



**HRVATSKA POŠTANSKA BANKA d.d.**

Finance division

**UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR PERIOD FROM 01.01. TO 30.06.2010**

Zagreb, July 2010

**INCOME STATEMENT FOR THE PERIOD FROM 01.01.-30.06.2010**

Item	Previous period (in HRK '000)		Current period (in HRK '000)	
	Cumulative	Quarterly	Cumulative	Quarterly
1. Interest and similar income	486.787	242.085	415.791	205.841
a) from citizens	142.867	72.929	130.578	65.975
b) from companies	209.573	108.442	205.919	101.701
c) from financial institutions	33.418	11.586	13.200	6.300
d) other interest income	100.928	49.129	66.094	31.865
2. Interest expense and similar charges	321.970	151.193	230.458	111.572
a) to citizens	83.168	43.172	101.920	50.522
b) towards companies	48.543	20.384	34.120	14.341
c) towards financial institutions	152.044	56.325	59.414	26.328
d) other interest expenses	38.215	31.312	35.005	20.382
3. Net interest income	164.817	90.892	185.333	94.269
4. Fee and commission income	292.505	147.437	294.747	149.801
5. Fee and commission expense	210.924	115.154	192.022	96.888
6. Net fee and commission income	81.581	32.283	102.725	52.912
7. Profit / (loss) from investments in subsidiaries, associates and joint ventures	-	-	-	-
8. Profit / (loss) from trading activities	9.728	26.846	17.177	-9.636
9. Profit / (loss) from embedded derivatives	-	-	-	-
10. Profit / (loss) from property that is not actively traded, valued at fair value through profit and loss	-	-	-	-
11. Profit / (loss) from activities in the category of property available for sale	66	-	1.633	1.508
12. Profit / (loss) from activities in the category of assets held to maturity	-	-	-	-
13. Gains less losses arising from trading securities	-	-	-	-
14. Gains less losses arising from dealing in foreign currencies	2.951	2.581	2.147	1.690
15. Other income	6.925	3.541	9.384	7.381
16. Other expenses	54.184	9.911	12.359	5.152
17. General and administrative expenses and amortisation	203.882	100.085	193.868	99.452
18. Profit / loss from operations before value adjustments and provisions for losses	8.002	46.148	112.172	43.520
19. Costs of value adjustments and provisions for losses	94.600	11.600	58.126	24.604
20. Gain/loss before tax	-86.598	34.547	54.046	18.916
21. Income tax	-1.129	2.831	-	-
<b>22. Profit / loss for the period</b>	<b>-85.469</b>	<b>31.716</b>	<b>54.046</b>	<b>18.916</b>

**BALANCE SHEET AS AT 30.06.2010**

Item (in HRK '000)	31.12.2009.	30.06.2010.
<b>ASSETS</b>		
A) CASH AND DEPOSITS WITH CNB	2.169.207	2.183.252
I. CASH	401.953	515.821
II. DEPOSITS WITH CNB	1.767.254	1.667.431
B) DEPOSITS WITH BANKING INSTITUTIONS	1.192.950	887.744
C) TREASURY BILLS of MF AND OBLIGATORY CNB BILLS	921.089	1.136.369
D) SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	338.531	428.112
E) SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	287.720	262.797
F) SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	515.616	526.270
G) SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - NOT ACTIVELY TRADED	-	-
H) DERIVATIVE FINANCIAL INSTRUMENTS	2.117	680
I) LOANS TO FINANCIAL INSTITUTIONS	86.183	223.522
J) LOANS TO CUSTOMERS	7.679.671	7.673.326
K) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	95.541	99.652
L) REPOSSESSED ASSETS	112.309	112.297
M) TANGIBLE ASSETS	170.629	159.163
N) INTEREST, FEES AND OTHER ASSETS	414.059	457.410
<b>O) TOTAL ASSETS</b>	<b>13.985.623</b>	<b>14.150.594</b>
<b>LIABILITIES AND EQUITY</b>		
<b>A) EQUITY</b>	646.843	697.418
I. ISSUED CAPITAL	693.905	693.905
II. CAPITAL RESERVES	208.317	875
III. RESERVES FROM PROFIT	19.258	-
IV. REVALUATION RESERVES	4.888	4.888
V. RETAINED EARNINGS	158.456	-
VI. ACCUMULATED LOSSES	-	-63.659
VII. PROFIT FOR THE YEAR	-	54.046
VIII. LOSS FOR THE YEAR	-448.815	-
IX. UNREALISED GAIN/LOSS ON VALUE ADJUSTMENT OF ASSETS AVAILABLE FOR SALE	10.834	7.363
X. MINORITY INTEREST	-	-
B) BORROWINGS FROM FINANCIAL INSTITUTIONS	1.736.692	1.564.692
C) DEPOSITS	9.723.984	9.769.056
D) OTHER BORROWINGS	55.771	38.485
E) FINANCIAL DERIVATIVES AND OTHER TRADED FINANCIAL LIABILITIES	1.550	869
F) ISSUED DEBT SECURITIES	-	-
G) ISSUED SUBORDINATED INSTRUMENTS	-	-
H) ISSUED HYBRID INSTRUMENTS	450.705	649.327
I) INTEREST, FEES AND OTHER LIABILITIES	1.370.079	1.430.747
<b>J) TOTAL LIABILITIES AND EQUITY</b>	<b>13.985.623</b>	<b>14.150.594</b>
K) OFF BALANCE SHEET EXPOSURE	1.902.115	2.042.092

**STATEMENT OF CHANGES IN EQUITY FROM 01.01. – 30.06.2010**

<b>Item (in HRK '000)</b>	<b>31.12.2009</b>	<b>Increase</b>	<b>Decrease</b>	<b>30.06.2010.</b>
1. Share capital	693.905			693.905
2. Capital reserves	208.317		207.442	875
3. Reserves from profit	19.258		19.258	-
4. Retained profit or loss transferred	158.456	-448.815	-226.700	-63.659
5. Profit or loss for the year	-448.815	54.046	-448.815	54.046
6. Revaluation of tangible fixed assets	4.888			4.888
7. Revaluation of intangible assets				-
8. Revaluation of financial assets available for sale	10.834	-3.471		7.363
9. Other revaluation				-
<b>10.Total capital and reserves</b>	<b>646.843</b>	<b>-398.240</b>	<b>-448.815</b>	<b>697.418</b>
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				
<b>17. Total increase or decrease in capital and reserves</b>	<b>646.843</b>	<b>-398.240</b>	<b>-448.815</b>	<b>697.418</b>

**CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01. – 30.06.2010**

Item (in HRK '000)	2009	2010
1	3	4
<b>CASH FLOW FROM BUSINESS ACTIVITIES</b>		
1. Profit/ (loss) before tax	-446.623	54.046
2. Impairment losses and provision for liabilities	476.699	58.126
3. Depreciation and amortization	103.295	32.989
4. Net unrealised losses/(gains) of financial assets and obligations at fair value through profit or loss account	31.769	-1.900
5. Profit/loss from the sale of fixed assets		0
6. Other profits/losses	56.331	-3.471
7. Other increase from cash flow	-39.870	-139
8. Net increase/decrease in deposits at CNB	-145.467	99.823
9. Net increase/decrease in treasury bills issued by Ministry of Finance and CNB bills	328.781	-215.280
10. Net increase/decrease in deposits with banking institutions and loans to financial institutions	237.283	167.868
11. Net increase/decrease in other loans	-172.431	-47.826
12. Net increase/decrease in financial assets at fair value through profit or loss	-71.771	-87.681
13. Net increase/decrease in financial assets available for sale	18.438	23.422
14. Net increase/decrease in financial assets not actively traded, at fair value through profit or loss	-	-
15. Net increase/decrease in demand deposits	-484.731	63.433
16. Net increase/decrease in savings and term deposits	84.010	-18.361
17. Net increase/decrease in derivative financial assets	-5.191	-681
18. Net (increase)/decrease in other liabilities	-53.922	59.616
<b>19. Net (increase)/decrease in cash from business activities</b>	<b>-83.400</b>	<b>183.983</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
1. Receipts from sale/(payments for buying) fixed and intangible assets	-92.115	-68.964
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	-10.655
4. Dividends receipts	4.876	4.279
5. Other receipts/(payments) from investing activities	-	-
<b>6. Net cash outflow from investing activities</b>	<b>-78.771</b>	<b>-79.451</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
1. Net increase/(decrease) in borrowings	-53.896	-189.286
2. Net increase/(decrease) issued debt securities	-	-
3. Net increase/(decrease) issued subordinated and hybrid instruments	140.104	198.622
4. Receipts from emission of share equity	110.000	-
5. Dividends paid	-	-
6. Other receipts/(payments) from financing activities	-	-
<b>7. Net cash outflow from financing activities</b>	<b>196.209</b>	<b>9.337</b>
Total increase in cash flow	196.209	193.319
Total decrease in cash flow	-162.172	-79.451
Cash and cash equivalents at the beginning of the year	367.916	401.953
Increase of cash and cash equivalents	34.037	113.868
Decrease of cash and cash equivalents	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>401.953</b>	<b>515.821</b>

## REPORT FOR THE FIRST HALF OF 2010

During the first half of 2010, the Bank has realized operating profit before provisions for losses amounting to HRK 112.2 million, as opposed to HRK 8.0 million realized during the same period last year. Provisions for losses in the first six months of 2010 amount to HRK 58.2 million, whereat HRK 24.6 million was formed during the second quarter of 2010. This resulted in after tax profit amounting to HRK 54.0 million.

In line with lower interest expenses in relation to 2009, net interest income for the first half of 2010 is higher by 12,4 percent compared to the same period last year. Positive trend of net interest income was not undermined by lower interest income during 2010, which resulted from decreased principal of net placements because of formed provisions for losses.

The Bank has realized net fee and commission income in amount of HRK 102,7 million, which is an increase of 25,9 percent compared to 2009. This increase is a result of slightly higher commission income from issuing guarantees and letters of credit, and a decrease in fee expenses from transaction payments.

General and administrative expenses were decreased during 2010 by 20,9 percent through restrictive cost management compared to the same period last year. In line with this movements, indicator of business efficiency, Cost/Income ratio, is lowered from 97,2 percent in the first half of 2009, to 65,4 percent at end of June 2010.

Net income from trading financial instruments and foreign exchange during first six months of 2010 amounts to HRK 17,2 million in spite of negative movements in Croatian capital market during second quarter of 2010, when a loss amounting to HRK 9,7 million was registered.

Total assets of HPB as at June 30 2010 amount to HRK 14,150.6 million, representing an increase of 1,2 compared to end of 2009. Total net loans to customers (financial institutions not included) as at June 30 2010 are on the level with 2009 year-end, whereat loans to large enterprises increased by 3,9 percent and retail housing loans by 6,3 percent.

Total deposits as at June 30 2010 are on level with 2009. In their structure, deposits from banks have decreased by 73,0 percent or 262,7 million, while deposits of other legal entities increased by 2,4 percent or HRK 86,8 million. On the other hand, retail demand deposits increased by 2,7 percent, and retail term deposits by 4,6 percent or HRK 166,6 million.

Borrowings from financial institutions are lower by 10,6 percent, thereby continuing the Bank's focus on substitution of borrowings with more stable and favourable sources of funding.

Capital adequacy ratio equaled 12,25 percent at 30 June 2010.