



Banka Kombetare Tregtare Sh.A.

**Financial Statements as of
31 March 2003
(with review report thereon)**



KPMG Polska Audyt Sp. z o.o.

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Independent review report

To the shareholders of Banka Kombetare Tregtare Sh.A.

We have reviewed the accompanying balance sheet of the Banka Kombetare Tregtare Sh.a. ("the Bank") as of 31 March 2003, and the related income statement and statements of cash flows and changes in equity for the year then ended, in accordance with International Standards on Auditing applicable to review engagements. All information included in these financial statements is the representation of the management of the Bank.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with International Financial Reporting Standards principles.

20 May 2003
KPMG Polska Audyt Sp. z o.o.

David Pozzocco
Partner



KPMG Polska Audyt Sp. z o.o., the Polish member firm of KPMG international, a Swiss nonoperating association

Spółka zarejestrowana w Sądzie Rejonowym dla m st. Warszawy XIX Wydział Gospodarczy

Krajowego Rejestru Sądowego KRS 0000104753
Zarząd: Andrzej Scisłowski, Graham Dennis, Bogdan Dębicki,

Zofia Popławska, Leszek Dubicki
Kapitał zakładowy PLN 125 000
NIP: 526-10-24-841



Banka Kombetare Tregtare Sh.A.

Balance sheets as at 31 March 2003 and 31 December 2002

(amounts in USD, unless otherwise stated)

	31 March 2003	31 December 2002
Assets		
Cash and balances with Central Bank	34,862,368	28,174,857
Placement and balances with banks	47,909,530	44,309,956
Treasury bills	137,510,638	129,325,035
Investment securities	19,624,700	19,665,457
Loans and advances to customers	12,519,279	9,756,974
Tangible assets	7,518,136	7,701,030
Intangible assets	414,377	452,984
Deferred tax assets	122,366	122,366
Other assets	<u>1,326,207</u>	<u>744,211</u>
Total assets	<u>261,807,601</u>	<u>240,252,870</u>
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	243,184,466	221,316,179
Short term borrowing	-	897,534
Accruals and other liabilities	<u>2,958,109</u>	<u>2,986,917</u>
Total liabilities	246,142,575	225,200,630
Shareholders' equity		
Share capital	14,644,250	10,000,000
Other reserve	407,955	941,371
Retained earnings	35	2,226,215
Net profit for the period	<u>612,786</u>	<u>1,884,654</u>
Total shareholders' equity	<u>15,665,026</u>	<u>15,052,240</u>
Total liabilities and shareholders' equity	<u>261,807,601</u>	<u>240,252,870</u>

The financial statements were authorised for release by the Board of Directors on 24 April 2003.



Banka Kombetare Tregtare Sh.A.

Income statements for the three months ended 31 March 2003 and 2002

(amounts in USD, unless otherwise stated)

	Three months ended 31 March 2003	Three months ended 31 March 2002
Interest		
Interest income	4,936,050	3,303,755
Interest expense	<u>(2,892,721)</u>	<u>(1,882,168)</u>
Net interest margin	2,043,329	1,421,587
Non-interest income, net		
Fees and commissions, net	233,484	214,145
Foreign exchange revaluation gain (loss), net	(139,066)	81,691
Profit from FX trading activities, net	120,626	124,514
Other income (expense), net	<u>(10,129)</u>	<u>40,465</u>
Total non-interest income, net	204,915	460,815
Operating expenses		
Personnel	(553,737)	(603,973)
Administrative	(468,338)	(385,418)
Depreciation and amortization	<u>(233,552)</u>	<u>(208,164)</u>
Total operating expenses	(1,255,627)	(1,197,555)
Provision for loan losses, net	(80,884)	(25,814)
Profit before taxes	911,733	659,033
Income tax expense	<u>(298,947)</u>	<u>(108,590)</u>
Net profit for the period	<u>612,786</u>	<u>550,443</u>



Banka Kombetare Tregtare Sh.A.

Statement of changes in equity for the three months ended 31 March 2003 and 2002
(amounts in USD, unless otherwise stated)

	Share capital	Other reserve	Retained earnings	Total
Balance at 31 December 2000	10,000,000	969,133	1,863,671	12,832,804
Net profit for the year	-	-	362,544	362,544
Balance at 31 December 2001	10,000,000	969,133	2,226,215	13,195,348
Net profit for the period	-	-	550,443	550,443
Balance at 31 March 2002	10,000,000	969,133	2,776,658	13,745,791
Net profit for the period	-	-	1,334,211	1,334,211
Decrease in Other reserve	-	(27,762)	-	(27,762)
Balance at 31 December 2002	10,000,000	941,371	4,110,869	15,052,240
Net profit for the period	-	-	612,786	612,786
Increase in Share capital	4,644,250	-	-	4,644,250
Decrease in Retained earnings	-	-	(4,110,834)	(4,110,834)
Decrease in Other reserve	-	(533,416)	-	(533,416)
Balance at 31 March 2003	14,644,250	407,955	612,821	15,665,026



Banka Kombetare Tregtare Sh.A.

Statement of cash flows for the three months ended 31 March 2003 and 2002

(amounts in USD, unless otherwise stated)

	Three months ended 31 March 2003	Three months ended 31 March 2002
Cash flows from operating activities		
Net profit after tax	612,786	550,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	233,552	208,164
Gain on sale of tangible assets	(911)	(950)
Gain on sale of treasury bills	(324)	(7,095)
Write-off of fixed assets	15,387	-
Provision for loan losses	80,884	25,814
Cash flows from operating profits before changes in operating assets and liabilities	941,374	776,376
(Increase)/decrease in operating assets:		
Placements and balances with banks	(3,599,574)	15,276,196
Loans and advances to customers	(2,843,189)	(544,692)
Other assets	(581,996)	(67,067)
	(7,024,759)	14,664,437
Increase/(decrease) in operating liabilities:		
Due to customers	21,868,287	(26,095,644)
Cash due to third parties	-	4,316,161
Accruals and other liabilities	(28,808)	(32,407)
	21,839,479	(21,811,890)
Cash flows from operating activities	15,756,094	(6,371,077)
Cash flows from investing activities		
Purchases of investment securities	40,757	(8,530,395)
Purchases of treasury bills	(8,239,793)	(2,711,636)
Purchases of tangible assets	(27,438)	(229,815)
Proceeds from sale of tangible assets	911	950
Proceeds from sale of treasury bills	54,514	6,009,048
Net cash used in investing activities	(8,171,049)	(5,461,848)
Cash flows from financing activities		
Repayment of short term borrowings	(897,534)	-
Net cash from financing activities	(897,534)	-
Net increase/(decrease) in cash and cash equivalents	6,687,511	(11,832,925)
Cash and cash equivalents at the beginning of the year	28,174,857	35,681,046
Cash and cash equivalents at the end of the three months	34,862,368	23,848,121



Banka Kombetare Tregtare Sh.A.

Notes to the financial statements for the three months ended 31 March 2003

(amounts in USD, unless otherwise stated)

1. The accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts.
2. The Bank, in March 2003, upon the Shareholders Decision taken in 25 February 2003, has increased its Paid-up Capital for the amount of USD 4,644,250. Based on the Shareholders Decision the Bank used its retained earnings of Lek 621,121,995 as at 31 December 2002 translated into USD with the exchange rate announced by Bank of Albania as at 31 December 2002 (1USD=133.74 Lek). As a result 464,425 shares were issued to the existing shareholders with a nominal value of USD 10 per share. Total number of shares owned by the shareholders of the Bank after this increase in capital is 1,464,425. The increase of Paid-up Capital was registered in the Tirana Court on 6 March 2003 (Decision No. 17469/5).