

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 2013**

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the shareholder of Banka Kombetare Tregtare sh.a.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Banka Kombetare Tregtare sh.a. (the "Bank") as at 31 March 2013, and the related condensed consolidated interim statements of comprehensive 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 to the interim financial information. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 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

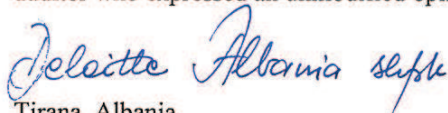
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information consists of making inquiries, primarily of persons responsible for financial and 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Bank as at 31 March 2013, and of its financial performance and its cash flows for the three month period then ended in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

Other Matter

The financial statements of the Bank for the year ended 31 December 2012, were audited by another auditor who expressed an unmodified opinion on those statements on February 26, 2013.



Tirana, Albania
April 25, 2013

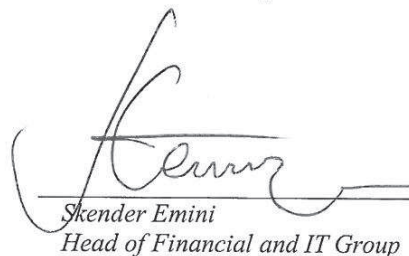
Banka Kombetare Tregtare sh.a.Condensed consolidated statement of financial position as at 31 March 2013
(amounts in USD)

	31 March 2013	31 December 2012
Assets		
Cash and balances with Central Bank	183,523,226	231,341,516
Placement and balances with banks	171,043,718	149,439,990
Treasury bills	275,263,912	266,464,865
Investment securities available-for-sale	401,291,818	369,864,054
Investment securities held-to-maturity	219,291,833	221,912,787
Loans to banks	178,312,176	192,135,941
Loans to customers, net	830,147,223	854,185,956
Investment in associates	1,682,381	-
Property and equipment, net	29,602,007	28,168,784
Intangible assets, net	1,298,345	1,514,911
Other assets	21,103,244	22,285,162
Total assets	2,312,559,883	2,337,313,966
Liabilities and equity		
Liabilities		
Customer deposits	1,851,664,472	1,884,887,955
Due to banks and financial institutions	233,305,269	239,104,842
Due to third parties	5,025,912	2,249,325
Deferred tax liabilities	2,531,798	1,978,653
Accruals and other liabilities	14,915,713	11,594,079
Subordinated debt	12,996,165	13,195,323
Total liabilities	2,120,439,329	2,153,010,177
Equity		
Share capital	138,965,905	100,000,000
Legal reserve	-	3,410,723
Translation reserve	(380,125)	394,191
Fair value reserve	3,247,788	6,845,965
Retained earnings	50,286,986	73,652,910
Total equity	192,120,554	184,303,789
Total liabilities and equity	2,312,559,883	2,337,313,966

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 25 April 2013 and signed on its behalf by:



Seyhan Pencapligil
CEO and Board Member



Skender Emini
Head of Financial and IT Group

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2013

(amounts in USD)

	Three-month period ended 31 March 2013	Three-month period ended 31 March 2012
Interest		
Interest income	37,645,452	34,403,189
Interest expense	(19,218,283)	(16,192,683)
Net interest margin	<u>18,427,169</u>	<u>18,210,506</u>
Non-interest income, net		
Fees and commissions, net	2,083,642	2,193,475
Foreign exchange revaluation gain/(loss), net	1,233,221	(1,147,142)
Profit from FX trading activities, net	114,909	850,517
Other income/(expenses), net	4,717,638	(265,316)
Total non-interest income, net	<u>8,149,410</u>	<u>1,631,534</u>
Operating expenses		
Personnel	(4,002,397)	(3,775,344)
Administrative	(4,485,471)	(4,453,434)
Depreciation and amortization	(1,295,293)	(1,213,435)
Total operating expenses	<u>(9,783,161)</u>	<u>(9,442,213)</u>
Impairment of loans	(903,041)	(634,225)
Profit before taxes	<u>15,890,377</u>	<u>9,765,602</u>
Income tax	(1,585,448)	(1,030,910)
Net profit for the period	<u>14,304,929</u>	<u>8,734,692</u>
Foreign currency translation differences	(774,316)	2,909,291
Net change in fair value reserves	(3,598,177)	4,003,609
Other comprehensive (loss)/income for the period, net of income tax	<u>(4,372,493)</u>	<u>6,912,900</u>
Total comprehensive income for the period	<u>9,932,436</u>	<u>15,647,592</u>

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 2013
(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2012	100,000,000	-	(2,748,295)	(7,222,165)	48,134,973	138,164,513
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners	-	3,409,750	-	-	(3,409,750)	-
Creation of legal reserves	-	-	-	-	(2,748,295)	(2,748,295)
Appropriation of 2011 year translation difference	-	-	-	-	1,055,486	1,055,486
Adjustment of retained earnings with March 2012 exchange rate	-	-	-	-	(5,102,559)	(1,692,809)
Total contributions by and distributions to owners	-	3,409,750	-	-	8,734,692	8,734,692
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	4,003,609	4,003,609
Other comprehensive income, net of income tax						
Net change in fair value reserve	-	-	-	4,003,609	-	4,003,609
Foreign currency translation differences	-	-	2,909,291	-	-	2,909,291
Total other comprehensive income	-	-	2,909,291	4,003,609	-	6,912,900
Total comprehensive income for the period	-	-	2,909,291	4,003,609	8,734,692	15,647,592
Balance as at 31 March 2012	100,000,000	3,409,750	160,996	(3,218,556)	51,767,106	152,119,296

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2013
(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2013	100,000,000	3,410,723	394,191	6,845,965	73,652,910	184,303,789
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Increase in share capital	38,965,905	(3,282,146)	-	-	(35,683,759)	-
Adjustment for translation of legal reserve	-	(128,577)	-	-	128,577	-
Appropriation of 2012 year translation difference	-	-	-	-	394,191	394,191
Adjustment of retained earnings with March 2013 exchange rate	-	-	-	-	(2,509,862)	(2,509,862)
Total contributions by and distributions to owners	38,965,905	(3,410,723)	-	-	(37,670,853)	(2,115,671)
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	14,304,929	14,304,929
Other comprehensive income, net of income tax						
Net change in fair value reserve	-	-	-	(3,598,177)	-	(3,598,177)
Foreign currency translation differences	-	-	(774,316)	-	-	(774,316)
Total other comprehensive income/(loss)	-	-	(774,316)	(3,598,177)	-	(4,372,493)
Total comprehensive income/(loss) for the period	-	-	(774,316)	(3,598,177)	14,304,929	9,932,436
Balance as at 31 March 2013	138,965,905	-	(380,125)	3,247,788	50,286,986	192,120,554

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2013

(amounts in USD)

	Three-month period ended 31 March 2013	Three-month period ended 31 March 2012
Cash flows from operating activities		
Profit before taxes	15,890,377	9,765,602
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Interest expense	19,218,283	16,192,683
Interest income	(37,645,452)	(34,403,189)
Depreciation and amortization	1,295,293	1,213,435
Gain on sale of property and equipment	-	(703)
Gain on sale of treasury bills	(30,118)	(37,436)
Gain on sale of non-current assets	(5,632)	(12,734)
Gain on recovery of lost loans	(4,490)	(483)
Loss on unrecoverable lost loans	-	45,468
Movement in the fair value reserve	(3,498,907)	4,127,375
Impairment of loans	903,041	634,225
Cash flows from operating profits before changes in operating assets and liabilities	(3,877,605)	(2,475,757)
Change in operating assets:		
Placements and balances with banks	(26,953,980)	1,946,172
Loans and advances to banks	8,328,220	5,459,186
Loans and advances to customers	(916,910)	(7,414,734)
Other assets	(2,701,972)	(2,942,542)
	(22,244,642)	(2,951,918)
Change in operating liabilities:		
Customer deposits	21,308,761	58,349,512
Due to third parties	2,934,940	686,467
Accruals and other liabilities	3,574,879	2,345,602
Subordinated debt	30,248	-
	27,848,828	61,381,581
Interest paid	(16,066,867)	(13,838,977)
Interest received	38,510,266	34,576,536
Income taxes paid	(1,371,529)	(664,924)
Net cash flows from operating activities	22,798,451	76,026,541
Cash flows for investing activities		
Purchases of investment securities	(45,960,511)	(86,344,453)
Purchases of treasury bills	(41,871,778)	(101,351,280)
Investment in associates	(1,735,815)	-
Purchases of property and equipment	(877,078)	(756,580)
Proceeds from sale of property and equipment	-	52,364
Proceeds from sale of treasury bills	19,544,289	17,321,059
Net cash flows used in investing activities	(70,900,893)	(171,078,890)
Cash flows from financing activities		
Proceeds from short term borrowings	1,708,801	75,501,738
Net cash flows from financing activities	1,708,801	75,501,738
Net decrease in cash and Central Bank	(46,393,641)	(19,550,611)
Translation difference	(1,424,649)	1,969,385
Cash and Central Bank at the beginning of the year	231,341,516	190,597,582
Cash and Central Bank at the end of the three months	183,523,226	173,016,356

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes 1 to 13 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 2013

(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 28 March 2012, the Bank created legal reserves of Lek 358,706 thousand (equivalent of USD 3,409,750). The remaining part of statutory profit for the year 2011 was kept as retained earnings.

Upon the Shareholder’s Decision dated 27 March 2013, the Bank increased its paid-up capital by Lek 4,258,584 thousand (equivalent of USD 38,965,904.9), using the legal reserves of Lek 358,706 thousand (equivalent of USD 3,282,145.8) and part of the retained earnings of Lek 3,899,878 thousand (equivalent of USD 35,683,759.1). The capital increase was translated into USD using the exchange rate published by Bank of Albania as at 27 March 2013 (109.29 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 3,155,134. The shareholding structure as at 31 March 2013 and 31 December 2012 was as follows:

	31 March 2013			31 December 2012		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	11,252,300	138,965,905	100	8,097,166	100,000,000.10	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 2012.

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.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2013

(amounts in USD, unless otherwise stated)

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 2012.

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 2012.

7. Financial risk management

During the three months ended 31 March 2013 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 2012.

8. 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 2012 the impairment for loan losses was USD 19,956,192. Following the assessments made by 31 March 2013, an additional allowance for impairment of USD 903,041 for the three months ended 31 March 2013 (for the three months ended 31 March 2012: USD 634,225) was charged.

9. Seasonality of operations

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

10. Income tax

The Bank's effective tax rate for the three months ended 31 March 2013 was 9.98 per cent (for the three months ended 31 March 2012: 10.56 per cent), while the income tax rate in Albania is 10%.

11. 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 2013.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2013

(amounts in USD, unless otherwise stated)

12. 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 2013. ALBtelecom Sh.a., Eagle Mobile Sh.a., Aktif Yatirim Bankasi A.S. ("Aktifbank"), GAP Pazarlama FZE, Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S are controlled by Calik Holding. Anateks Anadolu Tekstil Fab. Tic. is an entity controlled by individuals that are close members of the family of the owner of Calik Holding.

Balances and transactions with related parties

	31 March 2013	31 December 2012
Assets		
<i>Placement and balances with banks:</i>		
Current accounts with Aktifbank	175,296	78,297
<i>Investment securities available-for-sale:</i>		
Aktifbank	23,057,378	23,158,640
<i>Loans to customers:</i>		
Anateks Anadolu Tekstil Fab. Tic.	11,743,986	11,857,389
Total assets	34,976,660	35,094,326
Liabilities		
<i>Customer deposits:</i>		
ALBtelecom Sh.a.	3,170,983	3,373,026
Eagle Mobile Sh.a.	2,692	654,490
Total liabilities	3,173,675	4,027,516

	31 March 2013	31 December 2012
Commitments and contingencies		
<i>Guarantees in favour of customers:</i>		
ALBtelecom Sh.a.	-	32,607
Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S	1,281,814	1,318,753

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2013
(amounts in USD, unless otherwise stated)

12. Related party transactions (continued)

Balances and transactions with related parties (continued)

	Three-month period ended 31 March 2013	Three-month period ended 31 March 2012
Statement of comprehensive income		
<i>Interest income from:</i>		
Aktifbank	264,618	96,528
GAP Pazarlama FZE	-	177,500
Anateks Anadolu Tekstil Fab. Tic.	160,189	161,821
ALBtelecom Sh.a.	-	348
<i>Interest expenses for:</i>		
ALBtelecom Sh.a. and Eagle Mobile Sh.a.	(11,099)	(14,212)
Aktifbank	(34,418)	(2,574)
<i>Fees and commissions:</i>		
Commissions charged by Aktifbank	-	(2,774)
Letters of guarantee: ALBtelecom Sh.a., Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S	6,589	682
Account maintenance and lending fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a.	62	140
<i>Operating Expenses</i>		
ALBtelecom Sh.a., Eagle Mobile Sh.a. and Calik Holding	(259,442)	(316,675)
Net	126,499	100,784

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 2013	Three-month period ended 31 March 2012
Directors	26,667	26,667
Executive officers	488,144	484,972
	514,811	511,639

The remuneration of directors and executive officers for the year ended 31 December 2012 was USD 2,578,114.

As at 31 March 2013, the total deposits of directors held with the Bank were USD 573,868 (31 December 2012: USD 770,061), while the outstanding loans granted to directors were USD 32,205 (31 December 2012: there are no outstanding loans granted to directors).

13. 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.