

HRVATSKA POŠTANSKA BANKA d.d. Finance division

UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS FOR PERIOD FROM 01.01. TO 31.03.2011

Zagreb, May 2011

INCOME STATEMENT FOR THE PERIOD FROM 01.01.-31.03.2011

	2011 in HRK	2010 in HRK
Interest income	214.547.083	209.950.267
Interest expense	99.729.151	118.886.108
Net interest income	114.817.932	91.064.159
Fee and commission income	139.169.596	144.946.127
Fee and commission charges	94.101.825	95.133.435
Net fee and commission income	45.067.771	49.812.692
Profit / loss from investments in subsidiaries, associated companies and joint venture	-	-
Profit / loss from trading activities	22.604.110	26.813.194
Profit / loss from embedded derivatives	-	-
Profit / loss from assets at fair value trough profit or loss - non actively traded	-	-
Profit / loss from trading with available for sale financial assets	557.199	125.141
Profit / loss from trading with held to maturity financial assets	-	-
Profit / loss from hedge transactions	80	-
Income from investment in subsidiaries, associated companies and joint ventures	-	-
Income from other equity investments	1.443	1.484
Profit / loss from exchange rate differences	(2.210.602)	456.611
Other income	859.440	2.001.449
Other expense	13.207.587	7.207.335
General and administrative expense and depreciation	108.379.784	94.416.208
Net operating income before provisions and impairment losses	60.109.922	68.651.187
Provisions and impairment losses	23.902.874	33.521.522
PROFIT / LOSS BEFORE TAX	36.207.048	35.129.665
INCOME TAX EXPENSE	-	-
PROFIT / LOSS FOR THE YEAR	36.207.048	35.129.665

BALANCE SHEET AS AT MARCH 31 2011

	2011 in HRK	2010 in HRK
Cash and deposits with the CNB	1.941.155.791	1.786.998.615
- cash	458.848.176	452.953.492
- deposits held with the CNB	1.482.307.615	1.334.045.123
Deposits with banking institutions	802.126.267	1.235.793.653
Treasury bills issued by the Ministry of Finance and the CNB Treasury bills	1.014.453.341	802.399.557
Securities and other financial instruments held for trading	574.106.158	400.246.708
Securities and other financial instruments available for sale	207.591.199	248.440.247
Securities and other financial assets held to maturity Securities and other financial instruments at fair value through profit or loss – non actively traded	594.199.261 -	535.398.412 -
Derivative financial instruments	250.101	1.252.602
Loans to financial institutions	344.535.241	290.092.148
Loans to customers	8.743.371.035	8.656.327.797
Investment in subsidiaries, associated companies and joint venture	95.540.876	95.540.876
Assets acquired in lieu of uncollectible receivables	117.484.046	114.364.253
Tangible assets (less depreciation)	154.069.488	158.710.362
Interest, fees and other assets	453.022.619	464.699.659
TOTAL ASSETS	15.041.905.423	14.790.264.889
LIABILITIES		
Borrowings from financial institutions	1.163.228.912	1.260.507.325
- short-term borrowings	50.000.000	124.785.770
- long-term borrowings	1.113.228.912	1.135.721.555
Deposits	10.592.842.633	10.293.809.044
- giro and current account deposits	2.113.442.602	2.276.664.978
- savings deposits	1.236.758.774	1.278.167.861
- term deposits	7.242.641.257	6.738.976.205
Other borrowings	13.166.006	26.340.450
- short-term borrowings	-	-
- long-term borrowings	13.166.006	26.340.450
Financial derivatives and other traded financial liabilities	347.572	401.774
Debt securities – issued	-	-
- Short term debt securities	-	-
- Long term debt securities	-	-
Subordinated instruments - issued	-	-
Hybrid instruments	600.625.897	600.642.122
Interest, fees and other liabilities	1.442.330.985	1.418.526.308
	13.812.542.005	13.600.227.023
EQUITY Share conital		
Share capital	1.193.901.828	1.193.901.828
Profit /(loss) for the year	36.207.048	50.836.264
Retained earnings (loss)	(12.822.684)	(63.658.948)
Statutory reserves	-	-
Statutory and other capital reserve	5.643.055	5.643.055
Unrealized gain (loss) on financial assets available for sale	6.434.171	3.315.667
Hedge transactions reserve	-	-
	1.229.363.418	1.190.037.866
TOTAL LIABILITIES AND EQUITY	15.041.905.423	14.790.264.889

STATEMENT OF CHANGES IN EQUITY FROM 01.01. - 31.03.2011

Item (in HRK)	Share capital HRK '000	Treasury shares HRK '000	Statutory and other reserves HRK '000	Retained earnings / (loss) HRK '000	Profit / (loss) for the period HRK '000	Unrealised gain/ (loss) on financial assets available for sale HRK '000 kn	Total equity HRK '000
Balance at 1 January 2011	1.193.901.828	-	5.643.055	(12.822.684)	-	3.315.667	1.190.037.866
Changes in accounting policies and correction of errors	-	-	-	-	-	-	-
Restated balance at 1 January 2011	1.193.901.828	-	5.643.055	(12.822.684)	-	3.315.667	1.190.037.866
Disposal of financial assets available for sale	-	-	-	-	-	-	-
Change in the fair value of financial assets available for sale	-	-	-	-	-	3.118.504	3.118.504
Deferred tax on items directly recognized or transferred from equity and reserves	-	-	-	-	-	-	-
Other gains / losses recognized directly in equity	-	-	-	-	-	-	-
Net gains/losses recognized directly in equity	-	-	-	-	-	3.118.504	3.118.504
Profit/loss for the year	-	-	-	-	36.207.048	-	36.207.048
Total recognized gains/ (losses) for 2011	-	-	-	-	36.207.048	3.118.504	39.325.552
Increase / decrease in share capital	-	-	-	-	-	-	-
Purchase / sale of treasury shares	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Profit allocation	-	-	-	-	-	-	-
Balance at 31 March 2011	1.193.901.828	-	5.643.055	(12.822.684)	36.207.048	6.434.171	1.229.363.418

CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01. - 31.03.2011

OPERATING ACTIVITIES 91.752.333 105.742.477 Profit / loss fore tax 36.207.048 35.129.665 Impairment losses and provisions for liabilities and charges 23.902.874 33.521.522 Amotization and depreciation 16.174.410 16.288.675 Net unrealized gains/losses on financial assets at fair value through profit or loss 23.943.477 77.625.000 Other gains/losses 3.118.504 3.177.785 78.623.434.977 (387.096.716) Deposits with the CNB (148.262.492) 135.458.653 177.855.011 120.53.784 (41.001.024) Deposits with banking institutions and loans to financial institutions 377.762.727 (37.022.31.36) 120.55.784 (41.001.024) Deposits with banking institutions and loans to financial institutions 377.762.727 (37.022.31.36) 120.55.784 (41.001.024) Descurities and other financial instruments held for trading (166.208.947) (17.562.1.355) 5.836.780 Other operating assets 10.464.645 8.899.9191 14.464.645 8.899.9191 Net changes in operating activities held for trading (163.222.398) (147.414.949) 23.643.82 <		2011 in HRK	2010 in HRK
Profit / loss before tax 36.207.048 335.129.665 Impairment losses and provisions for liabilities and charges 23.902.874 335.21.522 Amortization and depreciation 16.174.410 16.288.675 Net unrealized gains/losses on financial assets at fair value through profit or loss 12.349.497 17.625.000 Other gains/losses 3.117.785 (239.543.557) (387.096.716) Net cash inflow / decrease of operating assets (239.543.557) (387.096.716) Deposits with ben CNB (148.262.492) 135.458.653 Treasury bills issued by Ministry of Finance and CNB bills (212.053.784) (41.001.024) Deposits with banking institutions and loans to financial institutions 379.762.727 (370.223.136) Loans to customers (111.656.201) 49.564.176 Securities and other financial instruments held for trading (146.645 8.999.191 Net changes in operating liabilities 324.628.823 (97.750.684 200.570.684 Demand deposits (163.222.398) (147.414.949) 33.375.438 Derivative financial instruments held for trading (54.202) (981.416) Net cash flow from operating activitie	OPERATING ACTIVITIES		
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Amortization and depreciation 16.174.410 16.288.675 Net unrealized gains/losses on financial assets at fair value through profit or loss 12.349.497 17.625.000 Other gains/losses 3.118.504 3.177.785 Net cash inflow / decrease of operating assets (239.543.557) (387.096.716) Deposits with be CNB (148.262.492) 135.458.653 Treasury bills issued by Ministry of Finance and CNB bills (212.053.784) (41.001.024) Deposits with banking institutions and loans to financial institutions 379.762.727 (307.023.136) Securities and other financial instruments held for trading (186.208.947) (175.621.356) Securities and other financial instruments available for sale 37.730.545 5.836.780 Other operating assets 1446.645 8.999.191 Net changes in operating liabilities 16.174.414.949) Savings and term deposits (163.222.38) (147.414.949) Savings and term deposits (46.226.600) 353.375.438 28.396.792 Income tax paid 176.837.608 28.396.792 Net cash fildw from operating activities before tax 176.837.608 28.396.792 <td>Profit / loss before tax</td> <td>36.207.048</td> <td>35.129.665</td>	Profit / loss before tax	36.207.048	35.129.665
Net unrealized gains/losses on financial assets at fair value through profit or loss 12.349.497 17.625.000 Other gains/losses 3.118.504 3.177.785 Net cash inflow / decrease of operating assets (239.5357) (387.096.716) Deposits with the CNB (148.262.492) 135.456.53 Treasury bills issued by Ministry of Finance and CNB bills (212.053.784) (41.001.024) Deposits with banking institutions and loans to financial institutions 379.762.727 (370.223.136) Loans to customers (111.958.251) 49.554.176 Securities and other financial instruments held for trading (166.208.347) (17.621.366) Securities and other financial instruments available for sale 37.730.545 5.836.780 Other operating assets 1.446.645 8.899.191 Net changes in operating liabilities 314.414.949 Savings and term deposits (163.222.398) (147.414.949) 33.375.438 Derivative financial liabilities and other liabilities held for trading (54.202) (981.416) Other liabilities 28.396.792 104.771.788 28.396.792 Income tax paid 176.837.608 28.396.792	Impairment losses and provisions for liabilities and charges	23.902.874	33.521.522
Other gains/ losses 3.118.504 3.177.785 Net cash inflow / decrease of operating assets (239,543.557) (387.096.716) Deposits with the CNB (148.262.492) 135.458.653 Treasury bills issued by Ministry of Finance and CNB bills (212.053.784) (41.001.024) Deposits with banking institutions and loans to financial institutions 379.762.727 (370.223.135) Loans to customers (111.958.251) 49.554.176 Securities and other financial instruments held for trading (146.208.947) (175.621.356) Securities and other financial instruments available for sale 37.730.545 5.836.780 Other operating assets 1.446.645 8.899.191 Net changes in operating liabilities 324.628.832 309.750.861 Demand deposits (163.222.398) (147.414.949) Savings and term deposits 25.649.432 104.771.788 Net cash liftow / outflow from operating activities before tax 176.837.608 28.396.792 Income tax paid (60.473.843) (51.733.327) Disposal/acquisition of investing activities (60.473.843) (12.956.061) Disposal/acquisi	Amortization and depreciation	16.174.410	16.288.675
Net cash inflow / decrease of operating assets (239.543.557) (387.096.716) Deposits with the CNB (148.262.492) 135.458.653 Treasury bills issued by Ministry of Finance and CNB bills (212.053.784) (41.001.024) Deposits with banking institutions and loans to financial institutions 379.762.727 (370.223.136) Loans to customers (111.958.251) 49.554.176 Securities and other financial instruments held for trading (186.208.947) (175.621.366) Securities and other financial instruments available for sale 37.730.545 5.836.780 Other operating assets 1.446.645 8.899.191 Net changes in operating liabilities 324.628.832 309.750.861 Derivative financial liabilities and other liabilities held for trading (163.222.398) (147.414.949) Savings and term deposits 462.256.000 353.375.438 Net cash flow from operating activities before tax 176.837.608 28.396.792 Income tax paid 176.837.608 28.396.792 104.771.788 28.396.792 InvestTMENT ACTIVITES 176.837.608 28.396.692 (10.452.857) (12.956.061) Disposal/acq	Net unrealized gains/losses on financial assets at fair value through profit or loss	12.349.497	17.625.000
Deposits with the CNB(148.262.492)135.458.653Treasury bills issued by Ministry of Finance and CNB bills(212.053.784)(41.001.024)Deposits with banking institutions and leans to financial institutions379.762.727(370.223.136)Loans to customers(111.958.251)49.554.176Securities and other financial instruments held for trading(186.208.947)(175.621.336)Securities and other financial instruments available for sale37.730.5455.836.780Other operating assets1.446.6458.899.191Net changes in operating liabilities324.628.832309.750.861Demand deposits(163.222.398)(147.414.949)Savings and term deposits(26.256.000353.375.438Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792INVESTMENT ACTIVITESItem activities(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures(4.111.200)(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures(14.11.200)(4.11.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Disposal/acquisition of investment in subsidiaries, assoc	Other gains/ losses	3.118.504	3.177.785
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Deposits with banking institutions and loans to financial institutions379.762.727(370.223.136)Loans to customers(111.958.251)49.554.176Securities and other financial instruments held for trading(186.208.947)(175.621.366)Securities and other financial instruments available for sale37.730.5455.836.780Other operating assets1.446.6458.899.191Net charges in operating liabilities324.628.832309.750.861Demand deposits(163.222.398)(147.414.949)Savings and term deposits(163.222.398)(147.414.949)Savings and term deposits25.649.432(098.1416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792Net cash flow from operating activities176.837.60828.396.792Income tax paid176.837.60828.396.792Net cash flow from investing activities176.837.60828.396.792Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200Dividend receipts1.4481.484FINANCIAL ACTIVITIES110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.033Net increase in cash and cash equivalents5.894.684(20.553.812) <td>Deposits with the CNB</td> <td>(148.262.492)</td> <td>135.458.653</td>	Deposits with the CNB	(148.262.492)	135.458.653
Loans to customers (111.958.251) 49.554.176 Securities and other financial instruments held for trading (186.208.947) (175.621.356) Securities and other financial instruments available for sale 37.730.545 5.836.780 Other operating assets 1.446.645 8.899.191 Net changes in operating liabilities 324.628.832 309.750.861 Demand deposits (163.222.398) (147.414.949) Savings and term deposits 462.256.000 353.375.438 Derivative financial liabilities and other liabilities held for trading (54.202) (981.416) Other liabilities 25.649.432 104.771.788 Net cash inflow from operating activities before tax 176.837.608 28.396.792 Income tax paid Net cash inflow from operating activities (60.473.843) (51.733.327) Disposal/acquisition of property and equipment and intangible assets (5.799.946) (34.667.550) Disposal/acquisition of securities and other financial instruments held to maturity (58.786.540) (12.956.061) Dividend receipts 1.443 1.448 1.443 FINACIAL ACTIVITIES 2.782.723	Treasury bills issued by Ministry of Finance and CNB bills	(212.053.784)	(41.001.024)
Securities and other financial instruments held for trading(186.208.947)(175.621.356)Securities and other financial instruments available for sale37.730.5455.836.780Other operating assets1.446.6458.899.191Net changes in operating liabilities324.628.832309.750.861Demand deposits(163.222.398)(147.414.949)Savings and term deposits462.256.000353.375.438Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792104.771.78628.396.792INVESTMENT ACTIVITIES176.837.60828.396.792104.771.786Net cash flow from investing activities before tax176.837.60828.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures(4.111.200)(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.4841.484FINANCIAL ACTIVITIES(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Net increase /decrease in subordinated debt(16.224)200.000.043Net increase /decrease in cash and cash equivalents5.894.684(20.553.812)Effect of f	Deposits with banking institutions and loans to financial institutions	379.762.727	(370.223.136)
Securities and other financial instruments available for sale37.730.5455.836.780Other operating assets1.446.6458.899.191Net changes in operating liabilities324.628.832309.750.861Demand deposits(163.222.398)(147.414.949)Savings and term deposits462.256.000353.375.438Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792INVESTMENT ACTIVITIES28.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.4431.443FINANCIAL ACTIVITIES110.452.857)(197.217.320)Net increase /decrease in subordinated debt(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.00.043Net increase /decrease in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.	Loans to customers	(111.958.251)	49.554.176
Other operating assets 1.446.645 8.899.191 Net changes in operating liabilities 324.628.832 309.750.861 Demand deposits (163.222.398) (147.414.949) Savings and term deposits 462.256.000 353.375.438 Derivative financial liabilities and other liabilities held for trading (54.202) (981.416) Other liabilities 25.649.432 104.771.788 Net cash flow from operating activities before tax 176.837.608 28.396.792 Income tax paid Net cash flow from investing activities 176.837.608 28.396.792 INVESTMENT ACTIVITES Net cash flow from investing activities (60.473.843) (51.733.327) Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures (4.111.200) (4.111.200) Maturity/acquisition of securities and other financial instruments held to maturity (58.786.540) (12.956.061) Dividend receipts 1.443 1.484 1.484 FINANCIAL ACTIVITES (110.469.081) 2.782.723 Net increase /decrease in borrowings <td>Securities and other financial instruments held for trading</td> <td>(186.208.947)</td> <td>(175.621.356)</td>	Securities and other financial instruments held for trading	(186.208.947)	(175.621.356)
Net changes in operating liabilities324.628.832309.750.861Demand deposits(163.222.398)(147.414.949)Savings and term deposits462.256.000353.375.438Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid76.837.60828.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.4841.484FINACIAL ACTIVITIES(110.469.081)2.782.723Net increase /decrease in burowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.00.043Net increase /decrease in subordinated debt(16.224)200.00.043Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.55	Securities and other financial instruments available for sale	37.730.545	5.836.780
Demand deposits(163.222.398)(147.414.949)Savings and term deposits462.256.000353.375.438Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792INVESTMENT ACTIVITIES176.837.60828.396.792Net cash flow from investing activities(60.473.843)(51.733.327)Disposal/acquisition of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES(110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in borrowings(16.224)200.000.433Net increase /decrease in subordinated debt(16.224)200.000.433Net increase /decrease in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning	Other operating assets	1.446.645	8.899.191
Savings and term deposits462.256.000353.375.438Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES(110.469.081)2.782.723Net increase /decrease in subordinated debt(16.224)200.000.43Net increase /decrease in subordinated debt(16.224)200.000.43Net increase /decrease in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net changes in operating liabilities	324.628.832	309.750.861
Derivative financial liabilities and other liabilities held for trading(54.202)(981.416)Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792Net cash inflow / outflow from operating activities176.837.60828.396.792INVESTMENT ACTIVITIES176.837.60828.396.792Net cash flow from investing activities(60.473.843)(51.733.327)Disposal/acquisition of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.4841.484FINANCIAL ACTIVITIES110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.00.043Net increase /decrease in subordinated debt5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Demand deposits	(163.222.398)	(147.414.949)
Other liabilities25.649.432104.771.788Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792Net cash inflow / outflow from operating activities176.837.60828.396.792INVESTMENT ACTIVITIES176.837.60828.396.792Net cash flow from investing activities(60.473.843)(51.733.327)Disposal/acquisition/ of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES12.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in outprotents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Other increase /decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year5.894.684(20.553.812)	Savings and term deposits	462.256.000	353.375.438
Net cash flow from operating activities before tax176.837.60828.396.792Income tax paid176.837.60828.396.792Net cash inflow / outflow from operating activities176.837.60828.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition / of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES11.433Net increase /decrease in borrowings(110.469.081)2.782.723Net increase /decrease in subordinated debt(16.224)200.000.433Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Derivative financial liabilities and other liabilities held for trading	(54.202)	(981.416)
Income tax paid176.837.60828.396.792Net cash inflow / outflow from operating activities176.837.60828.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition / of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES1.4431.484Cash flow from financing activities(110.459.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Ott increase/decrease in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Other liabilities	25.649.432	104.771.788
Net cash inflow / outflow from operating activities176.837.60828.396.792INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition / of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Ote increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net cash flow from operating activities before tax	176.837.608	28.396.792
INVESTMENT ACTIVITIES(60.473.843)(51.733.327)Disposal/acquisition/ of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Ket increase /decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Income tax paid		
Net cash flow from investing activities(60.473.843)(51.733.327)Disposal/acquisition/ of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES(110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash nd cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net cash inflow / outflow from operating activities	176.837.608	28.396.792
Disposal/acquisition / of property and equipment and intangible assets(5.799.946)(34.667.550)Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES(110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	INVESTMENT ACTIVITIES		
Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES(110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net cash flow from investing activities	(60.473.843)	(51.733.327)
ventures4.111.200(4.111.200)Maturity/acquisition of securities and other financial instruments held to maturity(58.786.540)(12.956.061)Dividend receipts1.4431.484FINANCIAL ACTIVITIES1.4431.484Cash flow from financing activities(110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Disposal/acquisition/ of property and equipment and intangible assets	(5.799.946)	(34.667.550)
Dividend receipts1.4431.484FINANCIAL ACTIVITIES(110.469.081)2.782.723Cash flow from financing activities(110.452.857)(197.217.320)Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737		4.111.200	(4.111.200)
FINANCIAL ACTIVITIES(110.469.081)2.782.723Cash flow from financing activities(110.452.857)(197.217.320)Net increase /decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Maturity/acquisition of securities and other financial instruments held to maturity	(58.786.540)	(12.956.061)
Cash flow from financing activities(110.469.081)2.782.723Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase/decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalentsNet increase/decrease in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Dividend receipts	1.443	1.484
Net increase /decrease in borrowings(110.452.857)(197.217.320)Net increase/decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalentsNet increase/decrease in cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	FINANCIAL ACTIVITIES		
Net increase/decrease in subordinated debt(16.224)200.000.043Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalentsNet increase/decrease in cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Cash flow from financing activities	(110.469.081)	2.782.723
Net increase in cash and cash equivalents5.894.684(20.553.812)Effect of foreign exchange differences on cash and cash equivalentsNet increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net increase /decrease in borrowings	(110.452.857)	(197.217.320)
Effect of foreign exchange differences on cash and cash equivalents5.894.684(20.553.812)Net increase/decrease in cash and cash equivalents5.894.684(20.553.812)Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net increase/decrease in subordinated debt	(16.224)	200.000.043
Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Effect of foreign exchange differences	5.894.684 -	(20.553.812) -
Cash and cash equivalents at the beginning of the year452.953.492401.952.737	Net increase/decrease in cash and cash equivalents	5.894.684	(20.553.812)
		452.953.492	
		458.848.176	381.398.925

REPORT FOR THE PERIOD FROM 01.01. - 31.03.2011

The Bank has realized net profit for the first quarter of 2011 amounting to HRK 36,2 million, which is 3,1 percent higher than in the same period of 2010.

Total assets of HPB as at March 31 2011 amount to HRK 15,0 billion, representing an increase of 1,7 percent or HRK 251,6 million compared to 2010 year-end. Assets' increase is a result of higher investments in treasury bills and financial assets held for trading amounting to HRK 385,9 million, as well as credit activity whereby loans to financial institutions increased by HRK 54,4 million and loans to other customers by HRK 87,0 million. As opposed to this, deposits with banking institutions decreased by HRK 433,7 million, which partially relates to freeing of foreign currency funds in line with regulatory changes in March 2011.

Deposits have continued to grow during the first quarter of 2011, and amounted to HRK 10,6 million at the end of the period, representing an increase of 3 percent or HRK 299,0 million compared to 2010 year-end. In the term deposits' structure, retail deposits increased by 5 percent or HRK 231,9 million, which implies continuous growth for the fourth consecutive quarter.

Concerning income, continuation of positive trends from 2010 is reflected primarily in higher net interest income, which is higher by 26,1 percent compared to the same period of last year. Higher net interest income is a result of lower interest expenses on borrowings and deposits from financial institutions and utilization of favourable sources of funding.

Net fee and commission income is lower by 4,7 percent in accordance with lower fees that the Bank charges to its clients, and amounts to HRK 45,1 million during the first quarter. Trading gains amount to HRK 22,6 million, whereby 60,6 percent relates to gain arising from trading securities.

General and administrative expenses and depreciation have increased by 14,8 percent or HRK 13,9 million compared to the same period of 2010. This increase is mainly resulting from higher deposit insurance expenses (in line with significant deposit inflow), as well as higher IT expenses because of implementation of new information system in mid 2010, which enabled the Bank to comprehensively manage and increase efficiency of its business processes.