

Banka Kombetare Tregtare Sh.A.

**Financial Statements as at
30 September 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 at 30 September 2003, and the related income statement and statements of cash flows and changes in equity for the nine months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. 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 do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Financial Reporting Standards.

14 October 2003

KPMG Polska Audyt Sp. z o.o.



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

Krajowego Rejestru Sądowego
KRS 0000104753
Zarząd: Andrzej Sosłowski,
Graham Dennis, Bogdan Debicki.

Zofia Popławska, Leszek Dubicki
Kapitał zakładowy
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Banka Kombetare Tregtare Sh.A.

Balance sheets as at 30 September 2003 and 31 December 2002

(amounts in USD, unless otherwise stated)

	30 September 2003	31 December 2002
Assets		
Cash and balances with Central Bank	36,696,040	28,174,857
Placement and balances with banks	51,218,768	44,309,956
Treasury bills	165,229,449	129,325,035
Investment securities	23,505,436	19,665,457
Loans and advances to customers	23,000,025	9,756,974
Tangible assets	7,607,676	7,701,030
Intangible assets	335,877	452,984
Deferred tax assets	131,425	122,366
Other assets	<u>2,100,311</u>	<u>744,211</u>
Total assets	<u>309,825,007</u>	<u>240,252,870</u>
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	288,685,691	221,316,179
Due to banks	10,288	113,179
Short term borrowing	-	897,534
Due to third parties for cash collected on their behalf	1,199,681	-
Accruals and other liabilities	<u>3,192,060</u>	<u>2,873,738</u>
Total liabilities	293,087,720	225,200,630
Shareholders' equity		
Share capital	14,644,250	10,000,000
Other reserve	407,955	941,371
Retained earnings	<u>1,685,082</u>	<u>4,110,869</u>
Total shareholders' equity	<u>16,737,287</u>	<u>15,052,240</u>
Total liabilities and shareholders' equity	<u>309,825,007</u>	<u>240,252,870</u>

The financial statements were authorised for release by the Board of Directors on 17 October 2003.



Banka Kombetare Tregtare Sh.A.

Income statements for the nine months ended 30 September 2003 and 2002, and three months ended 30 September 2003 and 2002

(amounts in USD, unless otherwise stated)

	Nine months ended 30 September 2003	Three months ended 30 September 2003	Nine months ended 30 September 2002	Three months ended 30 September 2002
Interest				
Interest income	16,036,567	5,579,517	10,403,251	3,797,356
Interest expense	<u>(9,544,872)</u>	<u>(3,325,103)</u>	<u>(5,991,951)</u>	<u>(2,249,128)</u>
Net interest margin	6,491,695	2,254,414	4,411,300	1,548,228
Non-interest income, net				
Fees and commissions, net	802,463	224,161	627,519	205,903
Foreign exchange revaluation gain (loss), net	(512,892)	(13,097)	(35,353)	30,637
Profit from FX trading activities, net	399,671	342,255	309,571	91,187
Other income (expense), net	<u>27,958</u>	<u>24,881</u>	<u>121,515</u>	<u>65,357</u>
Total non-interest income, net	717,200	578,200	1,023,252	393,084
Operating expenses				
Personnel	(1,895,315)	(727,484)	(1,671,326)	(580,407)
Administrative	(1,668,708)	(647,297)	(1,146,945)	(365,988)
Depreciation and amortization	<u>(722,672)</u>	<u>(252,733)</u>	<u>(654,171)</u>	<u>(225,572)</u>
Total operating expenses	(4,286,695)	(1,627,514)	(3,472,442)	(1,171,967)
Provision for loan losses, net	<u>(396,611)</u>	<u>(70,735)</u>	<u>(157,962)</u>	<u>(57,248)</u>
Profit before taxes	2,525,589	1,134,365	1,804,148	712,097
Income tax expense	<u>(840,542)</u>	<u>(289,173)</u>	<u>(429,842)</u>	<u>(183,101)</u>
Net profit for the period	<u>1,685,047</u>	<u>845,192</u>	<u>1,374,306</u>	<u>528,996</u>



Banka Kombetare Tregtare Sh.A.

Statement of changes in equity for the nine months ended 30 September 2003 and 2002

(amounts in USD, unless otherwise stated)

	Share capital	Other reserve	Retained earnings	Total
Balance at 31 December 2001	10,000,000	969,133	2,226,215	13,195,348
Net profit for the period	-	-	1,374,306	1,374,306
Decrease in other reserve	-	(27,762)	-	(27,762)
Balance at 30 September 2002	10,000,000	941,371	3,600,521	14,541,892
Net profit for the period	-	-	510,348	510,348
Balance at 31 December 2002	10,000,000	941,371	4,110,869	15,052,240
Net profit for the period	-	-	1,685,047	1,685,047
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 30 September 2003	14,644,250	407,955	1,685,082	16,737,287



Banka Kombetare Tregtare Sh.A.

Statement of cash flows for the nine months ended 30 September 2003 and 2002

(amounts in USD, unless otherwise stated)

	Nine months ended 30 September 2003	Nine months ended 30 September 2002
Cash flows from operating activities		
Net profit after tax	1,685,047	1,374,306
Adjustments to reconcile change in net assets to net Cash provided by operating activities:		
Depreciation and amortization	722,672	654,171
Gain on sale of tangible assets	(6,718)	(145,543)
Deferred tax asset	(9,059)	-
Gain on sale of treasury bills	(1,188)	(7,637)
Write-off of fixed assets	15,833	-
Provision for loan losses	396,611	157,962
Cash flows from operating profits before changes in operating assets and liabilities	<u>2,803,198</u>	<u>2,033,259</u>
(Increase)/decrease in operating assets:		
Placements and balances with banks	(6,908,812)	19,000,702
Loans and advances to customers	(13,639,662)	(4,993,228)
Other assets	<u>(1,356,100)</u>	<u>(92,782)</u>
	(21,904,574)	13,914,692
Increase/(decrease) in operating liabilities:		
Due to customers	67,369,512	(5,749,732)
Due to banks	(102,891)	-
Cash due to third parties	1,199,681	953,182
Accruals and other liabilities	<u>318,322</u>	<u>(256,539)</u>
	68,784,624	(5,053,089)
Net cash flows from operating activities	49,683,248	10,894,862
Cash flows from investing activities		
Purchases of investment securities	(3,839,979)	(13,670,993)
Purchases of treasury bills	(36,099,573)	(14,147,356)
Purchases of tangible assets	(528,044)	(388,358)
Proceeds from sale of tangible assets	6,718	145,543
Proceeds from sale of treasury bills	<u>196,347</u>	<u>6,304,658</u>
Net cash used in investing activities	(40,264,531)	(21,756,506)
Cash flows from financing activities		
Repayment of short term borrowings	(897,534)	-
Decrease to other reserve	-	(27,762)
Net cash from financing activities	<u>(897,534)</u>	<u>(27,762)</u>
Net increase/(decrease) in cash and cash equivalents	8,521,183	(10,889,406)
Cash and cash equivalents at the beginning of the period	<u>28,174,857</u>	<u>35,681,046</u>
Cash and cash equivalents at the end of the period	<u>36,696,040</u>	<u>24,791,640</u>

The Bank has prepaid tax of USD 741,744 as per the tax authorities' estimated tax payable calculated at the beginning of 2003.

The interest paid for the nine months ended 30 September 2003 is USD 7,715,395 while the interest received for the same period is USD 14,107,121.



Banka Kombetare Tregtare Sh.A.

Notes to the financial statements for the nine months ended 30 September 2003

(amounts in USD, unless otherwise stated)

1. With the exception of the accounting policy on recognition of income from fees and commissions, the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts.
2. This quarter the Bank has changed its accounting policy with regard to income recognition on fees and commissions. Fee and commission income arises on financial services provided by the Bank such as funds transfers, account maintenance fees, lending and trade finance activities.

Loans fees and commission income is recognized on an accrual basis over the life of the loan. Deposit maintenance commission income is recognized on an accrual basis over the fiscal year.

This change in accounting policy has not been applied retrospectively as it is impracticable to do so. The effect of this policy to the previous periods financial statements is estimated to be insignificant.