



TRANSLATION

 HRVATSKA POŠTANSKA BANKA

Consolidated Financial Statements for the period from January 01 to December 31, 2019

Audited

In accordance with the Capital Markets Act, Hrvatska poštanska Banka p.l.c. (Bank) as the parent company of HPB Group (Group), publishes unaudited financial statements for the period from January 01 to December 31, 2019.

Original and official Annual report is published in Croatian.

This report includes:

- Management report on HPB Group,
- statement by persons responsible for compiling the consolidated report of HPB Group,
- unaudited set of consolidated financial statements (balance sheet, profit or loss statement, statement of changes in equity, cash flow statement), and
- notes to consolidated 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).

HPB Group is, apart from the parent company – Hrvatska poštanska Banka p.l.c., HPB Invest (investment fund management), HPB-nekretnine (real estate agency).

As of April 1, 2019. Jadranska banka p.l.c. was successfully merged to Hrvatska poštanska banka p.l.c. and on December 2, 2019 the HPB Stambena štedionica p.l.c. was merged.

The HPB Group's net profit after tax is HRK 146.9 million and the trend of successful results continued in 2019. The Group's result relates largely to the results of the parent company, while HPB-Stambena štedionica made a net profit of HRK 4,765 thousand before merging, Jadranska banka gained loss of 3,317 thousand before merging, HPB Invest made a net profit of HRK 1,004 thousand and HPB-Nekretnine a net profit of HRK 692 thousands.

The Group continues to perform well in a low interest rate environment.

Marko Badurina

CEO

Anto Mihaljević

Member of the Management Board

Ivan Soldo

Member of the Management Board

In accordance with the Capital Market Act, the Management Board of HPB p.l.c., the parent company of HPB Group, states that according to their best knowledge the set of consolidated unaudited financial statements for the period from January 01 to December 31, 2019, are compiled in accordance with the accounting regulation applicable to credit institutions in Croatia, presents complete and accurate view of assets and liabilities, losses and gains, financial position and results of HPB p.l.c., as well as companies included in consolidation as a whole.

On behalf of HPB p.l.c., the parent company of HPB Group :

Tea Bažant

Executive Head of Finance Division

Marko Badurina

CEO

Anto Mihaljević

Member of the Management Board

Ivan Soldo

Member of the Management Board

Annex 1
ISSUER'S GENERAL DATA
Reporting period: to
Year:
Yearly 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:**

HPB-nekretnine d.o.o.	Amruševa 8, 10000Zagreb	01972260
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HPB Invest d.o.o.	Strojarska cesta 20, 10000 Zagreb	01972278
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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 December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	AOP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
Asset			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	001	4,174,072,806	2,772,782,193
Cash in hand	002	508,022,480	961,912,026
Cash balances at central banks	003	2,770,834,522	1,014,563,142
Other demand deposits	004	895,215,804	796,307,025
Financial assets held for trading (from 6 to 9)	005	814,679,702	612,871,552
Derivatives	006	479,860	852,203
Equity instruments	007	132,682,086	96,079,539
Debt securities	008	681,517,756	515,939,810
Loans and advances	009	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	1,755,565	21,199,086
Equity instruments	011	79,277	-
Debt securities	012	-	-
Loans and advances	013	1,676,288	21,199,086
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	4,060,105,428	4,640,197,866
Equity instruments	018	19,101,961	57,269,384
Debt securities	019	4,041,003,467	4,582,928,482
Loans and advances	020	-	-
Financial assets at amortised cost (22 + 23)	021	13,615,764,739	15,213,145,060
Debt securities	022	98,348,773	4,305,695
Loans and advances	023	13,517,415,966	15,208,839,365
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	-	-
Tangible assets	027	161,103,318	324,499,245
Intangible assets	028	115,346,193	110,071,915
Tax assets	029	23,328,406	6,453,295
Other assets	030	66,503,859	52,180,680
Fixed assets and disposal groups classified as held for sale	031	71,608,804	20,000,000
Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)	032	23,104,268,820	23,773,400,892

BALANCE SHEET (CONTINUED)
as at December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	AOP 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	863,025
Derivatives	034	445,274	863,025
Short positions	035	-	-
Deposits	036	-	-
Debt securities issued	037	-	-
Other financial liabilities	038	-	-
Financial liabilities at fair value through profit or loss (from 40 to 42)	039	-	-
Deposits	040	-	-
Debt securities issued	041	-	-
Other financial liabilities	042	-	-
Financial liabilities measured at amortised cost (from 44 to 46)	043	20,777,926,380	21,048,705,186
Deposits	044	20,770,313,185	20,936,228,925
Debt securities issued	045	-	-
Other financial liabilities	046	7,613,195	112,476,261
Derivatives - hedge accounting	047	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	-	-
Provisions	049	123,118,687	196,063,323
Tax liabilities	050	27,515,721	1,728,314
Share capital repayable on demand	051	-	-
Other liabilities	052	159,426,018	149,349,151
Liabilities included in disposal groups classified as held for sale	053	-	-
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	21,088,432,080	21,396,708,999
Equity			
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	101,235,748	319,404,893
Retained profit	060	137,956,415	156,511,227
Revaluation reserves	061	-	-
Other reserves	062	406,399,544	539,561,769
(-) Treasury shares	063	(477,000)	(477,000)
Profit or loss attributable to owners of the parent	064	155,947,033	146,916,005
(--) Interim dividends	065	-	-
Minority interests [non-controlling interests]	066	-	-
Total equity (from 55 to 66)	067	2,015,836,740	2,376,691,894
Total equity and liabilities (54 + 67)	068	23,104,268,820	23,773,400,893

STATEMENT OF PROFIT AND LOSS

for the period January 01, 2019 to December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	AOP code	Same period of the previous year	Current period
		Cumulative	Cumulative
1	2	3	5
Interest income	001	648,819,000	622,605,735
(Interest expenses)	002	110,090,608	77,148,529
(Expenses on share capital repayable on demand)	003	-	-
Dividend received	004	982,314	3,645,670
Fees and commissions income	005	534,332,324	539,380,118
(Fees and commissions expenses)	006	321,996,207	325,301,350
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	4,637,141	5,158,277
Gains or (-) losses on financial assets and liabilities held for trading, net	008	39,108,455	98,471,145
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	2,549,495	813,430
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	(3,649,343)	(3,343,723)
Gains or (-) losses on derecognition of non-financial assets, net	013	-	-
Other operating income	014	11,697,703	27,500,749
(Other operating expenses)	015	46,045,988	49,170,933
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)	016	760,344,286	842,610,589

STATEMENT OF PROFIT AND LOSS (CONTINUED)
for the period January 01, 2019 to December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	AOP code	Same period of the previous year	Current period
		Cumulative	Cumulative
1	2	3	5
(Administrative expenses)	017	409,518,734	421,317,393
(Depreciation)	018	46,618,509	77,695,369
Modification gains or (-) losses, net	019	(2,855,440)	(15,756,307)
(Provisions or (-) reversal of provisions)	020	(16,188,549)	81,806,092
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	021	101,205,688	135,541,506
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	022	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	023	31,768,148	11,816,090
Negative goodwill recognised in profit or loss	024	3,331,988	-
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	187,898,304	98,677,832
(Tax expense or (-) income related to profit or loss from continuing operations)	028	31,951,271	(48,238,174)
Profit or (-) loss after tax from continuing operations (27 – 28)	029	155,947,033	146,916,006
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	155,947,033	146,916,006
Attributable to minority interest [non-controlling interests]	034	-	-
Attributable to owners of the parent	035	155,947,033	146,916,006

STATEMENT OF PROFIT AND LOSS (CONTINUED)
for the period January 01, 2019 to December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	AOP code	Same period of the previous year	Current period
		Cumulative	Cumulative
1	2	3	5
Income or (-) loss for the current year	036	155,947,033	146,916,006
Other comprehensive income (38 + 50)	037	100,455,314	251,528,086
Items that will not be reclassified to profit or loss (from 39 to 45) + 48 + 49)	038	(59,646)	(59,646)
Tangible assets	039	(72,739)	(72,739)
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	13,093	13,093
Items that may be reclassified to profit or loss (from 51 to 58)	050	(1,141,818)	214,109,857
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	3,728,182	262,780,744
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	(4,810,000)	(48,670,886)
Total comprehensive income for the current year (36 + 37; 60 + 61)	059	154,805,215	360,966,592
Attributable to minority interest [non-controlling interest]	060	-	-
Attributable to owners of the parent	061	154,805,215	360,966,592

STATEMENT OF CASH FLOW

for the period January 01, 2019 to December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	AOP code	Same period of the previous year	Current period
1	2	3	4
Operating activities - direct method			
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	-	-
Operating activities - indirect method			
Profit/(loss) before tax	009	155,947,033	94,334,089
Adjustments:			-
Impairment and provisions	010	(3,917,365)	227,442,554
Depreciation	011	5,615,865	75,961,605
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	012	10,627,880	(93,487,877)
(Profit)/loss from the sale of tangible assets	013	(11,285,206)	-
Other non-cash items	014	(25,812,387)	(533,130,112)
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	178,411,667	(138,266,736)
Deposits with financial institutions and loans to financial institutions	016	(15,631,079)	100,327,657
Loans and advances to other clients	017	(119,224,446)	(1,337,078,497)
Securities and other financial instruments at fair value through other comprehensive income	018	(933,723,837)	(457,927,060)
Securities and other financial instruments held for trading	019	63,838,002	304,271,909
Securities and other financial instruments at fair value through statement of profit or loss, not traded	020	-	-
Securities and other financial instruments mandatorily at fair value through statement of profit or loss	021	(1,755,565)	(19,522,798)
Securities and other financial instruments at amortised cost	022	-	95,018,103
Other assets from operating activities	023	60,310,587	(1,691,741)
Deposits from financial institutions	024	(49,872,881)	(53,076,859)
Transaction accounts of other clients	025	1,447,578,697	168,992,589
Savings deposits of other clients	026	963,071,874	329,453,169
Time deposits of other clients	027	(976,546,684)	(759,126,094)
Derivative financial liabilities and other liabilities held for trading	028	445,274	417,751
Other liabilities from operating activities	029	(49,266,514)	2,102,089
Interest received from operating activities [indirect method]	030	14,738,165	509,499,920
Dividends received from operating activities [indirect method]	031	982,314	-
Interest paid from operating activities [indirect method]	032	(20,954,273)	(48,067,618)
(Income tax paid)	033	(365,109)	-
Net cash flow from operating activities (from 1 to 33)	034	693,212,012	(1,533,553,954)

STATEMENT OF CASH FLOW (CONTINUED)
for the period January 01, 2019 to December 31, 2019

in HRK

Submitter: Hrvatska poštanska banka p.l.c.			
Item	AOP 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	(18,145,800)	(48,408,503)
Cash receipts from the sale / payments for the purchase of investments in branches, associates and joint ventures	036	-	-
Cash receipts from the sale / payments for the purchase of securities and other financial instruments held to maturity	037	5,246,533	94,043,078
Dividends received from investing activities	038	-	(3,645,670)
Other receipts/payments from investing activities	039	13,641,590	-
Net cash flow from investing activities (from 35 to 39)	040	742,323	41,988,904
Financing activities			
Net increase/(decrease) in loans received from financing activities	041	(160,527,269)	335,049,011
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	-	-
Net cash flow from financing activities (from 41 to 46)	047	(160,527,269)	335,049,011
Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)	048	533,427,066	(1,156,516,038)
Cash and cash equivalents at the beginning of period	049	3,664,086,358	4,193,834,937
Effect of exchange rate fluctuations on cash and cash equivalents	050	(3,678,487)	-
Cash and cash equivalents at the end of period (48 + 49 + 50)	051	4,193,834,937	3,037,318,898

STATEMENT OF CHANGES IN EQUITY

for the period January 01, 2019 to December 31, 2019

in HRK

Item	AOP 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	-	-	-	101,235,748	137,956,415	-	406,399,544	(477,000)	155,947,033	-	-	-	2,015,836,740
Effects of error corrections	002	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	003	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period] (1 + 2 + 3)	004	1,214,775,000	-	-	-	101,235,748	137,956,415	-	406,399,544	(477,000)	155,947,033	-	-	-	2,015,836,740
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 December 31, 2019

Item	AOP 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	-	-	-	-	218,169,145	18,554,812	-	133,162,225	-	(155,947,033)	-	-	-	213,939,149
Total comprehensive income for the current year	019	-	-	-	-	-	-	-	-	-	146,916,006	-	-	-	146,916,006,00
Equity instruments increase or (-) decrease resulting from business combinations	020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance [current period] (from 4 to 20)	021	1,214,775,000	-	-	-	319,404,893	156,511,227	-	539,561,769	(477,000)	146,916,006	-	-	-	2,376,691,895

A) STATEMENT OF PROFIT AND LOSS

1) INTEREST INCOME

iIn HRK

AOP 001	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Debt securities	98,337,948	101,754,661
Loans and advances	550,116,806	520,392,272
Other assets	176,260	458,801
Deposits	187,987	-
Other liabilities	-	-
Total	648,819,000	622,605,735

2) INTEREST EXPENSE

in HRK

AOP 002	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Debt securities	-	-
Loans and advances	3,126,418	2,659,091
Other assets	-	1,000
Deposits	103,255,386	73,449,869
Other liabilities	3,708,804	1,038,569
Total	110,090,608	77,148,529

3) FEE AND COMMISSION INCOME

in HRK

AOP 005	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Securities	390,574	397,609
Asset management	49,139	84,655
Custody [according to the type of client]	5,202,843	5,041,832
Loan commitments	172,426	151,466
Other	528,517,341	533,704,557
Total	534,332,324	539,380,118

4) FEE AND COMMISSION
EXPENSE*in HRK*

AOP 006	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Bank clearing and settlement	1,306,076	1,552,230
Other	320,690,130	323,749,120
Total	321,996,207	325,301,349

5) GAIN/LOSSES ON TERMINATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
in HRK

AOP 007	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Debt securities	4,637,141	5,158,277
Loans and advances	-	-
Deposits	-	-
Debt Securities issued	-	-
Other financial liabilities	-	-
Total	4,637,141	5,158,277

AOP 008	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Equity instruments	(7,332,814)	17,025,588
Debt securities	(1,776,616)	30,556,874
FX transactions and derivatives	48,217,885	50,888,683
Total	39,108,455	98,471,145

AOP 009	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Equity instruments	-	-
Debt securities	2,549,495	813,430
Loans and advances	-	-
Total	2,549,495	813,430

6) OPERATING EXPENSES
in HRK

AOP 015 & AOP 017 & AOP 018	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
(Other operating expenses)	46,045,988	49,170,933
(Administrative expenses)	409,518,734	421,317,394
(Employee expenses)	213,888,696	230,902,106
(Other administrative expenses)	195,031,278	186,885,479
(Amortization)	46,618,509	77,695,369
(Property, plant and equipment)	22,001,375	42,235,449
(Investment property)	-	341,565
(Other intangible assets)	32,629,862	35,118,356
Total	502,183,231	548,183,696

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

AOP 019 & AOP 020 & AOP 021 & AOP 023	Same period of the previous year 01.01.- 31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Modification gains or (-) losses, net	(2,855,440)	(15,756,307)
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortized cost	(2,855,440)	(15,756,307)
(Provisions or (-) reversal of provisions)	(2,964,173)	81,994,483
(Liabilities and Guarantees)	(12,129,056)	8,774,476
(Other Provisions)	9,164,883	73,220,007
(Impairment or (-) reversal of impairment on financial assets that are not measured at fair value through profit or loss)	101,200,887	135,626,180
(Financial assets at fair value through other comprehensive income)	3,451,479	3,400,611
(Financial assets at amortized cost)	97,749,408	132,225,569
(Impairment or (-) reversal of impairment off of investments in subsidiaries, joint ventures, and associates)	-	-
(Impairment or (-) reversal of impairment off non-financial assets)	18,548,573	11,543,025
(Property, plant and equipment)	-	7,366,949
(Investment property)	-	3,599,080
(Goodwill)	-	-
(Other intangible assets)	-	-
(Other)	18,548,573	576,996
Total	119,640,727	244,919,995

A) BALANCE SHEET
8. LOANS AND ADVANCES
u HRK

AOP 023	31.12.2018.			31.12.2019.		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	1,526,818,953	-	-	1,558,206,655	-	-
Gross loans	1,526,837,660	-	-	1,558,206,655	-	-
Allowance	(18,707)	-	-	-	-	-
Government	2,114,646,321	3,604,698	82,777	2,244,696,909	4,456,728	-
Gross loans	2,117,392,832	5,001,917	33,904,799	2,250,085,612	5,026,891	383,503
Allowance	(2,746,511)	(1,397,220)	(33,822,022)	(5,388,703)	(570,163)	(383,503)
Credit institutions	396,290,643	-	-	233,379,950	-	-
Gross loans	297,756	-	-	233,991,494	-	-
Allowance	(3,016)	-	-	(611,544)	-	-
Deposits	397,695,492	-	-	-	-	-
Allowance	(1,699,590)	-	-	-	-	-
Other financial institutions	49,836,665	850,949	26,690	129,436,444	461,201	-
Gross loans	50,127,681	906,104	706,916	117,745,218	466,361	15,995
Allowance	(291,016)	(55,155)	(680,226)	(398,194)	(5,160)	(15,995)
Deposits	-	-	-	12,197,705	-	-
Allowance	-	-	-	(108,285)	-	-
Non - financial institutions	2,809,865,666	213,105,222	530,217,699	3,627,780,064	170,418,701	441,502,507
Gross loans	2,875,488,658	240,349,652	1,561,509,648	3,724,482,681	219,244,197	1,343,775,272
Allowance	(65,622,992)	(27,244,430)	(1,031,291,949)	(96,702,617)	(48,825,496)	(902,272,765)
Retail	5,274,523,328	410,233,694	187,312,662	6,301,397,489	304,661,307	192,441,409
Gross loans	5,301,477,405	431,862,816	604,873,094	6,330,026,490	322,194,397	644,630,416
Allowance	(26,954,077)	(21,629,122)	(417,560,433)	(28,629,002)	(17,533,090)	(452,189,007)
Total	12,171,981,576	627,794,563	717,639,828	14,094,897,511	479,997,937	633,943,916

9) NON-TRADING FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
in HRK

AOP 013	31.12.2018.	31.12.2019.
Central banks	-	-
Government	-	-
Credit institutions	-	-
Other financial institutions	-	-
Non - financial institutions	1,386,319	6,692,018
Retail	289,969	14,507,069
Total	1,676,288	21,199,086

10) DEPOSITS
u HRK

AOP 044	31.12.2018.	31.12.2019.
Government	3,295,994,527	4,896,096,420
Credit institutions	669,244,429	127,248,024
Other financial institutions	1,228,260,402	1,436,745,667
Non - financial institutions	3,948,377,897	2,738,237,692
Retail	11,628,435,930	11,737,901,121
Total	20,770,313,185	20,936,228,925

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. AND HPB STAMBENA ŠTEDIONICA 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, with December 2, 2019, HPB Stambena štedionica p.l.c. was merged, which also increased the capital items by HRK 4,652 thousand.

E) BANK'S OWNERSHIP STRUCTURE

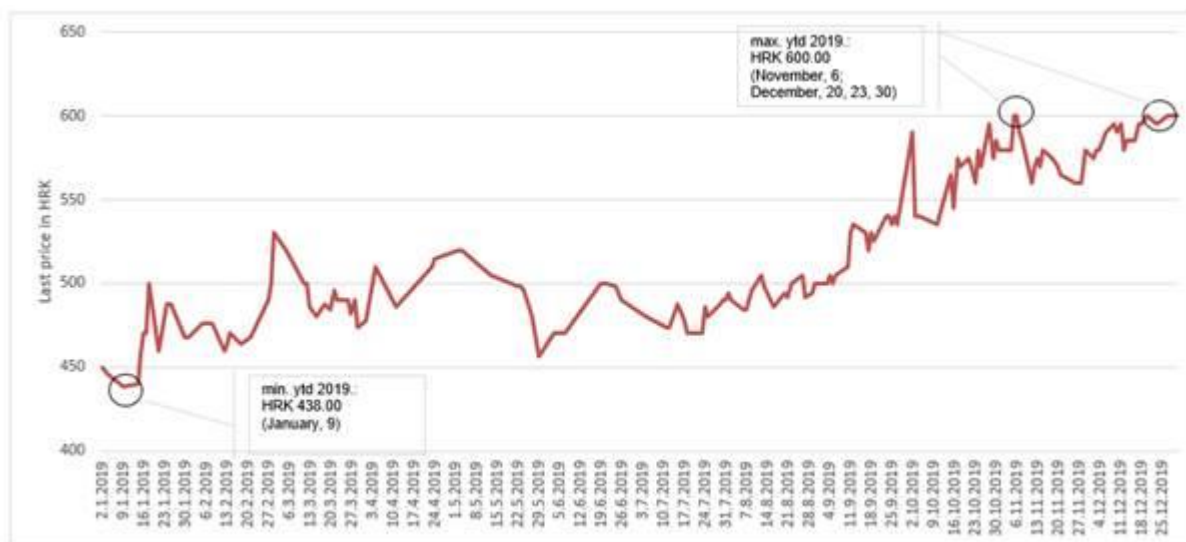
Bank's ownership structure as per December, 31 2019 was as follows:

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 2019 amounted to HRK 600.00 (30.12.2019. trading day), representing an increase of 33.33 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) :



G) EVENTS AFTER BALANCE SHEET DATE

Given the new circumstances and the current situation in the Republic of Croatia related to COVID-19, there is no doubt that the effect that the current global situation with the coronavirus has on people and economies will affect the Republic of Croatia and consequently the virus will have a short-term effect and on the Group's operations in 2020.

At the moment the Group is not able to estimate the potential financial impacts that the disease Covid-19 have on the financial statements. This could be reflected in lower revenues or higher credit losses of the Group than previously projected. However, the Management Board believes that the Group is significantly stronger and better capitalized than in the past and has more than adequate liquidity reserves.

Also, prior to the approval of these financial statements, the City of Zagreb was hit by an earthquake which has caused certain damage to tangible assets of the Group. At present, the Group is not able to estimate the financial effects in 2020 resulting from the earthquake damage, but the effect is not expected to be material.

In addition, there were no significant events after the balance sheet date until the publication of these financial statements.

HPB p.l.c.
Zagreb, Jurišićeva 4

SUPERVISORY BORD

Zagreb, March 30 2020

In accordance with the provision of article 21 of the Articles of Association of HPB p.l.c. (in further text: Bank), and in line with Articles 300.c and 300.d of the Companies Act, Supervisory Board of the Bank has at its meeting held on March 30 2020, made the following:

RESOLUTION

on giving consent to Annual financial statements and consolidated annual financial statements of the Bank and the Group, for the 2019 business year, comprising also the Management Board's annual report on condition of HPB p.l.c. and its subsidiaries for year 2019.

I.

Consent is given to Annual financial statements and consolidated annual financial statements of the Bank and the Group for the business year ended December 31 2019, comprising also the Management Board's annual report on condition of HPB p.l.c. and its subsidiaries, submitted by the Bank's Management Board.

Acceptance is given for Auditor's report by Ernst & Young d.o.o., Zagreb, Radnička 50. Auditor has conducted the audit of Annual financial statements the Bank and the Group for the year ended December 31 2019.

II.

By giving consent to statements outlined in paragraph I. of this Resolution, Annual financial statements and consolidated annual financial statements of the Bank and Group for the year ended December 31 2019 are considered to be confirmed by the Management Board and the Supervisory Board.

III.

This resolution comes into force on the day of its adoption.

President of the Supervisory Board
 Marijana Miličević

HPB p.l.c.
Zagreb, Jurišićeva 4

SUPERVISORY BORD

Zagreb, March 30 2020

In accordance with the provision of article 21 of the Articles of Association of HPB p.l.c. (in further text: Bank), and in line with Article 300.b and Article 275, paragraph 1, point 2 of the Companies Act, Supervisory Board of the Bank has at its meeting held on March 30 2020, made the following:

RESOLUTION

**on giving consent to Management Board's proposal
on allocation of profit earned in 2019**

I.

Bank's Supervisory Board gives its consent and accepts Management Board's proposal on allocation of profit earned in 2019, which is a constituent part of this resolution.

II.

By providing its consent outlined in paragraph I. of this Resolution, Management Board's proposal on allocation of profit earned in 2019 is considered to be confirmed.

III.

Supervisory Board proposes to General Assembly to vote in favour of profit allocation as outlined in Management Board's proposal.

IV.

This resolution comes into force on the day of its adoption and is submitted to General Assembly for adoption.

President of the Supervisory Board
Marijana Miličević