



HRVATSKA POŠTANSKA BANKA

HPB d.d. Q4 2020

Investor information

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1 Executive Summary

2 Macroeconomic environment

3 Financials

4 Risk Management

5 Appendix

HPB at a glance

Bank of the people

- Our 2020 loan growth determined by macroeconomic situation influenced by COVID-19 (**capital light lending**);
- **Strategic cooperation with Hrvatska pošta** allows us to reach even our most remote customers.

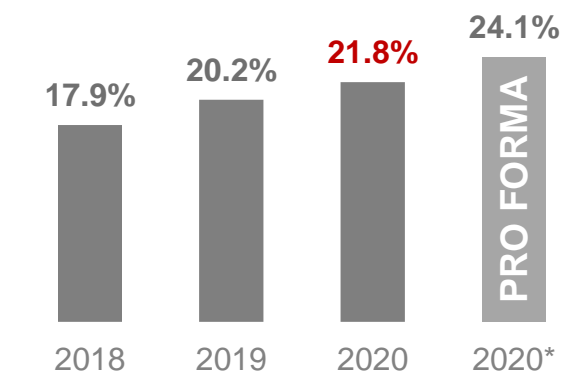
Resilience through hardships

- We **adapted our products and services** to address earthquakes and the pandemic;
- We adapted to **remote work**, ensuring the necessary resources for our employees;
- We also **donated** HRK 1 mn to the City of Petrinja;
- We **fortify** our position by harnessing efficiencies in our **risk and interest profile**.

Geared for sustainable growth

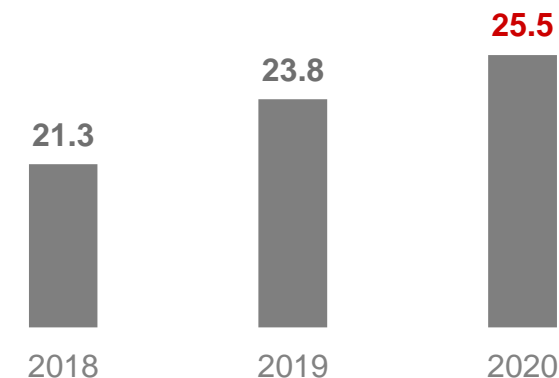
- We stand on the **strongest capital position in our recent history**;
- We **improved our loan portfolio quality**;
- We **strengthened our market position**.

CET 1 %

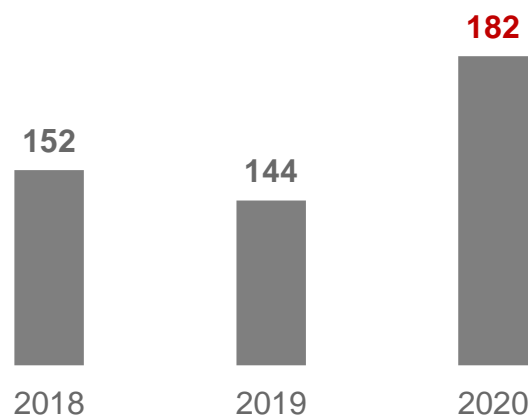


* Pro forma CET 1 ratio with inclusion of FY20 net profit

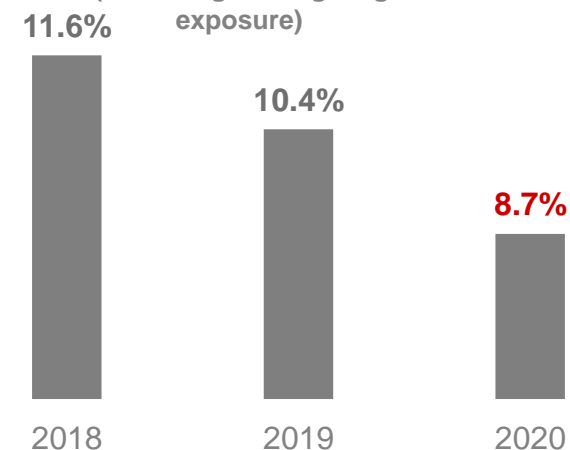
Total assets (HRK bn)



Net profit (HRK mn)

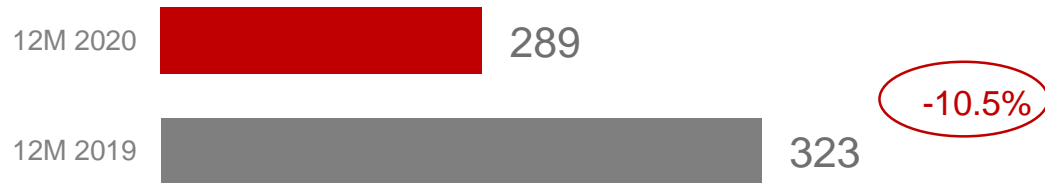


NPL % (excluding 100% gov. guaranteed exposure)



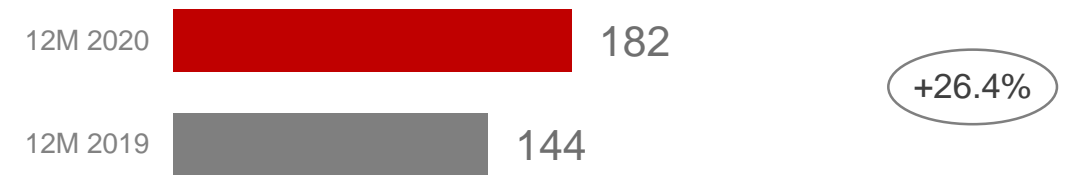
Key Financials 2020

Operating profit (in HRK mn)



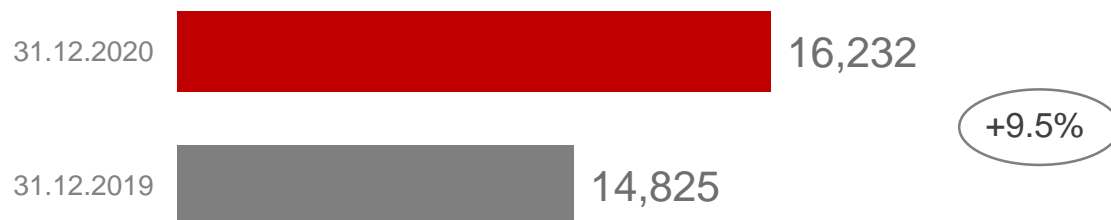
Operating profit down on COVID-driven reduction in net fee income

Profit after tax (in HRK mn)



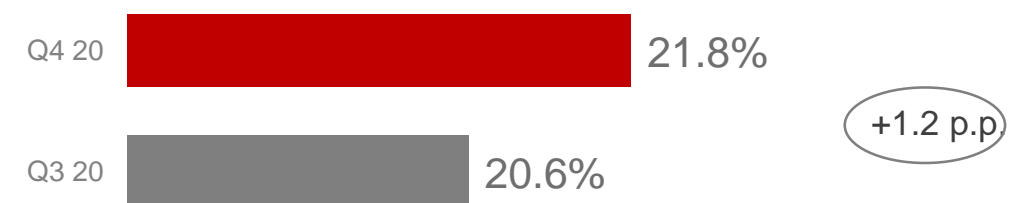
Profit after tax up on legal provisions reversal

Gross loans (in HRK mn)



Capital-light lending drives growth

CET 1 capital ratio (in %)



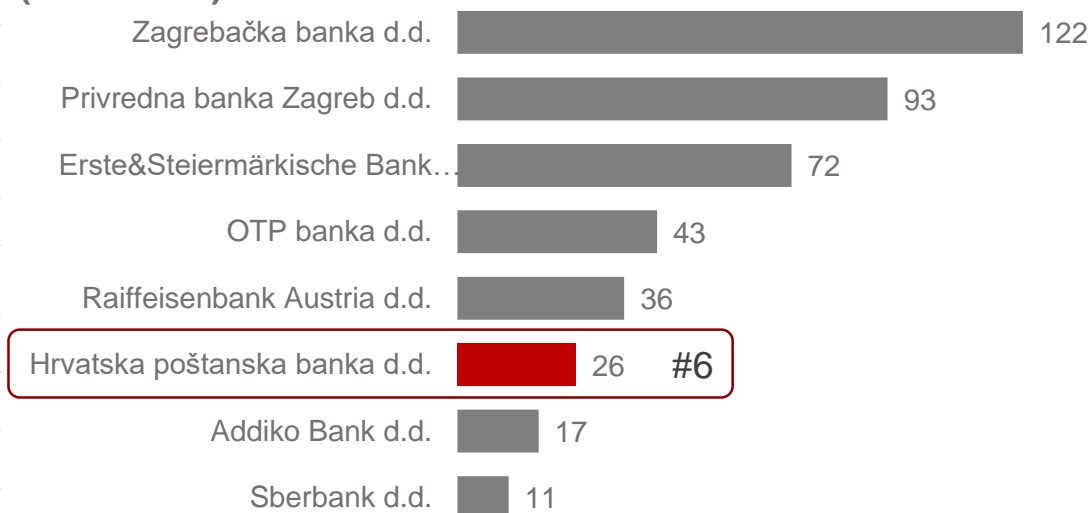
Strongest capital position in our recent history
Pro forma CET1 at end 2020 at 24.1%

Robust Performance in 2020

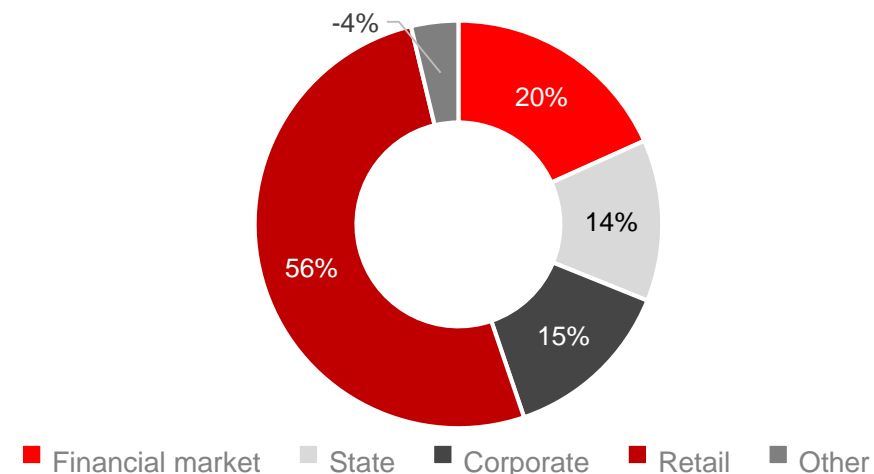
		2017	2018	2019	2020	
Assets	HRK mn	19,799	21,256	23,844	25,500	▲
Net loans to customers	HRK mn	10,963	11,009	13,341	14,725	▲
Deposits	HRK mn	16,951	18,371	20,069	21,214	▲
Equity	HRK mn	1,905	2,003	2,370	2,473	▲
Income	HRK mn	1,276	1,173	1,227	1,121	▼
Net profit	HRK mn	8	152	144	182	▲
Cost-to-income ratio	%	54.4	60.1	61.5	64.1	▲
Return on equity (ROE)	%	0.4	7.6	6.1	7.4	▲
CET 1 capital ratio	%	18.1	17.9	20.2	21.8	▲
NPL ratio	%	12.8	11.7	10.8	10.4	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	12.8	11.6	10.4	8.7	▼
NPL coverage	%	61.1	67.3	67.5	62.2	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	61.1	67.3	70.0	74.2	▲

- Steering of risks is based on prudent assessment of primary risk but with having in mind the complete risk profile
- Cost reduction measures impeded by earthquake damages

Market share by total assets as of 30.9.2020 (in HRK bn)

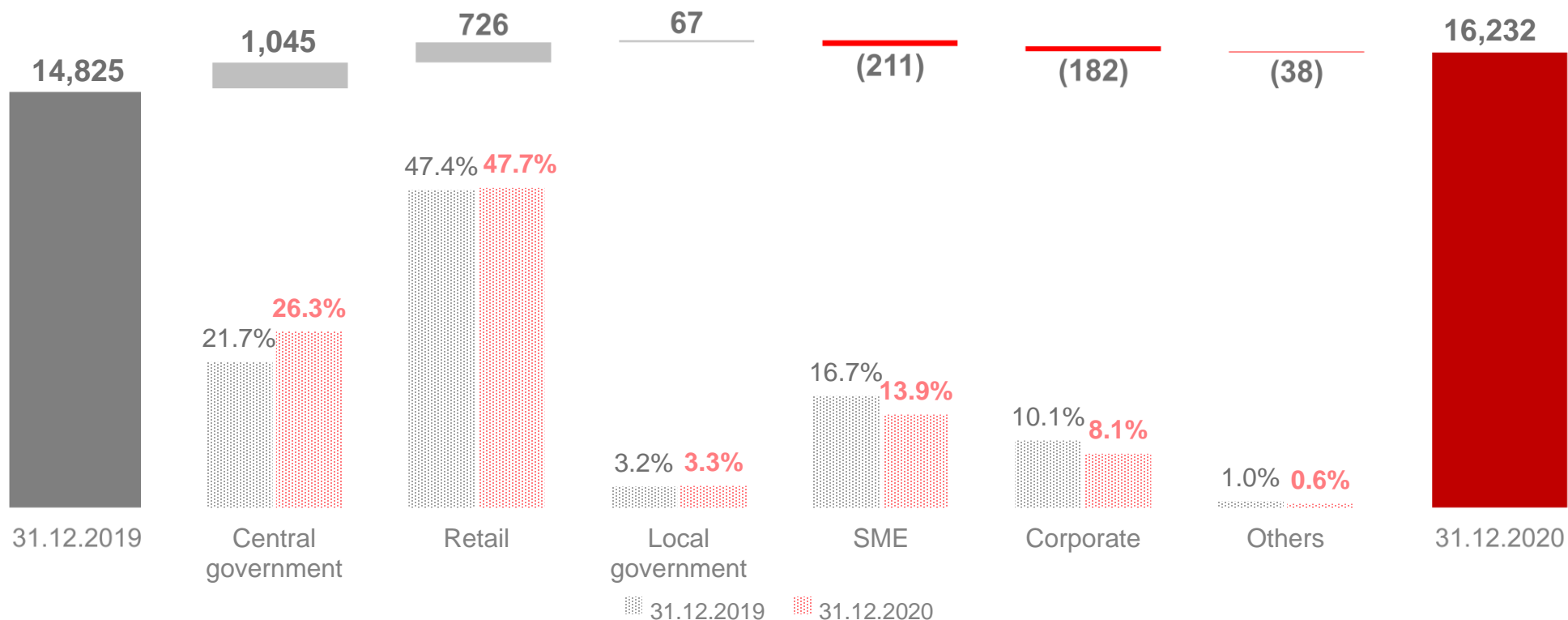


Composition of Net profit as of 31.12.2020



Gross loans development

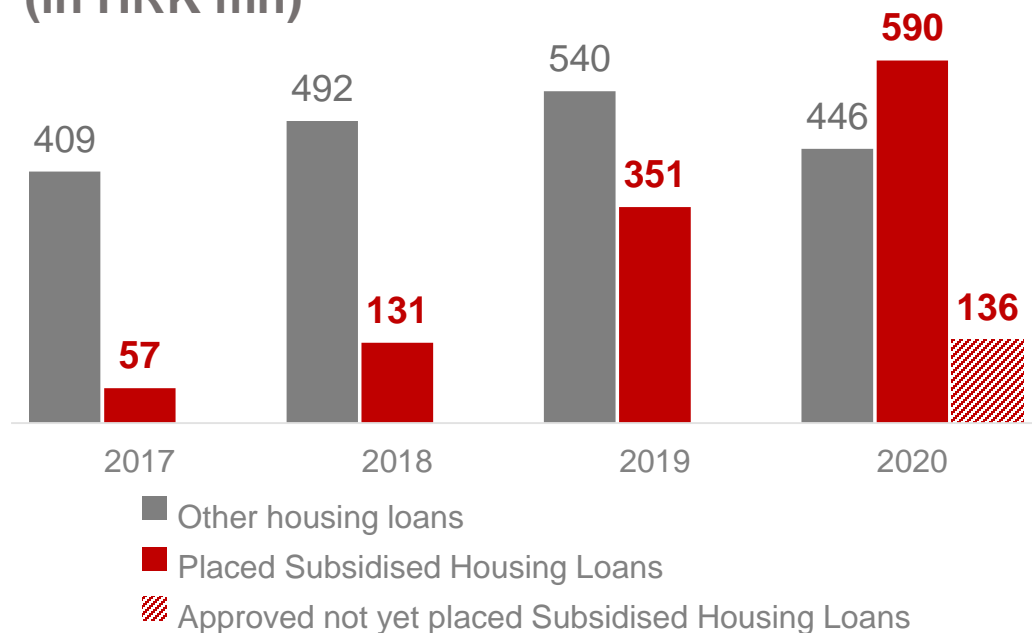
Gross loans (in HRK mn)



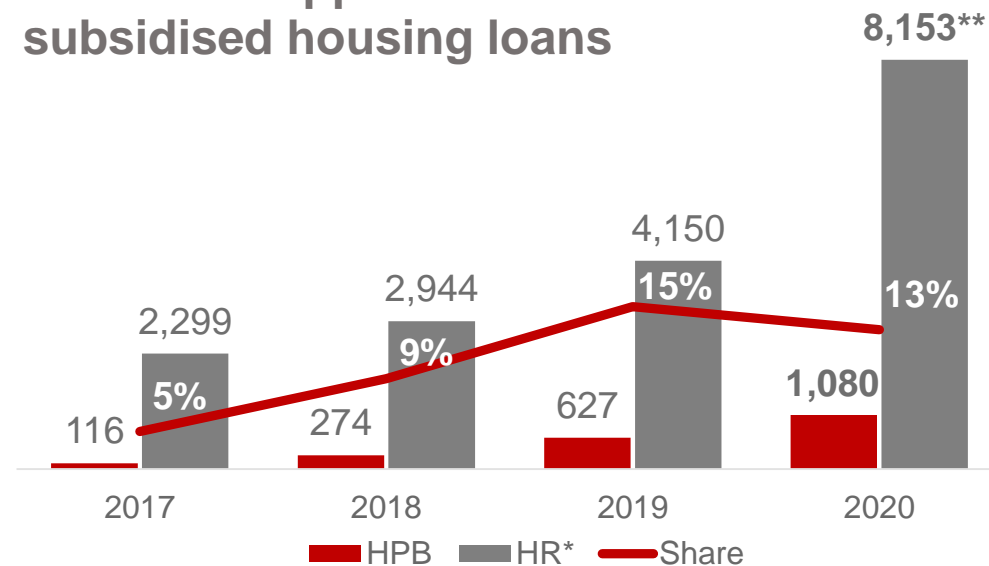
- Lending in 2020 was focused on central government, retail and government support transactions;
- Overall market situation and selective growth with high-quality customers led to net reduction in the SME & Corporate segments.

Subsidised Housing Loans

Housing loans volume
(in HRK mn)



Number of approved
subsidised housing loans



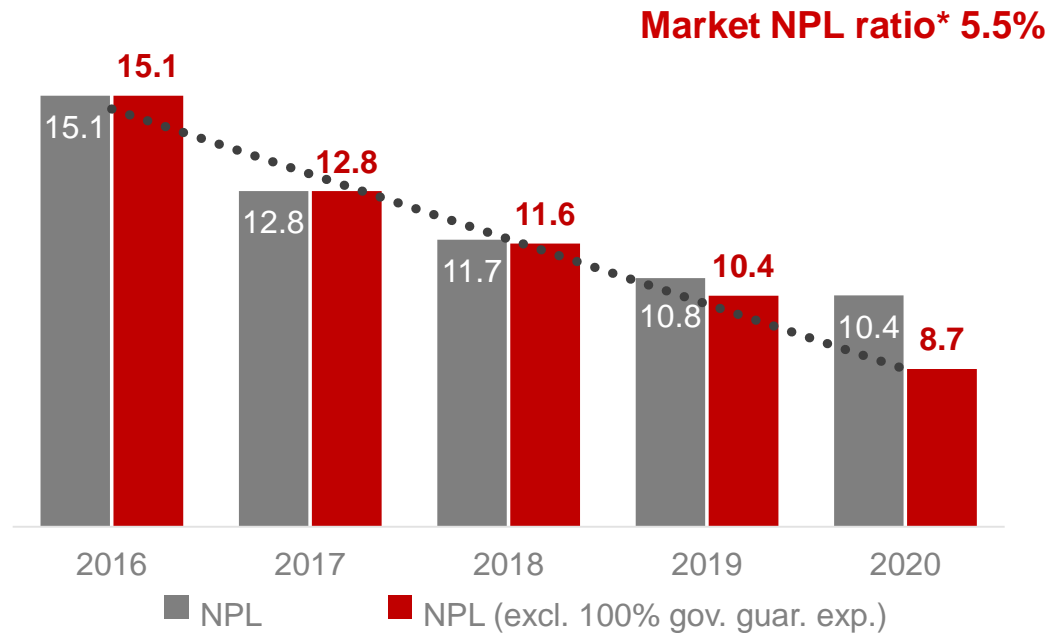
- HPB financed HRK 1.1 bn in 2020, or 12% of the total volume of subsidised housing loans in Croatia in a period 2017 - 2020;
- Through this product, HPB attracts young, highly educated, and active clients (80% of subsidised housing loan clients are new to Bank).

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

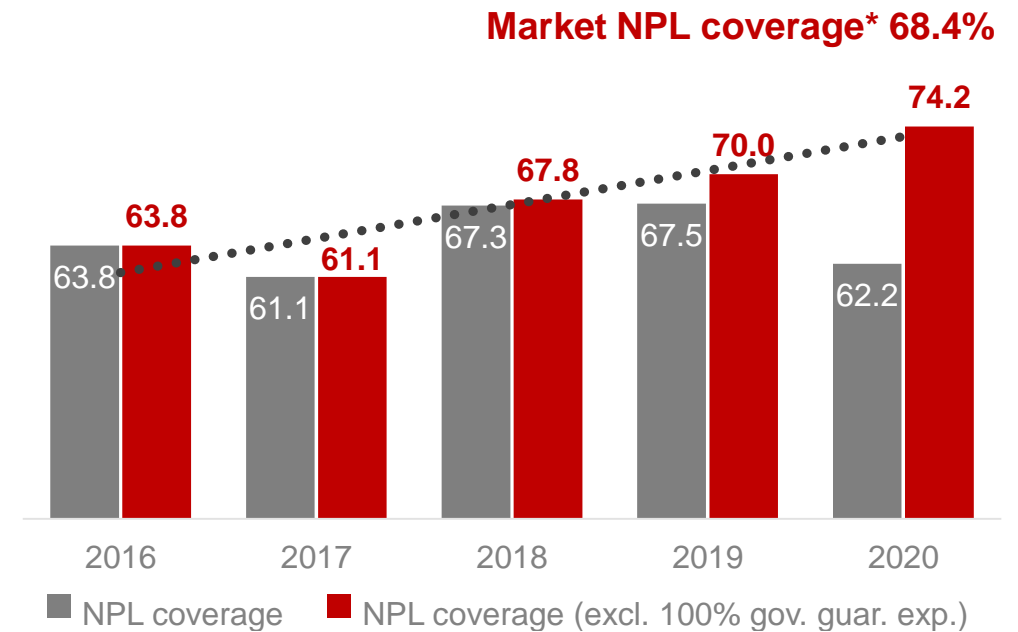
** Data of collected requests as of 26.1.2021

Portfolio quality improves

NPL ratio development (in %)

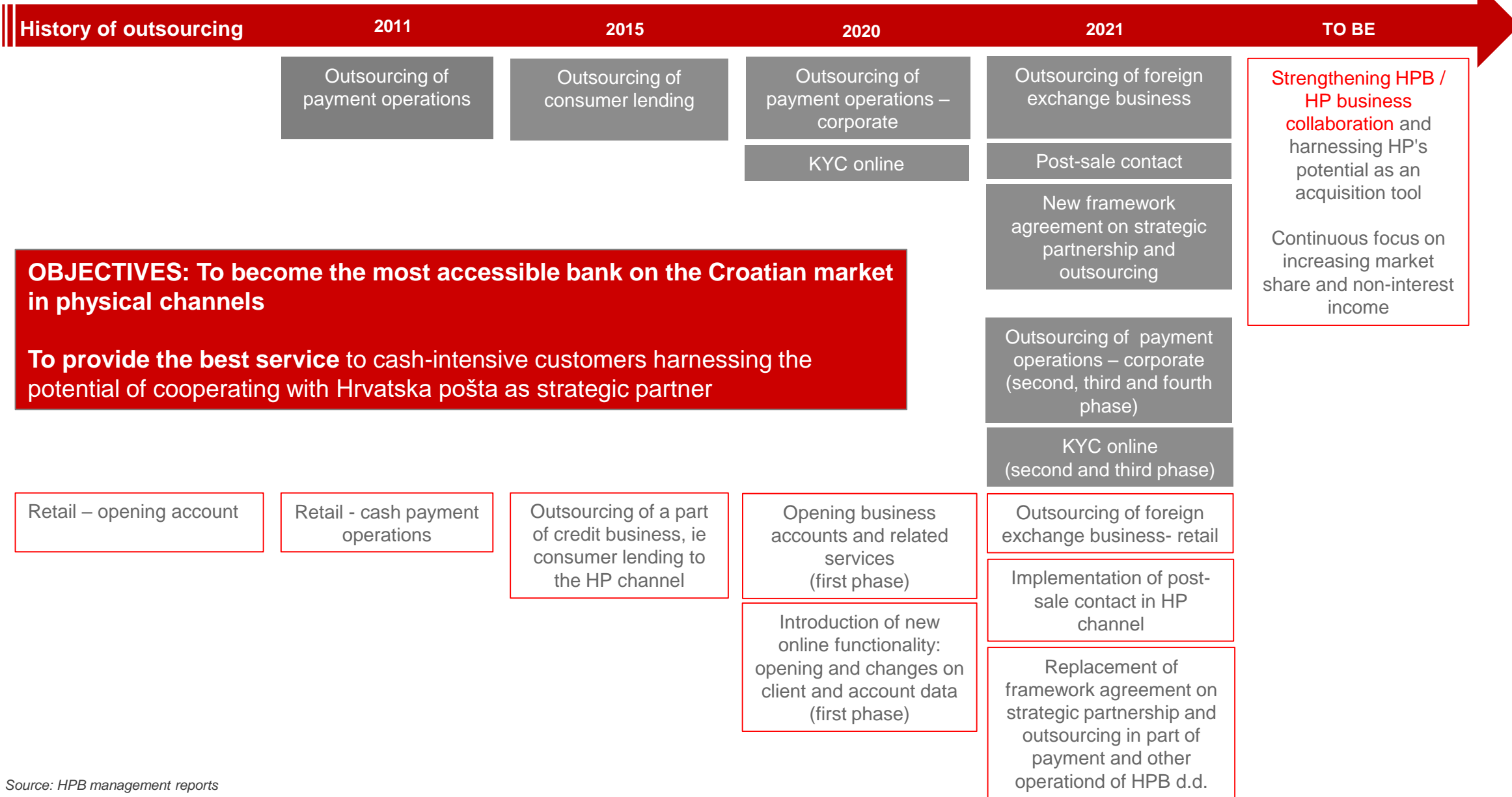


NPL coverage development (in %)



- Material difference in NPL ratio with or without exposure that is 100% government guaranteed;
- Overall NPL share decreased due to collection activities and capital light performing loans growth despite:
 - strong COVID-19 impact and
 - AQR new default entries.

Business development in the channel of Hrvatska Pošta d.d.



1 Executive Summary

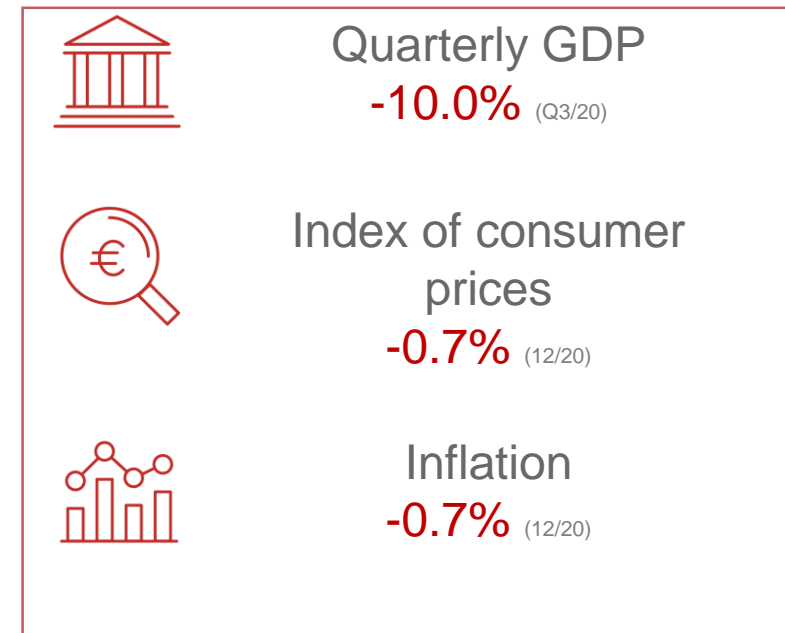
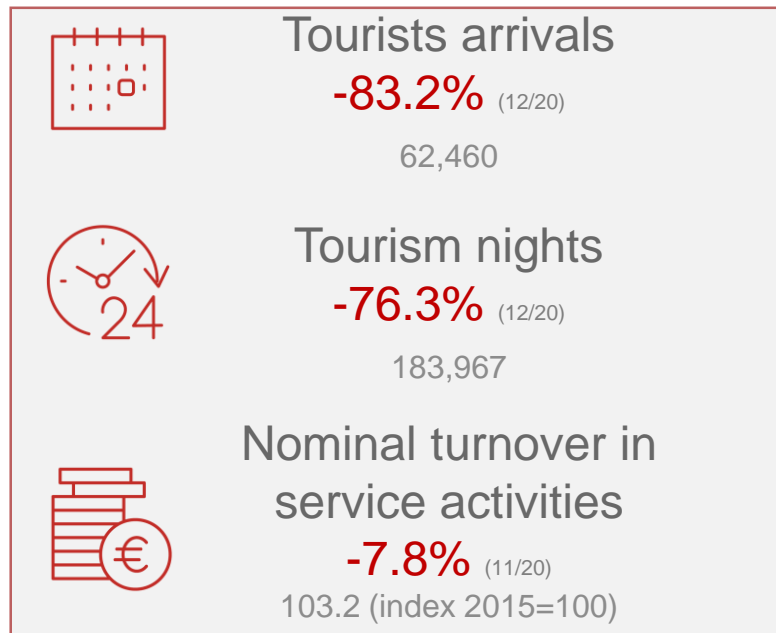
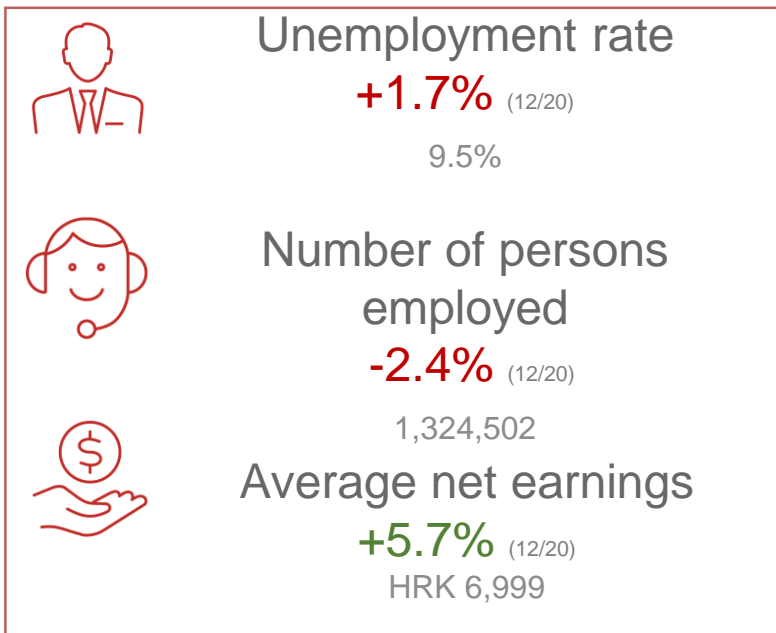
2 Macroeconomic environment

3 Financials

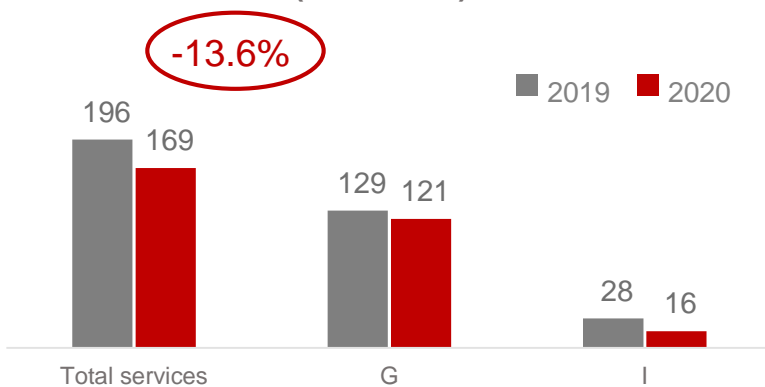
4 Risk Management

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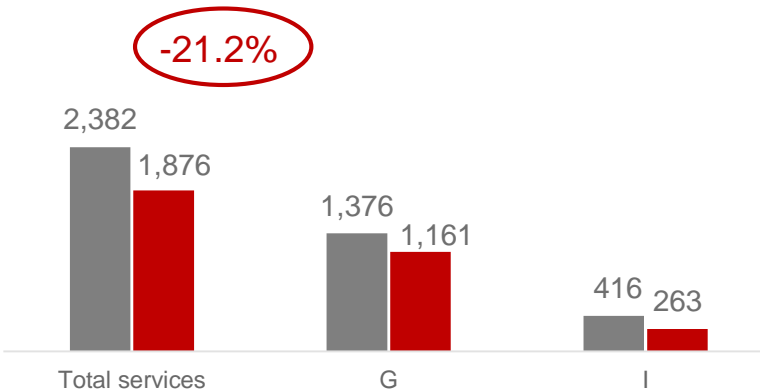
Socioeconomic indicators (y-o-y)



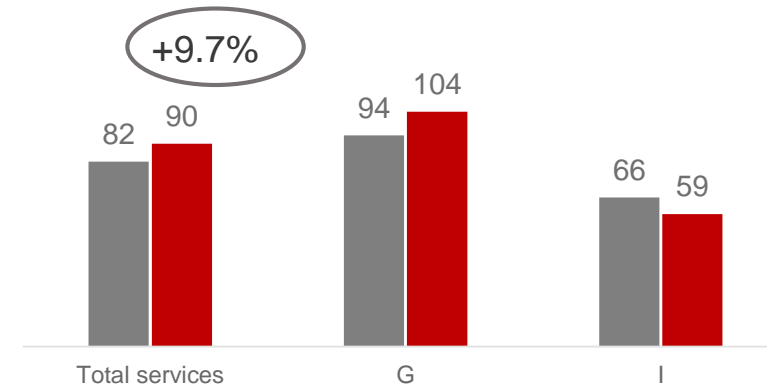
Account balance* (in HRK bn)



Number of accounts* (in mn)



Average account balance* (in HRK)



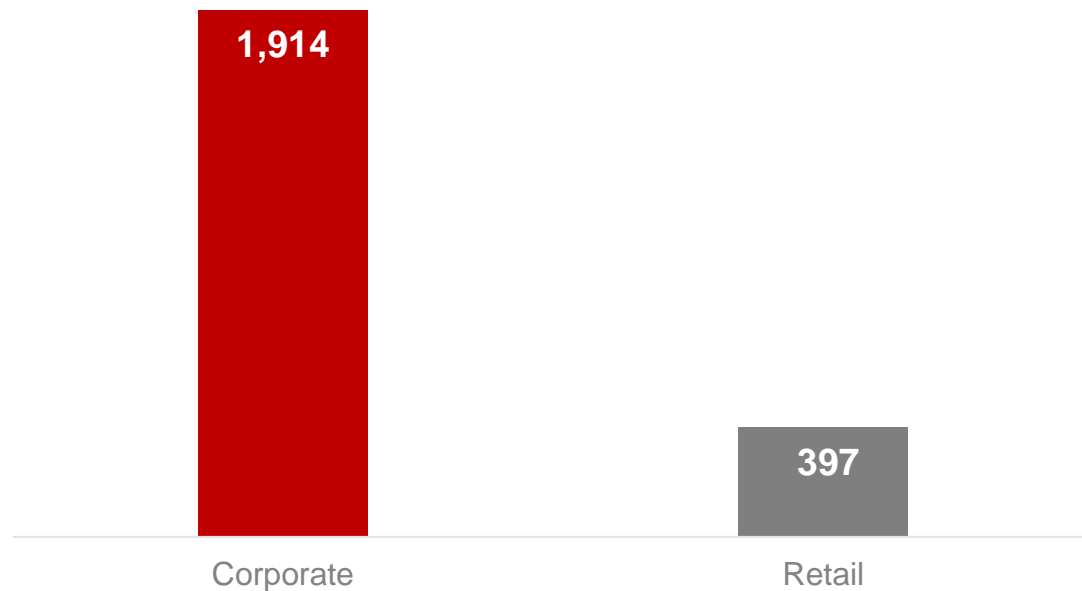
Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (November and December 2020)

*Source: <https://www.porezna-uprava.hr/Dokumenti> (data for the year 2019 and 2020)

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

COVID-19 moratoria

Total approved moratoria (in HRK mn)



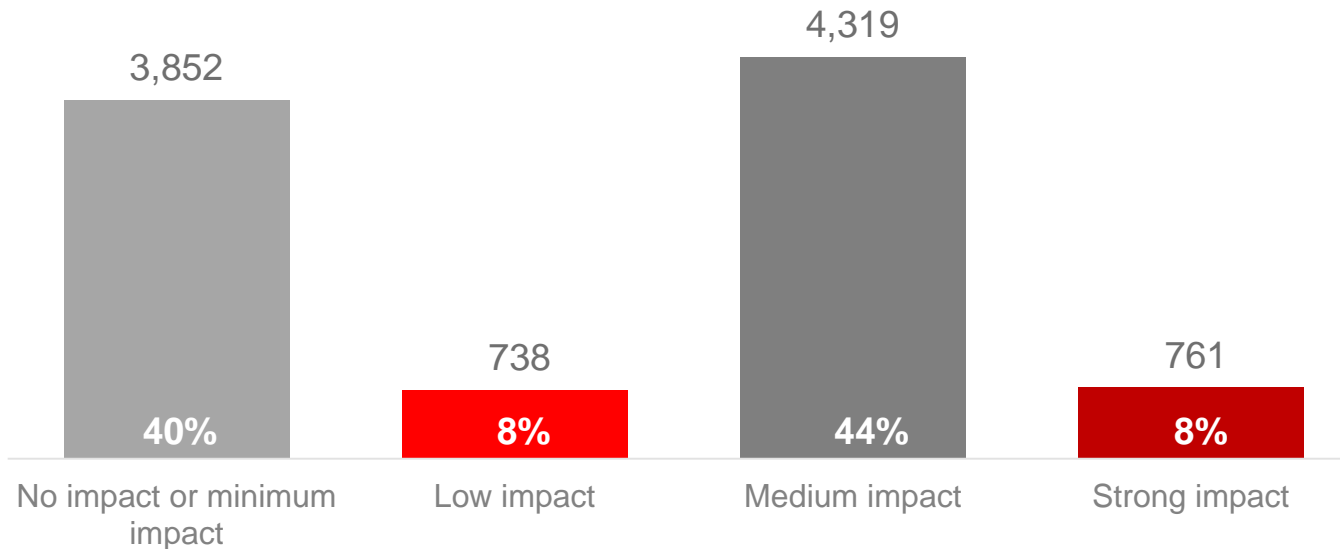
Share in Corporate segment:
22.6%

Share in Retail segment:
5.1%

- By end-2020, 1.5% of financed corporate moratoria are in default;
- Almost half of approved corporate moratoria have already expired by end-2020 (HRK 872 mn).

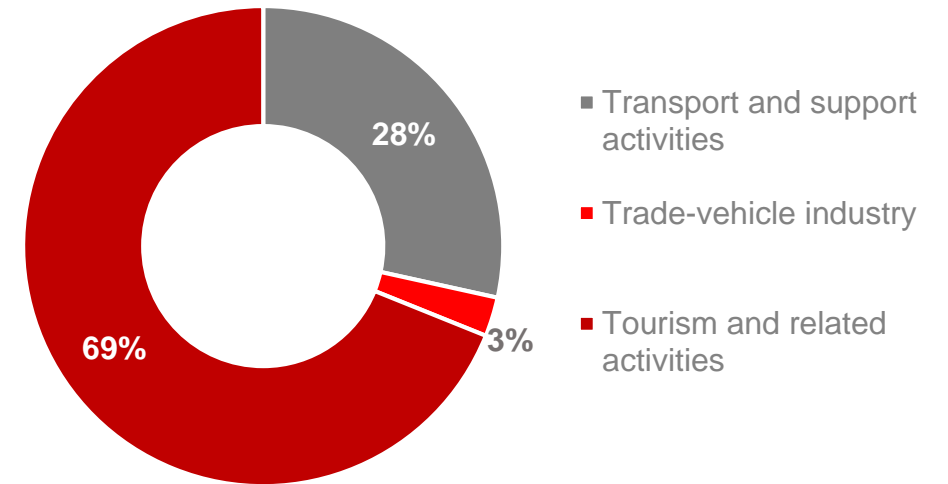
COVID-19 impact on loan portfolio

COVID-19 impact on corporate performing loans (in HRK mn)

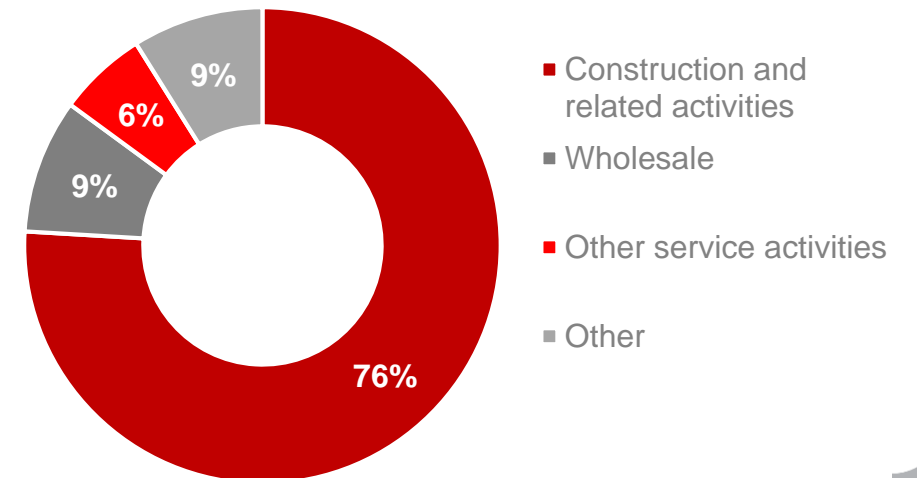


- 48% of the Bank's corporate portfolio is largely unaffected by COVID-19;
- The Risk Appetite Statement (RAS) was adopted limiting new exposures to the most affected industries by the COVID-19 pandemic.

Strong impact industries

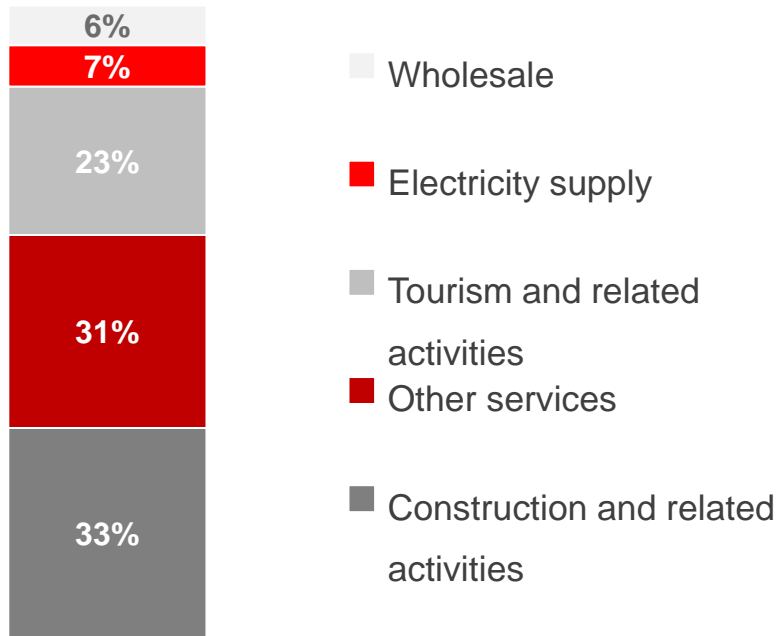


Medium impact industries

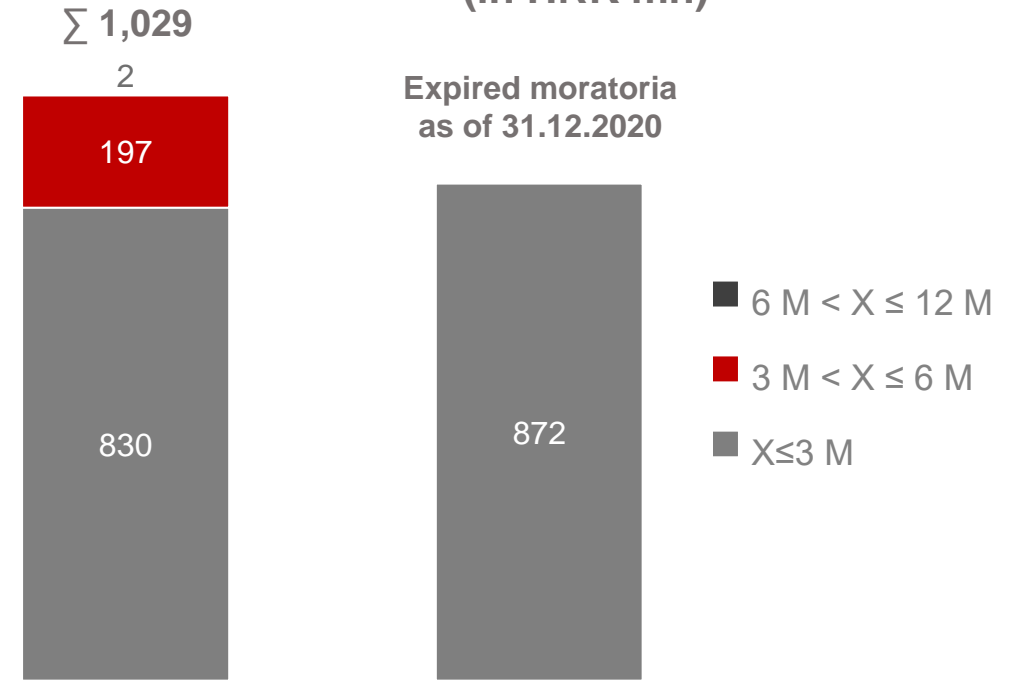


COVID-19 impact on loan portfolio

Approved moratoria per industry



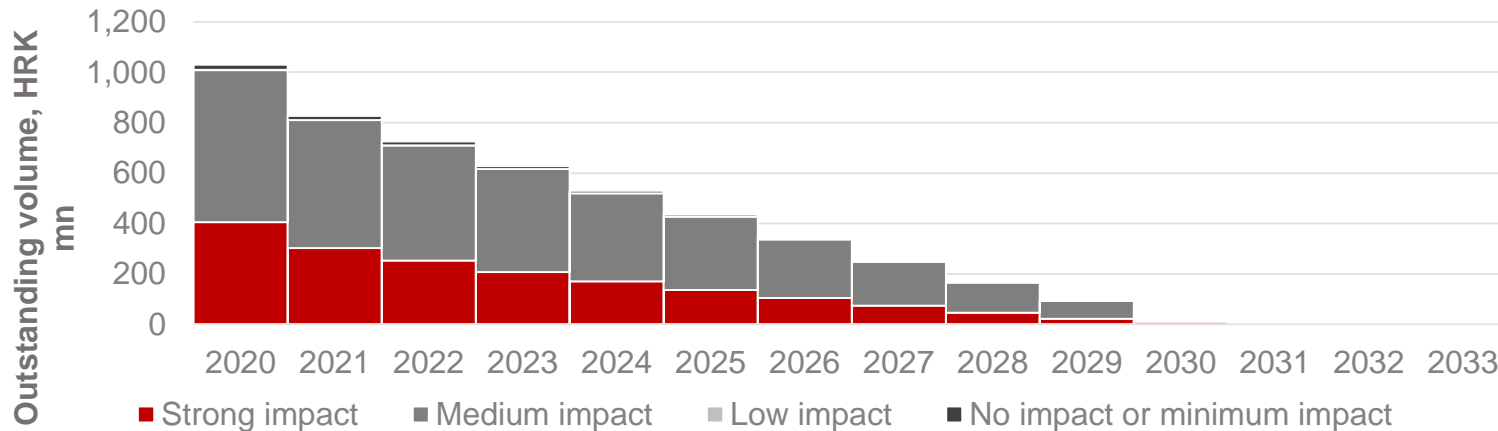
Approved corporate moratoria per maturity (in HRK mn)



- Approved COVID-19 moratoria to corporates of HRK 1.9 bn (22.6% of outstanding gross corporate loans);
- Tourism has an extremely low share in the Bank's total portfolio (6.0% of outstanding gross corporate loans);
- We actively manage the portfolio through the analysis of pandemic prevention measures impact on industries.

Maturity of loans under moratoria – COVID-19

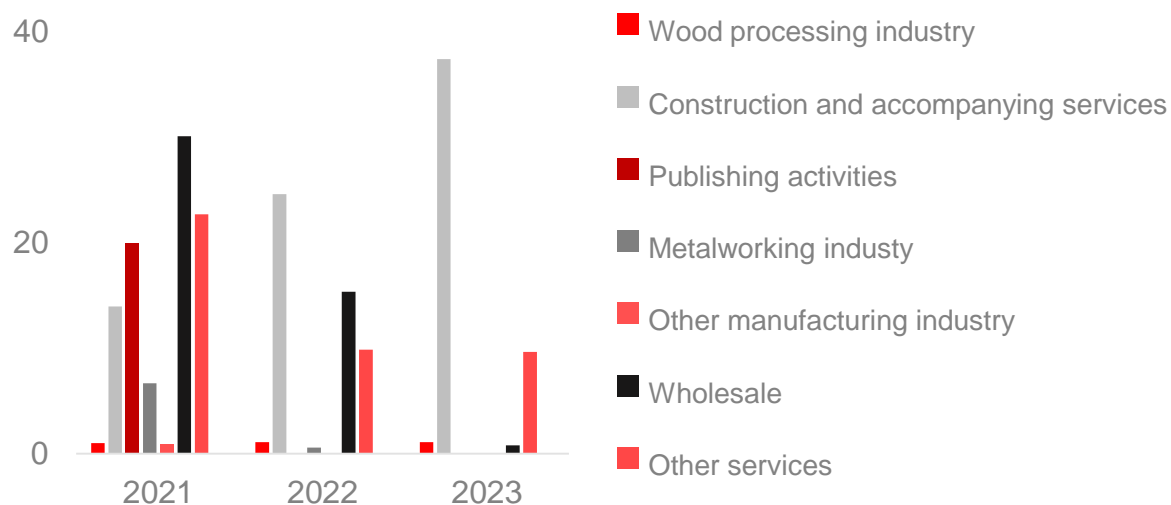
Residual maturity of loans under moratoria as of 31.12.2020*



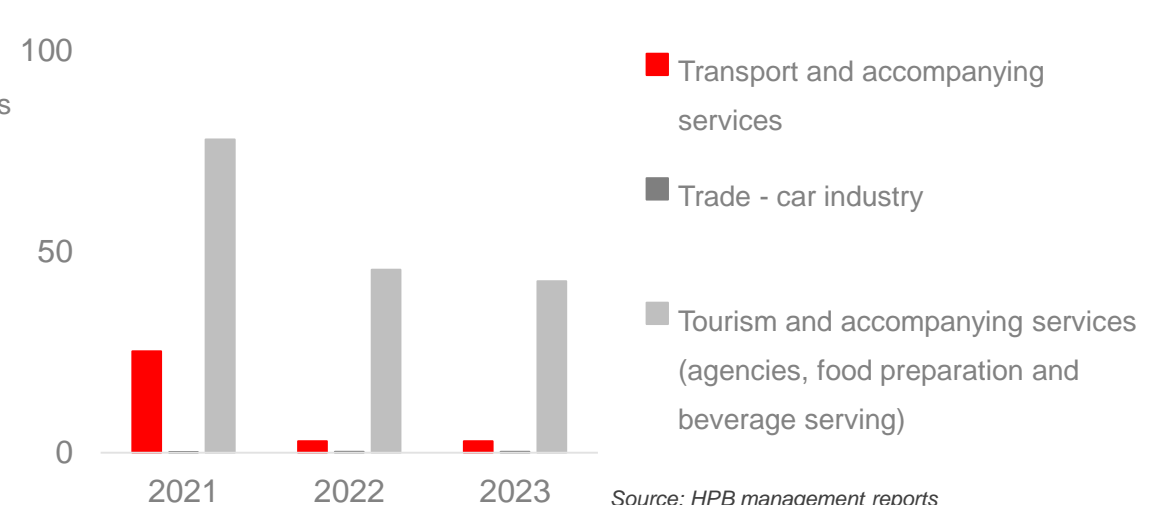
- The Bank regularly monitors loans to clients who have been granted a moratorium, regardless of the COVID-19 impact, and evaluates their cash flows on an individual basis
- By the end of 2020, 1.5% of approved corporate moratoria has defaulted

*excl. loans out of moratoria as of 31.12.2020

Medium impact – maturities by 2023 (in HRK mn)



Strong impact – maturities by 2023 (in HRK mn)



Source: HPB management reports

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Key financials – Income statement

		2019	2020	Δ y-o-y	
Net interest income	HRK mn	541	543	2	▲
Net fee income	HRK mn	200	176	(24)	▼
Operating income	HRK mn	839	804	(35)	▼
Operating expense	HRK mn	(516)	(515)	(1)	▼
Operating profit	HRK mn	323	289	(34)	▼
Provisioning	HRK mn	(228)	(62)	(166)	▼
Net profit	HRK mn	144	182	38	▲
Cost-to-income ratio	%	61.3	64.1	2.8	▲
Net interest margin	%	2.4	2.2	(0.2)	▼

- Operating profit reduction primarily driven by COVID-19 effects;
- A build-up (HRK +56 mn) in 2019 and consequent release (HRK -79 mn) account for intra-year provision fluctuations.

Operating profit development

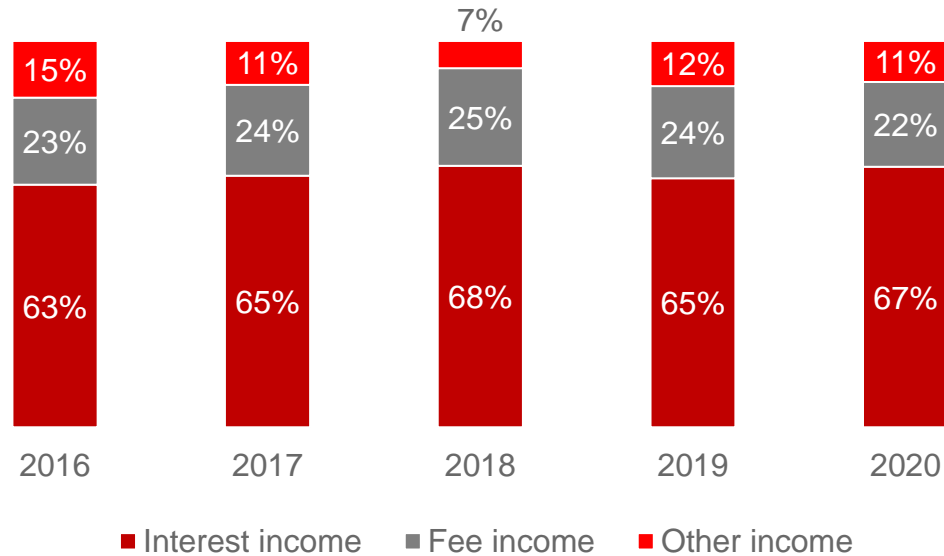
Operating profit development (in HRK mn)



- COVID-19 effects on operating profits reflected in reduced interest and fee income;
- Active management of the interest profile neutralised the drop in interest income.

Net income development

Composition of net income

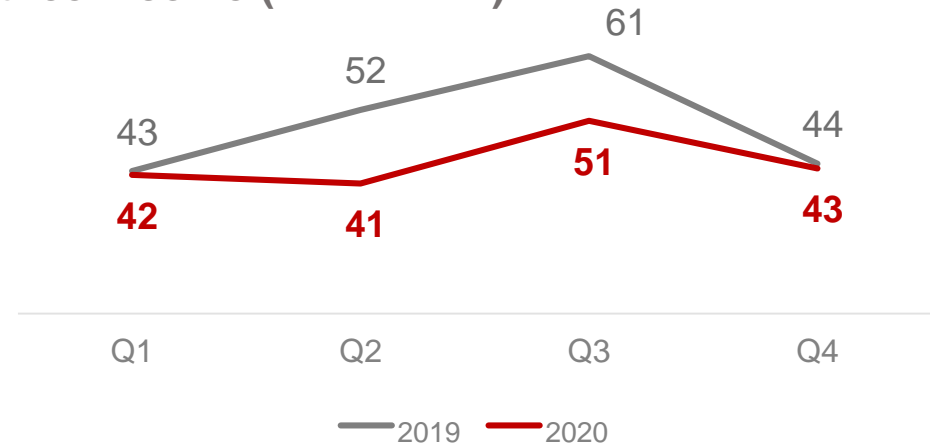


- Net interest income is slightly higher on better management of interest expense;
- Net fee income impacted by COVID-19, which was mostly reflected in Q2 and Q3.

Net interest income (in HRK mn)

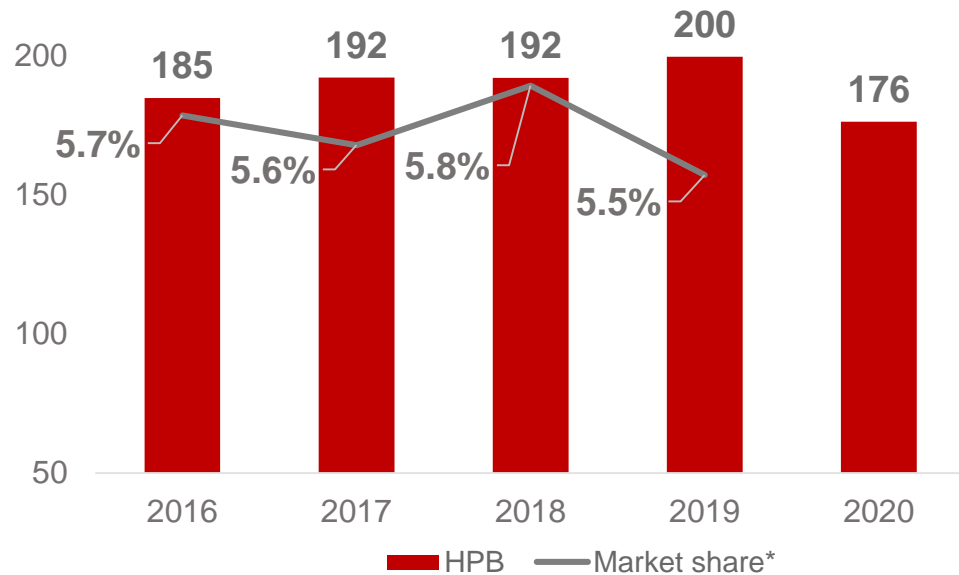


Net fee income (in HRK mn)

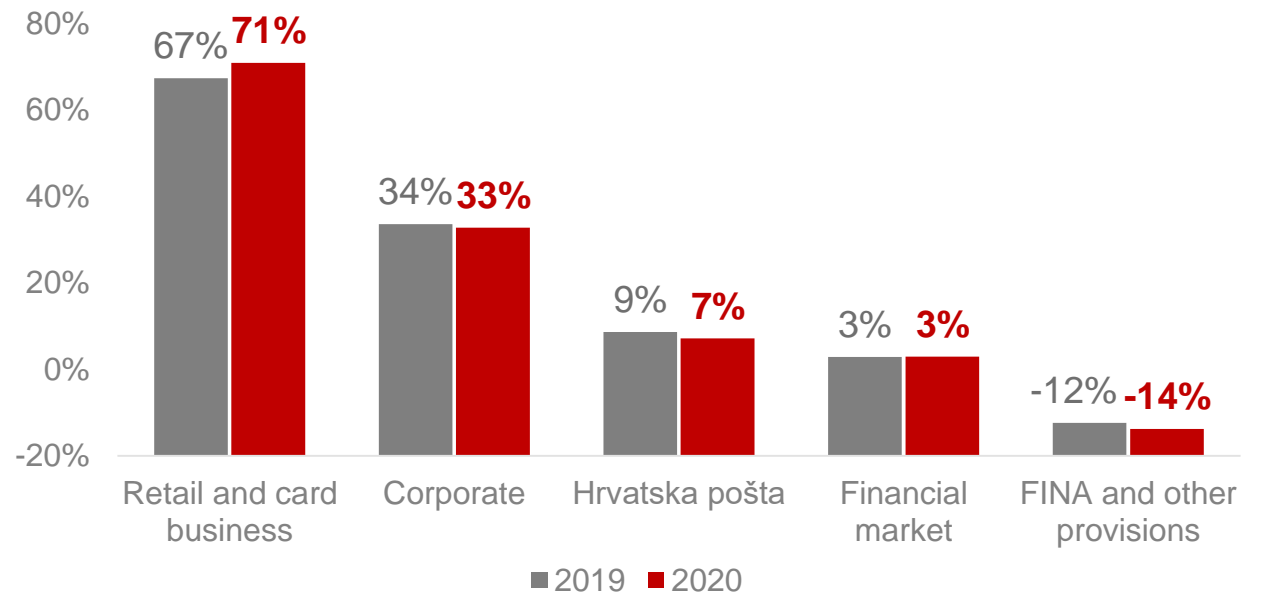


Fees and commissions

Net fee income overview (in HRK mn)



Composition of net fee and commission income

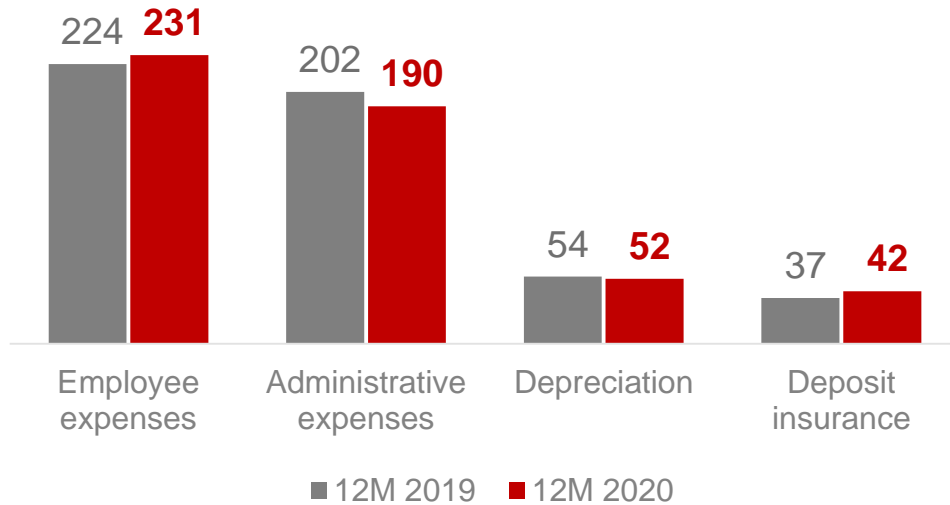


* Market data for year 2020 is not available at time of publishing of this presentation

- Net fee income decline of HRK 23.4 mn vs 2019 is caused by:
 - temporary suspension of fees for cash withdrawals at ATMs of other banks (25.3.2020 – 1.7.2020);
 - slowdown in economic activities;
 - significantly lower number of tourist arrivals in the 2020 summer season;
- HPB net fee income on par with the banking sector with a relatively stable share;
- Retail and card business fees are highest contributors to net fee income.

Operating expenses

Composition of operating expenses
(in HRK mn)



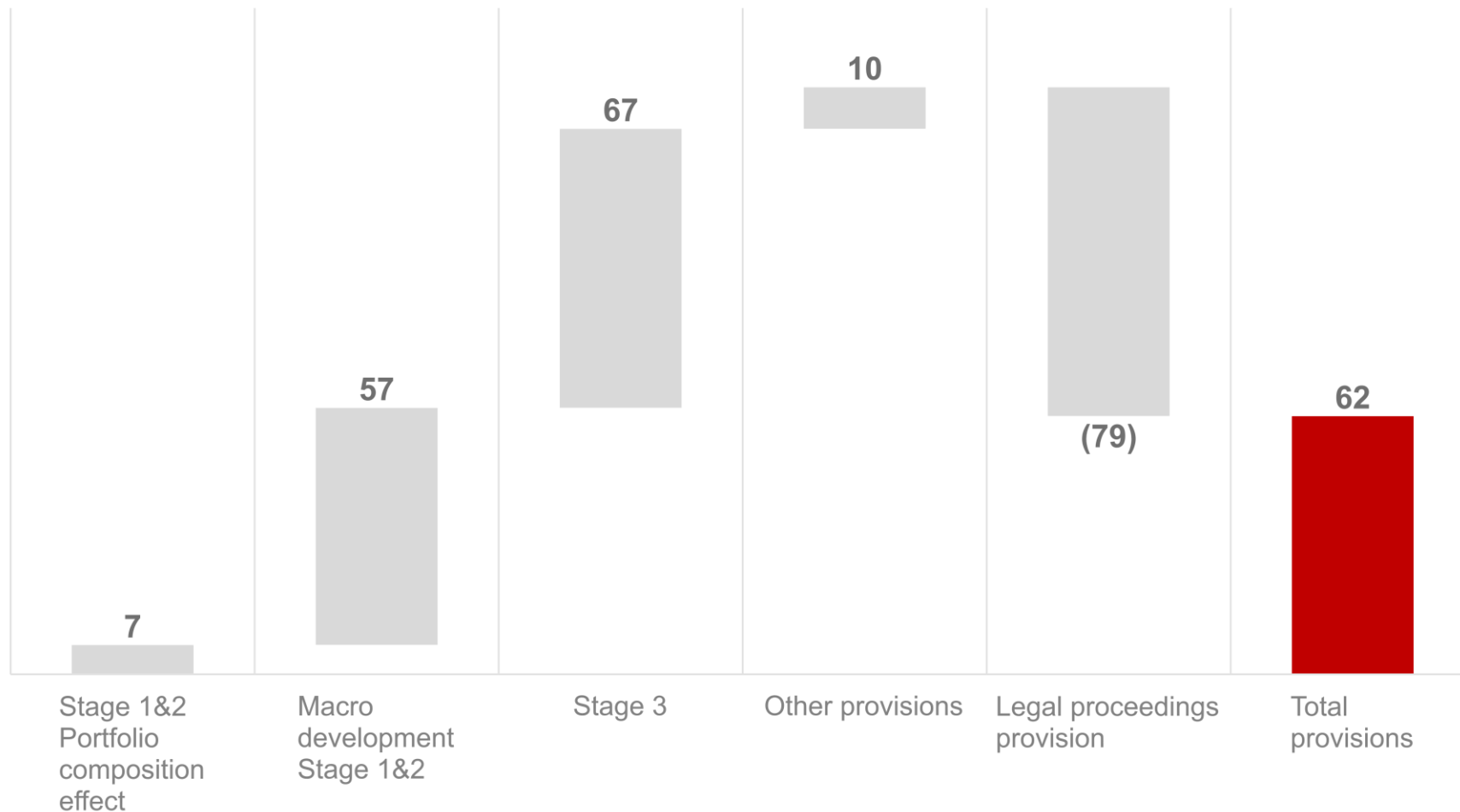
Administrative expenses development
(in HRK mn)



- Employee costs up with investments on IT infrastructure optimization – in house solutions;
- Cost-cutting measures effectively reduced administrative expenses in 2020;
- Rental costs up with contingency office space acquisition following earthquakes.

Provisioning

Structure of provision expenses in 2020 (in HRK mn)



- Booking and consequent reversal of significant provisions for legal proceeds drive intra-year volatility;
- Portfolio optimization efforts drive risk costs down despite COVID-19 effects.

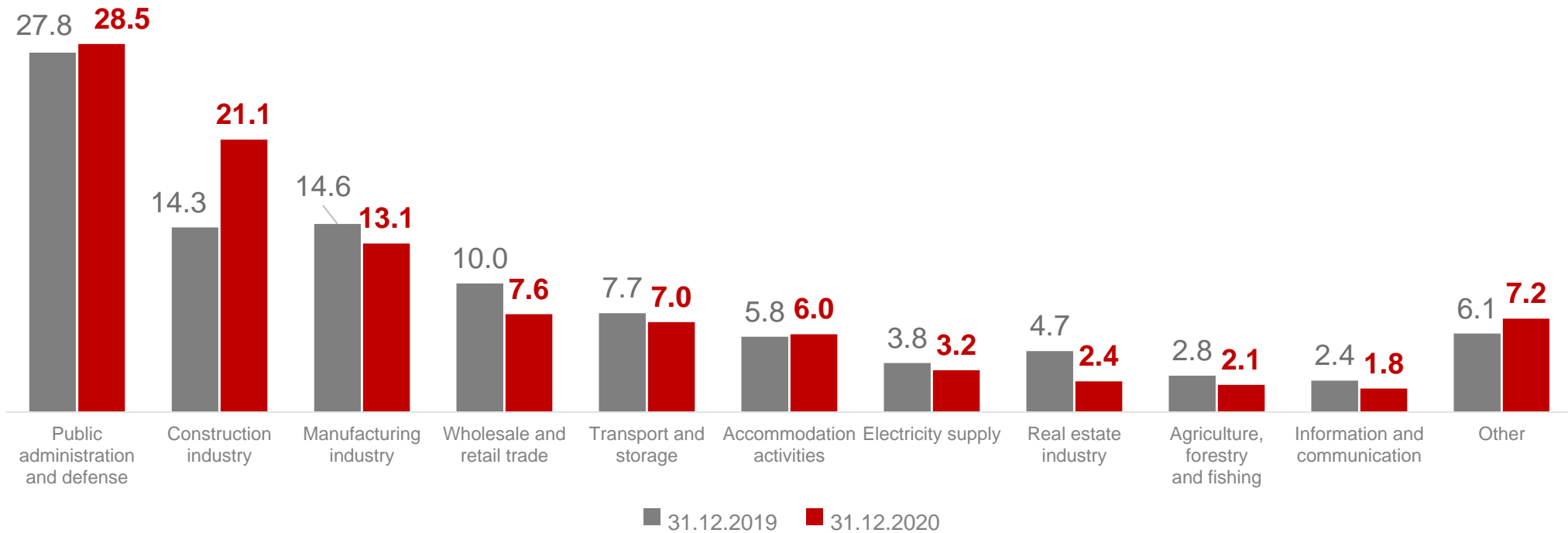
Key financials – Balance sheet

		31.12.2019	31.12.2020	Δ ytd	
Assets	HRK mn	23,844	25,500	1,656	▲
Gross loans	HRK mn	14,825	16,232	1,407	▲
Deposits	HRK mn	20,069	21,214	1,145	▲
Equity	HRK mn	2,370	2,473	103	▲
Regulatory capital	HRK mn	2,209	2,314	105	▲
Loan/deposit ratio	%	66.5	69.4	2.9	▲
ROAE	%	6.6	7.5	0.9	▲
NPL ratio	%	10.8	10.4	(0.4)	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	10.4	8.7	(1.7)	▼
NPL coverage	%	67.5	62.2	(5.3)	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	70.0	74.2	4.2	▲
Provision for impairment losses	HRK mn	(1,488)	(1,512)	24	▲

- Assets records continuous growth +6.9% ytd, liquid assets +15.5%, securities -7.2%, gross loans +9.5%;
- Deposits up +5.7% with largest increase in the segment of financial market HRK +314.5 mn, retail HRK +308.9 mn, central state and large corporate clients HRK +295.8 mn, SMEs HRK +233.3 mn;
- NPL coverage increases when excluding exposures covered by state guarantees (70.0% Q4 19 and 74.2% Q4 20).

Corporate portfolio industry distribution

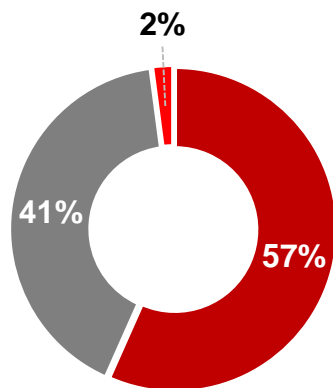
Corporate gross loans per industry (in %)



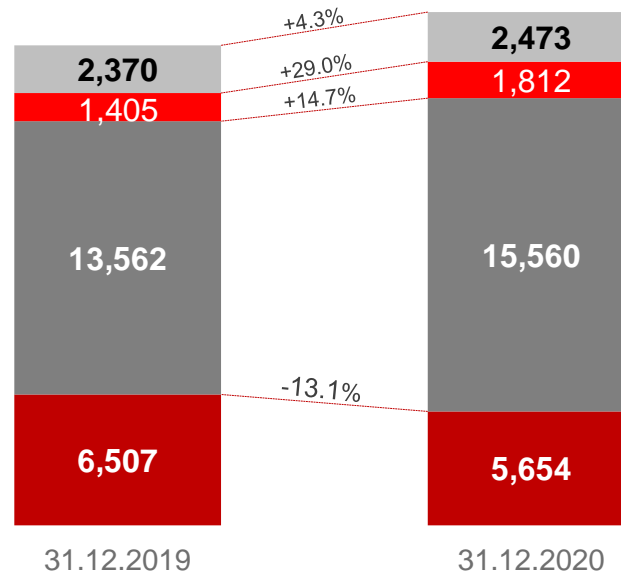
- Construction industry growth with road and infrastructure state-owned enterprises;
- Reduction to some industry sectors is in line with general macroeconomic trends:
 - Wholesale and retail trade;
 - Real estate industry;
- Accommodation activities lending was done backed up by government guarantee schemes.

Composition of equity and liabilities

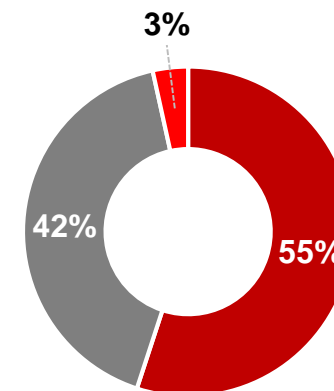
Deposit structure
31.12.2019



Equity and liabilities structure
(in HRK mn)



Deposit structure
31.12.2020



■ Retail ■ Corporate ■ Financial markets

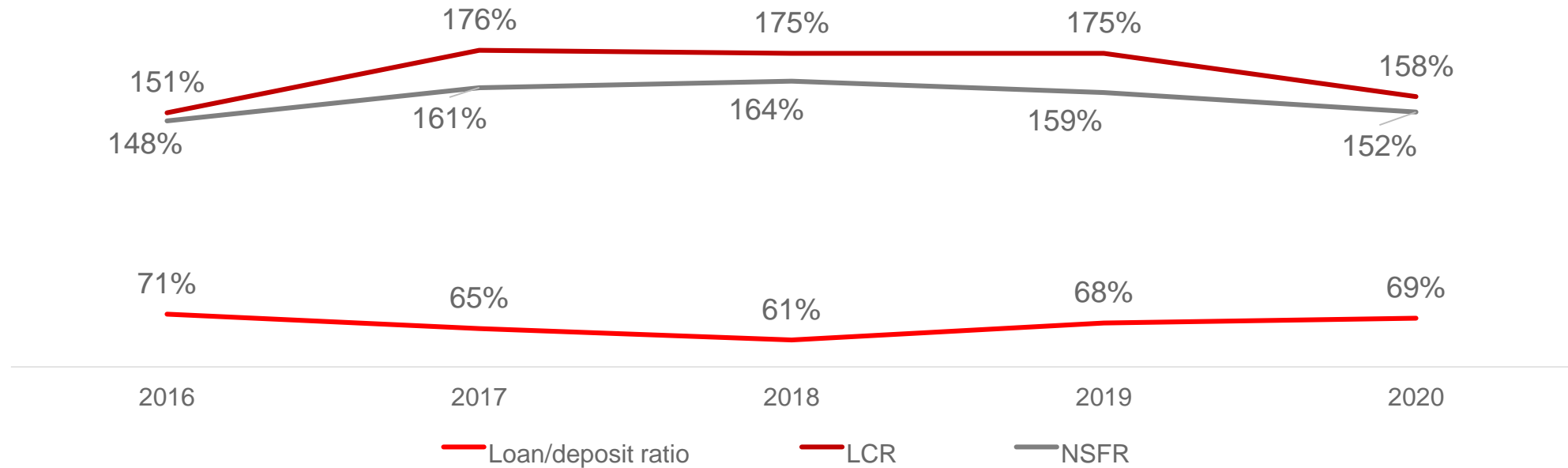
■ Term deposits ■ A vista deposits ■ Other liabilities ■ Equity

■ Retail ■ Corporate ■ Financial markets

- Favorable impact on costs from observable trend of transforming term deposits into a vista deposits;
- Customer deposits dominate the funding mix with a 92% share;
 - Bank holds 5.8 % of all deposits at 30.11.2020 (31.12.2016 = 5.3%);
- Stable wholesale funding structure – attracted funds through foreign financial institutions, CBRD and CNB repo loans.

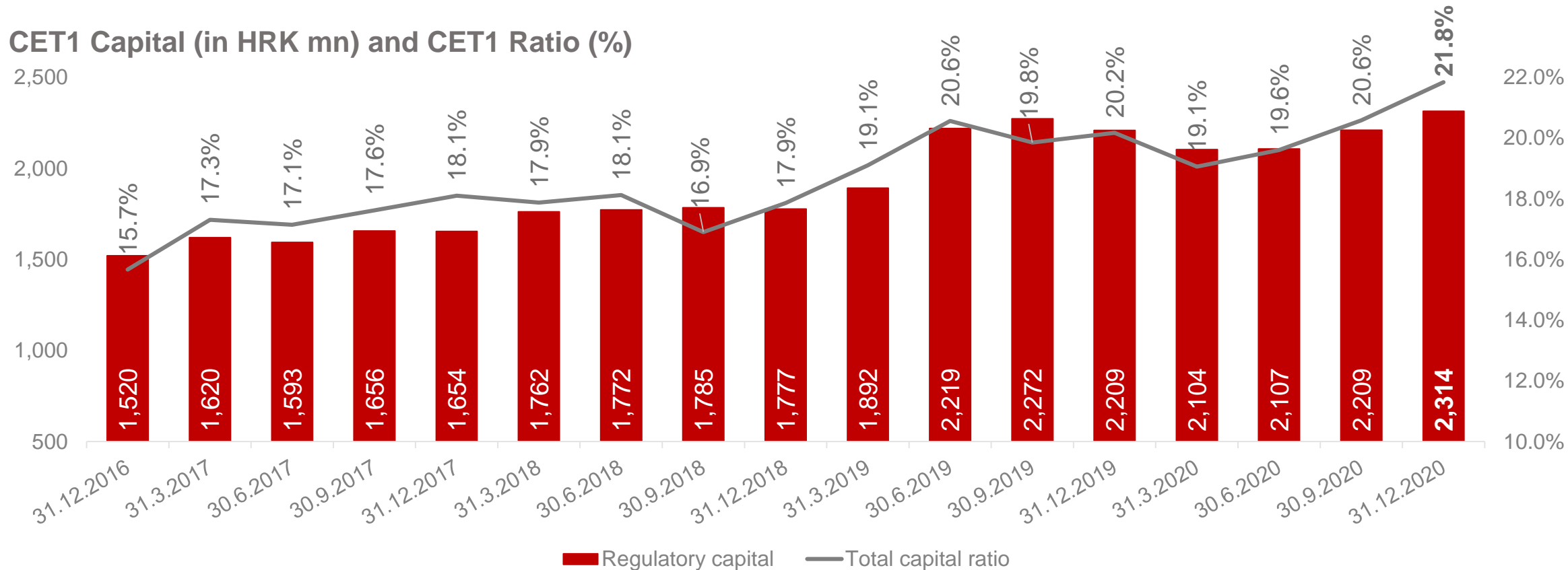
Liquidity Overview

Liquidity ratios



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

Highest level of CET1 ratio in recent history



- Considering the 2020 unaudited after-tax profit, pro forma CET1 stands at 24.1%;
- Contribution to improvement from both:
 - Profit retention;
 - Capital management optimization measures launched in Q4 19.

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Regulatory Capital Development

Regulatory capital development (in HRK mn)



* on 31.12.2019 the Bank included 6-month profit in 2019 in the calculation of regulatory capital (retained earnings position), in accordance with the approval of the regulator. By decision of the General Assembly of the Bank this year, the net profit in 2019 was allocated equally to the position of retained earnings and other reserves.

RWA Development

RWA development (in HRK mn)



- Despite asset growth, risk-weighted assets decreased as a result of the strengthening the capital management culture.

Exposures and coverage per stage

Segment	Stage	31.12.2019				31.12.2020			
		Exposure	Exposure excl. gov. guarantees	Coverage	Coverage excl. gov. guarantees	Exposure	Exposure excl. gov. guarantees	Coverage	Coverage excl. gov. guarantees
CORPORATE	S1	61.8%		2.9%		58.5%		3.8%	
CORPORATE	S2	7.8%		10.2%		6.8%		8.1%	
CORPORATE	S3	30.5%	27.5%	62.9%	69.5%	34.7%	21.7%	47.7%	75.2%
SME	S1	55.3%		3.3%		49.3%		4.2%	
SME	S2	10.7%		15.5%		16.8%		15.5%	
SME	S3	34.0%	34.0%	72.5%	72.5%	33.9%	33.9%	71.3%	71.3%
STATE	S1	99.2%		0.8%		98.7%		1.0%	
STATE	S2	0.8%		7.0%		1.3%		7.2%	
STATE	S3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
RETAIL	S1	87.0%		0.4%		88.5%		0.5%	
RETAIL	S2	4.2%		4.9%		3.2%		7.6%	
RETAIL	S3	8.8%	8.8%	68.6%	68.6%	8.3%	8.3%	75.6%	75.6%
TOTAL	S1	85.3%		0.8%		85.9%		1.0%	
TOTAL	S2	3.9%		9.3%		3.7%		10.5%	
TOTAL	S3	10.8%	10.4%	67.5%	70.0%	10.4%	8.7%	62.2%	74.2%

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HPB-R-A stock during the reporting period



Stock data and details

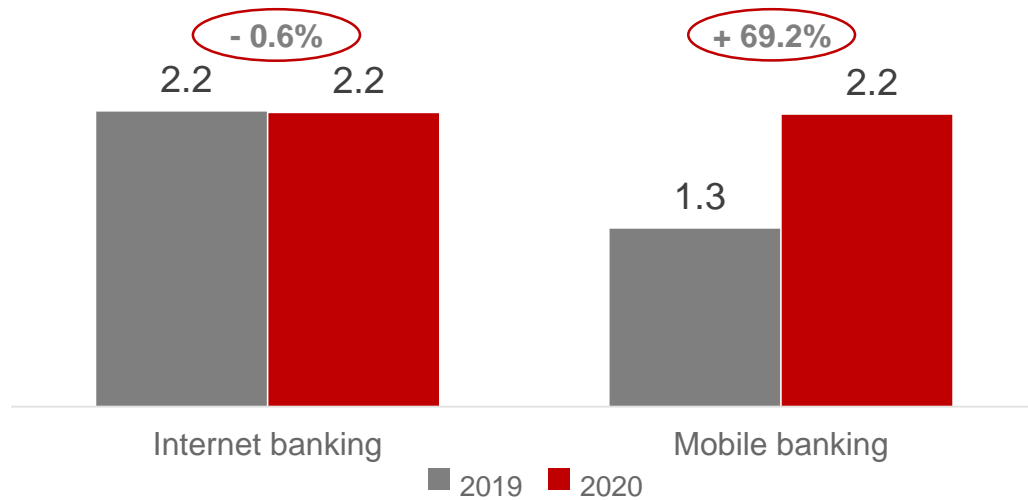
Issue date	December 12, 2000
ISIN	HRHPBORA0002
Segment	Official market of the Zagreb Stock Exchange
Listed quantity	2,024,625
Share price as at December 30, 2020 (in HRK)	470.00
Market capitalisation (in HRK million)	992.07

Shareholders

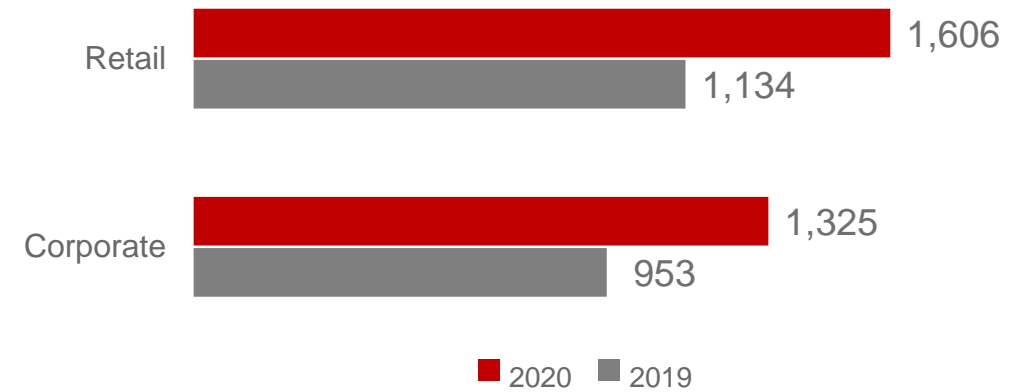
Shareholders	Ownership stake (%)
Republic of Croatia	42.43
Croatian Post PLC	11.93
Croatian Deposit Insurance Agency	8.98
Croatian Pension Insurance Institute	8.76
Hrvatska poštanska banka p.l.c. – treasury shares	0.04
Other shareholders (each under 5% of share of the equity capital)	27.86
Total shares	100.00

Direct channels

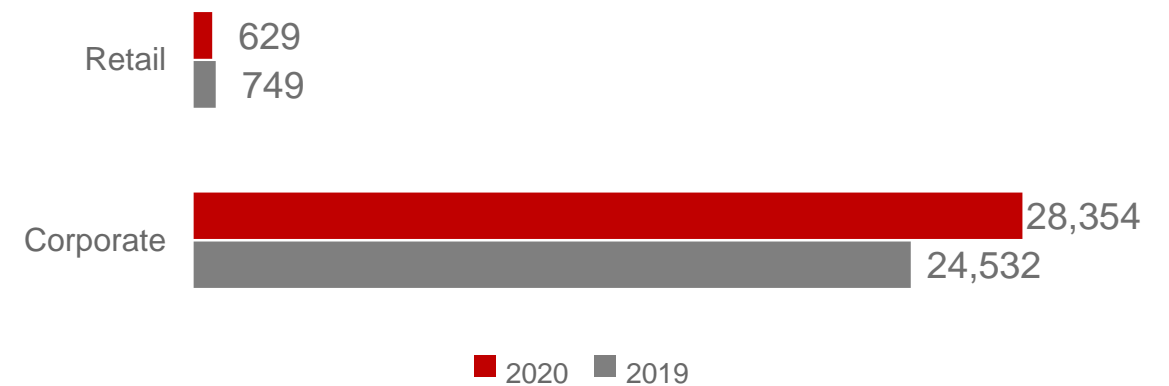
Number of transactions (in mn)



Transaction volume - Mobile banking (in HRK mn)



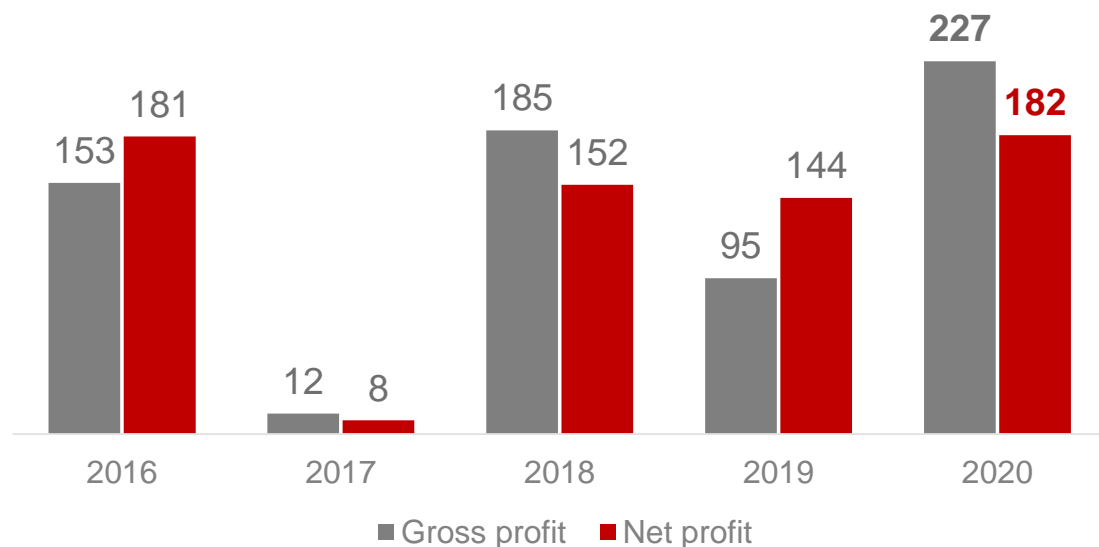
Transaction volume - Internet banking (in HRK mn)



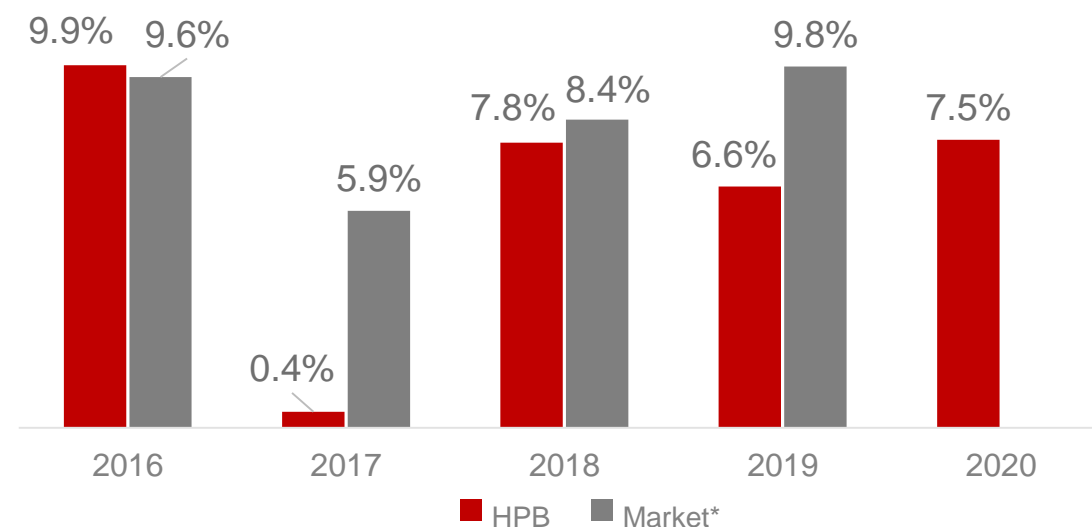
- Expected further increase in mobile banking – both in the volume and number of transactions.

Profitability

Profit development (in HRK mn)



Return on Average Equity ROAE

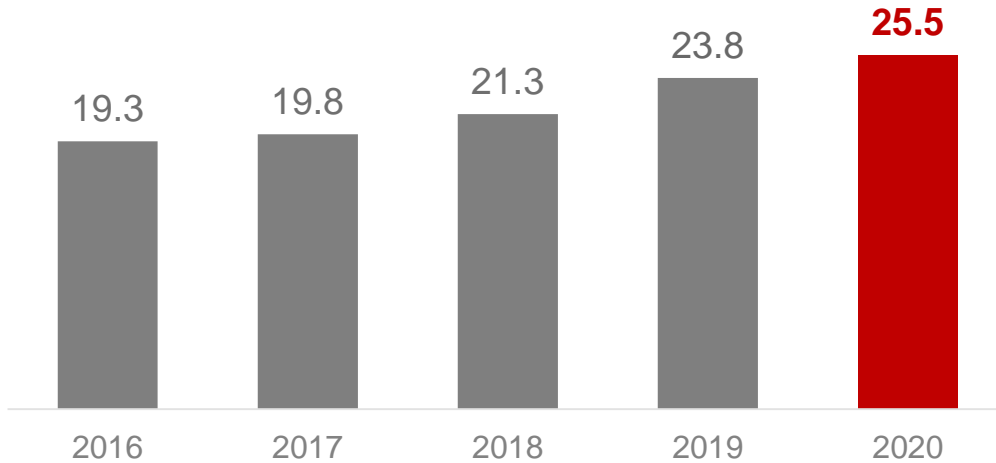


* Market data for year 2020 is not available at time of publishing of this presentation

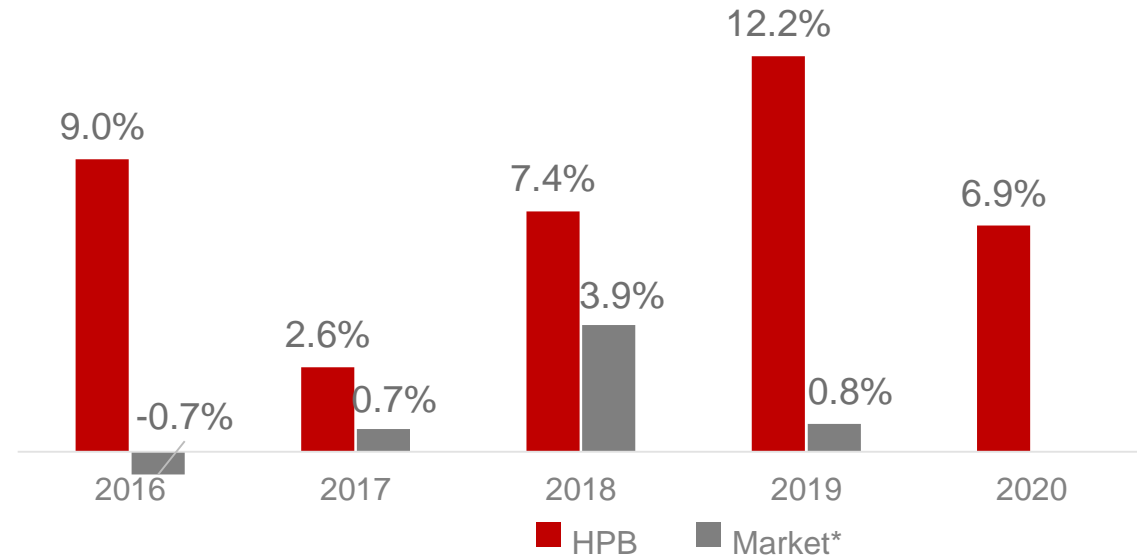
- Marked improvement in ROAE in 2020 over 2019 despite growing equity base from incorporation of previous year profits.

Asset development

HPB's Asset development (in HRK bn)



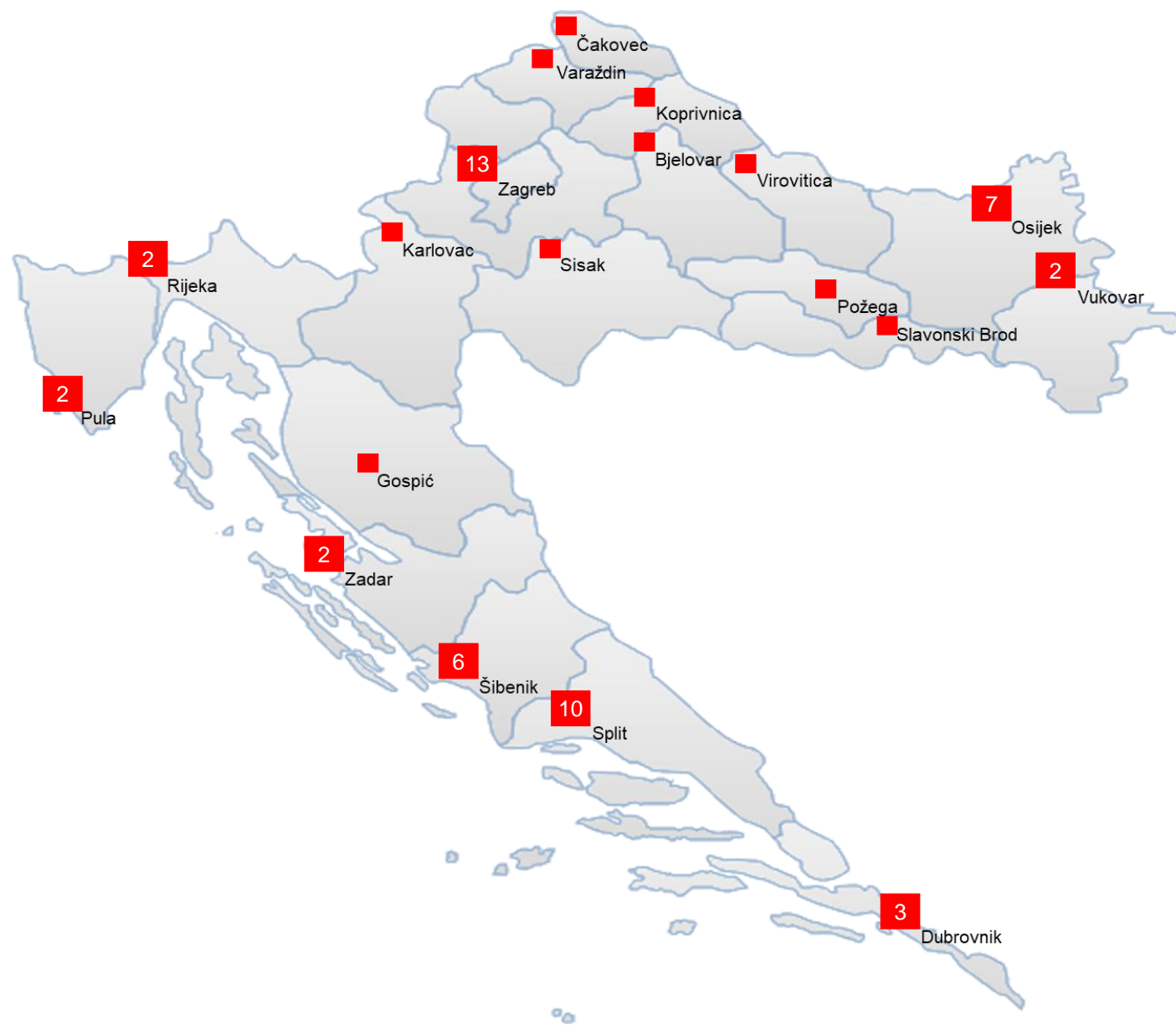
Comparative asset growth rates



* Market share data for year 2020 not available at the time presentation was published

- Rapid organic growth in 2020;
- Asset growth reciprocated with growth in funding. Increase of liquid assets in 2020 was HRK +707.2 mn;
- LCR (Liquidity Coverage Ratio) as of 31.12.2020 is at 158%.

Accessibility



■ 57 branch offices

12 regional centers

3 business centers

142 financial corners at the Croatian post

Over 1,500 cash-out points with no fees