

**Banka Kombetare Tregtare sh.a.**

**Independent Auditors' Review Report  
and  
Condensed Interim Financial Statements as of  
31 March 2005**

## INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying condensed interim balance sheet of Banka Kombetare Tregtare sh.a. (the "Bank") as at March 31, 2005, and the related condensed interim statements of income, changes in equity and cash flows for the three-month period then ended. These condensed interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of bank personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

As explained in Note 2, the Bank has treated its share capital issued in United States Dollars as a monetary item in the financial statements and recognized the revaluation difference during the three-month period ended March 31, 2005 in the statement of income which in our opinion, is not in accordance with International Accounting Standard 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 share capital had been treated as a non-monetary item, the reported net profit for the three-month period ended March 31, 2005 would be higher by USD 683,206 and the balance of translation reserve as at March 31, 2005 would be lower by USD 683,206.

Based on our review, except for the effect on the condensed interim financial statements of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

DELOITTE & TOUCHE D.O.O.

Ljubljana, April 20, 2005

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## Banka Kombetare Tregtare Sh.A.

Condensed Interim Balance sheets as at 31 March 2005 and 31 December 2004  
(amounts in USD, unless otherwise stated)

	31 March 2005	31 December 2004
<b>Assets</b>		
Cash and balances with Central Bank	63,023,599	65,338,886
Placement and balances with banks	74,151,100	71,298,527
Treasury bills	274,201,534	254,681,395
Investment securities	47,349,452	30,731,107
Loans and advances to customers	79,801,228	69,724,672
Property and equipment	9,690,649	10,082,719
Intangible assets	202,985	279,063
Deferred tax assets	84,389	88,497
Other assets	<u>2,882,737</u>	<u>1,523,057</u>
<b>Total assets</b>	<b><u>551,387,673</u></b>	<b><u>503,747,923</u></b>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Customer deposits	511,473,465	472,212,104
Due to banks	3,452,023	994,225
Due to third parties	5,326,597	828,530
Accruals and other liabilities	<u>4,631,858</u>	<u>4,433,452</u>
<b>Total liabilities</b>	524,883,943	478,468,311
<b>Shareholders' equity</b>		
Share capital	14,644,250	14,644,250
Translation difference	(9,494)	535,713
Reserves	984,798	1,032,741
Retained earnings	9,156,838	3,964,427
Net profit for the period	<u>1,727,338</u>	<u>5,102,481</u>
<b>Total shareholders' equity</b>	<b><u>26,503,730</u></b>	<b><u>25,279,612</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>551,387,673</u></b>	<b><u>503,747,923</u></b>

The financial statements were authorised for release by the Board of Directors on 20 April 2005.

## Banka Kombetare Tregtare Sh.A.

### Condensed Interim Income statements for the three-month periods ended 31 March 2005 and 2004

(amounts in USD, unless otherwise stated)

	<b>Three-months period ended 31 March 2005</b>	<b>Three-months period ended 31 March 2004</b>
Interest		
Interest income	8,343,936	6,698,109
Interest expense	<u>(4,113,210)</u>	<u>(3,680,378)</u>
Net interest margin	<b>4,230,726</b>	<b>3,017,731</b>
Non-interest income, net		
Fees and commissions, net	472,622	344,400
Foreign exchange revaluation loss, net	84,332	(5,759)
Profit from FX trading activities, net	258,604	220,599
Other income (expense), net	<u>13,412</u>	<u>48,142</u>
Total non-interest income, net	<b>828,970</b>	<b>607,382</b>
Operating expenses		
Personnel	(1,439,310)	(845,000)
Administrative	(942,262)	(722,570)
Depreciation and amortization	<u>(439,949)</u>	<u>(351,175)</u>
Total operating expenses	<b>(2,821,521)</b>	<b>(1,918,745)</b>
Impairment of loans	(44,612)	(30,703)
<b>Profit before taxes</b>	<b>2,193,563</b>	<b>1,675,665</b>
Income tax expense	<u>(466,225)</u>	<u>(406,692)</u>
<b>Net profit for the period</b>	<b><u>1,727,338</u></b>	<b><u>1,268,973</u></b>

## Banka Kombetare Tregtare Sh.A.

### Condensed Interim Statements of changes in equity for the three-month period ended 31 March 2005 and year ended 31 December 2004

(amounts in USD, unless otherwise stated)

	Share capital	Translation difference	Reserves	Retained earnings	Net profit for the period	Total
<b>Balance at 1 January 2004</b>	<b>14,644,250</b>	<b>495,400</b>	-	<b>(114,096)</b>	<b>3,962,265</b>	<b>18,987,819</b>
Appropriation of prior year net profit	-	-	-	3,962,265	(3,962,265)	-
Adjustment of RE with 2004 Year end exchange rate	-	-	-	653,599	-	<b>653,599</b>
Appropriation of retained earnings into reserves	-	-	1,032,741	(1,032,741)	-	-
Net profit for the year	-	-	-	-	5,102,481	<b>5,102,481</b>
Appropriation of 2003 year translation difference	-	(495,400)	-	495,400	-	-
Translation difference for the year	-	535,713	-	-	-	<b>535,713</b>
<b>Balance at 31 December 2004</b>	<b>14,644,250</b>	<b>535,713</b>	<b>1,032,741</b>	<b>3,964,427</b>	<b>5,102,481</b>	<b>25,279,612</b>
Appropriation of prior year net profit	-	-	-	5,102,481	(5,102,481)	-
Adjustment of RE with 2005 March end exchange rate	-	-	-	(493,726)	-	<b>(493,726)</b>
Adjustment of Reserves with 2005 March end exchange rate	-	-	(47,943)	47,943	-	-
Net profit for the period	-	-	-	-	1,727,338	<b>1,727,338</b>
Appropriation of 2004 year translation difference	-	(535,713)	-	535,713	-	-
Translation difference for the period	-	(9,494)	-	-	-	<b>(9,494)</b>
<b>Balance at 31 March 2005</b>	<b>14,644,250</b>	<b>(9,494)</b>	<b>984,798</b>	<b>9,156,838</b>	<b>1,727,338</b>	<b>26,503,730</b>

## Banka Kombetare Tregtare Sh.A.

### Condensed Interim Statements of cash flows for the three months ended 31 March 2005 and 2004

(amounts in USD, unless otherwise stated)

	<b>Three-months period ended 31 March 2005</b>	<b>Three-months period ended 31 March 2004</b>
<b>Cash flows from operating activities</b>		
Net profit after tax	1,727,338	1,268,973
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	439,949	351,175
Gain on sale of property and equipment	(4,380)	(106)
Gain on sale of treasury bills	(2,863)	(3,096)
Impairment of loans	<u>44,612</u>	<u>30,703</u>
Cash flows from operating profits before changes in operating assets and liabilities	2,204,656	1,647,649
(Increase)/decrease in operating assets:		
Placements and balances with banks	(6,193,067)	1,315,841
Loans and advances to customers	(13,424,107)	(7,031,553)
Other assets	<u>(1,437,486)</u>	<u>(1,236,344)</u>
	(21,054,660)	(6,952,056)
Increase/(decrease) in operating liabilities:		
Due to customers	61,486,685	28,401,492
Due to third parties	4,559,056	402,228
Accruals and other liabilities	<u>406,228</u>	<u>(791,925)</u>
	66,451,969	28,011,795
Net cash flows from operating activities	47,601,965	22,707,388
<b>Cash flows from investing activities</b>		
Purchases of investment securities	(18,134,577)	(8,926,257)
Purchases of treasury bills	(31,779,886)	(14,104,282)
Purchases of property and equipment	(452,834)	(35,861)
Proceeds from sale of property and equipment	4,323	107
Proceeds from sale of treasury bills	<u>283,891</u>	<u>929,232</u>
Net cash used in investing activities	(50,079,083)	(22,137,061)
<b>Cash flows from financing activities</b>		
Proceeds from short term borrowings	<u>2,516,385</u>	<u>2,504,630</u>
Net cash from financing activities	2,516,385	2,504,630
<b>Net increase in cash and cash equivalents</b>	<b>39,267</b>	<b>3,074,957</b>
Translation difference	(2,354,554)	1,892
<b>Cash and cash equivalents at the beginning of the year</b>	<u><b>65,338,886</b></u>	<u><b>44,824,327</b></u>
<b>Cash and cash equivalents at the end of the three months</b>	<u><b>63,023,599</b></u>	<u><b>47,901,176</b></u>

# Banka Kombetare Tregtare Sh.A.

## Notes to the Condensed Interim Financial Statements for the three-month period ended 31 March 2005

(amounts in USD, unless otherwise stated)

### 1. Basis of preparation

These condensed interim financial statements are prepared in accordance with IAS 34 *Interim Financial Reporting*. The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004. Costs that are incurred evenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such costs at the end of the financial year. These condensed interim financial statements should be read in conjunction with the 2004 annual financial statements.

### 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. 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.

#### Transactions with shareholders

The Bank did not have any related party transactions during 2005.

#### Transactions with directors and executive officers

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

	<i>Three-months period ended 31 March 2005</i>	<i>Year ended 31 December 2004</i>
Directors	10,584	39,996
Executive officers	<u>198,876</u>	<u>726,377</u>
	<u><b>209,460</b></u>	<u><b>766,373</b></u>

# **Banka Kombetare Tregtare Sh.A.**

**Notes to the financial statements for the three months ended 31 March 2004**  
*(amounts in USD, unless otherwise stated)*