

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

Audited

Zagreb, April 28 2017

In accordance with the articles of the Capital Markets Act, HPB p.l.c. publishes audited annual financial statements for 2016 (period from Jan 01 2016 to Dec 31 2016).

This report includes:

- Management report of HPB p.l.c.,
- statement by persons accountable for compiling the report of HPB p.l.c.,
- audited set of unconsolidated 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.,
- Proposal of allocation of profit earned in 2016.

Financial statements and notes were made in accordance with the TFI-KI reporting methodology by Croatian Financial Services Supervisory Agency. Items in the profit or loss statement are compiled in accordance with IFRS. Reports and notes for previous periods are harmonized for the purpose of comparability.

Key features of 2016 results are as follows:

- ✓ **Net profit of HRK188.3M** is 52.8% higher than in 2015, and best in the Bank's corporate history,
- ✓ **Record operating profit of HRK387.7M** is 20.8% higher than in 2015,
- ✓ Substantial decrease in operating costs (-4.2%) largely due to optimization of costs of services used by the Bank
- ✓ **C/I indicator – 53.2%; the lowest in 12 years,**
- ✓ **The largest annual assets growth in the last 5 years (+9.3%)** to HRK19.4B,
- ✓ **Growth in Market Share by Assets to 4.9%** and higher market shares in all relevant categories of loans and deposits,
- ✓ **Number of clients surpasses 640K**, 33K new retail current accounts opened, together with more than 1,500 corporate accounts,
- ✓ Successfully **closed sale of matured uncollected receivables** of HRK1.7B notional amount which will improve future financial position and results of the Bank.

Management report of HPB p.l.c.

In previous year we faced many challenges in a form of announced or current regulatory changes but also evergrowing market competition amid general interest rates decline. HPB managed to adapt to the aforementioned conditions by quality sales management, price policy and process improvement. Moreover 2016 was the year of many initiatives and strategic projects (Super Smart HPB, CRM client relationship management tool, sale of past-due uncollected receivables, SEPA Credit Transfer etc.) which required engagement of human and financial resources.

Simultaneous commercial and market success does not depend solely on external factors but also on our internal characteristics. Therefore out of all successes in 2016 I take the most pride in growth of our client base. Today HPB has more than 640K clients while in 2016 around 33K new current accounts were opened, as well as over 1.5K corporate accounts. I see this growth as a result of our dedication to clients which is one of HPB's corporate values and we will continue to practice it in the future.

Despite demanding operating activities the Bank increased its **net profit** in 2016 by 52.8% to HRK188.3M, the highest in the Bank's corporate history.

Operating profit in the amount of HRK387.7M is HRK66.6M or 20.7% higher than in 2015 due to better noninterest income and 4.6% lower expenses amid reorganization in 2015 and responsible cost management on all levels.

Net interest income is HRK514.4M which is 0.8% better than a year before. Mild increase amid general interest rates decline was due to increase in healthy part of the loan portfolio as well as optimization of financing sources' structure and cost.

Net income from commissions and fees is HRK184.8M which is 1.7% more than in previous year, in line with expectations. Substitution of cash transactions with other types of payments is inevitable and it reflected in lower revenue. On the other hand fees from account acquisitions and noncash payments were on the rise which makes an important contribution to sustainability of the Bank's future revenue.

Financial markets have been consistently making excellent results and **securities and FX trading gains** were more than doubled in 2016 (+146.2%). Even excluding one-off gains from sale of ownership in VISA Europe Ltd in the amount of HRK33.5M, gains were up by 74.9% compared to the previous year.

Other noninterest revenue are mostly one-off effects of sales of assets and other effects of collection of receivables. Considering the Bank did not have substantial revenue of the aforementioned sales and collections like in the previous year, other noninterest revenue was down by 68.9%. However we are dedicated to improving collection procedures and practices and at the same time maintaining social responsibility awareness.

Operating expenses were cut by 4.6% due to organizational and process improvements in 2015 and 2016. As a result the C/I indicator was improved to 53.2%, the best in 12 years. Therefore HPB continues to converge to the Croatian sector average.

Impairment and liabilities provision costs were up by 16.2% compared to 2016 but provisions' burden to the operating profit was virtually unchanged - around 60% in 2016 and 2015 – due to strong operating profit growth. On the structure front provisions for identified NPL losses were cut by 7.9%, while due to the Bank's growth there were substantial general reserves for A placements and potential liabilities (HRK13.5M in 2016 vs HRK6.0M revenue from cancelling provisions in 2015). Also by using conservative approach in line with the regulation, provisions for court cases and recognized impairments of nonfinancial assets were formed in the amount substantially higher than in 2015.

Despite decreasing NPL coverage from 64.3% to 62.6% amid sale of uncollected past-due receivables, the Bank was still largely in line with the sector average (63.5% at the end of 2016).

Amid profit in 2015 and even better result in 2016, the Bank met all preconditions for reliable estimation of the future taxed profit. From accumulated tax losses in 2014 deferred tax assets were recognized in the amount it could be used as a tax relief. Deferred tax assets from the mentioned item were recognized in the amount of HRK35.3M, while other items resulted with deferred tax assets expenditure in the amount of HRK8.8M.

Due to deposits inflow the **Bank's assets were up by 9.3%** to HRK19.4B in 2016 which is the highest annual growth in the last 5 years. The Bank increased its market share in all relevant balance sheet categories.

After 2015 which was marked by consolidation, reorganization and capital increase, **the Bank made substantial growth of its loan portfolio in 2016**. Total net loan and receivables portfolio was up by HRK1.2B or 11.6% at the same time the market loans were substantially down. Retail loans are still on the rise (+12.2%) due to 51.2% growth in housing loans. Corporate loans were up by 11.1% to HRK6.9B at the end of 2016. HPB has continued to support companies and sectors which create additional value for the national economy. The Bank has continued its cooperation and lending to corporates, government and local government units with an emphasis on the SMEs growth.

Total deposits were up by 11.4% to HRK16.2B although its structure was changed. Namely acquisition potential in corporate business segment was used and deposits held by companies were up by 54.1%. Retail business also made its contribution to the Bank's deposit base growth: retail savings were increased by 4.8% and there were 33 newly opened current accounts.

The Croatian National Bank amid its regular supervisory estimate, set the regulatory capital rate of 15.35% (from November 2016 on) after previous 14.00%. In order to comply with the aforementioned measure amid capital shortfall the Bank optimized its risk exposure which were up minimally compared to the total assets growth. Therefore **capital adequacy rate was mildly decreased to 15.66%**.



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 audited annual financial statements for 2016 (period from Jan 01 to Dec 31 2016), compiled in accordance with the accounting regulation applicable to credit institutions in Croatia, presents complete and accurate view of assets and liabilities, losses and gains, financial position and results of HPB p.l.c.



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 2016

Annual financial statements for credit institutions GFI-KIRegistration 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.hrInternet address: www.hpb.hrCity code and name: **133** **ZAGREB**County code and name: **21** **GRAD ZAGREB**# of employees: **1.067**

(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 David**Phone: **014804900**Fax: **014804594**E-mail address: david.tomasek@hpb.hrSurname and name: **Vuić Tomislav**

(person authorized for representation)

Documentation to be made public:

1. Audited annual financial statements
2. Management report
3. Statement by persons accountable for compiling the report
4. Supervisory Board's consent on annual financial statements
5. Resolution on allocation of profit earned in 2016

BALANCE SHEET

as per

Dec 31 2016

in HRK

Item	AOP label	Dec 31 2015	Dec 31 2016
1	2	3	4
ASSETS			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	001	2.179.809.734	2.263.303.114
1.1.Cash	002	412.197.218	421.479.852
1.2.Deposits with the CNB	003	1.767.612.516	1.841.823.262
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	004	958.338.782	774.135.009
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	005	501.234.808	415.536.615
4. FINANCIAL ASSETS HELD FOR TRADING	006	596.525.929	551.322.886
5. FINANCIAL ASSETS AVAILABLE FOR SALE	007	1.995.759.118	2.630.574.528
6. FINANCIAL ASSETS HELD TO MATURITY	008	566.062.663	442.835.059
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	009	0	0
8. DERIVATIVE FINANCIAL ASSETS	010	0	3.780.197
9. LOANS TO FINANCIAL INSTITUTIONS	011	104.187.886	81.579.680
10. LOANS TO OTHER CUSTOMERS	012	10.051.115.650	11.250.340.147
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	013	53.420.000	53.420.000
12. REPOSSESSED ASSETS	014	103.134.707	0
13. TANGIBLE ASSETS (LESS DEPRECIATION)	015	147.109.089	146.091.281
14. OTHER ASSETS	016	456.468.108	744.801.351
A) TOTAL ASSETS (001+004 to 016)	017	17.713.166.474	19.357.719.867
LIABILITIES			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	018	558.124.023	620.995.448
1.1. Short-term	019	393.994	0
1.2. Long-term	020	557.730.029	620.995.448
2. DEPOSITS (022 to 024)	021	12.392.106.047	14.529.990.572
2.1. Transactional and current accounts	022	2.953.953.271	4.009.237.425
2.2. Savings deposits (demand)	023	1.060.935.229	1.486.719.761
2.3. Term deposits	024	8.377.217.547	9.034.033.386
3. OTHER BORROWINGS (026+027)	025	446.650.250	88.426.108
3.1. Short-term	026	0	0
3.2. Long-term	027	446.650.250	88.426.108
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	028	0	3.640.667
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	2.537.022.027	2.175.324.123
B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)	035	15.933.902.347	17.418.376.918
EQUITY			
1. SHARE CAPITAL	036	1.214.298.000	1.214.298.000
2. PROFIT FOR THE YEAR	037	123.216.697	188.277.328
3. RETAINED EARNINGS	038	0	82.293.647
4. REGULATORY RESERVES	039	0	6.160.835
5. STATUTARY AND OTHER CAPITAL RESERVES	040	359.660.725	363.623.023
6. FAIR VALUE RESERVE	041	82.088.705	84.690.116
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	042	0	0
C) TOTAL EQUITY (036 to 042)	043	1.779.264.127	1.939.342.949
D) TOTAL LIABILITIES AND EQUITY (035+043)	044	17.713.166.474	19.357.719.867

PROFIT OR LOSS STATEMENT

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

Item	AOP label	Jan 01 - Dec 31 2015	Jan 01 - Dec 31 2016
1	2	3	4
1. Interest income	048	781.979.594	720.254.986
2. Interest expense	049	271.653.986	205.858.447
3. Net interest income (048-049)	050	510.325.608	514.396.539
4. Fee and commission income	051	483.022.131	493.880.472
5. Fee and commission expense	052	301.288.601	309.110.374
6. Net fee and commission income (051-052)	053	181.733.530	184.770.098
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	46.943.667	66.994.720
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	0	48.595.443
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	0	3.500.000
15. Income from other equity instruments	062	1.073.257	826.626
16. Gains less losses from exchange rate differences	063	9.970.802	4.457.916
17. Other income	064	30.992.244	4.277.870
18. Other operating costs	065	62.018.557	59.443.791
19. General and administrative expenses, amortization and depreciation	066	397.424.069	380.657.744
20. Operating profit (050+053 to 064-065-066)	067	321.596.482	387.717.677
21. Impairment losses and provisions	068	195.010.932	225.991.387
22. PROFIT BEFORE TAXATION (067-068)	069	126.585.550	161.726.290
23. INCOME TAX EXPENSE / DEFERRED TAX	070	3.368.853	(26.551.038)
24. NET PROFIT FOR THE PERIOD (069-070)	071	123.216.697	188.277.328
25. Earnings per share	072	85	93

CASH FLOW STATEMENT - INDIRECT METHOD

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

Item	AOP label	Jan 01 - Dec 31 2015	Jan 01 - Dec 31 2016
1	2	3	4
OPERATING ACTIVITIES			
1. Cash flow from operating activities before changes in assets (002 to 007)	001	333.574.571	404.834.016
1.1. Profit for taxation	002	126.585.550	161.726.290
1.2. Impairment losses and provisions	003	194.557.425	225.991.387
1.3. Amortization and depreciation	004	45.698.288	45.052.891
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(8.363.184)	(23.227.067)
1.5. Gains / losses from sale of tangible assets	006	(14.934.511)	(253.900)
1.6. Other gains / losses	007	(9.968.997)	(4.455.585)
2. Net increase / decrease of operating assets (009 to 016)	008	(732.402.034)	(1.941.491.467)
2.1. Deposits with the CNB	009	0	0
2.2. Treasury bills of the Croatian Ministry of Finance	010	(501.234.808)	85.698.193
2.3. Deposits with and loans to financial institutions	011	30.074.634	13.252.769
2.4. Loans to other customers	012	1.692.916	(1.350.232.552)
2.5. Financial assets held for trading	013	(305.149.279)	45.203.042
2.6. Financial assets available for sale	014	(26.490.978)	(634.815.410)
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	0	0
2.8. Other operating assets	016	68.705.481	(100.597.509)
3. Net increase / decrease of operating liabilities (018 to 021)	017	172.594.855	1.754.457.573
3.1. Transactional accounts	018	39.457.760	1.055.284.154
3.2. Savings and term deposits	019	(121.272.743)	1.082.600.372
3.3. Derivative financial liabilities and other liabilities actively traded	020	(507.910)	3.640.667
3.4. Ostale liabilities	021	254.917.748	(387.067.620)
4. Net cash flow from operating activities before taxation (001+008+017)	022	(226.232.608)	217.800.122
5. Income tax paid	023	(27.894)	(171.183)
6. Net cash inflow / outflow from operating activities (022+023)	024	(226.260.502)	217.628.939
INVESTING ACTIVITIES			
7. Net cash flow from investing activities (026 to 030)	025	5.667.558	85.557.602
7.1. Purchase of tangible and intangible assets	026	(18.799.787)	(42.125.587)
7.2. Investment in / disposal of subsidiaries, associated companies and joint ventures	027	0	0
7.3. Investment in / disposal of financial assets held to maturity	028	23.394.088	123.227.604
7.4. Dividends received	029	1.073.257	4.455.585
7.5. Other inflows / outflows from investing activities	030	0	0
FINANCIAL ACTIVITIES			
8. Net cash flow from financial activities (032 to 037)	031	48.056.085	(326.508.925)
8.1. Net increase / decrease of borrowings	032	(501.943.515)	(295.746.710)
8.2. Net increase / decrease of issued debt securities	033	0	0
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	0	0
8.4. Share capital raised	035	549.999.600	0
8.5. Dividends paid	036	0	(30.762.215)
8.6. Other inflows / outflows from financial activities	037	0	0
9. Net increase / decrease of cash and cash equivalents (024+025+031)	038	(172.536.859)	(23.322.384)
10. Effect of foreign exchange differences on cash and cash equivalents	039	3.362.357	813.257
11. Net increase/(decrease) in cash and cash equivalents (038+039)	040	(169.174.502)	(22.509.127)
12. Cash and cash equivalents at the beginning of the year	041	3.416.226.357	3.247.051.855
13. Cash and cash equivalents as per reporting date (040+041)	042	3.247.051.855	3.224.542.728

STATEMENT OF CHANGES IN EQUITY

for the period from

Jan 01 2016

to

Dec 31 2016

in HRK

Item	AOP oznaka	Attributable to the shareholders of the parent company						Minority interest	Total equity
		Share capital	Own shares	Regulatory, statutory and other reserves	Retained earnings	Profit for the period	Fair value reserve		
1	2	3	4	5	6	7	8	9	10
Balance as per Jan 01 2016	001	1.214.775.000	(477.000)	359.660.725	0	123.216.697	82.088.705	0	1.779.264.127
Effects of changes in accounting policies and corrections of errors	002								0
Restated balance as per Jan 01 2016 (001+002)	003	1.214.775.000	(477.000)	359.660.725	0	123.216.697	82.088.705	0	1.779.264.127
Disposal of financial assets available for sale	004						(44.835.709)		(44.835.709)
Change in the fair value of financial assets available for sale	005						45.505.457		45.505.457
Tax on items recognised directly in/transferred from equity	006			35.037			1.931.663		1.966.700
Other gains and (losses) recognised directly in equity	007			(72.739)					(72.739)
Net gains/(losses) recognised directly in equity (004+005+006+007)	008	0	0	(37.702)	0	0	2.601.411	0	2.563.709
Profit for the period	009					188.277.328			188.277.328
Total recognized income and expense for the period (008+009)	010	0	0	(37.702)	0	188.277.328	2.601.411	0	190.841.037
Increase/decrease in share capital	011								0
Purchase/sale of own shares	012								0
Other changes	013								0
Transfer to reserves	014			10.160.835	82.293.647	(92.454.482)			0
Dividends paid	015					(30.762.215)			(30.762.215)
Profit allocation (014+015)	016	0	0	10.160.835	82.293.647	(123.216.697)	0	0	(30.762.215)
Balance as per Dec 31 2016 (003+010+011+012+013+016)	017	1.214.775.000	(477.000)	369.783.858	82.293.647	188.277.328	84.690.116	0	1.939.342.949

NOTES TO FINANCIAL STATEMENTS

A) PROFIT OR LOSS STATEMENT

1) INTEREST INCOME

in HRK

AOP 048	01.01. - 31.12.2015.	01.01. - 31.12.2016.
Loans	648.112.546	595.182.686
Deposits	2.677.586	2.001.471
Debt securities	131.189.462	123.070.829
TOTAL	781.979.594	720.254.986

2) INTEREST EXPENSE

in HRK

AOP 049	01.01. - 31.12.2015.	01.01. - 31.12.2016.
Borrowings	29.857.539	18.962.631
Deposits	241.796.447	186.895.816
TOTAL	271.653.986	205.858.447

3) FEE AND COMMISSION INCOME

in HRK

AOP 051	01.01. - 31.12.2015.	01.01. - 31.12.2016.
Cash payment operations - channels	290.870.928	285.883.396
Retail and card operations	133.189.658	143.639.056
Corporate operations	50.279.820	57.004.833
Other fee and commission income	8.681.725	7.353.187
TOTAL	483.022.131	493.880.472

4) FEE AND COMMISSION EXPENSE

in HRK

AOP 052	01.01. - 31.12.2015.	01.01. - 31.12.2016.
Payment operations	270.460.872	284.852.560
Other fee and commission expense	30.827.729	24.257.814
TOTAL	301.288.601	309.110.374

5) GAINS LESS LOSSES FROM TRADING ACTIVITIES

in HRK

AOP 055	01.01. - 31.12.2015.	01.01. - 31.12.2016.
Securities and equity instruments	8.592.944	25.153.961
FX transactions	40.654.631	43.408.098
HRK cash transactions	421.619	367.955
Derivatives	(2.725.527)	(1.935.294)
TOTAL	46.943.667	66.994.720

6) OPERATING EXPENSES

in HRK

AOP 065 & AOP 066	01.01. - 31.12.2015.	01.01. - 31.12.2016.
General and administrative expenses	351.725.781	335.532.113
Amortization and depreciation	45.698.288	45.125.631
Savings deposit insurance costs	34.474.391	33.913.498
Other costs	27.544.166	25.530.293
TOTAL	459.442.626	440.101.535

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

AOP 068	01.01. - 31.12.2015.	01.01. - 31.12.2016.
Individually identified impairment losses (risk group B i C)	180.412.586	171.720.380
Portfolio based provisions for identified losses (risk group A)	(6.032.690)	13.522.210
Other provisions	20.631.036	40.748.797
TOTAL	195.010.932	225.991.387

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

AOP 001	31.12.2015.	31.12.2016.
CASH	412.197.218	421.479.852
DEPOSITS WITH THE CNB	1.767.612.516	1.841.823.262
Mandatory reserve	1.279.570.475	1.300.796.321
Account for transaction settlement	488.042.041	541.026.941
MANDATORY TREASURY BILLS	-	-
Portfolio based impairment allowance for identified losses	-	-
TOTAL	2.179.809.734	2.263.303.114

9) DEPOSITS WITH FINANCIAL INSTITUTIONS
in HRK

AOP 004	31.12.2015.	31.12.2016.
Deposits with foreign banking institutions	810.491.088	753.064.739
Deposits with domestic banking institutions	147.847.694	21.070.270
Portfolio based impairment allowance for identified losses	-	-
TOTAL	958.338.782	774.135.009

10) EQUITY INSTRUMENTS AND SECURITIES
in HRK

AOP 005 - 009	31.12.2015.	31.12.2016.
Short term Treasury bills of the Croatian Ministry of Finance	501.234.808	415.536.615
Financial assets held for trading	596.525.929	551.322.886
Financial assets available for sale	1.995.759.118	2.630.574.528
Financial assets held to maturity	574.826.430	450.105.787
Portfolio based impairment allowance for identified losses	(8.255.991)	(6.771.524)
Deferred front-end fee	(507.776)	(499.204)
TOTAL	3.659.582.518	4.040.269.088

11) LOANS TO CUSTOMERS
in HRK

AOP 011 & 012	31.12.2015.	31.12.2016.
Loans to financial institutions	104.187.886	81.579.680
Gross loans	104.190.902	81.583.376
Impairment allowance	(3.016)	(3.696)
Loans to companies	2.617.620.327	2.783.381.353
Gross loans	4.185.847.569	3.880.932.056
Impairment allowance	(1.568.227.242)	(1.097.550.703)
Retail loans	4.078.378.617	4.577.784.714
Gross loans	4.634.571.446	4.799.866.200
Impairment allowance	(556.192.829)	(222.081.486)
therein: housing loans	941.539.297	1.423.592.367
Gross loans	961.008.397	1.441.669.433
Impairment allowance	(19.469.100)	(18.077.066)
Other loans	3.492.378.718	4.037.506.783
Gross loans	3.493.545.226	4.040.077.723
Impairment allowance	(1.166.508)	(2.570.940)
Portfolio based impairment allowance for identified losses	(90.416.028)	(103.076.997)
Deferred front-end fee	(46.845.984)	(45.255.706)
TOTAL	10.155.303.536	11.331.919.827

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

AOP 021	31.12.2015.	31.12.2016.
Financial institutions	913.221.701	1.180.254.901
Corporations	1.954.309.669	3.010.655.654
Retail	8.476.517.508	8.886.016.253
Other	1.048.057.169	1.453.063.764
TOTAL	12.392.106.047	14.529.990.572

13) BORROWINGS
in HRK

AOP 018 & 025	31.12.2015.	31.12.2016.
Borrowings from HBOR	561.173.124	624.696.401
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	393.994	-
Borrowings from foreign banking institutions	446.650.250	88.426.109
Deferred front-end fee	(3.443.095)	(3.700.954)
TOTAL	1.004.774.273	709.421.556

14) OTHER LIABILITIES
in HRK

AOP 034	31.12.2015.	31.12.2016.
Restricted deposits	2.187.135.040	1.715.292.949
Interest and fees payable	73.630.369	58.731.565
Provisions for off-balance sheet exposure	20.118.045	22.269.210
Other	256.138.573	379.030.399
TOTAL	2.537.022.027	2.175.324.123

C) CHANGES IN ACCOUNTING POLICIES

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

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

D) BANK'S OWNERSHIP STRUCTURE

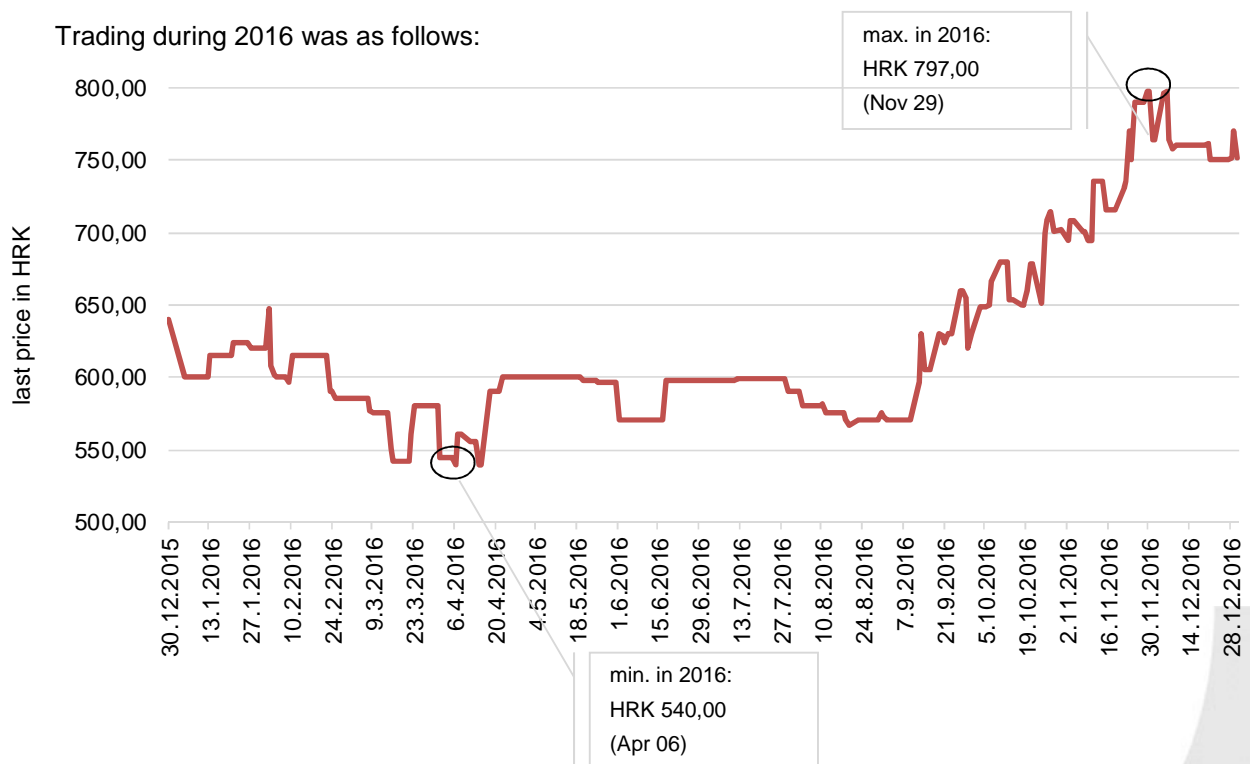
Bank's ownership structure as per December 31 2016 was as follows:

Shareholder	Ownership stake
Republic of Croatia (Ministry of State Assets)	42,43%
HP Hrvatska pošta Plc	11,93%
State Agency for Deposit Insurance and Bank Resolution	8,98%
Croatian Pension Insurance Institute (Ministry of State Assets)	8,76%
Prosperus Invest d.o.o., for Prosperus FGS	4,94%
PBZ CROATIA OSIGURANJE OMF (B category)	4,12%
ERSTE d.o.o. for ERSTE PLAVI OMF (B category)	3,90%
Allianz ZB d.o.o., for AZ OMF (B category)	2,88%
CROATIA osiguranje Plc	2,47%
RAIFFEISEN D.D., for Raiffeisen OMF (B category)	2,42%
Fund for Financing the Decommissioning of the Krško Nuclear Power Plant and the Disposal of NEK Radioactive Waste and Spent Nuclear Fuel	2,36%
Minorities	4,77%
Own shares	0,04%

E) HPB-R-A STOCK

Share HPB-R-A is listed on the Official Market of ZSE. The last price per share at the end of the reporting period was HRK 750,00 (Dec 31 2016) representing an increase of 17,3% when compared to the last traded price in 2015 (HRK 640,00 on Dec 31 2015).

Trading during 2016 was as follows:



HPB p.l.c.
Zagreb, Jurišićeva 4

SUPERVISORY BOARD

Zagreb, April 12 2017

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 it's 5th meeting - held on April 12 2017, made the following:

RESOLUTION

on giving consent to Annual financial statements of HPB p.l.c., for the 2016 business year, comprising also the Management Board's annual report of Bank's condition

- I. Consent is given to Annual financial statements of HPB p.l.c. for the 2016 business year, comprising also the Management Board's annual report of Bank's condition,

Acceptance is given for Auditor's report by Deloitte d.o.o., Zagreb, Radnička 80. Auditor has conducted the audit of Annual financial statements of HPB p.l.c. for the year ended December 31 2016.
- II. By giving consent to statements outlined in paragraph I. of this Resolution, Annual financial statements of HPB p.l.c. for the year ended December 31 2016 is 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, April 12 2017

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 it's 5th meeting - held on April 12 2017, made the following:

RESOLUTION
on giving consent to Management Board's proposal on
allocation of profit earned in 2016

I.

Bank's Supervisory Board gives its consent and accepts Management Board's proposal on allocation of profit earned in 2016, 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 2016 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