



HRVATSKA POŠTANSKA BANKA

MARKET SHARE,
CLIENT NUMBER
AND OPERATING
PROFIT GROWTH



**PRESENTATION TO SHAREHOLDERS AND
PRELIMINARY FINANCIAL RESULTS FOR THE PERIOD
FROM JAN 01 TO MAY 31 2016**



HPB TRENDVI 2016

- Operating profit exceeds the record set in 2015
- Net profit slightly below 2015 due to higher impairment losses
- Plan for 2016.: net profit remains unchanged, higher operating profit
- Loan and deposit growth
- Market share and number of clients significantly higher

MARKET SHARES:

LOANS + 0,2 pp in Q1/16 = 4,62%
(ΔQ1/16: **HPB: +1,3%**, **sector: -3,0%**)

DEPOSITS + 0,2 pp in Q1/16 = 4,98%
(ΔQ1/16: **HPB: +0,2%**, **sector: -3,8%**)

PRELIMINARY FINANCIAL RESULTS FOR THE PERIOD FROM JAN 01 TO MAY 31 2016

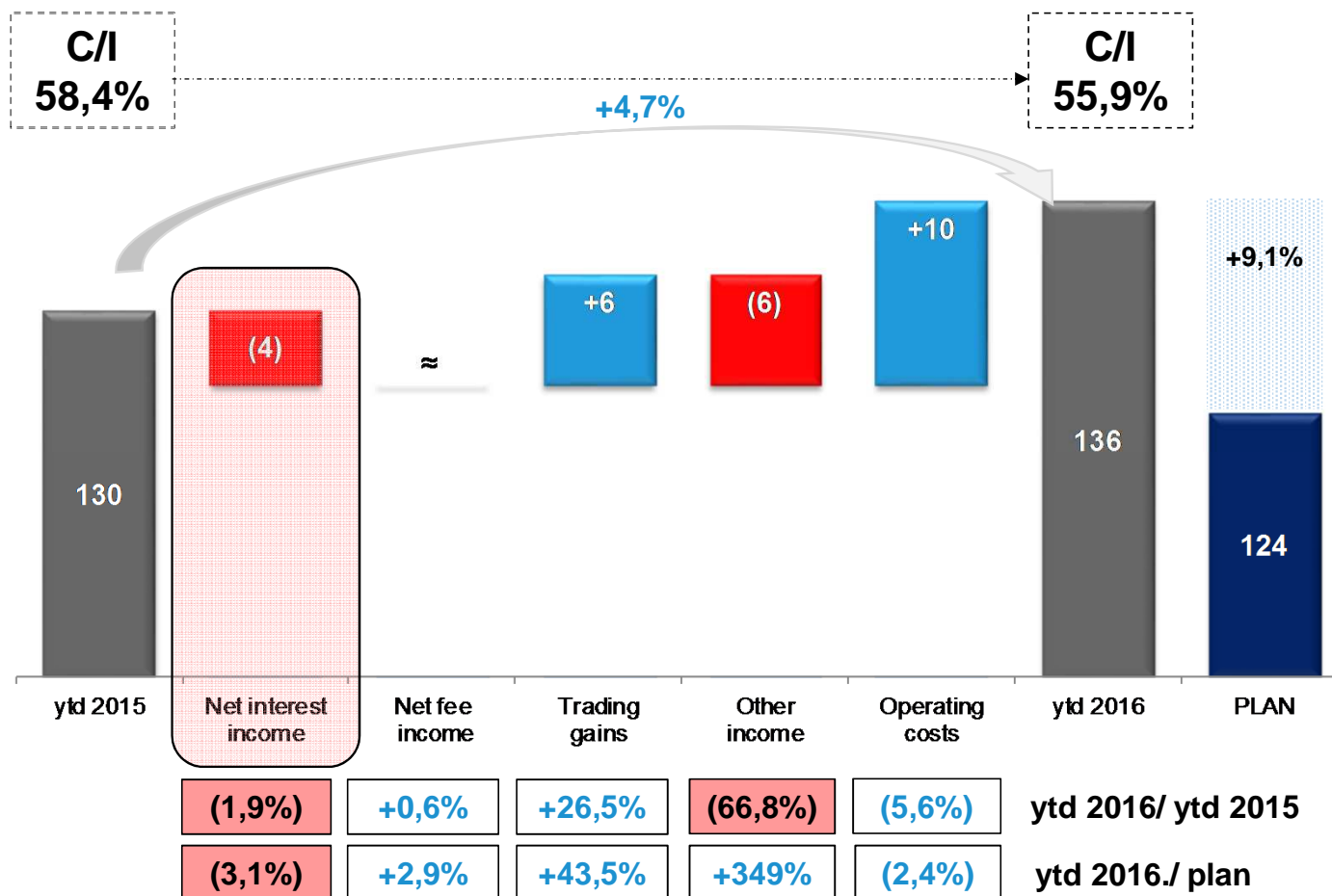
CLIENTS & PRODUCTS

| INDICATOR (HRK '000) | ytd 2015 | ytd 2016 | y-o-y | trend | INDICATOR (HRK '000) | Dec 2015 | May 2016 | Δ ytd | trend |
|---------------------------------------|-----------|-----------|----------|-------|----------------------------|----------|----------|--------|-------|
| NET PROFIT AFTER TAX | 89.333 | 83.814 | (6,2%) | ↓ | NUMBER OF CLIENTS | 639.861 | 650.839 | +1,7% | ↑ |
| OPERATING PROFIT | 129.695 | 135.988 | +4,9% | ↑ | CURRENT ACCOUNTS | 420.223 | 424.744 | +1,1% | ↑ |
| C/I (%) | 58,4% | 55,9% | (2,6 pp) | ↓ | BUSINESS ACCOUNTS | 9.410 | 9.656 | +2,6% | ↑ |
| OPERATING REVENUE (gross) | 557.218 | 525.245 | (5,7%) | ↓ | M-BANKING USERS | 42.436 | 50.079 | +18,0% | ↑ |
| OPERATING EXPENSES & COSTS (gross) | (427.523) | (389.257) | (9,0%) | ↓ | CREDIT AND CHARGE CARDS | 87.899 | 96.318 | +9,6% | ↑ |
| IMPAIRMENT LOSSES | (39.208) | (54.684) | +39,5% | ↑ | NUMBER OF LOANS | 61.214 | 62.997 | +2,9% | ↑ |



OPERATING PROFIT – CONTINUOUS GROWTH

(in HRK million)



- **INTEREST INCOME:** interest income is less than expected in spite of volume growth, partially recouped by reduced interest expenses
- **FEES:** growth in retail and corporate exceeds decline in cash payments, card fees (interchange) and absence of arranger fee (one-off transaction in 2015)
- **TRADING:** effective FX position management & positive FX translation differences (+16,5% y-o-y) + bond sale
- **OTHER INCOME:** one-off inflow in 2015 from insurance collection, only regular transactions in 2016
- **COSTS:** reduction achieved through savings in cash transportation, postal & telecommunication services, security and protection services (...)



DECREASE IN INTEREST INCOME IN SPITE OF VOLUME GROWTH, IMPROVED STRUCTURE OF LOAN PORTFOLIO

Interest income

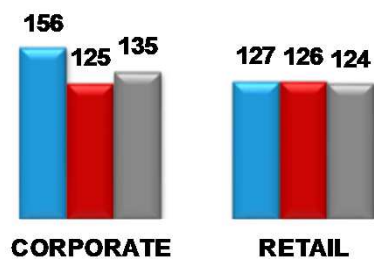
(in HRK million)

Corporate

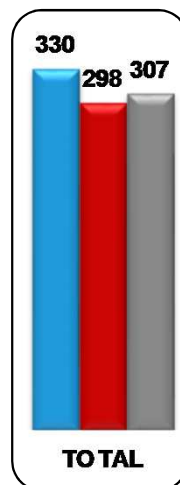
- lower interest rate + lower volume on average & decreased margins

Retail

- volume growth, lower interest rates
- Portfolio structure changed in favour of housing loans bearing smaller margin, but new clients have better *cross selling* potential



**NET INTEREST INCOME:
3,1% LESS THAN PLANNED**



■ I-V 2015 ■ I-V 2016 ■ I-V 2016 PLAN

ytd '16/
ytd '15

(20,0%)

(0,6%)

(9,5%)

ytd'16/
Plan

(7,6%)

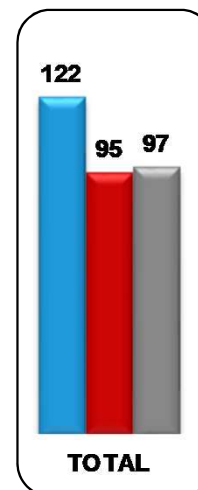
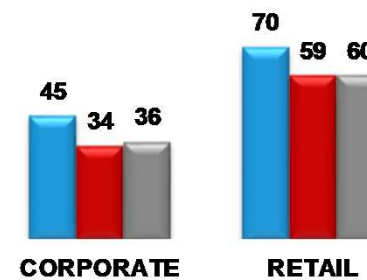
+1,6%

(2,8%)

Interest expense

(u mil. HRK)

- continuous decline of interest rates on term deposits
- strong growth of demand deposits



■ I-V 2015 ■ I-V 2016 ■ I-V 2016 PLAN

ytd '16/
ytd '15

(24,3%)

(15,1%)

(22,4%)

ytd '16/
Plan

(4,1%)

(0,2%)

(2,2%)

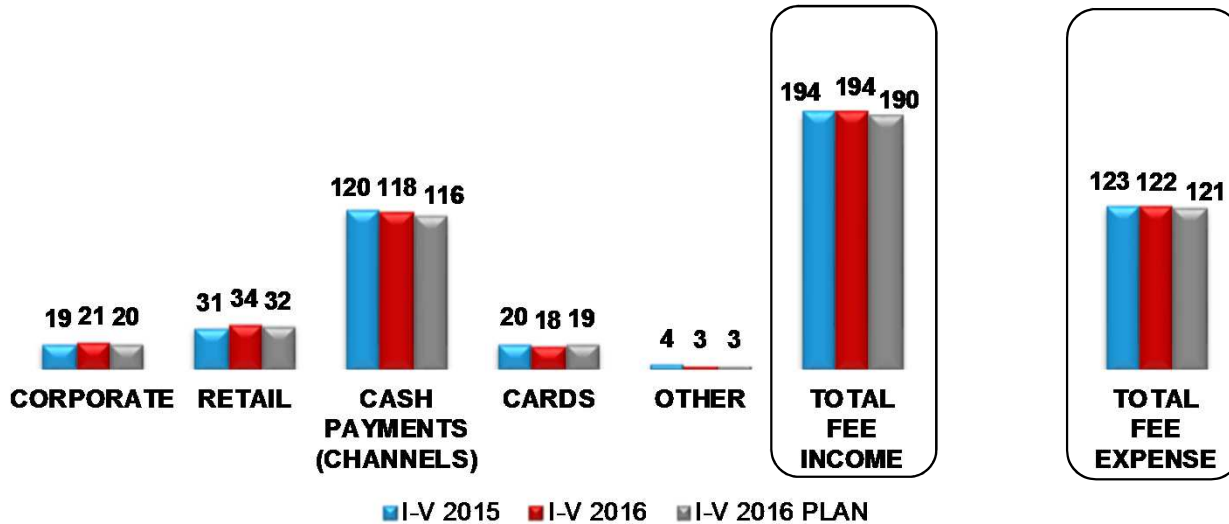


FEES AND COMMISSIONS – HIGHER THAN PLANNED

Fee and commission income

(in HRK million)

**NET FEE AND COMMISSION INCOME:
2,9% HIGHER THAN PLANNED**



■ I-V 2015 ■ I-V 2016 ■ I-V 2016 PLAN

| | | | | | | | |
|--------|-------|--------|--------|---------|--------|-----------------------------|--------|
| +14,0% | +8,4% | (1,9%) | (8,9%) | (25,0%) | (0,1%) | <i>ytd '16/ ytd '15</i> | (0,6%) |
| +5,8% | +6,5% | +1,3% | (5,9%) | ≈ | +1,9% | <i>ytd'16/ Plan</i> | +1,3% |

CORPORATE

- increased income from FX payment operations
- higher guarantee volume and associated income (+46%)

RETAIL

- Higher income from bundles & HPB combinations, and insurance policy

CASH PAYMENTS (CHANNELS)

- cash payments declined less than expected
- number of users receiving pension „cash in hand” is continuously decreasing

CARDS OPERATIONS

- slight decrease due to regulatory ceiling imposed on interchange fees in 12/2015 and fee spillover into bundled products

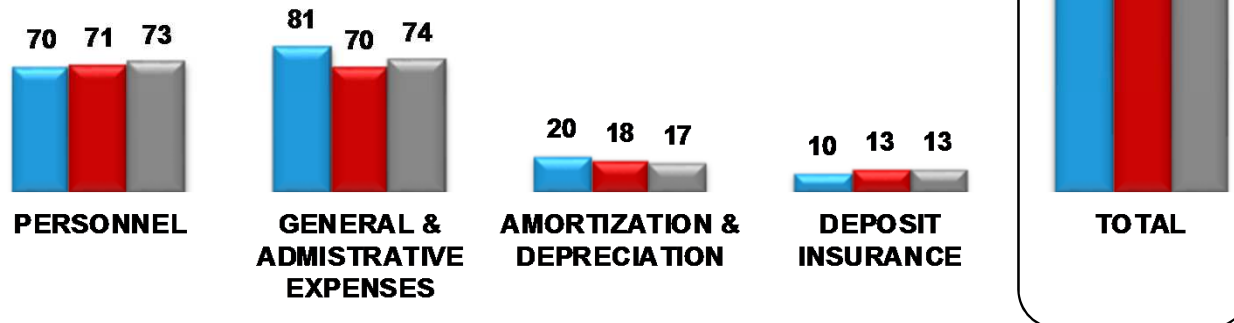
FEE EXPENSE

- cash payment expenses have decreased in line with associated revenue
- higher costs in card operations (transaction fees towards credit card companies)



OPERATING COSTS ARE LESS THAN PLANNED

Operativni troškovi (u mil. HRK)



■ I-V 2015 ■ I-V 2016 ■ I-V 2016 PLAN

| | | | | | |
|---------------------|--------|---------|---------|--------|--------|
| ytd '16/ ytd '15 | +1,3% | (13,9%) | (11,3%) | +25,0% | (5,6%) |
| ytd '16/ Plan | (2,4%) | (5,5%) | +8,7% | +0,7% | (2,4%) |

PERSONNEL

- actual costs less than planned
- staff number 1.041 (-36 y-o-y)

GENERAL & ADMINISTRATIVE EXPENSES

- savings achieved in postal and telecommunication services, cash transport, security services and IT equipment maintenance (...)

AMORTIZATION & DEPRECIATION

- decrease in comparison with 2015 due to expired useful life of assets
- CAPEX in 2016 and implementation of new technologies imply that further decrease of these expenses is not expected in the future

DEPOSITE INSURANCE

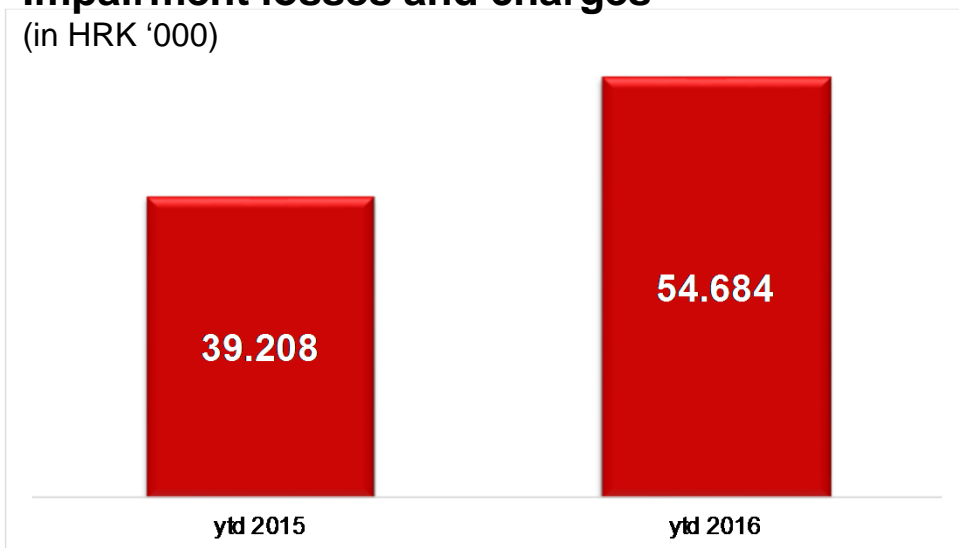
- new regulatory charge for EU recovery fund, charge calculated since the end of 2015, dynamics in line with the plan



PROVISIONS FOR IMPAIRMENT LOSSES

Impairment losses and charges

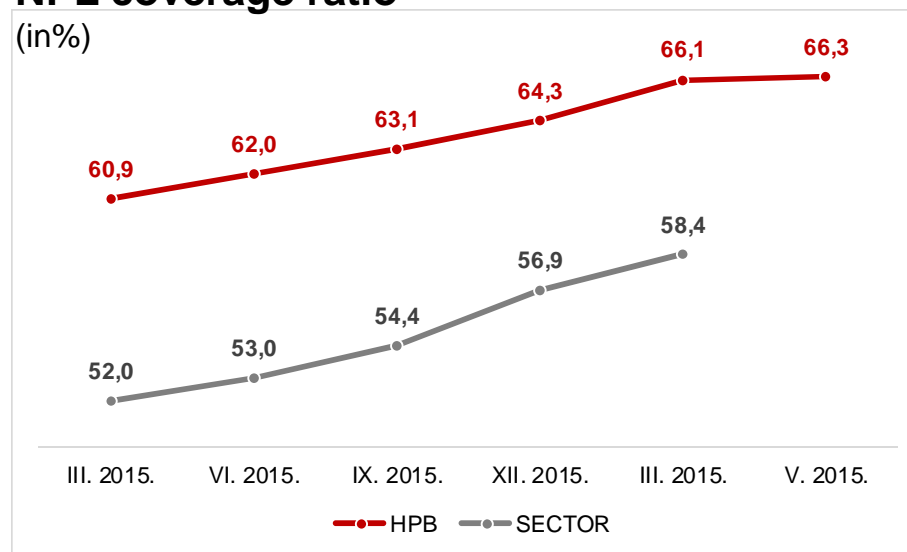
(in HRK '000)



- higher provisions for impairment losses caused by the need to recognize additional impairments on already identified NPLs, and not due to portfolio deterioration
- higher litigation provisions due to unexpected court verdict against the bank
- such provisioning dynamics is not expected in the remainder of 2016, whereat quarterly calculation of provisions will be carried out in June 2016, for large exposures
- NPL disposal process is currently underway, wherefrom positive effects are expected

NPL coverage ratio

(in%)



- NPL coverage ratio is above market average, with HPB's indicator being stable, as opposed to market indicator which is increasing



STRONG RETAIL LOANS GROWTH, IN SPITE OF DECLINING MARKET

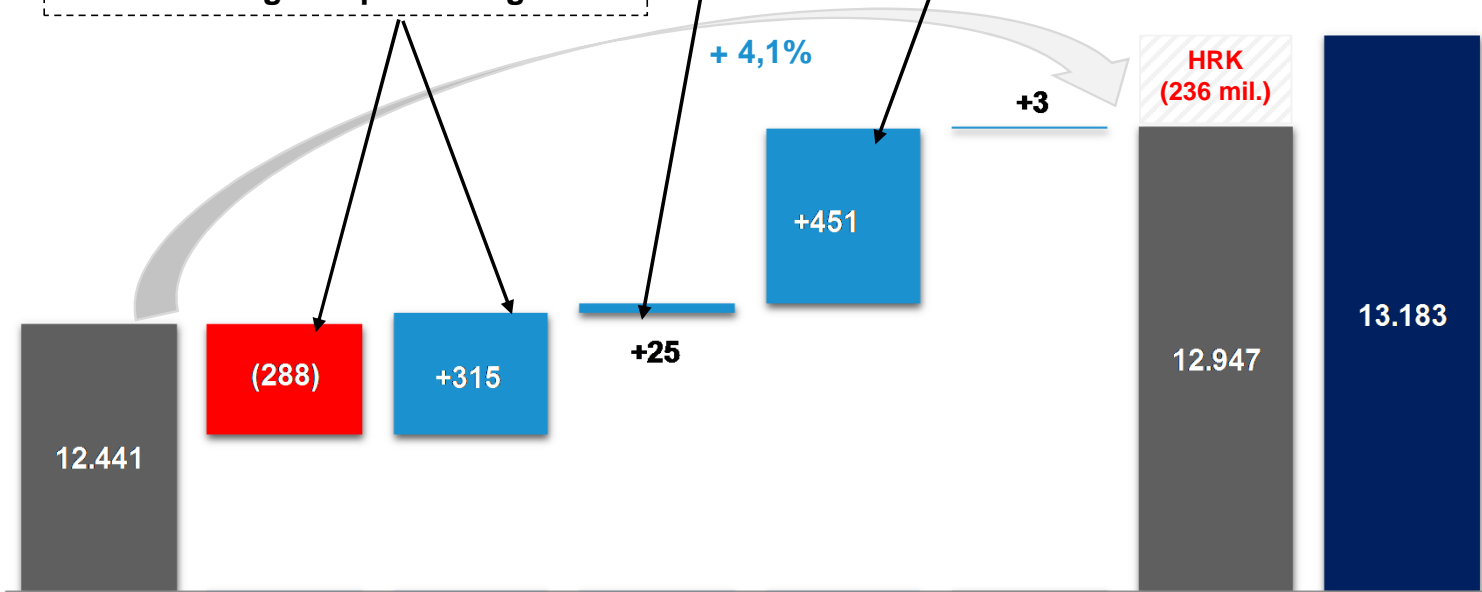
Gross loans

(in HRK million)

repayment by state units has been compensated by higher lending volume in large corporate segment

Slight SME growth

Strong growth, mainly housing loans



NET LOANS ↑ 4,8%

GROSS LOANS ↑ 4,1%

RETAIL LOANS ↑ 4,8%

- housing loans growth ↑ 35,3%
- general-purpose loans & overdrafts growth
- Market share increased to 4,09% (Mar 31 2016)

CORPORATE LOANS ↑ 0,7%

- repayment by state units slightly higher than planned

MARKET SHARES:

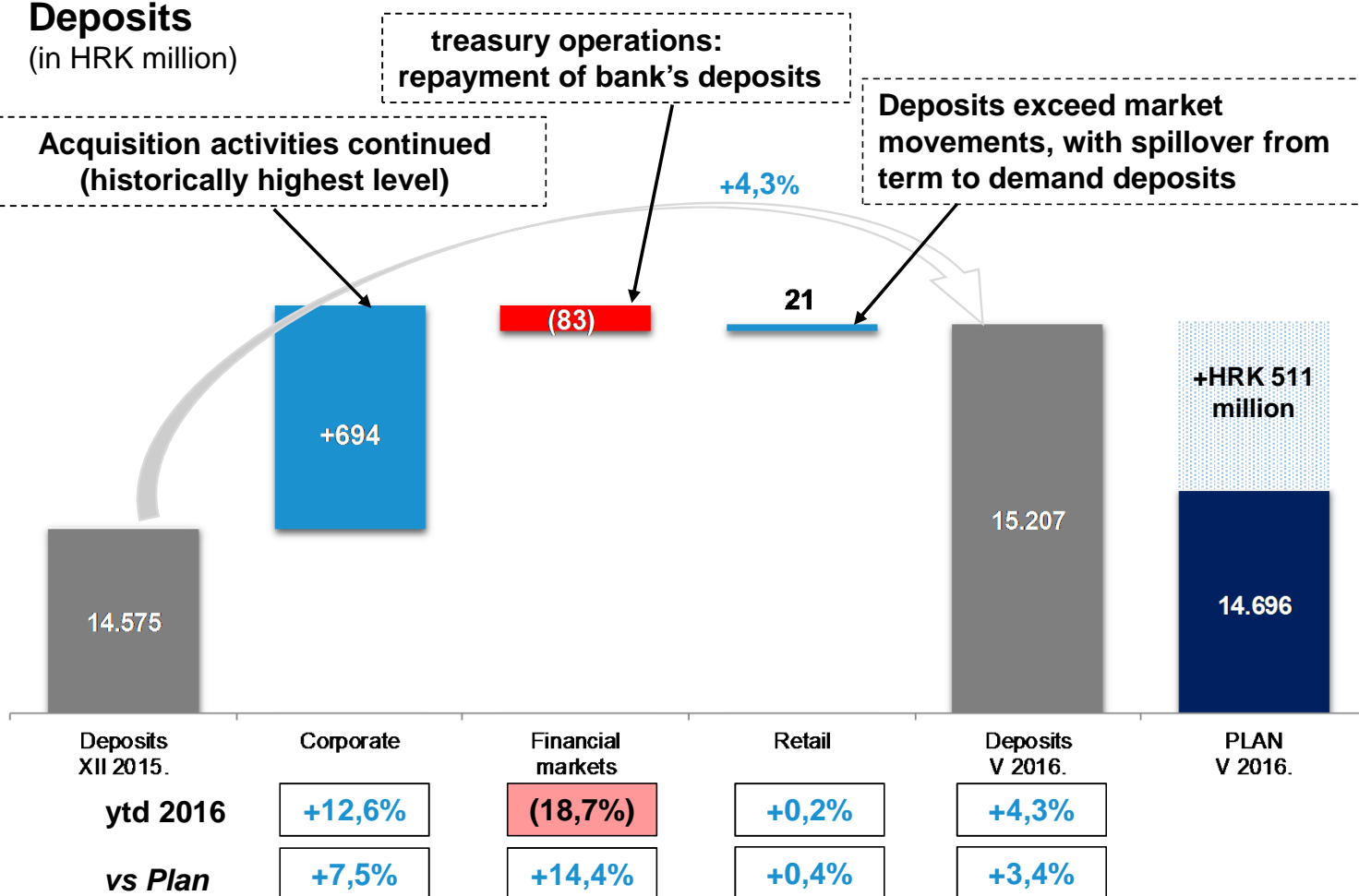
Dec 31 2015: 4,42% → Mar 31 2016: 4,62%
(ΔQ1/16: HPB: +1,3%, sector: -3,0%)

| | State units | Large corporations | SME & Micro | Retail | Financial markets | Loans V 2016. | PLAN V 2016. |
|-----------------|-------------|--------------------|-------------|--------|-------------------|---------------|--------------|
| Loans XII 2015. | | | | | | | |
| ytd 2016 | (8,0%) | +11,8% | +1,6% | +9,9% | +4,4% | +4,1% | |
| vs Plan | (3,1%) | (10,8%) | (4,6%) | +5,5% | +231% | (1,8%) | |



DEPOSIT GROWTH ABOVE PLAN AND MARKET

Deposits (in HRK million)



DEPOSITS ↑ 4,3%

CORPORATE DEPOSITS (+12,6%)

➤ term ↑ 33,6% / demand ↑ 2,4%

RETAIL DEPOSITS (+ 0,2%)

➤ demand ↑ 4,6% / term ↓ 1,4%

FINANCIAL MARKETS (-18,7%)

➤ treasury operations – repayment of surplus funds & substitution with other sources of funding

MARKET SHARES:

Dec 31 2015: 4,78% → Mar 31 2016: 4,98%
 (ΔQ1/16: HPB: +0,2%, sector: -3,8%)

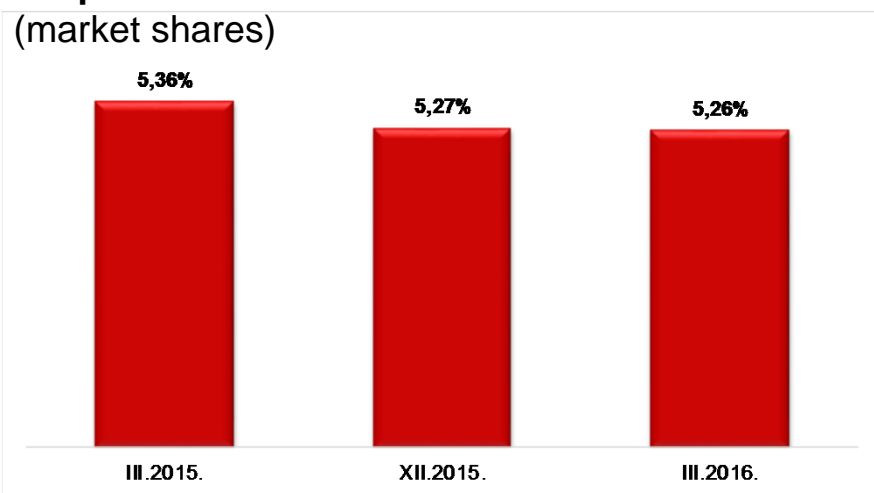


CORPORATE: MARKET SHARE GROWTH IN DEPOSITS AND STABILIZED MARKET SHARE IN LOANS

- Loan movement in 2015 is determined by the decrease in exposure to an individual group, whilst the dynamics in 2016 is in line with the market
- Fluctuating market shares in deposits with strong growth recorded in Q1 2016

Corporate loans

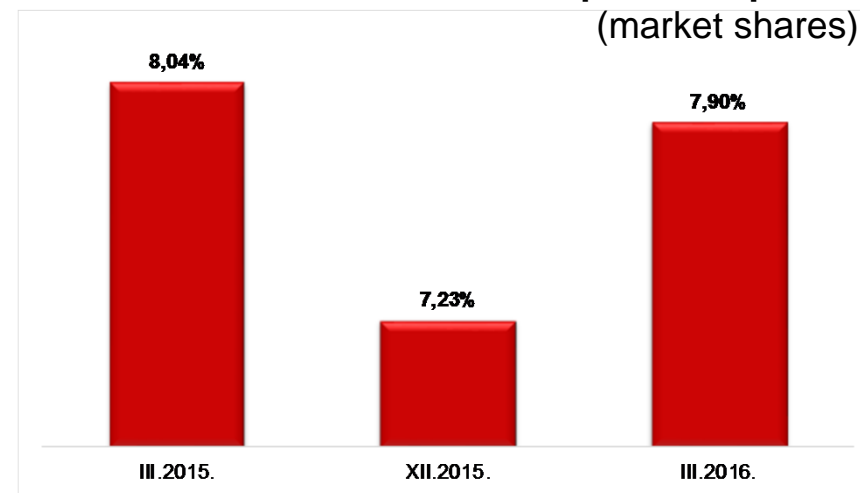
(market shares)



| CHANGE % in HRK '000 | Δ 12m | | Δ Q1 2016 | |
|----------------------------|-----------|-------------|-----------|-------------|
| | HPB | SECTOR | HPB | SECTOR |
| | (6,0%) | (4,3%) | (1,3%) | (1,1%) |
| | (486.722) | (6.479.386) | (97.224) | (1.642.596) |

Corporate deposits

(market shares)



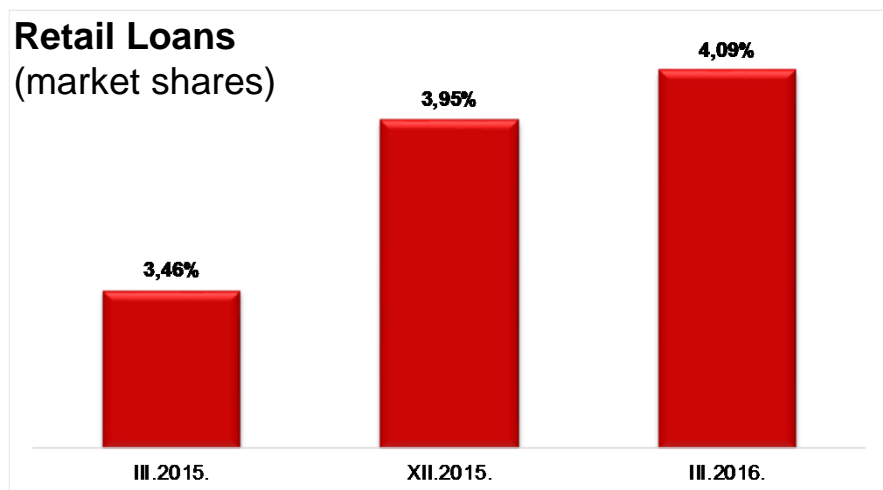
| CHANGE % in HRK '000 | Δ 12m | | Δ Q1 2016 | |
|----------------------------|----------|------------|-----------|-------------|
| | HPB | SECTOR | HPB | SECTOR |
| | +12,1% | +14,0% | +3,3% | (5,5%) |
| | +558.689 | +8.073.502 | +165.182 | (3.806.124) |

*source for the sector: HNB (aggregate data for the period ending Mar 31 2016)

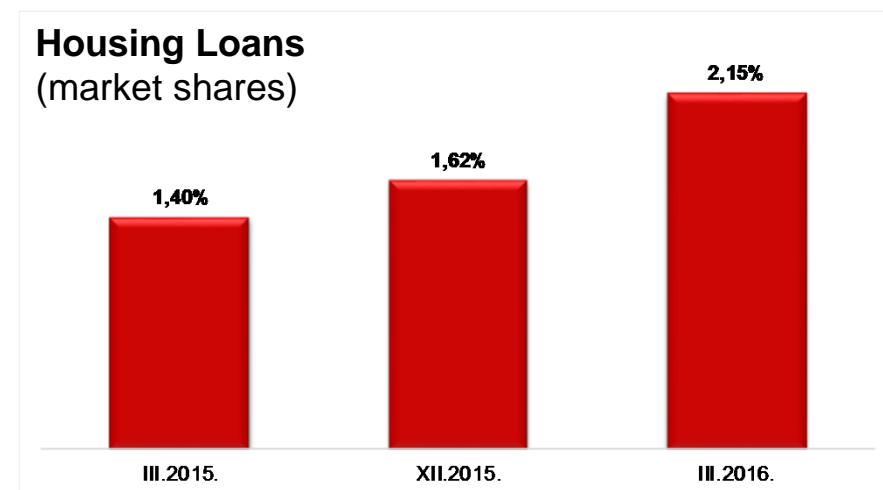


RETAIL: ROBUST GROWTH IN ALL SEGMENTS

- **loans approved ytd 2016** amount to **HRK 720 million** (6.598 loans)
 - therein **HRK 377 million** relates to **housing loans** (954 kredita)
- **14.405 new current accounts opened** (ytd 2015 = 12.658; +14% y-o-y)
- **7.545 insurance policies** (+11% y-o-y)



| CHANGE % in HRK '000 | Δ 12m | | Δ Q1 2016 | |
|----------------------------|----------|--------------|-----------|-------------|
| | HPB | SECTOR | HPB | SECTOR |
| | +8,9% | (8,0%) | +4,8% | (5,0%) |
| | +394.971 | (10.311.454) | +220.299 | (6.196.638) |



| CHANGE % in HRK '000 | Δ 12m | | Δ Q1 2016 | |
|----------------------------|----------|-------------|-----------|-------------|
| | HPB | SECTOR | HPB | SECTOR |
| | +30,7% | (14,8%) | +19,3% | (10,0%) |
| | +268.097 | (9.233.239) | +184.462 | (5.918.780) |

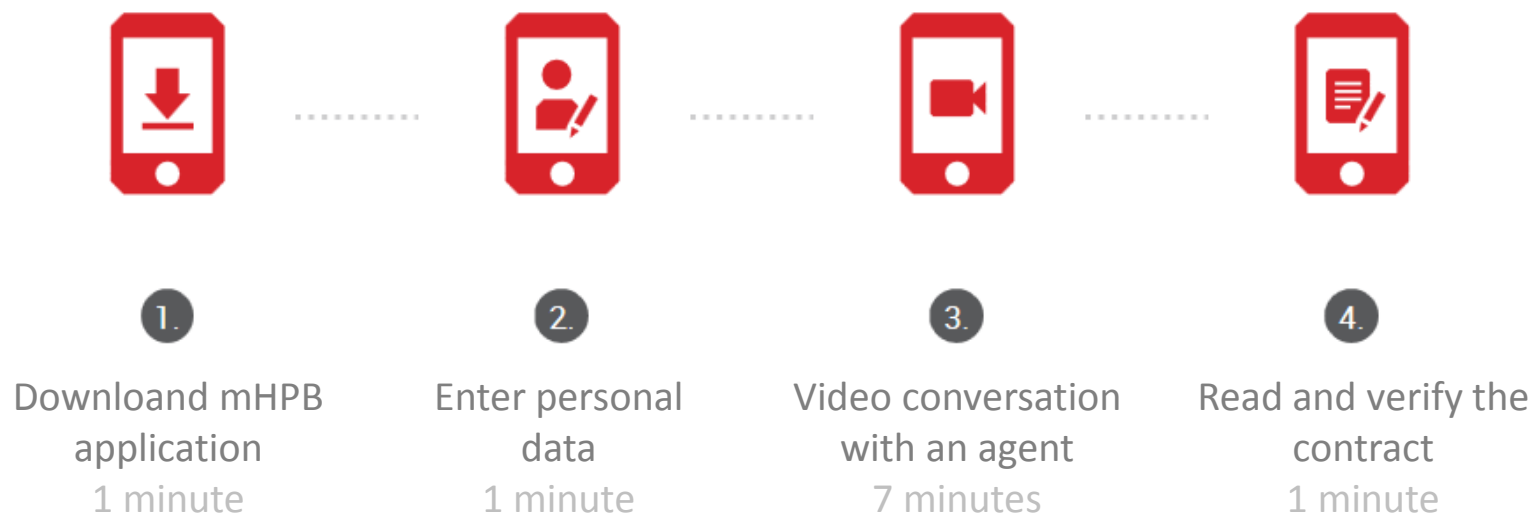
*source for the sector: HNB (aggregate data for the period ending Mar 31 2016)



SuperSmart HPB current account



- First and only on Croatian market
- Online account opening via video call – without coming to a branch
- Product in line with international trends (6 countries in Europe)
- Targeted group – clients of other banks and completely new users
- Opening in few simple steps:



Thorough changes of HPB internally and externally



Mobile banking mHPB

- Still most advanced mobile banking in Croatia
- additional functionalities from Feb 2016
- SuperSmart account from May 2016
- Strong growth in number of users and transactions (y-o-y):
 - ✓ users +55%
 - ✓ transactions +169%
- development of mobile banking solutions for corporate subjects during 2016



Pošta & HPB MasterCard card

- payment in up to 12 instalments at every sales outlet in Croatia and in the world
- User can independently define repayment mode and number of instalments for each purchase



Postal office becomes a „bank within the post”

- HPB cash loans available in 130 postal offices
- 400 postal offices satisfies basic financial needs of clients
- 130 loans in the first month



SIGNIFICANT PROJECTS FLOW AS PLANNED

SEPA

Bank's adjustment to SEPA formats, payment schemes and business rules in line with new regulations in Croatia
start Jan 01 2015 – (SCT ended Jun 6 2016, SDD deadline Feb 01 2017)

RISK

Optimization of loan underwriting process & collateral management & portfolio MIS
phase 1 → analysis carried out; phase 2 → implementation Oct 01 2015 – Jun 30 2016
Improvement in operational risk management, reporting to AK and LA – end Sep 30 2016

NPL

Partial disposal of NPL portfolio in order to optimize balance sheet structure, free liquidity and unburden the P&L from potential impairments. HRK 2,5 billion of receivables; 17 investors have submitted their letter of intent. Positive P&L effect is expected; due diligence is currently under way – end in 2016

HP

Improvement in sales of Bank's products via HP sales channel, as well as increase in quality and development of whole cooperation between the Bank and HP; start Apr 10 2015 – end in 2016

CRM

Improved client relationship management with potential, as well as with existing client; enhanced sales productivity → income growth; start Sep 11 2015 – end Jun 30 2016

PROFIT ABILITY

Management decision support, optimization of profit and cost centers; planning and sales improvement; goal measurement; start Sep 04 2014 – end Jun 30 2016





HRVATSKA POŠTANSKA BANKA

Thank you for your attention

Q & A

HRVATSKA POŠTANSKA BANKA

