

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 2010

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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, 30 April 2010

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Banka Kombetare Tregtare Sh.a. as at 31 March 2010, 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 explained in Note 2, 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 2010 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'. Share capital should be 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 effect as of 31 March 2010 would have been to increase the retained earnings and to reduce the translation reserve by USD 1,924,733. The net profit for the three-month period ended 31 March 2010 would have been increased by USD 5,860,704. This would not effect total shareholder's equity.



Qualified Conclusion

Based on our review, with the exception 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 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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Banka Kombetare Tregtare sh.a.

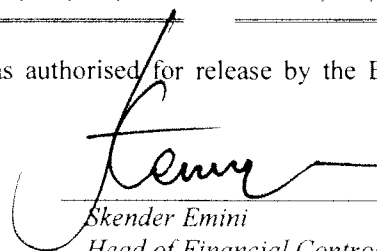
Condensed consolidated statement of financial position
as at 31 March 2010
(amounts in USD)

	31 March 2010	31 December 2009
Assets		
Cash and balances with Central Bank	138,489,215	142,263,329
Placement and balances with banks	86,668,705	132,642,747
Treasury bills	234,557,181	255,640,833
Investment securities available-for-sale	53,951,845	49,520,063
Investment securities held-to-maturity	209,981,065	194,965,671
Loans and advances to banks	73,534,592	45,487,888
Loans and advances to customers	478,512,212	494,271,286
Property and equipment	17,244,227	19,371,484
Intangible assets	1,400,049	1,518,375
Non - current assets held for sale	1,525,101	1,297,477
Other assets	2,910,372	3,062,500
Total assets	1,298,774,564	1,340,041,653
Liabilities and shareholder's equity		
Liabilities		
Customer deposits	1,130,441,117	1,167,146,858
Due to banks	52,333,252	69,175,055
Due to third parties	3,080,241	456,415
Deferred tax liabilities	810,979	736,954
Accruals and other liabilities	11,122,676	7,855,717
Total liabilities	1,197,788,265	1,245,370,999
Shareholder's equity		
Share capital	84,622,200	78,299,000
Translation reserve	(194,879)	(209,293)
Fair value reserve	1,500,398	56,674
Retained earnings	15,058,580	16,524,273
Total shareholder's equity	100,986,299	94,670,654
Total liabilities and shareholder's equity	1,298,774,564	1,340,041,653

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 30 April 2010 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 2010
(amounts in USD)

	Three-month period ended 31 March 2010	Three-month period ended 31 March 2009
Interest		
Interest income	24,975,945	18,272,274
Interest expense	(12,548,958)	(10,278,633)
Net interest margin	12,426,987	7,993,641
Non-interest income, net		
Fees and commissions, net	1,362,435	1,110,004
Foreign exchange revaluation gain, net	1,269,602	2,265,511
Profit from FX trading activities, net	434,842	477,012
Other income, net	68,237	22,413
Total non-interest income, net	3,135,116	3,874,940
Operating expenses		
Personnel	(3,160,747)	(2,840,824)
Administrative	(3,584,525)	(2,887,354)
Depreciation and amortization	(1,055,803)	(907,918)
Total operating expenses	(7,801,075)	(6,636,096)
Impairment of loans	(742,771)	(1,024,019)
Profit before taxes	7,018,257	4,208,466
Income tax	(749,722)	(433,042)
Net profit for the period	6,268,535	3,775,424
Foreign currency translation differences	14,414	811,487
Net change in fair value reserves	1,443,724	199,643
Other comprehensive income for the period, net of income tax	1,458,138	1,011,130
Total comprehensive income for the period	7,726,673	4,786,554

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity
for the three-month period ended 31 March 2010

(amounts in USD)

	Share capital	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2009	63,400,000	(829,955)	(198,883)	21,483,347	83,854,509
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Increase in share capital	14,899,000	-	-	(14,899,000)	-
Appropriation of 2008 year translation difference	-	-	-	(829,955)	(829,955)
Adjustment of retained earnings with 2009 year end exchange rate	-	-	-	(2,273,704)	(2,273,704)
Total contributions by and distributions to owners	14,899,000	-	-	(18,002,659)	(3,103,659)
Total comprehensive income for the year					
Net profit for the year	-	-	-	13,043,585	13,043,585
Other comprehensive income, net of income tax					
Net change in fair value reserves	-	-	255,557	-	255,557
Foreign currency translation differences	-	620,662	-	-	620,662
Total other comprehensive income	-	620,662	255,557	-	876,219
Total comprehensive income for the year	-	620,662	255,557	13,043,585	13,919,804
Balance as at 31 December 2009	78,299,000	(209,293)	56,674	16,524,273	94,670,654

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity
for the three-month period ended 31 March 2010

(amounts in USD)

	Share capital	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as 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 March 2010 exchange rate	-	-	-	(1,201,735)	(1,201,735)
Total contributions by and distributions to owners	6,323,200	-	-	(7,734,228)	(1,411,028)
Total comprehensive income for the period					
Net profit for the period	-	-	-	6,268,535	6,268,535
Other comprehensive income, net of income tax					
Net change in fair value reserve	-	-	1,443,724	-	1,443,724
Foreign currency translation differences	-	14,414	-	-	14,414
Total other comprehensive income	-	14,414	1,443,724	-	1,458,138
Total comprehensive income for the period	-	14,414	1,443,724	6,268,535	7,726,673
Balance as at 31 March 2010	84,622,200	(194,879)	1,500,398	15,058,580	100,986,299

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows
for the three-month period ended 31 March 2010
(amounts in USD)

	Three-month period ended 31 March 2010	Three-month period ended 31 March 2009
Cash flows from operating activities		
Profit before taxes	7,018,257	4,208,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	12,548,958	10,278,633
Interest income	(24,975,945)	(18,272,274)
Depreciation and amortization	1,055,803	907,918
Gain on sale of property and equipment	(20,554)	(2,455)
Gain on sale of treasury bills	(19,322)	(145)
Write-off of property and equipment	2,280	-
Movement in the fair value reserve	1,492,776	178,279
Impairment of loans	742,771	1,024,019
Deferred tax asset/liability	131,483	293,322
Cash flows from operating profits before changes in operating assets and liabilities	(2,023,493)	(1,384,237)
(Increase)/decrease in operating assets:		
Placements and balances with banks	37,690,644	(32,302,943)
Loans and advances to banks	(32,194,486)	-
Loans and advances to customers	(20,339,773)	(1,633,676)
Other assets	(100,933)	(1,414,435)
	(14,944,548)	(35,351,054)
Increase/(decrease) in operating liabilities:		
Due to customers	48,144,478	5,768,923
Due to third parties	2,739,426	(554,913)
Accruals and other liabilities	3,956,362	836,088
	54,840,266	6,050,098
Interest paid	(10,989,883)	(9,662,044)
Interest received	20,183,147	16,434,614
Income taxes paid	(1,052,974)	(798,538)
Net cash flows from/(used in) operating activities	46,012,515	(24,711,161)
Cash flows from investing activities		
Purchases of investment securities	(36,642,604)	(1,541,111)
Increase in treasury bills	825,266	390,472
Purchases of property and equipment	(288,169)	(1,321,143)
Proceeds from sale of property and equipment	2,309	2,488
Proceeds from sale of treasury bills	3,385,431	98,802
Net cash used in investing activities	(32,717,767)	(2,370,492)
Cash flows from financing activities		
Proceeds from short term borrowings	(12,374,037)	19,828,422
Net cash (used in)/from financing activities	(12,374,037)	19,828,422
Net increase/(decrease) in cash and balances with Central Bank	920,711	(7,253,231)
Translation difference	(4,694,825)	(8,071,876)
Cash and Central Bank at the beginning of the year	142,263,329	137,037,501
Cash and Central Bank at the end of the three months	138,489,215	121,712,394

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2010
(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 2010, the Bank increased its paid-up capital by USD 6,323,200 (equivalent of Lek 653,249,792), using part of the retained earnings from the year 2009. The capital increase was translated into USD using the exchange rate published by Bank of Albania as at 31 March 2010 (103.31 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 512,000. The shareholding structure as at 31 March 2010 and 31 December 2009 was as follows:

	31 March 2010			31 December 2009		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	6,852,000	84,622,200	100	6,340,000	78,299,000	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 2009.

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 2009.

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 2010
(amounts in USD, unless otherwise stated)

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 2009.

During the three months ended 31 March 2010 management reassessed its estimates in respect of impairment of loans (see Note 7).

6. Financial risk management

During the three months ended 31 March 2010 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 2009.

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 2009 the impairment for loan losses was USD 10,923,741. Following the assessments made by 31 March 2010, an additional allowance for impairment of USD 742,771 for the three months ended 31 March 2010 (for the three months ended 31 March 2009: USD 1,024,019) 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 2010 was 10.7 percent (for the three months ended 31 March 2009: 10.3 percent), while the income tax rate in Albania is 10%, effective from 1 January 2008.

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 2010 and 31 December 2009.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2010
(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 shareholder, directors and executive officers.

Transactions with related parties

The Bank had only one placement outstanding as at 31 March 2010, which contractual details are as follows:

Related party	Currency	Amount	Interest rate	Value date	Maturity date
Aktifbank	USD	7,000,000	5.35%	28 April 2009	28 April 2010

At 31 March 2010, the Bank had an outstanding loan of USD 10,070,660 to Huawei Technologies Albania Sh.p.k for the purpose of transferring that entity’s receivables from Eagle Mobile Sh.a. to the Bank. The Bank has the right to require the repayment of this amount from Eagle Mobile Sh.a.

The aggregate value of transactions and outstanding balances included in Customer deposits and relating to the related parties were as follows:

	31 March 2010	Net movements	31 December 2009
Alb Telecom Sh.a.	6,668,197	4,148,348	2,519,849
Eagle Mobile Sh.a.	2,467,558	(3,495,590)	5,963,148
Total	9,135,755	652,758	8,482,997

Net movements include the total deposits, withdrawals, interest and related fees between these entities and the Bank.

Transactions with directors and executive officers

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

	Three-month period ended 31 March 2010	Three-month period ended 31 March 2009
Directors	30,000	10,000
Executive officers	426,069	354,566
	456,069	364,566

The remuneration of directors and executive officers for the year ended 31 December 2009 was USD 1,965,529.

12. Post balance sheet events

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