



**Vaba d.d. banka Varaždin**

**MANAGEMENT REPORT  
H1 2009**

## 1. Management Discussion and Analysis

- **Net Profit in the H1 2009 amounts to HRK 2,4 mil**
- **Total Assets amount to HRK 1,2 billion**

The Bank's Interest Income in the H1 2009 reached HRK 51,4 mil, with the majority (62,8%) of it generated by corporate sector.

Interest Expense in H1 2009 amounted to HRK 31,5 mil – Interest Expense to Retail made up 43,5%, to Financial Institutions 32,3%, to Corporate 20,4%. Increased Interest Expense to Retail (up 39,2%) is a reflection of higher savings which recorded 11,1% growth (HRK 54,2 mil) compared to the end of 2008 and higher interest rates led by high money market demand.

High Interest Expenses in the Q1, caused by high HRK money market rates (up to 40%), made a negative impact on the Bank's net interest margin, but market stabilisation and Bank's redefined ALM policy in Q2 enabled the Bank to offset the Q1 lower margins.

Net Fee and Commission amounts to HRK 2,0 mil and is just below the last year's results as the Bank decreased its activities related to bills of exchange and redirected funds to loans.

Implementing a new ALM policy in the beginning of 2009, the Bank realized HRK 3,5 mil on FX activities, after making a loss on FX in 2008.

Operating Expenses decreased by 1% compared to the same period in 2008 as a result of increased efficiency and the rationalisation of operations.

The Bank provisioned a total of HRK 490 thousand in H1 2009, of which specific reserves amounted to HRK 2,1 mil, but the release of general reserves (due to the decrease of total assets) made a positive impact on the Bank's P&L. In 2008 the amounts provisioned and written off were substantially higher mostly due to the restructuring of inherited assets from Brodsko-Posavska bank d.d. and Primus bank d.d.

Realized Net Profit for H1 2009 is HRK 2,4 mil.

Total assets on 30/6/2009 amounted to HRK 1,2 bln, a 12,5% decrease compared to 31/12/2008. Most of this decrease refers to placements with banks (down 99,1%) and HTM financial assets (down 83,3%). Loans and advances recorded a 0,1% increase.

On the sources of funds' side, the most significant change is a decrease of borrowings (down HRK 118 mil) and the above mentioned increase of retail savings (up HRK 54,2 mil).

Shareholders' equity increased to HRK 152,8 mil mostly as a result of recapitalisation of the Bank in March 2009 when the share capital increased by HRK 23,2 mil.

## 2. Financial statements

Profit and Loss Account [HRK]	ACTUAL	
	2008	1H 2009
Interest Income	89.228.133	51.456.617
Interest Expense	(54.447.252)	(31.521.775)
<b>Net Interest Income</b>	<b>34.780.881</b>	<b>19.934.843</b>
Fee and Commission Income	8.114.064	3.200.779
Fee and Commission Income Expense	(2.416.798)	(1.182.913)
<b>Net Fee and Commission Income</b>	<b>5.697.266</b>	<b>2.017.866</b>
Net Foreign Exchange Gain / Loss	(160.833)	3.527.899
Gain / Loss on Financial Assets	(4.750.932)	1.205.836
Other	3.015.015	1.119.925
<b>Other Operating Income</b>	<b>(1.896.750)</b>	<b>5.853.660</b>
<b>Total Operating Income</b>	<b>38.581.397</b>	<b>27.806.369</b>
Employees	(26.613.879)	(11.695.011)
Depreciation and Amortisation	(4.815.220)	(2.797.493)
Other Operating Expenses	(30.486.331)	(10.445.868)
<b>Operating Expenses</b>	<b>(61.915.430)</b>	<b>(24.938.371)</b>
<b>Profit / Loss before Provisions</b>	<b>(23.334.034)</b>	<b>2.867.998</b>
Impairment Losses and Provisions	(9.663.840)	(489.764)
<b>Profit / Loss before Tax</b>	<b>(32.997.874)</b>	<b>2.378.235</b>
Tax		
<b>Net Profit / Loss</b>	<b>(32.997.874)</b>	<b>2.378.235</b>

Source: Audited financial statements for 2008, unaudited financial statements for 2009

Balance Sheet [HRK]	ACTUAL		
	31.12.2008	30.6.2009	% change
CASH AND AMOUNTS DUE FROM BANKS	107.544.306	92.852.379	-13,7%
OBLIGATORY RESERVE WITH CNB	86.251.458	92.606.554	7,4%
PLACEMENTS WITH BANKS	123.404.732	1.097.105	-99,1%
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	0	920.000	n/a
AVAILABLE FOR SALE FINANCIAL ASSETS	162.152.022	154.998.161	-4,4%
HELD TO MATURITY FINANCIAL ASSETS	52.542.508	8.758.996	-83,3%
LOANS AND ADVANCES	816.459.400	817.550.429	0,1%
TANGIBLE AND INTANGIBLE ASSETS	43.820.683	46.369.990	5,8%
OTHER ASSETS	8.556.858	10.343.943	20,9%
<b>TOTAL ASSETS</b>	<b>1.400.731.966</b>	<b>1.225.497.557</b>	<b>-12,5%</b>
DEPOSITS	1.029.402.002	961.105.198	-6,6%
BORROWINGS	219.374.752	100.999.395	-54,0%
OTHER LIABILITIES	12.245.689	7.425.075	-39,4%
PROVISIONS FOR LIABILITIES AND CHARGES	3.450.303	3.150.303	-8,7%
<b>TOTAL LIABILITIES</b>	<b>1.264.472.746</b>	<b>1.072.679.971</b>	<b>-15,2%</b>
SHARE CAPITAL	153.355.000	176.522.800	15,1%
SHARE PREMIUM	27.423.267	27.423.267	0,0%
RESERVES	2.651.783	2.651.783	0,0%
ACCUMULATED PROFIT / LOSS	(5.382.496)	(34.140.204)	534,3%
PROFIT FOR THE YEAR	(32.997.874)	2.378.235	-107,2%
FAIR VALUE RESERVE	(8.790.460)	(22.018.296)	150,5%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>136.259.220</b>	<b>152.817.585</b>	<b>12,2%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.400.731.966</b>	<b>1.225.497.557</b>	<b>-12,5%</b>

Source: Audited financial statements for 2008, unaudited financial statements for 2009