



HRVATSKA POŠTANSKA BANKA

HPB d.d. Q1 2021

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, April 30th, 2021.

No: F21-4/2021-TB

Zagreb Stock Exchange Inc.

Croatian Financial Services Supervisory Agency (“HANFA”)

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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 March 31st, 2021.

Hrvatska poštanska banka, p.l.c.

Limitation of liability

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1 Executive Summary

2 Macroeconomic environment

3 Financials

4 Risk Management

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Key Financials 2021

Operating profit (in HRK mn)



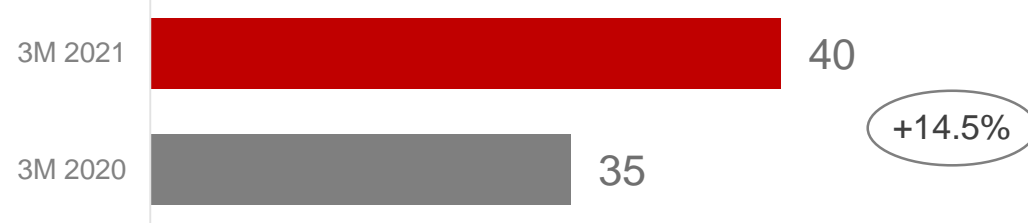
Effective cost management and reduction of deposit insurance premium led to a growth in operating profit

Gross loans (in HRK mn)



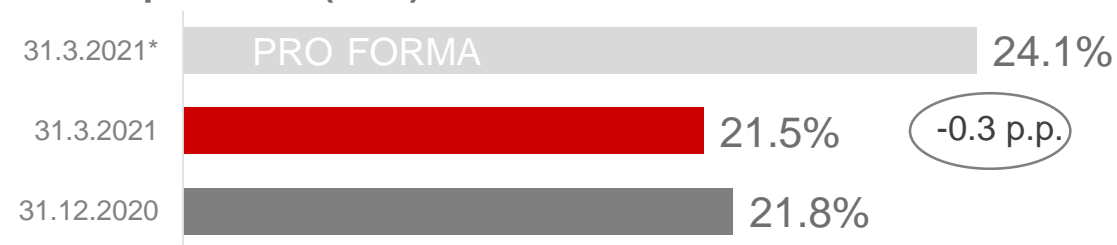
Subsidized housing loans are the main growth driver

Profit after tax (in HRK mn)



Better cost management, and collection performance on defaults, counterbalanced by higher income taxes

CET 1 capital ratio (in %)



Continuously strong capital position

*Pro forma CET 1 ratio with inclusion of FY20 and Q1 21 profit after tax

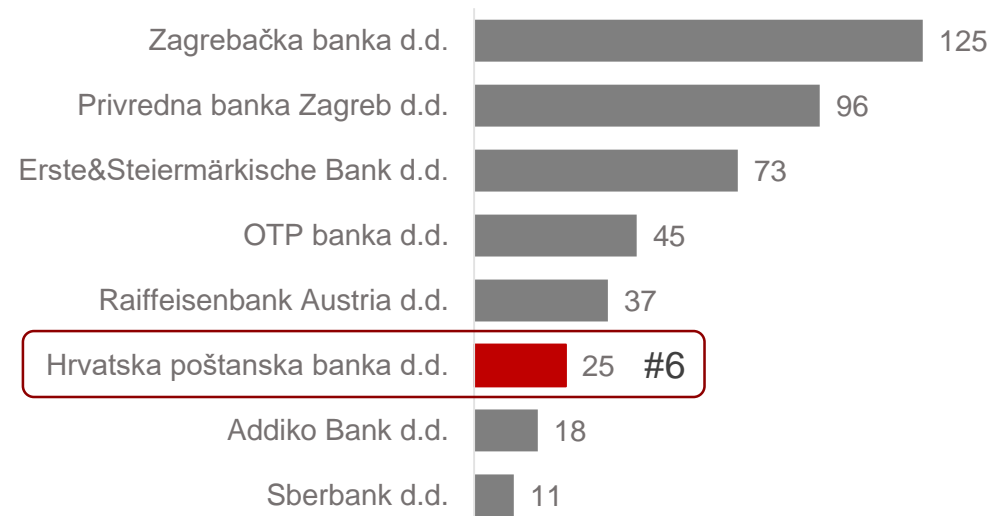
- Income statement items are shown in cumulative from start of the period until the reporting date; 3M = cumulative 1.1.2021 – 31.3.2021
- Balance sheet items are shown as at reporting date; 31.12.2020 and 31.3.2021

Resilient Performance in Q1 2021

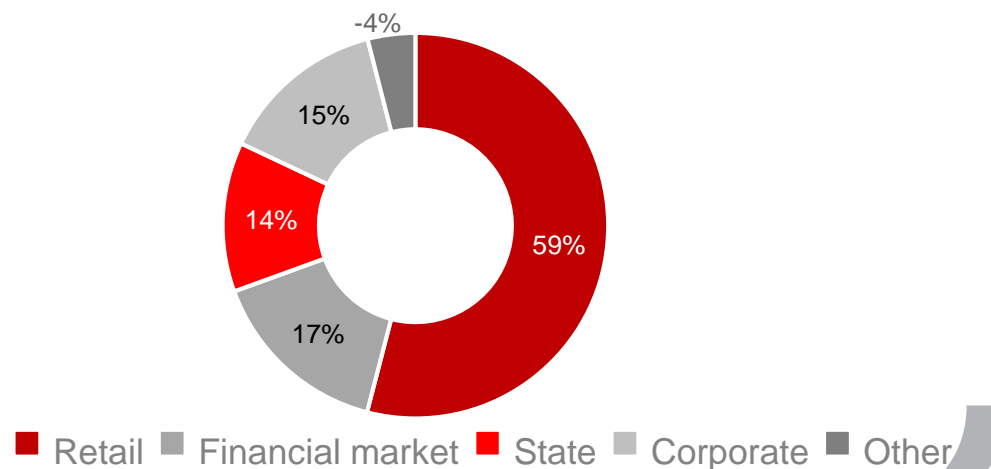
		2018	2019	2020	Q1 2020	Q1 2021	
Assets	HRK mn	21,256	23,844	25,500	25,300	26,561	▲
Net loans to customers	HRK mn	11,009	13,341	14,725	13,583	14,854	▲
Deposits	HRK mn	18,371	20,069	21,214	21,179	21,947	▲
Equity	HRK mn	2,003	2,370	2,473	2,302	2,517	▲
Income	HRK mn	1,173	1,227	1,121	274	261	▼
Net profit	HRK mn	152	144	182	35	40	▲
Cost-to-income ratio	%	60.1	61.3	64.1	64.6	61.0	▼
Return on equity (ROE)	%	7.6	6.1	7.4	6.1	6.4	▲
CET 1 capital ratio	%	17.9	20.2	21.8	19.1	21.5	▲
NPL ratio	%	11.7	10.8	10.4	10.4	10.2	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	11.6	10.4	8.7	9.5	8.7	▼
NPL coverage	%	67.3	67.5	62.2	64.7	61.9	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	67.3	70.0	74.2	71.3	73.5	▲

- Further organic growth despite COVID-19 impact
- Notable results of successful cost management
- Improved cost-effectiveness and collections approaches drive higher profits.

Rank by total assets as of 31.12.2020 (in HRK bn)

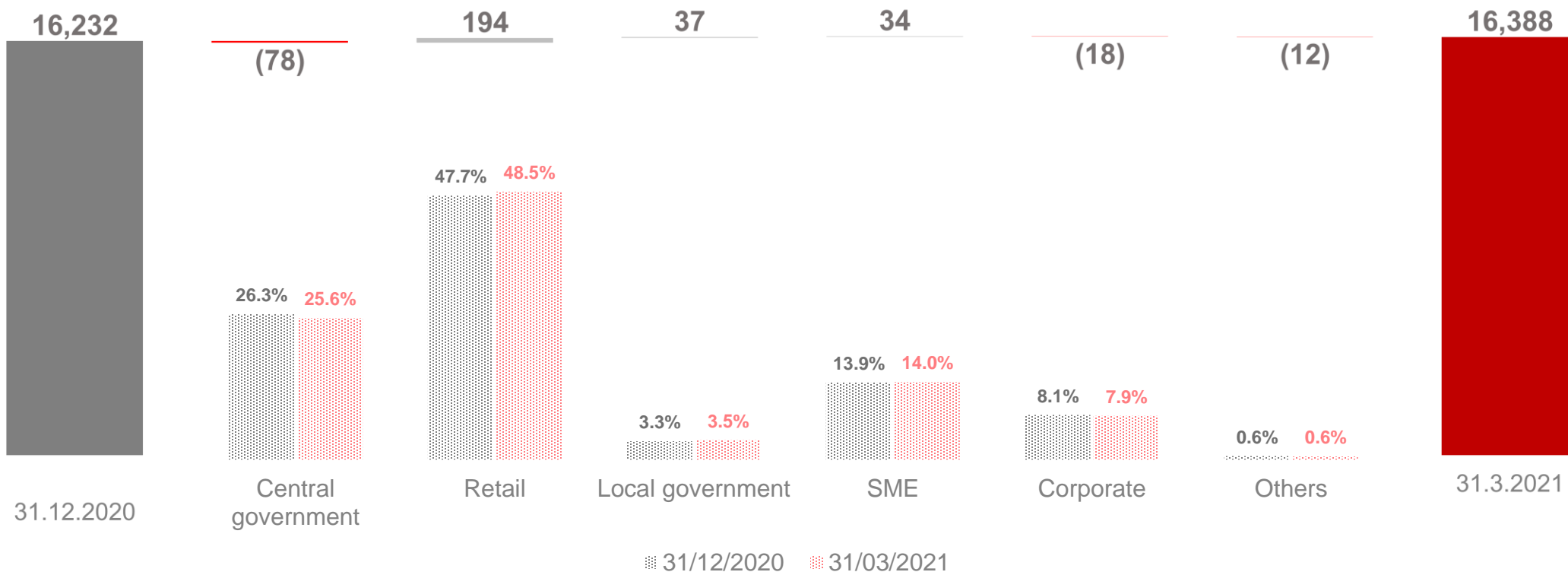


Composition of Net profit as of 31.3.2021



Gross loans development

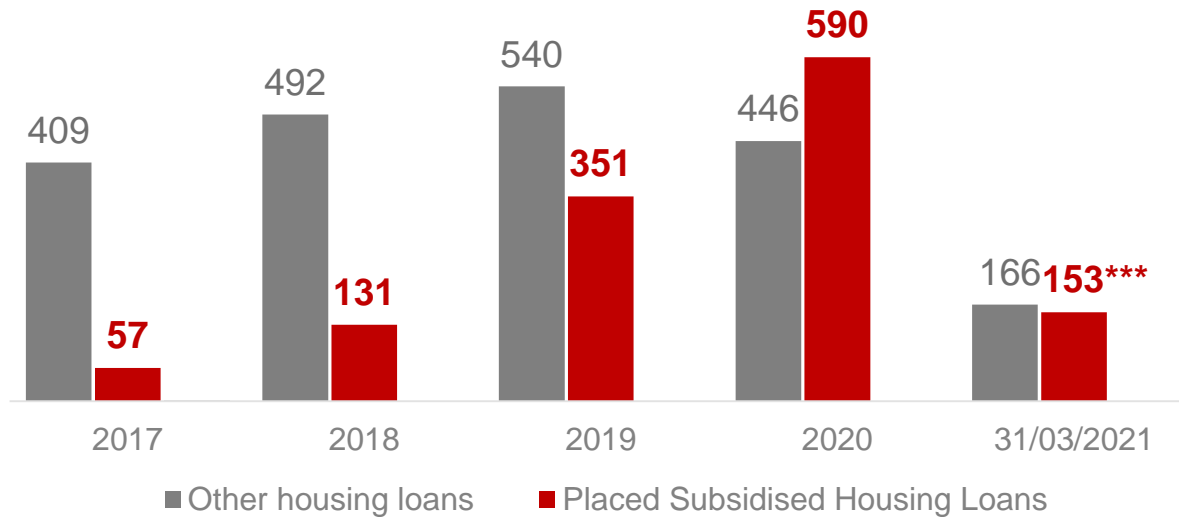
Gross loans (in HRK mn)



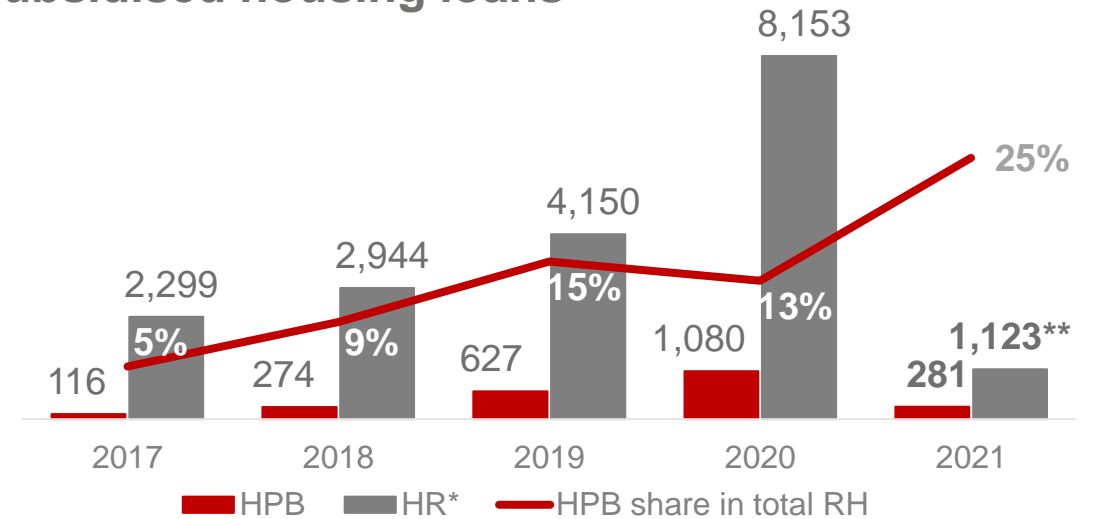
- Retail loans remain on an upward trend;
- Decrease in Central government exposure arises from regular maturities of loans in this segment.

Subsidised Housing Loans

Housing loans volume (in HRK mn)



Number of approved subsidised housing loans



- Applications for this year APN subsidised housing loans began from 29.3.2021;
- HPB offers HRK loans at EIR of 2.09%: the lowest among all 14 banks, participating in the housing subsidy program in 2021.

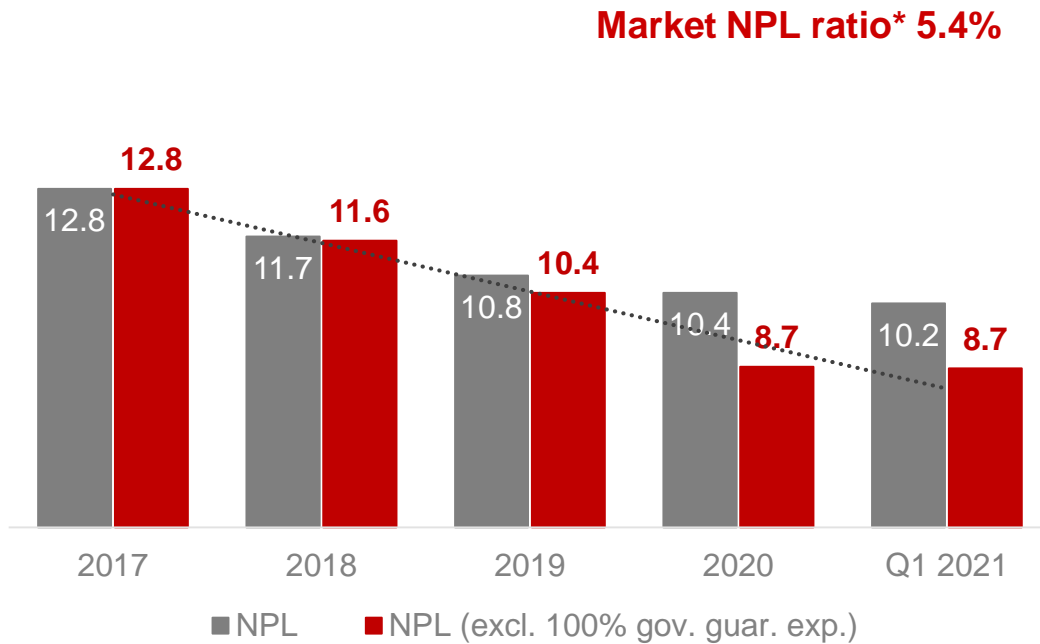
* Source <https://mgipu.gov.hr/>

** Data of approved loans as of 23.4.2021

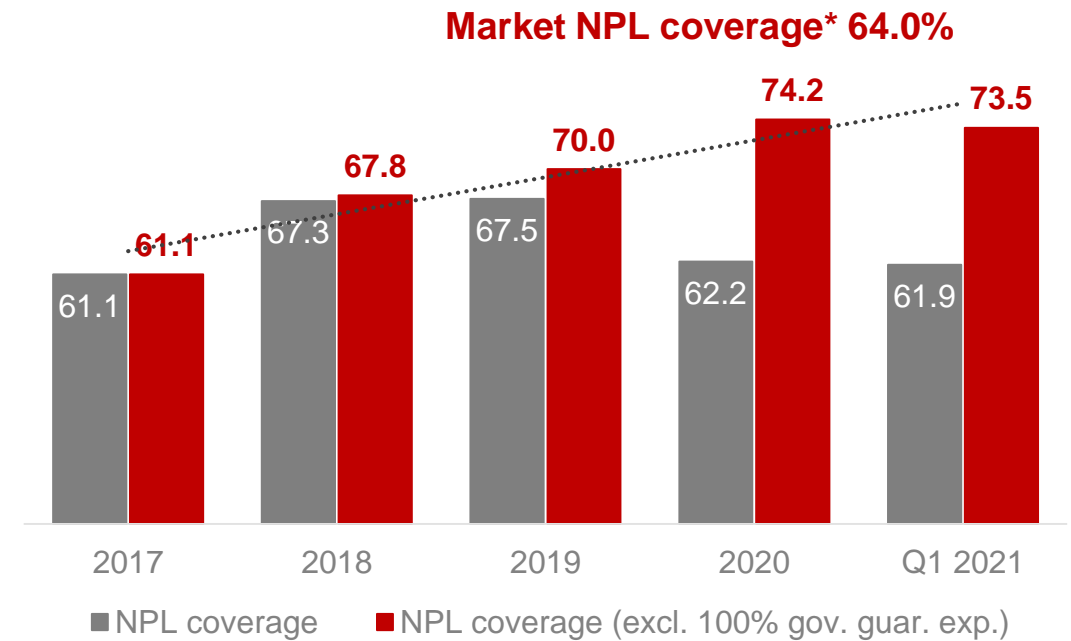
*** Includes loans placed from prior years APN tranches

Portfolio quality improves

NPL ratio development (in %)

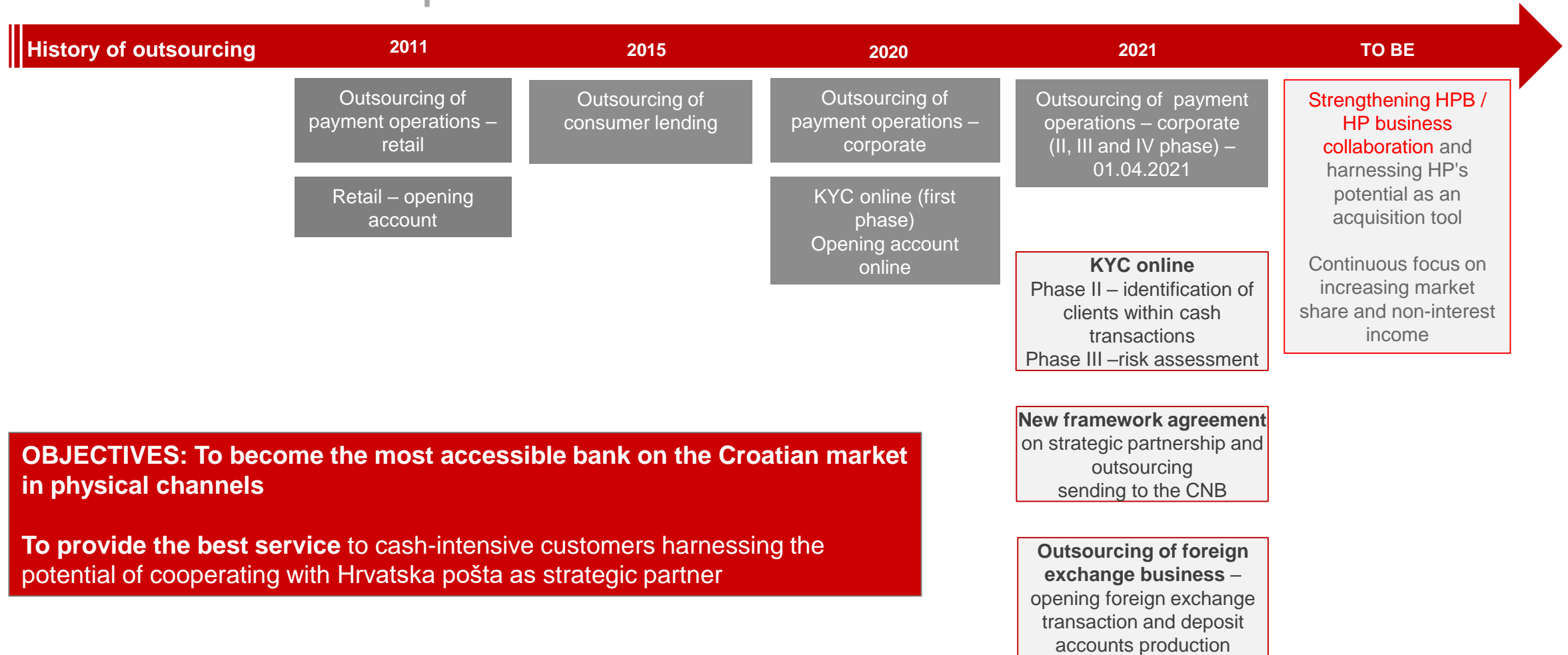


NPL coverage development (in %)



- Material amount of NPL exposures that are fully government guaranteed;
- Agile approach and intensive collection activities will be aimed at neutralization of COVID crisis (third wave of the pandemic) and the expected new inflow of NPL exposure.

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



OBJECTIVES: To become the most accessible bank on the Croatian market in physical channels

To provide the best service to cash-intensive customers harnessing the potential of cooperating with Hrvatska pošta as strategic partner

1 Executive Summary

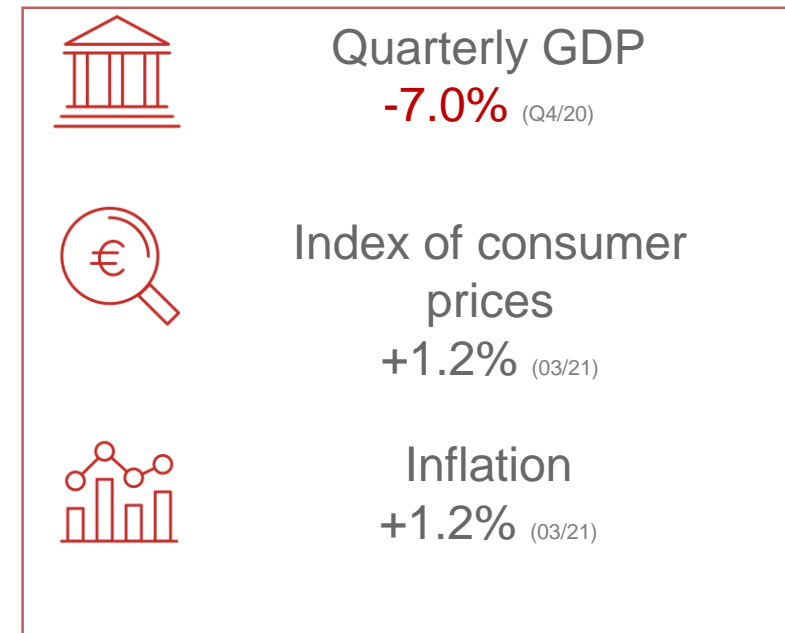
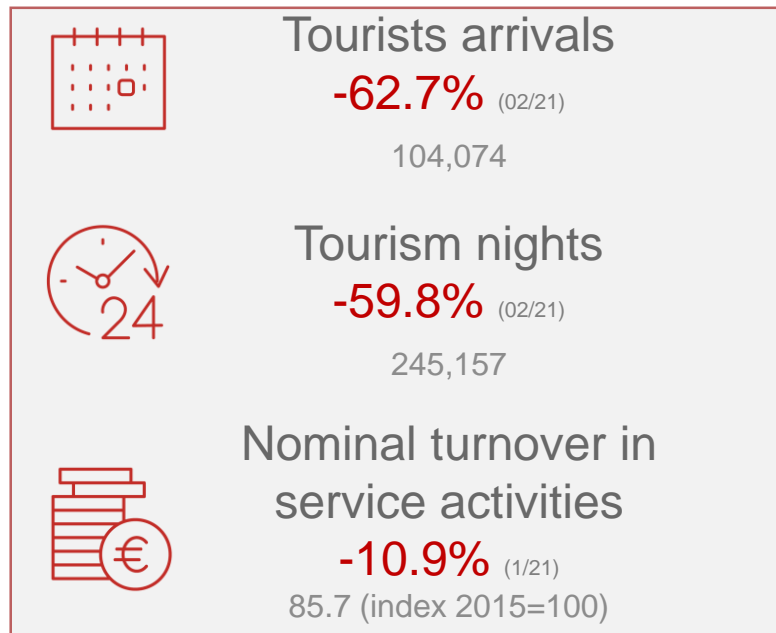
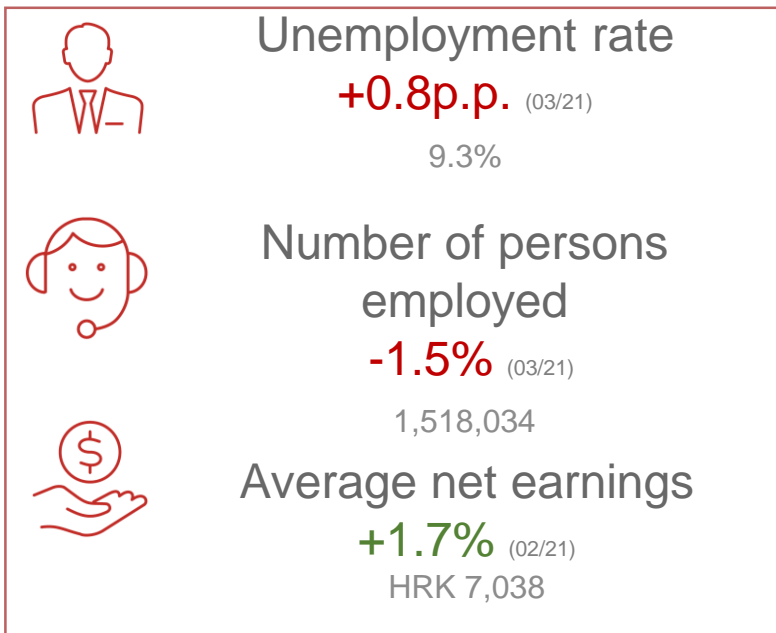
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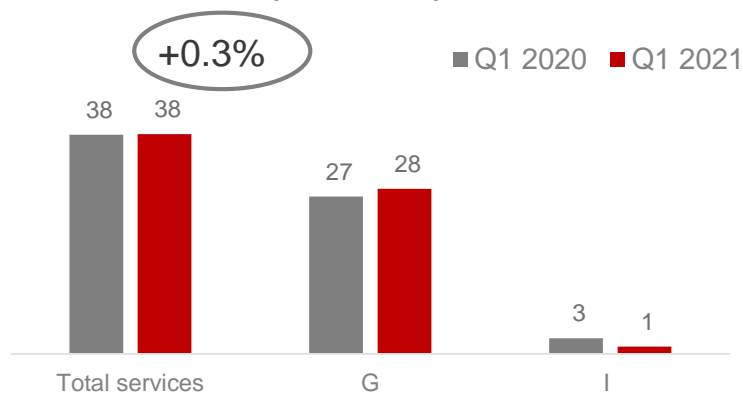
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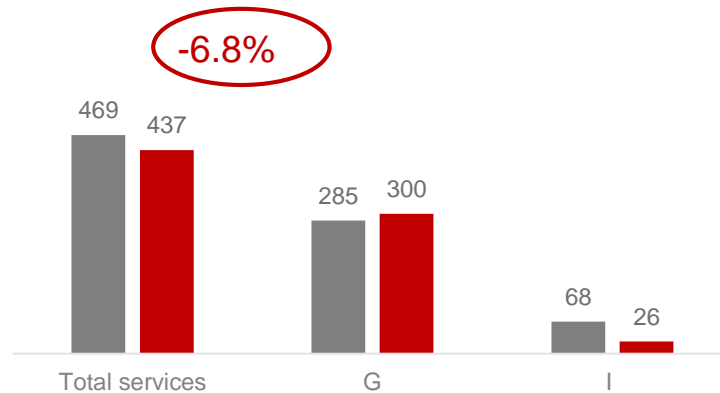
Economic indicators (y-o-y)



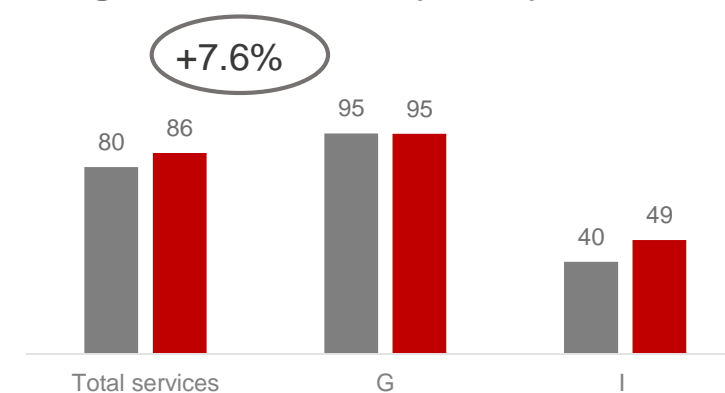
Account balance* (in HRK bn)



Number of accounts* (in mn)



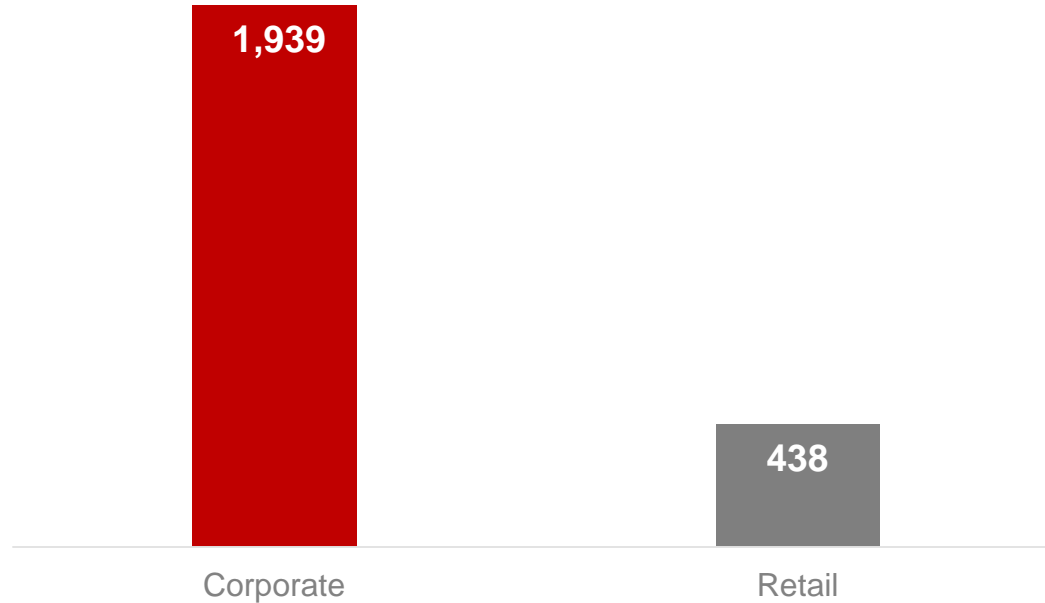
Average account balance* (in HRK)



Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (December 2020, January, February and March 2021)
 *Source: <https://www.porezna-uprava.hr/Dokumenti> (data for first quarter of 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 moratoria

Total approved moratoria* (in HRK mn)



Share in Corporate segment:

23.0%

Share in Retail segment:

5.5%

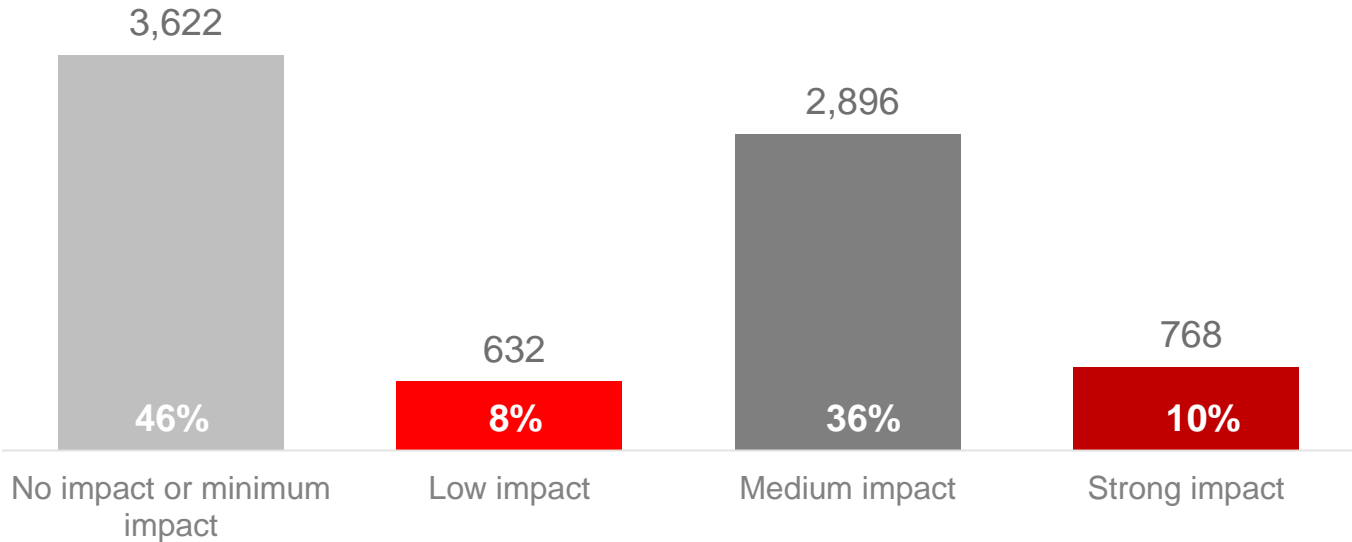
- By 31.03.2021, only 1.9% (HRK 37 mn) of financed corporate moratoria transferred from performing status to default status out of total 1,939 HRK mn
- As at 31.03.2021, HRK 199 mn active approved corporate moratoria (10.3% of the total approved)
- 89% out of total approved corporate moratoria as at approval date are performing exposures
- By 31.03.2021, HRK 207 mn corporate moratoria were repaid (10.7% out of total approved moratoria)

* Number of total approved moratoria under COVID-19 measures (2020 – 31.3.2021)

Source: HPB management reports

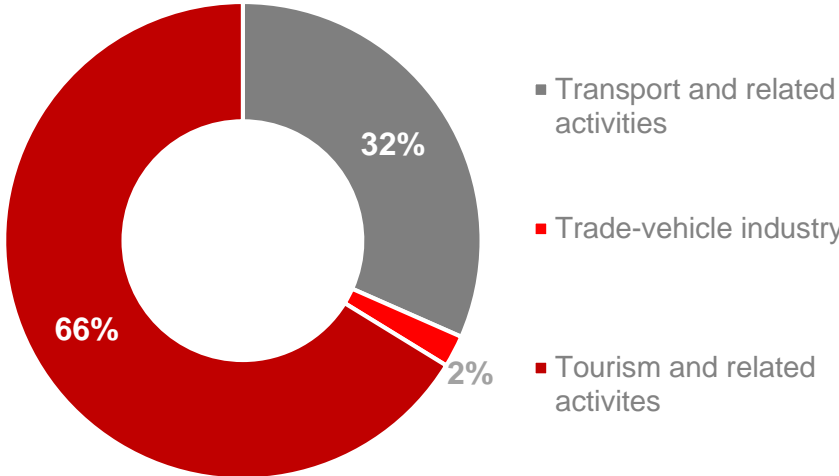
COVID-19 impact on loan portfolio

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

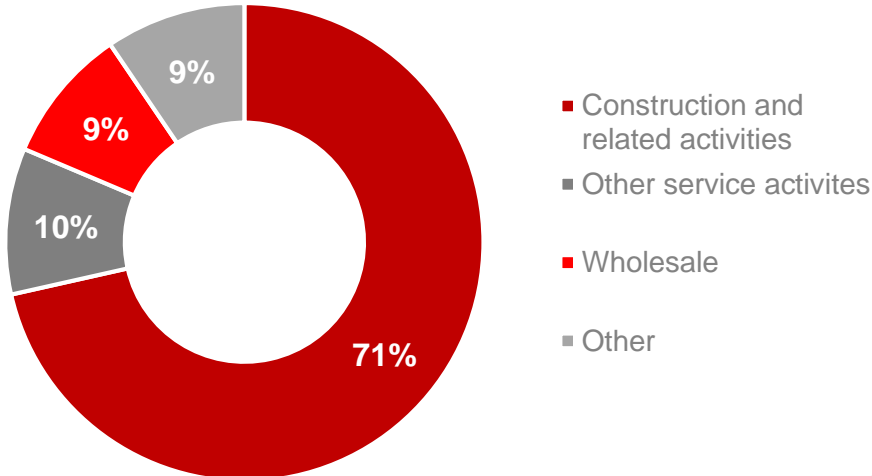


- 54% of the Bank’s corporate portfolio is largely unaffected by COVID-19;

Strong impact industries

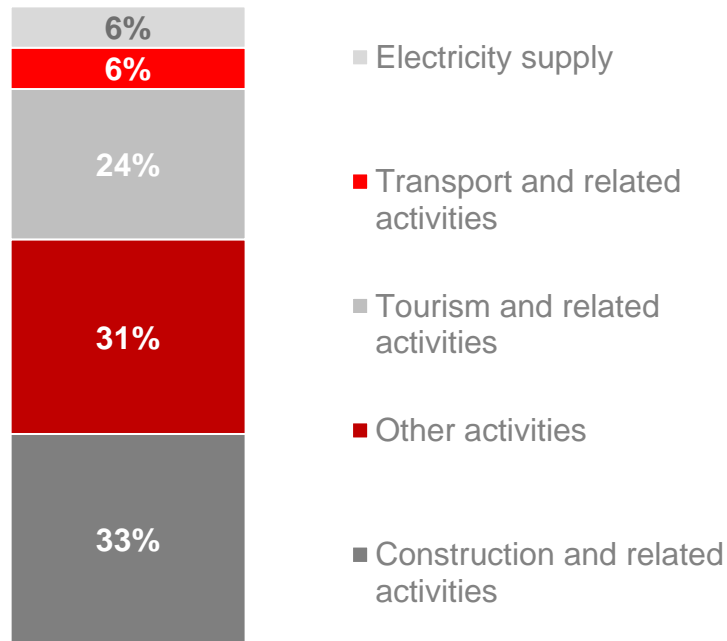


Medium impact industries

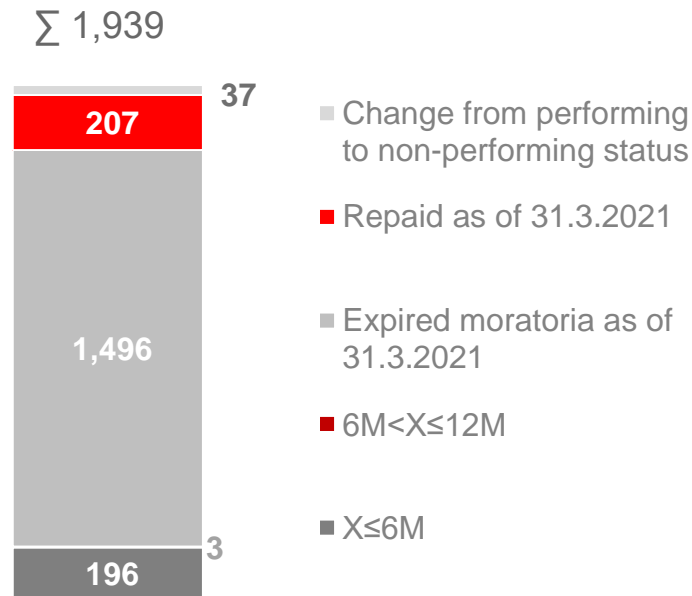


COVID-19 impact on loan portfolio

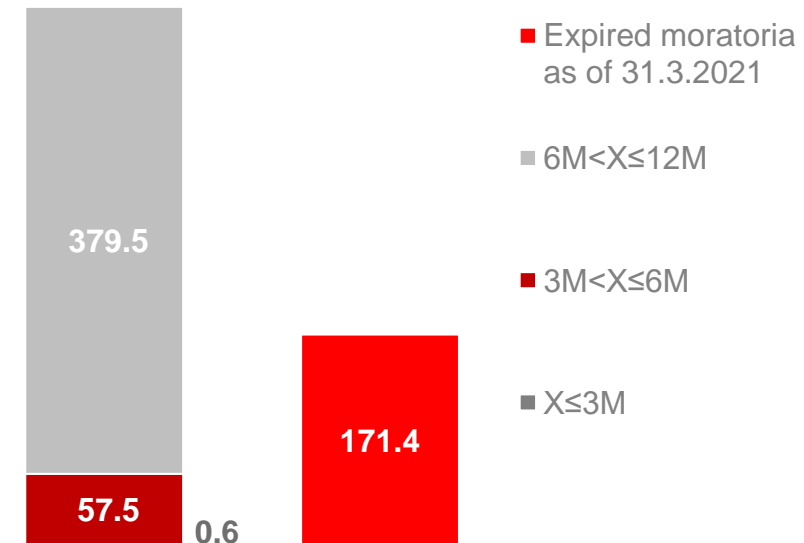
Approved moratoria per industry



Approved corporate moratoria per maturity (in HRK mn)



Approved retail moratoria per maturity (in HRK mn)



- Approved COVID-19 moratoria to corporates of HRK 1.9 bn (23.0% of outstanding gross corporate loans);
- Tourism has an extremely low share in the Bank's total portfolio (6.1% of outstanding gross corporate loans);
- We actively manage the portfolio through the analysis of pandemic prevention measures impact on industries.

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Key financials – Income statement

		31.3.2020	31.3.2021	Δ y-o-y	
Net interest income	HRK mn	138	135	(3)	▼
Net fee income	HRK mn	42	42	(0)	▼
Operating income	HRK mn	195	191	(4)	▼
Operating expense	HRK mn	(126)	(116)	(9)	▼
Operating profit	HRK mn	69	74	5	▲
Provisioning	HRK mn	(30)	(25)	(5)	▼
Net profit	HRK mn	35	40	5	▲
Cost-to-income ratio	%	64.6	61.0	(3.6)	▼
Net interest margin	%	2.2	2.1	(0.1)	▼

- Operating profit growth primarily driven by cost reduction measures initiated in 2020 and reduction of deposit insurance premium;
- Risk costs down on improved collections performance.

Operating profit development

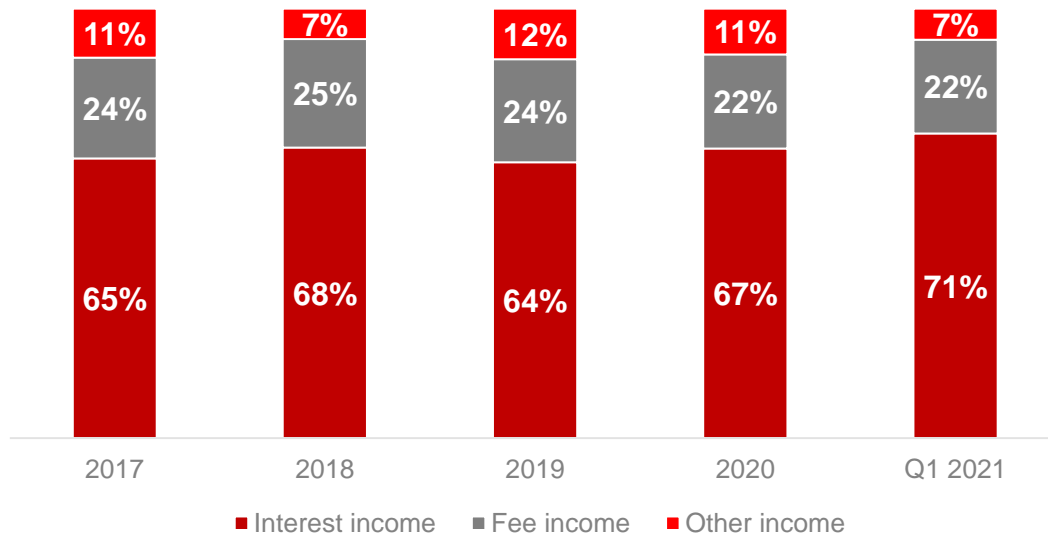
Operating profit development (in HRK mn)



- COVID-19 effects on operating profits reflected in reduced operating income;
- Active cost management led to OPEX reduction that neutralised the drop in interest income.

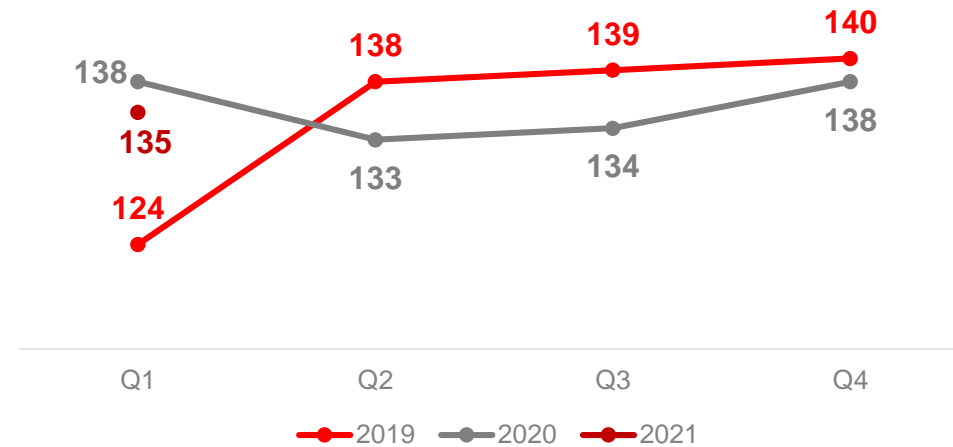
Net income development

Composition of net income

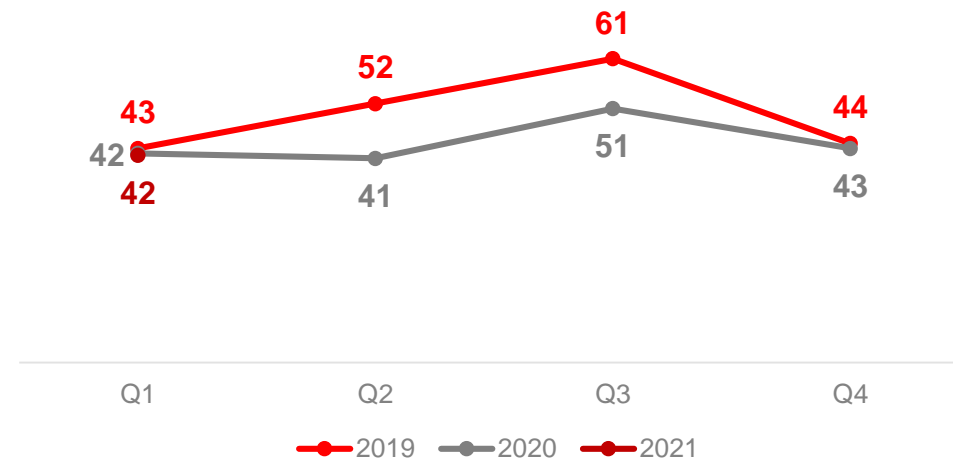


- Net interest income slightly lower, mostly due to the adjustment of loan portfolio due to the COVID-19 pandemic ie increase in subsidized retail loans and government support transactions with lower interest rates and decrease in SME and Large credit activities;
- Net fee income at a stable level but still affected by COVID-19; decrease in both income and expense, mainly in position of cash payments.

Net interest income (in HRK mn)

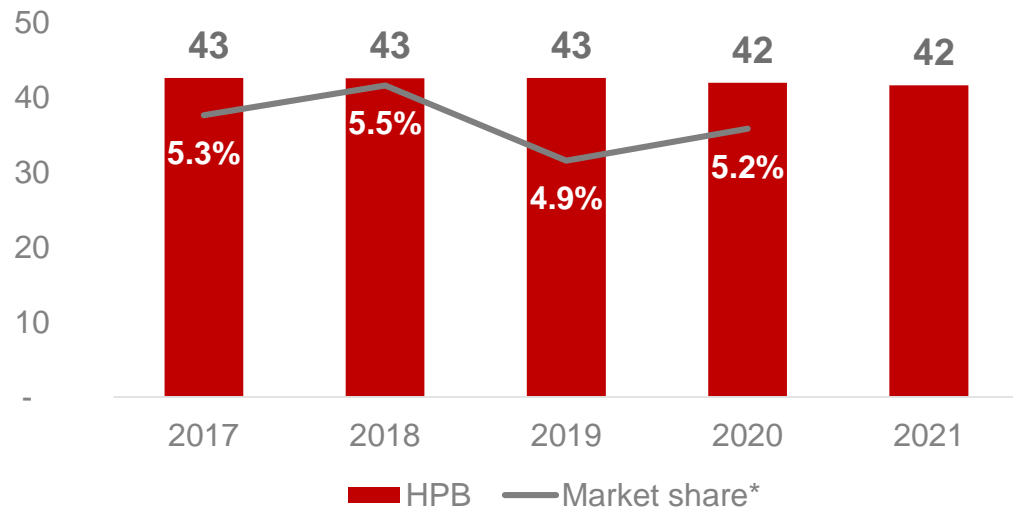


Net fee income (in HRK mn)



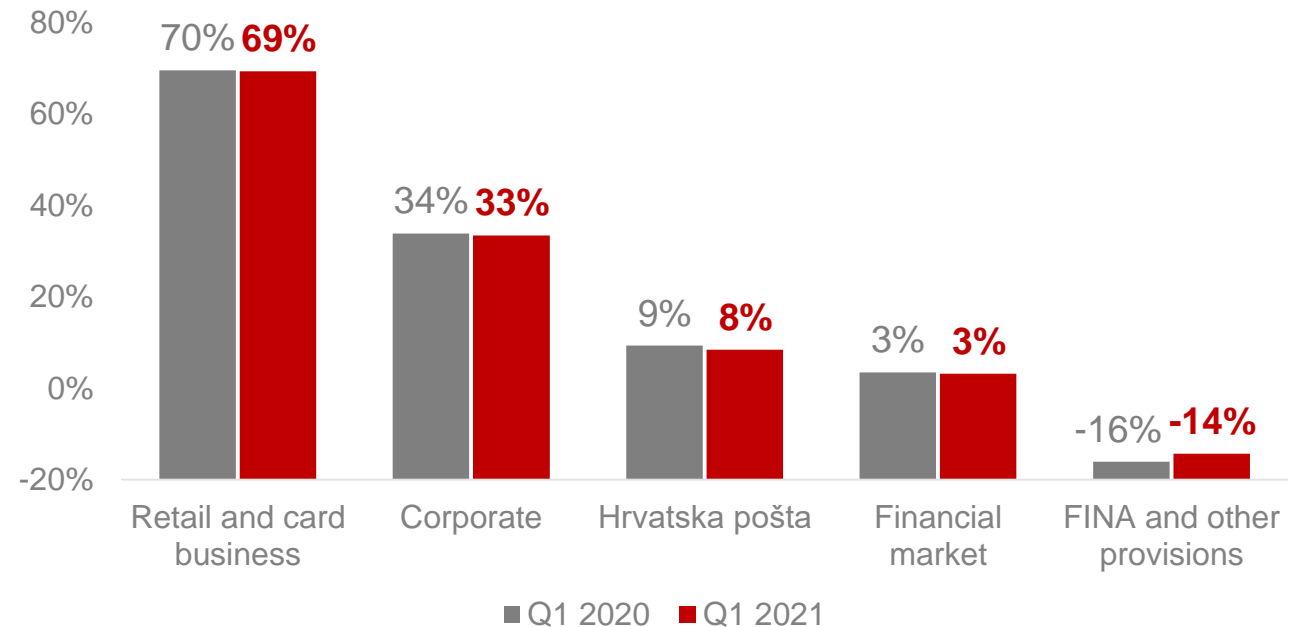
Fees and commissions

Net fee income overview in Q1
(in HRK mn)



* Market data for first quarter of 2021 is not available at time of publishing this presentation

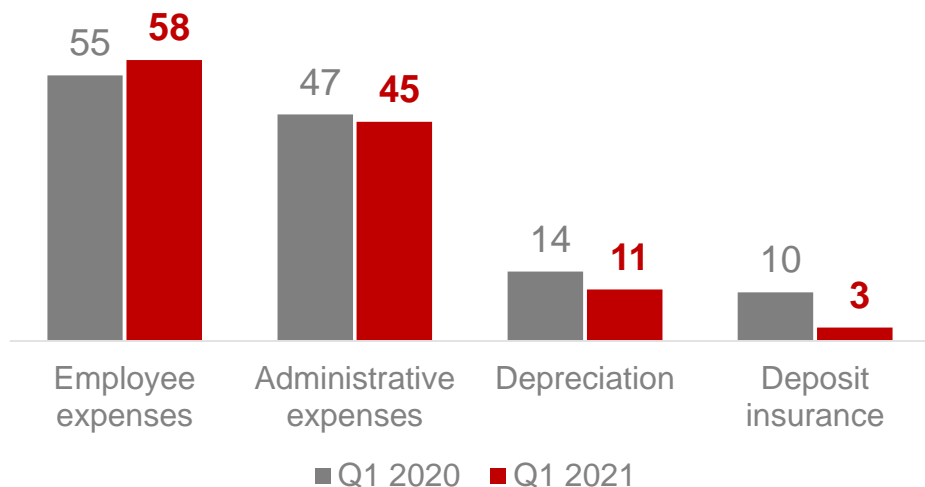
Composition of net fee and commission income



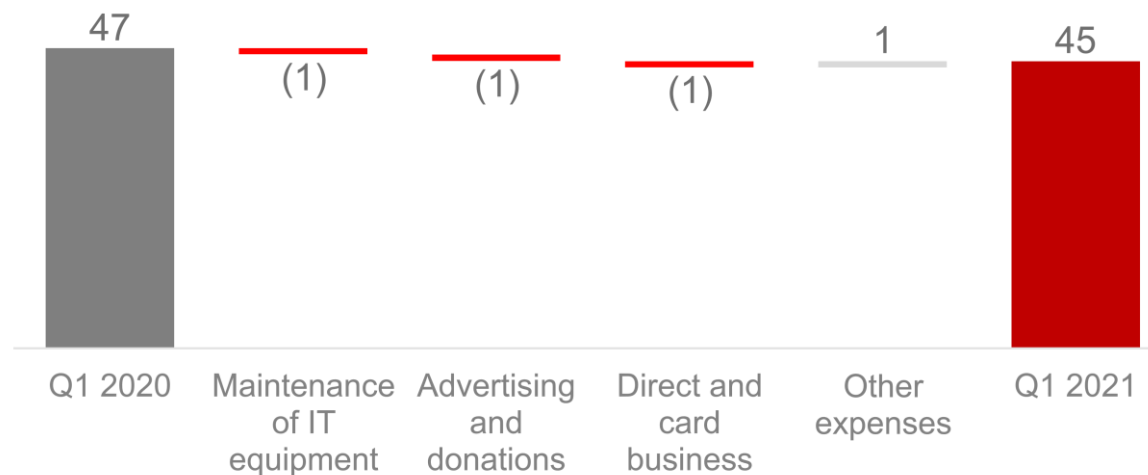
- Stable long-term trend of net fee income despite COVID-19 measures imposed by the RH Government with the largest impact in 2020 Q2 and Q3;
- Decrease in both fee income and expenses (Q1 2020/2021) is a result of the expected trend of decreasing cash payments due to digitalization and changes in consumer habits (switch from cash to digital channels) especially in the COVID times;
- HPB net fee income on par with the banking sector with a relatively stable share;
- Retail and card business fees are still highest contributors to net fee income.

Operating expenses

Composition of operating expenses
(in HRK mn)



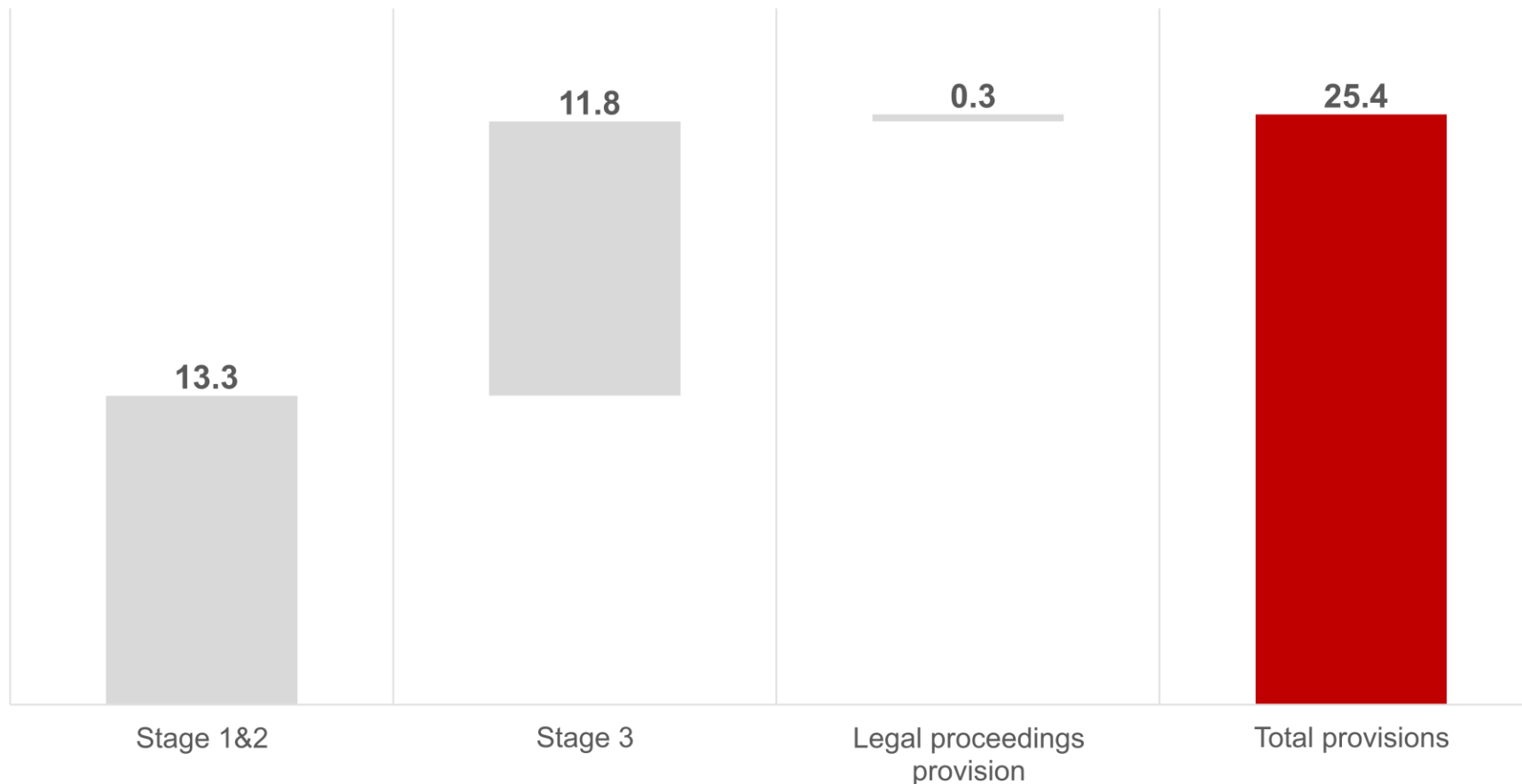
Administrative expenses development
(in HRK mn)



- Employee costs up with investments on IT infrastructure optimization in-house solutions;
- Cost optimization measures initiated at the end of 2019 restrained further operating expenses growth caused by earthquakes and COVID-19 pandemic, along with general prices movements, while overall expenses decreased as a result of elimination of deposit insurance premium. The Bank will aspire to agile cost management in future periods.

Provisioning

Structure of provision expenses in Q1 2021 (in HRK mn)



- Lower stage 3 provisions (y-o-y) due to planned collection activities and lower provision costs on small loans portfolio;
- Portfolio optimization efforts drive risk costs down despite COVID-19 effects.

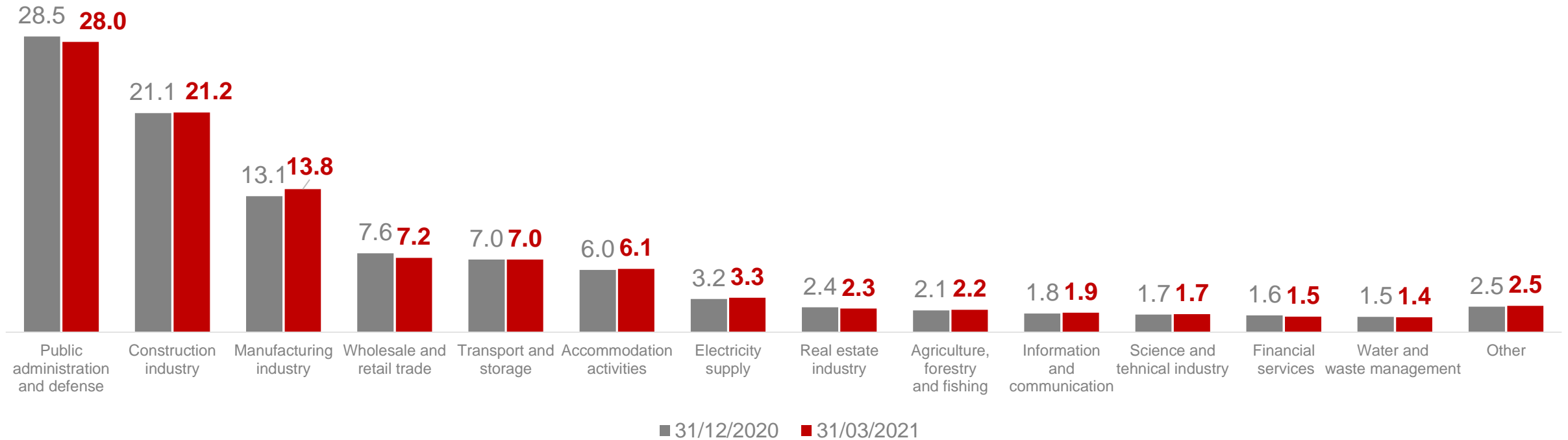
Key financials – Balance sheet

		31.12.2020	31.03.2021	Δ ytd	
Assets	HRK mn	25,500	26,561	1,061	▲
Gross loans	HRK mn	16,232	16,388	156	▲
Deposits	HRK mn	21,214	21,947	733	▲
Equity	HRK mn	2,473	2,517	44	▲
Regulatory capital	HRK mn	2,312	2,285	(27)	▼
Loan/deposit ratio	%	69.4	67.7	(1.7)	▼
ROAE	%	7.5	6.5	(1.0)	▼
NPL ratio	%	10.4	10.2	(0.2)	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	8.7	8.7	(0.0)	▼
NPL coverage	%	62.2	61.9	(0.3)	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	74.2	73.5	(0.7)	▼
Provision for impairment losses	HRK mn	(1,512)	(1,534)	22	▲

- Assets records continuous growth +4.2% ytd, liquid assets +16.3%, securities +1.6%, gross loans +1.0%
- Deposits up +3.5% with largest increase in the central state and large corporate segment HRK +732.6 mn, retail HRK +43.0 mn and SMEs HRK +15.4 mn.

Corporate portfolio industry distribution

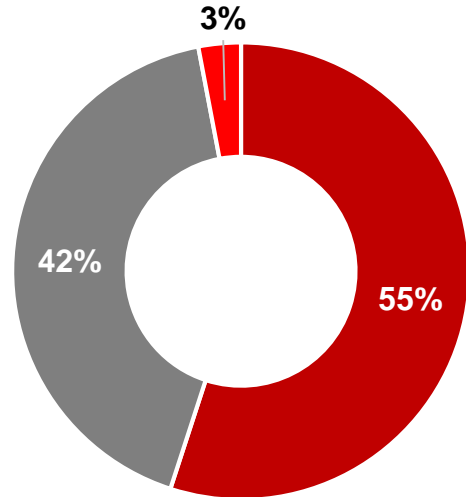
Corporate gross loans per industry (in %)



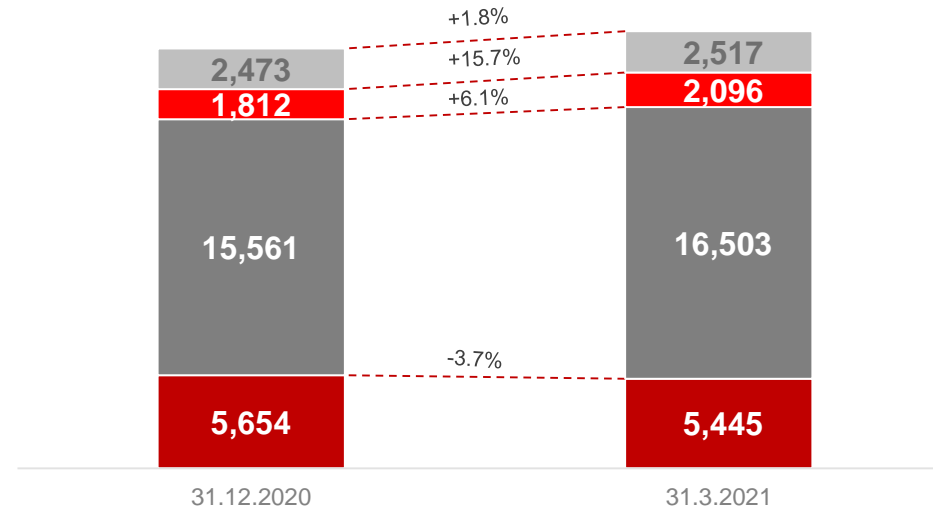
- Stable structure of corporate gross loans per industry in Q1 2021
- Reduction to some industry sectors is in line with general macroeconomic trends:
 - Wholesale and retail trade;
- Accommodation activities lending was done backed up by government guarantee schemes

Composition of equity and liabilities

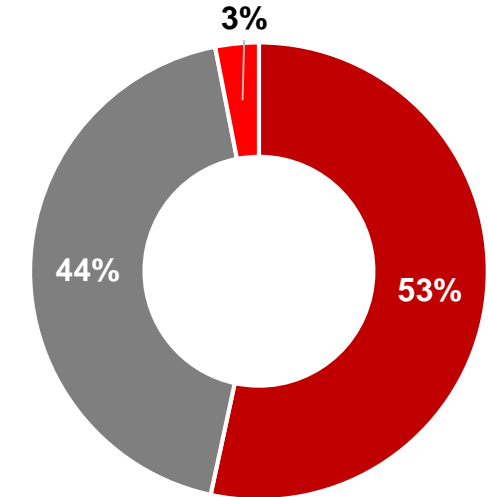
Deposit structure
31.12.2020



Equity and liabilities structure
(in HRK mn)



Deposit structure
31.3.2021



■ Retail ■ Corporate ■ Financial market

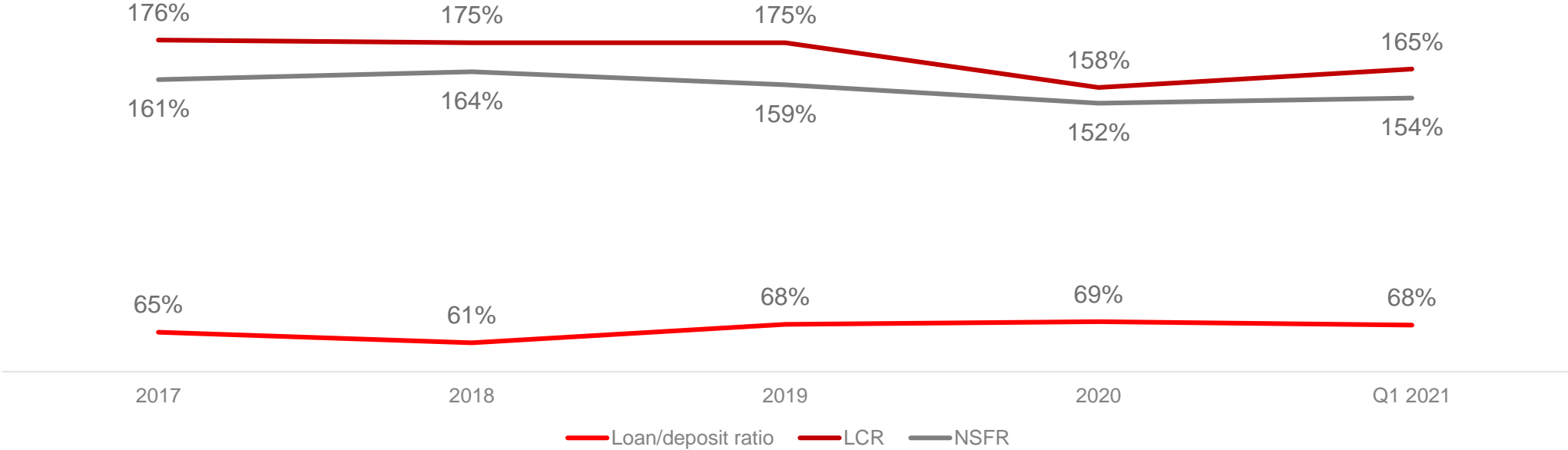
■ Term deposits ■ A vista deposits ■ Other liabilities ■ Equity

■ Retail ■ Corporate ■ Financial market

- Favorable 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 83% share;
 - Bank holds 5.77% of all deposits on a market at 31.01.2021 (31.12.2020 = 5.75%);
- Stable wholesale funding structure – attracted funds through foreign financial institutions, CBRD and CNB repo loans.

Liquidity Overview

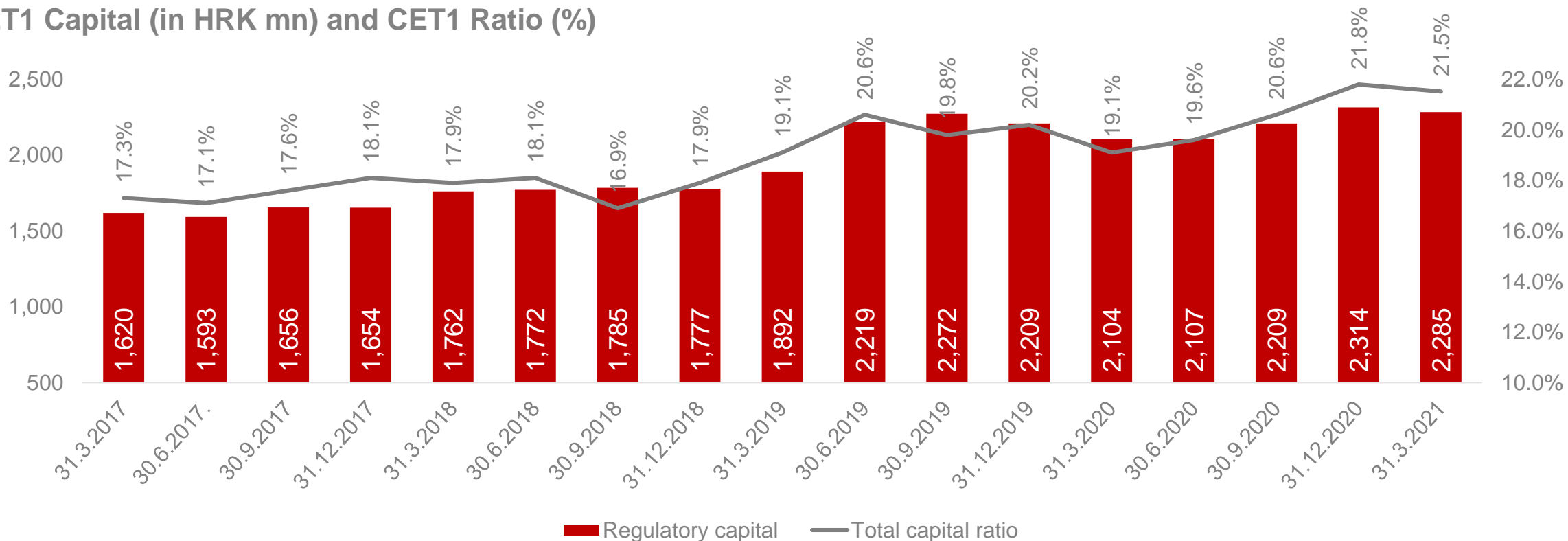
Liquidity ratios



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

Continuously strong capital position

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



- 2020 after-tax profit is still not included in the calculation of CET1 ratio

1 Executive Summary

2 Macroeconomic environment

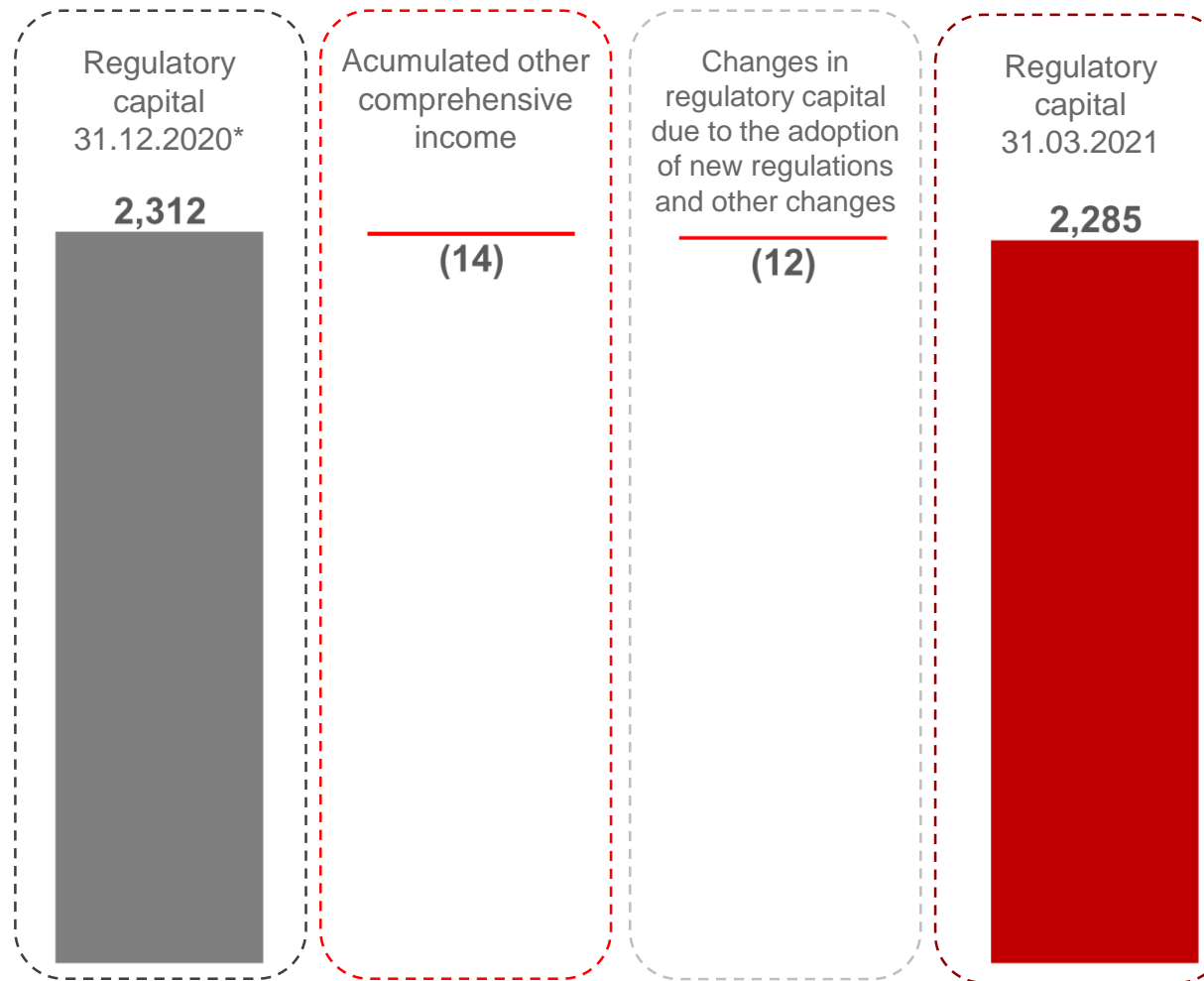
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Regulatory Capital Development

Regulatory capital development (in HRK mn)

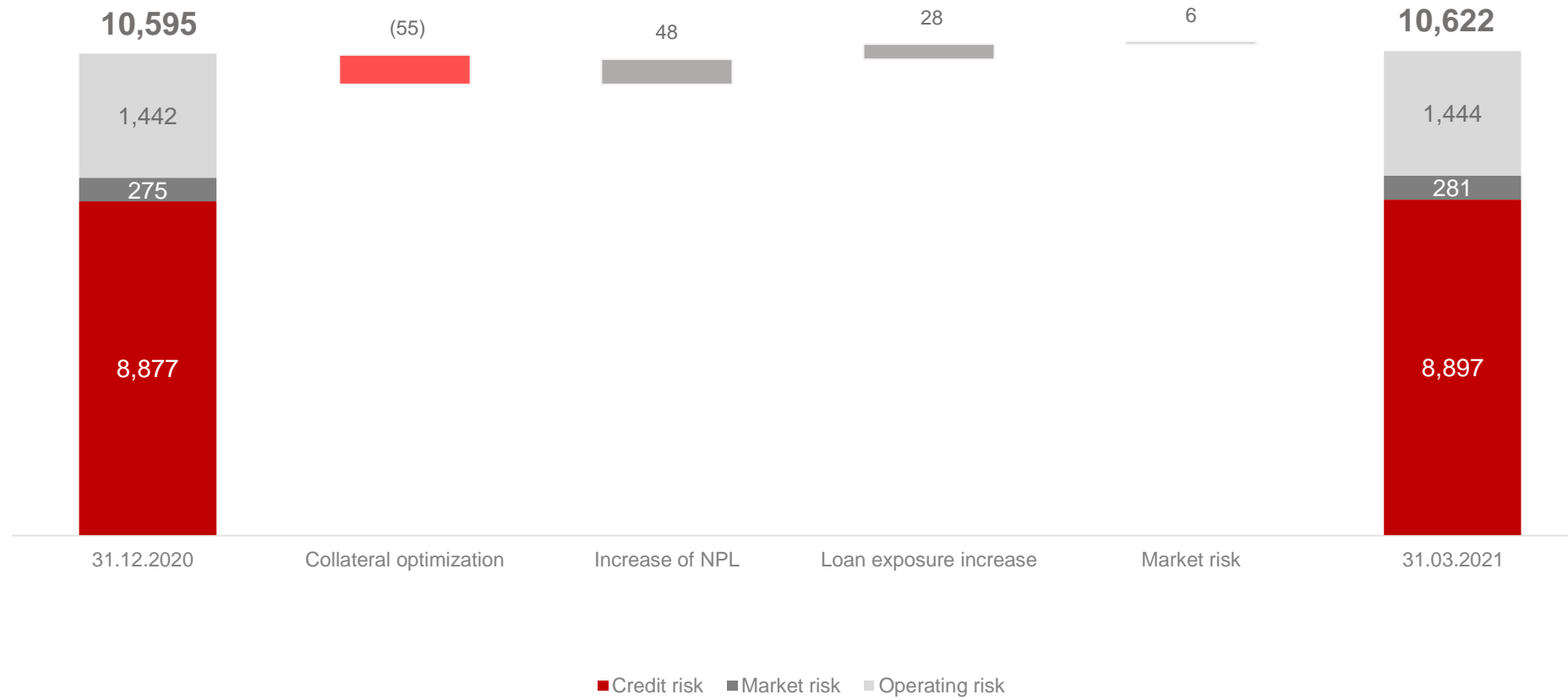


*Note there is a difference to regulatory capital reported in Investor information for Q4 2020 (HRK 2,314 mn) due to revised deduction amount of deferred tax assets - a decrease of HRK 1.8 mn in comparison with unaudited calculation of regulatory capital presented in Investor information for Q4 2020.

Source: HPB management reports

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	31.12.2020				31.3.2021			
		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%		56.1%		3.9%	
CORPORATE	S2	6.8%		8.1%		9.2%		6.5%	
CORPORATE	S3	34.7%	21.7%	47.7%	75.2%	34.7%	24.9%	48.5%	76.7%
SME	S1	49.3%		4.2%		42.1%		4.1%	
SME	S2	16.8%		15.5%		23.3%		14.9%	
SME	S3	33.9%	33.9%	71.3%	71.3%	34.6%	34.6%	69.4%	69.4%
STATE	S1	98.7%		1.0%		99.0%		0.9%	
STATE	S2	1.3%		7.2%		1.0%		8.0%	
STATE	S3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
RETAIL	S1	88.5%		0.5%		88.1%		0.5%	
RETAIL	S2	3.2%		7.6%		3.4%		6.6%	
RETAIL	S3	8.3%	8.3%	75.6%	75.6%	8.5%	8.5%	74.3%	74.3%
TOTAL	S1	85.9%		1.0%		85.5%		0.9%	
TOTAL	S2	3.7%		10.5%		4.4%		10.0%	
TOTAL	S3	10.4%	8.7%	62.2%	74.2%	10.2%	8.7%	62.0%	73.5%

1 Executive Summary

2 Macroeconomic environment

3 Financials

4 Risk Management

5 Appendix

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 March 31, 2021 (in HRK)	460,00
Market capitalisation (in HRK million)	931,33

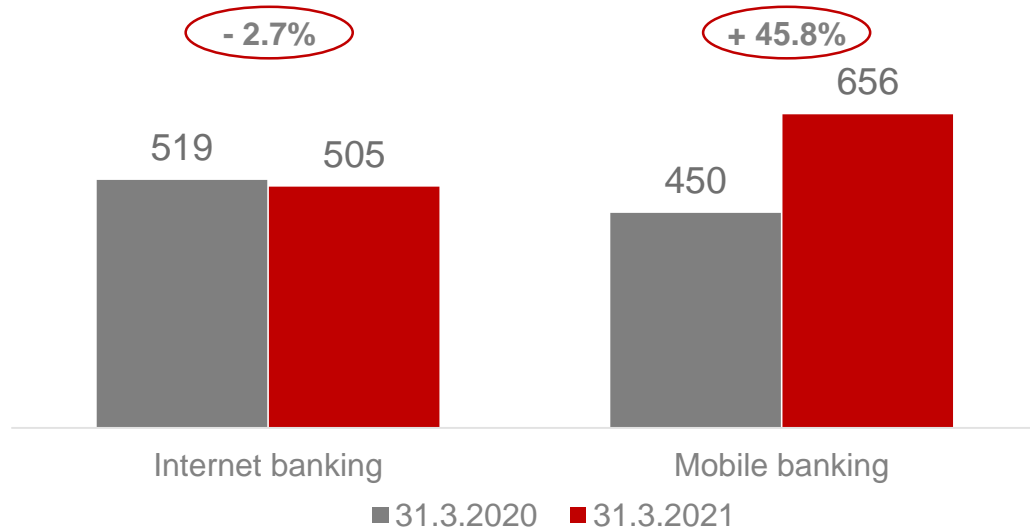
Shareholders

	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

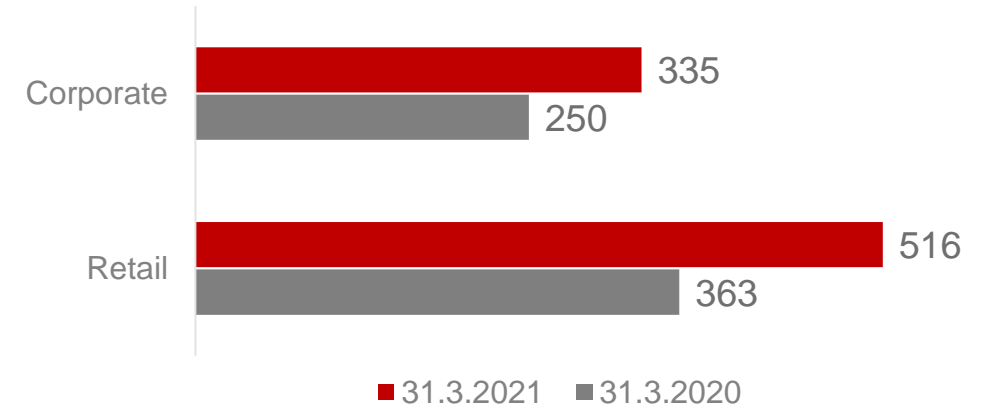
Total shares 100

Direct channels

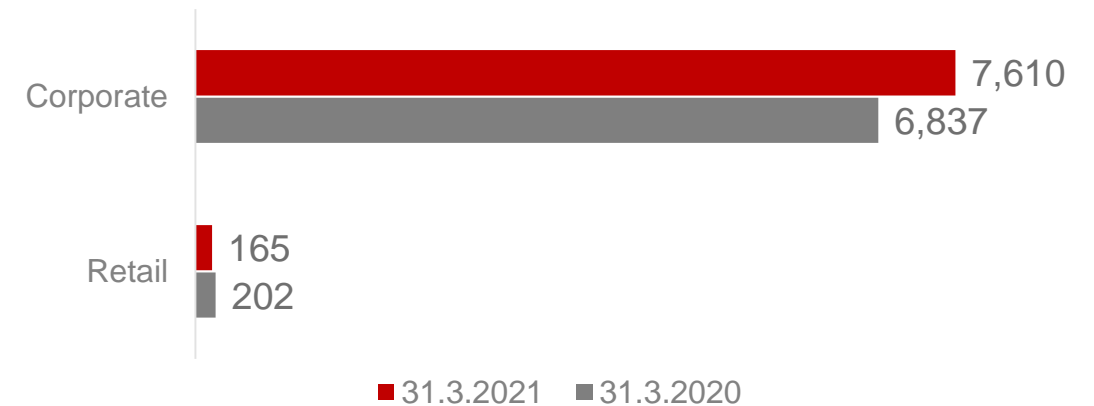
Number of transactions (in ths)



Transaction volume - Mobile banking (in HRK mn)



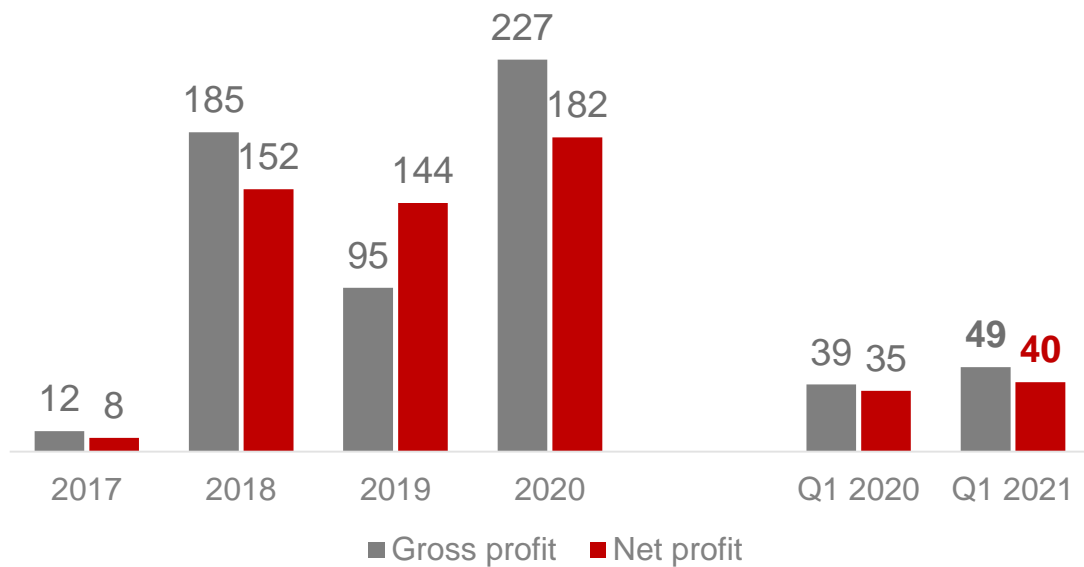
Transaction volume - Internet banking (in HRK mn)



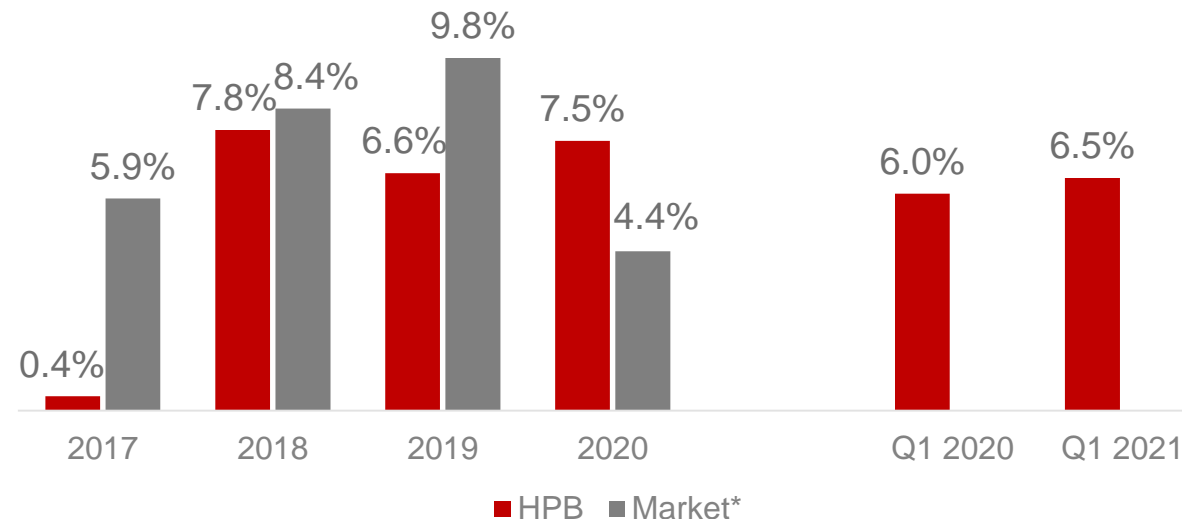
- Expected further increase in mobile banking – both in the volume and number of transactions.

Profitability

Profit development (in HRK mn)



Return on Average Equity ROAE

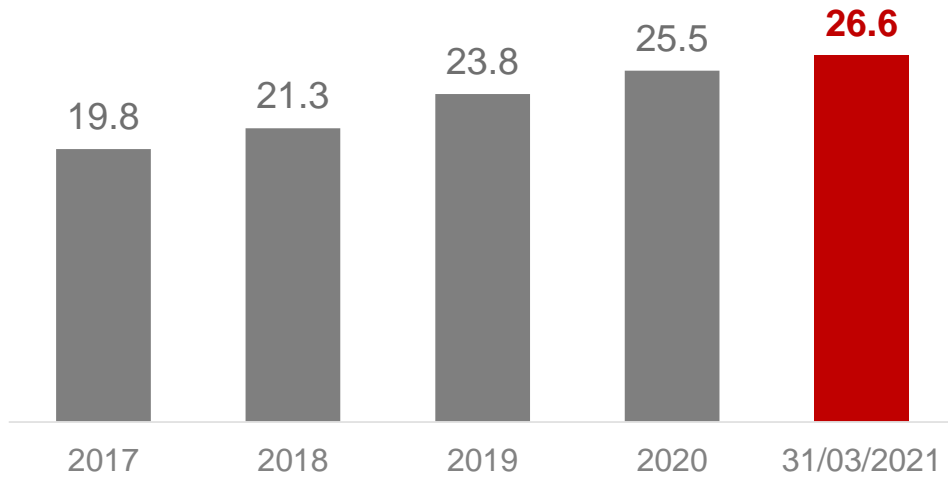


* Market share data for first quarter of 2021 not available at the time presentation was published

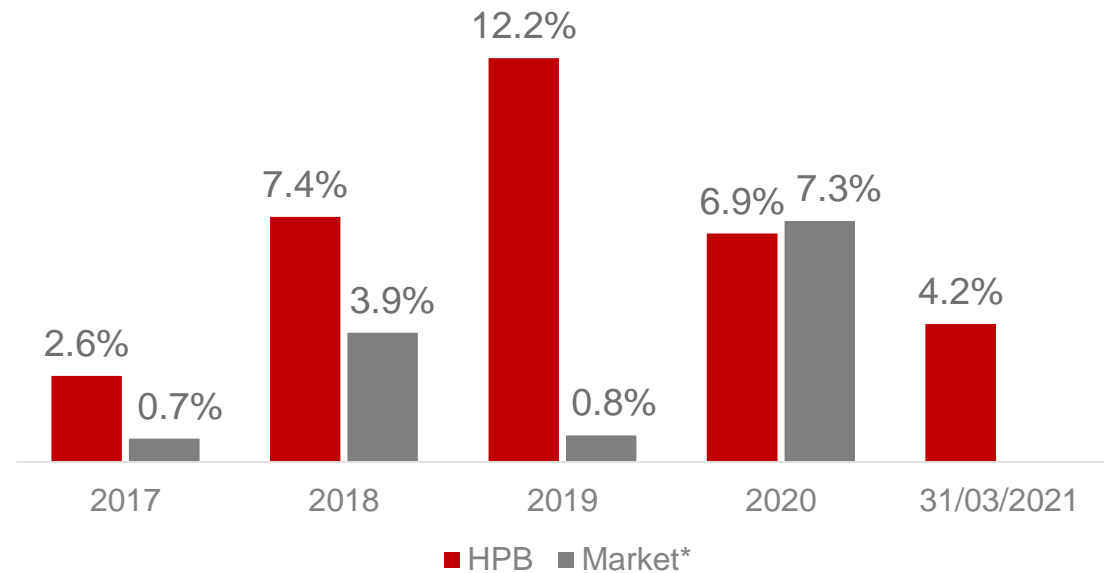
- Better quarterly results than in pre-COVID period (Q1 2020/2021), mainly driven by cost reduction

Asset development

HPB's Asset development
(in HRK bn)



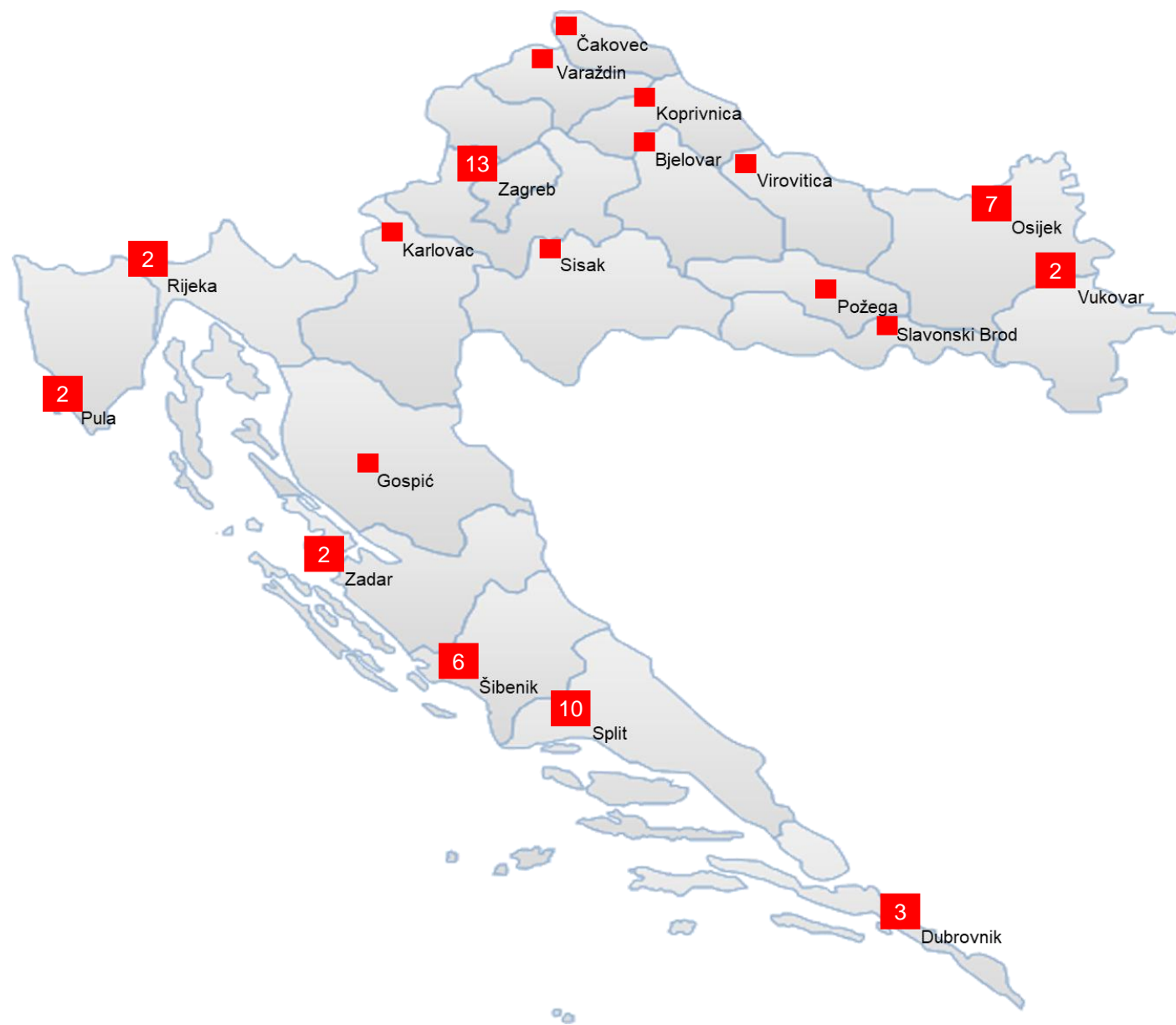
Comparative asset growth rates



* Market share data for first quarter of 2021 not available at the time presentation was published

- Organic growth continued in 2021;
- Asset growth reciprocated with growth in funding. Increase of liquid assets in 2021 was HRK +861.8 mn;
- LCR (Liquidity Coverage Ratio) as of 31.03.2021 is at 165%.

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