



**HPB**

HRVATSKA POŠTANSKA BANKA

# **HPB Group 9M 2022**

Investor information



**HRVATSKA POŠTANSKA BANKA d.d.**

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

Zagreb, October 28, 2022

No: F21-7/2022-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, 2022.

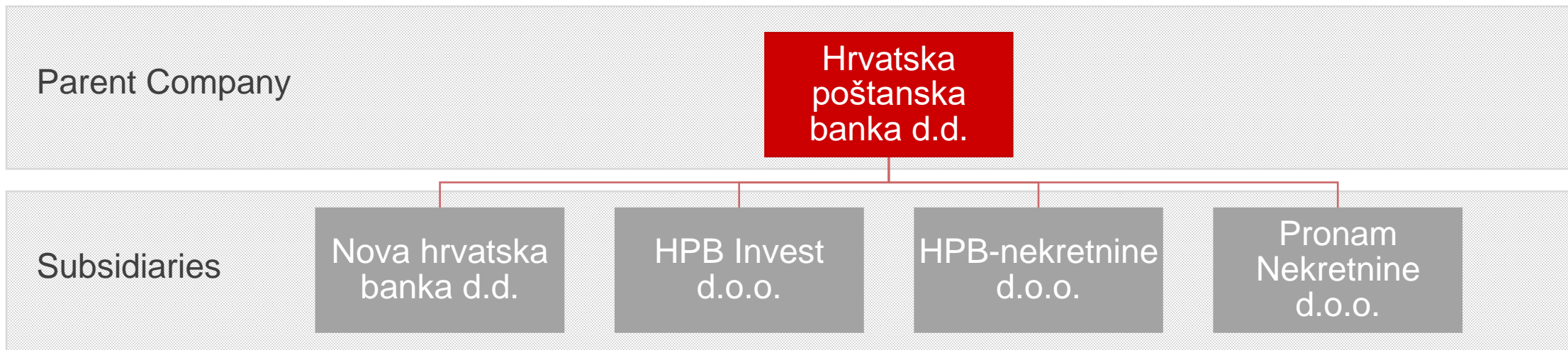
**Hrvatska poštanska banka, p.l.c.**

# Limitation of liability

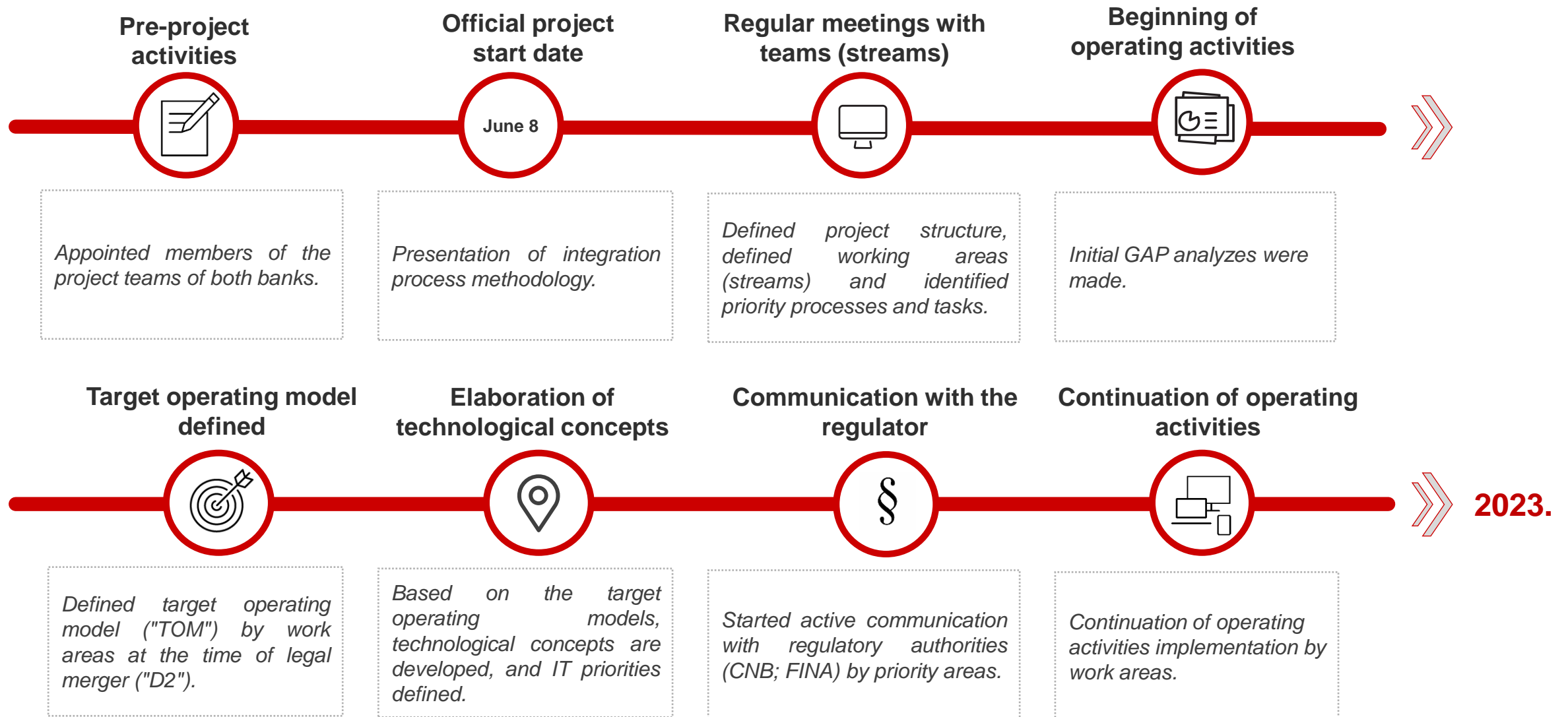
- The information and data contained in this presentation are intended to be general background information on Hrvatska poštanska banka p.l.c. as the parent company of the Hrvatska poštanska banka Group (hereinafter referred to as the Bank, Group or HPB) and its activities. It is supplied in summary 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.
- This presentation contains financial and non-financial information and statistical data relating to HPB. Such information and data are presented for illustrative purposes only. This presentation may include information and data derived from publicly available sources that have not been independently verified, therefore HPB hereby expressly makes no representation of warranty of any kind, including, but not limited to the accuracy, completeness or reliability of the provided information and data. This presentation is for information purposes only and contains neither a recommendation to buy or sell nor an offer of sale or subscription to shares nor does it constitute an invitation to make an offer to sell shares.
- This presentation has been prepared and the data checked with the greatest possible care. Nonetheless, rounding, transmission, typesetting and printing errors cannot be ruled out. In the summing up of rounded amounts and percentages, rounding-off differences may occur.

# HPB Group's strong growth supported by new acquisitions

- HPB Group was significantly strengthened by the **acquisition of Nova hrvatska banka d.d. and Pronam Nekretnine d.o.o.** in 2022
- On **April 14, 2022**, HPB took **control** over NHB and on **July 4, 2022**, acquired **100% ownership share** in company Pronam Nekretnine d.o.o.
- Acquisition of ownership share in Pronam Nekretnine d.o.o. and receivable rights that Sberbank Europe AG (SBAG) has towards Pronam Nekretnine and NHB marks the **end of loan and deposit relationship of NHB** and thus **HPB Group with SBAG**
- Merging process of Pronam Nekretnine d.o.o. with parent company is underway, and is expected to close in 2022
- Intensive acquisition activities of NHB continued, and integration with the parent company is expected in 2023
- Consolidated unaudited financial statements include the financial result of NHB from the acquisition date (April 14, 2022) to the reporting date (September 30, 2022), while other subsidiaries are exempted from consolidation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance in these financial statements
- This report contains all data available and known at the time of creation and the aforementioned circumstances may have an impact on the content of the report.



# Continuation of intensive activities for NHB integration until the end of 2023



# **1 Executive Summary**

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## **2 Macroeconomic environment**

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## **3 Financials**

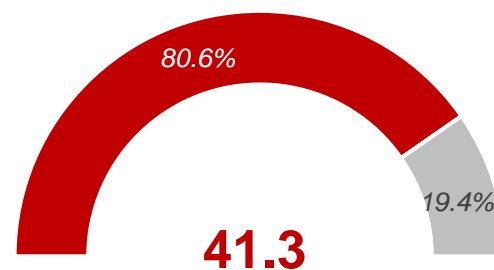
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# HPB Group achieved a record net profit

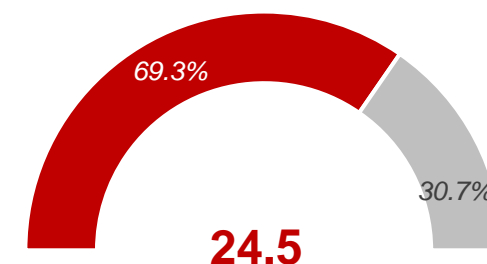
- The third quarter was marked by an **increase in assets of HRK 3.4 bn** in all segments of the gross loan portfolio, which was followed by a strong growth in total deposits
- **Realized record net profit at the consolidated level** as a result of gains from the bargain purchase and continued profit generation of the parent company
- **Continuation of intensive integration activities of NHB** as one of the key priorities of both banks
- **By acquiring Pronam Nekretnine d.o.o.** on July 4, loan and deposit relationship of HPB Group with SBAG ended
- **Bank signed the Code of Ethics of the Ministry of Economy and Sustainable Development** with the aim of reliable and transparent exchange of HRK with EUR currency

## Consolidated data HPB and NHB 30. 9. 2022.

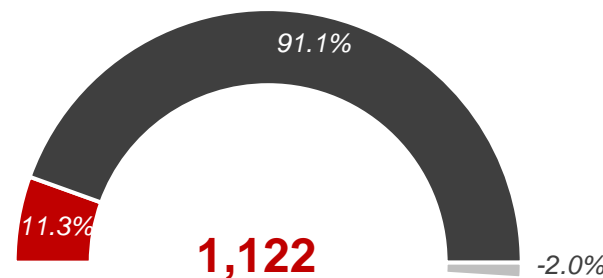
Total assets (in HRK bn)



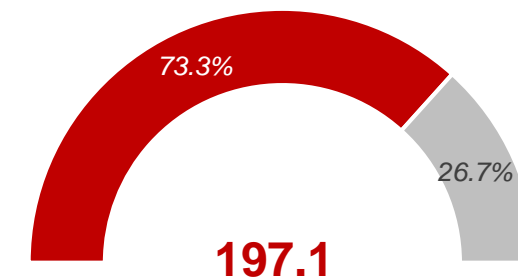
Gross loans (in HRK bn)



Profit after tax (in HRK mn)

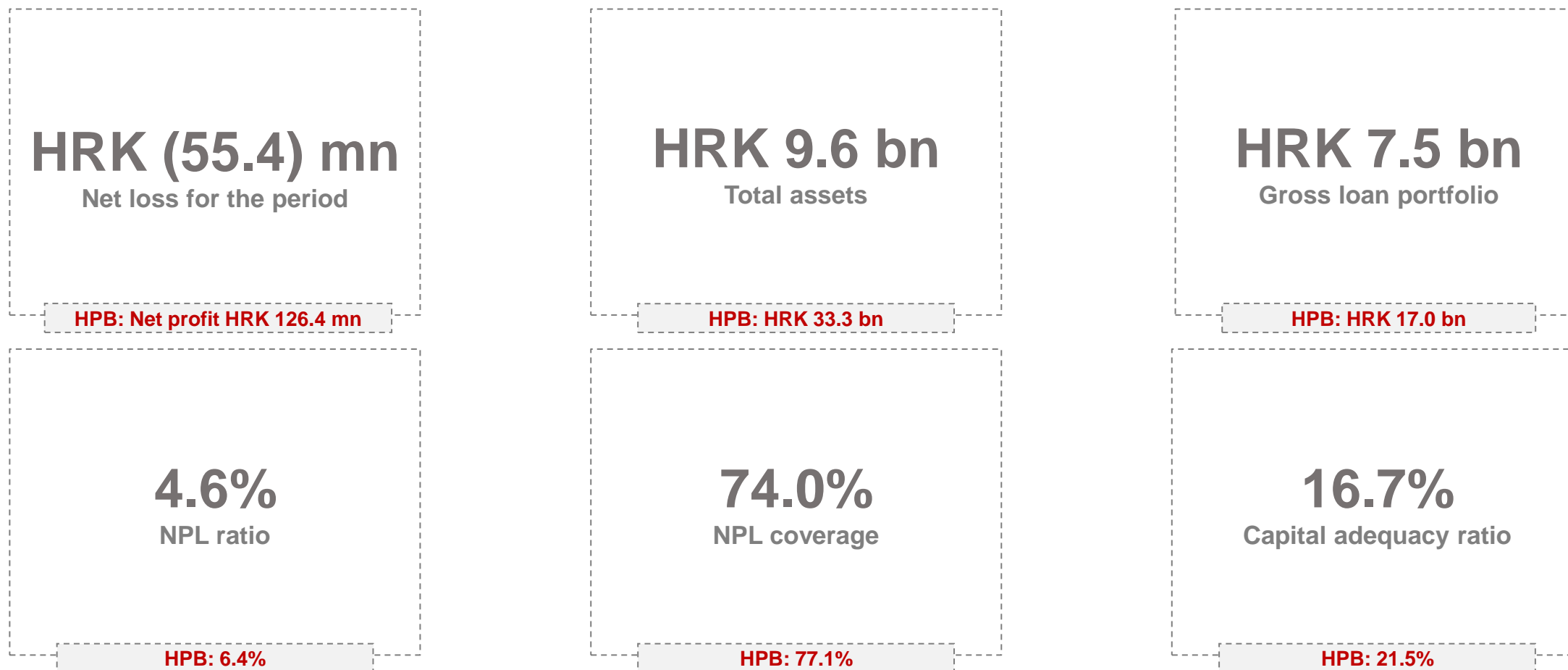


Operating profit (in HRK mn)



■ HPB share ■ NHB share  
■ Bargain purchase (badwill)

# NHB made significant contribution to Group's results, with improved asset quality



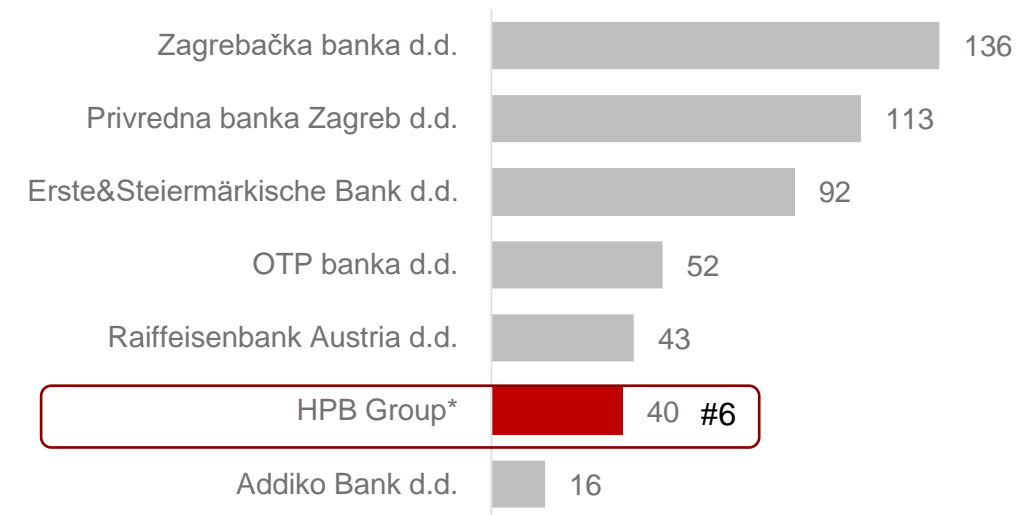


# HPB Group stride towards the Top 5 banks

		30. 6. 2022.	30. 9. 2022.
Assets	HRK mn	37,922	41,273
Net loan to customers	HRK mn	21,909	22,688
Deposits	HRK mn	31,049	34,760
Equity	HRK mn	3,345	3,326
NPL ratio	%	6.9	6.3
NPL coverage	%	74.4	76.5

		1. 1. - 30. 6. 2022.	1. 1. - 30. 9. 2022.
Income	HRK mn	587	991
Net profit	HRK mn	1,066	1,122
Cost-to-income ratio	%	75.6	71.1
Return on equity (ROE)	%	31.9	33.7

## Market share by total assets as of 30.6.2022 (in HRK bn)

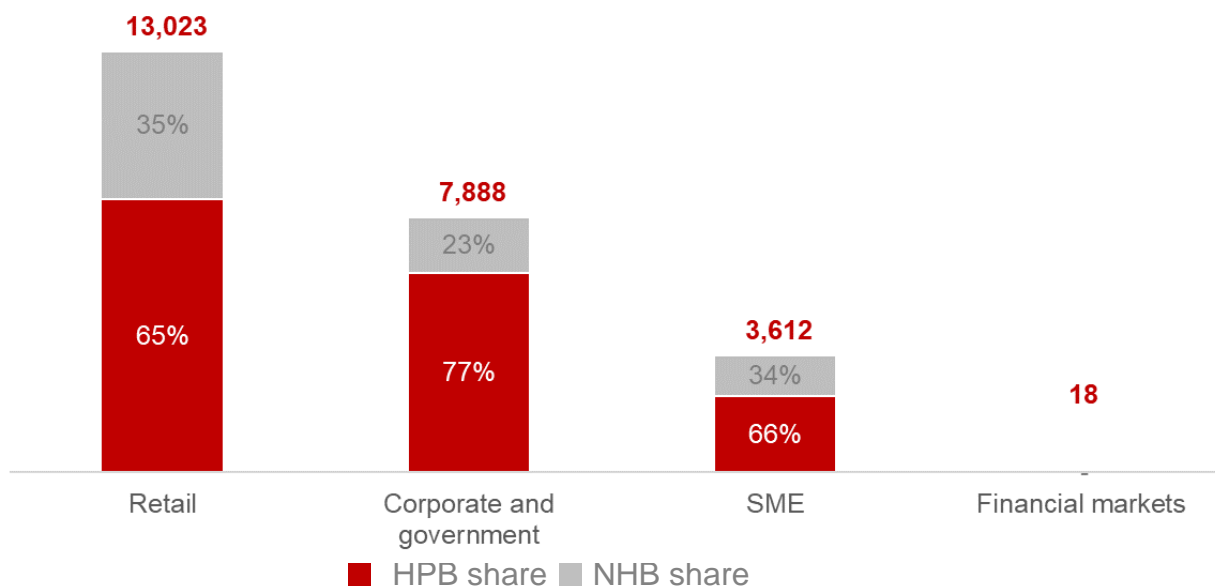


\* Include consolidated data HPB + NHB as of 30.6.2022

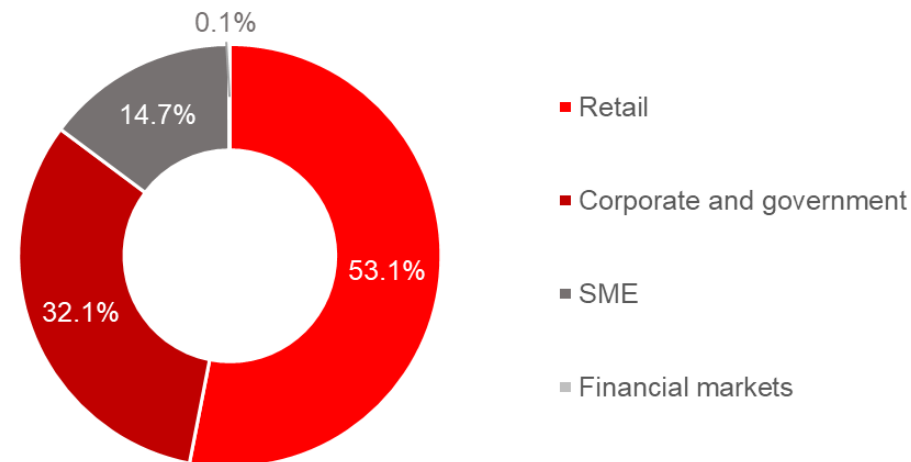
- **Historically highest level of assets** reached with an increase of HRK 3.4 bn in this quarter
- **Achieved funding synergies** - the acquisition of HPB enabled financial stability and stopped the initial outflow of NHB deposits caused by the Russian invasion of Ukraine; **deposit growth in all segments exceeded HRK 3.7 bn**
- **Improved quality of HPB Group's loan portfolio** as a result of the effect of efficient collection and recovery of part of the portfolio, with effective cost management; NPL coverage significantly above the market level
- **Realized record net profit at the consolidated level** as a result of the gain on bargain purchase and realized operating profit of HPB

# Efficient utilization of the loan portfolio development potential

Gross loans by segment (in HRK mn)



Gross loan structure by segment 30. 9. 2022.



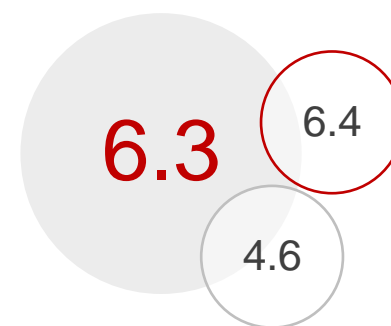
- **The realized growth of gross loan portfolio in all segments** in Q3 in the amount of HRK 1.0 bn, mostly in retail and corporate and government segment, is the result of successfully implemented acquisition activities
- **Gross retail loans dominate the total loans with the share of 53.1%**, as a result of HPB's strategic focus on this segment, with favorable financing conditions, especially in APN tranches in which HPB has a significant share, and in 2022 it achieved a historic result in terms of the number of processed and approved loans

# Improved loan portfolio quality

		30. 6. 2022	30. 9. 2022
Exposure (total loans)	HRK mn	31,497	34,466
Total NPL stock	HRK mn	2,182	2,160
NPL %	%	6.9	6.3
Loss allowance for loans	HRK mn	(1,964)	(2,012)
NPL provision	HRK mn	(1,623)	(1,652)
PL provision	HRK mn	(340)	(361)
NPL Coverage	%	74.4	76.5
NPLs not covered by provisions	HRK mn	218	148

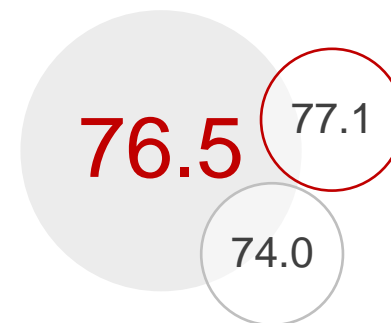
- Effective management of the loan portfolio with determined collection enabled the **maximization of these effects on the reduction of the NPL ratio** despite the growth of the total volume of loans
- NPL coverage significantly above market average** in RH

## NPL ratio (in %)



Market NPL ratio\* 3.8%

## NPL coverage (in %)



Market NPL coverage\* 65.2%

○ HPB ○ NHB

\* as at 30.6.2022

Source FINREP regulatory reporting

1 Executive Summary

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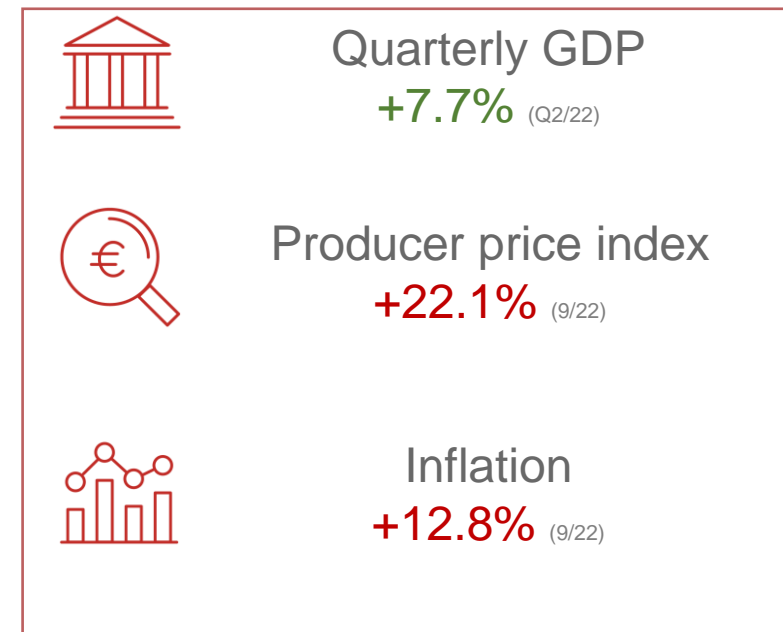
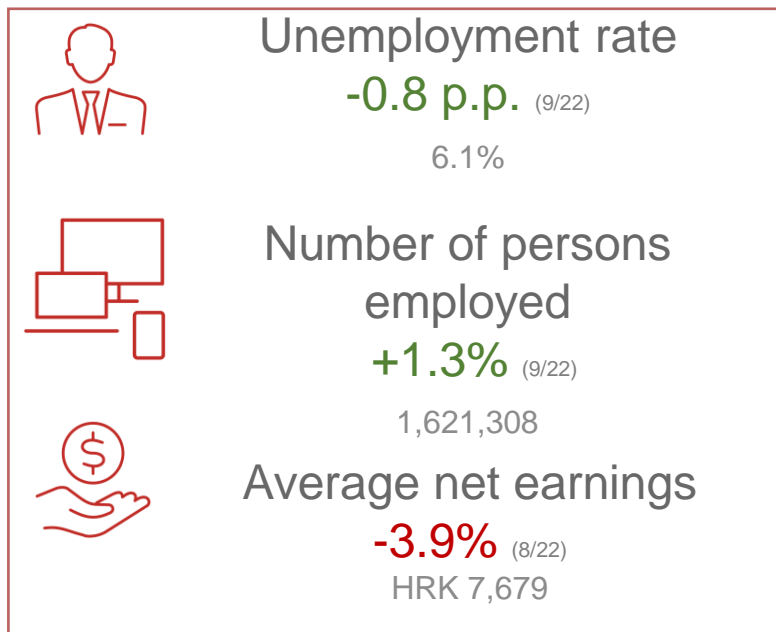
**2 Macroeconomic environment**

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3 Financials

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# Economic indicators (y-o-y)

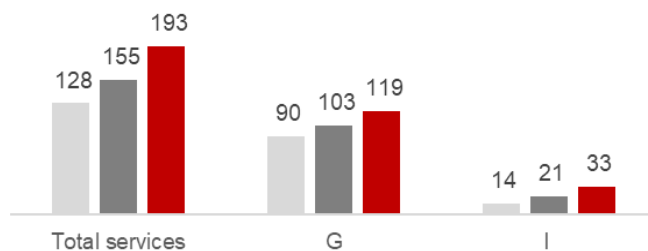


Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (June, July, August and September 2022)

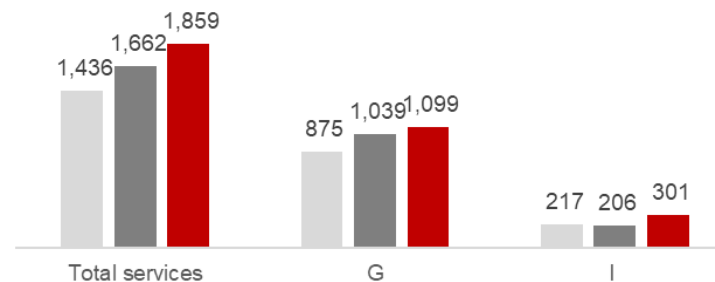
## Fiscalization system data

Account balance\* (in HRK bn)

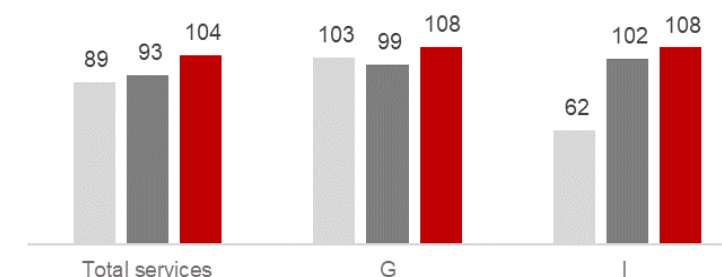
■ 9M 2020  
■ 9M 2021  
■ 9M 2022



Number of accounts\* (in mn)



Average account balance\* (in HRK)



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

\*Source: <https://www.porezna-uprava.hr/Dokumenti> (data for 9M 2020, 2021 and 2022)

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**3 Financials**

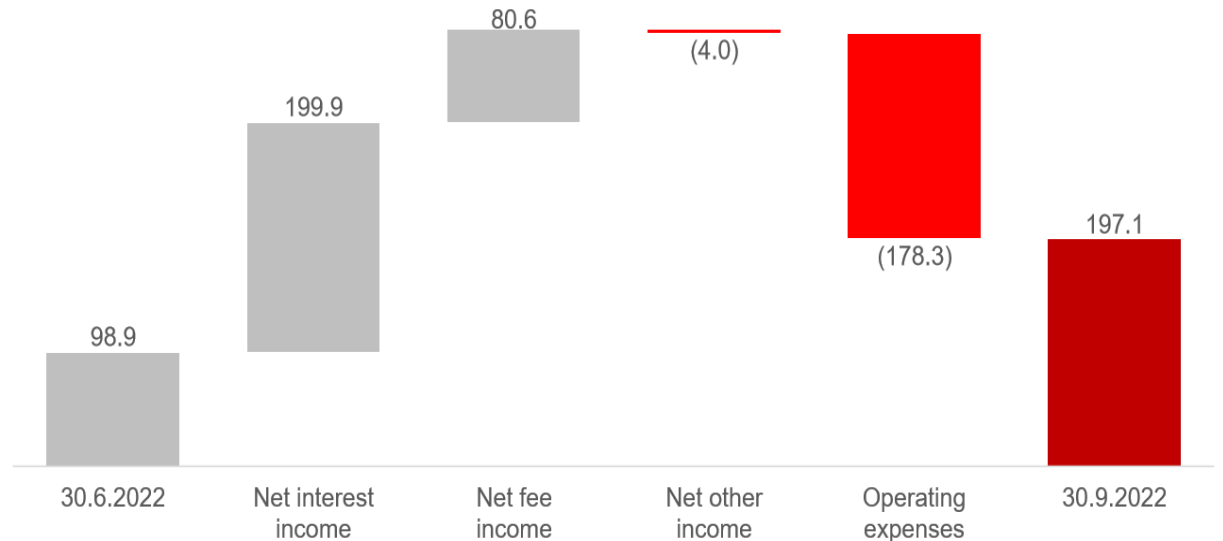
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# Record net profit of HRK 1.1 bn

Extremely strong quarter with operating profit HRK 98.2 million

		6M 2022	9M 2022
Net interest income	HRK mn	320	520
Net fee income	HRK mn	114	195
Net trading income	HRK mn	(29)	(24)
Net other income	HRK mn	0	(9)
<b>Operating income</b>	<b>HRK mn</b>	<b>406</b>	<b>682</b>
Employee expenses	HRK mn	(148)	(236)
Administrative expenses	HRK mn	(114)	(182)
Depreciation	HRK mn	(30)	(49)
Deposit insurance	HRK mn	(15)	(17)
<b>Operating expenses</b>	<b>HRK mn</b>	<b>(307)</b>	<b>(485)</b>
<b>Operating profit</b>	<b>HRK mn</b>	<b>99</b>	<b>197</b>
<b>Bargain purchase (badwill)</b>	<b>HRK mn</b>	<b>1,019</b>	<b>1,019</b>
Provisioning	HRK mn	(60)	(93)
<b>Net profit</b>	<b>HRK mn</b>	<b>1,066</b>	<b>1,122</b>
Cost-to-income ratio	%	75.6	71.1
Return on asset (ROA)	%	2.8	3.0
Return on equity (ROE)	%	31.9	33.6

Operating profit development in Q3 2022  
(in HRK mn)



Consolidated data are not fully comparable, considering that the NHB's results are shown in the total consolidated result exclusively for the period starting from April 14, 2022, while HPB's results of HPB are shown from January 1, 2022, until the reporting date

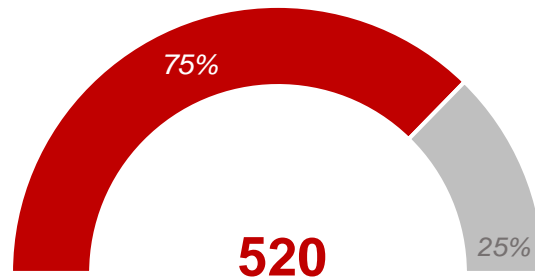
- Record net profit of HPB Group of HRK 1.1 bn as a result of a bargain purchase resulting from the difference between the fair value of the acquired net assets of NHB and the acquisition cost
- Net interest income and net commissions and fees income are the key drivers of the realized operating profit in the third quarter of 2022 in the amount of HRK 98.2 mn
- Net loss from trading (trading - HRK 62.8 million, FX trading + HRK 39.1 million) under the strong influence of inflation and the rise in reference interest rates of central banks, which led to a decrease in the price of securities and an increase in the yield on them
- Operating expenses under the influence of intensive regulatory projects, acquisition activities, general price growth due to rising inflation, which is mainly reflected in the increase in prices of energy products and suppliers, as well as the optimization of HPB Group's IT infrastructure and processes
- Cost of provisioning is a result of changes in methodology and parameters for provisioning calculation to align with the group policy, as well as increased provisions for legal cases

# Realized financial synergies are additional growth potential

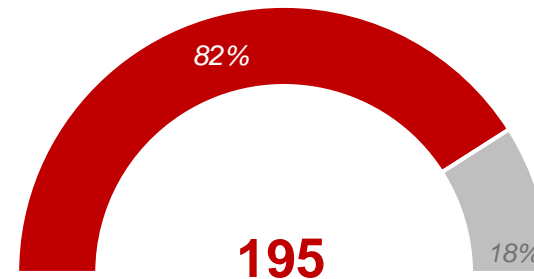
## Composition of operating income (in HRK mn)

30. 9. 2022.

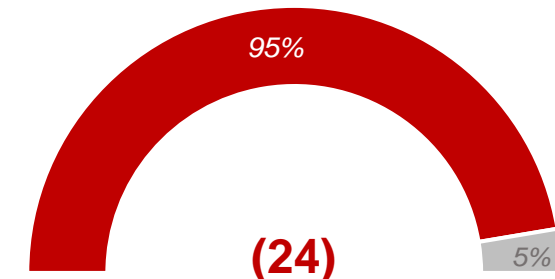
### Net interest income



### Net fee and commission income



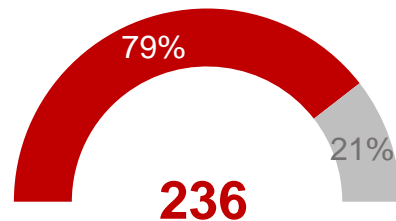
### Net trading loss



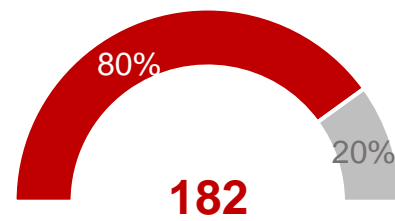
## Composition of operating expenses (in HRK mn)

30. 9. 2022.

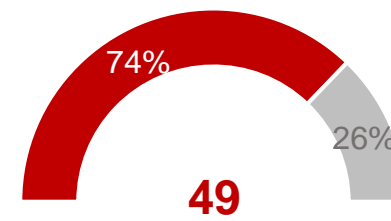
### Employee expenses



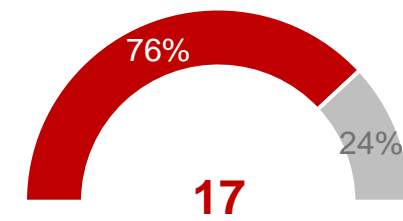
### Administrative expenses



### Depreciation



### Deposit insurance

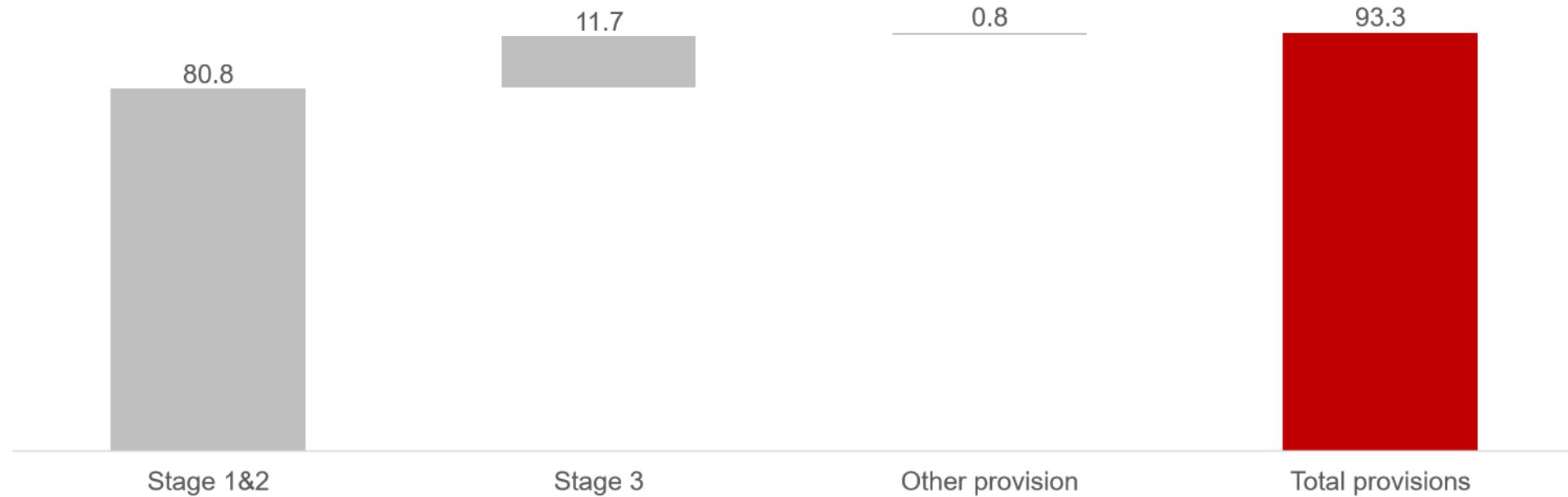




# Structure of net provision expenses

## Structure of net provision expenses (in HRK mn)

30. 9. 2022



- Stage 1&2 affected by changes in methodology and parameters of calculation of NHB's expected credit losses with group policy
- Other provisions are mostly related to legal cases

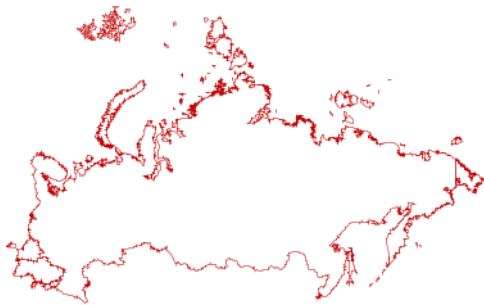
# Historical level of assets in amount of HRK 41.3 bn

		30. 6. 2022	30. 9. 2022.
Liquid assets	HRK mn	9,088	11,619
Securities	HRK mn	6,093	6,077
Gross loans	HRK mn	23,727	24,541
Net loans	HRK mn	21,909	22,688
Other assets	HRK mn	831	890
<b>Total assets</b>	<b>HRK mn</b>	<b>37,922</b>	<b>41,273</b>
Deposits	HRK mn	31,049	34,760
Loan liabilities	HRK mn	2,692	2,366
Other liabilities	HRK mn	837	822
<b>Total liabilities</b>	<b>HRK mn</b>	<b>34,577</b>	<b>37,947</b>
Paid-in capital	HRK mn	1,215	1,215
Accumulated other comprehens	HRK mn	(126)	(202)
Retained earnings or loss carried forward	HRK mn	488	528
Other reserves	HRK mn	702	662
Profit or loss for the year	HRK mn	47	104
Badwill (Gain on bargain purcha	HRK mn	1,019	1,019
<b>Equity and reserves</b>	<b>HRK mn</b>	<b>3,345</b>	<b>3,326</b>
Loan-to-deposit ratio	%	70.6	65.3
NPL ratio	%	6.9	6.3
NPL coverage	%	74.4	76.5

- HPB Group reached the historically highest level of assets, which confirms that it is a challenger that the competition must count on
- An increase in assets generated by an increase in deposits, where inflows were retained in the form of liquid instruments (+27.8%) due to the time lag until utilization
- Increase in the volume and quality of the loan portfolio
- A slight decrease in capital due to lower prices of securities in the portfolio of HPB Group

# HPB Group without significant exposure to entities from Russia, Belarus and Ukraine

- In response to Russian aggression against Ukraine, numerous countries of the world, including members of the European Union, introduced sanctions against Russia and Belarus
- HPB has implemented and continues to monitor changes in EU restrictive measures (sanctions), especially in the area of financial services
- NHB, and thus HPB Group, has no exposure to Sber Group as of September 30, 2022.



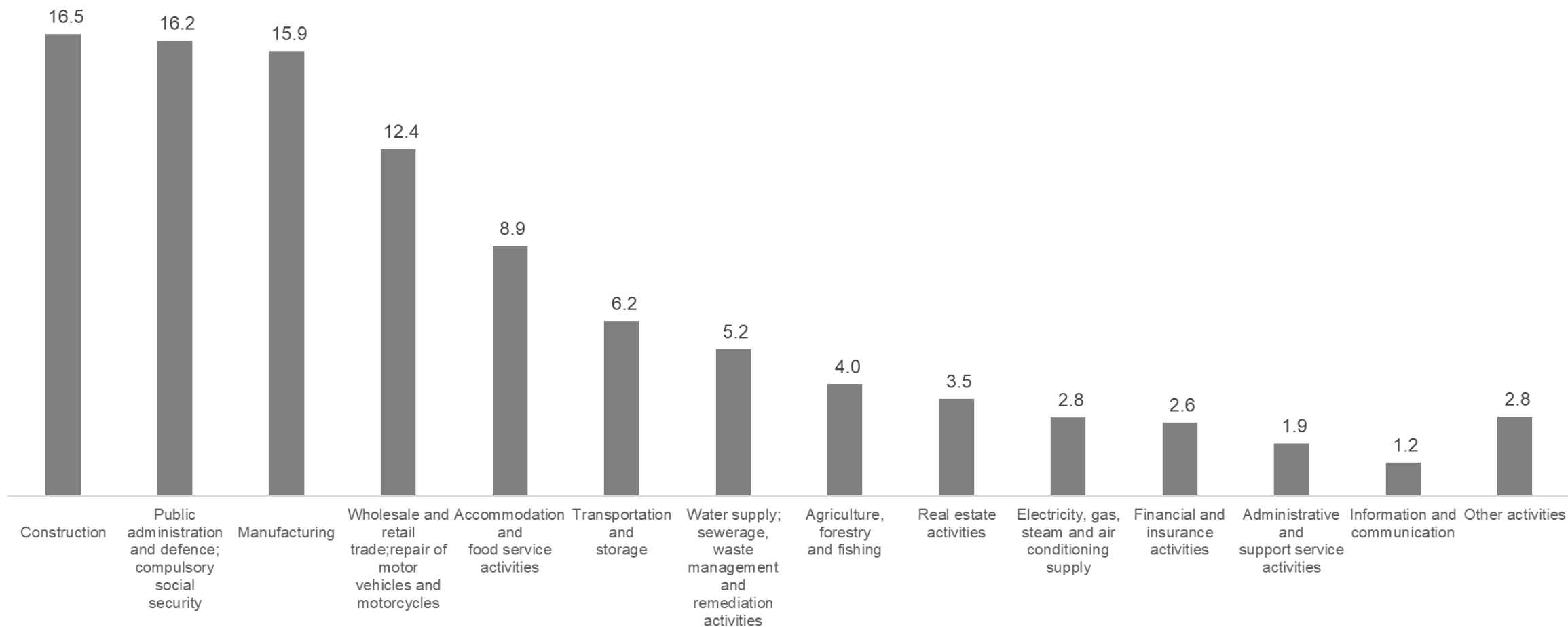
*HPB has no exposure to entities in Ukraine and Belarus, and has minimal exposure to entities in Russia (0.00001%)*



*NHB has low exposure to entities in Russia, Ukraine and Belarus (balance sheet 0.03% and off-balance sheet 0.28%)*

# We follow and support the needs of the Croatian economy

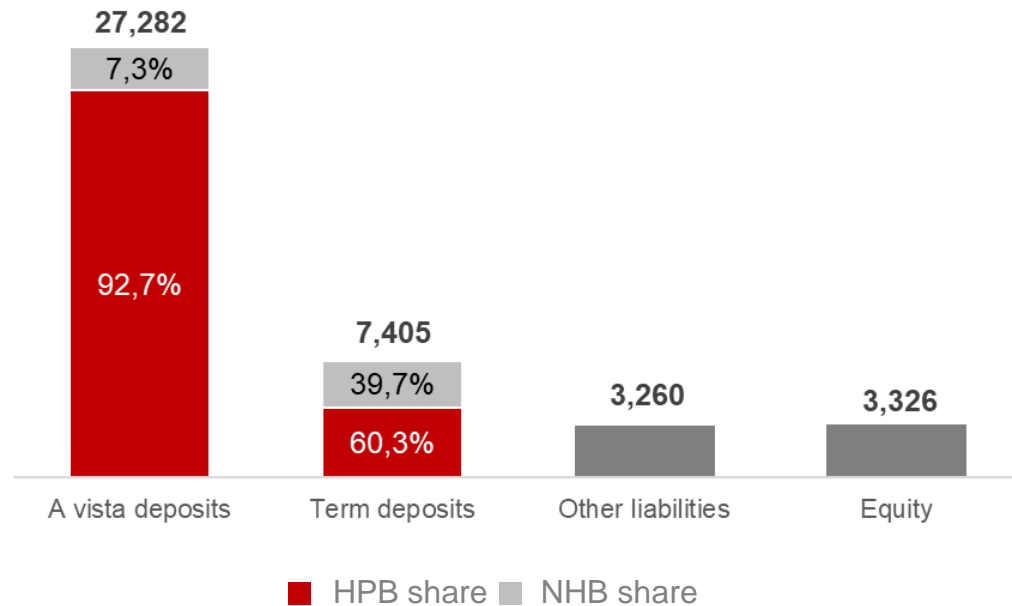
Corporate gross loans per industry (in %)  
30.9.2022



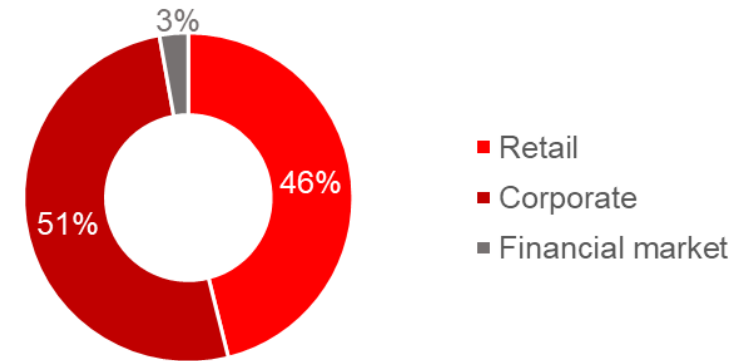
\* Hrvatske autoceste are included in construction industry, with a share of 56.1% in the total exposure

# HPB Group is a safe and reliable partner in deposit business

**Composition of equity and liabilities (in HRK mn)**  
30. 9. 2022.



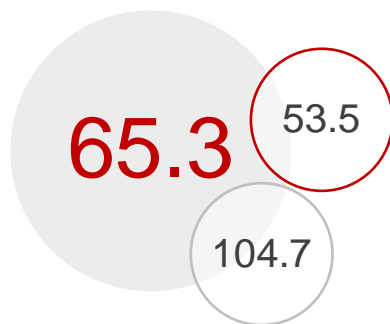
**Deposit structure**  
30. 9. 2022.



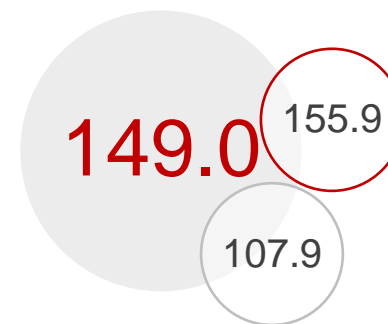
- **Customer deposits are key financing source (84.0%)**; a vista deposits dominate in the structure of HPB's deposits (84.6%), while in the NHB's structure term deposits make up the majority (59.0%) due to longer fixed terms and attractive interest rates
- **In the third quarter, a strong increase in deposits of HRK 3.7 billion (+12.0%) was recorded in all segments**: corporate + HRK 3.0 billion (+20.7%), retail + HRK 525.9 million (+3.4%) and financial institutions + HRK 136.8 million (+16.2%)
- Other liabilities relate primarily to loans received from credit institutions – CBRD, CNB repo loans and foreign financial institutions.

# Financial and liquidity position in the HPB Group maintained stable

Loan/deposit ratio (in %)



LCR (in %)



○ HPB ○ NHB

- Loan-to-deposit ratio decreased at the consolidated level by 5.3 p.p. compared to the previous quarter due to increased inflow of deposits after a temporary deposits outflow at the end of the first and beginning of the second quarter due to the impact of the geopolitical situation in Europe on NHB's
- Improved liquidity position of the Group with solid liquidity reserves and consolidated (HPB and NHB) liquidity coverage ratio of 149.0%
- Customer deposits dominate funding mix with a share of 84.0%