



 HRVATSKA POŠTANSKA BANKA

Financial Statements for the period from January 01 to June 30, 2020

Unaudited

In accordance with the Capital Markets Act, Hrvatska poštanska Banka p.l.c. publishes unaudited financial statements for the period from January 01 to June 30 2020.

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.,
- 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).

Income statement

	I-II Q 2019	I-II Q 2020	Δ y-o-y
Operating income	404.7	395.9	● (2.2%)
Operating expenses	239.6	252.5	● +5.4%
Operating profit	165.2	143.4	● (13.2%)
Provisions	(12.1)	(6.6)	● (45.5%)
Net income	123.5	115.0	● (6.9%)

- ✓ **net interest income increased by +3.2%** due to higher average loan volume and decrease in interest expenses (interest income at the same level as last year)
- ✓ **net fee and commission income decreased by -13.0%** due to the cancellation of fees to clients in order to facilitate access to their funds, and slow down of economic activities
- ✓ **provisioning decreased by -45.5%** compared to the same period of 2019, mainly due to the cancellation of provisions for litigation (net provisions for credit risk amount to HRK -76.9 million; net provisions for litigation + HRK 70.3 million)
- ✓ **operating expenses increased by +5.4%**, continuing the Bank's organic growth, mainly due to employee cost due to JABA merger and costs of the implementation of measures adopted by the Civil Protection Headquarters of the Republic of Croatia
- ✓ **operating profit decreased by -13.2%** compared to the same period in 2019 due to a **decrease in operating income** and a higher increase in costs

Balance sheet

	31.12.2019.	30.06.2020.	Δ ytd
Assets	23,844.5	25,112.8	● +5.3%
Gross loans	14,825.2	15,685.8	● +5.8%
Deposits	20,069.2	20,933.9	● +4.3%
Equity	2,370.2	2,367.8	● (0.1%)

- ✓ **assets amount to HRK 25.2 billion**, liquid assets increased by 19.7% or HRK 901 million
- ✓ **total loans increased by 5.8%** or HRK 861 million HRK; the highest growth in the segment of central and local government HRK +730 million and in the segment of households HRK +308 million, in the category of housing loans (APN) HRK +290 million
- ✓ **deposits increased by HRK 865 million**
- ✓ **equity is at the same level as the last year**

Source: management reports of the issuer

		31.12.2019.	30.06.2020.	△
Loan to deposit ratio*	%	67.5	69.0	+1.5 p.p. ↑
CET1	kn mil.	2,209	2,107	(4.6%) ↓
ROAE	%	11.48	9.71	(1.8 p.p.) ↓
NPL share	%	10.81	11.00	+0.2 p.p. ↓
Cost of risk**	kn tis.	(12,143)	(6,622)	(45.5%) ↑
NPL coverage	%	66.9	61.6	(5.3 p.p.) ↓

Source: management reports of the issuer

* approved net loans / deposits

**comparative period for cost of risk is 30.06.2019

Key events

The first half of 2020 was marked, among other activities and economic circumstances, by the **successful completion of a comprehensive assessment by the European Central Bank** in which Hrvatska poštanska banka, together with the four largest banks in Croatia, participated during the last nine months. The assessment consisted of an Asset quality review (AQR), with the Bank's stress test at the same time, and HPB successfully passed both procedures. In this way, Hrvatska poštanska banka received additional confirmation of the quality and resilience of its balance sheet and operating business, which gives us an incentive and responsibility to ensure the preconditions and continue in the direction in which HPB will achieve the set strategic goals.

The focus on our clients was not lacking despite the significant commitment of resources to the comprehensive assessment of the ECB and the circumstances caused by COVID-19 disease. In the **APN program of subsidized housing loans**, the Bank again achieved excellent results and **approved 564 loans worth approximately HRK 368 million**, which represents a share of 15.46% of the total submitted applications in the Republic of Croatia, thus **ranking third in the number of processed applications**. An Agreement on the implementation of measures to encourage consumption in the hospitality and tourism industry in the Republic of Croatia was signed with the Ministry of Tourism via the **Croatian Tourist Card - CRO Visa debit card**. The card is available to all employers, craftsmen or self-employed persons who want to pay their employees compensation intended to cover the costs of catering and tourist services anywhere in Croatia.

The COVID-19 disease and the earthquake in Zagreb caused major changes in the economic and social environment, with HPB continuously investing maximum effort and **adapting its business to the new circumstances**. In the first half of 2020, we organized the delivery of pensions to our clients in cooperation with the partner Hrvatska pošta, we launched measures to help citizens and companies within which we **processed 2,550 client requests**, we provide loans for liquidity of exporters and loans for reconstruction of earthquake-damaged buildings, we operate through digital channels and implement a large number of initiatives with the aim of overcoming this uncertain period as easily as possible.

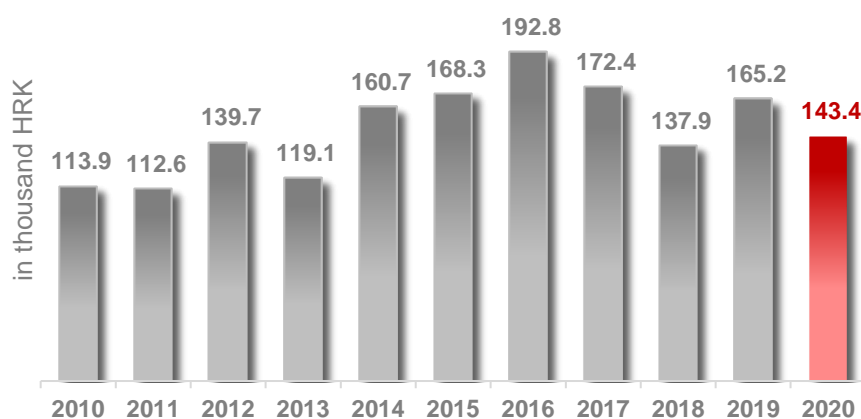
In these special circumstances that surround us in 2020, HPB continuously cares about the well-being of employees, the balance of business and private life, and continues to invest in knowledge. **For the fourth year in a row, the Bank is the holder of the Employer Partner certificate**, a prestigious recognition awarded by the consulting company SELECTIO to companies in Croatia and the region with excellent practices in human resource management for the fifteenth year.

"We are creating a strong and sustainable organization, and we can only do that with competent and satisfied employees, ready for the challenges and rapid changes required by the market. HPB's strategy based on knowledge and the use of new technologies is aimed at supporting the economic growth and prosperity of the Bank and our society as a whole. We are persistent in strengthening HPB as an institution that has the potential to create new values for its customers, employees, shareholders and for the whole of Croatia", said CEO Marko Badurina.

Business overview

In the first half of 2020, net interest income is continuously increasing and is higher by + 3.2% compared to the same period last year, while net income from fees and commissions decreased by -13.0%, mostly due to the introduction measure of adjustment to business in the circumstances of the disease COVID-19. Despite a significant decrease in non-interest income, interest income managed to neutralize these effects, which contributed to a very slight decrease in operating income compared to 2019 (-2.2%). As a consequence of all the above and the fact that operating expenses are slightly increasing (+ 5.4%), operating profit is lower by -13.2% compared to Q2 last year.

Long-term comparison of annual operating profit



Net interest income continues to grow and is + 3.2% higher compared to the same period last year. The largest contribution to the growth of net interest income on a year-on-year basis stems from the higher volume of gross loans in the segments of large enterprises and the public sector and households.. The increase in volume neutralized the effect of a continuous decrease in interest rates, and moreover the Bank also manages interest expenses that have been reduced.

Net fees and commissions income decreased by -13.0% for several reasons: during Q1 due to compliance with EU regulations, i.e. the SEPA direct debit scheme, then due to one-off effects on guarantees that were realized during Q1 2019, as well as due to the slowdown in economic activities caused by the COVID-19 pandemic and the cancellation of card fees in order to provide their clients with the easiest possible access to money due to the current measures of limited movement caused by the COVID-19 disease.

Other non-interest income consists of income from trading in foreign exchange and securities, dividends received, and other income. This revenues are lower by -10.5% compared to the same period in 2019, mainly due to the global decline in securities prices on the capital markets, which was reflected in the Bank's portfolio, which is held for trading and valued through P&L. Thus, in Q2 2020, an unrealised loss from the valuation of these instruments was realized in the amount of HRK -17.4 million (change of

HRK +1.5 million compared to Q1 2020), as opposed to the gain of HRK +17.9 million in Q2 2019. The mentioned decline is due to COVID-19 disease in Europe and the world. In order to neutralize the aforementioned effects, through the sale of securities from the Bank's portfolio, a significant realised gain in the amount of HRK +35.1 million was achieved (change of HRK +30.8 million in the interim period, i.e. HRK +11.2 million in relation to on Q1 2020). Total net trading profit is lower by only HRK -4.5 million compared to the same period last year.

Operating expenses increase (+ 5.4%). As mentioned earlier, the COVID-19 pandemic has an impact on operating costs, which will mark a significant part of 2020, primarily related to ensuring the conditions for compliance with epidemiological measures in the Republic of Croatia. The largest impact on the increase in operating expenses was the increase in employee costs, which is higher by HRK +9.1 million compared to the same period last year, mostly caused by the merger of JABA on April 1, 2019. Amortization expense and savings insurance also recorded an increase in the interim period by HRK +3.8 million and HRK +3.1 million. Administrative costs are lower by -2.6 million due to continuous work on optimizing internal processes and reducing costs. The increase in the volume of business due to organic and inorganic growth of the Bank had an impact on total operating expenses, which includes a larger number of employees and the number of existing business units whose cost is higher compared to the second quarter of 2019, partly due to the merger of Jadranska Banka on April 1, 2019. Expenses growth is also inevitable due to the initiated regulatory and other projects of harmonization with regulations. The Bank's management remains focused on optimizing the process and reducing cost pressures on operating profit, which requires significant human resource engagement.

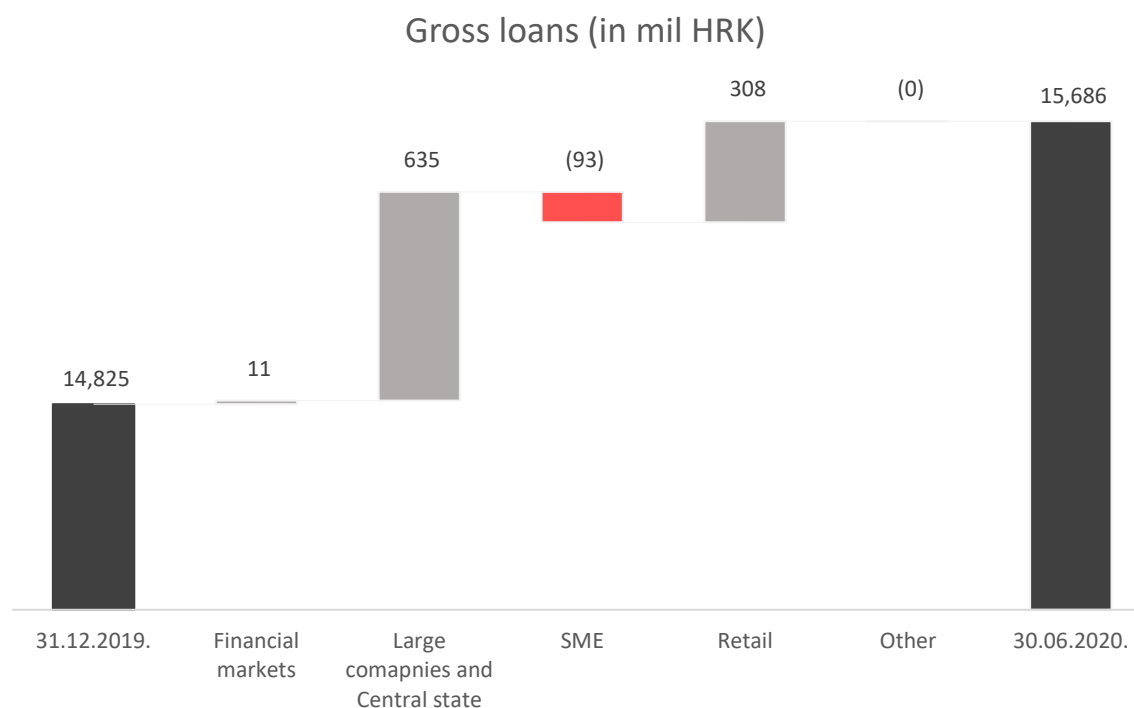
The costs of impairment and provisions for losses are lower by + 45.5% compared to the same period last year. **Impairment costs for new and performing loans** in the interim period were higher by almost 95%, i.e. HRK 48.6 million compared to Q1, mainly due to the update of macroeconomic indicators in the models of calculation of provisions due to economic circumstances and projections caused by COVID-19 and partly due to growth gross placements. Provisions for partially recoverable placements are higher in the interim period by HRK 21.8 million, i.e. they are almost at the same level compared to Q1 2020.

During 2020, there was an increase in partially recoverable exposures (increase in the NPL share by + 0.2 p.p.) related to placements approved with a 100% state guarantee and the disinvestment of several larger corporate exposures with above-average or 100% coverage. Due to the COVID-19 pandemic, collection activities were hampered by the suspension of certain collection mechanisms (e.g. postponement of electronic public auctions based on the Decision of the Ministry of Justice of 23.03.2020, etc.) so the new cost of risk was not mitigated by positive collection effects. It is important to note that in the second quarter were made reservations as a result of the AQR. In general, the dynamics of provisions is different compared to the same period last year when the Bank had more one-off effects due to the change in the collection model through intensified cancellation and loan lawsuits that are part of the small loan portfolio.

During the second quarter of 2020, the Bank revoked the previously formed provision for litigation based on the second-instance judgment of the High Commercial Court in Zagreb in the amount of HRK 89 million, which leads to net income in other provisions in the amount of HRK +70.3 million (+55 million for the interim period).

We continue to maintain the **coverage of NPLs** at high levels (**June 30, 2020 = 61.6%**).

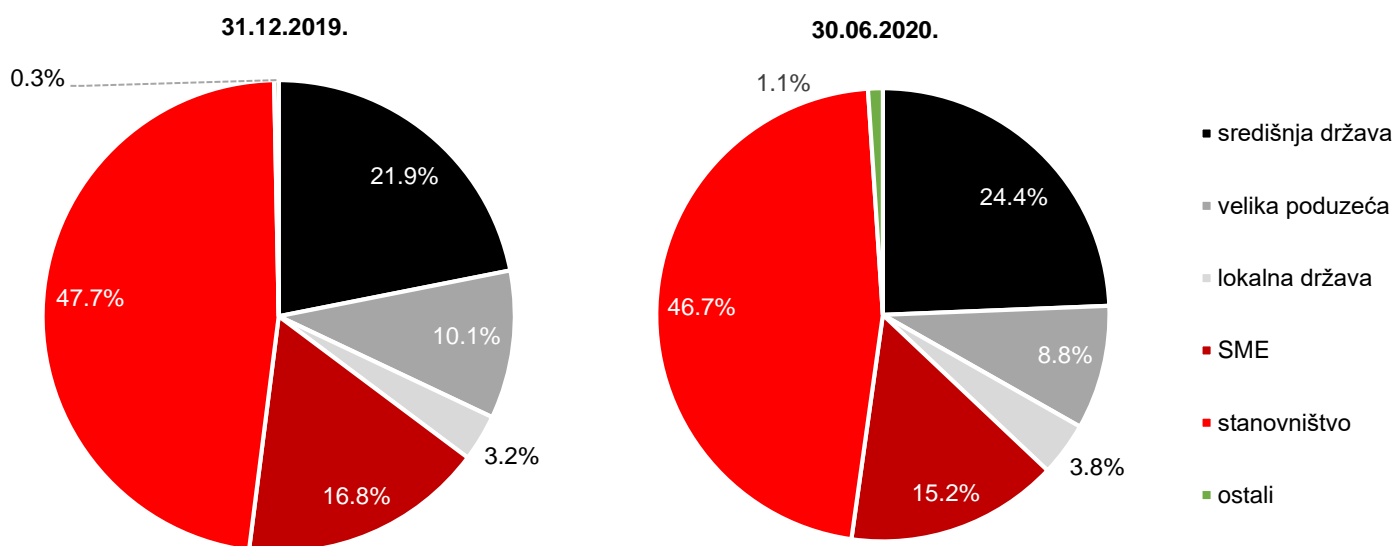
The Bank's assets as at 30 June 2020 **amounted to HRK 25.1 billion** (+5.3%), with continued growth in the gross loan portfolio. During the first half of 2020, the expected strong increase in the source of funds occurred, which leads to an increase in the category of liquid assets (HRK +901 million). Accordingly, the liquidity position is strong, so the LCR ratio (Liquidity coverage ratio) is at 30.06.2020. year at 161%.



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

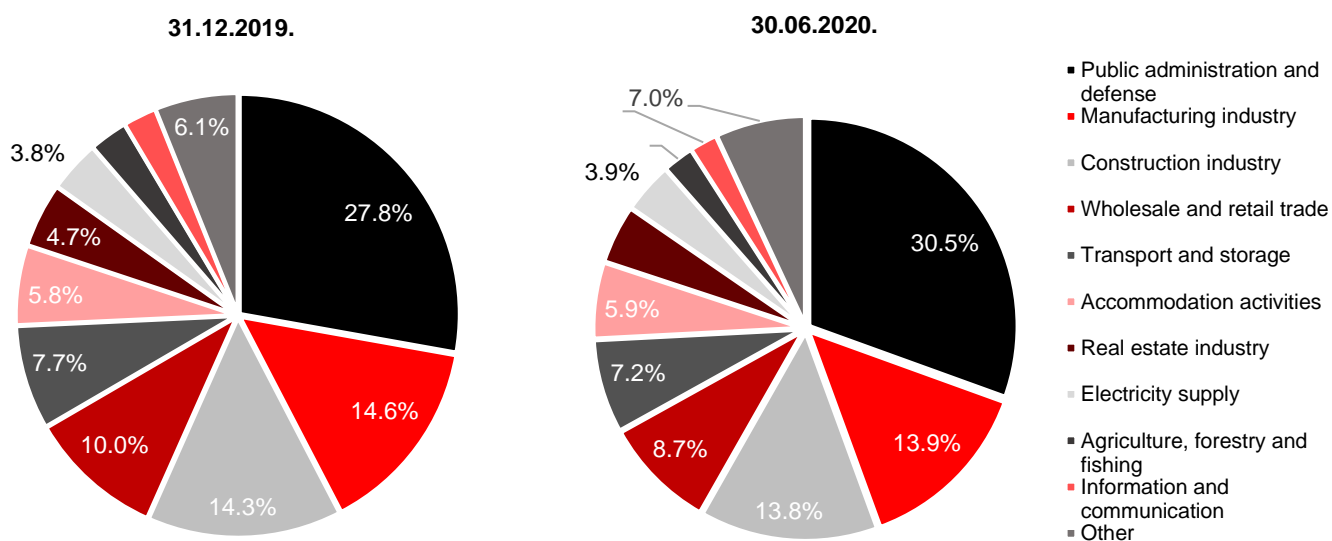
Total gross loans increased by + 5.8% compared to 2019, and growth was achieved mostly in corporate and the public sector, while the retail sector also has continuous growth.

Gross loans structure



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

Gross loans structure by industry



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

The structure of gross loans shows that the activity of providing accommodation (tourism) is kept at a very low share, i.e. less than 6% in total loans, which does not expose the Bank to excessive credit risk in this segment that may occur due to the COVID-19 pandemic. This is supported by the large share of exposure to the central and local government, which is the least risky.

During the second quarter of 2020, as part of COVID-19 measures (including moratoriums, liquidity loans and rescheduling), the Bank processed:

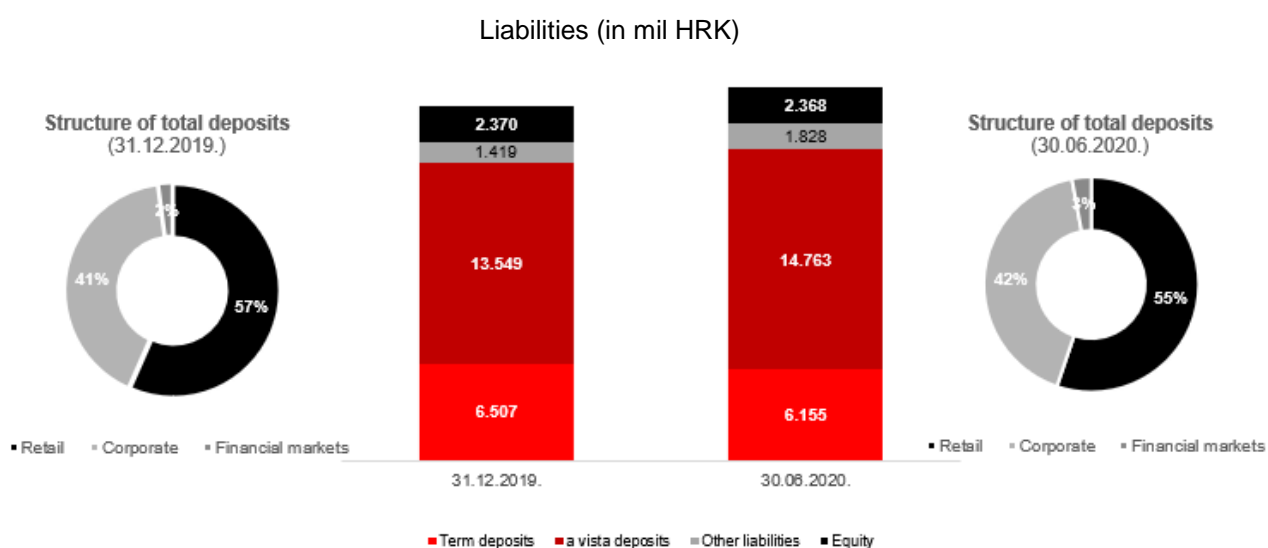
- a total of 2,550 requests
- almost HRK 2.6 billion in placements
- share in the retail segment of 5.61%; in the corporate segment share of 26.04%
- a total of 1,887 applications were approved, i.e. almost 2.2 billion placements

The total increase in **gross retail loans amounted** to approximately **HRK 308 million** compared to the end of 2019, with housing loans growing by **+ 9.7%**, largely as a result of participation in the APN program, and other loans by **+ 1.0%**. Part of the loans approved in the APN program of subsidized housing loans has not yet been placed with clients, approximately HRK 75 million.

The largest increase in the segment of large enterprises and the public sector was recorded in the categories of central and local government, which resulted in an increase in the volume of this segment by HRK 730 million. The SME segment recorded a slight decline of HRK 93 million in Q2 2020, mainly due to the slowdown in economic activity caused by the COVID-19 pandemic.

Banks' liabilities as of 30.06.2020. increased by 5.1% or HRK 1.3 billion compared to the end of 2019.

Retail and corporate deposits are still increasing by 4.3%, indicating our clients' confidence and a stable deposit base, with the continuing trend of overflow from term deposits (-2.8%) to a vista accounts (+2.0%), which has a favorable effect on the average cost of the source. Retail deposits increased by 1.7%, while corporate deposits increased by + 5.9%. Deposits remain the main source of funds for HPB (83.3%), while HRK deposits have dominant share.



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

Bank's equity as of 30.06.2020. reached HRK 2,368 million and decreased by HRK 2,38 million compared to the end of last year. The most significant contribution to capital decrease relates to the mentioned global decline in the price of securities which reduced the accumulated other comprehensive income from securities in the portfolio that is valuable through the remaining comprehensive income whereby a part of these securities was sold during the first half of the year, on the basis of which HRK 35,1 million of realized profit was reported in P&L. **A stronger capital base and capital management optimization measures launched during the fourth quarter of 2019 continue to result in a high capital adequacy ratio.**

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 unaudited financial statements for the period from January 01 to June 30, 2020, 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:
Quarter:
Quarterly financial statements
Registration number (MB): **Issuer's home Member State code:**
Entity's registration number (MBS):
Personal identification number (OIB): **LEI:**
Institution code:
Name of the issuer:
Postcode and town:
Street and house number:
E-mail address:
Web address:
Number of employees (end of the reporting period):
Consolidated report: (KN-not consolidated/KD-consolidated)

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

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

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 June 30, 2020

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	2,772,746,813	3,971,761,539
Cash in hand	002	961,912,026	1,259,128,355
Cash balances at central banks	003	1,014,563,142	2,352,441,428
Other demand deposits	004	796,271,645	360,191,756
Financial assets held for trading (from 6 to 9)	005	612,871,552	710,352,824
Derivatives	006	852,203	-
Equity instruments	007	96,079,539	91,167,530
Debt securities	008	515,939,810	619,185,294
Loans and advances	009	-	-
Non-trading financial assets mandatorily at fair value through profit or loss (from 11 to 13)	010	21,199,086	20,188,346
Equity instruments	011	-	-
Debt securities	012	-	-
Loans and advances	013	21,199,086	20,188,346
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	4,640,197,866	4,116,294,903
Equity instruments	018	57,269,384	49,476,023
Debt securities	019	4,582,928,482	4,066,818,880
Loans and advances	020	-	-
Financial assets at amortised cost (22 + 23)	021	15,217,710,292	15,751,784,275
Debt securities	022	4,305,695	2,654,291
Loans and advances	023	15,213,404,597	15,749,129,984
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	5,490,000	5,490,000
Tangible assets	027	324,429,807	320,738,804
Intangible assets	028	109,095,746	97,315,517
Tax assets	029	6,453,295	11,338,244
Other assets	030	42,962,745	42,193,162
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	23,773,157,202	25,067,457,614

BALANCE SHEET (CONTINUED)

as at June 30, 2020

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	863,025	-
Derivatives	034	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	21,056,875,186	22,361,888,245
Deposits	044	20,944,398,925	22,244,799,050
Debt securities issued	045	-	-
Other financial liabilities	046	112,476,261	117,089,195
Derivatives - hedge accounting	047	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	048	-	-
Provisions	049	196,063,323	135,259,860
Tax liabilities	050	1,728,314	5,085,118
Share capital repayable on demand	051	-	-
Other liabilities	052	147,415,709	197,392,953
Liabilities included in disposal groups classified as held for sale	053	-	-
Total liabilities (33 + 39 + 43 + from 47 to 53)	054	21,402,945,557	22,699,626,176
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	319,404,893	202,050,181
Retained profit	060	153,174,469	225,060,726
Revaluation reserves	061	-	-
Other reserves	062	539,561,769	611,448,026
(-) Treasury shares	063	(477,000)	(477,000)
Profit or loss attributable to owners of the parent	064	143,772,514	114,974,505
(--) Interim dividends	065	-	-
Minority interests [non-controlling interests]	066	-	-
Total equity (from 55 to 66)	067	2,370,211,645	2,367,831,438
Total equity and liabilities (54 + 67)	068	23,773,157,202	25,067,457,614

INCOME STATEMENT

for the period January 01, 2020 to June 30, 2020

In HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	AOP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
Interest income	001	296,386,624	155,694,437	295,180,417	144,921,778
(Interest expenses)	002	34,178,081	17,269,701	27,118,318	13,200,053
(Expenses on share capital repayable on demand)	003	-	-	-	-
Dividend received	004	3,601,395	3,601,395	2,227,280	2,026,667
Fees and commissions income	005	246,148,347	132,500,767	213,553,554	103,958,551
(Fees and commissions expenses)	006	151,173,695	80,153,963	130,905,856	63,325,812
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	007	4,079,683	4,079,683	35,035,565	11,165,173
Gains or (-) losses on financial assets and liabilities held for trading, net	008	39,289,909	16,972,438	7,815,497	13,232,190
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	009	2,027	2,027	200,027	97,634
Gains or (-) losses on financial assets and liabilities at fair value through profit or loss, net	010	-	-	-	-
Gains or (-) losses from hedge accounting, net	011	-	-	-	-
Exchange rate differences [gain or (-) loss], net	012	(1,583,420)	(737,820)	(6,656,755)	(1,824,817)
Gains or (-) losses on derecognition of non-financial assets, net	013	-	-	-	-
Other operating income	014	2,165,863	1,397,840	4,159,550	3,231,043
(Other operating expenses)	015	21,132,444	5,634,477	29,067,561	16,632,161
Total operating income, net (1 – 2 – 3 + 4 + 5 – 6 + from 7 to 14 – 15)	016	383,606,208	210,452,626	364,423,400	183,650,193

INCOME STATEMENT (CONTINUED)

for the period January 01, 2020 to June 30, 2020

in HRK

Submitter: Hrvatska poštanska banka p.l.c.					
Item	AOP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
(Administrative expenses)	017	193,729,982	106,990,639	183,664,427	92,145,229
(Depreciation)	018	24,723,231	12,566,193	40,342,918	19,692,825
Modification gains or (-) losses, net	019	(6,399,161)	(6,399,161)	2,512,470	2,541,861
(Provisions or (-) reversal of provisions)	020	(11,101,814)	(11,101,814)	(59,629,807)	(60,514,125)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	021	16,847,469	26,232,560	65,769,974	37,061,274
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	022	-	-	-	-
(Impairment or (-) reversal of impairment on non-financial assets)	023	-	-	-	-
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	153,008,179	69,365,887	136,788,358	97,806,851
(Tax expense or (-) income related to profit or loss from continuing operations)	028	29,524,802	12,415,361	21,813,853	18,062,462
Profit or (-) loss after tax from continuing operations (27 – 28)	029	123,483,377	56,950,526	114,974,505	79,744,389
Profit or (-) loss after tax from discontinued operations (31 – 32)	030	-	-	-	-
Profit or (-) loss before tax from discontinued operations	031	-	-	-	-
(Tax expense or (-) income related to discontinued operations)	032	-	-	-	-
Profit or (-) loss for the year (29 + 30; 34 + 35)	033	123,483,377	56,950,526	114,974,505	79,744,389
Attributable to minority interest [non-controlling interests]	034	-	-	-	-
Attributable to owners of the parent	035	123,483,377	56,950,526	114,974,505	79,744,389

INCOME STATEMENT (CONTINUED)

for the period January 01, 2020 to June 30, 2020

in HRK

Submitter: Hrvatska poštanska banka p.l.c.

Item	AOP 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	123,483,377	56,950,526	114,974,505	79,744,389
Other comprehensive income (38 + 50)	037	121,373,140	73,335,157	(117,354,992)	(14,129,910)
Items that will not be reclassified to profit or loss (from 39 to 45) + 48 + 49)	038	-	-	-	-
Tangible assets	039	-	-	-	-
Intangible assets	040	-	-	-	-
Actuarial gains or (-) losses on defined benefit pension plans	041	-	-	-	-
Fixed assets and disposal groups classified as held for sale	042	-	-	-	-
Share of other recognised income and expense of entities accounted for using the equity method	043	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	044	-	-	-	-
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	045	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	046	-	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	047	-	-	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	048	-	-	-	-
Income tax relating to items that will not be reclassified	049	-	-	-	-
Items that may be reclassified to profit or loss (from 51 to 58)	050	121,373,140	73,335,157	(117,354,992)	(14,129,910)
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	148,016,024	89,433,118	(143,115,844)	(17,231,597)
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	(26,642,884)	(16,097,961)	25,760,852	3,101,687
Total comprehensive income for the current year (36 + 37; 60 + 61)	059	244,856,517	130,285,683	(2,380,487)	65,614,479
Attributable to minority interest [non-controlling interest]	060	-	-	-	-
Attributable to owners of the parent	061	244,856,517	130,285,683	(2,380,487)	65,614,479

STATEMENT OF CASH FLOW

for the period January 01, 2020 to June 30, 2020

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	153,008,179	136,788,358
Adjustments:		-	-
Impairment and provisions	010	(11,101,814)	3,627,697
Depreciation	011	24,723,231	40,342,918
Net unrealised (gains)/losses on financial assets and liabilities at fair value through statement of profit or loss	012	(39,289,909)	(36,194,307)
(Profit)/loss from the sale of tangible assets	013	(333,084)	-
Other non-cash items	014	1,583,420	(262,208,543)
Changes in assets and liabilities from operating activities			
Deposits with the Croatian National Bank	015	809,261,075	297,637,834
Deposits with financial institutions and loans to financial institutions	016	(227,182,407)	-
Loans and advances to other clients	017	(481,935,146)	(836,990,918)
Securities and other financial instruments at fair value through other comprehensive income	018	(2,412,358,025)	418,241,818
Securities and other financial instruments held for trading	019	184,714,452	(95,311,790)
Securities and other financial instruments at fair value through statement of profit or loss, not traded	020	(62,994,856)	-
Securities and other financial instruments mandatorily at fair value through statement of profit or loss	021	-	-
Securities and other financial instruments at amortised cost	022	59,880,392	1,651,404
Other assets from operating activities	023	(80,667,962)	769,583
Deposits from financial institutions	024	(149,175,131)	186,426,000
Transaction accounts of other clients	025	1,332,043,188	717,454,823
Savings deposits of other clients	026	1,715,534,205	311,744,259
Time deposits of other clients	027	(1,031,597,800)	(351,908,193)
Derivative financial liabilities and other liabilities held for trading	028	(535,316)	3,749,909
Other liabilities from operating activities	029	(74,955,181)	(10,826,219)
Interest received from operating activities [indirect method]	030	-	296,386,624
Dividends received from operating activities [indirect method]	031	-	2,227,280
Interest paid from operating activities [indirect method]	032	-	(34,178,081)
(Income tax paid)	033	-	-
Net cash flow from operating activities (from 1 to 33)	034	(291,378,489)	789,430,456

STATEMENT OF CASH FLOW

for the period January 01, 2020 to June 30, 2020

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	(120,528,429)	(24,871,686)
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	-	-
Dividends received from investing activities	038	-	1,651,404
Other receipts/payments from investing activities	039	-	-
Net cash flow from investing activities (from 35 to 39)	040	(120,528,429)	(23,220,282)
Financing activities			
Net increase/(decrease) in loans received from financing activities	041	100,462,907	433,105,189
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	100,462,907	433,105,189
Net increase/(decrease) of cash and cash equivalents (34 + 40 + 47)	048	(311,444,011)	1,199,315,363
Cash and cash equivalents at the beginning of period	049	3,210,938,282	3,037,318,898
Effect of exchange rate fluctuations on cash and cash equivalents	050	-	(6,656,755)
Cash and cash equivalents at the end of period (48 + 49 + 50)	051	2,899,494,271	4,229,977,506

STATEMENT OF CHANGES IN EQUITY

for the period January 01, 2020 to June 30, 2020

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	-	-	-	319,405,173	153,174,469	-	539,561,769	(477,000)	143,772,514	-	-	-	2,370,211,925
Effects of error corrections	002	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	003	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period] (1 + 2 + 3)	004	1,214,775,000	-	-	-	319,405,173	153,174,469	-	539,561,769	(477,000)	143,772,514	-	-	-	2,370,211,925
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, 2020 to June 30, 2020

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	-	-	-	-	(117,354,992)	71,886,257	-	71,886,257	-	(143,772,514)	-	-	-	(117,354,992)
Total comprehensive income for the current year	019	-	-	-	-	-	-	-	-	-	114,974,505	-	-	-	114,974,505
Equity instruments increase or (-) decrease resulting from business combinations	020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance [current period] (from 4 to 20)	021	1,214,775,000	-	-	-	202,050,181	225,060,726	-	611,448,026	(477,000)	114,974,505	-	-	-	2,367,831,438

NOTES TO FINANCIAL STATEMENTS

A) STATEMENT OF PROFIT AND LOSS

1) INTEREST INCOME

in HRK

AOP 001	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Debt securities	45,112,964	24,646,534	41,777,442	19,750,163
Loans and advances	250,859,325	131,047,903	253,190,309	125,207,963
Other assets	414,335	-	212,665	(36,348)
Deposits	-	-	-	-
Other liabilities	-	-	-	-
Total	296,386,624	155,694,437	295,180,416	144,921,778

2) INTEREST EXPENSE

in HRK

AOP 002	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Debt securities	-	-	-	-
Loans and advances	1,438,239	514,840	1,282,607	750,771
Other assets	-	-	-	-
Deposits	32,180,496	16,694,931	25,346,742	12,413,261
Other liabilities	559,346	59,930	488,969	36,021
Total	34,178,081	17,269,701	27,118,318	13,200,053

3) FEE AND COMMISSION INCOME

in HRK

AOP 005	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Securities	181,797	101,273	196,165	196,165
Asset management	24,675	12,703	23,531	(50,464)
Custody [according to the type of client]	2,452,802	1,158,431	2,346,177	1,224,635
Loan commitments	78,812	38,889	43,643	(1,225,803)
Other	243,410,261	131,189,471	210,944,038	103,814,018
Total	246,148,347	132,500,767	213,553,554	103,958,551

Out of a total of HRK 211 million in the position Other as at 30 June 2020, HRK 109.4 million relates to revenues generated on the basis of business cooperation with Hrvatska pošta.

4) FEE AND COMMISSION EXPENSE

in HRK

AOP 006	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Bank clearing and settlement	752,918	353,857	828,227	459,262
Other	150,420,777	79,800,105	130,077,629	62,866,550
Total	151,173,695	80,153,962	130,905,856	63,325,812

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

in HRK

AOP 007	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Debt securities	4,079,683	4,079,683	35,035,565	11,165,173
Loans and advances	-	-	-	-
Deposits	-	-	-	-
Debt Securities issued	-	-	-	-
Other financial liabilities	-	-	-	-
Total	4,079,683	4,079,683	35,035,565	11,165,173

AOP 008	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Equity instruments	4,885,487	1,650,649	(4,975,117)	6,319,741
Debt securities	13,045,954	2,768,988	(12,411,896)	(4,824,778)
FX transactions and derivatives	21,358,468	12,552,801	25,202,510	11,737,227
Total	39,289,909	16,972,438	7,815,497	13,232,190

AOP 009	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Loans and advances	2,027	2,027	200,027	97,634
Total	2,027	2,027	200,027	97,634

6) OPERATING EXPENSES

in HRK

AOP 015 & AOP 017 & AOP 018	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
(Other operating expenses)	21,132,444	5,634,477	29,067,561	16,632,161
(Administrative expenses)	193,729,982	106,990,640	183,664,427	92,145,229
(Employee expenses)	99,842,363	52,981,480	109,296,780	55,095,413
(Other administrative expenses)	93,887,619	49,158,350	74,367,647	37,049,816
(Amortization)	24,723,231	12,566,193	40,342,918	19,692,825
(Property, plant and equipment)	8,788,505	4,694,972	21,535,910	10,352,260
(Investment property)	-	-	-	-
(Other intangible assets)	15,934,725	7,871,220	18,807,008	9,340,565
Total	239,585,657	125,191,310	253,074,906	128,470,215

7) IMPAIRMENT LOSSES AND PROVISION EXPENSES

in HRK

AOP 019 & AOP 020 & AOP 021 & AOP 023	Same period of the previous year 01.01.-30.06.2019		Current period 01.01. – 30.06.2020.	
	Cumulative	Quarter	Cumulative	Quarter
Modification gains or (-) losses, net	(6,399,161)	(6,399,161)	2,512,470	2,541,860
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets at amortized cost	(6,399,161)	(6,399,161)	2,512,470	2,541,860
(Provisions or (-) reversal of provisions)	(11,101,814)	(11,101,814)	(59,629,807)	(60,514,125)
(Liabilities and Guarantees)	4,235,738	409,270	13,850,186	13,511,033
(Other Provisions)	(15,337,552)	(11,511,083)	(73,479,993)	(74,025,158)
(Impairment or (-) reversal of impairment on financial assets that are not measured at fair value through profit or loss)	16,847,469	26,232,560	65,769,974	37,061,273
(Financial assets at fair value through other comprehensive income)	7,317,793	2,082,535	890,424	2,018,346
(Financial assets at amortized cost)	9,529,675	24,150,025	64,879,550	35,042,927
(Impairment or (-) reversal of impairment off of investments in subsidiaries, joint ventures, and associates)	-	-	-	-
(Impairment or (-) reversal of impairment off non-financial assets)	-	-	-	-
(Property, plant and equipment)	-	-	-	-
(Investment property)	-	-	-	-
(Goodwill)	-	-	-	-
(Other intangible assets)	-	-	-	-
(Other)	-	-	-	-
Total	12,144,816	21,529,907	3,627,697	(25,994,712)

B) BALANCE SHEET

8. LOANS AND ADVANCES

in HRK

AOP 023	31.12.2019.			30.06.2020.		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central banks	1,558,206,655	-	-	1,254,455,997	-	-
Gross loans	1,558,206,655	-	-	1,254,455,997	-	-
Allowance	-	-	-	-	-	-
Government	2,244,696,909	4,456,728	-	2,644,121,485	2,495,878	80,529
Gross loans	2,250,085,612	5,026,891	383,503	2,650,415,805	2,662,389	470,213
Allowance	(5,388,703)	(570,163)	(383,503)	(6,294,320)	(166,511)	(389,685)
Credit institutions	233,379,950	-	-	239,384,963	-	-
Gross loans	574,599	-	-	26,875	-	-
Allowance	(547,979)	-	-	-	-	-
Deposits	233,416,895	-	-	239,438,695	-	-
Allowance	(63,565)	-	-	(80,607)	-	-
Other financial institutions	129,436,444	461,201	-	107,834,619	254,875	-
Gross loans	117,745,218	466,361	15,995	96,095,732	255,188	2,962
Allowance	(398,194)	(5,160)	(15,995)	(464,001)	(312)	(2,962)
Deposits	12,197,705	-	-	12,305,516	-	-
Allowance	(108,285)	-	-	(102,628)	-	-
Non - financial institutions	3,632,345,296	170,418,701	441,502,507	3,357,845,156	424,416,552	664,330,990
Gross loans	3,729,047,913	219,244,197	1,343,775,272	3,479,899,103	488,215,551	1,534,885,971
Allowance	(96,702,617)	(48,825,496)	(902,272,765)	(122,053,947)	(63,798,998)	(870,554,980)
Retail	6,301,397,489	304,661,307	192,441,409	6,657,132,296	232,149,065	164,627,578
Gross loans	6,330,026,490	322,194,397	644,630,416	6,695,279,330	251,371,263	655,903,998
Allowance	(28,629,002)	(17,533,090)	(452,189,007)	(38,147,035)	(19,222,198)	(491,276,421)
Total	14,099,462,743	479,997,937	633,943,916	14,260,774,516	659,316,370	829,039,097

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

	<i>in HRK</i>	
AOP 013	31.12.2019.	31.03.2020.
Central banks	-	-
Local state	-	-
Credit institutions	-	-
Other financial institutions	-	-
Non - financial institutions	6,692,018	5,506,462
Retail	14,507,069	14,681,884
Total	21,199,087	20,188,346

10) DEPOSITS

	<i>in HRK</i>	
AOP 044	31.12.2019.	31.03.2020.
Government	-	400,000,000
Local Government	4,896,096,420	5,143,177,536
Credit institutions	127,248,024	171,841,231
Other financial institutions	1,443,658,667	1,568,716,080
Non - financial institutions	2,739,494,692	3,017,851,068
Retail	11,737,901,121	11,943,213,136
Total	20,944,398,924	22,244,799,051

C) 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.

D) BANK'S OWNERSHIP STRUCTURE

Bank's ownership structure as per June, 30 2020 was as follows:

Shareholder	Ownership share
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%
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%

E) HPB STOCK

HPB Stock is listed on ZSE's Official market. Last share price at the end of second quarter of 2020 amounted to HRK 478.00 (30.06.2020. trading day), representing a decrease of 20.33 percent in comparison with the last price achieved in 2019. (=HRK 600.00 as per December 30, 2019 trading day).

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

