

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 2015**

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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, 2015, 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 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.

Basis for Qualified Conclusion

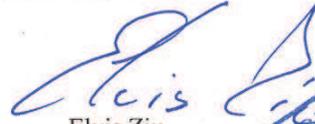
The Bank has treated its share capital issued in United States Dollar (USD) as a monetary item and recognized the revaluation differences for the three month period ended March 31, 2015 amounting USD 21,559,736 within net profits in the condensed consolidated statement of profit or loss and other comprehensive income. This treatment is not in accordance with International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" which requires share capital to be treated as a non-monetary item and carried at the exchange rate of the date of the transaction. Had the share capital been treated as a non-monetary item and carried at the exchange rates as of the dates capital contributions were made, the net profit would have been increased by USD 21,559,738 and foreign currency translation differences would have been decreased by USD 959,334 for the three month period ended March 31, 2015. Accordingly, the share capital and translation reserve as at March 31, 2015 would have been decreased respectively by USD 34,664,244 and USD 959,334 and retained earnings would have been increased by USD 14,063,843. Consequently, this would not have affected the total shareholders' equity.

Conclusion

Based on our review, except for the matter explained in basis for qualified conclusion paragraph, 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, 2015, 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*.

Deloitte Audit Albania sh.p.k.

Tirana, Albania
April 29, 2015



Elvis Ziu
Engagement Partner



Banka Kombetare Tregtare sh.a.

Condensed consolidated interim statement of financial position as at 31 March 2015

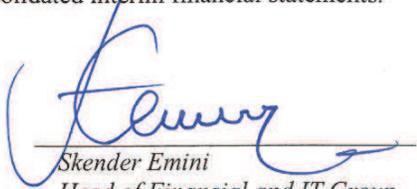
(amounts in USD)

	31 March 2015	31 December 2014
Assets		
Cash and balances with Central Bank	205,000,840	227,950,918
Placement and balances with banks	136,681,439	139,345,055
Treasury bills	208,314,730	276,418,401
Trading and available-for-sale securities	765,547,446	745,191,900
Held-to-maturity securities	163,875,542	198,822,024
Loans to banks	167,624,799	173,290,510
Loans to customers	827,004,790	920,268,253
Investment in associates	1,288,769	1,458,925
Property and equipment	20,874,867	24,183,398
Intangible assets	977,298	1,230,590
Other assets	41,476,823	44,460,622
Total assets	2,538,667,343	2,752,620,596
Liabilities and shareholder's equity		
Liabilities		
Customer deposits	1,928,669,921	2,140,818,985
Due to banks and financial institutions	313,426,725	326,914,452
Due to third parties	7,095,117	2,123,604
Deferred tax liabilities	1,702,728	1,846,611
Accruals and other liabilities	11,807,544	15,994,899
Subordinated debt	16,363,041	18,287,260
Total liabilities	2,279,065,076	2,505,985,811
Shareholder's equity		
Share capital	206,911,900	166,403,900
Legal reserve	-	-
Translation reserve	(881,251)	(3,403,714)
Fair value reserve	(506,129)	(3,835,505)
Retained earnings	54,077,747	87,470,104
Total shareholder's equity	259,602,267	246,634,785
Total liabilities and shareholder's equity	2,538,667,343	2,752,620,596

The condensed consolidated interim financial information was authorised for release by the Board of Directors on 29 April 2015 and signed on its behalf by:

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes set out in pages 7 to 10 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 2015
(amounts in USD)

	Three-month period ended 31 March 2015	Three-month period ended 31 March 2014
Interest		
Interest income	31,342,629	37,997,190
Interest expense	(9,291,693)	(16,224,738)
Net interest margin	22,050,936	21,772,452
Non-interest income, net		
Fees and commissions, net	2,631,765	3,429,438
Foreign exchange revaluation gain, net	5,340,658	45,085
Foreign exchange trading activities loss, net	(266,740)	(1,502,890)
Securities trading gain, net	3,063,071	152,395
Other income, net	318,000	1,380,569
Total non-interest income, net	11,086,754	3,504,597
Operating expenses		
Personnel expenses	(4,034,971)	(4,472,580)
Administrative expenses	(4,214,337)	(4,767,334)
Depreciation and amortization	(1,064,089)	(1,261,063)
Total operating expenses	(9,313,397)	(10,500,977)
Impairment of loans	(535,532)	(1,055,643)
Profit before taxes	23,288,761	13,720,429
Income tax	(3,483,841)	(2,828,908)
Net profit for the period	19,804,920	10,891,521
Foreign currency translation differences	2,522,463	(1,145,030)
Net change in fair value reserves	3,329,376	(2,025,142)
Other comprehensive income / (loss) for the period, net of income tax	5,851,839	(3,170,172)
Total comprehensive income for the period	25,656,759	7,721,349

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes set out in pages 7 to 10 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 2015

(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 year 2013 translation difference	-	-	-	-	1,140,491	1,140,491
Adjustment of retained earnings with March 2014 exchange rate	-	-	-	-	(9,525)	(9,525)
Total transactions with owners recorded in equity	-	7,355,870	-	-	(6,224,904)	1,130,966
Comprehensive income for the period						
Net profit for the period	-	-	-	-	10,891,521	10,891,521
Other comprehensive income / (expense), 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 expense	-	-	(1,145,030)	(2,025,142)	-	(3,170,172)
Total comprehensive income/(expense) 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 set out in pages 7 to 10 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 2015

(amounts in USD)

	Share capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance as at 1 January 2015	166,403,900	-	(3,403,714)	(3,835,505)	87,470,104	246,634,785
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Increase in share capital	40,508,000	-	-	-	(40,508,000)	-
Appropriation of year 2014 translation difference	-	-	-	-	(3,403,714)	(3,403,714)
Adjustment of retained earnings with March 2015 exchange rate	-	-	-	-	(9,285,563)	(9,285,563)
Total transactions with owners recorded in equity	40,508,000	-	-	-	(53,197,277)	(12,689,277)
Comprehensive income for the period						
Net profit for the period	-	-	-	-	19,804,920	19,804,920
Other comprehensive income / (expense), net of income tax						
Net change in fair value reserve	-	-	-	3,329,376	-	3,329,376
Foreign currency translation differences	-	-	2,522,463	-	-	2,522,463
Total other comprehensive income	-	-	2,522,463	3,329,376	-	5,851,839
Total comprehensive income for the period	-	-	2,522,463	3,329,376	19,804,920	25,656,759
Balance as at 31 March 2015	206,911,900	-	(881,251)	(506,129)	54,077,747	259,602,267

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes set out in pages 7 to 10 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 2015

(amounts in USD)

	Three-month period ended 31 March 2015	Three-month period ended 31 March 2014
Cash flows from operating activities		
Profit before taxes	23,288,761	13,720,429
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Interest expense	9,291,693	16,224,738
Interest income	(31,342,629)	(37,997,190)
Depreciation and amortization	1,064,089	1,261,063
Gain on sale of property and equipment	(1,407)	(638)
Gain on sale of treasury bills	(2,873)	(15,544)
Gain on sale of non-current assets	-	(97)
Gain on recovery of written-off loans to customers	(799)	(4,972)
Write-off of property and equipment	22,634	-
Write-off of loans to customers	-	120,029
Movement in the fair value reserve	3,015,965	(2,014,025)
Impairment of loans	535,532	1,055,643
Cash flows from operating profits before changes in operating assets and liabilities	5,870,966	(7,650,564)
Change in operating assets:		
Placements and balances with banks	(14,443,915)	(17,432,432)
Loans and advances to banks	(15,347,135)	(23,310,537)
Loans and advances to customers	(16,343,663)	42,910,030
Other assets	(2,289,178)	(946,358)
	(48,423,891)	1,220,703
Change in operating liabilities:		
Customer deposits	43,654,171	21,397,754
Due to third parties	5,473,698	4,008,308
Accruals and other liabilities	(1,961,043)	5,575,405
Subordinated debt	24,073	6,829
	47,190,899	30,988,296
Interest paid	(10,485,526)	(17,139,002)
Interest received	31,072,535	40,215,767
Income taxes paid	(3,935,516)	(2,536,834)
Net cash flows from operating activities	21,289,467	45,098,366
Cash flows for investing activities		
Purchases of investment securities	(99,496,400)	(20,016,812)
Redemptions / (purchases) of treasury bills	28,574,169	(13,031,528)
Investment in associates	(1,925)	(819)
Purchases of property and equipment	(593,244)	(8,906,595)
Proceeds from sale of property and equipment	123,608	-
Proceeds from sale of treasury bills	6,797,474	16,936,339
Net cash flows used in investing activities	(64,596,318)	(25,019,415)
Cash flows from financing activities		
Proceeds from short term borrowings	26,191,758	(14,432,189)
Net cash flows from financing activities	26,191,758	(14,432,189)
Net (decrease) / increase in cash and Central Bank	(17,115,093)	5,646,762
Translation difference	(5,834,985)	(51,150)
Cash and Central Bank at the beginning of the year	227,950,918	237,473,002
Cash and Central Bank at the end of the three months	205,000,840	243,068,614

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes set out in pages 7 to 10 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 2015

(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 26 March 2015, the Bank increased its paid-up capital by Lek 5,163,150 thousand (equivalent of USD 40,508,000), using part of the statutory net profit for the year ended December 31, 2014. The capital increase was translated into USD using the exchange rate published by Bank of Albania as at 26 March 2015 (127.46 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 3,280,000. The shareholding structure as at 31 March 2015 and 31 December 2014 was as follows:

	31 March 2015			31 December 2014		
	No. of shares	Total in USD	%	No. of shares	Total in USD	%
Calik Finansal Hizmetler A.S.	16,754,000	206,911,900	100	13,474,000	166,403,900	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 2014.

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.

The main exchange rates as at the end of each reporting period were as follows:

	31 March 2015	31 December 2014
USD/LEK	130.63	115.23
EUR/LEK	140.34	140.14

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2015

(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 2014.

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 2014.

7. Financial risk management

During the three months ended 31 March 2015 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 2014.

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 2014 the impairment for loan losses was USD 27,904,718. Following the assessments made by 31 March 2015, an additional allowance for impairment of USD 535,532 for the three months ended 31 March 2015 (for the three months ended 31 March 2014: USD 1,055,643) 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 2015 was 14.96 per cent (for the three months ended 31 March 2014: 20.62 per cent). The effective income tax rate as at 31 March 2014 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 31 March 2015.

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2015

(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 2015. The ultimate controlling party is Mr Ahmet Calik.

ALBtelecom Sh.a., Eagle Mobile Sh.a., Aktif Yatirim Bankasi A.S. (“Aktifbank”), GAP Pazarlama FZE, Gap İnşaat Yatırım ve Dış Ticaret A.Ş. and Kosovo Electricity Distribution and Supply Company J.S.C (KEDS) are controlled by Calik Holding. Asyatek San.Tic.Ltd.Sti. 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 2015	31 December 2014
Assets		
<i>Placement and balances with banks:</i>		
Current accounts with Aktifbank	178,006	124,482
<i>Loans to customers:</i>		
KEDS	1,283,668	1,651,098
ALBtelecom	4,895,910	3,710,250
GAP Pazarlama FZE	7,343,636	8,246,932
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	4,847,506	3,046,522
Asyatek San.Tic.Ltd.Sti	437,086	495,011
<i>Other assets:</i>		
Receivables from ALBtelecom Sh.a	5,243	-
Total assets	18,991,055	17,274,295
Liabilities		
<i>Due to banks and financial institutions:</i>		
Borrowings from Aktifbank	4,510,451	3,357,255
<i>Customer deposits:</i>		
ALBtelecom Sh.a.	907,660	764,618
<i>Other liabilities:</i>		
Payables to ALBtelecom Sh.a	42,991	153,106
Payables to Calik Holding	-	186,657
Total liabilities	5,461,102	4,461,636
	31 March 2015	31 December 2014
Commitments and contingencies		
<i>Guarantees in favour of customers:</i>		
KEDS	1,338,779	2,420,001

Banka Kombetare Tregtare sh.a.

Explanatory notes as of and for the three-month period ended 31 March 2015

(amounts in USD, unless otherwise stated)

12. Related party transactions (continued)

Balances and transactions with related parties (continued)

	Three months period ended 31 March 2015	Three months period ended 31 March 2014
Statement of comprehensive income		
Interest income from:		
Aktifbank	-	593,975
GAP Pazarlama FZE	109,560	-
KEDS	26,364	47,703
ALBtelecom Sh.a.	77,105	-
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	64,245	-
Asyatek San.Tic.Ltd.Sti	9,001	-
Interest expenses for:		
ALBtelecom Sh.a. and Eagle Mobile Sh.a.	(1,287)	(17,564)
Aktifbank	(38,047)	(16,960)
Fees and commissions:		
Letters of guarantee:		
ALBtelecom Sh.a.	24	147
KEDS	2,820	68
Account maintenance and lending fees from ALBtelecom Sh.a. and Eagle Mobile Sh.a.	678	384
Other income:		
Operating lease income from ALBtelecom Sh.a.	10,968	22,753
Operating expenses:		
ALBtelecom Sh.a., Eagle Mobile Sh.a. and Calik Holding	(168,076)	(289,146)
Net	93,355	341,360

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 2015	Three-month period ended 31 March 2014
Directors	28,989	33,326
Executive officers	672,193	682,992
	701,182	716,318

The remuneration of directors and executive officers for the year ended 31 December 2014 was USD 3,245,764.

As at 31 March 2015, the total deposits of directors held with the Bank were USD 882,910 (31 December 2014: USD 858,838), while the outstanding loans granted to directors were USD 123,531 (31 December 2014: USD 100,854).

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.