

CREDINS BANK SH.A.

**Financial Statements as at**

**31 December 2004**

**(with independent auditor's report thereon)**



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### **Report of the Independent Auditor to the Shareholders of CREDINS BANK SH.A.**

We have audited the accompanying balance sheet of Credins Bank SH.A. as of 31 December 2004, and the related statements of income, changes in equity and cash flows for the period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our audit.

The financial statements of the Bank, as at 31 December 2003 and for the year then ended were audited by another auditing firm, whose report dated 15 March 2004 was unqualified.

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 includes also assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements present fairly in all material respects, the financial position of the Bank as of 31 December 2004, and of the results of its operations and its cash flows for the period then ended in accordance with Article 38 of the Banking Law of the Republic of Albania.

Without qualifying our opinion, we draw attention to note 14 to the financial statements. The Bank is not in compliance with regulation "For granting of a license to conduct banking activity in the Republic of Albania" approved upon decision no 173, dated December 1998 of the Supervisory Council of the Bank of Albania. According to this regulation, the minimum amount of initial capital required, paid in cash, in respect of a bank, shall not be less than Lek 700,000 thousand. The Bank's paid-in capital converted into Lek at the closing exchange rate as at 31 December 2004, amounts to Lek 648,480 thousand which is Lek 51,520 thousand less than the minimum capital required.

3 March 2005

KPMG Albania Sh.p.k.

Tanya Free

Partner



KPMG Albania Sh.p.k.  
a limited liability company, is a member of KPMG  
International, a Swiss nonoperating association.

# CREDINS BANK SH.A.

## Balance sheet as at 31 December 2004

(in Lek '000)

	Notes	31 December 2004	31 December 2003
<b>Assets</b>			
Cash and Central Bank	3	1,398,905	776,374
Due from banks	4	3,059,702	1,396,554
Treasury bills	5	197,477	-
Loans and advances to customers	6	2,789,271	1,127,497
Intangible assets	7	29,941	24,186
Property and equipment	8	355,658	37,826
Other assets	9	339,196	228,896
<b>Total assets</b>		<b>8,170,150</b>	<b>3,591,333</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	10	787,386	86,960
Due to customers	11	6,388,401	2,788,997
Statistical provision	6	31,957	11,274
Other liabilities	12	171,684	39,301
Subordinated debt	13	92,662	-
<b>Total liabilities</b>		<b>7,472,090</b>	<b>2,926,532</b>
<b>Shareholder's equity</b>			
Paid-up capital	14	885,487	834,078
Translation reserve	15	(237,007)	(142,000)
Retained earnings (accumulated losses)		49,580	(27,277)
		698,060	664,801
<b>Total liabilities and shareholder's equity</b>		<b>8,170,150</b>	<b>3,591,333</b>

The Bank's General Manager authorised the financial statements for issue on 1 March 2005.

*The accompanying notes are an integral part of these financial statements.*

# CREDINS BANK SH.A.

## Income statement for the year ended 31 December 2004

(in Lek '000)

	Notes	Year ended 31 December 2004	9-month period ended 31 December 2003
Interest income	16	274,789	40,913
Interest expense	17	(126,214)	(24,069)
Net interest income		148,575	16,844
Fee and commission income	18	81,474	29,364
Fee and commission expense	18	(33,534)	(114)
Net fee and commission income		47,940	29,250
Other (expenses)/income, net		(339)	46
Profit/(losses) from foreign exchange transactions		71,360	(2,440)
		71,021	2,394
Provision for loan losses	6	(5,169)	-
Statistical provision	6	(22,741)	(13,043)
Amortization of intangible assets	7	(7,283)	(962)
Depreciation of property and equipment	8	(11,547)	(3,686)
Personnel expenses	19	(54,660)	(22,788)
Administrative expenses	20	(70,406)	(30,498)
		(171,806)	(70,977)
Profit/(loss) before taxes		95,730	(27,277)
Income tax expense	21	(18,873)	-
<b>Net profit/(loss) for the year</b>		<b>76,857</b>	<b>(27,277)</b>

*The accompanying notes are an integral part of these financial statements.*

# CREDINS BANK SH.A.

## Statement of changes in equity for the year ended 31 December 2004 (in Lek '000)

	<b>Paid-up capital</b>	<b>Translation reserve</b>	<b>Retained earnings (accumulated losses)</b>	<b>Total</b>
<b>Balance at 1 April 2003 (inception date)</b>	<b>700,000</b>	-	-	<b>700,000</b>
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)
<b>Balance at 31 December 2003</b>	<b>834,078</b>	<b>(142,000)</b>	<b>(27,277)</b>	<b>664,801</b>
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
<b>Balance at 31 December 2004</b>	<b>885,487</b>	<b>(237,007)</b>	<b>49,580</b>	<b>698,060</b>

*The accompanying notes are an integral part of these financial statements.*

# CREDINS BANK SH.A.

## Statement of cash flows for the year ended 31 December 2004

(in Lek '000)

	Notes	31 December 2004	31 December 2003
<b>Cash flows from operating activities</b>			
Net profit/(loss) for the period		76,857	(27,277)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		11,547	3,686
Amortization		7,283	962
Provision for loan losses		27,910	13,043
Translation adjustments		(95,007)	(142,000)
Cash flows provided by/(used in) operating profits before changes in operating assets and liabilities		28,590	(151,586)
Changes in operating assets and liabilities:			
Decrease/(Increase) in other assets		(110,299)	(228,896)
(Increase)/decrease in loans and advances to customers		(1,691,294)	(1,140,540)
(Decrease)/increase in due to customers		3,599,404	2,788,997
Increase in other liabilities		154,676	50,575
Net cash provided by operating activities		1,981,077	1,318,550
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		(329,379)	(41,512)
Purchases of intangible assets		(13,039)	(25,148)
Purchases of treasury bills		(197,476)	-
Net cash used in investing activities		(539,895)	(66,660)
<b>Cash flows from financing activities</b>			
Increase in due from banks and statutory reserve		(228,726)	(643,104)
Increase in due to banks		700,426	86,960
Increase in subordinated debt		92,662	-
Proceeds from increase in share capital		51,409	834,078
Net cash provided by financing activities		615,771	277,934
<b>Increase (decrease) in cash and cash equivalents</b>		2,056,953	1,529,824
<b>Cash and cash equivalents, beginning of the period</b>		1,529,824	-
<b>Cash and cash equivalents, end of the period</b>	<b>22</b>	<b>3,586,777</b>	<b>1,529,824</b>

*The accompanying notes are an integral part of these financial statements.*