



HRVATSKA POŠTANSKA BANKA d.d.

Finance division

UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS FOR PERIOD FROM 01.01. TO 30.09.2011

Zagreb, October 2011

REPORT FOR THE PERIOD FROM 01.01. – 30.09.2011

Total assets of HPB as at September 30, 2011 amount to HRK 15,7 billion, representing an increase of 6,5 percent or HRK 954,4 million compared to 2010 year-end.

Growth of Bank's assets during the third quarter of 2011 represents a third of total increase during 2011, mainly due to an increase in loan portfolio and partly from higher investment in bonds.

HPB has implemented several new products during 2011, which have, together with improved loan approval conditions, resulted in an increase of gross retail loans by 6,1 percent compared to the same period last year, whereby housing loans increased by 31,8 percent. On the other hand, the level of gross loans to companies increased by 5,5 percent.

Total deposits have also increased, by 9 percent compared to 2010 year-end, and amount to HRK 12 billion as at Sep 30 2011. The increase is mostly attributed to considerable growth of retail and state-units' deposits.

Net profit for the first three quarters of 2011 amounted to HRK 70,6 million. Net interest income increased by 23,8 percent compared to the same period last year, resulting mainly from lower interest expenses, whilst gross interest income increased somewhat slower in spite of loan growth.

Bank's net fee and commission income decreased slightly compared to the same period last year, due to lower fees that the Bank charges to its customers.

In line with it's loan portfolio structure, the Bank has made provisions for impairment losses and other provisions totalling HRK 105,1 million, representing 60 percent of the operating income which amounts to HRK 174,6 million.

The Bank has managed to compensate for negative movements in equity markets by successful FX trading.

Constant efforts to improve Bank's services and business operation, as well as continuous growth of it's business network, resulted in higher level of general and administrative expenses compared to the same period 2010. Despite this fact, cost efficiency indicator (C/I) was improved, and is 3,5 percentage points lower compared to 2010 year-end.

INCOME STATEMENT FOR THE PERIOD FROM 01.01.-30.09.2011

	2011 in HRK	2010 in HRK
Interest income	641.461.281	618.711.481
Interest expense	297.864.144	341.071.592
Net interest income	343.597.137	277.639.889
Fee and commission income	426.491.231	435.231.601
Fee and commission charges	291.143.858	287.710.043
Net fee and commission income	135.347.373	147.521.558
Profit / loss from investments in subsidiaries, associated companies and joint venture	-	-
Profit / loss from trading activities	25.514.689	29.502.317
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	861.645	1.868.381
Profit / loss from trading with held to maturity financial assets	-	-
Profit / loss from hedge transactions	-	-
Income from investment in subsidiaries, associated companies and joint ventures	-	-
Income from other equity investments	4.331.018	-
Profit / loss from exchange rate differences	5.320.527	5.246.733
Other income	25.545.814	10.502.425
Other expense	29.700.188	19.438.917
General and administrative expense and depreciation	327.398.134	307.330.607
Net operating income before provisions and impairment losses	183.419.881	145.511.779
Provisions and impairment losses	113.935.523	85.544.791
PROFIT / LOSS BEFORE TAX	69.484.358	59.966.988
INCOME TAX EXPENSE/(CREDIT)	-1.096.523	-
PROFIT / LOSS FOR THE YEAR	70.580.881	59.966.988

BALANCE SHEET AS AT SEPTEMBER 30 2011

	2011 in HRK	2010 in HRK
Cash and deposits with the CNB	1.800.697.090	1.786.998.615
- cash	498.068.432	452.953.492
- deposits held with the CNB	1.302.628.658	1.334.045.123
Deposits with banking institutions	1.297.461.136	1.235.793.653
Treasury bills issued by the Ministry of Finance and the CNB Treasury bills	556.057.414	802.399.557
Securities and other financial instruments held for trading	788.586.607	400.246.708
Securities and other financial instruments available for sale	539.434.850	248.440.247
Securities and other financial assets held to maturity	692.877.504	535.398.412
Securities and other financial instruments at fair value through profit or loss – non actively traded	-	-
Derivative financial instruments	434.390	1.252.602
Loans to financial institutions	201.090.583	290.092.148
Loans to customers	9.012.086.093	8.656.327.797
Investment in subsidiaries, associated companies and joint venture	75.540.876	95.540.876
Assets acquired in lieu of uncollectible receivables	110.025.481	114.364.253
Tangible assets (less depreciation)	154.990.965	158.710.362
Interest, fees and other assets	515.344.119	464.699.659
TOTAL ASSETS	15.744.627.108	14.790.264.889
LIABILITIES		
Borrowings from financial institutions	1.210.453.387	1.260.507.325
- short-term borrowings	64.500.000	124.785.770
- long-term borrowings	1.145.953.387	1.135.721.555
Deposits	10.993.218.913	10.293.809.044
- giro and current account deposits	2.319.389.763	2.276.664.978
- savings deposits	1.164.722.979	1.278.167.861
- term deposits	7.509.106.171	6.738.976.205
Other borrowings	-	26.340.450
- short-term borrowings	-	-
- long-term borrowings	-	26.340.450
Financial derivatives and other traded financial liabilities	139.654	401.774
Debt securities – issued	-	-
- Short term debt securities	-	-
- Long term debt securities	-	-
Subordinated instruments - issued	-	-
Hybrid instruments	601.374.821	600.642.122
Interest, fees and other liabilities	1.691.316.996	1.418.526.308
TOTAL LIABILITIES	14.496.503.771	13.600.227.023
EQUITY		
Share capital	1.193.901.828	1.193.901.828
Profit /(loss) for the year	70.580.881	50.836.264
Retained earnings (loss)	(12.822.684)	(63.658.948)
Statutory reserves	-	-
Statutory and other capital reserve	1.453.670	5.643.055
Unrealized gain (loss) on financial assets available for sale	(4.990.358)	3.315.667
Hedge transactions reserve	-	-
TOTAL EQUITY	1.248.123.337	1.190.037.866
TOTAL LIABILITIES AND EQUITY	15.744.627.108	14.790.264.889

STATEMENT OF CHANGES IN EQUITY FROM 01.01. – 30.09.2011

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	1.194.776.328	(874.500)	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	1.194.776.328	(874.500)	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	-	-	-	-	-	(10.382.530)	(10.382.530)
Deferred tax on items directly recognized or transferred from equity and reserves	-	-	-	-	-	2.076.505	2.076.505
Other gains / losses recognized directly in equity	-	-	-	-	-	-	-
Net gains/losses recognized directly in equity	-	-	-	-	-	(8.306.025)	(8.306.025)
Profit/loss for the year	-	-	-	-	70.580.881	-	70.580.881
Total recognized gains/ (losses) for 2011	-	-	-	-	70.580.881	(8.306.025)	62.274.856
Increase / decrease in share capital	-	-	-	-	-	-	-
Purchase / sale of treasury shares	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Transfer to reserves	-	-	(4.189.385)	-	-	-	(4.189.385)
Dividends paid	-	-	-	-	-	-	-
Profit allocation	-	-	(4.189.385)	-	-	-	(4.189.385)
Balance at 30 September 2011	1.194.776.328	(874.500)	1.453.670	(12.822.684)	70.580.881	(4.990.358)	1.248.123.337

CASH FLOW STATEMENT FOR THE PERIOD FROM 01.01. – 30.09.2011

	2011 in HRK	2010 in HRK
OPERATING ACTIVITIES		
Cash flow from operating activities before changes in operating assets	216.124.073	201.827.115
Profit / loss before tax	69.484.358	59.966.989
Impairment losses and provisions for liabilities and charges	113.935.523	85.544.791
Amortization and depreciation	49.438.609	50.760.683
Net unrealized gains/losses on financial assets at fair value through profit or loss	3.799.603	6.610.000
Gains/losses arising from sale of property	(8.047.290)	-
Other gains/ losses	(12.486.730)	(1.055.348)
Net cash inflow / decrease of operating assets	(906.072.403)	(488.706.334)
Deposits with the CNB	31.416.465	366.053.418
Treasury bills issued by Ministry of Finance and CNB bills	246.342.143	58.998.511
Deposits with banking institutions and loans to financial institutions	27.238.848	(506.518.186)
Loans to customers	(445.202.215)	(284.222.554)
Securities and other financial instruments held for trading	(392.139.502)	(139.973.772)
Securities and other financial instruments available for sale	(282.688.578)	56.497.894
Other operating assets	(91.039.564)	(39.541.645)
Net changes in operating liabilities	972.278.135	729.057.897
Demand deposits	42.724.785	(41.347.142)
Savings and term deposits	656.685.084	642.974.962
Derivative financial liabilities and other liabilities held for trading	(262.120)	3.710.054
Other liabilities	273.130.386	123.720.023
Net cash flow from operating activities before tax	282.329.805	442.178.678
Income tax paid/returned	1.096.523	-
Net cash inflow / outflow from operating activities	283.426.328	442.178.678
INVESTMENT ACTIVITIES		
Net cash flow from investing activities	(159.246.521)	(88.159.369)
Disposal/acquisition/ of property and equipment and intangible assets	(26.098.447)	(83.718.181)
Disposal/acquisition of investment in subsidiaries, associated companies and joint ventures	20.000.000	(4.111.200)
Maturity/acquisition of securities and other financial instruments held to maturity	(157.479.092)	(4.888.243)
Dividend receipts	4.331.018	4.558.255
FINANCIAL ACTIVITIES		
Cash flow from financing activities	(75.661.688)	(255.386.848)
Net increase /decrease in borrowings	(76.394.387)	(454.690.155)
Net increase/decrease in subordinated debt	732.699	199.303.307
Net increase in cash and cash equivalents	48.518.119	98.632.461
Effect of foreign exchange differences on cash and cash equivalents	(3.403.179)	-
Net increase/decrease in cash and cash equivalents	45.114.940	98.632.461
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	498.068.432	500.585.198

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 01.01. – 30.09.2011

1. BALANCE SHEET

CASH AND DEPOSITS WITH THE CNB (in HRK)	30.09.2011.	31.12.2010.
Cash	498.068.432	452.953.492
Deposits with the CNB	1.315.786.523	1.347.520.326
<i>Obligatory reserve</i>	1.134.337.037	1.077.091.981
<i>Giro account with the CNB</i>	181.449.486	270.428.345
<i>Other deposits</i>	-	-
Portfolio based provisions	(13.157.865)	(13.475.203)
TOTAL	1.800.697.089	1.786.998.615

DEPOSITS WITH BANKING INSTITUTIONS (in HRK)	30.09.2011.	31.12.2010.
<i>Deposits with foreign banking institutions</i>	805.873.008	1.080.056.741
<i>Deposits with domestic banking institutions</i>	504.693.796	168.218.312
Portfolio based provisions	(13.105.668)	(11.941.602)
TOTAL	1.297.461.136	1.236.333.451

LOANS TO CUSTOMERS (in HRK)	30.09.2011.	31.12.2010.
Gross		
<i>Loans to financial institutions</i>	203.751.029	293.650.408
<i>Loans to companies</i>	5.574.984.853	4.845.936.209
<i>Retail loans</i>	3.147.172.669	2.675.853.778
<i>therein: housing loans</i>	474.543.272	359.908.909
<i>Other loans</i>	1.185.443.570	1.938.096.458
Total gross loans	10.111.352.121	9.753.536.853
Provisions for impairment losses	(822.275.630)	(729.939.061)
Portfolio based provisions	(75.899.815)	(77.740.997)
TOTAL NET LOANS TO CUSTOMERS	9.213.176.677	8.945.856.795

SECURITIES AND OTHER FINANCIAL INSTRUMENTS (in HRK)	30.09.2011.	31.12.2010.
<i>Ministry of Finance Treasury Bills</i>	556.057.414	802.399.557
<i>Financial instruments held for trade</i>	788.586.607	400.246.708
<i>Financial instruments available for sale</i>	539.434.850	248.440.247
<i>Financial instruments held until maturity</i>	699.841.602	540.806.477
Portfolio based provisions	(6.964.097)	(5.393.756)
TOTAL	2.576.956.375	1.986.499.233

DEPOSITS (in HRK)	30.09.2011.	31.12.2010.
<i>Deposits from financial institutions</i>	861.314.117	784.335.507
<i>Deposits from companies</i>	1.829.092.688	1.893.246.799
<i>Retail deposits</i>	6.718.557.440	6.452.124.663
<i>Deposits from other clients</i>	1.584.254.668	1.164.102.075
TOTAL	10.993.218.913	10.293.809.044

BORROWINGS (in HRK)	30.09.2011.	31.12.2010.
<i>Borrowings from HBOR</i>	1.044.683.652	1.049.180.742
<i>Borrowings from banks</i>	105.769.737	130.326.583
<i>Borrowings from other banking institutions</i>	60.000.000	81.000.000
<i>Borrowings from foreign banking institutions</i>	-	26.340.450
TOTAL	1.210.453.388	1.286.847.775

INTEREST, FEES AND OTHER LIABILITIES (in HRK)	30.09.2011.	31.12.2010.
<i>Restricted deposits</i>	1.141.924.716	832.133.384
<i>Interest and fees payable</i>	107.273.278	101.382.322
<i>Provisions for off-balance sheet exposures</i>	20.647.524	19.895.303
<i>Other</i>	421.471.478	465.115.299
TOTAL	1.691.316.996	1.418.526.308

2. INCOME STATEMENT

INTEREST INCOME (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>Loans</i>	544.471.883	512.859.732
<i>Deposits with banking institutions</i>	9.345.056	12.533.460
<i>Debt securities</i>	87.644.341	93.318.290
TOTAL	641.461.280	618.711.481

INTEREST EXPENSE (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>Borrowings</i>	28.439.948	38.175.648
<i>Deposits from customers</i>	223.571.261	258.794.261
<i>Debt instruments</i>	31.111.453	31.051.797
<i>Deposit insurance expenses</i>	14.741.482	13.049.885
TOTAL	297.864.144	341.071.592

FEE AND COMMISSION INCOME (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>Commissions from payment transactions</i>	324.289.746	327.594.310
<i>Other</i>	102.201.485	107.637.291
TOTAL	426.491.231	435.231.601

FEE AND COMMISSION EXPENSE (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>Commissions on payment transactions</i>	270.121.516	267.572.289
<i>Other</i>	21.022.342	20.137.754
TOTAL	291.143.858	287.710.043

PROFIT / LOSS FROM TRADING ACTIVITIES (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>Securities</i>	(953.896)	10.100.243
<i>Foreign currencies</i>	25.967.450	19.784.407
<i>Cash (HRK)</i>	116.030	52.371
<i>Derivatives</i>	385.106	(434.704)
TOTAL	25.514.689	29.502.317

GENERAL AND ADMINISTRATIVE EXPENSES AND AMORTIZATION (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>General and administrative expenses</i>	277.959.525	256.569.924
<i>Amortization and depreciation</i>	49.438.609	50.760.683
TOTAL	327.398.134	307.330.607

PROVISIONS AND IMPAIRMENT LOSSES (in HRK)	I. - IX. 2011.	I. - IX. 2010.
<i>Impairment losses</i>	111.865.638	88.707.524
<i>Portfolio based provisions for identified losses (RISK GROUP A)</i>	2.069.885	(3.162.733)
TOTAL	113.935.523	85.544.791

3. ACCOUNTING POLICIES

No changes in the Bank's accounting policies occurred during the first three quarters of 2011.

4. Shareholder structure

The Bank's shareholder structure as per September 30 2011 is as follows :

	September 30 2011 Ownership (%)
Republic of Croatia	51,46%
Croatian Post (HP)	27,49%
Croatian Pension Insurance Institute (HZMO)	20,18%
Other	0,78%
Treasury shares	0,09%
Total	100,00%

No changes in ownership concerning the Bank's major shareholders occurred during the third quarter of 2011.