



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 through 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	594.199.261	535.398.412
Securities and other financial instruments at fair value through profit or loss – non actively traded	-	-
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
TOTAL LIABILITIES	13.812.542.005	13.600.227.023
EQUITY		
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	-	-
TOTAL EQUITY	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

	2011 in HRK	2010 in HRK
OPERATING ACTIVITIES		
Cash flow from operating activities before changes in operating assets	91.752.333	105.742.647
Profit / loss before tax	36.207.048	35.129.665
Impairment losses and provisions for liabilities and charges	23.902.874	33.521.522
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	3.118.504	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	(370.223.136)
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 flow from operating activities before tax	176.837.608	28.396.792
Income tax paid		
Net cash inflow / outflow from operating activities	176.837.608	28.396.792
INVESTMENT ACTIVITIES		
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 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
FINANCIAL ACTIVITIES		
Cash flow from financing activities	(110.469.081)	2.782.723
Net increase /decrease in borrowings	(110.452.857)	(197.217.320)
Net increase/decrease in subordinated debt	(16.224)	200.000.043
Net increase in cash and cash equivalents	5.894.684	(20.553.812)
Effect of foreign exchange differences on cash and cash equivalents	-	-
Net increase/decrease in cash and cash equivalents	5.894.684	(20.553.812)
Cash and cash equivalents at the beginning of the year	452.953.492	401.952.737
Cash and cash equivalents at the end of the year	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.