

**CREDINS BANK SH.A.**

**Financial Statements as at**

**31 December 2006**

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



## Independent Auditors' Report

To the Shareholders of  
Banka Credins Sh.a.

We have audited the accompanying financial statements of Banka Credins Sh.a. ("the Bank"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with article 38 of the Banking Law of the Republic of Albania. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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 comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with Article 38 of the Banking Law of the Republic of Albania.

*Emphasis of matter*

Without qualifying our opinion, we draw attention to note 13 to the financial statements. In 2006 the Bank received a special purpose financing from its shareholders to cover an impairment loss of a specific credit exposure. The Bank has recognised this special purpose financing as a liability in the balance sheet and the portion of the special fund that was used to cover the impairment loan loss provisions in the income statement for the year. As there is no clear guidance on the treatment of the special fund contributed by the shareholders in the accounting legislation applicable to Banks in Albania, the Management believes that this approach presents a fairer presentation of special financing from the shareholders of the Bank in the financial statements.

*KPMG Albania Sh.p.k.*

KPMG Albania sh.p.k.  
2 March 2007  
Deshmoret e 4 Shkurtit Str.  
Tirana  
Albania

# CREDINS BANK SH.A.

## Balance sheet as at 31 December 2006

(in Lek '000)

	Notes	31 December 2006	31 December 2005
<b>Assets</b>			
Cash and Central Bank	3	4,730,681	2,757,522
Due from banks	4	4,847,228	4,473,549
Investment securities	5	5,570,455	2,479,011
Loans and advances to customers	6	10,918,460	6,148,633
Intangible assets	7	30,903	33,473
Property and equipment	8	496,669	445,013
Other assets	9	946,026	454,718
<b>Total assets</b>		<b>27,540,422</b>	<b>16,791,919</b>
<b>Liabilities</b>			
Due to banks and other financial institutions	10	1,068,728	540,859
Due to customers	11	23,564,802	14,681,658
Statistical provision	6	111,492	61,235
Other liabilities	12	823,793	204,005
Special fund	13	48	-
Subordinated debt	14	530,120	129,475
<b>Total liabilities</b>		<b>26,098,983</b>	<b>15,617,232</b>
<b>Shareholder's equity</b>			
Paid-up capital	15	1,369,415	1,237,745
Share premiums	15	84,814	-
Translation reserve	16	(241,486)	(138,331)
Retained earnings (accumulated losses)		228,696	75,273
		1,441,439	1,174,687
<b>Total liabilities and shareholder's equity</b>		<b>27,540,422</b>	<b>16,791,919</b>

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 29.

# CREDINS BANK SH.A.

## Income statement for the year ended 31 December 2006 and for the year ended 31 December 2005

(in Lek '000)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	17	1,477,670	695,581
Interest expense	18	<u>(792,606)</u>	<u>(375,710)</u>
Net interest income		685,064	319,871
Fee and commission income	19	174,101	122,041
Fee and commission expense	19	<u>(29,637)</u>	<u>(28,868)</u>
Net fee and commission income		144,464	93,173
Other income/(expenses), net		918	79
Profit/(losses) from foreign exchange transactions		<u>107,274</u>	<u>68,724</u>
		108,192	68,803
Provision for loan losses	6	(300,693)	(48,323)
Statistical provision	6	(52,213)	(27,930)
Coverage of bad loans from the special fund	13	197,815	-
Provision on guarantees given to customers	12	(10,907)	-
Amortization of intangible assets	7	(8,936)	(8,998)
Depreciation of property and equipment	8	(57,479)	(39,770)
Personnel expenses	20	(176,992)	(106,337)
Administrative expenses	21	<u>(239,551)</u>	<u>(151,106)</u>
		(648,956)	(382,464)
Profit before taxes		288,764	99,383
Income tax expense	22	<u>(60,068)</u>	<u>(24,110)</u>
<b>Net profit for the year</b>		<b><u>228,696</u></b>	<b><u>75,273</u></b>

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 29.