



TRANSLATION

 HRVATSKA POŠTANSKA BANKA

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. publishes audited 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 of Hrvatska poštanska Banka p.l.c.,
- statement by persons responsible for compiling the report of Hrvatska poštanska Banka p.l.c.,
- audited 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).

Income statement

	I-IV Q 2018	I-IV Q 2019	Δ y-o-y
Operating income	759.8	833.8	+9.7%
Operating expenses	457.0	510.9	+11.8%
Operating profit	302.8	322.9	+6.6%
Provisions	117.5	227.9	+93.9%
Net income	151.9	143.8	(5.3%)

- ✓ **operating profit increased by HRK 20.1 million** than in the same period of 2018 **due to strong growth in operating income** (y-o-y + 6.6%), which is at a record level in the Bank's corporate history
- ✓ **net interest income increased by 4.2% due to decrease in interest expenses**
- ✓ **net fee and commission income is higher by 3.9%** due to sustained growth in retail and corporate fees
- ✓ **provision increased by 93.9%** compared to the same period of 2018 due to an increase in customer placements and business climate in individual markets within the Republic of Croatia and provisions for litigations against the Bank
- ✓ **operating expenses increased by 11.8%**, continuing the Bank's organic growth, JABA and HPBSŠ merger
- ✓ A deferred tax asset was recognized in respect of the transferred tax losses of JABA, which have had a net impact on the net income of HRK 48.7 million.

Balance sheet

	31.12.2018.	31.12.2019.	Δ ytd
Assets	21,255.8	23,844.5	+12.2%
Gross loans	12,437.8	14,825.2	+19.2%
Deposits	18,371.3	20,069.2	+9.2%
Equity	2,002.5	2,370.2	+18.4%

- ✓ **Assets amount to HRK 23.9 billion, market share increased to 5.50%** (at December 31, 2019)
- ✓ **CET1 increased to 20.17%** as a result of focusing on capital management
- ✓ **Jadranska banka p.l.c. and HPB-Stambena štedionica p.l.c. successfully merged**
- ✓ **Total loans increased by 19.2%** or HRK 2.4 billion - a significant increase in the retail loans volume by HRK1.3 billion, and SMEs and large clients
- ✓ **Deposits increased by HRK 1.7 billion**
- ✓ **Equity increased to HRK 367.7 million**

Source: management reports of the issuer

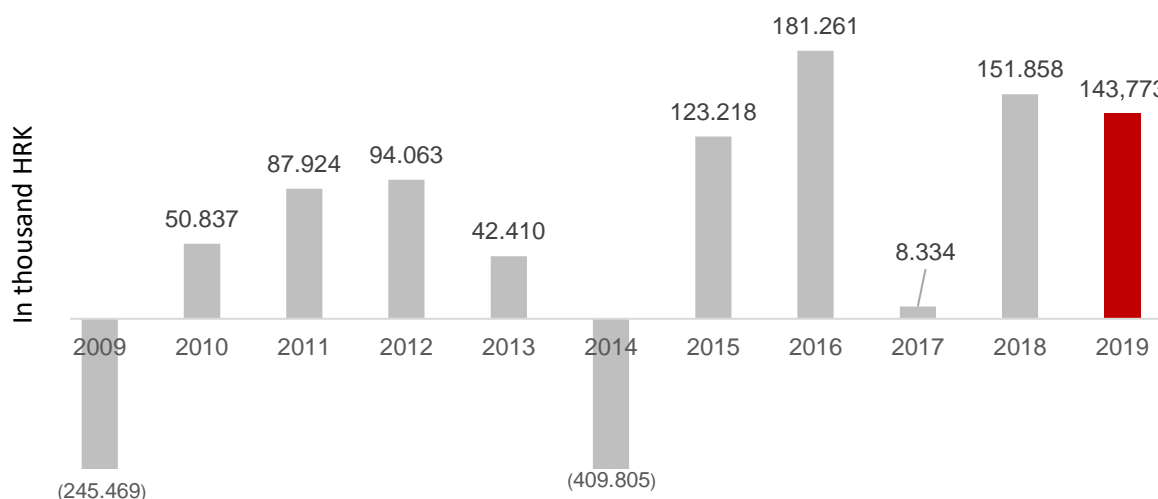
		31.12.2018	31.12.2019	Δ
Loan to deposit ratio*	%	60.70	67.52	+6.8 p.p. ↑
CET1	kn mil.	1,777	2,209	+24.31% ↑
ROAE	%	7.77	6.58	(1.2 p.p.) ↓
NPL share	%	11.08	10.81	(0.27 p.p.) ↓
Cost of risk	kn tis.	(117,524)	(227,868)	+93.9% ↑
NPL coverage	%	67.40	66.93	(0.47 p.p.) ↓

Source: management reports of the issuer

* approved net loans / deposits

The 2019 business year was record-breaking, with operating revenues at the highest levels in the Bank's corporate history among the annual increase of 9.7 percent. The Bank has achieved **net profit in the amount of HRK 143.8 million**. Despite the increase in the costs of impairment and provisions for losses, the gross profit is amounts HRK 95.1 million, which is 48.7% less than in the previous year. However, the recognition of deferred tax assets on the basis of unused accumulated tax losses of merged Jadranska banka p.l.c. in the amount of 80 million, and a utilization of almost HRK 27 million in 2019, net profit amounted to HRK 143.8 million, which is confirming the position of HPB as profitable company in the portfolio of companies majority owned by the Republic of Croatia.

Long-term comparison of annual net profit



Operating profit amounts to HRK 322.9 million and was higher by 6.6% or 20.1 million compared to the same period last year, driven by strong operating income growth which neutralized the high increase in operating expenses by 11.8%.

Net interest income continues to grow and it is **higher by 4.2%** 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 3.9% and was 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 84.2%** compared to the same period in 2018, mainly due to an increase in the gains on trading securities which is result of increasing in securities prices in the Bank's portfolio and dividend income.

Operating costs increased by + 11.8%. 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. 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. An important process initiated in the last quarter of 2019 is the improvement of the risk and capital management system, which will be a priority in 2020 as well.

Impairment losses and provisions for losses increased by 93.9% 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. We continue to maintain coverage of non-performing loans at levels above the sector average (31.12.2019. = 66.93%). Significant increases in the cost of loss provisions relate to appropriations for litigation against the Bank, in accordance with Croatian National Bank by-laws and IAS 37, and judgments of exposure by the likelihood of losing a dispute.

As of December 31, 2019, the Bank's assets amounted HRK 23.8 billion (+ 12.2%), 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 31.12.2019. is at 175%.

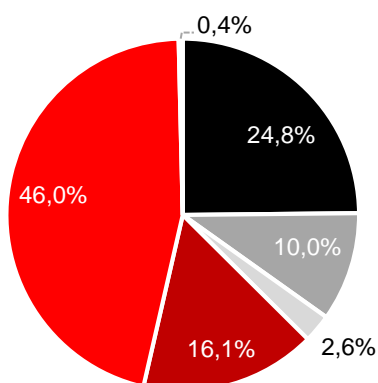
Gross loans (in mil HRK)



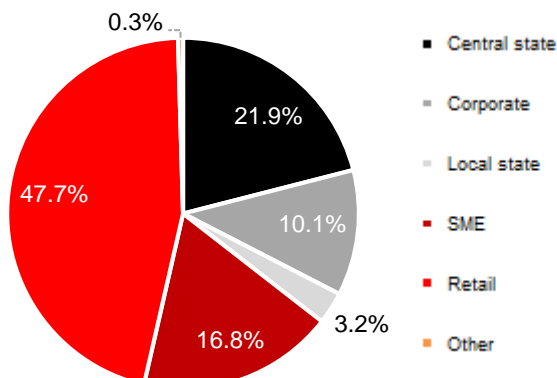
Source: management reports of the issuer (according to internal segmentation retail does not include SME)

Total gross loans increased by 19.2% compared to the end of 2018, where we are particularly proud of growth in all segments of the Bank. 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 and HPBSS p.l.c.

Gross loans structure (31.12.2018.)



Gross loans structure (31.12.2019.)



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

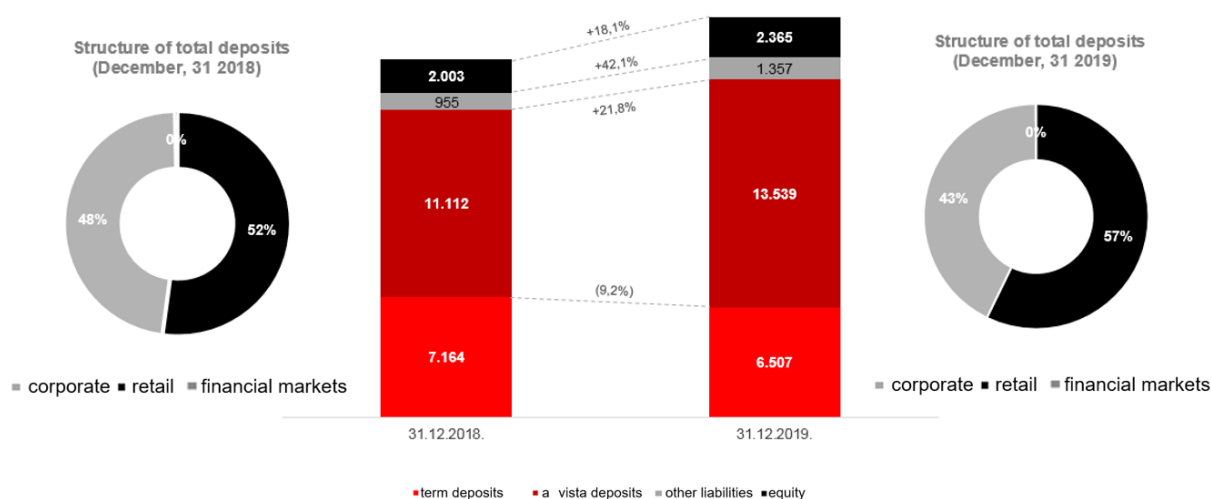
The total **increase in gross retail loans** amounts to approximately **HRK 1.300 million** compared to the end of 2018, with housing loans **increasing by 39.7%**, as a result of HPB's strong participation in the APN subsidized housing loan program. During the last quarter of 2019, the Bank made significant 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 40,000 customers**, including clients we have acquired through the integration of Jadranska banka p.l.c and HPBSS p.l.c., as well as other actions.

The increase in gross loans in the **large corporate and public sector segment by HRK +233 million**, and in the **SME segment by HRK +465 million** compared to the end of 2018, is the result of a set of structured activities that the Bank consistently carries out throughout 2019. The large corporate and public sector and the SME segment has also seen significant growth in the number of clients since the end of 2018, which has grown by 3000 clients.

Banks' liabilities as of 31.12.2019. **increased by 11.85% or HRK 2.5 billion** compared to the end of 2018.

Retail and corporate deposits are still increasing by 9.2%, indicating our clients' confidence and a stable deposit base, with the continuing trend of overflow from term deposits (-9.2%) to a vista accounts (+21.8%), which has a favorable effect on the average cost of the source. Retail deposits increased by 19.8%, while corporate deposits increased by + 1.1%. Deposits remain the main source of funds for HPB (84.1%), 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 31.12.2019. reached **HRK 2,370 million and increased by 18.4%** 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. **A stronger capital base and capital management optimization measures launched during the fourth quarter of 2019 resulted in a capital adequacy ratio of 20.17%, the highest annual capitalization recorded since 2004.** In this way, the merger effect of Jadranska banka p.l.c. and HPB Stambena Štedionica p.l.c. was successfully absorbed, the impact of applying a larger weight on EUR exposures to the Republic of Croatia, as well as organic growth.

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. Management perceives 2019 as a year characterized by major projects, business merging and a change in a corporate culture based on the involvement of all employees, open communication, motivation and a sense of belonging to the Bank. We are extremely proud of the HPB team that has successfully completed two mergers and migration processes this year, as well as valuable colleagues who have contributed to HPB's strong participation in the APN Loan Program, allowing young families to benefit more way to solve their housing problem. An equally important process that was initiated immediately after the new Management Board took the role is to improve the risk management system, which will be a priority in 2020 as well. In this way, we continue our mission of creating the conditions for a better life in Croatia, with the aim of achieving a long-term sustainable return for our shareholders.

Marko Badurina

Chief Executive Officer

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 plc., states that according to their best knowledge the set of audited financial statements for the period from January 01 to December 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 p.l.c.

Tea Bažant

Executive Head of finance division

Marko Badurina

Chief Executive Officer

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: _____

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
Assets			
Cash, cash balances at central banks and other demand deposits (from 2 to 4)	001	3,738,694,683	2,772,746,813
Cash in hand	002	475,613,032	961,912,026
Cash balances at central banks	003	2,469,141,407	1,014,563,142
Other demand deposits	004	793,940,244	796,271,645
Financial assets held for trading (from 6 to 9)	005	649,215,941	612,871,552
Derivatives	006	479,860	852,203
Equity instruments	007	132,682,086	96,079,539
Debt securities	008	516,053,995	515,939,810
Loans and advances	009	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	1,676,288	21,199,086
Equity instruments	011	-	-
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	3,342,777,926	4,640,197,866
Equity instruments	018	17,699,255	57,269,384
Debt securities	019	3,325,078,671	4,582,928,482
Loans and advances	020	-	-
Financial assets at amortised cost (22 + 23)	021	12,950,774,595	15,217,710,292
Debt securities	022	75,259,611	4,305,695
Loans and advances	023	12,875,514,984	15,213,404,597
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	5,490,000
Tangible assets	027	137,734,108	324,429,807
Intangible assets	028	112,881,244	109,095,746
Tax assets	029	22,742,269	6,453,295
Other assets	030	64,648,565	42,962,745
Fixed assets and disposal groups classified as held for sale	031	66,906,127	20,000,000
Total assets (1 + 5 + 10 + 14 + 17 + 21 + from 24 to 31)	032	21,254,806,746	23,773,157,202

BALANCE SHEET (CONTINUED)
as at December 31, 2019

u kunama

Submitter: Hrvatska poštanska banka p.l.c.

Item 1	AOP code 2	Last day of the preceding business year 3	At the reporting date of the current period 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	19,005,058,008	21,056,875,186
Deposits	044	18,997,667,591	20,944,398,925
Debt securities issued	045	-	-
Other financial liabilities	046	7,390,417	112,476,261
Derivatives - hedge accounting	047	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	-	-
Provisions	049	84,909,385	196,063,323
Tax liabilities	050	23,088,365	1,728,314
Share capital repayable on demand	051	-	-
Other liabilities	052	138,804,902	147,415,709
Liabilities included in disposal groups classified as held for sale	053	-	-
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	19,252,305,934	21,402,945,557
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	97,622,566	319,404,893
Retained profit	060	132,457,010	153,174,469
Revaluation reserves	061	-	-
Other reserves	062	406,265,672	539,561,769
(-) Treasury shares	063	(477,000)	(477,000)
Profit or loss attributable to owners of the parent	064	151,857,564	143,772,514
(--) Interim dividends	065	-	-
Minority interests [non-controlling interests]	066	-	-
Total equity (from 55 to 66)	067	2,002,500,812	2,370,211,645
Total equity and liabilities (54 + 67)	068	21,254,806,746	23,773,157,202

INCOME STATEMENT

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

Item	AOP code	Same period of the previous year	Current period
		Cumulative	Cumulative
1	2	3	4
Interest income	001	612,186,823	603,977,673
(Interest expenses)	002	97,802,469	68,008,691
(Expenses on share capital repayable on demand)	003	-	-
Dividend received	004	982,314	3,645,670
Fees and commissions income	005	513,500,629	527,494,435
(Fees and commissions expenses)	006	321,386,033	327,852,440
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	43,868,945	87,516,168
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	-	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	(3,745,368)	(3,398,215)
Gains or (-) losses on derecognition of non-financial assets, net	013	-	-
Other operating income	014	7,903,684	4,500,059
(Other operating expenses)	015	43,909,670	43,512,701
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)	016	716,235,998	790,333,665

INCOME STATEMENT (CONTINUED)

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

Item	AOP code	Same period of the previous year	Current period
		Cumulative	Cumulative
1	2	3	4
(Administrative expenses)	017	368,284,449	391,518,366
(Depreciation)	018	45,270,615	75,879,820
Modification gains or (-) losses, net	019	(2,855,440)	(15,756,307)
(Provisions or (-) reversal of provisions)	020	(11,403,829)	64,757,476
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	021	107,328,532	135,818,040
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	022	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	023	18,591,491	11,535,517
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	185,309,300	95,068,139
(Tax expense or (-) income related to profit or loss from continuing operations)	028	33,451,736	(48,704,376)
Profit or (-) loss after tax from continuing operations (27 – 28)	029	151,857,564	143,772,515
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	151,857,564	143,772,515
Attributable to minority interest [non-controlling interests]	034	-	-
Attributable to owners of the parent	035	151,857,564	143,772,515

INCOME STATEMENT (CONTINUED)

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

Item	AOP code	Same period of the previous year	Current period
		Cumulative	Cumulative
1	2	3	4
Income or (-) loss for the current year	036	151.857.564	143.772.515
Other comprehensive income (38 + 50)	037	96.842.132	221.782.575
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	(4.694.557)	182.282.346
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	(4.182.000)	230.953.233
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	(512.557)	(48.670.886)
Total comprehensive income for the current year (36 + 37; 60 + 61)	059	147.102.538	325.995.216
Attributable to minority interest [non-controlling interest]	060		
Attributable to owners of the parent	061	147.102.538	325.995.216

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	185,309,300	95,068,139
Adjustments:			-
Impairment and provisions	010	117,524,446	227,442,554
Depreciation	011	45,270,615	75,961,605
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	012	5,872,085	(93,487,877)
(Profit)/loss from the sale of tangible assets	013	(2,061,483)	-
Other non-cash items	014	3,745,368	(533,130,112)
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	(119,671,228)	(138,266,736)
Deposits with financial institutions and loans to financial institutions	016	(15,631,079)	(912,523)
Loans and advances to other clients	017	(249,103,767)	(1,257,441,023)
Securities and other financial instruments at fair value through other comprehensive income	018	(765,886,963)	(406,248,652)
Securities and other financial instruments held for trading	019	88,084,288	250,303,478
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	(1,676,288)	(19,522,798)
Securities and other financial instruments at amortised cost	022	-	95,018,103
Other assets from operating activities	023	50,935,525	5,003,711
Deposits from financial institutions	024	(49,872,881)	(53,076,859)
Transaction accounts of other clients	025	1,385,455,440	151,009,453
Savings deposits of other clients	026	919,869,443	354,874,462
Time deposits of other clients	027	(822,605,024)	(659,126,094)
Derivative financial liabilities and other liabilities held for trading	028	445,274	417,751
Other liabilities from operating activities	029	(51,011,841)	(4,343,266)
Interest received from operating activities [indirect method]	030	(25,961,351)	509,499,920
Dividends received from operating activities [indirect method]	031	982,314	-
Interest paid from operating activities [indirect method]	032	(10,288,615)	(48,067,618)
(Income tax paid)	033	(77,586)	-
Net cash flow from operating activities (from 1 to 33)	034	689,645,992	(1,449,024,382)

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
Investing activities			
Cash receipts from the sale / payments for the purchase of tangible and intangible assets	035	(27,189,000)	(48,408,503)
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	5,246,533	70,953,916
Dividends received from investing activities	038	-	(3,645,670)
Other receipts/payments from investing activities	039	-	-
Net cash flow from investing activities (from 35 to 39)	040	(143,207,467)	18,899,743
Financing activities			
Net increase/(decrease) in loans received from financing activities	041	(42,587,047)	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	(42,587,047)	335,049,011
Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)	048	503,851,478	(1,095,075,626)
Cash and cash equivalents at the beginning of period	049	3,632,221,533	4,132,394,524
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	4,132,394,524	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	-	-	-	97,622,566	75,223,884	-	463,498,673	(477,000)	151,857,564	-	-	-	2,002,500,687
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 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	-	-	-	-	221,782,607	77,950,585	-	76,063,096	-	(151,857,564)	-	-	-	223,938,724
Total comprehensive income for the current year	019	-	-	-	-	-	-	-	-	-	143,772,514	-	-	-	143,772,514
Equity instruments increase or (-) decrease resulting from business combinations	020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance [current period] (from 4 to 20)	021	1,214,775,000	-	-	-	319,405,173	153,174,469	-	539,561,769	(477,000)	143,772,514	-	-	-	2,370,211,925

NOTES TO FINANCIAL STATEMENTS

A) STATEMENT OF PROFIT AND LOSS

1) INTEREST INCOME

AOP 001	Same period of the previous year 01.01.-31.12.2018 Cumulative	Current period 01.01. – 31.12.2019. Cumulative
Debt securities	80,882,164	93,737,077
Loans and advances	531,128,399	509,816,505
Other assets	176,260	424,091
Deposits	-	-
Other liabilities	-	-
Total	612,186,823	603,977,673

2) INTEREST EXPENSE

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	2,232,974	2,658,894
Other assets	-	-
Deposits	91,997,806	64,311,373
Other liabilities	3,571,690	1,038,423
Total	97,802,469	68,008,691

3) FEE AND COMMISSION INCOME

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	507,685,647	521,818,873
Total	513,500,629	527,494,435

4) FEE AND COMMISSION EXPENSE

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	320,079,957	326,300,211
Total	321,386,033	327,852,440

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	2,919,384	20,243,874
FX transactions and derivatives	48,282,375	50,246,706
Total	43,868,945	87,516,168

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	-	813,430
Loans and advances	-	-
Total	-	813,430

6) OPERATING EXPENSES

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)	43,909,670	43,512,701
(Administrative expenses)	368,284,449	391,518,366
(Employee expenses)	190,464,875	221,778,276
(Other administrative expenses)	177,819,573	169,740,090
(Amortization)	45,270,615	75,879,820
(Property, plant and equipment)	15,877,888	41,291,006
(Investment property)	-	-
(Other intangible assets)	29,392,727	34,588,814
Total	457,464,733	510,910,886

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

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)	(11,403,829)	64,757,476
(Liabilities and Guarantees)	(12,129,056)	8,774,476
(Other Provisions)	725,227	55,983,000
(Impairment or (-) reversal of impairment on financial assets that are not measured at fair value through profit or loss)	107,328,532	135,818,040
(Financial assets at fair value through other comprehensive income)	3,451,479	3,400,611
(Financial assets at amortized cost)	103,877,053	132,417,429
(Impairment or (-) reversal of impairment off of investments in subsidiaries, joint ventures, and associates)	-	-
(Impairment or (-) reversal of impairment off non-financial assets)	18,591,491	11,535,517
(Property, plant and equipment)	-	7,366,949
(Investment property)	-	3,599,080
(Goodwill)	-	-
(Other intangible assets)	-	-
(Other)	18,591,491	569,488
Total	117,371,634	227,867,340

B) BALANCE SHEET

8. LOANS AND ADVANCES

u HRK

AOP 023	31.12.2018.			31.12.2019.		
	Stupanj 1	Stupanj 2	Stupanj 3	Stupanj 1	Stupanj 2	Stupanj 3
Central banks	1,419,940,044	-	-	1,558,206,655	-	-
Gross loans	1,419,940,044	-	-	1,558,206,655	-	-
Allowance	-	-	-	-	-	-
Government	2,112,307,704	3,604,698	-	2,244,696,909	4,456,728	-
Gross loans	2,115,000,404	5,001,917	-	2,250,085,612	5,026,891	383,503
Allowance	(2,692,700)	(1,397,220)	-	(5,388,703)	(570,163)	(383,503)
Credit institutions	339,310,703	-	-	233,379,950	-	-
Gross loans	487,516	-	-	233,991,494	-	-
Allowance	(419,505)	-	-	(611,544)	-	-
Deposits	340,818,961	-	-	-	-	-
Allowance	(1,576,269)	-	-	-	-	-
Other financial institutions	45,190,050	850,949	-	129,436,444	461,201	-
Gross loans	45,433,321	906,104	646,777	117,745,218	466,361	15,995
Allowance	(243,270)	(55,155)	(646,777)	(398,194)	(5,160)	(15,995)
Deposits	-	-	-	12,197,705	-	-
Allowance	-	-	-	(108,285)	-	-
Non - financial institutions	2,727,407,026	211,479,616	506,841,271	3,632,345,296	170,418,701	441,502,507
Gross loans	2,789,400,069	238,399,434	1,509,806,549	3,729,047,913	219,244,197	1,343,775,272
Allowance	(61,993,043)	(26,919,818)	(1,002,965,278)	(96,702,617)	(48,825,496)	(902,272,765)
Retail	4,931,891,613	404,640,451	172,050,860	6,301,397,489	304,661,307	192,441,409
Gross loans	4,956,041,548	425,861,375	570,426,348	6,330,026,490	322,194,397	644,630,416
Allowance	(24,149,935)	(21,220,924)	(398,375,488)	(28,629,002)	(17,533,090)	(452,189,007)
Total	11,576,047,140	620,575,714	678,892,131	14,099,462,743	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	1,244,801,943	1,443,658,667
Non - financial institutions	3,948,377,897	2,739,494,692
Retail	9,839,248,795	11,737,901,121
Total	18,997,667,591	20,944,398,925

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 leases stating all leasings individually in the balance 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 leasings: 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

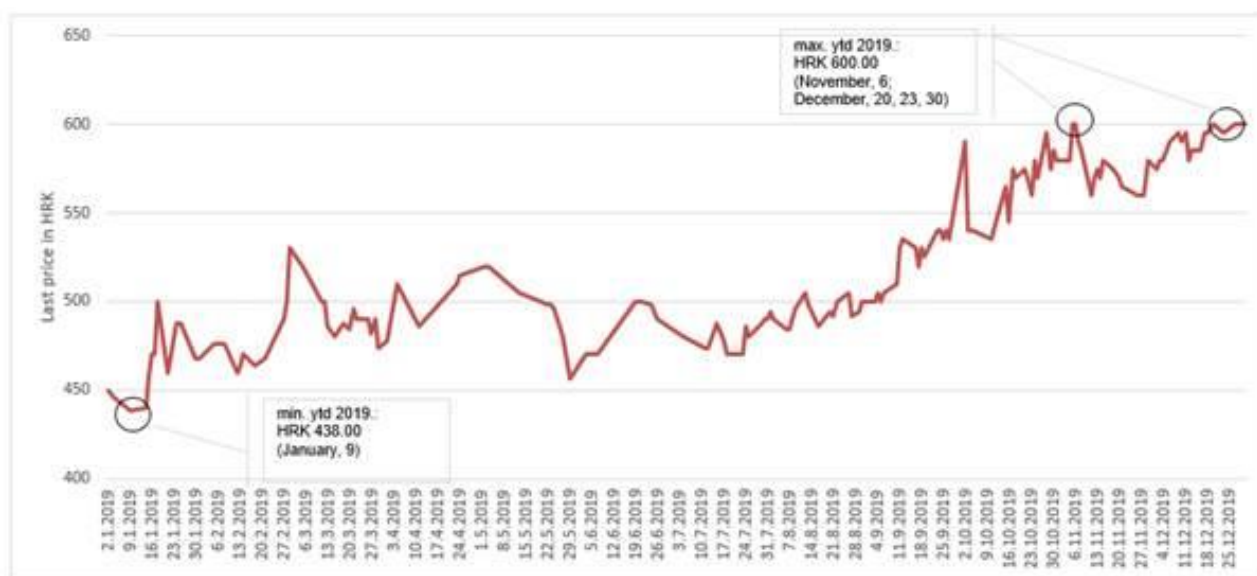
Bank's ownership structure as per December, 31 2019 was as follows:

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%
Fumf for 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%
Treasury shares	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 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 Bank's operations in 2020. At this time, the Bank is unable to assess the potential financial effects that COVID-19 will have on its financial statements. This could be reflected in lower income or higher credit losses of the Bank than previously projected. However, the Management Board believes that the Bank 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 that caused some damage to the Bank's tangible assets. At this time, the Bank is unable to estimate the financial effects in 2020 resulting from the earthquake damage, but the effect is not expected to be material.

In addition to the above, 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