



TRANSLATION

 HRVATSKA POŠTANSKA BANKA

# Financial Statements for the period from January 01 to September 30, 2019

*Unaudited*

In accordance with the Capital Markets Act, Hrvatska poštanska Banka p.l.c. publishes unaudited financial statements for the period from January 01 to September 30 2019.

This report includes:

- Management report of Hrvatska poštanska Banka p.l.c.,
- statement by persons responsible for compiling the report of Hrvatska poštanska Banka 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 the financial statements.

Financial statements and notes have been compiled in accordance with instructions defined in Rulebook on format and content of interim financial reports of issuers (NN 114/2018).

## Profit or loss statement

in mil HRK	I-III Q 2018	I-III Q 2019	Δ y-o-y
Operating income	574.5	642.5	+11.8%
Operating expenses	335.4	358.5	+6.9%
Operating profit	239.0	284.0	+18.8%
Provisions	88.1	82.9	(5.9%)
Net income	123.4	170.4	+38.1%

- ✓ **net profit** for the first nine months is **170.4 million - the best achievement since HPB was founded** (y-o-y +38,1%)
- ✓ **operating profit increased by HRK 45.0 million** compared to the same period of 2018 due to **strong growth in operating income** (y-o-y +18,8%)
- ✓ **net interest income increased by 4.5% due to decrease in interest expenses,**
- ✓ **net fee and commission income higher by 4.5%** due to sustained growth in retail and corporate fees
- ✓ **provisions decreased by 5.9%** compared to the same period of 2018
- ✓ **operating expenses increased by 6.9%**, continuing the Bank's organic growth, JABA merger and initiated projects

## Balance sheet

in mil HRK	31.12.2018.	30.09.2019.	Δ ytd
Assets	21,255.8	24,155.2	+13.6%
Gross loans	12,437.8	14,171.6	+13.9%
Deposits	18,371.3	20,454.2	+11.3%
Equity	2,002.5	2,412.8	+20.5%

- ✓ **Assets amount to HRK 24.2 billion, market share increased to 5.53%** (as of July 31, 2019)
- ✓ **Total loans increased by 13.9%** or HRK 1.7 billion - a significant increase in the volume of loans to retail and SMEs and large clients with government debt repayment
- ✓ **Deposits increased by HRK 2.1 billion**
- ✓ **Equity increased to HRK 2.4 billion,**
- ✓ **627 approved APN loans** (+ 155% compared to last year), increase in **approved loan volume by 167%** → **HPB share is 15% in all submitted APN loans**

Source: management reports of the issuer

		31.12.2018	30.09.2019	△
Loan to deposit ratio*	%	60.70	62.77	+2.1 p.p. ↑
CET1	kn mil	1,777	2,272	+27.85% ↑
ROAE	%	7.77	10.29	+2.52 p.p. ↑
NPL share	%	15.79	13.35	(2.44 p.p.) ↓
Cost of risk**	kn ths	(88,076)	(82,877)	(5.90 %) ↓
NPL coverage	%	67.40	70.60	+3.22 p.p. ↑

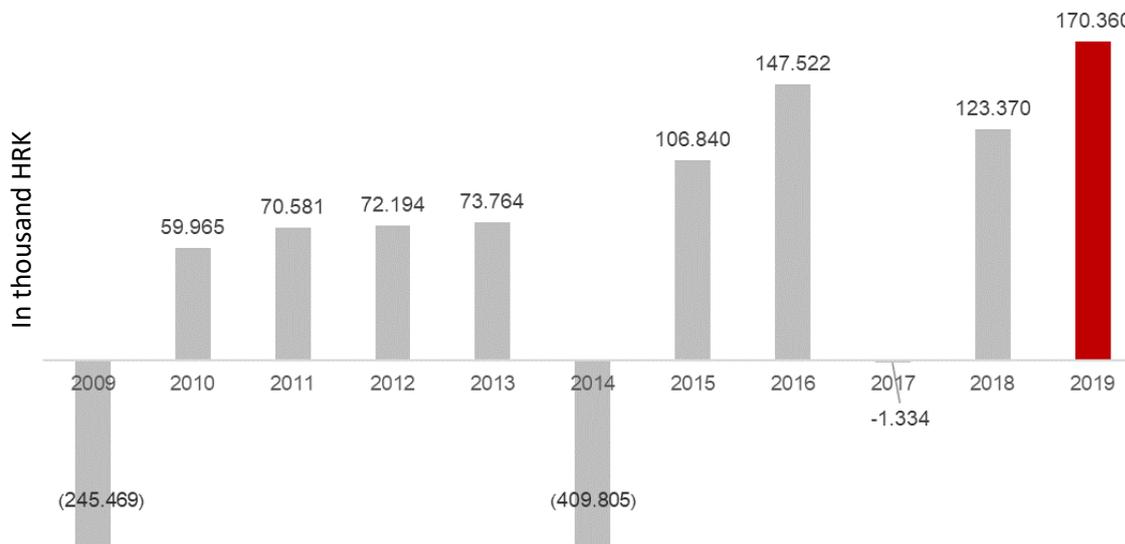
Source: management reports of the issuer

\* approved net loans / deposits

\*\*comparative period for cost of risk is 30.09.2018.

In the third quarter of 2019, record results continued and **net profit amounted to HRK 170.4 million**, which is 38.1% higher than in the same period last year.

**Long-term comparison of net profit as at 30 September**



**Operating profit was higher by 18.8% or 45.0 million** compared to the same period last year, driven by strong operating income growth as a result of the continued focus on loan and deposit operations.

**Net interest income** continues to grow and it is **higher by 4.5%** compared to the same period last year. The main contributor is the continuous increase in the number of placements and the consequent increase in gross loans, and on the other hand, the decrease in interest expense due to the continued transfer of term deposits into a-vista accounts.

**Net fee and commission income increased by 4.5%** and systematically increasing through 2019 across all three business sectors as a result of focusing on this type of revenue but also on the growth and activity of the customer base.

**Other non-interest income** consists of income from trading in foreign exchange and securities, dividends received, and other income. This revenues are **higher by 94.9%** compared to the same period in 2018, mainly due to an increase in the gains on securities trading which is result of increasing in securities prices in the Bank's portfolio and dividend income.

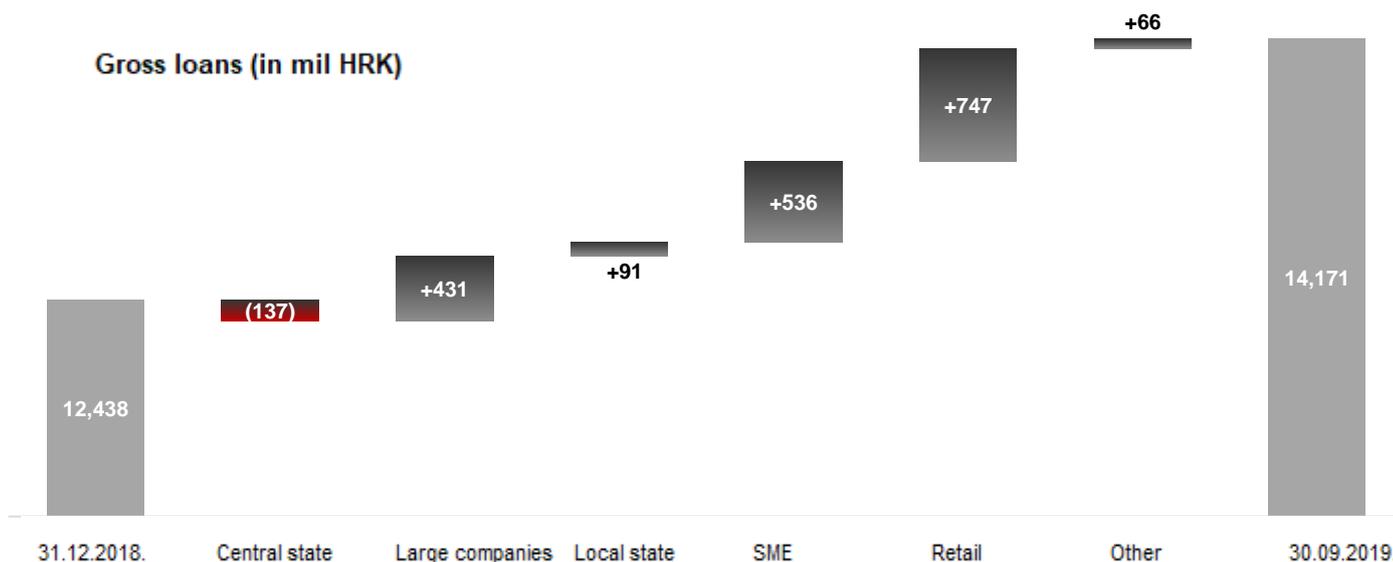
**Operating costs increased by + 6.4%**. As mentioned earlier, this is driven by merger of Jadranska banka p.l.c. and the consequent increase in workload, which includes a larger number of employees and investments in new business units in Šibenik-Knin County.

Also, cost growth is inevitable due to the launch of strategic projects that are focused on process optimization and aiming to achieve cost savings in the coming periods. We are continually working to reduce cost pressures on operating profit, so the C/I indicator was further improved during the third quarter of 2019.

**Impairment losses and provisions for losses decreased by 0.7%** compared to the same period last year. **Impairment** for new and healthy placements in the intervening period are higher due to the continuous increase in gross loans to customers, which is in accordance with the requirements of IFRS 9. On the other hand, the emphasis on efficient collection and credit risk management, leads to significantly lower provisions for partially recoverable placements, which contributes greatly to reducing this cost item. We continue to maintain coverage of non-performing loans at levels above the sector average (30.09.2019. = 70.60%).

As of September 30, 2019, the Bank's assets amounted HRK 24.2 billion (+ 13.7%), with a continuous increase in the gross loan portfolio and an overflow of liquidity surpluses during 2019 into other interest-bearing assets that make us more profitable. The LCR (Liquidity Coverage Ratio) as of 30.09.2019. is at 189%.

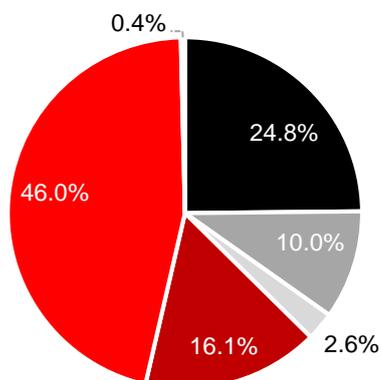
**Gross loans (in mil HRK)**



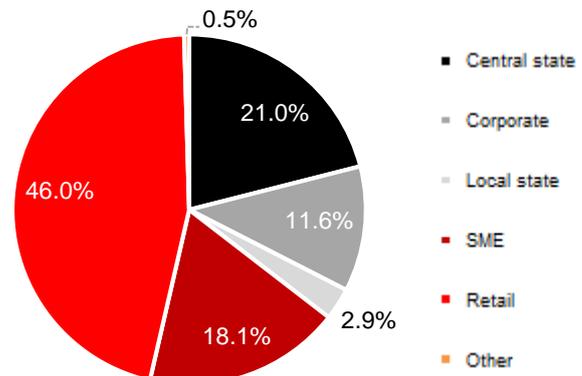
Source: management reports of the issuer (according to internal segmentation retail does not include SME)

**Total gross loans increased by 13.9%** compared to the end of 2018, where we are particularly proud of growth in all our segments. 2019 is the first year without adverse effects on the movement of loans, where due to consumers and entrepreneurs optimism, the organic and inorganic growth were achieved by merging Jadranska banka p.l.c.

Gross loans structure (31.12.2018.)



Gross loans structure (30.09.2019.)



Source: management reports of the issuer (according to internal segmentation retail does not include SME)

The total **increase in gross retail loans** amounts to approximately **HRK 750 million** compared to the end of 2018, with housing loans **increasing by 14.9%**. During the last quarter of 2019, the Bank made significant efforts in the APN loan program and 627 cases were completed and approved, representing an increase of 155% compared to the previous year, and an increase of 167% in the volume of the loans. The Bank's share in all submitted APN cases is 15%. In the past year, the Bank has strengthened its retail customer base by more than 30,000 customers, including clients we have acquired through the integration of Jadranska banka p.l.c., as well as other actions.

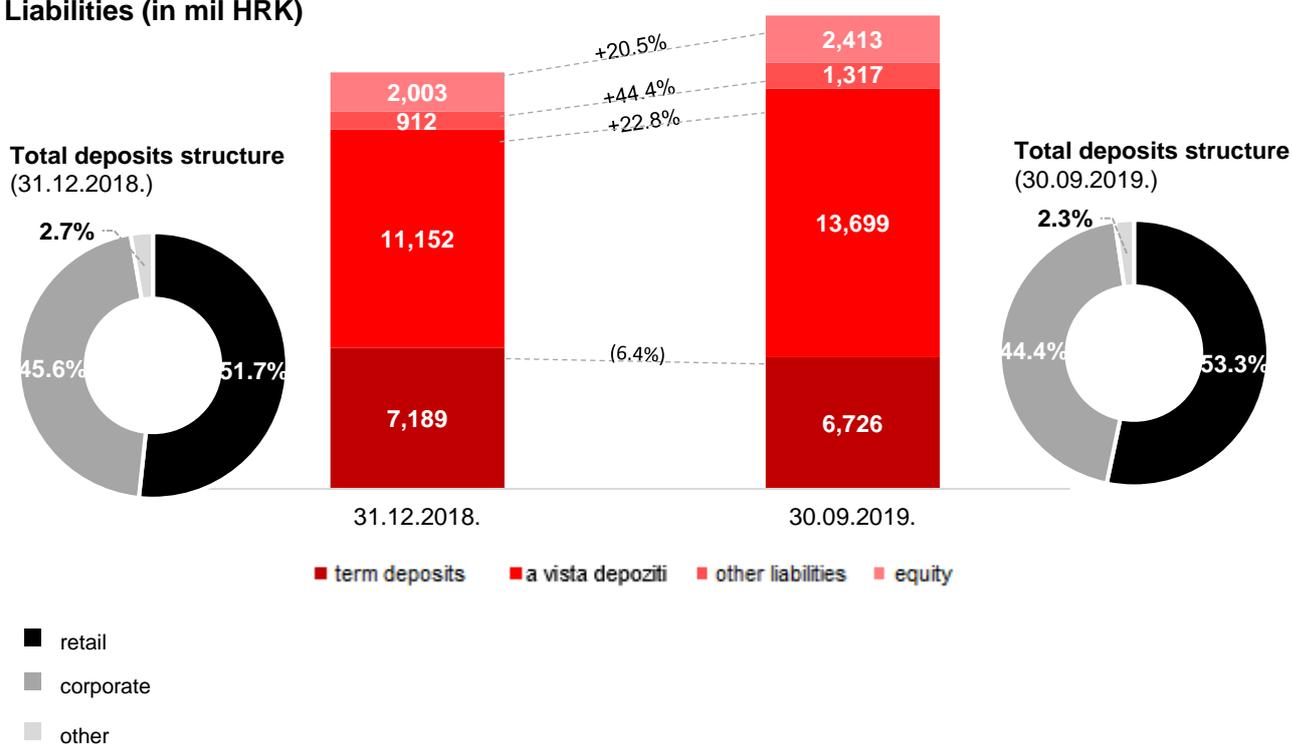
The increase in gross loans in the **large corporate and public sector segment by HRK +385 million**, and in the **SME segment by HRK +536 million (+ 26.8%)** compared to the end of 2018, is the result of a set of structured activities that the Bank consistently carries out throughout 2019. The SME segment has also seen significant growth in the number of clients since the end of 2018, which has grown by 40.6%.

The market share of corporate loans (including the large corporate and SME segment) has increased from 5.32% at the end of 2018 to 5.67% (June 2019).

**Banks' liabilities** as of 30.09.2019. **increased by 12.9% or HRK 2.5 billion** compared to the end of 2018.

**Retail and corporate deposits are still increasing by 12.0%**, indicating our clients' confidence and a stable deposit base, with the continuing trend of overflow from term deposits (-6.4%) to a vista accounts (+14.5%), which has a favorable effect on the average cost of the source. Retail deposits increased by 13.7%, while corporate deposits increased by +1.3%. Deposits remain the main source of funds for HPB (84.8%), while HRK deposits have dominant share.

**Liabilities (in mil HRK)**



Source: management reports of the issuer (according to internal segmentation retail does not include SME)

**Bank's equity** as of 30.09.2019. reached **HRK 2,413 million and increased by 20.5%** compared to the end of last year. The most significant contribution to capital growth relates to net profit for the period, and an increase in the fair value reserve for securities valued through other comprehensive income.

As of September 11, 2019, the new Management Board of the Bank, consisting of Marko Badurina, President, and Anto Mihaljević and Ivan Soldo, members, began its operations. The goal in the coming period will enable market growth and the realization of the vision of HPB despite constant market changes, intensified competition in the financial industry and an increasingly demanding regulatory environment.

Following successful merger of Jadranska banka p.l.c. during the first half of 2019, the project of merging HPB-Stambena štedionica with the parent company is proceeding according to the planned activities, as a continuation of the optimization of the Group through expected savings and more efficient resource management. The emphasis is on time-effective migration and formal and legal merger as soon as possible in an appropriate manner, with particular attention paid to the protection of clients who retain all existing rights.

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**Marko Badurina**

CEO

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**Anto Mihaljević**

Member of the Management Board

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**Ivan Soldo**

Member of the Management Board

In accordance with the Capital Market Act, the Management Board of HPB plc., states that according to their best knowledge the set of unaudited financial statements for the period from January 01 to September 30, 2019, 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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**Tea Bažant**

Executive Head of Finance Division

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**Marko Badurina**

CEO

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**Anto Mihaljević**

Member of the Management Board

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**Ivan Soldo**

Member of the Management Board

**Annex 1**
**ISSUER'S GENERAL DATA**
**Reporting period:**  to 
**Year:** 
**Quarter:** 
**Quarterly financial statements**
**Registration number (MB):**  **Issuer's home Member State code:** 
**Entity's registration number (MBS):** 
**Personal identification number (OIB):**  **LEI:** 
**Institution code:** 
**Name of the issuer:** 
**Postcode and town:**  
**Street and house number:** 
**E-mail address:** 
**Web address:** 
**Number of employees (end of the reporting period):** 
**Consolidated report:**  (KN-not consolidated/KD-consolidated)

**Audited:**  (RN-not audited/RD-audited)

**Names of subsidiaries (according to IFRS):**  **Registered office:**  **MB:** 

Names of subsidiaries (according to IFRS):	Registered office:	MB:

**Bookkeeping firm:**  (Yes/No)  (name of the bookkeeping firm)

**Contact person:**  (only name and surname of the contact person)

**Telephone:** 
**E-mail address:** 
**Audit firm:**  (name of the audit firm)

**Certified auditor:**  (name and surname)

# BALANCE SHEET

as at September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>Assets</b>			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	001	3,738,705,603	3,223,362,281
Cash in hand	002	475,623,952	889,290,206
Cash balances at central banks	003	2,469,141,407	1,542,905,742
Other demand deposits	004	793,940,244	791,166,333
Financial assets held for trading (from 6 to 9)	005	649,215,941	597,115,872
Derivatives	006	479,860	2,764,888
Equity instruments	007	132,682,086	95,064,523
Debt securities	008	516,053,995	499,286,461
Loans and advances	009	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	1,676,288	87,633,042
Equity instruments	011	-	12,911,592
Debt securities	012	-	51,646,367
Loans and advances	013	1,676,288	23,075,083
Financial assets at fair value through profit or loss (15 + 16)	014	-	-
Debt securities	015	-	-
Loans and advances	016	-	-
Financial assets at fair value through other comprehensive income (from 18 to 20)	017	3,342,777,926	5,109,006,926
Equity instruments	018	17,699,255	51,145,436
Debt securities	019	3,325,078,671	5,057,861,490
Loans and advances	020	-	-
Financial assets at amortised cost (22 + 23)	021	12,950,774,595	14,596,364,115
Debt securities	022	75,259,611	18,139,882
Loans and advances	023	12,875,514,984	14,578,224,233
Derivatives - hedge accounting	024	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	025	-	-
Investments in subsidiaries, joint ventures and associates	026	166,755,000	45,490,000
Tangible assets	027	184,640,235	308,537,720
Intangible assets	028	112,881,244	120,249,679
Tax assets	029	22,742,269	22,269,234
Other assets	030	64,637,644	25,264,933
Fixed assets and disposal groups classified as held for sale	031	20,000,000	20,000,000
<b>Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)</b>	<b>032</b>	<b>21,254,806,746</b>	<b>24,155,293,802</b>

# BALANCE SHEET (CONTINUED)

as at September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>Liabilities</b>			
<b>Financial liabilities held for trading (from 34 to 38)</b>	<b>033</b>	<b>445,274</b>	<b>2,727,370</b>
Derivatives	034	445,274	2,727,370
Short positions	035	-	-
Deposits	036	-	-
Debt securities issued	037	-	-
Other financial liabilities	038	-	-
<b>Financial liabilities at fair value through profit or loss (from 40 to 42)</b>	<b>039</b>	<b>-</b>	<b>-</b>
Deposits	040	-	-
Debt securities issued	041	-	-
Other financial liabilities	042	-	-
<b>Financial liabilities measured at amortised cost (from 44 to 46)</b>	<b>043</b>	<b>19,005,058,008</b>	<b>21,376,796,708</b>
Deposits	044	18,997,667,591	21,282,933,532
Debt securities issued	045	-	-
Other financial liabilities	046	7,390,416,92	93,863,176
Derivatives - hedge accounting	047	-	-
<b>Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	<b>048</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>	<b>049</b>	<b>84,909,385</b>	<b>113,088,395</b>
<b>Tax liabilities</b>	<b>050</b>	<b>23,088,365</b>	<b>102,641,479</b>
<b>Share capital repayable on demand</b>	<b>051</b>	<b>-</b>	<b>-</b>
<b>Other liabilities</b>	<b>052</b>	<b>138,804,902</b>	<b>147,213,160</b>
<b>Liabilities included in disposal groups classified as held for sale</b>	<b>053</b>	<b>-</b>	<b>-</b>
<b>Total liabilities (33 + 39 + 43 + from 47 to 53)</b>	<b>054</b>	<b>19,252,305,934</b>	<b>21,742,467,112</b>
<b>Equity</b>			
Initial capital	055	1,214,775,000	1,214,775,000
Share premium	056	-	-
Equity instruments issued other than capital	057	-	-
Other equity instruments	058	-	-
Accumulated other comprehensive income	059	97,622,566	340,082,529
Retained profit	060	132,457,010	148,656,584
Revaluation reserves	061	-	-
Other reserves	062	406,265,672	539,427,897
(-) Treasury shares	063	-477,000	-477,000
Profit or loss attributable to owners of the parent	064	151,857,564	170,361,680
(--) Interim dividends	065	-	-
Minority interests [non-controlling interests]	066	-	-
<b>Total equity (from 55 to 66)</b>	<b>067</b>	<b>2,002,500,812</b>	<b>2,412,826,690</b>
<b>Total equity and liabilities (54 + 67)</b>	<b>068</b>	<b>21,254,806,746</b>	<b>24,155,293,802</b>

# STATEMENT OF PROFIT AND LOSS

## for the period January 01, 2019 to September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
Interest income	001	464,619,509	157,122,439	449,763,619	153,376,995
(Interest expenses)	002	80,736,699	24,646,125	48,513,520	14,335,439
(Expenses on share capital repayable on demand)	003	-	-	-	-
Dividend received	004	963,594	160,453	3,622,454	21,059
Fees and commissions income	005	395,345,301	154,977,115	408,228,876	162,080,529
(Fees and commissions expenses)	006	246,253,802	96,527,281	252,363,965	101,190,270
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	-	-	4,079,683	-
Gains or (-) losses on financial assets and liabilities held for trading, net	008	36,989,909	17,460,127	77,057,458	37,767,549
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	-	-	2,027	-
Gains or (-) losses on financial assets and liabilities at fair value through profit or loss, net	010	-	-	-	-
Gains or (-) losses from hedge accounting, net	011	-	-	-	-
Exchange rate differences [gain or (-) loss], net	012	-1,314,250	-97,686	-2,790,576	-1,207,156
Gains or (-) losses on derecognition of non-financial assets, net	013	-	-	-	-
Other operating income	014	5,190,231	1,261,790	3,390,681	1,224,818
(Other operating expenses)	015	33,638,067	10,890,760	31,768,615	10,636,171
<b>Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)</b>	<b>016</b>	<b>541,165,725</b>	<b>198,820,071</b>	<b>610,708,122</b>	<b>227,101,914</b>

**STATEMENT OF PROFIT AND LOSS (CONTINUED)**  
for the period January 01, 2019 to September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.					
Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
(Administrative expenses)	017	268,330,908	86,540,139	289,403,994	95,674,012
(Depreciation)	018	33,953,806	11,184,663	37,315,613	12,592,382
Modification gains or (-) losses, net	019	-10,988,871	-3,506,223	-13,055,167	-6,656,006
(Provisions or (-) reversal of provisions)	020	-12,304,937	-8,082,612	-9,845,185	1,256,629
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	021	84,797,855	65,731,183	79,668,674	62,821,205
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	022	-	-	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	023	4,441,739	4,375,216	-	-
Negative goodwill recognised in profit or loss	024	-	-	-	-
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	025	-	-	-	-
Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	026	-	-	-	-
Profit or (-) loss before tax from continuing operations (16 – 17 – 18 + 19 – from 20 to 23 + from 24 to 26)	027	150,957,484	35,565,259	201,109,859	48,101,680
(Tax expense or (-) income related to profit or loss from continuing operations)	028	27,585,929	6,553,711	30,748,181	1,223,379
Profit or (-) loss after tax from continuing operations (27 – 28)	029	123,371,555	29,011,548	170,361,678	46,878,301
Profit or (-) loss after tax from discontinued operations (31 – 32)	030	-	-	-	-
Profit or (-) loss before tax from discontinued operations	031	-	-	-	-
(Tax expense or (-) income related to discontinued operations)	032	-	-	-	-
Profit or (-) loss for the year (29 + 30; 34 + 35)	033	123,371,555	29,011,548	170,361,678	46,878,301
Attributable to minority interest [non-controlling interests]	034	-	-	-	-
Attributable to owners of the parent	035	123,371,555	29,011,548	170,361,678	46,878,301

**STATEMENT OF PROFIT AND LOSS (CONTINUED)**  
for the period January 01, 2019 to September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b>					
Income or (-) loss for the current year	036	123,371,555	29,011,548	170,361,678	46,878,301
Other comprehensive income (38 + 50)	037	586,477	3,810,223	242,459,931	121,086,823
Items that will not be reclassified to profit or loss (from 39 to 45) + 48 + 49)	038	-	-	-	-
Tangible assets	039	-	-	-	-
Intangible assets	040	-	-	-	-
Actuarial gains or (-) losses on defined benefit pension plans	041	-	-	-	-
Fixed assets and disposal groups classified as held for sale	042	-	-	-	-
Share of other recognised income and expense of entities accounted for using the equity method	043	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	044	-	-	-	-
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	045	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	046	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	047	-	-	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	048	-	-	-	-
Income tax relating to items that will not be reclassified	049	-	-	-	-
Items that may be reclassified to profit or loss (from 51 to 58)	050	586,477	3,810,223	242,459,931	121,086,823
Hedge of net investments in foreign operations [effective portion]	051	-	-	-	-
Foreign currency translation	052	-	-	-	-
Cash flow hedges [effective portion]	053	-	-	-	-
Hedging instruments [not designated elements]	054	-	-	-	-
Debt instruments at fair value through other comprehensive income	055	1,902,516	4,196,388	295,656,656	144,608,076
Fixed assets and disposal groups classified as held for sale	056	-	-	-	-
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	057	-	-	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	058	-1,316,039	-386,165	-53,196,725	-23,521,253
<b>Total comprehensive income for the current year (36 + 37; 60 + 61)</b>	<b>059</b>	<b>123,958,031</b>	<b>32,821,771</b>	<b>412,821,609</b>	<b>167,965,124</b>
<b>Attributable to minority interest [non-controlling interest]</b>	<b>060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Attributable to owners of the parent</b>	<b>061</b>	<b>123,958,031</b>	<b>32,821,771</b>	<b>412,821,609</b>	<b>167,965,124</b>

# STATEMENT OF CASH FLOW

for the period January 01, 2019 to September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>Operating activities - direct method</b>			
Interest received and similar receipts	001	-	-
Fees and commissions received	002	-	-
(Interest paid and similar expenditures)	003	-	-
(Fees and commissions paid)	004	-	-
(Operating expenses paid)	005	-	-
Net gains/losses from financial instruments at fair value through statement of profit or loss	006	-	-
Other receipts	007	-	-
(Other expenditures)	008	-	-
<b>Operating activities - indirect method</b>			
Profit/(loss) before tax	009	150,957,484	201,109,859
Adjustments:			
Impairment and provisions	010	72,492,918	69,823,489
Depreciation	011	33,953,806	37,315,613
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	012	-36,989,909	-77,057,458
(Profit)/loss from the sale of tangible assets	013	-101,594	-1,004,496
Other non-cash items	014	-463,305,259	-446,973,043
<b>Changes in assets and liabilities from operating activities</b>			
Deposits with the Croatian National Bank	015	-117,160,427	926,235,665
Deposits with financial institutions and loans to financial institutions	016	-110,529,572	2,773,911
Loans and advances to other clients	017	-407,829,929	-1,706,246,776
Securities and other financial instruments at fair value through other comprehensive income	018	-924,832,535	-1,845,782,114
Securities and other financial instruments held for trading	019	-28,361,035	52,100,069
Securities and other financial instruments at fair value through statement of profit or loss, not traded	020	-	-82,419,226
Securities and other financial instruments mandatorily at fair value through statement of profit or loss	021	-	-
Securities and other financial instruments at amortised cost	022	80,908,686	57,119,729
Other assets from operating activities	023	-157,903,967	-505,086,427
Deposits from financial institutions	024	167,738,028	263,918,240
Transaction accounts of other clients	025	787,926,616	1,056,225,944
Savings deposits of other clients	026	715,678,765	1,253,551,236
Time deposits of other clients	027	-724,419,208	-486,328,774
Derivative financial liabilities and other liabilities held for trading	028	-	-2,282,096
Other liabilities from operating activities	029	-77,672,052	125,132,026
Interest received from operating activities [indirect method]	030	486,771,499	428,955,164
Dividends received from operating activities [indirect method]	031	963,594	2,179,175
Interest paid from operating activities [indirect method]	032	-41,608,082	-77,664,802
(Income tax paid)	033	-61,816	-2,458,356
<b>Net cash flow from operating activities (from 1 to 33)</b>	<b>034</b>	<b>-593,383,988</b>	<b>-756,863,447</b>

**STATEMENT OF CASH FLOW (CONTINUED)**  
for the period January 01, 2019 to September 30, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>Investing activities</b>			
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	035	37,142,328	-87,625,000
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	036	-121,265,000	-
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	037	-	-
Dividends received from investing activities	038	-	-
Other receipts/payments from investing activities	039	-	-
<b>Net cash flow from investing activities (from 35 to 39)</b>	<b>040</b>	<b>-84,122,672</b>	<b>-87,625,000</b>
<b>Financing activities</b>			
Net increase/(decrease) in loans received from financing activities	041	-16,703,955	198,262,553
Net increase/(decrease) in debt securities issued	042	-	-
Net increase/(decrease) in Tier 2 capital instruments	043	-	-
Increase in share capital	044	-	-
(Dividends paid)	045	-	-
Other receipts/(payments) from financing activities	046	-	-
<b>Net cash flow from financing activities (from 41 to 46)</b>	<b>047</b>	<b>-16,703,955</b>	<b>198,262,553</b>
<b>Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)</b>	<b>048</b>	<b>-694,210,615</b>	<b>-646,225,894</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>049</b>	<b>3,612,221,533</b>	<b>4,132,394,523</b>
Effect of exchange rate fluctuations on cash and cash equivalents	050	-36,336,999	-35,415,714
<b>Cash and cash equivalents at the end of period (48 + 49 + 50)</b>	<b>051</b>	<b>2,881,673,918</b>	<b>3,450,752,915</b>

# STATEMENT OF CHANGES IN EQUITY

for the period January 01, 2019 to September 30, 2019

in HRK

Item	ADP code	Attributable to owners of the parent											Non-controlling interest		Total
		Equity	Share premium	Equity instruments issued other than capital	Other equity instruments	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Other items	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Opening balance [before restatement]	001	1,214,775,000	-	-	-	97,622,566	75,223,884	-	463,498,673	-477,000	151,858,564	-	-	-	-
Effects of error corrections	002	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	003	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period] (1 + 2 + 3)	004	1,214,775,000	-	-	-	97,622,566	75,223,884	-	463,498,673	-477,000	151,857,564	-	-	-	2,002,500,687
Ordinary shares issue	005	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preference shares issue	006	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	007	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	009	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	010	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# STATEMENT OF CHANGES IN EQUITY

for the period January 01, 2019 to September 30, 2019

Item	ADP code	Attributable to owners of the parent											Non-controlling interest		Total
		Equity	Share premium	Equity instruments issued other than capital	Other equity instruments	Accumulated other comprehensive income	Retained profit	Revaluation reserves	Other reserves	( ) Treasury shares	Profit or ( - ) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Other items	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Dividends	011	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase/sale of treasury shares	012	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	013	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	014	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity instruments	016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or ( - ) decrease of equity instruments	018	-	-	-	-	242,459,963	73,434,017	-	75,929,224	-	151,857,564	-	-	-	239,965,640
Total comprehensive income for the current year	019	-	-	-	-	-	-	-	-	-	170,361,680	-	-	-	170,361,680
Equity instruments increase or (-) decrease resulting from business combinations	020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance [current period] (from 4 to 20)	021	1,214,775,000	-	-	-	340,082,529	148,657,901	-	539,427,897	-477,000	170,361,680	-	-	-	2,412,828,007

**A) STATEMENT OF PROFIT AND LOSS**
**1) INTEREST INCOME**
*in HRK*

ADP 001	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
Loans	404,019,527	134,359,420	376,930,039	127,377,790
Deposits	1,112,020	475,720	3,027,134	1,305,724
Securities	59,487,962	22,287,299	69,806,446	24,693,482
<b>TOTAL</b>	<b>464,619,509</b>	<b>157,122,439</b>	<b>449,763,619</b>	<b>153,376,996</b>

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

ADP 002	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
Borrowings	9,421,539	3,036,370	9,609,463	3,027,435
Deposit	71,315,160	21,609,755	38,904,057	11,308,004
<b>TOTAL</b>	<b>80,736,699</b>	<b>24,646,125</b>	<b>48,513,520</b>	<b>14,335,439</b>

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

ADP 005	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
Cash payment operations - channels	200,094,105	67,984,446	197,058,231	66,220,995
Retail and card operations	143,755,787	68,693,268	154,880,217	77,052,119
Corporate operations	45,651,275	16,211,315	50,854,662	16,958,579
Other fee and commission income	5,844,134	2,088,086	5,435,766	1,848,835
<b>TOTAL</b>	<b>395,345,301</b>	<b>154,977,115</b>	<b>408,228,876</b>	<b>162,080,529</b>

**A) STATEMENT OF PROFIT AND LOSS (CONTINUED)**
**4) FEE AND COMMISSION EXPENSE**
*in HRK*

ADP 006	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
Payment operations	200,605,127	68,759,370	200,885,175	68,496,034
Other fee and commission expense	45,648,675	27,767,911	51,478,790	32,694,236
<b>TOTAL</b>	<b>246,253,802</b>	<b>96,527,281</b>	<b>252,363,966</b>	<b>101,190,271</b>

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

ADP 007 & ADP 008	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
Securities and equity instruments	(949,380)	2,946,048	42,634,931	20,623,808
FX transactions	36,367,158	13,853,090	38,440,961	17,032,456
HRK cash transactions	288,040	136,960	295,920	141,360
Derivatives	1,284,091	524,029	(234,670)	(30,074)
<b>TOTAL</b>	<b>36,989,909</b>	<b>17,460,127</b>	<b>81,137,142</b>	<b>37,767,550</b>

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

ADP 015 & ADP 017 & ADP 018	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
General and administrative expenses	254,243,347	83,538,964	278,192,022	94,007,029
Amortization and depreciation	33,953,806	11,184,663	37,315,613	12,592,383
Savings deposit insurance costs	26,439,058	8,837,794	27,280,563	9,343,681
Other costs	21,286,570	5,054,140	15,700,023	2,959,473
<b>TOTAL</b>	<b>335,922,781</b>	<b>108,615,561</b>	<b>358,488,222</b>	<b>118,902,565</b>

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

ADP 019 & ADP 020 & ADP 021	Same period of the previous year 01.01.- 30.09.2018.		Current period 01.01. - 30.09.2019.	
	Cumulative	Quarter	Cumulative	Quarter
Impairments and provisions for losses	78,200,918	48,836,155	85,104,606	64,021,399
Modification	10,988,871	(3,506,223)	13,055,167	6,656,006
Other impairments and adjustments	16,269,741	8,812,417	(15,281,116)	56,435
<b>TOTAL</b>	<b>83,481,788</b>	<b>61,154,795</b>	<b>82,878,656</b>	<b>57,421,828</b>

**B) BALANCE SHEET****8) OTHER DEMAND DEPOSITS***in HRK*

<b>ADP 004</b>	<b>31.12.2018.</b>	<b>30.09.2019.</b>
Deposits with foreign banking institutions	790,051,655	787,471,277
Deposits with domestic banking institutions	3,888,589	3,695,057
<b>TOTAL</b>	<b>793,940,244</b>	<b>791,166,333</b>

**9) LOANS AND ADVANCES***in HRK*

<b>ADP 023</b>	<b>31.12.2018.</b>	<b>30.09.2019.</b>
<b>Loans to financial institutions</b>	98,081,079	<b>131,096,249</b>
Gross loans	98,086,422	131,101,825
Allowance	(5,343)	(5,576)
<b>Corporate &amp; SME loans</b>	2,763,846,429	<b>3,789,611,179</b>
Gross loans	3,870,853,642	4,935,834,206
Allowance	(1,107,007,213)	(1,146,223,027)
<b>Retail loans</b>	5,511,218,252	<b>6,267,356,273</b>
Gross loans	5,863,631,187	6,648,279,120
Allowance	(352,412,935)	(380,922,847)
<b>Other loans</b>	2,562,384,740	<b>2,346,325,912</b>
Gross loans	2,570,027,556	2,355,816,892
Allowance	(7,642,816)	(9,490,980)
Expected credit losses (A1 and A2 risk groups)	140,828,980,00	181,147,641
Other adjustments	4,584,608,00	18,263,158
Deferred front-end fee	(34,314,464)	(28,573,662)
Mandatory reserve at CNB	1,419,939,919	1,530,043,846
Deposits with financial institutions	408,945,441	342,953,637
<b>TOTAL NET LOANS</b>	<b>12,875,514,984</b>	<b>14,578,224,233</b>

**B) BILANCA (NASTAVAK)****10) DEPOSITS***in HRK*

<b>ADP 044</b>	<b>31.12.2018.</b>	<b>30.09.2019.</b>
Deposits from financial institutions	490,264,248	466,915,369
Deposits from corporate	8,323,190,970	9,030,841,206
Deposits from retail	9,478,926,696	10,881,102,173
Other deposits	44,682,983	46,586,981
Interest payable	30,528,704	29,554,468
Borrowings from HBOR	596,439,856	741,674,736
Borrowings from foreign banking institutions	37,087,875	89,237,034
Deferred front-end fee	(3,453,741)	(2,978,435)
<b>TOTAL</b>	<b>18,997,667,591</b>	<b>21,282,933,532</b>

### **C) CHANGES IN ACCOUNTING POLICIES**

IFRS 16 was adopted in January 2016 and replaces the IAS 17 Leases, IFRIC 4 Determining if the contract includes the leasing, SIC 15 Operative lease-incentives and SIC 27 Change in content of transactions including the legal form of leasing. IFRS 16 establishes the principles of recognizing, measuring, presenting and reporting of leasing and requires from lessees stating all leaseings individually in the balance sheet similarly as a financial leasing in accordance with the IAS 17. The standard includes two exemptions in recognition for a lessee – asset lease of „low value“ (e.g. personal computers) and short-term lease, that is a 12-month lease period or shorter. At a date of beginning of a lease, the lessee will recognize leasing liabilities and assets which presents the right for use of principle assets during the period of leasing, that is right to use assets. Lessees will be obligated to separately recognize interest costs of liabilities for leasing and depreciation costs of right to use assets. Lessees will also be obligated to again measure the liabilities for leasing after certain events (i.e. change of leasing period, change in future leasing payments which are result of change in index or rate used for determining those payments). Lessee will be recognizing in general the amount of remeasurement of these liabilities as an adjustment on the right of use assets. The accounting treatment of a lessor in accordance with the IFRS 16 remains unchanged in terms of the current in accordance to the IAS 17. The lessor will continue to classify all leases using the same classification principles as in the IAS 17 and will separate two forms of leaseings: operative and financial leasing. IFRS 16 also requires from the lessee and lessor more extensive reporting than in line with IAS 17. IFRS 16 is put into force for annual periods that start at or after 1 January 2019.

### **D) MERGING OF JADRANSKA BANKA P.L.C.**

As of April 01, 2019 the Bank merged Jadranska banka p.l.c., which resulted in capital increase in amount of HRK 42.884 thousand.

## E) BANK'S OWNERSHIP STRUCTURE

Bank's ownership structure as per September, 30 2019 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%
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%
RAIFFEISEN D.D., for Raiffeisen OMF (B category)	7.46%
Minorities	0.04%

**F) HPB STOCK**

HPB Stock is listed on ZSE's Official market. Last share price at the end of the Q3 2019 amounted to HRK 570.00 (30.09.2019. trading day), representing an increase of 26,67 percent in comparison with the last price achieved in 2018 (=HRK 450.00 as per December 28, 2018 trading day).

Trading of HPB-R-A stock during the reporting period was as follows (below presented last price in trading day) :

