

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 2009

Contents

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



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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 2009

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Banka Kombetare Tregtare sh.a. ("the Bank") as at 30 September 2009 and the related 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 in the condensed consolidated interim financial information and recognized the revaluation difference during the nine-month period ended 30 September 2009 in the 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, 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 nine-month period ended 30 September 2009 would be higher by USD 1,580,690, the retained earnings would be lower by USD 9,861,760 and the balance of translation difference would be higher by USD 8,281,070.

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 is not prepared in all material respects in accordance with IAS 34, 'Interim Financial Reporting'

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Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of financial position as at 30 September 2009

(amounts in USD)

	30 September 2009	31 December 2008
Assets		
Cash and balances with Central Bank	147,138,557	137,037,501
Placement and balances with banks	257,087,318	194,641,284
Treasury bills	218,230,555	230,059,221
Investment securities available-for-sale	2,238,996	5,827,116
Investment securities held-to-maturity	197,176,603	184,136,053
Loans and advances to customers	448,333,526	385,773,512
Property and equipment	19,695,394	18,701,259
Intangible assets	1,562,506	1,202,398
Non - current assets held for sale	1,069,184	937,541
Other assets	4,903,732	2,973,703
Total assets	1,297,436,371	1,161,289,588
Liabilities and shareholders' equity		
Liabilities		
Customer deposits	1,134,858,514	1,047,954,782
Due to banks	59,704,438	21,643,509
Due to third parties	2,669,273	1,091,196
Deferred tax liabilities	767,604	167,338
Accruals and other liabilities	8,305,589	6,578,254
Total liabilities	1,206,305,418	1,077,435,079
Shareholders' equity		
Share capital	78,299,000	63,400,000
Retained earnings	3,663,160	1,939,830
Net profit for the period	8,720,448	19,543,517
Accumulated other comprehensive income	448,345	(1,028,838)
Total shareholders' equity	91,130,953	83,854,509
Total liabilities and shareholders' equity	1,297,436,371	1,161,289,588

The consolidated condensed interim financial information was authorised for release by the Board of Directors on 27 October 2009 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 statement of comprehensive income for the nine-month and three-month periods ended 30 September 2009 and 2008

(amounts in USD)

	Nine-month period ended 30 September 2009	Three-month period ended 30 September 2009	Nine-month period ended 30 September 2008	Three-month period ended 30 September 2008
Interest				
Interest income	59,170,895	21,558,647	69,683,451	23,612,408
Interest expense	(33,400,711)	(12,194,014)	(36,792,034)	(12,795,081)
Net interest margin	25,770,184	9,364,633	32,891,417	10,817,327
Non-interest income, net				
Fees and commissions, net	3,847,436	1,313,310	4,068,581	1,572,982
Foreign exchange revaluation gain (loss), net	1,980,129	429,268	819,364	1,591,875
Profit from FX trading activities, net	1,653,362	647,635	1,822,231	602,645
Other income, net	(138,522)	(13,312)	3,392	13,058
Total non-interest income, net	7,342,405	2,376,901	6,713,568	3,780,560
Operating expenses				
Personnel	(9,146,643)	(3,266,740)	(8,236,732)	(2,981,577)
Administrative	(9,382,260)	(3,569,829)	(8,388,712)	(2,934,265)
Depreciation and amortization	(2,976,614)	(1,088,247)	(2,380,946)	(847,022)
Total operating expenses	(21,505,517)	(7,924,816)	(19,006,390)	(6,762,864)
Impairment of loans	(1,867,039)	(905,208)	(3,867,343)	(1,282,896)
Profit before taxes	9,740,033	2,911,510	16,731,252	6,552,127
Income tax	(1,019,585)	(311,584)	(1,675,538)	(683,673)
Net profit for the period	8,720,448	2,599,926	15,055,714	5,868,454
Foreign currency translation differences	1,127,438	59,411	(2,488,091)	(1,394,526)
Net change in fair value reserves	349,745	67,225	121,175	(24,701)
Other comprehensive income for the period, net of income tax	1,477,183	126,636	(2,366,916)	(1,419,227)
Total comprehensive income for the period	10,197,631	2,726,562	12,688,798	4,449,227

Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of changes in equity for the nine-month period ended 30 September 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 30 September 2009 exchange rate	-	(2,091,232)	-	-	-	(2,091,232)
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	-	-	349,745	1,127,438	8,720,448	10,197,631
Balance as at 30 September 2009	78,299,000	3,663,160	150,862	297,483	8,720,448	91,130,953

Banka Kombetare Tregtare sh.a.

Consolidated condensed statement of cash flows for the nine-month period ended 30 September 2009
(amounts in USD)

	Nine-month period ended 30 September 2009	Nine-month period ended 30 September 2008
Cash flows from operating activities		
Profit before taxes	9,740,033	16,731,252
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense	33,400,711	36,792,034
Interest income	(59,170,895)	(69,683,451)
Depreciation and amortization	2,976,614	2,380,946
Gain on sale of property and equipment	(3,262)	(4,235)
Gain on sale of treasury bills	(9,548)	(15,215)
Write-off of property and equipment	1,864	40,324
Loss on unrecoverable lost loans	174,551	-
Movement in the fair value reserve	327,842	129,736
Impairment of loans	1,867,039	3,867,343
Deferred tax asset/liability	583,796	86,162
Cash flows from operating profits before changes in operating assets and liabilities	(10,111,255)	(9,675,104)
(Increase)/decrease in operating assets:		
Placements and balances with banks	(70,129,437)	(75,183,363)
Loans and advances to customers	(76,784,242)	(53,724,034)
Other assets	(1,613,520)	7,623,752
	(148,527,199)	(121,283,645)
Increase/(decrease) in operating liabilities:		
Due to customers	127,806,528	111,733,998
Due to third parties	1,561,821	2,821,825
Accruals and other liabilities	1,933,095	1,068,386
	131,301,444	115,624,209
Interest paid	(34,044,011)	(32,061,893)
Interest received	56,433,779	64,188,804
Income taxes paid	(1,549,712)	(1,953,396)
Net cash flows (used in)/ from operating activities	(6,496,954)	14,838,975
Cash flows from investing activities		
Purchases of/(proceeds from) investment securities	(14,924,077)	(18,136,868)
Increase/(decrease) in treasury bills	(1,880,157)	(16,608,074)
Purchases of property and equipment	(5,104,938)	(3,606,087)
Proceeds from sale of property and equipment	1,855	49,576
Proceeds from sale of treasury bills	5,036,283	8,273,692
Net cash used in investing activities	(16,871,034)	(30,027,761)
Cash flows from financing activities		
Proceeds from/(repayment of) short term borrowings	37,339,003	(675,432)
Net cash from/(used in) financing activities	37,339,003	(675,432)
Net increase/(decrease) in cash and balances with Central Bank	13,971,015	(15,864,218)
Translation difference	(3,869,959)	(1,858,441)
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 nine months	147,138,557	138,955,243

Banka Kombetare Tregtare sh.a.

Explanatory notes as at and for the nine-month period ended 30 September 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 statement of comprehensive income 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 Finansal Hizmetler A.S.	3,804,002	60	46,979,424.70	38,040,020.00
IFC	1,267,999	20	15,659,787.65	12,679,990.00
EBRD	1,267,999	20	15,659,787.65	12,679,990.00
	6,340,000	100	78,299,000.00	63,400,000.00

Additionally, upon the Shareholders Circulated Resolution effective 30 June 2009, the Bank has changed its shareholding structure through the sale of 1,267,999 shares that International Financial Corporation (IFC) owned in BKT to Calik Finansal Hizmetler A.S. and the sale of 1,267,999 of the shares that European Bank for Reconstruction and Development (EBRD) owned in BKT to Calik Finansal Hizmetler A.S.

Following the sale of the shares, the number of shares equals 6,340,000 and the nominal value of each share remained the same at USD 12.35 (2008: USD 10), while the new shareholding structure is as follows:

	30 September 2009			31 March 2009		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	6,340,000	78,299,000.00	100	3,804,002	46,979,424.70	60
IFC	-	-	-	1,267,999	15,659,787.65	20
EBRD	-	-	-	1,267,999	15,659,787.65	20
	6,340,000	78,299,000.00	100	6,340,000	78,299,000.00	100

The sale will be finalized, following the approvals by the Bank of Albania and Competition Authority.

Banka Kombetare Tregtare sh.a.

Explanatory notes as at and for the nine-month period ended 30 September 2009
(amounts in USD, unless otherwise stated)

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 consolidated 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 consolidated 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.

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 consolidated financial statements as at and for the year ended 31 December 2008.

During the nine months ended 30 September 2009 management reassessed its estimates in respect of impairment of loans (see Note 7).

6. Financial risk management

During the nine months ended 30 September 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 environment 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 bases this analysis on 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.

Banka Kombetare Tregtare sh.a.

Explanatory notes as at and for the nine-month period ended 30 September 2009
(amounts in USD, unless otherwise stated)

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 30 September 2009, an additional allowance for impairment of USD 1,867,039 (for the nine months ended 30 September 2008: USD 3,867,343) for the nine months ended 30 September 2009 was charged. The increase in the impairment for loan losses 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 2009 was 10.5 percent (for the nine months ended 30 September 2008: 10 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 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 30 September 2009, for which contractual details are as follows:

Related party	Currency	Amount	Interest rate	Value date	Maturity date
Aktifbank	USD	7,000,000	5.35%	28 April 2009	28 April 2010

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 2009	Year ended 31 December 2008
Directors	30,000	40,000
Executive officers	1,146,534	2,007,921
	<u>1,176,534</u>	<u>2,047,921</u>

The remuneration of directors and executive officers for the nine-months period ended 30 September 2008 was USD 1,079,363.

Banka Kombetare Tregtare sh.a.

Explanatory notes as at and for the nine-month period ended 30 September 2009
(amounts in USD, unless otherwise stated)

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.