

Banka Kombetare Tregtare sh.a.
Independent Auditors' Review Report
and
Condensed Consolidated Interim
Financial Information
as at and for the nine-month period
ended 30 September 2010

Contents

	Page
INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	
CONSOLIDATED INTERIM FINANCIAL INFORMATION:	
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3 - 4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5
EXPLANATORY NOTES	6 - 8



KPMG Albania Sh.p.k
"Dëshmorët e Kombit" Blvd
Twin Towers Buildings
Building 1, 13th floor
Tirana, Albania
NIPT J91619001D

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 October 2010

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Banka Kombetare Tregtare Sh.a. as at 30 September 2010, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine-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 nine-month period ended 30 September 2010 within net profit 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 30 September 2010 would have been to increase the retained earnings and to reduce the translation reserve by USD 21,930. The net profit for the nine-month period ended 30 September 2010 would have been increased by USD 4,117,509. 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 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG ALBANIA SHPK

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

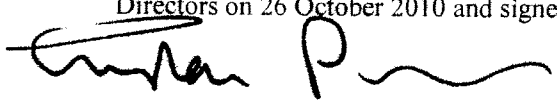
Banka Kombetare Tregtare sh.a.

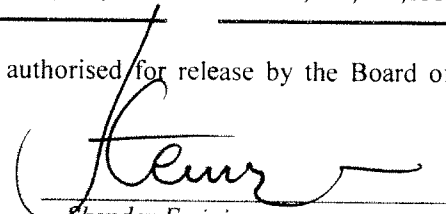
Condensed consolidated statement of financial position as at 30 September 2010

(amounts in USD)

	30 September 2010	31 December 2009
Assets		
Cash and balances with Central Bank	154,486,092	142,263,329
Placement and balances with banks	148,207,640	132,642,747
Treasury bills	235,367,926	255,640,833
Investment securities available-for-sale	63,957,857	49,520,063
Investment securities held-to-maturity	260,033,284	194,965,671
Loans and advances to banks	42,562,208	45,487,888
Loans and advances to customers	555,515,890	494,271,286
Property and equipment	16,943,305	19,371,484
Intangible assets	1,807,791	1,518,375
Non - current assets held for sale	2,499,339	1,297,477
Other assets	2,957,451	3,062,500
Total assets	1,484,338,783	1,340,041,653
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	1,296,496,750	1,167,146,858
Due to banks and financial institutions	61,118,225	69,175,055
Due to third parties	2,613,283	456,415
Deferred tax liabilities	1,455,583	736,954
Accruals and other liabilities	8,883,190	7,855,717
Total liabilities	1,370,567,031	1,245,370,999
Shareholders' equity		
Share capital	84,622,200	78,299,000
Translation reserve	411,381	(209,293)
Fair value reserve	1,304,914	56,674
Retained earnings	27,433,257	16,524,273
Total shareholders' equity	113,771,752	94,670,654
Total liabilities and shareholders' equity	1,484,338,783	1,340,041,653

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 26 October 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 nine-month and three-month periods ended 30 September 2010 and 2009

(amounts in USD)

	Nine-month period ended 30 September 2010	Three-month period ended 30 September 2010	Nine-month period ended 30 September 2009	Three-month period ended 30 September 2009
Interest				
Interest income	75,530,213	25,954,314	59,170,895	21,558,647
Interest expense	(36,783,706)	(12,411,193)	(33,400,711)	(12,194,014)
Net interest margin	38,746,507	13,543,121	25,770,184	9,364,633
Non-interest income, net				
Fees and commissions, net	3,882,342	1,519,225	3,847,436	1,313,310
Foreign exchange revaluation gain (loss), net	806,778	(1,550,061)	1,980,129	429,268
Profit from FX trading activities, net	1,415,201	510,551	1,653,362	647,635
Other income/(expense), net	(54,346)	(74,222)	(138,522)	(13,312)
Total non-interest income, net	6,049,975	405,493	7,342,405	2,376,901
Operating expenses				
Personnel	(9,117,017)	(3,090,413)	(9,146,643)	(3,266,740)
Administrative	(10,904,592)	(3,876,612)	(9,382,260)	(3,569,829)
Depreciation and amortization	(3,056,551)	(1,014,437)	(2,976,614)	(1,088,247)
Total operating expenses	(23,078,160)	(7,981,462)	(21,505,517)	(7,924,816)
Impairment of loans	(1,105,453)	536,541	(1,867,039)	(905,208)
Profit before taxes	20,612,869	6,503,693	9,740,033	2,911,510
Income tax	(2,139,657)	(719,025)	(1,019,585)	(311,584)
Net profit for the period	18,473,212	5,784,668	8,720,448	2,599,926
Foreign currency translation differences	620,674	1,364,793	1,127,438	59,411
Net change in fair value reserves	1,248,240	556,592	349,745	67,225
Other comprehensive income for the period, net of income tax	1,868,914	1,921,385	1,477,183	126,636
Total comprehensive income for the period	20,342,126	7,706,053	10,197,631	2,726,562

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of changes in equity for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 2010 exchange rate	-	-	-	(1,031,735)	(1,031,735)
Total contributions by and distributions to owners	6,323,200	-	-	(7,564,228)	(1,241,028)
Total comprehensive income for the period					
Net profit for the period	-	-	-	18,473,212	18,473,212
Other comprehensive income, net of income tax					
Net change in fair value reserve	-	-	1,248,240	-	1,248,240
Foreign currency translation differences	-	620,674	-	-	620,674
Total other comprehensive income	-	620,674	1,248,240	-	1,868,914
Total comprehensive income for the period	-	620,674	1,248,240	18,473,212	20,342,126
Balance as at 30 September 2010	84,622,200	411,381	1,304,914	27,433,257	113,771,752

Banka Kombetare Tregtare sh.a.

Condensed consolidated statement of cash flows for the nine-month period ended 30 September 2010
(amounts in USD)

	Nine-month period ended 30 September 2010	Nine-month period ended 30 September 2009
Cash flows from operating activities		
Profit before taxes	20,612,869	9,740,033
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	36,783,706	33,400,711
Interest income	(75,530,213)	(59,170,895)
Depreciation and amortization	3,056,551	2,976,614
Gain on sale of property and equipment	(21,314)	(3,262)
Gain on sale of treasury bills	(55,593)	(9,548)
Gain on recovery of lost loans	(6,613)	-
Write-off of property and equipment	2,942	1,864
Loss on unrecoverable lost loans	157,012	174,551
Movement in the fair value reserve	1,213,831	327,842
Deferred tax asset/liability	736,862	583,796
Impairment of loans	1,105,453	1,867,039
Cash flows from operating profits before changes in operating assets and liabilities	(11,944,507)	(10,111,255)
(Increase)/decrease in operating assets:		
Placements and balances with banks	(21,922,142)	(70,129,437)
Loans and advances to banks	352,651	-
Loans and advances to customers	(83,957,949)	(76,784,242)
Other assets	(2,115,396)	(1,613,520)
	(107,642,836)	(148,527,199)
Increase/(decrease) in operating liabilities:		
Customers Deposits	188,304,589	127,806,528
Due to third parties	2,116,774	1,561,821
Accruals and other liabilities	1,420,959	1,933,095
	191,842,322	131,301,444
Interest paid	(36,613,903)	(34,044,011)
Interest received	66,553,755	56,433,779
Income taxes paid	(1,317,042)	(1,549,712)
Net cash flows from/(used in) operating activities	100,877,789	(6,496,954)
Cash flows from investing activities		
Purchases of investment securities	(87,499,202)	(14,924,077)
Proceeds from/(purchases of) treasury bills	(369,634)	(1,880,157)
Purchases of property and equipment	(2,095,204)	(5,104,938)
Proceeds from sale of property and equipment	3,211	1,855
Proceeds from sale of treasury bills	8,711,104	5,036,283
Net cash used in investing activities	(81,249,725)	(16,871,034)
Cash flows from financing activities		
(Repayment of)/proceeds from short term borrowings	(4,042,146)	37,339,003
Net cash (used in)/from financing activities	(4,042,146)	37,339,003
Net increase in cash and balances with Central Bank	15,585,918	13,971,015
Translation difference	(3,363,155)	(3,869,959)
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 nine months	154,486,092	147,138,557

Banka Kombetare Tregtare sh.a.

Explanatory notes as at and for the nine-month period ended 30 September 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 statement of comprehensive income 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 30 September 2010 and 31 December 2009 was as follows:

	30 September 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 at and for the nine-month period ended 30 September 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 nine months ended 30 September 2010 management reassessed its estimates in respect of impairment of loans (see Note 7).

6. Financial risk management

During the nine months ended 30 September 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 30 September 2010, an additional allowance for impairment of USD 1,105,453 for the nine months ended 30 September 2010 (for the nine months ended 30 September 2009: USD 1,867,039) 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 in respect for the nine months ended 30 September 2010 was 10.4 percent (for the nine months ended 30 September 2009: 10.5 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 30 September 2010 and 31 December 2009.

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.

Banka Kombetare Tregtare sh.a.

Explanatory notes as at and for the nine-month period ended 30 September 2010
(amounts in USD, unless otherwise stated)

11. Related party transactions (continued)

Transactions with shareholders

The Bank had only one deposit placed with and two available-for-sale corporate bonds purchased from its shareholders outstanding as at 30 September 2010, for which contractual details are as follows:

Related party	Amount	Interest rate	Value date	Maturity date	
Aktifbank	7,000,000	3.50%	29 April 2010	26 April 2011	
	Nominal value	Coupon rate	Fair value	Maturity date	Fitch Bond Rating
Calik Holding	1,350,000	8.5%	1,252,164	March 2012	B-

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

	30 September 2010	Net movements	31 December 2009
ALBtelecom Sh.a.	11,025,419	8,505,570	2,519,849
Eagle Mobile Sh.a.	702,424	(5,260,724)	5,963,148
Total	11,727,843	3,244,846	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:

	Nine-month period ended 30 September 2010	Nine-month period ended 30 September 2009
Directors	83,325	30,000
Executive officers	1,316,754	1,146,534
	1,400,079	1,176,534

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

12. Events after the reporting period

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