

Banka Kombetare Tregtare sh.a.

**Independent Auditors' Review Report
and
Consolidated Interim Financial Information
as at and for the three-month period ended 31 March 2009**

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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 April 2009

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Banka Kombetare Tregtare sh.a. ("the Bank") as at 31 March 2009, and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended (the interim financial information). Management is responsible for the preparation and 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.

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 three-month period ended 31 March 2009 in the 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 share capital had been treated as a non-monetary item, the reported profit for the three-month period ended 31 March 2009 would be higher by USD 6,900,681, the retained earnings would be lower by USD 9,186,845 and the balance of translation difference would be higher by USD 2,286,164.

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 as at 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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Consolidated condensed statement of financial position

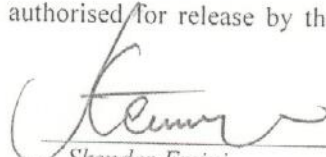
as at 31 March 2009

(amounts in USD)

	31 March 2009	31 December 2008
Assets		
Cash and balances with Central Bank	121,712,394	137,037,501
Placement and balances with banks	205,667,295	194,641,284
Treasury bills	204,958,354	230,059,221
Investment securities available-for-sale	2,086,210	5,827,116
Investment securities held-to-maturity	170,206,515	184,136,053
Loans and advances to customers	344,533,677	385,773,512
Property and equipment	17,041,913	18,701,259
Intangible assets	1,111,040	1,202,398
Non - current assets held for sale	884,510	937,541
Other assets	4,379,028	2,973,703
Total assets	1,072,580,936	1,161,289,588
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	940,349,621	1,047,954,782
Due to banks	39,171,783	21,643,509
Due to third parties	418,470	1,091,196
Deferred tax liabilities	442,056	167,338
Accruals and other liabilities	6,698,171	6,578,254
Total liabilities	987,080,101	1,077,435,079
Shareholders' equity		
Share capital	78,299,000	63,400,000
Retained earnings	3,444,119	1,939,830
Net profit for the period	3,775,424	19,543,517
Accumulated other comprehensive income	(17,708)	(1,028,838)
Total shareholders' equity	85,500,835	83,854,509
Total liabilities and shareholders' equity	1,072,580,936	1,161,289,588

The consolidated condensed interim financial information was authorised for release by the Board of Directors on 27 April 2009 and signed on its behalf by:


P. Seyhan Pencapligil
CEO and Board Member


Skender Emini
Head of Financial Control

Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of comprehensive income
for the three-month period ended 31 March 2009
(amounts in USD)

	Three-month period ended 31 March 2009	Three-month period ended 31 March 2008
Interest		
Interest income	18,272,274	22,319,538
Interest expense	(10,278,633)	(11,440,770)
Net interest margin	7,993,641	10,878,768
Non-interest income, net		
Fees and commissions, net	1,110,004	1,041,079
Foreign exchange revaluation gain (loss), net	2,265,511	(672,712)
Profit from FX trading activities, net	477,012	620,326
Other income, net	22,413	12,322
Total non-interest income, net	3,874,940	1,001,015
Operating expenses		
Personnel	(2,840,824)	(2,480,490)
Administrative	(2,887,354)	(2,420,650)
Depreciation and amortization	(907,918)	(735,975)
Total operating expenses	(6,636,096)	(5,637,115)
Impairment of loans	(1,024,019)	(1,504,214)
Profit before taxes	4,208,466	4,738,454
Income tax	(433,042)	(424,831)
Net profit for the period	3,775,424	4,313,623
Foreign currency translation differences	811,487	(1,252,784)
Net change in fair value reserves	199,643	-
Other comprehensive income for the period, net of income tax	1,011,130	(1,252,784)
Total comprehensive income for the period	4,786,554	3,060,839

Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of changes in equity
for the three-month period ended 31 March 2009
(amounts in USD)

	Share capital	Retained earnings	Accumulated other comprehensive income		Net profit for the period	Total
			Fair value reserves	Translation difference		
Balance as at 1 January 2008	44,700,000	1,107,471	-	1,503,706	17,255,755	64,566,932
Appropriation of prior year net profit	-	17,255,755	-	-	(17,255,755)	-
Adjustment of retained earnings with 2008 year end exchange rate	-	772,898	-	-	-	772,898
Increase in share capital	18,700,000	(18,700,000)	-	-	-	-
Appropriation of 2007 year translation difference	-	1,503,706	-	-	-	1,503,706
Total comprehensive income for the year	-	-	(198,883)	(2,333,661)	19,543,517	17,010,973
Balance as at 31 December 2008	63,400,000	1,939,830	(198,883)	(829,955)	19,543,517	83,854,509
Appropriation of prior year net profit	-	19,543,517	-	-	(19,543,517)	-
Adjustment of retained earnings with 31 March 2009 exchange rate	-	(2,310,273)	-	-	-	(2,310,273)
Increase in share capital	14,899,000	(14,899,000)	-	-	-	-
Appropriation of 2008 year translation difference	-	(829,955)	-	-	-	(829,955)
Total comprehensive income for the period	-	-	199,643	811,487	3,775,424	4,786,554
Balance as at 31 March 2009	78,299,000	3,444,119	760	(18,468)	3,775,424	85,500,835

Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of cash flows
for the three-month period ended 31 March 2009
(amounts in USD)

	Three-month period ended 31 March 2009	Three-month period ended 31 March 2008
Cash flows from operating activities		
Profit before taxes	4,208,466	4,738,454
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	10,278,633	11,440,770
Interest income	(18,272,274)	(22,319,538)
Depreciation and amortization	907,918	735,975
Gain (loss) on sale of property and equipment	(2,455)	292
Gain (loss) on sale of treasury bills	(145)	(1,055)
Movement in the fair value reserve	178,279	-
Impairment of loans	1,024,019	1,504,214
Deferred tax asset/liability	293,322	(52,076)
Cash flows from operating profits before changes in operating assets and liabilities	(1,384,237)	(3,952,964)
(Increase)/decrease in operating assets:		
Placements and balances with banks	(32,302,943)	(2,594,694)
Loans and advances to customers	(1,633,676)	(13,746,591)
Other assets	(1,414,435)	9,476,848
	(35,351,054)	(6,864,437)
Increase/(decrease) in operating liabilities:		
Due to customers	5,768,923	(669,940)
Due to third parties	(554,913)	4,706,516
Accruals and other liabilities	836,088	148,706
	6,050,098	4,185,282
Interest paid	(9,662,044)	(9,982,414)
Interest received	16,434,614	17,655,229
Income taxes paid	(798,538)	(460,550)
Net cash flows (used in)/ from operating activities	(24,711,161)	580,146
Cash flows from investing activities		
Purchases of (proceeds from) investment securities	(1,541,111)	246,726
Increase (decrease) in treasury bills	390,472	(25,382,130)
Purchases of property and equipment	(1,321,143)	(194,488)
Proceeds from sale of property and equipment	2,488	737
Proceeds from sale of treasury bills	98,802	1,211,437
Net cash used in investing activities	(2,370,492)	(24,117,718)
Cash flows from financing activities		
Proceeds from short term borrowings	19,828,422	861,721
Net cash from financing activities	19,828,422	861,721
Net decrease in cash and balances with Central Bank	(7,253,231)	(22,675,851)
Translation difference	(8,071,876)	5,374,824
Cash and Central Bank at the beginning of the year	137,037,501	156,677,902
Cash and Central Bank at the end of the three months	121,712,394	139,376,875

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2009
(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 Shareholders Decision dated 31 March 2009, the Bank increased its paid-up capital by USD 14,899,000 (equivalent of Lek 1,469,488,370), using part of the retained earnings from the year 2008. The capital increase was translated into USD using the exchange rate published by Bank of Albania as at 31 March 2009 (98.63 Lek per USD).

Following this increase, the number of shares and shareholding structure remained the same while the nominal value of shares increased from USD 10 per share to USD 12.35. The shareholding structure as at 31 March 2009 and 31 December 2008 was as follows:

	No. of shares	%	Total in USD	
			31 March 2009	31 December 2008
Calik Financial Services A.S.	3,804,002	60	46,979,424.70	38,040,020.00
EBRD	1,267,999	20	15,659,787.65	12,679,990.00
IFC	1,267,999	20	15,659,787.65	12,679,990.00
	6,340,000	100	78,299,000.00	63,400,000.00

3. Statement of compliance

These condensed 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 2008.

4. Significant accounting policies

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its financial statements as at and for the year ended 31 December 2008.

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.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2009
(amounts in USD, unless otherwise stated)

5. Estimates

The preparation of these consolidated condensed 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 consolidated condensed 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 2008.

During the three months ended 31 March 2009 management reassessed its estimates in respect of impairment of loans (see Note 8).

6. Financial risk management

During the three months ended 31 March 2009 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 2008.

Current developments

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Bank. The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as the development of the international financial markets, applying the best banking practices. The management based on this analyses profitability, liquidity and the cost of funds and implements adequate measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting the possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, maintaining a stable capital and liquidity position.

Market risk

These consolidated condensed financial statements are presented in USD. Albanian Lek ("Lek") is the Bank's functional currency. Assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement (including comparatives) are translated at exchange rates at the dates of the transactions.

The exchange rate at 31 March 2009 was 98.63 Lek per USD (31 December 2008: 87.91 Lek per USD), while the average exchange rate for the three-month period ended 31 March 2009 approximated 98.49 Lek per USD (31 March 2008: 82.51 Lek per USD). As a result of changes in foreign exchange rates the value of assets and liabilities presented in USD has decreased significantly in comparison with the comparatives, although the value of the same items in Lek has remained stable. Additionally, the decrease in net interest margin, during the current period reflects the current market trend.

7. 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 2008 the impairment for loan losses was USD 8,591,888. Following the assessments made by 31 March 2009, an additional allowance for impairment of USD 1,024,019 (for the three months ended 31 March 2008: USD 1,504,214) for the three months ended 31 March 2009 was charged. The increase in the impairment charge is due to the increase in the non-performing loans portfolio.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2009
(amounts in USD, unless otherwise stated)

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 three months ended 31 March 2009 was 10 percent (for the three months ended 31 March 2008: 9 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 31 March 2009 and 31 December 2008.

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.

Transactions with shareholders

The Bank had only one placement transaction with its shareholders outstanding as at 31 March 2009, which contractual details are as follows:

Related party	Currency	Amount	Interest rate	Value date	Maturity date
Aktifbank	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:

	Three-month period ended 31 March 2009	Year ended 31 December 2008
Directors	10,000	40,000
Executive officers	354,566	2,007,921
	<u>364,566</u>	<u>2,047,921</u>

The remuneration of directors and executive officers for the three-months period ended 31 March 2008 was USD 304,932.

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.