

**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 2012**

## **Contents**

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



**KPMG Albania Sh.p.k**  
"Dëshmorët e Kombit" Blvd  
Twin Towers Buildings  
Building 1, 13th floor  
Tirana, Albania

Telephone +355(4)2274 524  
+355(4)2274 534  
Telefax +355(4)2235 534  
E-mail al-office@kpmg.com  
Internet www.kpmg.al

## Independent Auditors' Report on Review of Interim Financial Information

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

Tirana, 26 April 2012

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Banka Kombetare Tregtare sh.a. as at 31 March 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three 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.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**KPMG Albania Sh.p.k**

KPMG Albania Sh.p.k.  
"Deshmoret e Kombit" Blvd.  
Twin Towers Buildings  
Building 1, 13th floor  
Tirana, Albania

# Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of financial position as at 31 March 2012

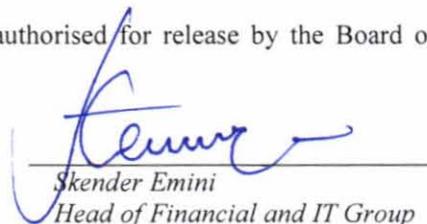
(amounts in USD)

	31 March 2012	31 December 2011
<b>Assets</b>		
Cash and balances with Central Bank	173,016,356	190,597,582
Placement and balances with banks	115,076,317	114,409,670
Treasury bills	297,619,243	209,153,101
Investment securities available-for-sale	277,197,759	143,171,647
Investment securities held-to-maturity	251,569,104	288,885,306
Loans and advances to banks	95,339,877	98,888,938
Loans and advances to customers	803,167,647	778,063,334
Property and equipment	18,821,237	18,722,658
Intangible assets	1,542,064	1,699,447
Other assets	24,209,191	21,097,162
<b>Total assets</b>	<b>2,057,558,795</b>	<b>1,864,688,845</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
Customer deposits	1,677,671,602	1,581,303,036
Due to banks and financial institutions	210,005,296	130,867,465
Due to third parties	3,778,623	3,018,872
Deferred tax liabilities	2,088,558	2,374,663
Accruals and other liabilities	11,895,420	8,960,296
<b>Total liabilities</b>	<b>1,905,439,499</b>	<b>1,726,524,332</b>
<b>Shareholder's equity</b>		
Share capital	100,000,000	100,000,000
Legal reserve	3,409,750	-
Translation reserve	160,996	(2,748,295)
Fair value reserve	(3,218,556)	(7,222,165)
Retained earnings	51,767,106	48,134,973
<b>Total shareholder's equity</b>	<b>152,119,296</b>	<b>138,164,513</b>
<b>Total liabilities and shareholder's equity</b>	<b>2,057,558,795</b>	<b>1,864,688,845</b>

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 26 April 2012 and signed on its behalf by:



Seyhan Pencapligil  
CEO and Board Member



Skender Emini  
Head of Financial and IT Group

## Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of comprehensive income for the three-month period ended  
31 March 2012  
(amounts in USD)

---

	<b>Three-month period ended 31 March 2012</b>	<b>Three-month period ended 31 March 2011</b>
Interest		
Interest income	34,403,189	26,154,029
Interest expense	<u>(16,192,683)</u>	<u>(12,851,977)</u>
Net interest margin	<b>18,210,506</b>	<b>13,302,052</b>
Non-interest income, net		
Fees and commissions, net	2,193,475	2,142,342
Foreign exchange revaluation (loss)/gain, net	(1,147,142)	(935,322)
Profit from FX trading activities, net	850,517	412,021
Other (expenses)/income, net	<u>(265,316)</u>	<u>(184,822)</u>
Total non-interest income, net	<b>1,631,534</b>	<b>1,434,219</b>
Operating expenses		
Personnel	(3,775,344)	(3,454,037)
Administrative	(4,453,434)	(3,672,291)
Depreciation and amortization	<u>(1,213,435)</u>	<u>(1,078,104)</u>
Total operating expenses	<b>(9,442,213)</b>	<b>(8,204,432)</b>
Impairment of loans	<u>(634,225)</u>	<u>(335,037)</u>
<b>Profit before taxes</b>	<b><u>9,765,602</u></b>	<b><u>6,196,802</u></b>
Income tax	<u>(1,030,910)</u>	<u>(652,784)</u>
<b>Net profit for the period</b>	<b><u>8,734,692</u></b>	<b><u>5,544,018</u></b>
Foreign currency translation differences	2,909,291	150,852
Net change in fair value reserves	4,003,609	(1,683,583)
<b>Other comprehensive income/(loss) for the period, net of income tax</b>	<b><u>6,912,900</u></b>	<b><u>(1,532,731)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>15,647,592</u></b>	<b><u>4,011,287</u></b>

## Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the three-month period ended 31 March 2012

(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 equity</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 changes in equity for the three-month period ended 31 March 2012

(amounts in USD)

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

## Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows for the three-month period ended 31 March 2012  
(amounts in USD)

	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
<b>Cash flows from operating activities</b>		
Profit before taxes	9,765,602	6,196,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	16,192,683	12,851,977
Interest income	(34,403,189)	(26,154,029)
Depreciation and amortization	1,213,435	1,078,104
Gain on sale of property and equipment	(703)	-
Gain on sale of treasury bills	(37,436)	(7,862)
Gain on sale of assets acquired through legal process	(12,734)	(589)
Gain on recovery of lost loans	(483)	-
Loss on unrecoverable lost loans	45,468	-
Movement in the fair value reserve	4,127,375	(1,650,428)
Impairment of loans	634,225	335,037
Cash flows from operating profits before changes in operating assets and liabilities	(2,475,757)	(7,350,988)
(Increase)/decrease in operating assets:		
Placements and balances with banks	1,946,172	51,587,319
Loans and advances to banks	5,459,186	(27,543,043)
Loans and advances to customers	(7,414,734)	(33,107,546)
Other assets	(2,942,542)	(1,271,955)
Increase/(decrease) in operating liabilities:		
Customer deposits	58,349,512	64,894,549
Due to third parties	686,467	3,246,156
Accruals and other liabilities	2,345,602	(254,527)
Interest paid	(13,838,977)	(11,537,033)
Interest received	34,576,536	27,242,178
Income taxes paid	(664,924)	(359,592)
<b>Net cash flows from operating activities</b>	<b>76,026,541</b>	<b>65,545,518</b>
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(86,344,453)	(47,493,903)
Purchases of treasury bills	(101,351,280)	(53,310,952)
Purchases of property and equipment	(756,580)	(493,981)
Proceeds from sale of property and equipment	52,364	-
Proceeds from sale of treasury bills	17,321,059	938,509
<b>Net cash flows used in investing activities</b>	<b>(171,078,890)</b>	<b>(100,360,327)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short term borrowings	75,501,738	16,241,420
<b>Net cash flows from financing activities</b>	<b>75,501,738</b>	<b>16,241,420</b>
<b>Net decrease in cash and Central Bank</b>	<b>(19,550,611)</b>	<b>(18,573,389)</b>
Translation difference	1,969,385	4,026,754
<b>Cash and Central Bank at the beginning of the year</b>	<b>190,597,582</b>	<b>177,385,066</b>
<b>Cash and Central Bank at the end of the three months</b>	<b>173,016,356</b>	<b>162,838,431</b>

# Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2012

(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 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.

At 31 March 2012 and 31 December 2011, the registered share capital was USD 100,000,000.10 divided into 8,097,166 shares with a nominal value of USD 12.35, while the shareholding structure was as follows:

	31 March 2012			31 December 2011		
	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	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 2011.

## 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 2011.

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.

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 2011.

## 6. Financial risk management

During the three months ended 31 March 2012 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 2011.

# Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2012

(amounts in USD, unless otherwise stated)

## 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 2011 the impairment for loan losses was USD 15,150,406. Following the assessments made by 31 March 2012, an additional allowance for impairment of USD 634,225 for the three months ended 31 March 2012 (for the three months ended 31 March 2011: USD 335,037) 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 31 March 2012 was 10.56 percent (for the three months ended 31 March 2011: 10.53 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 2012.

## 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 2012. ALBtelecom Sh.a., Eagle Mobile Sh.a., Aktifbank, GAP Pazarlama FZE, Calik Elektrik Dagitim A.S, Calik Enerji Sanayi Ve. Ticaret A.S, and Lidya Madencilik San. Ve. Tic A.S. are controlled by Calik Holding.

### *Balances and transactions with related parties*

	31 March 2012	31 December 2011
<b>Assets</b>		
<b><i>Placement and balances with banks:</i></b>		
Current accounts with Aktifbank	196,373	131,977
<b><i>Investment securities available-for-sale:</i></b>		
Aktifbank	21,728,808	-
<b><i>Loans and advances to customers:</i></b>		
ALBtelecom Sh.a.	665,747	-
GAP Pazarlama FZE	-	17,996,167
<b>Total assets</b>	<b>22,590,928</b>	<b>18,128,144</b>
<b>Liabilities</b>		
<b><i>Customer deposits:</i></b>		
ALBtelecom Sh.a.	2,277,092	759,729
Eagle Mobile Sh.a.	364,378	165,832
<b><i>Other liabilities:</i></b>		
Payables to Aktifbank	1,518	2,751
<b>Total liabilities</b>	<b>2,642,988</b>	<b>928,312</b>

# Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2012

(amounts in USD, unless otherwise stated)

## 11. Related party transactions (continued)

### *Balances and transactions with related parties (continued)*

	31 March 2012	31 December 2011
<b>Commitments and contingencies</b>		
<b>Guarantees in favour of customers:</b>		
ALBtelecom Sh.a.	1,652,851	1,725,027
Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S	2,668,821	-
<b>Guarantees received from financial institutions</b>		
Aktifbank	356,555	345,193

	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
<b>Statement of comprehensive income</b>		
<b>Interest income from:</b>		
Aktifbank	96,528	61,250
Calik Holding	-	54,864
GAP Pazarlama FZE	177,500	-
ALBtelecom Sh.a.	348	-
<b>Interest expenses for:</b>		
ALBtelecom Sh.a. and Eagle Mobile Sh.a.	(14,212)	(24,685)
Aktifbank	(2,574)	-
<b>Fees and commissions:</b>		
Commissions charged by Aktifbank	(2,774)	(13,364)
Commissions from LG-s of ALBtelecom Sh.a.	682	5,455
Account maintenance fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a.	140	170
<b>Net</b>	<b>255,638</b>	<b>83,690</b>

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, with an interest rate of 6.0% p.a., was sold to Aktifbank on 1 March 2012.

The Bank has signed an agreement with Aktifbank for consultancy services in relation to lending to companies based in Turkey, under which the Bank paid 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 2012 is USD 155,682 (31 December 2011: USD 150,721).

In January 2012, the Bank purchased from Lidya Madencilik San. Ve. Tic A.S. investment securities of USD 16.5 million, which represent equity instruments available-for-sale.

### *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:

	Three-month period ended 31 March 2012	Three-month period ended 31 March 2011
Directors	26,667	26,667
Executive officers	484,972	503,517
	<b>511,639</b>	<b>530,184</b>

The remuneration of directors and executive officers for the year ended 31 December 2011 was USD 2,623,590.

As at 31 March 2012, the total deposits of directors held with the Bank were USD 1,003,576 (31 December 2011: USD 1,183,712), while there are no outstanding loans granted to directors.

## **Banka Kombetare Tregtare sh.a.**

Explanatory notes as of and for the three-month period ended 31 March 2012  
*(amounts in USD, unless otherwise stated)*

---

### **12. Subsequent events**

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