

**Banka Kombetare Tregtare sh.a.**

**Independent Auditors' Review Report  
and  
Condensed Consolidated Interim  
Financial Information  
as at and for the three-month period ended  
31 March 2011**

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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, 26 April 2011

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Banka Kombetare Tregtare Sh.a. as at 31 March 2011, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended ("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 three-month period ended 31 March 2011 within net profit in the condensed 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 three-month period would have been reduced by USD 4,112,543 in 2011 and increased by USD 5,860,704 in 2010, the retained earnings would have been reduced and the translation reserve increased by USD 2,109,533 at 31 March 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 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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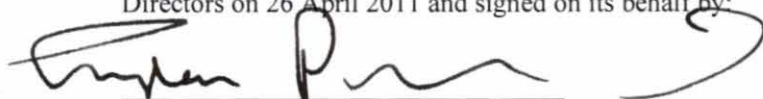
# Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of financial position as at 31 March 2011

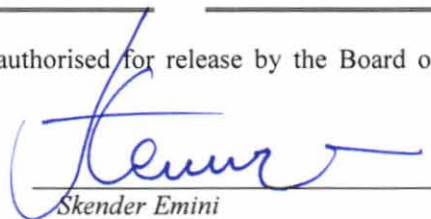
(amounts in USD)

	31 March 2011	31 December 2010
<b>Assets</b>		
Cash and balances with Central Bank	162,838,431	177,385,066
Placement and balances with banks	66,480,893	113,703,073
Treasury bills	250,661,528	187,826,686
Investment securities available-for-sale	151,783,808	101,714,745
Investment securities held-to-maturity	293,748,813	275,915,418
Loans and advances to banks	100,733,187	68,810,445
Loans and advances to customers	611,456,447	551,045,870
Property and equipment	16,779,599	16,475,450
Intangible assets	1,610,424	1,610,738
Non - current assets held for sale	6,461,977	5,206,635
Other assets	3,860,794	3,207,420
<b>Total assets</b>	<b>1,666,415,901</b>	<b>1,502,901,546</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
Customer deposits	1,443,521,841	1,309,651,520
Due to banks and financial institutions	82,207,088	62,398,988
Due to third parties	5,604,801	2,151,892
Deferred tax liabilities	2,446,593	1,731,801
Accruals and other liabilities	8,300,811	8,297,498
<b>Total liabilities</b>	<b>1,542,081,134</b>	<b>1,384,231,699</b>
<b>Shareholder's equity</b>		
Share capital	84,622,200	84,622,200
Legal reserve	4,024,442	-
Translation reserve	116,503	(34,349)
Fair value reserve	(1,340,709)	342,874
Retained earnings	36,912,331	33,739,122
<b>Total shareholder's equity</b>	<b>124,334,767</b>	<b>118,669,847</b>
<b>Total liabilities and shareholder's equity</b>	<b>1,666,415,901</b>	<b>1,502,901,546</b>

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 26 April 2011 and signed on its behalf by:



Seyhan Pencapligil  
CEO and Board Member



Skender Emini  
Head of Financial Control

## Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of comprehensive income for the three-month period ended  
31 March 2011  
(amounts in USD)

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	<b>Three-month period ended 31 March 2011</b>	<b>Three-month period ended 31 March 2010</b>
Interest		
Interest income	26,154,029	24,975,945
Interest expense	<u>(12,851,977)</u>	<u>(12,548,958)</u>
Net interest margin	<b>13,302,052</b>	<b>12,426,987</b>
Non-interest income, net		
Fees and commissions, net	2,142,342	1,362,435
Foreign exchange revaluation (loss)/gain, net	(935,322)	1,269,602
Profit from FX trading activities, net	412,021	434,842
Other (expenses)/income, net	<u>(184,822)</u>	<u>68,237</u>
Total non-interest income, net	<b>1,434,219</b>	<b>3,135,116</b>
Operating expenses		
Personnel	(3,454,037)	(3,160,747)
Administrative	(3,672,291)	(3,584,525)
Depreciation and amortization	<u>(1,078,104)</u>	<u>(1,055,803)</u>
Total operating expenses	<b>(8,204,432)</b>	<b>(7,801,075)</b>
Impairment of loans	<u>(335,037)</u>	<u>(742,771)</u>
<b>Profit before taxes</b>	<b><u>6,196,802</u></b>	<b><u>7,018,257</u></b>
Income tax	<u>(652,784)</u>	<u>(749,722)</u>
<b>Net profit for the period</b>	<b><u>5,544,018</u></b>	<b><u>6,268,535</u></b>
Foreign currency translation differences	150,852	14,414
Net change in fair value reserves	(1,683,583)	1,443,724
<b>Other comprehensive (loss)/income for the period, net of income tax</b>	<b><u>(1,532,731)</u></b>	<b><u>1,458,138</u></b>
<b>Total comprehensive income for the period</b>	<b><u><u>4,011,287</u></u></b>	<b><u><u>7,726,673</u></u></b>

## Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 2011

(amounts in USD)

	Share capital	Translation reserve	Fair value reserves	Retained earnings	Total
<b>Balance at 1 January 2010</b>	<b>78,299,000</b>	<b>(209,293)</b>	<b>56,674</b>	<b>16,524,273</b>	<b>94,670,654</b>
<b>Transactions with owners recorded directly in equity</b>					
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)
<b>Total comprehensive income for the year</b>					
Net profit for the year	-	-	-	25,002,969	25,002,969
<b>Other comprehensive income, net of income tax</b>					
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
<b>Balance at 31 December 2010</b>	<b>84,622,200</b>	<b>(34,349)</b>	<b>342,874</b>	<b>33,739,122</b>	<b>118,669,847</b>

## Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 2011

(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance as at 1 January 2011</b>	<b>84,622,200</b>	-	<b>(34,349)</b>	<b>342,874</b>	<b>33,739,122</b>	<b>118,669,847</b>
<b>Transactions with owners recorded directly in</b>						
Contributions by and distributions to owners						
Creation of legal reserves	-	4,024,442	-	-	(4,024,442)	-
Appropriation of 2010 year translation difference	-	-	-	-	(34,349)	(34,349)
Adjustment of retained earnings with March 2011 exchange rate	-	-	-	-	1,687,982	1,687,982
Total contributions by and distributions to owners	-	4,024,442	-	-	(2,370,809)	1,653,633
<b>Total comprehensive income for the period</b>						
Net profit for the period	-	-	-	-	5,544,018	5,544,018
<b>Other comprehensive income, net of income tax</b>						
Net change in fair value reserve	-	-	-	(1,683,583)	-	(1,683,583)
Foreign currency translation differences	-	-	150,852	-	-	150,852
Total other comprehensive income/(loss)	-	-	150,852	(1,683,583)	-	(1,532,731)
Total comprehensive income/(loss) for the period	-	-	150,852	(1,683,583)	5,544,018	4,011,287
<b>Balance as at 31 March 2011</b>	<b>84,622,200</b>	<b>4,024,442</b>	<b>116,503</b>	<b>(1,340,709)</b>	<b>36,912,331</b>	<b>124,334,767</b>

# Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2011  
(amounts in USD)

	<b>Three-month period ended 31 March 2011</b>	<b>Three-month period ended 31 March 2010</b>
<b>Cash flows from operating activities</b>		
Profit before taxes	6,196,802	7,018,257
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	12,851,977	12,548,958
Interest income	(26,154,029)	(24,975,945)
Depreciation and amortization	1,078,104	1,055,803
Gain on sale of property and equipment	-	(20,554)
Gain on sale of treasury bills	(7,862)	(19,322)
Gain on sale of non-current assets	(589)	-
Write-off of property and equipment	-	2,280
Movement in the fair value reserve	(1,650,428)	1,492,776
Impairment of loans	335,037	742,771
Cash flows from operating profits before changes in operating assets and liabilities	(7,350,988)	(2,154,976)
(Increase)/decrease in operating assets:		
Placements and balances with banks	51,587,319	37,690,644
Loans and advances to banks	(27,543,043)	(32,194,486)
Loans and advances to customers	(33,107,546)	(20,339,773)
Other assets	(1,271,955)	30,550
	(10,335,225)	(14,813,065)
Increase/(decrease) in operating liabilities:		
Due to customers	64,894,549	48,144,478
Due to third parties	3,246,156	2,739,426
Accruals and other liabilities	(254,527)	3,956,362
	67,886,178	54,840,266
Interest paid	(11,537,033)	(10,989,883)
Interest received	27,242,178	20,183,147
Income taxes paid	(359,592)	(1,052,974)
Net cash flows from operating activities	65,545,518	46,012,515
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(47,493,903)	(36,642,604)
(Purchases)/settlement of treasury bills	(53,310,952)	825,266
Purchases of property and equipment	(493,981)	(288,169)
Proceeds from sale of property and equipment	-	2,309
Proceeds from sale of treasury bills	938,509	3,385,431
Net cash used in investing activities	(100,360,327)	(32,717,767)
<b>Cash flows from financing activities</b>		
Proceeds from/(repayment of) short term borrowings	16,241,420	(12,374,037)
Net cash from/(used in) financing activities	16,241,420	(12,374,037)
<b>Net (decrease)/increase in cash and Central Bank</b>	<b>(18,573,389)</b>	<b>920,711</b>
Translation difference	4,026,754	(4,694,825)
<b>Cash and Central Bank at the beginning of the year</b>	<b>177,385,066</b>	<b>142,263,329</b>
<b>Cash and Central Bank at the end of the three months</b>	<b>162,838,431</b>	<b>138,489,215</b>



# Banka Kombetare Tregtare sh.a.

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

At 31 March 2011 and 31 December 2010, the registered share capital was USD 84,622,200 divided into 6,852,000 shares with a nominal value of USD 12.35, while the shareholding structure was as follows:

	31 March 2011			31 December 2010		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	6,852,000	84,622,200	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.

## 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.

# Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2011  
(amounts in USD, unless otherwise stated)

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## 5. Estimates (continued)

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.

During the three months ended 31 March 2011 management reassessed its estimates in respect of impairment of loans (see Note 7).

## 6. Financial risk management

During the three months ended 31 March 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 31 March 2011, an additional allowance for impairment of USD 335,037 for the three months ended 31 March 2011 (for the three months ended 31 March 2010: USD 742,771) was charged. The increase in the impairment charge is due to the increase in the non-performing loans portfolio.

## 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 31 March 2011 was 10.5 percent (for the three months ended 31 March 2010: 10.7 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 31 March 2011.

## 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 31 March 2011. ALBtelecom Sh.a., Eagle Mobile Sh.a., Aktifbank and GAP Pazarlama FZE are controlled by Calik Holding.

# Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2011  
(amounts in USD, unless otherwise stated)

## 11. Related party transactions (continued)

### Balances and transactions with shareholders and affiliates

	31 March 2011	31 December 2010
<b>Assets</b>		
<i>Placement and balances with banks:</i>		
Current accounts with Aktifbank	171,255	602,853
Placements with Aktifbank	7,229,347	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	10,005,000	-
<b>Total assets</b>	<b>17,405,602</b>	<b>9,070,175</b>
<b>Liabilities</b>		
<i>Customer deposits:</i>		
ALBtelecom Sh.a.	7,577,996	5,288,739
Eagle Mobile Sh.a.	1,353,147	2,587,800
<i>Other liabilities:</i>		
Payables to Aktifbank	7,555	171,967
<b>Total liabilities</b>	<b>8,938,698</b>	<b>8,048,506</b>
<b>Statement of comprehensive income</b>		
<i>Interest income from:</i>		
Aktifbank	61,250	289,810
Calik Holding	54,864	90,683
<i>Interest expenses for:</i>		
ALBtelecom Sh.a. and Eagle Mobile Sh.a.	(24,685)	(139,993)
<b>Fees and commissions:</b>		
Commissions charged by Aktifbank	(13,364)	(1,031,213)
Commissions from LC-s and LG-s of ALBtelecom Sh.a.	5,455	9,330
Account maintenance fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a.	170	761
<b>Net</b>	<b>83,690</b>	<b>(780,622)</b>

The deposit placed with Aktifbank earns interest of 3.5% p.a. (31 December 2010: 3.5% p.a.) and has an original maturity of one year. 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 are 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 31 March 2011 it earns interest of 6.0% p.a.

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 31 March 2011 is USD 1,260,210 (31 December 2010: USD 1,667,709).

As at 31 March 2011, the Bank has issued Letters of Guarantee and Letters of Credit of USD 676,034 (31 December 2010: USD 1,751,252) to ALBtelecom Sh.a.

# Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2011  
(amounts in USD, unless otherwise stated)

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## 11. Related party transactions (continued)

### *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:

	<b>Three-month period ended 31 March 2011</b>	<b>Three-month period ended 31 March 2010</b>
Directors	26,667	30,000
Executive officers	503,517	426,069
	<b>530,184</b>	<b>456,069</b>

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

As at 31 March 2011, the total deposits of directors held with the Bank were USD 610,912 (31 December 2010: USD 567,750), while the outstanding loans granted to directors were USD 2,168 (31 December 2010: USD 3,278).

One of the directors has opened a personal foreign exchange netting account for the amount of EUR 1.5 million (equivalent of USD 2 million) and the related fees are USD 300.

## 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.