



HRVATSKA POŠTANSKA BANKA

HPB d.d. H1 2021

Investor information



HRVATSKA POŠTANSKA BANKA d.d.

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<i>LEI</i>	529900D5G4V6THXC5P79
<i>Home Member State of Issuer</i>	Republic of Croatia
<i>ISIN</i>	HRHPB0RA0002
<i>Stock Exchange Identifier</i>	HPB-R-A
<i>Regulated Market/ Segment</i>	Zagreb Stock Exchange Inc. Official Market

Zagreb, July 30th, 2021.

No: F21-5/2021-TB

Zagreb Stock Exchange Inc.

Croatian Financial Services Supervisory Agency (“HANFA”)

Croatian News Agency OTS HINA

Subject: HRVATSKA POŠTANSKA BANKA, p.l.c.
- Other non-regulated information

Hrvatska poštanska banka, p.l.c. announces Investor’s materials for the period ended June 30st, 2021.

Hrvatska poštanska banka, p.l.c.

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. (hereinafter referred to as the Bank 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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1 Executive Summary

2 Macroeconomic environment

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Best H1 performance in our 30-year history

Highest H1 net profit ever

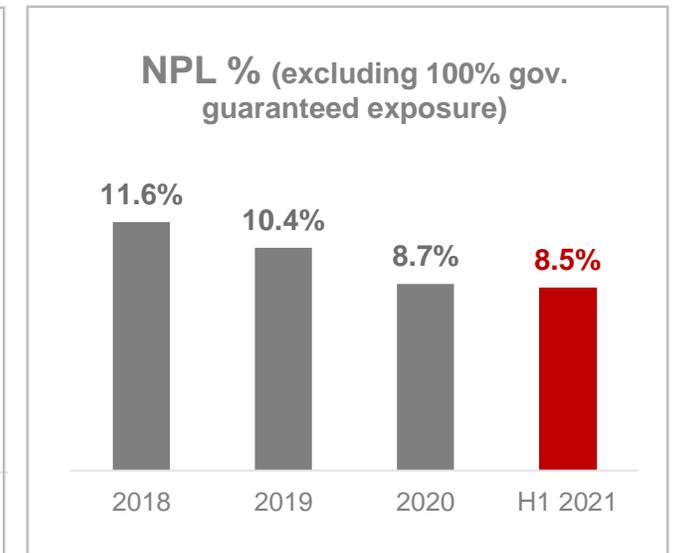
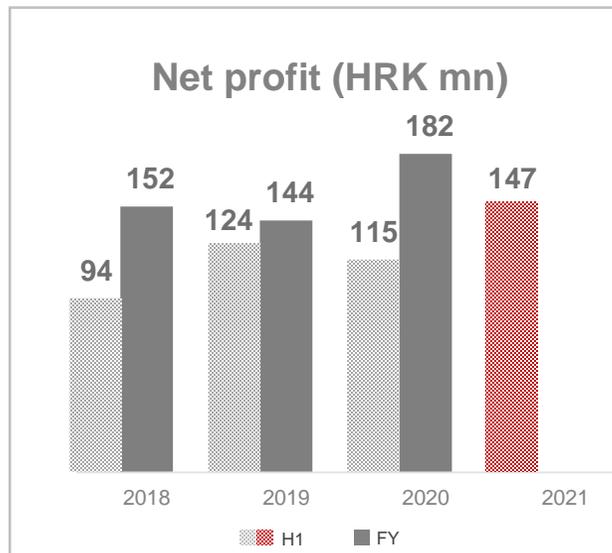
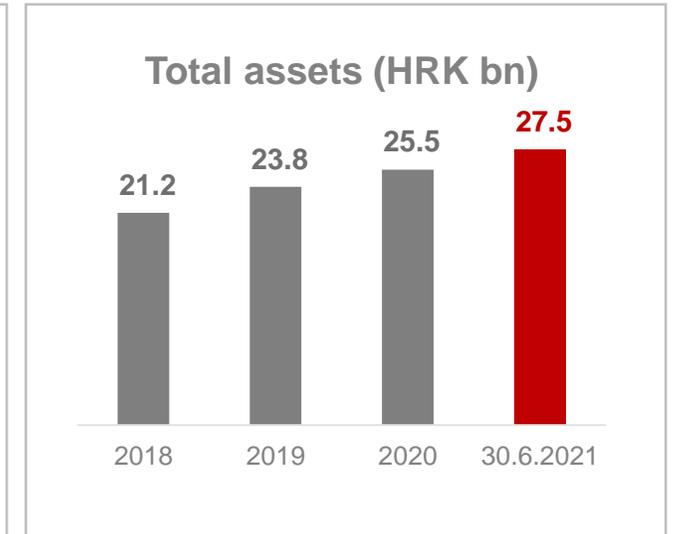
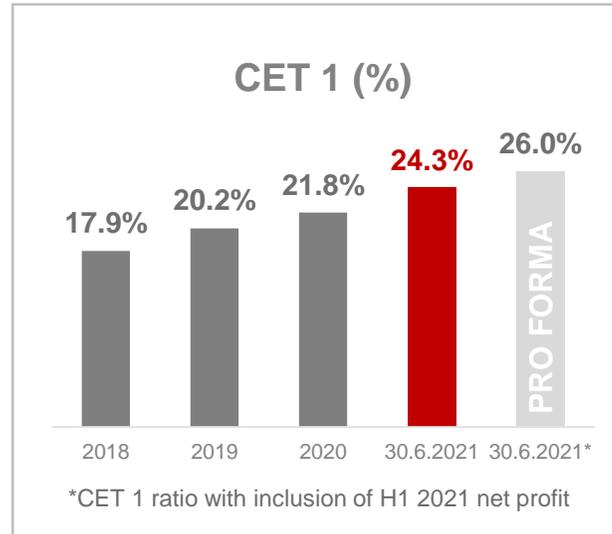
- Managed to preserve the absolute volume of net interest income, despite margin pressure;
- Net fee income +7.0% vs. H1 20;
- Improved cost-to-income ratio at 57.4% (-6.4 p.p. vs. H1 20).**

Continuously strong capital position

- Highest CET1 in recent history;**
- Continuous favourable trend in capital light performing portfolio and optimisation of RWA;
- We continue to **fortify** our position by harnessing efficiencies in our **risk and interest profile.**

Almost HRK 2 bn assets growth in 2021

- Strengthened market position;
- Improved loan portfolio quality.



- Income statement items are shown in cumulative from start of the period until the reporting date; 6M = cumulative 1.1.2021 – 30.6.2021
- Balance sheet items are shown as at reporting date; 31.12.2020 and 30.6.2021

Key Financials 2021

Operating profit (in HRK mn)



Growth driven by increase in net fee income & trading income, and reduction of deposit insurance premium.

Gross loans (in HRK mn)



Increase of housing loans exceeded by decrease in central government and corporate segment.

Profit after tax (in HRK mn)



In addition to drivers generating higher operating profit, the provisioning effect is positive with neutral effect in 6M 2021 due to improved portfolio quality and regular legal provisioning.

CET 1 capital ratio (in %)



Elevated capital position.

*Pro forma CET 1 ratio with inclusion of H1 21 profit after tax

- Income statement items are shown in cumulative from start of the period until the reporting date; 6M = cumulative 1.1.2021 – 30.6.2021
- Balance sheet items are shown as at reporting date; 31.12.2020 and 30.6.2021

Excellent performance in H1 2021

		2019	2020	H1 2020	H1 2021	*
Assets	HRK mn	23,844	25,500	25,114	27,494	▲
Net loans to customers	HRK mn	13,341	14,725	14,175	14,637	▼
Deposits	HRK mn	20,069	21,214	20,934	22,470	▲
Equity	HRK mn	2,370	2,473	2,368	2,604	▲
Income	HRK mn	1,227	1,121	550	565	▲
Net profit	HRK mn	144	182	115	147	▲
Cost-to-income ratio	%	61.3	64.1	63.8	57.4	▼
Return on equity (ROE)	%	6.1	7.4	9.7	11.3	▲
CET 1 capital ratio	%	20.2	21.8	19.6	24.3	▲
NPL ratio	%	10.8	10.4	11.0	10.0	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	10.4	8.7	9.6	8.5	▼
NPL coverage	%	67.5	62.2	61.6	60.6	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	70.0	74.2	71.7	71.6	▼

* Income statement items and comparatives are shown in cumulative from start of the period until the reporting date; 6M = cumulative 1.1.2021 – 30.6.2021

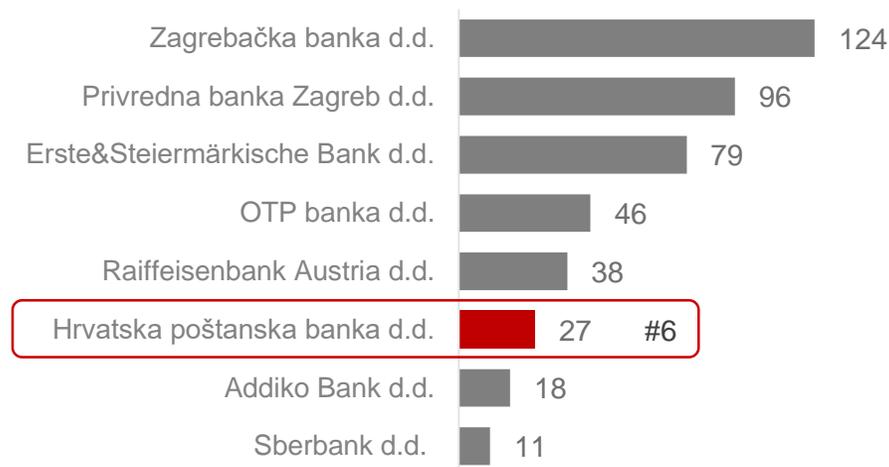
Balance sheet items and comparatives are shown as at reporting date; 31.12.2020 and 30.6.2021

- Organic growth continued despite COVID-19;
- Some clients had an increased UTP** or SICR*** caused by COVID-19 which resulted in higher loss allowance or switching to NPL, but there is still no breakthrough in DPD;
- Improved NPL ratio as a result of effective collections approaches.

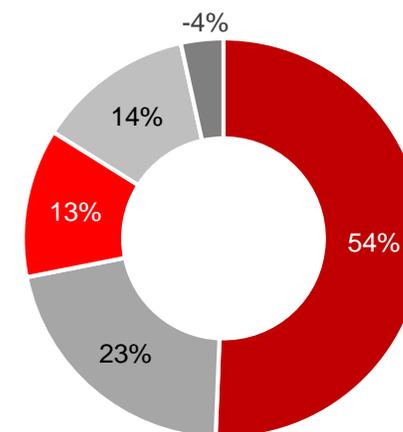
** UTP=Unlikely to pay

*** SICR=Significant increase in credit risk

Market share by total assets as of 31.03.2021 (in HRK bn)



Composition of Net profit as of 30.6.2021

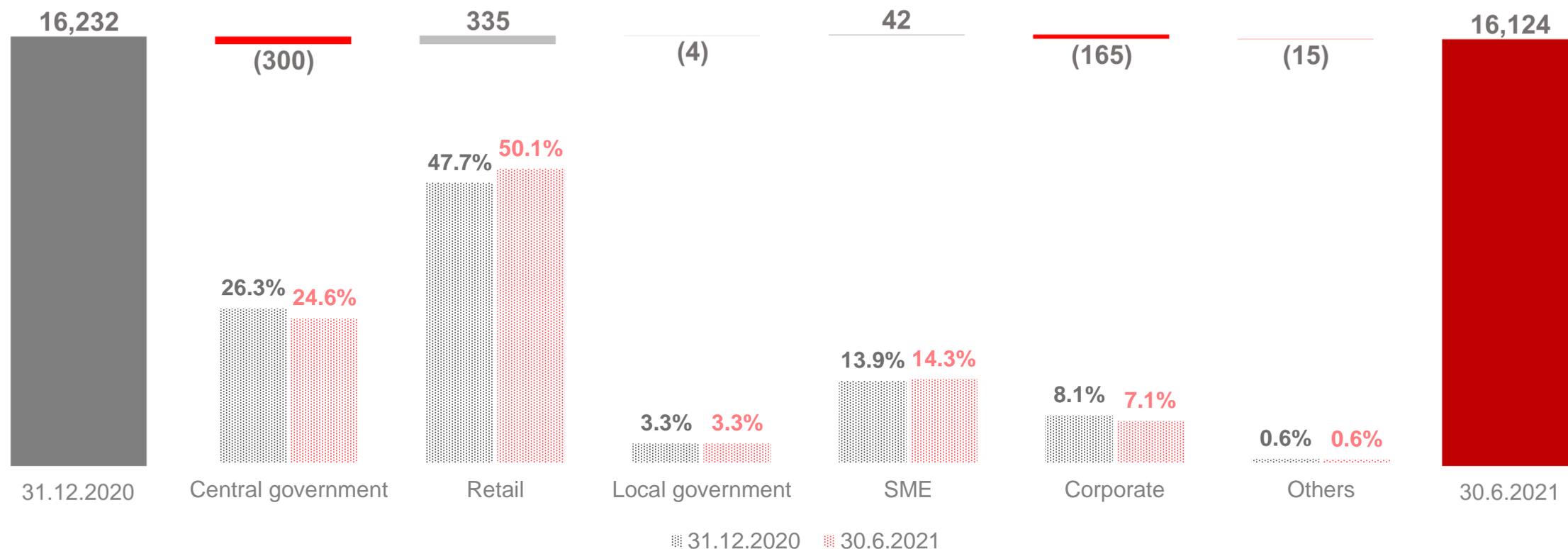


■ Retail ■ Financial market ■ State ■ Corporate ■ Other

Source: HPB management reports

Gross loans development

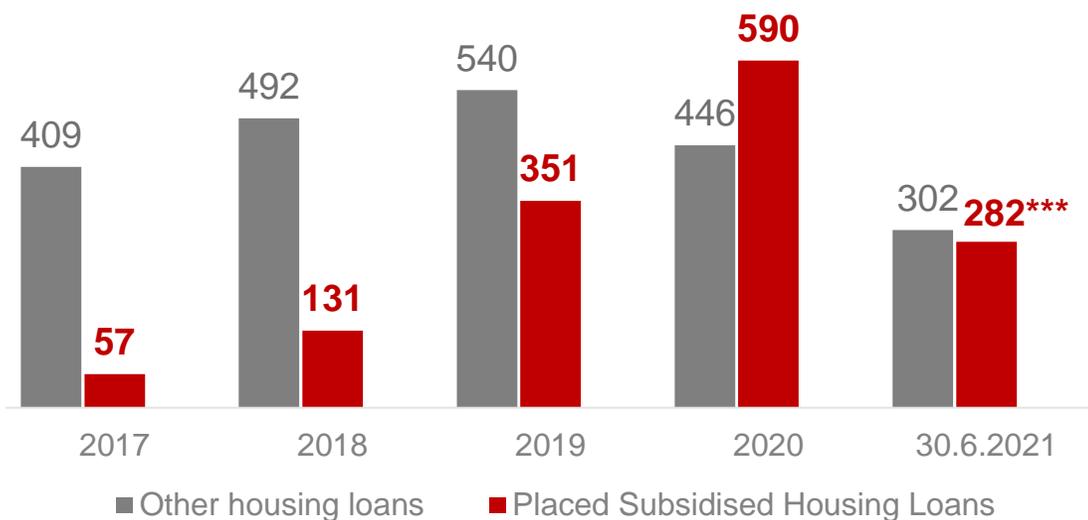
Gross loans (in HRK mn)



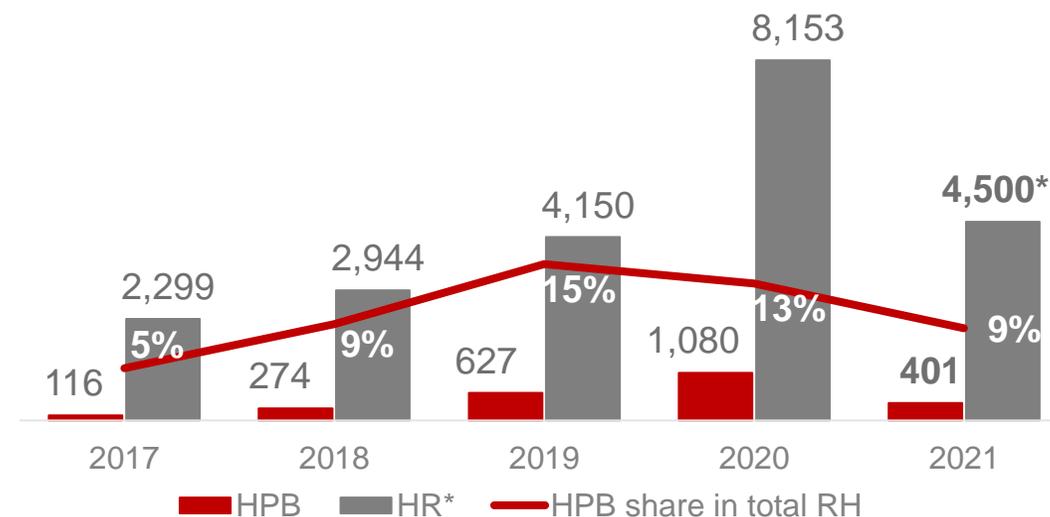
- Retail loans have a continuous and steady growth;
- Decrease in Central government exposure arises from regular maturities of loans in this segment (seasonality);
- Decrease in corporate segment driven by more prudent risk procedures and overall distrust of the economy towards investing during pandemic.

Subsidised Housing Loans

Housing loans volume (in HRK mn)



Number of approved subsidised housing loans



- Applications for this year APN subsidised housing loans began on 29.3.2021;
- Approved but not-yet-placed subsidised housing loans in the amount of HRK 154 mn at 30.6.2021
- HPB offers HRK loans at EIR of 2.09%: the lowest among all 14 banks, participating in the housing subsidy program in 2021.

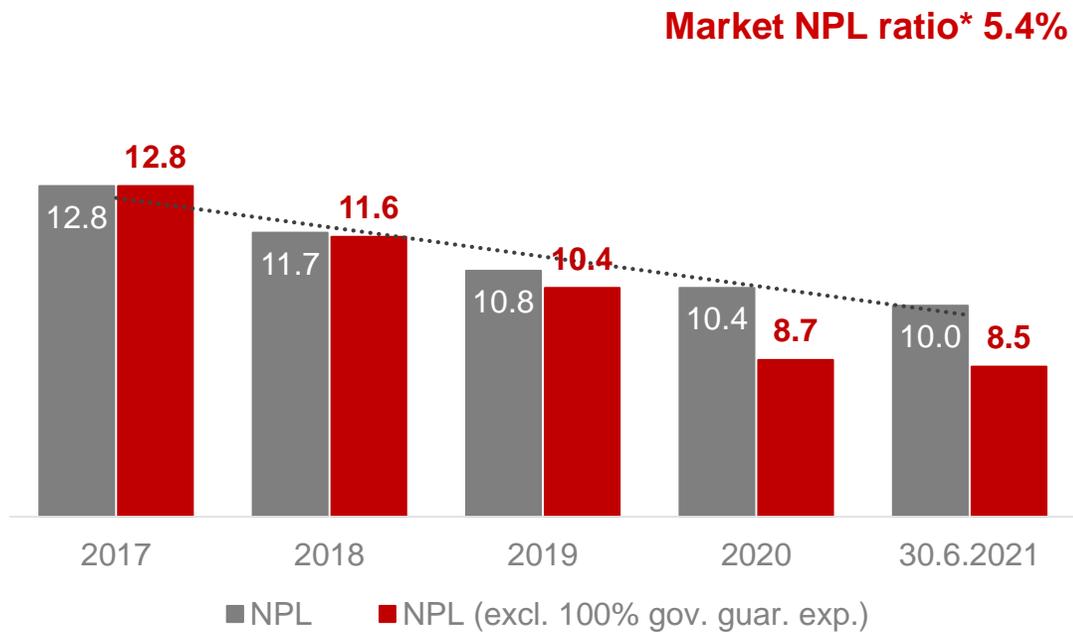
* Source <https://mgipu.gov.hr/>

** Data of approved loans as of 20.7.2021

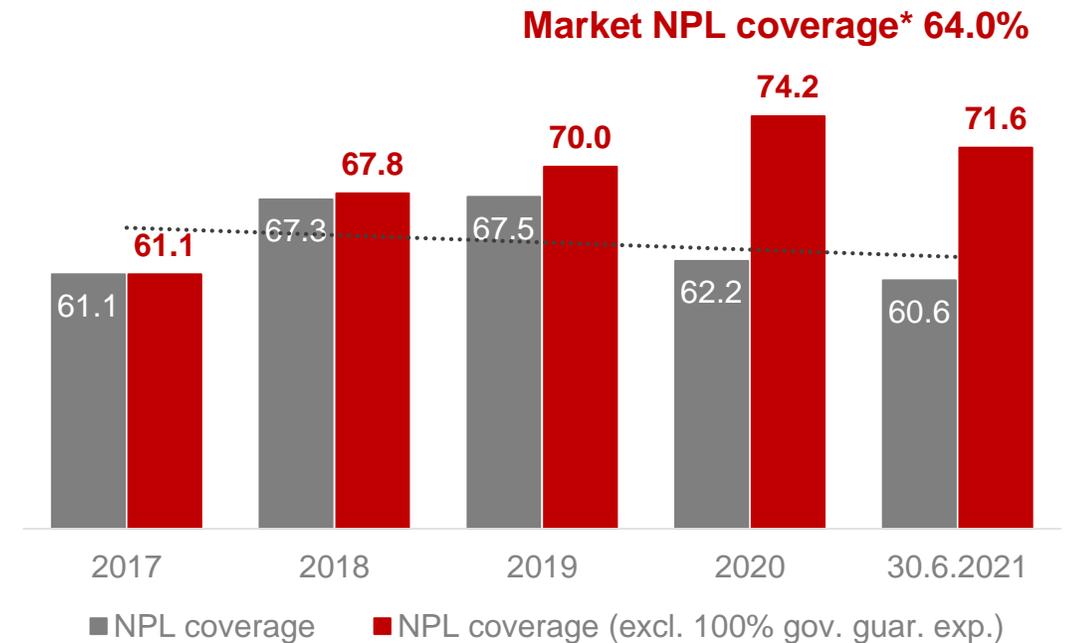
*** Includes loans placed from prior years APN tranches

Portfolio quality improves

NPL ratio development (in %)



NPL coverage development (in %)



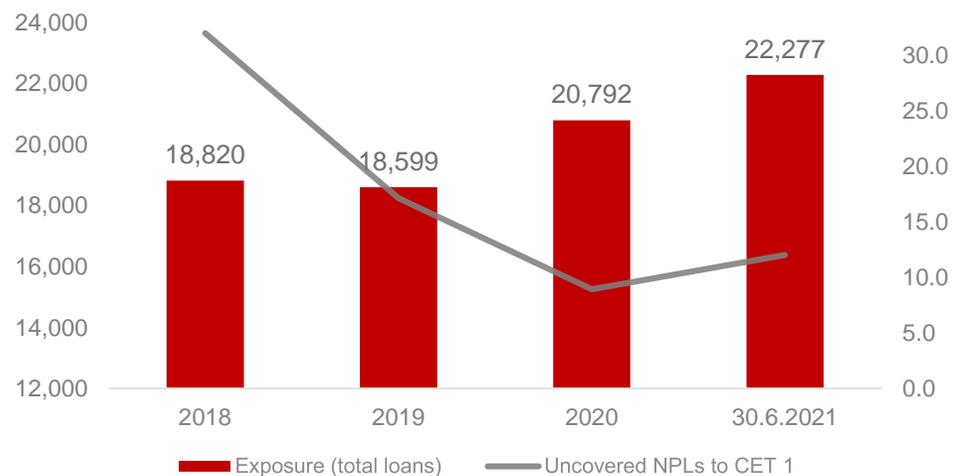
- Despite of the COVID crisis which resulted in new NPLs there is a continuation of the positive trend in the movement of NPL ratio;
- Continuous favourable trend in capital light performing portfolio along with additional monitoring of potential NPLs and successful collection activities ensures further expected positive trends in NPL ratio.

NPL portfolio deep dive

		2018	2019	2020	30.6.2021
Exposure (total loans)	HRK mn	18,820	18,599	20,792	22,277
Total NPL stock	HRK mn	2,201	2,009	2,163	2,224
NPL %	%	11.7	10.8	10.4	10.0
Loss allowance for loans	HRK mn	(1,632)	(1,554)	(1,599)	(1,572)
NPL	mil kn	(1,481)	(1,355)	(1,346)	(1,348)
PL provision	mil kn	(151)	(199)	(254)	(225)
NPL Coverage	%	67.3	67.5	62.2	60.6
NPLs not covered by provisions	HRK mn	569	455	563	652
NPLSs with 100% government guarantees	HRK mn	0	76	356	352
Uncovered NPLs	HRK mn	569	379	207	300
CET1*	HRK mn	1,777	2,209	2,314	2,494
Uncovered NPLs to CET 1	%	32.0	17.2	8.9	12.0

*CET 1 without inclusion of H1 2021 net profit

Uncovered NPLs to CET 1 trend



- Noticeable decline of uncovered NPLs share in total loan exposure in four consecutive reporting periods;
- Government guarantees represent a safety net on top of debt servicing for covered exposures of operating companies (fully recoverable part of NPL).

1 Executive Summary

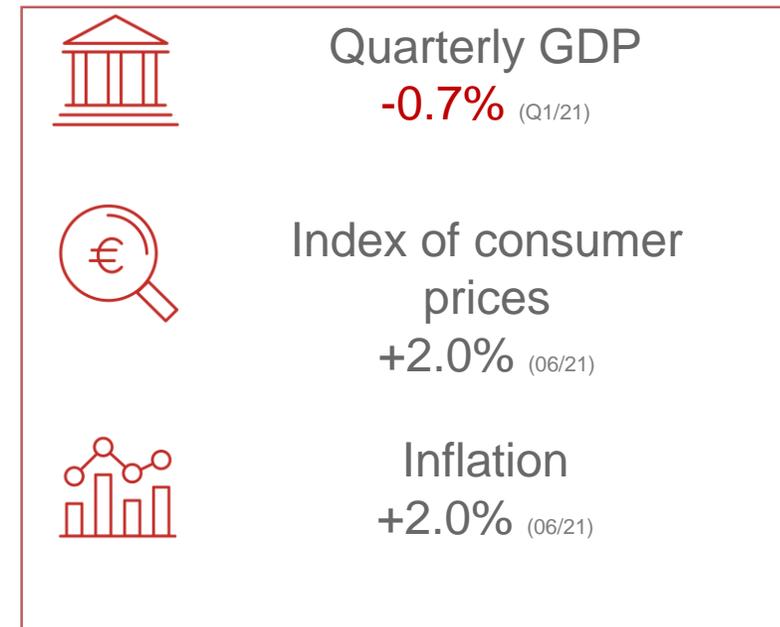
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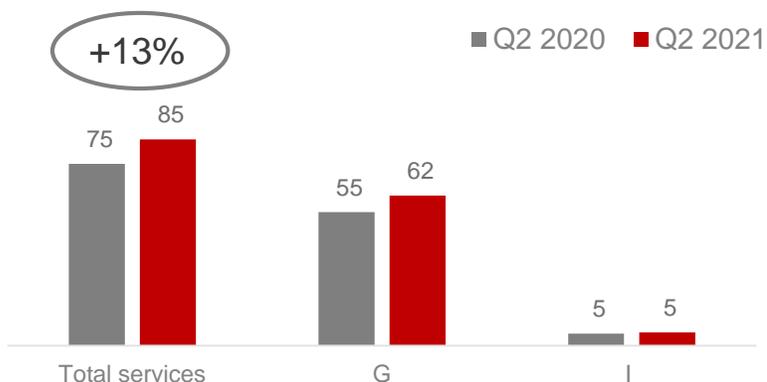
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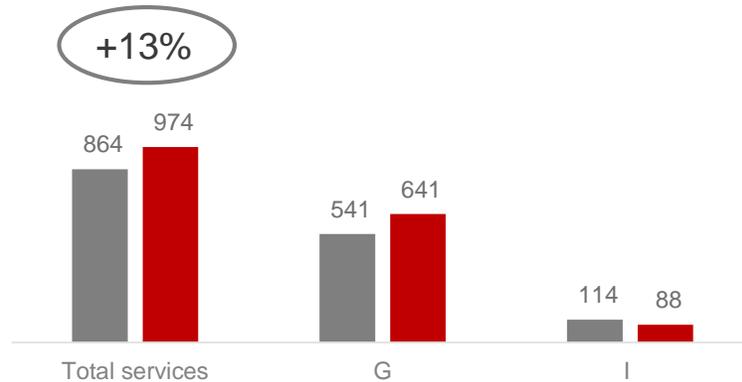
Economic indicators (y-o-y)



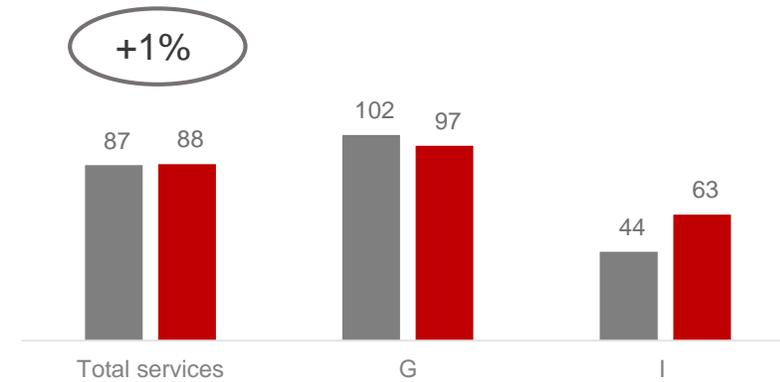
Account balance* (in HRK bn)



Number of accounts* (in mn)



Average account balance* (in HRK)



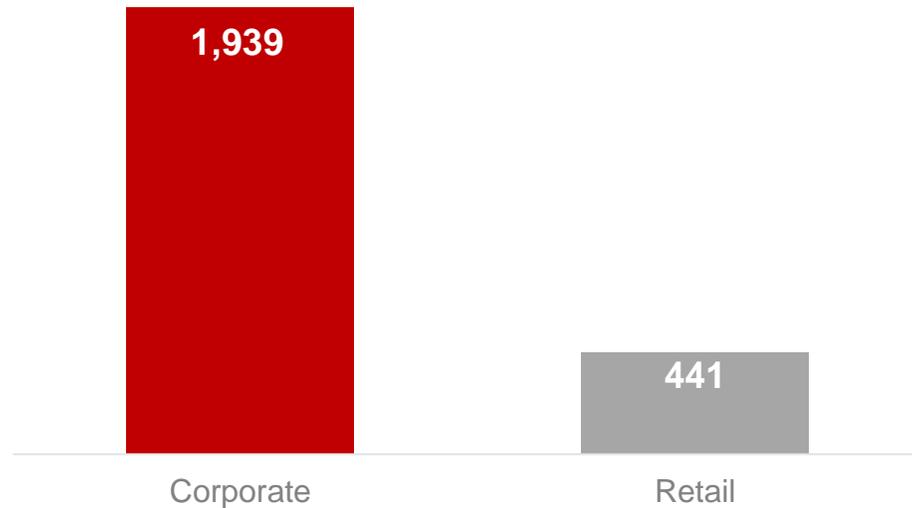
Source: Croatian Bureau of Statistics <https://www.dzs.hr/eng> (Q2 2020, Q2 2021)

*Source: <https://www.porezna-uprava.hr/Dokumenti> (data for Q2 2020 and Q2 2021)

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

COVID-19 moratoria

Total approved moratoria* (in HRK mn)



Share in Corporate segment:

24.2%

Share in Retail segment:

5.5%

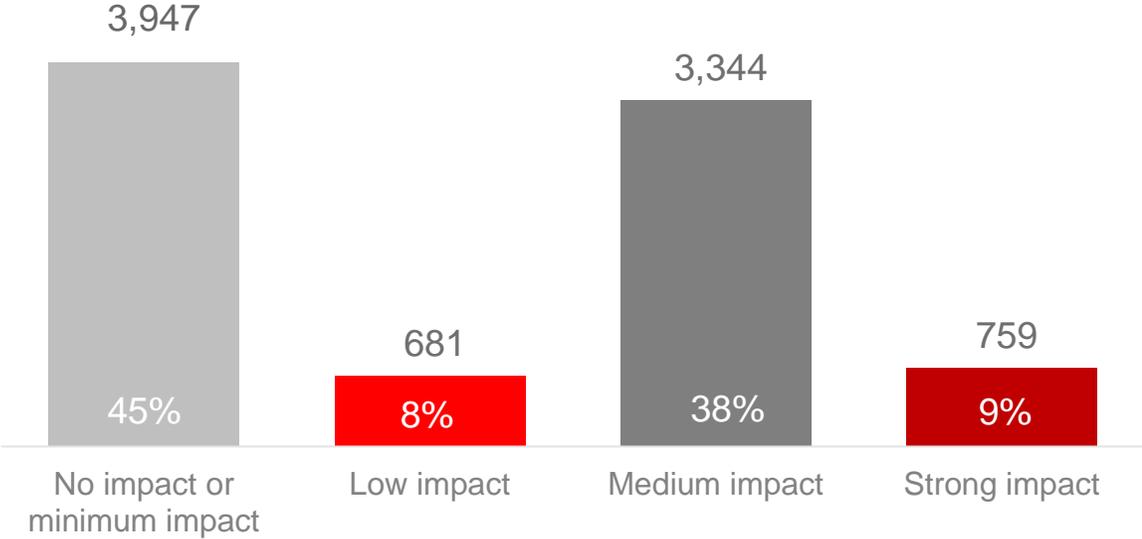
- By 30.6.2021, 5.7% (HRK 111 mn) of financed corporate moratoria transferred from performing status to default status out of total HRK 1,939 mn;
- As at 30.6.2021, HRK 5 mn active approved corporate moratoria (0.3% of the total approved);
- By 30.6.2021, HRK 419 mn corporate moratoria were repaid (21.6% out of total approved moratoria).

* Number of total approved moratoria under COVID-19 measures (2020 – 30.6.2021)

Source: HPB management reports

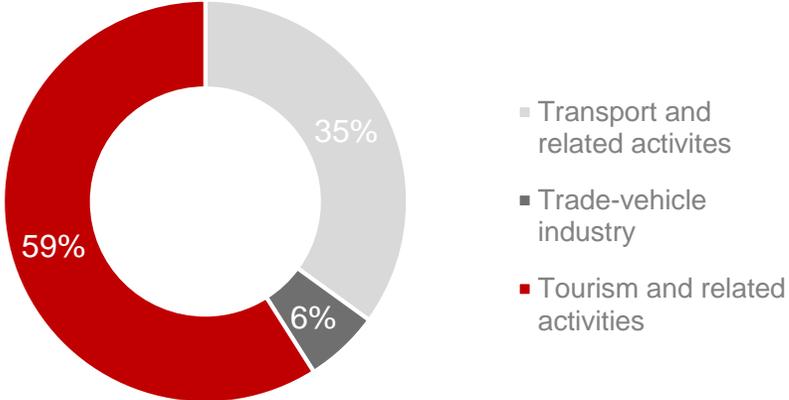
COVID-19 impact on loan portfolio

COVID-19 impact on corporate performing loans (in HRK mn)

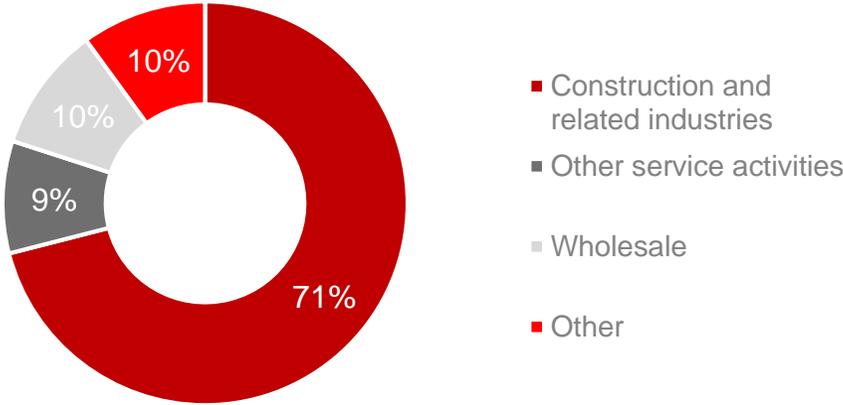


- 45% of the Bank’s corporate portfolio is largely unaffected by COVID-19.

Strong impact industries

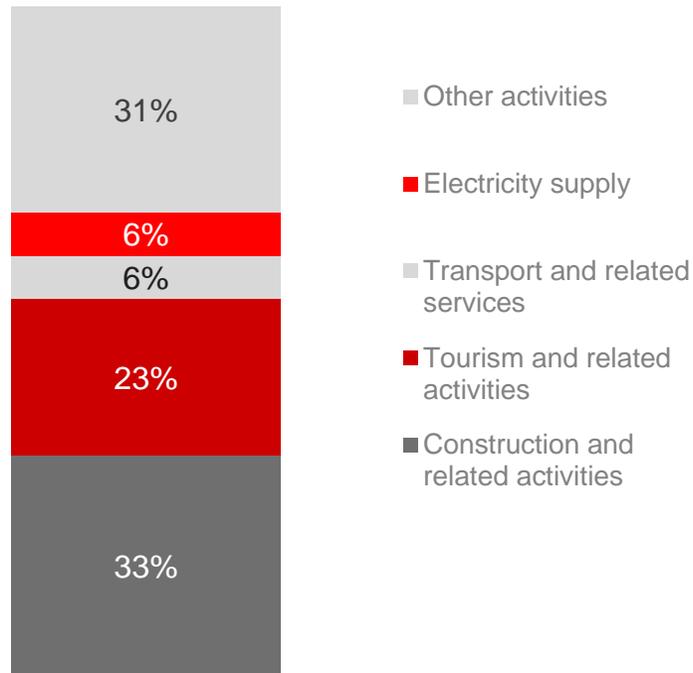


Medium impact industries

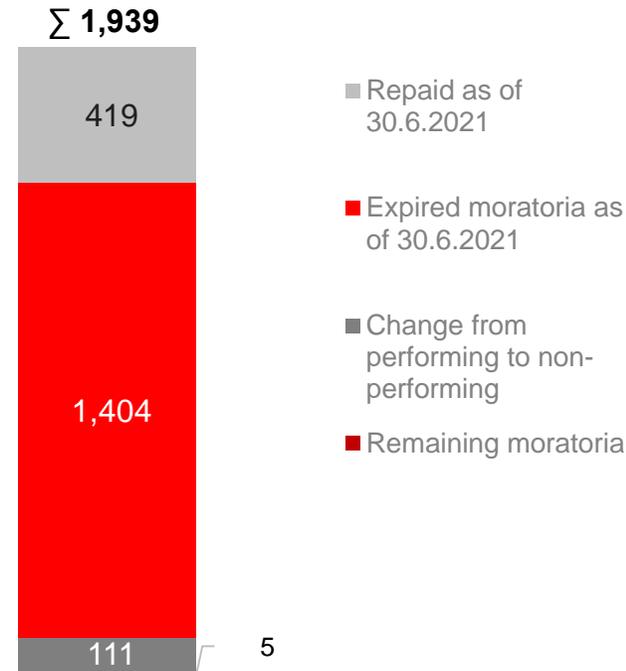


COVID-19 impact on loan portfolio

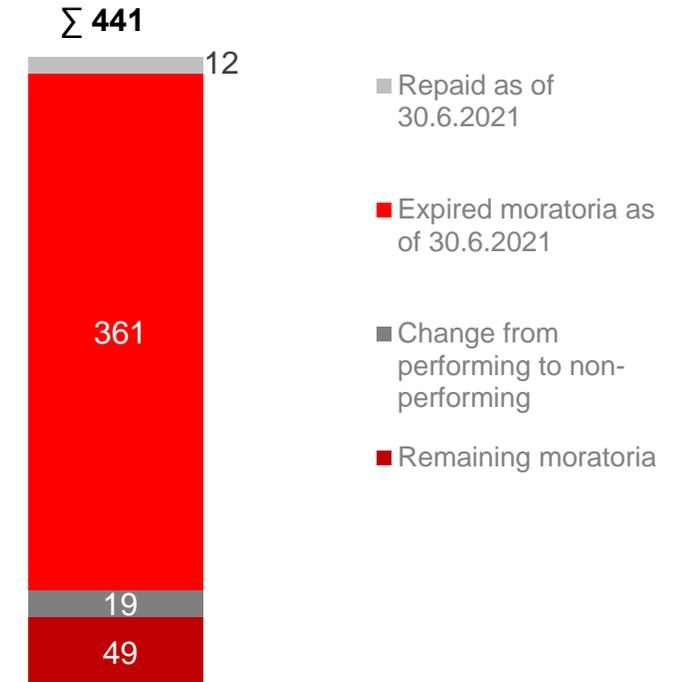
Approved moratoria per industry



Approved corporate moratoria status at 30.6.2021 (in HRK mn)



Approved retail moratoria status at 30.6.2021 (in HRK mn)



- HRK 5 mn in corporate and HRK 49 mn in retail segment remaining moratoria as at 30.6.2021;
- Total defaulted loans since moratoria approval at 30.6.2021 amounted HRK 130 mn (5.7% corporate, 4.3% retail in total approved moratoria);
- Tourism has an extremely low share in the Bank's total portfolio (6% of outstanding gross corporate loans);
- We actively manage the portfolio through the analysis of pandemic prevention measures impact on industries.

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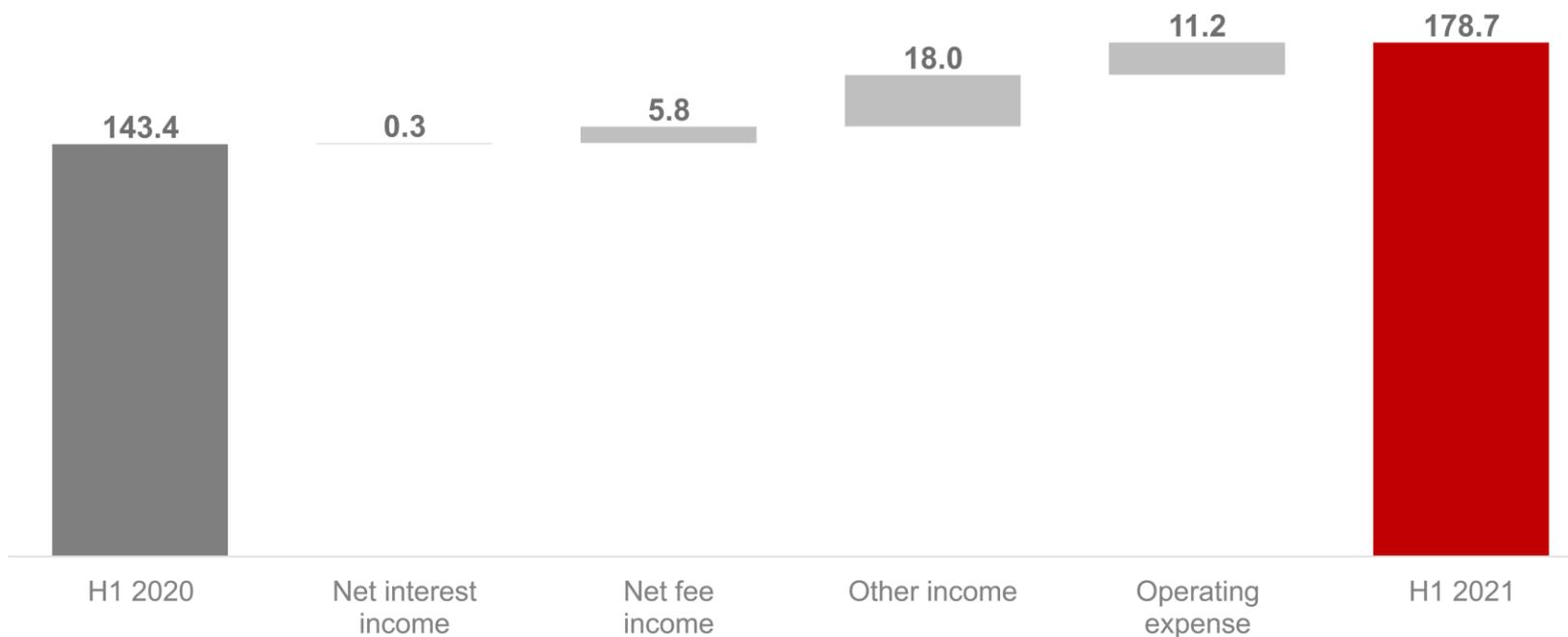
Key financials – Income statement

		Q2 2020	Q2 2021	Δ q-o-q		H1 2020	H1 2021	Δ y-o-y
Net interest income	HRK mn	133	136	2.8 ▲		271	271	0.3 ▲
Net fee income	HRK mn	41	47	6.1 ▲		83	88	5.8 ▲
Operating income	HRK mn	201	229	27.9 ▲		396	420	24.0 ▲
Operating expense	HRK mn	(127)	(125)	(1.9) ▼		(252)	(241)	(11.2) ▼
Operating profit	HRK mn	74	104	29.8 ▲		143	179	35.3 ▲
Provisioning	HRK mn	23	25	(1.5) ▼		(7)	(1)	(6.1) ▼
Net profit	HRK mn	80	106	26.6 ▲		115	147	31.7 ▲
Cost-to-income ratio	%	63.0	54.5	(8.5) ▼		63.8	57.4	(6.3) ▼
Net interest margin	%	2.1	2.0	(0.1) ▼		2.2	2.0	(0.1) ▼

- Operating profit growth primarily driven by increase in net fee income and trading income, followed by reduction of deposit insurance premium;
- Risk costs down on improved collections performance and improved quality of loan portfolio;
- Both NII and NFCI increased in Q2, when compared to the same period last year.

Operating profit development

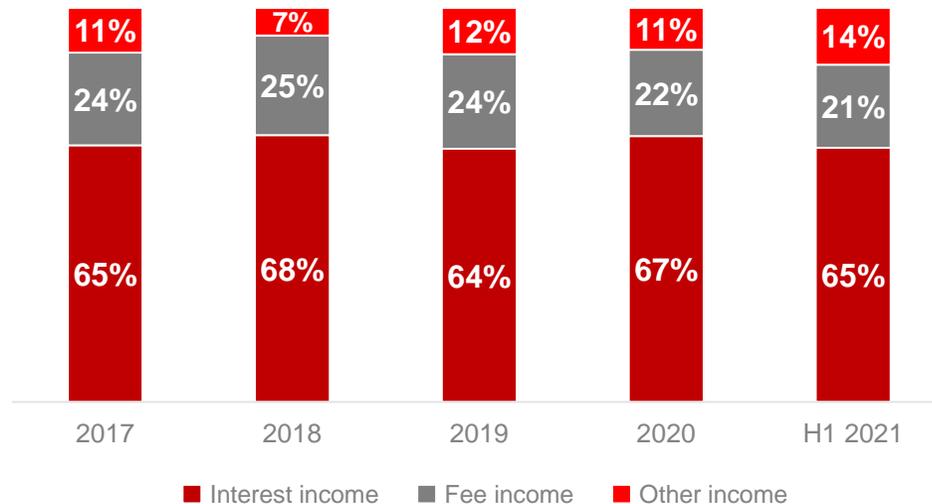
Operating profit development (in HRK mn)



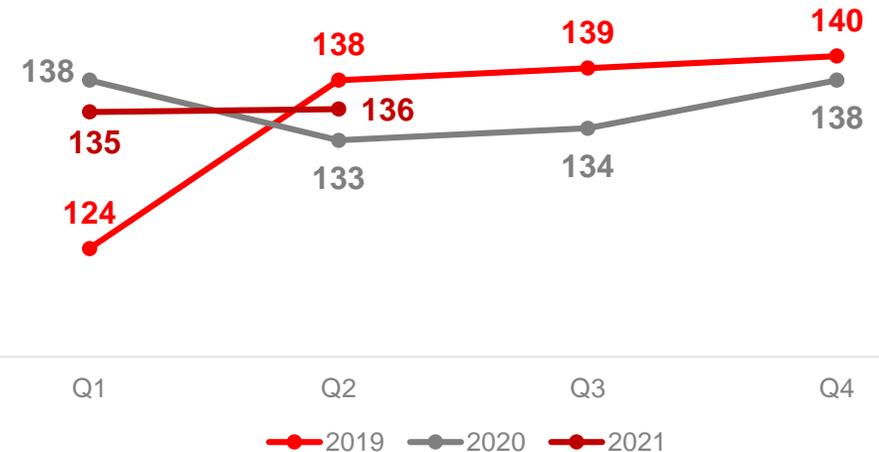
- Increase in other income driven by trading income (sale of equity instruments);
- Operating expenses decreased mainly due to lower amortization and deposit insurance premium.

Net income development

Composition of net income

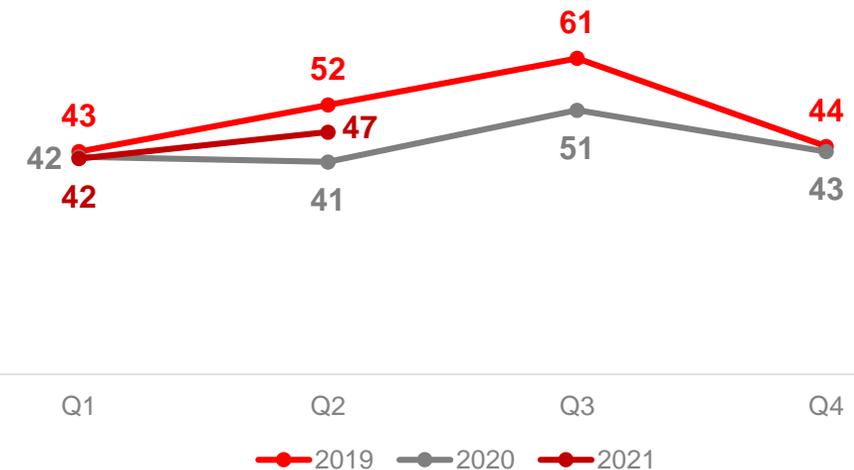


Net interest income (in HRK mn)



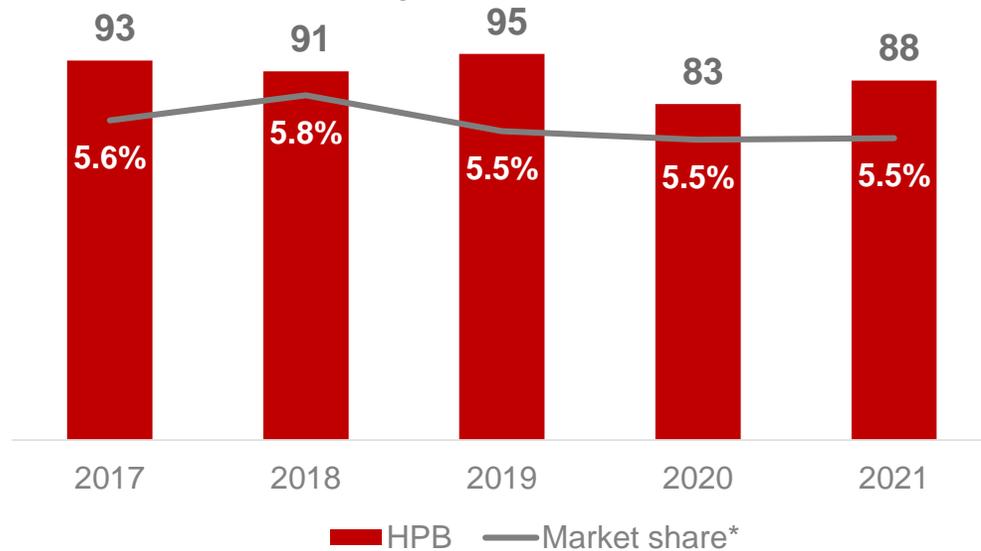
- Net interest income improved when compared to PY, despite of adjustments of loan portfolio due to the COVID-19 pandemic (increase in subsidized retail loans and government support transactions with lower interest rates) and increase in deposit, mostly due to adjustments of interest rates on deposits;
- Net fee income increased as a result of increased fees from payment and credit card transactions.

Net fee income (in HRK mn)



Fees and commissions

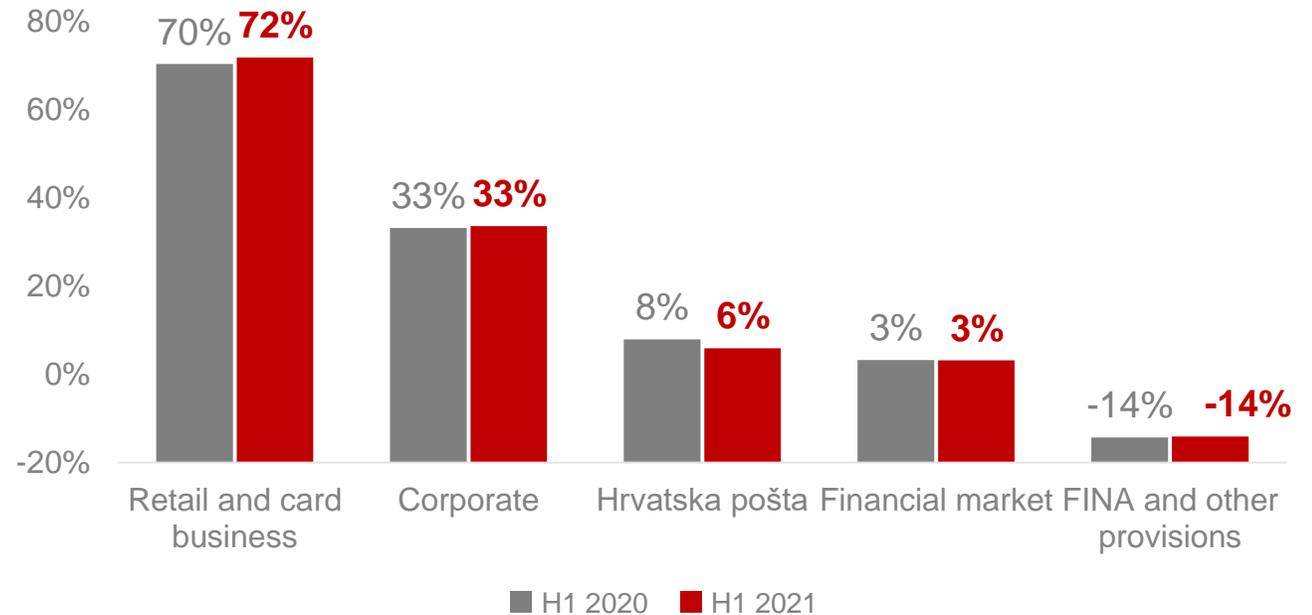
Net fee income overview in Q2 (in HRK mn)



* Market data available only for Q1 2021

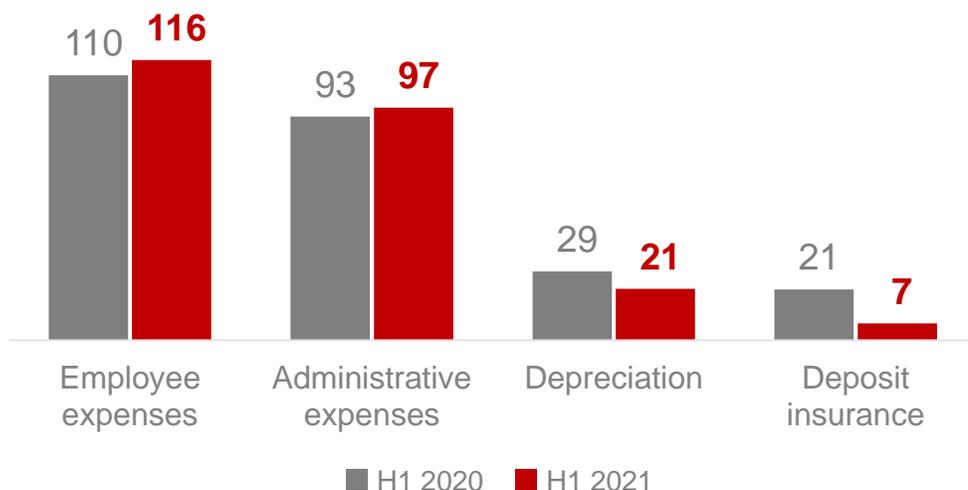
- Improved net fee income as a result of slight economic recovery (mainly driven by tourism);
- HPB net fee income on par with the banking sector with a relatively stable share;
- Retail and card business fees are still highest contributors to net fee income.

Composition of net fee and commission income

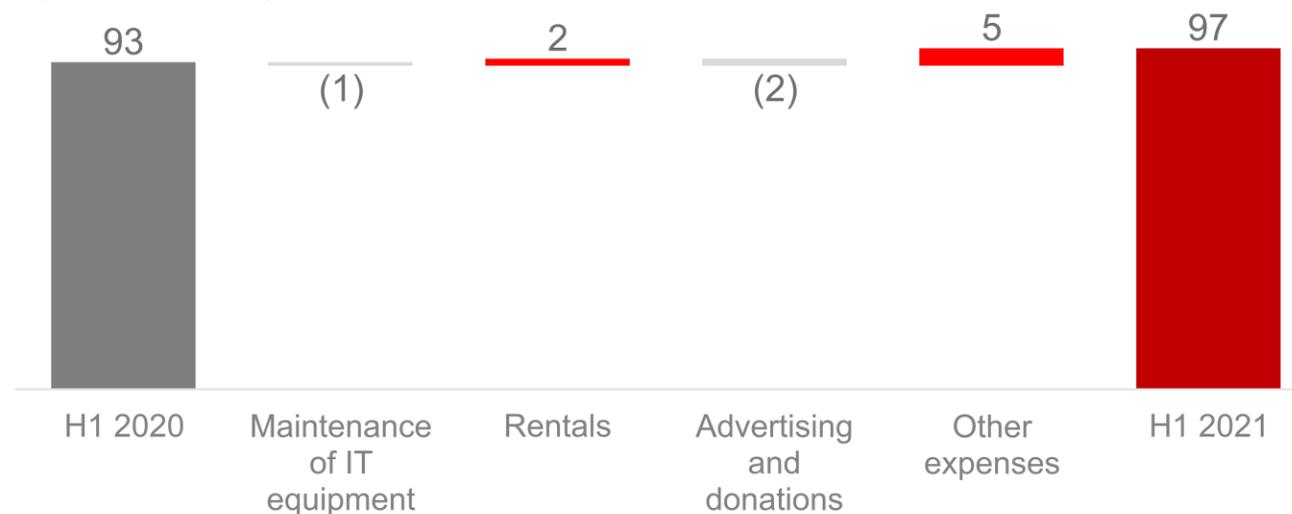


Operating expenses

Composition of operating expenses (in HRK mn)



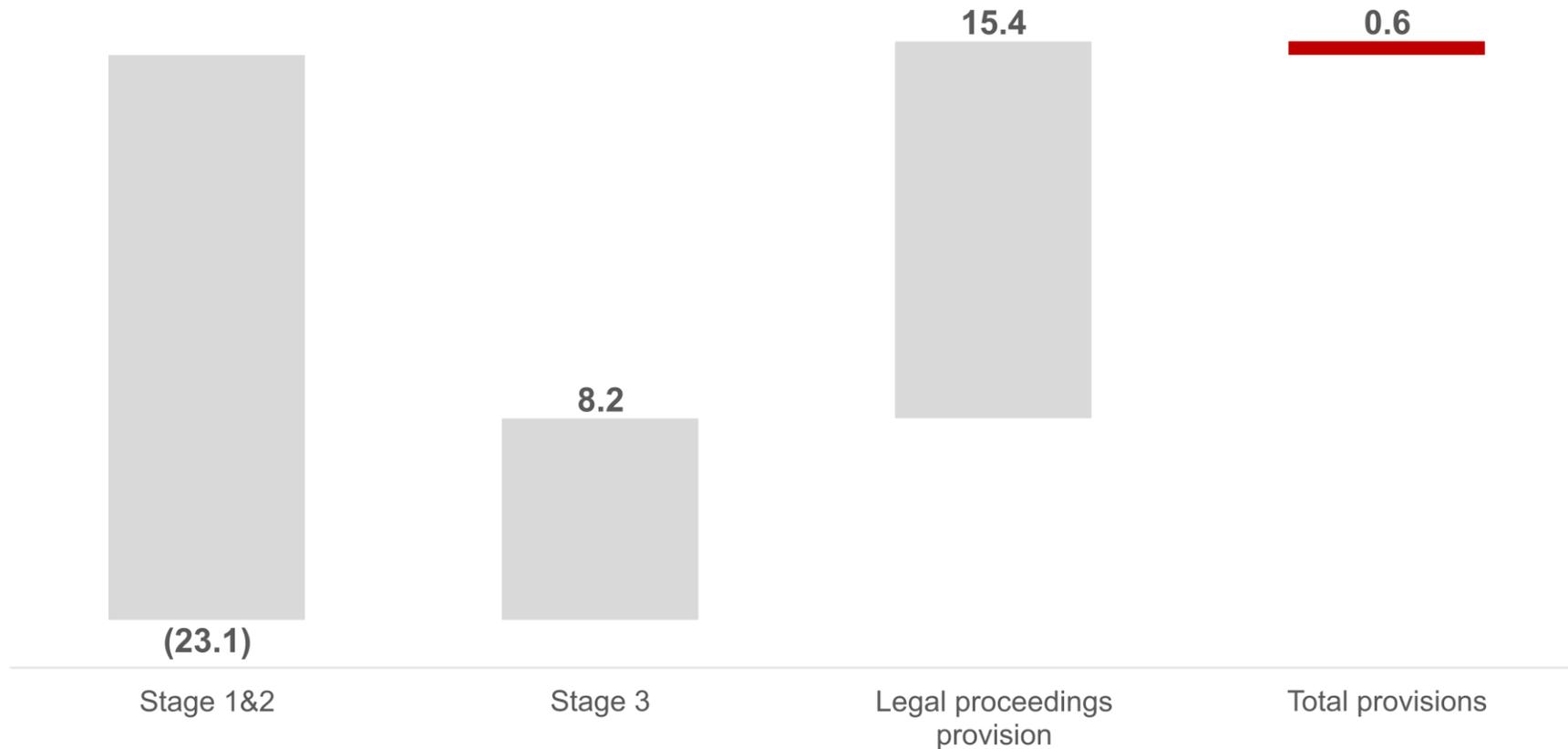
Administrative expenses development (in HRK mn)



- Employee costs up with investments on IT infrastructure optimization in-house solutions;
- Cost optimization measures initiated at the end of 2019 restrained further operating expenses growth caused by earthquakes and COVID-19 pandemic, along with general prices movements. Overall increase in administrative expenses driven by government fees which are directly associated to income and legal services;
- The Bank will aspire to agile cost management in future periods.

Provisioning

Structure of provision expenses in H1 2021 (in HRK mn)



- Lower stage 3 provisions (y-o-y) due to planned collection activities and lower provision costs on small loans portfolio;
- Portfolio optimization efforts drive risk costs down despite COVID-19 effects;
- Regular legal cases provisions.

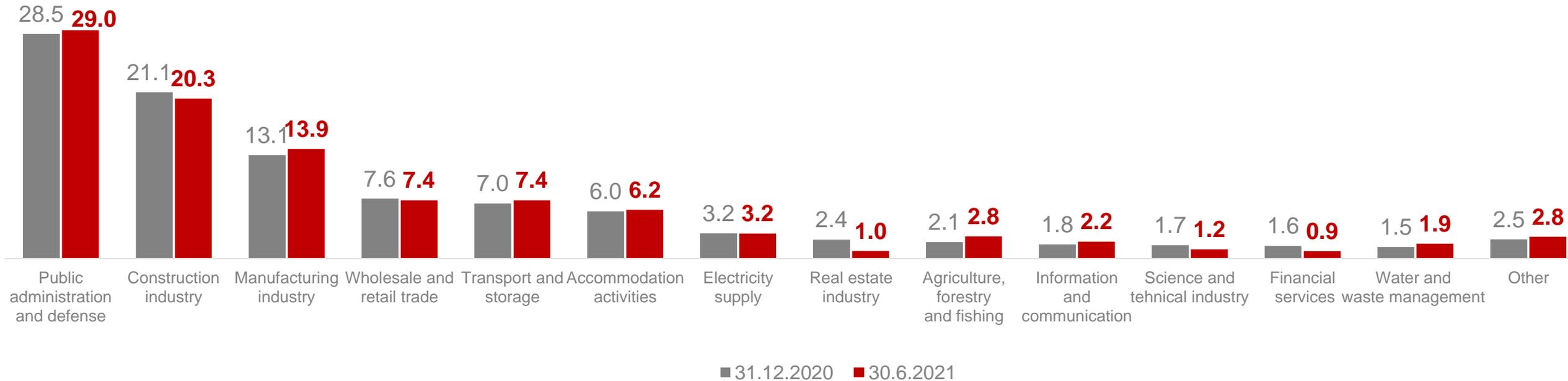
Key financials – Balance sheet

		31.12.2020	30.6.2021	Δ ytd	
Assets	HRK mn	25,500	27,494	1,994	▲
Gross loans	HRK mn	16,232	16,124	(108)	▼
Deposits	HRK mn	21,214	22,470	1,256	▲
Equity	HRK mn	2,473	2,604	131	▲
Regulatory capital	HRK mn	2,312	2,494	182	▲
Loan/deposit ratio	%	69.4	65.1	(4.3)	▼
ROAE	%	7.5	11.1	3.6	▲
NPL ratio	%	10.4	10.0	(0.4)	▼
NPL ratio excl. 100% gov. guaranteed exposure	%	8.7	8.5	(0.2)	▼
NPL coverage	%	62.2	60.6	(1.6)	▼
NPL coverage excl. 100% gov. guaranteed exposure	%	74.2	71.6	(2.6)	▼
Loss allowance for loans	HRK mn	(1,599)	(1,572)	(27)	▼

- Assets records continuous growth +7.8% ytd, liquid assets +35.5%, securities +4.7%, gross loans -0.7%;
- Deposits up +5.9% with largest increase in the central state and large corporate segment +16.0%, SMEs +11.4% and decrease in retail -0.4%.

Corporate portfolio industry distribution

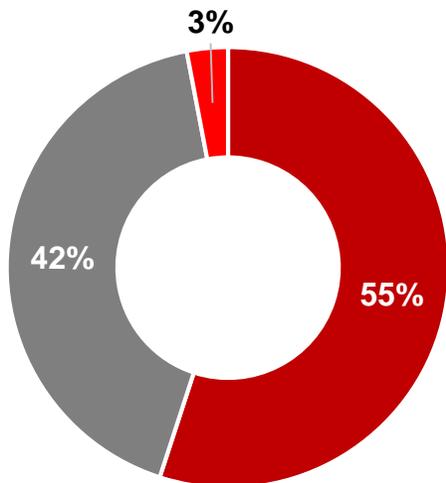
Corporate gross loans per industry (in %)



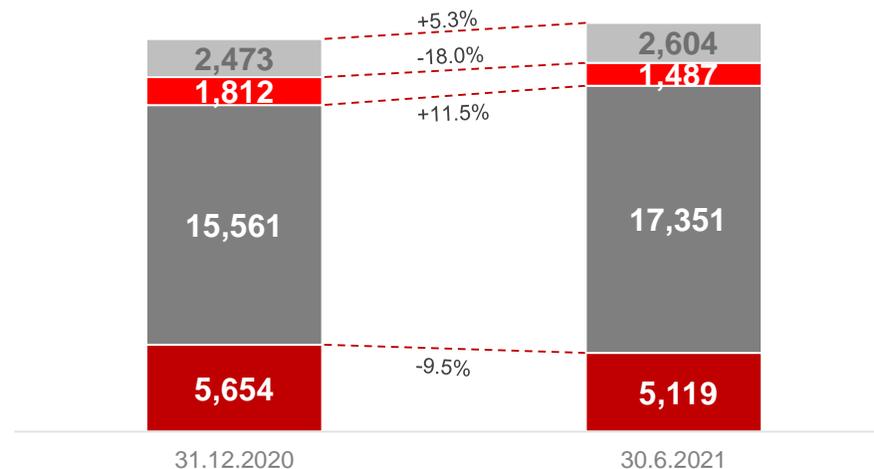
- Stable structure of corporate gross loans per industry in H1 2021;
- Reduction to some industry sectors is in line with general macroeconomic trends:
 - Wholesale and retail trade;
 - Construction & Real estate;
- Accommodation activities lending was done backed up by government guarantee schemes.

Composition of equity and liabilities

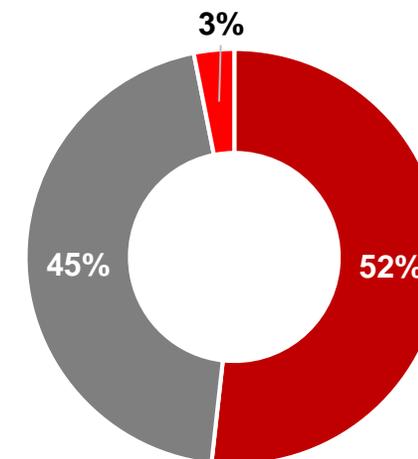
Deposit structure
31.12.2020



Equity and liabilities structure (in HRK mn)



Deposit structure
30.6.2021



■ Retail ■ Corporate ■ Financial market

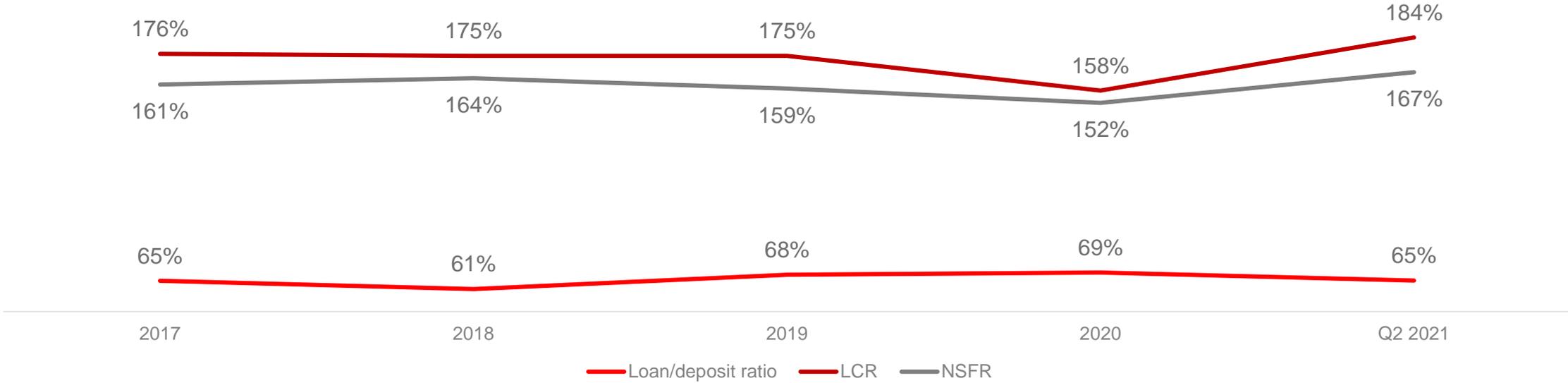
■ Term deposits ■ A vista deposits ■ Other liabilities ■ Equity

■ Retail ■ Corporate ■ Financial market

- Favorable impact on costs from observable trend of reduction of interest rates on deposits and continuous effective interest rate management;
- Customer deposits dominate the funding mix with an 85% share;
 - Bank holds 5.9% of all deposits on a market at 31.3.2021 (31.12.2020 = 5.75%);
- Stable wholesale funding structure – attracted funds through foreign financial institutions, CBRD and CNB repo loans.

Liquidity Overview

Liquidity ratios

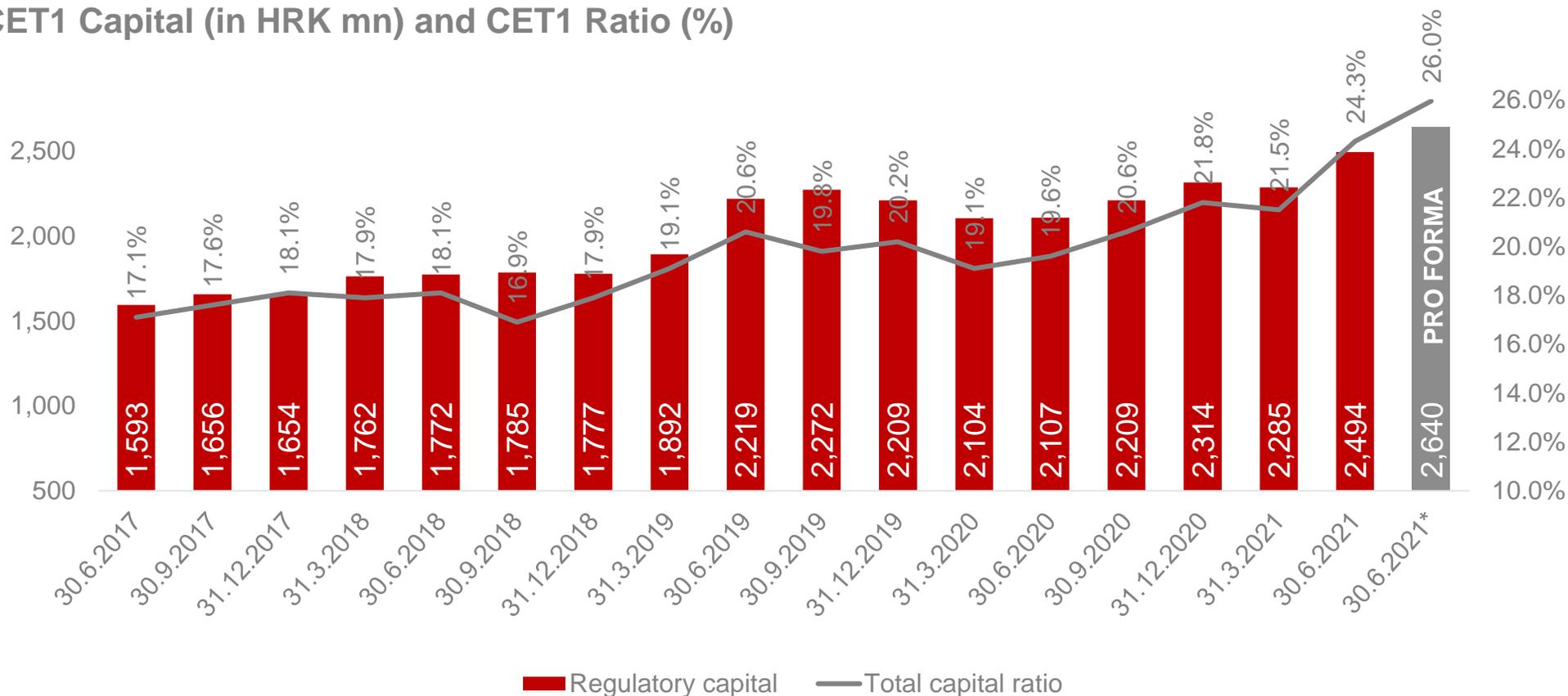


- The Bank is highly liquid with markedly low loan-to-deposit ratio.



Continuously strong capital position

CET1 Capital (in HRK mn) and CET1 Ratio (%)



*CET 1 ratio with inclusion of H1 2021 net profit

- Proforma CET1 calculation includes 2021 half year profit.

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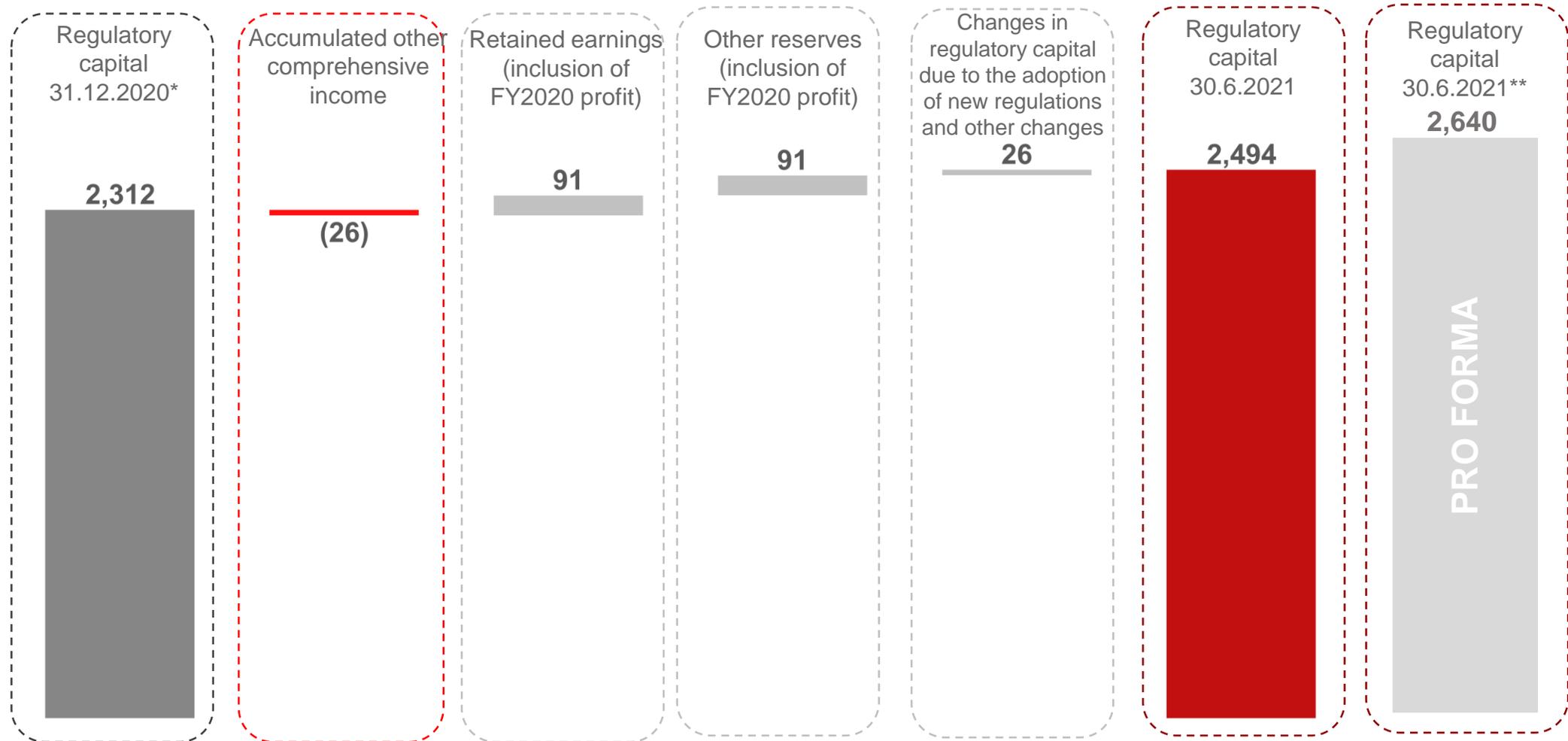
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Regulatory Capital Development

Regulatory capital development (in HRK mn)



*Note there is a difference to regulatory capital reported in Investor information for Q4 2020 (HRK 2,314 mn) due to revised deduction amount of deferred tax assets - a decrease of HRK 1.8 mn in comparison with unaudited calculation of regulatory capital presented in Investor information for Q4 2020;

**Regulatory capital with inclusion of H1 2021 net profit

Source: HPB management reports

RWA Development

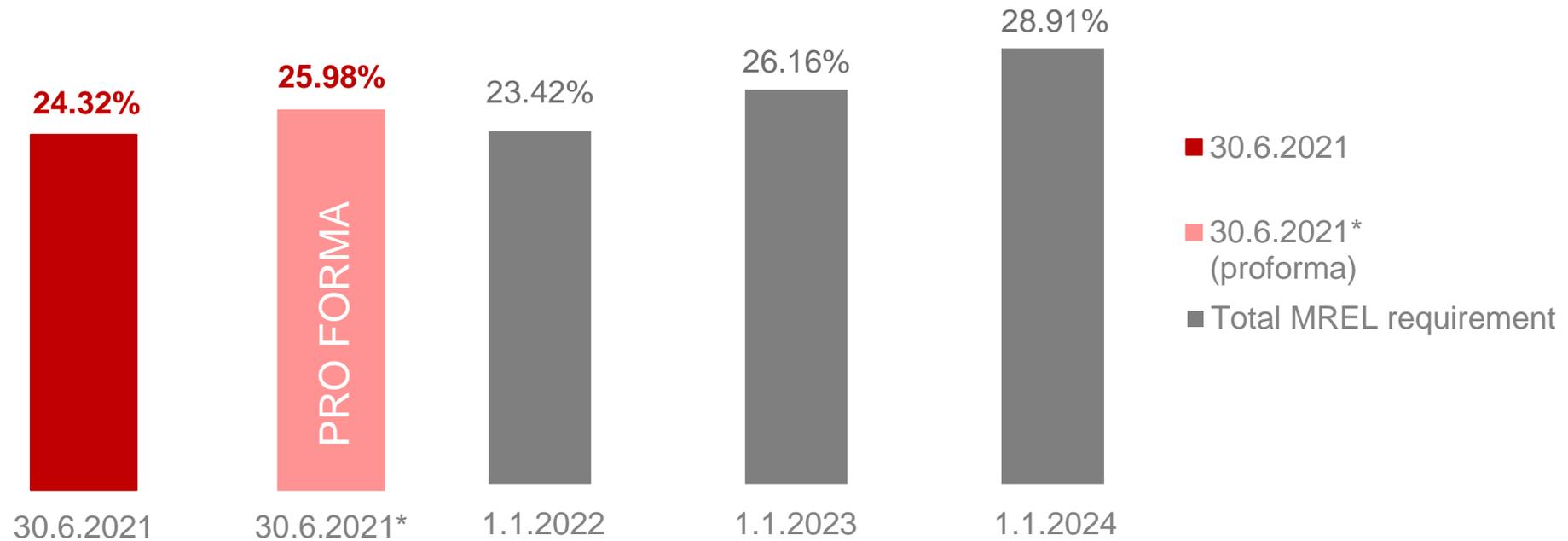
RWA development (in HRK mn)



- Risk-weighted assets decreased mainly driven by loan exposure decrease while at the same time strenghtening capital management culture.

Meeting MREL requirements

Actual CET1 ratios vs. total MREL requirement



- The Bank has adopted plan to meet MREL requirements during H1 2021

Exposures and coverage per stage

Segment	Stage	31.12.2020				30.6.2021			
		Exposure	Exposure excluding 100% government guarantees	Coverage	Coverage excluding 100% government guarantees	Exposure	Exposure excluding 100% government guarantees	Coverage	Coverage excluding 100% government guarantees
CORPORATE	S1	58.5%		3.8%		51.3%		3.8%	
CORPORATE	S2	6.8%		8.1%		14.0%		8.0%	
CORPORATE	S3	34.7%	21.7%	47.7%	75.2%	34.7%	24.5%	47.6%	76.4%
SME	S1	49.3%		4.2%		36.2%		4.0%	
SME	S2	16.8%		15.5%		25.3%		11.7%	
SME	S3	33.9%	33.9%	71.3%	71.3%	38.5%	38.5%	63.9%	63.9%
STATE	S1	98.7%		1.0%		98.7%		0.3%	
STATE	S2	1.3%		7.2%		1.3%		5.6%	
STATE	S3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
RETAIL	S1	88.5%		0.5%		87.1%		0.5%	
RETAIL	S2	3.2%		7.6%		4.3%		5.9%	
RETAIL	S3	8.3%	8.3%	75.6%	75.6%	8.6%	8.6%	74.6%	74.6%
TOTAL	S1	85.9%		1.0%		84.7%		0.7%	
TOTAL	S2	3.7%		10.5%		5.3%		8.5%	
TOTAL	S3	10.4%	8.7%	62.2%	74.2%	10.0%	8.5%	60.6%	71.6%

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HPB-R-A stock during the reporting period



Stock data and details

Issue date	December 12, 2000
ISIN	HRHPB0RA0002
Segment	Official market of the Zagreb Stock Exchange
Listed quantity	2,024,625
Share price as at June 29, 2021 (in HRK)	540.00
Market capitalisation (in HRK million)	1,093.30

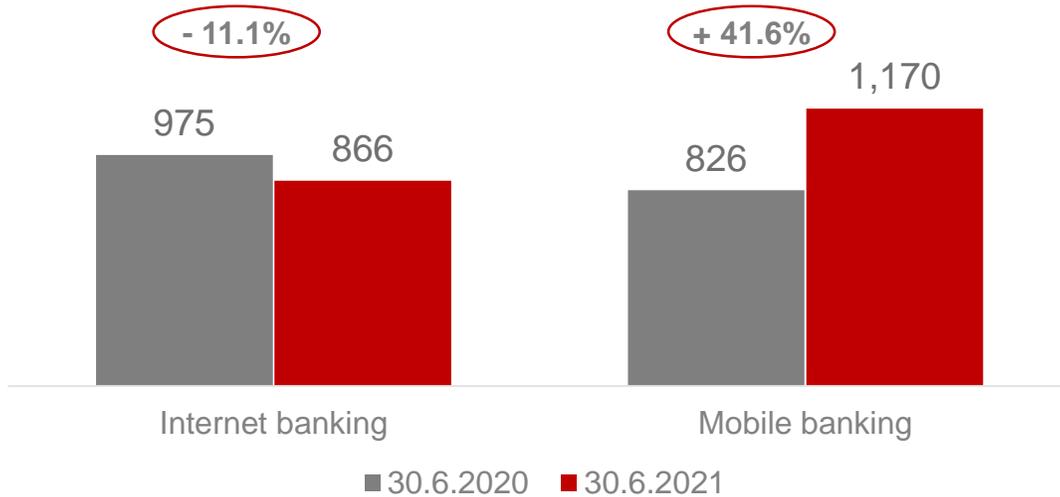
Shareholders

	Ownership stake (%)
Republic of Croatia	42.43
Croatian Post PLC	11.93
Croatian Deposit Insurance Agency	8.98
Croatian Pension Insurance Institute	8.76
Hrvatska poštanska banka p.l.c. – treasury shares	0.04
Other shareholders (each under 5% of share of the capital)	27.86

Total shares 100

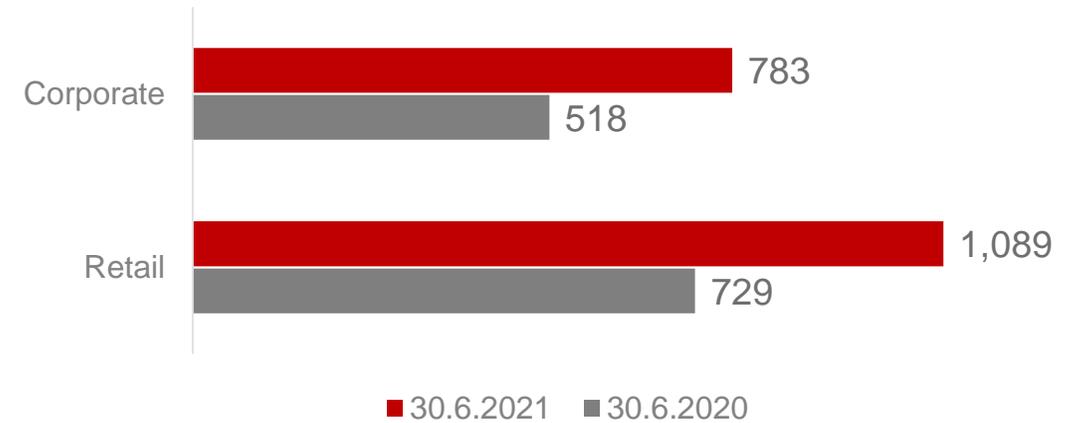
Direct channels

Number of transactions (in ths)

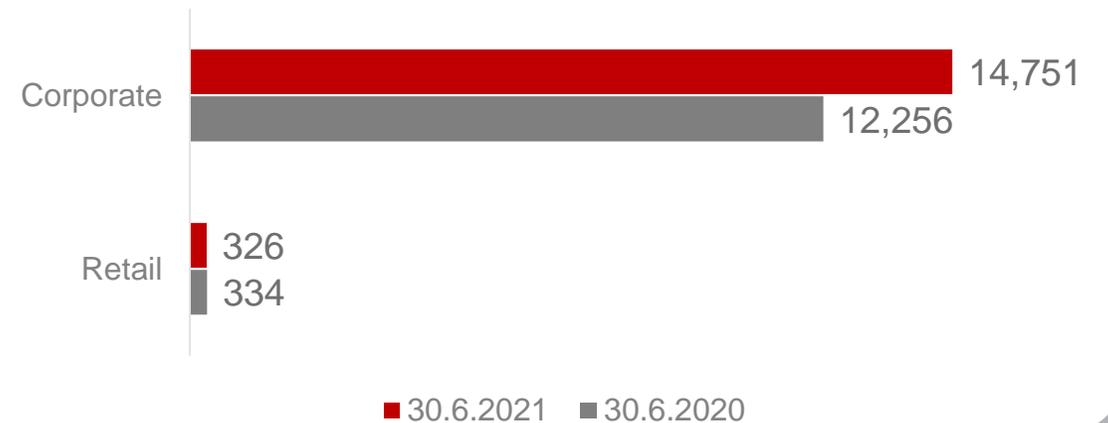


- Expected further increase in mobile banking – both in the volume and number of transactions.

Transaction volume - Mobile banking (in HRK mn)

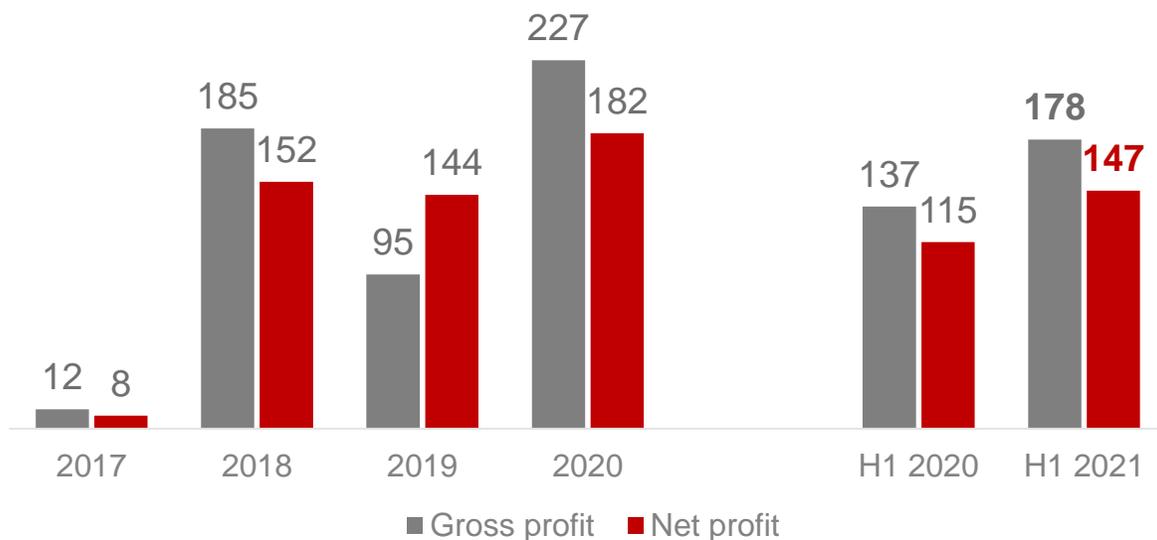


Transaction volume - Internet banking (in HRK mn)

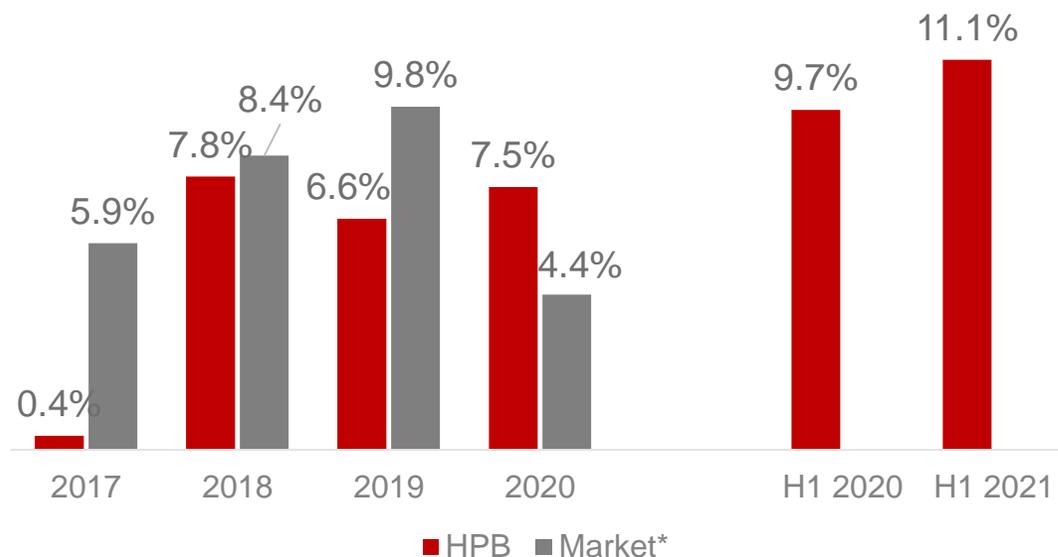


Profitability

Profit development (in HRK mn)



Return on Average Equity ROAE

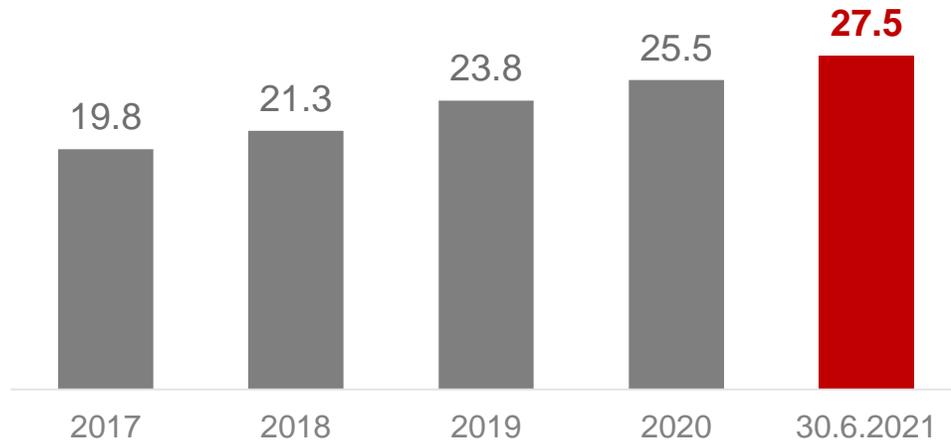


* Market share data for Q2 2021 not available at the time presentation was published

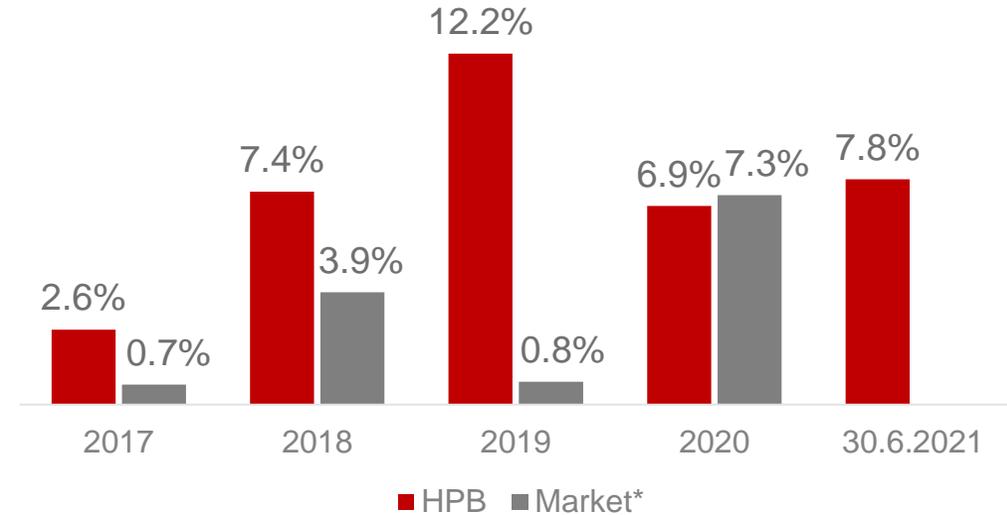
- Better quarterly results than in pre-COVID years, mainly driven by increase in net fee income, trading income and cost reduction measures.

Asset development

HPB's Asset development
(in HRK bn)



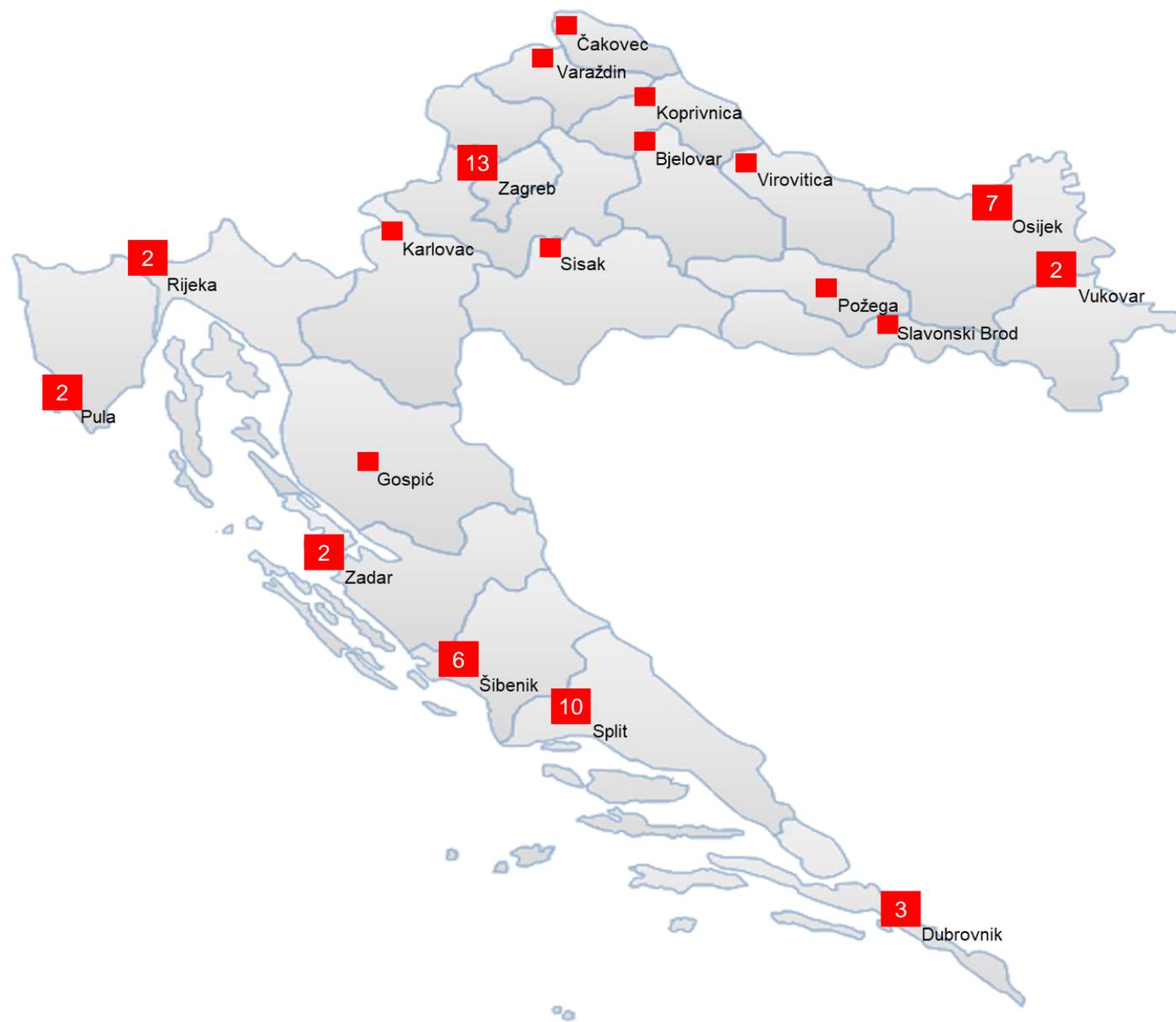
Comparative asset growth rates



* Market share data for Q2 2021 not available at the time presentation was published

- Organic growth continued in 2021;
- Asset growth reciprocated with growth in funding. Increase of liquid assets in 2021 was HRK +1,874 mn;
- LCR (Liquidity Coverage Ratio) as of 30.6.2021 is at 184%.

Accessibility



■ 57 branch offices

12 regional centers

3 business centers

142 financial corners at the Croatian post

Over 1,500 cash-out points with no fees