due to booming guarantees and domestic payment operations. Card fees have simultaneously increased by a substantial margin as well which is in line with higher number of users and ATM transactions.

In conditions where external factors have adverse effects on profitability, Bank endeavours to achieve internal improvements which are aimed to at least partially mitigate these effects. This is reflected by **almost equal level of operating expenses** (+0,6%), in spite of many initiated activities and projects in 2017, and commencement of recapitalization process.

Impairments and provisions have spiked by 61,1% which is exclusively related to recognized losses on Agrokor exposures and related parties.

Limited capital base due to market share lingering around 5,00% **has significantly restrained the possibility of** further balance sheet **expansion** over the course of a larger part of 2017 (until enactment of new Resolution on structural and systemic risk capital buffer – in August 2017), so **Bank's asset grew by 2,6 percent and amount to HRK 19,8B**.

Due to enormous repayments before maturity which were recorded at the end of 2017, loans to customers have decreased by 3,7 percent, in spite of the Bank recording positive growth rates almost the entire year. Within the loan structure, retail loans have continued to grow (+6,3%), as well as loans to corporations (+5,9%). Loans to other corporate clients have decreased by 20,9 percent due to extremely good fiscal year and budget realization above expectations, which contributed to diminished need for funding by government units.

HPB continues to be one of the banks with highest client confidence. Accordingly, **deposit base has increase by 4,2 percent** or by HRK 676M. Increase was recorded in funding received by almost all non-financial corporate clients and retail, whilst deposits received by financial institutions remained virtually unchanged.

Considering that there was no need for additional sources of funding, **borrowings have been partially repaid** (-5,2%), while new deals have not been brokered in material amounts.

Equity and reserves amount to **HRK 1.905M** as per Dec 31 2017, representing an increase of 0,9 percent.

Capital adequacy ratio according to preliminary calculations equals around **18 percent**. We managed to increase capital adequacy in spite of postponement of recapitalization planned for 2017ye, by measures aimed at decreasing risk exposures.

Bank has initiated several strategic projects in 2017, recapitalization has been prolonged for 2018, and we carried out due diligence in Jadranska banka.

In order to meet the needs of our clients, we have reorganized our operations in 2017. New division specialized for SME clients has been created, as well digital marketing section and e-branch.

We continue to actively participate in digital transformation of the banking industry, so we were the first in the Croatia market to implement e-cash service (ATM cash withdrawals without the need for a card). Not any less important are our web pages, as the initial point of contact with prospective clients, which were redesigned in 2017 in order to make them more accessible to our clients which are more prone to using this channel for usage and informing about banking services.

Apart from digital channels, we have refurbished 10 branches, which are outfitted based on domestic design with domestic products, thereby making the branches modern and functional.

Bank enters 2018 reorganized and with reinforced personnel, and prepared to meet all the challenges of the digital age, as well as specific features of the domestic banking market.

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 unaudited 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.

Tomislav Katić
Executive Director
Finance Division

Tomislav Vuić
President of the
Management Board

HPB p.l.c.

Appendix 3.

Reporting period:

Jan 01

to

Dec 31 2017

Quarterly financial statements for credit institutions TFI-KI

Registration number (MB):

Registration number (MBS):

Personal identification number (OIB):

Company:

Postal code and city:

Address:

E-mail address:

Internet address:

City code and name:

County code and name: # of employees:
(as per reporting date)

Consolidated report: Industry code:

Consolidated companies (in accordance with IFRS): Headquarters: Registration number:

Consolidated companies (in accordance with IFRS)	Headquarters	Registration number

Book-keeping service provided by:

Contact:

Phone: Fax:

E-mail address:

Surname and name:
(person authorized for representation)

BALANCE SHEET
 as per Dec 31 2017

in HRK

Item	AOP label	Dec 31 2016	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	473.348.324
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	2.461.015.121
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	61.203.264
10. LOANS TO OTHER CUSTOMERS	012	11.250.340.147	10.852.481.760
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	143.560.642
14. OTHER ASSETS	016	692.909.263	442.889.947
A) TOTAL ASSETS (001+004 to 016)	017	19.305.827.779	19.802.722.222
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	
3.2. Long-term	027	88.426.108	20.286.850
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	2.091.483.323
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	17.418.376.918	17.898.141.658
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	037	181.261.017	7.133.696
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	94.686.123
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	1.887.450.861	1.904.580.564
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	19.305.827.779	19.802.722.222

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 - Dec 31 2017	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	720.254.986	181.089.705	662.752.921	161.725.979
2. Interest expense	049	205.858.447	43.589.715	131.417.909	29.718.303
3. Net interest income (048-049)	050	514.396.539	137.499.990	531.335.012	132.007.676
4. Fee and commission income	051	493.880.472	120.728.951	520.964.661	120.780.574
5. Fee and commission expense	052	309.110.374	77.948.852	328.837.117	75.683.719
6. Net fee and commission income (051-052)	053	184.770.098	42.780.099	192.127.544	45.096.855
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	66.994.720	13.803.208	50.825.822	11.675.308
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	48.595.443	6.897.025	29.783.708	24.326.216
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	3.500.000	3.500.000	3.200.000	1.000.000
15. Income from other equity instruments	062	826.626	32.441	974.919	139.907
16. Gains less losses from exchange rate differences	063	(4.098.561)	(2.973.099)	1.747.151	(347.279)
17. Other income	064	4.277.870	611.864	5.726.521	1.218.359
18. Other operating costs	065	59.443.791	15.018.878	60.814.647	19.843.487
19. General and administrative expenses, amortization and depreciation	066	380.657.744	99.376.004	381.716.644	98.370.687
20. Operating profit (050+053 to 064-065-066)	067	379.161.200	87.756.646	373.189.386	96.902.868
21. Impairment losses and provisions	068	225.991.387	74.631.837	364.171.361	87.775.365
22. PROFIT/(LOSS) BEFORE TAX (067-068)	069	153.169.813	13.124.809	9.018.025	9.127.503
23. INCOME TAX EXPENSE / DEFERRED TAX	070	(28.091.204)	(26.999.122)	1.884.329	659.343
24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)	071	181.261.017	40.123.931	7.133.696	8.468.160
25. Earnings per share	072	90	20	4	4

CASH FLOW STATEMENT - INDIRECT METHOD

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

Item	AOP label	Jan - Dec 2016	Jan - Dec 2017
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	396.785.339	407.891.101
1.1. Profit/(loss) before tax	002	153.169.813	9.018.025
1.2. Impairment losses and provisions	003	225.991.387	364.171.361
1.3. Amortization and depreciation	004	45.052.891	43.848.609
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(23.227.067)	(9.282.072)
1.5. Gains / losses from sale of tangible assets	006	253.900	1.882.329
1.6. Other gains / losses	007	(4.455.585)	(1.747.151)
2. Net increase / decrease of operating assets (009 to 016)	008	(1.901.651.029)	(1.179.148.942)
2.1. Deposits with the CNB	009	(74.210.746)	(2.089.619.595)
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	206.811.979	300.786.685
2.4. Loans to other customers	012	(1.199.224.497)	397.858.387
2.5. Financial assets held for trading	013	45.203.043	46.615.145
2.6. Financial assets available for sale	014	(591.241.616)	150.624.542
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	(374.687.385)	(76.019.316)
3. Net increase / decrease of operating liabilities (018 to 021)	017	1.754.457.573	516.928.465
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)	(83.840.800)
4. Net cash flow from operating activities before taxation (001+008+017)	022	249.591.883	(254.329.376)
5. Income tax paid	023	(171.183)	(421.217)
6. Net cash inflow / outflow from operating activities (022+023)	024	249.420.700	(254.750.593)
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	85.557.602	329.641.906
7.1. Purchase of tangible and intangible assets	026	(42.125.587)	(45.022.615)
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	123.227.604	370.489.602
7.4. Dividends received	029	4.455.585	4.174.919
7.5. Other inflows / outflows from investing activities	030	-	-
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	-	-
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	8.469.377	37.727.588
10. Effect of foreign exchange differences on cash and cash equivalents	039	813.257	816.192
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	9.282.634	38.543.780
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	421.479.852	460.023.632

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/(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	-	-	-	-	-	(6.744.613)	-	(6.744.613)
Change in the fair value of financial assets available for sale	005	-	-	-	-	-	18.934.865	-	18.934.865
Tax on items recognised directly in/transferred from equity	006	-	-	-	-	-	(2.194.245)	-	(2.194.245)
Other gains and (losses) recognised directly in equity	007	-	-	-	-	-	-	-	-
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	-	-	-	-	-	9.996.007	-	9.996.007
Loss for the period	009	-	-	-	-	7.133.696	-	-	7.133.696
Total recognized income and expense for the period (008+009)	010	-	-	-	-	7.133.696	9.996.007	-	17.129.703
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 reporting date (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	463.922.522	124.540.223	7.133.696	94.686.123	-	1.904.580.564

NOTES TO FINANCIAL STATEMENTS

A) PROFIT OR LOSS STATEMENT

Notes to financial statements

1) INTEREST INCOME

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	595.182.686	152.008.362	573.042.923	140.714.488
Deposits	2.001.471	832.715	(1.125.453)	471.815
Securities	123.070.829	28.248.628	90.835.451	20.539.676
TOTAL	720.254.986	181.089.705	662.752.921	161.725.979

2) INTEREST EXPENSE

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	18.962.631	4.257.844	14.083.983	3.676.154
Deposits	186.895.816	39.331.871	117.333.926	26.042.149
TOTAL	205.858.447	43.589.715	131.417.909	29.718.303

3) FEE AND COMMISSION INCOME

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	285.883.396	70.269.462	277.133.722	67.452.911
Retail and card operations	143.639.056	33.051.053	176.067.813	34.522.995
Corporate operations	57.004.833	15.463.557	59.486.631	16.697.514
Other fee and commission income	7.353.187	1.944.879	8.276.495	2.107.154
TOTAL	493.880.472	120.728.951	520.964.661	120.780.574

4) FEE AND COMMISSION EXPENSE

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	284.852.560	70.035.927	278.084.072	66.133.786
Other fee and commission expense	24.257.814	7.912.925	50.753.045	9.549.933
TOTAL	309.110.374	77.948.852	328.837.117	75.683.719

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	25.153.961	4.165.695	12.093.968	1.849.492
FX transactions	43.408.098	9.847.033	38.157.579	9.693.413
HRK cash transactions	367.955	(0)	490.545	3.850
Derivatives	(1.935.294)	(209.519)	83.730	128.553
TOTAL	66.994.720	13.803.208	50.825.822	11.675.308

6) OPERATING EXPENSES

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	335.532.113	87.639.946	337.868.035	87.524.819
Amortization and depreciation	45.125.631	11.736.058	43.848.609	10.845.868
Savings deposit insurance costs	33.913.498	7.643.706	35.559.103	9.155.918
Other costs	25.530.293	7.375.172	25.255.544	10.687.569
TOTAL	440.101.535	114.394.882	442.531.291	118.214.174

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

	Jan 01 - Dec 31 2016		Jan 01 - Dec 31 2016	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	171.720.380	59.412.152	352.916.750	73.235.321
Portfolio based provisions for identified losses (risk group A)	13.522.210	531.014	5.404.384	5.612.933
Other provisions	40.748.797	14.688.671	5.850.227	8.927.111
TOTAL	225.991.387	74.631.837	364.171.361	87.775.365

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	450.007.251
Deposits with domestic banking institutions	21.070.270	23.341.073
Portfolio based impairment allowance for identified losses	-	-
TOTAL	774.135.009	473.348.324

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	2.461.015.121
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	3.372.281.796

11) LOANS TO CUSTOMERS
in HRK

	Dec 31 2016	Dec 31 2017
Loans to financial institutions	81.579.680	62.450.001
Gross loans	81.583.376	62.454.545
Impairment allowance	(3.696)	(4.544)
Loans to companies	2.783.381.353	2.947.830.178
Gross loans	3.880.932.056	3.908.831.549
Impairment allowance	(1.097.550.703)	(961.001.371)
Retail loans	4.577.784.714	4.867.038.063
Gross loans	4.799.866.200	5.163.867.192
Impairment allowance	(222.081.486)	(296.829.129)
therein: housing loans	1.423.592.367	1.718.662.910
Gross loans	1.441.669.433	1.735.933.740
Impairment allowance	(18.077.066)	(17.270.830)
Other loans	4.037.506.783	3.192.137.704
Gross loans	4.040.077.723	3.197.806.535
Impairment allowance	(2.570.940)	(5.668.831)
Portfolio based impairment allowance for identified losses	(103.076.997)	(116.708.983)
Deferred front-end fee	(45.255.706)	(39.061.939)
TOTAL	11.331.919.827	10.913.685.024

B) BALANCE SHEET (continued)

12) DEPOSITS		<i>in HRK</i>	
	Dec 31 2016	Dec 31 2017	
Financial institutions	1.180.254.901	1.162.643.489	
Corporations	3.010.655.654	3.574.680.750	
Retail	8.886.016.253	8.980.391.877	
Other	1.453.063.764	1.416.684.388	
TOTAL	14.529.990.572	15.134.400.504	

13) BORROWINGS		<i>in HRK</i>	
	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	-		
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		<i>in HRK</i>	
	Dec 31 2016	Dec 31 2017	
Restricted deposits	1.715.292.949	1.786.812.843	
Interest and fees payable	58.731.565	42.254.446	
Provisions for off-balance sheet exposure	22.269.210	34.027.728	
Other	379.030.399	228.388.306	
TOTAL	2.175.324.123	2.091.483.323	

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. – 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) BANK'S OWNERSHIP STRUCTURE

Bank's ownership structure 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%

F) 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 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:

