



HRVATSKA POŠTANSKA BANKA d.d.

Accounting and financial controlling division

UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS FOR PERIOD FROM 01.01. TO 31.03.2010

Zagreb, May 2010

INCOME STATEMENT FOR THE PERIOD FROM 01.01.-31.03.2010

Item	Previous period (in HRK '000)		Current period (in HRK '000)	
	Cumulative	Quarterly	Cumulative	Quarterly
1. Interest and similar income	244,702	244,702	209,950	209,950
a) from citizens	69,939	69,939	64,604	64,604
b) from companies	101,132	101,132	104,218	104,218
c) from financial institutions	21,832	21,832	6,900	6,900
d) other interest income	51,799	51,799	34,228	34,228
2. Interest expense and similar charges	170,777	170,777	118,886	118,886
a) to citizens	39,995	39,995	51,398	51,398
b) towards companies	28,160	28,160	19,779	19,779
c) towards financial institutions	95,718	95,718	33,086	33,086
d) other interest expenses	6,904	6,904	14,623	14,623
3. Net interest income	73,925	73,925	91,064	91,064
4. Fee and commission income	145,068	145,068	144,946	144,946
5. Fee and commission expense	95,770	95,770	95,133	95,133
6. Net fee and commission income	49,298	49,298	49,813	49,813
7. Profit / (loss) from investments in subsidiaries, associates and joint ventures	0	0		
8. Profit / (loss) from trading activities	-17,119	-17,119	26,813	26,813
9. Profit / (loss) from embedded derivatives	0	0		
10. Profit / (loss) from property that is not actively traded, valued at fair value through profit and loss	0	0		
11. Profit / (loss) from activities in the category of property available for sale	66	66	125	125
12. Profit / (loss) from activities in the category of assets held to maturity	0	0		
13. Gains less losses arising from trading securities	0	0		
14. Gains less losses arising from dealing in foreign currencies	369	369	457	457
15. Other income	3,383	3,383	2,003	2,003
16. Other expenses	44,273	44,273	7,207	7,207
17. General and administrative expenses and amortisation	103,796	103,796	94,416	94,416
18. Profit / loss from operations before value adjustments and provisions for losses	-38,146	-38,146	68,651	68,651
19. Costs of value adjustments and provisions for losses	82,999	82,999	33,522	33,522
20. Gain/loss before tax	-121,145	-121,145	35,130	35,130
21. Income tax	-3,961	-3,961		
22. Profit / loss for the period	-117,185	-117,185	35,130	35,130

BALANCE SHEET AS AT 31.03.2010*in HRK '000*

Item	31.12.2009.	31.03.2010.
ASSETS		
A) CASH AND DEPOSITS WITH CNB	2,169,207	2,013,195
I. CASH	401,953	381,399
II. DEPOSITS WITH CNB	1,767,254	1,631,796
B) DEPOSITS WITH BANKING INSTITUTIONS	1,192,950	1,444,329
C) TREASURY BILLS of MF AND OBLIGATORY CNB BILLS	921,089	962,090
D) SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	338,531	496,528
E) SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	287,720	276,911
F) SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	515,616	528,571
G) SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - NOT ACTIVELY TRADED	0	0
H) DERIVATIVE FINANCIAL INSTRUMENTS	2,117	421
I) LOANS TO FINANCIAL INSTITUTIONS	86,183	205,027
J) LOANS TO CUSTOMERS	7,679,671	7,593,079
K) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	95,541	99,652
L) REPOSSESSED ASSETS	112,309	113,835
M) TANGIBLE ASSETS	170,629	166,998
N) INTEREST, FEES AND OTHER ASSETS	414,059	435,983
O) TOTAL ASSETS	13,985,623	14,336,618
LIABILITIES AND EQUITY		
A) EQUITY	646,843	685,152
I. ISSUED CAPITAL	693,905	693,905
II. CAPITAL RESERVES	208,317	208,317
III. RESERVES FROM PROFIT	19,258	19,258
IV. REVALUATION RESERVES	4,888	4,888
V. RETAINED EARNINGS	158,456	0
VI. ACCUMULATED LOSSES	0	-290,359
VII. PROFIT FOR THE YEAR	0	35,130
VIII. LOSS FOR THE YEAR	-448,815	0
IX. UNREALISED GAIN/LOSS ON VALUE ADJUSTMENT OF ASSETS AVAILABLE FOR SALE	10,834	14,013
X. MINORITY INTEREST	0	0
B) BORROWINGS FROM FINANCIAL INSTITUTIONS	1,736,692	1,552,778
C) DEPOSITS	9,723,984	9,929,944
D) OTHER BORROWINGS	55,771	42,467
E) FINANCIAL DERIVATIVES AND OTHER TRADED FINANCIAL LIABILITIES	1,550	568
F) ISSUED DEBT SECURITIES	0	0
G) ISSUED SUBORDINATED INSTRUMENTS	0	0
H) ISSUED HYBRID INSTRUMENTS	450,705	652,171
I) INTEREST, FEES AND OTHER LIABILITIES	1,370,079	1,473,537
J) TOTAL LIABILITIES AND EQUITY	13,985,623	14,336,618
K) OFF BALANCE SHEET EXPOSURE	1,902,115	1,940,459

STATEMENT OF CHANGES IN EQUITY AS AT 31.03.2010

Item (in HRK '000)	31.12.2009	Increase	Decrease	31.03.2010.
1. Share capital	693,905	0		693,905
2. Capital reserves	208,317			208,317
3. Reserves from profit	19,258			19,258
4. Retained profit or loss transferred	158,456	-448,815		-290,359
5. Profit or loss for the year	-448,815	35,130	-448,815	35,130
6. Revaluation of tangible fixed assets	4,888		0	4,888
7. Revaluation of intangible assets				0
8. Revaluation of financial assets available for sale	10,834	3,179		14,013
9. Other revaluation				0
10.Total capital and reserves	646,843	-410,506	-448,815	685,152
11. Foreign exchange differences from net investments in foreign operations				
12. Current and deferred taxes (part)				
13. Protection of cash flow				
14. Changes in accounting policies				
15. Correction of significant errors in the previous period				
16. Other changes in equity				
17. Total increase or decrease in capital and reserves	646,843	-410,506	-448,815	685,152

CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01.-31.03.2010*in HRK '000*

Item	2009	2010
1	3	4
CASH FLOW FROM BUSINESS ACTIVITIES		
1. Profit/ (loss) before tax	-446,623	35,130
2. Impairment losses and provision for liabilities	476,699	33,522
3. Depreciation and amortization	103,295	16,289
4. Net unrealised losses/(gains) of financial assets and obligations at fair value through profit or loss account	31,769	17,625
5. Profit/loss from the sale of fixed assets		
6. Other profits/losses	56,331	3,178
7. Other increase from cash flow	-39,870	8,899
8. Net increase/decrease in deposits at CNB	-145,467	135,459
9. Net increase/decrease in treasury bills issued by Ministry of Finance and CNB bills	328,781	-41,001
10. Net increase/decrease in deposits with banking institutions and loans to financial institutions	237,283	-370,223
11. Net increase/decrease in other loans	-172,431	49,554
12. Net increase/decrease in financial assets at fair value through profit or loss	-71,771	-175,621
13. Net increase/decrease in financial assets available for sale	18,438	5,837
14. Net increase/decrease in financial assets not actively traded, at fair value through profit or loss	0	0
15. Net increase/decrease in demand deposits	-484,731	-147,415
16. Net increase/decrease in savings and term deposits	84,010	353,375
17. Net increase/decrease in derivative financial assets	-5,191	-981
18. Net (increase)/decrease in other liabilities	-53,922	104,772
19. Net (increase)/decrease in cash from business activities	-83,400	28,397
CASH FLOW FROM INVESTING ACTIVITIES		
1. Receipts from sale/(payments for buying) fixed and intangible assets	-92,115	-34,668
2. Receipts from sale/(payments for buying) investments in subsidiaries, associates and joint ventures	-15,158	-4,111
3. Receipts from sale/(payments for buying) financial assets held to maturity	23,625	-12,956
4. Dividends receipts	4,876	1
5. Other receipts/(payments) from investing activities		
6. Net cash outflow from investing activities	-78,771	-51,733
CASH FLOW FROM FINANCING ACTIVITIES		
1. Net increase/(decrease) in borrowings	-53,896	-197,217
2. Net increase/(decrease) issued debt securities		
3. Net increase/(decrease) issued subordinated and hybrid instruments	140,104	200,000
4. Receipts from emission of share equity	110,000	0
5. Dividends paid		
6. Other receipts/(payments) from financing activities		
7. Net cash outflow from financing activities	196,209	2,783
Total increase in cash flow	196,209	2,783
Total decrease in cash flow	-162,172	-23,337
Cash and cash equivalents at the beginning of the year	367,916	401,953
Increase of cash and cash equivalents	34,037	-20,554
Decrease of cash and cash equivalents		
Cash and cash equivalents at the end of the year	401,953	381,399

MANAGEMENT REPORT FOR THE FIRST QUARTER OF 2010

During the first quarter of 2010, the Bank has realized operating profit before provisions for impairment losses amounting to HRK 68.7 million, as opposed to operating loss in amount of HRK 38.1 million realized during the same period last year. Provisions for impairment losses in the first quarter of 2010 amount to HRK 33.5 million, resulting in after tax profit amounting to HRK 35.1 million.

Positive operating results are significantly influenced by higher net interest income in 2010. On the other hand, operating loss during the first quarter of 2009 resulted from higher interest expenses arising from high money market interest rates.

In spite of deteriorating economic conditions and decreased household spending, the Bank realised net fee and commission income amounting to HRK 49,8 million, representing an increase of 1 percent compared to 2008. This increase is a result of higher commission income from cash-based payment transactions, and lower fee and commission expense compared to the same period last year.

Bank's result is impacted also by general rationalization of business processes and efficient cost management during 2010, that, compared to last year, resulted in a 9.0 percent decrease of general and depreciation expenses. Meanwhile, profit from trading activities during first three months of 2010 amounted to HRK 26.8 million, as opposed to loss from trading activities in amount of HRK 17.1 million during the first quarter of 2009.

The Bank is continuing to maintain strong liquidity position achieved in the last quarter of 2009. Accordingly, share of cash and deposits with CNB and banking institutions in total assets equals 24 percent.

Total term deposits have increased by HRK 206.0 million or 2.1 percent during the first quarter of 2010. Retail savings increased by HRK 121.0 million or 3.4 percent. On the other hand, borrowings from financial institutions are lower by 11 percent, thereby continuing the trend characterized by substitution of expensive sources of funding, which commenced during the last quarter of 2009.

Total assets of HPB as at March 31 2010 amount to HRK 14,366.6 million, representing an increase of 2.5 compared to end of 2009.

The Bank's guarantee capital was strengthened during March of 2010 by an investment in a hybrid instrument amounting to HRK 200 million. New regulatory requirements enacted from March 31 2010 were thereby satisfied. Consequently, guarantee capital adequacy ratio equaled 12.47 percent at 31 March 2010, increasing from 10.47 percent as it was at 2009 year-end.