



HRVATSKA POŠTANSKA BANKA

HPB Group H1 2023

Investor information

Limitation of liability

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- 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.

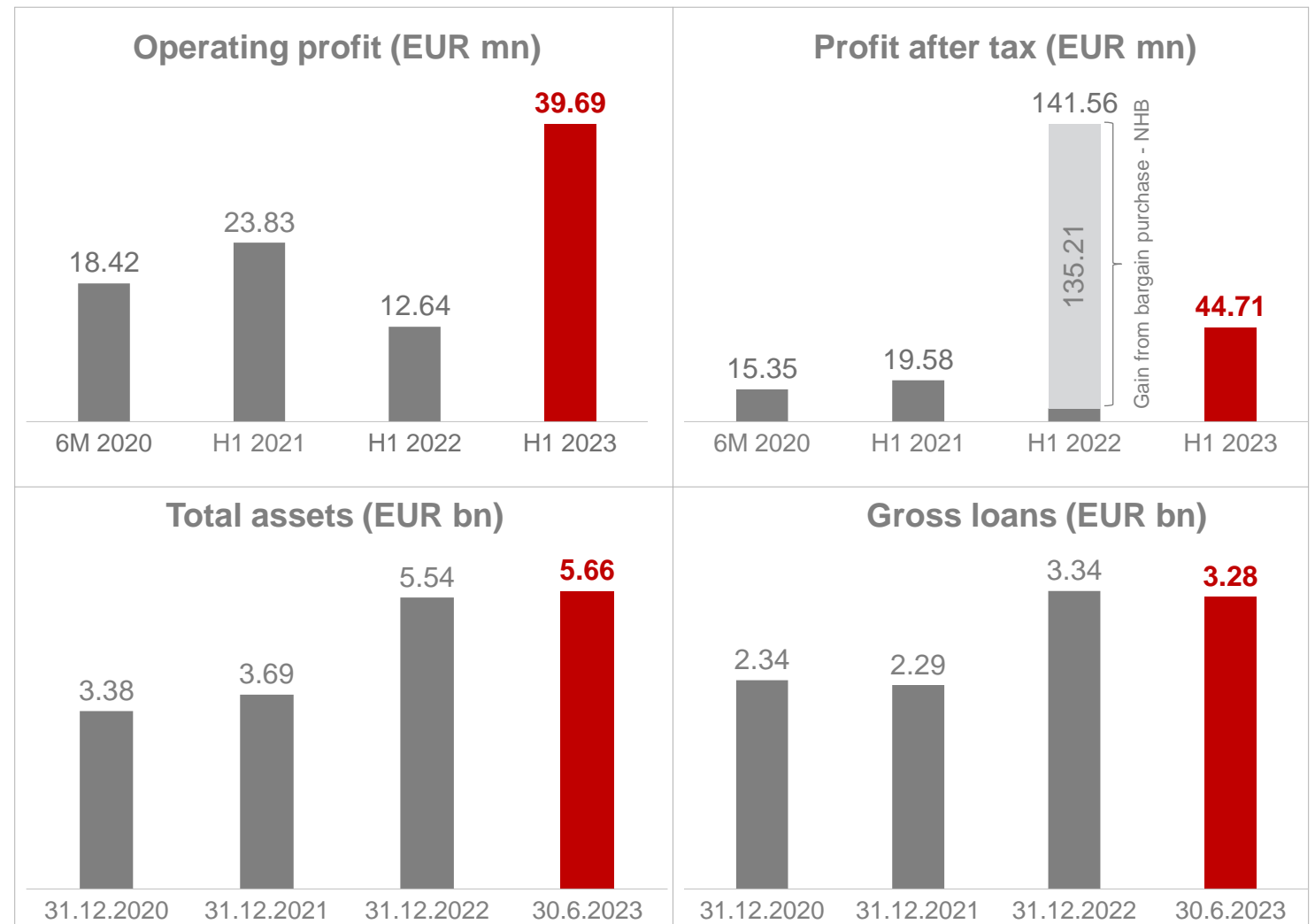
1 Executive Summary

2 Macroeconomic environment

3 Financials

HPB Group is breaking new records

- Rapid growth of **operating profit**, which **reached a record amount of EUR 39.69 mn**, is a result of strategic decisions made in a timely manner, successfully implemented integration activities and agile cost management, supported by the growth of the ECB's reference interest rates
- **Historically highest level of Group assets in the amount of EUR 5.66 bn**
- **The consolidated MREL as of June 30, 2023 is 28.64%**, which is above the **level of the regulatory MREL requirement** set for the parent company (**27.08%**)
- **Excellent underwriting process and effective collection** activities resulted in a low level of NPL ratio (6.00%) and coverage significantly above the market level (71.71%)
- **The legal merger process of NHB was completed in July 2023**, whereby NHB continues to operate as HPB

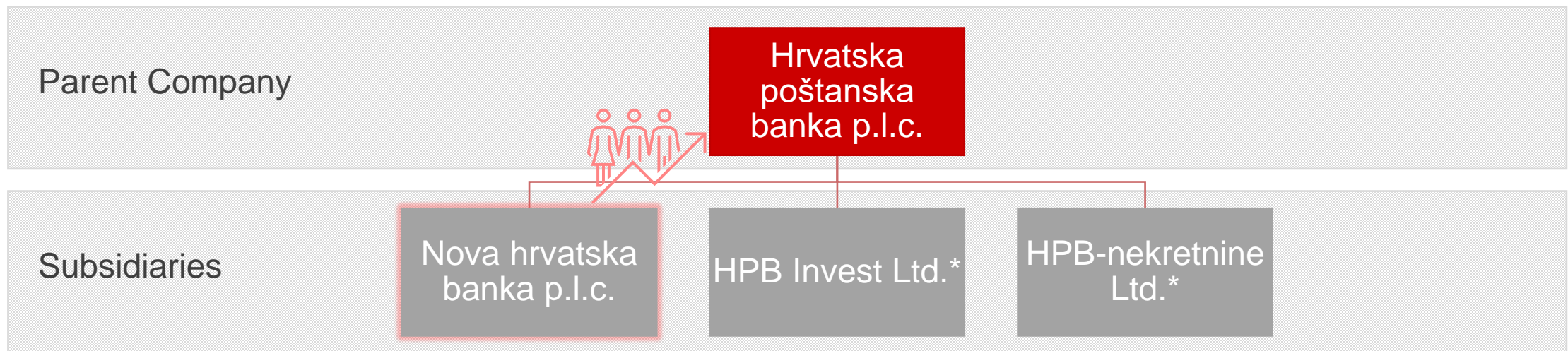


Source: FINREP regulatory report

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

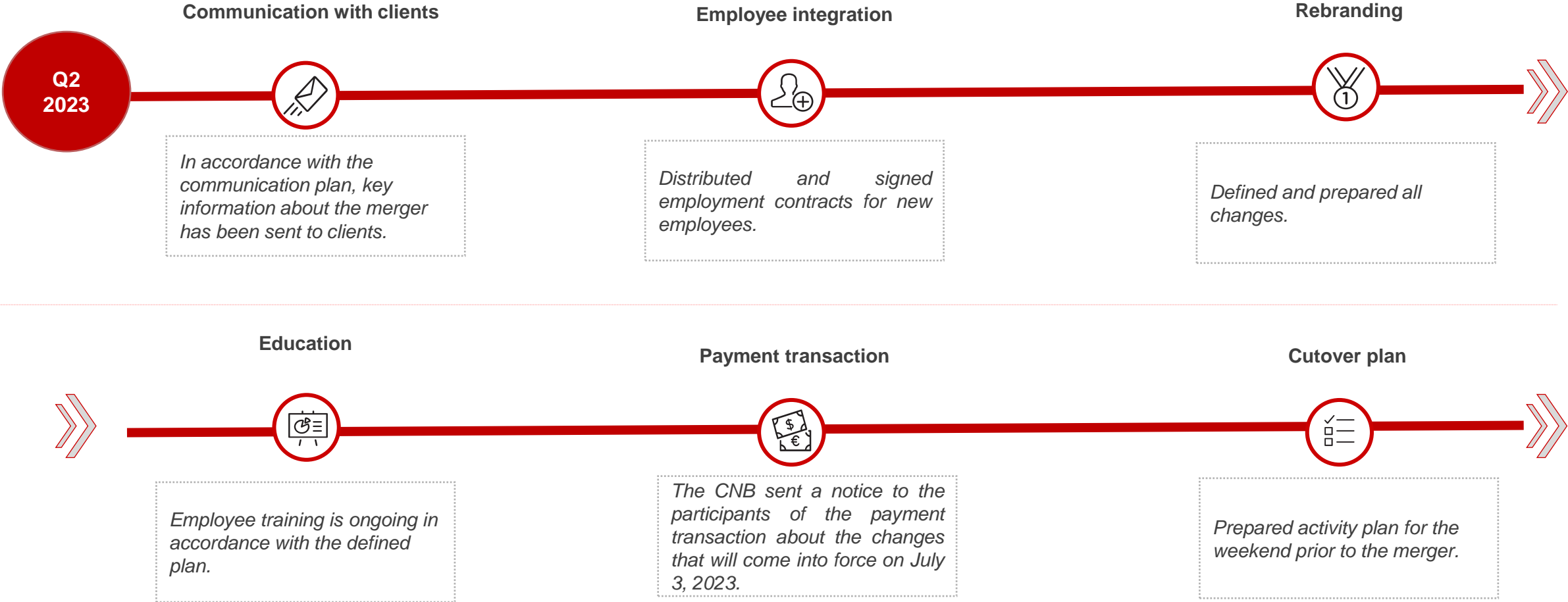
NHB was successfully merged with HPB on July 3, 2023

- The **legal merger process of NHB was completed as of July 3, 2023**, whereby NHB and HPB continue to operate as **one, stronger bank - HPB**
- The integration of NHB has strengthened the client base and portfolio, which brings HPB ever closer to the goal of entering the **TOP 5 banks in Croatia**
- HPB continues with development activities aimed at further building a strong and modern bank that follows trends and new technologies and provides its clients with a fast, simple and secure user experience through all channels for access to the bank.



**Consolidated unaudited financial statements, on the following pages, include the financial result of HPB and NHB, 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.*

Overview of NHB's integration activities in Q2



H1 2023 key indicators

		31.12.2022	30.6.2023
Assets	EUR mn	5,540.86	5,663.65
Net loans to customers	EUR mn	3,063.40	3,001.55
Deposits	EUR mn	4,644.34	4,633.64
Equity	EUR mn	455.95	501.89
NPL ratio	%	6.13	6.00
NPL coverage	%	75.11	71.71

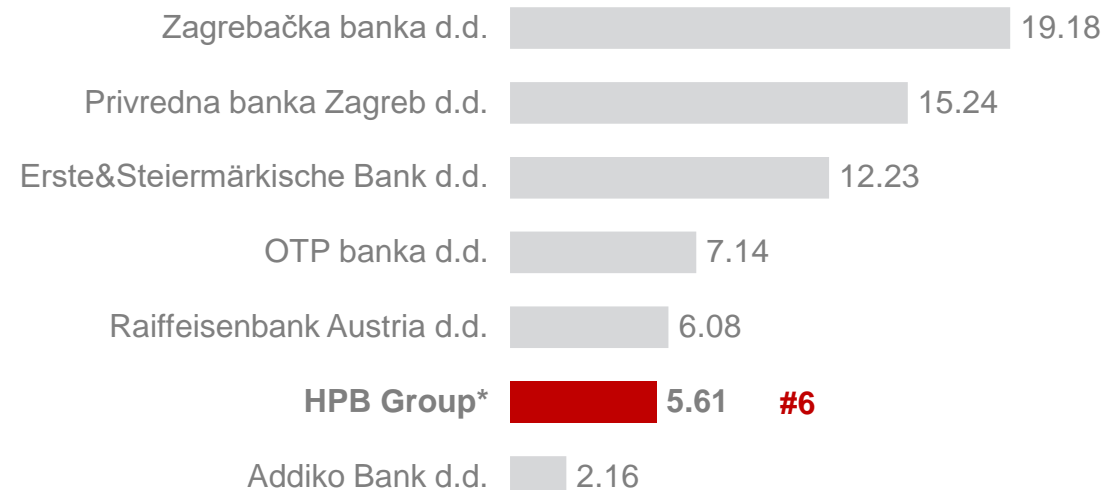
		H1 2022	H1 2023
Total income	EUR mn	77.83	127.84
Operating profit	EUR mn	13.13	46.53
Provisions	EUR mn	(7.93)	4.27
Net profit	EUR mn	141.43	45.69
Cost-to-income ratio	%	75.61	52.44
Return on assets (ROA)*	%	2.81	1.61
Return on equity (ROE)*	%	31.86	18.21

*Profit after tax in the indicators calculation is not annualized due to the one-off effect from the gain on bargain purchase in 2022

** Includes the result of NHB from the date of acquisition, April 14, 2022

Market share by total assets (EUR bn)

31.3.2023



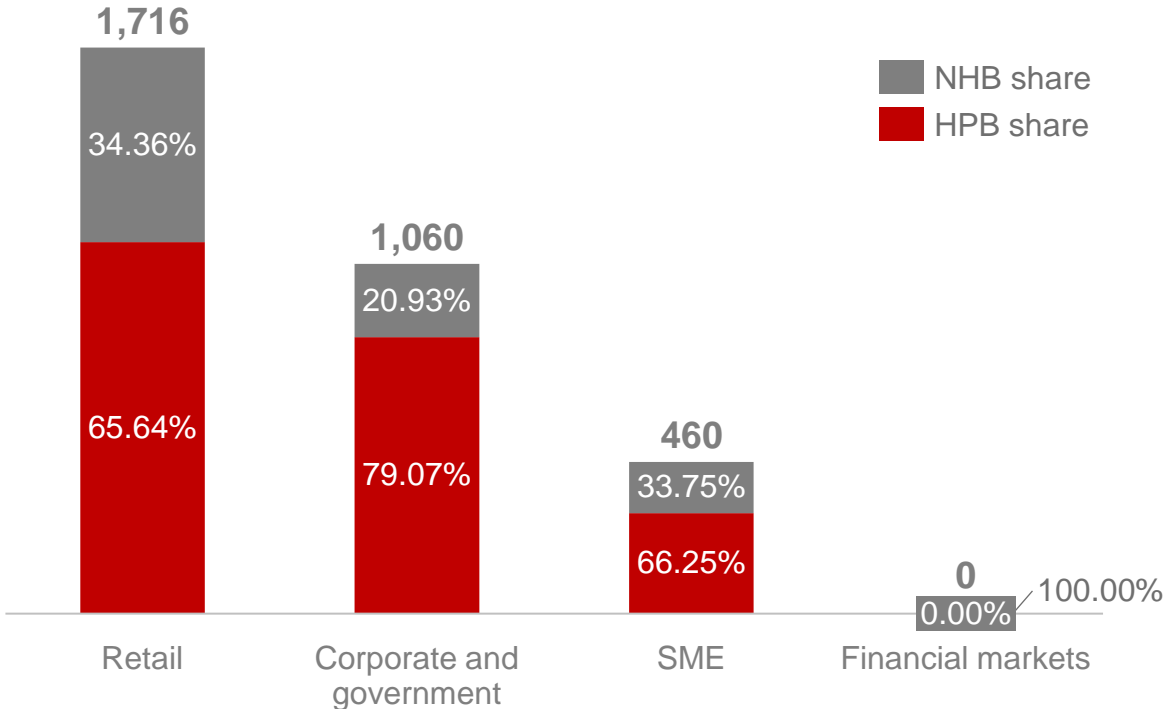
* Includes consolidated data HPB + NHB as of 31.3.2023

Source: Hrvatska narodna banka, www.hnb.hr; Podaci o poslovanju kreditnih institucija as of 31.3.2023

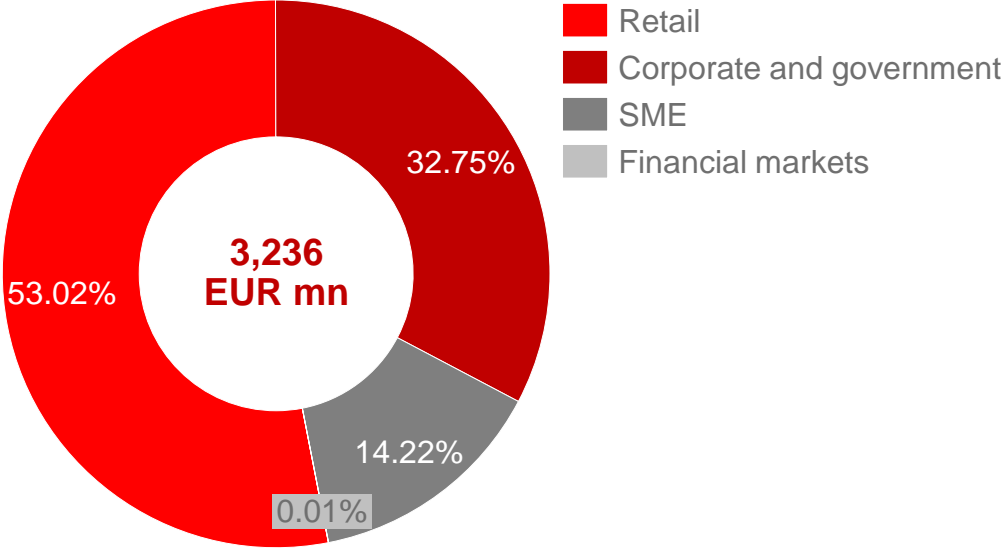
- Continued strengthening of market position with asset growth of 2.22% due to liquidity inflow from received loans (+ EUR 72.28 mn) and capital increase due to realized profit (+ EUR 45.69 mn). On the asset side, this is reflected in the movement of liquid assets (+ EUR 164.66 mn), with a simultaneous slight increase in the portfolio of securities and a slight decrease in the loan portfolio with a simultaneous improvement in the quality of loans
- Achieved record half-year operating profit as a result of growth in all positions of the income compared to H1 2022, especially net interest income (+ EUR 31.38 mn) and trading income (+ EUR 6.00 mn)
- Operating profit, along with positive effects on the provisioning side, is the key driver of net profit in the amount of EUR 45.69 mn
- In H1 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 structure

Gross loans by segment (EUR mn)
30.6.2023



Gross loan structure by segment
30.6.2023



■ Gross retail loans dominate the total loans, which is the result of the parent company's strategic focus on this segment of clients

Quality loan portfolio with positive NPL development

		30.6.2022.	31.12.2022	30.6.2023
Exposure (total loans)**	EUR mn	4,180.36	4,696.98	4,748.91
Total NPL stock	EUR mn	289.61	287.94	285.00
NPL %	%	6.93	6.13	6.00
Loss allowance for loans	EUR mn	(260.64)	(270.74)	(254.91)
NPL provision	EUR mn	(215.46)	(216.27)	(204.25)
PL provision	EUR mn	(45.19)	(54.46)	(50.53)
NPL Coverage	%	74.39	75.11	71.71
NPLs with 100% government guarantees	EUR mn	8.12	7.12	9.04
NPLs not covered by provisions	EUR mn	28.97	10.08	21.05
CET 1	EUR mn	306.35	451.41	446.84
Uncovered NPLs to CET 1	%	9.46	2.23	4.71

Source: FINREP regulatory reporting

- In 2023, the multi-year trend of reducing the level of NPL and the NPL ratio continued, which with efficient collection, recovery of part of the portfolio, write-off of uncollectible exposures with exhausted collection possibilities and growth of assets in the HPB part of the portfolio represents historically the lowest level of ratio
- NPL coverage is still significantly above the average level of the sector, as well at the consolidated level

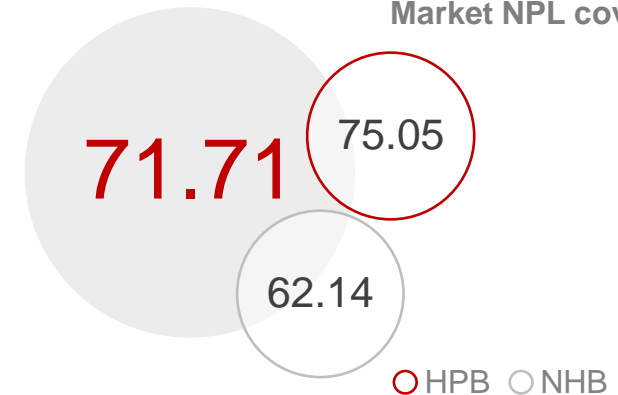
NPL ratio (in %)

Market NPL ratio* 3.17%



NPL coverage (in %)

Market NPL coverage* 67.76%



* as at 31.3.2023

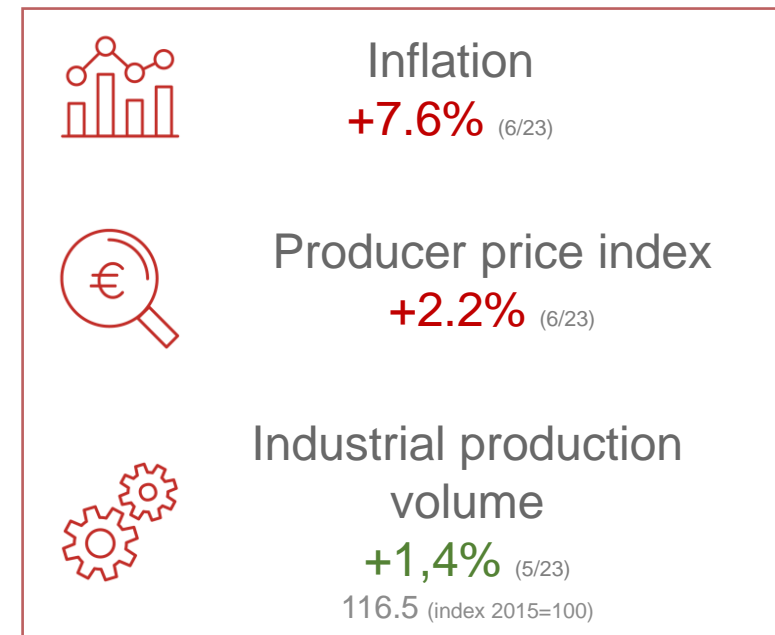
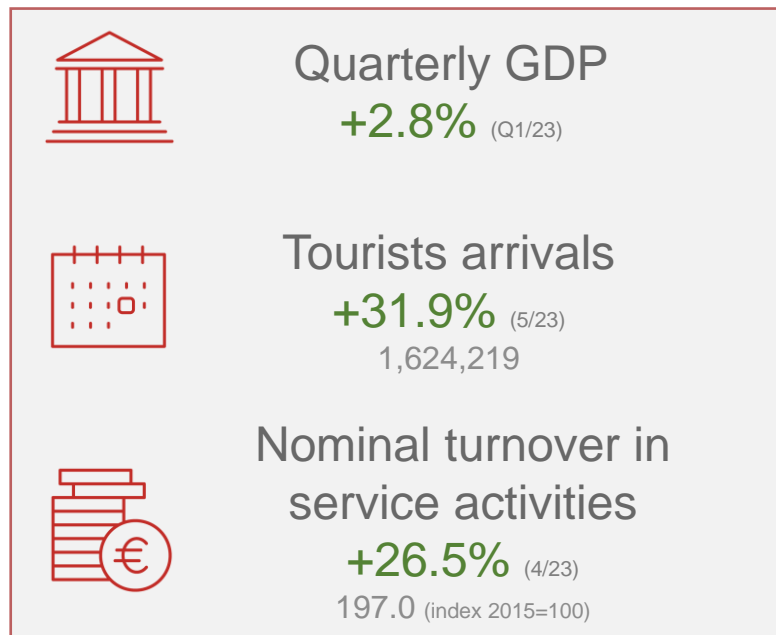
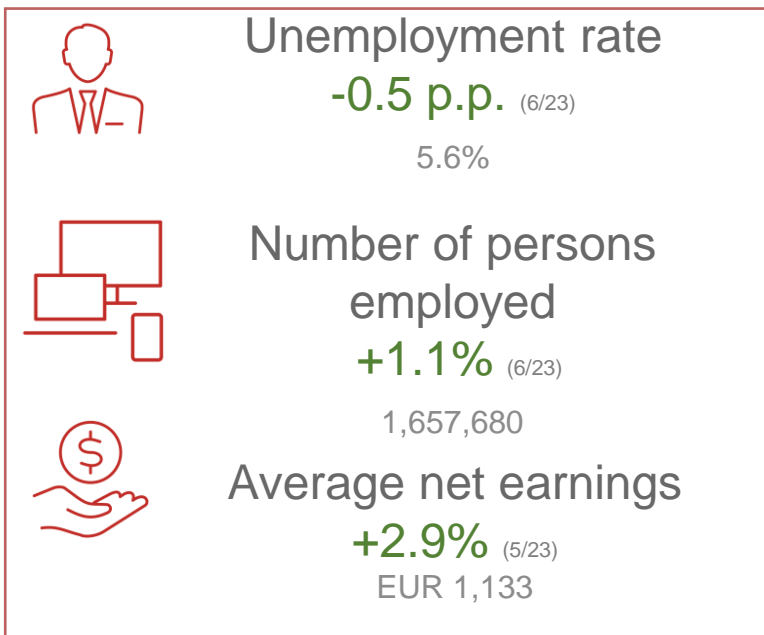
** Total loan exposure includes funds in central banks and other demand deposits as well as gross interest, fees and other receivables that are not included in management report

1 Executive Summary

2 Macroeconomic environment

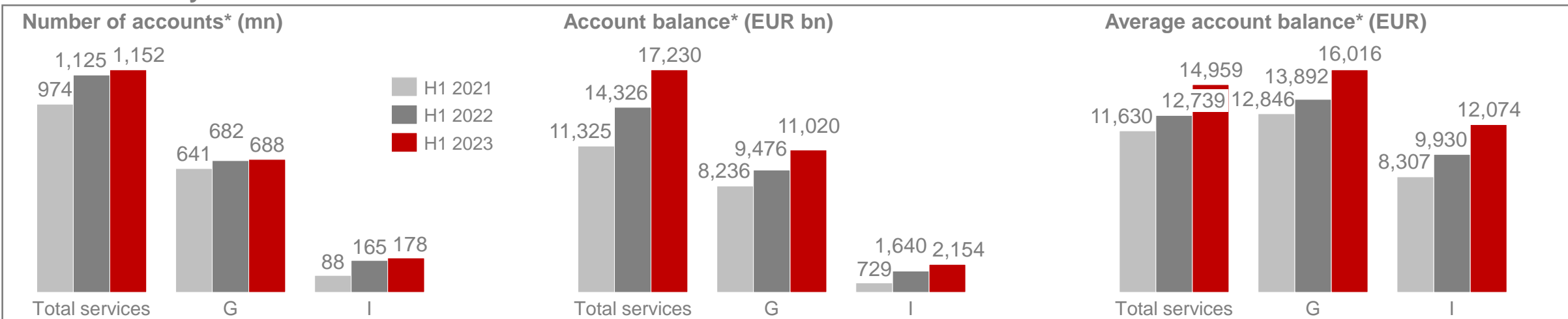
3 Financials

Economic indicators (y-o-y)



Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (January, April, May and June 2023)

Fiscalization system data



*Source: Tax administration, <https://www.porezna-uprava.hr> (data for H1 2021, 2022 and 2023)

1 Executive Summary

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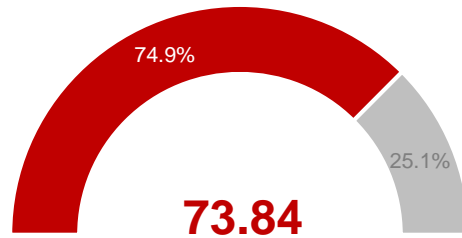
3 Financials

Financial potential of HPB Group

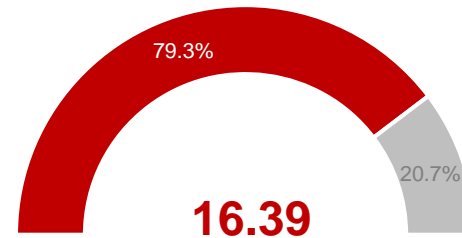
Composition of operating income (EUR mn)

30. 6. 2023

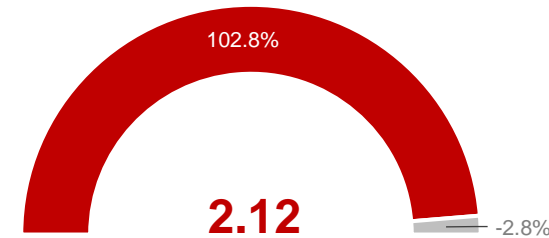
Net interest income



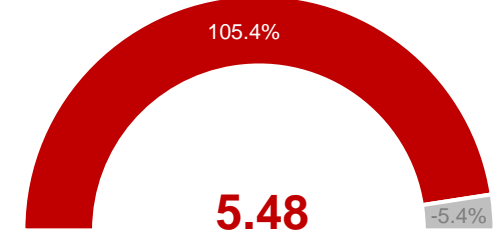
Net fee and commission income



Net trading loss



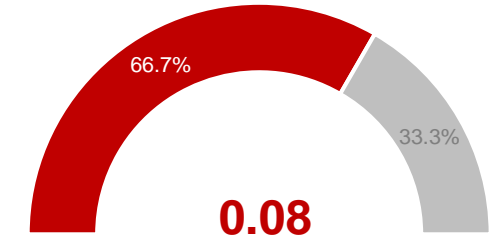
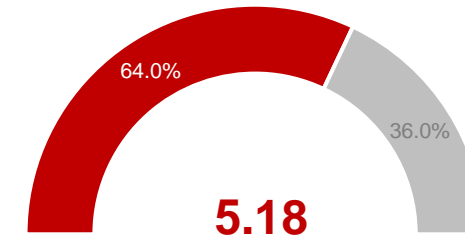
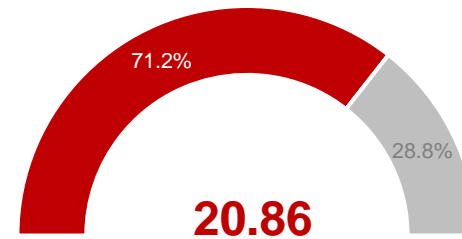
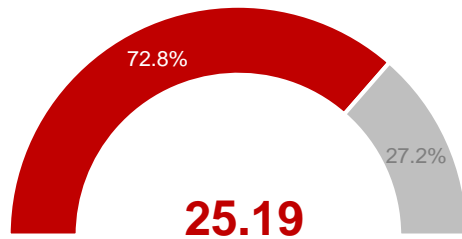
Net other income



Composition of operating expenses (EUR mn)

30. 6. 2023

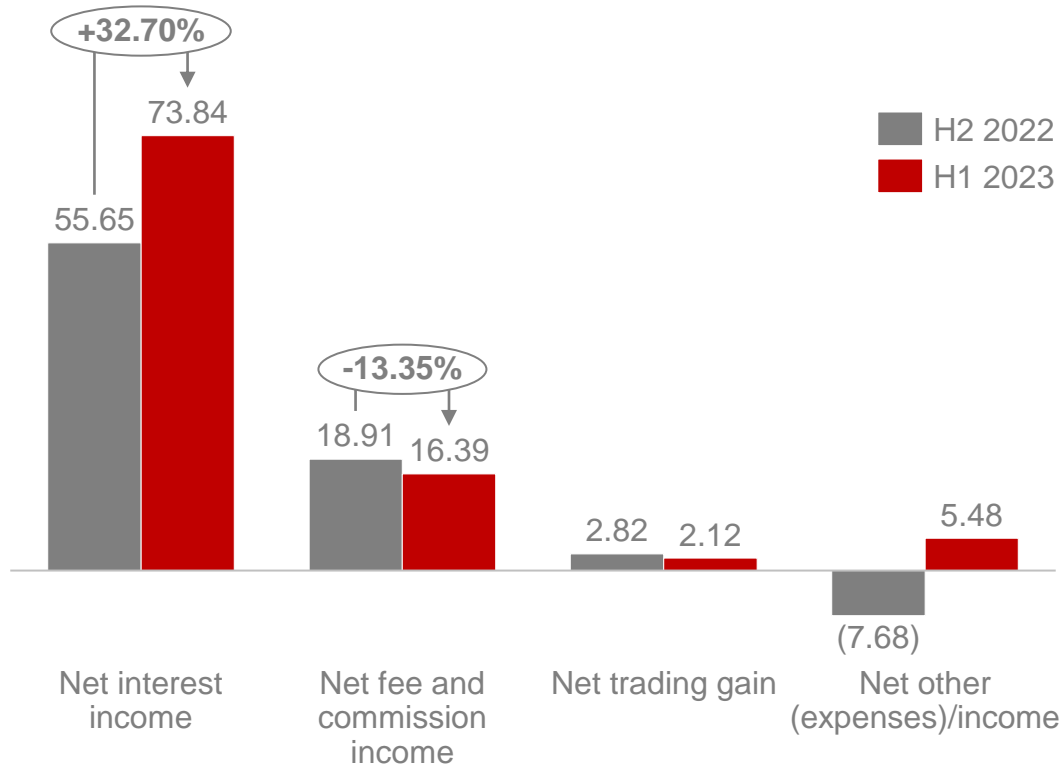
Depreciation



Impressive operating profit of EUR 46.53 mn in H1 2023

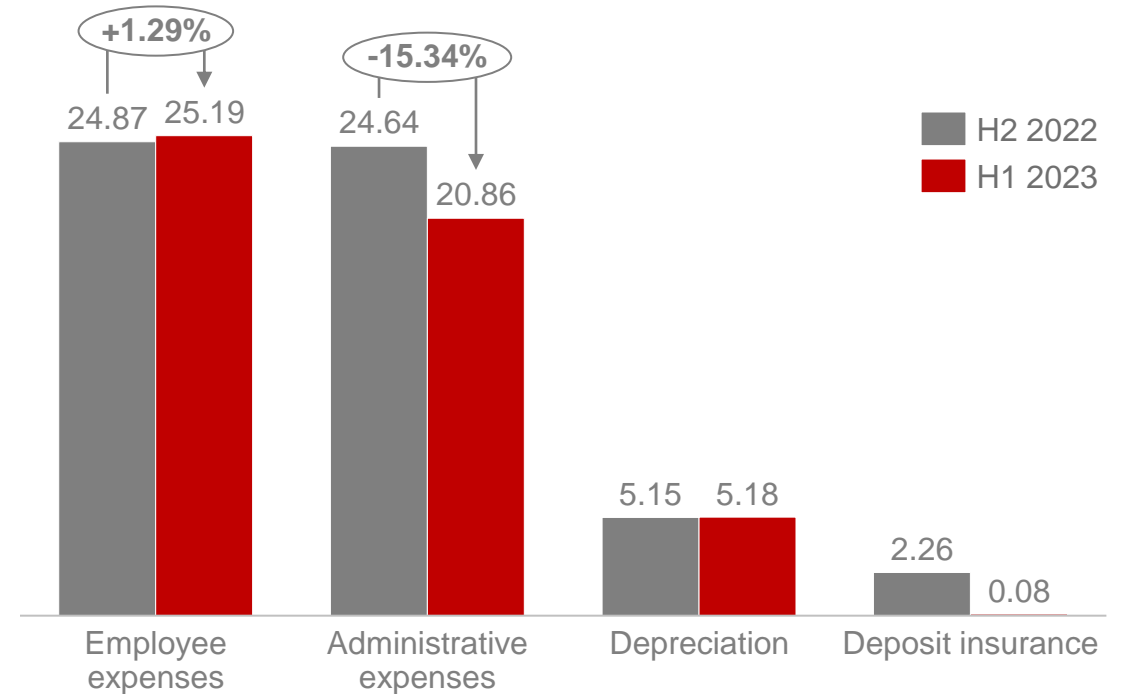
- Nova hrvatska banka has been an integral part of HPB Group since the date of acquisition, April 14, 2022, therefore, for the purpose of more precise data comparability, the structure of operating income and expenses is presented for the last two half-years (H2 2022 and H1 2023)

Composition of operating income (EUR mn)



- Net interest income follows the growth trend of the ECB's risk-free interest rate
- Net fee and commission income mostly influenced by the introduction of the euro
- 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)

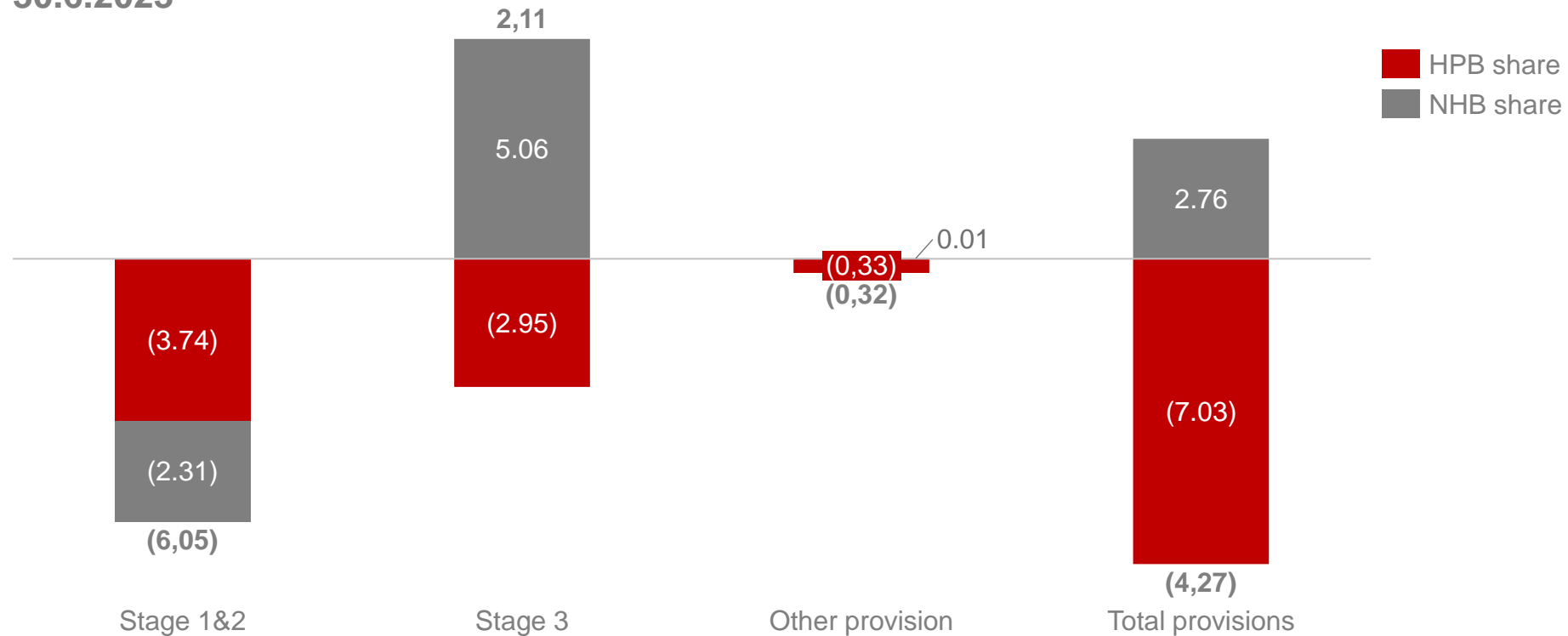


- Employee expenses follow labor market trends and salary adjustments due to ubiquitous inflation
- Administrative expenses reduced by 15.34% due to the euro introduction project, which had the biggest impact on costs in 2022

Structure of net provision expenses

(Reversal)/cost of provision (EUR mn)

30.6.2023



- In H1 2023, income from reversal of provision was realized on the performing loans (Stage 1&2) due to decrease of exposure and improvement of the credit quality of the performing loans
- Moderate provisions on the NPL portfolio (Stage 3), are the result of effective collection activities, despite the unfavorable macroeconomic environment
- Other provisions mostly refers to legal cases and have negligible share in total provisions in H1 2023

Historical level of assets of EUR 5.66 bn

		31.12.2022	30.6.2023
Liquid assets	EUR mn	1,513.85	1,678.51
Securities	EUR mn	866.99	884.70
Gross loans	EUR mn	3,312.43	3,236.49
Net loans	EUR mn	3,063.40	3,001.55
Other assets	EUR mn	96.62	98.89
Total assets	EUR mn	5,540.86	5,663.65
Deposits	EUR mn	4,644.34	4,633.64
Loan liabilities	EUR mn	325.07	399.97
Other liabilities	EUR mn	115.50	128.16
Total liabilities	EUR mn	5,084.90	5,161.76
Paid-in capital	EUR mn	161.23	161.23
Accumulated other comprehensive income	EUR mn	8.02	8.39
Retained earnings	EUR mn	72.29	198.72
Other reserves	EUR mn	87.86	87.86
Profit or loss for the year	EUR mn	(8.65)	45.69
Badwill (Gain on bargain purchase)	EUR mn	135.21	-
Equity and reserves	EUR mn	455.95	501.89
Loan-to-deposit ratio	%	65.96	64.78
NPL ratio	%	6.13	6.00
NPL coverage	%	75.11	71.71

HPB and NHB do not have significant exposure to entities in Belarus, Russia and Ukraine.

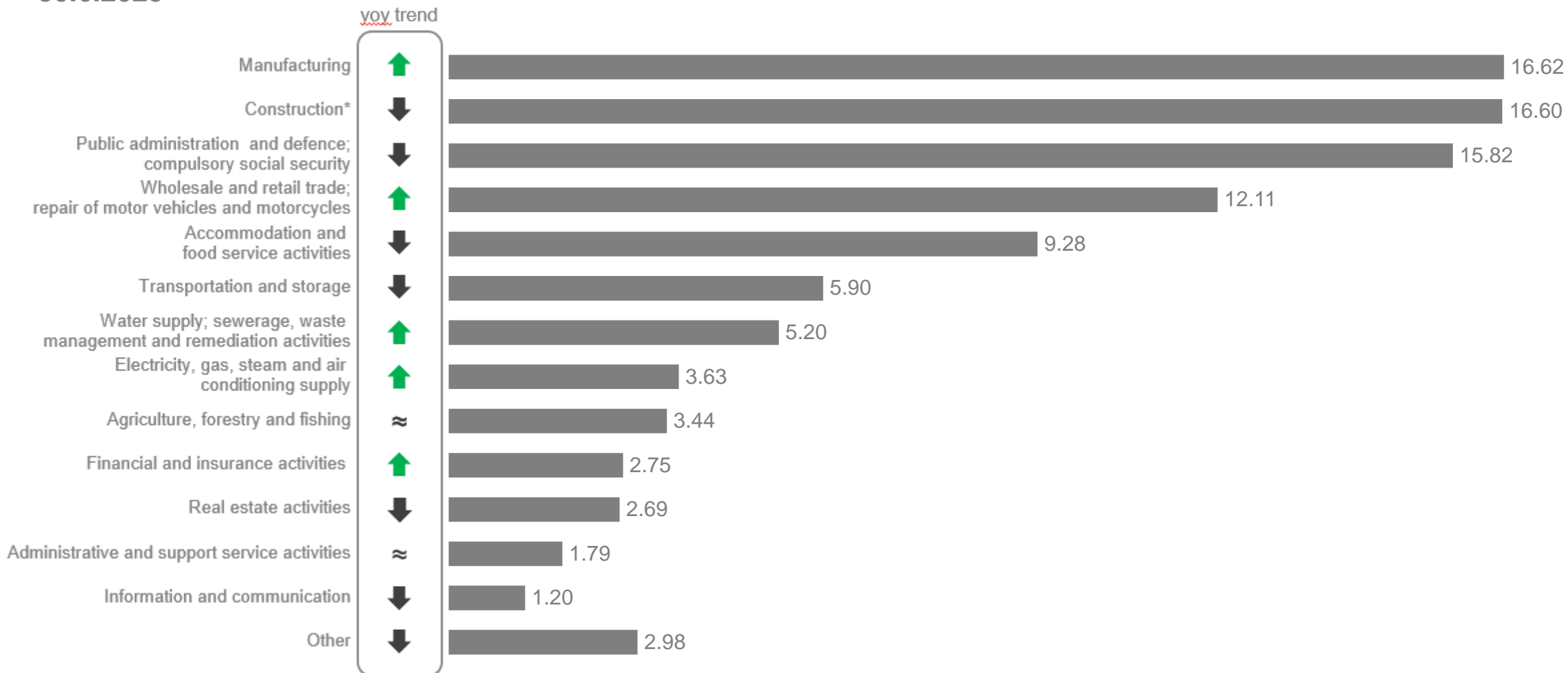
HPB Group implements all measures and continues to monitor changes in EU restrictive measures (sanctions), especially in the area of financial services

- Achieved historically highest level of Group assets with growth of 2.22% in the H1 2023
- The largest share of liquidity inflow kept in the form of cash and cash equivalents
- Gross loans in a slight decrease due to the necessary optimization of risk exposure in order to comply with the regulatory MREL requirement
- Part of the liquidity invested in bonds of the Republic of Croatia in the first issuance
- Deposits remained at a stable level compared to the year end 2022
- 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 the consolidated level is 19.27%, and pro-forma with H1 2023 net profit included is 21.38%
- HPB reached MREL at 37.31%, while on consolidated level MREL amounts 28.64% as of June 30, 2023 and is above the regulatory requirement set for the parent company of 27.08% (valid until December 31, 2023)

HPB Group is a reliable partner of Croatian economy

Corporate gross loans per industry (%)

30.6.2023

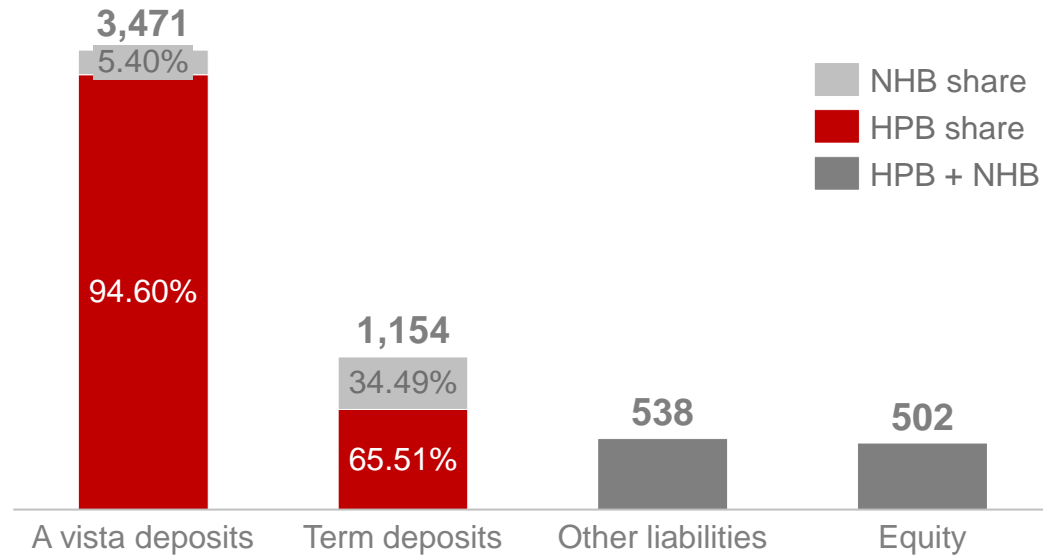


* Hrvatske autoceste are included in construction industry, with a share of 52.84% of the total exposure to that industry

Massive liquidity with a high reference LCR 193.32%

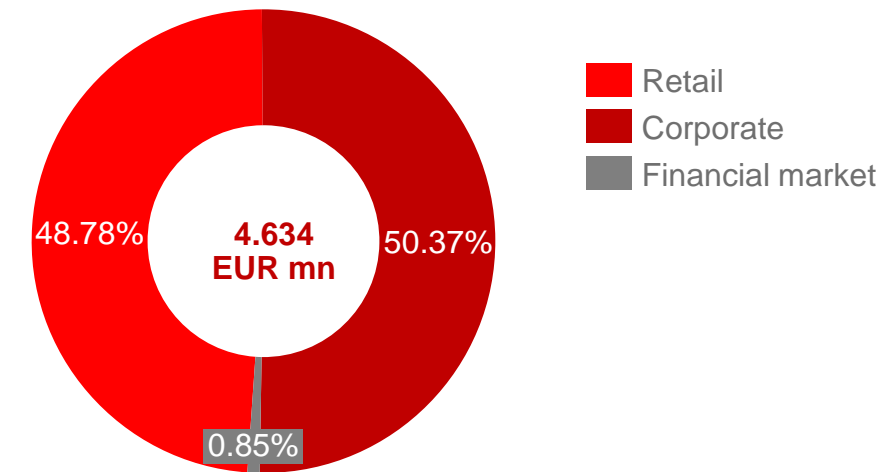
Composition of equity and liabilities (EUR mn)

30.6.2023

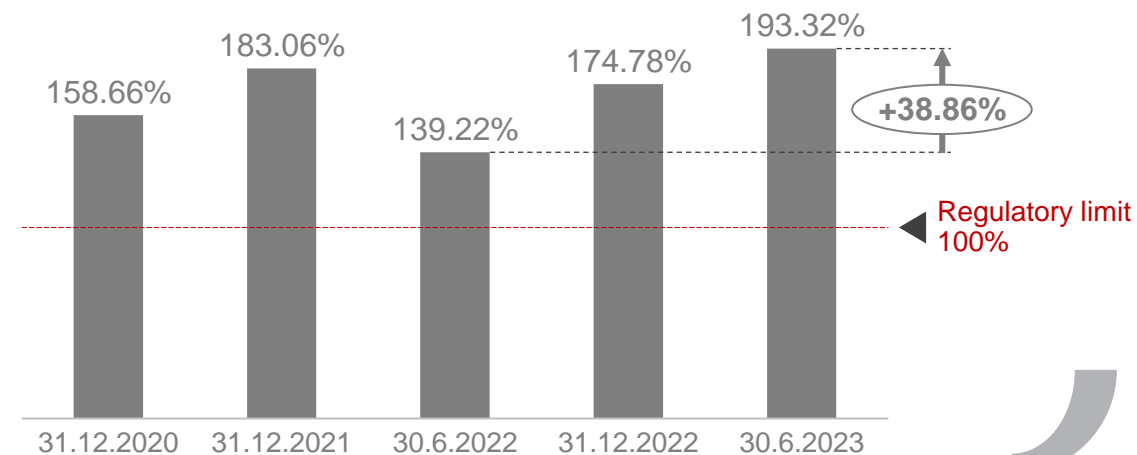


Deposit structure by segment

30.6.2023



LCR development



- Client deposits dominate the financing sources (81.65%); HPB's deposit structure is dominated by a vista deposits (81.29%), while NHB's structure is dominated by term deposits (67.97%)
- The liquidity position measured by the LCR, which had been deteriorated by significant outflow of NHB deposits (prior to the purchase by HPB), recovered to levels significantly above regulatory limits