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TO THE SHAREHOLDERS OF
AGROBANKA A.D. BEOGRAD

Independent Auditor's Report

We have audited the accompanying balance sheet of Agrobanka a.d. Beograd (hereinafter: the Bank) as at 31 December 2005 and the related statement of income, cash flows and changes in shareholders' equity for the year than ended. The financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the 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 whether the financial statements are free of material misstatements. 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 our audit provides a reasonable basis for our opinion.

As explained in Note 12, the Bank's foreign currency long-term loans that predate the 1992 UN Security Council sanctions and that were financed from funds of IBRD, Washington, amount to CSD 4,050,865 thousand, of which CSD 934,618 thousand represents a direct component, and CSD 3,116,247 thousand represents an indirect component. For receivables that relate to the direct component, the Bank set a provision for potential loan losses in the amount of CSD 18,692 thousand, while no provision was made for receivables that relate to the indirect component, due to the fact that these placements represent a deductible item in calculating reserve for potential loan losses. The Bank has not made additional provision in respect of the direct component, due to the fact that mentioned loans were financed from funds of IBRD, Washington, and the fact that the process of reconciliation between the Bank and the Republic of Serbia is pending.

As explained in Note 15, as at 31 December 2005 the Bank's liabilities toward the Republic of Serbia for the long-term foreign currency loan YU 2307, initially approved by IBRD, Washington, amount to CSD 4,005,338 thousand (USD 55,461 thousand). According to the notice issued by the Agency for Deposits Insurance, which represents the Republic of Serbia on the basis of the Law on the Regulation of Relations Between the Republic of Serbia and Banks in Bankruptcy in respect of foreign loans, the Bank's total liabilities as at 31 December 2005 in this regard amount to EUR 158,016 thousand (CSD 13,514,656 thousand). The process of reconciliation of mutual liabilities and receivables between the Bank and the Republic of Serbia is pending.

As at 31 December 2005 the Bank has not provided additional loan losses provision for the amount of CSD 67,397 thousand in accordance with the National bank of Serbia's Decision on Criteria for Classification of On-balance Sheet Assets and Off-Balance Sheet Items According to the Level of Collectability and Level of Special Provision of Banks and Other Financial Organizations.

As explained in Notes 10 and 16, as at 31 December 2005 the Bank did not record cash inflows or customer deposits in the amount of CSD 42,338 thousand whose value date was in 2005, and instead, recorded them in January 2006 on the basis of provided foreign bank's statements.

In our opinion, except for the matters referred to in preceding paragraphs, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2005, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the requirements of Serbian accounting legislation and accounting policies disclosed in Note 2 to the financial statements.

Without qualifying our opinion we draw your attention that, as prescribed by the Serbian Law on Banks, the Bank is obliged to maintain its ratio of equity investments at maximum of 60%. As at 31 December 2005 the Bank has not complied with the prescription of the Law. During 2006 the Bank intends to issue new shares, after which its ratio of equity investments will comply with the prescription of Law on Banks.

Belgrade, 20 April 2006



KPMG d.o.o. Beograd

Stana Jovanović

Stana Jovanović
Certified Auditor