

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 2020**

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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 interim statement of financial position of Banka Kombetare Tregtare Sh.a (hereafter referred as the "Bank" or the "Group") as of 31 March 2020 and the related condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with the International Financial Reporting Standards. Our responsibility is to express a conclusion on the 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 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 interim financial information and recognized the revaluation differences for the three-month period ended 31 March 2020 within net profits in the condensed consolidated interim 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 2020 would have been decreased by USD 17,756,197, retained earnings would have been decreased by USD 9,565,666 and the net profit would have been increased by USD 27,321,863 for the three-month period ended 31 March 2020. Nevertheless, this would not have affected the total shareholders' equity.

Qualified Conclusion

Based on our review, except for the possible 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 information does not give a true and fair view of the financial position of the Bank as at 31 March 2020 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

10 August 2020

Kledion Kodra, FCA



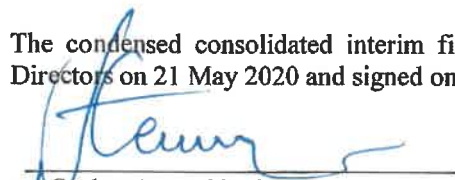
Banka Kombetare Tregtare sh.a.

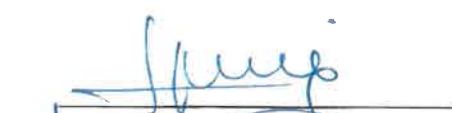
Condensed consolidated interim statement of financial position as at 31 March 2020
(amounts in USD)

	31 March 2020	31 December 2019
Assets		
Cash and balances with Central Bank	315,860,379	380,047,094
Placement and balances with banks	752,508,783	873,788,983
Investment securities	1,545,644,008	1,595,645,317
Loans to banks	249,008,223	129,313,651
Loans to customers	1,113,698,084	1,208,566,427
Investment in associates	916,953	904,121
Property and equipment	39,043,664.00	42,499,993
Right of use asset	8,757,558	9,896,345
Intangible assets	3,848,409	4,411,195
Deferred tax assets	-	2,081,927
Other assets	40,397,900	45,416,971
Total assets	4,069,683,961	4,292,572,024
Liabilities and shareholder's equity		
Liabilities		
Customer deposits	3,247,955,144	3,409,397,079
Due to banks and financial institutions	297,482,168	337,482,014
Due to third parties	4,880,686	2,372,307
Deferred tax liabilities	209,715	-
Lease liabilities	9,241,696	9,961,323
Accruals and other liabilities	22,587,129	19,776,329
Subordinated debt	27,928,422	28,085,585
Total liabilities	3,610,284,960	3,807,074,637
Shareholder's equity		
Share capital	300,000,000	300,000,000
Legal reserve	15,636,166	17,091,262
Translation reserve	(1,540,488)	571,499
Fair value reserve	16,748,899	55,556,634
Retained earnings	104,504,358	55,817,191
Net profit for the period	24,050,066	56,460,801
Total shareholder's equity	459,399,001	485,497,387
Total liabilities and shareholder's equity	4,069,683,961	4,292,572,024

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes set out in pages 6 to 10 that form part of the condensed consolidated interim financial information.

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 21 May 2020 and signed on its behalf by:


P Seyhan Pencabligil
CEO and Board Member


Skënder Emiri
Head of Finance Group

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2020

(amounts in USD)

	Three-month period ended 31 March 2020	Three-month period ended 31 March 2019
Interest		
Interest income	36,071,303	37,795,768
Interest expense	(6,537,890)	(6,822,524)
Net interest margin	29,533,413	30,973,244
Non-interest income, net		
Fees and commissions, net	5,941,311	4,577,705
Foreign exchange revaluation, net	11,044,294	3,932,594
Foreign exchange trading activities income, net	541,658	(1,696,243)
Securities trading gain, net	2,175,134	378,997
Other (expense)/income, net	(682,737)	(854,906)
Total non-interest income, net	19,019,660	6,338,147
Operating expenses		
Personnel expenses	(5,549,040)	(4,872,085)
Administrative expenses	(7,375,611)	(6,322,930)
Depreciation and amortization	(2,063,556)	(1,894,601)
Total operating expenses	(14,988,207)	(13,089,616)
Impairment of loans	(3,045,457)	(1,122,614)
Impairment of other financial instruments	(2,485,685)	(429,466)
Profit before taxes	28,033,724	22,669,695
Income tax	(3,983,658)	(3,443,115)
Net profit for the period	24,050,066	19,226,580
Foreign currency translation differences	(2,111,987)	(443,400)
Net change in fair value reserves	(38,807,735)	19,570,762
Other comprehensive income for the period, net of income tax	(40,919,722)	19,127,362
Total comprehensive income for the period	(16,869,656)	38,353,942

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes set out in pages 6 to 10 that form part of the condensed consolidated interim financial information.

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020
(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 31 December 2018	300,000,000	-	119,742	24,707,662	109,905,208	434,732,612
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Creation of legal reserve		16,627,516			(16,627,516)	-
Dividend payment					(35,000,000)	(35,000,000)
Appropriation of year 2018 translation difference	-	-	-	-	119,742	119,742
Adjustment of retained earnings with March 2019 exchange rate	-	-	-	-	(3,196,370)	(3,196,370)
<i>Total transactions with owners recorded in equity</i>	-	16,627,516	-	-	(54,704,144)	(38,076,628)
Comprehensive income for the period						
Net profit for the period	-	-	-	-	19,226,580	19,226,580
Other comprehensive income / (expense), net of income tax						
Net change in fair value reserve	-	-	-	19,570,762	-	19,570,762
Foreign currency translation differences	-	-	(443,400)	-	-	(443,400)
Total other comprehensive income	-	-	(443,400)	19,570,762	-	19,127,362
<i>Total comprehensive income for the period</i>	-	-	(443,400)	19,570,762	19,226,580	38,353,942
Balance as at 31 March 2019	300,000,000	16,627,516	(323,658)	44,278,424	74,427,644	435,009,926

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes set out in pages 6 to 10 that form part of the condensed consolidated interim financial information.

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020
(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 31 December 2019	300,000,000	17,091,262	571,499	55,556,634	112,277,992	485,497,387
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Adjustment for translation of legal reserve	-	(1,455,096)	-	-	1,455,096	-
Appropriation of year 2019 translation difference	-	-	-	-	571,499	571,499
Adjustment of retained earnings with March 2020 exchange rate	-	-	-	-	(9,800,229)	(9,800,229)
<i>Total transactions with owners recorded in equity</i>	-	<i>(1,455,096)</i>	-	-	<i>(7,773,634)</i>	<i>(9,228,730)</i>
Comprehensive income for the period						
Net profit for the period	-	-	-	-	24,050,066	24,050,066
Other comprehensive income / (expense), net of income tax						
Net change in fair value reserve	-	-	-	(38,807,735)	-	(38,807,735)
Foreign currency translation differences	-	-	(2,111,987)	-	-	(2,111,987)
Total other comprehensive income	-	-	(2,111,987)	(38,807,735)	-	(40,919,722)
<i>Total comprehensive (loss)/income for the period</i>	-	-	<i>(2,111,987)</i>	<i>(38,807,735)</i>	<i>24,050,066</i>	<i>(16,869,656)</i>
Balance as at 31 March 2020	300,000,000	15,636,166	(1,540,488)	16,748,899	128,554,424	459,399,001

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes set out in pages 6 to 10 that form part of the condensed consolidated interim financial information.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2020
(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.

As at 31 March 2020 and 31 December 2019, the registered share capital was USD 300,000,000.3 divided into 24,291,498 shares with a nominal value of USD 12.35, while the shareholding structure was as follows:

	31 March 2020			31 December 2019		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	24,291,498	300,000,000.3	100	24,291,498	300,000,000.3	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 2019.

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 2020	31 December 2019	31 March 2019
USD/LEK	118.75	108.64	111.67
EUR/LEK	130.66	121.77	125.34

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Explanatory notes as of and for the three-month period ended 31 March 2020
(amounts in USD, unless otherwise stated)

5. Going Concern

During the beginning of 2020, the pandemic of COVID-19 was spread globally. In response to the situation, in March 2020 the Government of Albania took drastic measures by suspending all activities that were not vital. Furthermore, facing the consequences of the COVID-19 Pandemic, which go far beyond the crucial element of public health, both the Government of Albania and Bank of Albania have prepared and implemented immediate measures in order to mitigate the social and economic impact of the outbreak. The government has announced a sovereign guarantee to all the business which are facing liquidity problems and will seek financing. Bank of Albania has announced that customers that will face liquidity problems can request a postponement of the settlement of their liabilities toward the Banks up to 6 months period.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

The Group considers the liquidity risk in the recovery plans, in the internal capital adequacy assessment process, setting well-defined limits on its appetite for risk. The Group determines that its capital resources are available.

The activity of the Group has continued without suspension during 2020. For the year ending 2020, the Group would expect an increase on the nonperforming loans portfolio due to the economic downturn. Following the emergence of COVID-19 pandemics, the Group has analysed and considered the macroeconomic changes to reflect the impact of COVID-19 in the calculation of the Expected Credit Loss.

During March 2020 the decline in share prices on global listed stock exchanges negatively affected the fair value of the Group's listed investments. During the period May to July, the sharp decline reversed gradually and for the year end 2020 and the Management expects a slight deviation to its budgeted figures, standing at positive results.

The Group's management has made an assessment of the Group's ability to continue as a going concern considering all the factors stated above and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Consolidated Condensed Financial Statements continue to be prepared on the going concern basis.

6. Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2019, except for the effects of applying IFRS 16.

7. Estimates

The preparation of this condensed consolidated interim financial information 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 in section 5.1, in preparing this condensed consolidated interim financial information, 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 2019.

8. Financial risk management

During the three months ended 31 March 2020 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 2019.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2020

(amounts in USD, unless otherwise stated)

9. Fair value of financial assets

The Bank's investment securities portfolio as at 31 March 2020 includes investment securities - measured at FVOCI amounting USD 1,376,854,337 (31 December 2019: USD 1,480,554,568); investment securities - measured at FVTPL amounting USD 14,977,061 (31 December 2019: USD 27,801,067) and investment securities - measured at amortised cost amounting USD 153,812,610 (31 December 2019: USD 87,289,682).

10. Impairment of financial assets

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 March 2020, the impairment for loan losses was USD 50,856,891 (31 December 2019: USD 52,368,572) and the impairment for other financial assets was USD 5,268,476 (31 December 2019: USD 3,218,847).

11. Seasonality of operations

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

12. Income tax

The Bank's effective tax rate for the three months ended 31 March 2020 was 14.21 per cent (for the three months ended 31 March 2019: 15.19 per cent), while the income tax rate in Albania is 15%.

13. 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 2020.

14. 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 2020. The ultimate controlling party is Mr. Ahmet Calik.

ALBtelecom 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.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2020
(amounts in USD, unless otherwise stated)

14. Related party transactions (continued)**Balances and transactions with related parties**

	31 March 2020	31 December 2019
Assets		
Placement and balances with banks:		
Current accounts with Aktifbank	718,449	110,864
Loans to customers:		
ALBtelecom	32,624,372	37,360,984
Albania Leasing	83,482	107,715
Other assets:		
Receivables from ALBtelecom Sh.a	10,113	10,170
Total assets	33,436,416	37,589,733
Liabilities		
Due to banks and financial institutions:		
Borrowings from Aktifbank	5,658,943	-
Customer deposits:		
Albtelecom Sh.a.	6,626,949	532,664
Albania Leasing	106,682	285,740
KEDS / KESCO	8,258,263	13,727,846
Total liabilities	20,650,837	14,546,250
	Three months period ended 31 March 2020	Three months period ended 31 March 2019
Statement of comprehensive income		
Interest income from:		
KEDS / KESCO	-	3,073
ALBtelecom Sh.a.	459,928	113,681
Albania Leasing	1,131	2,222
Aktifbank	-	694,408
Interest expenses for:		
Albtelecom Sh.a. and Eagle Mobile Sh.a.	(91)	(82)
Aktifbank	(107,520)	(550)
Fees and commissions:		
Account maintenance and lending fees from Albtelecom Sh.a. and Eagle Mobile Sh.a.	15,020	14,581
Account maintenance and lending fees from Albania Leasing	525	288
Account maintenance and lending fees from KEDS / KESCO	10,721	5,913
Letters of guarantee:		
ALBtelecom Sh.a.	342	607
Calik Enerji Sanayi Ve. Ticaret A.S	-	8,885
Other income:		
Operating lease income from ALBtelecom Sh.a.	15,578	15,758
Operating expenses:		
ALBtelecom Sh.a., Eagle Mobile Sh.a. and Calik Holding	(255,723)	(251,465)
Net	139,911	607,319

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2020
(amounts in USD, unless otherwise stated)

14. Related party transactions (continued)

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 2020	Three-month period ended 31 March 2019
Directors	285,078	24,052
Executive officers	861,660	853,239
	1,146,738	877,291

The remuneration of directors and executive officers for the year ended 31 December 2019 was USD 3,940,787.

As at 31 March 2020, the total deposits of directors held with the Bank were USD 1,821,658 (31 December 2019: USD 2,142,992), while the outstanding loans granted to directors were USD 181,477 (31 December 2019: USD 194,078).

15. 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.