

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

*Unaudited*

Zagreb, July 31 2017

In accordance with the Capital Markets Act, HPB p.l.c. publishes unaudited quarterly financial statements for the period from Jan 01 2017 to Jun 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 1H 2017 results are as follows:

- ✓ due to impairments recognized with regard to exposure towards Agrokor and related parties, **net loss amounting to HRK 64,5M** has been recorded, as opposed to a net profit of HRK 91,3M achieved during the same period in 2016. Had the impairment losses not been recognized, Bank's pre-tax profit would have amounted to HRK 122M (net profit = 100M),
- ✓ **growth in core operations**, wherein **net interest income (+7,3%)** as well as **net fee income (+6,5%)** have increase owing to volume growth in loan & deposit business, optimized pricing policy and client acquisition and activation,
- ✓ **operating profit amounts to HRK 172,4M**, representing a y-o-y decrease consequent to no significant one-offs in 2017, as had been the case in 2016 (VISA Europe Ltd. Transaction was closed in Jun 2016, resulting in HRK 33,5M gain for the Bank),
- ✓ **negligible decrease in assets level**, due to limited capital base,
- ✓ **market shares** in assets, loans and deposits **rising slightly** at the beginning of 2017, ,
- ✓ more than **14 thousand retail current accounts** newly opened, as well as almost **700 corporate business accounts**,
- ✓ **book-value per share** has remained unchanged on y-o-y basis, in spite of 1H 2017 loss, and amounts to HRK 900,
- ✓ own funds strengthened by retaining 2016 earnings, and decreased RWA have annuled the effect that loss had on capital adequacy. As a result **preliminary CAR equals around 17 percent**.

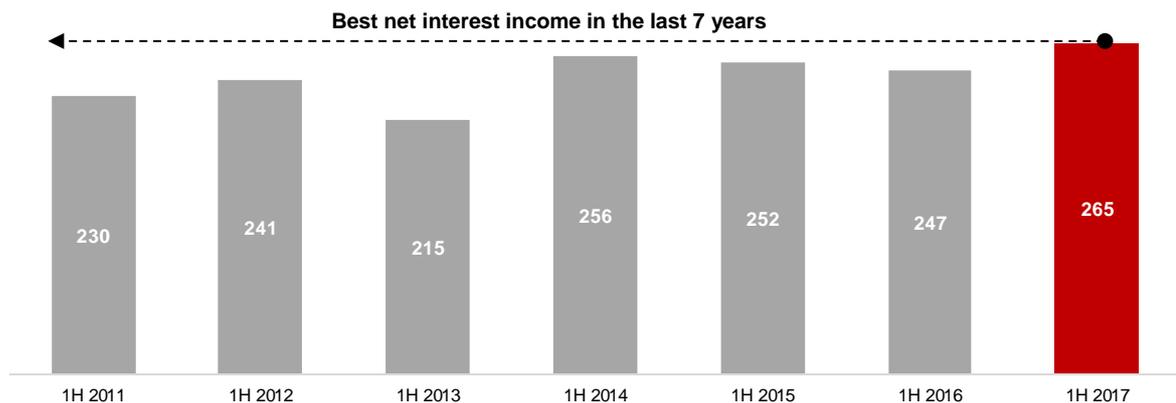
## Management report of HPB p.l.c.

Bank has recorded a **net loss** amounting to HRK 64,5M during 1H 2017, as a result of deteriorated creditworthiness of Agrokor group and related parties, and consequent impairments of these exposures that was recognized (HRK 187,0M in 1H 2017).

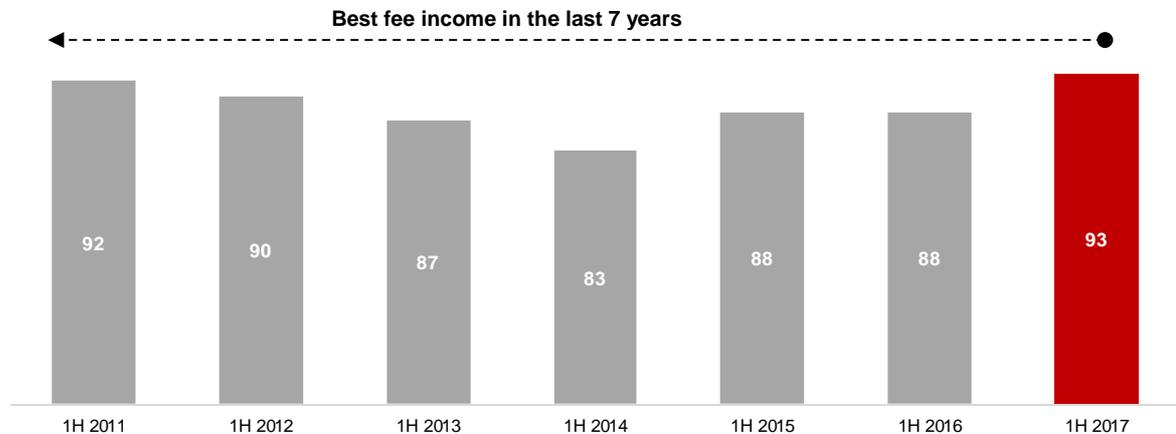
**Operating profit** amounts to HRK 172,4M, representing a decrease of HRK 20,4 million in comparison with the same period 2016 due to significantly lower one offs and non-recurring transactions with regard to AFS portfolio.

We are especially proud that endeavours we undertook to acquire new clients in 2016 are reflected in our core income growth. Accordingly, **net interest income** amounts to HRK 264,8M, and has increased by 7,3 percent y-o-y. In doing so, gross interest income decline was inevitable. However, we stood up to this challenge by simultaneous and continuous revision of the pricing policy, as well as by improved funding structure, so interest expenses have been cut by even more.

### 1H net interest income development between 2011 and 2017 (in HRK million)



Furthermore, with a y-o-y increase of 6,5 percent **net fee income** amounts to HRK 93,3 million, representing the best 1H result over the course of last seven years. As before, an increase in sustainable has been achieved – in retail segment due to higher number of newly opened accounts and HPB bundles, and in corporate segment because of higher volume of domestic payment operations, guarantees and undisbursed loan commitments. Growth was also underpinned by higher client activity in both segments, considering the strong account acquisition.

**1H net interest income development between 2011 and 2017 (in HRK million)**


**Trading gains and other non-interest income** amounts to HRK 38,6M, which is 45,3% less than in 1H 2016. Decline arises from the fact that no significant one-off effects have been recorded as in 2016 (e.g. gain from VISA Europe Ltd. transaction added HRK 33,5M to P&L in 1H 2016).

**Operating expenses** are higher by 2,9% which is mostly related to initiatives and strategic projects that have commenced, which should, apart from compliance with regulations, bring future benefits to HPB.

**Impairment losses** have more than doubled (+128,2%) as a consequence of impairments on exposures towards Agrokor and related parties. In line with guidances set by the Croatian national bank, and based on future cash flow estimates according to currently available information, which are not final nor complete for several debtors from this group, impairment losses amounting to HRK 187H have been recognized. Should new facts arise in future periods, impairments shall be changed accordingly.

**Bank's assets have decreased slightly** during 2017, and amounts to HRK 19,3B, whereby loan growth dynamics was limited by Bank's capital position. Namely, over the course of last couple of months Bank has been on the verge of 5,00 percent market share. Should this limit be exceeded in the future, additional capital requirement would be imposed, which will significantly encumber sales activities because Bank's capital adequacy would linger on the regulatory minimum. Future activities with regard to balance sheet movement will be determined by available capital. Meanwhile, Bank's management will strive to improve its structure and optimize yields.

**Deposits** have increased by 0,7%. A part of term deposits has spilled over to current accounts, with corporate term deposits increasing.

Bank had at its disposal more than enough of other sources of funding, so a portion of borrowings was has been repaid in line with repayment schedule. This has simultaneously brought down the burden on interest margin.

**Bank's capital** amounts to HRK 1,8B, representing a ytd decrease of 6,1 percent or HRK 119M. Decrease was caused, apart from the recorded net loss, by a correction in capital reserves amounting to HRK 53,3M, which is related to a deduction in retained earnings for incorrect FX translation differences in foreign payment operations, that had been booked between Jan 01 2011 and Dec 31 2016, considering that loss from FX translation differences was not recognized in the P&L for each of the years from 2011 to 2016. Amount relating to past periods has been corrected in the current reporting period, deficiency in the accounting is eliminated. Therefore, P&L for the period from Jan 01 to Jun 30 2017 is comprised of true effects of these transactions.

Owing to initiated measures of RWA optimization, and to increased own funds due to retaining earnings for 2016, preliminary data shows that capital adequacy per Jun 30 2016 equals approximately 17 percent.

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**Tomislav Vuić**  
**President of the Management**  
**Board**

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

In accordance with the Capital Market Act, the Management Board of HPB p.l.c., states that according to their best knowledge the set of quarterly unaudited financial statements for the period from Jan 01 to Jun 30 2017, compiled in accordance with the accounting regulation applicable to credit institutions in Croatia, presents complete and accurate view of assets and liabilities, losses and gains, financial position and results of HPB p.l.c.

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**David Tomašek**  
**Deputy Executive Director**  
**Finance Division**

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**Tomislav Vuić**  
**President of the Management**  
**Board**

HPB p.l.c.

**Appendix 3.**

Reporting period:

Jan 01

to

Jun 30 2017

**Quarterly financial statements for credit institutions TFI-KI**Registration number (MB): **03777928**Registration number (MBS): **080010698**Personal identification  
number (OIB): **87939104217**Company: **HPB p.l.c.**Postal code and city: **10000****ZAGREB**Address: **JURIŠIĆEVA 4**E-mail address: [hpb@hpb.hr](mailto:hpb@hpb.hr)Internet address: [www.hpb.hr](http://www.hpb.hr)City code and name: **133** **ZAGREB**County code and name: **21** **GRAD ZAGREB**# of employees: **1.088**

(as per reporting date)

Consolidated report: **NO**Industry code: **6419**

Consolidated companies (in accordance with IFRS):

Headquarters:

Registration number:

Book-keeping service  
provided by: **n/a****n/a**Contact: **Tomašek David**Phone: **014804900**Fax: **014804594**E-mail address: [david.tomasek@hpb.hr](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 2017**

in HRK

Item	AOP label	Dec 31 2016	Jun 30 2017
1	2	3	4
<b>ASSETS</b>			
1. CASH AND DEPOSITS WITH THE CNB (002+003)	<b>001</b>	2.263.303.114	3.015.981.751
1.1.Cash	<b>002</b>	421.479.852	552.639.844
1.2.Deposits with the CNB	<b>003</b>	1.841.823.262	2.463.341.907
2. DEPOSITS WITH FINANCIAL INSTITUTIONS	<b>004</b>	774.135.009	476.202.986
3. SHORT-TERM TREASURY BILLS OF THE CROATIAN MINISTRY OF FINANCE	<b>005</b>	415.536.615	410.077.306
4. FINANCIAL ASSETS HELD FOR TRADING	<b>006</b>	551.322.886	534.104.665
5. FINANCIAL ASSETS AVAILABLE FOR SALE	<b>007</b>	2.630.574.528	2.320.703.469
6. FINANCIAL ASSETS HELD TO MATURITY	<b>008</b>	442.835.059	154.375.003
7. FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS, NOT ACTIVELY TRADED	<b>009</b>	0	0
8. DERIVATIVE FINANCIAL ASSETS	<b>010</b>	3.780.197	0
9. LOANS TO FINANCIAL INSTITUTIONS	<b>011</b>	81.579.680	26.300.164
10. LOANS TO OTHER CUSTOMERS	<b>012</b>	11.250.340.147	11.479.238.855
11. INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES	<b>013</b>	53.420.000	65.490.000
12. REPOSSESSED ASSETS	<b>014</b>	0	0
13. TANGIBLE ASSETS (LESS DEPRECIATION)	<b>015</b>	146.091.281	142.771.859
14. OTHER ASSETS	<b>016</b>	744.801.351	674.458.078
<b>A) TOTAL ASSETS (001+004 to 016)</b>	<b>017</b>	<b>19.357.719.867</b>	<b>19.299.704.136</b>
<b>LIABILITIES</b>			
1. BORROWINGS FROM FINANCIAL INSTITUTIONS (019+020)	<b>018</b>	620.995.448	620.451.541
1.1. Short-term	<b>019</b>	0	0
1.2. Long-term	<b>020</b>	620.995.448	620.451.541
2. DEPOSITS (022 to 024)	<b>021</b>	14.529.990.572	14.405.109.506
2.1. Transactional and current accounts	<b>022</b>	4.009.237.425	4.272.075.271
2.2. Savings deposits (demand)	<b>023</b>	1.486.719.761	1.427.919.853
2.3. Term deposits	<b>024</b>	9.034.033.386	8.705.114.382
3. OTHER BORROWINGS (026+027)	<b>025</b>	88.426.108	5.184.652
3.1. Short-term	<b>026</b>	0	0
3.2. Long-term	<b>027</b>	88.426.108	5.184.652
4. DERIVATIVE AND OTHER FINANCIAL LIABILITIES HELD FOR TRADING	<b>028</b>	3.640.667	0
5. ISSUED SECURITIES (030+031)	<b>029</b>	0	0
5.1. Short-term	<b>030</b>	0	0
5.2. Long-term	<b>031</b>	0	0
6. SUBORDINATED DEBT ISSUED	<b>032</b>	0	0
7. HYBRID INSTRUMENTS	<b>033</b>	0	0
8. OTHER LIABILITIES	<b>034</b>	2.175.324.123	2.448.411.657
<b>B) TOTAL LIABILITIES (018+021+025+028+029+032+033+034)</b>	<b>035</b>	<b>17.418.376.918</b>	<b>17.479.157.356</b>
<b>EQUITY</b>			
1. SHARE CAPITAL	<b>036</b>	1.214.298.000	1.214.298.000
2. PROFIT/(LOSS) FOR THE PERIOD	<b>037</b>	188.277.328	(64.503.999)
3. RETAINED EARNINGS	<b>038</b>	82.293.647	123.000.057
4. REGULATORY RESERVES	<b>039</b>	6.160.835	15.574.701
5. STATUTARY AND OTHER CAPITAL RESERVES	<b>040</b>	363.623.023	448.347.821
6. FAIR VALUE RESERVE	<b>041</b>	84.690.116	83.830.200
7. RESERVES ARISING FROM HEDGING TRANSACTIONS	<b>042</b>	0	0
<b>C) TOTAL EQUITY (036 to 042)</b>	<b>043</b>	<b>1.939.342.949</b>	<b>1.820.546.780</b>
<b>D) TOTAL LIABILITIES AND EQUITY (035+043)</b>	<b>044</b>	<b>19.357.719.867</b>	<b>19.299.704.136</b>

## PROFIT OR LOSS STATEMENT

for the period from Jan 01 2017 to Jun 30 2017

in HRK

Item	AOP label	Jan 01 - Jun 30 2016		Jun 01 - Jun 30 2017	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
1. Interest income	048	359.436.773	182.612.428	334.883.069	165.795.194
2. Interest expense	049	112.551.789	54.560.154	70.067.496	33.313.270
<b>3. Net interest income (048-049)</b>	<b>050</b>	<b>246.884.984</b>	<b>128.052.274</b>	<b>264.815.573</b>	<b>132.481.924</b>
4. Fee and commission income	051	236.102.117	121.975.443	241.576.365	126.991.999
5. Fee and commission expense	052	148.458.407	76.260.179	148.272.770	76.310.801
<b>6. Net fee and commission income (051-052)</b>	<b>053</b>	<b>87.643.710</b>	<b>45.715.264</b>	<b>93.303.595</b>	<b>50.681.198</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	21.291.847	10.206.671	19.983.290	10.287.819
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	41.698.418	33.483.579	5.457.492	5.122.576
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	2.200.000	0
15. Income from other equity instruments	062	787.350	780.212	815.653	793.985
16. Gains less losses from exchange rate differences	063	3.875.971	150.485	189.307	(910.806)
17. Other income	064	2.990.908	1.094.794	4.169.154	3.394.376
18. Other operating costs	065	27.953.907	16.442.470	28.867.356	14.376.484
19. General and administrative expenses, amortization and depreciation	066	184.422.374	93.149.925	189.633.369	94.077.208
<b>20. Operating profit (050+053 to 064-065-066)</b>	<b>067</b>	<b>192.796.907</b>	<b>109.890.884</b>	<b>172.433.339</b>	<b>93.397.380</b>
21. Impairment losses and provisions	068	103.957.043	62.781.626	237.275.839	166.313.908
<b>22. PROFIT/(LOSS) BEFORE TAX (067-068)</b>	<b>069</b>	<b>88.839.864</b>	<b>47.109.258</b>	<b>(64.842.500)</b>	<b>(72.916.528)</b>
<b>23. INCOME TAX EXPENSE / DEFERRED TAX</b>	<b>070</b>	<b>(2.457.663)</b>	<b>367.082</b>	<b>(338.501)</b>	<b>(3.560.204)</b>
<b>24. NET PROFIT/(LOSS) FOR THE PERIOD (069-070)</b>	<b>071</b>	<b>91.297.527</b>	<b>46.742.176</b>	<b>(64.503.999)</b>	<b>(69.356.324)</b>
25. Earnings per share	072	45	23	(32)	(34)

**CASH FLOW STATEMENT - INDIRECT METHOD**

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

in HRK

Item	AOP label	Jan 01 - Jun 30 2016	Jan 01 - Jun 30 2017
1	2	3	4
<b>OPERATING ACTIVITIES</b>			
<b>1. Cash flow from operating activities before changes in assets (002 to 007)</b>	<b>001</b>	<b>209.347.274</b>	<b>194.628.533</b>
1.1. Profit/(loss) before tax	002	88.839.864	(64.842.500)
1.2. Impairment losses and provisions	003	103.957.043	237.275.839
1.3. Amortization and depreciation	004	21.735.702	22.221.186
1.4. Net unrealised gains less losses from financial assets valued at fair value through profit or loss	005	(1.309.364)	(1.313.285)
1.5. Gains / losses from sale of tangible assets	006	-	1.476.600
1.6. Other gains / losses	007	(3.875.971)	(189.307)
<b>2. Net increase / decrease of operating assets (009 to 016)</b>	<b>008</b>	<b>(749.849.272)</b>	<b>(276.018.865)</b>
2.1. Deposits with the CNB	009	(111.498.102)	(621.518.645)
2.2. Treasury bills of the Croatian Ministry of Finance	010	(98.455.125)	5.459.309
2.3. Deposits with and loans to financial institutions	011	135.141.318	297.932.023
2.4. Loans to other customers	012	(534.189.635)	(334.729.651)
2.5. Financial assets held for trading	013	(177.294.569)	18.531.506
2.6. Financial assets available for sale	014	20.685.409	310.730.975
2.7. Financial assets valued at fair value through profit or loss, not actively traded	015	-	-
2.8. Other operating assets	016	15.761.432	47.575.618
<b>3. Net increase / decrease of operating liabilities (018 to 021)</b>	<b>017</b>	<b>822.040.983</b>	<b>144.565.801</b>
3.1. Transactional accounts	018	391.906.948	262.837.846
3.2. Savings and term deposits	019	345.168.947	(387.718.912)
3.3. Derivative financial liabilities and other liabilities actively traded	020	-	(3.640.667)
3.4. Ostale liabilities	021	84.965.088	273.087.534
<b>4. Net cash flow from operating activities before taxation (001+008+017)</b>	<b>022</b>	<b>281.538.985</b>	<b>63.175.469</b>
5. Income tax paid	023	(65.680)	(363.028)
<b>6. Net cash inflow / outflow from operating activities (022+023)</b>	<b>024</b>	<b>281.473.305</b>	<b>62.812.441</b>
<b>INVESTING ACTIVITIES</b>			
<b>7. Net cash flow from investing activities (026 to 030)</b>	<b>025</b>	<b>(9.738.738)</b>	<b>151.230.037</b>
7.1. Purchase of tangible and intangible assets	026	(18.696.204)	(16.138.698)
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	8.170.116	164.353.082
7.4. Dividends received	029	787.350	3.015.653
7.5. Other inflows / outflows from investing activities	030	-	-
<b>FINANCIAL ACTIVITIES</b>			
<b>8. Net cash flow from financial activities (032 to 037)</b>	<b>031</b>	<b>(233.595.293)</b>	<b>(83.785.363)</b>
8.1. Net increase / decrease of borrowings	032	(202.833.078)	(83.785.363)
8.2. Net increase / decrease of issued debt securities	033	-	-
8.3. Net increase / decrease of subordinated debt and hybrid instruments	034	-	-
8.4. Share capital raised	035	-	-
8.5. Dividends paid	036	(30.762.215)	-
8.6. Other inflows / outflows from financial activities	037	-	-
<b>9. Net increase / decrease of cash and cash equivalents (024+025+031)</b>	<b>038</b>	<b>38.139.274</b>	<b>130.257.115</b>
10. Effect of foreign exchange differences on cash and cash equivalents	039	193.857	902.877
<b>11. Net increase/(decrease) in cash and cash equivalents (038+039)</b>	<b>040</b>	<b>38.333.131</b>	<b>131.159.992</b>
<b>12. Cash and cash equivalents at the beginning of the year</b>	<b>041</b>	<b>412.197.218</b>	<b>421.479.852</b>
<b>13. Cash and cash equivalents as per reporting date (040+041)</b>	<b>042</b>	<b>450.530.349</b>	<b>552.639.844</b>

**STATEMENT OF CHANGES IN EQUITY**

for the period from **Jan 01 2017** to **Jun 30 2017** in HRK

Item	AOP label	Attributable to the shareholders of the parent company						Minority interest	Total equity
		Share capital	Own shares	Regulatory, statutory and other reserves	Retained earnings	Profit/(loss) for the period	Fair value reserve		
1	2	3	4	5	6	7	8	9	10
<b>Balance as per Jan 01 2017</b>	<b>001</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>369.783.858</b>	<b>82.293.647</b>	<b>188.277.328</b>	<b>84.690.116</b>	-	<b>1.939.342.949</b>
Effects of changes in accounting policies and corrections of errors	002	-	-	-	(53.432.254)	-	-	-	(53.432.254)
<b>Restated balance as per Jan 01 2017 (001+002)</b>	<b>003</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>369.783.858</b>	<b>28.861.393</b>	<b>188.277.328</b>	<b>84.690.116</b>	-	<b>1.885.910.695</b>
Disposal of financial assets available for sale	004	-	-	-	-	-	817.457	-	817.457
Change in the fair value of financial assets available for sale	005	-	-	-	-	-	(1.797.966)	-	(1.797.966)
Tax on items recognised directly in/transferred from equity	006	-	-	-	-	-	120.593	-	120.593
Other gains and (losses) recognised directly in equity	007	-	-	-	-	-	-	-	-
<b>Net gains/(losses) recognised directly in equity (004+005+006+007)</b>	<b>008</b>	-	-	-	-	-	<b>(859.916)</b>	-	<b>(859.916)</b>
Loss for the period	009	-	-	-	-	(64.503.999)	-	-	(64.503.999)
<b>Total recognized income and expense for the period (008+009)</b>	<b>010</b>	-	-	-	-	<b>(64.503.999)</b>	<b>(859.916)</b>	-	<b>(65.363.915)</b>
Increase/decrease in share capital	011	-	-	-	-	-	-	-	-
Purchase/sale of own shares	012	-	-	-	-	-	-	-	-
Other changes	013	-	-	-	-	-	-	-	-
Transfer to reserves	014	-	-	94.138.664	94.138.664	(188.277.328)	-	-	-
Dividends paid	015	-	-	-	-	-	-	-	-
<b>Profit allocation (014+015)</b>	<b>016</b>	-	-	<b>94.138.664</b>	<b>94.138.664</b>	<b>(188.277.328)</b>	-	-	-
<b>Balance as per Jun 30 2017 (003+010+011+012+013+016)</b>	<b>017</b>	<b>1.214.775.000</b>	<b>(477.000)</b>	<b>463.922.522</b>	<b>123.000.057</b>	<b>(64.503.999)</b>	<b>83.830.200</b>	-	<b>1.820.546.780</b>

## NOTES TO FINANCIAL STATEMENTS

### A) PROFIT OR LOSS STATEMENT

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Loans	294.722.523	150.353.955	287.494.307	143.805.324
Deposits	863.215	428.378	(1.269.866)	(655.007)
Securities	63.851.035	31.830.095	48.658.628	22.644.877
<b>TOTAL</b>	<b>359.436.773</b>	<b>182.612.428</b>	<b>334.883.069</b>	<b>165.795.194</b>

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Borrowings	9.809.647	4.750.610	6.904.796	2.966.830
Deposits	102.742.142	49.809.544	63.162.700	30.346.440
<b>TOTAL</b>	<b>112.551.789</b>	<b>54.560.154</b>	<b>70.067.496</b>	<b>33.313.270</b>

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Cash payment operations - channels	142.299.923	72.279.084	138.969.149	70.754.937
Retail and card operations	63.530.439	33.543.741	70.767.176	39.893.459
Corporate operations	26.791.777	14.504.588	27.722.194	14.434.468
Other fee and commission income	3.479.978	1.648.030	4.117.846	1.909.135
<b>TOTAL</b>	<b>236.102.117</b>	<b>121.975.443</b>	<b>241.576.365</b>	<b>126.991.999</b>

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Payment operations	141.241.685	72.191.340	139.228.922	70.870.813
Other fee and commission expense	7.216.722	4.068.839	9.043.848	5.439.988
<b>TOTAL</b>	<b>148.458.407</b>	<b>76.260.179</b>	<b>148.272.770</b>	<b>76.310.801</b>

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Securities and equity instruments	1.698.953	(736.007)	2.148.509	420.779
FX transactions	20.729.422	10.942.795	17.652.385	9.644.730
HRK cash transactions	189.105	166.922	209.545	201.495
Derivatives	(1.325.633)	(167.039)	(27.149)	20.815
<b>TOTAL</b>	<b>21.291.847</b>	<b>10.206.671</b>	<b>19.983.290</b>	<b>10.287.819</b>

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
General and administrative expenses	162.686.672	82.363.193	167.412.183	83.083.177
Amortization and depreciation	21.735.702	10.786.732	22.221.186	10.994.031
Savings deposit insurance costs	17.095.868	8.535.868	17.803.541	8.805.541
Other costs	10.858.039	7.906.602	11.063.815	5.570.943
<b>TOTAL</b>	<b>212.376.281</b>	<b>109.592.395</b>	<b>218.500.725</b>	<b>108.453.692</b>

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

	Jan 01 - Jun 30 2016		Jan 01 - Jun 30 2017	
	Cumulative	Quarterly	Cumulative	Quarterly
Individually identified impairment losses (risk group B i C)	81.468.474	36.714.066	249.666.621	172.553.036
Portfolio based provisions for identified losses (risk group A)	5.514.809	9.181.605	(312.494)	6.184.880
Other provisions	16.973.760	16.885.955	(12.078.288)	(12.424.008)
<b>TOTAL</b>	<b>103.957.043</b>	<b>62.781.626</b>	<b>237.275.839</b>	<b>166.313.908</b>

## B) BALANCE SHEET

### 8) CASH AND DEPOSITS WITH THE CNB

*in HRK*

	Dec 31 2016	Jun 30 2017
<b>CASH</b>	<b>421.479.852</b>	<b>552.639.844</b>
<b>DEPOSITS WITH THE CNB</b>	<b>1.841.823.262</b>	<b>2.463.341.907</b>
Mandatory reserve	1.300.796.321	1.215.090.831
Account for transaction settlement	541.026.941	1.248.251.076
<b>MANDATORY TREASURY BILLS</b>	<b>-</b>	<b>-</b>
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>2.263.303.114</b>	<b>3.015.981.751</b>

### 9) DEPOSITS WITH FINANCIAL INSTITUTIONS

*in HRK*

	Dec 31 2016	Jun 30 2017
Deposits with foreign banking institutions	753.064.739	451.763.427
Deposits with domestic banking institutions	21.070.270	24.439.559
Portfolio based impairment allowance for identified losses	-	-
<b>TOTAL</b>	<b>774.135.009</b>	<b>476.202.986</b>

### 10) EQUITY INSTRUMENTS AND SECURITIES

*in HRK*

	Dec 31 2016	Jun 30 2017
Short term Treasury bills of the Croatian Ministry of Finance	415.536.615	410.077.306
Financial assets held for trading	551.322.886	534.104.665
Financial assets available for sale	2.630.574.528	2.320.703.469
Financial assets held to maturity	450.105.787	155.168.902
Portfolio based impairment allowance for identified losses	(6.771.524)	(775.376)
Deferred front-end fee	(499.204)	(18.523)
<b>TOTAL</b>	<b>4.040.269.088</b>	<b>3.419.260.443</b>

### 11) LOANS TO CUSTOMERS

*in HRK*

	Dec 31 2016	Jun 30 2017
<b>Loans to financial institutions</b>	<b>81.579.680</b>	<b>26.300.164</b>
Gross loans	81.583.376	26.304.310
Impairment allowance	(3.696)	(4.146)
<b>Loans to companies</b>	<b>2.783.381.353</b>	<b>2.981.133.316</b>
Gross loans	3.880.932.056	4.081.196.395
Impairment allowance	(1.097.550.703)	(1.100.063.079)
<b>Retail loans</b>	<b>4.577.784.714</b>	<b>4.726.093.625</b>
Gross loans	4.799.866.200	4.983.804.053
Impairment allowance	(222.081.486)	(257.710.428)
<b>therein: housing loans</b>	<b>1.423.592.367</b>	<b>1.516.005.128</b>
Gross loans	1.441.669.433	1.532.409.219
Impairment allowance	(18.077.066)	(16.404.091)
<b>Other loans</b>	<b>4.037.506.783</b>	<b>3.929.694.058</b>
Gross loans	4.040.077.723	3.935.230.902
Impairment allowance	(2.570.940)	(5.536.844)
Portfolio based impairment allowance for identified losses	(103.076.997)	(109.739.911)
Deferred front-end fee	(45.255.706)	(47.942.233)
<b>TOTAL</b>	<b>11.331.919.827</b>	<b>11.505.539.019</b>

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

	<b>Dec 31 2016</b>	<b>Jun 30 2017</b>
Financial institutions	1.180.254.901	1.181.122.917
Corporations	3.010.655.654	3.203.854.099
Retail	8.886.016.253	8.781.743.086
Other	1.453.063.764	1.238.389.404
<b>TOTAL</b>	<b>14.529.990.572</b>	<b>14.405.109.506</b>

**13) BORROWINGS**
*in HRK*

	<b>Dec 31 2016</b>	<b>Jun 30 2017</b>
Borrowings from HBOR	624.696.401	624.712.782
Borrowings from domestic banking institutions	-	-
Borrowings from domestic non-banking institutions	-	-
Borrowings from foreign banking institutions	88.426.109	5.184.652
Deferred front-end fee	(3.700.954)	(4.261.241)
<b>TOTAL</b>	<b>709.421.556</b>	<b>625.636.193</b>

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

	<b>Dec 31 2016</b>	<b>Jun 30 2017</b>
Restricted deposits	1.715.292.949	1.946.450.797
Interest and fees payable	58.731.565	52.160.373
Provisions for off-balance sheet exposure	22.269.210	35.349.328
Other	379.030.399	414.451.159
<b>TOTAL</b>	<b>2.175.324.123</b>	<b>2.448.411.657</b>

**C) CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies of the Bank during 1H 2017 which might have impact on financial position or results of the Bank.

## D) BANK'S OWNERSHIP STRUCTURE

Bank's ownership structure as per Jun 30 2017 was as follows:

Shareholder	Vlasnički udio
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%

## 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 549,99 (Jun 30 2017) representing a decrease of 26,8% when compared to the last traded price in 2016 (HRK 751,00 on Dec 30 2016).

Trading during the reporting period was as follows:

