

Financial Statements for the period from January 01 to June 30 2019

Unaudited

HRVATSKA POŠTANSKA BANKA, p.l.c.

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

This report includes:

- Management report of Hrvatska poštanska Banka plc.,
- statement by persons responsible for compiling the report of Hrvatska poštanska Banka plc.,
- 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).

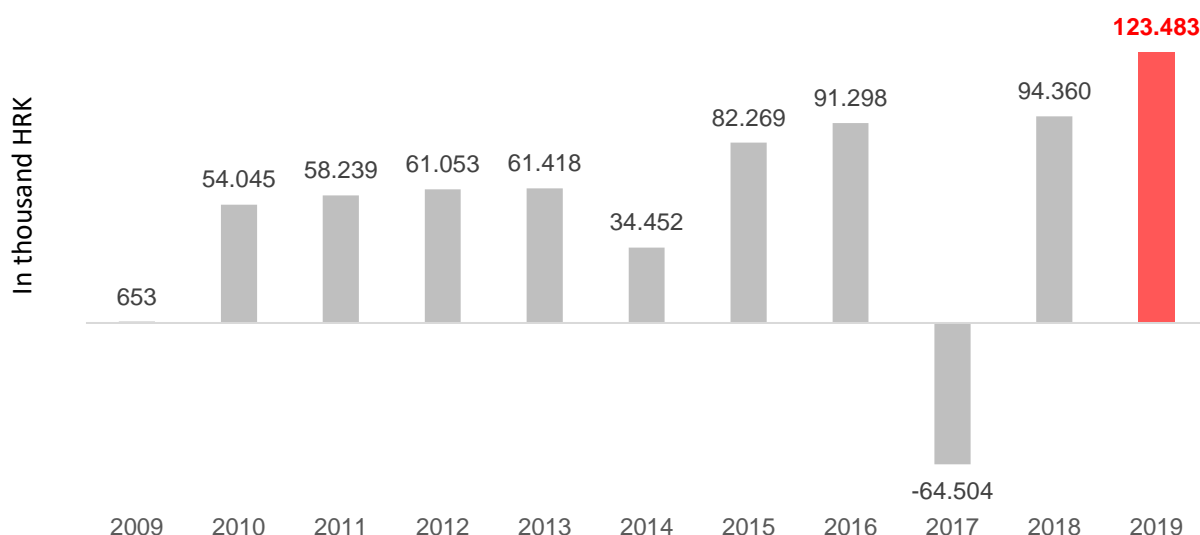
Key highlights of results for the reporting period are as follows:

- The Bank continues with record results and thus achieved a **net profit of HRK 123.5 million** in the first half of 2019, which is 31% more than in the same period last year and represents **the best achievement since HPB was founded**,
- **operating profit** increased by HRK 27.3 million and amounted **HRK 165.2 million**;
- an increase in the Bank's assets by 9.2% as of June 30, 2019 compared to December 31, 2019, and a market share increase of 5.54% (data as of April 30, 2019);
- gross loans to customers increased by 10.0% or HRK 1.239 million, mostly in the target segments (Retail and SME), who continuously increase their share in the Bank's total gross loan portfolio;
- As of April 1, 2019 Jadranska banka plc. was successfully integrated in just 9 months from the acquisition with the positive effects of the merger,
- Optimization of the HPB Group is continued with the merger activities of the HPB-Stambena štedionica plc.

Management report of HPB plc.

The Bank successfully and within the set deadlines on 1 April 2019 merged Jadranska banka plc. after only 9 months of acquisition, which was one of the most challenging projects our team has encountered. At the same time with the involvement of a large part of resources in the integration of Jadranska banka plc., there was no lack of positive trend in financial result. Thus the Bank ended the first half of 2019 with a record half-year net profit since establishment in the amount of HRK 123.5 million, in conditions of market excess liquidity and in the environment of falling interest margins.

Long-term comparison of semi-annual net profit



Operating profit increased by 19.8% or 27.3 million compared to the same period last year, which is a result of the Bank's focus on the implementation of strategic guidelines and launched projects in the form of increased efficiency and operational excellence.

The increase in net interest income by 4.3% is a reflection of the increased number of placements and the consequent growth of gross loans, and, on the other hand, a decrease in interest expense due to continued optimization of the liability structure, i.e. the spillover from term deposits to a vista accounts.

Net fee and commission income increased by 4.8% in all three business sectors as a result of the inorganic and organic growth of the client base, as well as the activity of the client base.

Other non-interest income consists of income from trading in foreign exchange and securities, dividends received, and other income. This revenue is 102.5% higher than in the same period of 2018, mainly due to an increase in gains on securities trading due to the increase in the prices of securities in the Bank's portfolio and dividend income.

HRVATSKA POŠTANSKA BANKA, p.l.c.

Operating expenses are increasing (+ 5.4%) as a result of the merger of Jadranska banka plc. and the consequent increase in the scope of operations of HPB plc., which includes more employees, and investments in new business units in Šibenik-Knin County. Also, cost growth is inevitable due to the launch of strategic projects that we focus on - process optimization and aim to achieve cost savings in the coming periods. However, in spite of this growth, we are working on a continuous reduction of cost pressures on operating profit, so the C/I indicator has improved by 3 percentage points compared to 2018.

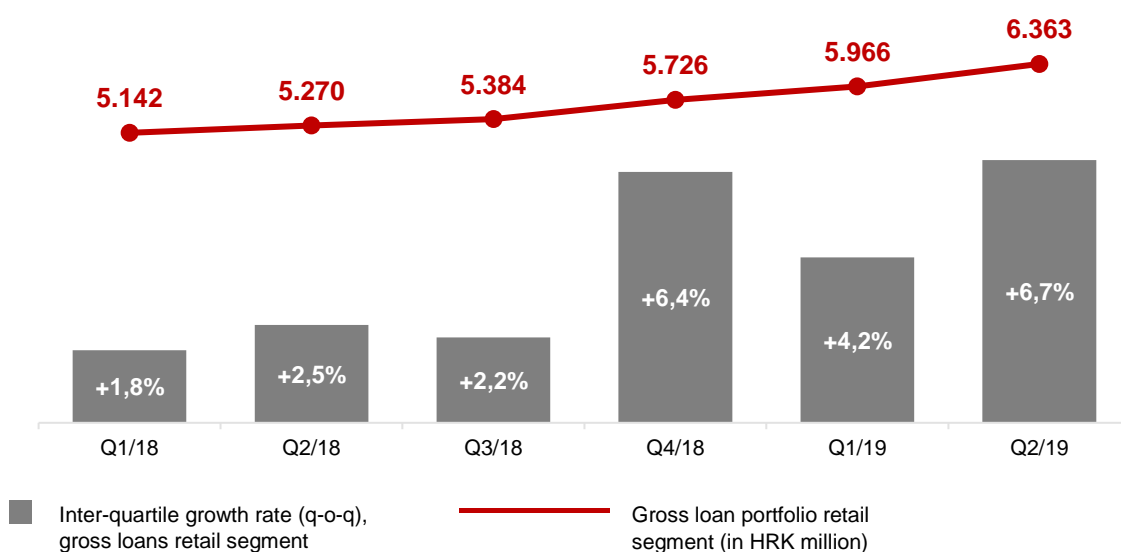
Provisioning costs for new and healthy placements in the interim are higher due to the continued increase in gross placements with customers, which is in line with IFRS 9. On the other hand, the emphasis on effective management of collection and credit risk leads to significantly lower provisions for partially recoverable placements, by approximately HRK 25 million. We continue to maintain coverage of bad placements at levels above the sector average (June 30, 2019 = 67.75 percent).

As of June 30, 2019, the Bank's assets amount to HRK 23.2 billion (+ 9.2%), with liquidity surpluses pouring into other interest-bearing forms of assets for which we achieve greater profitability.

Total gross loans grew + 10.0% compared to the end of 2018, where we are particularly proud of growth in our two strategic segments - retail and small and medium-sized enterprises.

The total increase in retail loans is + 11.6%, i.e. approximately HRK 700 million compared to the end of 2018, with housing loans increasing by + 13.6%. Over 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 plc.

Trend in household loans*

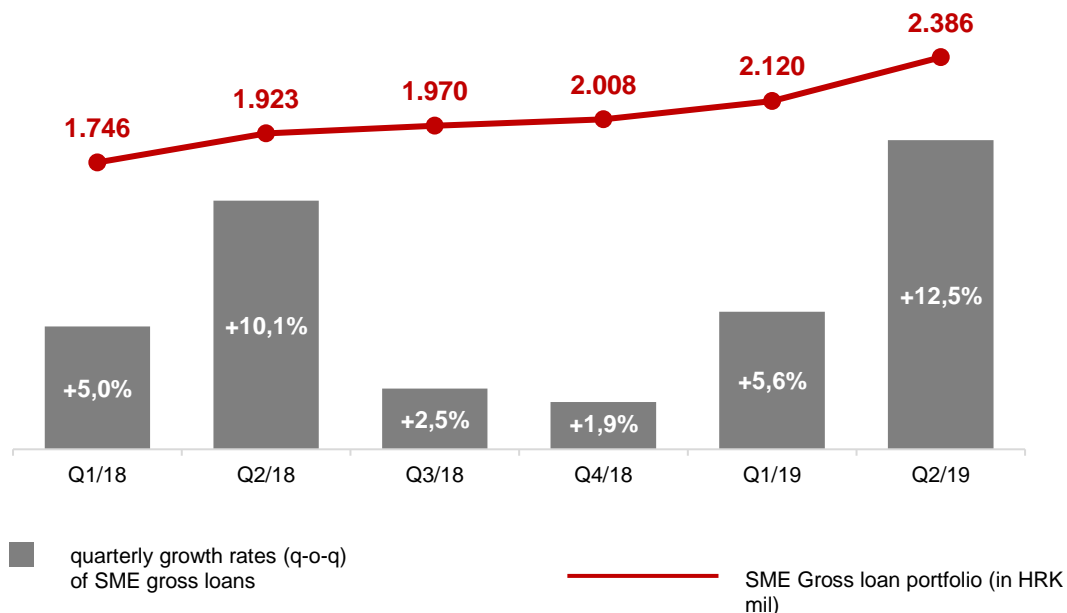


*Source: Management reports of the issuer

HRVATSKA POŠTANSKA BANKA, p.l.c.

The newly implemented SME operating and business model has made a significant leap in the market, showing an increase of 18.8% of gross loans in the first half of 2019. With the opening of two new entrepreneurial centers (Velika Gorica and Sveta Nedjelja), we are even closer to the client, and we have expanded our online services (online account opening and online loan application). In order to ensure optimal quality of service, we have established a Corporate Banking Academy, hold workshops with clients, and continue our cooperation with the HAMAG, EIB, EBRD and the Zagreb Stock Exchange, all in order to get closer to small and medium-sized enterprises in the Republic of Croatia.

Trend in SME loans*



*Source: Management reports of the issuer

Successful integration of Jadranska banka plc. contributed to the increase in the deposit base by HRK 1.5 billion compared to the end of last year. Household and corporate deposits continue to increase, with the trend of overflow from term deposits (-3.9%) to a vista accounts (+ 14.5%) continuing, which has a favorable impact on the average cost of sources. Household deposits increased by 13.7%, while corporate deposits increased by + 1.3%. Deposits remain the main source of funds for HPB (84.8%), with HRK deposits having a dominant share.

Bank's equity as at June 30, 2019 reached HRK 2,299 million, an increase of 14.78% 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 at other comprehensive income.

HRVATSKA POŠTANSKA BANKA, p.l.c.

Continuing on the successful merger of Jadranska banka plc., during the first half of 2019, the project of merging HPB-stambena štedionica plc. started, as a continuation of the Group's business optimization activities through probable expected savings and more efficient resource management. Emphasis is placed on timely efficient migration and formal legal merger as soon as possible, with particular attention being paid to protecting clients who retain all existing rights.

Tomislav Vuić
CEO

HRVATSKA POŠTANSKA BANKA, p.l.c.

Statement by persons accountable for compiling the report of HPB plc.

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 June 31 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 plc.

Tea Bažant
Executive director
Finance division

Tomislav Vuić
CEO

Annex 1		ISSUER'S GENERAL DATA	
Reporting period:	1.1.2019	to	30.6.2019
Year:	2019		
Quarter:	2		
Quarterly financial statements			
Registration number (MB):	03777928	Issuer's home Member State code:	HRVATSKA
Entity's registration number (MBS):	080010698		
Personal identification number (OIB):	87939104217	LEI:	529900D5G4V6THXC5P79
Institution code:	319		
Name of the issuer:	HRVATSKA POŠTANSKA BANKA, plc.		
Postcode and town:	10000	ZAGREB	
Street and house number:	JURIŠIĆEVA 4		
E-mail address:	hpb@hpb.hr		
Web address:	www.hpb.hr		
Number of employees (end of the reporting period):	1232		
Consolidated report:	KN	(KN-not consolidated/KD-consolidated)	
Audited:	RN	(RN-not audited/RD-audited)	
Names of subsidiaries (according to IFRS):		Registered office:	MB:
Bookkeeping firm:	No	(Yes/No)	(name of the bookkeeping firm)
Contact person:	Tea Bažant (only name and surname of the contact person)		
Telephone:	014804670		
E-mail address:	tea.bazant@hpb.hr		
Audit firm:	(name of the audit firm)		
Certified auditor:	(name and surname)		

HRVATSKA POŠTANSKA BANKA, p.l.c.

BALANCE SHEET
 as at June 30 2019

in HRK

Submitter: Hrvatska poštanska banka plc.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
Assets			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	001	3,738,705,603	2,593,945,413
Cash in hand	002	475,623,952	999,630,635
Cash balances at central banks	003	2,469,141,407	1,179,014,824
Other demand deposits	004	793,940,244	415,299,954
Financial assets held for trading (from 6 to 9)	005	649,215,941	589,351,020
Derivatives	006	479,860	600,254
Equity instruments	007	132,682,086	97,325,439
Debt securities	008	516,053,995	491,425,327
Loans and advances	009	0	0
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	1,676,288	62,994,856
Equity instruments	011	0	12,312,121
Debt securities	012	0	49,248,483
Loans and advances	013	1,676,288	1,434,252
Financial assets at fair value through profit or loss (15 + 16)	014	0	0
Debt securities	015	0	0
Loans and advances	016	0	0
Financial assets at fair value through other comprehensive income (from 18 to 20)	017	3,342,777,926	5,218,884,271
Equity instruments	018	17,699,255	48,370,776
Debt securities	019	3,325,078,671	5,170,513,495
Loans and advances	020	0	0
Financial assets at amortised cost (22 + 23)	021	12,950,774,595	14,203,591,694
Debt securities	022	75,259,611	17,489,734
Loans and advances	023	12,875,514,984	14,186,101,960
Derivatives - hedge accounting	024	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	025	0	0
Investments in subsidiaries, joint ventures and associates	026	166,755,000	45,490,000
Tangible assets	027	184,640,235	301,991,242
Intangible assets	028	112,881,244	115,857,041
Tax assets	029	22,742,269	23,119,150
Other assets	030	64,637,644	34,273,957
Fixed assets and disposal groups classified as held for sale	031	20,000,000	20,000,000
Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)	032	21,254,806,746	23,209,498,644

HRVATSKA POŠTANSKA BANKA, p.l.c.

BALANCE SHEET (CONTINUED)
 as at June 30 2019

in HRK

Submitter: Hrvatska poštanska banka plc.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
Liabilities			
Financial liabilities held for trading (from 34 to 38)	033	445,274	565,162
Derivatives	034	445,274	565,162
Short positions	035	0	0
Deposits	036	0	0
Debt securities issued	037	0	0
Other financial liabilities	038	0	0
Financial liabilities at fair value through profit or loss (from 40 to 42)	039	0	0
Deposits	040	0	0
Debt securities issued	041	0	0
Other financial liabilities	042	0	0
Financial liabilities measured at amortised cost (from 44 to 46)	043	19,005,058,008	20,566,524,812
Deposits	044	18,997,667,591	20,472,157,671
Debt securities issued	045	0	0
Other financial liabilities	046	7,390,417	94,367,141
Derivatives - hedge accounting	047	0	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	0	0
Provisions	049	84,909,385	116,626,627
Tax liabilities	050	23,088,365	80,428,458
Share capital repayable on demand	051	0	0
Other liabilities	052	138,804,902	146,849,266
Liabilities included in disposal groups classified as held for sale	053	0	0
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	19,252,305,934	20,910,994,325
Equity			
Initial capital	055	1,214,775,000	1,214,775,000
Share premium	056	0	0
Equity instruments issued other than capital	057	0	0
Other equity instruments	058	0	0
Accumulated other comprehensive income	059	97,622,566	218,995,706
Retained profit	060	132,457,010	202,299,337
Revaluation reserves	061	0	0
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	123,483,379
(--) Interim dividends	065	0	0
Minority interests [non-controlling interests]	066	0	0
Total equity (from 55 to 66)	067	2,002,500,812	2,298,504,319
Total equity and liabilities (54 + 67)	068	21,254,806,746	23,209,498,644

HRVATSKA POŠTANSKA BANKA, p.l.c.

STATEMENT OF PROFIT AND LOSS
 for the period January 01, 2019 to June 30, 2019

in HRK

Submitter: Hrvatska poštanska banka plc.					
Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
Interest income	001	307,497,070	156,845,470	296,386,624	154,771,038
(Interest expenses)	002	56,090,574	29,376,604	34,178,081	16,346,302
(Expenses on share capital repayable on demand)	003	0	0	0	0
Dividend received	004	803,141	788,658	3,601,395	3,582,440
Fees and commissions income	005	240,368,186	127,813,088	246,148,347	132,500,767
(Fees and commissions expenses)	006	149,726,521	79,785,727	151,173,695	80,153,963
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	0	0	4,079,683	0
Gains or (-) losses on financial assets and liabilities held for trading, net	008	19,529,782	9,019,229	39,289,909	21,052,121
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	0	0	2,027	0
Gains or (-) losses on financial assets and liabilities at fair value through profit or loss, net	010	0	0	0	0
Gains or (-) losses from hedge accounting, net	011	0	0	0	0
Exchange rate differences [gain or (-) loss], net	012	-1,216,563	-2,400,682	-1,583,420	-737,820
Gains or (-) losses on derecognition of non-financial assets, net	013	0	0	0	0
Other operating income	014	3,928,441	1,374,869	2,165,863	1,416,795
(Other operating expenses)	015	22,747,307	12,098,520	21,132,444	10,485,286
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)	016	342,345,655	172,179,781	383,606,208	205,599,790

STATEMENT OF PROFIT AND LOSS
for the period January 01, 2019 to June 30, 2019

in HRK

Submitter: Hrvatska poštanska banka plc.					
Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
(Administrative expenses)	017	181,790,769	92,191,874	193,729,982	102,139,830
(Depreciation)	018	22,769,143	11,434,855	24,723,231	12,566,193
Modification gains or (-) losses, net	019	-7,482,648	-4,153,611	-6,399,161	-6,399,161
(Provisions or (-) reversal of provisions)	020	-4,222,325	-3,808,052	-11,101,814	-15,413,632
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	021	19,066,671	33,439,453	16,847,469	30,542,351
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	022	0	0	0	0
(Impairment or (-) reversal of impairment on non-financial assets)	023	66,523	66,523	0	0
Negative goodwill recognised in profit or loss	024	0	0	0	0
Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	025	0	0	0	0
Profit or (-) loss from fixed assets and disposal groups classified as held for sale not qualifying as discontinued operations	026	0	0	0	0
Profit or (-) loss before tax from continuing operations (16 – 17 – 18 + 19 – from 20 to 23 + from 24 to 26)	027	115,392,226	34,701,517	153,008,179	69,365,887
(Tax expense or (-) income related to profit or loss from continuing operations)	028	21,032,219	6,507,904	29,524,802	12,415,361
Profit or (-) loss after tax from continuing operations (27 – 28)	029	94,360,007	28,193,613	123,483,377	56,950,526
Profit or (-) loss after tax from discontinued operations (31 – 32)	030	0	0	0	0
Profit or (-) loss before tax from discontinued operations	031	0	0	0	0
(Tax expense or (-) income related to discontinued operations)	032	0	0	0	0
Profit or (-) loss for the year (29 + 30; 34 + 35)	033	94,360,007	28,193,613	123,483,377	56,950,526
Attributable to minority interest [non-controlling interests]	034	0	0		0
Attributable to owners of the parent	035	94,360,007	28,193,613	123,483,377	56,950,526

HRVATSKA POŠTANSKA BANKA, p.l.c.

STATEMENT OF OTHER COMPREHENSIVE INCOME
 for the period January 01, 2019 to June 30, 2019

in HRK

Submitter: Hrvatska poštanska banka plc.					
Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
STATEMENT OF OTHER COMPREHENSIVE INCOME					
Income or (-) loss for the current year	036	94,360,007	28,193,613	123,483,377	56,950,526
Other comprehensive income (38 + 50)	037	102,793	-8,821,542	121,373,140	73,335,157
Items that will not be reclassified to profit or loss (from 39 to 45) + 48 + 49)	038	0	0	0	0
Tangible assets	039	0	0	0	0
Intangible assets	040	0	0	0	0
Actuarial gains or (-) losses on defined benefit pension plans	041	0	0	0	0
Fixed assets and disposal groups classified as held for sale	042	0	0	0	0
Share of other recognised income and expense of entities accounted for using the equity method	043	0	0	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income	044	0	0	0	0
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	045	0	0	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	046	0	0	0	0
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	047	0	0	0	0
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	048	0	0	0	0
Income tax relating to items that will not be reclassified	049	0	0	0	0
Items that may be reclassified to profit or loss (from 51 to 58)	050	102,793	-8,821,542	121,373,140	73,335,157
Hedge of net investments in foreign operations [effective portion]	051	0	0	0	0
Foreign currency translation	052	0	0	0	0
Cash flow hedges [effective portion]	053	0	0	0	0
Hedging instruments [not designated elements]	054	0	0	0	0
Debt instruments at fair value through other comprehensive income	055	125,357	-10,757,978	148,016,024	89,433,118
Fixed assets and disposal groups classified as held for sale	056	0	0	0	0
Share of other recognised income and expense of investments in subsidiaries, joint ventures and associates	057	0	0	0	0
Income tax relating to items that may be reclassified to profit or (-) loss	058	-22,564	1,936,436	-26,642,884	-16,097,961
Total comprehensive income for the current year (36 + 37; 60 + 61)	059	94,462,800	19,372,071	244,856,517	130,285,683
Attributable to minority interest [non-controlling interest]	060	0	0	0	0
Attributable to owners of the parent	061	0	0	0	0

STATEMENT OF CASH FLOW
 for the period January 01, 2019 to June 30, 2019

in HRK

Submitter: Hrvatska poštanska banka plc.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Operating activities - direct method			
Interest received and similar receipts	001	0	0
Fees and commissions received	002	0	0
(Interest paid and similar expenditures)	003	0	0
(Fees and commissions paid)	004	0	0
(Operating expenses paid)	005	0	0
Net gains/losses from financial instruments at fair value through statement of profit or loss	006	0	0
Other receipts	007	0	0
(Other expenditures)	008	0	0
Operating activities - indirect method			
Profit/(loss) before tax	009	115,392,226	153,008,179
Adjustments:		0	0
Impairment and provisions	010	-4,222,325	-11,101,814
Depreciation	011	22,769,143	24,723,231
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	012	-19,529,782	-39,289,909
(Profit)/loss from the sale of tangible assets	013	-436	-333,084
Other non-cash items	014	1,216,563	1,583,420
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	-740,024,823	809,261,075
Deposits with financial institutions and loans to financial institutions	016	233,911,985	-227,182,407
Loans and advances to other clients	017	-856,309,264	-481,935,146
Securities and other financial instruments at fair value through other comprehensive income	018	-362,913,540	-2,412,358,025
Securities and other financial instruments held for trading	019	74,520,781	184,714,452
Securities and other financial instruments at fair value through statement of profit or loss, not traded	020	0	-62,994,856
Securities and other financial instruments mandatorily at fair value through statement of profit or loss	021	0	0
Securities and other financial instruments at amortised cost	022	92,522,651	59,880,392
Other assets from operating activities	023	-191,758,383	-80,667,962
Deposits from financial institutions	024	137,578,989	-149,175,131
Transaction accounts of other clients	025	1,363,567,719	1,332,043,188
Savings deposits of other clients	026	172,105,286	1,715,534,205
Time deposits of other clients	027	-194,549,637	-1,031,597,800
Derivative financial liabilities and other liabilities held for trading	028	-29,846	-535,316
Other liabilities from operating activities	029	201,167,210	-74,955,181
Interest received from operating activities [indirect method]	030	0	0
Dividends received from operating activities [indirect method]	031	0	0
Interest paid from operating activities [indirect method]	032	0	0
(Income tax paid)	033	0	0
Net cash flow from operating activities (from 1 to 33)	034	45,414,517	-291,378,489

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

in HRK

Submitter: Hrvatska poštanska banka plc.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Investing activities			
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	035	1,415,507	-120,528,429
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	036	0	0
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	037	0	0
Dividends received from investing activities	038	0	0
Other receipts/payments from investing activities	039	0	0
Net cash flow from investing activities (from 35 to 39)	040	1,415,507	-120,528,429
Financing activities			
Net increase/(decrease) in loans received from financing activities	041	35,793,293	100,462,907
Net increase/(decrease) in debt securities issued	042	0	0
Net increase/(decrease) in Tier 2 capital instruments	043	0	0
Increase in share capital	044	0	0
(Dividends paid)	045	0	0
Other receipts/(payments) from financing activities	046	0	0
Net cash flow from financing activities (from 41 to 46)	047	35,793,293	100,462,907
Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)	048	82,623,317	-311,444,011
Cash and cash equivalents at the beginning of period	049	3,128,314,965	3,210,938,282
Effect of exchange rate fluctuations on cash and cash equivalents	050	0	0
Cash and cash equivalents at the end of period (48 + 49 + 50)	051	3,210,938,282	2,899,494,271

STATEMENT OF CHANGES IN EQUITY
for the period January 01, 2019 to June 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	0	0	0	97,622,566	75,223,884	0	463,498,673	-477,000	151,858,564	0	0	0	0
Effects of error corrections	002	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Effects of changes in accounting policies	003	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Opening balance [current period] (1 + 2 + 3)	004	1,214,775,000	0	0	0	97,622,566	75,223,884	0	463,498,673	-477,000	151,858,564	0	0	0	2,002,501,687
Ordinary shares issue	005	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Preference shares issue	006	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Issue of other equity instruments	007	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exercise or expiration of other equity instruments issued	008	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Conversion of debt to equity	009	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital reduction	010	0	0	0	0	0	0	0	0	0	0	0	0	0	0

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
for the period January 01, 2019 to June 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
Dividends	011	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase/sale of treasury shares	012	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale or cancellation of treasury shares	013	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification of financial instruments from equity to liability	014	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification of financial instruments from liability to equity	015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers among components of equity instruments	016	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Share based payments	017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other increase or (-) decrease of equity instruments	018	0	0	0	0	121,373,140	127,075,453	0	75,929,224	0	-151,858,564	0	0	0	172,519,253
Total comprehensive income for the current year	019	0	0	0	0	0	0	0	0	0	123,483,379	0	0	0	123,483,379
Equity instruments increase or (-) decrease resulting from business combinations	020	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance [current period] (from 4 to 20)	021	1,214,775,000	0	0	0	218,995,706	202,299,337	0	539,427,897	-477,000	123,483,379	0	0	0	2,298,504,319

NOTES TO FINANCIAL STATEMENTS

A) STATEMENT OF PROFIT AND LOSS

1) INTEREST INCOME

in HRK

ADP 001	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
Loans	267,332,665	135,716,582	249,552,249	129,227,699
Deposits	2,963,742	2,167,793	1,721,410	896,805
Securities	37,200,663	18,961,095	45,112,964	24,646,534
Total	307,497,070	156,845,470	296,386,624	154,771,038

2) INTEREST EXPENSE

in HRK

ADP 002	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
Borrowings	6,385,169	3,480,368	6,582,028	3,611,602
Deposit	49,705,405	25,896,236	27,596,053	12,734,700
Total	56,090,574	29,376,604	34,178,081	16,346,302

3) FEE AND COMMISSION INCOME

in HRK

ADP 005	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
Cash payment operations - channels	132,109,659	67,076,601	130,837,236	66,160,786
Retail and card operations	75,062,519	43,159,693	77,828,098	45,714,126
Corporate operations	29,439,960	15,644,423	33,896,083	18,917,591
Other fee and commission income	3,756,048	1,932,371	3,586,930	1,708,265
Total	240,368,186	127,813,088	246,148,347	132,500,768

4) FEE AND COMMISSION EXPENSE

in HRK

ADP 006	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
Payment operations	131,845,757	68,815,218	132,389,140	67,304,127
Other fee and commission expense	17,880,764	10,970,509	18,784,554	12,849,836
Total	149,726,521	79,785,727	151,173,695	80,153,962

A) STATEMENT OF PROFIT AND LOSS (CONTINUED)
5) GAINS LESS LOSSES FROM TRADING ACTIVITIES
in HRK

ADP 007 & ADP 008	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
Securities and equity instruments	(3,895,428)	(3,558,986)	22,011,124	8,499,320
FX transactions	22,514,068	11,306,995	21,408,505	12,345,501
HRK cash transactions	151,080	143,880	154,560	154,560
Derivatives	760,062	1,127,340	(204,596)	52,740
Total	19,529,782	9,019,229	43,369,592	21,052,121

6) OPERATING EXPENSES
in HRK

ADP 015 & ADP 017 & ADP 018	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
General and administrative expenses	170,704,383	86,470,506	184,184,993	96,950,156
Amortization and depreciation	22,769,143	11,434,855	24,723,231	12,566,193
Savings deposit insurance costs	17,601,264	9,059,264	17,936,882	9,236,882
Other costs	16,232,429	8,760,624	12,740,551	6,438,077
Total	227,307,219	115,725,249	239,585,657	125,191,308

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES
in HRK

ADP 019 & ADP 020 & ADP 021	Same period of the previous year		Current period	
	Cumulative	Quarter	Cumulative	Quarter
Impairments and provisions for losses	22,352,318	35,030,444	21,083,207	30,951,621
Modification	7,482,648	4,153,611	6,399,161	6,399,161
Other impairments and adjustments	7,457,324	2,908,179	(15,337,552)	(15,822,902)
TOTAL	22,326,994	33,785,012	(653,506)	8,729,558

B) BALANCE SHEET
8) OTHER DEMAND DEPOSITS
in HRK

ADP 004	31.12.2018.	30.06.2019.
Deposits with foreign banking institutions	790,051,655	413,702,921
Deposits with domestic banking institutions	3,888,589	1,597,032
Total	793,940,244	415,299,954

9) LOANS AND ADVANCES
in HRK

ADP 013 & ADP 023	31.12.2018.	30.06.2019.
Loans to financial institutions	98,081,079	106,601,593
Gross loans	98,086,422	106,607,092
Allowance	(5,343)	(5,499)
Corporate & SME loans	2,762,170,141	3,438,902,151
Gross loans	3,869,177,354	4,545,615,595
Allowance	(1,107,007,213)	(1,106,713,444)
Retail loans	5,511,218,252	6,173,196,439
Gross loans	5,863,631,187	6,542,161,018
Allowance	(352,412,935)	(368,964,579)
Other loans	2,854,888,204	2,439,303,121
Gross loans	2,862,531,020	2,448,160,380
Allowance	(7,642,816)	(8,857,259)
Expected credit losses (A1 and A2 risk groups)	(140,828,980,00)	156,367,214
Other adjustments	(4,584,608,00)	9,254,601
Deferred front-end fee	(34,314,464)	(37,373,552)
Mandatory reserve at CNB	1,419,939,919	1,506,788,380
Deposits with financial institutions	408,945,441	394,496,266
TOTAL NET LOANS	12,875,514,984	14,187,536,212

10) DEPOSITS
in HRK

ADP 044	31.12.2018.	30.06.2019.
Deposits from financial institutions	490,264,248	423,324,171
Deposits from corporate	8,323,190,970	8,430,193,979
Deposits from retail	9,478,926,696	10,777,528,033
Other deposits	44,682,983	49,932,848
Interest payable	30,528,704	29,284,651
Borrowings from HBOR	596,439,856	674,335,644
Borrowings from foreign banking institutions	37,087,875	90,606,641
Deferred front-end fee	(3,453,741)	(3,048,296)
TOTAL	18,997,667,591	20,472,157,671

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 leasing individually in the balance similarly as a financial leasing in accordance with the IAS 17. The standard includes two exemptions in recognition for a lease – asset lease of „low value“ (e.g. personal computers) and short-term lease, which is a 12-month lease period or shorter. At a date of beginning of a lease, the lease will recognize leasing liabilities and assets, which presents the right for use of principle assets during the period of leasing, which 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 leasing: 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 plc.

As of April 01, 2019, the Bank merged Jadranska banka plc. which resulted in capital increase in amount of HRK 51,146 thousand.

E) Bank's ownership structure

Bank's ownership structure as per June 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%
Minorities	7.46%
Own shares	0.04%

F) HPB stock

HPB Stock is listed on ZSE's Official market. Last share price at the end of the Q2 2019 amounted to HRK 490.00 (June 26, 2019 trading day), representing an increase of 8.9 percent in comparison with the last price achieved in 2018 (=HRK 450.00 as per December 28, 2018 trading day).

Trading during the reporting period was as follows:

