

CREDINS BANK SH.A.

Financial Statements as at

31 December 2005

(with independent auditor's report thereon)



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Independent Auditors' Report

To the shareholders of
Credins Bank Sh.a.

Tirana, 25 March 2006

We have audited the accompanying balance sheet of Credins Bank Sh.a. ("the Bank") as of 31 December 2005, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with the Article 38 of the Banking Law in Republic of Albania.

KPMG Albania Sh.p.k.

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Albania

CREDINS BANK SH.A.

Balance sheet as at 31 December 2005

(in Lek '000)

	Notes	31 December 2005	31 December 2004
Assets			
Cash and Central Bank	3	2,757,522	1,398,905
Due from banks	4	4,473,549	3,059,702
Investment securities	5	2,479,011	197,477
Loans and advances to customers	6	6,148,633	2,789,271
Intangible assets	7	33,473	29,941
Property and equipment	8	445,013	355,658
Other assets	9	454,718	339,196
Total assets		16,791,919	8,170,150
Liabilities			
Due to banks and other financial institutions	10	540,858	787,386
Due to customers	11	14,681,658	6,388,401
Statistical provision	6	61,235	31,957
Other liabilities	12	204,006	171,684
Subordinated debt	13	129,475	92,662
Total liabilities		15,617,232	7,472,090
Shareholder's equity			
Paid-up capital	14	1,237,745	885,487
Translation reserve	15	(138,331)	(237,007)
Retained earnings (accumulated losses)		75,273	49,580
		1,174,687	698,060
Total liabilities and shareholder's equity		16,791,919	8,170,150

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

CREDINS BANK SH.A.

Income statement for the year ended 31 December 2005

(in Lek '000)

	Notes	Year ended 31 December 2005	Year ended 31 December 2004
Interest income	16	695,581	274,789
Interest expense	17	<u>(375,710)</u>	<u>(126,214)</u>
Net interest income		319,871	148,575
Fee and commission income	18	122,041	81,474
Fee and commission expense	18	<u>(28,868)</u>	<u>(33,534)</u>
Net fee and commission income		93,173	47,940
Other income/(expenses), net		79	(339)
Profit/(losses) from foreign exchange transactions		<u>68,724</u>	<u>71,360</u>
		68,803	71,021
Provision for loan losses	6	(48,323)	(5,169)
Statistical provision	6	(27,930)	(22,741)
Amortization of intangible assets	7	(8,998)	(7,283)
Depreciation of property and equipment	8	(39,770)	(11,547)
Personnel expenses	19	(106,337)	(54,660)
Administrative expenses	20	<u>(151,106)</u>	<u>(70,406)</u>
		<u>(382,464)</u>	<u>(171,806)</u>
Profit before taxes		99,383	95,730
Income tax expense	21	<u>(24,110)</u>	<u>(18,873)</u>
Net profit for the year		<u>75,273</u>	<u>76,857</u>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

CREDINS BANK SH.A.

Statement of changes in equity for the year ended 31 December 2005

(in Lek '000)

	Paid-up capital	Translation reserve	Retained earnings (accumulated losses)	Total
Balance at 1 April 2003 (inception date)	700,000	-	-	700,000
Change in translation reserve	-	(142,000)	-	(142,000)
Increase in paid-up capital	134,078	-	-	134,078
Net loss for the period	-	-	(27,277)	(27,277)
Balance at 31 December 2003	834,078	(142,000)	(27,277)	664,801
Change in translation reserve	-	(95,007)	-	(95,007)
Increase in paid-up capital	51,409	-	-	51,409
Net profit for the year	-	-	76,857	76,857
Balance at 31 December 2004	885,487	(237,007)	49,580	698,060
Change in translation reserve	-	98,676	-	98,676
Increase in paid-up capital	302,678	-	-	302,678
Capitalisation of retained earnings	49,580	-	(49,580)	-
Net profit for the year	-	-	75,273	75,273
Balance at 31 December 2005	1,237,745	(138,331)	75,273	1,174,687

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

CREDINS BANK SH.A.

Statement of cash flows for the year ended 31 December 2005

(in Lek '000)

	Notes	31 December 2005	31 December 2004
Cash flows from operating activities			
Net profit for the period		75,273	76,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		39,770	11,547
Amortization		8,998	7,283
Provision for loan losses		76,253	27,910
Translation adjustments		98,676	(95,007)
Cash flows provided by/(used in) operating profits before changes in operating assets and liabilities		298,970	28,590
Changes in operating assets and liabilities:			
(Increase) in other assets		(115,523)	(110,299)
(Increase) in loans and advances to customers		(3,406,337)	(1,691,294)
Increase in due to customers		8,293,257	3,599,404
Increase in other liabilities		32,323	154,676
Net cash provided by operating activities		5,102,690	1,981,077
Cash flows from investing activities			
Purchases of property and equipment net of disposal		(129,126)	(329,379)
Purchases of intangible assets		(12,530)	(13,039)
Purchases of treasury bills		(2,281,534)	(197,476)
Net cash used in investing activities		(2,423,189)	(539,895)

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Statement of cash flows for the year ended 31 December 2005 (continued)

(in Lek '000)

Cash flows from financing activities

(Increase) in due from banks and statutory reserve	(908,920)	(228,726)
(Increase) in due to banks	(246,528)	700,426
Increase in subordinated debt	36,813	92,662
Proceeds from increase in share capital	302,678	51,409
Net cash provided by financing activities	<u>(815,957)</u>	<u>615,771</u>
Increase in cash and cash equivalents	1,863,544	2,056,953
Cash and cash equivalents, beginning of the period	3,586,777	1,529,824
Cash and cash equivalents, end of the period	22	3,586,777

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 22.

These financial statements have been approved by the Directors of Credins Bank Sh.a. on 24th March 2006 and signed on its behalf by:

Artan Santo
Executive Director

Valentina Prodani
Chief Accountant