



HRVATSKA POŠTANSKA BANKA

# HPB Group 9M 2023

Investor information

# 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.
- From January 1, 2023, the euro was introduced as the official currency in the Republic of Croatia, and for the purposes of this presentation, the previous periods are prepared using a fixed HRK/EUR conversion rate where EUR 1 = HRK 7.53450.

# **1 Executive Summary**

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## **2 Macroeconomic environment**

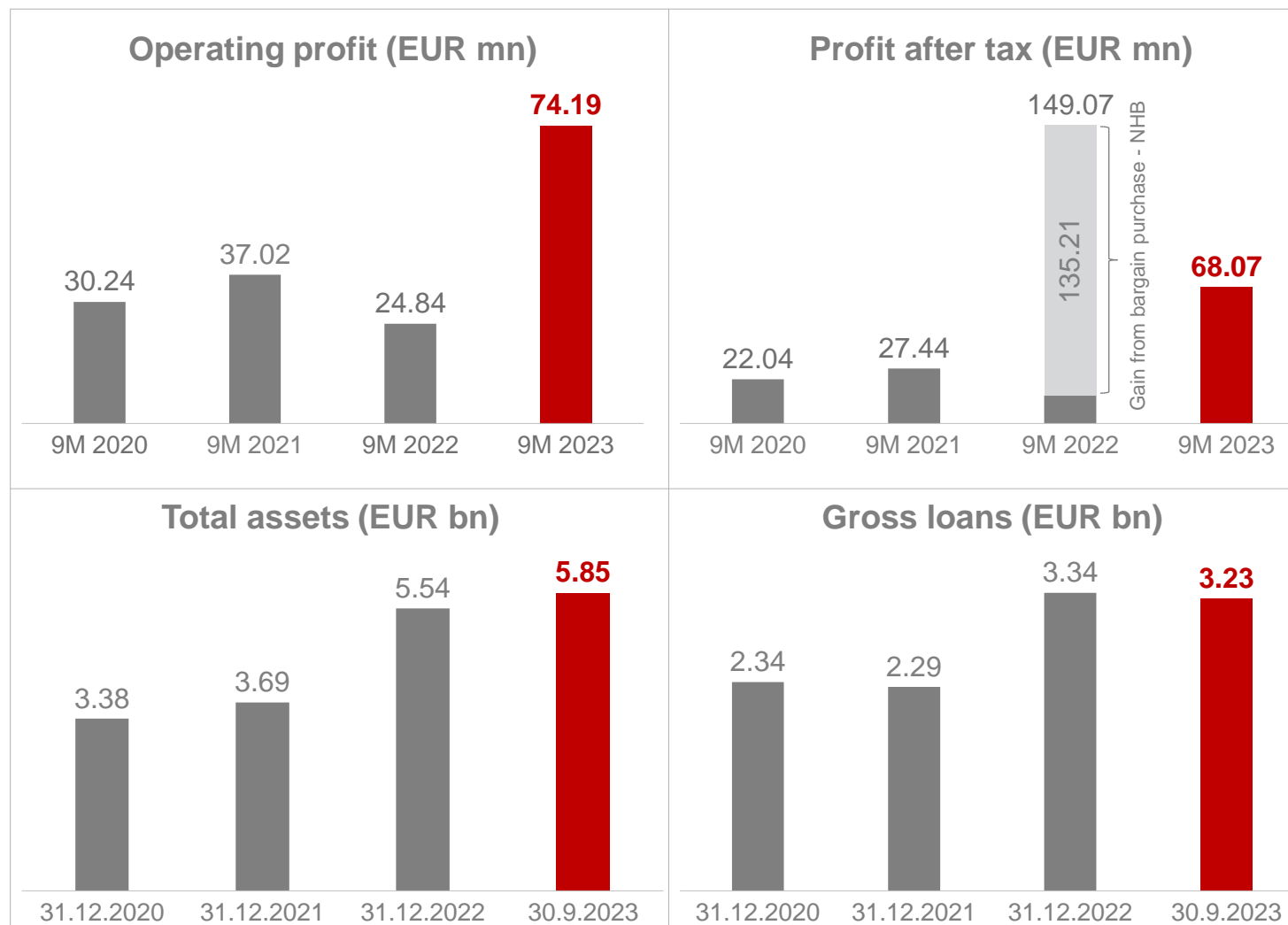
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## **3 Financials**

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# HPB successfully opened a new chapter of its development

- Net interest income and positive effects on the provisioning side brought **profit after tax to a new record**, excluding the one-time gain from bargain purchase of Nova Hrvatska banka (hereinafter NHB) in 2022
- **Historically highest level of Group assets** with an increase of EUR 309.50 mn in 9M 2023
- As a result of excellent risk management, processes and efficient collection, the **NPL ratio decreased to 5.87%**
- **MREL\* rate** as of September 30, 2023, is 30.07%, which is **above the level of the current regulatory MREL requirement** (27.08%)
- **NHB was successfully merged with HPB** on July 3, 2023



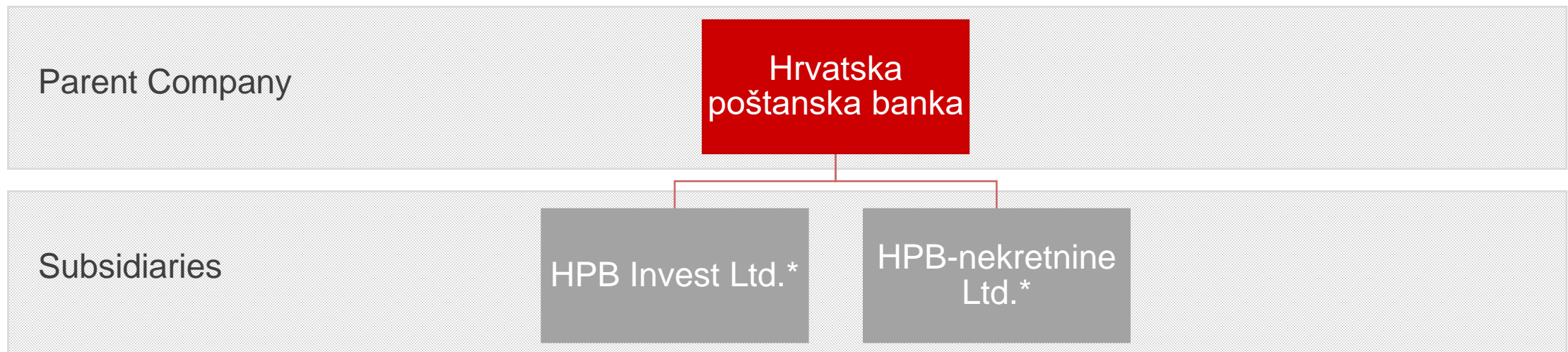
Source: regulatory report

The graphs includes the results of all HPB Group members on the reporting date or reporting period.

\* Minimum requirement for own funds and eligible liabilities

# Q3 marked by the successful legal merger of NHB

- NHB was successfully merged with HPB on July 3, 2023, which continues its operations as one, stronger bank - HPB
- The integration further strengthened the client base and portfolio of HPB, which continues to grow towards the TOP 5 largest banks by assets in Croatia and create value for all stakeholders
- With the completion of the strategic merger project of NHB, clients have been enabled wider availability and higher quality of financial services in 69 centers and at 655 ATMs throughout Croatia.



*\*Consolidated unaudited financial statements, on the following pages, include the financial result of HPB and NHB, in 2022, from acquisition date April 14, until reporting date September 30, 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.*

# 9M 2023 key indicators

		31.12.2022	30.9.2023
Assets	EUR mn	5,540.86	5,849.94
Net loans to customers	EUR mn	3,063.40	2,950.90
Deposits	EUR mn	4,644.34	4,798.04
Equity	EUR mn	455.95	525.11
NPL ratio	%	6.13	5.87
NPL coverage	%	75.11	72.78

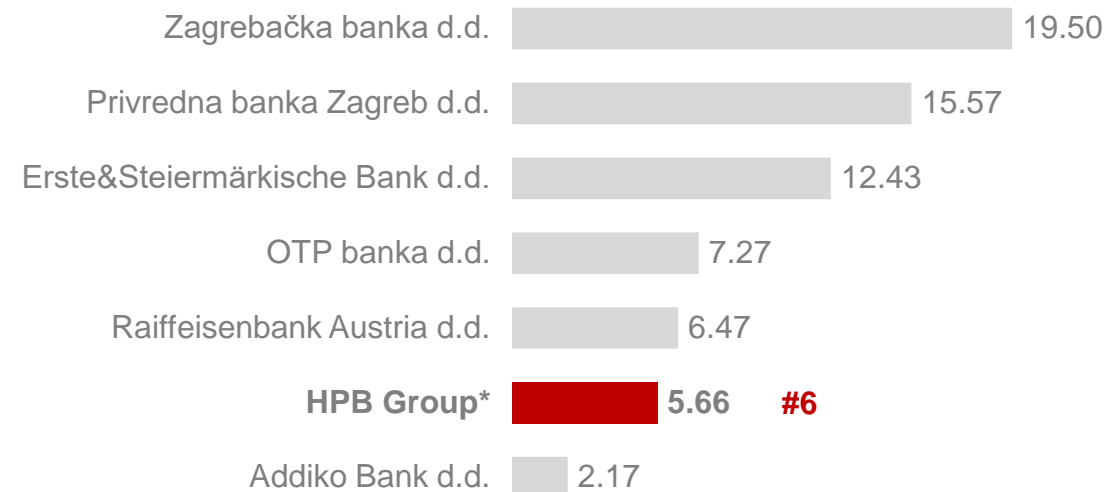
		9M 2022 <sup>1</sup>	9M 2023
Total income	EUR mn	132.01	198.63
Operating profit	EUR mn	26.16	75.17
Provisions	EUR mn	(12.38)	4.96
Net profit	EUR mn	148.96	69.08
Cost-to-income ratio	%	71.11	50.39
Return on asset (ROA) <sup>2</sup>	%	2.72	1.57
Return on equity (ROE) <sup>2</sup>	%	33.75	17.54

<sup>1</sup> Includes NHB result from the date of acquisition, April 14, 2022

<sup>2</sup> Profit after tax in the indicator's calculation is not annualized due to the one-off effect from the gain on bargain purchase in 2022

## Market share by total assets (EUR bn)

30.6.2023



\* Includes consolidated data HPB + NHB as of 30.6.2023

Source: Hrvatska narodna banka, [www.hnb.hr](http://www.hnb.hr); Podaci o poslovanju kreditnih institucija as of 30.6.2023

- **Continued strengthening of market position and competitiveness** through the asset growth of 5.58% due to liquidity inflow from received loans (+ EUR 97.48 mn), deposits growth (+ EUR 153.70 mn) and capital increase due to realized profit (+ EUR 69.16 mn). On the asset side, this is reflected in the strong growth of liquid assets (+ EUR 415.96 mn), with a slight increase in the securities portfolio, while the loan volume was slightly reduced in order to optimize risk exposure
- The achieved **record 9M operating profit** is the result of growth primarily in NII (+ EUR 49.63 million) due to the fastest raising of the reference interest rate of the European Central Bank (hereinafter referred to as the ECB) in history and realized trading profit (+ EUR 6.14 million)
- Operating profit, along with positive effects on the provisioning side, is the main driver of net profit in the amount of EUR 69.08 million
- In 9M 2023 net profit, the tax shield for tax losses carried forward from earlier periods was fully used with a positive effect on the result in the amount of EUR 4.35 mn

# Gross loan portfolio overview

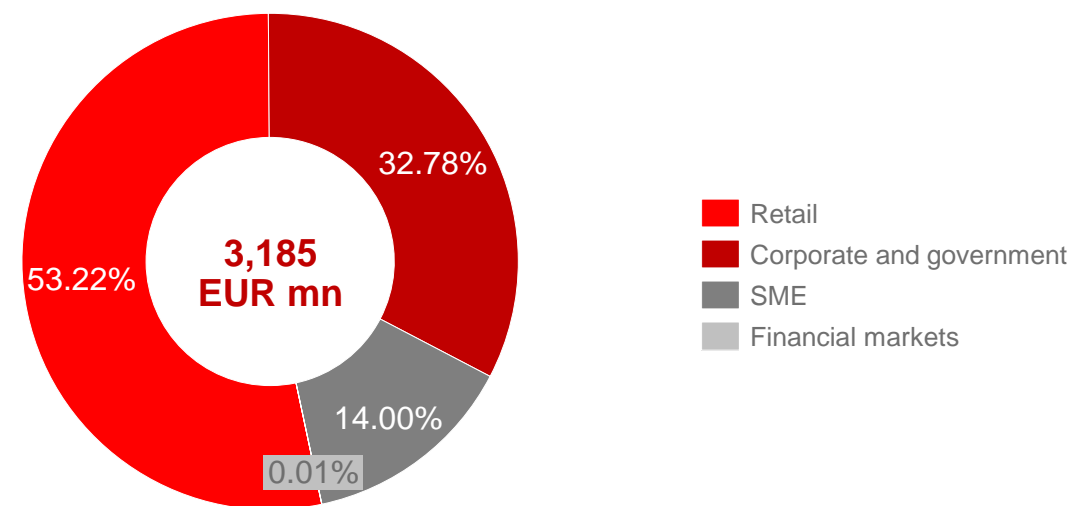
## Loan quality development

		31.12.2022	30.9.2023
Exposure*	EUR mn	4,696.98	<b>4,974.17</b>
Total NPL stock	EUR mn	287.94	<b>292.11</b>
NPL %	%	6.13	<b>5.87</b>
Loss allowance for loans	EUR mn	(270.74)	<b>(259.86)</b>
NPL provision	EUR mn	(216.27)	<b>(212.60)</b>
PL provision	EUR mn	(54.46)	<b>(47.26)</b>
NPL Coverage	%	75.11	<b>72.78</b>
NPLs with 100% government guarantees	EUR mn	7.12	<b>8.54</b>
NPLs not covered by provisions	EUR mn	10.08	<b>23.71</b>
CET 1	EUR mn	451.41	<b>450.97</b>
Uncovered NPLs to CET 1	%	2.23	<b>5.26</b>

Source: FINREP regulatory reporting

\* Total loan exposure includes funds in central banks and other demand deposits as well as gross interest, fees and other receivables that are not included in management report

## Gross loan structure by segment 30.9.2023



Source: HPB management reports

- **Gross retail loans dominate the total loans**, which is the result of the parent company's strategic focus on this segment of clients
- Continuation of the multi-year trend of decreasing the NPL ratio due to reduced level of NPL exposure as a result of efficient collection and recovery of part of the portfolio, along with a change in the asset structure in the direction of increasing lower risk loans with financial institutions
- NPL coverage is still significantly above the average level of the sector (*market NPL coverage 67.03% as of June 30, 2023*)



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# Economic indicators (y-o-y)



## Unemployment rate

**-0.2 p.p.** (9/23)

5.8%



## Number of persons employed

**+1.5%** (9/23)

1,668,370



## Average net earnings

**+5.8%** (8/23)

EUR 1,163



## Quarterly GDP

**+2.7%** (Q2/23)



## Tourists arrivals

**+1.3%** (8/23)

4,435,764



## Nominal turnover in service activities

**+24.2%** (7/23)

236.2 (index 2015=100)



## Inflation

**+6.7%** (9/23)



## Producer price index

**+1.2%** (9/23)



## Industrial production volume

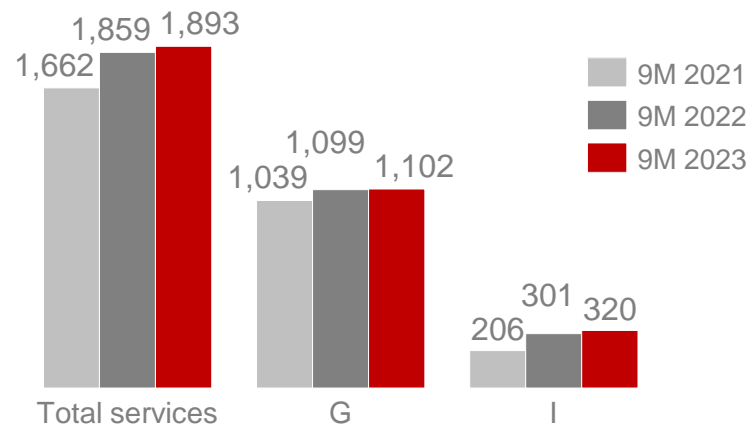
**-1.0%** (8/23)

96.6 (index 2015=100)

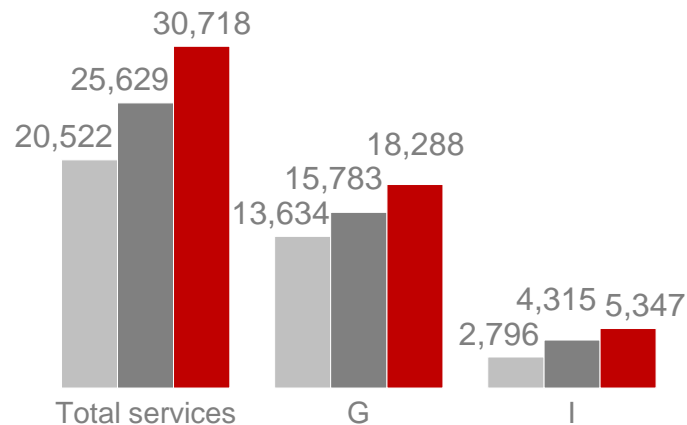
Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (June, July, August and September 2023)

## Fiscalization system data

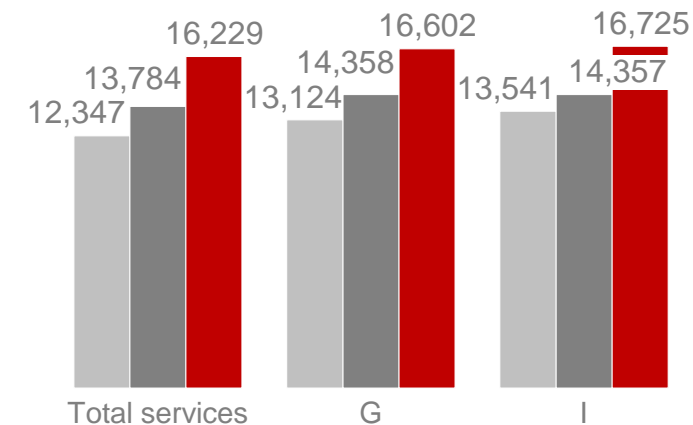
### Number of accounts\* (mn)



### Account balance\* (EUR bn)



### Average account balance\* (EUR)



\*Source: Tax administration, <https://www.porezna-uprava.hr> (data for 9M 2021, 2022 and 2023)

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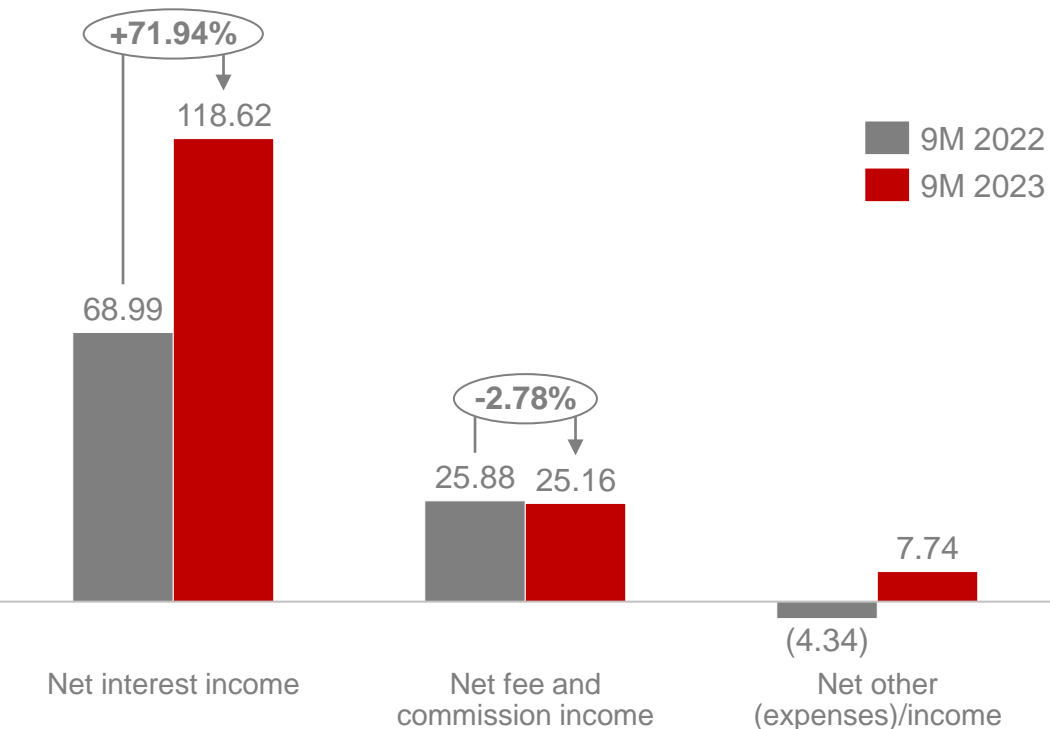
**3 Financials**

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# Record 9M operating profit of EUR 75.17 mn

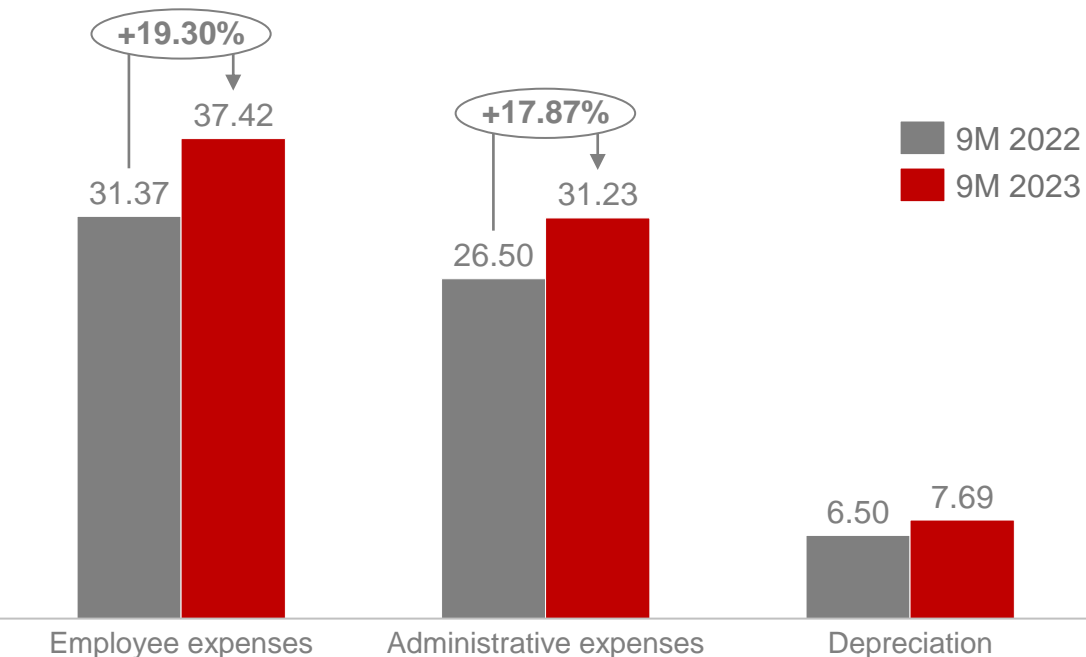
- Consolidated data are not fully comparable, considering that the NHB results are shown in the total consolidated profit and loss account from acquisition date April 14, to reporting date September 30

## Composition of operating income (EUR mn)



- Significant increase in NII is primarily a reflection of the increase in income on assets with the ECB in accordance with the market trend of the risk-free interest rate
- NFCI maintained at the level of the previous year
- Net other (expenses)/income refers mainly to profit from an increase in the fair value of the trading portfolio of securities + EUR 1.23 mn, FX trading + EUR 1.77 mn and realized one-off net other income in 2023 as a result of legal actions taken in favor of the parent company

## Composition of operating expenses (EUR mn)

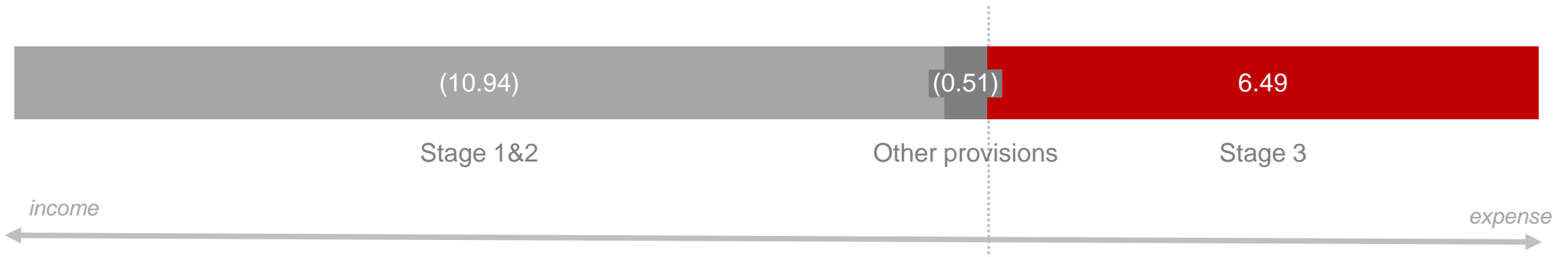


- Relative increase in employee expenses primarily due to the impact of the consolidation of NHB in 2023 (as of January 1) rather than in 2022 (as of April 14), and to the lesser extent by labor and service price adjustments due to the inflationary environment and other factors
- Administrative costs under the influence of regulatory projects and integration activities, as well as the still ubiquitous increase in prices, which is mainly reflected in the increase in energy prices and IT equipment maintenance

# Provisions structure

(Reversal)/cost of provision (EUR mn)

30.9.2023



- Total effect of the provisions on the profit and loss account is an **income of EUR 4.96 mn**
- In the 9M 2023, a positive result was achieved in terms of provisions on the performing portfolio due to the reduction of exposure and improvement of the credit quality of the performing portfolio
- Provision costs from the NPL portfolio are in line with expectations, taking into account the integration activities and portfolio specifics of the two banks
- Other provisions mostly refers to legal cases and have negligible share in total provisions in 9M 2023

# Highest level of assets in the corporate history of HPB Group

		31.12.2022	30.9.2023
Liquid assets	EUR mn	1,513.85	1,929.82
Securities	EUR mn	866.99	873.91
Gross loans	EUR mn	3,312.43	3,185.21
Net loans	EUR mn	3,063.40	2,950.69
Other assets	EUR mn	96.62	95.31
<b>Total assets</b>	<b>EUR mn</b>	<b>5,540.86</b>	<b>5,849.73</b>
Deposits	EUR mn	4,644.34	4,798.04
Loan liabilities	EUR mn	325.07	426.72
Other liabilities	EUR mn	115.50	100.07
<b>Total liabilities</b>	<b>EUR mn</b>	<b>5,084.90</b>	<b>5,324.83</b>
Paid-in capital	EUR mn	161.23	161.97
Accumulated other comprehensive income	EUR mn	8.02	8.34
Retained earnings	EUR mn	72.29	197.72
Other reserves	EUR mn	87.86	88.00
Profit or loss for the year	EUR mn	(8.65)	69.08
Badwill (Gain on bargain purchase)	EUR mn	135.21	-
<b>Equity and reserves</b>	<b>EUR mn</b>	<b>455.95</b>	<b>525.11</b>
Loan-to-deposit ratio	%	65.96	61.50
NPL ratio*	%	6.13	5.87
NPL coverage*	%	75.11	72.78

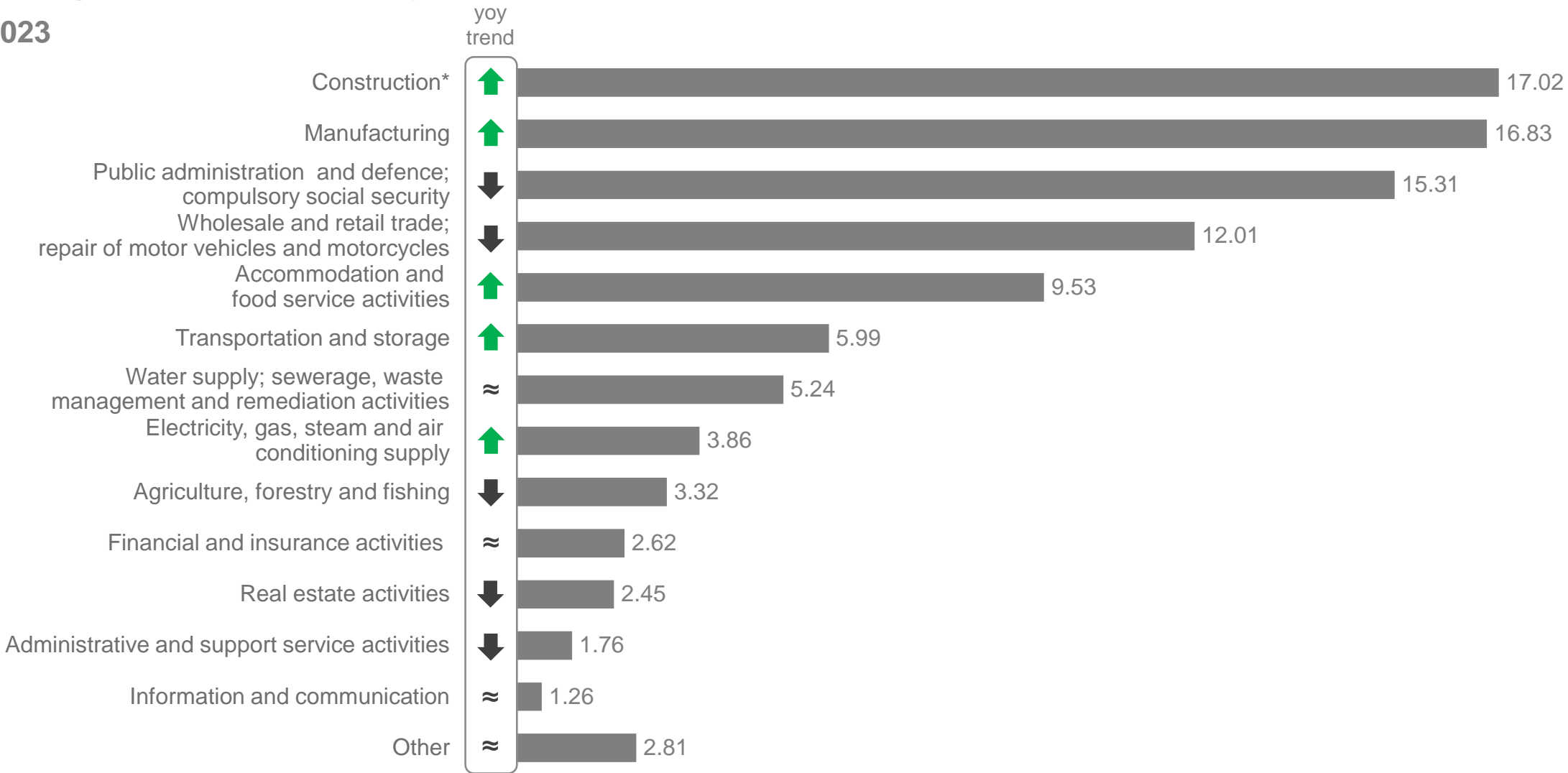
Source: FINREP regulatory reporting

- Continuous growth of the Group's assets (+ 5.58%) is a consequence of the increase in the volume of deposits in all segments (EUR 153.70 million) and higher volume of contracted MREL instruments (EUR 105.00 million)
- The largest share of liquidity inflow kept in the form of cash and cash equivalents
- Lower loan volume is the result of the necessary optimization of risk exposure in order to comply with the regulatory MREL requirement
- Loan liabilities relates to received loans from financial institutions and MREL instruments that the parent company started contracting in the previous year
- Gain from a bargain purchase realized in 2022 through the acquisition of NHB is an integral part of retained profit in 2023
- Capital adequacy at 19.82%
- MREL rate at 30.07% as of September 30, 2023, which is above the level of the regulatory requirement at 27.08% (valid until December 31, 2023)
- Group has negligible exposure to entities in Belarus, Russia and Ukraine, but implements all restrictive measures, especially in the area of financial services

# HPB Group monitors and supports development of the Croatian economy

## Corporate gross loans per industry (%)

30.9.2023



\* Hrvatske autoceste are included in construction industry, with a share of 53.59% of the total exposure to that industry

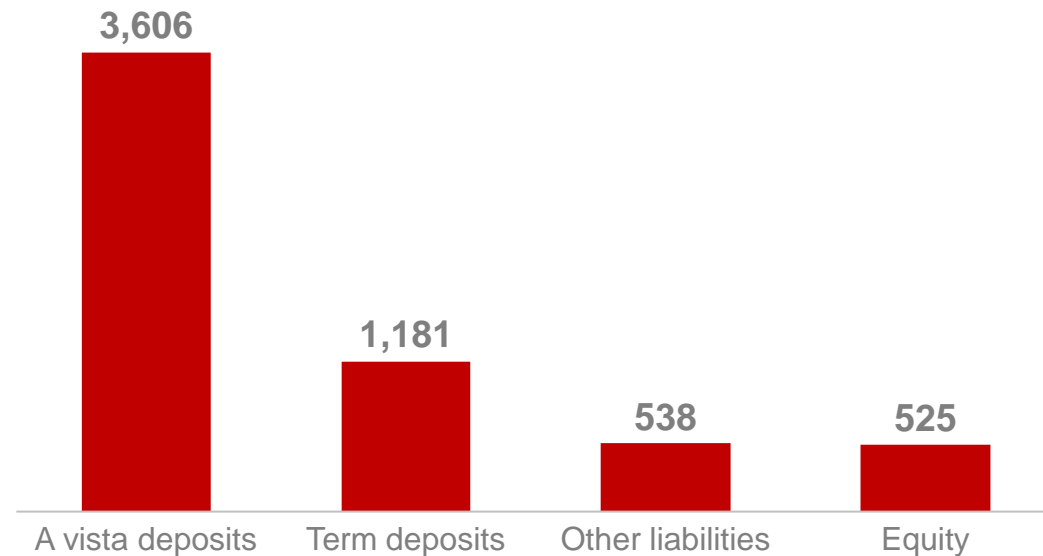
Source: HPB management reports



# Liquidity significantly above the regulatory limit

## Composition of equity and liabilities (EUR mn)

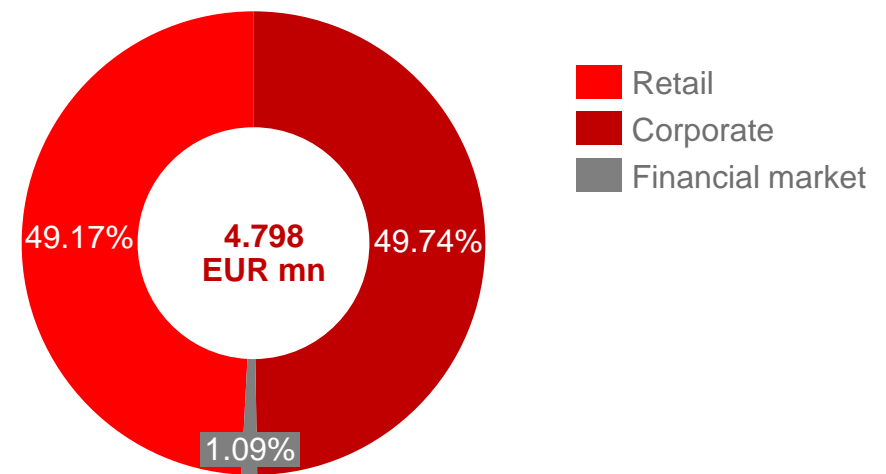
30.9.2023



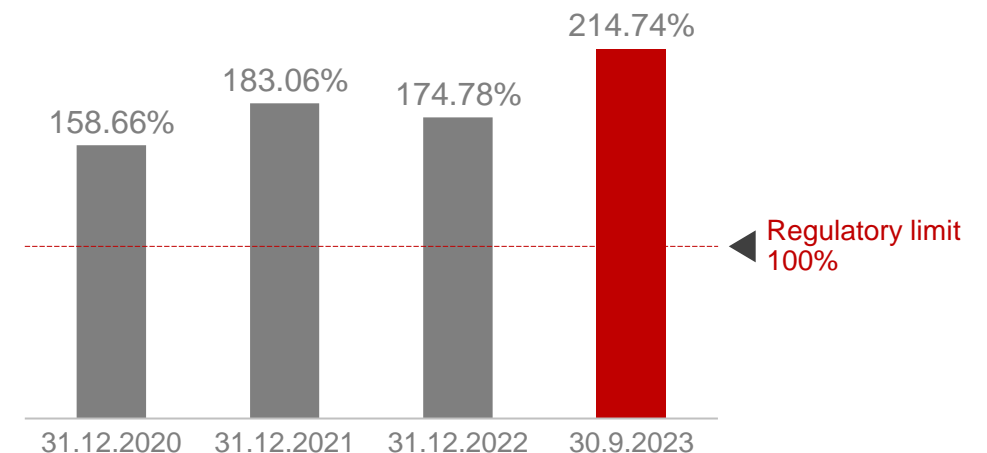
- **Client deposits are key financing source (81.83%)**
- Other liabilities mostly refer to loan liabilities (EUR 426.72 mn) - received loans from credit institutions - HBOR, CNB repo loans and foreign financial institutions as well as MREL instruments
- Liquidity significantly above the regulatory limit, contracted MREL deposits further strengthened the excess liquidity

## Deposit structure by segment

30.9.2023



## LCR development





**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 31, 2023

No: F21-6/2023-FS

**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, 2023.

**Hrvatska poštanska banka, p.l.c.**