



HRVATSKA POŠTANSKA BANKA

HPB Group 12M 2022

Investor information

Limitation of liability

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- This presentation is prepared in EUR currency according to the fixed HRK/EUR conversion rate, where EUR 1 = HRK 7.534500.

1 Executive Summary

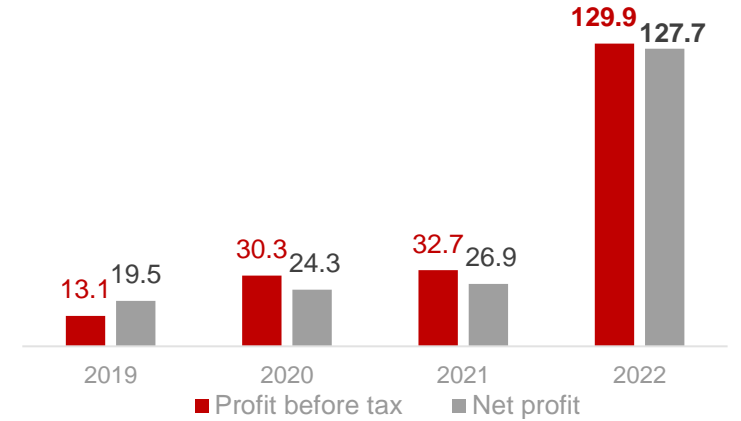
2 Macroeconomic environment

3 Financials

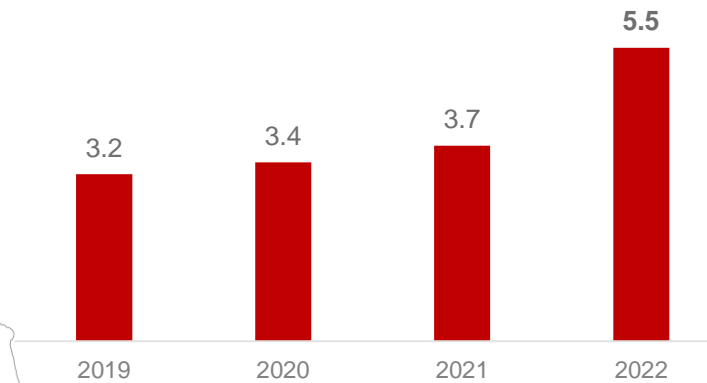
The best year in HPB Group history

We are creating conditions for better life in Croatia

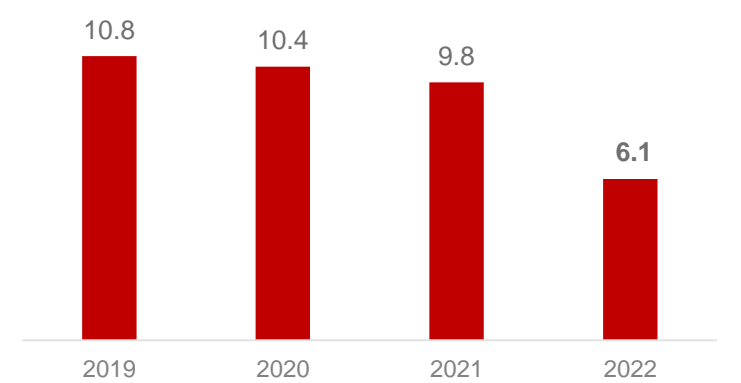
HPB Group profit (in EUR mn)



HPB Group assets (in EUR bn)

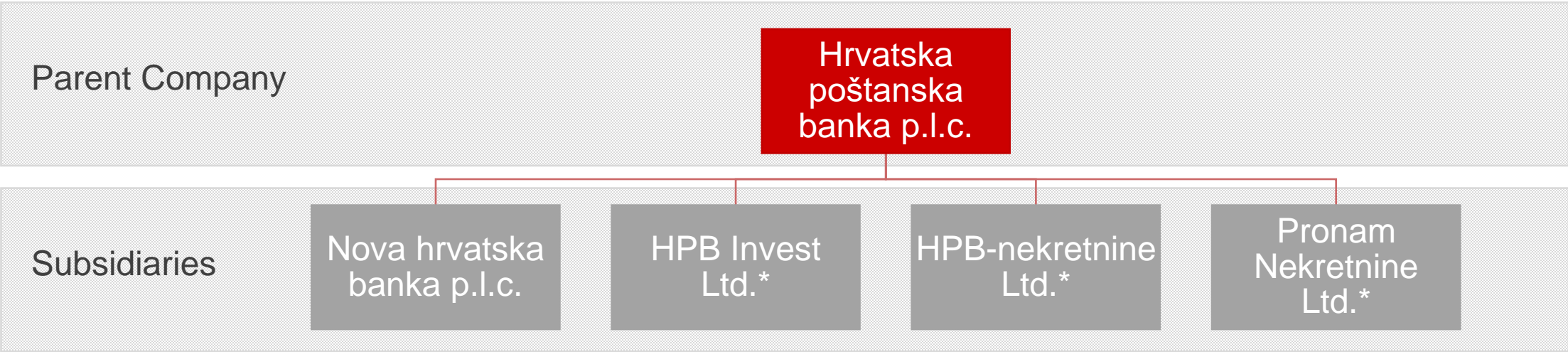


HPB Group NPL ratio (in %)



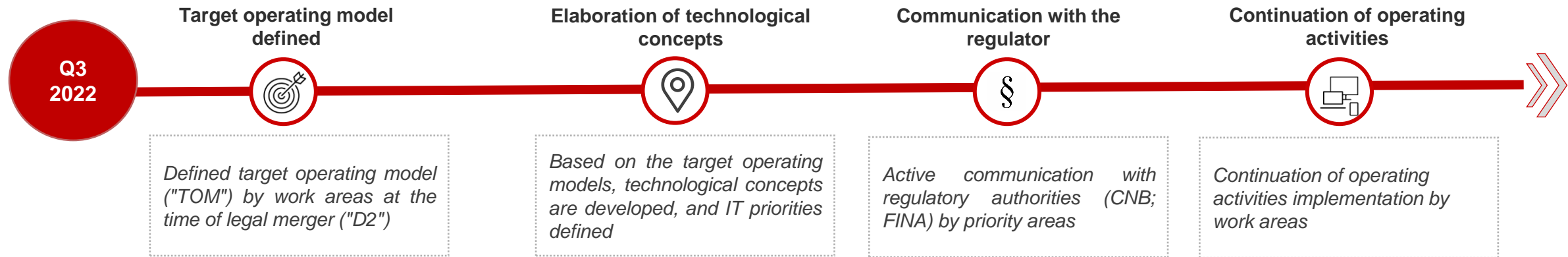
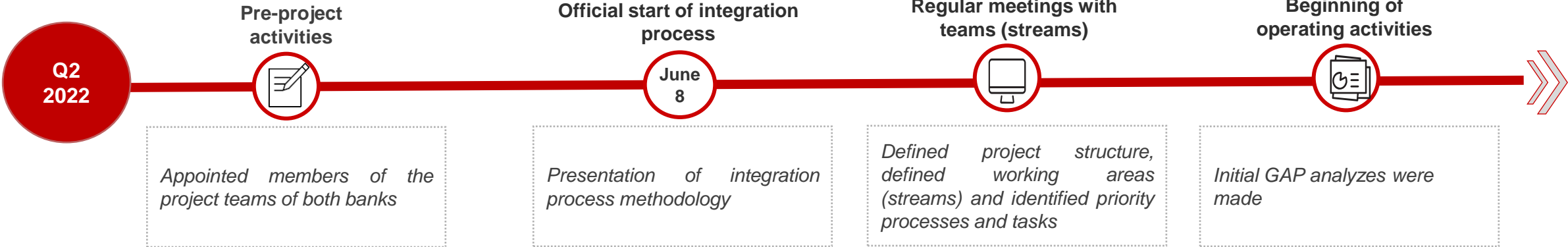
HPB Group's organic growth was supported by acquisitions

- With the acquisition of Nova hrvatska banka p.l.c. in April and Pronam Nekretnine Ltd. in July 2022, the widest business network that provides banking services was further strengthened, human capital was acquired, financial synergies were achieved, and the client base was expanded, which accelerated the growth and development of the Group
- Members of the HPB Group acquired during 2022 will be an integral part of Hrvatska poštanska banka upon completion of complex integration activities
- HPB Group structure is presented below:

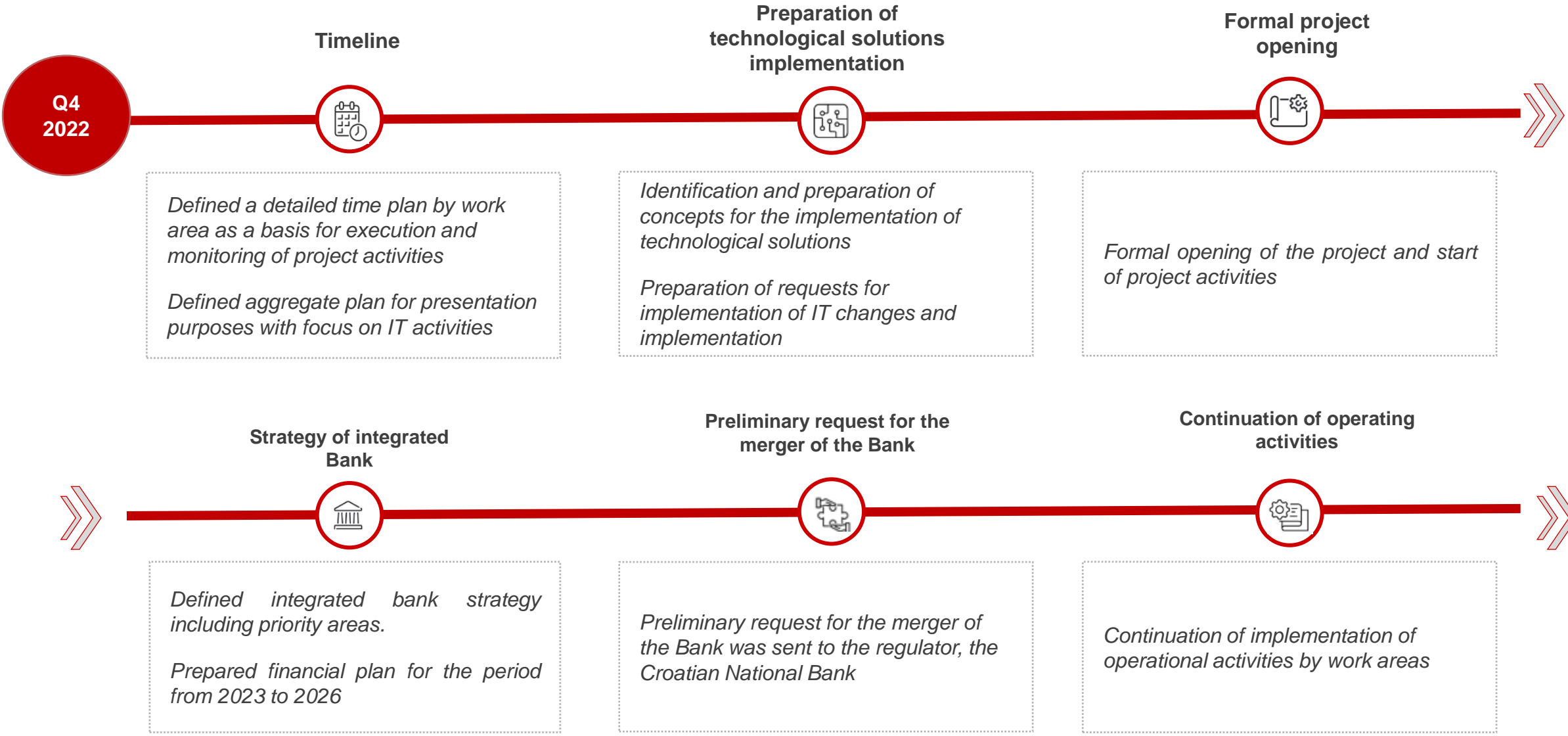


**Consolidated unaudited financial statements include the financial result of NHB from the acquisition date (April 14, 2022) to the reporting date (December 31, 2022), while other subsidiaries are exempted from consolidation in accordance with Regulation (EU) No 575/2013 of the European Parliament and 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.*

Timeline of NHB's integration activities



Timeline of NHB's integration activities

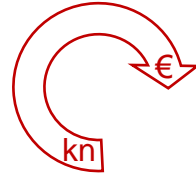


Successful conversion to euro



September 5, 2022

Mandatory dual display of prices -
kunas and euros – begins.



January 1, 2023

Date of the introduction of the
euro at a fixed conversion rate;
Period of dual currency circulation
- kuna and euro – begins.



January 15, 2023

Period of dual circulation ends, and
the euro becomes the only legal
currency in the Republic of Croatia.

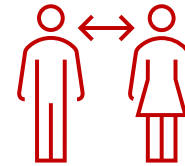
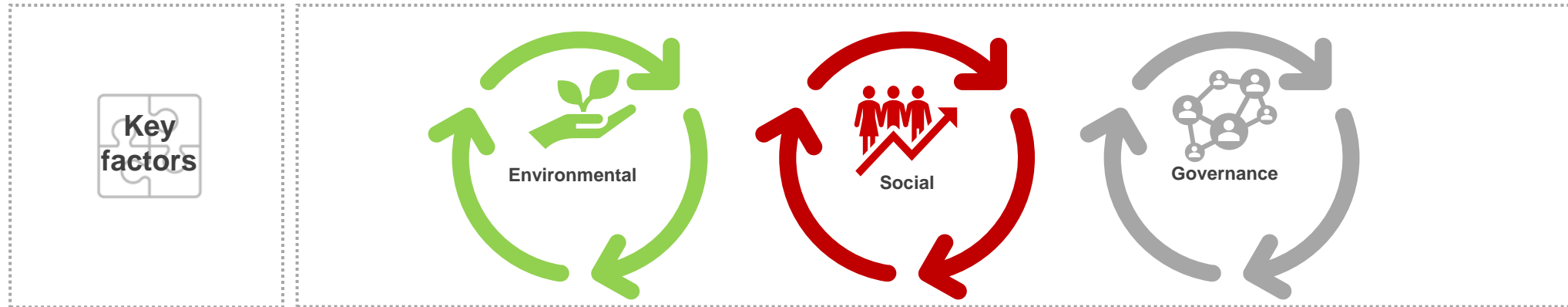


December 31, 2023

Period of mandatory dual display of
prices ends.
From January 1, 2024, all prices will
be expressed in euros.

- On January 1, 2023, the Republic of Croatia replaced kuna with euro and became the 20th member of the euro area.
- The introduction of the euro required the involvement of almost all organizational units of both banks, from participation in the actual drafting of the Act on the Introduction of the euro as Official Currency in the Republic of Croatia and associated by-laws to the implementation of a series of changes in IT systems, products and processes, transparent and reliable information to clients, and ensuring smooth adaptation for clients in transition from kuna to euro and strengthening of the strategic partnership with Croatian Post in the area of advance supply and supply of new currency.
- Euro project is still open on a national level, hence the Bank will continue its activities in 2023 with the aim of finalizing adjustments (e.g., implementation of SEPA Instant cross-border payment).

Creating sustainable values and enhancing social development standards – our ESG footprint



The 'Aims' section features an icon of a target with an arrow hitting the bullseye, and a line graph showing an upward trend. The word 'Aims' is written in bold next to the target.

- Redirecting capital flows towards a sustainable economy by encouraging investment in sustainable projects and including sustainability in risk management (including ESG* risks in the Bank's risk management framework)
- Implementation of ESG factors in the Bank's operations
- Increasing the share of income from sustainable financing in the profit and loss account
- Upon completion of the merger, the internal acts of the integrated bank (HPB+NHB) will be updated from the perspective of the ESG initiative, i.e., environmental, social and governance factors

*ESG = environmental, social, governance

Creating sustainable values and enhancing social development standards – our ESG footprint

ENVIRONMENTAL



My green decision

An initiative for **making employees aware** of the importance of reducing the negative impact on the environment

Ecological actions

Completed **ecological volunteer campaign Plant with HPB**, 30,000 saplings of autochthonous tree species were planted throughout Croatia

Participation in **World CleanUp Day** - cleaning up illegal landfills

Materiality assessment

Establishing a **data collection model** on energy consumption at all locations of the Bank

Publication as part of the revised Annual Financial Report 31.3.2023

SOCIAL



Service quality and availability

Availability of financial services and encouragement to the development of the local community: **Bank in the Post Office at more than 1,000 locations.**

Permanent digitization - **e-Poslovnica** is always available to citizens

Taking care of employees

e-Classroom - online employee education

Data nursery data literacy program

HPB Sport - attractive sports programs

Signed **Diversity Charter**

Community

Joining **HRPSOR and UNEP FI (PRB)**

HPB educational series for financial literacy

Corporate volunteering **Volunteer for Croatia**

GOVERNANCE



Anti-corruption policies and acts

Implementation of the **Conflict-of-Interest Management Policy** for the purpose of transparent business

Adopted **ESG Policy** – umbrella ESG act

ESG risk management

Snapshot of the Bank's portfolio and exposure to ESG risks

Elaboration of **collateral mapping** process according to climatological and environmental risks started

Corporate governance

Award of the Zagreb Stock Exchange for the stock with the highest growth in turnover in 2022

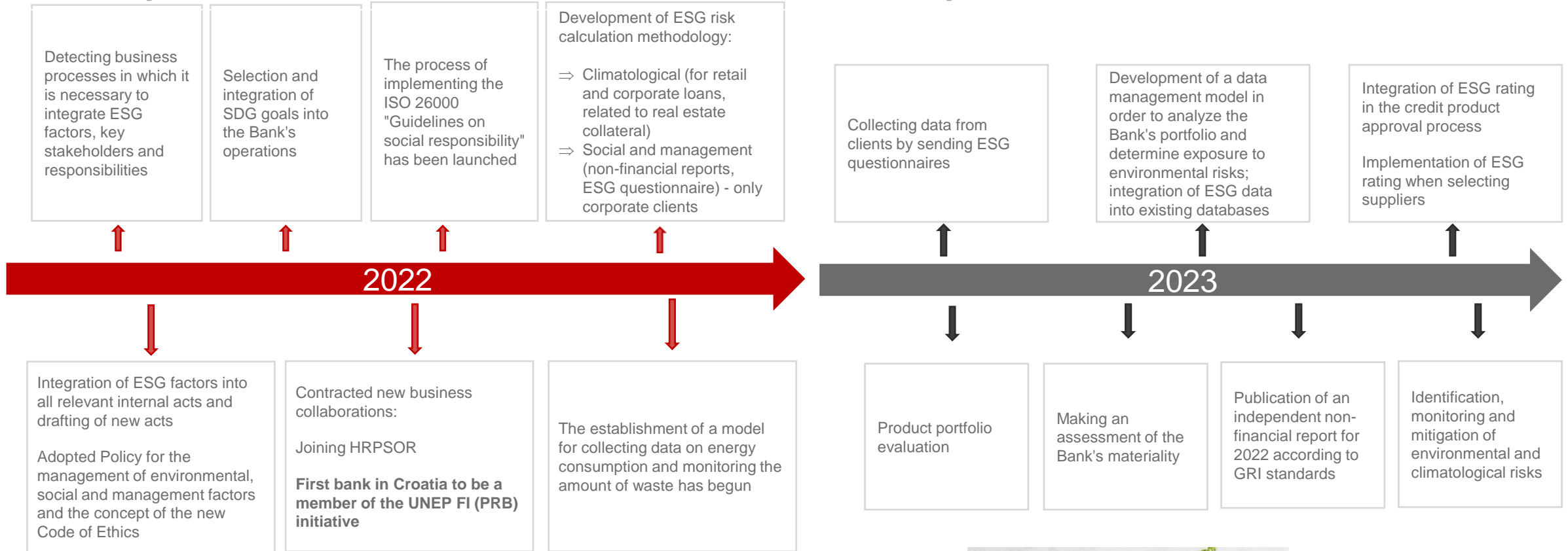
A new **Code of Ethics** was adopted in **February 2023**

Activities completed

Activities in progress

| Strategy | Governance | Risks | Acts and policies | Reporting system | Products |
|-------------------------------|---|--|---|---|--|
| Materiality assessment | Defining the role of the Board and management | Redesign of the data management model and development of methodologies | Integration of ESG factors in all relevant acts | Holistic approach in non-financial reporting | Evaluation of the existing portfolio |
| Measuring the ESG risk impact | Integration of organisational structures for managing ESG factors | Inclusion of climatological and environmental risks in risk policies | Close cooperation with stakeholders and all third parties | Disclosures based on management of ESG factors | Defining guidelines for future development |
| Setting up environmental KPIs | | Establishing monitoring and mitigation of environmental and climatological risks | | Publication of an independent sustainability report | |

Creating sustainable values and enhancing social development standards – our ESG footprint

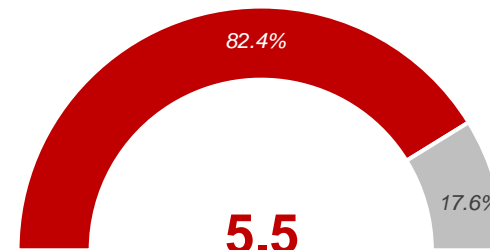


Excellent result of HPB Group in 2022

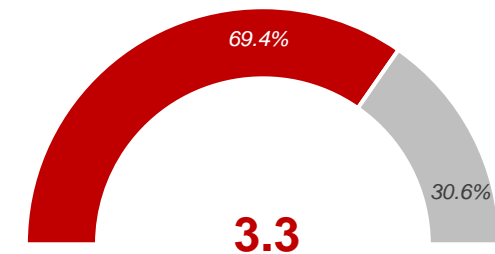
- The continued growth of the loan portfolio resulted in the achievement of the **historically highest level of HPB Group's assets** (Q4 2022 +1.2%)
- **Realized record net profit at the consolidated level** as a result of gains from the bargain purchase and continued profit generation of the parent company
- **High level of operating profit of HPB Group** maintained despite lower profitability of NHB in Q4 2022
- **Continuation of the intensive activities of the integration of NHB** as one of the key priorities of both banks

Consolidated data HPB and NHB 31.12.2022

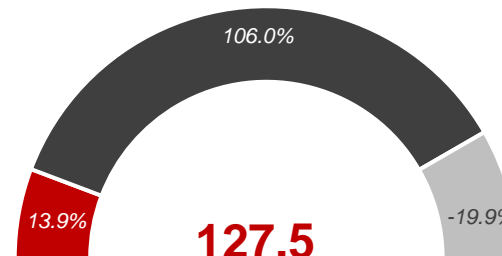
Total assets (in EUR bn)



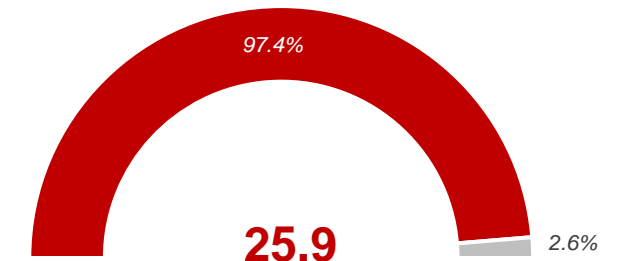
Gross loans (in EUR bn)



Profit after tax (in EUR mn)



Operating profit (in EUR mn)



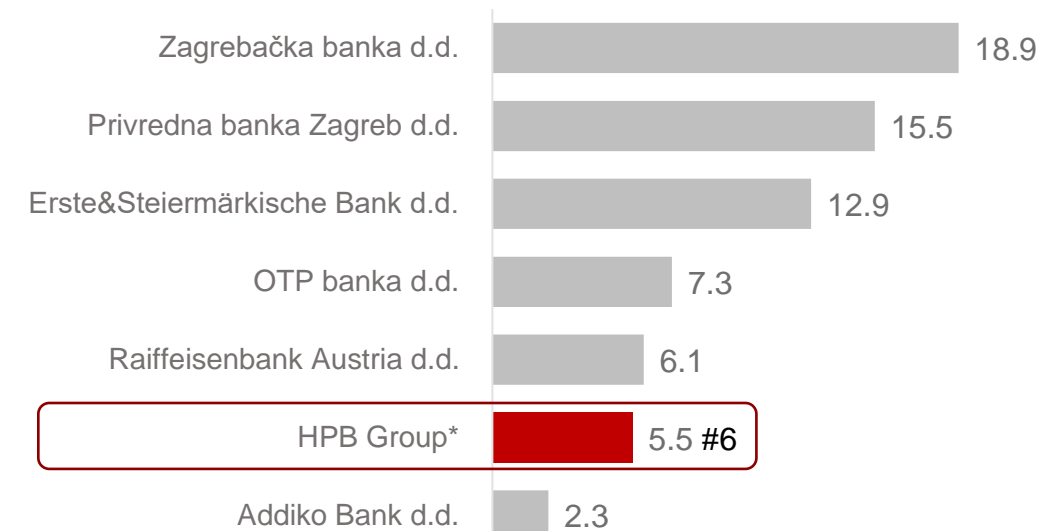
■ HPB share ■ NHB share
■ Bargain purchase (badwill)

HPB Group achieved a historically highest level of assets

| | | 30.6.2022 | 30.9.2022 | 31.12.2022 |
|------------------------|--------|-----------|-----------|------------|
| Assets | EUR mn | 5,033 | 5,478 | 5,543 |
| Net loans to customers | EUR mn | 2,908 | 3,011 | 3,063 |
| Deposits | EUR mn | 4,121 | 4,613 | 4,644 |
| Equity | EUR mn | 444 | 441 | 454 |
| NPL ratio | % | 6.9 | 6.3 | 6.1 |
| NPL coverage | % | 74.4 | 76.5 | 75.1 |

| | | 1. 1. - 30. 6. 2022 | 1. 1. - 30. 9. 2022 | 1. 1. - 31. 12. 2022 |
|------------------------|--------|---------------------|---------------------|----------------------|
| Income | EUR mn | 78 | 132 | 184 |
| Net profit | EUR mn | 141 | 149 | 128 |
| Cost-to-income ratio | % | 75.6 | 71.1 | 79.0 |
| Return on equity (ROE) | % | 31.9 | 33.7 | 28.1 |

Market share by total assets as of 30.9.2022
(in EUR bn)



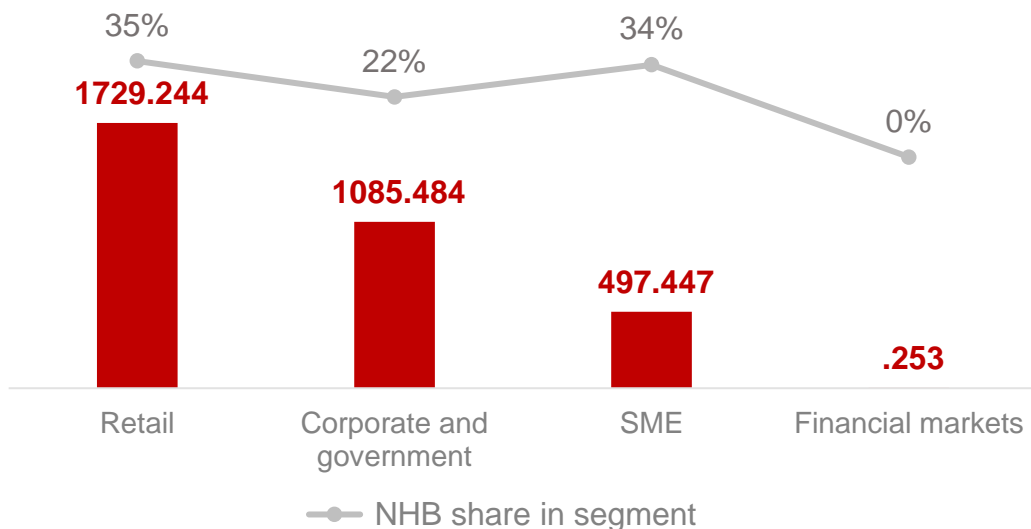
* Include consolidated data HPB + NHB as of 30.9.2022

- **Historically highest level of assets** reached with an increase of EUR 64.6 mn in the last quarter of 2022 (HPB Group's asset growth +150.0% compared to 31.12.2021)
- **Improved quality of the loan portfolio** as a result of growth of new lending volume and strong growth of the healthy portfolio with simultaneous efficiency in the early and later stages of collection through record NPL portfolio decrease; NPL coverage significantly above market average
- **HPB Group maintained a stable level of deposits** with slight growth in the last quarter +0.7% (trend of continuous growth for eight consecutive quarters)
- **High net profit was achieved** primarily as a result of the gain from a bargain purchase (badwill) and the realized profit of the parent company

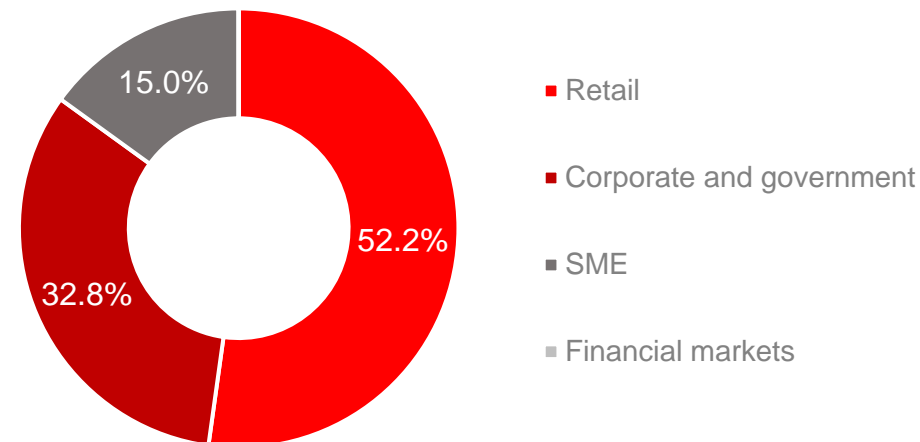
Source: HPB management reports

Continuous and stable growth of the gross loan portfolio

Gross loans by segment (in EUR mn)



Gross loan structure by segment
31.12.2022



- In the last quarter, the gross loan portfolio continued to grow in the amount of EUR 55.3 mn, mostly in corporate and government, SME and retail
- **Gross retail loans dominate the total loans** as a result of the parent company's strategic focus on this segment, especially in the part of housing loans, where a record result was achieved by HPB's participation in the APN tranche, which revitalized the client base and created a long-term business relationship

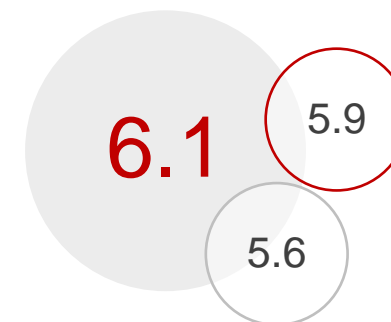
Improved loan portfolio quality

| | | 30.6.2022 | 30.9.2022 | 31.12.2022 |
|--------------------------------|--------|-----------|-----------|------------|
| Exposure (total loans) ** | EUR mn | 4,180 | 4,574 | 4,697 |
| Total NPL stock | EUR mn | 290 | 287 | 288 |
| NPL % | % | 6.9 | 6.3 | 6.1 |
| Loss allowance for loans | EUR mn | (261) | (267) | (271) |
| NPL provision | EUR mn | (215) | (219) | (216) |
| PL provision | EUR mn | (45) | (48) | (54) |
| NPL Coverage | % | 74.4 | 76.5 | 75.1 |
| NPLs not covered by provisions | EUR mn | 29 | 20 | 17 |
| CET 1 | EUR mn | 306 | 305 | 315 |
| Uncovered NPLs to CET 1 | % | 9.5 | 6.4 | 5.5 |

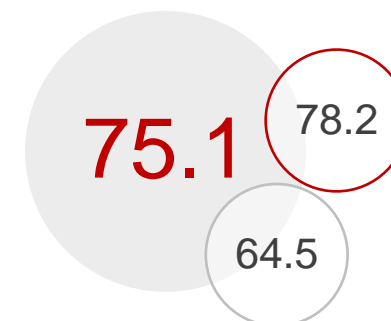
Source FINREP regulatory reporting

- Despite the challenges of the transition to a client approach in determination of default, an excellent business result was achieved in 2022 with an NPL share of 6.1% at the consolidated level (NPL ratio on 31.12.2021 was 9.8%)
- NPL coverage significantly above Croatian market average

NPL ratio (in %)



NPL coverage (in %)



○ HPB ○ NHB

* as at 30.9.2022

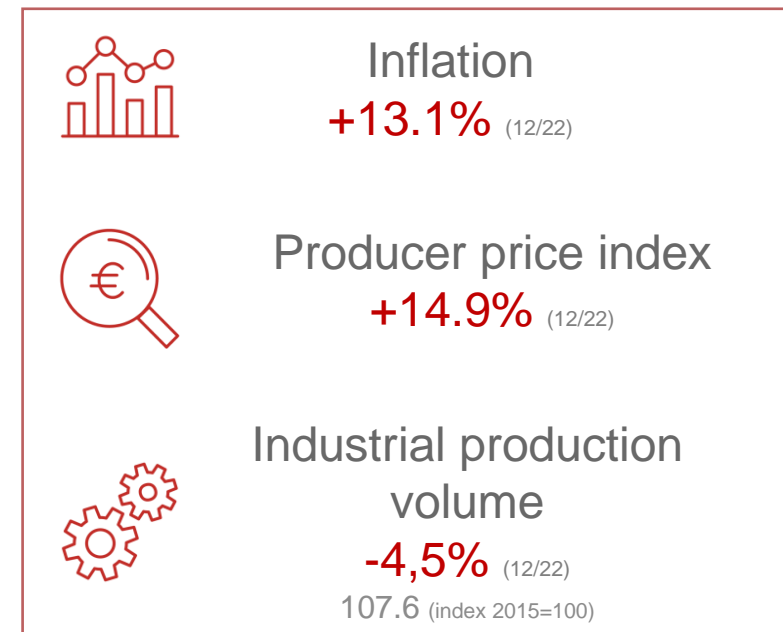
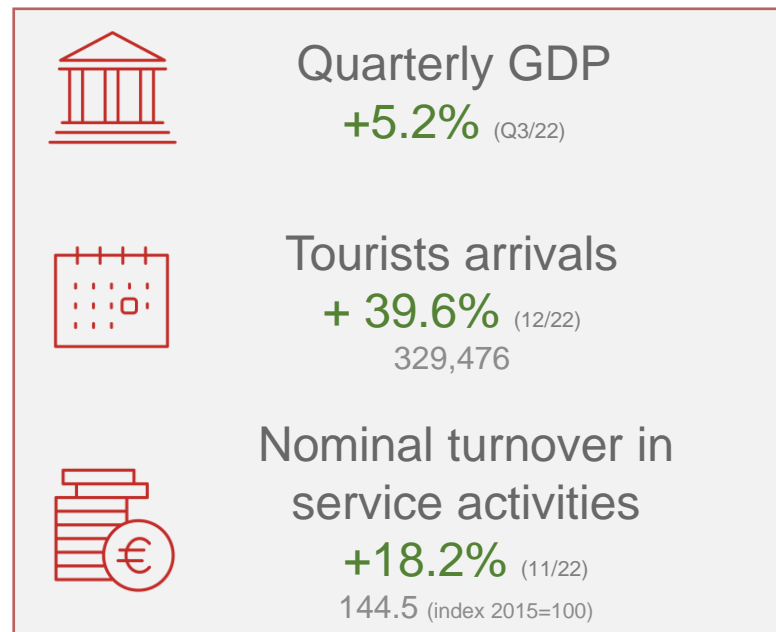
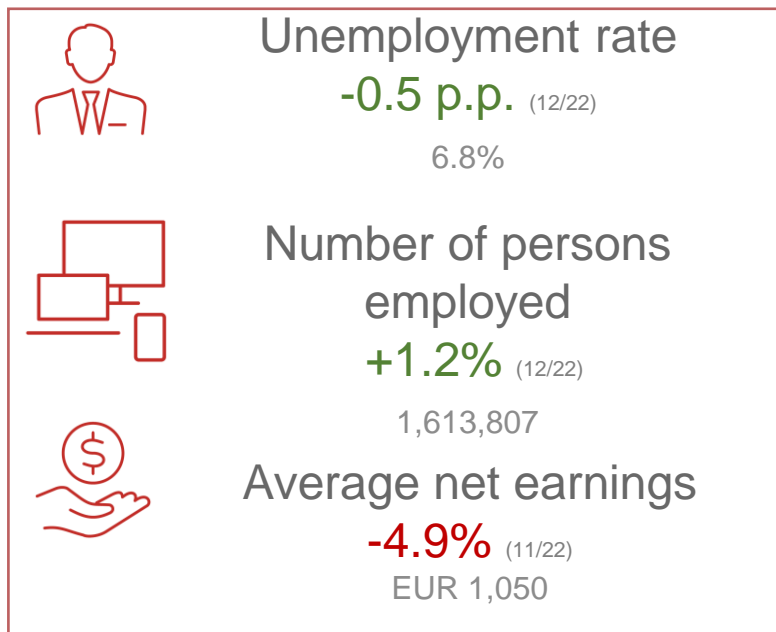
** Total loan exposure includes funds in central banks and other demand deposits as well as gross interest, fees and other receivables that are not included in management report

1 Executive Summary

2 Macroeconomic environment

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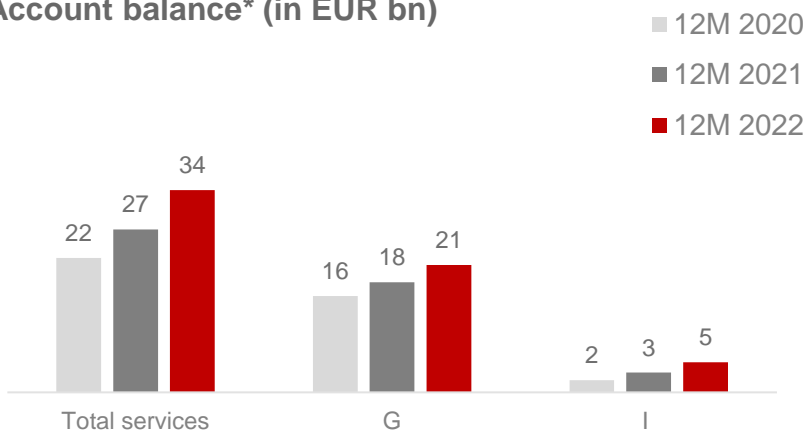
Economic indicators (y-o-y)



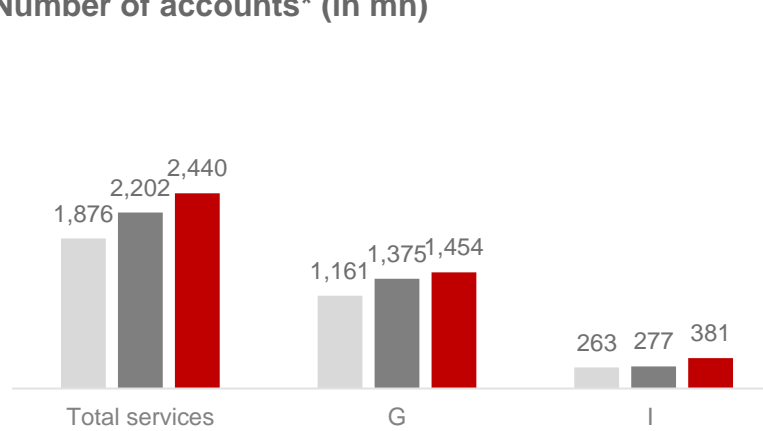
Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (September, November and December 2022)

Fiscalization system data

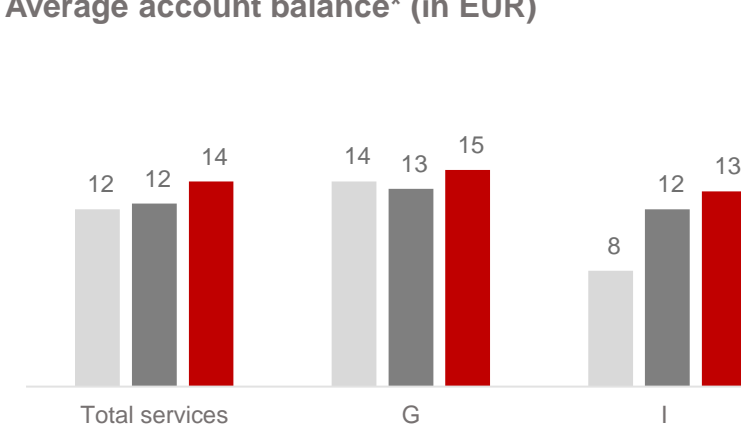
Account balance* (in EUR bn)



Number of accounts* (in mn)



Average account balance* (in EUR)



*Source: <https://www.porezna-uprava.hr/Dokumenti> (data for 12M 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

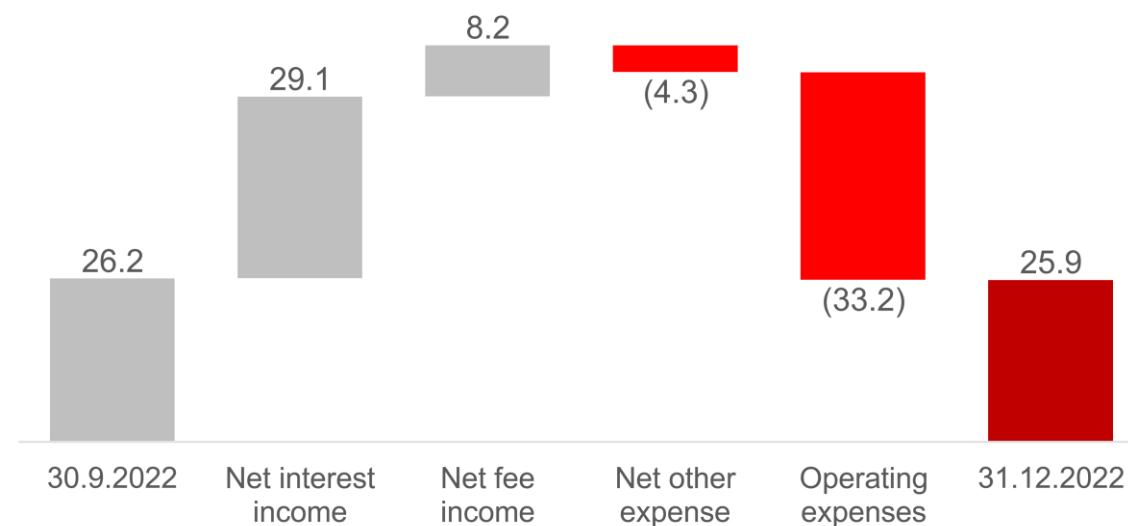
2 Macroeconomic environment

3 Financials

Realized net profit of EUR 128 mn

| | | 6M 2022 | 9M 2022 | 12M 2022 |
|-----------------------------------|---------------|-------------|-------------|-------------|
| Net interest income | EUR mn | 42 | 69 | 98 |
| Net fee income | EUR mn | 15 | 26 | 34 |
| Net trading expense | EUR mn | (4) | (3) | (1) |
| Net other income/(expense) | EUR mn | 0 | (1) | (8) |
| Operating income | EUR mn | 54 | 91 | 124 |
| Employee expenses | EUR mn | (20) | (31) | (45) |
| Administrative expenses | EUR mn | (15) | (24) | (40) |
| Depreciation | EUR mn | (4) | (7) | (9) |
| Deposit insurance | EUR mn | (2) | (2) | (4) |
| Operating expenses | EUR mn | (41) | (64) | (98) |
| Operating profit | EUR mn | 13 | 26 | 26 |
| Bargain purchase (badwill) | EUR mn | 135 | 135 | 135 |
| Provisioning | EUR mn | (8) | (12) | (32) |
| Net profit | EUR mn | 141 | 149 | 128 |
| Cost-to-income ratio | % | 75.6 | 71.1 | 79.0 |
| Return on asset (ROA) | % | 2.8 | 2.7 | 2.3 |
| Return on equity (ROE) | % | 31.9 | 33.7 | 28.1 |

Operating profit development in Q4 2022 (in EUR mn)



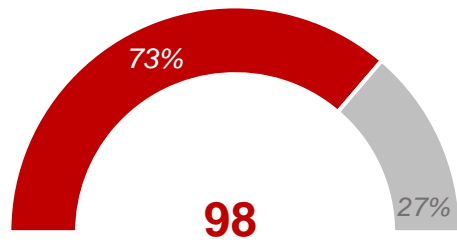
- **HPB Group's realized net profit of EUR 128 mn** is the result of gain on bargain purchase of NHB, with a significant contribution from the net profit of the parent company
- Net interest income amounts EUR 29.1 mn in the last quarter of 2022 (previous quarter: EUR 26.5 mn) and is result of the loan portfolio growth and interest rates growth with effective management of interest costs
- Net fee income for the quarter was EUR 8.2 mn and is slightly lower comparing to the previous quarter (= EUR 10.7 mn). This is a usual seasonal trend because Q3 is the peak of the tourist season and the volume of transactions, however, card operations and payment transactions continue to have a long-term positive trend
- In 2022 capital market recorded a significant drop in share prices due to the tightening of monetary policies by FED and ECB to mitigate inflation. The fourth quarter brought a reduction in losses and a certain reversal of the trend, so in the trading segment, trading losses were reduced to EUR 7.7 mn (quarterly profit in Q4: EUR 0.6 million), with a further increase in gains from FX trading to EUR 6.7 mn (quarterly profit in Q4: EUR 1.5 mn)
- During the fourth quarter, an operating loss was realized primarily due to the negative effect of the write-off and impairment of NHB's assets due to alignment with group policies and the upcoming integration process, which amounted to EUR 7.2 mn. The mentioned effects are of a one-time nature. Other one-off effects that had an impact on the profit and loss account relate to the expenses for the final phase of preparation for entering the euro.
- Risk provision costs are the result of aligning the methodology and parameters for calculating provisions for performing exposures of NHB with group policy and other provisions dominated by those for court cases (shown in more detail on page 22)

Developing financial potential of HPB Group

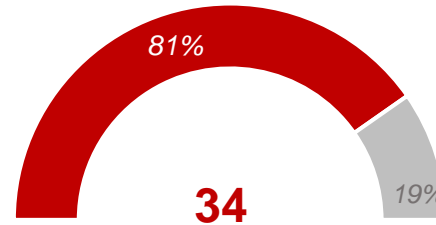
Composition of operating income (in EUR mn)

31.12.2022

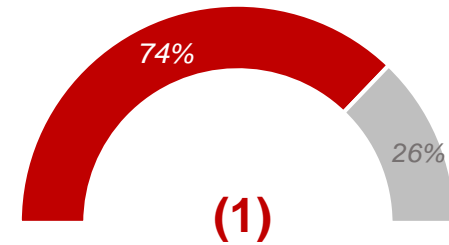
Net interest income



Net fee and commission income



Net trading loss

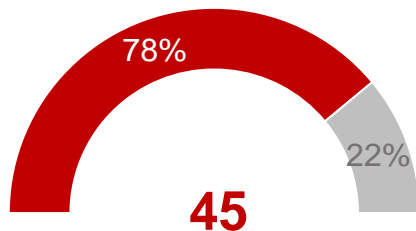


- Net other expenses amounts to EUR 7.6 mn and refers mostly to write-offs and asset impairment of NHB (EUR 8.6 mn).

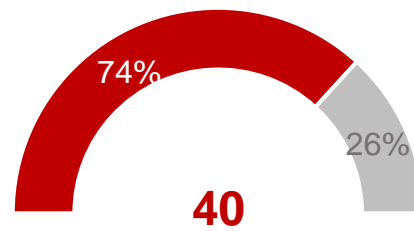
Composition of operating expenses (in EUR mn)

31.12.2022

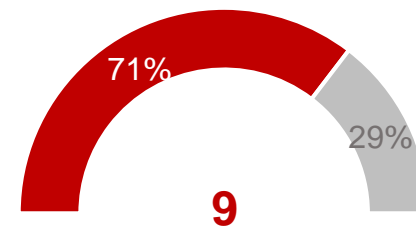
Employee expenses



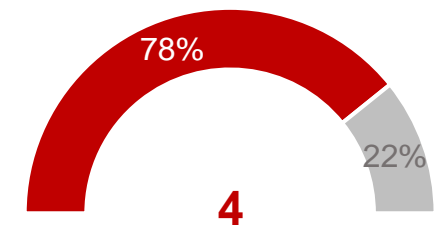
Administrative expenses



Depreciation



Deposit insurance

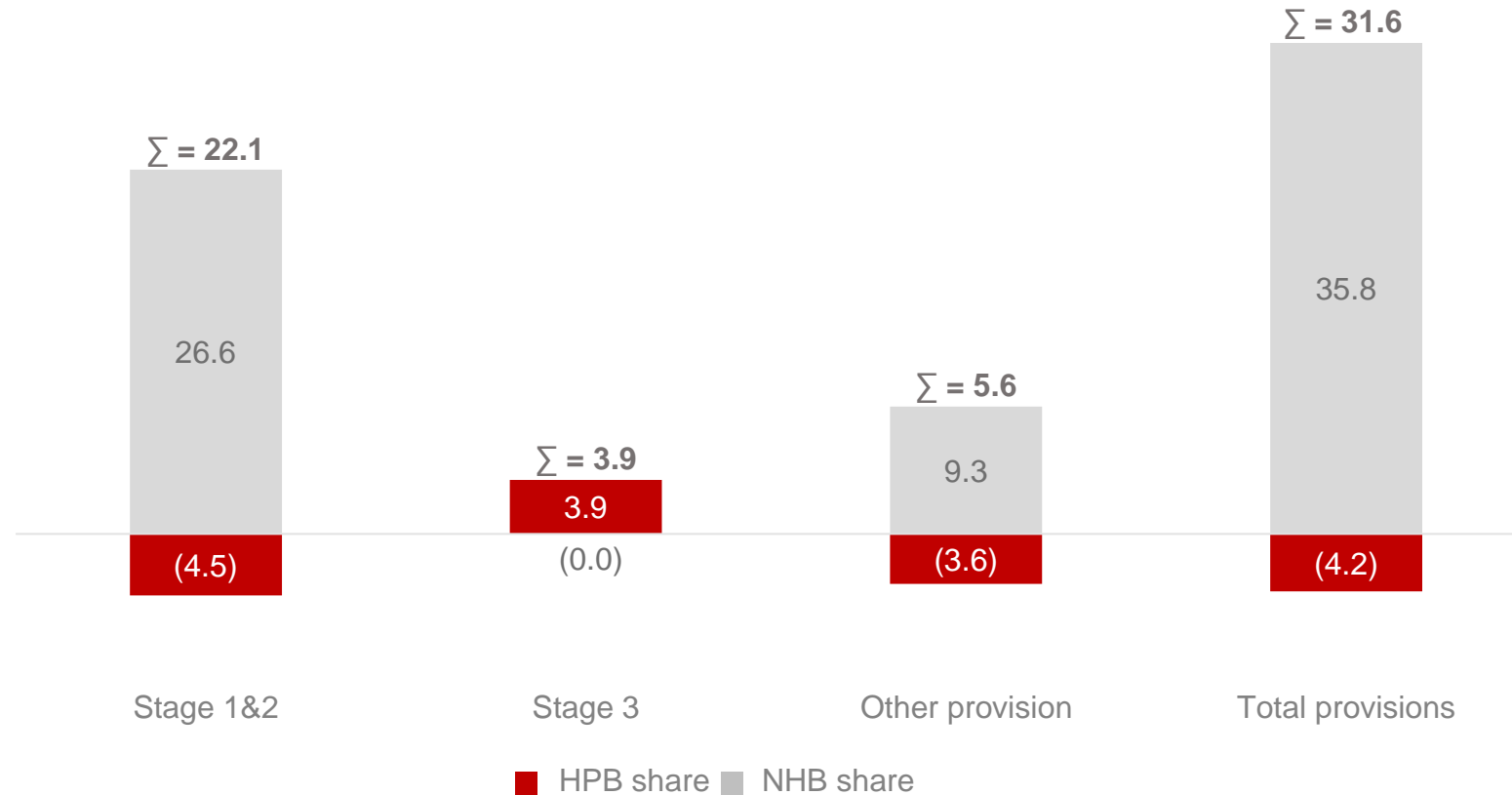


■ HPB share ■ NHB share

Structure of net provision expenses

Net provision expenses (in EUR mn)

31.12.2022



- Stage 1&2 affected by changes in methodology and parameters of calculation of NHB's expected credit losses with the group policy
- Other provisions are mostly related to legal cases

Historical level of assets in amount of EUR 5.5 bn

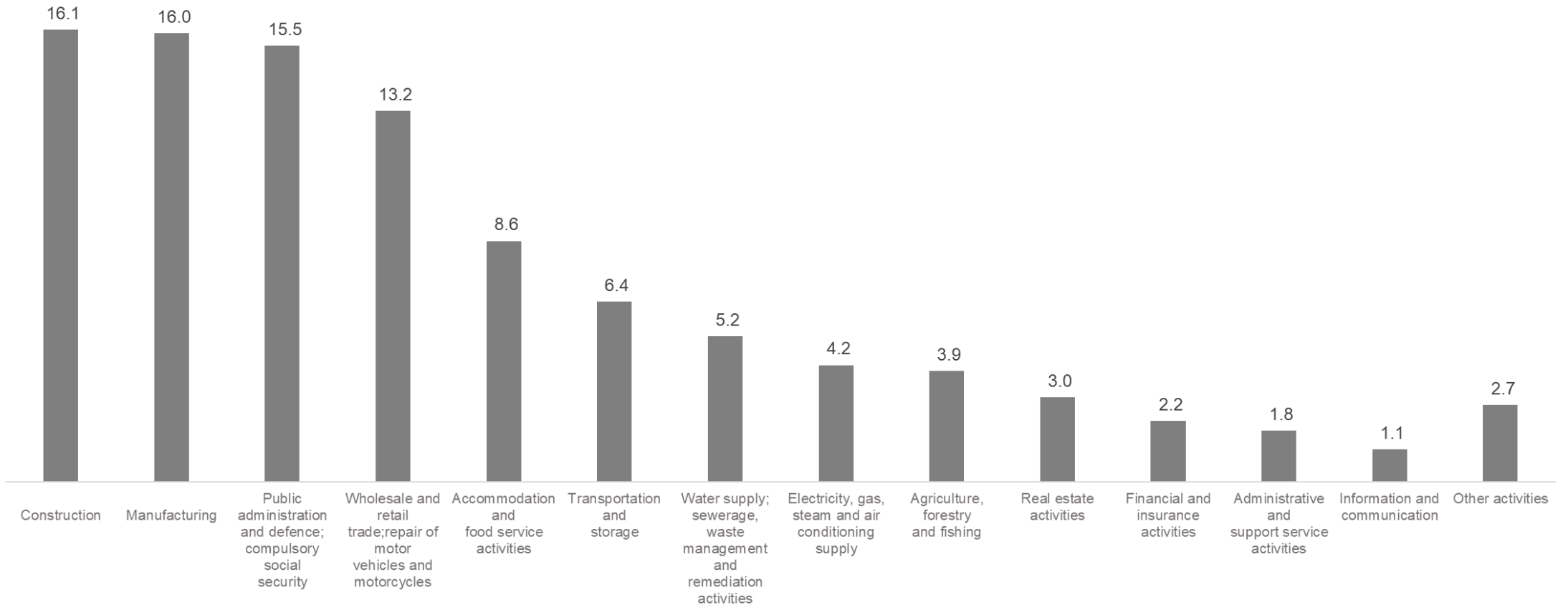
| | | 30.6.2022 | 30.9.2022 | 31.12.2022 |
|--|---------------|--------------|--------------|--------------|
| Liquid assets | EUR mn | 1,206 | 1,542 | 1,514 |
| Securities | EUR mn | 809 | 807 | 863 |
| Gross loans | EUR mn | 3,149 | 3,257 | 3,312 |
| Net loans | EUR mn | 2,908 | 3,011 | 3,063 |
| Other assets | EUR mn | 110 | 118 | 102 |
| Total assets | EUR mn | 5,033 | 5,478 | 5,543 |
| Deposits | EUR mn | 4,121 | 4,613 | 4,644 |
| Loan liabilities | EUR mn | 357 | 314 | 325 |
| Other liabilities | EUR mn | 111 | 109 | 119 |
| Total liabilities | EUR mn | 4,589 | 5,036 | 5,089 |
| Paid-in capital | EUR mn | 161 | 161 | 161 |
| Accumulated other comprehensive income | EUR mn | (17) | (27) | 5 |
| Retained earnings | EUR mn | 65 | 70 | 72 |
| Other reserves | EUR mn | 93 | 88 | 88 |
| Profit or loss for the year | EUR mn | 6 | 14 | (8) |
| Badwill (Gain on bargain purchase) | EUR mn | 135 | 135 | 135 |
| Equity and reserves | EUR mn | 444 | 441 | 454 |
| Loan-to-deposit ratio | % | 70.6 | 65.3 | 66.0 |
| NPL ratio | % | 6.9 | 6.3 | 6.1 |
| NPL coverage | % | 74.4 | 76.5 | 75.1 |

HPB has no exposure to entities in Belarus, and has negligible exposure to entities in Russia and Ukraine NHB has low exposure to entities in Russia, Ukraine and Belarus (balance sheet 0.02% and off-balance sheet 0.29%)

- HPB Group has reached the highest level of assets in history, and approaches the 5th position on the Croatian banking market
- An increase in the volume of the loan portfolio in almost all segments with a positive trend in the NPL ratio despite the detrimental effects of aligning NHB's methodology with group policy
- HPB Group maintained a stable level of deposits with slight growth in the last quarter +0.7%
- In the last quarter parent company performed change in business model for debt securities from 'hold to collect and sell' to 'hold to collect' and consequently performed reclassification of aforementioned financial asset

We continue to support business and industries that generate value for economy

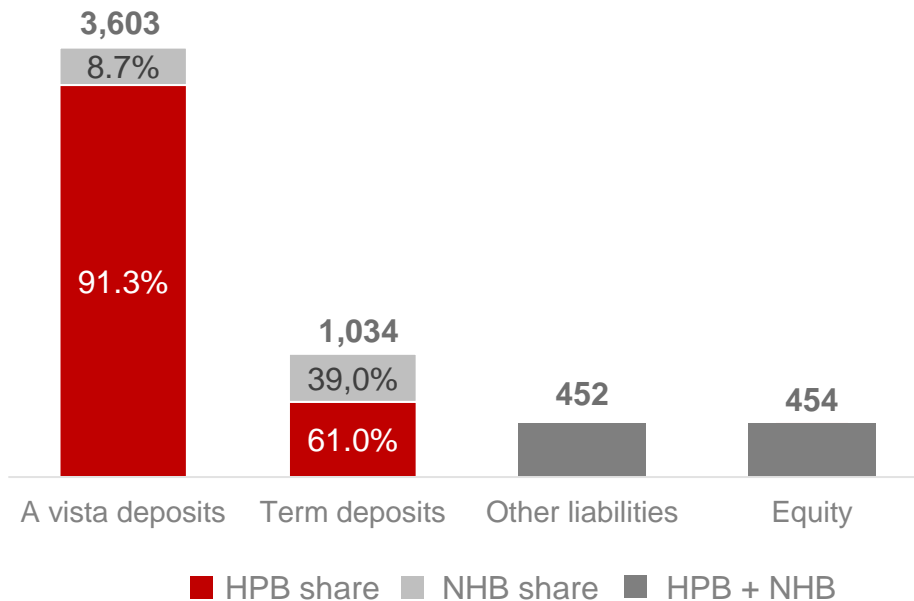
Corporate gross loans per industry (in %)
31.12.2022



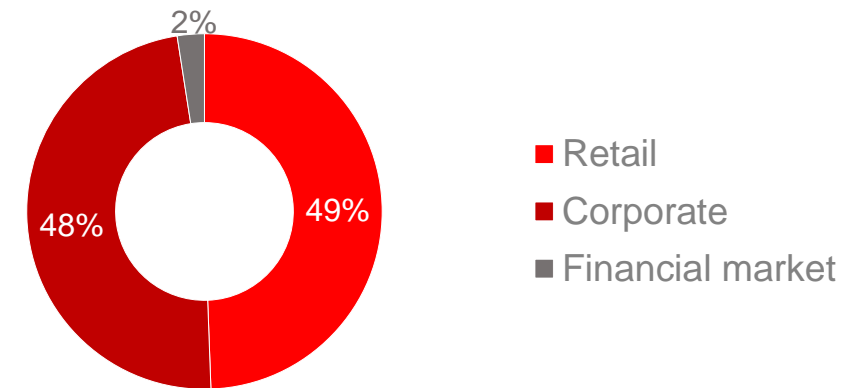
* Hrvatske autoceste are included in construction industry, with a share of 54.4% of the total exposure to that industry

HPB Group is a reliable partner in deposit business

Composition of equity and liabilities (in EUR mn)
31.12.2022



Deposit structure
31.12.2022



- **High share of client deposits (83.7%) in financing sources;** HPB's deposit structure is dominated by a vista deposits (83.9%), while NHB's deposit structure is dominated by term deposits (56.2%) due to longer fixed terms and attractive interest rates
- Stable liquidity position of the Group with satisfactory liquidity reserves and a consolidated liquidity coverage ratio of 174.8%
- Other obligations relate primarily to loans received from credit institutions - HBOR, CNB repo placements and foreign financial institutions, and to MREL instruments that HPB began to contract in 2022 with the aim of maintaining the prescribed levels of regulatory requirements