

Banka Kombetare Tregtare sh.a.

**Independent Auditors' Review Report
and
Interim Financial Information
as at and for the nine-month period ended 30 September 2008**

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Independent Auditors' Report on Review of Interim Financial Information

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

Tirana, 27 October 2008

Introduction

We have reviewed the accompanying consolidated condensed balance sheet of Banka Kombetare Tregtare sh.a. ("the Bank") as at 30 September 2008, and the related consolidated condensed statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes (the interim financial information). Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review. The consolidated financial statements of the Bank as at and for the year ended 31 December 2007, were audited by another auditor whose report dated 14 February 2008, expressed a qualified opinion due to their disagreement as to the treatment of the share capital issued in United States Dollars as a monetary item.

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 in the interim financial information and recognized the revaluation difference during the nine-month period ended 30 September 2008 in the consolidated condensed income statement. 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, although this has no effect on total shareholders' equity, if this share capital was treated as a non-monetary item at 30 September 2008 the retained earnings would be decreased by USD 15,029,307, translation reserve would be increased by USD 11,371,263, and net profit for the nine-month period then ended would be increased by USD 3,658,044.



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 consolidated interim financial information does not give a true and fair view of the consolidated financial position of the Bank as at 30 September 2008, and of its consolidated financial performance and cash flows for the nine-month period then ended in accordance with IAS 34, 'Interim Financial Reporting'.

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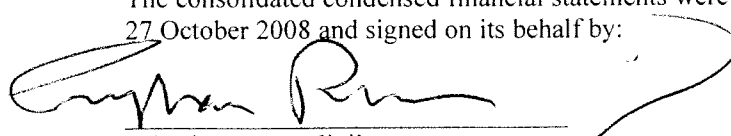
Banka Kombetare Tregtare sh.a.

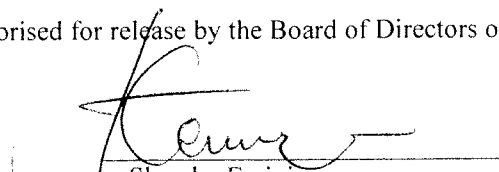
Consolidated condensed balance sheet as at 30 September 2008

(amounts in USD, unless otherwise stated)

	30 September 2008	31 December 2007
Assets		
Cash and balances with Central Bank	138,955,243	156,677,902
Placement and balances with banks	280,160,544	218,311,284
Treasury bills	251,806,693	251,938,823
Investment securities available-for-sale	11,826,437	12,215,324
Investment securities held-to-maturity	204,636,135	193,725,179
Loans and advances to customers	371,101,248	337,642,482
Property and equipment	14,802,797	14,109,572
Intangible assets	525,497	755,009
Non - current assets held for sale	954,147	487,377
Due from third parties	-	10,483,713
Other assets	5,648,476	3,330,019
Total assets	1,280,417,217	1,199,676,684
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	1,189,810,873	1,126,547,952
Due to banks	1,493,987	2,214,031
Due to third parties	2,635,619	-
Deferred tax liabilities	155,768	78,463
Accruals and other liabilities	6,754,371	6,269,306
Total liabilities	1,200,850,618	1,135,109,752
Shareholders' equity		
Share capital	63,400,000	44,700,000
Translation difference	(984,385)	1,503,706
Fair value reserves	121,175	-
Retained earnings	1,974,095	1,107,471
Net profit for the period	15,055,714	17,255,755
Total shareholders' equity	79,566,599	64,566,932
Total liabilities and shareholders' equity	1,280,417,217	1,199,676,684

The consolidated condensed financial statements were authorised for release by the Board of Directors on 27 October 2008 and signed on its behalf by:


Seyhan Pencapligil
CEO and Board Member


Skender Emini
Head of Financial Control

Banka Kombetare Tregtare sh.a.

Consolidated condensed income statement for the nine-month and three-month periods ended
30 September 2008 and 2007
(amounts in USD, unless otherwise stated)

	Nine-month period ended 30 September 2008	Three-month period ended 30 September 2008	Nine-month period ended 30 September 2007	Three-month period ended 30 September 2007
Interest				
Interest income	69,683,451	23,612,408	49,662,181	18,423,635
Interest expense	(36,792,034)	(12,795,081)	(22,706,941)	(8,587,376)
Net interest margin	32,891,417	10,817,327	26,955,240	9,836,259
Non-interest income, net				
Fees and commissions, net	4,068,581	1,572,982	2,947,952	1,111,525
Foreign exchange revaluation gain (loss), net	819,364	1,591,875	(714,032)	(233,800)
Profit from FX trading activities, net	1,822,231	602,645	1,305,176	540,209
Other income, net	3,392	13,058	53,838	16,455
Total non-interest income, net	6,713,568	3,780,560	3,592,934	1,434,389
Operating expenses				
Personnel	(8,236,732)	(2,981,577)	(6,169,252)	(2,120,693)
Administrative	(8,388,712)	(2,934,265)	(5,353,486)	(1,959,309)
Depreciation and amortization	(2,380,946)	(847,022)	(1,744,672)	(646,422)
Total operating expenses	(19,006,390)	(6,762,864)	(13,267,410)	(4,726,424)
Impairment of loans	(3,867,343)	(1,282,896)	(1,302,475)	(991,803)
Profit before taxes	16,731,252	6,552,127	15,978,289	5,552,421
Income tax expense	(1,675,538)	(683,673)	(3,231,054)	(1,076,986)
Net profit for the period	15,055,714	5,868,454	12,747,235	4,475,435

Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of changes in equity for the nine-month period ended 30 September 2008

(amounts in USD, unless otherwise stated)

	Share capital	Translation difference	Reserves	Fair value reserves	Retained earnings	Net profit for the period	Total
Balance as of 1 January 2007	33,000,000	450,372	229,877	-	(62,012)	11,908,991	45,527,228
Appropriation of prior year net profit	-	-	-	-	11,908,991	(11,908,991)	-
Increase in share capital	11,700,000	-	(232,820)	-	(11,467,180)	-	-
Adjustment of retained earnings with 2007 September end exchange rate	-	-	-	-	226,439	-	226,439
Adjustment of reserves with 2007 September end exchange rate	-	-	2,943	-	-	-	2,943
Net profit for the period	-	-	-	-	-	12,747,235	12,747,235
Appropriation of 2006 year translation difference	-	(450,372)	-	-	450,372	-	-
Translation difference for the period	-	840,743	-	-	-	-	840,743
Balance as of 30 September 2007	44,700,000	840,743	-	-	1,056,610	12,747,235	59,344,588
Adjustment of retained earnings with 2007 December end exchange rate	-	-	-	-	50,861	-	50,861
Net profit for the period	-	-	-	-	-	4,508,520	4,508,520
Translation difference for the period	-	662,963	-	-	-	-	662,963
Balance as of 31 December 2007	44,700,000	1,503,706	-	-	1,107,471	17,255,755	64,566,932
Appropriation of prior year net profit	-	-	-	-	17,255,755	(17,255,755)	-
Increase in share capital	18,700,000	-	-	-	(18,700,000)	-	-
Adjustment of retained earnings with 2008 September end exchange rate	-	-	-	-	807,163	-	807,163
Movement in fair value reserves	-	-	-	121,175	-	-	121,175
Net profit for the period	-	-	-	-	-	15,055,714	15,055,714
Appropriation of 2007 year translation difference	-	(1,503,706)	-	-	1,503,706	-	-
Translation difference for the period	-	(984,385)	-	-	-	-	(984,385)
Balance as of 30 September 2008	63,400,000	(984,385)	-	121,175	1,974,095	15,055,714	79,566,599

Banka Kombetare Tregtare sh.a.

Consolidated condensed cash flow statement for the nine month periods ended
30 September 2008 and 2007
(amounts in USD, unless otherwise stated)

	Nine-month period ended 30 September 2008	Nine-month period ended 30 September 2007
Cash flows from operating activities		
Profit before taxes	16,731,252	15,978,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	36,792,034	22,706,941
Interest income	(69,683,451)	(49,662,181)
Depreciation and amortization	2,380,946	1,744,672
Gain (loss) on sale of property and equipment	(4,235)	(4,321)
Gain (loss) on sale of treasury bills	(15,215)	(14,548)
Write-off of property and equipment	40,324	45
Impairment of loans	3,867,343	1,302,475
Deferred tax asset/liability	86,162	149,472
Movement in the fair value reserve	129,736	-
Cash flows from operating profits before changes in operating assets and liabilities	(9,675,104)	(7,799,156)
(Increase)/decrease in operating assets:		
Placements and balances with banks	(75,183,363)	(58,221,257)
Loans and advances to customers	(53,724,034)	(45,719,072)
Other assets	7,623,752	(1,209,255)
	(121,283,645)	(105,149,584)
Increase/(decrease) in operating liabilities:		
Due to customers	111,733,998	109,909,603
Due to third parties	2,821,825	4,246,751
Accruals and other liabilities	1,068,386	914,762
	115,624,209	115,071,116
Interest paid	(32,061,893)	(18,859,389)
Interest received	64,188,804	44,608,752
Income taxes paid	(1,953,396)	(2,495,678)
Net cash flows from operating activities	14,838,975	25,376,061
Cash flows from investing activities		
Purchases of investment securities	(18,136,868)	(25,367,667)
(Increase)/decrease of treasury bills	(16,608,074)	3,488,866
Purchases of property and equipment	(3,606,087)	(3,051,270)
Proceeds from sale of property and equipment	49,576	4,470
Proceeds from sale of treasury bills	8,273,692	7,869,717
Net cash used in investing activities	(30,027,761)	(17,055,884)
Cash flows from financing activities		
Proceeds from/(repayment of) short term borrowings	(675,432)	6,563,596
Net cash from/(used in) financing activities	(675,432)	6,563,596
Net (decrease)/increase in cash and cash equivalents	(15,864,218)	14,883,773
Translation difference	(1,858,441)	6,202,028
Cash and cash equivalents at the beginning of the year	156,677,902	105,268,862
Cash and cash equivalents at the end of the nine months	138,955,243	126,354,663

Banka Kombetare Tregtare sh.a.

Notes to the consolidated condensed financial statements as of and for the nine-month period ended
30 September 2008
(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.

3. Statement of compliance

These consolidated condensed 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 2007.

4. Significant accounting policies

The accounting policies applied by the Bank in these consolidated condensed 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 2007.

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 consolidated condensed 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 consolidated condensed 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 consolidated financial statements as at and for the year ended 31 December 2007.

During the nine months ended 30 September 2008 management reassessed its estimates in respect of impairment of loans (see Note 8).

Banka Kombetare Tregtare sh.a.

Notes to the condensed interim financial statements as of and for the nine-month period ended
30 September 2008
(amounts in USD, unless otherwise stated)

6. Financial risk management

During the nine months ended 30 September 2008 the Bank's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

7. Seasonality of operations

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

8. Impairment of loans

At each balance sheet 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 2007 the impairment for loan losses was USD 4,168,553. Following the assessments made by 30 September 2008, an additional allowance for impairment of USD 3,867,343 (for the nine months ended 30 September 2007: USD 1,302,475) for the nine months ended 30 September 2008 was charged. The increase in the impairment charge is due to the increase in the non-performing loans portfolio.

9. Income tax

The Bank's effective tax rate in respect for the nine months ended 30 September 2008 was 10 percent (for the nine months ended 30 September 2007: 20 percent). This change in effective tax rate was caused mainly by the decrease in the income tax rate in Albania from 20% to 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 30 September 2008 and 31 December 2007.

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, directors and executive officers.

Banka Kombetare Tregtare sh.a.

Notes to the condensed interim financial statements as of and for the nine-month period ended
30 September 2008
(amounts in USD, unless otherwise stated)

11. Related party transactions (continued)

Transactions with shareholders

The Bank had only one placement transaction with its shareholders during 2008, which contractual details are as follows:

Related party	Currency	Amount	Interest rate	Value date	Maturity date
CalikBank	USD	8,000,000	4.42%	22 April 2008	22 April 2009

Transactions with directors and executive officers

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

	Nine-month period ended 30 September 2008	Year ended 31 December 2007
Directors	30,000	42,336
Executive officers	1,049,363	1,541,002
	1,079,363	1,583,338

12. Post balance sheet events

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