

**Unaudited Consolidated Quarterly  
Financial Reports of HPB Group  
for the Period from Jan 01 – Jun 30 2016**  
*(second quarter of 2016)*

In accordance with the Capital Markets Act, HPB p.l.c., as the parent company of the HPB Group publishes unaudited consolidated quarterly financial report for 2016 (period from Jan 01 2016 to Jun 30 2016).

This report includes:

- Management report of HPB p.l.c., parent company of the HPB Group,
- statement by persons accountable for compiling the report,
- 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. Reports and notes for previous periods are harmonized for the purpose of comparability.

## 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) i HPB Nekretnine (real estate agency). All Group members have recorded net profit after taxation during the reporting period. Bank achieved HRK 91,3 million of net profit, HPB Stambena štedionica added HRK 2,1 million, HPB Nekretnine HRK 590 thousand, whilst HPB Invest realized a net profit amounting to HRK 994 thousand. Alongside subsidiaries, where HPB p.l.c. acts as a founder and owner having a 100% ownership stake, results of H1 Telekom d.d. are included in the consolidated balance sheet. Bank has a controlling stake of 58,2% in H1 Telekom. This stake had been acquired through a debt-to-equity swap, during the pre-bankruptcy settlement proceedings, and is classified as assets held for sale.

Consolidated net profit after deferred tax amounts to HRK 95,0 million, increasing by 13,9% in comparison with the same period last year, and represents the record net profit level for the half-year period.

Groups assets have increased by 3,9 percent since the beginning of 2016, mainly driven by loan growth at parent company. This contributed to structural optimization aimed at achieving greater profitability. Liquidity surplus accumulated during 2015 has been placed into loans to customers (+4,2%) and liquid securities (+6,5%) in order to maximize return on assets.

We would like to emphasize results achieved in the retail banking segment where the Bank recorded a loan growth of 11,1% with housing loans spiking by 35,9%.

Deposits have increased substantially – by 5,3 percent, mainly as a result of higher corporate deposit volume (+11,3 percent), thanks to strong client acquisition in local government, SME and large corporations segments.

Tomislav Vuić  
Management Board of HPB p.l.c.  
President

## **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., parent company of the HPB Group, states that according to their best knowledge the set of unaudited quarterly consolidated financial statements for 2016 (period from 01 Jan to 30 Jun 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., as well as companies included in consolidation as a whole.

Signed on behalf of HPB p.l.c., parent company of HPB Group:

Goran Jamić  
Finance Division  
Deputy to Executive Director

Tomislav Vuić  
Management Board  
President

HPB Group

**Appendix 3.**

Reporting period:

Jan 01

to

Jun 30 2016

**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: JURISICEVA 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: 1.102  
(as per reporting date)

Consolidated report: YES

Industry code: 6419

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

|                              |                          |          |
|------------------------------|--------------------------|----------|
| HPB Stambena Štedionica d.d. | Savska 58, 10000 Zagreb  | 02068001 |
| HPB Invest d.o.o.            | Praška 5, 10000 Zagreb   | 01972278 |
| HPB Nekretnine d.o.o.        | Amruševa 8, 10000 Zagreb | 01972260 |
| H1 TELEKOM d.d.              | Split, Dračevac 2d       | 01834649 |
|                              |                          |          |
|                              |                          |          |

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: 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 **Jun 30 2016**

in HRK

| Item  | AOP label  | Dec 31 2015           | Jun 30 2016           |
|---|------------|-----------------------|-----------------------|
| 1   | 2          | 3                     | 4                     |
| <b>ASSETS</b>   |            |                       |                       |
| 1. CASH AND DEPOSITS WITH THE CNB (002+003)   | <b>001</b> | 2.179.809.734         | 2.329.640.967         |
| 1.1. Cash   | <b>002</b> | 412.197.218           | 450.530.349           |
| 1.2. Deposits with the CNB  | <b>003</b> | 1.767.612.516         | 1.879.110.618         |
| 2. DEPOSITS WITH FINANCIAL INSTITUTIONS   | <b>004</b> | 958.338.782           | 811.402.798           |
| 3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE  | <b>005</b> | 501.234.808           | 599.689.933           |
| 4. FINANCIAL ASSETS HELD FOR TRADING  | <b>006</b> | 715.276.908           | 916.985.274           |
| 5. FINANCIAL ASSETS AVAILABLE FOR SALE  | <b>007</b> | 1.995.759.118         | 1.947.811.268         |
| 6. FINANCIAL ASSETS HELD TO MATURITY  | <b>008</b> | 566.062.663           | 557.892.547           |
| 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> | 0                     | 1.532                 |
| 9. LOANS TO FINANCIAL INSTITUTIONS  | <b>011</b> | 104.187.886           | 121.992.552           |
| 10. LOANS TO OTHER CUSTOMERS  | <b>012</b> | 10.164.694.441        | 10.629.370.214        |
| 11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES                                  | <b>013</b> | 7.930.000             | 7.930.000             |
| 12. REPOSSESSED ASSETS  | <b>014</b> | 103.134.707           | 99.309.575            |
| 13. TANGIBLE ASSETS (LESS DEPRECIATION)   | <b>015</b> | 156.773.180           | 154.221.083           |
| 14. OTHER ASSETS  | <b>016</b> | 582.980.978           | 559.126.694           |
| <b>A) TOTAL ASSETS (001+004 to 016)</b>   | <b>017</b> | <b>18.036.183.205</b> | <b>18.735.374.437</b> |
| <b>LIABILITIES</b>  |            |                       |                       |
| 1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)   | <b>018</b> | 558.124.023           | 538.244.126           |
| 1.1. Short-term   | <b>019</b> | 393.994               | 387.682               |
| 1.2. Long-term  | <b>020</b> | 557.730.029           | 537.856.444           |
| 2. DEPOSITS (022 to 024)  | <b>021</b> | 12.392.106.047        | 13.370.506.872        |
| 2.1. Transactional and current accounts   | <b>022</b> | 2.936.586.232         | 3.319.301.450         |
| 2.2. Savings deposits (demand)  | <b>023</b> | 1.060.935.229         | 1.158.409.015         |
| 2.3. Term deposits  | <b>024</b> | 8.597.206.658         | 8.892.796.407         |
| 3. OTHER BORROWINGS (026+027)   | <b>025</b> | 446.650.250           | 263.697.069           |
| 3.1. Short-term   | <b>026</b> | -                     | -                     |
| 3.2. Long-term  | <b>027</b> | 446.650.250           | 263.697.069           |
| 4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING  | <b>028</b> | -                     | -                     |
| 5. ISSUED SECURITIES (030+031)  | <b>029</b> | -                     | -                     |
| 5.1. Short-term   | <b>030</b> | -                     | -                     |
| 5.2. Long-term  | <b>031</b> | -                     | -                     |
| 6. SUBORDINATED DEBT ISSUED   | <b>032</b> | -                     | -                     |
| 7. HYBRID INSTRUMENTS   | <b>033</b> | -                     | -                     |
| 8. OTHER LIABILITIES  | <b>034</b> | 2.657.714.032         | 2.741.567.965         |
| <b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>   | <b>035</b> | <b>16.054.594.352</b> | <b>16.914.016.032</b> |
| <b>EQUITY</b>   |            |                       |                       |
| 1. SHARE CAPITAL  | <b>036</b> | 1.214.298.000         | 1.214.298.000         |
| 2. PROFIT FOR THE YEAR  | <b>037</b> | 124.777.141           | 94.963.792            |
| 3. RETAINED EARNINGS  | <b>038</b> | (1.857.790)           | 81.996.301            |
| 4. REGULATORY RESERVES  | <b>039</b> | 0                     | 6.160.835             |
| 5. STATUTARY AND OTHER CAPITAL RESERVES   | <b>040</b> | 359.660.725           | 363.660.725           |
| 6. FAIR VALUE RESERVE   | <b>041</b> | 82.088.705            | 60.278.752            |
| 7. RESERVES ARISING FROM HEDGING TRANSACTIONS   | <b>042</b> | 0                     | 0                     |
| <b>C) TOTAL EQUITY (036 to 042)</b>   | <b>043</b> | <b>1.778.966.781</b>  | <b>1.821.358.405</b>  |
| <b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>  | <b>044</b> | <b>17.833.561.133</b> | <b>18.735.374.437</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>1.778.966.781</b>  | <b>1.821.358.405</b>  |
| 2. Equity attributable to the shareholders of the parent company  | <b>046</b> | 1.778.966.781         | 1.821.358.405         |
| 3. Minority interest (045-046)  | <b>047</b> | 0                     | 0                     |

## PROFIT OR LOSS STATEMENT

for the period from **Jan 01 2016** to **Jun 30 2016**

in HRK

| Item  | AOP label  | Jan 01 - Jun 30 2015 |                    | Jan 01 - Jun 30 2016 |                    |
|---|------------|----------------------|--------------------|----------------------|--------------------|
|   |            | Cumulative           | Quarterly          | Cumulative           | Quarterly          |
| 1   | 2          | 3                    | 4                  | 5                    | 6                  |
| 1. Interest income  | 048        | 402.839.603          | 202.101.657        | 365.690.958          | 185.855.638        |
| 2. Interest expense   | 049        | 148.429.009          | 71.542.794         | 116.446.129          | 56.554.775         |
| <b>3. Net interest income (048-049)</b>   | <b>050</b> | <b>254.410.594</b>   | <b>130.558.863</b> | <b>249.244.829</b>   | <b>129.300.863</b> |
| 4. Fee and commission income  | 051        | 240.773.954          | 122.334.393        | 241.954.682          | 124.871.218        |
| 5. Fee and commission expense   | 052        | 148.468.321          | 74.625.238         | 149.128.168          | 76.593.276         |
| <b>6. Net fee and commission income (051-052)</b>   | <b>053</b> | <b>92.305.633</b>    | <b>47.709.155</b>  | <b>92.826.514</b>    | <b>48.277.942</b>  |
| 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        | 17.076.696           | 9.166.864          | 22.727.328           | 9.729.448          |
| 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        | 0                    | 0                  | 41.698.418           | 33.483.579         |
| 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        | 0                    | 0                  | 0                    | 0                  |
| 15. Income from other equity instruments  | 062        | 914.733              | 908.606            | 787.350              | 780.212            |
| 16. Gains less losses from exchange rate differences  | 063        | 8.116.968            | 1.691.457          | 3.844.336            | 138.112            |
| 17. Other income  | 064        | 15.616.087           | 6.206.703          | 5.365.831            | 2.148.181          |
| 18. Other operating costs   | 065        | 22.731.386           | 11.242.306         | 27.488.004           | 16.225.745         |
| 19. General and administrative expenses, amortization and depreciation                                    | 066        | 196.502.199          | 95.297.852         | 192.051.622          | 97.078.121         |
| <b>20. Operating profit (050+053 to 064-065-066)</b>  | <b>067</b> | <b>169.207.126</b>   | <b>89.701.490</b>  | <b>196.954.980</b>   | <b>110.554.471</b> |
| 21. Impairment losses and provisions  | 068        | 84.322.838           | 51.393.665         | 104.014.667          | 62.874.617         |
| <b>22. PROFIT BEFORE TAXATION (067-068)</b>   | <b>069</b> | <b>84.884.288</b>    | <b>38.307.825</b>  | <b>92.940.313</b>    | <b>47.679.854</b>  |
| <b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>  | <b>070</b> | <b>1.497.796</b>     | <b>238.095</b>     | <b>(2.023.479)</b>   | <b>534.612</b>     |
| <b>24. NET PROFIT FOR THE PERIOD (069-070)</b>  | <b>071</b> | <b>83.386.492</b>    | <b>38.069.730</b>  | <b>94.963.792</b>    | <b>47.145.242</b>  |
| 25. Earnings per share  | 072        | 84                   | 32                 | 47                   | 23                 |
| <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>83.386.492</b>    | <b>38.069.730</b>  | <b>94.963.792</b>    | <b>47.145.242</b>  |
| <b>2. Attributable to the shareholders of the parent company</b>  | <b>074</b> | <b>83.386.492</b>    | <b>38.069.730</b>  | <b>94.963.792</b>    | <b>47.145.242</b>  |
| <b>3. Minority interest (073-074)</b>   | <b>075</b> | 0                    | 0                  | 0                    | 0                  |

**CASH FLOW STATEMENT - INDIRECT METHOD**

 for the period from **Jan 01 2016** to **Jun 30 2016** in HRK

| Item  | AOP label  | Jan 01 - Jun 30 2015 | Jan 01 - Jun 30 2016 |
|---|------------|----------------------|----------------------|
| 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>186.502.926</b>   | <b>212.280.166</b>   |
| 1.1. Profit for taxation  | 002        | 84.884.288           | 92.940.313           |
| 1.2. Impairment losses and provisions   | 003        | 84.322.838           | 104.014.667          |
| 1.3. Amortization and depreciation  | 004        | 24.546.001           | 21.914.367           |
| 1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss | 005        | (4.126.476)          | (2.744.845)          |
| 1.5. Gains / losses from sale of tangible assets  | 006        | 4.993.243            | 0                    |
| 1.6. Other gains / losses   | 007        | (8.116.968)          | (3.844.336)          |
| <b>2. Net increase / decrease of operating assets (009 to 016)</b>                                      | <b>008</b> | <b>69.143.882</b>    | <b>(795.214.115)</b> |
| 2.1. Deposits with the CNB  | 009        | (188.730.547)        | (111.498.102)        |
| 2.2. Treasury bills of the Croatian Ministry of Finance   | 010        | (299.386.160)        | (98.455.125)         |
| 2.3. Deposits with and loans to financial institutions  | 011        | 387.607.498          | 129.131.318          |
| 2.4. Loans to other customers   | 012        | 120.959.167          | (545.056.413)        |
| 2.5. Financial assets held for trading  | 013        | 116.256.474          | (198.963.521)        |
| 2.6. Financial assets available for sale  | 014        | (58.031.340)         | 20.685.409           |
| 2.7. Financial assets valued at fair value through profit or loss, not actively traded                  | 015        | 0                    | 0                    |
| 2.8. Other operating assets   | 016        | (9.531.210)          | 8.942.319            |
| <b>3. Net increase / decrease of operating liabilities (018 to 021)</b>                                 | <b>017</b> | <b>129.779.283</b>   | <b>864.651.599</b>   |
| 3.1. Transactional accounts   | 018        | (92.427.021)         | 387.734.131          |
| 3.2. Savings and term deposits  | 019        | (178.743.912)        | 393.063.535          |
| 3.3. Derivative financial liabilities and other liabilities actively traded                             | 020        | (507.910)            | 0                    |
| 3.4. Ostale liabilities   | 021        | 401.458.126          | 83.853.933           |
| <b>4. Net cash flow from operating activities before taxation (001+008+017)</b>                         | <b>022</b> | <b>385.426.091</b>   | <b>281.717.650</b>   |
| 5. Income tax paid  | 023        | (137.608)            | (65.680)             |
| <b>6. Net cash inflow / outflow from operating activities (022+023)</b>                                 | <b>024</b> | <b>385.288.483</b>   | <b>281.651.970</b>   |
| <b>INVESTING ACTIVITIES</b>   |            |                      |                      |
| <b>7. Net cash flow from investing activities (026 to 030)</b>  | <b>025</b> | <b>(8.774.576)</b>   | <b>(9.917.403)</b>   |
| 7.1. Purchase of tangible and intangible assets   | 026        | (11.406.458)         | (18.874.869)         |
| 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        | 1.717.149            | 8.170.116            |
| 7.4. Dividends received   | 029        | 914.733              | 787.350              |
| 7.5. Other inflows / outflows from investing activities   | 030        | 0                    | 0                    |
| <b>FINANCIAL ACTIVITIES</b>   |            |                      |                      |
| <b>8. Net cash flow from financial activities (032 to 037)</b>  | <b>031</b> | <b>(301.681.426)</b> | <b>(233.595.293)</b> |
| 8.1. Net increase / decrease of borrowings  | 032        | (301.681.426)        | (202.833.078)        |
| 8.2. Net increase / decrease of issued debt securities  | 033        | 0                    | 0                    |
| 8.3. Net increase / decrease of subordinated debt and hybrid instruments                                | 034        | 0                    | 0                    |
| 8.4. Share capital raised   | 035        | 0                    | 0                    |
| 8.5. Dividends paid   | 036        | 0                    | (30.762.215)         |
| 8.6. Other inflows / outflows from financial activities   | 037        | 0                    | 0                    |
| <b>9. Net increase / decrease of cash and cash equivalents (024+025+031)</b>                            | <b>038</b> | <b>74.832.481</b>    | <b>38.139.274</b>    |
| 10. Effect of foreign exchange differences on cash and cash equivalents                                 | 039        | (382.951)            | 193.857              |
| <b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>                               | <b>040</b> | <b>74.449.530</b>    | <b>38.333.131</b>    |
| <b>12. Cash and cash equivalents at the beginning of the year</b>                                       | <b>041</b> | <b>361.124.967</b>   | <b>412.197.218</b>   |
| <b>13. Cash and cash equivalents as per reporting date (040+041)</b>                                    | <b>042</b> | <b>435.574.497</b>   | <b>450.530.349</b>   |



**STATEMENT OF CHANGES IN EQUITY**

for the period from **Jan 01 2016** to **Jun 30 2016** in HRK

| Item  | AOP label  | Attributable to the shareholders of the parent company |            |  |                   |                       |                     | Minority interest | Total equity        |
|---|------------|--|------------|--|-------------------|-----------------------|---------------------|-------------------|---------------------|
|   |            | Share capital  | Own shares | Regulatory, statutory and other reserves | Retained earnings | Profit for the period | Fair value reserve  |                   |                     |
| 1   | 2          | 3  | 4          | 5  | 6                 | 7                     | 8                   | 9                 | 10                  |
| Balance as per Jan 01 2016  | 001        | 1.214.775.000  | (477.000)  | 359.660.725                              | (1.857.790)       | 124.777.141           | 82.088.705          |                   | 1.778.966.781       |
| Effects of changes in accounting policies and corrections of errors       | 002        | 0  | 0          | 0  | 0                 | 0                     | 0                   |                   | 0                   |
| Restated balance as per Jan 01 2016 (001+002)                             | 003        | 1.214.775.000  | (477.000)  | 359.660.725                              | (1.857.790)       | 124.777.141           | 82.088.705          | 0                 | 1.778.966.781       |
| Disposal of financial assets available for sale                           | 004        | 0  | 0          | 0  | 0                 | 0                     | 0                   |                   | 0                   |
| Change in the fair value of financial assets available for sale           | 005        | 0  | 0          | 0  | 0                 | 0                     | (27.262.441)        |                   | (27.262.441)        |
| Tax on items recognised directly in/transferred from equity               | 006        | 0  | 0          | 0  | 0                 | 0                     | 5.452.488           |                   | 5.452.488           |
| 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>(21.809.953)</b> | <b>0</b>          | <b>(21.809.953)</b> |
| Profit for the period   | 009        | 0  | 0          | 0  | 0                 | 94.963.792            | 0                   |                   | 94.963.792          |
| <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>94.963.792</b>     | <b>(21.809.953)</b> | <b>0</b>          | <b>73.153.839</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  | 0                 | 0                     | 0                   |                   | 0                   |
| Transfer to reserves  | 014        | 0  | 0          | 10.160.835                               | 83.854.091        | (94.014.926)          | 0                   |                   | 0                   |
| Dividends paid  | 015        | 0  | 0          | 0  | 0                 | (30.762.215)          | 0                   |                   | (30.762.215)        |
| <b>Profit allocation (014+015)</b>  | <b>016</b> | <b>0</b>   | <b>0</b>   | <b>10.160.835</b>                        | <b>83.854.091</b> | <b>(124.777.141)</b>  | <b>0</b>            | <b>0</b>          | <b>(30.762.215)</b> |
| Balance as per Jun 30 2016 (003+010+011+012+013+016)                      | 017        | 1.214.775.000  | (477.000)  | 369.821.560                              | 81.996.301        | 94.963.792            | 60.278.752          | 0                 | 1.821.358.405       |

## NOTES TO FINANCIAL STATEMENTS

### A) PROFIT OR LOSS STATEMENT

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

|                 | Jan 01 - Jun 30 2015 |                    | Jan 01 - Jun 30 2016 |                    |
|-----------------|----------------------|--------------------|----------------------|--------------------|
|                 | Cumulative           | Quarterly          | Cumulative           | Quarterly          |
| Loans           | 335.639.527          | 167.698.402        | 297.408.428          | 151.715.022        |
| Deposits        | 529.480              | 197.289            | 913.215              | 455.638            |
| Debt securities | 66.670.596           | 34.205.966         | 67.369.315           | 33.684.978         |
| <b>TOTAL</b>    | <b>402.839.603</b>   | <b>202.101.657</b> | <b>365.690.958</b>   | <b>185.855.638</b> |

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

|  | Jan 01 - Jun 30 2015 |                   | Jan 01 - Jun 30 2016 |                   |
|--|----------------------|-------------------|----------------------|-------------------|
|  | Cumulative           | Quarterly         | Cumulative           | Quarterly         |
| Borrowings                               | 16.160.378           | 7.478.056         | 9.809.647            | 4.222.281         |
| Deposits                                 | 128.440.137          | 63.190.765        | 106.636.482          | 52.332.494        |
| Hybrid instruments and subordinated debt | 3.828.494            | 873.973           | 0                    | 0                 |
| <b>TOTAL</b>                             | <b>148.429.009</b>   | <b>71.542.794</b> | <b>116.446.129</b>   | <b>56.554.775</b> |

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

|                                    | Jan 01 - Jun 30 2015 |                    | Jan 01 - Jun 30 2016 |                    |
|------------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                    | Cumulative           | Quarterly          | Cumulative           | Quarterly          |
| Cash payment operations - channels | 144.298.639          | 72.360.763         | 142.299.923          | 72.279.084         |
| Retail and card operations         | 63.663.505           | 32.886.330         | 64.313.267           | 33.086.071         |
| Corporate operations               | 23.763.680           | 12.741.909         | 26.791.777           | 14.504.588         |
| Other fee and commission income    | 9.048.130            | 4.345.391          | 8.549.715            | 5.001.475          |
| <b>TOTAL</b>                       | <b>240.773.954</b>   | <b>122.334.393</b> | <b>241.954.682</b>   | <b>124.871.218</b> |

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

|                                  | Jan 01 - Jun 30 2015 |                   | Jan 01 - Jun 30 2016 |                   |
|----------------------------------|----------------------|-------------------|----------------------|-------------------|
|                                  | Cumulative           | Quarterly         | Cumulative           | Quarterly         |
| Payment operations               | 134.388.282          | 64.436.625        | 141.241.685          | 73.079.359        |
| Other fee and commission expense | 14.080.039           | 10.188.613        | 7.886.483            | 3.513.917         |
| <b>TOTAL</b>                     | <b>148.468.321</b>   | <b>74.625.238</b> | <b>149.128.168</b>   | <b>76.593.276</b> |

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

|                                   | Jan 01 - Jun 30 2015 |                  | Jan 01 - Jun 30 2016 |                  |
|-----------------------------------|----------------------|------------------|----------------------|------------------|
|                                   | Cumulative           | Quarterly        | Cumulative           | Quarterly        |
| Securities and equity instruments | 4.818.853            | (818.950)        | 2.974.434            | (1.244.229)      |
| FX transactions                   | 14.596.108           | 9.820.186        | 20.729.422           | 10.942.795       |
| HRK cash transactions             | 81.830               | 77.990           | 189.105              | 166.922          |
| Derivatives                       | (2.420.095)          | 87.648           | (1.165.633)          | (136.040)        |
| <b>TOTAL</b>                      | <b>17.076.696</b>    | <b>9.166.864</b> | <b>22.727.328</b>    | <b>9.729.448</b> |

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

|                                     | Jan 01 - Jun 30 2015 |                    | Jan 01 - Jun 30 2016 |                    |
|-------------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                     | Cumulative           | Quarterly          | Cumulative           | Quarterly          |
| General and administrative expenses | 171.956.198          | 83.213.260         | 170.137.255          | 86.201.367         |
| Amortization and depreciation       | 24.546.001           | 12.084.592         | 21.914.367           | 10.876.754         |
| Savings deposit insurance costs     | 12.817.034           | 6.409.209          | 17.540.795           | 8.779.404          |
| Other costs                         | 9.914.352            | 4.833.097          | 9.947.209            | 7.446.341          |
| <b>TOTAL</b>                        | <b>219.233.585</b>   | <b>106.540.158</b> | <b>219.539.626</b>   | <b>113.303.866</b> |

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

|   | Jan 01 - Jun 30 2015 |                   | Jan 01 - Jun 30 2016 |                   |
|---|----------------------|-------------------|----------------------|-------------------|
|   | Cumulative           | Quarterly         | Cumulative           | Quarterly         |
| Individually identified impairment losses (risk group B i C)    | 84.998.105           | 50.688.002        | 81.526.739           | 36.748.023        |
| Portfolio based provisions for identified losses (risk group A) | (5.171.769)          | (3.690.312)       | 5.512.889            | 9.239.492         |
| Other provisions  | 4.496.502            | 4.395.975         | 16.975.039           | 16.887.102        |
| <b>TOTAL</b>  | <b>84.322.838</b>    | <b>51.393.665</b> | <b>104.014.667</b>   | <b>62.874.617</b> |

## B) BALANCE SHEET

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

|  | Dec 31 2015          | Jun 30 2016          |
|--|----------------------|----------------------|
| <b>CASH</b>  | <b>412.197.218</b>   | <b>450.530.349</b>   |
| <b>DEPOSITS WITH THE CNB</b>                               | <b>1.767.612.516</b> | <b>1.879.110.618</b> |
| Mandatory reserve  | 1.279.570.476        | 1.184.729.739        |
| Account for transaction settlement                         | 488.042.040          | 694.380.879          |
| <b>MANDATORY TREASURY BILLS</b>                            | <b>-</b>             | <b>-</b>             |
| Portfolio based impairment allowance for identified losses | -                    | -                    |
| <b>TOTAL</b>   | <b>2.179.809.734</b> | <b>2.329.640.967</b> |

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

|  | Dec 31 2015        | Jun 30 2016        |
|--|--------------------|--------------------|
| Deposits with foreign banking institutions                 | 810.491.087        | 623.086.860        |
| Deposits with domestic banking institutions                | 147.847.695        | 188.315.938        |
| Portfolio based impairment allowance for identified losses | -                  | -                  |
| <b>TOTAL</b>   | <b>958.338.782</b> | <b>811.402.798</b> |

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

|   | Dec 31 2015          | Jun 30 2016          |
|---|----------------------|----------------------|
| Short term Treasury bills of the Croatian Ministry of Finance | 501.234.808          | 599.689.933          |
| Financial assets held for trading                             | 715.276.908          | 916.985.274          |
| Financial assets available for sale                           | 1.995.759.118        | 1.947.811.268        |
| Financial assets held to maturity                             | 574.826.429          | 566.223.733          |
| Portfolio based impairment allowance for identified losses    | (8.255.991)          | (7.857.921)          |
| Deferred front-end fee  | (507.775)            | (473.265)            |
| <b>TOTAL</b>  | <b>3.778.333.497</b> | <b>4.022.379.022</b> |

### 11) LOANS TO CUSTOMERS

*in HRK*

|  | Dec 31 2015            | Jun 30 2016            |
|--|------------------------|------------------------|
| <b>Gross</b>   |                        |                        |
| Financial institutions                                     | 104.190.902            | 121.995.934            |
| Corporations   | 4.135.862.987          | 4.384.732.047          |
| Retail   | 4.779.585.855          | 5.312.292.212          |
| <i>wherein: housing loans</i>                              | <i>1.106.022.806</i>   | <i>1.502.860.131</i>   |
| Other  | 3.493.545.228          | 3.224.592.963          |
| <b>TOTAL GROSS LOAN PORTFOLIO</b>                          | <b>12.513.184.972</b>  | <b>13.043.613.156</b>  |
| <b>DEFERRED FRONT END FEE</b>                              | <b>(47.672.780)</b>    | <b>(45.191.678)</b>    |
| Provisions for impairment losses                           | (2.104.931.823)        | (2.151.781.411)        |
| Portfolio based impairment allowance for identified losses | (91.698.042)           | (95.277.301)           |
| <b>TOTAL IMPAIRMENTS AND PROVISIONS</b>                    | <b>(2.196.629.865)</b> | <b>(2.247.058.712)</b> |
| <b>TOTAL</b>   | <b>10.268.882.327</b>  | <b>10.751.362.766</b>  |

**B) BALANCE SHEET (continued)**

**12) DEPOSITS** *in HRK*

|                        | <b>Dec 31 2015</b>    | <b>Jun 30 2016</b>    |
|------------------------|-----------------------|-----------------------|
| Financial institutions | 879.218.202           | 1.021.373.805         |
| Corporations           | 1.948.137.946         | 2.286.670.674         |
| Retail                 | 8.719.314.802         | 8.924.625.946         |
| Other                  | 1.048.057.169         | 1.137.836.447         |
| <b>TOTAL</b>           | <b>12.594.728.119</b> | <b>13.370.506.872</b> |

**13) BORROWINGS** *in HRK*

|   | <b>Dec 31 2015</b>   | <b>Jun 30 2016</b> |
|---|----------------------|--------------------|
| Borrowings from HBOR                              | 561.173.123          | 541.096.652        |
| Borrowings from domestic banking institutions     | -                    | -                  |
| Borrowings from domestic non-banking institutions | 393.994              | 387.681            |
| Borrowings from foreign banking institutions      | 446.650.250          | 263.697.069        |
| Deferred front-end fee                            | (3.443.094)          | (3.240.207)        |
| <b>TOTAL</b>                                      | <b>1.004.774.273</b> | <b>801.941.195</b> |

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

|   | <b>Dec 31 2015</b>   | <b>Jun 30 2016</b>   |
|---|----------------------|----------------------|
| Restricted deposits                       | 2.187.135.040        | 2.195.633.799        |
| Interest and fees payable                 | 73.630.369           | 71.524.886           |
| Provisions for off-balance sheet exposure | 20.143.351           | 21.289.054           |
| Other                                     | 376.805.272          | 453.120.226          |
| <b>TOTAL</b>                              | <b>2.657.714.032</b> | <b>2.741.567.965</b> |

## D) INVESTMENTS IN SUBSIDIARIES

The Group's subsidiaries are as follows:

|                              | <b>Industrija</b>          | <b>Država</b> | <b>Vlasništvo na dan<br/>31. ožujka 2016. (%)</b> |
|------------------------------|----------------------------|---------------|---|
| HPB Invest d.o.o.            | Investment Fund Management | Hrvatska      | 100,00  |
|                              | Real Estate Agency and     |               |   |
| HPB Nekretnine d.o.o.        | Construction               | Hrvatska      | 100,00  |
| HPB-Stambena štedionica d.d. | Savings Bank               | Hrvatska      | 100,00  |
| H1 Telekom d.d.              | Telecommunications         | Hrvatska      | 58,17   |

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.

### *Investment in H1 Telekom d.d.*

On March 25 2008, the Bank made an agreement with H1 Telekom d.d. to convert credit receivables from long-term loan into the company's equity. HPB acquired an ownership stake of 41,25% through this agreement. The stake was increased to 58,17% after converting receivables from bond, long-term loan and interest receivables into equity after the completion of the pre-bankruptcy settlement on July 29 2015.

Financial position of H1 Telekom is included in the consolidated balance sheet of HPB Group by using short-cut consolidation procedure as described in IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

## E) ACCOUNTING POLICIES

There were no changes in the Group's accounting policies during the reporting period.

## F) OWNERSHIP STRUCTURE OF THE GROUP

Ownership structure of HPB p.l.c., the parent company of Group, as per Jun 30 2016 was as follows:

| Shareholder  | Vlasnički udio |
|--|----------------|
| Republic of Croatia (DUUDI)  | 42,43%         |
| HP Hrvatska pošta Plc  | 11,93%         |
| State Agency for Deposit Insurance and Bank Resolution   | 8,98%          |
| Croatian Pension Insurance Insitute (DUUDI)  | 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%          |

### G) HPB-R-A STOCK

Share of the parent company HPB-R-A is listed on the Official Market of ZSE. Last price per share at the end of the reporting period equalled HRK 597,00 (trading day Jun 16 2016), representing a decrease of 6,7 percent in comparison with the last price recorded in 2015 (= HRK 640,00 on trading day Dec 30 2015).

HPB-R-A trading during 2016 has been as follows:

