

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 2014**

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the shareholder of Banka Kombetare Tregtare sh.a.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Banka Kombetare Tregtare sh.a. (the "Bank") as at March 31, 2014, and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes to the interim financial information. Management is responsible for the preparation and fair presentation of this this condensed consolidated interim financial information in accordance with International Accounting Standard 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 does not present fairly, in all material respects, the financial position of the Bank as at March 31, 2014, and its financial performance and its cash flows for the three month period then ended in accordance with International Accounting Standard 34 *Interim Financial Reporting*.



Tirana, Albania
April 29, 2014



Elvis Ziu
Engagement Partner

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of financial position as at 31 March 2014

(amounts in USD)

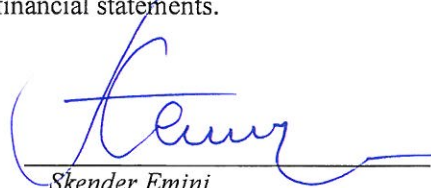
| | 31 March 2014 | 31 December 2013 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and balances with Central Bank | 243,068,614 | 237,473,002 |
| Placement and balances with banks | 218,678,716 | 201,279,874 |
| Treasury bills | 226,854,192 | 236,724,368 |
| Investment securities available-for-sale | 732,316,593 | 697,179,575 |
| Investment securities held-to-maturity | 206,130,019 | 217,755,420 |
| Loans to banks | 145,250,691 | 121,650,866 |
| Loans to customers | 841,501,705 | 886,202,417 |
| Investment in associates | 1,651,466 | 1,651,128 |
| Property and equipment | 27,575,755 | 27,942,467 |
| Intangible assets | 1,168,201 | 1,235,689 |
| Other assets | 53,650,029 | 46,647,434 |
| Total assets | 2,697,845,981 | 2,675,742,240 |
| Liabilities and shareholder's equity | | |
| Liabilities | | |
| Customer deposits | 2,174,021,271 | 2,154,265,396 |
| Due to banks and financial institutions | 263,786,256 | 278,355,823 |
| Due to third parties | 5,769,806 | 1,738,013 |
| Deferred tax liabilities | 1,210,550 | 3,264,859 |
| Accruals and other liabilities | 15,255,287 | 9,355,434 |
| Subordinated debt | 13,984,645 | 13,796,864 |
| Total liabilities | 2,474,027,815 | 2,460,776,389 |
| Shareholder's equity | | |
| Share capital | 138,965,905 | 138,965,905 |
| Legal reserve | 7,355,870 | - |
| Translation reserve | (4,539) | 1,140,491 |
| Fair value reserve | (5,221,379) | (3,196,237) |
| Retained earnings | 82,722,309 | 78,055,692 |
| Total shareholder's equity | 223,818,166 | 214,965,851 |
| Total liabilities and shareholder's equity | 2,697,845,981 | 2,675,742,240 |

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 29 April 2014 and signed on its behalf by:

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.



Seyhan Pencabliligil
CEO and Board Member



Skender Emini
Head of Financial and IT Group

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2014
(amounts in USD)

| | Three-month period ended 31 March 2014 | Three-month period ended 31 March 2013 |
|---|---|---|
| Interest | | |
| Interest income | 38,149,585 | 37,645,452 |
| Interest expense | (16,224,738) | (19,218,283) |
| Net interest margin | 21,924,847 | 18,427,169 |
| Non-interest income, net | | |
| Fees and commissions, net | 3,429,438 | 2,083,642 |
| Foreign exchange (FX) revaluation gain, net | 45,085 | 1,233,221 |
| (Loss)/profit from FX trading activities, net | (1,502,890) | 114,909 |
| Other income, net | 1,380,569 | 4,717,638 |
| Total non-interest income, net | 3,352,202 | 8,149,410 |
| Operating expenses | | |
| Personnel | (4,472,580) | (4,002,397) |
| Administrative | (4,767,334) | (4,485,471) |
| Depreciation and amortization | (1,261,063) | (1,295,293) |
| Total operating expenses | (10,500,977) | (9,783,161) |
| Impairment of loans | (1,055,643) | (903,041) |
| Profit before taxes | 13,720,429 | 15,890,377 |
| Income tax | (2,828,908) | (1,585,448) |
| Net profit for the period | 10,891,521 | 14,304,929 |
| Foreign currency translation differences | (1,145,030) | (774,316) |
| Net change in fair value reserves | (2,025,142) | (3,598,177) |
| Other comprehensive loss for the period, net of income tax | (3,170,172) | (4,372,493) |
| Total comprehensive income for the period | 7,721,349 | 9,932,436 |

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2014

(amounts in USD)

| | Share capital | Legal reserve | Translation reserve | Fair value reserve | Retained earnings | Total |
|---|----------------------|----------------------|----------------------------|---------------------------|--------------------------|--------------------|
| Balance as at 1 January 2013 | 100,000,000 | 3,410,723 | 394,191 | 6,845,965 | 73,652,910 | 184,303,789 |
| Transactions with owners recorded directly in equity | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Increase in share capital | 38,965,905 | (3,282,146) | - | - | (35,683,759) | - |
| Adjustment for translation of legal reserve | | (128,577) | | | 128,577 | - |
| Appropriation of 2012 year translation difference | - | - | - | - | 394,191 | 394,191 |
| Adjustment of retained earnings with March 2013 exchange rate | - | - | - | - | (2,509,862) | (2,509,862) |
| Total contributions by and distributions to owners | 38,965,905 | (3,410,723) | - | - | (37,670,853) | (2,115,671) |
| Total comprehensive income for the period | | | | | | |
| Net profit for the period | - | - | - | - | 14,304,929 | 14,304,929 |
| Other comprehensive income, net of income tax | | | | | | |
| Net change in fair value reserve | - | - | - | (3,598,177) | - | (3,598,177) |
| Foreign currency translation differences | - | - | (774,316) | - | - | (774,316) |
| Total other comprehensive income/(loss) | - | - | (774,316) | (3,598,177) | - | (4,372,493) |
| Total comprehensive income/(loss) for the period | - | - | (774,316) | (3,598,177) | 14,304,929 | 9,932,436 |
| Balance as at 31 March 2013 | 138,965,905 | - | (380,125) | 3,247,788 | 50,286,986 | 192,120,554 |

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2014

(amounts in USD)

| | Share capital | Legal reserve | Translation reserve | Fair value reserve | Retained earnings | Total |
|---|--------------------------|--------------------------|--------------------------------|-------------------------------|------------------------------|--------------------|
| Balance as at 1 January 2014 | 138,965,905 | - | 1,140,491 | (3,196,237) | 78,055,692 | 214,965,851 |
| Transactions with owners recorded directly in equity | | | | | | |
| Contributions by and distributions to owners | | | | | | |
| Creation of legal reserve | - | 7,355,870 | - | - | (7,355,870) | - |
| Appropriation of 2013 year translation difference | - | - | - | - | 1,140,491 | 1,140,491 |
| Adjustment of retained earnings with March 2014 exchange rate | - | - | - | - | (9,525) | (9,525) |
| Total contributions by and distributions to owners | - | 7,355,870 | - | - | (6,224,904) | 1,130,966 |
| Total comprehensive income for the period | | | | | | |
| Net profit for the period | - | - | - | - | 10,891,521 | 10,891,521 |
| Other comprehensive income, net of income tax | | | | | | |
| Net change in fair value reserve | - | - | - | (2,025,142) | - | (2,025,142) |
| Foreign currency translation differences | - | - | (1,145,030) | - | - | (1,145,030) |
| Total other comprehensive loss | - | - | (1,145,030) | (2,025,142) | - | (3,170,172) |
| Total comprehensive income/(loss) for the period | - | - | (1,145,030) | (2,025,142) | 10,891,521 | 7,721,349 |
| Balance as at 31 March 2014 | 138,965,905 | 7,355,870 | (4,539) | (5,221,379) | 82,722,309 | 223,818,166 |

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2014

(amounts in USD)

| | Three-month period ended 31 March 2014 | Three-month period ended 31 March 2013 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before taxes | 13,720,429 | 15,890,377 |
| <i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i> | | |
| Interest expense | 16,224,738 | 19,218,283 |
| Interest income | (38,149,585) | (37,645,452) |
| Depreciation and amortization | 1,261,063 | 1,295,293 |
| Gain on sale of property and equipment | (638) | (334) |
| Gain on sale of treasury bills | (15,544) | (30,118) |
| Gain on sale of non-current assets | (97) | (5,632) |
| Gain on recovery of lost loans | (4,972) | (4,490) |
| Loss on unrecoverable lost loans | 120,029 | - |
| Movement in the fair value reserve | (2,014,025) | (3,498,907) |
| Impairment of loans | 1,055,643 | 903,041 |
| Cash flows from operating profits before changes in operating assets and liabilities | (7,802,959) | (3,877,939) |
| Change in operating assets: | | |
| Placements and balances with banks | (17,432,432) | (26,953,980) |
| Loans and advances to banks | (23,310,537) | 8,328,220 |
| Loans and advances to customers | 42,910,030 | (916,910) |
| Other assets | (946,358) | (2,701,972) |
| | 1,220,703 | (22,244,642) |
| Change in operating liabilities: | | |
| Customer deposits | 21,397,754 | 21,308,761 |
| Due to third parties | 4,008,308 | 2,934,940 |
| Accruals and other liabilities | 5,575,405 | 3,574,879 |
| Subordinated debt | 6,829 | 30,248 |
| | 30,988,296 | 27,848,828 |
| Interest paid | (17,139,002) | (16,066,867) |
| Interest received | 40,368,162 | 38,510,266 |
| Income taxes paid | (2,536,834) | (1,371,529) |
| Net cash flows from operating activities | 45,098,366 | 22,798,117 |
| Cash flows for investing activities | | |
| Purchases of investment securities | (20,016,812) | (45,960,511) |
| Purchases of treasury bills | (13,031,528) | (41,871,778) |
| Investment in associates | (819) | (1,735,815) |
| Purchases of property and equipment | (8,906,595) | (876,744) |
| Proceeds from sale of treasury bills | 16,936,339 | 19,544,289 |
| Net cash flows used in investing activities | (25,019,415) | (70,900,559) |
| Cash flows from financing activities | | |
| Proceeds from short term borrowings | (14,432,189) | 1,708,801 |
| Net cash flows from financing activities | (14,432,189) | 1,708,801 |
| Net decrease in cash and Central Bank | 5,646,762 | (46,393,641) |
| Translation difference | (51,150) | (1,424,649) |
| Cash and Central Bank at the beginning of the year | 237,473,002 | 231,341,516 |
| Cash and Central Bank at the end of the three months | 243,068,614 | 183,523,226 |

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes 1 to 13 that form part of the condensed consolidated interim financial statements.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2014

(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 United States Dollars (“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 25 March 2014, the Bank created legal reserves of Lek 747,430 thousand (equivalent of USD 7,355,870). The remaining part of statutory profit for the year 2013 was kept as retained earnings.

At 31 March 2014 and 31 December 2013, the registered share capital was USD 138,965,905 divided into 11,252,300 shares with a nominal value of USD 12.35, while the shareholding structure was as follows:

| | 31 March 2014 | | | 31 December 2013 | | |
|-------------------------------|---------------|--------------|-----|------------------|--------------|-----|
| | No. of shares | Total in USD | % | No. of shares | Total in USD | % |
| Calik Finansal Hizmetler A.S. | 11,252,300 | 138,965,905 | 100 | 11,252,300 | 138,965,905 | 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 2013.

4. Functional and presentation currency

The financial statements are prepared in Albanian Lek “Lek” which is the currency of the primary economic environment in which the Bank operates (its functional currency). For reporting purposes these condensed consolidated interim financial statements are presented in USD which is the presentation currency.

The results and financial position of the Bank are translated in the presentation currency by translating (i) assets and liabilities at the closing rate at the date of that statement of financial position; and (ii) income and expenses at exchange rates at the dates of the transactions. All resulting exchange differences from the translation to the presentation currency are recognised in other comprehensive income.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2014

(amounts in USD, unless otherwise stated)

5. 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 2013.

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.

6. 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 2013.

7. Financial risk management

During the three months ended 31 March 2014 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 2013.

8. 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 2013 the impairment for loan losses was USD 26,877,329. Following the assessments made by 31 March 2014, an additional allowance for impairment of USD 1,055,643 for the three months ended 31 March 2014 (for the three months ended 31 March 2013: USD 903,041) was charged.

9. Seasonality of operations

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

10. Income tax

The Bank's effective tax rate for the three months ended 31 March 2014 was 20.62 per cent (for the three months ended 31 March 2013: 9.98 per cent). The effective income tax rate resulted above 20%, due to the impact of cumulative deferred tax liability calculated at 15% tax rate instead of 10% applied until 2013-end. The income tax rate in Albania is 15%, effective from January 1st, 2014.

11. 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 March 31, 2014 and December 31, 2013.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2014

(amounts in USD, unless otherwise stated)

12. 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 2014. The ultimate controlling party is Mr Ahmet Calik.

ALBtelecom Sh.a., Eagle Mobile Sh.a., Aktif Yatirim Bankasi A.S. (“Aktifbank”), Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S and Kosovo Electricity Distribution and Supply Company J.S.C (KEDS) are controlled by Calik Holding. Anateks Anadolu Tekstil Fab. Tic. is an entity controlled by individuals that are close members of the family of the owner of Calik Holding.

Balances and transactions with related parties

| | 31 March 2014 | 31 December 2013 |
|---|----------------------|-------------------------|
| Assets | | |
| <i>Placement and balances with banks:</i> | | |
| Current accounts with Aktifbank | 66,504 | 88,290 |
| Placements with Aktifbank | 15,857,146 | 12,054,618 |
| <i>Investment securities available-for-sale:</i> | | |
| Aktifbank | 21,212,447 | 40,852,295 |
| <i>Loans to customers:</i> | | |
| KEDS | 2,542,301 | 1,854,163 |
| <i>Other assets:</i> | | |
| Receivables from ALBtelecom Sh.a | - | 11,035 |
| Total assets | 39,678,398 | 54,860,401 |
| Liabilities | | |
| <i>Due to banks and financial institutions:</i> | | |
| Borrowings from Aktifbank | - | 11,199,412 |
| <i>Customer deposits:</i> | | |
| ALBtelecom Sh.a. | 2,999,842 | 4,112,346 |
| Eagle Mobile Sh.a. | 16 | 24 |
| <i>Other liabilities:</i> | | |
| Payables to ALBtelecom Sh.a | - | 67,793 |
| Total liabilities | 2,999,858 | 15,379,575 |
| | 31 March 2014 | 31 December 2013 |
| Commitments and contingencies | | |
| <i>Guarantees in favour of customers:</i> | | |
| KEDS | 3,648,204 | 7,163,046 |

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2014

(amounts in USD, unless otherwise stated)

12. Related party transactions (continued)

Balances and transactions with related parties (continued)

| | Three months period ended 31 March 2014 | Three months period ended 31 March 2013 |
|--|--|--|
| Statement of comprehensive income | | |
| Interest income from: | | |
| Aktifbank | 593,975 | 264,618 |
| Anateks Anadolu Tekstil Fab. Tic. | - | 160,189 |
| KEDS | 47,703 | - |
| Interest expenses for: | | |
| ALBtelecom Sh.a. and Eagle Mobile Sh.a. | (17,564) | (11,099) |
| Aktifbank | (16,960) | (34,418) |
| Fees and commissions: | | |
| Letters of guarantee: | | |
| ALBtelecom Sh.a. | 147 | - |
| Calik Elektrik Dagitim A.S and Calik Enerji Sanayi Ve. Ticaret A.S | - | 6,589 |
| KEDS | 68 | - |
| Account maintenance and lending fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a. | 384 | 62 |
| Other income: | | |
| Operating lease income from ALBtelecom Sh.a. | 22,753 | - |
| Operating expenses | | |
| ALBtelecom Sh.a., Eagle Mobile Sh.a. and Calik Holding | (289,146) | (259,442) |
| Net | 341,360 | 126,499 |

Balances and transactions with directors and executive officers

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

| | Three-month period ended 31 March 2014 | Three-month period ended 31 March 2013 |
|--------------------|---|---|
| Directors | 33,326 | 26,667 |
| Executive officers | 520,492 | 488,144 |
| | 553,818 | 514,811 |

The remuneration of directors and executive officers for the year ended 31 December 2013 was USD 2,818,291.

As at 31 March 2014, the total deposits of directors held with the Bank were USD 910,431 (31 December 2013: USD 1,015,441), while the outstanding loans granted to directors were USD 4,818 (31 December 2013: there are no outstanding loans granted to directors).

13. Subsequent events

There are no events subsequent to the reporting date that would require either adjustments or additional disclosures in the condensed consolidated interim financial information.