

HRVATSKA BANKA ZA OBNOVU I RAZVITAK

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

	September 30, 2006	December 31, 2005
Assets		
<i>Cash on hand and due from banks, net</i>	13,264	58,746
<i>Deposits with other banks, net</i>	851,207	418,115
<i>Loans to banks, net</i>	7,269,669	6,382,746
<i>Loans to other customers, net</i>	6,511,626	6,451,791
<i>Assets held to maturity</i>	94,468	110,602
<i>Assets available for sale</i>	224,855	235,845
<i>Investments in associates</i>	-	-
<i>Tangible and intangible assets</i>	49,962	49,775
<i>Assets for resale</i>	18,368	18,153
<i>Other assets, net</i>	4,900	5,515
TOTAL ASSETS	15,038,319	13,731,288
Liabilities		
<i>Deposits</i>	992,346	516,751
<i>Borrowings</i>	3,509,914	4,162,802
<i>Bonds payable</i>	4,161,337	3,036,474
<i>Other liabilities</i>	1,145,079	1,074,641
TOTAL LIABILITIES	9,808,676	8,790,668
Capital		
<i>Founder's capital</i>	4,121,737	3,959,737
<i>Retained earnings and reserves</i>	957,296	786,621
<i>Other reserves</i>	7,952	16,212
<i>Net profit for the year</i>	131,585	170,675
TOTAL CAPITAL	5,218,570	4,933,245
<i>Guarantee fund</i>	11,073	7,375
TOTAL CAPITAL AND GUARANTEE FUND	5,229,643	4,940,620
TOTAL LIABILITIES, TOTAL CAPITAL AND GUARANTEE FUND	15,038,319	13,731,288

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)

	September 30, 2006	September 30, 2005*
<i>Interest income</i>	560,767	513,579
<i>Interest expense</i>	(232,880)	(198,015)
NET INTEREST INCOME	327,887	315,564
<i>Fee income</i>	16,749	12,109
<i>Fee expenses</i>	(542)	(847)
NET FEE INCOME	16,207	11,262
<i>Net gains/(losses) on financial operations</i>	5,119	(62,072)
<i>Other income</i>	2,578	3,145
	351,791	267,899
<i>Operating expenses</i>	(56,125)	(54,118)
<i>Impairment loss and provisions</i>	(164,081)	(76,685)
PROFIT BEFORE INCOME TAX	131,585	137,096
<i>Income tax</i>	-	-
PROFIT AFTER INCOME TAX	131,585	137,096

* 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)

	September 30, 2006	September 30, 2005*
Operating activities		
<i>Profit after income tax</i>	131,585	137,096
Adjustments to reconcile to net cash from and used in operating activities:		
<i>Depreciation</i>	3,777	3,830
<i>Provisions</i>	164,081	76,685
<i>Interest accrual</i>	23,398	(33,843)
<i>Operating profit before working capital changes</i>	322,841	183,768
Changes in operating assets and liabilities:		
<i>Net (increase) in deposits with other banks, before provision for impairment</i>	(437,352)	(192,295)
<i>Net (increase) in loans to banks, before provision for impairment</i>	(868,451)	(886,256)
<i>Net (increase)/decrease in loans to other customers, before provision for impairment</i>	(214,662)	216,041
<i>Net (increase) in other assets, before provision for impairment</i>	(186)	(1,533)
<i>Net (increase) in assets held for resale</i>	(215)	(4,162)
<i>Net increase/(decrease) in deposits from banks and companies</i>	475,594	(57,532)
<i>Net increase in other liabilities, before provision</i>	61,509	144,883
<i>Net cash (used in) operating activities</i>	(660,922)	(597,086)
Investment activities		
<i>Net (increase) in financial assets at fair value through profit or loss</i>	-	(72,470)
<i>Net (increase) in assets available for sale</i>	(79)	(10,511)
<i>Net decrease in assets held to maturity</i>	16,662	20,219
<i>Proceeds from disposal of investment in associate</i>	-	5,550
<i>Net (purchases) of tangible and intangible assets</i>	(3,964)	(3,753)
<i>Net cash provided by/ (used in) investment activities</i>	12,619	(60,965)
Financial activities		
<i>Net increase in founder's capital</i>	162,000	110,200
<i>Net (decrease)/increase in borrowings</i>	(672,891)	759,793
<i>Net increase/(decrease) in bonds payable</i>	1,110,044	(90,659)
<i>Net increase/(decrease) in guarantee fund</i>	3,698	(232)
<i>Net cash provided by financial activities</i>	602,851	779,102
<i>Net (decrease)/increase in cash and cash equivalents</i>	(45,452)	121,051
<i>Balance as of 1 January, net of provisions</i>	58,823	36,943
<i>Net cash (decrease)/increase</i>	(45,452)	121,051
<i>Balance as of 30 September, net of provisions</i>	13,371	157,994

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