

Banka Kombetare Tregtare sh.a.

**Independent Auditors' Review Report
and
Condensed Consolidated Interim
Financial Information
as at and for the nine-month period ended
30 September 2011**

Contents

	Page
INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION:	
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3 - 4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5
EXPLANATORY NOTES	6 - 9



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Independent Auditors' Report on Review of Interim Financial Information

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

Tirana, 24 October 2011

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Banka Kombetare Tregtare sh.a. as at 30 September 2011, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

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 described in Note 2 to the consolidated interim financial information, the Bank has treated its share capital issued in United States Dollars as a monetary item and recognized the revaluation difference during the nine-month period ended 30 September 2011 within net profit in the consolidated statement of comprehensive income. This treatment is not in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'. This is the result of a decision taken by management before the start of the preceding financial year and caused us to qualify our audit opinion on the consolidated financial statements relating to that year. Share capital should have been treated as a non-monetary item and carried at the exchange rate at the date of transaction. Accordingly, if share capital had been treated as a non-monetary item, the net profit for the nine-month period would have been increased by USD 1,279,001 in 2011 and by USD 4,117,509 in 2010, the retained earnings would have been increased and the translation reserve reduced by USD 3,236,085 at 30 September 2011 and the retained earnings would have been increased and the translation reserve reduced by USD 2,334,950 at 31 December 2010. This would not have effected total shareholder's equity.



Qualified Conclusion

Based on our review, except for the effects 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 condensed consolidated interim financial information as at 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of financial position as at 30 September 2011

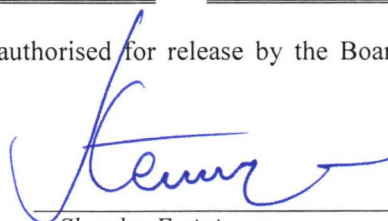
(amounts in USD)

	30 September 2011	31 December 2010
Assets		
Cash and balances with Central Bank	165,762,532	177,385,066
Placement and balances with banks	113,518,074	113,703,073
Treasury bills	232,783,359	187,826,686
Investment securities available-for-sale	157,278,657	101,714,745
Investment securities held-to-maturity	291,594,489	275,915,418
Loans and advances to banks	127,096,152	68,810,445
Loans and advances to customers	704,235,791	551,045,870
Property and equipment	16,368,257	16,475,450
Intangible assets	1,833,758	1,610,738
Non - current assets held for sale	8,859,350	5,206,635
Other assets	5,589,541	3,207,420
Total assets	1,824,919,960	1,502,901,546
Liabilities and shareholder's equity		
Liabilities		
Customer deposits	1,558,269,133	1,309,651,520
Due to banks and financial institutions	121,367,338	62,398,988
Due to third parties	1,758,577	2,151,892
Deferred tax liabilities	2,694,197	1,731,801
Accruals and other liabilities	8,382,952	8,297,498
Total liabilities	1,692,472,197	1,384,231,699
Shareholder's equity		
Share capital	100,000,000	84,622,200
Translation reserve	(959,152)	(34,349)
Fair value reserve	(6,221,258)	342,874
Retained earnings	39,628,173	33,739,122
Total shareholder's equity	132,447,763	118,669,847
Total liabilities and shareholder's equity	1,824,919,960	1,502,901,546

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 24 October 2011 and signed on its behalf by:



Seyhan Pencapligil
CEO and Board Member



Skender Emini
Head of Financial & IT Group

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of comprehensive income for the nine-month and three-month periods ended 30 September 2011

(amounts in USD)

	Nine-month period ended 30 September 2011	Three-month period ended 30 September 2011	Nine-month period ended 30 September 2010	Three-month period ended 30 September 2010
Interest				
Interest income	89,365,444	31,834,830	75,530,213	25,954,314
Interest expense	(42,314,301)	(15,094,721)	(36,783,706)	(12,411,193)
Net interest margin	47,051,143	16,740,109	38,746,507	13,543,121
Non-interest income, net				
Fees and commissions, net	6,966,397	2,767,892	3,882,342	1,519,225
Foreign exchange revaluation gain (loss), net	(198,414)	1,148,247	806,778	(1,550,061)
Profit from FX trading activities, net	635,468	2,869	1,415,201	510,551
Other income/(expense), net	(1,420,890)	(564,050)	(54,346)	(74,222)
Total non-interest income, net	5,982,561	3,354,958	6,049,975	405,493
Operating expenses				
Personnel	(10,995,252)	(3,953,062)	(9,117,017)	(3,090,413)
Administrative	(12,980,745)	(4,949,281)	(10,904,592)	(3,876,612)
Depreciation and amortization	(3,362,290)	(1,145,604)	(3,056,551)	(1,014,437)
Total operating expenses	(27,338,287)	(10,047,947)	(23,078,160)	(7,981,462)
Impairment of loans	(2,870,568)	(1,002,517)	(1,105,453)	536,541
Profit before taxes	22,824,849	9,044,603	20,612,869	6,503,693
Income tax	(2,510,689)	(1,002,551)	(2,139,657)	(719,025)
Net profit for the period	20,314,160	8,042,052	18,473,212	5,784,668
Foreign currency translation differences	(924,803)	(1,156,196)	620,674	1,364,793
Net change in fair value reserves	(6,564,132)	(4,390,612)	1,248,240	556,592
Other comprehensive income for the period, net of income tax	(7,488,935)	(5,546,808)	1,868,914	1,921,385
Total comprehensive income for the period	12,825,225	2,495,244	20,342,126	7,706,053

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2011

(amounts in USD)

	Share capital	Translation reserve	Fair value reserves	Retained earnings	Total
Balance at 1 January 2010	78,299,000	(209,293)	56,674	16,524,273	94,670,654
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Increase in share capital	6,323,200	-	-	(6,323,200)	-
Appropriation of 2009 year translation difference	-	-	-	(209,293)	(209,293)
Adjustment of retained earnings with 2010 year end exchange rate	-	-	-	(1,255,627)	(1,255,627)
Total contributions by and distributions to owners	6,323,200	-	-	(7,788,120)	(1,464,920)
Total comprehensive income for the year					
Net profit for the year	-	-	-	25,002,969	25,002,969
Other comprehensive income, net of income tax					
Net change in fair value reserves	-	-	286,200	-	286,200
Foreign currency translation differences	-	174,944	-	-	174,944
Total other comprehensive income	-	174,944	286,200	-	461,144
Total comprehensive income for the year	-	174,944	286,200	25,002,969	25,464,113
Balance at 31 December 2010	84,622,200	(34,349)	342,874	33,739,122	118,669,847

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2011 (continued)

(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2011	84,622,200	-	(34,349)	342,874	33,739,122	118,669,847
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Creation of legal reserves	-	4,024,442	-	-	(4,024,442)	-
Increase in share capital	15,377,800	(4,112,047)	-	-	(11,265,753)	-
Adjustment for translation of legal reserve	-	87,605	-	-	(87,605)	-
Appropriation of 2010 year translation difference	-	-	-	-	(34,349)	(34,349)
Adjustment of retained earnings with September 2011 exchange rate	-	-	-	-	987,040	987,040
Total contributions by and distributions to owners	15,377,800	-	-	-	(14,425,109)	952,691
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	20,314,160	20,314,160
Other comprehensive income, net of income tax						
Net change in fair value reserve	-	-	-	(6,564,132)	-	(6,564,132)
Foreign currency translation differences	-	-	(924,803)	-	-	(924,803)
Total other comprehensive income/(loss)	-	-	(924,803)	(6,564,132)	-	(7,488,935)
Total comprehensive income/(loss) for the period	-	-	(924,803)	(6,564,132)	20,314,160	12,825,225
Balance as at 30 September 2011	100,000,000	-	(959,152)	(6,221,258)	39,628,173	132,447,763

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows for the nine-month period ended 30 September 2011
(amounts in USD)

	Nine-month period ended 30 September 2011	Nine-month period ended 30 September 2010
Cash flows from operating activities:		
Profit before taxes	22,824,849	20,612,869
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	42,314,301	36,783,706
Interest income	(89,365,444)	(75,530,213)
Depreciation and amortization	3,362,290	3,056,551
Gain on sale of property and equipment	(2,385)	(21,314)
Gain on sale of treasury bills	(8,278)	(55,593)
Gain on recovery of lost loans	(9,617)	(6,613)
Gain on sale of non-current assets	(32,620)	-
Write-off of property and equipment	6,970	2,943
Loss on unrecoverable lost loans	95,128	157,012
Movement in the fair value reserve	(6,848,105)	1,213,831
Impairment of loans	2,870,568	1,105,453
Cash flows from operating profits before changes in operating assets and liabilities	(24,792,343)	(12,681,368)
(Increase)/decrease in operating assets:		
Placements and balances with banks	(542,678)	(21,922,142)
Loans and advances to banks	(60,823,563)	352,651
Loans and advances to customers	(164,939,496)	(83,957,949)
Other assets	(5,272,476)	(1,378,533)
	(231,578,213)	(106,905,973)
Increase/(decrease) in operating liabilities:		
Customer deposits	261,417,117	188,304,589
Due to third parties	(406,275)	2,116,774
Accruals and other liabilities	(920,401)	1,420,959
	260,090,441	191,842,322
Interest paid	(41,854,511)	(36,613,903)
Interest received	88,076,676	66,553,755
Income taxes paid	(1,485,342)	(1,317,042)
Net cash flows from operating activities	48,456,708	100,877,791
Cash flows from investing activities		
Purchases of investment securities	(72,910,889)	(87,499,201)
Purchases of treasury bills	(47,677,815)	(369,633)
Purchases of property and equipment	(3,529,477)	(2,095,204)
Proceeds from sale of property and equipment	7,341	3,211
Proceeds from sale of treasury bills	1,073,322	8,711,104
Net cash used in investing activities	(123,037,518)	(81,249,723)
Cash flows from financing activities		
Proceeds from/(repayment of) short term borrowings	61,656,751	(4,042,146)
Net cash from/(used in) financing activities	61,656,751	(4,042,146)
Net decrease in cash and Central Bank	(12,924,059)	(15,585,922)
Translation difference	1,301,525	(3,363,159)
Cash and Central Bank at the beginning of the year	177,385,066	142,263,329
Cash and Central Bank at the end of the nine months	165,762,532	154,486,092

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the nine-month period ended 30 September 2011
(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.

Upon the Shareholder’s Decision dated 31 March 2011, the Bank created legal reserves of Lek 398,581 thousand (equivalent of USD 4,024,442). The remaining part of statutory profit for the year 2010 was kept as retained earnings.

Upon the Shareholder’s Decision dated 17 August 2011, the Bank increased its paid-up capital by Lek 1,490,570 thousand (equivalent of USD 15,377,800), using the legal reserves of Lek 398,581 thousand (equivalent of USD 4,112,047) and part of retained earnings of Lek 1,091,989 thousand (equivalent of USD 11,265,753). The capital increase was translated into USD using the exchange rate published by Bank of Albania as at 17 August 2011 (96.93 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 1,245,166. The shareholding structure as at 30 September 2011 and 31 December 2010 was as follows:

	30 September 2011			31 December 2010		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	8,097,166	100,000,000.10	100	6,852,000	84,622,200	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 financial statements of the Bank as at and for the year ended 31 December 2010.

4. 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 2010.

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.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the nine-month period ended 30 September 2011
(amounts in USD, unless otherwise stated)

5. 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 2010.

6. Financial risk management

During the nine months ended 30 September 2011 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 2010.

7. 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 2010 the impairment for loan losses was USD 11,706,364. Following the assessments made by 30 September 2011, an additional allowance for impairment of USD 2,870,568 for the nine months ended 30 September 2011 (for the nine months ended 30 September 2010: USD 1,105,453) was charged.

8. Seasonality of operations

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

9. Income tax

The Bank's effective tax rate for the three months ended 30 September 2011 was 11 percent (for the nine months ended 30 September 2010: 10.4 percent), while the income tax rate in Albania is 10%.

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 30 September 2011.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the nine-month period ended 30 September 2011

(amounts in USD, unless otherwise stated)

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 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 30 September 2011. ALBtelecom Sh.a., Eagle Mobile Sh.a., Aktifbank and GAP Pazarlama FZE are controlled by Calik Holding.

Balances and transactions with shareholders and affiliates

	30 September 2011	31 December 2010
Assets		
<i>Placement and balances with banks:</i>		
Current accounts with Aktifbank	28,277	602,853
Placements with Aktifbank	-	7,168,097
<i>Investment securities available-for-sale:</i>		
Calik Holding	-	1,299,225
<i>Loans and advances to customers:</i>		
GAP Pazarlama FZE	17,187,667	-
Total assets	17,215,944	9,070,175
Liabilities		
<i>Customer deposits:</i>		
ALBtelecom Sh.a.	9,713,425	5,288,739
Eagle Mobile Sh.a.	1,219,235	2,587,800
<i>Other liabilities:</i>		
Payables to Aktifbank	3,592	171,967
Total liabilities	10,936,252	8,048,506
Statement of comprehensive income		
<i>Interest income from:</i>		
Aktifbank	61,250	289,810
Calik Holding	54,864	90,683
GAP Pazarlama FZE	494,333	-
<i>Interest expenses for:</i>		
ALBtelecom Sh.a. and Eagle Mobile Sh.a.	(166,593)	(139,993)
Fees and commissions:		
Commissions charged by Aktifbank	(31,442)	(1,031,213)
Commissions from LC-s and LG-s of ALBtelecom Sh.a.	39,128	9,330
Account maintenance fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a.	478	761
Net	452,018	(780,622)

The one-yearly deposit placed with Aktifbank earned interest of 3.5% p.a. and matured on 26 April 2011. At 31 December 2010, the available-for-sale corporate bonds, which were purchased from Calik Holding, had a coupon rate of 8.5%. These bonds were sold on 25 March 2011.

GAP Pazarlama FZE is an international company operating as a wholesale trader and is owned by the Bank’s ultimate shareholder. The loan granted to this company has an original maturity of three years and at 30 September 2011 it earns interest of 6.0% p.a.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the nine-month period ended 30 September 2011
(amounts in USD, unless otherwise stated)

11. Related party transactions (continued)

The Bank has signed an agreement with Aktifbank related with different consultancy services for lending to companies based in Turkey, under which the Bank should pay some service commission to Aktifbank. In addition, Aktifbank has offered a guarantee of 10% on the outstanding loans granted to these companies, which at 30 September 2011 is USD 202,923 (31 December 2010: USD 1,667,709).

As at 30 September 2011, the Bank has issued Letters of Guarantee and Letters of Credit of USD 3,426,725 (31 December 2010: USD 1,751,252) to ALBtelecom Sh.a. and has received two counter guarantees from Aktifbank totalling to USD 361,473 as at 30 September 2011.

Balances and transactions with directors and executive officers

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

	Nine-month period ended 30 September 2011	Nine-month period ended 30 September 2010
Directors	80,000	83,325
Executive officers	1,524,473	1,316,754
	1,604,473	1,400,079

The remuneration of directors and executive officers for the year ended 31 December 2010 was USD 2,265,063.

As at 30 September 2011, the total deposits of directors held with the Bank were USD 731,266 (31 December 2010: USD 567,750), while there are no outstanding loans granted to directors (31 December 2010: USD 3,278).

One of the directors has opened a personal foreign exchange netting account for the amount of EUR 3 million (equivalent of USD 4 million) and the related fees are USD 18,316.

12. Events after the reporting period

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