

**Banka Kombetare Tregtare sh.a.**

**Independent Auditors' Review Report  
and  
Condensed Consolidated Interim  
Financial Statements  
as at and for the three-month period ended  
31 March 2017**

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## Independent Auditor's Review Report

To the Shareholders and Board of Directors of Banka Kombetare Tregtare Sh.a

We have reviewed the accompanying Condensed Consolidated Statement of Financial Position of Banka Kombetare Tregtare Sh.a (hereafter referred as the "Bank", "BKT" or the "Group") as of 31 March 2017 and the related Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the three-month period then ended, and a summary of selected explanatory notes. Management is responsible for the preparation and fair presentation of the Condensed Consolidated Interim Financial Statements in accordance with the International Financial Reporting Standards. Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Statements based on our review.

### *Scope of Review*

We conducted our review in accordance with 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*

The Bank has treated its share capital issued in United States Dollar (USD) as a monetary item in the condensed consolidated financial statements and recognized the revaluation differences for the three-month period ended 31 March 2017 within net profits in the consolidated statement of profit or loss and other comprehensive income. This treatment is not in accordance with International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" which requires share capital to be treated as a non-monetary item and carried at the exchange rate of the date of the transaction. Had the Bank treated its share capital in accordance with IAS 21 requirements, the share capital as at 31 March 2017 would have been decreased by USD 31,702,294, retained earnings would have been increased by USD 32,997,333 and the net profit would have been decreased by USD 1,295,039 for the three month period ended 31 March 2017. Nevertheless, this would not have affected the total shareholders' equity.

### *Qualified Conclusion*

Based on our review, except for the effects of the matter described in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not give a true and fair view of the financial position of the Bank as at 31 March 2017, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Financial Reporting Standards.

### **Grant Thornton sh.p.k.**

Tirana, Albania

5 May 2017

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## Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of financial position as at 31 March 2017

(amounts in USD)

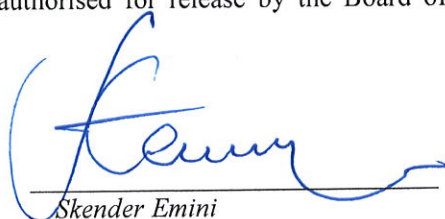
	31 March 2017	31 December 2016
<b>Assets</b>		
Cash and balances with Central Bank	221,932,572	238,956,317
Placement and balances with banks	197,873,462	182,831,892
Treasury bills available-for-sale	161,467,732	151,067,452
Trading and available-for-sale securities	844,058,198	895,017,446
Held-to-maturity securities	119,896,604	129,537,206
Loans to banks	403,054,886	355,013,362
Loans to customers	1,025,569,574	1,007,063,126
Investment in associates	1,282,406	1,265,678
Property and equipment	18,812,178	18,961,617
Intangible assets	1,616,584	1,651,692
Other assets	38,030,978	37,275,880
<b>Total assets</b>	<b>3,033,595,174</b>	<b>3,018,641,668</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
Customer deposits	2,384,445,977	2,348,186,010
Due to banks and financial institutions	256,247,130	276,910,754
Due to third parties	5,964,503	4,672,432
Deferred tax liabilities	1,369,791	1,338,585
Accruals and other liabilities	12,685,846	11,408,765
Subordinated debt	27,134,784	26,441,225
<b>Total liabilities</b>	<b>2,687,848,031</b>	<b>2,668,957,771</b>
<b>Shareholder's equity</b>		
Share capital	274,350,310	250,000,000
Translation reserve	54,757	(1,823,607)
Fair value reserve	11,554,493	762,502
Retained earnings	59,787,583	100,745,002
<b>Total shareholder's equity</b>	<b>345,747,143</b>	<b>349,683,897</b>
<b>Total liabilities and shareholder's equity</b>	<b>3,033,595,174</b>	<b>3,018,641,668</b>

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes set out in pages 7 to 10 that form part of the condensed consolidated interim financial statements.

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 26 April 2017 and signed on its behalf by:



Seyhan Pencabligil  
CEO and Board Member



Skender Emini  
Head of Financial and IT Group

## Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2017

(amounts in USD)

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
Interest		
Interest income	30,509,414	30,582,437
Interest expense	(6,361,600)	(7,301,712)
<b>Net interest margin</b>	<b>24,147,814</b>	<b>23,280,725</b>
Non-interest income, net		
Fees and commissions, net	4,978,372	3,153,934
Foreign exchange revaluation (loss)/gain, net	(276,390)	(761,971)
Foreign exchange trading activities gain/(loss), net	256,675	581,811
Securities trading gain, net	1,904,542	2,031,129
Other (expense)/income, net	(564,795)	(596,064)
<b>Total non-interest income, net</b>	<b>6,298,404</b>	<b>4,408,839</b>
Operating expenses		
Personnel expenses	(4,195,488)	(4,121,603)
Administrative expenses	(4,935,255)	(4,651,167)
Depreciation and amortization	(867,361)	(1,025,420)
<b>Total operating expenses</b>	<b>(9,998,104)</b>	<b>(9,798,190)</b>
Impairment of loans	(4,119,545)	(546,885)
<b>Profit before taxes</b>	<b>16,328,569</b>	<b>17,344,489</b>
Income tax	(2,577,760)	(2,642,937)
<b>Net profit for the period</b>	<b>13,750,809</b>	<b>14,701,552</b>
Foreign currency translation differences	1,878,364	370,808
Net change in fair value reserves	10,791,991	16,659,468
<b>Other comprehensive income for the period, net of income tax</b>	<b>12,670,355</b>	<b>17,030,276</b>
<b>Total comprehensive income for the period</b>	<b>26,421,164</b>	<b>31,731,828</b>

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes set out in pages 7 to 10 that form part of the condensed consolidated interim financial statements.

## Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2017  
(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance as at 1 January 2016</b>	206,911,900	-	(2,229)	976,965	85,681,396	293,568,032
<b>Transactions with owners recorded directly in equity</b>						
Contributions by and distributions to owners						
Increase in share capital	43,088,100	-	-	-	(43,088,100)	-
Appropriation of year 2015 translation difference	-	-	-	-	(2,229)	(2,229)
Adjustment of retained earnings with March 2016 exchange rate	-	-	-	-	2,013,004	2,013,004
<i>Total transactions with owners recorded in equity</i>	43,088,100	-	-	-	(41,077,325)	2,010,775
<b>Comprehensive income for the period</b>						
Net profit for the period	-	-	-	-	14,701,552	14,701,552
<b>Other comprehensive income / (expense), net of income tax</b>						
Net change in fair value reserve	-	-	-	16,659,468	-	16,659,468
Foreign currency translation differences	-	-	370,808	-	-	370,808
Total other comprehensive income	-	-	370,808	16,659,468	-	17,030,276
<i>Total comprehensive income for the period</i>	-	-	370,808	16,659,468	14,701,552	31,731,828
<b>Balance as at 31 March 2016</b>	<b>250,000,000</b>	-	<b>368,579</b>	<b>17,636,433</b>	<b>59,305,623</b>	<b>327,310,635</b>

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes set out in pages 7 to 10 that form part of the condensed consolidated interim financial statements.

**Banka Kombetare Tregtare sh.a.**

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2017  
(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance as at 1 January 2017</b>	250,000,000	-	(1,823,607)	762,502	100,745,002	349,683,897
<b>Transactions with owners recorded directly in equity</b>						
Contributions by and distributions to owners						
Increase in share capital	24,350,310	-	-	-	(24,350,310)	-
Dividend payment	-	-	-	-	(30,000,000)	(30,000,000)
Appropriation of year 2016 translation difference	-	-	-	-	(1,823,607)	(1,823,607)
Adjustment of retained earnings with March 2017 exchange rate	-	-	-	-	1,465,689	1,465,689
<i>Total transactions with owners recorded in equity</i>	24,350,310	-	-	-	(54,708,228)	(30,357,918)
<b>Comprehensive income for the period</b>						
Net profit for the period	-	-	-	-	13,750,809	13,750,809
<b>Other comprehensive income / (expense), net of income tax</b>						
Net change in fair value reserve	-	-	-	10,791,991	-	10,791,991
Foreign currency translation differences	-	-	1,878,364	-	-	1,878,364
Total other comprehensive income	-	-	1,878,364	10,791,991	-	12,670,355
<i>Total comprehensive (loss)/income for the period</i>	-	-	1,878,364	10,791,991	13,750,809	26,421,164
<b>Balance as at 31 March 2017</b>	<b>274,350,310</b>	<b>-</b>	<b>54,757</b>	<b>11,554,493</b>	<b>59,787,583</b>	<b>345,747,143</b>

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes set out in pages 7 to 10 that form part of the condensed consolidated interim financial statements.



**Banka Kombetare Tregtare sh.a.**

Condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2017

*(amounts in USD)*

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
<b>Cash flows from operating activities</b>		
<b>Profit before taxes</b>	<b>16,328,569</b>	<b>17,344,489</b>
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Interest expense	6,361,600	7,301,712
Interest income	(30,509,414)	(30,582,437)
Depreciation and amortization	867,361	1,025,420
Gain on sale of property and equipment	-	(30,236)
Gain on sale of treasury bills	(11,343)	(22,493)
Gain on sale of non-current assets	(15,652)	(13,514)
Gain on recovery of written-off loans to customers	(21,409)	(9,405)
Write-off of property and equipment	-	31,143
Write off of fixed assets and repossessed assets	-	586,135
Provision on other debtors	595,273	-
Movement in the fair value reserve	10,772,639	16,198,023
Impairment of loans	4,119,545	546,885
<b>Cash flows from operating profits before changes in operating assets and liabilities</b>	<b>8,487,169</b>	<b>12,375,722</b>
(Increase)/decrease in operating assets:		
Placements and balances with banks	(13,914,660)	27,073,796
Loans and advances to banks	(44,992,227)	(29,440,028)
Loans and advances to customers	(13,351,713)	(25,071,866)
Other assets	(1,068,622)	4,883,516
	<b>(73,327,222)</b>	<b>(22,554,582)</b>
Increase/(decrease) in operating liabilities:		
Customer deposits	21,808,122	8,350,084
Due to third parties	1,259,934	6,023,026
Accruals and other liabilities	1,079,356	(1,080,642)
Subordinated debt	176,457	296,742
	<b>24,323,869</b>	<b>13,589,210</b>
Dividend payment, net	(28,500,000)	-
Interest paid	(6,741,059)	(8,138,814)
Interest received	27,113,722	31,379,712
Income taxes paid	(2,456,001)	(4,748,251)
<b>Net cash flows from operating activities</b>	<b>(51,099,522)</b>	<b>21,902,997</b>
<b>Cash flows for investing activities</b>		
Purchases of investment securities	(64,281,487)	(77,076,763)
Redemptions / (purchases) of treasury bills	(20,624,251)	39,101,178
Investment in associates	(8,467)	(14,238)
Purchases of property and equipment	(548,882)	(654,278)
Proceeds from sale of property and equipment	-	254,595
Proceeds from sale of investment securities	131,991,479	44,850,217
Proceeds from sale of treasury bills	10,842,367	6,022,037
<b>Net cash flows used in investing activities</b>	<b>57,370,759</b>	<b>12,482,748</b>
<b>Cash flows from financing activities</b>		
Proceeds from short term borrowings	(22,596,575)	(38,843,714)
<b>Net cash flows from financing activities</b>	<b>(22,596,575)</b>	<b>(38,843,714)</b>
<b>Net (decrease) / increase in cash and Central Bank</b>	<b>(16,325,338)</b>	<b>(4,457,969)</b>
Translation difference	(698,407)	42,180
<b>Cash and Central Bank at the beginning of the year</b>	<b>238,956,317</b>	<b>230,545,546</b>
<b>Cash and Central Bank at the end of the three months</b>	<b>221,932,572</b>	<b>226,129,757</b>

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes set out in pages 7 to 10 that form part of the condensed consolidated interim financial statements.

## Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2017

(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 United States Dollars (“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.

Upon the Shareholder’s Decision dated 29 March 2017, the Bank increased its paid-up capital by Lek 3,058,399 thousand (equivalent of USD 24,350,309.75) and distributed Lek 3,768,000 thousand (equivalent of USD 30,000,000) as dividends, using part of the statutory net profit for the year ended December 31, 2016 and part of the retained earnings. The capital increase and the dividends distribution were translated into USD using the exchange rate published by Bank of Albania as at 29 March 2017 (125.6 Lek per USD).

Following this increase, the shareholding structure remained the same as did the nominal value of shares at USD 12.35, while the number of shares increased by 1,971,685. The shareholding structure as at 31 March 2017 and 31 December 2016 was as follows:

	31 March 2017			31 December 2016		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	22,214,600	274,350,310	100	20,242,915	250,000,000.25	100

### 3. Statement of compliance

These condensed consolidated 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 consolidated financial statements of the Bank as at and for the year ended 31 December 2016.

### 4. Functional and presentation currency

The financial statements are prepared in Albanian Lek “Lek” which is the currency of the primary economic environment in which the Bank operates (its functional currency). For reporting purposes these condensed consolidated interim financial statements are presented in USD which is the presentation currency.

The results and financial position of the Bank are translated in the presentation currency by translating (i) assets and liabilities at the closing rate at the date of that statement of financial position; and (ii) income and expenses at exchange rates at the dates of the transactions. All resulting exchange differences from the translation to the presentation currency are recognised in other comprehensive income.

The main exchange rates as at the end of each reporting period were as follows:

	31 March 2017	31 December 2016	31 March 2016
USD/LEK	127.34	128.17	122.26
EUR/LEK	136.13	135.23	138.77

## **Banka Kombetare Tregtare sh.a.**

Explanatory notes as of and for the three-month period ended 31 March 2017

*(amounts in USD, unless otherwise stated)*

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### **5. Significant accounting policies**

The accounting policies applied by the Bank in these condensed consolidated interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at and for the year ended 31 December 2016.

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.

### **6. Estimates**

The preparation of these condensed consolidated 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 consolidated 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 2016.

### **7. Financial risk management**

During the three months ended 31 March 2017 the Bank's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2016.

### **8. Fair value of financial assets**

The Bank's Trading and available-for-sale securities portfolio as at 31 March 2017 includes financial assets available for sale amounting USD 844,058,198 (31 December 2016: USD 895,017,446) and does not include any financial assets held for trading (31 December 2016: 6,458,814).

### **9. Impairment of loans**

At each reporting 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 2016 the impairment for loan losses was USD 47,182,080. Following the assessments made by 31 March 2017, an additional allowance for impairment of USD 4,119,545 for the three months ended 31 March 2017 (for the three months ended 31 March 2016: USD 546,885) was charged.

### **10. Seasonality of operations**

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

### **11. Income tax**

The Bank's effective tax rate for the three months ended 31 March 2017 was 15.79 per cent (for the three months ended 31 March 2016: 15.24 per cent), while the income tax rate in Albania is 15%.

## Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2017  
(amounts in USD, unless otherwise stated)

### 12. 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 2017.

### 13. 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 and affiliates, directors and executive officers. The Bank's sole shareholder is Calik Finansal Hizmetler, which is owned by Calik Holding at 100% as at 31 March 2017. The ultimate controlling party is Mr. Ahmet Calik.

ALBtelecom Sh.a., Eagle Mobile Sh.a., Albania Leasing, Aktif Yatirim Bankasi A.S. ("Aktifbank"), GAP Pazarlama FZE, Gap İnşaat Yatırım ve Dış Ticaret A.Ş., Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S, Kosovo Electricity Distribution and Supply Company J.S.C (KEDS) and Kosovo Electricity Supply Company J.S.C (KESCO) are controlled by Calik Holding. Sara-AT shpk is a company financially dependent from Albtelecom for the loan repayment.

#### Balances and transactions with related parties

	31 March 2017	31 December 2016
<b>Assets</b>		
<b>Placement and balances with banks:</b>		
Current accounts with Aktifbank	73,067	92,422
Placement with Albania Leasing	355,545	349,427
<b>Loans to customers:</b>		
KEDS / KESCO	726,930	799,969
ALBtelecom	9,479,967	11,451,942
GAP Pazarlama FZE	1,176,323	2,220,164
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	12,867,146	12,727,456
Albania Leasing	435,502	255,649
Sara-AT shpk	210,732	218,749
<b>Other assets:</b>		
Receivables from ALBtelecom Sh.a	5,228	5,162
<b>Total assets</b>	<b>25,330,440</b>	<b>28,120,940</b>
<b>Liabilities</b>		
<b>Due to banks and financial institutions:</b>		
Borrowings from Aktifbank	6,562,991	1,484,284
Borrowings from Albania Leasing	402,213	401,013
<b>Customer deposits:</b>		
ALBtelecom Sh.a.	264,237	288,375
Albania Leasing	74,923	37,319
<b>Other liabilities:</b>		
Payables to ALBtelecom Sh.a	-	12,540
<b>Total liabilities</b>	<b>7,304,364</b>	<b>2,223,531</b>

## Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2017  
(amounts in USD, unless otherwise stated)

### 13. Related party transactions (continued)

#### Balances and transactions with related parties (continued)

	Three months period ended 31 March 2017	Three months period ended 31 March 2016
<b>Statement of comprehensive income</b>		
<b>Interest income from:</b>		
GAP Pazarlama FZE	32,300	20,104
KEDS / KESCO	3,465	12,688
ALBtelecom Sh.a.	157,982	125,751
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	224,932	243,734
Albania Leasing	5,428	6,363
Aktifbank	53,335	-
Sara-AT shpk	5,182	6,962
<b>Interest expenses for:</b>		
ALBtelecom Sh.a.	(22)	(72)
Aktifbank	(26,308)	(15,784)
Albania Leasing	(1,200)	(1,820)
<b>Fees and commissions:</b>		
Letters of guarantee:		
ALBtelecom Sh.a.	-	30
Calik Enerji Sanayi Ve. Ticaret A.S	96	24,018
Account maintenance and lending fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a.	48,717	1,102
<b>Other income:</b>		
Operating lease income from ALBtelecom Sh.a.	15,732	16,136
<b>Operating expenses:</b>		
ALBtelecom Sh.a., Eagle Mobile Sh.a. and Calik Holding	(168,532)	(125,939)
<b>Net</b>	<b>351,107</b>	<b>313,273</b>

#### Balances and transactions with directors and executive officers

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

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
Directors	26,269	28,381
Executive officers	734,007	672,943
	<b>760,276</b>	<b>701,323</b>

The remuneration of directors and executive officers for the year ended 31 December 2016 was USD 2,957,841.

As at 31 March 2016, the total deposits of directors held with the Bank were USD 877,195 (31 December 2016: USD 970,990), while the outstanding loans granted to directors were USD 322,450 (31 December 2016: USD 333,959).

### 14. Subsequent events

There are no events subsequent to the reporting date that would require either adjustments or additional disclosures in the condensed consolidated interim financial information.