



Independent Auditors' Report

To the shareholders of
Demirbank (Bulgaria) AD

Sofia, 29 March 2004

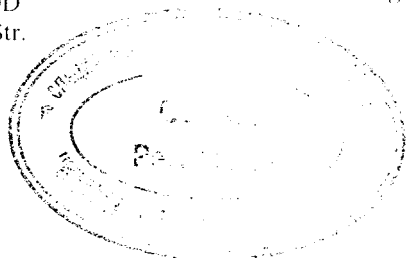
We have audited the accompanying balance sheet of Demirbank (Bulgaria) AD ("the Bank") as of 31 December 2003, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

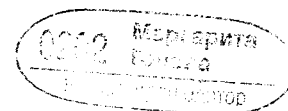
Krassimir Hadjidinev
Director

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria



Krassimir Hadjidinev
Registered auditor

Margarita Goleva
Registered auditor





Demirbank (Bulgaria) AD

Financial Statements

For the year ended 31 December 2003

with independent auditor's review report thereon

Income statement
For the year ended 31 December 2003

<i>In thousands of BGN</i>	Note	Year ended 31 December 2003	Year ended 31 December 2002
Interest and similar income		2,946	4,839
Interest expense and similar charges		(784)	(1,974)
Net interest income	3	<u>2,162</u>	<u>2,865</u>
Fee and commission income		677	473
Fee and commission expense		(64)	(103)
Net fee and commission income	4	<u>613</u>	<u>370</u>
Net trading income	5	1,128	2,011
General administrative expenses	6	(4,194)	(3,951)
Impairment gains/(losses)	7	379	(511)
Total income from banking operations		<u>88</u>	<u>784</u>
Litigation settlement expense	8	-	(1,238)
Profit / (Loss) before taxes		<u>88</u>	<u>(454)</u>
Income taxes	9	-	-
Profit (Loss) after taxation		<u><u>88</u></u>	<u><u>(454)</u></u>

Krassimir Hadjidinev
Director

KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered Auditor

Margarita Goleva
Registered Auditor

Balance sheet		31 December 2003	31 December 2002
As at 31 December 2003			
<i>In thousands of BGN</i>	Note		
ASSETS			
Cash and balances with banks	10	22,147	37,183
Financial assets held for trading	11	14,331	10,787
Investments	12	4	10,209
Loans and advances to other financial institutions	13	-	4,751
Loans and advances to other customers	14	12,966	11,633
Property and equipment	16	1,835	1,785
Intangible assets	17	135	129
Other assets	18	105	88
Total Assets		51,523	76,565
LIABILITIES			
Deposits from banks and other financial institutions	19	11,885	26,945
Deposits from other customers	20	19,510	22,868
Other borrowed funds	21	1,001	8,327
Other liabilities	22	1,238	624
Total Liabilities		33,634	58,764
Shareholders' equity			
Issued share capital	23	20,000	20,000
Reserves		(2,111)	(2,199)
Total shareholders' funds		17,889	17,801
Total liabilities and shareholders' equity		51,523	76,565

The financial statements have been approved by the Executive Directors on 29 March 2003.

Haluk Ziya Kurcer

Chief Executive Director

Sinan Kircali

Senior Manager

Krassimir Hadjidinev

Director

KPMG Bulgaria OOD

Krassimir Hadjidinev

Registered Auditor

Margarita Goleva

Registered Auditor

Cash flow statement
For the year ended 31 December 2003

<i>In thousands of BGN</i>	Note	31 December 2003	31 December 2002
Cash flow from operating activities			
Profit/(loss) before tax		88	(454)
Impairment losses	7	(379)	511
Depreciation and amortisation	6	634	569
		343	626
Change in operating assets			
(Increase) in assets held for trading		(3,544)	(10,505)
(Increase)/ decrease in loans to customers		(944)	4,819
(Increase)/decrease in other assets		(17)	411
(Increase)/decrease in loans and advances to other financial institutions		4,751	(1,168)
(Increase)/decrease in loans and advances to banks (repayment beyond 3 months)		(5,303)	-
Change in operating liabilities			
Net increase/(decrease) in deposits from banks		(22,386)	15,209
Net increase/(decrease) in amounts owed to other depositors		(3,358)	8,384
Net increase/ (decrease) in and other liabilities		614	(68)
Net cash flow from operating activities		(29,844)	17,708
Cash flow from investing activities			
Purchase of property, plant and equipment		(690)	(310)
(Acquisition)/ disposal of investments		10,205	(10,205)
Net cash flow from investing activities		9,515	(10,515)
Net cash flow from financing activities			
Proceeds from issue of shares		-	5,000
Net increase in cash and cash equivalents		(20,329)	12,193
Cash and cash equivalents at the beginning of period	10	37,183	24,990
Cash and cash equivalents at the end of period	10	16,854	37,183

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Director

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Statement of Changes in Equity
For the year ended 31 December 2003

<i>In thousands of BGN</i>	Note	Share capital	Reserves	Total
Balance at 01 January 2002		15,000	(1,745)	13,255
Net loss for the year		-	(454)	(454)
Issue of share capital	22	5,000	-	5,000
Balance at 01 January 2003		20,000	(2,199)	17,801
Net profit for year ended 31 December 2003		-	88	88
Balance at 31 December 2003		20,000	(2,111)	17,889

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