

# HRVATSKA BANKA ZA OBNOVU I RAZVITAK

## Balance Sheet As at June 30 (Expressed in thousands of HRK)

|  | June 30,<br>2006  | December 31,<br>2005 |
|--|-------------------|----------------------|
| <b>Assets</b>  |                   |                      |
| <i>Cash on hand and due from banks, net</i>                | 13,977            | 58,746               |
| <i>Deposits with other banks, net</i>                      | 497,762           | 418,115              |
| <i>Loans to banks, net</i>                                 | 6,830,249         | 6,382,746            |
| <i>Loans to other customers, net</i>                       | 6,429,712         | 6,451,791            |
| <i>Assets held to maturity</i>                             | 91,287            | 110,602              |
| <i>Assets available for sale</i>                           | 219,958           | 235,845              |
| <i>Investments in associates</i>                           | -                 | -                    |
| <i>Tangible and intangible assets</i>                      | 48,340            | 49,775               |
| <i>Assets for resale</i>                                   | 17,301            | 18,153               |
| <i>Other assets, net</i>                                   | 3,593             | 5,515                |
| <b>TOTAL ASSETS</b>  | <b>14,152,179</b> | <b>13,731,288</b>    |
| <b>Liabilities</b>   |                   |                      |
| <i>Deposits</i>  | 995,888           | 516,751              |
| <i>Borrowings</i>  | 3,964,302         | 4,162,802            |
| <i>Bonds payable</i>                                       | 2,954,443         | 3,036,474            |
| <i>Other liabilities</i>                                   | 1,107,031         | 1,074,641            |
| <b>TOTAL LIABILITIES</b>                                   | <b>9,021,664</b>  | <b>8,790,668</b>     |
| <b>Capital</b>   |                   |                      |
| <i>Founder's capital</i>                                   | 4,067,737         | 3,959,737            |
| <i>Retained earnings and reserves</i>                      | 957,296           | 786,621              |
| <i>Other reserves</i>                                      | 5,764             | 16,212               |
| <i>Net profit for the year</i>                             | 88,833            | 170,675              |
| <b>TOTAL CAPITAL</b>                                       | <b>5,119,630</b>  | <b>4,933,245</b>     |
| <i>Guarantee fund</i>                                      | 10,885            | 7,375                |
| <b>TOTAL CAPITAL AND GUARANTEE FUND</b>                    | <b>5,130,515</b>  | <b>4,940,620</b>     |
| <b>TOTAL LIABILITIES, TOTAL CAPITAL AND GUARANTEE FUND</b> | <b>14,152,179</b> | <b>13,731,288</b>    |

President of the Managing Board

Anton Kovačev

# HRVATSKA BANKA ZA OBNOVU I RAZVITAK

## Profit and Loss Account For the period ended (Expressed in thousands of HRK)

|   | June 30,<br>2006 | June 30,<br>2005* |
|---|------------------|-------------------|
| <i>Interest income</i>                            | 360,936          | 334,643           |
| <i>Interest expense</i>                           | (146,679)        | (132,180)         |
| <b>NET INTEREST INCOME</b>                        | <b>214,257</b>   | <b>202,463</b>    |
| <i>Fee income</i>                                 | 11,269           | 7,582             |
| <i>Fee expenses</i>                               | (338)            | (518)             |
| <b>NET FEE INCOME</b>                             | <b>10,931</b>    | <b>7,064</b>      |
| <i>Net gains/(losses) on financial operations</i> | 15,346           | (29,829)          |
| <i>Other income</i>                               | 1,849            | 2,390             |
|   | <b>242,383</b>   | <b>182,088</b>    |
| <i>Operating expenses</i>                         | (38,004)         | (36,453)          |
| <i>Impairment loss and provisions</i>             | (115,546)        | (54,075)          |
| <b>PROFIT BEFORE INCOME TAX</b>                   | <b>88,833</b>    | <b>91,560</b>     |
| <i>Income tax</i>                                 | -                | -                 |
| <b>PROFIT AFTER INCOME TAX</b>                    | <b>88,833</b>    | <b>91,560</b>     |

\* The financial data for 2005 have been changed according to the implementation of new International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

*President of the Managing Board*

*Anton Kovačev*

# HRVATSKA BANKA ZA OBNOVU I RAZVITAK

## Cash Flow Statement For the period ended (Expressed in thousands of HRK)

|   | June 30,<br>2006 | June 30,<br>2005* |
|---|------------------|-------------------|
| <b>Operating activities</b>   |                  |                   |
| <i>Profit after income tax</i>  | 88,833           | 91,560            |
| Adjustments to reconcile to net cash from and used in operating activities:                 |                  |                   |
| <i>Depreciation</i>   | 2,557            | 2,624             |
| <i>Provisions</i>   | 115,546          | 54,075            |
| <i>Interest accrual</i>   | (27,006)         | (62,690)          |
| <i>Operating profit before working capital changes</i>                                      | 179,930          | 85,569            |
| Changes in operating assets and liabilities:  |                  |                   |
| <i>Net (increase) in deposits with other banks, before provision for impairment</i>         | (80,444)         | (214,395)         |
| <i>Net (increase) in loans to banks, before provision for impairment</i>                    | (463,920)        | (485,326)         |
| <i>Net (increase)/decrease in loans to other customers, before provision for impairment</i> | (99,676)         | 327,608           |
| <i>Net decrease/(increase) in other assets, before provision for impairment</i>             | 1,479            | (4,365)           |
| <i>Net decrease/(increase) in assets held for resale</i>                                    | 852              | (1,790)           |
| <i>Net increase/(decrease) in deposits from banks and companies</i>                         | 479,138          | (58,309)          |
| <i>Net increase in other liabilities, before provision</i>                                  | 51,402           | 129,444           |
| <b><i>Net cash provided by/(used in) operating activities</i></b>                           | <b>68,761</b>    | <b>(221,564)</b>  |
| <b>Investment activities</b>  |                  |                   |
| <i>Net (increase) in financial assets at fair value through profit or loss</i>              | -                | (111,371)         |
| <i>Net decrease/(increase) in assets available for sale</i>                                 | 3,153            | (13,562)          |
| <i>Net decrease/(increase) in assets held to maturity</i>                                   | 18,234           | (27,495)          |
| <i>Proceeds from disposal of investment in associate</i>                                    | -                | 5,550             |
| <i>Net (purchases) of tangible and intangible assets</i>                                    | (1,089)          | (3,217)           |
| <b><i>Net cash provided by/ (used in) investment activities</i></b>                         | <b>20,298</b>    | <b>(150,095)</b>  |
| <b>Financial activities</b>   |                  |                   |
| <i>Net increase in founder's capital</i>  | 108,000          | 73,600            |
| <i>Net (decrease)/increase in borrowings</i>  | (199,286)        | 569,269           |
| <i>Net (decrease) in bonds payable</i>  | (46,017)         | (142,295)         |
| <i>Net increase/(decrease) in guarantee fund</i>  | 3,510            | (360)             |
| <b><i>Net cash (used in)/provided by financial activities</i></b>                           | <b>(133,793)</b> | <b>500,214</b>    |
| <i>Net (decrease)/increase in cash and cash equivalents</i>                                 | (44,734)         | 128,555           |
| <b><i>Balance as of 1 January, net of provisions</i></b>                                    | <b>58,823</b>    | <b>36,943</b>     |
| <i>Net cash (decrease)/increase</i>   | (44,734)         | 128,555           |
| <b><i>Balance as of 30 June, net of provisions</i></b>                                      | <b>14,089</b>    | <b>165,498</b>    |

\* The financial data for 2005 have been changed according to the implementation of new International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).