



HRVATSKA POŠTANSKA BANKA

**HPB d.d. 9M 2021**

Investor information



**HRVATSKA POŠTANSKA BANKA d.d.**

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LEI	529900D5G4V6THXC5P79
Home Member State of Issuer	Republic of Croatia
ISIN	HRHPB0RA0002
Stock Exchange Identifier	HPB-R-A
Regulated Market/ Segment	Zagreb Stock Exchange Inc. Official Market

Zagreb, October 29<sup>th</sup>, 2021.

No: F21-6/2021-TB

**Zagreb Stock Exchange Inc.**

**Croatian Financial Services Supervisory Agency ("HANFA")**

**Croatian News Agency OTS HINA**

**Subject: HRVATSKA POŠTANSKA BANKA, p.l.c.**  
**- Other non-regulated information**

Hrvatska poštanska banka, p.l.c. announces Investor's materials for the period ended September 30<sup>st</sup>, 2021.

**Hrvatska poštanska banka, p.l.c.**

# Limitation of liability

- The information and data contained in this presentation are intended to be general background information on Hrvatska poštanska banka p.l.c. (hereinafter referred to as the Bank or HPB) and its activities. It is supplied in summary form and therefore not necessarily complete. Certain statements contained herein may be statements of future expectations and other forward-looking statements about HPB, which are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, words such as "may", "will", "should", "expects", "plans", "contemplates", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions typically identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. As such, no forward-looking statement can be guaranteed. Undue reliance should not be placed on these forward-looking statements. Many factors could cause our results of operations, financial condition, liquidity, and the development of the industries in which we compete, to differ materially from those expressed or implied by the forward-looking statements contained herein.
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## **2 Macroeconomic environment**

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## **3 Financials**

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## **4 Risk Management**

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## **5 Appendix**

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# Highest 9M profit after tax

## Accelerating on our strategic pillars

- **The most accessible bank on the market** with exclusive combination of HPB branches together with externalized services and products in post offices
- Cost reduction in the declining margins environment, **improved C/I performance indicator (-6.3 pp vs. 9M 2020), adequate and sustainable ROAE (+1.3 pp vs. 9M 2020)** and above market level\*
- **Strengthening digital channels (+51.2 % mbanking transactions volume)**

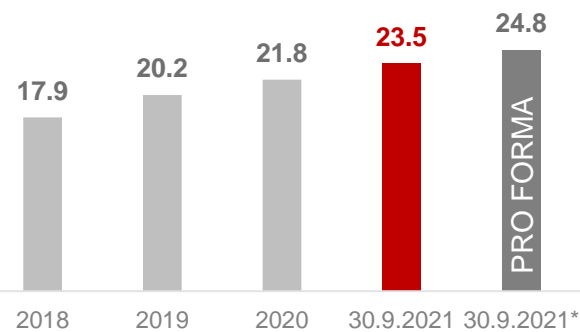
## Continuously strong capital position

- Continuous favourable trend in capital light performing portfolio and optimisation of RWA
- We continue to **fortify** our position by harnessing efficiencies in our **risk and interest profile**

## Strong organic growth in 2021

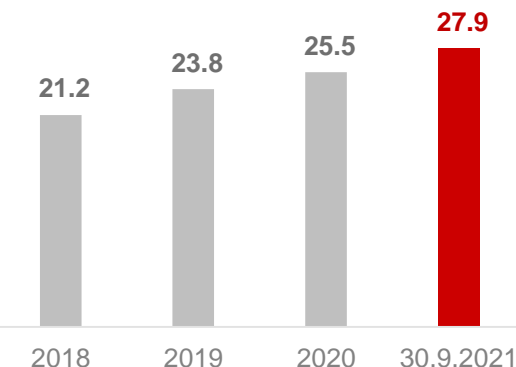
- **Asset increase HRK +2.4 bn** in 2021
- **Historically highest LCR** at 194 %
- Lowest 9M 2021 provision as a result of **improved portfolio quality**

CET 1 (%)

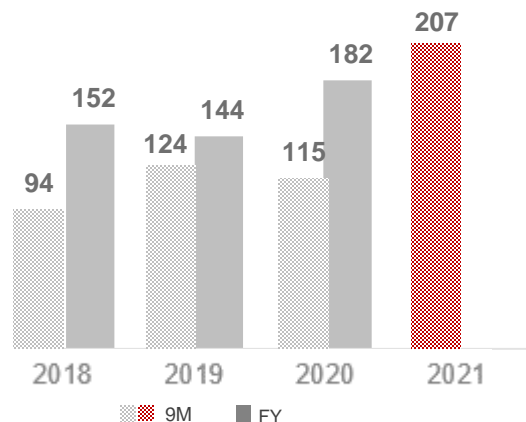


\*CET 1 ratio with inclusion of 6M 2021 net profit

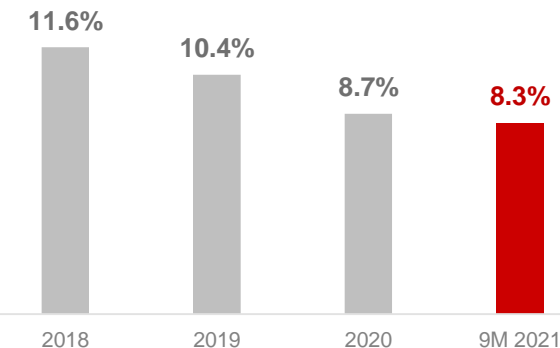
Total assets (HRK bn)



Net profit (HRK mn)



NPL % (excluding 100 % gov. guaranteed exposure)



\* Market data for 6M 2021 8.1 %, HPB 11.6 %

- Income statement items are shown in cumulative from start of the period until the reporting date, 9M = cumulative 01.01.2021 – 30.09.2021
- Balance sheet items are shown as at reporting date, 31.12.2020 and 30.09.2021

# Key Financials 2021

## Operating profit (in HRK mn)



Growth driven by increase in net fee income & trading income, reduction of deposit insurance premium along with maintaining remaining expenses on PY levels.

## Gross loans (in HRK mn)



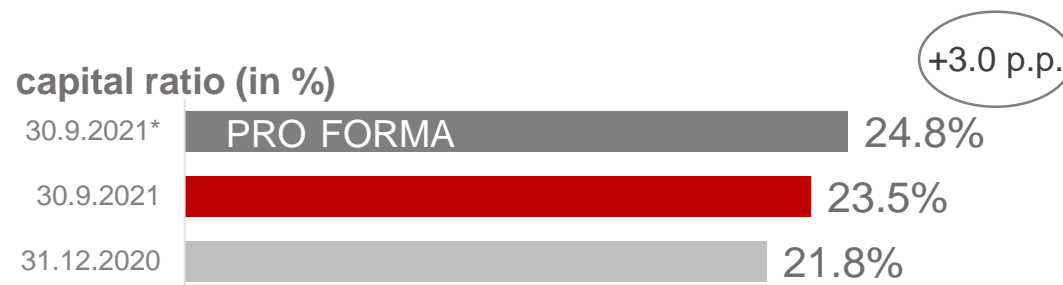
Increase of housing loans exceeded by the decrease in central government and corporate segment.

## Profit after tax (in HRK mn)



**Highest 9M profit after tax**, in addition to improved operating profit, positive impact of efficient provision management.

## CET 1 capital ratio (in %)



Elevated capital position.

\*Pro forma CET 1 ratio with inclusion of 6M 2021 profit after tax

- Income statement items are shown in cumulative from start of the period until the reporting date; 9M = cumulative 01.01.2021 – 30.9.2021
- Balance sheet items are shown as at reporting date; 31.12.2020 and 30.09.2021

# Highest 9M profit after tax in history

		2019	2020	30.9.2021	*
Assets	HRK mn	23,844	25,500	<b>27,851</b>	▲
Net loans to customers	HRK mn	13,341	14,725	<b>14,514</b>	▼
Deposits	HRK mn	20,069	21,214	<b>23,037</b>	▲
Equity	HRK mn	2,370	2,473	<b>2,673</b>	▲
CET 1 capital ratio	%	20.2	21.8	<b>23.5</b>	▲
NPL ratio	%	10.8	10.4	<b>9.7</b>	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	10.4	8.7	<b>8.3</b>	▼
NPL coverage	%	67.5	62.2	<b>61.1</b>	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	70.0	74.2	<b>72.3</b>	▼

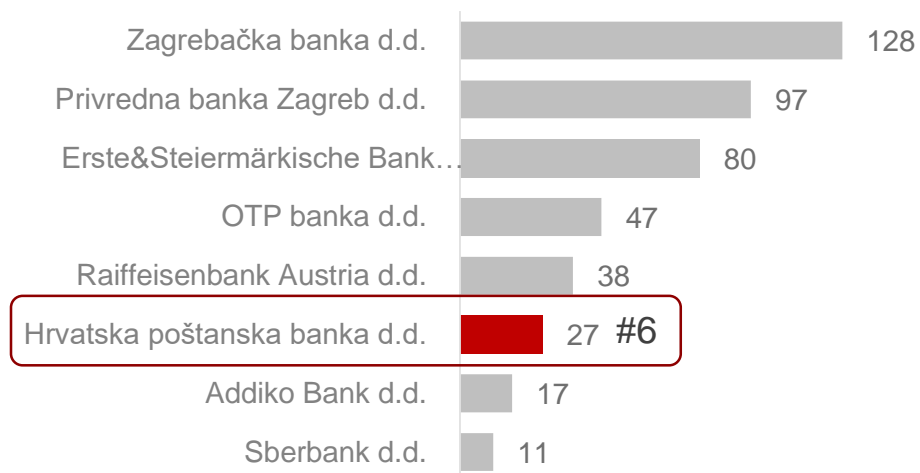
  

		2019	2020	9M 2020	9M 2021	*
Income	HRK mn	1,227	1,121	846	<b>876</b>	▲
Net profit	HRK mn	144	182	165	<b>207</b>	▲
Cost-to-income ratio	%	61.3	64.1	62.6	<b>56.3</b>	▼
Return on equity (ROE)	%	6.1	7.4	9.0	<b>10.3</b>	▲

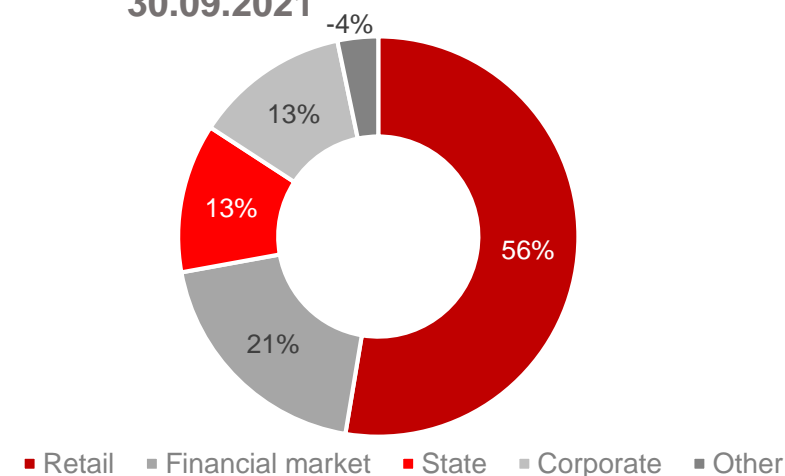
\* Balance sheet items and comparatives are shown as at reporting date; 31.12.2020 and 30.09.2021; while income statement items and comparatives are shown in cumulative (9M) from period start (01.01.2021) until reporting date (30.09.2021)

- Strong organic growth in 2021, asset increase HRK +2.4 bn
- Highest 9M profit after tax
- Improved NPL ratio as a result of effective collections approaches

## Market share by total assets as of 30.06.2021 (in HRK bn)



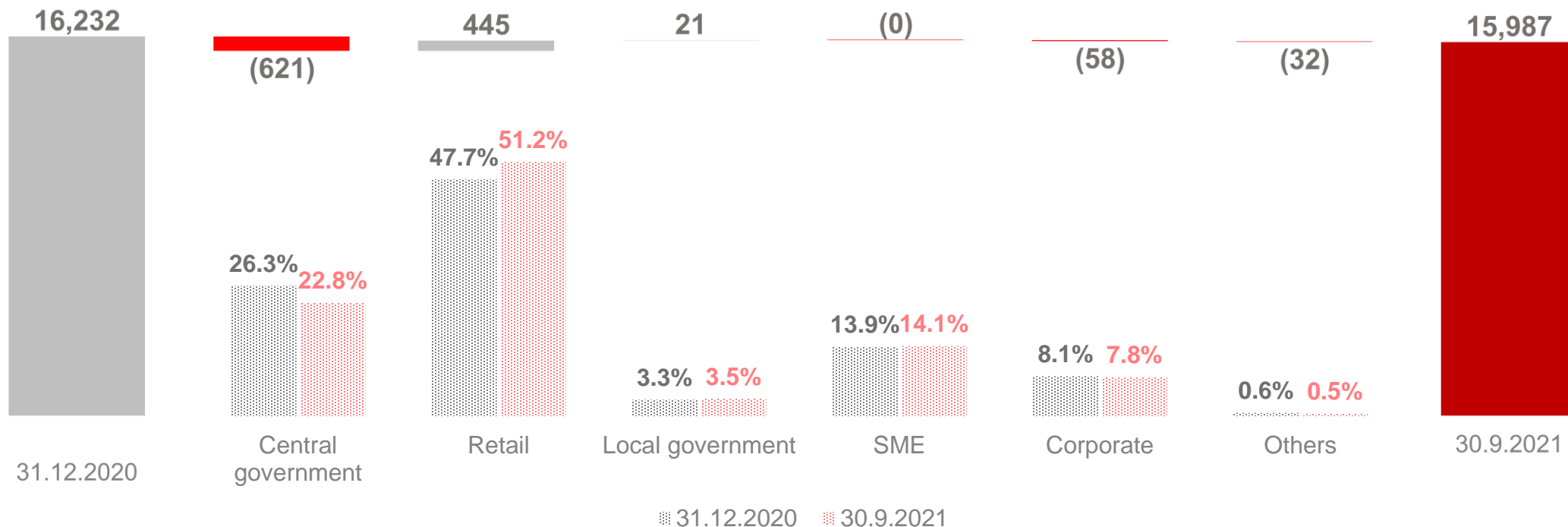
## Composition of Net profit as of 30.09.2021



Source: HPB management reports

# Gross loans development

Gross loans (in HRK mn)

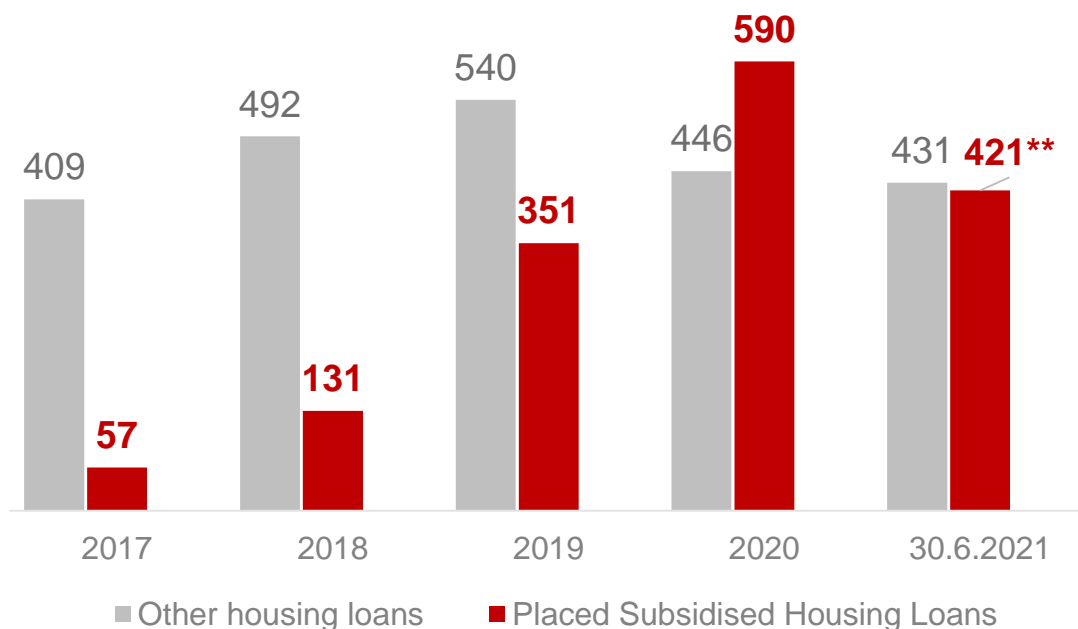


- The Bank **supported Croatian economy** during COVID-19 pandemic with SME segment market share in **HAMAG-BICRO COVID** guarantee schemes significantly above Bank's market share, 36 % tourism and sport, 39 % culture and media and 70 % sea, transport and infrastructure at 30.09.2021, while corporate and SME segment market share in **HBOR COVID** programs amounting to 5.6 % in liquidity programs, 12 % in sea, transport and infrastructure programs and 100 % in tourism and sport programs at 30.06.2021
- Retail loans increase supported by higher housing loans (HRK +544.7 mn or +14.7 %) representing stable upward trend
- Prolonged and successful tourist season resulted in high liquidity of central government sufficient for regular business, following months will show additional needs of RH for loan financing

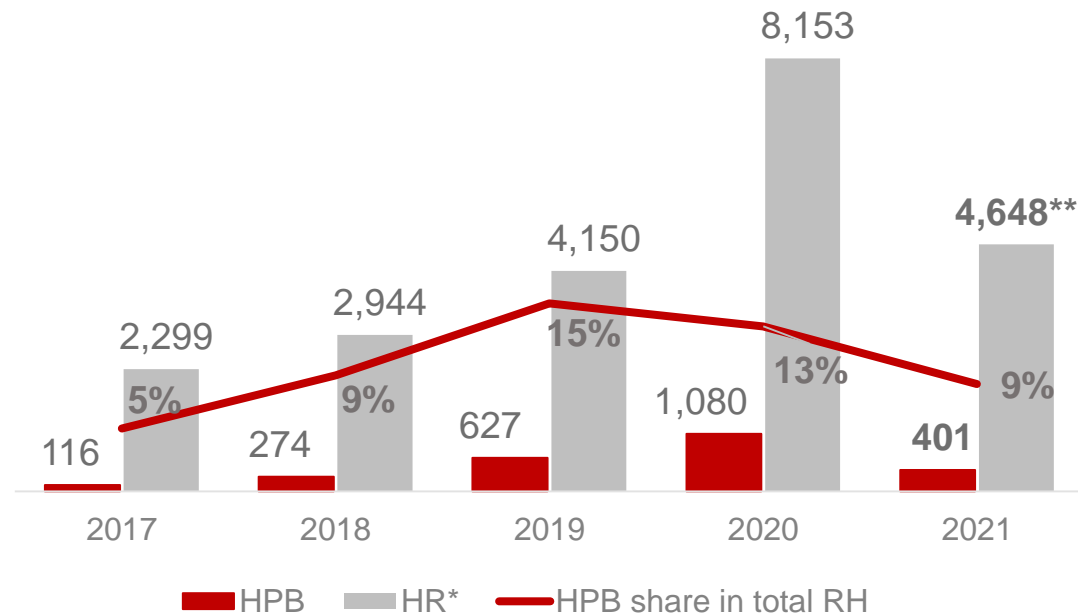


# Subsidised Housing Loans

Housing loans volume (in HRK mn)



Number of approved subsidised housing loans



- The Bank continuously participates in subsidised housing loan program
- In the last, sixth, round, the Bank approved HRK 270 mn APN loans
- Approved but not-yet-placed subsidised housing loans in the amount of HRK 17 mn at 30.09.2021
- HPB offers HRK loans at EIR of 2.09 %, the lowest among all 14 banks participating in the housing subsidy program in 2021

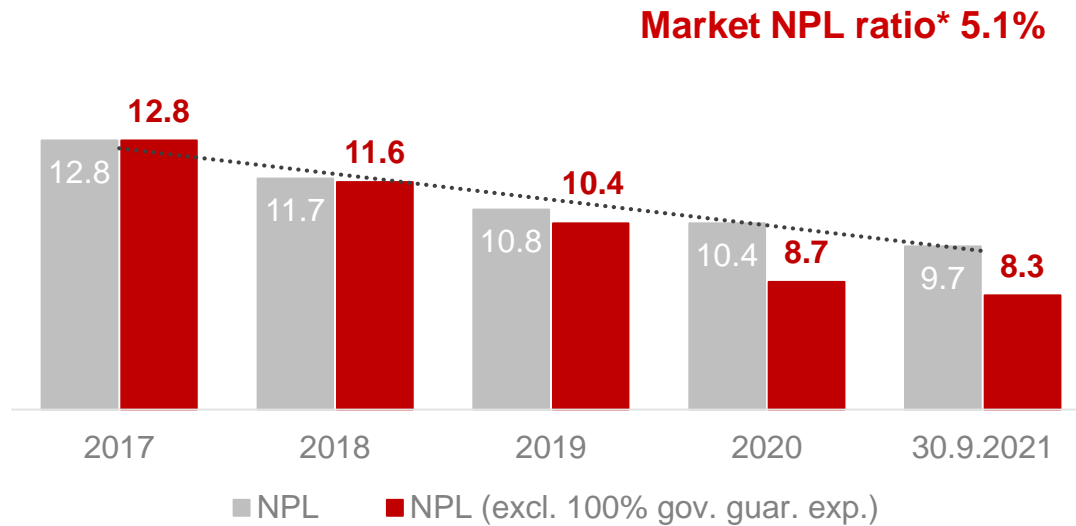
\* Source <https://mgipu.gov.hr/>

\*\* Data of approved loans as of 11.10.2021

\*\*\* Includes loans placed from prior years APN tranches

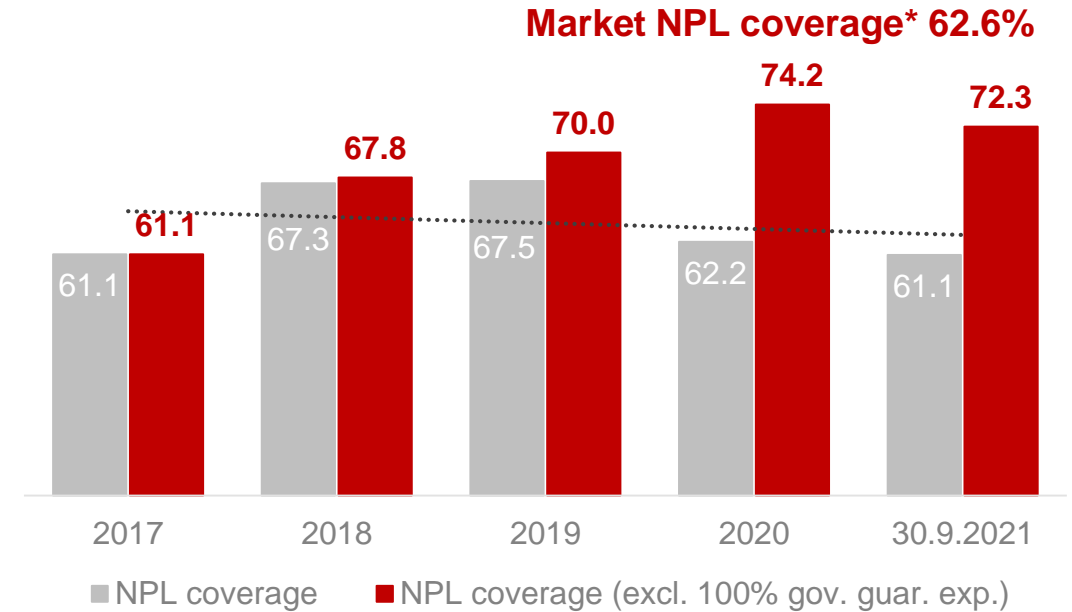
# Portfolio quality improves

## NPL ratio development (in %)



\* As of 30.6.2021

## NPL coverage development (in %)



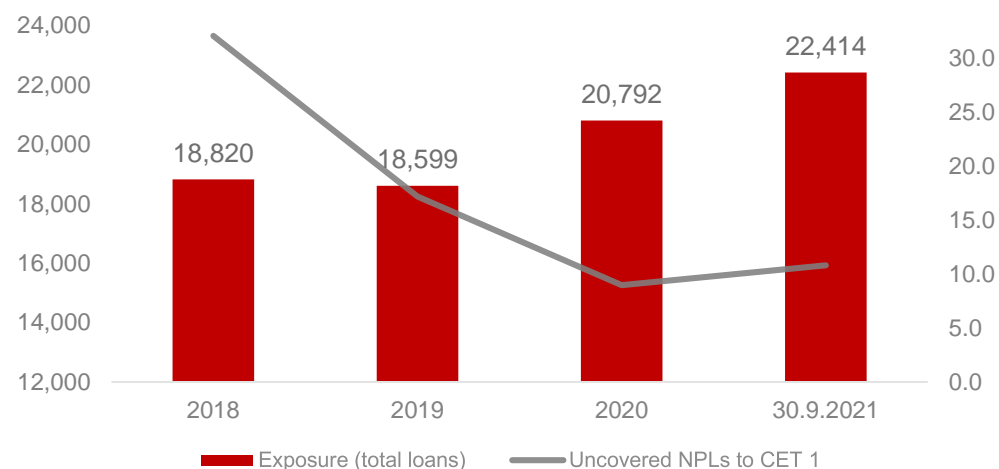
- As a result of adequate collection activities, NPL portfolio is at the lowest level in the observed period, in combination with asset increase this leads to positive trend in coverage and NPL share
- Excluding 100 % government guaranteed exposures, NPL share is at the lowest level in the last 5 years
- Based on continuous favourable trend in relevant ratios as a result of successful collection activities we expect further positive trends in NPL ratio until the year end which is inline with Bank's objectives

# Strong NPL coverage

		2018	2019	2020	30.9.2021
Exposure (total loans)	HRK mn	18,820	18,599	20,792	22,414
Total NPL stock	HRK mn	2,201	2,009	2,163	2,182
NPL %	%	11.7	10.8	10.4	9.7
Loss allowance for loans	HRK mn	(1,632)	(1,554)	(1,599)	(1,565)
NPL loss allowance	HRK mn	(1,481)	(1,355)	(1,346)	(1,332)
PL loss allowance	HRK mn	(151)	(199)	(254)	(233)
NPL Coverage	%	67.3	67.5	62.2	61.1
NPLs not covered by provisions	HRK mn	569	455	563	617
NPLs with 100% government guarantees	HRK mn	0	76	356	348
Uncovered NPLs	HRK mn	569	379	207	269
CET1*	HRK mn	1,777	2,209	2,314	2,490
Uncovered NPLs to CET 1	%	32.0	17.2	8.9	10.8

\*CET 1 without inclusion of 6M 2021 net profit

## Uncovered NPLs to CET 1 trend



- Active NPL portfolio management with an objective to maintain uncovered NPLs to CET1 ratio at low level
- Government guarantees represent a safety net on top of covered exposures of operating companies serviced by regular debt repayment

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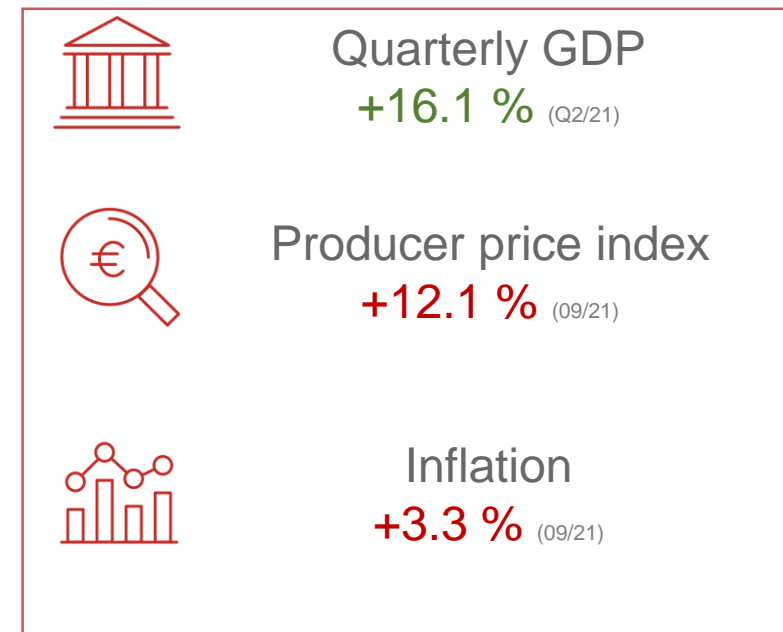
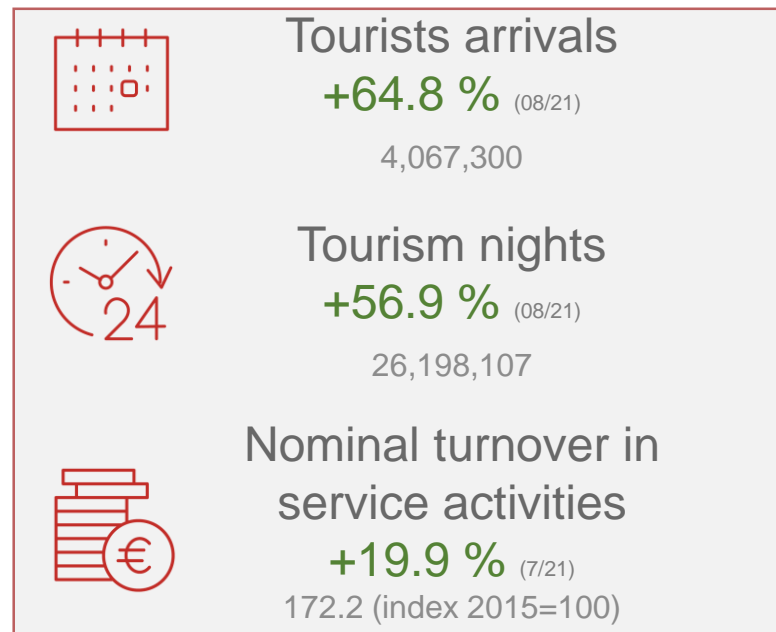
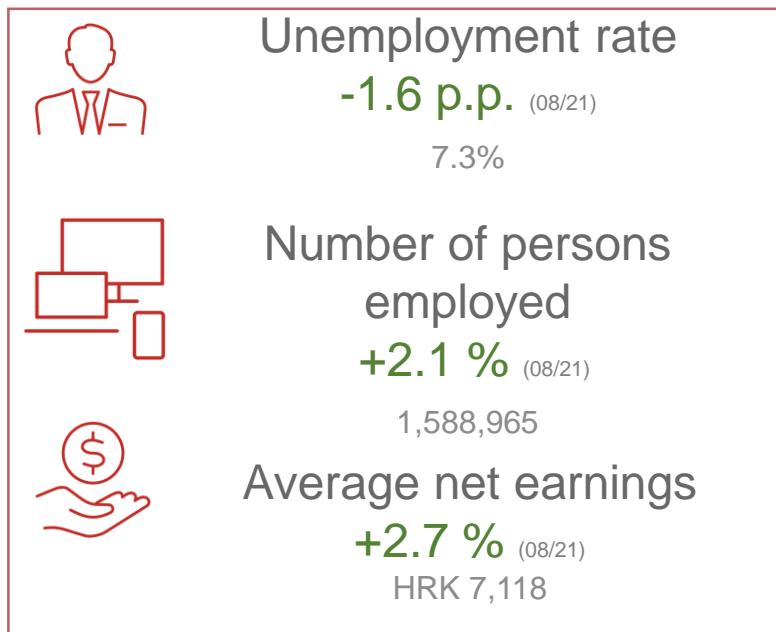
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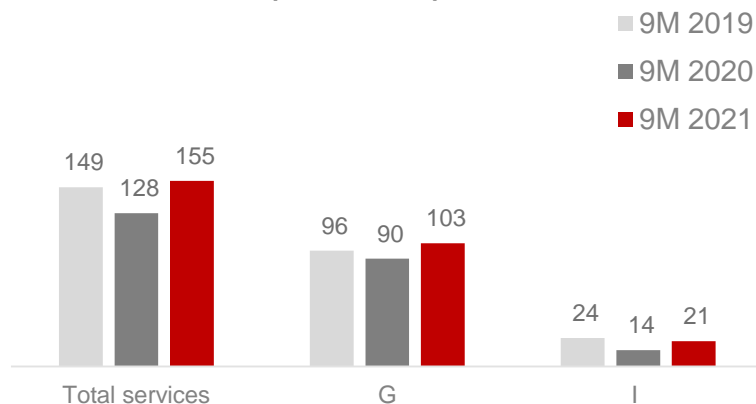
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# Economic indicators (y-o-y)

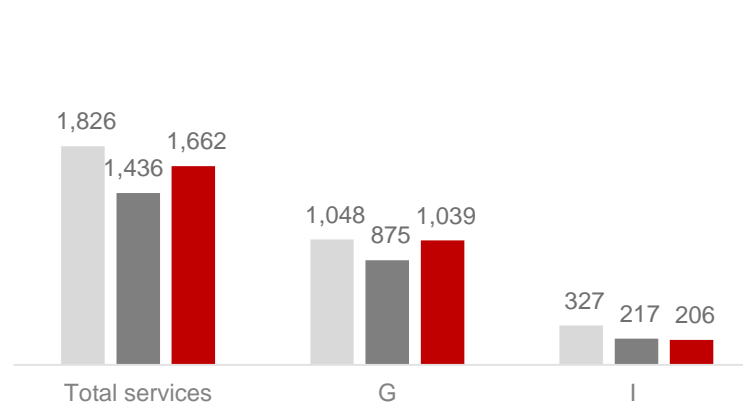


Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (July, August and September 2021)

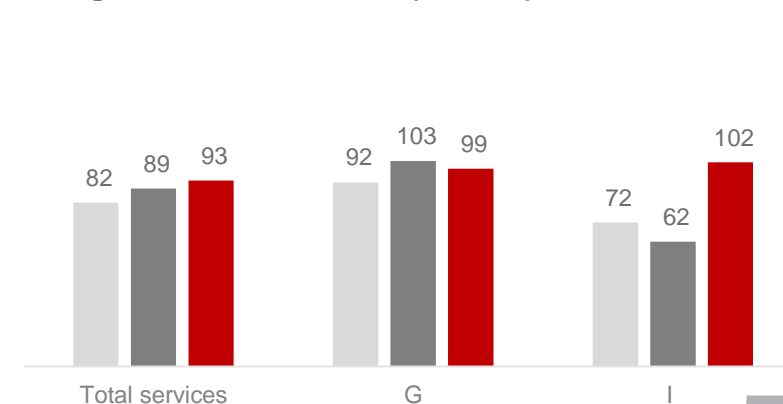
**Account balance\* (in HRK bn)**



**Number of accounts\* (in mn)**



**Average account balance\* (in HRK)**

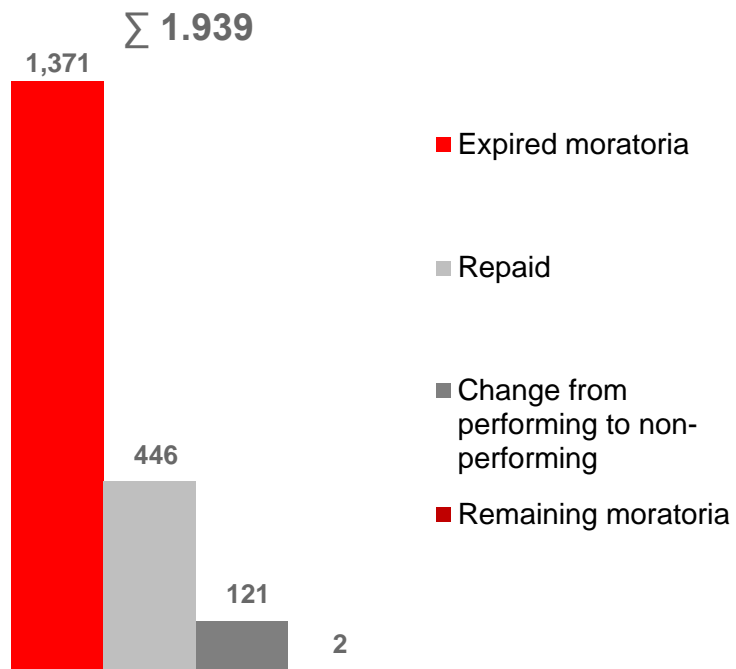


\*Source: <https://www.porezna-uprava.hr/Dokumenti> (data 2019, 2020 and 2021)

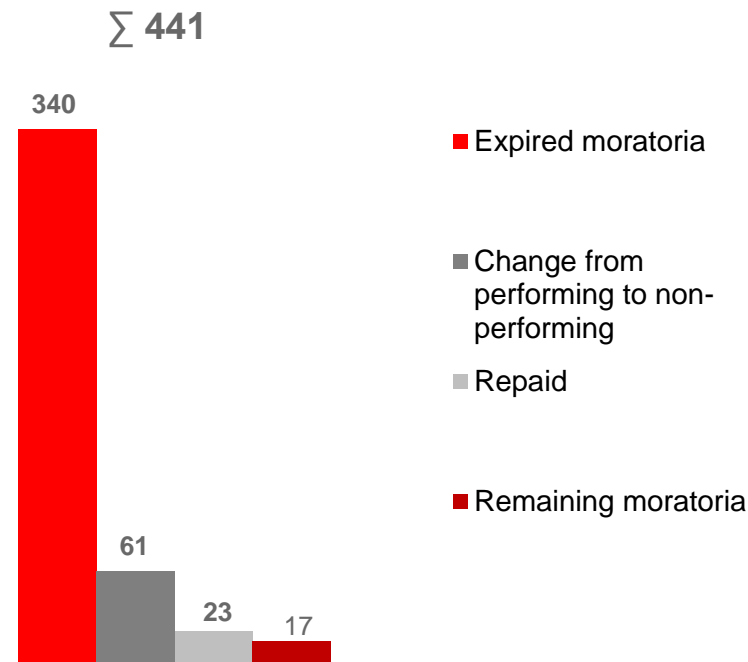
"G- WHOLESALE AND RETAIL TRADE OF MOTOR VEHICLES AND MOTORCYCLES, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES  
 "I- ACCOMMODATION AND FOOD SERVICE ACTIVITIES "

# COVID-19 measures

Approved corporate moratoria status at 30.09.2021 (in HRK mn)



Approved retail moratoria status at 30.09.2021 (in HRK mn)



- **HRK 2 mn** (0.1 % total approved) in corporate and **HRK 17 mn** (3.9 % total approved) in retail segment remaining moratoria as at 30.09.2021
- Total defaulted loans since moratoria approval at 30.09.2021 amounted HRK 182 mn (6.2 % corporate, 13.8 % retail in total approved moratoria)
- As at 30.09.2021 total expired moratoria in the amount **HRK 1.711 mn** – status **performing**

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# Key financials – Income statement

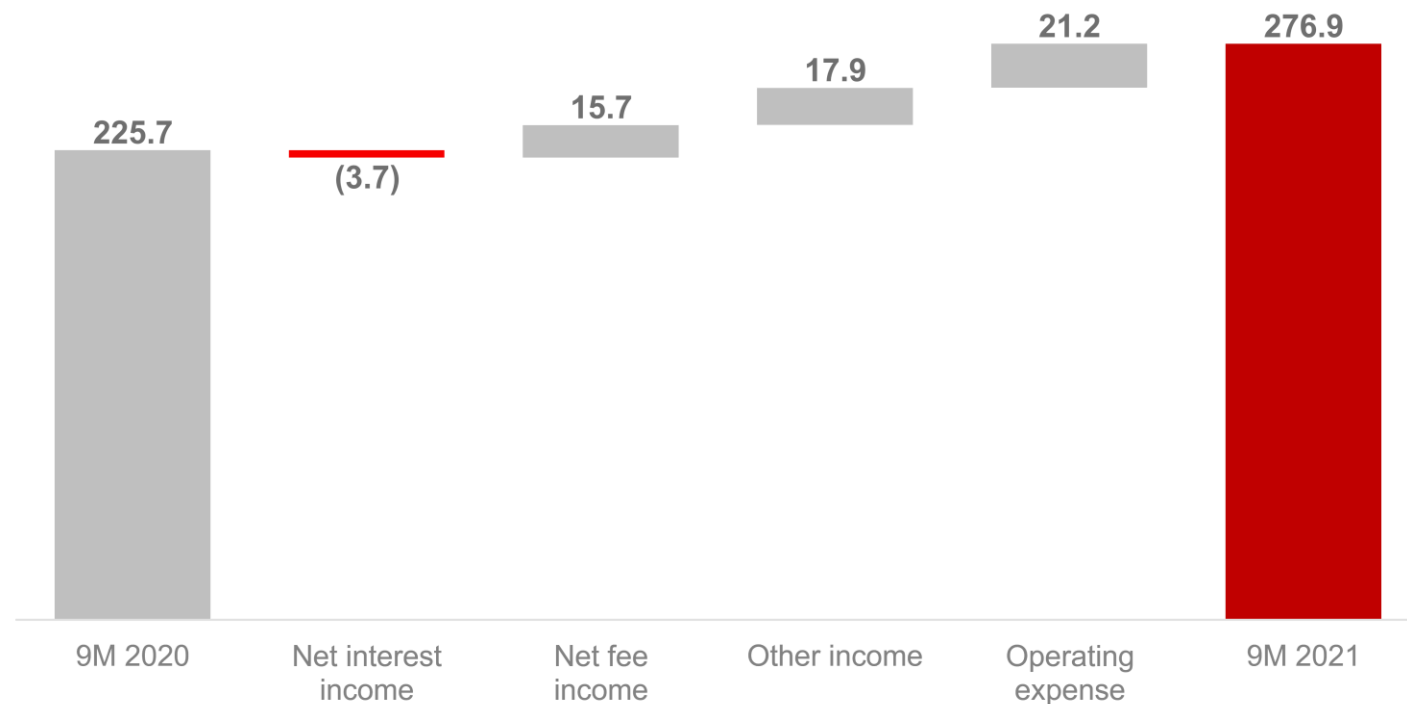
		Q3 2020	Q3 2020	Δ q-o-q		9M 2020	9M 2021	Δ y-o-y
Net interest income	HRK mn	134	<b>130</b>	(4.0) ▼		405	<b>401</b>	(3.7) ▼
Net fee income	HRK mn	51	<b>61</b>	10.0 ▲		133	<b>149</b>	15.7 ▲
Operating income	HRK mn	208	<b>214</b>	5.9 ▲		604	<b>634</b>	30.0 ▲
Operating expense	HRK mn	(126)	<b>(116)</b>	(9.9) ▼		(378)	<b>(357)</b>	(21.2) ▼
Operating profit	HRK mn	82	<b>98</b>	15.9 ▲		226	<b>277</b>	51.1 ▲
Provisioning	HRK mn	(20)	<b>(24)</b>	4.1 ▲		(27)	<b>(25)</b>	(2.0) ▼
Net profit	HRK mn	50	<b>60</b>	9.9 ▲		165	<b>207</b>	41.6 ▲
Cost-to-income ratio	%	60.5	<b>54.2</b>	(6.3) ▼		62.6	<b>56.3</b>	(6.3) ▼
Net interest margin	%	2.2	<b>1.9</b>	(0.1) ▼		3.3	<b>3.0</b>	(0.1) ▼

- Operating profit growth (+22.6 %) as a result of higher NFCI and trading income, followed by savings on expense side due to reduction of deposit insurance premium while keeping other expenses inline with PY
- NII lower for less than 1.0 % due to decreased portfolio and lower market interest rates, interest expenses management in 9M 2021 (-37.2 %) did not neutralise decrease in interest income (-3.7 %) vs PY
- Higher NFCI +11.8 % due to withdrawal of COVID-19 measures related to card transactions, successful and prolonged tourist season and recovery of economic activity, rebounding to pre-COVID Q3 2019 level (HRK 61 mn Q3 2019)
- **Highest 9M net profit** in history



# Operating profit development

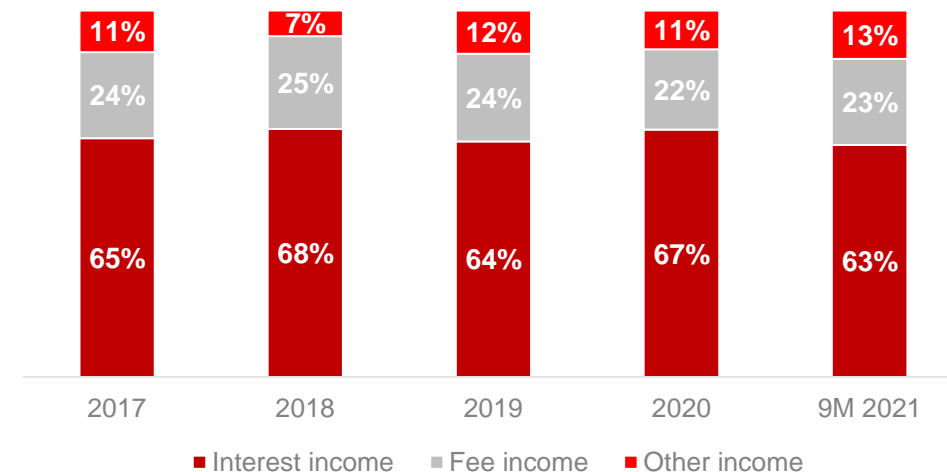
## Operating profit development (in HRK mn)



- Increase in other income driven by trading income (sale of equity instruments)
- Operating expenses decreased mainly due to lower amortization and deposit insurance premium

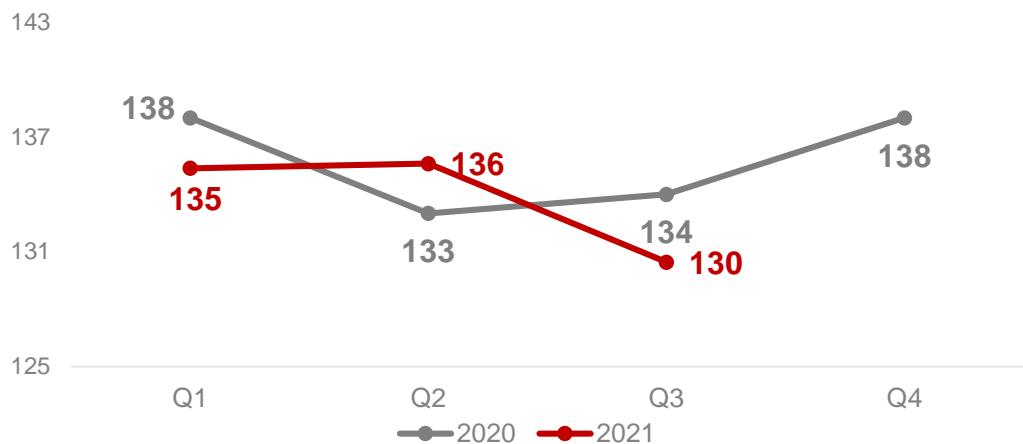
# Net income development

## Composition of net income

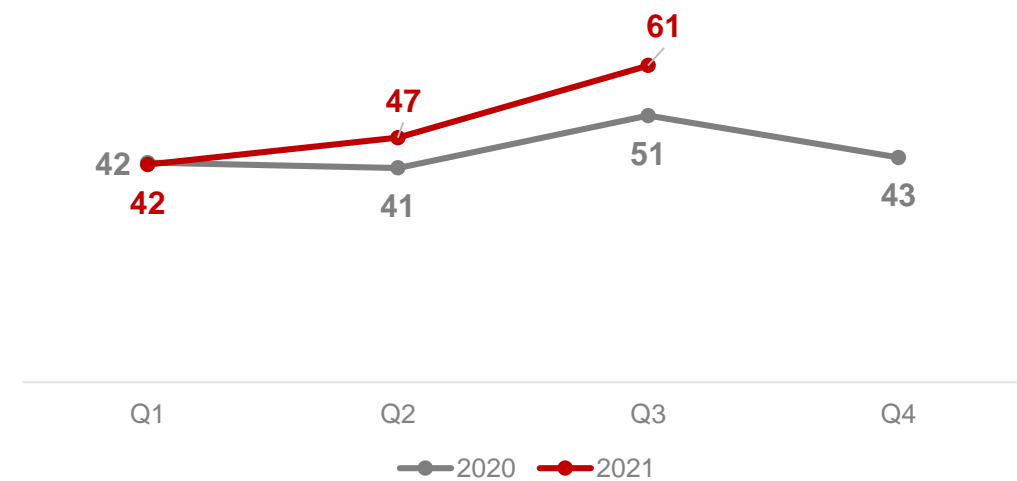


- Despite savings on expense side, net interest income lower vs PY
- Net fee income increased as a result of increased fees from payment and credit card transactions, rebounding to pre-COVID Q3 2019 level (**HRK 61 mn Q3 2019**)

## Net interest income (in HRK mn)

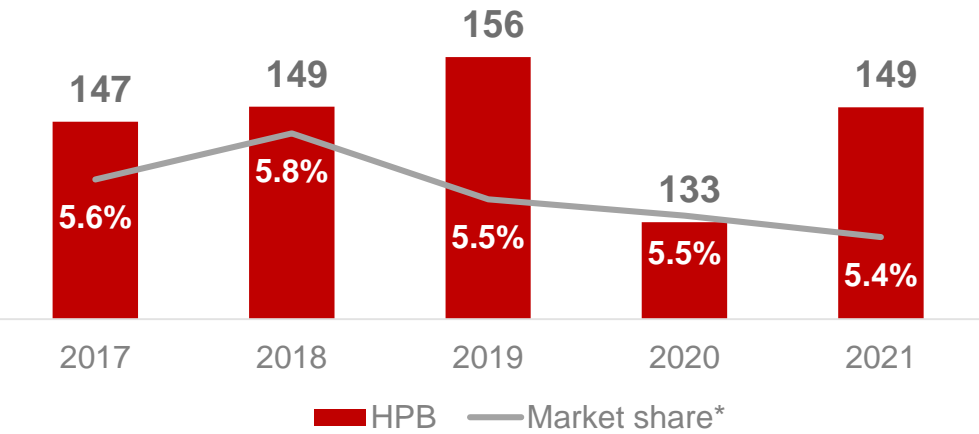


## Net fee income (in HRK mn)

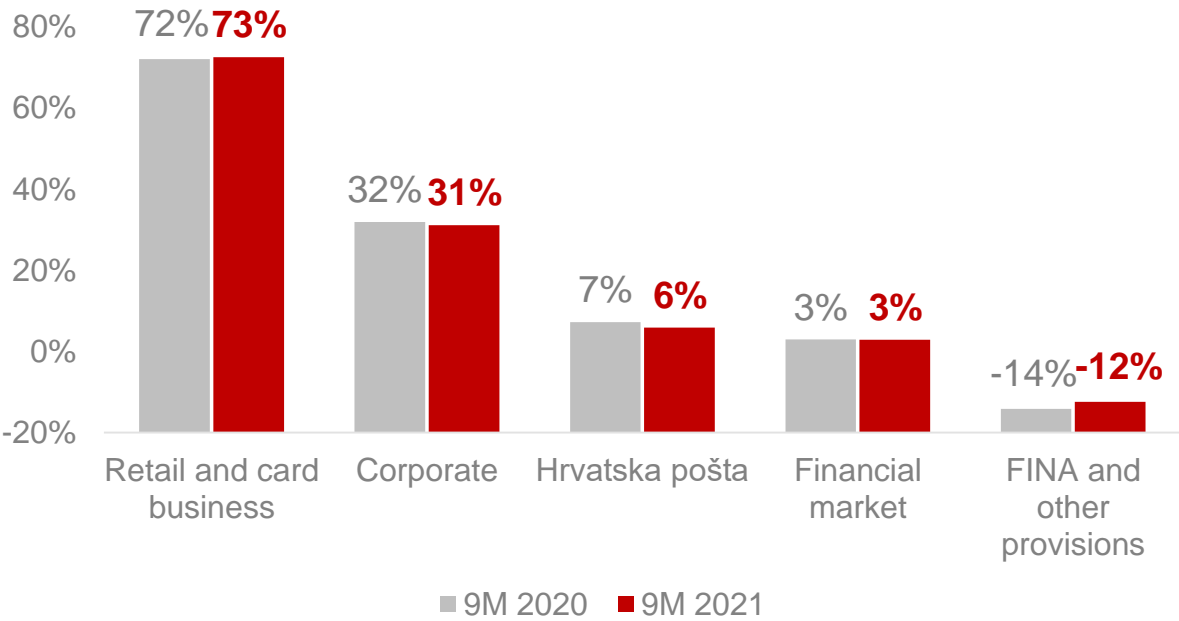


# Fees and commissions

Net fee income overview in 9M (in HRK mn)



Composition of net fee and commission income

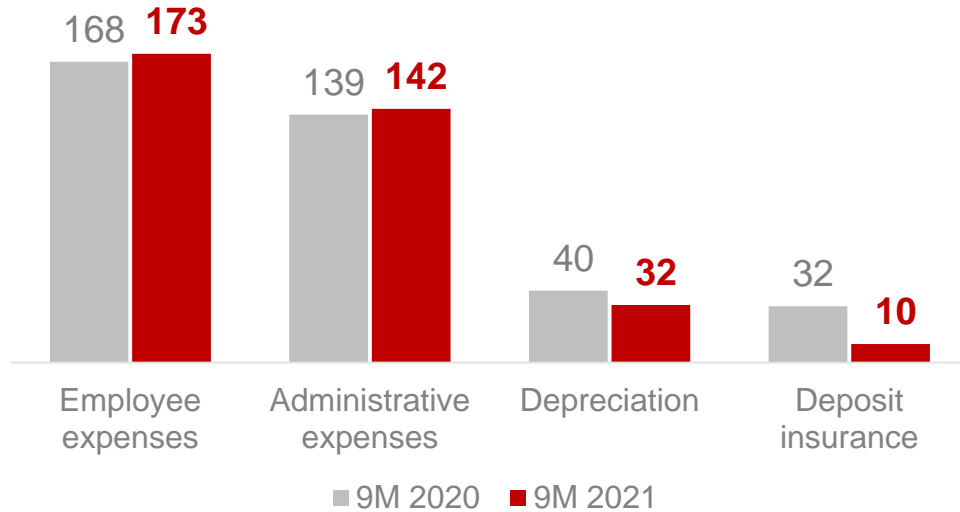


\* Market data available only for 6M 2021

- Improved net fee income mainly driven by successful tourist season, recovery of economic activities and withdrawal of COVID-19 measures related to card business (net income from card business +20.5 %)
- HPB net fee income on par with the banking sector with a relatively stable share

# Operating expenses

Composition of operating expenses (in HRK mn)



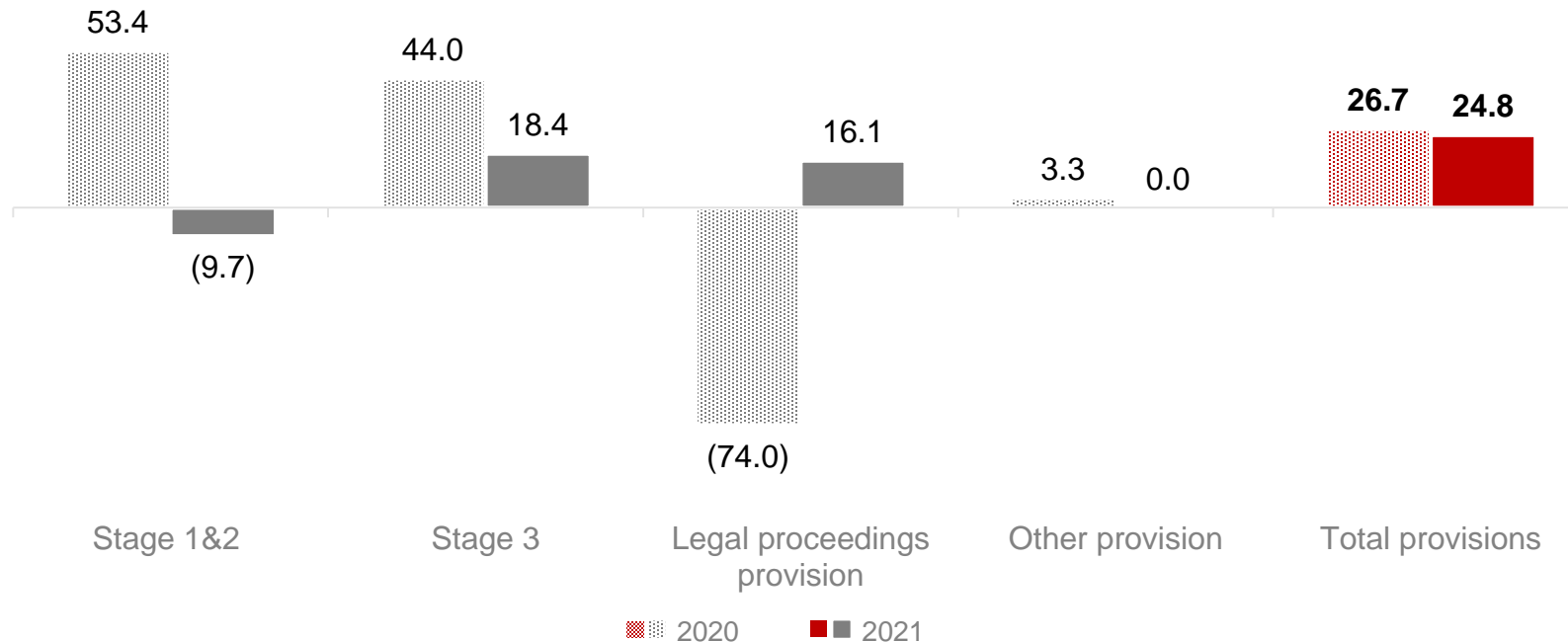
Administrative expenses development (in HRK mn)



- Operating expenses lower for 5.6 % coming from reduction of deposit insurance premium and lower depreciation expense
- Employee costs up as a result of investing in IT internal resources
- Administrative expenses broadly inline vs PY (+2.4 %), most significant negative impact coming from consulting services for regulatory projects, IT equipment maintenance (new purchases) and taxes, contributions and memberships fees based on revenue

# Provisioning

Structure of net provision expenses in 9M 2020/2021  
(in HRK mn)



- Stage 1&2 movement under positive impact of portfolio development in relation to risk profile (higher share of retail housing loans and short-term borrowings to institutions representing liquid asset)
- Lower stage 3 provisions (y-o-y) due to planned individual positive P&L impacts as a result of collection activities
- Regular legal cases provisions.

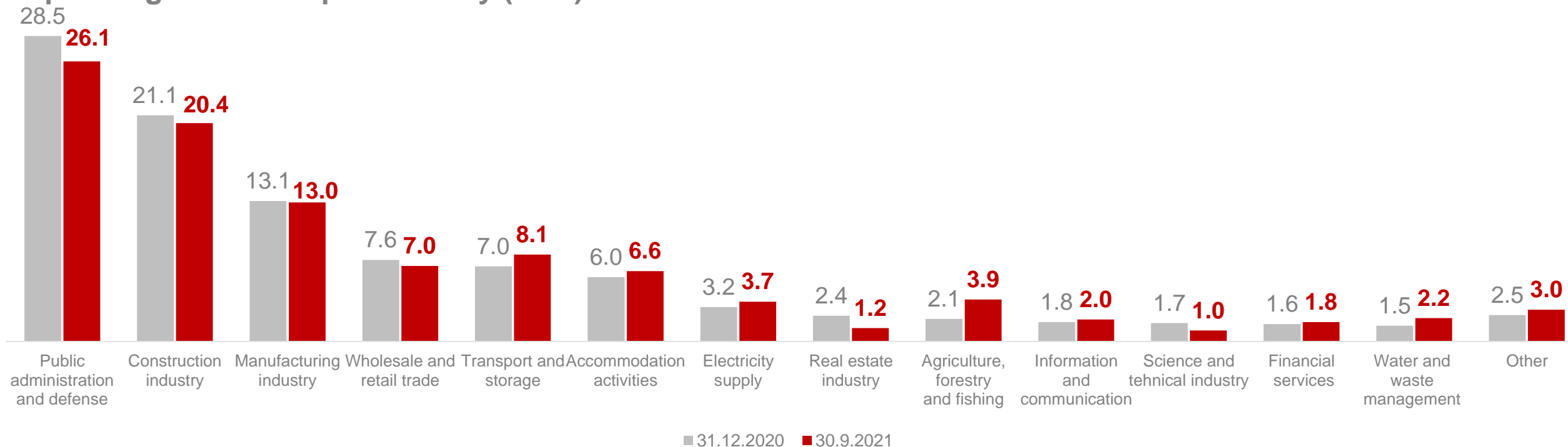
# Key financials – Balance sheet

		31.12.2020	30.9.2021	Δ ytd	
Assets	HRK mn	25,500	<b>27,851</b>	2,351	▲
Gross loans	HRK mn	16,232	<b>15,987</b>	(245)	▼
Deposits	HRK mn	21,214	<b>23,037</b>	1,823	▲
Equity	HRK mn	2,473	<b>2,673</b>	200	▲
Regulatory capital	HRK mn	2,312	<b>2,490</b>	178	▲
Loan/deposit ratio	%	69.4	<b>63.0</b>	(6.4)	▼
ROAE	%	7.5	<b>10.7</b>	3.2	▲
NPL ratio	%	10.4	<b>9.7</b>	(0.7)	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	8.7	<b>8.3</b>	(0.4)	▼
NPL coverage	%	62.2	<b>61.1</b>	(1.2)	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	74.2	<b>72.3</b>	(1.9)	▼
Loss allowance for loans	HRK mn	(1,599)	<b>(1,565)</b>	(34)	▼

- Assets records continuous growth +9.2 % ytd, liquid assets +49.5 % primarily due to continuous increase in deposits and interest rate decline, with slight decline in securities -0.6 % and gross loans -1.5 %
- Deposits up +8.6 % with largest increase in SMEs +21.7 %, the central state and large corporate segment +21.2 %, and retail +1.1 %

# Corporate portfolio industry distribution

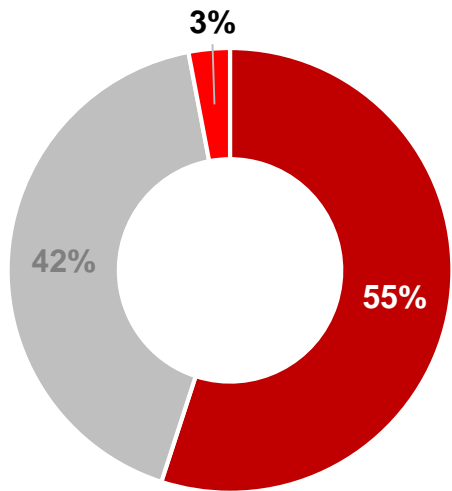
## Corporate gross loans per industry (in %)



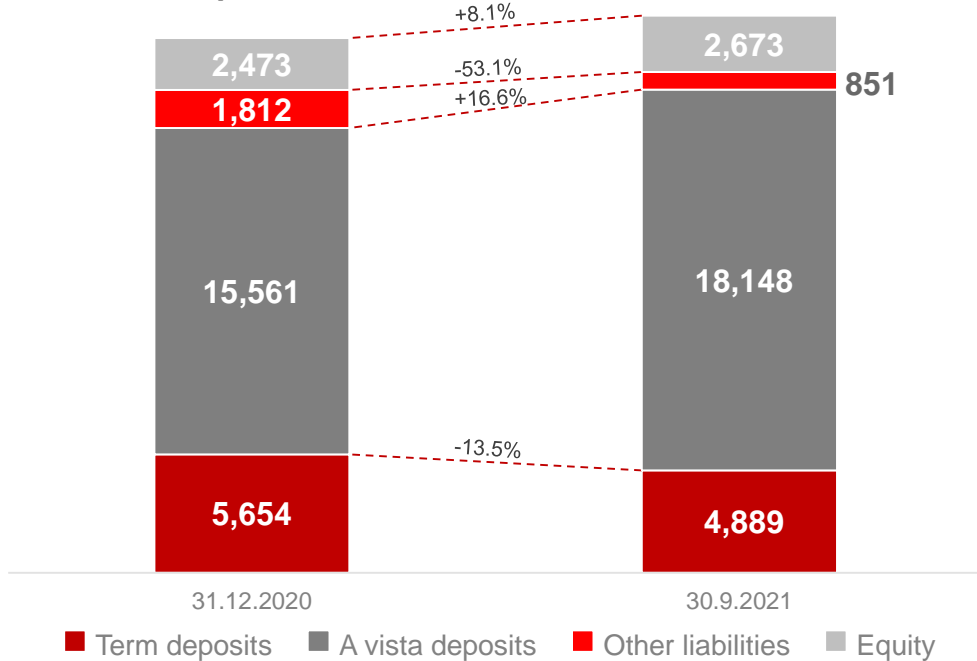
- Stable structure of corporate gross loans per industry in 9M 2021
- Reduction to some industry sectors is in line with general macroeconomic trends:
  - Wholesale and retail trade
  - Construction & Real estate
- Accommodation activities lending was done backed up by government guarantee schemes

# Composition of equity and liabilities

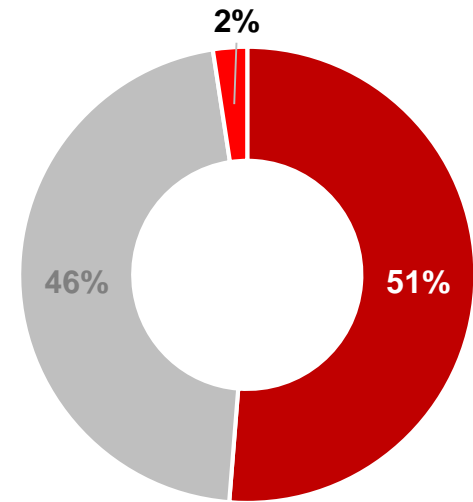
Deposit structure  
31.12.2020



Equity and liabilities structure  
(in HRK mn)



Deposit structure  
30.9.2021

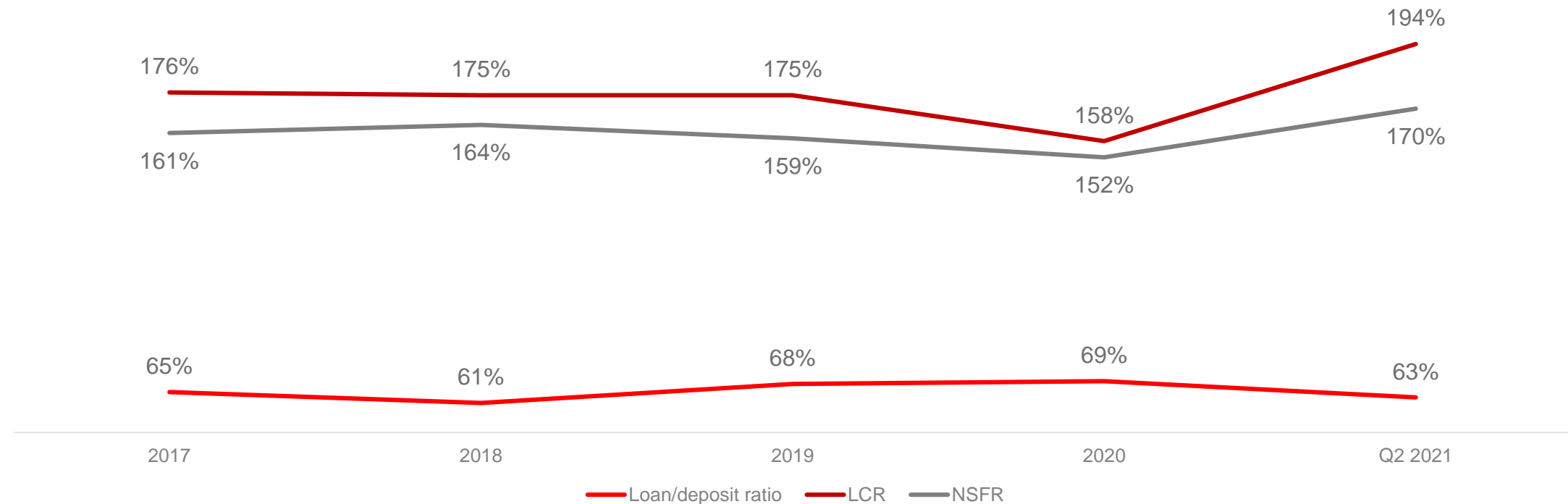


- Favourable impact on costs from observable trend of reduction of interest rates on deposits and continuous effective interest rate management
- Customer deposits dominate the funding mix with an 86.7 % share
  - Bank holds 6.0 % of all deposits on a market at 31.07.2021 (31.12.2020 = 5.75 %)
- Stable wholesale funding structure – attracted funds through foreign financial institutions, CBRD and CNB repo loans



# Liquidity Overview

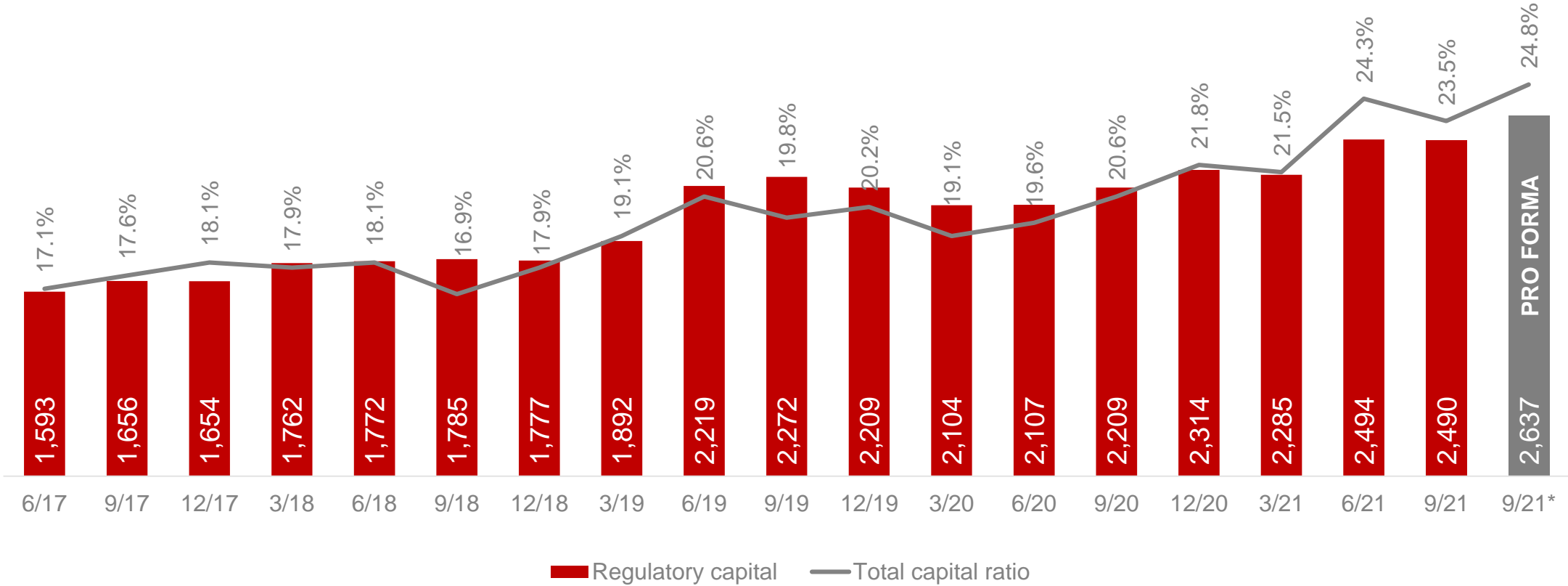
## Liquidity ratios



- The Bank is highly liquid with markedly low loan-to-deposit ratio

# Continuously strong capital position

CET1 Capital (in HRK mn) and CET1 Ratio (%)



- Pro forma CET1 calculation includes 6M 2021 net profit

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**4 Risk Management**

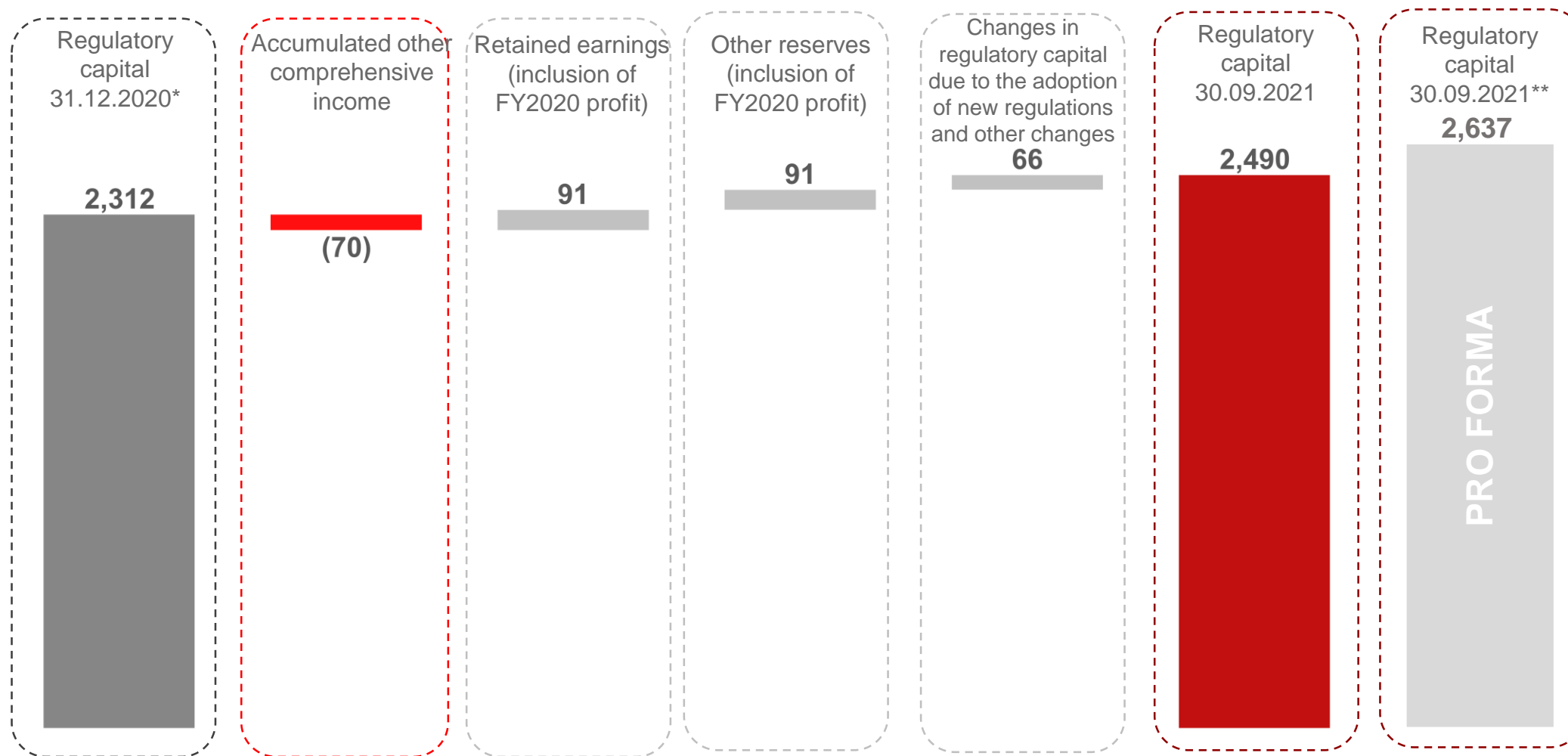
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5 Appendix

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# Regulatory Capital Development

## Regulatory capital development (in HRK mn)



\*Note there is a difference to regulatory capital reported in Investor information for Q4 2020 (HRK 2,314 mn) due to revised deduction amount of deferred tax assets - a decrease of HRK 1.8 mn in comparison with unaudited calculation of regulatory capital presented in Investor information for Q4 2020

\*\*Regulatory capital with inclusion of 6M 2021 net profit

Source: HPB management reports

# RWA Development

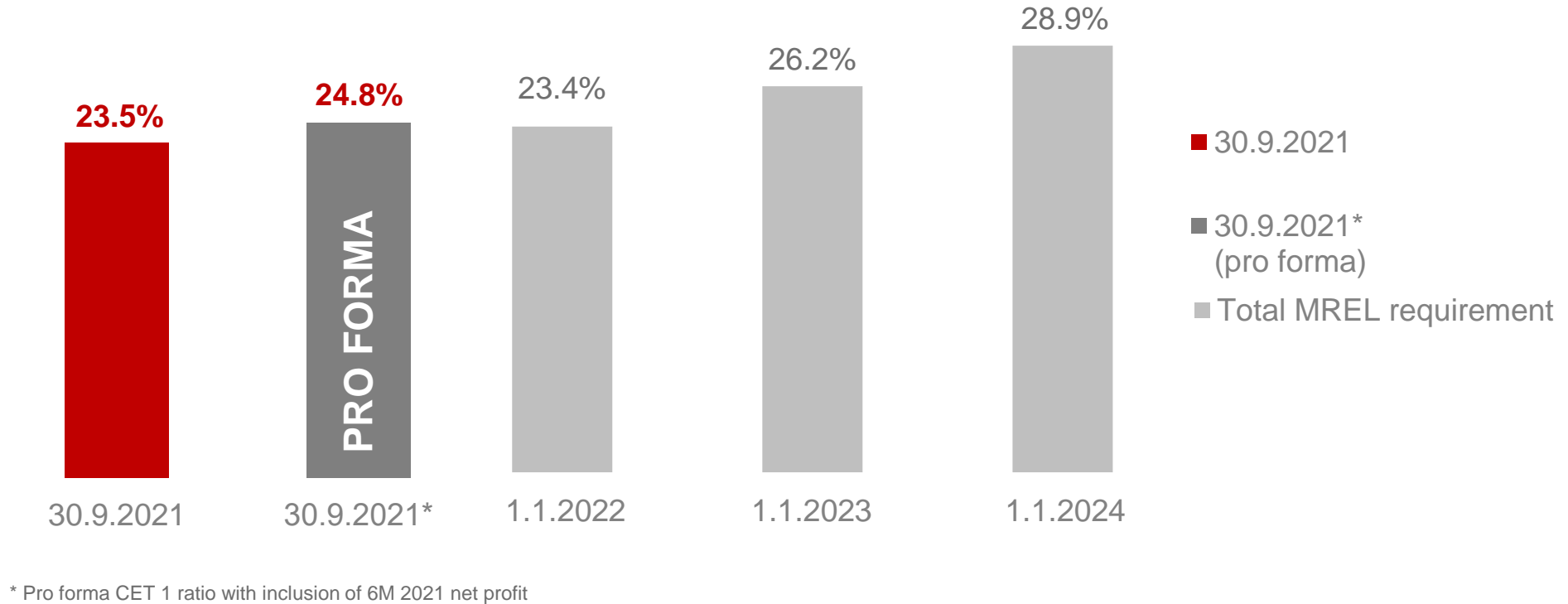
## RWA development (in HRK mn)



- Risk-weighted assets decreased mainly driven by loan exposure decrease while at the same time strengthening capital management culture

# Meeting MREL requirements

Actual CET1 ratios vs. total MREL requirement



- The Bank has adopted plan to meet MREL requirements during H1 2021

# Exposures and coverage per stage

Segment	Stage	31.12.2020				30.9.2021			
		Exposure	Exposure excluding 100% government guarantees	Coverage	Coverage excluding 100% government guarantees	Exposure	Exposure excluding 100% government guarantees	Coverage	Coverage excluding 100% government guarantees
CORPORATE	S1	58.5%		3.8%		50.7%		4.0%	
CORPORATE	S2	6.8%		8.1%		16.8%		7.2%	
CORPORATE	S3	34.7%	21.7%	47.7%	75.2%	32.4%	22.2%	48.4%	79.9%
SME	S1	49.3%		4.2%		39.8%		4.0%	
SME	S2	16.8%		15.5%		25.8%		11.3%	
SME	S3	33.9%	33.9%	71.3%	71.3%	34.5%	34.5%	67.7%	67.7%
STATE	S1	98.7%		1.0%		98.4%		0.4%	
STATE	S2	1.3%		7.2%		1.6%		4.9%	
STATE	S3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
RETAIL	S1	88.5%		0.5%		86.1%		0.5%	
RETAIL	S2	3.2%		7.6%		4.6%		5.8%	
RETAIL	S3	8.3%	8.3%	75.6%	75.6%	9.3%	9.3%	70.4%	70.4%
TOTAL	S1	85.9%		1.0%		84.5%		0.7%	
TOTAL	S2	3.7%		10.5%		5.8%		8.0%	
TOTAL	S3	10.4%	8.7%	62.2%	74.2%	9.7%	8.3%	61.1%	72.3%

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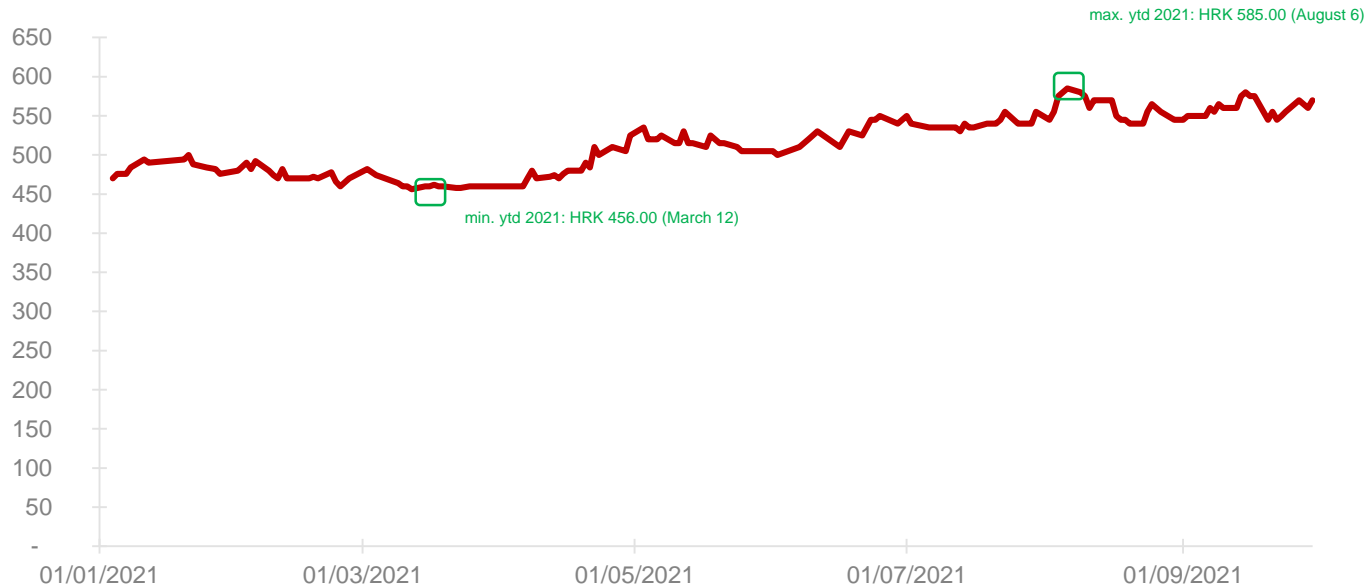
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**5 Appendix**

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# HPB-R-A stock during the reporting period



## Stock data and details

Issue date	December 12, 2000
ISIN	HRHPB0RA0002
Segment	Official market of the Zagreb Stock Exchange
Listed quantity	2,024,625
Share price as at September 30, 2021 (in HRK)	570.00
Market capitalisation (in HRK million)	1,133.79

## Shareholders

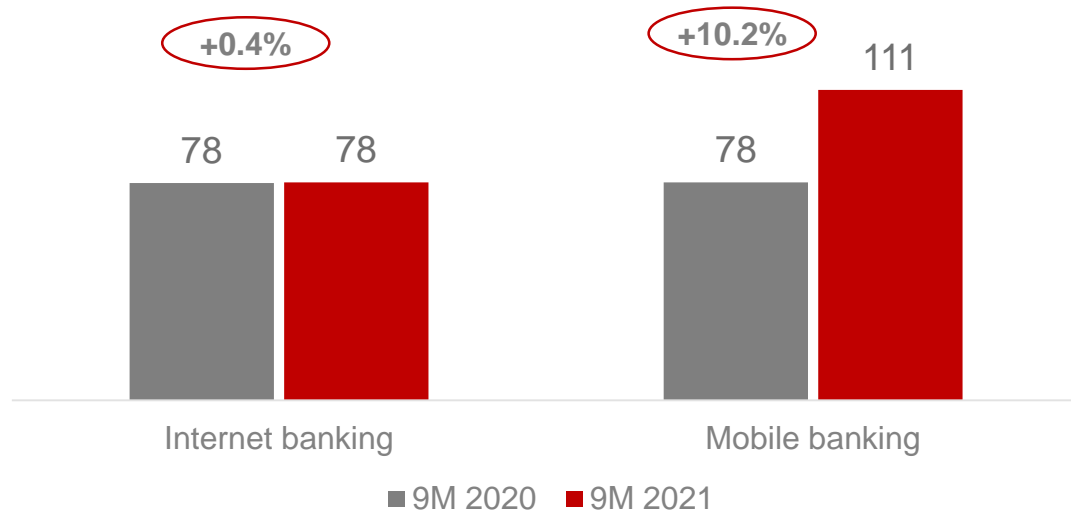
## Ownership stake (%)

Republic of Croatia	42.43
Croatian Post PLC	11.93
Croatian Deposit Insurance Agency	8.98
Croatian Pension Insurance Institute	8.76
Hrvatska poštanska banka p.l.c. – treasury shares	0.04
Other shareholders (each under 5% of share of the capital)	27.86

**Total shares** 100

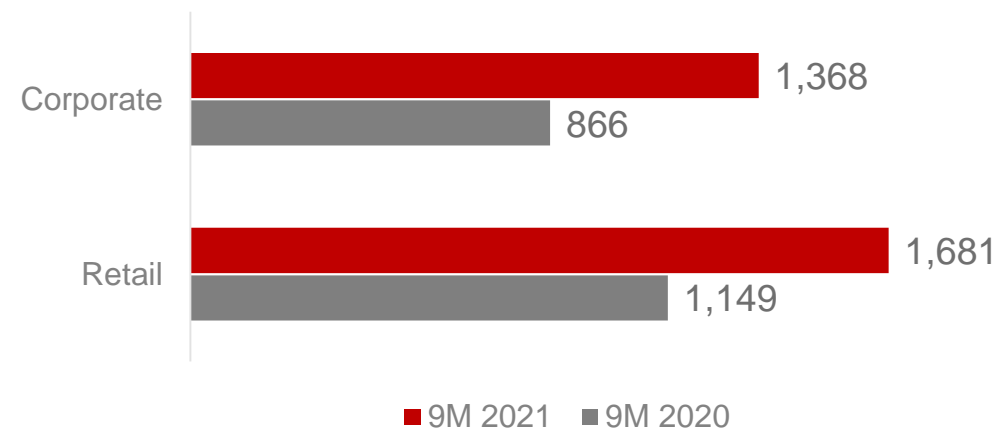
# Direct channels

Number of users (in ths)

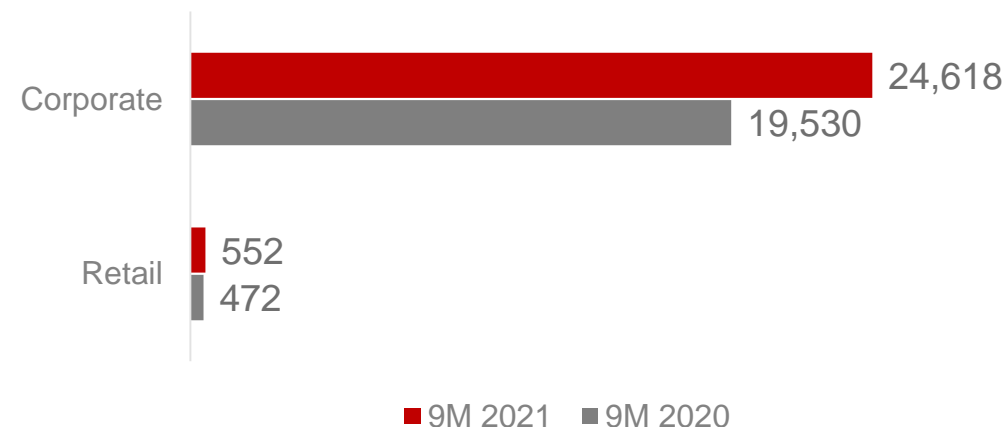


- Strengthening digital channels in 9M 2021: mobile banking services +10.2 % and internet banking +0.4 % vs 9M 2020
- Further increase in mobile banking in the volume for mobile (+51.2 %) and internet (+25.8 %) banking

## Transaction volume - Mobile banking (in HRK mn)

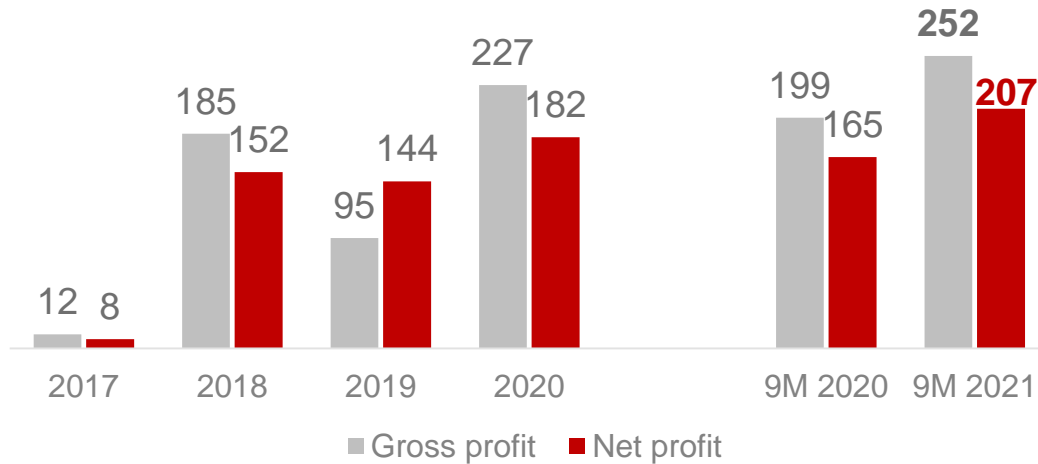


## Transaction volume - Internet banking (in HRK mn)

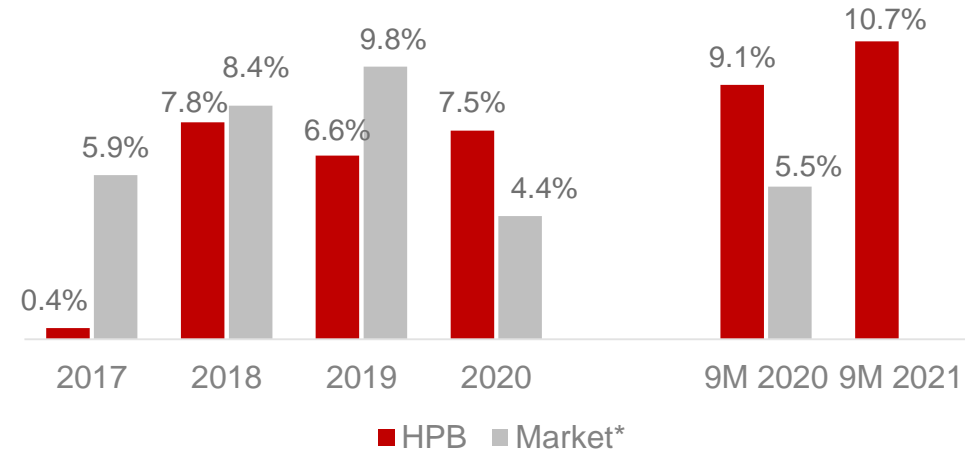


# Profitability

Profit development (in HRK mn)



Return on Average Equity ROAE

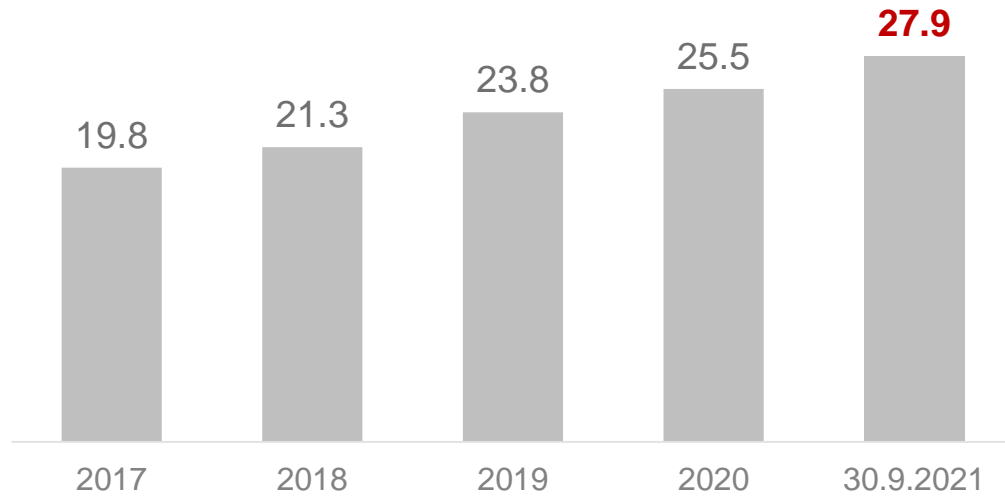


\* Market share data for 9M 2021 not available at the time presentation was published

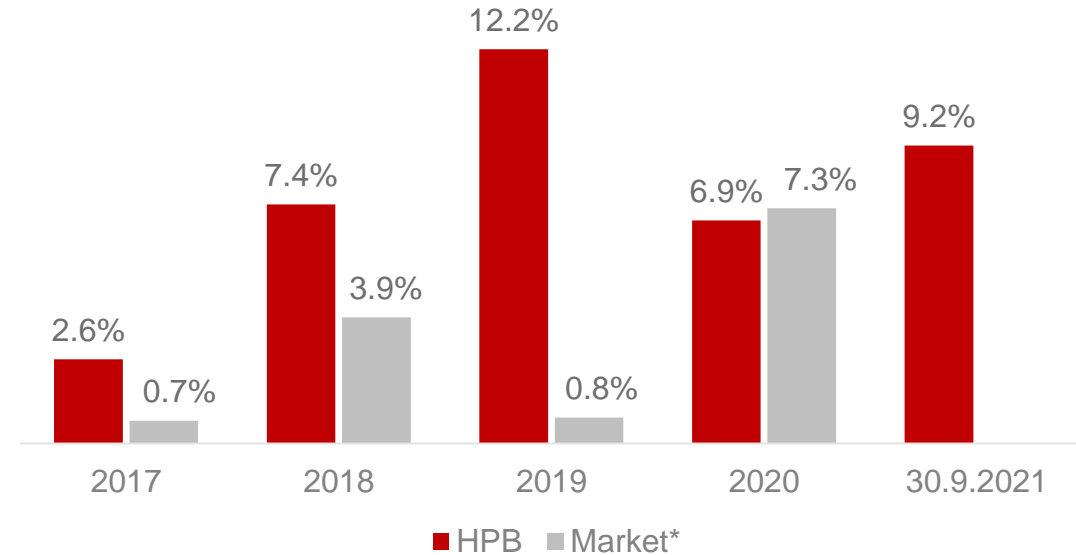
- Better quarterly results when compared to pre-COVID years, mainly driven by increase in net fee income, trading income and reduction of deposit insurance premium

# Asset development

HPB's Asset development  
(in HRK bn)



Comparative asset growth rates



\* Market data were not available for 9M 2021 at the time this presentation was published

- Organic growth continued in 2021
- Asset growth reciprocated with growth in funding. Increase of liquid assets in 2021 was HRK +2,6 bn
- LCR (Liquidity Coverage Ratio) as of 30.09.2021 is at 194 %

# Accessibility

**HPB together with strategic partner Hrvatska pošta is accessible at over 1,050 locations.**

Products and services are offered to our current and potential clients in:

## **12 regional centers Retail and SME**

- 51 offices and 6 branch offices for retail clients
- 12 offices for corporate clients

## **1,016 Post offices**

- Payment services and transactions for retail and corporate clients
- Loan services to retail clients in HP financial corner at over 140 locations

