



HRVATSKA POŠTANSKA BANKA

HPB Group H1 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, July 29, 2022

No: F21-6/2022-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., as parent company of HPB Group, announces Investor’s materials for the period ended June 30, 2022.

Hrvatska poštanska banka, p.l.c.

Limitation of liability

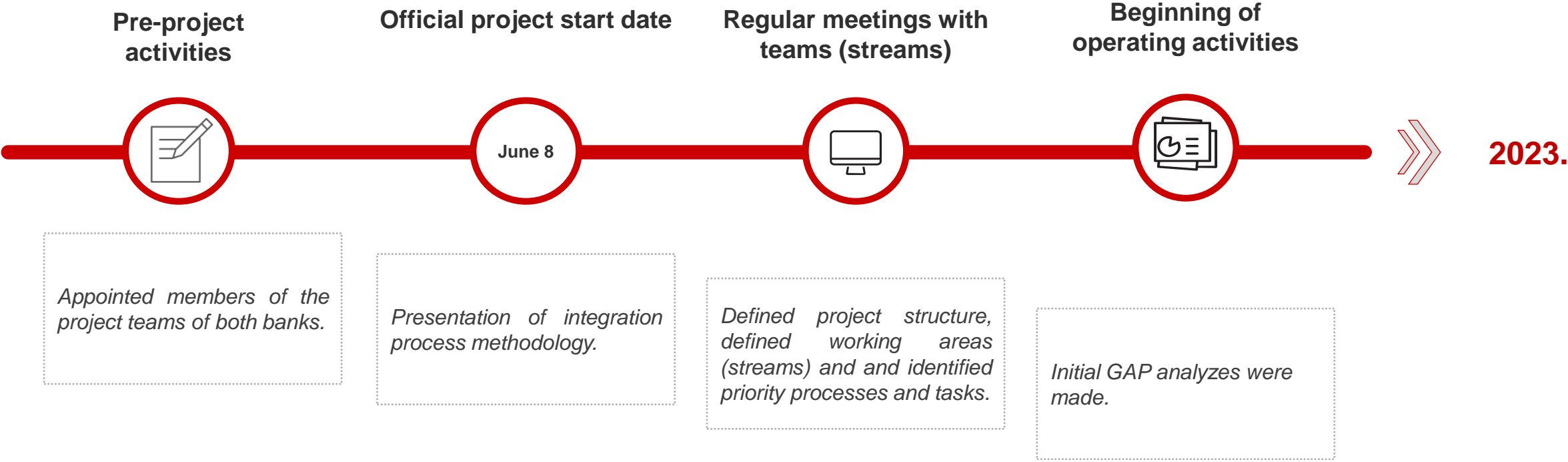
- The information and data contained in this presentation are intended to be general background information on Hrvatska poštanska banka p.l.c. as the parent company of the Hrvatska poštanska banka Group (hereinafter referred to as the Bank, Group or HPB) and its activities. It is supplied in summary 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 significantly strengthened by the acquisition of Nova Hrvatska banka

- On **April 14, 2022**, HPB took **control** over NHB
- Intensive acquisition activities are underway, 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 (June 30, 2022)
- This report contains all data available and known at the time of creation
- Given that post-acquisition activities (PPA and due diligence) are ongoing, during this process it is possible to obtain information that is not, nor can be, known at the moment
- This report contains the expected costs of the transaction, which are based on the estimates of the consultants, without estimating the costs of the software application, restructuring costs and other related costs, which are not known at this time
- The aforementioned circumstances may have an impact on the content of the report.



Ensured preconditions for successful NHB's integration by the end of 2023



1 Executive Summary

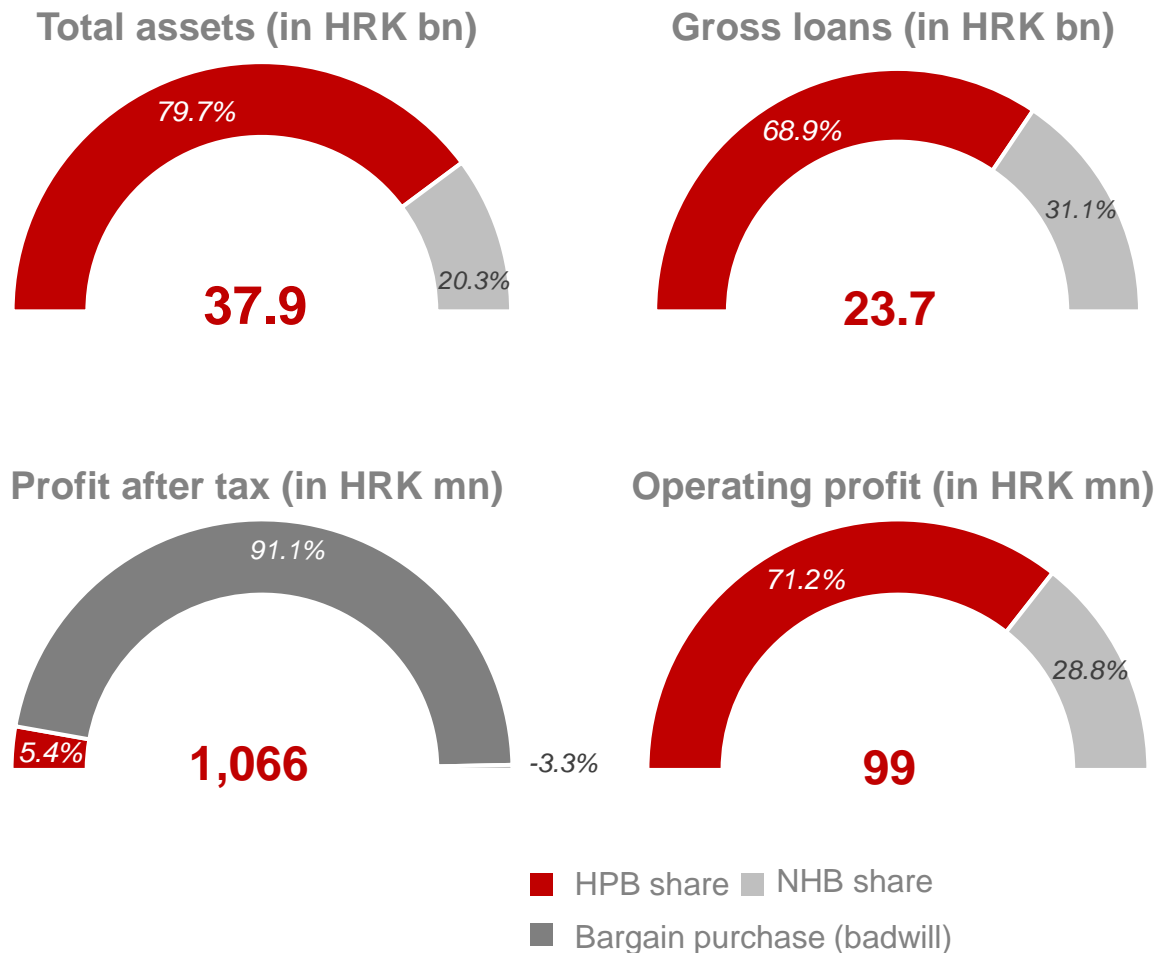
2 Macroeconomic environment

3 Financials

HPB took a strong step towards the 5th position on the market through acquisition and organic growth

- On April 14, 2022, the Bank took control of Nova Hrvatska banka (NHB); intensive acquisition activities of NHB marked the second quarter of 2022
- Increase in assets by HRK +7.7 mn due to the acquisition of NHB
- Strengthening the presence on the Croatian market (new business centres for retail and corporate clients)
- Expanded client base on HPB Group level
- Complementary and qualitative loan portfolio without significant exposure to entities from Russia, Ukraine and Belarus; additional strength for growth and expansion of business through acquired human and financial capital
- Integration activities will be carried out in parallel with the process of adopting euro, which is an absolute priority for both institutions
- Achieved 10-digit net profit at the consolidated level as a result of gain on bargain purchase (badwill) and continued profit generation at parent level.

Consolidated data HPB and NHB 30.6.2022



Significant assets and loan portfolio growth of HPB Group

NHB Financial indicators as of 30.6.2022 or for the period 14.4. – 30.6.2022

HRK (35.3) mn
Net loss for the period

HPB: Net profit HRK 57.8 mn

HRK 9.8 bn
Total assets

HPB: HRK 30.2 bn

HRK 7.4 bn
Gross loan portfolio

HPB: HRK 16.3 bn

5.3%
NPL ratio

HPB: 7.2%

70.7%
NPL coverage

HPB: 75.9%

14.7%
Capital adequacy ratio

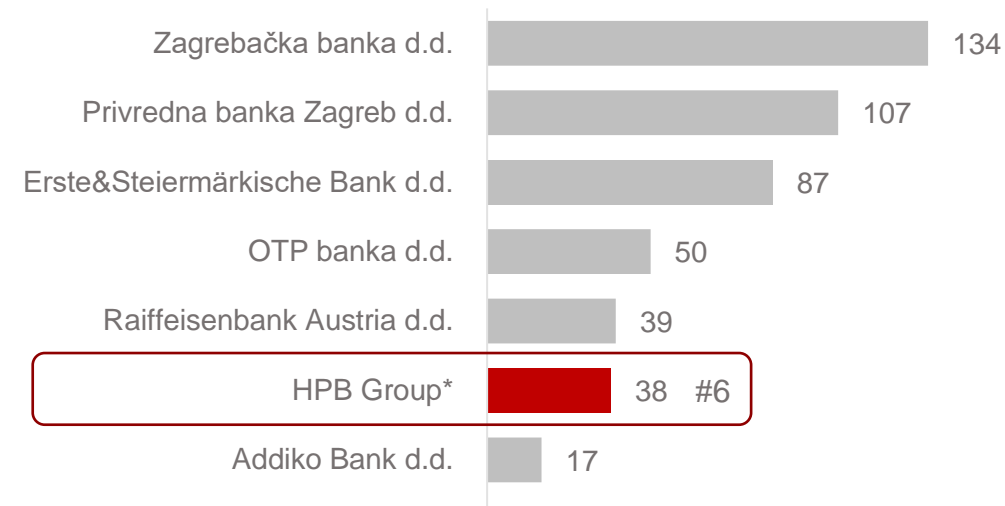
HPB: 24.0%

HPB Group made strong strides towards the Top 5 banks on the market

		30.6.2022
Assets	HRK mn	37,922
Net loans to customers	HRK mn	21,909
Deposits	HRK mn	31,049
Equity	HRK mn	3,345
NPL ratio	%	6.9
NPL coverage	%	74.4

		1.1. - 30.6.2022
Income	HRK mn	587
Net profit	HRK mn	1,066
Cost-to-income ratio	%	75.6
Return on equity (ROE)	%	31.9

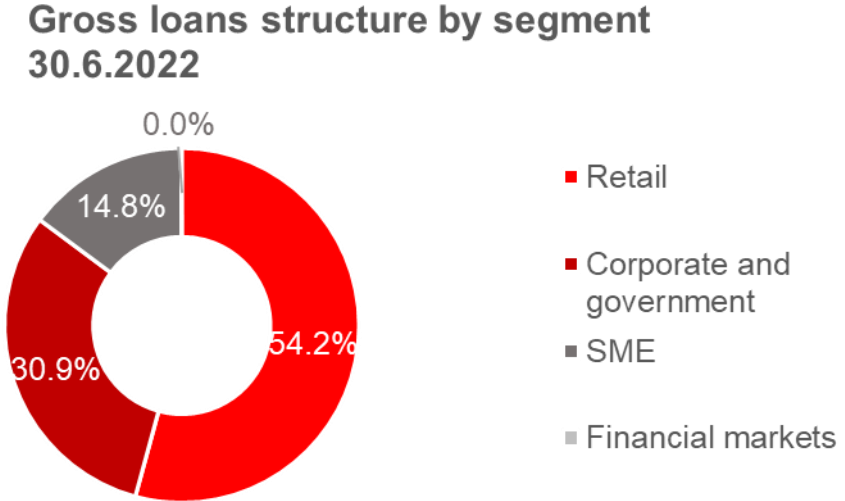
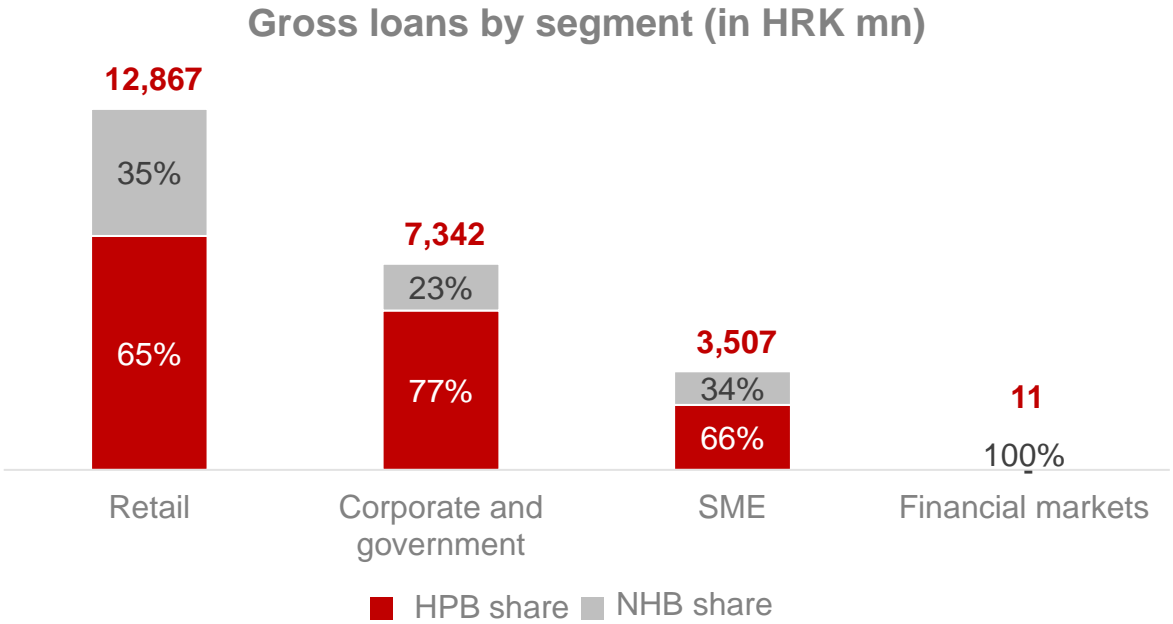
Market share by total assets as of 31.3.2022
(in HRK bn)



* Include consolidated data HPB + NHB as of 30.6.2022

- **Significant growth in assets** + HRK 7.7 bn is **opportunity to enter the top 5 banks** by total assets on the Croatian market
- **Preserved financial stability**, NHB's entrance into HPB Group stopped the **deposit outflow** caused by the geopolitical situation in Ukraine
- **Qualitative loan portfolio** with effective cost management and success in default collection resulted in a low level of NPL ratio and NPL coverage significantly above the market level
- **High net profit at consolidated level** is result of gain on bargain purchase and achieved operating profit made by HPB.

Bank's loan portfolio growth further strengthened by the acquisition

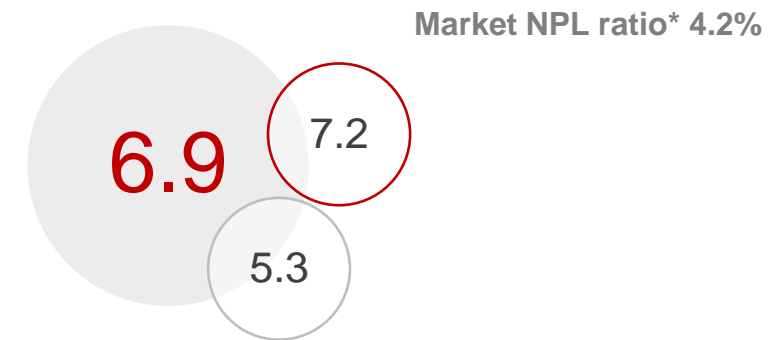


- **Gross retail loans dominate the total loans** as a result of HPB's strategic focus on this segment, with favorable financing conditions, especially in APN tranches in which HPB has a significant share
- Economy recovery enabled the implementation of acquisition activities, which resulted in further growth of total loans.

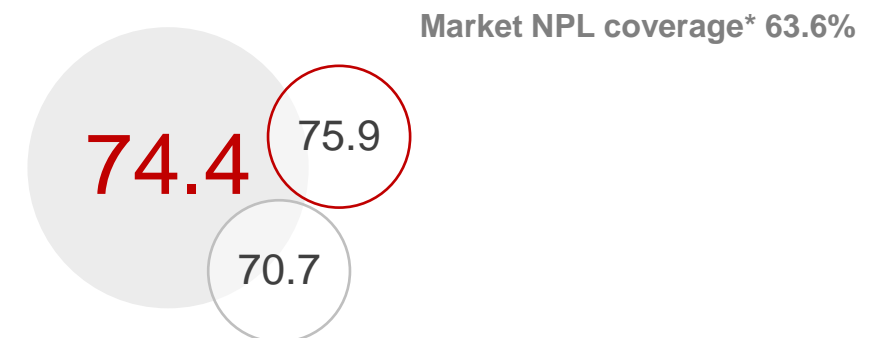
HPB's NPL ratio at a record low level

		30. 6. 2022
Exposure (total loans)	HRK mn	31,497
Total NPL stock	HRK mn	2,182
NPL %	%	6.9
Loss allowance for loans	HRK mn	(1,964)
NPL provision	HRK mn	(1,623)
PL provision	HRK mn	(340)
NPL Coverage	%	74.4
NPLs not covered by provisions	HRK mn	218

NPL ratio (in %)



NPL coverage (in %)



○ HPB ○ NHB

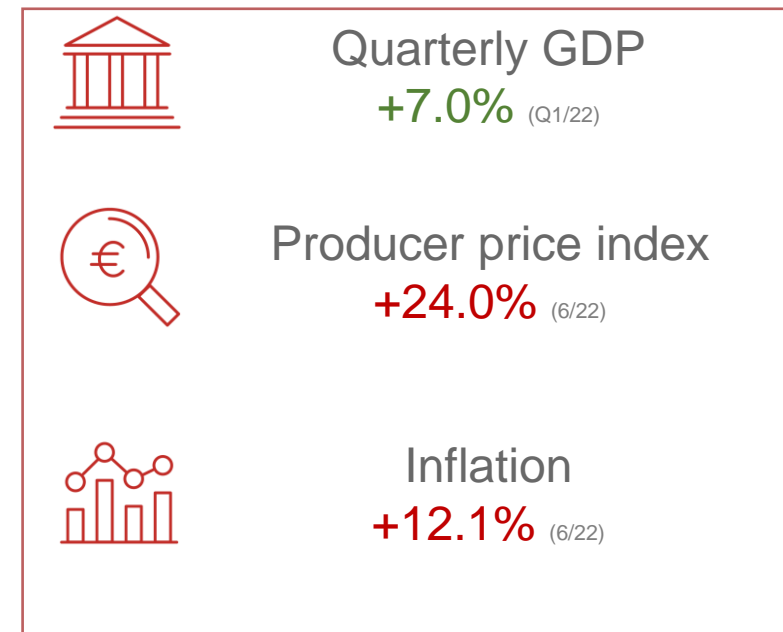
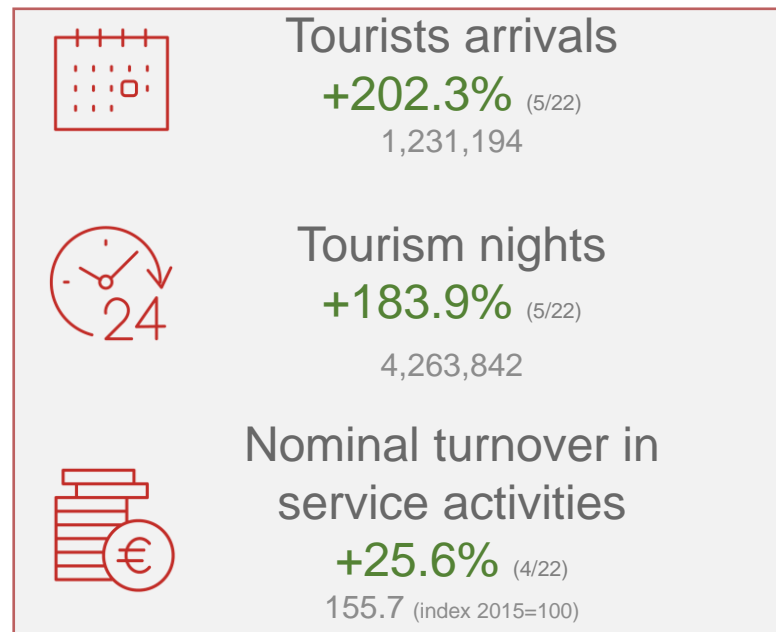
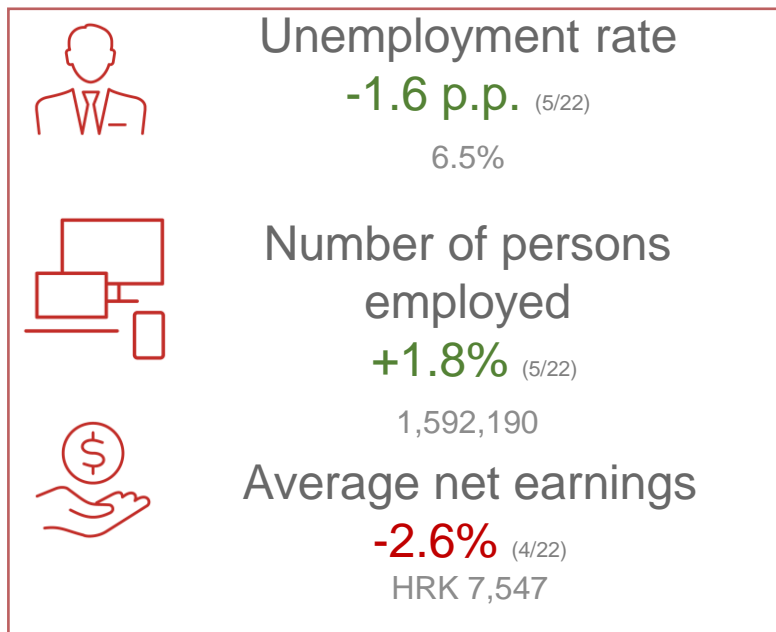
- **Complementary and qualitative loan portfolio**
- NPL coverage significantly above market average
- HPB's NPL ratio at a record low level as a result of the recovery of part of the portfolio and successful collection activities.

1 Executive Summary

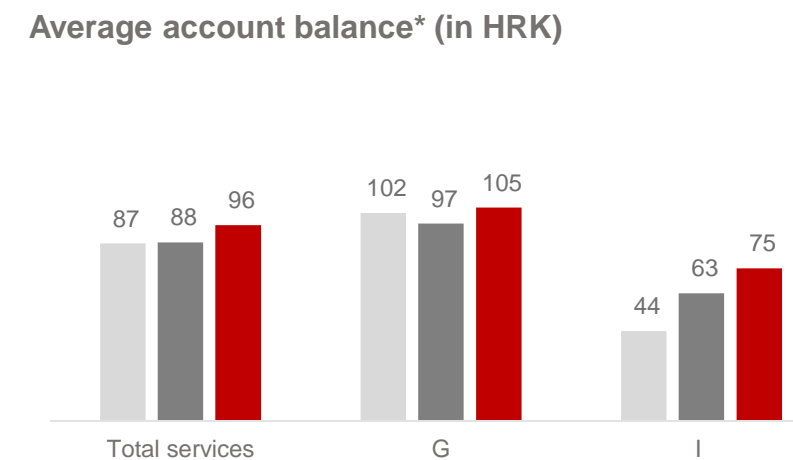
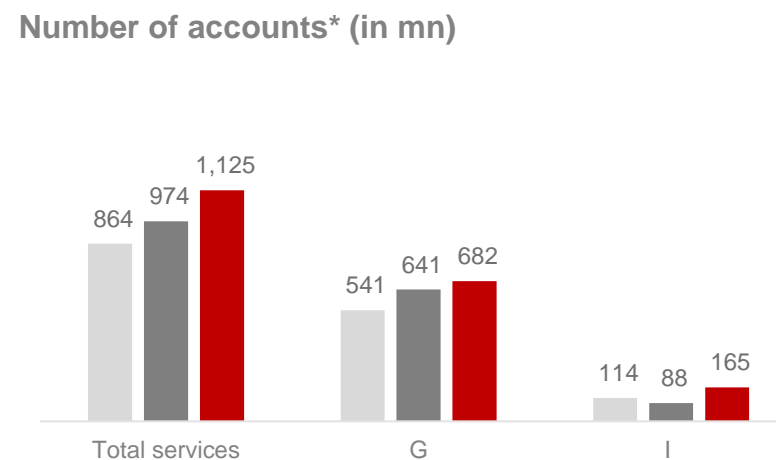
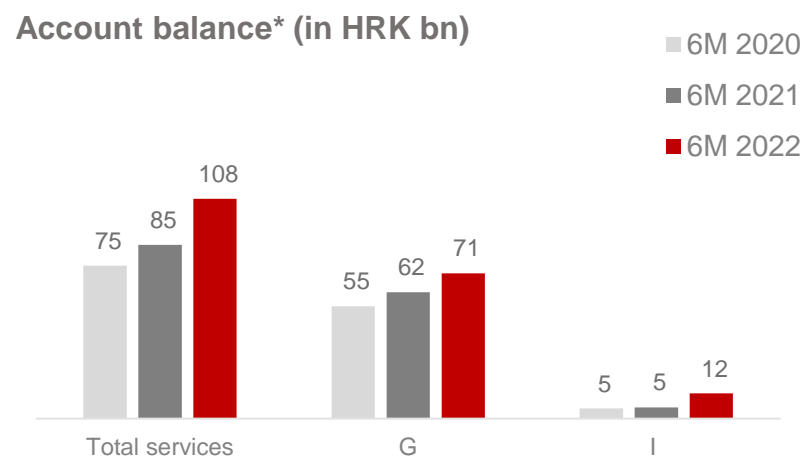
2 Macroeconomic environment

3 Financials

Economic indicators (y-o-y)



Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (March, April, May and June 2022)



13 *Source: <https://www.porezna-uprava.hr/Dokumenti> (data for H1 2020, 2021 and 2022)

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

1 Executive Summary

2 Macroeconomic environment

3 Financials

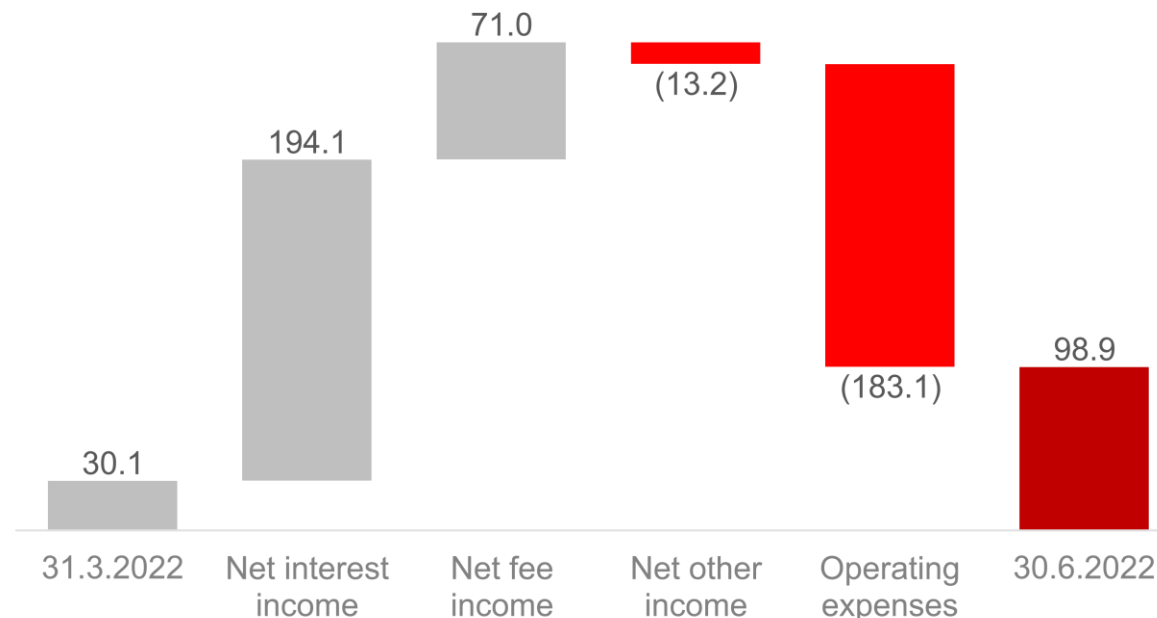
HRK 1.06 bn net profit

Credit institutions key financials – Income statement

H1 2022

Net interest income	HRK mn	319.9
Net fee loss	HRK mn	114.4
Net trading income	HRK mn	(29.2)
Net other income	HRK mn	0.4
Operating income	HRK mn	405.6
Employee expenses	HRK mn	(148.1)
Administrative expenses	HRK mn	(113.5)
Depreciation	HRK mn	(30.1)
Deposit insurance	HRK mn	(14.9)
Operating expenses	HRK mn	(306.7)
Operating profit	HRK mn	98.9
Bargain purchase (badwill)	HRK mn	1,018.8
Provisioning	HRK mn	(59.8)
Net profit	HRK mn	1,065.6
Cost-to-income ratio	%	75.6
Return on asset (ROA)	%	2.81
Return on equity (ROE)	%	31.9

Operating profit development in Q2 2022
(in HRK mn)

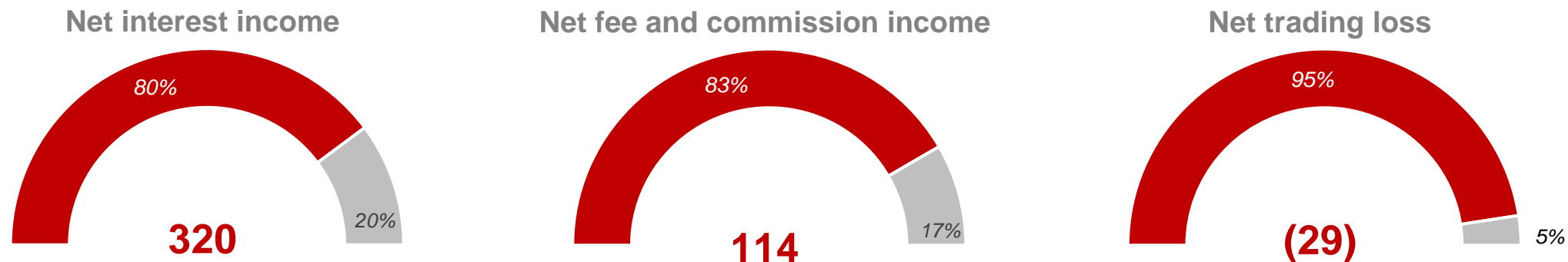


- **Record net profit of HPB Group of HRK 1.1 bn** as a result of a bargain purchase resulting from the difference between the fair value of the acquired net assets of NHB and the acquisition cost of that bank
- **HPB's operating profit in H1 2022 reduced** due to the loss from the adjustment of the book value of bonds to market prices and the absence of the effect of certain one-off transactions, while inflationary pressures and deposit insurance expenses inevitably had an impact on operating expenses
- Despite the decrease in operating profit, **HPB** continues to record solid positive results and create value for shareholders with a **net profit of HRK 57.8 mn**
- **NHB's contribution to HPB Group's operating result amounts to HRK 28.5 mn** (result after HPB took control over NHB)
- Changes in methodology and parameters for provisioning calculation to align with the group policy, as well as increased provisions for court cases (CHF loans) led NHB to a **loss of HRK - 35.3 million**.

Acquired NHB's human and financial capital led to additional strength for growth

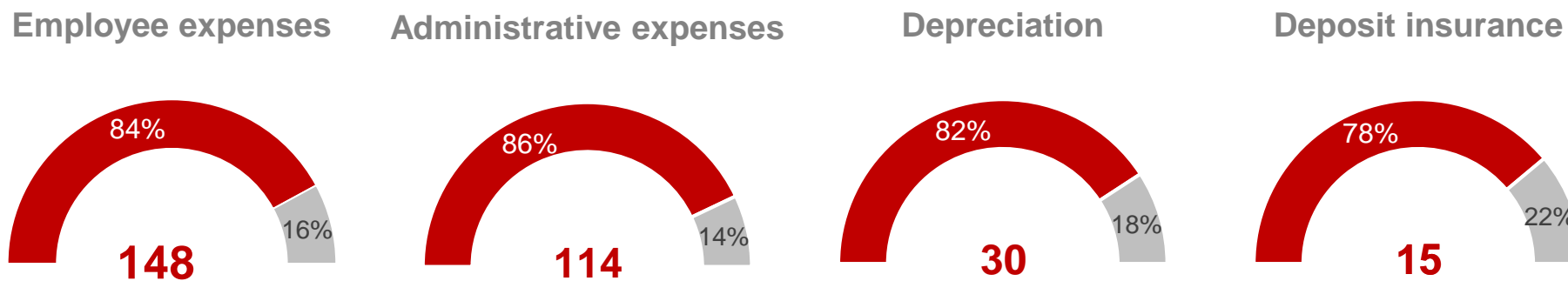
Composition of operating income (in HRK mn)

30.6.2022



Composition of operating expenses (in HRK mn)

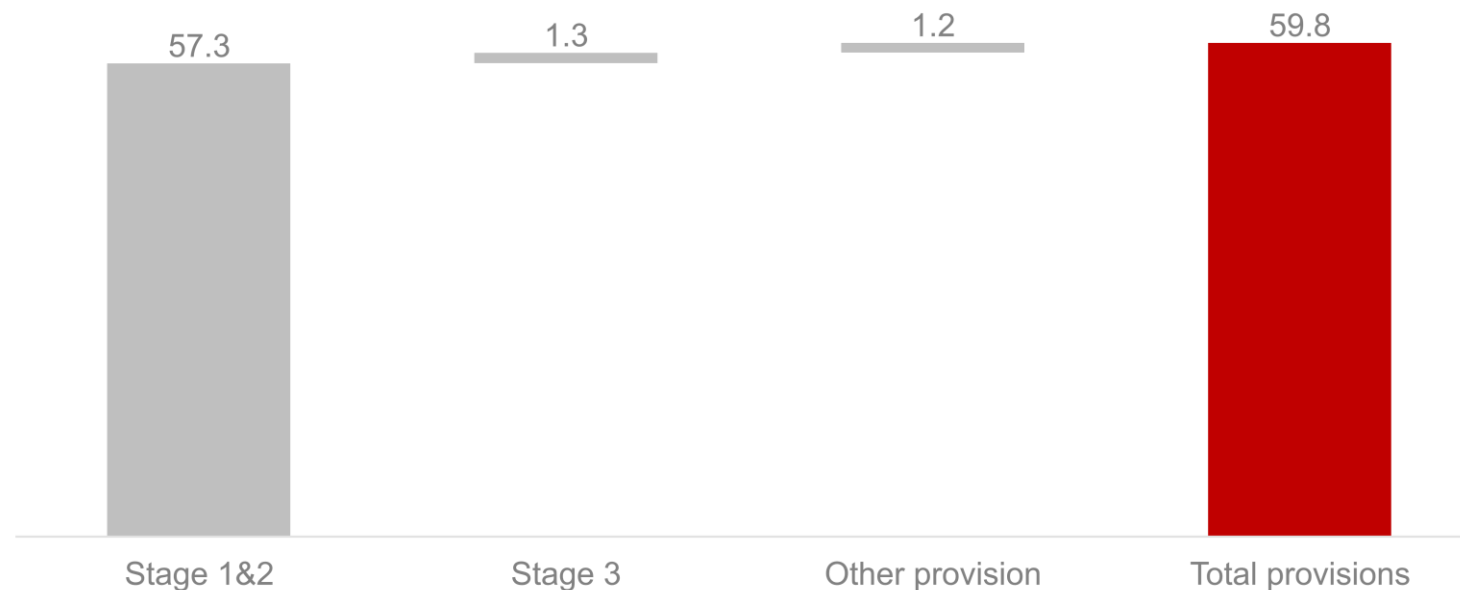
30.6.2022



Additional provisions due to alignment with the more conservative standards of the HPB Group

Structure of net provision expenses (in HRK mn)

30.6.2022



- Stage 1&2 – changes in macroeconomic parameters on NHB's performing portfolio had most significant impact
- Stage 3 - result of successful collection activities and recovery of part of the NPL portfolio
- Other provisions mostly relate to litigations; largest impact on the volume of provision expenses had the increase in legal provisions for loans in CHF in NHB portfolio.

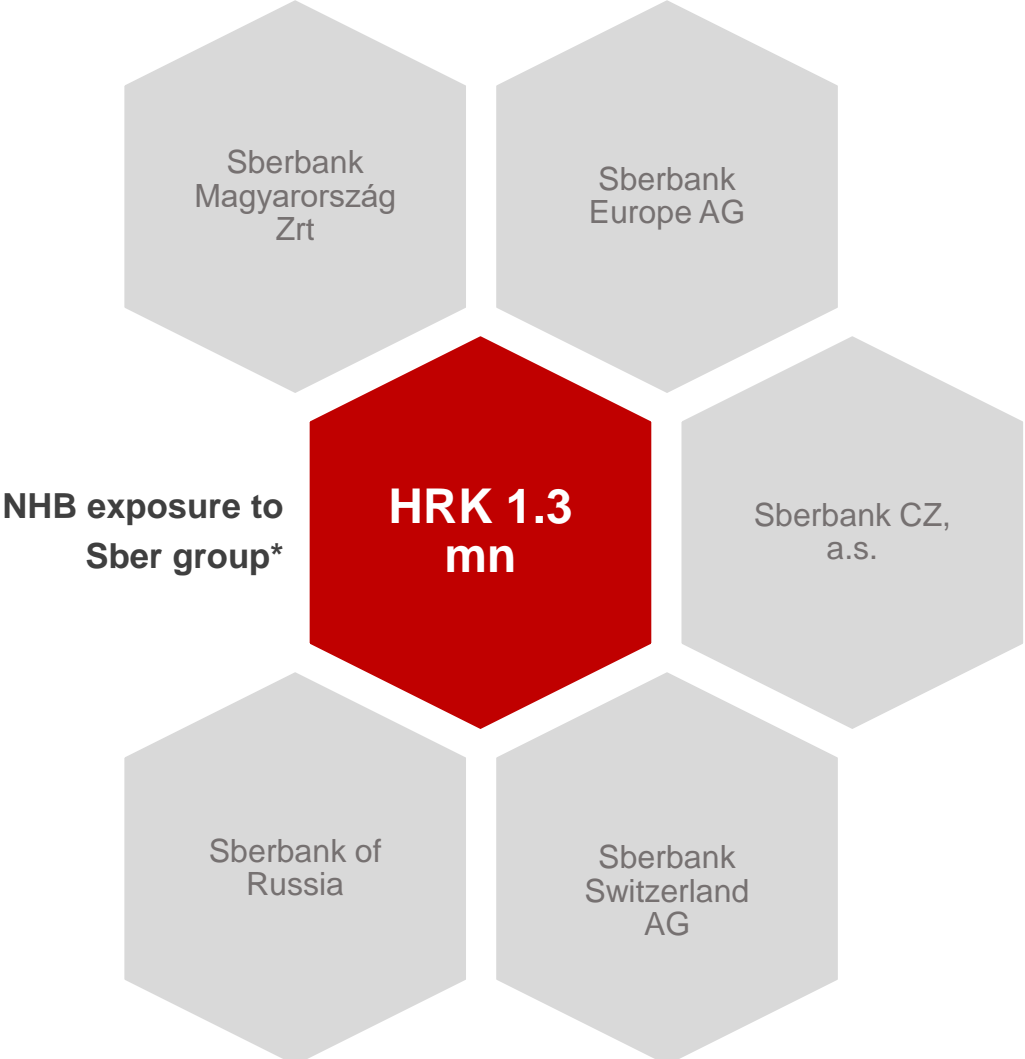
Significant assets growth along with preserved business stability

Credit institutions key financials – Balance sheet

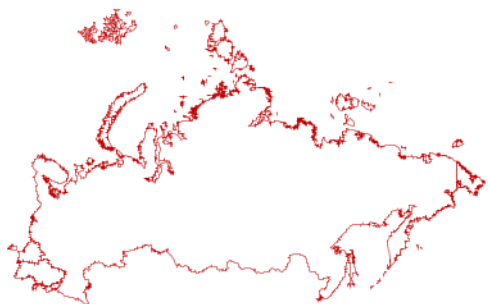
		30. 6. 2022
Liquid assets	HRK mn	9,088
Securities	HRK mn	6,093
Gross loans	HRK mn	23,727
Net loans	HRK mn	21,909
Other assets	HRK mn	831
Total assets	HRK mn	37,922
Deposits	HRK mn	31,049
Loan liabilities	HRK mn	2,692
Other liabilities	HRK mn	837
Total liabilities	HRK mn	34,577
Paid-in capital	HRK mn	1,215
Accumulated other comprehensive income	HRK mn	(126)
Retained earnings or loss carried forward	HRK mn	488
Other reserves	HRK mn	702
Profit or loss for the year	HRK mn	47
Badwill (Gain on bargain purchase)	HRK mn	1,019
Equity and reserves	HRK mn	3,345
Loan-to-deposit ratio	%	70.6
NPL ratio	%	6.9
NPL coverage	%	74.4

- The acquisition of NHB resulted in a significant increase in assets, which brings **HPB Group closer to the top 5 banks by total assets on the Croatian market**
- **Preserved financial stability and maintained stable liquidity position in NHB** despite the high level of uncertainty following the Russia's invasion of Ukraine
- Deposit outflow in NHB was stopped, retail segment in particular, after the end of resolution procedure and change in the ownership structure.

Russia's invasion of Ukraine without significant impact on HPB Group's operations



- Russia's invasion of Ukraine did not have a significant impact on the financial statements of HPB Group



NHB has low exposure to entities in Russia (0.45%) and negligible exposure to entities in Ukraine and Belarus.

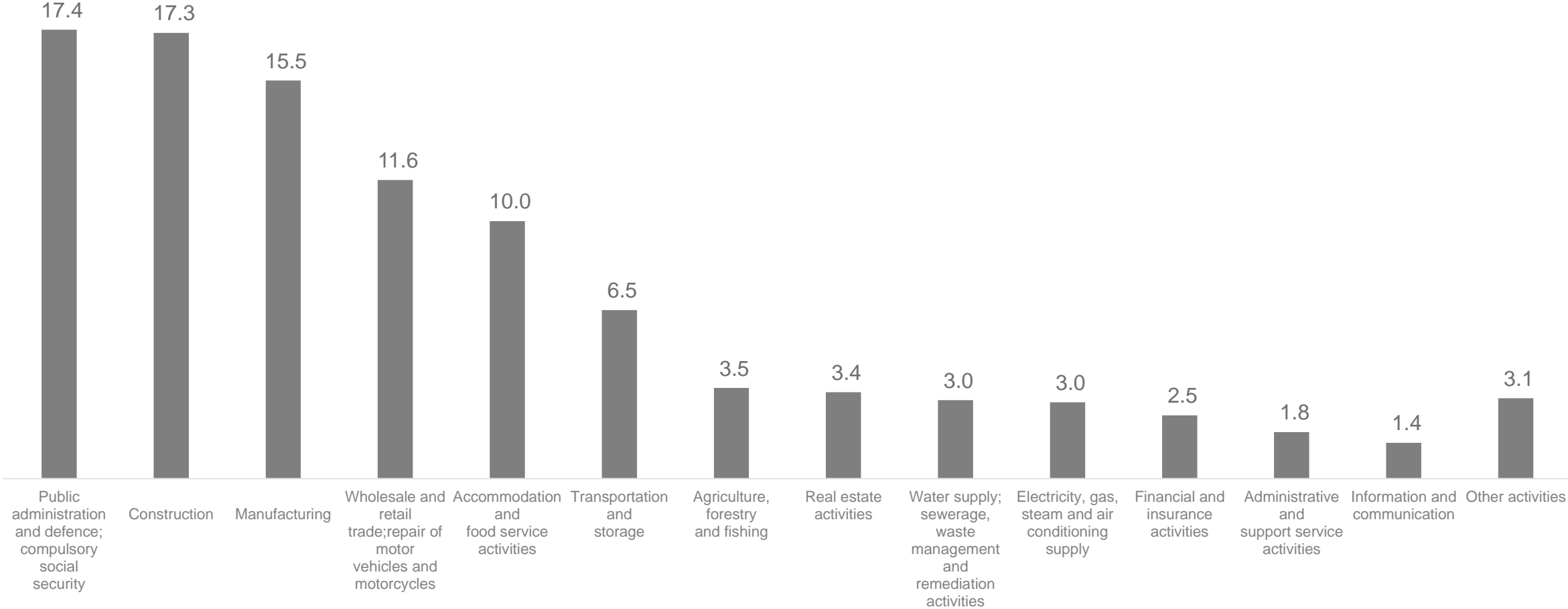


HPB has no exposure to entities in Belarus, and has minimal exposure to entities in Russia and Ukraine (0.00003%)

* On July 4, 2022, loan and deposit relationship between NHB and thus HPB Group and Sberbank Europe AG was completely terminated, <https://eho.zse.hr/en/issuer-announcements/view/44467>

HPB Group supports development of the Croatian economy

Corporate gross loans per industry (in %)
30.6.2022



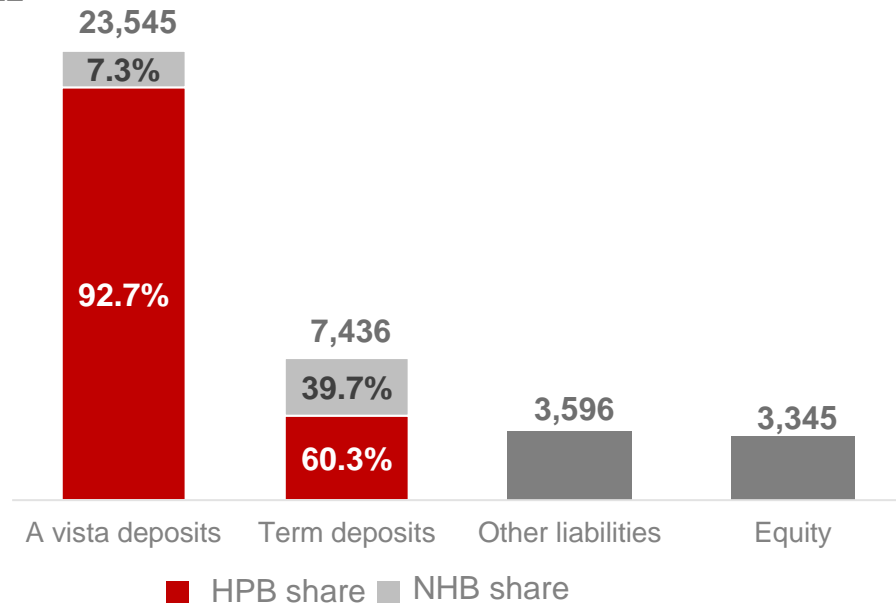
Source: HPB management reports



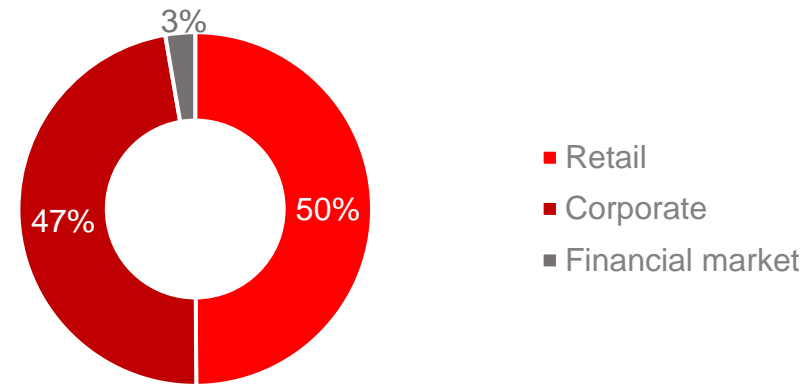
Preserved financial stability of Croatian banking market

Composition of equity and liabilities (in HRK mn)

30.6.2022



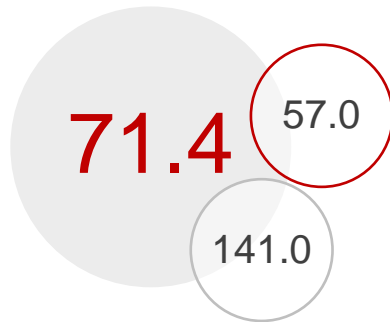
Deposit structure 30.6.2022



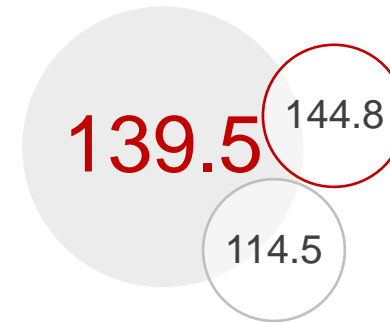
- **Achieved funding synergies** – NHB’s acquisition and change in ownership structure stopped deposit outflows caused by Russia’s invasion of Ukraine
- **Customer deposits are key financing source (81.7%)**; a vista deposits dominate in the structure of HPB's deposits (83.0%), while in the NHB’s structure term deposits make up the majority (72.2%) due to longer fixed terms and attractive interest rates
- 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

- Slightly higher level of the loan-to-deposit ratio at the consolidated level due to the temporary deposits outflow at the end of the first and the beginning of the second quarter due to the impact of the geopolitical situation in Europe on NHB's operations
- Liquidity at a solid level with a liquidity coverage ratio of 139.5%
- Customer deposits dominate funding mix with a share of 81.4%.