



HRVATSKA POŠTANSKA BANKA

HPB p.l.c. 9M 2024

Investor information

October 2024



Limitation of liability

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Statement of the President of the Management Board



On the occasion of releasing the nine-month financial results for 2024, **Marko Badurina, President of the Management Board of Hrvatska poštanska banka**, stated:

"It is HPB's vision to have a relevant market impact, and our results prove that in the past years we are continuously on the right track and that we are achieving this goal. In the third quarter of 2024, asset growth of almost half a billion euros was achieved, resulting in its highest level since the Bank's foundation. HPB's profitability remains very strong, with record revenues and operating profit, thus strengthening our capital structure, and ensuring the potential for the planned further growth.

The Bank's successes have been continuously recognized by the expert community: HPB recently received the "Golden Kuna" Award for the most successful bank in Croatia in 2023, which places an additional responsibility on us to continue investing in client relations, employee expertise and system agility, the most important factors of our successes."



Executive Summary

Macroeconomic Environment

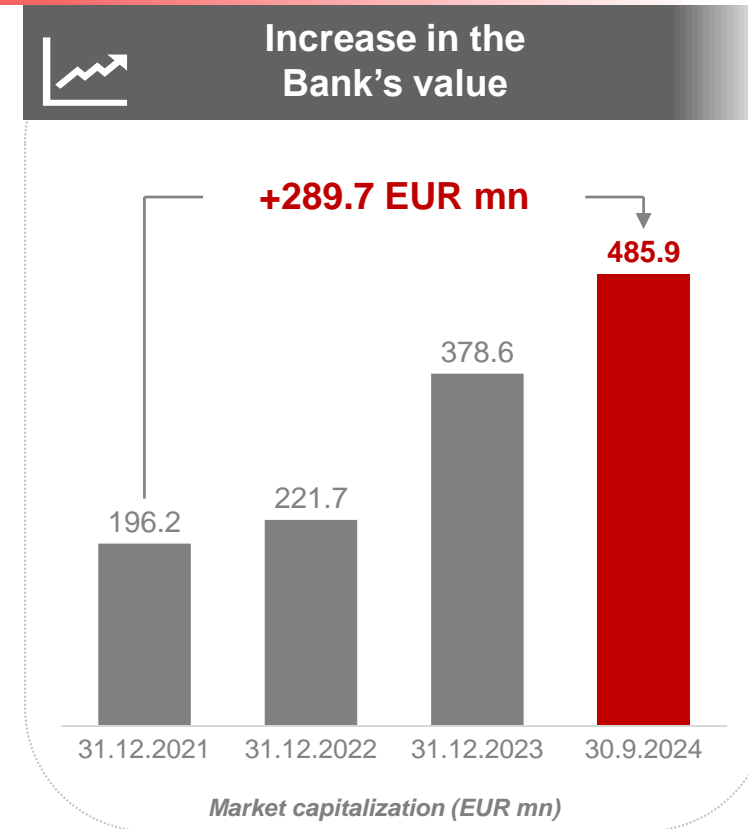
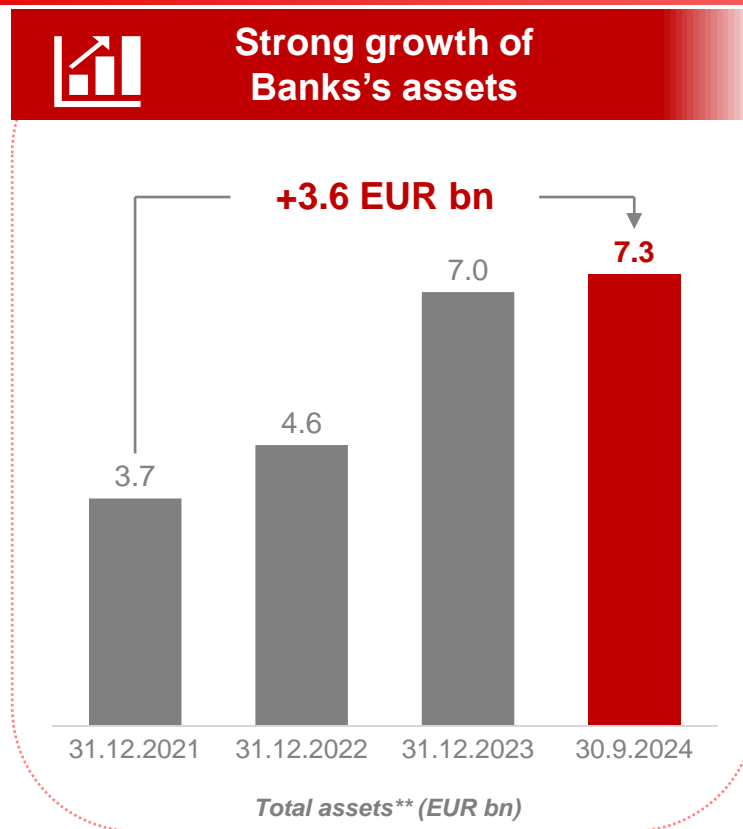
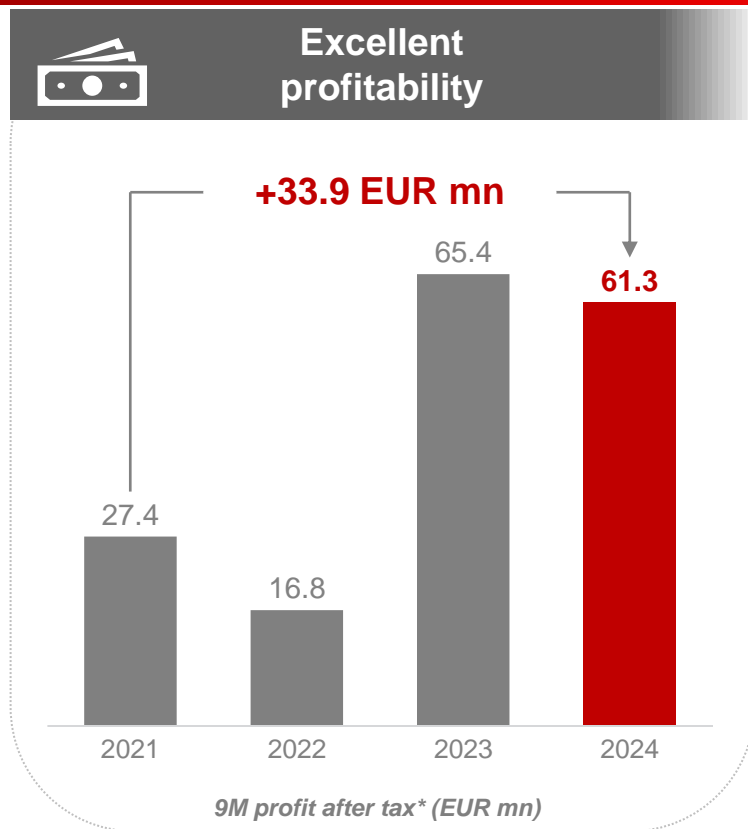
Financials

Risk Management

Additional information



We continue trajectory growth confirming our vision and mission



* Profit and loss account positions in this presentation for the nine-month (9M) of 2021-2022 are presented on stand alone basis, while 9M of 2023 include the result of HPB on a stand-alone basis including the result of Nova hrvatska banka for the period from integration till reporting date (3.7.2023 – 30.9.2023) and 9M of 2024 includes the result of integrated Bank (HPB + Nova hrvatska banka) in accordance with the integration of Nova hrvatska banka in July 2023

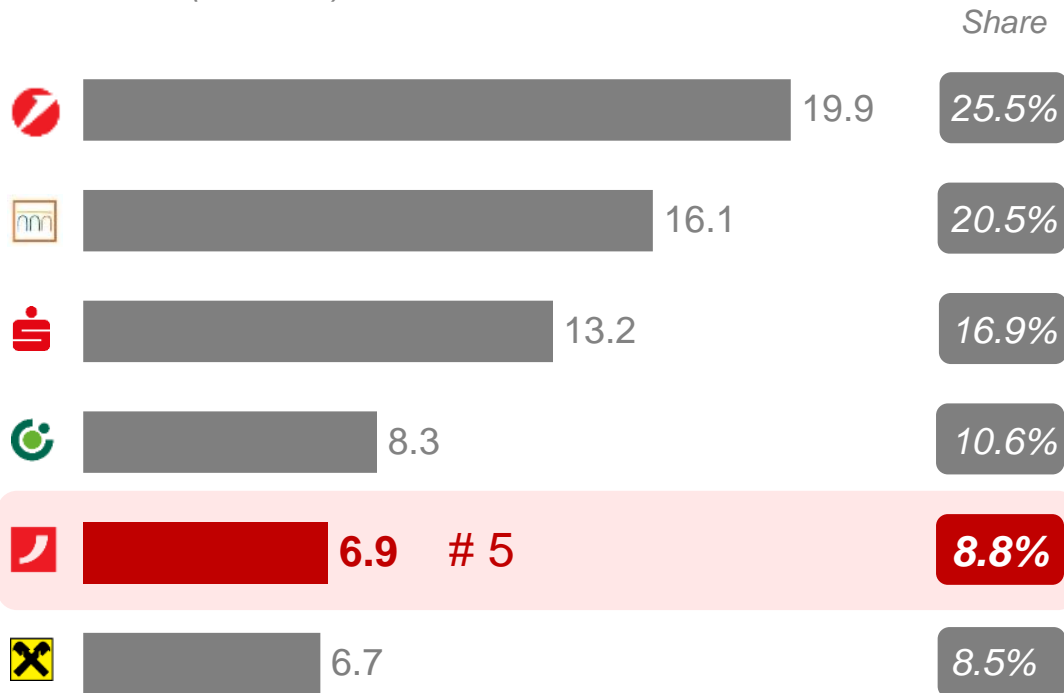
** The balance sheet positions in this presentation on the reporting dates 31.12.2021 and 31.12.2022 show the result of HPB on a stand-alone basis, while the reporting dates 31.12.2023 and 30.9.2024 include results of an integrated Bank (HPB + Nova hrvatska banka) in accordance with the integration of Nova hrvatska banka in July 2023



We are creating conditions for a better life in Croatia.

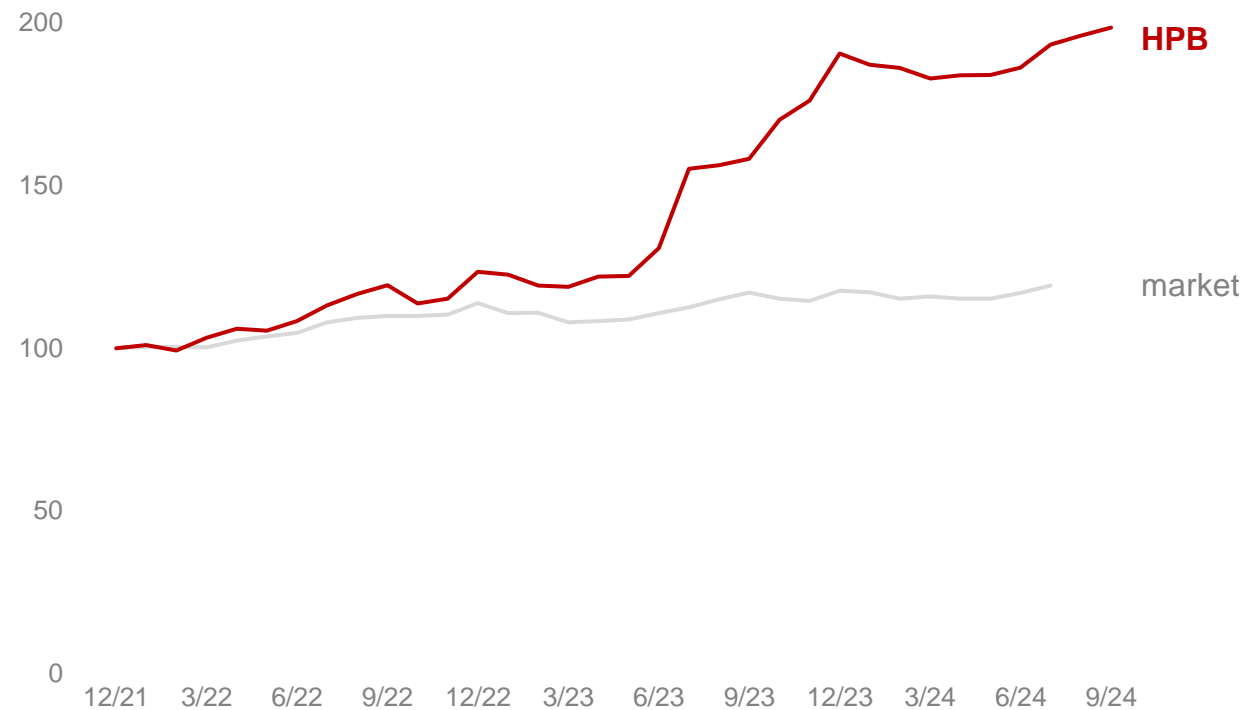
Continuous strengthening of the market position

Total assets
30.6.2024 (EUR bn)



➤ HPB in the **TOP 5** banks by total assets.

Total assets development
Base index = 2021



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Macroeconomic indicators



Croatia

Sep 24: **3.0%**
Sep 23: 7.4%

Euro area €

Sep 24: **1.8%**
Sep 23: 4.3%



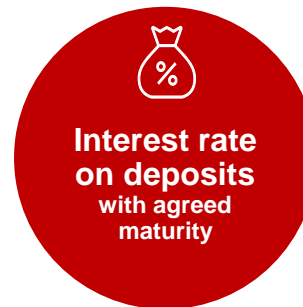
Aug 24: **4.9%**
Aug 23: 6.1%

Aug 24: **6.4%**
Aug 23: 6.6%



Q2 24: **3.0%**
Q2 23: 3.3%

Q2 24: **0.6%**
Q2 23: 0.5%



Croatia

Aug 24: **1.8%**
Aug 23: 1.4%

Aug 24: **3.3%**
Aug 23: 3.0%

Q2 24: **7.2%**
Q2 23: 4.3%

Q2 24: **-1.1%**
Q2 23: 7.3%

Aug 24: **5.0%**
Aug 23: 5.1%

Aug 24: **3.8%**
Aug 23: 3.5%

Aug 24: **4.7%**
Aug 23: 5.0%

Euro area €

Aug 24: **3.0%**
Aug 23: 3.1%

Aug 24: **3.4%**
Aug 23: 3.4%

Q2 24: **2.1%**
Q2 23: 2.0%

Q2 24: **2.2%**
Q2 23: 2.5%

Aug 24: **7.8%**
Aug 23: 7.9%

Aug 24: **3.7%**
Aug 23: 3.9%

Aug 24: **4.9%**
Aug 23: 5.0%

Households

Corporations

Households

Corporations

Households' consumption

Households' home purchase

Corporations

* Total value of financial investment transactions during the year compared to the same period last year, according to current prices.

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Record 9M operating profit of EUR 87.1 mn achieved

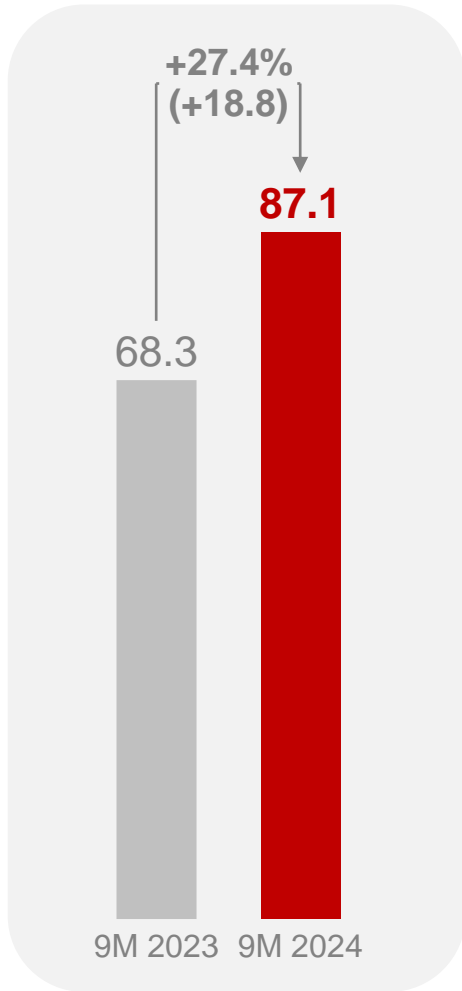
Profit and loss account (EUR mn)	9M 2023*	9M 2024*	Y-o-Y	Y-o-Y %
Net interest income	100.1	135.1	35.0	34.9
Net fee and commission income	21.8	26.9	5.1	23.6
Net other income	7.9	5.2	(2.7)	(34.1)
Operating income	129.8	167.2	37.4	28.8
Employee expenses	(30.6)	(40.7)	10.1	33.1
Administrative expenses	(25.0)	(31.7)	6.7	26.9
Depreciation	(5.9)	(7.7)	1.8	30.9
Operating expenses	(61.5)	(80.1)	18.7	30.4
Operating profit	68.3	87.1	18.8	27.4
Provisions	7.4	(12.7)	(20.1)	(270.6)
Tax	(10.3)	(13.1)	2.8	26.9
Profit after tax	65.4	61.3	(4.1)	(6.3)

* 9M of 2023 include the result of HPB on a stand-alone basis including the result of Nova hrvatska banka for the period from integration till reporting date (3.7.2023 – 30.9.2023) and 9M of 2024 includes the result of integrated Bank (HPB + Nova hrvatska banka) in accordance with the integration of Nova hrvatska banka in July 2023

- Net interest income is the key driver of the nine-month (9M) net profit in the amount of EUR 61.3 mn.
- A significant increase in net interest income compared to 9M 2023 (+35%) primarily due to the market movement of interest rates on deposits with central banks which neutralized the increase in operating expenses of EUR 18.7 mn and kept the CIR below 50%.
- Net fee and commission income recorded a growth of EUR 5.1 mn (+24 %) in the observed period due to higher income from payment transactions.
- Net other income lower due to the absence of non-recurring effects such as those recorded in 2023, which related to the results of legal actions taken in favour of the Bank.
- The movement of employee expenses primarily due to the impact of the integration of Nova hrvatska banka in 2023, the increase in employees' material rights in 2024 and to the lesser extent by labor and service price adjustments due to the inflationary environment.
- Operating expenses in the observed period increased in line with the integration of Nova hrvatska banka, the general increase in expenses and the increase in depreciation due to the activation of newly acquired assets.
- Although there was no significant increase in default, in accordance with the cautious approach to risk management that the Bank nurtures, the increase in provisions was caused by the migration of part of loans from Stage 1 to Stage 2, which follows the trends in the main foreign trade markets according to macroeconomic environment. In accordance with the described approach, the share of exposure in Stage 2 increased from 12.0% to 14.7% in corporate portfolio and from 16.1% to 17.5% in retail portfolio.

The most profitable quarter in history by operating profit

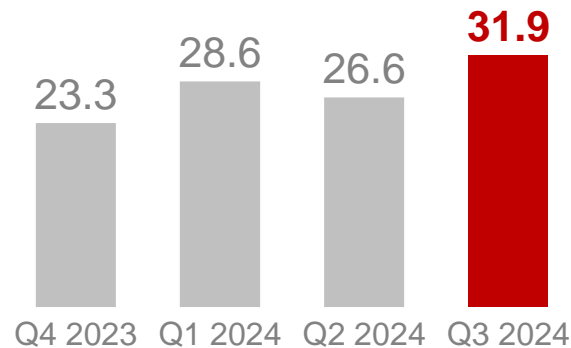
Operating profit
(EUR mn)



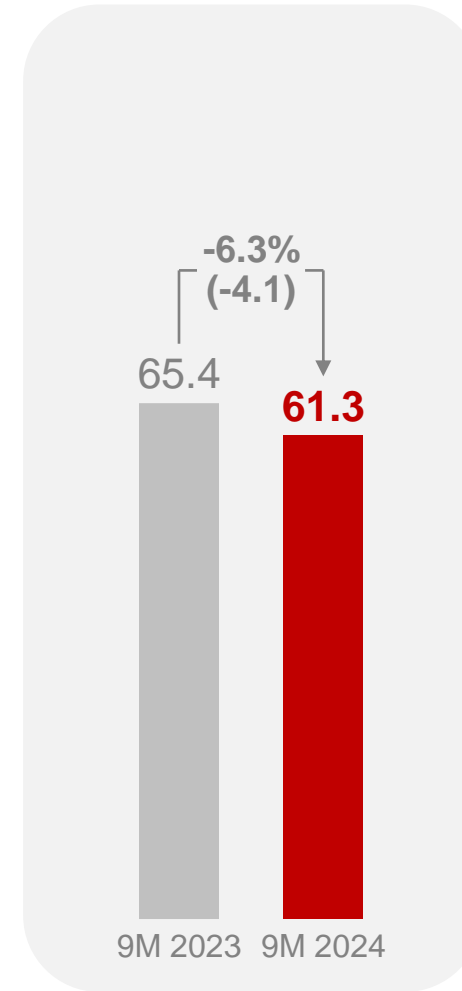
47.9%

9M 2024

Cost to Income Ratio (CIR)



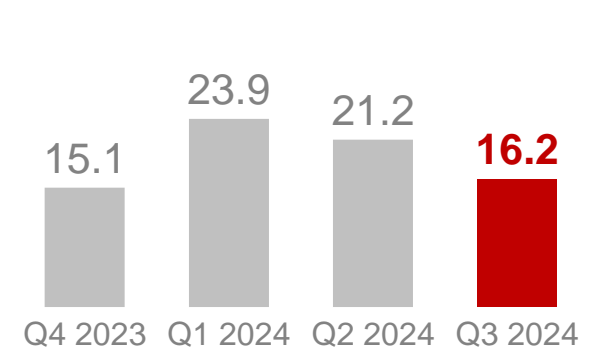
Profit after tax
(EUR mn)



14.5%

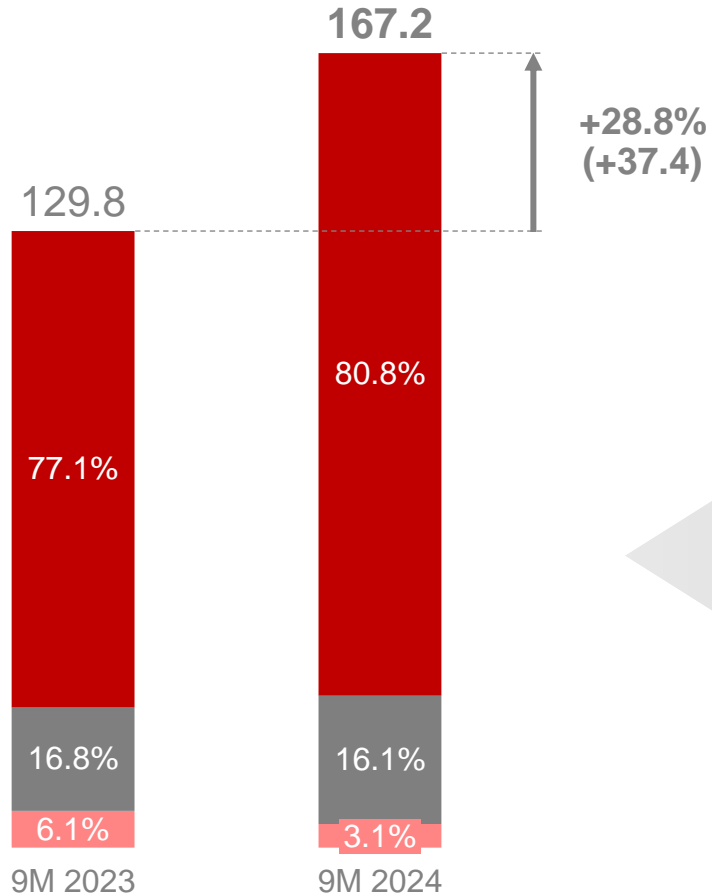
30.9.2024

Return on Average Equity (ROAE)

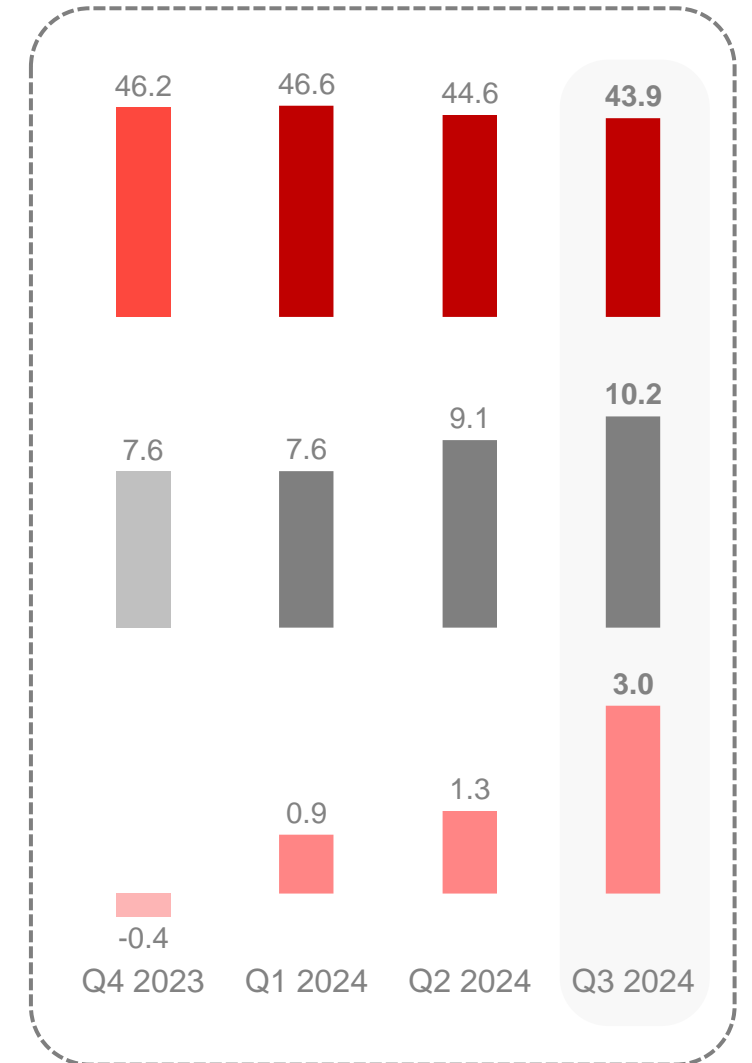
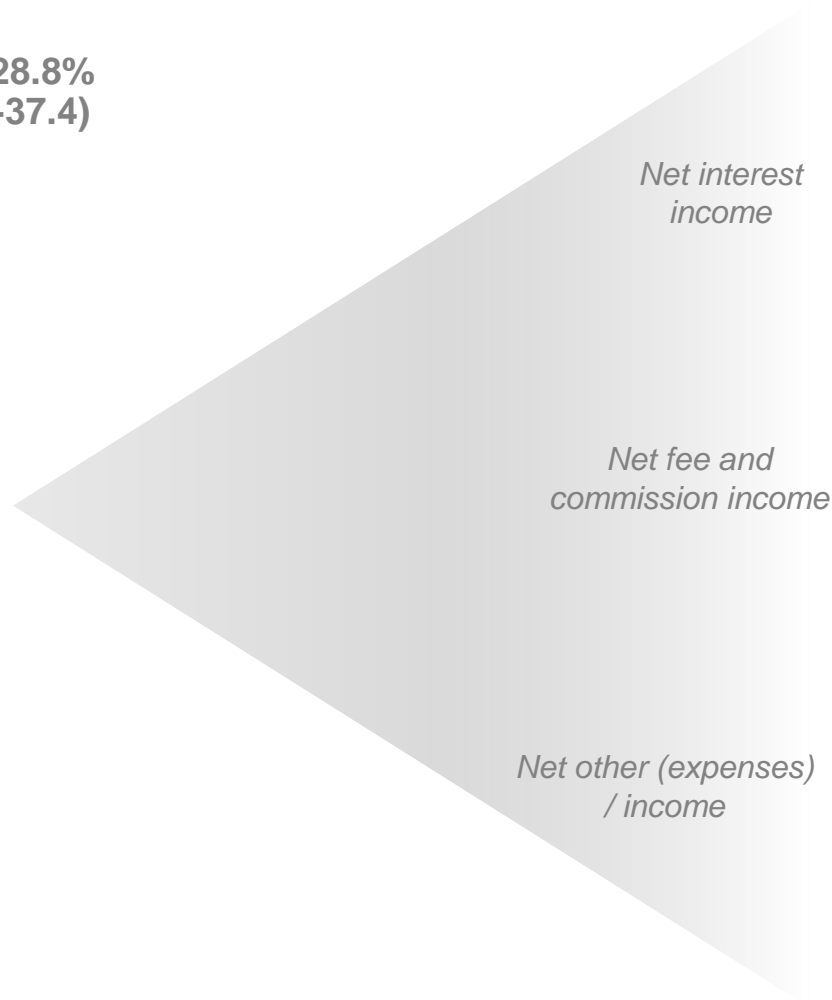


Strong non-interest income contribution in Q3 2024

Operating income
(EUR mn)

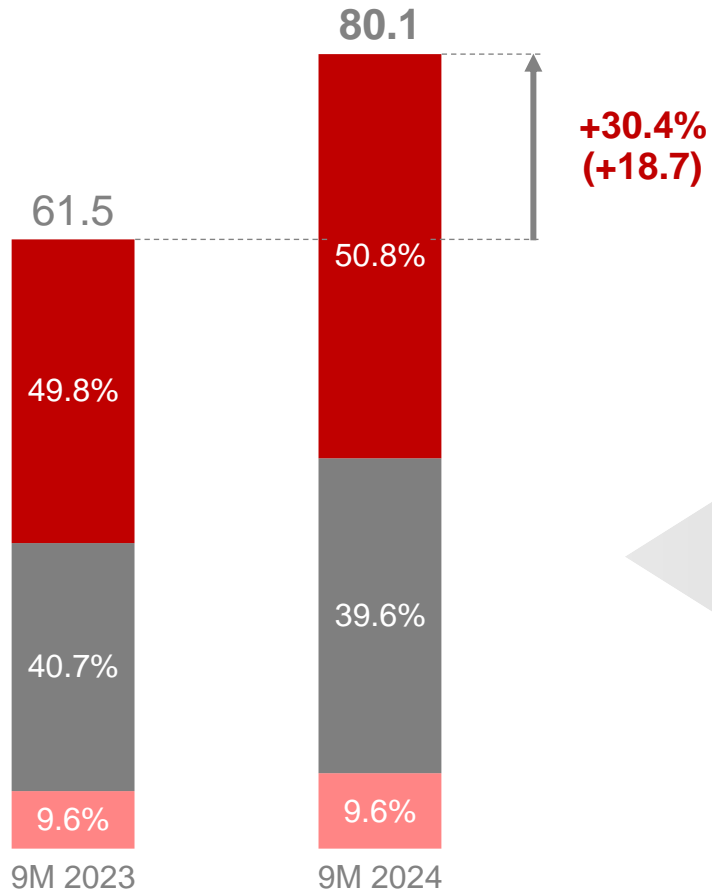


- Net interest income **+34.9%** (Y-o-Y)
- Net fee and commission income **+23.6%** (Y-o-Y)
- Net other income **-34.1%** (Y-o-Y)

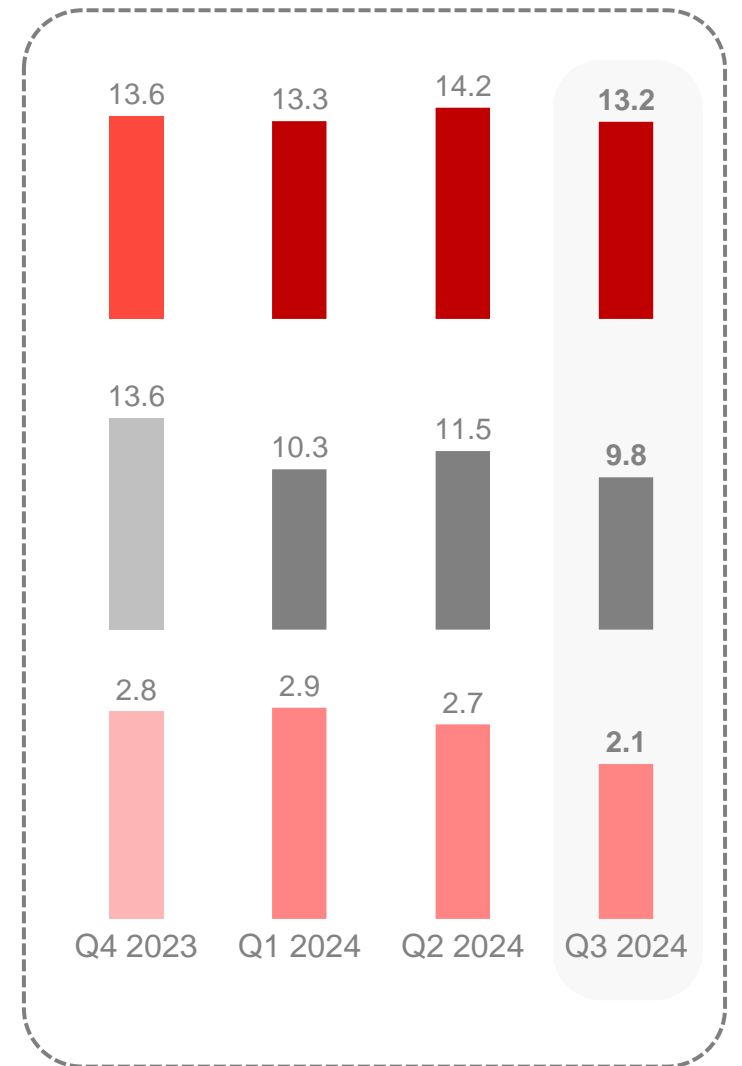
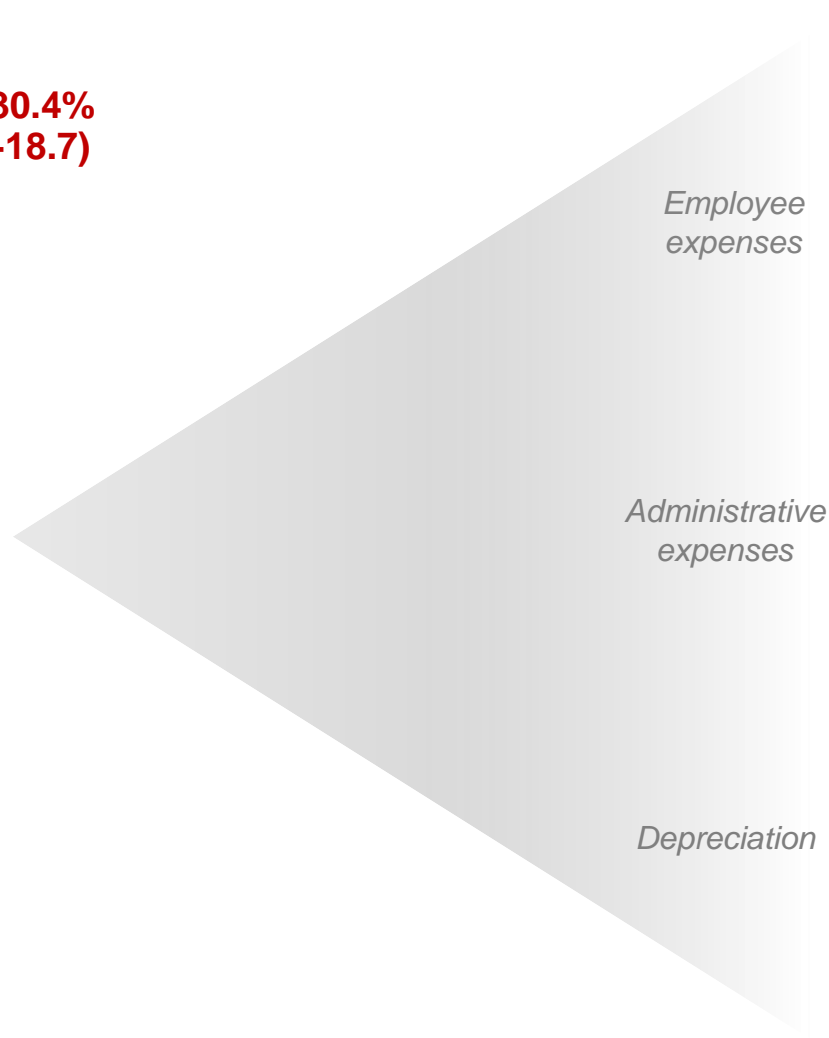


Expenses kept under control, while supporting operating growth in Q3 2024

Operating expenses (EUR mn)



- Employee expenses **+33.1%** (Y-o-Y)
- Administrative expenses **+26.9%** (Y-o-Y)
- Depreciation **+30.9%** (Y-o-Y)

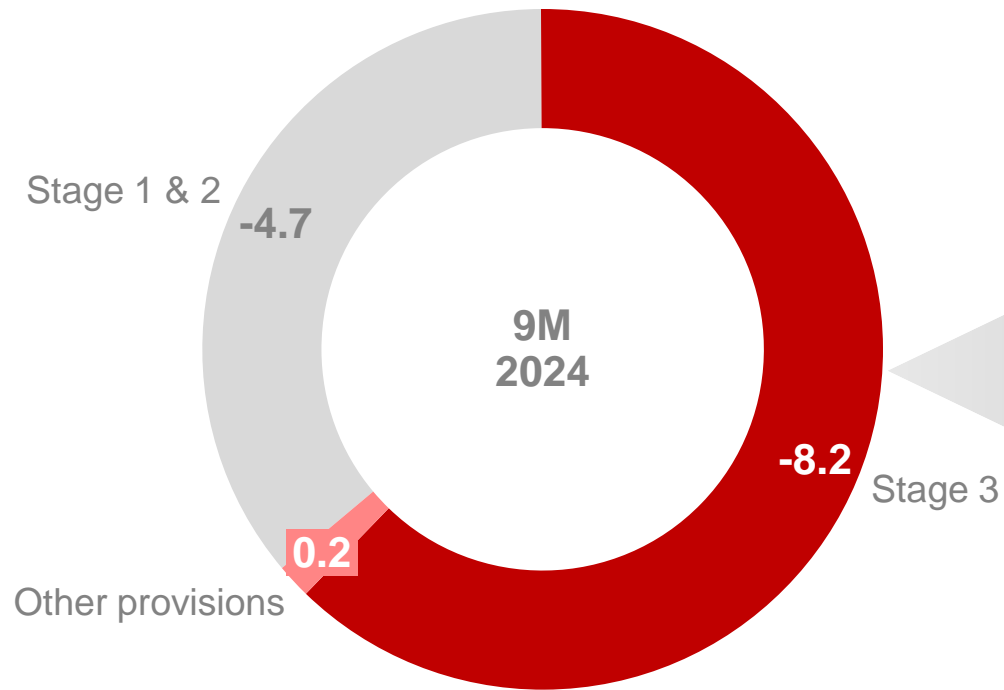


Quality and safe loan portfolio

NPL coverage at 76.1%

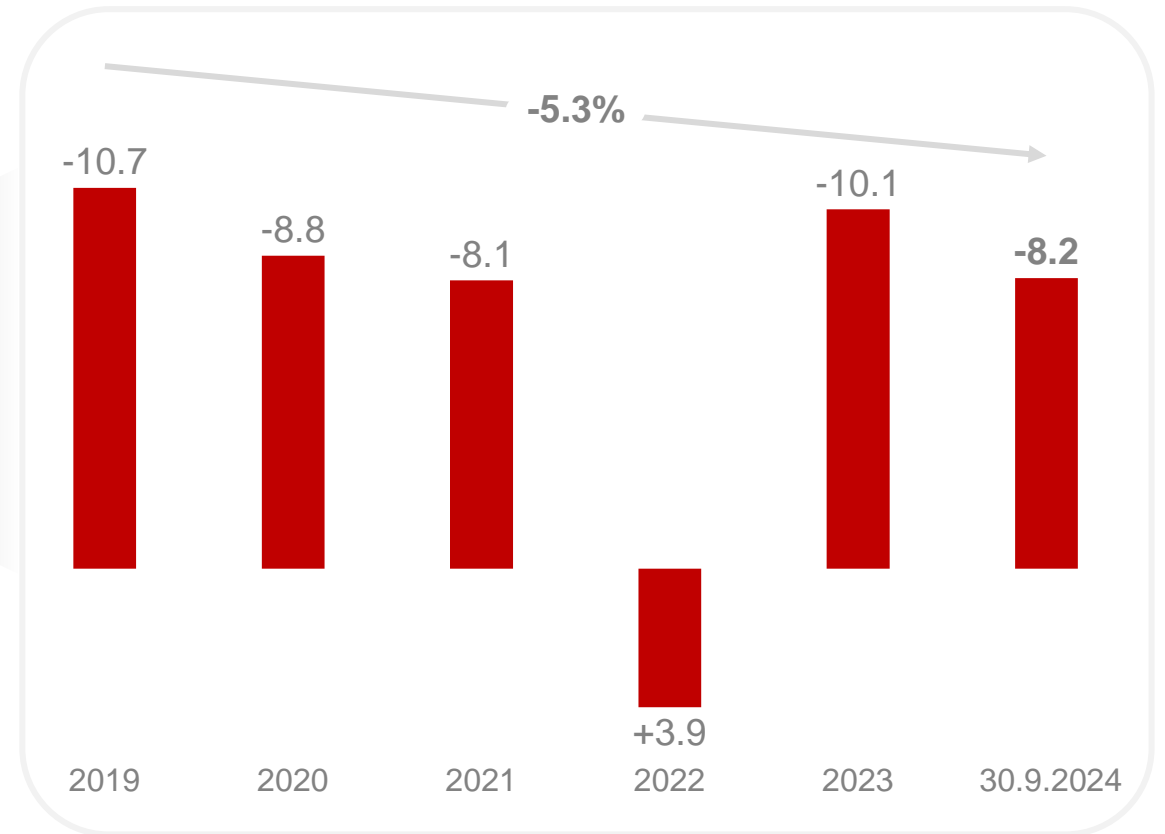
Cost provisioning structure

(EUR mn)



Cost of risk dynamics – stage 3

(EUR mn)

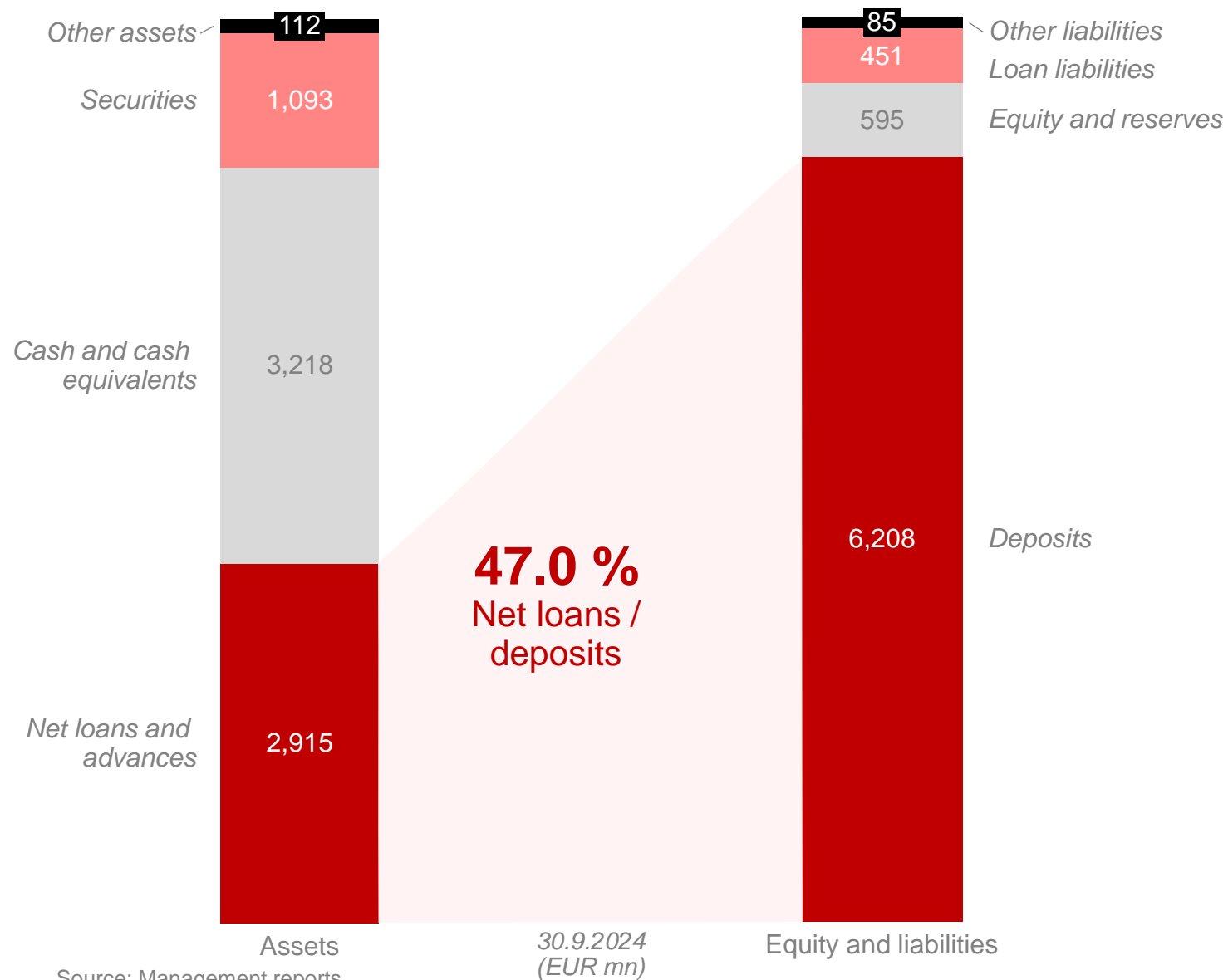


Asset exceeded record level in 2023

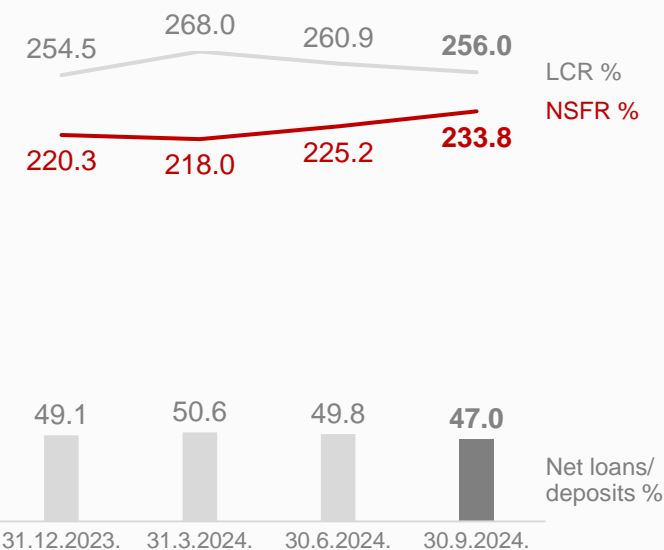
Balance sheet (EUR mn)	31.12.2023	30.9.2024	YTD	YTD %
Cash and cash equivalents	3,103	3,218	115	3.7
Securities and other financial instruments	915	1,093	178	19.5
Net loans and advances	2,908	2,915	7	0.2
Other assets	120	112	(8)	(6.5)
Total assets	7,046	7,339	293	4.2
Deposits	5,929	6,208	279	4.7
Loan liabilities	468	451	(17)	(3.7)
Other liabilities	115	85	(31)	(26.5)
Total liabilities	6,512	6,743	231	3.5
Total equity and reserves	534	595	61	11.5

- **Total assets higher by EUR 293 mn (+EUR 455 mn in Q3 2024)** compared to the end of 2023 primarily as a result of the increase in the volume of deposits.
- In total deposits, **term deposits recorded a growth of 20.3%** in the observed period **which is a result of attractive interest rates on Super Štednja**, while a vista deposits records a slight decrease of 4.3%.
- Relatively high loan returns neutralized by new placements, hence the **level of loans is stable (+EUR 7 mn)**.
- Liquidity surplus from the collected deposits was placed in securities and other financial instruments (mainly bonds and treasury bills of the Republic of Croatia) for the purpose of 'locking' the yield following the reduction of reference rates.
- Loan liabilities refer to MREL instruments and received loans from financial institutions (CBRD, CNB repo loans and foreign financial institutions), where reduction refers to regular repayment.

Client deposits as a backbone of the balance sheet with a robust liquidity position



Liquidity profile



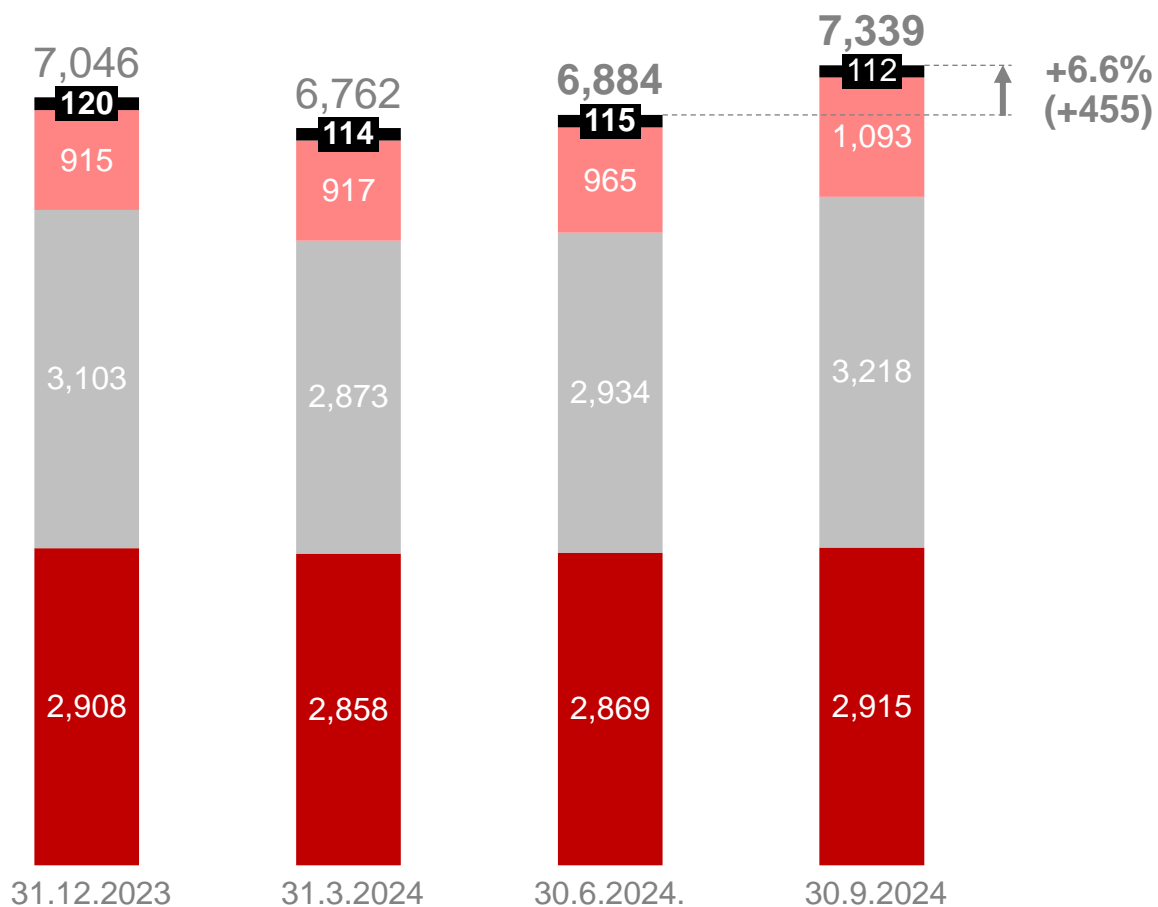
LCR and NSFR significantly above regulatory requirements (= 100%) and market (LCR: 220.2%*; NSFR: 173.4%**).

*Data as of June 30, 2024, source: CNB statistics, SV1 Data on operations of credit institutions

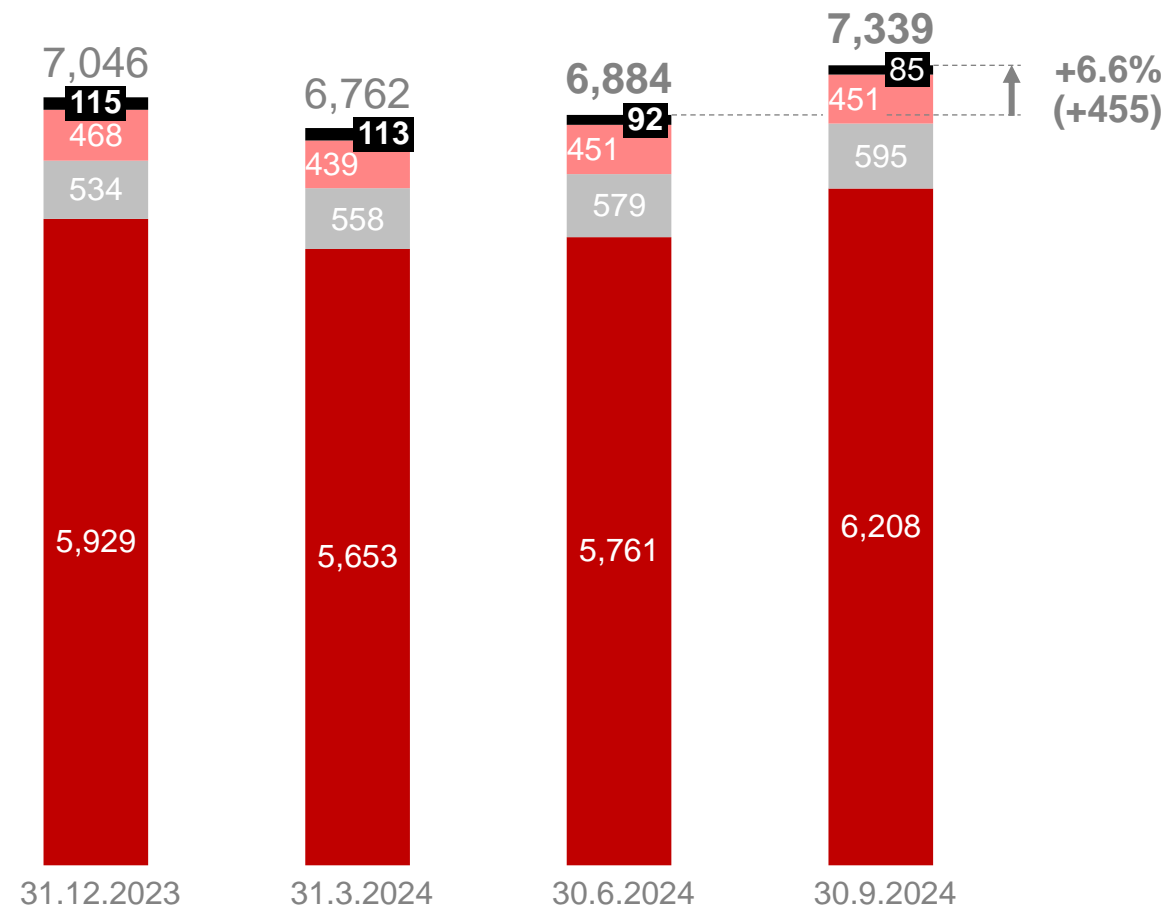
**Data as of December 31, 2023, source: CNB Analyzes and publications, Half-yearly information for the second half of 2023

Balance sheet growth with stable structure

Assets (EUR mn)



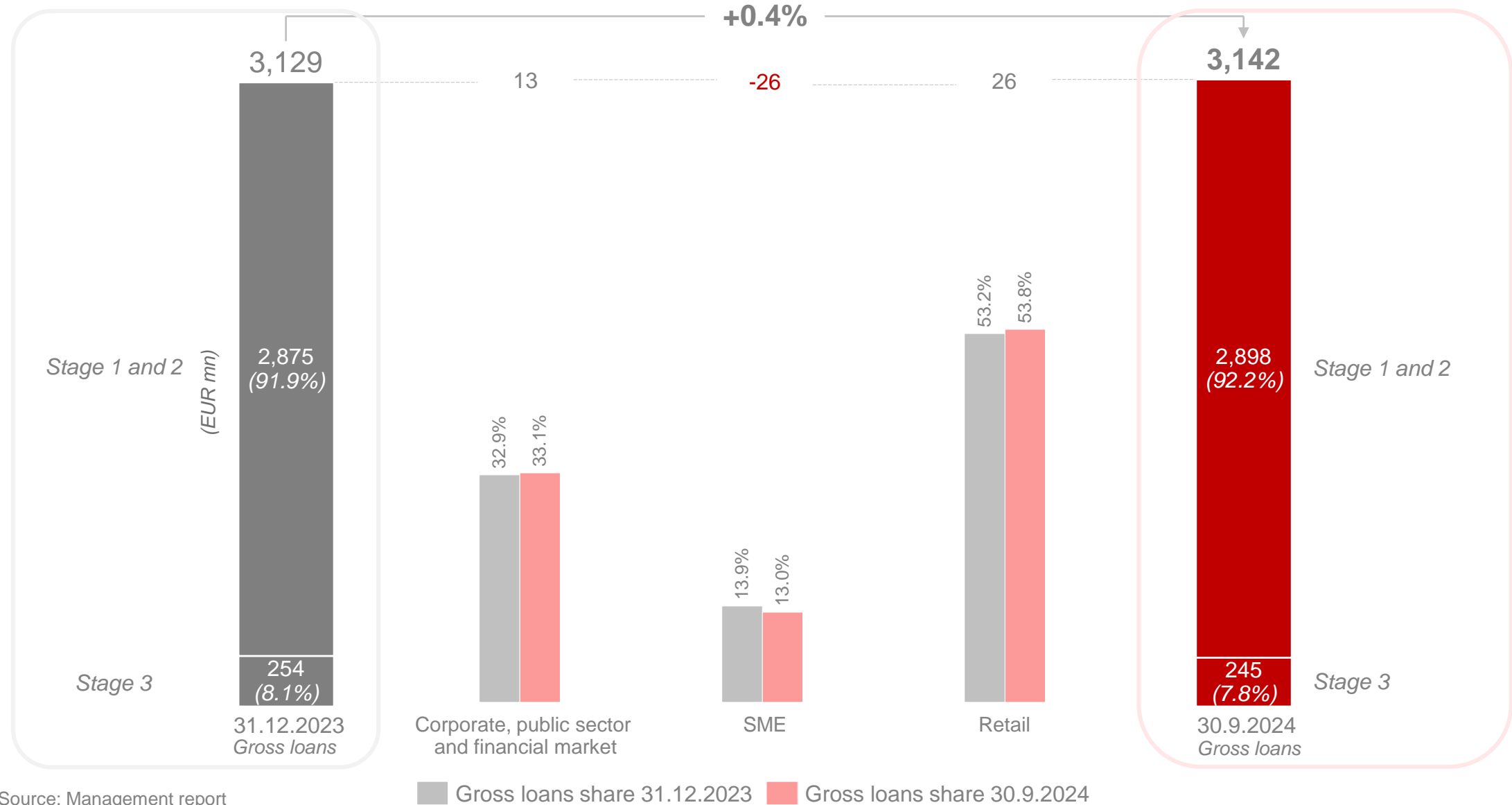
Liabilities and equity (EUR mn)



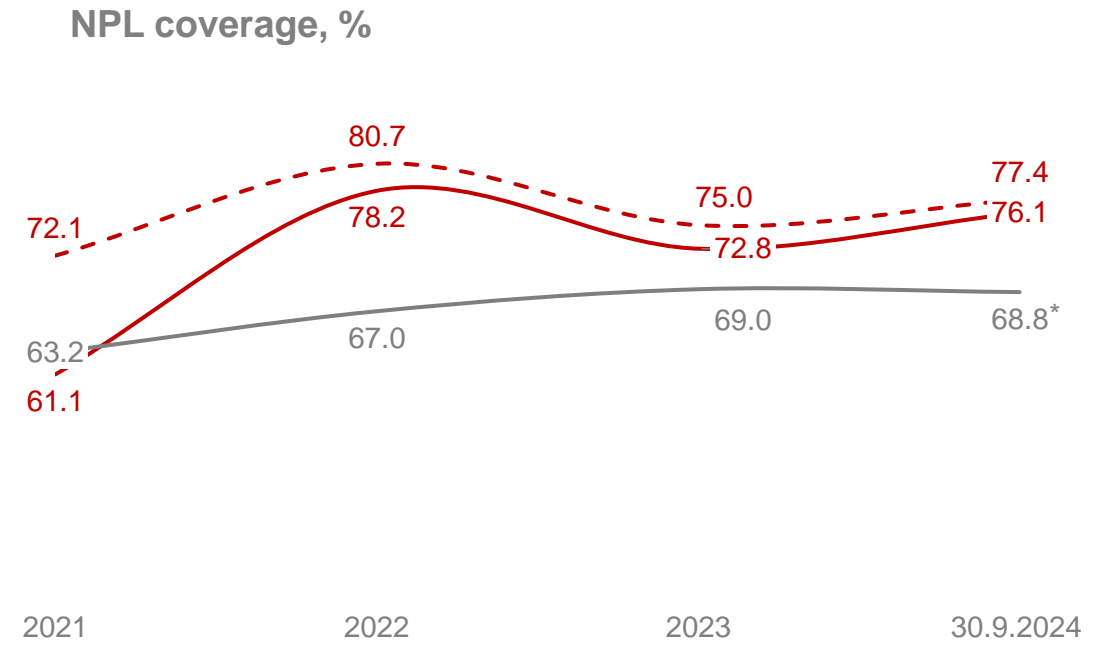
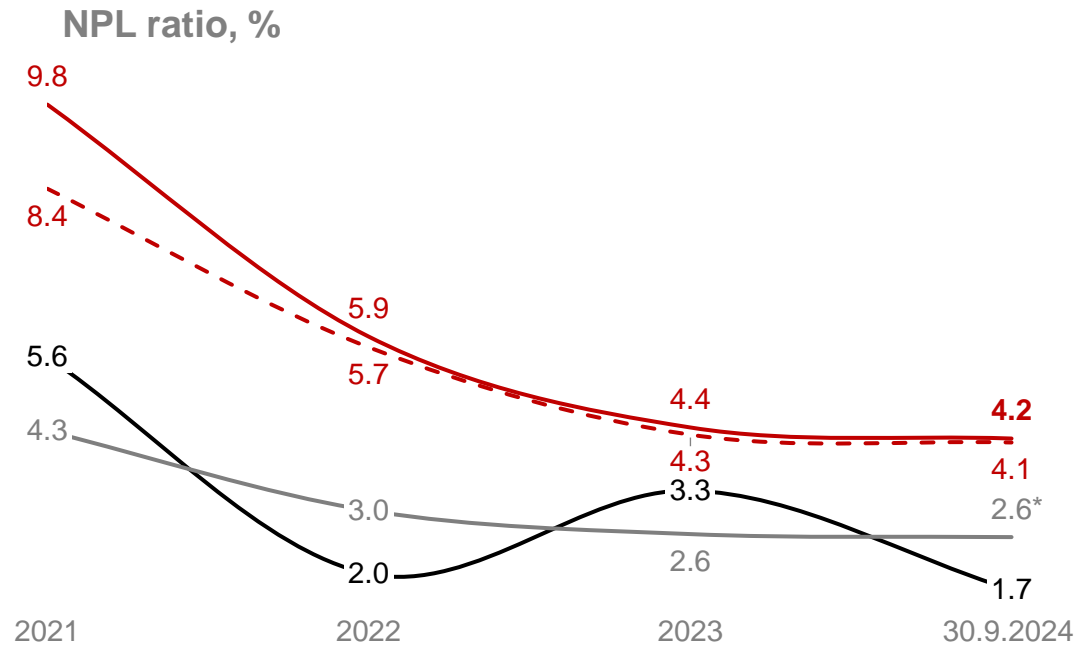
Other assets
 Cash and cash equivalents
 Securities
 Net loans and advances

Other liabilities
 Equity and reserves
 Loan liabilities
 Deposits

Stable level of gross loan portfolio with a focus on quality



The long-term trend of decreasing NPL ratio continued



- NPL ratio
- - NPL ratio - excluded gov. guarantees
- Uncovered NPL in CET 1 ratio
- Market NPL ratio*

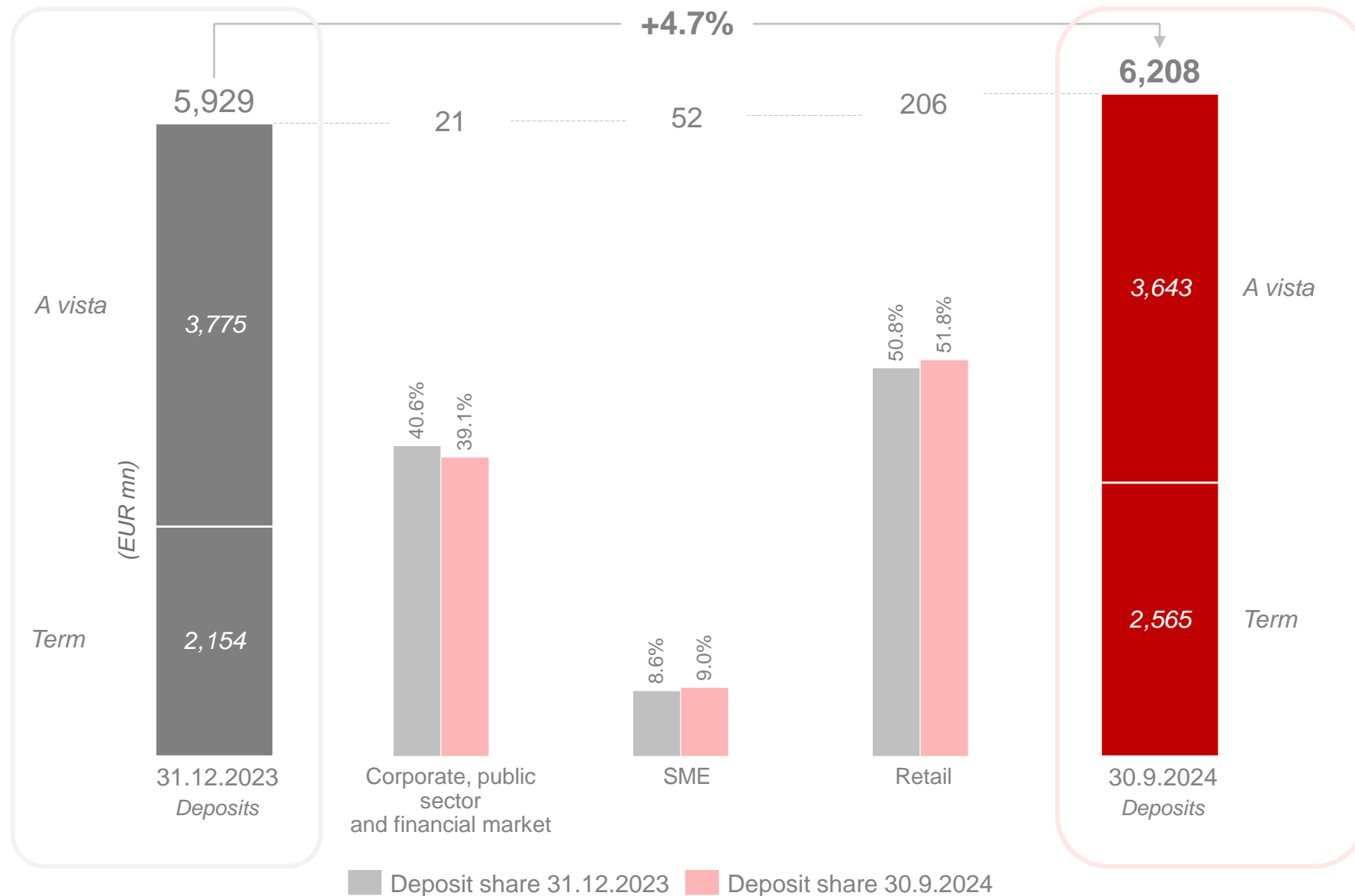
- NPL coverage
- - NPL coverage - excluded gov. guarantees
- Market NPL coverage*

* Data as of June 30, 2024, source: CNB statistics, SV2 Selected indicators of the structure, concentration and operations of credit institutions



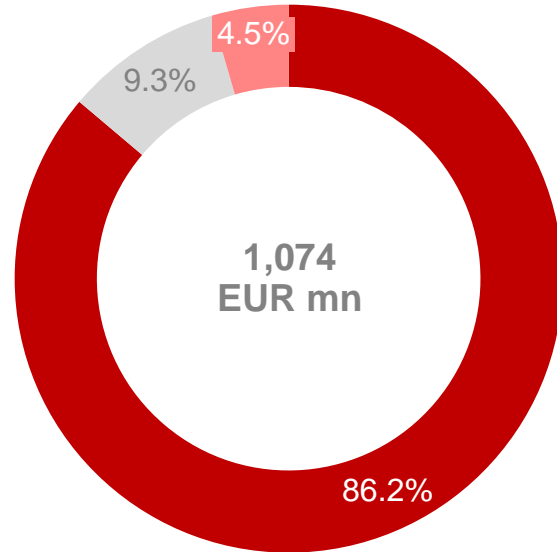
NPL ratio is continuing the positive long-term trend which, with a significant reduction in the exposure of NPLs, primarily through efficient collection and the necessary write-offs of non-performing exposures, gives an excellent result that was ultimately influenced by performing loans, mostly through reclassifications into the performing portfolio. The NPL coverage is still above the sector average.

Strengthened deposit base with strong growth in term deposits



Secure portfolio of securities

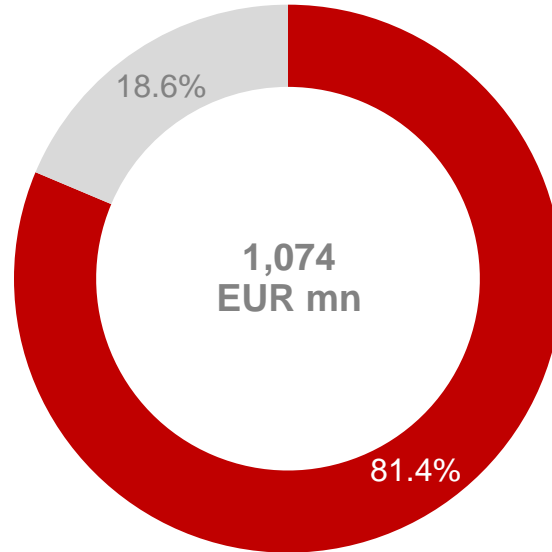
Securities* by issuer



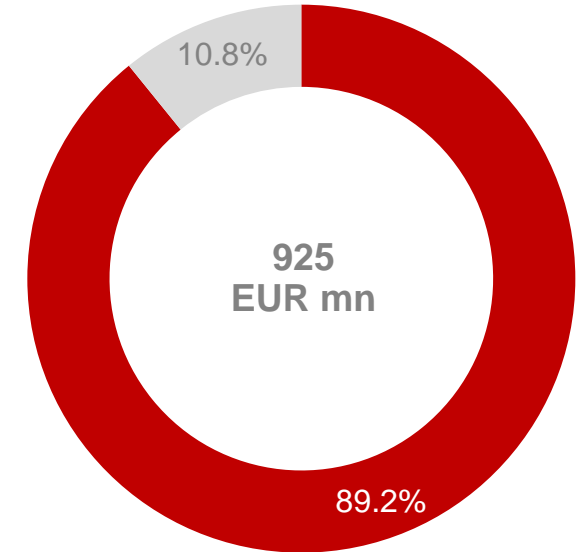
- Republic of Croatia - Ministry of Finance
- French Republic - Ministry of Economy and Finance
- Other

Type of securities*

Total...



...o/w issued by Croatia – Ministry of Finance



- Bond
- Treasury bill

*Securities are presented in nominal amount

➤ **The securities portfolio consists of 81.4% bonds**, with government bonds covering 76.8% of the total portfolio as the most significant investment.

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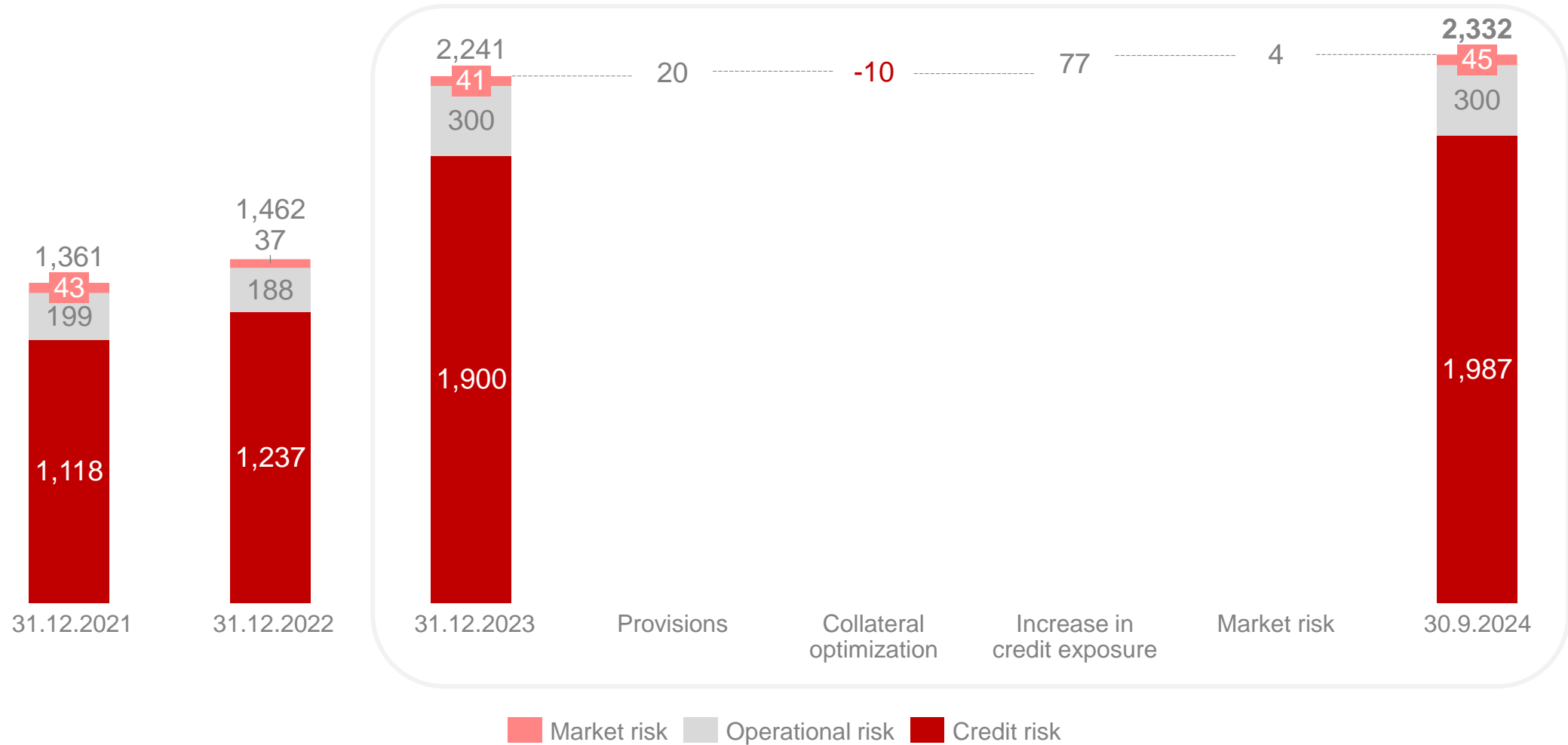
Risk Management

Additional information



Prudent RWA management

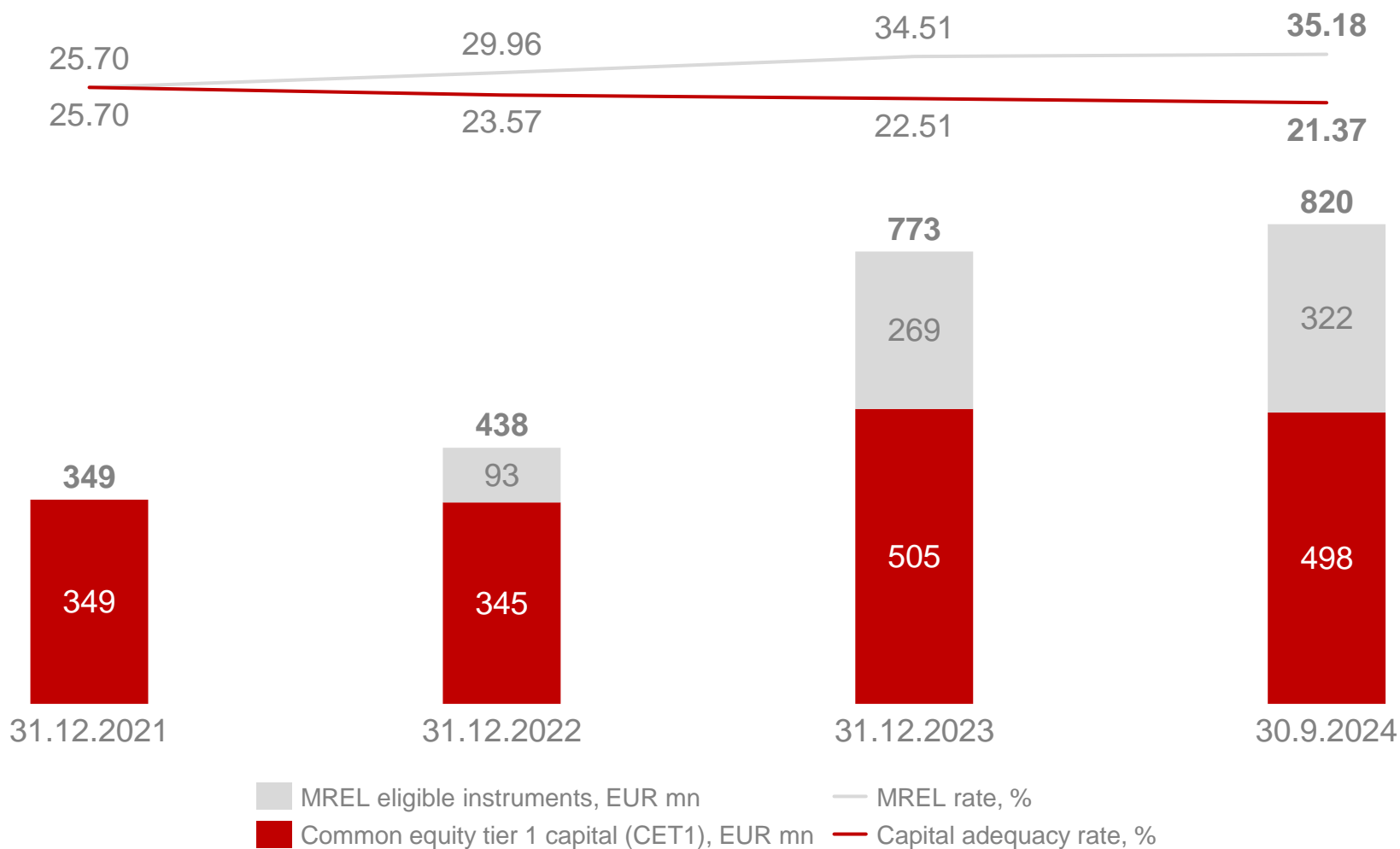
RWA development (EUR mn)



Strong capital position significantly above regulatory requirements

30.9.2024

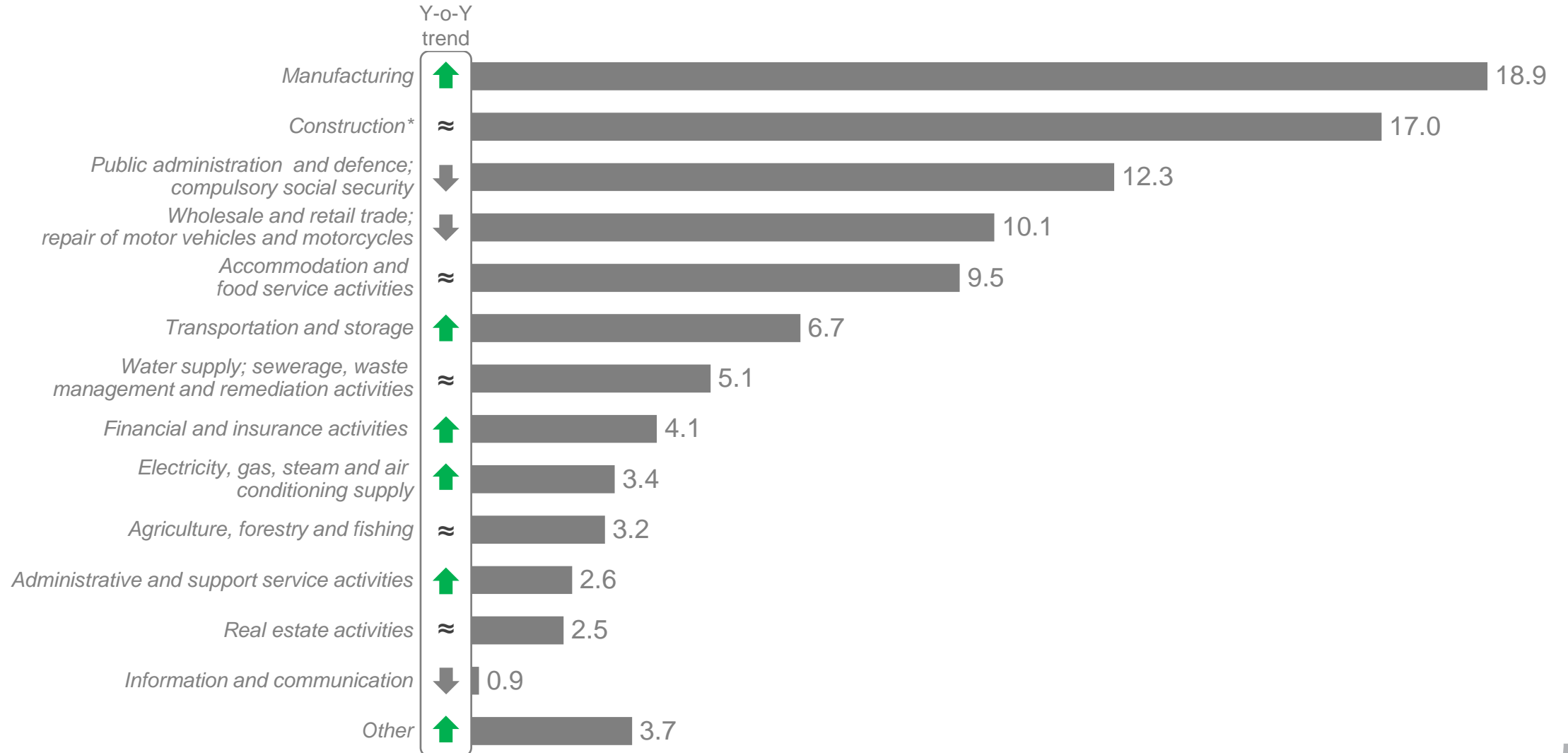
Regulatory capital and MREL eligible instruments development



A highly diversified and stable credit portfolio

Corporate gross loans per industry, %

30.9.2024



* Hrvatske autoceste are included in construction industry, with a share of 54.04% of the total exposure to that industry

Source: Management report, according to National Classification of Activities (NKD)

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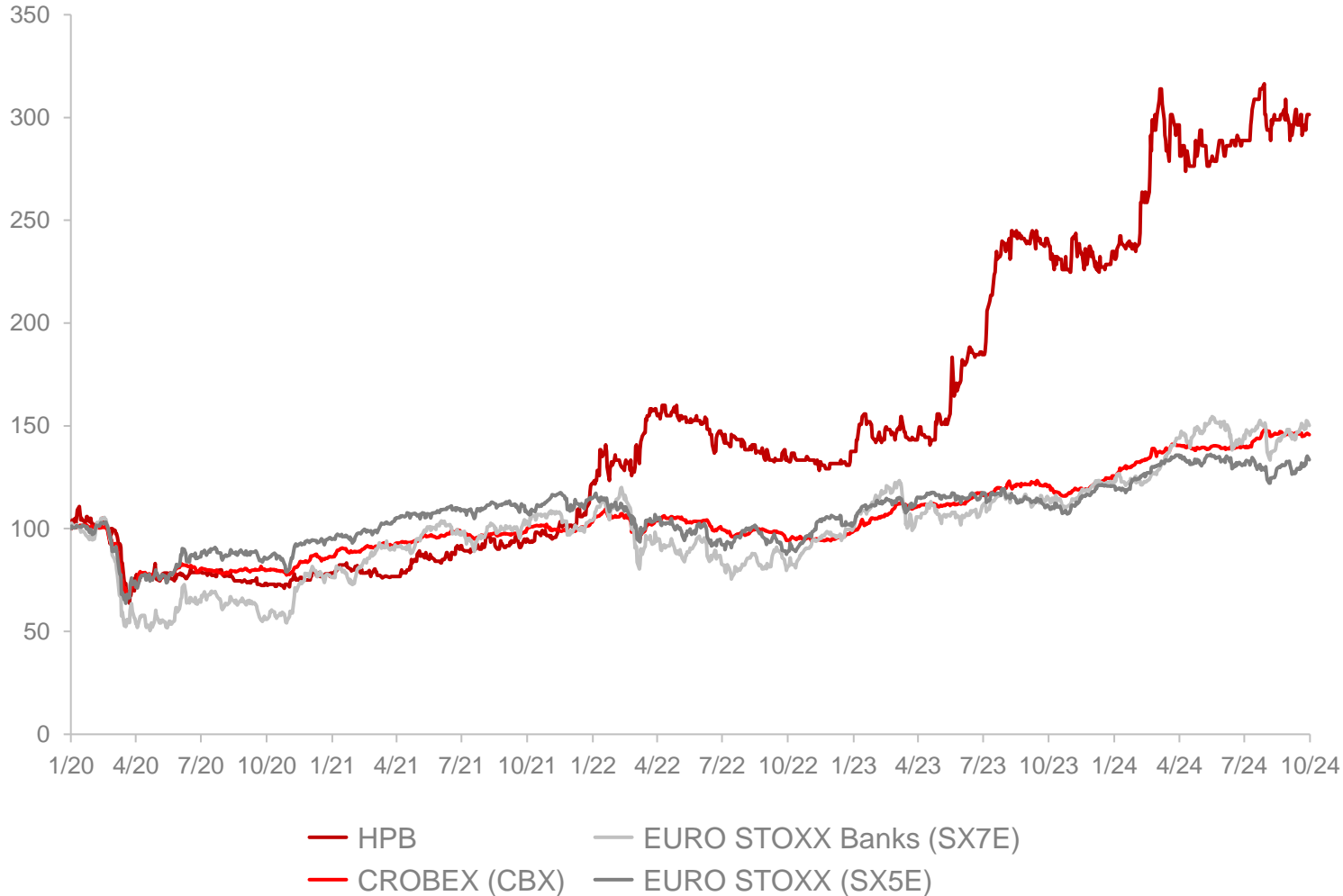
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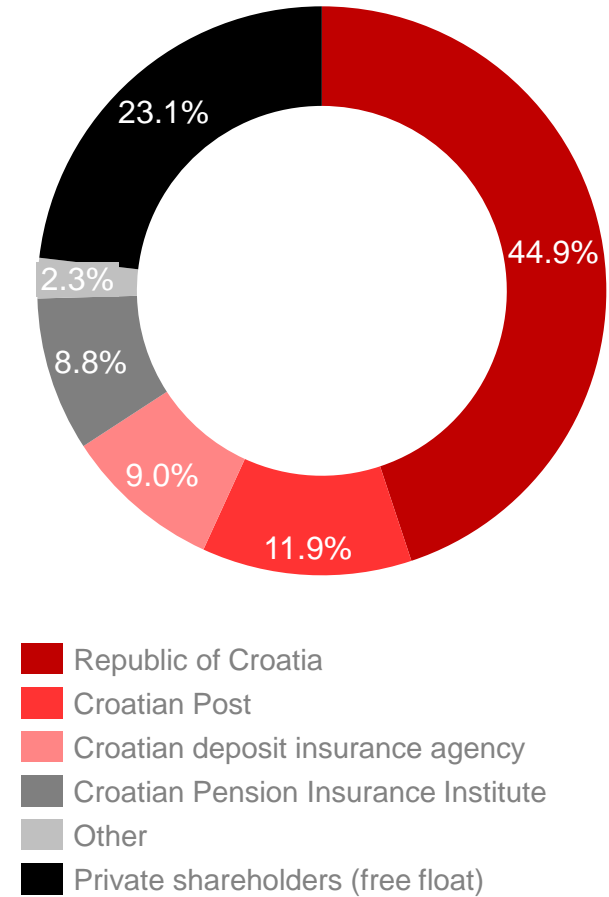


HPB share outperformed the relevant market indices

HPB share price movement index and CROBEX, EURO STOXX and EURO STOXX Banks indices



Ownership structure 30.9.2024



Sustainable operations in 2024

ESG segment	Activities in focus in 2024					
E ENVIRONMENT	Development of methodologies and metrics for environmental goals from the Climate Strategy and Transition Plan of the HPB Group <ul style="list-style-type: none"> ➤ defined base year 2023 for GHG (greenhouse gas emissions) with initial values Range 1 = 649.41 tCO₂e, Range 2 = 597.05 tCO₂e, Range 3 = 799,574.21 tCO₂e ➤ defined base year 2023 for GAR (green asset ratio) with an initial value of 0.75% ➤ selection of sectors, scenarios and methodology for setting goals (focus on reducing GHG emissions and increasing GAR) in accordance with the regulatory framework 	Improvement of the methodology of general assessment and assessment of the significance of environmental risks <ul style="list-style-type: none"> ➤ greater granularity - assessment at the cadastral parcel level ➤ a wider range of physical risks (sea level rise, wind power) ➤ inclusion of climate change projections according to NGFS scenarios until 2050 	Integration of environmental risks in the credit process <ul style="list-style-type: none"> ➤ defined sectoral policies from the perspective of environmental risks (credit criteria, restrictions, thresholds and exclusions) ➤ defined methodology for determining the ENV (environmental) rating of industries and clients ➤ integration of ESG questionnaires into credit documentation 	Development of products with elements of sustainability in accordance with the adopted framework for the development of sustainable products <ul style="list-style-type: none"> ➤ implementation of project sustainability assessment in the credit process, in accordance with the criteria of the EU Taxonomy ➤ identification and monitoring of sustainability components of projects financed by the Bank ➤ modification of the profitability calculator 		
S SOCIETY	Development of methodologies and metrics for social sustainability goals <ul style="list-style-type: none"> ➤ application of ESRS sustainability reporting standards ➤ defined base year 2023 and material topics as a basis for setting goals (gender equality, turnover, adequate salaries) 	Implementation of activities in accordance with the recommendations of ISO 26000: Guidelines on social responsibility <ul style="list-style-type: none"> ➤ continuous identification and improvement of business activities in accordance with sustainability standards 	Conducting employee satisfaction surveys <ul style="list-style-type: none"> ➤ October 2024 	Corporate volunteering <ul style="list-style-type: none"> ➤ 9 volunteer actions were organized during 2024 	Financial literacy program <ul style="list-style-type: none"> ➤ education in 8 counties (pupils and students) ➤ focus on marking the European Money Week 	Business cooperation <ul style="list-style-type: none"> ➤ project Safer Schools and Kindergartens in cooperation with the Red Cross
G GOVERNANCE	Preparation for sustainability reporting according to ESRS standards for the 2024 reporting period <ul style="list-style-type: none"> ➤ implementation of an IT solution for data management and sustainability reporting: <ul style="list-style-type: none"> ❑ Module I – monitoring and reporting on greenhouse gas (GHG) emissions ❑ Module II – monitoring and reporting on taxonomic indicators ❑ Module III – monitoring of indicators and reporting according to ESRS standards 	Implementation of the ESG questionnaire in the Bank's operations <ul style="list-style-type: none"> ➤ creating an ESG questionnaire to collect data from clients on sustainability factors ➤ establishing a data management process from the ESG questionnaire ➤ Informing clients and starting the application / filling in of questionnaires by clients 	Implementation of the Principles of Responsible Banking UNEP FI <ul style="list-style-type: none"> ➤ conducted an analysis of the impact of the Bank's portfolio ➤ publication of the first report in accordance with the Bank's membership in the UNEP FI initiative ➤ ongoing setting of SMART goals in the most significant areas of influence (minimum 2 goals) 	Implementation of ESG questionnaire for suppliers <ul style="list-style-type: none"> ➤ principles for suppliers already implemented in the procurement process ➤ definition of the questionnaire for suppliers, the process and methodology of supplier evaluation is in progress 		

Abbreviations

Abbreviation	Definition
CAR	Capital Adequacy Ratio
CBRD	Croatian Bank for Reconstruction and Development
CET 1	Common Equity Tier 1
CIR	Cost-to-income ratio
CNB	Croatian National Bank
CROBEX	Croatian Benchmark Stock Exchange Index
ECB	European Central Bank
ESG	Environmental, Social and Governance
GDP	Gross Domestic Product
HICP	Harmonised index of consumer prices
HPB	Hrvatska poštanska banka
ISIN	International Securities Identification Number
LCR	Liquidity Coverage Ratio
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NSFR	Net Stable Funding Ratio
Q	Quarter
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RWA	Risk-Weighted Assets
Stage 1 and 2	Performing Loans
Stage 3 or NPL	Non-Performing Loans
Y-o-Y	Year-over-Year
YTD	Year to Date
9M	Nine-month period



Indicies calculation

Indicator	Calculation
Liquidity coverage ratio (LCR)	The ratio of liquid assets to net liquidity outflow
NPL coverage	Ratio of accumulated impairments for non-performing loans to total non-performing loans
NPL ratio	Ratio of non-performing loans to total loans
Net stable funding ratio (NSFR)	Ratio of the available amount of stable funding relative to the required amount of stable funding
Loan to deposit ratio	Ratio of net loans to deposits as of the reporting date
Cost to income ratio (CIR)	Operating cost to net operating income ratio
Return on average assets (ROAA)	Ratio of annualized profit for the current year to average assets (arithmetic mean of the balance in assets at the end of the reporting period and the balance in assets at the end of the previous year)
Return on average equity (ROAE)	Ratio of annualized profit for the current year to average equity (arithmetic mean of the balance in equity at the end of the reporting period and the balance in equity at the end of the previous year)
Common Equity Tier 1 (CET 1)	Common Equity Tier 1 (CET1) capital to risk-weighted assets (RWA) ratio

