

Banka Kombetare Tregtare sh.a.

**Independent Accountants Report
and
Financial Statements as of
31 March 2004**



Deloitte & Touche d.o.o.
Dunajska 9
1000 Ljubljana
Slovenija

Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.com/Slovenia

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the shareholder and management of Banka Kombetare Tregtare sh.a.

We have reviewed the accompanying condensed interim balance sheet of Banka Kombetare Tregtare sh.a. (the "Bank") as at March 31, 2004, and the related condensed interim statements of income, changes in equity and cash flows for the three-month period then ended. These condensed interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review. The financial statements of the Bank as of December 31, 2003 were audited by other independent accountants whose report dated March 25, 2004, expressed a qualified opinion due to a departure from International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates".

We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Bank has treated its share capital issued in United States Dollars as a monetary item in the financial statements and recognised the revaluation difference during the year in the profit and loss account which in our opinion, is not in accordance with International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates". Share capital should be treated as a non-monetary item and carried at the exchange rate at the date of transaction. Accordingly, although this has no effect on total shareholders' equity, if share capital had been treated as a non-monetary item the reported net profit for the three-month period ended March 31, 2004 would be lower by USD 9,682 and balance of translation reserve as at March 31, 2004 would be higher by USD 9,682.

Based on our review, except for the effect on the condensed interim financial statements of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Ljubljana, June 11, 2004

Audit. Tax. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Banka Kombetare Tregtare Sh.A.

Condensed Interim Balance sheets as at 31 March 2004 and 31 December 2003
(amounts in USD, unless otherwise stated)

	31 March 2004	31 December 2003
Assets		
Cash and balances with Central Bank	47,901,176	44,824,327
Placement and balances with banks	54,196,408	55,468,012
Treasury bills	202,051,003	188,826,705
Investment securities	33,030,137	24,140,812
Loans and advances to customers	36,955,716	29,976,575
Property and equipment	8,985,367	9,235,171
Intangible assets	415,449	472,715
Deferred tax assets	102,355	102,287
Other assets	<u>2,260,476</u>	<u>1,030,767</u>
Total assets	<u>385,898,087</u>	<u>354,077,371</u>
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	358,442,344	329,991,970
Short term borrowing	2,489,816	-
Due to third parties	1,101,939	701,629
Accruals and other liabilities	<u>3,611,602</u>	<u>4,395,953</u>
Total liabilities	365,645,701	335,089,552
Shareholders' equity		
Share capital	14,644,250	14,644,250
Translation difference	(7,261)	495,400
Retained earnings	4,346,424	(114,096)
Net profit for the period	<u>1,268,973</u>	<u>3,962,265</u>
Total shareholders' equity	<u>20,252,386</u>	<u>18,987,819</u>
Total liabilities and shareholders' equity	<u>385,898,087</u>	<u>354,077,371</u>

The financial statements were authorised for release by the Board of Directors on 26 April 2004.

Banka Kombetare Tregtare Sh.A.

Condensed Interim Income statements for the three-month periods ended 31 March 2004 and 2003

(amounts in USD, unless otherwise stated)

	Three-months period ended 31 March 2004	Three-months period ended 31 March 2003
Interest		
Interest income	6,698,109	4,936,050
Interest expense	<u>(3,680,378)</u>	<u>(2,892,721)</u>
Net interest margin	3,017,731	2,043,329
Non-interest income, net		
Fees and commissions, net	344,400	233,484
Foreign exchange revaluation loss, net	(5,759)	(139,066)
Profit from FX trading activities, net	220,599	120,626
Other income (expense), net	<u>48,142</u>	<u>(10,129)</u>
Total non-interest income, net	607,382	204,915
Operating expenses		
Personnel	(845,000)	(553,737)
Administrative	(722,570)	(468,338)
Depreciation and amortization	<u>(351,175)</u>	<u>(233,552)</u>
Total operating expenses	(1,918,745)	(1,255,627)
Impairment of loans	(30,703)	(80,884)
Profit before taxes	1,675,665	911,733
Income tax expense	<u>(406,692)</u>	<u>(298,947)</u>
Net profit for the period	<u>1,268,973</u>	<u>612,786</u>

Banka Kombetare Tregtare Sh.A.

Condensed Interim Statements of changes in equity for the three-month period ended 31 March 2004 and year ended 31 December 2003

(amounts in USD, unless otherwise stated)

	Share capital	Translation difference	Retained earnings	Net profit for the period	Total
Balance at 1 January 2003	10,000,000	94,943	2,553,022	1,905,360	14,553,325
Appropriation of prior year net profit	-	-	1,905,360	(1,905,360)	-
Adjustment of RE with 2003 year-end exchange rate	-	-	(23,171)	-	(23,171)
Increase in share capital	4,644,250	-	-	-	4,644,250
Capitalisation of retained earnings into share capital	-	-	(4,644,250)	-	(4,644,250)
Net profit for the year	-	-	-	3,962,265	3,962,265
Appropriation of 2002 year translation difference	-	(94,943)	94,943	-	-
Translation difference for the year	-	495,400	-	-	495,400
Balance at 31 December 2003	14,644,250	495,400	(114,096)	3,962,265	18,987,819
Appropriation of prior year net profit	-	-	3,962,265	(3,962,265)	-
Adjustment of RE with 2004 March end exchange rate	-	-	2,855	-	2,855
Net profit for the period	-	-	-	1,268,973	1,268,973
Destination of 2003 year translation difference	-	(495,400)	495,400	-	-
Translation difference for the period	-	(7,261)	-	-	(7,261)
Balance at 31 March 2004	14,644,250	(7,261)	4,346,424	1,268,973	20,252,386

Banka Kombetare Tregtare Sh.A.

Condensed Interim Statements of cash flows for the three months ended 31 March 2004 and 2003

(amounts in USD, unless otherwise stated)

	Three-months period ended 31 March 2004	Three-months period ended 31 March 2003
Cash flows from operating activities		
Net profit after tax	1,268,973	612,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	351,175	233,552
Gain on sale of property and equipment	(106)	(911)
Gain on sale of treasury bills	(3,096)	(324)
Write-off of property and equipment	-	15,387
Impairment of loans	<u>30,703</u>	<u>80,884</u>
Cash flows from operating profits before changes in operating assets and liabilities	1,647,649	941,374
(Increase)/decrease in operating assets:		
Placements and balances with banks	1,315,841	(3,599,574)
Loans and advances to customers	(7,031,553)	(2,843,189)
Other assets	<u>(1,236,344)</u>	<u>(581,996)</u>
	(6,952,056)	(7,024,759)
Increase/(decrease) in operating liabilities:		
Due to customers	28,401,492	21,868,287
Due to third parties	402,228	-
Accruals and other liabilities	<u>(791,925)</u>	<u>(28,808)</u>
	28,011,795	21,839,479
Net cash flows from operating activities	22,707,388	15,756,094
Cash flows from investing activities		
Purchases of investment securities	(8,926,257)	40,757
Purchases of treasury bills	(14,104,282)	(8,239,793)
Purchases of property and equipment	(35,861)	(27,438)
Proceeds from sale of property and equipment	107	911
Proceeds from sale of treasury bills	<u>929,232</u>	<u>54,514</u>
Net cash used in investing activities	(22,137,061)	(8,171,049)
Cash flows from financing activities		
Proceeds from short term borrowings	<u>2,504,630</u>	<u>(897,534)</u>
Net cash from financing activities	2,504,630	(897,534)
Net increase/(decrease) in cash and cash equivalents	3,074,957	6,687,511
Translation difference	1,892	-
Cash and cash equivalents at the beginning of the year	<u>44,824,327</u>	<u>28,174,857</u>
Cash and cash equivalents at the end of the three months	<u>47,901,176</u>	<u>34,862,368</u>

Banka Kombetare Tregtare Sh.A.

Notes to the Condensed Interim Financial Statements for the three-months ended 31 March 2004 and 2003

(amounts in USD, unless otherwise stated)

1. Basis of preparation

These condensed interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting*. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2003. Costs that are incurred evenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year. These condensed interim financial statements should be read in conjunction with the 2003 annual financial statements.

2. Share capital

The Bank's share capital is issued and maintained in USD as allowed by the legislation in Albania as well as by a special Law no.8634 between the Bank's shareholders and the Republic of Albania on the Bank's privatisation. Furthermore, the Operating Policy Guidelines of the Bank require that the share capital be hedged by USD assets and it is therefore treated as a monetary item, with the revaluation difference being taken to the profit and loss account together with the revaluation difference of the corresponding USD asset, which offset each other in a natural hedge.

3. Related party transactions

In accordance with IAS 24 "*Related Party Disclosures*", a related party is any party that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. shareholders,

The Bank did not have any related party transactions during 2004.

The remuneration of directors and executive officers is included in personnel expenses. It can be detailed as follows:

	<i>Three-months period ended 31 March 2004</i>	<i>Year ended 31 December 2003</i>
Directors	10,584	42,336
Executive officers	<u>164.622</u>	<u>724.068</u>
	<u>175.206</u>	<u>766.404</u>