



HRVATSKA POŠTANSKA BANKA

HPB Group 3M 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.
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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.

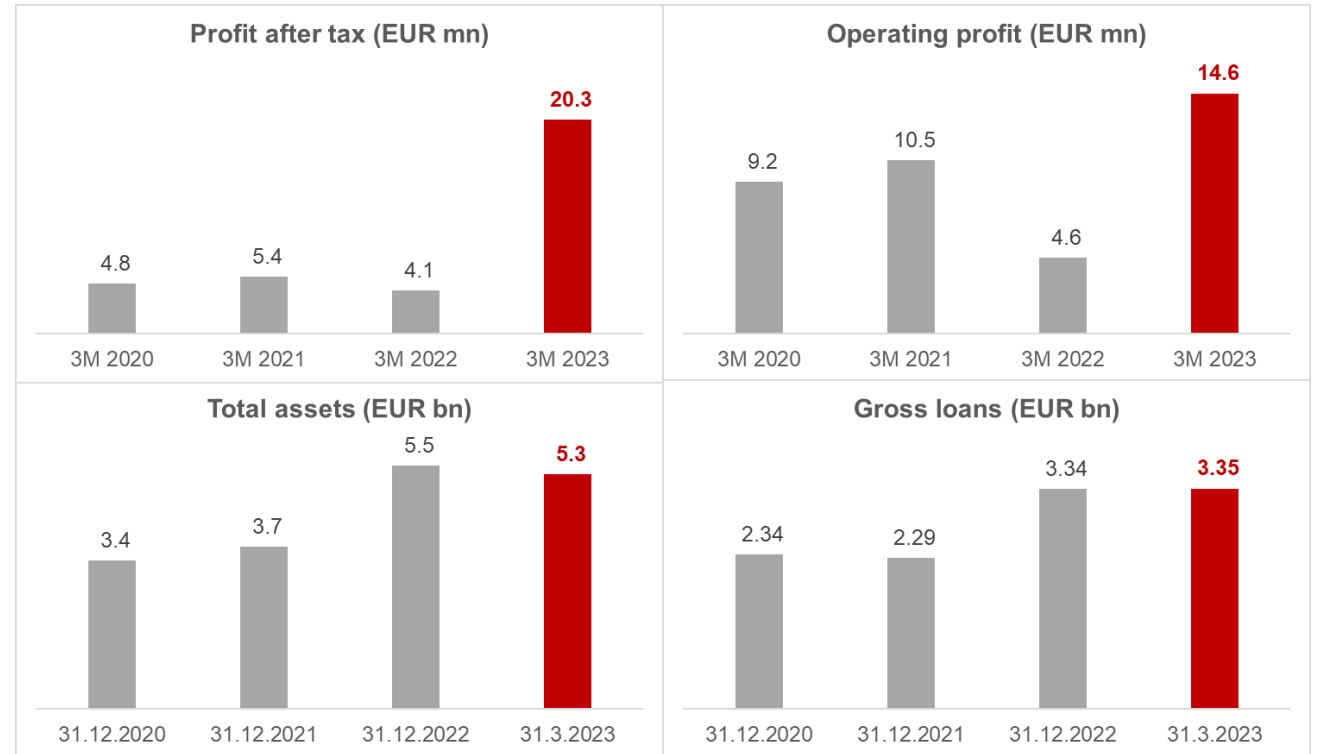
1 Executive Summary

2 Macroeconomic environment

3 Financials

The best quarter in the Group's history

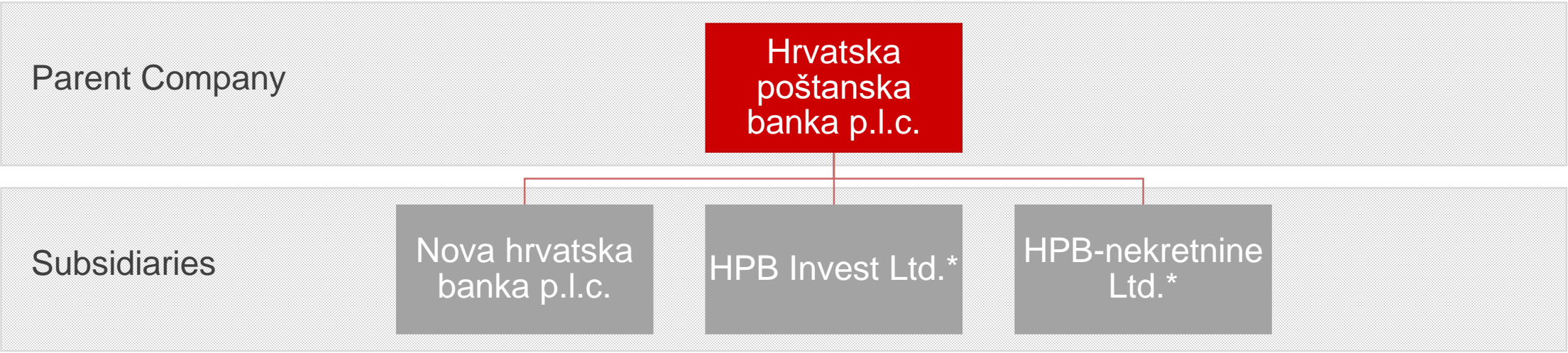
- Operating profit with high-quality credit portfolio management is the main driver of the historically highest **net profit** in the amount of **EUR 20.3 mn**
- **The Group's assets** amount to **EUR 5.3 bn** and are in line with the market trends of the system after the introduction of the euro
- **Excellent underwriting process** resulted in a low level of NPL ratio (6.2%) and coverage significantly above the market level (75.4%)
- Successfully **completed the process of merging Pronam nekretnine d.o.o.** the parent company
- **Expected legal merger of NHB** in the second half of 2023 in accordance with the approval of the regulator
- In April, **the first independent Sustainability Report for 2022** was published, which shows the activities, contributions and sustainability goals of the HPB Group



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

Obtained green light for merger of NHB

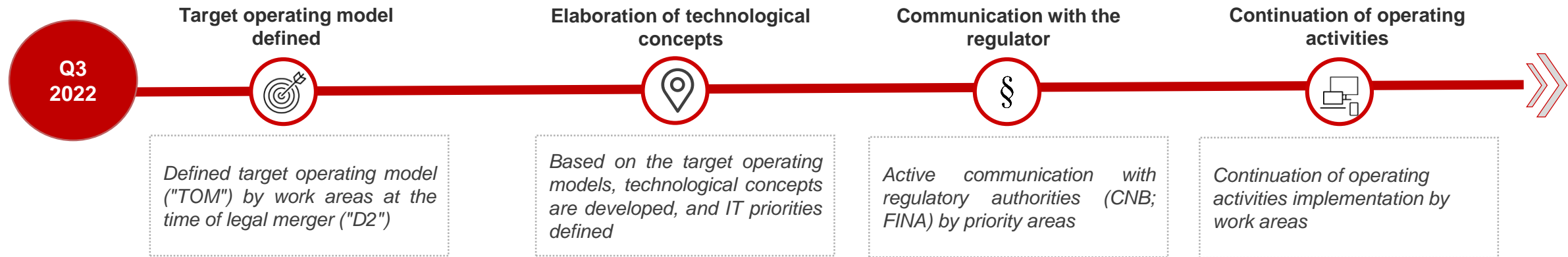
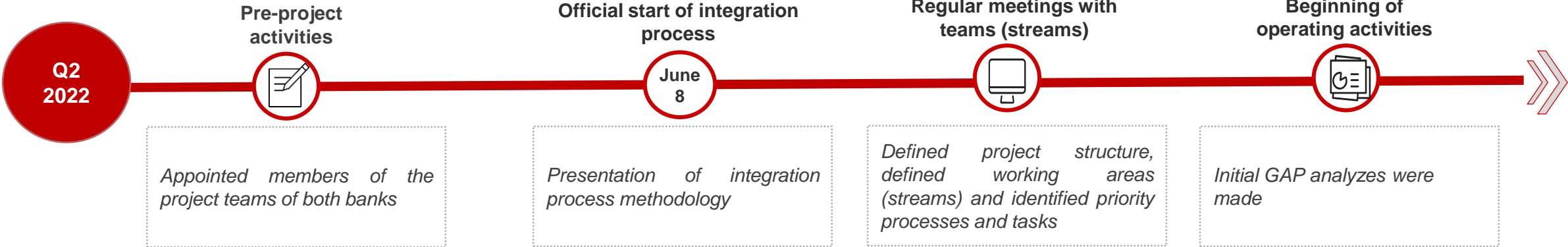
- **On April 12, 2023, the Croatian National Bank approved the merger of Nova Hrvatska banka** following the Merger Agreement signed by HPB and NHB on March 1, 2023, which continues the project activities that are a prerequisite for the legal merger to be technically secured and implemented
- **The merger process of Pronam Nekretnine d.o.o. has been completed**, which as of March 15, 2023 operates as an integral part of Hrvatska poštanska banka in accordance with the approval of the regulator, Hrvatska narodna banka from March 6, 2023
- HPB Group structure is presented below:



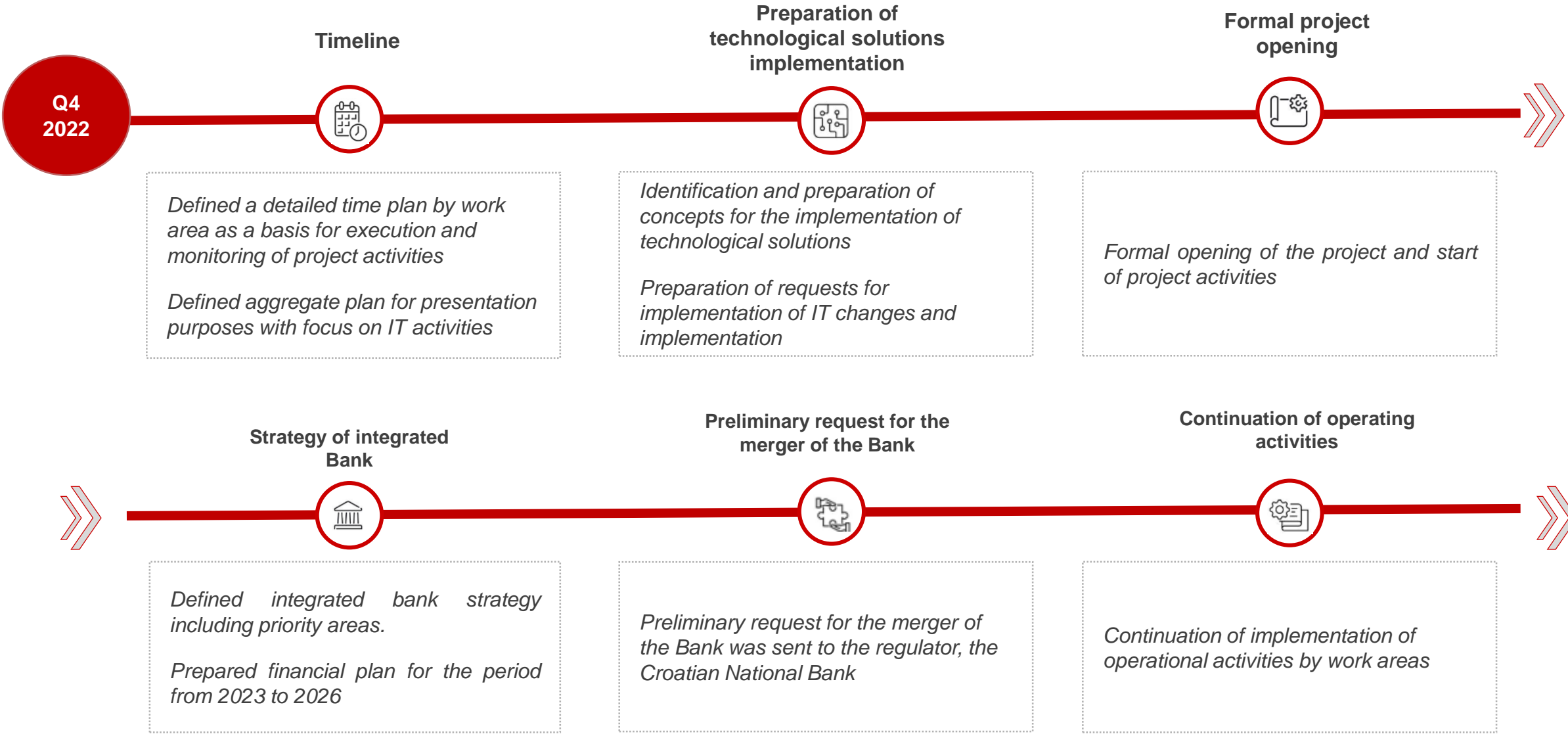
**Consolidated unaudited financial statements include the financial result of HPB and NHB, while other subsidiaries are exempted from consolidation in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance in these financial statements.*



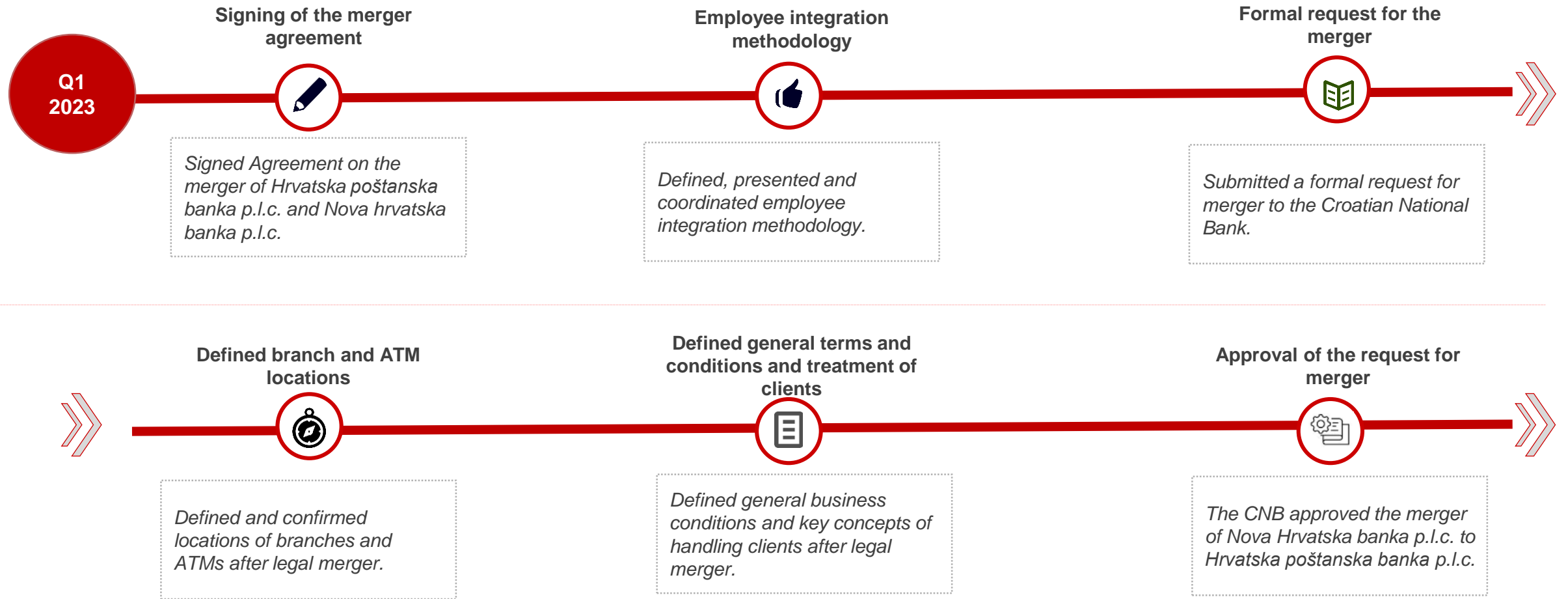
Timeline of NHB's integration activities



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Timeline of NHB's integration activities

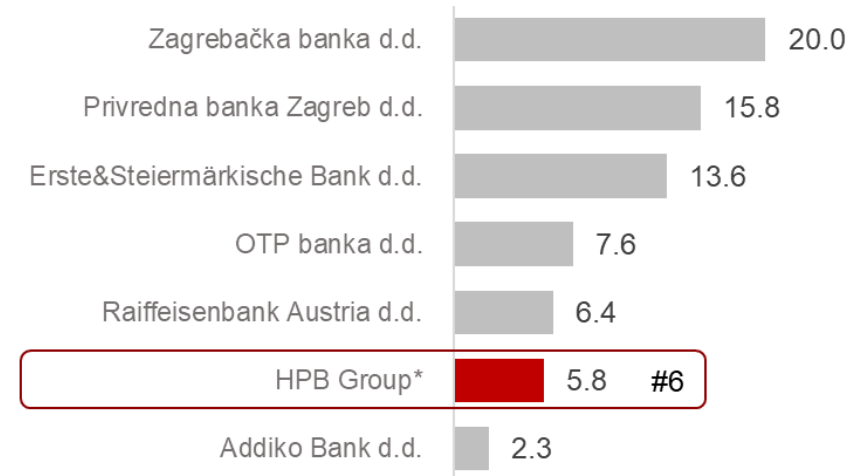


Q1 2023 key indicators

		30.6.2022	30.9.2022	31.12.2022	31.3.2023
Assets	EUR mn	5,033	5,478	5,541	5,333
Net loans to customers	EUR mn	2,908	3,011	3,063	3,058
Deposits	EUR mn	4,121	4,613	4,644	4,420
Equity	EUR mn	444	441	456	477
NPL ratio	%	6.9	6.3	6.1	6.5
NPL coverage	%	74.4	76.5	75.1	75.2

		Q3 2022	Q4 2022	Q1 2023
Total income	EUR mn	54.0	52.2	56.8
Operating income	EUR mn	13.0	(0.3)	17.1
Net profit	EUR mn	7.5	(22.4)	20.5

Market share by total assets as of 31.12.2022 (in EUR bn)

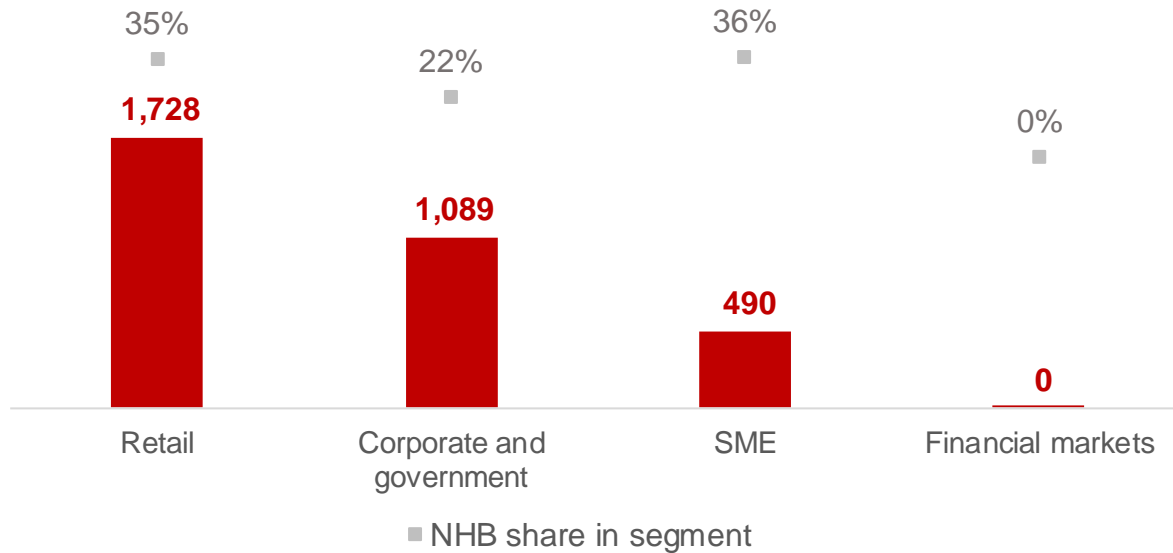


* Include consolidated data HPB + NHB as of 31.12.2022

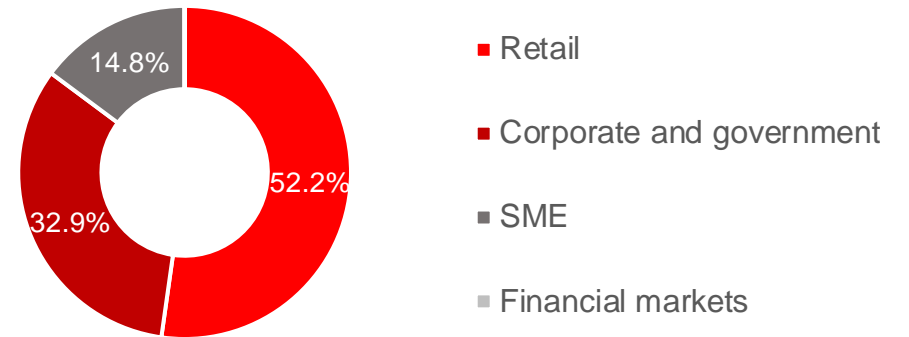
- Robust liquidity of the Group with a high reference ratio - consolidated LCR 175.6
- Total income increased by EUR 5 mn compared to the previous quarter, which is a reflection of the strong growth of interest income (core business) due to the increase in reference interest rates by the European Central Bank and intensive acquisition activities in previous periods
- As a result of increased income, the cost-to-income ratio improved significantly
- Operating profit with prudent credit risk management, the main driver of realized net profit in the amount of EUR 20.5 mn

Gross loan portfolio structure

Gross loans by segment (in EUR mn)



Gross loan structure by segment
31.3.2023



- Development of gross loan portfolio on 2022 level
- **Gross retail loans dominate the total loans**, which is the result of the parent company's strategic focus on this segment of clients

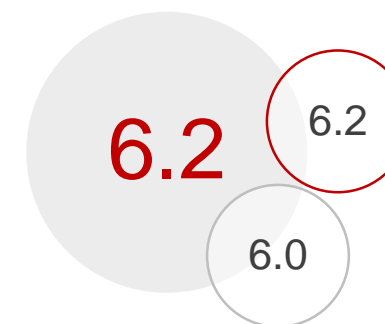
Quality loan portfolio with a high NPL coverage

		30.6.2022	30.9.2022	31.12.2022	31.3.2023
Exposure (total loans) **	EUR mn	4,180	4,574	4,697	4,721
Total NPL stock	EUR mn	290	287	288	291
NPL %	%	6.9	6.3	6.1	6.2
Loss allowance for loans	EUR mn	(261)	(267)	(271)	(273)
NPL provision	EUR mn	(215)	(219)	(216)	(219)
PL provision	EUR mn	(45)	(48)	(54)	(53)
NPL Coverage	%	74.4	76.5	75.1	75.4
NPLs not covered by provisions	EUR mn	29	20	17	18
CET 1	EUR mn	306	305	345	449
Uncovered NPLs to CET 1	%	9.5	6.4	5.0	3.9

Source FINREP regulatory reporting

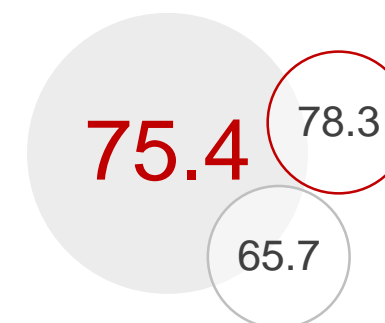
- Achieved a solid NPL share of 6.2%, with an unchanged NPL level despite the challenging economic environment, the transition to a client approach in the previous year, mainly due to the negligible entry of new exposures into the NPL portfolio
- NPL coverage significantly above Croatian market average

NPL ratio (in %)



Market NPL ratio* 3.0%

NPL coverage (in %)



Market NPL coverage* 67.0%

○ HPB ○ NHB

* as at 31.12.2022

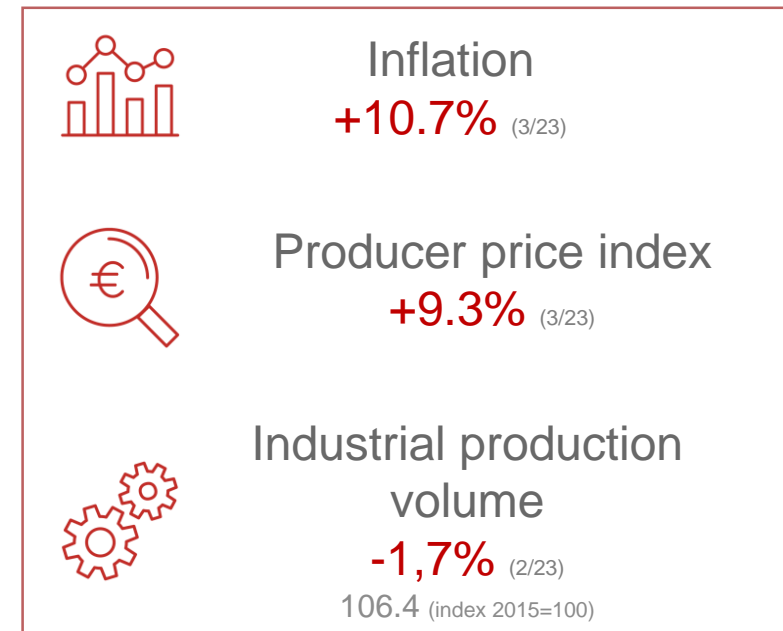
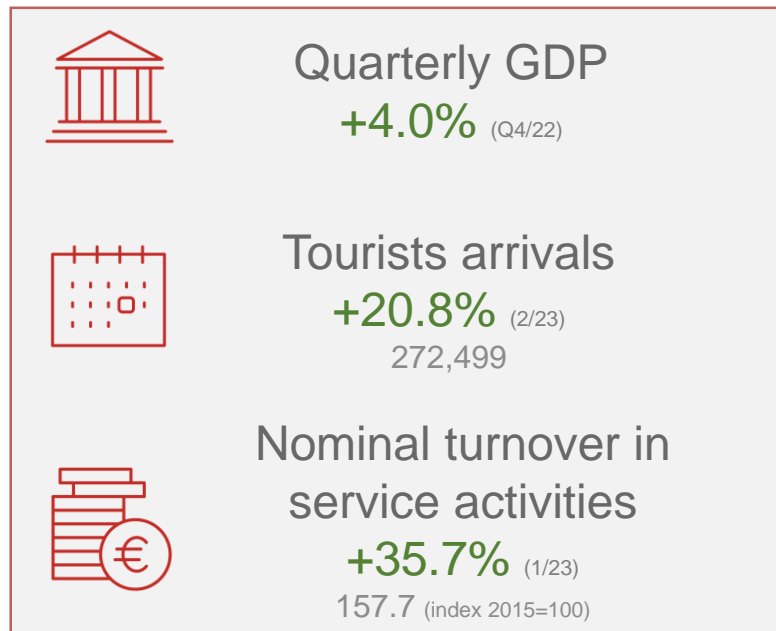
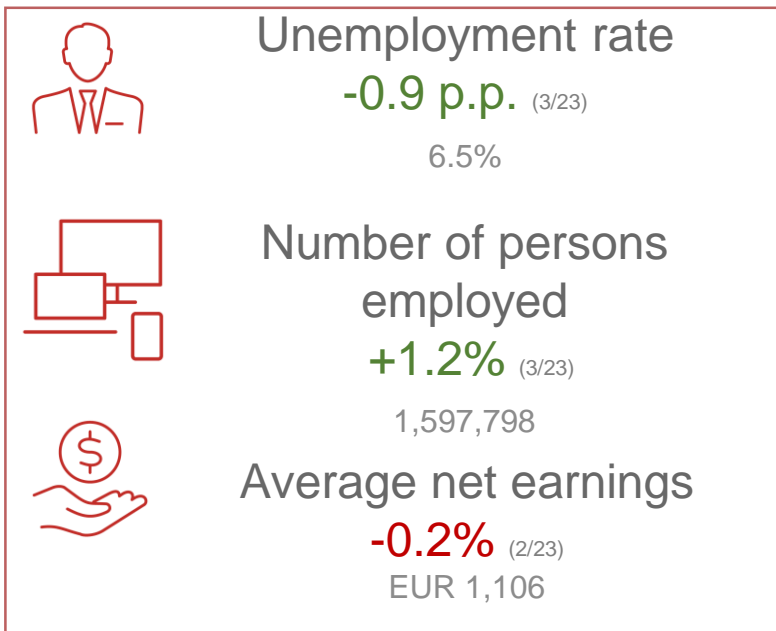
** Total loan exposure includes funds in central banks and other demand deposits as well as gross interest, fees and other receivables that are not included in management report

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Economic indicators (y-o-y)

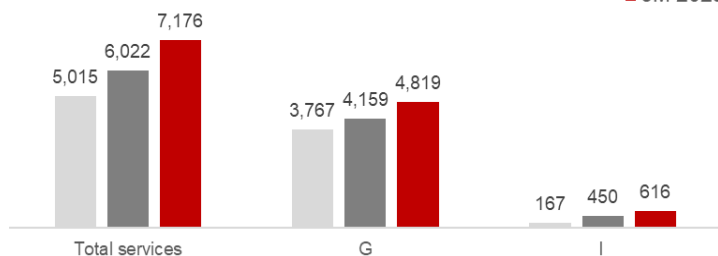


Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (December 2022, January, February and March 2023)

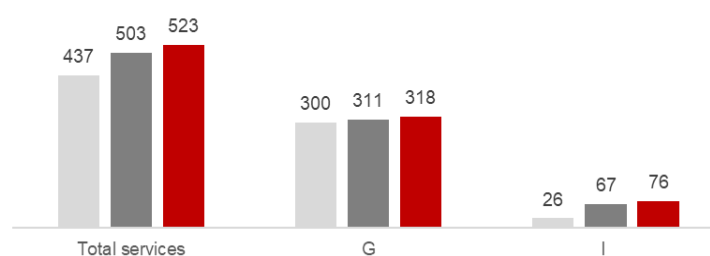
Fiscalization system data

Account balance* (in EUR bn)

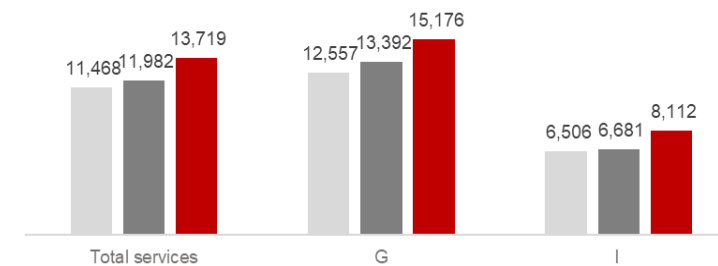
■ 3M 2021
■ 3M 2022
■ 3M 2023



Number of accounts* (in mn)



Average account balance* (in EUR)



*Source: <https://www.porezna-uprava.hr/Dokumenti> (data for 3M 2021, 2022 and 2023)

"G- WHOLESALE AND RETAIL TRADE OF MOTOR VEHICLES AND MOTORCYCLES, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES "
"I- ACCOMMODATION AND FOOD SERVICE ACTIVITIES "

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Realized net profit of EUR 20.5 mn

		3M 2020	3M 2021	3M 2022	3M 2023*
Net interest income	mil eur	18.3	18.0	16.7	34.7
Net fee income	mil eur	5.6	5.5	5.8	7.7
Net trading income/(expense)	mil eur	0.7	2.0	(1.7)	0.8
Net other income/(expense)	mil eur	0.1	(0.4)	(0.4)	(0.7)
Operating income	mil eur	25.8	25.0	20.4	42.5
Employee expenses	mil eur	(7.3)	(7.6)	(8.0)	(12.1)
Administrative expenses	mil eur	(6.2)	(5.7)	(6.3)	(10.0)
Depreciation	mil eur	(1.9)	(1.4)	(1.6)	(2.6)
Deposit insurance	mil eur	(1.3)	(0.4)	(0.5)	(0.6)
Operating expenses	mil eur	(16.7)	(15.1)	(16.4)	(25.3)
Operating profit	mil eur	9.1	9.9	4.0	17.1
Provisioning	mil eur	(4.0)	(3.4)	0.0	3.5
Net profit	mil eur	4.7	5.4	0.0	20.5
Cost-to-income ratio	%	64.6	60.5	80.4	59.6
Return on asset (ROA)	%	0.6	0.6	0.4	1.5
Return on equity (ROE)	%	6.1	6.4	4.8	17.2

* includes consolidated result of HPB + NHB

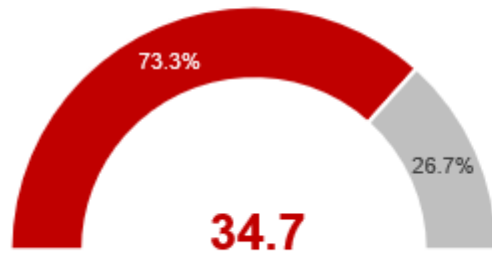
- **Realized net profit of HPB Group of EUR 20.5 mn** due to the contribution of the parent company (EUR 18 mn), with the positive effect of the provision on the quality underwriting process and efficient collection of NPLs
- Net interest income increased by EUR 5.5 mn (+19.1%) compared to the previous quarter, primarily due to the increase in the reference risk-free interest rates of the ECB
- Net fee and commission income in the first quarter amounted to EUR 8.2 mn, which is EUR 500 ths less compared to the previous quarter, and is the result of lower income from cash transactions in the large corporate and the public sector segment and SME segment which is the usual seasonal movement
- Realized profit from trading and securities and FX valuation in EUR 780 ths, of which in the FX segment a profit of EUR 527 ths, and in the securities segment a profit of EUR 253 ths due to a slight recovery of the capital market
- No income tax is presented in Q1 2023 because the tax shield is expected to be used for NHB's tax loss carryforwards from 2022 after the merger is implemented
- Effective management of operating costs (-23.8%) resulted in an excellent operating result in Q1 2023 of EUR 17.1 mn

Financial potential of HPB Group

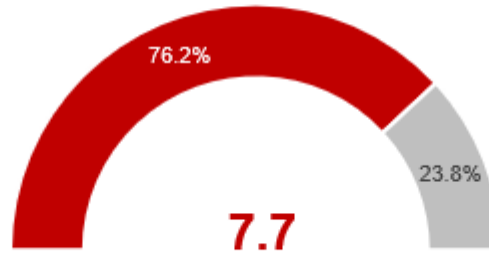
Composition of operating income (in EUR mn)

31.3.2023

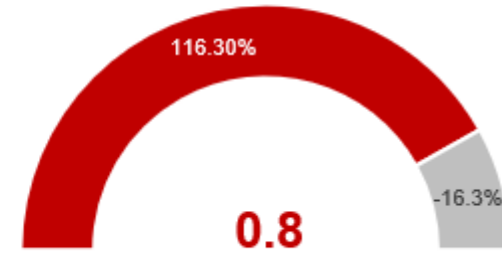
Net interest income



Net fee and commission income



Net trading loss

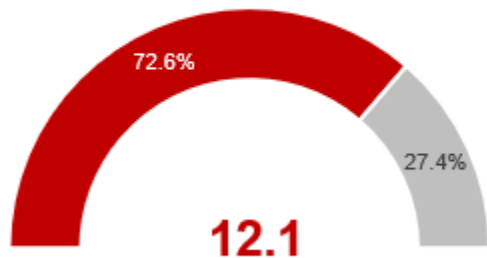


- Net other expenses amounts to EUR 0.7 mn and refers mostly to write-offs, asset impairment and acquisition costs

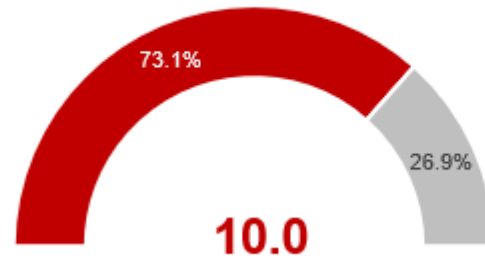
Composition of operating expenses (in EUR mn)

31.3.2023

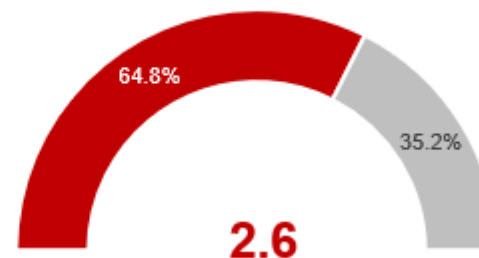
Employee expenses



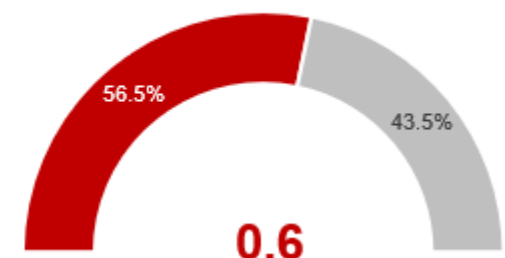
Administrative expenses



Depreciation



Deposit insurance

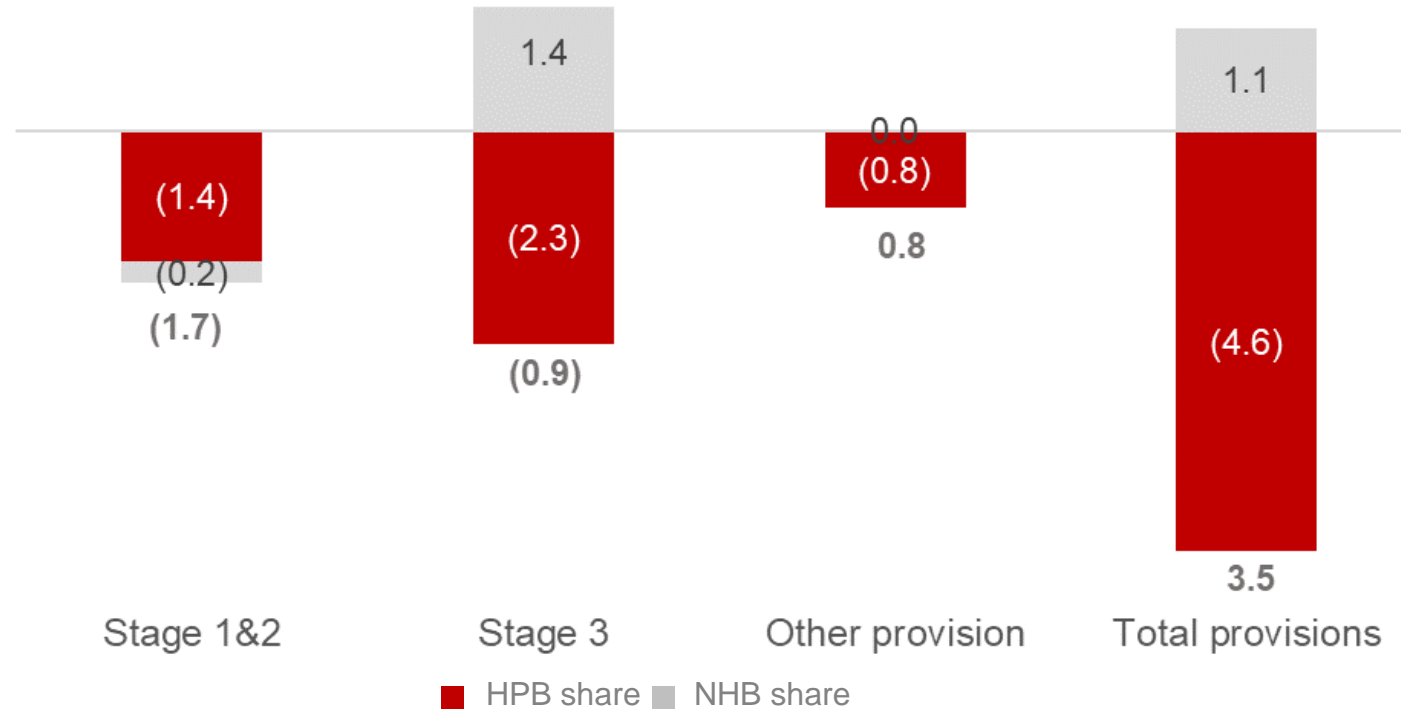


■ HPB share ■ NHB share

Structure of net provision expenses

(Reversal)/cost of provision (in EUR mn)

31.3.2023



- Stage 1&2 follow the regular movement of the portfolio; stage 3 under the influence of successful collection activities despite the decline in assets
- Other provisions mostly refer to regular provisions for legal cases. In the first quarter of 2023, the parent company generated income from suspensions of legal proceedings provisions for a legal case adjudicated in the bank's favor in the amount of EUR 1 mn

Asset level at EUR 5.3 bn

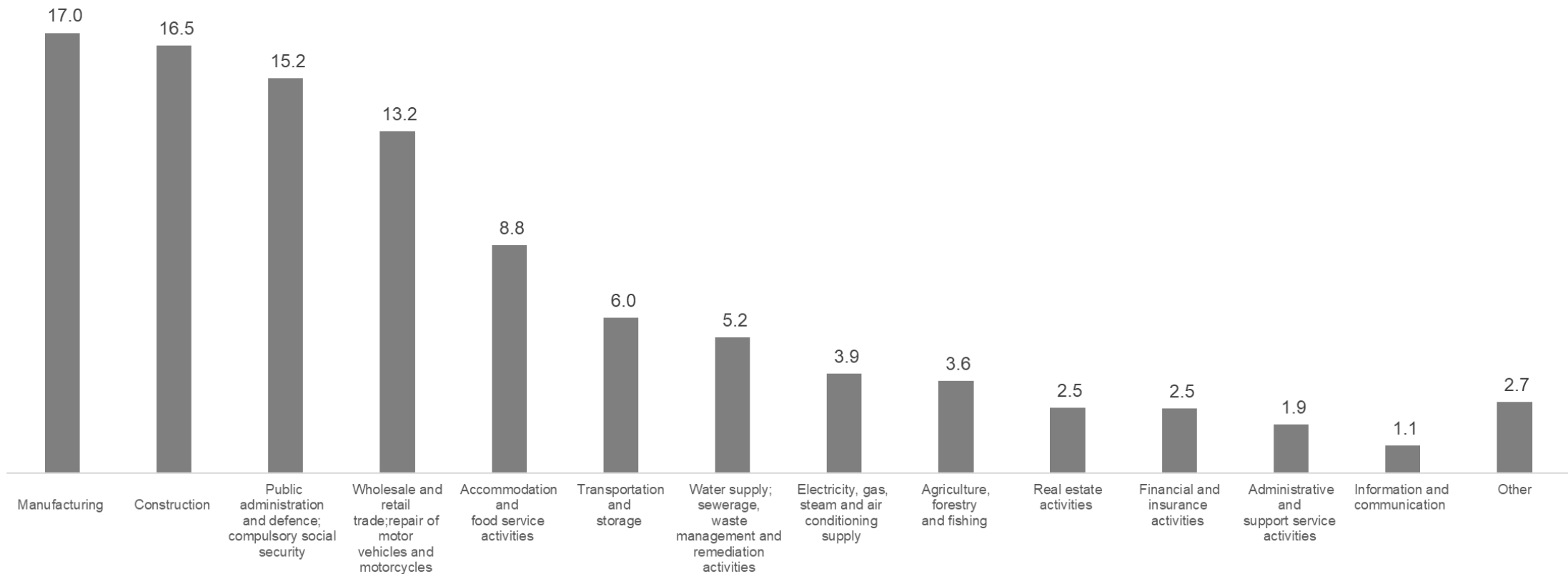
		30.6.2022	30.9.2022	31.12.2022	31.3.2023
Liquid assets	EUR mn	1,206	1,542	1,514	1,291
Securities	EUR mn	809	807	867	878
Gross loans	EUR mn	3,149	3,257	3,312	3,308
Net loans	EUR mn	2,908	3,011	3,063	3,058
Other assets	EUR mn	110	118	97	106
Total assets	EUR mn	5,033	5,478	5,541	5,333
Deposits	EUR mn	4,121	4,613	4,644	4,420
Loan liabilities	EUR mn	357	314	325	323
Other liabilities	EUR mn	111	109	115	113
Total liabilities	EUR mn	4,589	5,036	5,085	4,856
Paid-in capital	EUR mn	161	161	161	161
Accumulated other comprehensive income	EUR mn	(17)	(27)	8	8
Retained earnings	EUR mn	65	70	72	199
Other reserves	EUR mn	93	88	88	88
Profit or loss for the year	EUR mn	6	14	(9)	20
Badwill (Gain on bargain purchase)	EUR mn	135	135	135	-
Equity and reserves	EUR mn	444	441	456	477
Loan-to-deposit ratio	%	70.6	65.3	66.0	69.2
NPL ratio	%	6.9	6.3	6.1	6.5
NPL coverage	%	74.4	76.5	75.1	75.2

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 0.04% and off-balance sheet 0.20%)

- The group's assets are at the 2022 level and in line with market trends after the introduction of the euro
- A high-quality loan portfolio resulted in a low level of NPL share (6.2%) and coverage significantly above the market level (75.4%)
- Increase in securities due to the purchase of government bonds
- By merging Pronam Nekretnina d.o.o. the Bank acquired ownership of three office buildings, which is recorded in the position of other assets (EUR +7.7 mn)
- 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 19.09%, and pro-forma with Q1 2023 net profit included is 20.03%

HPB Group continues to support the Croatian economy

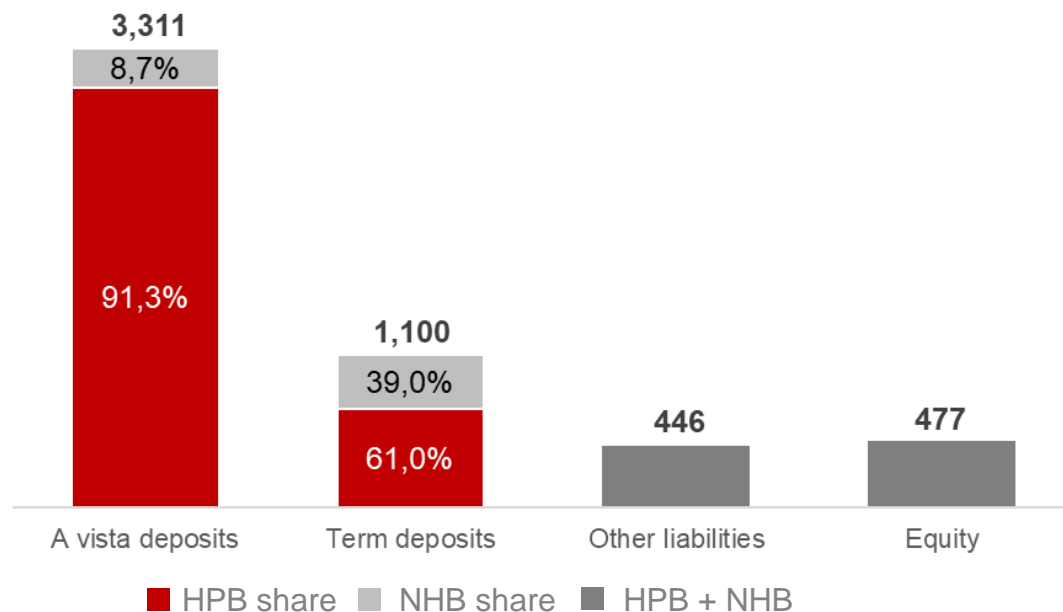
Corporate gross loans per industry (in %)
31.3.2023



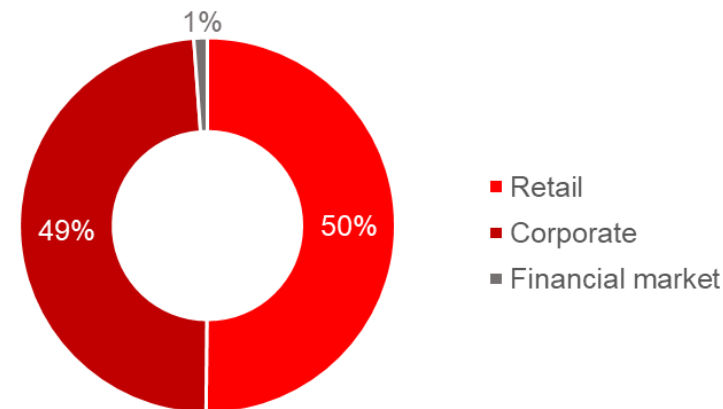
* Hrvatske autoceste are included in construction industry, with a share of 51.8% of the total exposure to that industry

Robust liquidity of the Group

Composition of equity and liabilities (in EUR mn)
31.3.2023



Deposit structure
31.3.2023



- **High share of client deposits (82.7%) in financing sources;** HPB's deposit structure is dominated by a vista deposits (81.0%), while NHB's deposit structure is dominated by term deposits (57.3%) due to longer fixed terms and attractive interest rates
- 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 previous year with the aim of maintaining the prescribed levels of regulatory requirements