



Communication on Progress

Year: **2018**

Basic data:

Hrvatska poštanska banka d.d. (Croatian Postal Bank plc)

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Statement of Continued Support

We have pleasure in presenting you our eleventh Communication on Progress, prepared in accordance with the principles of the UN Global Compact Initiative and outlining our activities taken in 2018 in the areas of human rights, work conditions, environment and anti-corruption.

The principles of social responsibility have been integrated into our business strategy. Each year we are seeking to improve our practice in the area of socially responsible operation, based on employee-development efforts, transparency of operation and availability to our customers, professional relationship with our partners, and support to the community and caring for the environment.

We are proud of the prestigious award Certificate Employer Partner awarded to us in 2018 for the second time as a company with high quality human resource management processes. We have demonstrated quality in all five evaluated areas: recruitment and selection, performance, motivation and remuneration, training and development and employee relations. We are aware that everything we do in the field of human resource management has significant influence on the improvement of the quality of our services and our customer satisfaction, and this is what we are seeking – to create conditions for better life and to be the best bank in Croatia, recognizable for quality, competitive and fast services, always available to its customers.

Last year we consistently implemented the ten principles of the Global Compact Initiative. In the 2018 Communication on Progress we give the summary of our activities and achievements in the areas of human rights, labour, environment and anti-corruption in the light of the objectives we set out to meet, as well as the outline of further plans for 2019.

Lidija Martinović



GENERAL STANDARD INFORMATION

Structural profile

Hrvatska poštanska banka was founded in October of 1991 as a universal banking organization to provide all banking services at home and abroad. Until 2001, the majority owner of Hrvatska poštanska banka was Croatian Post which through the good business practice of postal banks in Europe, continued to accomplish, through a newly established bank, the mission of the traditional postal savings banks which were founded in Croatia in 1883.

Since the beginning of 2001, the Republic of Croatia is the majority owner of Hrvatska poštanska banka via funds or companies owned by it.

The ownership structure of Hrvatska poštanska banka:

Republic of Croatia	42.4293%
Croatian Post plc	11.9336%
State Agency for Deposit Insurance and Bank Resolution	8.9803%
Croatian Pension Insurance Institute	8.7577%
Hrvatska poštanska banka plc – own treasury shares	0.0393%
Minority shareholders (285)	27.8597%

Hrvatska poštanska banka is the core of the HPB Group which also includes – HPB-Invest Ltd., HPB-Real Estate Ltd. and HPB-Home Savings plc.

Management

One of the major pillars of the business strategy of HPB is its accessibility and availability. The cooperation with the Croatian Post and the use of the post offices as its distribution channels enables HPB to be the most accessible bank in Croatia. Along with its accessibility, HPB is especially committed to creating innovative and competitive products and services responsive to the needs of its customers.

Ethics and Integrity

Hrvatska poštanska banka is the largest and one of the few Croatia owned banks. HPB is the sixth bank in Croatia in terms of market share, and according to the researches, the first one based on the recommendations and among the leading banks based on the customers' trust.

As the largest Croatia owned bank, HPB accepts responsibility and takes care in the best possible way of its customers, shareholders and community, and takes full account of not only economic but also of social processes in Croatia, and contributes through its actions to further development of Croatia.

Employees' data

On 31 December 2018 the Bank had the total of 1118 employees.

Structure of employees on 31 December 2018;

1) Based on type of employment

Temporary employment	Permanent employment	Total
78	1040	1118

2) Based on age and gender structure

Age	Total	Women	Men
19-24	9	6	3
25-29	79	49	30
30-34	188	131	57
35-39	279	194	85
40-44	224	151	73
45-49	155	125	30
50-54	80	58	22
55-59	73	56	17
60-64	31	24	7
65 i više	9	6	3
Total:	1118	794	324

Employees' average age on 31 December 2018 in the Bank was 40.8 years.

3) Gender structure of managers and other senior officers in the Bank is the following: men (60), women (80).



SPECIFIC STANDARD INFORMATION

Category: Economic

In 2018 Hrvatska poštanska banka generated record gross profit, achieved market growth and progress in all key segments of business operations. The Bank generated net profit of HRK 150.2 million and gross profit of HRK 183.2 million, the highest in its history.

	2017	2018	GROW
GROSS PROFIT (before tax)	HRK 12,5 mil.	HRK 183,2 mil.	+1.370% ↑
NET PROFIT	HRK 8,3 mil.	HRK 150,2 mil.	+1.702% ↑

In 2018 HPB achieved the best results in its history.

The provisioning expenses have been significantly lower (66.9% or HRK 240.7 million) than in 2017, primarily as a result of better recovery, better credit risk management and good coverage of non-performing loans (NPL).

In 2018 deposits grew by HRK 1.16 billion or by 8.5% reflecting a stable customer base and their trust. In strategic segments – retail customers and small enterprises, loans recorded the growth of 13.4% and 20.6% with concurrent deleveraging of national institutions.

At the end of 2018 the capital exceeded HRK 2 billion, recording 5% growth, mostly as a result of the Bank's net profit.

Today HPB has more than 153 thousand users of electronic banking. Wishing to be even more accessible to our customers, we are continuously developing eBranch which is unique in terms of the access by mobile banking and its functionalities. After mHPB, SuperSmart HPB account, on-line loan application, HPB has been the first in Croatia to develop the service eCash for cardless withdrawing of cash at ATMs and sending codes to other persons. Corporate customers have been provided with online opening of accounts and applying for loans. Developing digital channels and cooperating with the Croatian Post we are increasing our presence also in the most remote places in the country.

The most important event in 2018 was the acquisition of Jadranska banka (JABA), merged into HPB on 1 April 2019. With this acquisition HPB is strengthening its presence in central Dalmatia where large Regional Centre Šibenik has been opened to provide the support to the customers in Šibenik-Knin County. Merging JABA, HPB has added 40 thousand new customers.



The loans to SMEs grew by 20.6% and the volume of HRK two billion has been exceeded; HPB has identified itself as a partner supporting all entrepreneurs with a perspective on the market. The Bank focuses on innovations and industry specialisation, strong support to operations with exporters, IT sector and provision of services in tourism; the Bank encourages the creation of new enterprises and seeks solutions for financing those who need adequate collaterals. By digital banking HPB offers to entrepreneurs more and more possibilities to have faster and cheaper business operations, in regional centres financial education is provided to customers, and together with EBRD workshops have been organised for entrepreneurs as one of the priority groups of customers.

At the end of 2018 the Large Companies and Public Sector Division reached the volume of placements of HRK five billion and continued to increase the number of customers, especially in local community. Stronger development may be now supported, using EU funds and financing major projects.

In 2018 HPB Invest managed assets exceeding HRK one billion and thus seriously neared its peaks recorded in 2007 when the assets totalled HRK 1.3 billion. With the 5.05% market share, HPB Invest is today ranked sixth among the companies managing open-ended investment funds, and the market share growth in the last two years has been recorded as a result of the growth in the assets of HPB Bond Fund by 244.27%.

In 2018 HPB signed with the Zagreb Stock Exchange (ZSE) an exclusive agreement to encourage the development of small and medium enterprises and financing through the capital market. This is the programme where small enterprises have been enabled to access and raise capital on the Progress market of the Zagreb Stock Exchange issuing securities with HPB's support and advice, the Bank's more favourable loans and advantages for overall financial operation. The programme provides



stronger support to enterprises that can contribute to faster economic growth and growth in employment rates.

To keep the quality of its services at the highest level, the Bank increased availability to customers and improved its network, opening new and moving certain branches to better locations. The Bank also continued to develop and improve channels of distribution and to offer more functionalities and

products. At the end of 2018 the Bank had 52 branches, 6 outlets, 12 regional centres of small and medium enterprises, and with more than 1000 post offices providing also the services of the Bank, HPB provided its customers with the largest banking network spread throughout Croatia.

In 2018 Hrvatska poštanska banka was presented the Award for promoting mediation in consumer disputes. The award is granted by the Croatian Mediation Association to those providing for the application, education, improvement, development and promotion of mediation and culture of peace in Croatia. HPB is the first bank in Croatia that has invited its customers, consumers, to opt for mediation through the intermediary of the bodies for alternative dispute resolution/conciliation centres when they cannot resolve their disputes through direct contact with HPB. The Award encourages us to continue providing excellent services to customers and timely and efficient protection of their rights with the aim of having less disputes and needs for mediation in the future. The alternative consumer dispute resolution has been introduced by HPB at the beginning of 2018. The customers who do not in the direct contact with the Bank resolve their complaints may opt for one of the three bodies for the alternative consumer dispute resolution – the Croatian Mediation Association, and the Conciliation Centre or the Court of Honour within the Croatian Chamber of Economy.

By systematic service quality management, HPB is continuously reducing the number of complaints, and the majority of them, more than 70%, have been resolved within 24 hours i.e. as first contact resolution. According to relevant customer satisfaction surveys, HPB occupies high position according to their recommendations and trust.

Category: Environment

Practical activities

- HPB has implemented new channel in terms of a virtual – eBranch. Virtual branch relies on remote communication with customers, digital documents and qualified digital signature of documents. Such manner of business operation increases temporal availability of products and services to the customers and non-customers of the bank, and also has a positive impact on environment. Using



eBranch, the impact of means of transportation is reduced, and digital documents and signatures in the communication with customers reduce the quantity of paper used. Also, the needs are reduced for office premises, energy and resources required for the operation of the Bank.

- Following the implementation of the Bank's new website, new functionalities may be used through digital way of communication, reducing thereby the use of the resources such as means of transportation, paper, etc. The functionalities implemented within the framework of new website are: opening of accounts for natural persons, opening of accounts for corporate users, online loan applications for natural persons and corporate users, etc.
- HPB has been renewing IT infrastructure and has purchased a part of central computer equipment (DL380 servers) intended for virtualisation of IT services that will save the consumption of electricity.
- During 2018 the unified output management system (UoM) has been implemented; among other things it allows for grouping of customer output documents and as a result smaller quantities of envelopes and paper are used.

Green Office

Hrvatska poštanska banka is committed to promoting the importance of healthy environment and sustainable growth. The Bank regards environmental and social sustainability to be the fundamental aspect of achieving the results being in line with its goals and that the projects where environmental and social sustainability are encouraged are among the top priorities. Having this in mind, the Environmental and Social Policy was adopted in 2018, defining that environmental and social impacts of the projects financed by the Bank are to be addressed by promoting and encouraging the programs that result in major environmental and social benefits.



Introducing the Green Office initiative in 2012, Hrvatska poštanska banka has opted to be the institution which soundly and rationally manage energy and waste encouraging ecologically responsible behaviour of its employees, business partners and community where it operates. Among the activities of the Green Office the education of employees plays an important role seeking to diminish negative impact on the environment and to enhance the efficient use of resources in everyday office activities. Education is raising

awareness and motivation to change attitude to the consumption of energy and other materials in the offices. Taking such measures, not only the costs and negative impacts on the environment have been reduced, but also the quality of employee work has been better.

Also, through education employees' environmental awareness is enhanced. The Green Office writes about the current environmental trends and issues, and encourages reflection and engagement.

Since the launch of this Initiative, a significant saving of energy has been achieved. In 2018 the trend in reducing energy consumption mostly continued at the locations where measurements were made.

In 2018 the following actions were taken:

- Through the informative and educational Intranet Site – Green Message Board, the Bank continued to educate employees on an on-going basis on the current events, issues and interesting matters from the world of ecology and to advise them about the measures taken by the Office in terms of sound paper consumption, optimum heat regulation in the premises, rational water and lighting consumption, gathering old paper and toners in the special boxes, etc.
- In the newsletter “Moja HPBanka”, in its column “HPB thinks green” current environmental issues were discussed in details and the employees were advised on the manners in which they could contribute to the protection of environment.
- Waste paper was continuously collected in cooperation with the licensed company which was supplying the boxes for waste paper. All waste paper was transported for recycling. The licensed company did not cover the entire area of Croatia and individual branch offices of HPB took the initiative and joined independently the waste paper collection scheme in cooperation with other institutions.
- A record of the quantity of collected waste paper was kept by means of accompanying lists. In 2018, **17.5 tons of paper** was collected, **or 1.9 tons less than in 2017** as a result of smaller quantity of printed pages.
- All e-waste (obsolete computers, printers, fax machines) was properly disposed of at the companies licensed for e-waste disposal.
- In all its units and Bank's operational locations, throughout Croatia, the Bank introduced boxes for the purpose of gathering waste toners; they were then transported and disposed of in the correct manner at the company responsible for that.
- The Bank offers its customers the option of receiving bank account and credit card statements and updates via electronic mail.
- Reports on expenditure were regularly sent via emails to the users of corporate mobile phones for the purpose of achieving more rational use of such phones.

Future goals

- Further digitalization and rationalization of the IT infrastructure elements which will significantly minimise energy and ecological footprint of the Bank's information system.
- Implementation of the project involving digitalization of the process of input and internal documents seeking to accelerate internal circulation of documents and to minimise printing materials consumption and archival space.

- Complete the project involving digitalizing and expediting retail lending process which will reduce in the Bank's largest segment of lending operations paper consumption by 60%, and consequently minimise paper and printing materials consumption, archival space and its microclimate control, as well as the amount of waste produced.
- In 2019, the Bank will continue to implement the Green Office activities and will reduce office supplies and energy consumption even more.
- We are planning to strengthen our "green" team that will mobilize its local potentials and through several green actions create stronger links between employees and the community and help in solving environmental problems.

Category: Social

1. *Work conditions and decent work*

HPB is continuously taking care of and providing for the expertise and education of its employees in terms of the ever present foundation of the Bank's competitive power on the market. Besides, the Bank's employees are obliged to maintain their professional skills and comply with the professional and applicable regulatory requirements. HPB is supporting and promoting lifelong learning whereby it is directly affecting the creation of the added value of the company and is providing the opportunity to every employee to acquire knowledge necessary for his or her respective area of work. The employees have been actively trained both inside and outside the workplace, through professional counselling, workshops, seminars, conferences, specialized training courses and language and computer courses. The E-Classroom system has been further used and made permanently available to all employees irrespective of the time of use and location of a place of work.



Using the system of instruction provided with the help from internal trainers new and existing employees are continually educated for specific workplaces in order to train and prepare them sufficiently to perform their daily professional activities.

We continued to organize and implement on regular basis all relevant educational programs specifically designed for new employees – interns with the aim of introducing them directly and properly into the Bank's business, both in individual areas and in general, for the purpose of comprehensive and relevant preparation for their further work. After the completion of such programs all interns must take internship exam based on which their future employment status is determined and they are steered in the direction of business areas where they can achieve the best possible results.

The educational programs include:

- Internal education
- External education
- Education via E-Learning platform

In case of the internal education, in 2018 the Bank focused mostly on the education of new and existing employees concerning the following topics:

- HPB-Invest agent license test
- AML & COMPLIANCE ... and why do we need them
- Asset Liability Management (ALM) & Total Bank Management (TBM)
- Cashier operations
- Voluntary retirement savings
- GDPR – General Data Protection Regulation
- Credit process
- MIFID
- Creditworthiness assessment for natural persons

The internal courses were not only organized in order to introduce new employees into their work but also to provide regular learning opportunities to all employees to enhance their skills.

In 2018, the project HPB 2.0 was also organised with the aim of identifying and educating employees who will be agents for change in the Bank. For that purpose, for more than 70 of them nine different education programs and workshops were organised. Programs of professional education referred to project management while the programs concerning the area of “soft” skills referred to time and goal management and maintaining focus, successful problem solving and decision making, assertiveness and taking responsibility, and negotiation and use of influencing styles. Upon the completion of the project, the participants proposed their own projects that would contribute to changes, and the best of them were selected. In that way, in addition to education the participants were able to apply their knowledge in practice and were rewarded for that.



A significant number of employees attended, as every year, education in soft skills, specifically – team work, managerial skills, team development and communication skills.

Via the E-Classroom system, the following topics were studied: the Anti-Money Laundering and Terrorist Financing Act, information system security and appropriate use of the Bank's information system, GDPR and Code of Conduct and whistleblowing policy. At the end of the year the intensive courses were organised for persons working in the Bank's sales network for the purpose of maintaining sound level of knowledge related to the Law on Consumer Housing Loans.

In 2018, in the external education programs the employees were acquiring their professional knowledge participating in different workshops, seminars, conferences and programs of education. In addition to that, for employees occupying the positions requiring them under the law to pass certain state-level exams the Bank organized both, the required courses and the exams. Also, the Bank organized the employee training on compliance with regulatory framework and changes. The emphasis was also placed on strengthening management skills and on several occasions external lecturers were engaged for the programs of education in Manager as Coach and Employee Management through sale for employees at managerial positions.

HPB's employees participated in important conferences covering the world of banking, finance, green construction, communications, marketing, human resources management, and they may be proud that they were also lecturers in such conferences and participants of roundtables.

The E-Learning platform provides access to the materials given to those employees attending certain seminars/workshops/conferences so that such materials are available also to other employees of the Bank and that the Bank may encourage knowledge sharing.

Organising the conference “Strategies at the time of disruption – new rules of competitiveness”, HPB has demonstrated that it takes account of the changes in the market that are important not only for the customers but also for the employees. The topic discussed was digital transformation that is rapidly changing business scenarios and bringing new rules of competitiveness. The discussion was led by Mr **Kamal Ahmed Munir**, professor at the University of Cambridge.



Practical activities

- New Health and Safety at Work Rules have been adopted in compliance with new Act on Amendments to the Health and Safety at Work Act
- Regular meetings of the Health and Safety at Work Board for the purpose of monitoring the state of Health and Safety at Work in the Bank
- Raising the level of fire protection and security, upgrading fire-alarm system and installing new ones
- Elimination of potential health hazards in the Bank
- Improving the microclimate and lighting in the workplace
- Raising awareness of possible emergencies requiring emergency evacuation of the premises
- Carrying out emergency evacuation and rescue drills
- Tests prescribed by law and serving as preventive measures and those assessing the impacts on employees' health were carried out
- Continuous improvement of workplace quality through ergonomics and occupational safety and health measures (replacement of old IT equipment and defective chairs at workplaces)
- Following the campaign of the European Agency for Safety and Health at Work EU-OSHA.

Future goals

- Prepare new contents for the education in health and safety at work via E-Classroom
- Digitalise the health and safety at work processes
- Control the Bank's locations in terms of improved secure work conditions (internal control of locations)
- Carry out emergency evacuation and rescue drills exercises in the Bank's premises
- Review risk assessment in the health and safety at work domain
- Eliminate potential threats to human health and the Bank's property
- Continue to follow new global trends and regulations in the area of health and safety at work
- Ensure further training for experts in health and safety at work in the Bank.

Additional care for employees

- 1) The employees have been ensured additional and supplementary health insurance in cooperation with a Croatian insurance company
- 2) Benefits in terms of discounts on theatre tickets and different recreational and wellness programmes
- 3) Lower rates of interest on loans
- 4) Discounted electricity rates (discount in case of HEPI tariff)
- 5) Various extraordinary monetary aids
- 6) The employees may go to events sponsored by HPB at fair prices, such as organised visits to exhibitions
- 7) The employees have been regularly informed of all important events in the Bank via Newsletter and Internal web portal

2. Human rights

In connection with the corporate social responsibility principles which refer to the respect for and observance of human rights, in 2018 Hrvatska poštanska banka carried out the activities continuously not only in the sphere of information security in business, but also in the sphere of protection, education and care of all employees of the Bank. The Bank controlled and improved work conditions, continuously educated and raised information and physical security awareness of its employees.

Information security

During 2018 too, the Bank strongly focused on the protection from fraud attacks against its information system, as well as on a recently growing number of malware-based attacks against financial institutions.



- The Bank uses Anti-Malware and Anti-Fraud tools and the group for fraud prevention has been established within the Corporate Security Office.
- The educational and informational activities for the Bank's employees and customers were broadened.
- The Bank's information system security management was additionally improved and upgraded.
- The cooperation and information exchange amongst the banks in Croatia in the area of information security take place on an on-going basis.
- The Bank is keeping pace with the global trends in the protection of information and against new security threats to the information system.
- The awareness of the need for more investments in the information security systems has been raised.
- The Bank is purchasing new information security related tools which raise the level of security of both, employees and customers.

Future goals

- The Bank will continue to keep pace with global trends in the protection of information and against new security threats to the information system, and will upgrade its cyber security protection.
- The Bank will continue to inform and educate its employees and customers in the area of information security.
- Using newly supplied tools and fully implementing them, the Bank will be able to detect the difference between irregular and normal behaviour of individuals and processes, all seeking to protect information system against new security threats.
- The Bank will continue to cooperate and exchange information with other banks in Croatia in the area of information security.

3. Society

Hrvatska poštanska banka is a socially responsible institution, aware of its environmental impact, and understands that activities and business operation in a society imply also a constant care and respect for it. One of the activities whereby the Bank exercises social responsibility is supporting the community through grants and sponsorships.

We support the projects at the local and national level which encourage the creation of new values, seeking to promote knowledge and excellence and to preserve cultural heritage of our country. Special care is taken also of humanitarian organizations and campaigns.

- **For humanitarian purposes:**
 - Clinical Hospital Centre Split – the premises of new Institute of Transplantation were arranged
 - Cancer Patients Society “Sv. Juraj” – assistance to organize The Terry Fox Run
 - Organisation “Debra” Croatia
 - Rotary Club Zagreb Zrinjevac – assistance to organize the humanitarian campaign for the Special Hospital “Goljak”
- **Education:**
 - National Foundation for the Support of Students' Standard
 - Faculty of Economics and Business of the University of Zagreb - "3rd International Conference on European Company Law and Corporate Governance"
 - Student Entrepreneurship Incubator of the University of Zagreb - International Conference “BEE 2018- Business & Entrepreneurial Economics“
- **Sports:**
 - Croatian Handball Federation
 - Croatian football club “Gorica”
 - Basketball club “Kaštela”
 - Football club “Pauk Marina”
 - Beach volleyball club “Žnjan”
- **Culture and social events:**
 - 303rd Tournament of “Alka” in Sinj – the Alka Knights Tournament Society Sinj
 - 58th Split music festival
 - 34th Youth Salon – “Panoptikon” - Croatian Association of Artists
 - 48th Varaždin Baroque Evenings – Concert Office of Varaždin
 - 14th Cash & Carry Day – Academy of Fine Arts of the University of Zagreb
 - Project “De/construction of painting“ – Croatian Association of Artists
 - Festival of the European Short Story – Croatian Writers Society

- **Conferences and economic events**

- 21st Conference “Croatian Money Market” – “Tržište novca d.d.”
- Conference “48 Hours” – Lider media d.o.o.
- 6th International OFEL Conference 2018 – CIRU
- 8th Croatian Congress of Pediatric Surgery – Croatian Medical Association
- 10th Agritourism Fair of the Šibenik – Knin County
- “Urbanovo 2018” - Wine and Grape Growers Association of Međimurje “Hortus Croatiae”

HPB's athletes often take part in humanitarian campaigns, and in 2018 they joined the humanitarian run “Mladene probudi se” dedicated to Mladen Rusmir who has been seriously injured and in the state of vigil coma for 19 years. The money collected from participation fees and grants was applied to buy the equipment that would ease hard living conditions to Mladen.



That HPB has humanitarian heart was confirmed by HPB's humanitarians who visited before Easter and Christmas children in Vugrovec and Dubec who have no families. They brightened their holidays giving them presents and spending time with them.



Not only through sponsorships and grants, but also through its products and services and their availability through the cooperation with the Croatian Post, the Bank remained close and accessible to individuals and business partners throughout Croatia, as well as to special groups of individuals, such as young people, students and pensioners.

With its partners, the Croatian Association of Artists and the Academy of Fine Arts in Zagreb, HPB organised the first sales exhibition of art students “Cash and Carry”. This project provided the students with the opportunity to sell their paintings in the remarkable Meštrović Pavilion space, get motivation

for further work, and the buyers with the opportunity to buy at acceptable prices selected works of the students of four Academies of Fine Arts and all together build the Croatian art market.



Financial Literacy Projects

Seeking to enhance the awareness of the importance of the proper ways of managing finances of individuals, businessmen, public sector stakeholders and those involved in political life, HPB is aware of how important financial awareness is and is organising different programs of education for individuals, businesses, students and children – its present and future customers. The employees of the Bank are dedicated to their work with customers and are prepared to enhance their knowledge related to financial products, potential risks and planning of personal, family and business finance.

As a socially responsible institution, in 2018 HPB promoted through different programs the importance of the financial responsibility and literacy for different groups of customers. In order to contribute towards the improvement of financial literacy, in particular of students, the Bank organized in March Financial afternoon with the President of the Management Board Mr Tomislav Vuić. For the fifth year in a row it organized within the European Money Week the classrooms for the secondary school students in its branches across Croatia – in 2018 more than 500 students visited the classrooms.



In 2018, HPB ran the program of education for entrepreneurs, focusing on women. With a view to better connecting and financing entrepreneurial projects, HPB and the European Bank for Reconstruction and Development (EBRD) organised in April the conference “Women in Business”. HPB developed along with the credit lines for the projects started and run by women also the model of support to entrepreneurship where the Bank also trained the customers with partner institutions.



In order to additionally provide for better understanding of financial literacy of individual customers, HPB continued to hold educational “Cups of coffee with HPB” in its central branch in Zagreb at Jurišićeva Street. This is the project where in a friendly atmosphere the bankers give tips to customers to help them better manage their money and answer their questions concerning finances. Several successful “Cups of coffee” were held on housing loans throughout Croatia and they attracted a lot of persons.

Future goals

- In 2019 HR plans to start the identification and the program of successor preparation or taking over businesses
- The programs of education have been planned for all managers on performance management and giving feedback
- We plan to elaborate the program “Let’s move” where the employees would be given opportunities to change career and take responsibility for it, horizontal career growth and acquisition of new competences, etc.
- In 2019 we plan to introduce the program “HPB chooses the best” – system of recognition and rewarding of the best employees
- We plan to continue to train all employees involved in housing loans both in traditional classrooms and through E-Classroom system in order to maintain sound quality of knowledge
- We plan to additionally educate the employees on anti-money laundering and terrorist financing both in traditional classrooms and through E-Classroom system
- In 2019 we plan to introduce different education modules on professional topics for all present and new network employees

- The Bank will continue to support the community and society where it operates through sponsorships and grants to those who need them most
- The Bank will further develop internal communication through existing channels (newsletter and intranet), and we also plan to develop new intranet sites
- Further activities and projects fostering financial literacy in retail customers and entrepreneurs, focusing in particular on small, medium, women and micro businesses
- We plan to organise the Day of Socially Responsible Business when the socially responsible activities of the Bank will be presented to the employees, seeking to encourage them to join such activities
- Active promotion of women entrepreneurs and micro entrepreneurs

4. Product liability

Implementation of Anti-Corruption Programme

In furtherance of the Anti-Corruption Strategy of Hrvatska poštanska banka for the Period 2015 – 2020, the Bank performs the activities referring to the promotion of business integrity and transparency, through:

- improvement of corporate governance
- improvement of customer relationship and communication by strengthening customer satisfaction and loyalty
- alignment of business operation with laws, regulations and norms
- improvement of internal control system and operation of control functions
- promotion of ethical conduct and behaviour.



The Bank is continuously aligning its operations with the Croatian and EU legislation. For the purposes of efficient compliance risk management and promotion of the standards laid down in the Compliance Policy, the compliance function in the Bank is continuously working towards developing stronger corporate awareness and culture of all employees. Training programs are organised in order to advise employees on the requirements of new regulations, and duties and responsibilities with regard to business compliance are clearly defined.

As one of the key elements of keeping business integrity and improving transparency of operations, the Bank has adopted the Whistleblowing Policy regulating the situations where the Bank's employees report potential illegal/unlawful conduct. Receiving and addressing complaints and objections of customers with regard to irregularities in the Bank's operations and breaches of code of conduct by the Bank's employees have been regulated by the Working Instruction how to resolve complaints and objections.

In 2018 the Bank has, adopting new Code of Ethics, applied to all the members of HPB Group, set the principles, guidelines and requirements related to ethical business operation with all persons and entities with which the Bank/member of HPB Group comes into contact within its operations (customers, employees, community, shareholders, regulatory bodies, contractual partners, competition). The Code of Ethics ensures that the employees while performing their duties comply

with high ethical and professional standards. In that respect, the programs of education of employees have been organised.

Also, the Service Quality Management Office continues to measure and survey customer satisfaction and to propose improvements to business areas responsible for service quality improvement. This Office also manages and coordinates the process of resolving complaints, objections and other requests of the customers, in cooperation with other organisational units of the Bank.

Prevention of money laundering and terrorist financing

Being under obligation to undertake measures and actions set out in the Anti-Money Laundering and Terrorist Financing Act, in 2018 the Bank was in the process of aligning with new regulatory framework governing the prevention of money laundering and terrorist financing, and:

- was undertaking in a consistent manner the measures and actions prescribed by law and regulations passed in accordance with the Act
- was systematically developing and improving software in the area of money laundering and terrorist financing detection and prevention
- organized a series of training courses/workshops for 249 employees of the Bank, 43 employees of Jadranska banka and 11 employees of the Croatian Post (internal trainers).

Since while providing payment services in the name and for the account of the Bank, the Croatian Post takes measures and carries out activities prescribed under the Anti-Money Laundering and Terrorist Financing Act, and in order to ensure that the standards used by the Bank for detecting and preventing money laundering are also applied by the Croatian Post, HPB:

- provides for the education of the internal trainers of the Croatian Post
- verifies whether the bylaws of the Croatian Post governing the detection and prevention of money laundering and terrorist financing are in compliance with the standards used by the Bank
- supervises efficient implementation of measures, actions and procedures to detect and prevent money laundering and terrorist financing, prescribed under the bylaws of the Bank and the Post.

Prevention of market abuse and manipulation

In 2018, no conflict of interest was recorded and no use of inside information by insiders was reported or noted. The Bank continued to keep the Register of personal transactions of relevant persons and employees of the Bank and personal transaction reporting has been regularly controlled. Also, all the employees discharging managerial responsibilities in the Bank and persons closely associated with them, as well as persons having access to or being in possession of inside information have to acknowledge in writing (sign statements) the legal and regulatory duties entailed and have to be aware of the sanctions applicable to trading in financial instruments on the basis of insider information and/or unlawful disclosure of inside information or market manipulation, in accordance with the provisions of EU Regulation on market abuse.

Future goals

- Further enhance efficiency, integrity, ethics and transparency in business.
- Undertake actions to set up the Anti-Bribery Management System standards.
- Educate the employees in respect of ethical principles of business operation and rules of the employees' conduct, conflict of interest, prevention of market abuse and manipulation, reporting irregularities, anti-corruption.
- Further improve anti money laundering and terrorist financing system and internal control system in risk assessment processes related to money laundering and terrorist financing.
- Educate and train employees in the sphere of the application of individual regulatory frameworks in order to ensure compliance with and application of laws, regulations and guidelines of the regulator.
- Further enhance also a culture of money laundering and terrorist financing risk management seeking to raise the awareness and understanding of money laundering and terrorist financing risks.
- Introduce new software for detection and prevention of money laundering and terrorist financing in order to facilitate and accelerate detection of suspicious transactions and persons, simplify analytical work and improve communication of responsible persons in the Bank.
- Continue to actively implement and improve the practices that enhance the transparency of procedures and business operation, including also reassessment and improvement of public disclosure.