

# Best first half of the year since foundation

*Unaudited financial results  
01.01.- 30.06.2019.*

 HRVATSKA POŠTANSKA BANKA



# Record results with continuous transformation

## Profit and loss

In HRK millions	1H 2018	1H 2019 (Δ y-o-y)
Operating income	365.1	404.7 ↑ 10.9%
Operating expenses	227.2	239.6 ↑ 5.5%
Operating profit	137.9	165.2 ↑ 19.7%
Impairment losses	22.5	12.1 ↓ 46.1%
Net profit	94.4	123.5 ↑ 30.9%

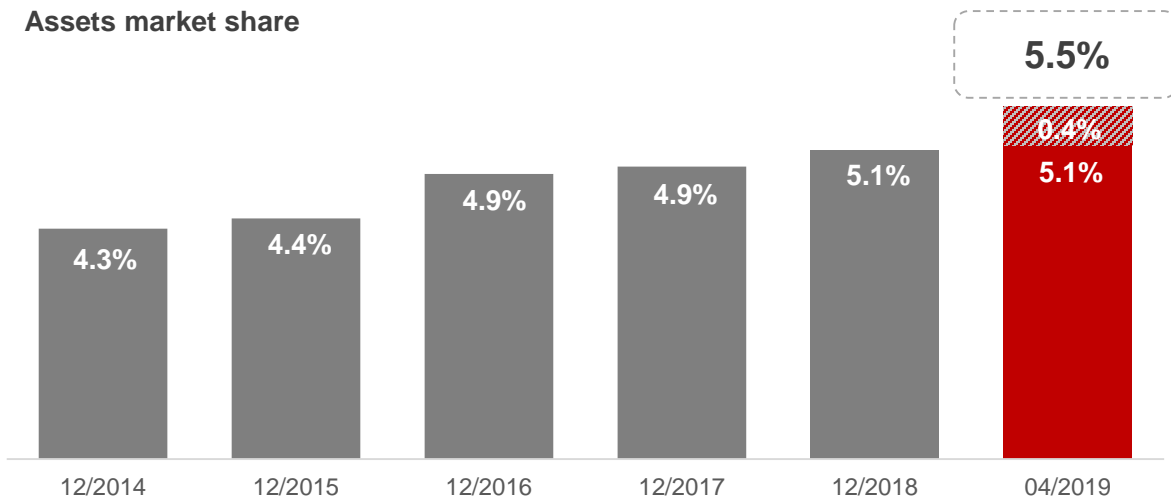
## Balance sheet

In HRK millions	31.12.2018	30.06.2019 (Δ ytd)
Assets	21,255.8	23,210.9 ↑ 9.2%
Gross loans	12,437.8	13,659.8 ↑ 9.8%
Deposits	18,371.3	19,710.4 ↑ 7.3%
Equity	2,002.5	2,298.5 ↑ 14.8%

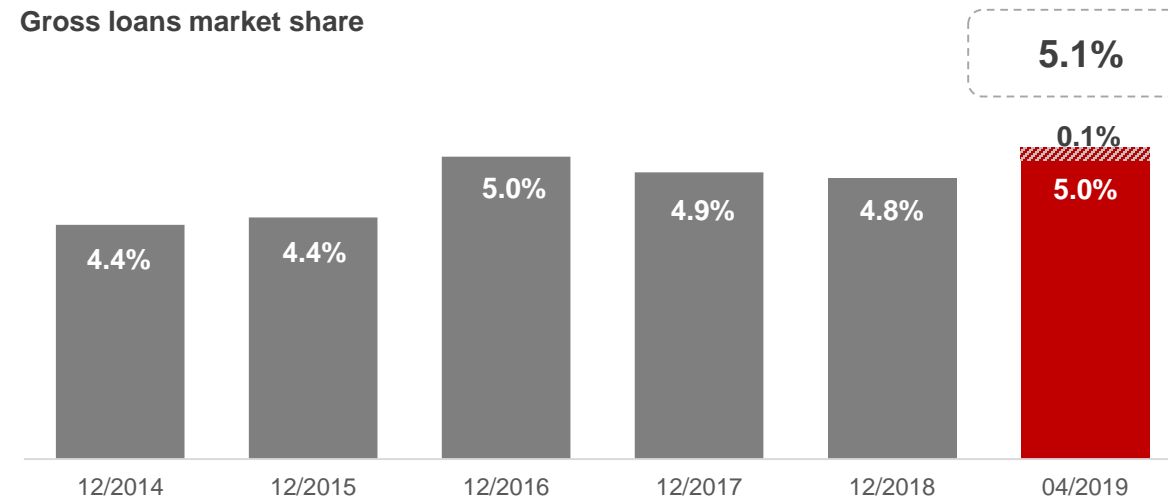
- **Net profit at half year is HRK 123.5 million – best accomplishment since foundation of HPB (y-o-y +30.9%)**
- **Operating income has increased for HRK 27.2 million** when compared to first half year of 2018 due to **strong increase in operating income (y-o-y +19.7%)**
- **Net interest income has increased for 4.3%** due to decrease in interest expense
- **Net fees and commissions income has increased for 4.8%** because of sustainable commissions income in retail and corporate
- **Impairment losses significantly lower** than in the same period in 2018
- Expenses on reasonable level considering large number of initiated project and merger with JABA
- Important projects: **SME business model transformation, preparation for asset quality review (AQR – ECB), dana quality improvement, digital banking, diaspora business model, cooperation with Hrvatska pošta (Croatian postal office), operating excellence**
- **Assets at HRK 23.2 billion, market share increased at 5.54%** (as of 30.4.2019) – (included merger of Jadranska banka d.d.)
- Significant increase in volume of **Retail, SME and large corporate** loans along with deleveraging of state – **loans increase for 9.8%** or HRK 1.2 billion
- **Retail placed HRK 1 billion of new loans**
- **Merger with JABA** brought an increase in gross loan portfolio for **HRK 191 million in retail and HRK 110 million in SME**
- **Deposits base** increased for **HRK 1.3 billion**

# Organic growth and effect from merger with JABA

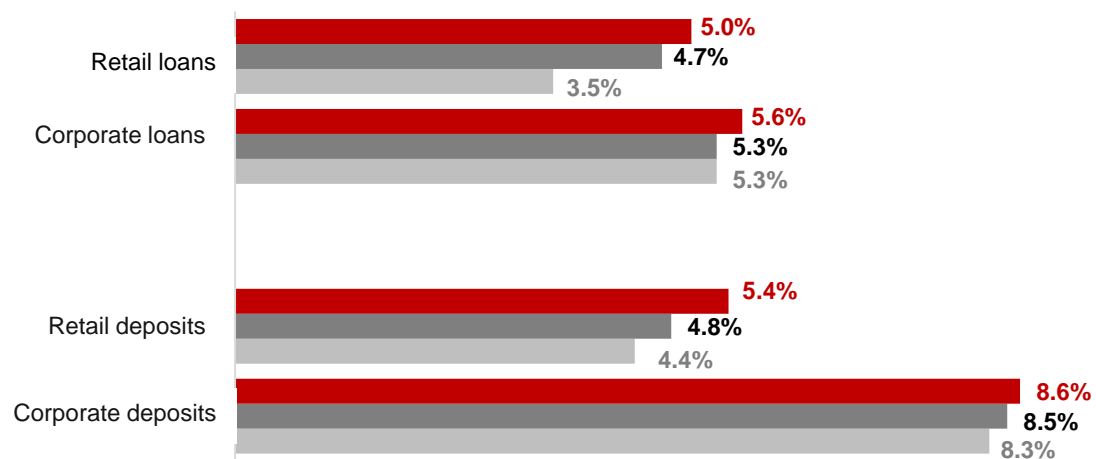
Assets market share



Gross loans market share

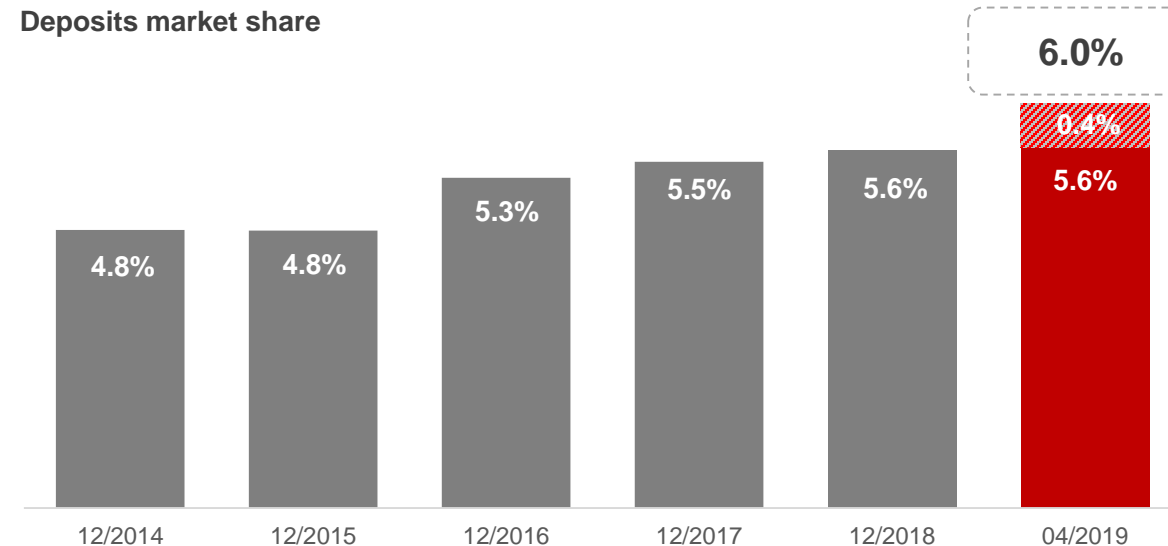



Market shares (segmented)



■ 04/2019 ■ 12/2018 ■ 12/2014

Deposits market share

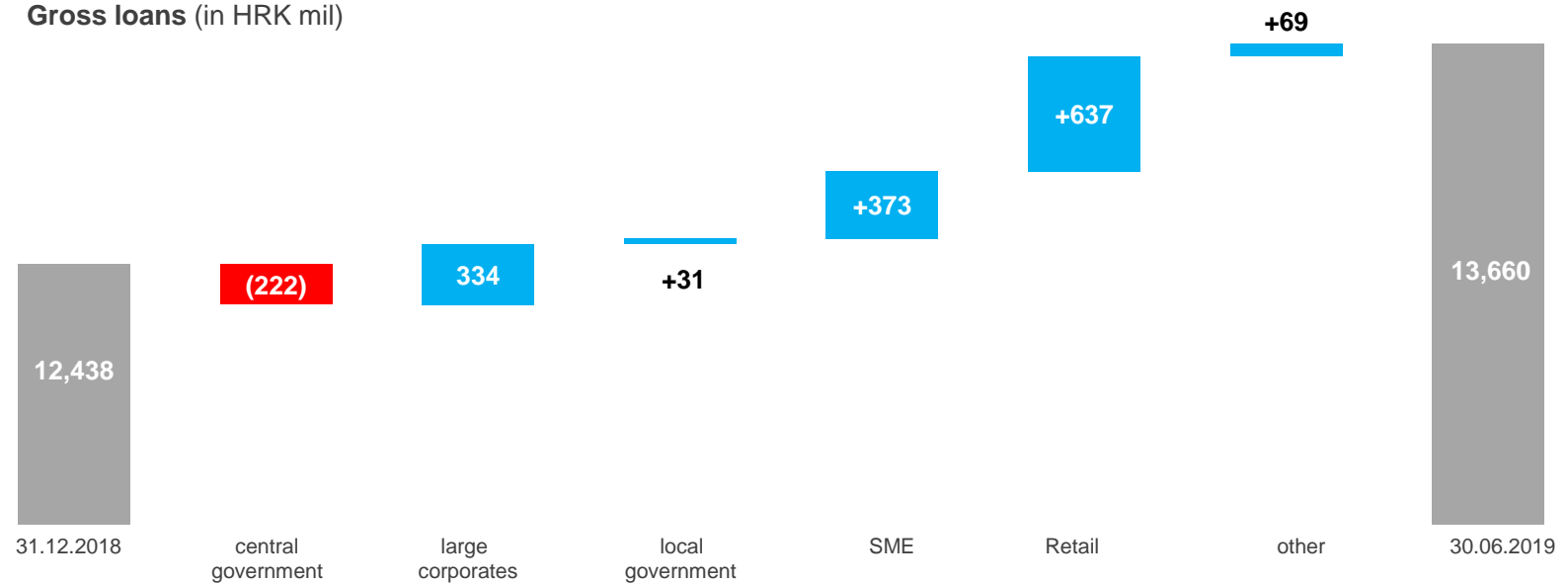


 Effect of Jadranska banka integration on market share

NOTE: presented market shares disclose HPB d.d. position as of 31.12.2018, while the HPB position at 30.4. includes integration effects of Jadranska banka d.d.  
Sector source: [www.hnb.hr](http://www.hnb.hr); aggregated statistical report

# Increase in retail and corporate loans, decrease in public sector – portfolio diversification

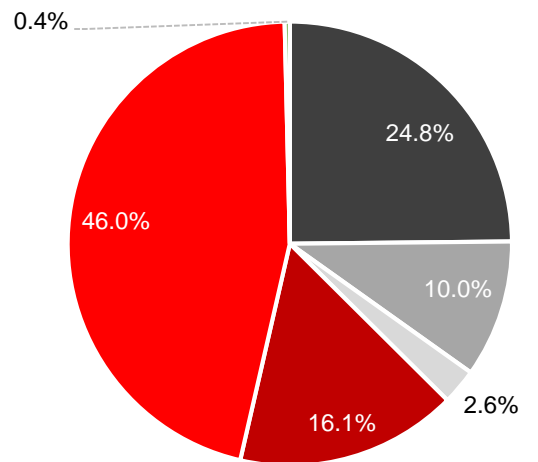
Gross loans (in HRK mil)



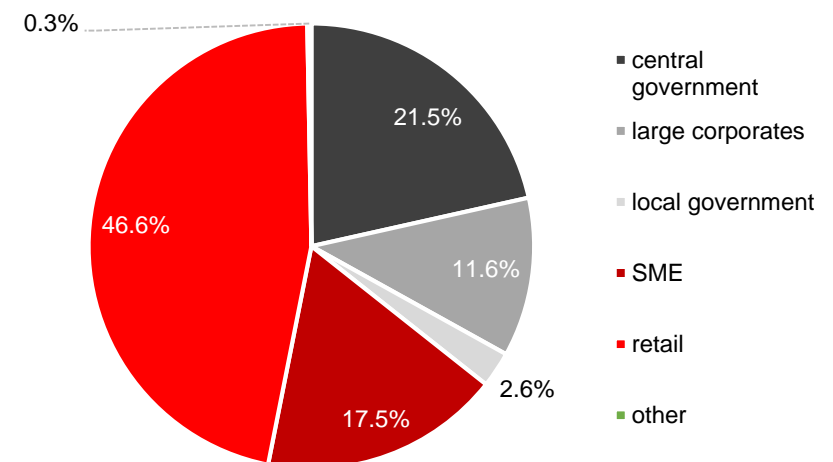
## Increase in gross loans for 9.8% in 1H 2019

- Significant increase in loans in targeted segments **retail (+11.1%)** and corporate → **SME +18.8%**, followed by increase in **large corporates** also
- **deleveraging of state** (decrease of 7.2%) was amortized through growth in targeted segments
- Market share of integrated JABA loans is 0.1%
- Loans market share increased for 0.2 bp

Loans structure (31.12.2018)



Loans structure (30.06.2019)

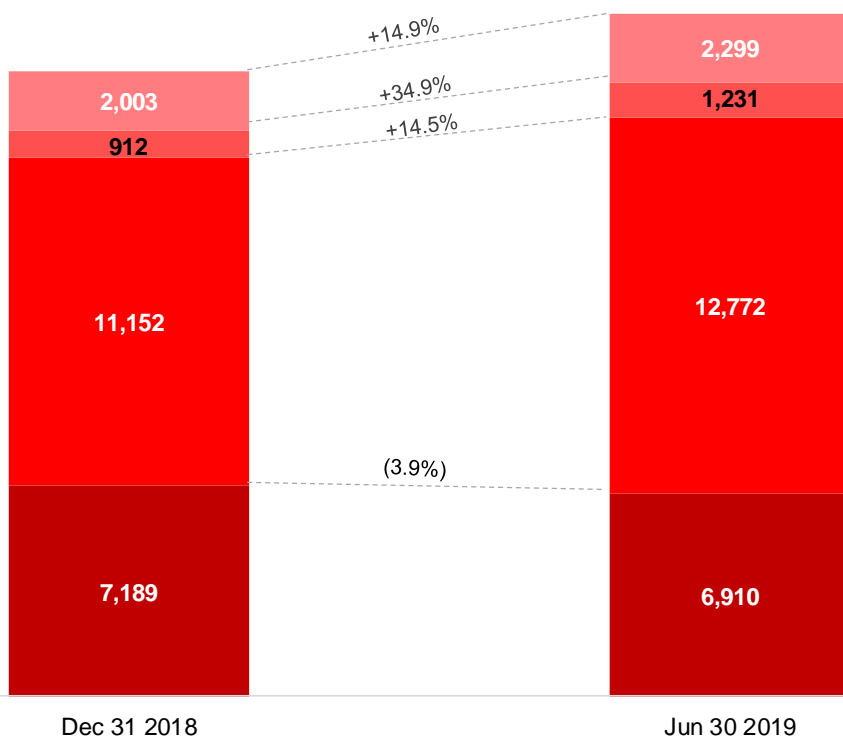
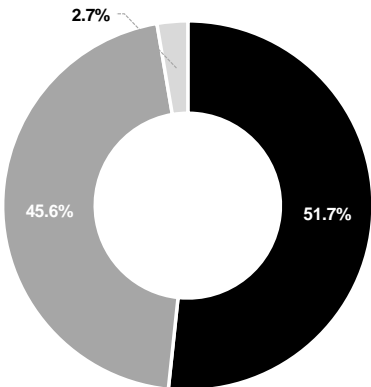


Source: HPB d.d., management reports – segmented

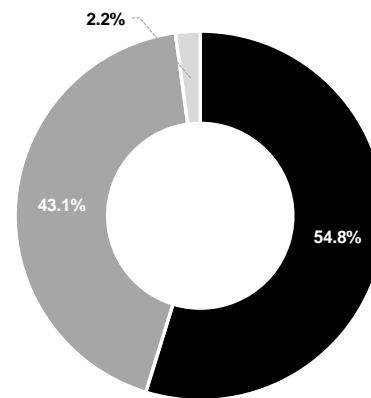
# Deposits base strongly increased through integration of Jadranska banka

Pasiva (u mil. HRK)

Deposit structure (Dec 31 2018)



Deposit structure (Jun 30 2019)



## Deposits increased by 7.3 percent in 2019

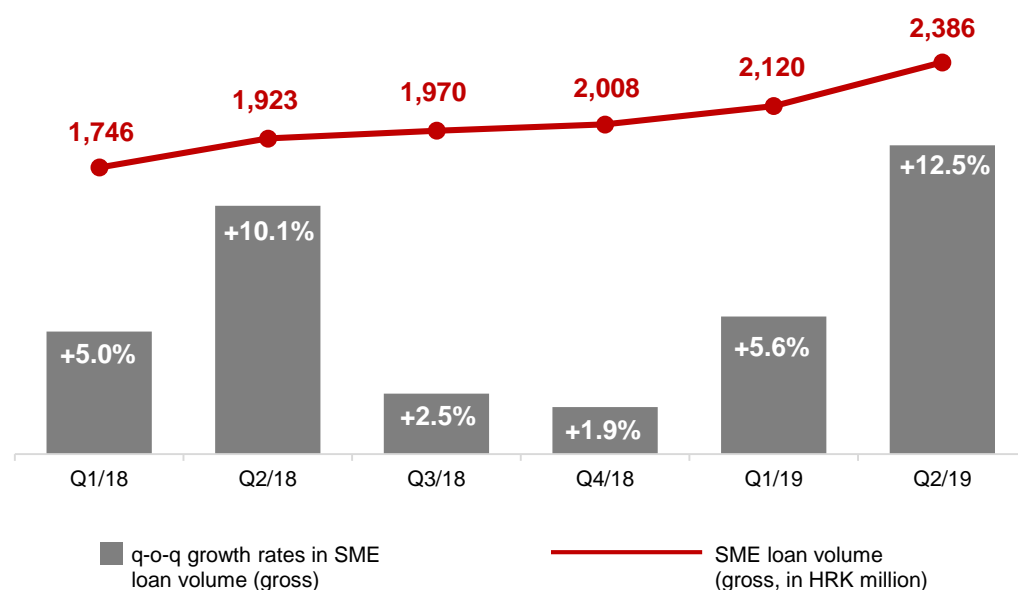
- Deposit base strengthened by HRK 1.3 billion in 1H 2019 through successful integration of Jadranska banka
- **retail and business entities continue to increase**, wherein spillover trend – from term deposits (-3.9%) to demand accounts continues (+14.5%), having a favourable effect on average prices
- deposits remain the main source of funding for HPB (84.8%), with HRK deposits having the dominant share
- Deposit growth will be dependent on future needs for funding

■ retail  
■ corporate entities  
■ other

■ term deposits ■ demand deposits ■ other liabilities ■ capital

# Newly implemented operating and business model enables SME to achieve a significant push on the market

Trend kretanja kredita SME segmentu



**10 thousand**  
number of clients doing business with HPB

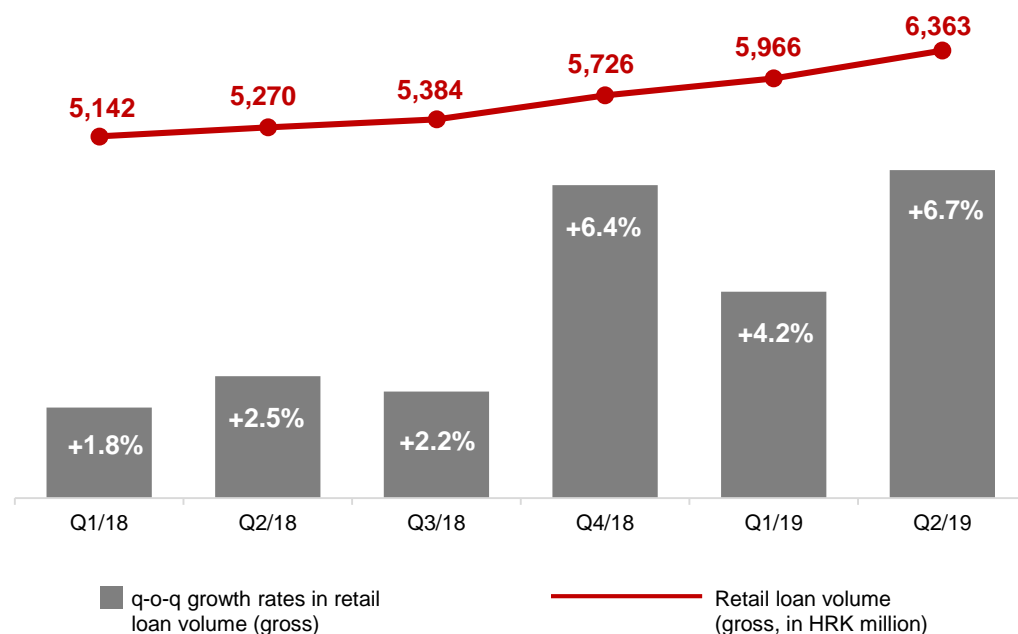
**24%**  
y-o-y  
loan growth

**38%**  
y-o-y growth in  
number of clients

- 12 regional centers – optimal geographical coverage
- 2 entrepreneurship centers began with operations – Velika Gorica and Sv. Nedjelja (bringing us closer to the clients – successfully piloted)
- enhanced digital services sphere (online services – Online account opening and Online loan application)
- *Corporate Banking* academy established – we invest in human capital development and build foundations for long term client relationship,
- cooperation with HAMAG, EIB, EBRD and ZSE continues
- we put emphasis on industries that generate value for the economy as a whole: IT, exports, agriculture, tourism...
- continuous investment in client relationship and their financial education (Open Gate Days, Workshop for entrepreneurs in cooperation with EBRD and similar activities)
- **HRK 540 million of new loan volume** in SME segment, with client number being increased by almost 3 thousand

# More than HRK 1 billion of new loan placements in the retail segment

Trend in retail loans movement



**601 thousand**  
number of clients doing business with HPB

**21%**  
y-o-y  
loan growth

**5%**  
y-o-y growth in  
number of clients

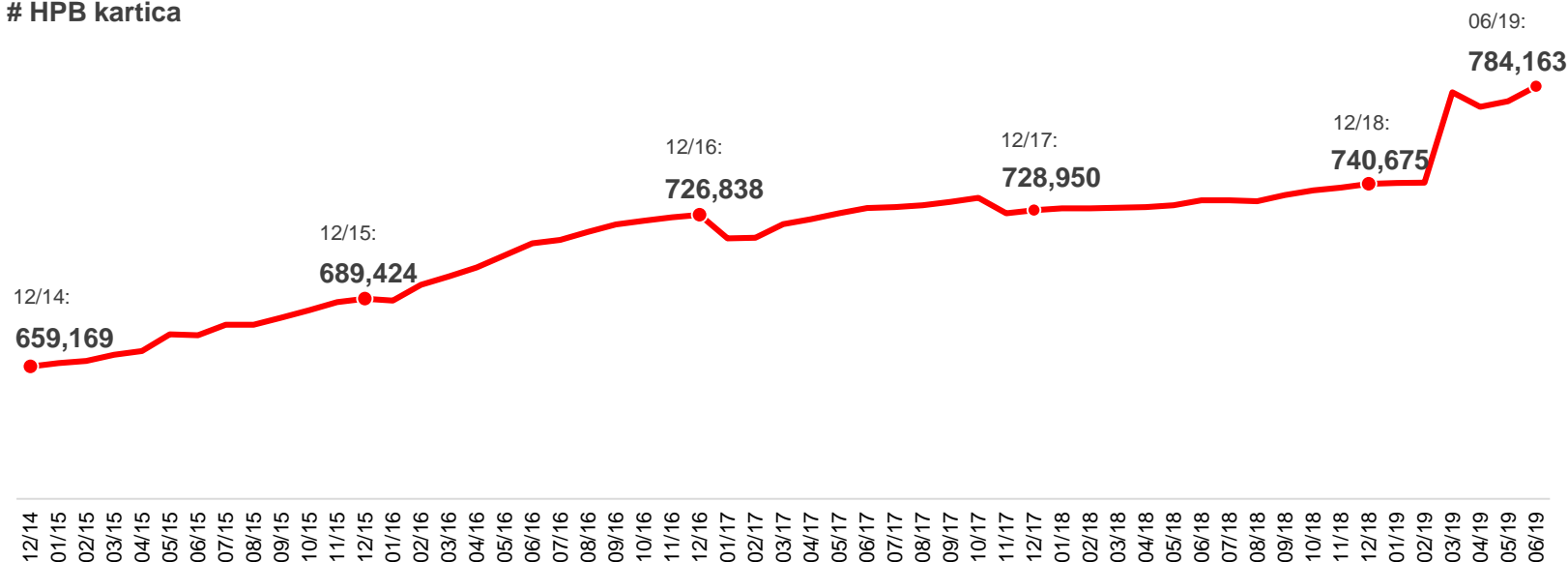
- 9 regional centers and 57 business units throughout all of Croatia, with 3 new additions to the business network in 2019
- Simultaneously to the successful integration of Jadranska banka, we have achieved organic growth as well
- 680 thousand of different demand deposit accounts, 438 thousand of current accounts
- **50% YoY growth in new loan volume**
- we have shortened the loan approval process by over 80%, while the number of new loans increased by more than 70% in comparison with the period prior to process optimization
- clients have access to an advanced model of personal banking through eBranch, in which business is mostly done online, by cellphone or computer
- **HRK 1.0 billion of new loan volume** placed in retail segment in 2019

# Domestic market share of 9% in the number of cards, with significant step forward to be taken in autumn

From autumn 2019 HPB cards will include **Croatian landmarks**, reflecting our position as the largest bank in domestic ownership



# HPB kartica



**continuous growth** in the number of HPB cards

**14%**  
y-o-y growth in  
number of transaction  
(in 1H 2019)

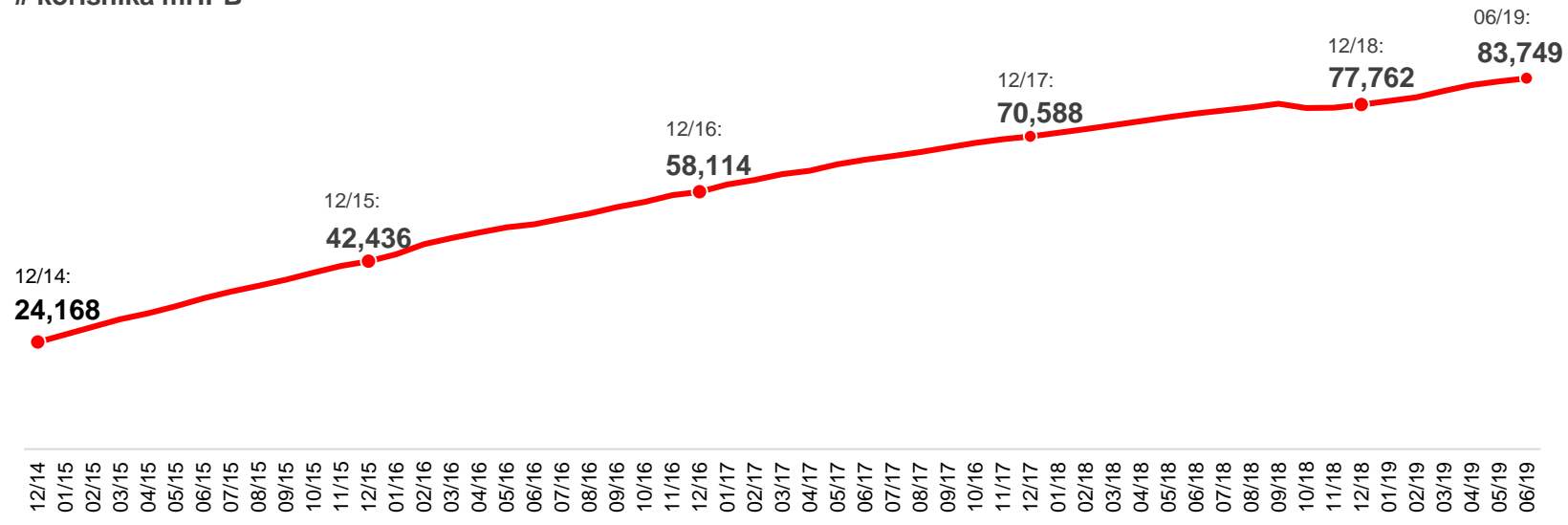
**13%**  
y-o-y growth in  
transaction volume  
(in 2019)



Through mHPB we deliver simple, quick and cost effective service



# korisnika mHPB



**continuous growth** in the number of mHPB users

**45%**  
y-o-y growth in  
number of transaction  
(in 1H 2019)

**90%**  
y-o-y growth in  
transaction volume  
(in 2019)



as per June 30 2019

<b>Assets</b>	<b>HRK 438 mil</b>
<i>Share in the parent's assets</i>	<i>1.9%</i>
<b>Loans</b>	<b>HRK 192 mil</b>
<i>Share in the parent's loans</i>	<i>1.4%</i>
<b>Deposits</b>	<b>HRK 321 mil</b>
<i>Share in the parent's deposits</i>	<i>1.6%</i>

## 37 thousand

**number of clients** who will gain simpler access to HPB's broad services offer with the merger

## Optimization

of operations through possible **cost costs** and **more efficient Group's resources management**

- as a **continuation of Group's optimization activities**, the process of **merger of HPB-Stambena štedionice d.d.** has been initiated – aimed at increasing return on invested capital
- merger should result in **decreased costs**, while **capital challenges** that HPB-Stambena štedionica d.d. is faced with **will be annuled**
- focus is put on **time efficiency** and legal merger **as soon as possible** in a way that will **not have any effect on the clients** nor the other Bank's business activities  
→ **conclusion aimed for 2019 ye**
- **Bank is to take over existing contracts** on housing savings and loan offer
- particular care is taken to **client's protection** who will keep **all existing rights**