



2004
ANNUAL
REPORT



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news

Money transfers from the Netherlands to Bulgaria
[23.06.2005]

Money transfers from the Netherlands to Bulgaria for one day and only for EUR 25! Poss ...

Consumer loans
[23.06.2005]

D Commerce Bank offers NEW consumer loan conditions with longer maturity and better in ...

exchange rates

Exchange rates 24.06.05

| | bid | ask |
|-----|---------|-------|
| EUR | 1 1.950 | 1.960 |
| USD | 1 1.605 | 1.629 |
| GBP | 1 2.917 | 2.961 |

[more >>](#)

interest rates

Interest rates 24.06.05

| | BGN | EUR | USD |
|-----------|------|------|------|
| 1 month | 3.00 | 2.75 | 1.75 |
| 3 months | 3.50 | 3.00 | 1.95 |
| 6 months | 3.75 | 3.25 | 3.00 |
| 9 months | 4.00 | 3.50 | 3.30 |
| 12 months | 4.75 | 4.00 | 3.75 |

[more >>](#)

morning news

[24.06.2005 12:03]

Morning News

services

Account opening Any local or foreign individual can open savings or deposit accounts in BGN, EUR, USD, CHF, GBP or TRL

Corporate Banking D Commerce Bank Working Capital Loans. With working capital loan facility of D Commerce Bank AD

Tariff On the May 20th, 2004 the Managing Board of D Commerce Bank AD took a resolution for accepting the bank's new terms and conditions

| | | | | |
|-----------------|---|-----------|--|-----------|
| Contents | D Commerce Bank in Brief | 01 | Statement of the Chairman of the Supervisory Board | 02 |
| | Statement of the Chief Executive Director | 04 | Shareholders | 07 |
| | Business and financial review of the Bank | 09 | Competitive Advantages of the Bank | 11 |
| | Business Structure | 12 | Independent Auditors' Report | 15 |
| | Income Statement | 16 | Balance Sheet | 17 |
| | Cash Flow Statement | 18 | Statement of Changes in Equity | 19 |
| | Directory | 20 | | |

D COMMERCE BANK IN BRIEF

D Commerce Bank AD is a Bulgarian bank with Turkish capital that serves its customers with creative solutions and applies the best international practices.

D Commerce Bank AD is a financial institution specialising in corporate and SME business banking. It functions as a boutique bank catering to the needs of a limited number of high-rated clients.

D Commerce Bank AD was incorporated as Demirbank (Bulgaria) AD on April 15, 1999 as a joint stock company with a complete banking license to perform transactions in Bulgaria and abroad. In the beginning of 2002, our bank was bought by a consortium of two Turkish entrepreneurs, namely Dogan family and Mr. Halit Cingillioglu.

After Demirbank (Bulgaria) AD was acquired, it went through a restructuring process and its name was changed to D Commerce Bank AD in February 2005.

The shares of each stockholder as of December 31, 2004 were as follows:

| Shareholder's name | % |
|-------------------------------|-------|
| Mrs. Isil Dogan | 50 % |
| Mr. Halit Cingillioglu | 40 % |
| Mrs. Arzuhan Yalcindag | 2.5 % |
| Mrs. Vuslat Sabanci | 2.5 % |
| Ms. Hanzade Vasfiye Dogan | 2.5 % |
| Mrs. Begumhan Dogan Faralyali | 2.5 % |

The Bank commenced operations at a time when the Bulgarian banking industry was going through a period of fundamental changes, such as privatization and restructuring. Nowadays, D Bank's name is identified with efficiency, effectiveness, quality, commitment to ethical values and innovation. The Bank has already positioned itself as a preferred business partner in Bulgaria.

With about 100 employees and five branches in the country as of December 31, 2004, the Bank provides full-service corporate, retail and commercial banking services - all delivered in a highly personalized approach by our expert team. The members of that team reach customers with a high level of flexibility and provide them with quality service based on professional consultancy and advanced information technologies.

The environment in which we live changes all the time. So do we. D Commerce Bank AD is well equipped to take up the challenges of the future.

STATEMENT OF THE CHAIRMAN
OF THE SUPERVISORY BOARD



During 2004, the Bulgarian economy continued its positive development. Bulgaria's macroeconomic stability and positive trends of development have been maintained, in spite of the uneven global economic setting. The country reaffirmed its priorities in terms of economic stabilization and successfully accelerated its integration with the European Union. In spite of this positive trend of development, the country is expected to face new challenges in the years ahead after it joins the EU and continues to adapt to the effects of the globalization.

The financial services industry posted another year of significant growth. The loan portfolio of the banking sector increased by 48% with a boom in mortgage and consumer lending. The banking system assets reached BGN 24.9 billion, meaning a growth of 44%. Meanwhile, deposits amounted to BGN 19.5 billion, an annual increase of approximately 42%. The financial sector and financial intermediation in Bulgaria are dominated by the banking system that consists of 35 commercial banks, the majority of which are composed of international financial institutions. All of the indications above show a strong potential for growth, including further opportunities for credit expansion. The banking system is sound and stable but it probably has not made use of all of its potential in terms of development and effectiveness.

Operating in this challenging environment, D Commerce Bank AD has reached its goals together with the fact that we have changed our ownership structure in 2004, hereafter the identity in February of this year. We have firmly consolidated our position in the banking market during the past six years of operation. Our strengths such as established personalized relationship with our customers, as well as the shareholders' commitment have helped and will continue to be the guiding principles for D Commerce Bank AD to keep on growing in a competitive environment. We firmly believe that we will continue to grow and differentiate ourselves in the market successfully by adhering to our well-devised strategy.

On behalf of the Board of Directors, I would like to take this opportunity to thank our shareholders, customers, employees and correspondent bankers for their confidence and support.

A handwritten signature in blue ink, appearing to read 'Tayfun Bayazit', with a long, sweeping flourish at the end.

Tayfun Bayazit
Chairman of the Supervisory Board

STATEMENT OF THE CHIEF EXECUTIVE DIRECTOR



D Commerce Bank AD celebrated its sixth anniversary in 2005 in the Bulgarian banking market, as a successor of Demirbank (Bulgaria) AD. During these years we have strengthened our position in the national area by serving the corporate clients in their commercial and investment activities with the highest quality financial services by means of skilled and continuously improving staff and strong infrastructure using all available means of technology. During 2004 net interest income rose by 27% and our loan portfolio grew by 126%. The performing loans for the period have constituted 99.8% of the grand total of all loans, which is a sign for excellent asset quality. Gross operating income increased by 30%, driven by lending growth and increase in the volume of transactions. The capital adequacy ratio is 52.97% providing capacity for further growth coupled with high liquidity.

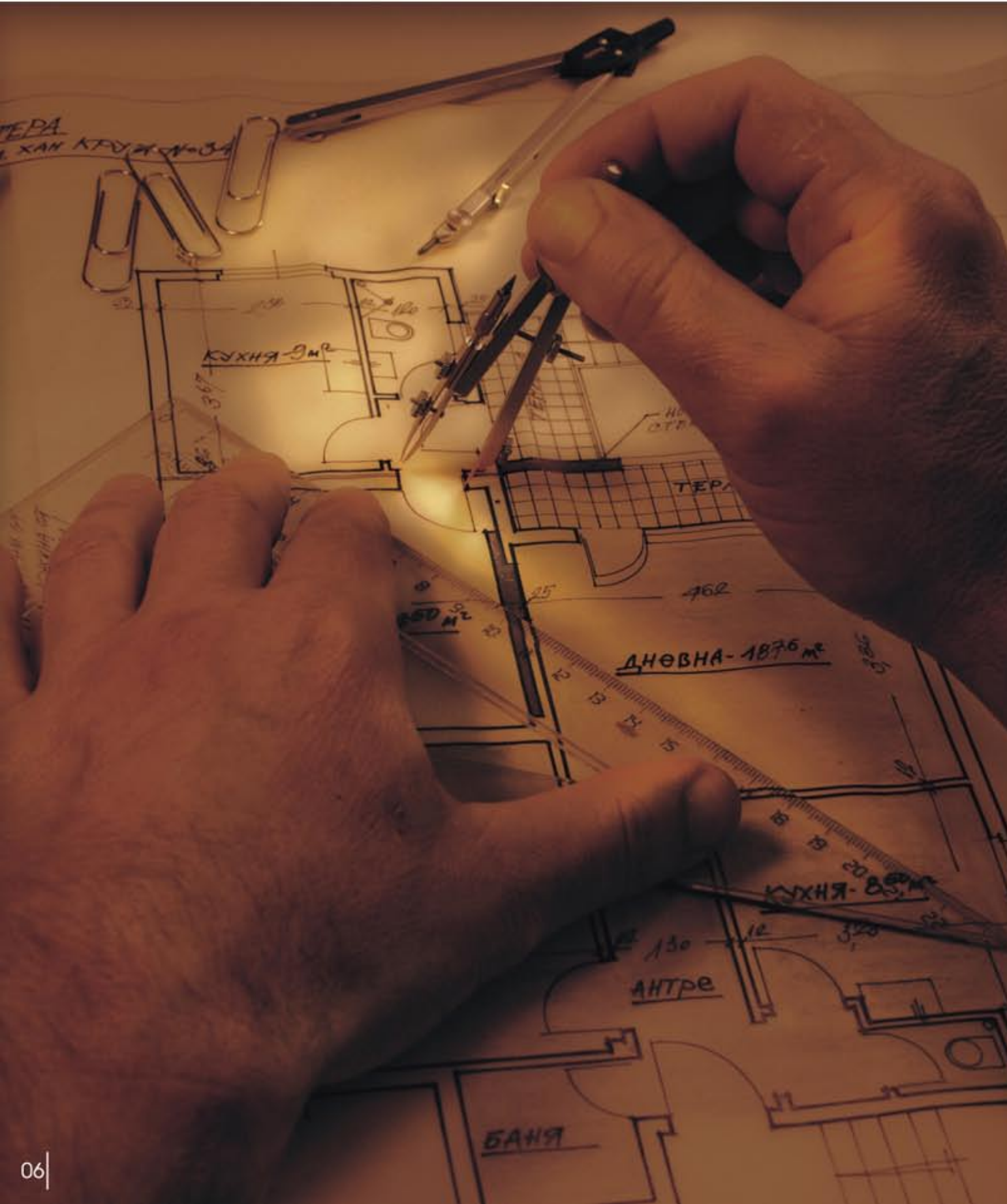
Our client-focused model is applied in all of our business units: corporate banking, commercial banking, retail and private banking. Improving our performance is a never-ending challenge face. We shall continue pursuing client-focused strategies adhering to the highest standards of ethical business conduct and rules of corporate governance with the aim of further progress in our good standing in the domestic market.

The main goal is set as placing you, our shareholders, in the center of everything we do. For us to create shareholders value, we will have to have satisfied customers. To satisfy our customers, we need committed and capable staff. It is the job of management to build and maintain this challenge.

In conclusion, I would like to express my gratitude to our shareholders, our clients, our stakeholders and last but not least special thanks to all of our employees for their high degree of dedication and boundless enthusiasm which made a huge contribution to the impressive development of D Commerce Bank AD.

A handwritten signature in blue ink, appearing to read 'Aksit Ozkural', with a large, stylized initial 'A'.

Aksit Ozkural
Chief Executive Director
and Member of the MB



SHAREHOLDERS

The Bank is a part of two multinational Groups called Dogan Holding and C Group respectively. They are situated in Turkey, where they play a key role in different industries and activities, including banking and financial services. The consolidated assets of Dogan Holding and C Group amount to USD 4 266 million, and the shareholders' capital amount to USD 466 million.

Dogan Holding

Dogan family - the Bank's major shareholder, which holds 60% of the Bank's share, is the owner of a private and well-diversified conglomerate, called Dogan Holding. As a media group in Turkey, reaching more than three million people every day, it is active in six main areas: energy, finance, media, telecom, tourism and commerce. Tracing its beginning to the 1950's, Dogan Holding now ranks among the top five Turkey's conglomerates. As a diversified holding, the Group has a presence all around Turkey with a full range of financial services, 15,000 employees, 5 international partnerships, 8 daily newspapers, 2 national, 1 international and 2 cable TV channels, USD 4.5 billion in revenues, 11 publicly traded companies. Dogan Holding holds 50% of Petrol Ofisi, which is the market leader in terms of retailing and distribution of fuel in Turkey with the widest and strongest dealer network.

C Group

The remaining part of the Bank's shares belongs to Mr. Halit Cingilloglu, who owns C Group. This Group serves a multinational portfolio of customers, through 7 financial institutions within its structure. The Group makes up one of the most experienced corporate groups in the Turkish financial and banking market. One of the Group's companies, C Factoring A.S., operates in domestic and international factoring fields and has the highest paid-in capital among the Turkish factoring companies. Thanks to C Group's commitment to its business, C Bank has a solid financial structure today.

Each of the two Groups has its own bank in Turkey, named respectively Disbank and C Bank.

Disbank*

Disbank is Turkey's seventh largest private owned bank with total assets of EUR 4.1 billion as of December 31, 2004. It is also one of the Turkey's best-rated banks. It is well positioned in commercial and corporate banking and has strong presence in retail banking as well. The

customer base comprises more than one million clients - about 120,000 of which are small enterprises, and 10,000 are Commercial Banking clients (medium sized enterprises) - and over one million credit-card holders. It has a network of 173 branches, six of which are strategically located in Business Centres.

C Bank

Istanbul-based C Bank was established in December 2002. Today, the Bank is one of the strongest banks in Turkey in terms of capital. As of December 31, 2004, the consolidated shareholders' equity reached USD 51 million. C Bank's consolidated capital adequacy ratio is 54.39 %, which is well over the average of Turkish banking sector.

This consortium of two big Holdings has expanded its activity in Europe and Asia through financial institutions incorporated in the Netherlands - Demir-Halk Bank NV, in Kazakhstan - Demir Kazakhstan Bank and in Kyrgyzstan - Demir Kyrgyz International Bank. Demir-Halk Bank has built a network of eight business locations in three European countries - Belgium, Germany and the Netherlands.

Demir-Halk Bank (Netherland) NV

The Rotterdam-based Bank is rated by Fitch Ratings with BB- for long term and B for short-term with stable outlook. The Bank had total assets worth USD 2 602 million as of year-end 2004.

Demir-Halk Bank's main focus is on trade finance, consumer lending and treasury products.

Demir Kyrgyz International Bank

The Bank ranks among the top five banks in Kyrgyzstan in terms of its assets size and profitability. *The Banker*, one of the most authoritative financial magazines, has awarded Demir Kyrgyz International Bank CJSC with the "Bank of the Year in Kyrgyzstan 2004" award. The Bank's shareholders' equity is USD 4.5 million and the total assets amount to USD 27 million.

Demir Kazakhstan Bank

Based in Alma Aty, Demir Kazakhstan Bank maintains the reputation of a stable and dynamic bank. With its strong customer base and balance sheet the Bank positively contributes to the country it operates in. As of December 31, 2004 Demir Kazakhstan Bank had total assets worth USD 35 million and for the same period its shareholders' equity amounted to USD 8 million.

* Note: On April 11, 2005 Fortis Group acquired 89.3 per cent of Disbank's shares.



BUSINESS AND FINANCIAL REVIEW

In 2004, the credit expansion in the banking system in Bulgaria continued its growing trend. Nevertheless, the condition of all 35 banks in the country remains stable, with excellent indicators of capital adequacy and liquidity and well-functioning banking supervision. Under these circumstances, D Commerce Bank continued its growth strategy by selectively developing its services to corporate customers and individuals.

The year of 2004 was successful for the business of our bank in terms of financial performance. Increase has been reached in terms of:

➤ Net interest income was reported at BGN 2,756 thousand, marking an increase of 27% compared to the one in 2003;

➤ The net fee and commission income grew to BGN 1,121 thousand, an increase of 83%;

➤ The Bank reported a pre-tax result amounting to BGN 519 thousand (compared to BGN 88 thousand reported in 2003);

➤ The total amount of the assets increased by BGN 1,390 thousand or 2.7%. The structure of the Bank's assets also changed in 2004 compared to the previous period. Credits and advances to other clients received priority, which as of December 31, 2004 held 55.44% of the Bank's assets compared to 25.17% at the end of the previous period;

➤ The share of the loans granted to customers in the total assets was 55% as of December 31, 2004. In real terms, this represents BGN 29,335 with 126% growth. The analysis of the structure of the credit portfolio based on customer type shows that in 2004 the Bank emphasized on lending to corporate customers. Based on the economy sectors, trade loans, that are 96% of the total loans, are the major share of the credit portfolio. It is obvious that the Bank directs its crediting activity towards highly profitable businesses, which ensures regular repayment of debts and normal level of bank liquidity;

➤ The total shareholders' funds totaled BGN 18,408 thousand. The capital base is good and strong enough to support further growth;

➤ Deposits of non-financial institutions and other customers amounted to BGN 20,815 thousand. Positive trend of increase of the deposits of individuals in BGN and foreign currencies was observed during the year;

➤ Deposits from banks and other financial institutions amounted to BGN 11,912 thousand;

➤ Financial assets held for trading were BGN 14,748 thousand or 27.9% of the total assets. The major goal of the Bank is to invest in more profitable financial instruments. The main part of the securities portfolio contains interest-bearing securities, denominated by those in EUR and BGN and issued by BG government with average yield of the total portfolio 11% p.a.;

➤ Total capital adequacy ratio - 52.97% against the regulated minimum of 12%;

➤ Primary capital adequacy ratio - 52.97% against the regulated of 6%.

The multitude of tailor-made lending products and solutions offered to the Bank's customers has led to a huge increase in lending to private companies. D Commerce Bank AD offers the possibility for approving multi-purpose credit facilities, including cash and non-cash credit lines, combining the requirements of both products to benefit our clients' particular needs. At the same time, D Bank's priorities throughout 2004 continued to be risk management based on the improvement of the entire model including identification, measurement, monitoring and control of risk exposures. Over that period, the Bank followed strictly the BNB requirements regarding the minimum required reserves, capital adequacy, open foreign currency position and big exposures.

Retail banking continued to develop in order to meet the growing consumer needs. In 2004, the Bank put much effort in implementing new banking products, as well as in improving the existing products and services. The Bank offers its clients consumer loans, savings deposits and accounts, payments, cash and foreign exchange transactions, debit cards and overdraft thereon, e-banking, and other financial products and services. The Bank has online-based Banking providing our retail customers with immediate access to all services at any time.

In 2004, the Bank successfully introduced "Internet Banking", which replaced "Home Banking", in tune with its strategy for developing and diversifying the range of services offered to the clients. The official web site of the Bank supports a link to the system.



COMPETITIVE ADVANTAGES OF THE BANK

IN 2004, D BANK ACHIEVED VERY HIGH GROWTH RATES IN MOST AREAS OF ACTIVITY AND MOST KEY PARAMETERS. THIS WAS DUE TO A NUMBER OF ADVANTAGES THE BANK HAS POSSESSED AND DEVELOPED OVER THE YEARS, SUCH AS:

- EFFICIENT DECISION - MAKING PROCESS, ALLOWING PROMPT RESPONSE TO THE CLIENT NEEDS AND THE RAPIDLY CHANGING BUSINESS ENVIRONMENT;
- GOOD UNDERSTANDING OF THE BULGARIAN MARKET;
- SUPPORT EXPORTS AND IMPORTS, AS WELL AS INCREASE OF THE TRADE TURNOVER BETWEEN BULGARIA AND TURKEY BY FINANCING LOCAL MANUFACTURING, FINDING COMMERCIAL COMPANIES AND ATTRACTING FOREIGN INVESTORS TO INCREASE THE BUSINESS VOLUME OF THE BANK AND TO IMPROVE THE NET WORTH TO SHAREHOLDERS;
- INSIGHT INTO THE CORPORATE CUSTOMERS' ACTIVITIES AND WELL ESTABLISHED RELATIONSHIPS PROVIDING PERSONALIZED SERVICES AND TAILORED BANKING PRODUCTS;
- SHAREHOLDERS COMMITMENT AND WILLINGNESS TO SUPPORT D BANK'S GROWTH.

BUSINESS STRUCTURE

The Bank has a two-tier organisational structure. The General Meeting of Shareholders appoints the Supervisory Board. The Supervisory Board nominates the members of the Management Board.



MANAGEMENT BOARD

1 Mr. Aksit Ozkural

Chief Executive Director and Member of MB
(Born in 1949 in Ankara, Turkey)

2 Mr. Sinan Kircali

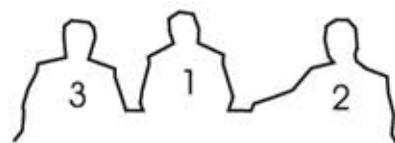
Executive Director and Member of MB
(Born in 1971 in Luleburgaz, Turkey)

3 Mr. Ognyan Yordanov

Executive Director and Member of MB
(Born in 1967 in Bulgaria)

Mr Rafi Karagol

Executive Director and Member of MB
(Born 1967 in Istanbul, Turkey)



SUPERVISORY BOARD

Mr. Tayfun Bayazit

Chairman

(Chairman of the Board of Directors of Disbank and CEO of Disbank; Member of the Board of Directors of Dogan Holding)

Mrs. Imre Barmanbek

Member

(Deputy Chairperson to the Board of Directors and Member of the Executive Board for Dogan Holding and Member of Turkish Industrialists' and Businessmen's Association)

Mr. Ismail Hasan Akcakayalioglu

Member

(Chairman of the Board of Directors of C Bank and CEO and Member of the Supervisory Board of Demir-Halk Bank Netherland NV)

Mr. Mevlut Tufan Darbaz

Member

(CEO and Executive Member of Dogan Holding and Member of the Board of Directors of Disbank)

Mr. Faik Acikalin

Member

(President and Member of the Board of Directors of Disbank)

AUDITORS' REPORT

To see the complete version, please visit our website:
www.dbank.bg



Independent Auditors' Report

To the shareholders of
D Commerce Bank AD

Sofia, 29 April 2005

We have audited the accompanying balance sheet of D Commerce Bank AD (formerly Demirbank (Bulgaria) AD) ("the Bank ") as of 31 December 2004 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.

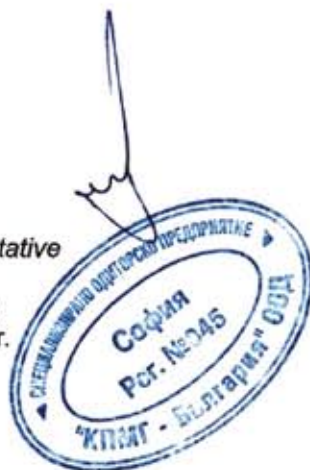
In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Krassimir Hadjidinev

Registered Auditor

Authorised Representative

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria



Margarita Goleva

Registered Auditor



INCOME STATEMENT

for the year ended 31 December 2004

In thousands of BGN

| | Year ended 31 December 2004 | Year ended 31 December 2003 |
|---|--|--|
| Interest and similar income | 3,380 | 2,946 |
| Interest expense and similar charges | (624) | (784) |
| Net interest income | 2,756 | 2,162 |
| Fee and commission income | 1,189 | 677 |
| Fee and commission expense | (68) | (64) |
| Net fee and commission income | 1,121 | 613 |
| Net trading income | 1,190 | 1,128 |
| General administrative expenses | (4,920) | (4,194) |
| Impairment losses | 372 | 379 |
| Total income from banking operations | 519 | 88 |
| Profit before taxes | 519 | 88 |
| Income taxes | - | - |
| Profit after taxation | 519 | 88 |

Aksit Ozkural
Chief Executive Director



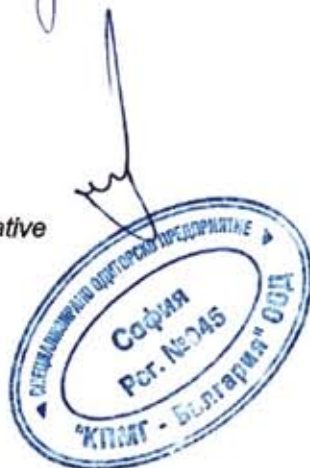
Sinan Kircali
Executive Director



Ognyan Yordanov
Executive Director



Krassimir Hadjidinev
Registered Auditor
Authorized Representative
KPMG Bulgaria OOD



Margarita Goleva
Registered Auditor



BALANCE SHEET

as at 31 December 2004

In thousands of BGN

| ASSETS | 31 December 2004 | 31 December 2003 |
|---|------------------|------------------|
| Cash and balances with Central Bank* | 5,748 | 4,963 |
| Loans and advances to banks* | 1,559 | 17,184 |
| Financial assets held for trading | 14,748 | 14,331 |
| Investments | 4 | 4 |
| Loans and advances to other customers | 29,335 | 12,966 |
| Property and equipment | 1,321 | 1,835 |
| Intangible assets | 121 | 135 |
| Other assets | 77 | 105 |
| Total Assets | 52,913 | 51,523 |
| LIABILITIES | | |
| Due to banks and other financial institutions | 11,912 | 11,885 |
| Due to other customers | 20,815 | 19,510 |
| Other borrowed funds | - | 1,001 |
| Liabilities in trading portfolio | 1,287 | - |
| Other liabilities | 491 | 1,238 |
| Total Liabilities | 34,505 | 33,634 |
| Shareholders' equity | | |
| Issued share capital | 20,000 | 20,000 |
| Reserves | (1,592) | (2,111) |
| Total shareholders' funds | 18,408 | 17,889 |
| Total liabilities and shareholders' equity | 52,913 | 51,523 |

The financial statements have been approved by the Chief Executive Director and the Executive Directors on 29 April 2005.

Aksit Ozkural

Chief Executive Director

Sinan Kircali

Executive Director

Ognyan Yordanov

Executive Director

Krassimir Hadjidinev

Registered Auditor

Authorized Representative

KPMG Bulgaria OOD

Margarita Goleva

Registered Auditor



*In 2004 the presentation and classification of items and transactions included under these captions of the financial statements were amended to achieve more appropriate presentation. Comparative amounts have been reclassified to achieve comparability with the current period. In the Balance Sheet as of 31 December 2003 Cash and Balances with banks amounted to BGN 22,147 thousand which have been reclassified as follows: Cash and balances with central bank- BGN 4,963 thousand and Loans and advances to banks- BGN 17,184 thousand.

CASH FLOW STATEMENT

for the year ended 31 December 2004

In thousands of BGN

| | 31 December 2004 | 31 December 2003 |
|--|------------------|------------------|
| Cash flow from operating activities | | |
| Profit before tax | 519 | 88 |
| Impairment gains/(losses) | (372) | (379) |
| Depreciation and amortisation | 648 | 634 |
| | <u>795</u> | <u>343</u> |
| Change in operating assets | | |
| (Increase)/decrease in assets held for trading | (417) | (3,544) |
| (Increase)/decrease in loans to customers | (15,997) | (944) |
| (Increase)/decrease in loans and advances to other financial institutions | - | 4,751 |
| (Increase)/decrease in loans and advances to banks (repayment beyond 3 months) | 5,293 | (5,303) |
| (Increase)/decrease in other assets | 28 | (17) |
| Change in operating liabilities | | |
| Net increase/(decrease) in due to banks | 27 | (22,386) |
| Net increase/(decrease) in amounts owed to other depositors | 1,305 | (3,358) |
| Decrease in other borrowed funds | (1,001) | - |
| Increase in liabilities in trading portfolio | 1,287 | - |
| Net increase/ (decrease) in other liabilities | (747) | 614 |
| | <u>(9,427)</u> | <u>(29,844)</u> |
| Net cash flow from operating activities | | |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (120) | (690) |
| (Acquisition)/ disposal of investments | - | 10,205 |
| | <u>(120)</u> | <u>9,515</u> |
| Net cash flow from investing activities | | |
| Net increase/(decrease) in cash and cash equivalents | <u>(9,547)</u> | <u>(20,329)</u> |
| Cash and cash equivalents at the beginning of period | <u>16,854</u> | <u>37,183</u> |
| Cash and cash equivalents at the end of period | <u>7,307</u> | <u>16,854</u> |

Aksit Ozkural

Chief Executive Director

Sinan Kircali

Executive Director

Ognyan Yordanov

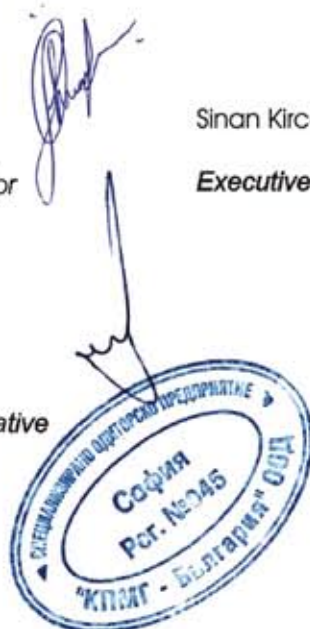
Executive Director

Krassimir Hadjidinev

Registered Auditor

Authorized Representative

KPMG Bulgaria OOD



Margarita Goleva

Registered Auditor



STATEMENT OF CHANGES IN EQUITY

for the six months period ended 31 December 2004

| <i>In thousands of BGN</i> | Share capital | Statutory Reserves | Other Reserves | Total |
|--------------------------------|---------------|--------------------|----------------|--------|
| Balance at 1 January 2003 | 20,000 | - | (2,199) | 17,801 |
| Net profit for the year | - | - | 88 | 88 |
| Balance at 31 December 2003 | 20,000 | - | (2,111) | 17,889 |
| Net profit for the year 2004 | - | - | 519 | 519 |
| Transfer to statutory reserves | | 88 | (88) | - |
| Balance at 31 December 2004 | 20,000 | 88 | (1,680) | 18,408 |

Aksit Ozkural

Chief Executive Director



Sinan Kircali

Executive Director



Ognyan Yordanov

Executive Director

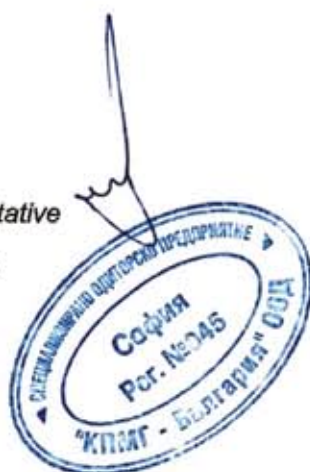


Krassimir Hadjidinev

Registered Auditor

Authorized Representative

KPMG Bulgaria OOD



Margarita Goleva

Registered Auditor





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