

Banka Kombetare Tregtare sh.a.

**Independent Auditors' Review Report
and
Interim Financial Information
as at and for the three-month period ended 31 March 2008**

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Independent Auditors' Report on Review of Interim Financial Information

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

Tirana, 15 May 2008

Introduction

We have reviewed the accompanying condensed balance sheet of Banka Kombetare Tregtare sh.a. ("the Bank") as at 31 March 2008, and the related condensed statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the interim financial information). Management is responsible for the preparation and fair presentation of interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review. The financial statements of the Bank as at and for the year ended 31 December 2007, were audited by another auditor whose report dated 14 February 2008, expressed a qualified opinion due to their disagreement as to the treatment of the share capital issued in United States Dollars as a monetary item.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 2 to the Interim Financial Information, the Bank has treated its share capital issued in United States Dollars as a monetary item in the interim financial information and recognized the revaluation difference during the three-month period ended 31 March 2008 in the condensed income statement. This treatment is not in accordance with IAS 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 this share capital was treated as a non-monetary item at 31 March 2008 the retained earnings would be decreased by USD 16,582,342, translation reserve would be increased by USD 19,074,404, and net profit for the three-month period then ended would be decreased by USD 2,492,062.



Qualified Conclusion

Based on our review, with the exception of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information do not give a true and fair view of the financial position of the Bank as at 31 March 2008, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, 'Interim Financial Reporting'.

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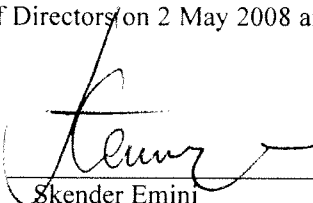
Condensed balance sheet as at 31 March 2008

(amounts in USD, unless otherwise stated)

	31 March 2008	31 December 2007
Assets		
Cash and balances with Central Bank	139,376,875	156,677,902
Placement and balances with banks	234,164,002	218,311,284
Treasury bills	294,484,568	251,938,823
Investment securities available-for-sale	13,042,032	12,215,324
Investment securities held-to-maturity	206,739,847	193,725,179
Loans and advances to customers	370,738,506	337,642,482
Property and equipment	14,464,597	14,109,572
Intangible assets	701,607	755,009
Non - current assets held for sale	578,668	487,377
Due from third parties	-	10,483,713
Other assets	4,575,044	3,330,019
Total assets	1,278,865,746	1,199,676,684
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	1,193,568,556	1,126,547,952
Due to banks	3,253,944	2,214,031
Due to third parties	4,960,208	-
Deferred tax liabilities	28,189	78,463
Accruals and other liabilities	6,756,742	6,269,306
Total liabilities	1,208,567,639	1,135,109,752
Shareholders' equity		
Share capital	44,700,000	44,700,000
Translation difference	250,922	1,503,706
Retained earnings	21,033,562	1,107,471
Net profit for the period	4,313,623	17,255,755
Total shareholders' equity	70,298,107	64,566,932
Total liabilities and shareholders' equity	1,278,865,746	1,199,676,684

The financial statements were authorised for release by the Board of Directors on 2 May 2008 and signed on its behalf by:


P. Seyhan Pencapligil
CEO and Board Member


Skender Emini
Head of Financial Control

Banka Kombetare Tregtare sh.a.

Condensed income statement for the three-month period ended 31 March 2008

(amounts in USD, unless otherwise stated)

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Interest		
Interest income	22,319,538	14,835,399
Interest expense	<u>(11,440,770)</u>	<u>(6,659,501)</u>
Net interest margin	10,878,768	8,175,898
Non-interest income, net		
Fees and commissions, net	1,041,079	796,260
Foreign exchange revaluation gain (loss), net	(672,712)	60,368
Profit from FX trading activities, net	620,326	323,707
Other income, net	<u>12,322</u>	<u>17,316</u>
Total non-interest income, net	1,001,015	1,197,651
Operating expenses		
Personnel	(2,480,490)	(2,061,344)
Administrative	(2,420,650)	(1,456,191)
Depreciation and amortization	<u>(735,975)</u>	<u>(515,562)</u>
Total operating expenses	(5,637,115)	(4,033,097)
Impairment of loans	<u>(1,504,214)</u>	<u>(174,913)</u>
Profit before taxes	<u>4,738,454</u>	<u>5,165,539</u>
Income tax	<u>(424,831)</u>	<u>(1,058,316)</u>
Net profit for the period	<u>4,313,623</u>	<u>4,107,223</u>

Banka Kombetare Tregtare sh.a.

Condensed statement of changes in equity for the three-month period ended 31 March 2008

(amounts in USD, unless otherwise stated)

	Share capital	Translation difference	Reserves	Retained earnings	Net profit for the period	Total
Balance as at 1 January 2007	33,000,000	450,372	229,877	(62,012)	11,908,991	45,527,228
Appropriation of prior year net Profit	-	-	-	11,908,991	(11,908,991)	-
Adjustment of retained earnings with 2007 year end exchange rate	-	-	-	277,300	-	277,300
Increase in share capital	11,700,000	-	(232,820)	(11,467,180)	-	-
Adjustment of reserves with 2007 year end exchange rate	-	-	2,943	-	-	2,943
Net profit for the year	-	-	-	-	17,255,755	17,255,755
Appropriation of 2006 year translation difference	-	(450,372)	-	450,372	-	-
Translation difference for the year	-	1,503,706	-	-	-	1,503,706
Balance as at 31 December 2007	44,700,000	1,503,706	-	1,107,471	17,255,755	64,566,932
Appropriation of prior year net Profit	-	-	-	17,255,755	(17,255,755)	-
Adjustment of retained earnings with 31 March 2008 exchange rate	-	-	-	1,166,630	-	1,166,630
Net profit for the period	-	-	-	-	4,313,623	4,313,623
Appropriation of 2007 year translation difference	-	(1,503,706)	-	1,503,706	-	-
Translation difference for the period	-	250,922	-	-	-	250,922
Balance as at 31 March 2008	44,700,000	250,922	-	21,033,562	4,313,623	70,298,107

Banka Kombetare Tregtare sh.a.

Condensed cash flow statement for the three month period ended 31 March 2008

(amounts in USD, unless otherwise stated)

	Three-month period ended 31 March 2008	Three-month period ended 31 March 2007
Cash flows from operating activities		
Profit before taxes	4,738,454	5,165,539
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	11,440,770	6,659,501
Interest income	(22,319,538)	(14,835,399)
Depreciation and amortization	735,975	515,562
Gain (loss) on sale of property and equipment	292	(4,055)
Gain (loss) on sale of treasury bills	(1,055)	(8,334)
Write-off of property and equipment	-	-
Impairment of loans	1,504,214	174,913
Deferred tax asset/liability	(52,076)	67,335
Cash flows from operating profits before changes in operating assets and liabilities	(3,952,964)	(2,264,938)
(Increase)/decrease in operating assets:		
Placements and balances with banks	(2,594,694)	(11,763,869)
Loans and advances to customers	(13,746,591)	(23,890,327)
Other assets	9,476,848	796,174
	(6,864,437)	(34,858,022)
Increase/(decrease) in operating liabilities:		
Due to customers	(669,940)	41,413,857
Due to third parties	4,706,516	4,731,127
Accruals and other liabilities	148,706	520,156
	4,185,282	46,665,140
Interest paid	(9,982,414)	(5,670,452)
Interest received	17,655,229	11,960,233
Income taxes paid	(460,550)	(752,272)
Net cash flows from operating activities	580,146	15,079,689
Cash flows from investing activities		
Purchases of investment securities	246,726	(14,668,044)
Increase of treasury bills	(25,382,130)	(4,633,284)
Investment in affiliates	-	(136,872)
Purchases of property and equipment	(194,488)	(486,003)
Proceeds from sale of property and equipment	737	4,099
Proceeds from sale of treasury bills	1,211,437	5,535,621
Net cash used in investing activities	(24,117,718)	(14,384,483)
Cash flows from financing activities		
Proceeds from/(repayment of) short term borrowings	861,721	(7,110,523)
Net cash from/(used in) financing activities	861,721	(7,110,523)
Net decrease in cash and cash equivalents	(22,675,851)	(6,415,317)
Translation difference	5,374,824	(630,386)
Cash and cash equivalents at the beginning of the year	156,677,902	98,690,893
Cash and cash equivalents at the end of the three months	139,376,875	91,645,190

Banka Kombetare Tregtare sh.a.

Notes to the condensed interim financial statements as of and for the three-month period ended
31 March 2008
(amounts in USD, unless otherwise stated)

1. General

Banka Kombetare Tregtare sh.a (the “Bank”) is a commercial bank offering a wide range of universal services. The Bank provides banking services to state and privately owned enterprises and to individuals in Albania and in Kosovo.

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. Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 “*Interim Financial Reporting*”. They do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2007.

4. Significant accounting policies

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its financial statements as at and for the year ended 31 December 2007.

The costs that are incurred evenly during the financial year are anticipated or deferred in the interim financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

5. Estimates

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except as described below, in preparing these condensed interim financial statements, the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2007.

During the three months ended 31 March 2008 management reassessed its estimates in respect of impairment of loans (see Note 8).

Banka Kombetare Tregtare sh.a.

Notes to the condensed interim financial statements as of and for the three-month period ended
31 March 2008
(amounts in USD, unless otherwise stated)

6. Financial risk management

During the three months ended 31 March 2008 the Bank's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 31 December 2007.

7. Seasonality of operations

The Bank's activity is not subject to seasonal fluctuations.

8. Impairment of loans

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

As at 31 December 2007 the impairment for loan losses was USD 4,168,553. Following the assessments made by 31 March 2008, an additional allowance for impairment of USD 1,504,214 (for the three months ended 31 March 2007: USD 174,913) for the three months ended 31 March 2008 was charged. The increase in the impairment charge is due to the increase in the non-performing loans portfolio.

9. Income tax

The Bank's effective tax rate in respect for the three months ended 31 March 2008 was 9 percent (for the three months ended 31 March 2007: 20 percent). This change in effective tax rate was caused mainly by the decrease in the income tax rate in Albania from 20% to 10%, effective from 1 January 2008.

10. Contingencies

In the normal course of business the Bank is presented with legal claims and litigation; the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding as at 31 March 2008 and 31 December 2007.

11. 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.

Identity of related parties

The Bank has related party relationships with its shareholders, directors and executive officers.

Transactions with shareholders

The Bank did not have any related party transactions with its shareholders during the first three months of 2008.

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Notes to the condensed interim financial statements as of and for the three-month period ended
31 March 2008
(amounts in USD, unless otherwise stated)

11. Related party transactions (continued)

Transactions with directors and executive officers

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

	Three-month period ended 31 March 2008	Year ended 31 December 2007
Directors	10,000	42,336
Executive officers	294,932	1,541,002
	304,932	1,583,338

12. Post balance sheet events

After the balance sheet date, upon the Shareholders Decision taken on 30 April 2008, the Bank increased its paid-up capital by USD 18,700,000 by allocation of the balance of retained earnings of Lek 1,476,178,000 as at 31 March 2008 translated into USD using the exchange rate announced by Bank of Albania as at 30 April 2008 (1USD=78.94 Lek). As a result 1,870,000 shares were issued to the existing shareholders with a nominal value of USD 10 per share.

The total number of issued and paid-up shares of the Bank following this increase in capital is 6,340,000, and the composition is as follows:

	<i>No. of shares</i>	<i>%</i>	<i>Total in USD</i>
Calik / Seker Consortium	3,804,002	60	38,040,020
EBRD	1,267,999	20	12,679,990
IFC	1,267,999	20	12,679,990
	6,340,000	100	63,400,000

There are no other events after the balance sheet date that would require either adjustments or additional disclosures in the financial statements.