



HRVATSKA POŠTANSKA BANKA d.d.

Finance division

UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS FOR PERIOD FROM 01.01. TO 30.09.2010

Zagreb, October 2010

INCOME STATEMENT FOR THE PERIOD FROM 01.01.-30.09.2010

Item	Previous period (in HRK)		Current period (in HRK)	
	Cumulative	Quarterly	Cumulative	Quarterly
1. Interest and similar income	717.739.116	230.951.910	618.711.481	202.920.419
a) from citizens	209.008.319	66.140.934	198.394.644	67.816.295
b) from companies	279.775.013	70.201.565	305.454.517	99.535.333
c) from financial institutions	42.671.221	9.253.270	20.370.952	7.171.315
d) other interest income	186.284.563	85.356.142	94.491.368	28.397.476
2. Interest expense and similar charges	473.156.801	151.186.920	341.071.592	110.613.225
a) to citizens	130.613.184	47.445.553	154.062.910	52.142.958
b) towards companies	62.421.012	13.877.703	46.823.680	12.703.935
c) towards financial institutions	202.006.956	49.963.402	80.396.433	20.982.634
d) other interest expenses	78.115.649	39.900.262	59.788.568	24.783.698
3. Net interest income	244.582.315	79.764.991	277.639.890	92.307.195
4. Fee and commission income	441.752.778	149.248.074	435.231.601	140.484.754
5. Fee and commission expense	310.936.754	100.012.980	287.710.043	95.688.285
6. Net fee and commission income	130.816.024	49.235.094	147.521.558	44.796.469
7. Profit / (loss) from investments in subsidiaries, associates and joint ventures	-	-	-	-
8. Profit / (loss) from trading activities	36.082.657	26.354.989	29.502.317	12.325.155
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	-21.173.487	-21.239.416	1.868.381	235.522
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	3.965.522	1.014.823	5.246.733	3.099.678
15. Other income	17.427.685	10.503.042	10.502.425	1.118.841
16. Other expenses	67.615.300	13.431.534	19.438.917	7.079.799
17. General and administrative expenses and amortisation	302.109.790	98.228.073	307.330.607	113.462.812
18. Profit / loss from operations before value adjustments and provisions for losses	41.975.626	33.973.915	145.511.780	33.340.248
19. Costs of value adjustments and provisions for losses	284.139.521	189.539.756	85.544.791	27.419.255
20. Gain/loss before tax	-242.163.894	-155.565.842	59.966.989	5.920.993
21. Income tax	3.304.670	4.434.146	-	-
22. Profit / loss for the period	-245.468.564	-159.999.988	59.966.989	5.920.993

BALANCE SHEET AS AT 30.09.2010

Item (in HRK)	31.12.2009.	30.09.2010.
ASSETS		
A) CASH AND DEPOSITS WITH CNB	2.169.206.996	1.901.786.037
I. CASH	401.952.737	500.585.197
II. DEPOSITS WITH CNB	1.767.254.258	1.401.200.840
B) DEPOSITS WITH BANKING INSTITUTIONS	1.192.950.016	1.546.735.205
C) TREASURY BILLS of MF AND OBLIGATORY CNB BILLS	921.088.975	862.090.464
D) SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD FOR TRADING	338.531.349	471.895.121
E) SECURITIES AND OTHER FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	287.719.580	224.895.086
F) SECURITIES AND OTHER FINANCIAL INSTRUMENTS HELD TO MATURITY	515.615.604	520.503.305
G) SECURITIES AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - NOT ACTIVELY TRADED	-	-
H) DERIVATIVE FINANCIAL INSTRUMENTS	2.117.022	6.059.240
I) LOANS TO FINANCIAL INSTITUTIONS	86.183.020	238.916.017
J) LOANS TO CUSTOMERS	7.679.671.370	7.880.914.730
K) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	95.540.876	99.652.076
L) REPOSSESSED ASSETS	112.309.472	112.381.952
M) TANGIBLE ASSETS	170.629.249	160.352.911
N) INTEREST, FEES AND OTHER ASSETS	414.059.409	491.525.724
O) TOTAL ASSETS	13.985.622.937	14.517.707.868
LIABILITIES AND EQUITY		
A) EQUITY	646.842.984	705.668.763
I. ISSUED CAPITAL	693.904.620	693.904.620
II. CAPITAL RESERVES	208.316.667	874.500
III. RESERVES FROM PROFIT	19.257.800	-
IV. REVALUATION RESERVES	4.888.376	4.802.514
V. RETAINED EARNINGS	158.456.031	-
VI. ACCUMULATED LOSSES	-	-63.658.948
VII. PROFIT FOR THE YEAR	-	59.966.989
VIII. LOSS FOR THE YEAR	-448.814.947	-
IX. UNREALISED GAIN/LOSS ON VALUE ADJUSTMENT OF ASSETS AVAILABLE FOR SALE	10.834.436	9.779.088
X. MINORITY INTEREST	-	-
B) BORROWINGS FROM FINANCIAL INSTITUTIONS	1.736.692.025	1.311.761.738
C) DEPOSITS	9.723.983.744	10.325.611.564
D) OTHER BORROWINGS	55.770.652	26.010.783
E) FINANCIAL DERIVATIVES AND OTHER TRADED FINANCIAL LIABILITIES	1.549.850	5.259.904
F) ISSUED DEBT SECURITIES	-	-
G) ISSUED SUBORDINATED INSTRUMENTS	-	-
H) ISSUED HYBRID INSTRUMENTS	450.704.997	650.008.304
I) INTEREST, FEES AND OTHER LIABILITIES	1.370.078.685	1.493.386.811
J) TOTAL LIABILITIES AND EQUITY	13.985.622.937	14.517.707.868
K) OFF BALANCE SHEET EXPOSURE	1.902.115.186	1.881.807.162

STATEMENT OF CHANGES IN EQUITY FROM 01.01. – 30.09.2010

Item (in HRK)	31.12.2009	Increase	Decrease	30.09.2010.
1. Share capital	693.904.620	-	-	693.904.620
2. Capital reserves	208.316.667	-	207.442.167	874.500
3. Reserves from profit	19.257.800	-	19.257.800	-
4. Retained profit or loss transferred	158.456.031	-448.814.947	-226.699.968	-63.658.948
5. Profit or loss for the year	-448.814.947	59.966.989	-448.814.947	59.966.989
6. Revaluation of tangible fixed assets	4.888.376	-	85.862	4.802.514
7. Revaluation of intangible assets	-	-	-	-
8. Revaluation of financial assets available for sale	10.834.436	-1.055.348	-	9.779.088
9. Other revaluation	-	-	-	-
10.Total capital and reserves	646.842.984	-389.903.307	-448.729.086	705.668.763
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	646.842.984	-389.903.307	-448.729.086	705.668.763

CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01. – 30.09.2010

Item (in HRK)	2009	2010
CASH FLOW FROM BUSINESS ACTIVITIES		
1. Profit/ (loss) before tax	-446.622.511	59.966.989
2. Impairment losses and provision for liabilities	476.698.891	85.544.791
3. Depreciation and amortization	103.295.379	50.760.683
4. Net unrealised losses/(gains) of financial assets and obligations at fair value through profit or loss account	31.769.000	6.610.000
5. Profit/loss from the sale of fixed assets	-	-
6. Other profits/losses	56.331.107	-1.055.348
7. Other increase from cash flow	-39.870.166	-39.541.645
8. Net increase/decrease in deposits at CNB	-145.467.052	366.053.418
9. Net increase/decrease in treasury bills issued by Ministry of Finance and CNB bills	328.781.428	58.998.511
10. Net increase/decrease in deposits with banking institutions and loans to financial institutions	237.283.104	-506.518.186
11. Net increase/decrease in other loans	-172.431.481	-284.222.554
12. Net increase/decrease in financial assets at fair value through profit or loss	-71.770.929	-139.973.772
13. Net increase/decrease in financial assets available for sale	18.437.586	56.497.894
14. Net increase/decrease in financial assets not actively traded, at fair value through profit or loss	-	-
15. Net increase/decrease in demand deposits	-484.731.170	-41.347.142
16. Net increase/decrease in savings and term deposits	84.010.089	642.974.962
17. Net increase/decrease in derivative financial assets	-5.191.294	3.710.054
18. Net (increase)/decrease in other liabilities	-53.922.369	123.720.023
19. Net (increase)/decrease in cash from business activities	-83.400.389	442.178.677
CASH FLOW FROM INVESTING ACTIVITIES		
1. Receipts from sale/(payments for buying) fixed and intangible assets	-92.114.835	-83.718.181
2. Receipts from sale/(payments for buying) investments in subsidiaries, associates and joint ventures	-15.158.245	-4.111.200
3. Receipts from sale/(payments for buying) financial assets held to maturity	23.625.453	-4.888.243
4. Dividends receipts	4.876.443	4.558.255
5. Other receipts/(payments) from investing activities	-	-
6. Net cash outflow from investing activities	-78.771.184	-88.159.369
CASH FLOW FROM FINANCING ACTIVITIES		
1. Net increase/(decrease) in borrowings	-53.895.510	-454.690.155
2. Net increase/(decrease) issued debt securities	-	-
3. Net increase/(decrease) issued subordinated and hybrid instruments	140.103.904	199.303.307
4. Receipts from emission of share equity	110.000.320	-
5. Dividends paid	-	-
6. Other receipts/(payments) from financing activities	-	-
7. Net cash outflow from financing activities	196.208.714	-255.386.848
Total increase in cash flow	112.808.325	186.791.829
Total decrease in cash flow	-78.771.184	-88.159.369
Cash and cash equivalents at the beginning of the year	367.915.596	401.952.737
Increase of cash and cash equivalents	34.037.141	98.632.460
Decrease of cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	401.952.737	500.585.197

REPORT FOR THE PERIOD FROM 01.01. – 30.09.2010

During first three quarters of 2010, the Bank has realized operating profit before provisions for losses amounting to HRK 145.5 million, as opposed to HRK 42.0 million realized during the same period last year. Operating profit during the third quarter of 2010 amounts to HRK 33.3 million. Provisions for losses in the first nine months of 2010 amount to HRK 85.5 million, whereat HRK 27.4 million was formed during the third quarter. This resulted in after tax profit amounting to HRK 60.0 million.

Because of lower share of performing placements in total placements, gross interest income decreased by 13.8 percent compared to 2009. Nevertheless, net interest income increased by 13.5 percent during first nine months of 2010, in line with a decrease of interest expenses by 27.9 percent in comparison with the same period last year. Interest expenses are lower in spite of an increase of interest bearing sources of funding during 2010 by 2.9 percent or HRK 346.2 million, mainly due to lower average interest rates in comparison with 2009.

The Bank has realized net fee and commission income in amount of HRK 147,5 million, which is an increase of 12,8 percent compared to the same period last year, mainly due to lower commission expense from transaction payments services.

Indicator of business efficiency, Cost-Income ratio, is significantly improved because of increased operating income, i.e. C/I level was lowered from 84.1 percent as at September 30 2009 to 70.3 percent at end of September 2010.

Total assets of HPB as at September 30 2010 amount to HRK 14.5 billion, representing an increase of 3.8 percent or HRK 532.1 million compared to end of 2009, whereat HRK 367.1 million relate to the third quarter of 2010. Total net loans to customers, after formed provisions for losses, as at September 30 2010 higher by 2.7 percent or HRK 207.6 million compared to end of June 2010. Gross loans to companies increased by 4,8 percent and retail housing loans by 6,3 percent during the third quarter of 2010.

Total term deposits increased by 10.1 percent during 2010, whereby third quarter increase amounts to 674.8 million. In their structure, retail deposits increased by 11.3 percent or HRK 429.6 million during third quarter of 2010. On the other hand, borrowings from other financial institutions decreased by 16.2 percent during third quarter of 2010.

Capital adequacy ratio equaled 12.08 percent at 30 September 2010.