CREDINS bank

ANNUAL REPORT 2014

01 MESSAGE FROM THE GENERAL DIRECTOR

02 MESSAGE FROM THE BOARD

03 CREDINS BANK'S ACTIVITY DURING 2014

TABLE OF CONTENT

Maltin KORKUTI
CEO

MESSAGE FROM THE GENERAL DIRECTOR

Dear reader,

Credins Bank is already recognised in the market as a bank that fairly competes among other banks, with the best performance in the country. Our positioning in the market directly reflects our attitude and service to the clients. We speak your language is not simply a marketing slogan, but rather the definition of our attitude towards the client's needs.

The Bank has over the years built an organisational culture marked by transparency, good corporate governance, communication with the client and close cooperation among internal structures with the aim of reaching the Bank's strategic goals.

The values making up the foundation of the organisational culture are the moral integrity, professional competence, being client-focused, community engagement and innovation. To this end, we have and continue to struggle to ensure the appropriate balance between our responsibility and accuracy of a most innovative and contemporary service provision, at no time compromising the efficiency, effectiveness and being a responsible company.

The Bank is one of the main market players, but we believe we can do more. During 2014, the Bank achieved very good results, reaching a record of ALL 385 million net profit, in a slowly developing economic environment. Our performance in 2014 as compared to 2013 indicates an increase in almost every field of our activity.

Each of our four business lines, the corporate, SME, micro and individual has contributed approximately from 5% to 70% of the profit, with the corporate segment great contribution being rather evident.

However, the SME segment has been transformed in the Bank's strategic segment, and various organisational changes have been carried out by the Bank over the years to efficiently serve this segment.

Since 2008, the Bank has also supported the micro business with products and services tailored to better serve this segment, and has continuously invested to improve its knowledge and expertise and to establish the supporting infrastructure. We offer products and services for the entire line of micro clients, including clients of very small dimensions.

The individual segment offers a great number of basic products and services through a large branches network and electronic channels. The Bank owns a satisfactory part of the market regarding the individual segment and especially the clients receiving their salary with the Bank.

I would like to point out that the Bank has adopted a clear and sustainable business model, which preserves its suitability at any period of time, a governing structure compliant with the best banking practices, guaranteeing the operational autonomy supported by a well-defined system of controls and balances. The main competencies of the Bank, its ability to make use of the existing abilities are essential for its best performance.

Our mission inherently acknowledges that people are our main competitive advantage. Therefore, the focus of our attention has continuously been the building up of strong and serious teams made up of talented people.

We are here to assure our clients, partners and shareholders, business continuity and growth in consistence with their expectations and trust.

Maltin KORKUTI
CEO

MESSAGE FROM THE BOARD

The effective corporate governance in compliance with the highest international standards is one of the Bank's priorities. During the recent years, attention to improving corporate governance practices has been growing. The Bank has adopted a good framework in this context, which includes the Board of Directors, committees at Board of Directors and Executive Managers level. Interaction between these governing bodies is vital to the success and everyday operations.

The members of the Board of Directors and the Committees of this level possess the knowledge, sufficient experience, individual competence and qualities suitable for any activities that the Bank aims to pursue, and a reasonable perception of the market forces, of the domestic and regional economy and the regulatory and legal framework.

The Bank has established a comprehensive framework for the risk management in the entire company. During 2014 a number of initiatives have been undertaken, aiming to improve risk control and management. These include the clear separation of duties and responsibilities among the risk and sales personnel, the development of special and clear procedures for each segment, and the product development, improvement of methodologies for the risk classification and evaluation, fast and flexible decision-making, better control of the structures involved.

Despite the important role of the corporate segment to the business activity and the revenues of the Bank, a number of initiatives have been recently implemented to improve the business operational performance, and therefore the client's experience.

We are optimistic that the Bank will not only preserve sustainability of the good values of its performance, but will also considerably increase its positioning as leader. We take this opportunity to thank our clients, business partners and the invaluable work of our staff that has managed to meet all our expectations over the years.


BRETT BELCHER
Member
RAIMONDA DUKA
Member
MALTIN KORKUTI
Member

BOARD OF DIRECTORS

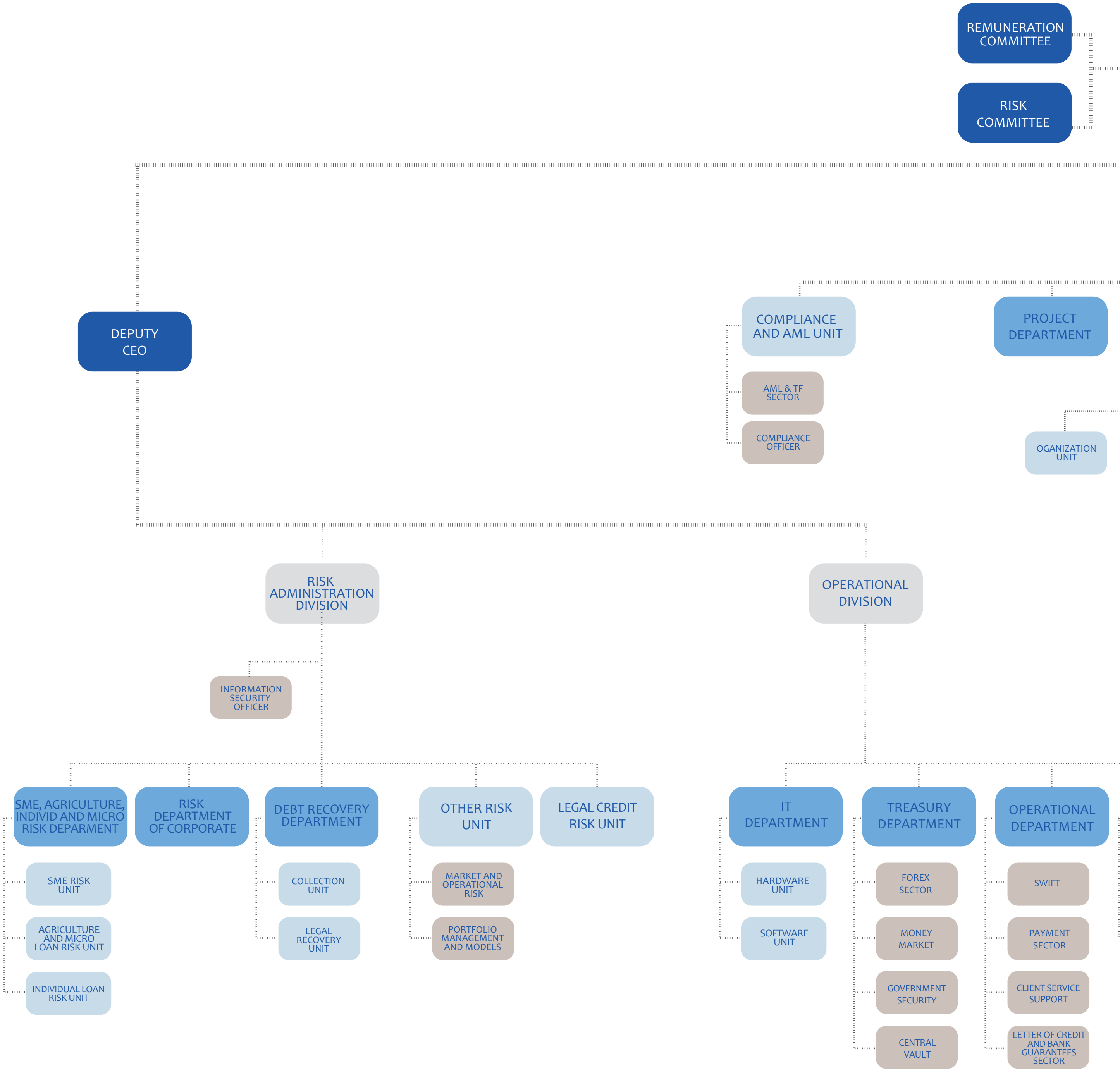
SAJMIR SALLAKU
Chairman

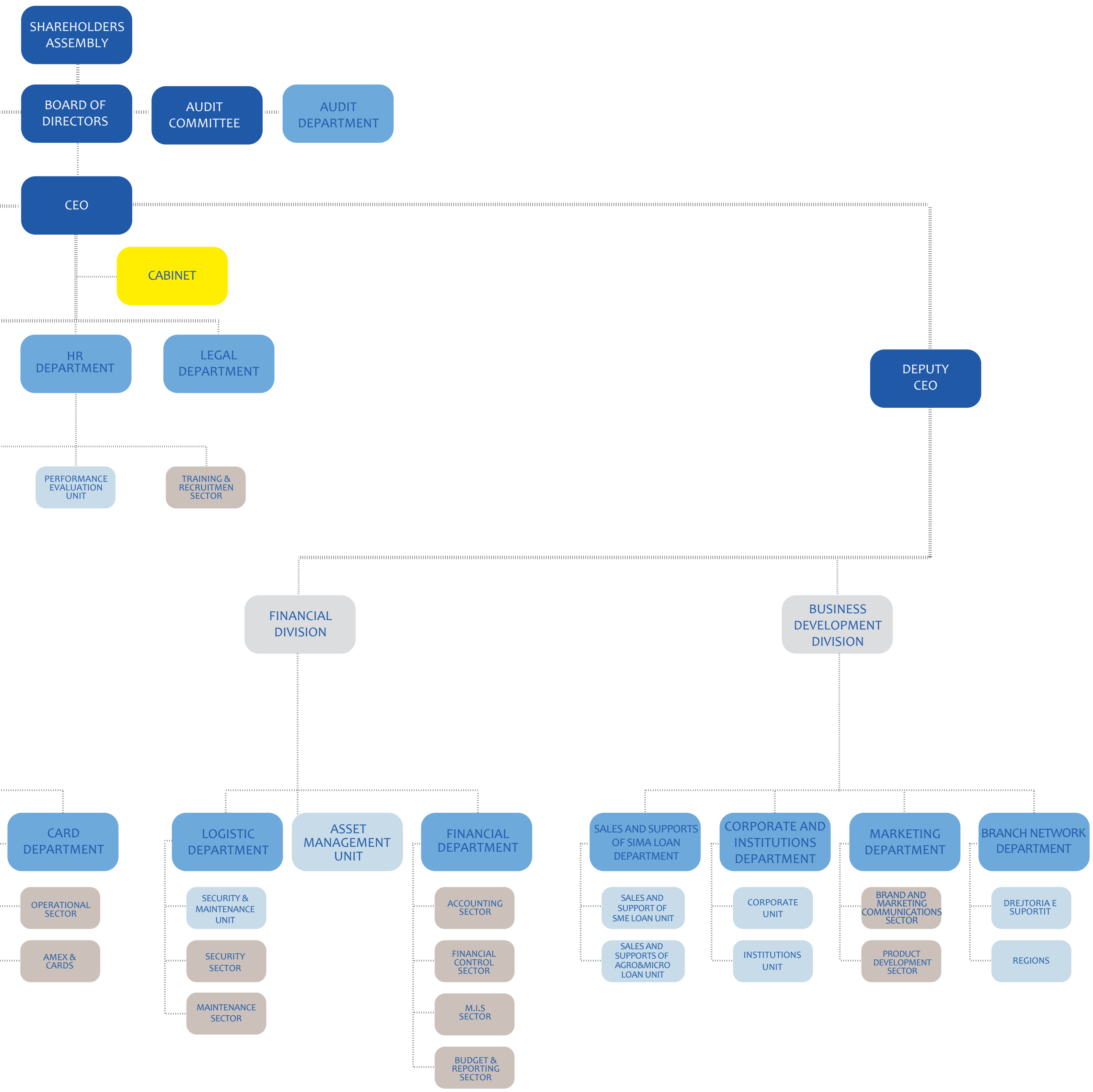
MONIKA MILO
Member

ELTON TORO
Member

CLIVE MOODY
Member

ORGANISATIONAL CHART




SHAREHOLDERS ASSEMBLY
BOARD OF DIRECTORS
AUDIT COMMITTEE
AUDIT DEPARTMENT
CEO
CABINET
HR DEPARTMENT
LEGAL DEPARTMENT
PERFORMANCE EVALUATION UNIT
TRAINING & RECRUITMEN SECTOR
DEPUTY CEO
FINANCIAL DIVISION
BUSINESS DEVELOPMENT DIVISION
CARD DEPARTMENT
OPERATIONAL SECTOR
AMEX & CARDS
LOGISTIC DEPARTMENT
SECURITY & MAINTENANCE UNIT
SECURITY SECTOR
MAINTENANCE SECTOR
ASSET MANAGEMENT UNIT
FINANCIAL DEPARTMENT
ACCOUNTING SECTOR
FINANCIAL CONTROL SECTOR
M.I.S SECTOR
BUDGET & REPORTING SECTOR
SALES AND SUPPORTS OF SIMA LOAN DEPARTMENT
SALES AND SUPPORT OF SME LOAN UNIT
SALES AND SUPPORTS OF AGRO&MICRO LOAN UNIT
CORPORATE AND INSTITUTIONS DEPARTMENT
CORPORATE UNIT
INSTITUTIONS UNIT
MARKETING DEPARTMENT
BRAND AND MARKETING COMMUNICATIONS SECTOR
PRODUCT DEVELOPMENT SECTOR
BRANCH NETWORK DEPARTMENT
DREJTORIA E SUPORTIT
REGIONS

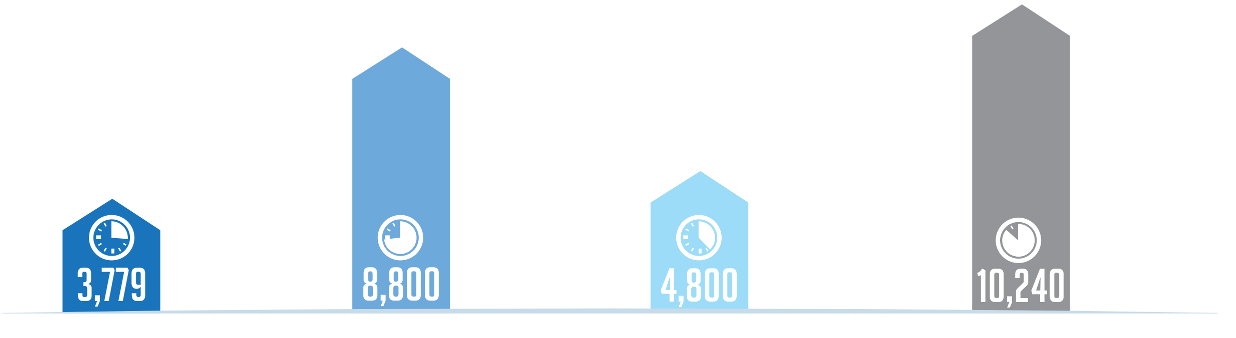
HUMAN RESOURCES

The Human Resources Department at Credins Bank is one of the most important units of the corporate, which takes care of preserving the key management values and principles, the continuous development of the staff and the systematic investment in their know-how.

The training unit within this department constantly assists to the transformation of the organisation's human resources with the aim of increasing effectiveness and performance of every employee towards reaching the ultimate goal, i.e. creating a professional and welcoming environment for the client.
The performance evaluation system has been developed and improved year by year, giving an essential contribution not only towards staff evaluation and their training needs, but also towards their material and moral motivation.

The mission of this department remains the transformation of Credins Bank into the best employer in the market, by absorbing talented, hardworking and professional people and by retaining at the same time the optimal satisfaction levels of each and every member of what we do not simply call a corporate, but Credins family.

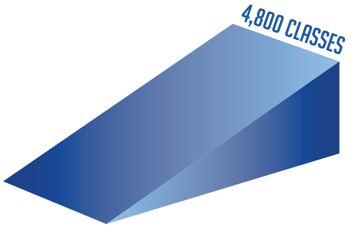
DURING 2014 A TOTAL OF 27,599 TRAINING HOURS



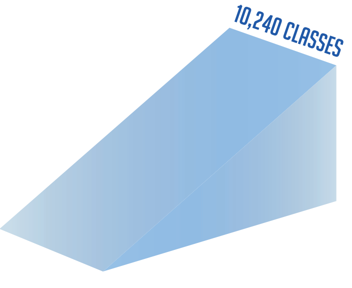
TRAINING OF INTERNAL STAFF	INTERNSHIPS OF CREDINS SCHOOL INTERNS	TRAININGS OF INTERNAL STAFF PROMOTED TO NEW POSITIONS	TRAININGS OF NEW EMPLOYEES RECRUITED FROM OUTSIDE THE BANK
3,779	8,800	4,800	10,240

RECRUITING AND TRAINING OF NEW AND PROMOTED STAFF

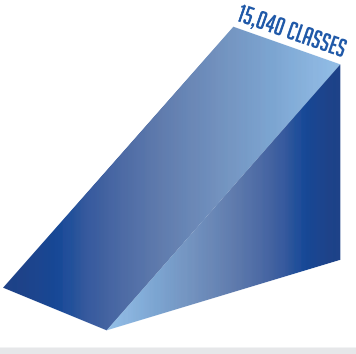
4,800 TRAINING CLASSES FOR 40 EMPLOYEES PROMOTED TO NEW POSITIONS



10,240 TRAINING CLASSES FOR 64 EMPLOYEES RECRUITED FROM OUTSIDE THE BANK



15,040 CLASSES IN TOTAL



CREDINS SCHOOL

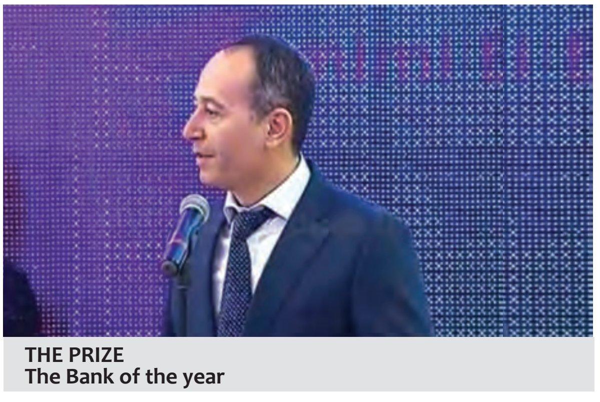
120 LECTURE CLASSES BY THE BANK'S INTERNAL TRAINERS

320 CLASSES OF INTERNSHIP AT THE BRANCH

TOTAL: 8,800 TRAINING CLASSES FOR 20 PARTICIPANTS

SOCIAL RESPONSIBILITY

THE PRIZE
Of Philanthropy at national level



THE PRIZE
The Bank of the year

Being one of the main market players, our goal is to be successful competitors both in the financial and social aspect. In this way, we are able to create value not only for our shoulders and clients, but also for our employees and the society as a whole. The corporate social responsibility constitutes the foundation upon which our values in doing business, in developing products and services and in providing our contribution in the support and maintenance of our environment and community are based. Social responsibility has and will be one of our priorities, by being always active in providing examples of business awareness for a civilized lifestyle.

We consider the corporate social responsibility as an element that builds value through values, and we deem it essential for our values to fulfil our target groups' expectations and standards while allowing us, as a business, to act sustainably.

Credins Bank provides its contribution in several main pillars. We are hereby briefly mentioning

THE EVENT
Life Marathon

SUPPORT
to Vlora Regional Hospital

SUPPORT
to Durres Regional Hospital

THE EVENT
Matura 2014, Tirana

some of the activities where the Bank has given an important contribution with a considerable social impact.

1. Credins Bank supports health in Albania, was the slogan of the campaign undertaken by the Bank to support the health system in Albania in the framework of its development. Credins Bank financially supported the construction of the clinical and biochemical laboratory of the Polyclinic and the Regional Hospital of Durres, the Regional Hospital of Vlora with equipment for the analysis laboratory, the Regional Hospital of Shkoder for the reconstruction of the main facility, the University Hospital Shefqet Ndroqi (the Sanatorium), etc..

2. In the context of the social responsibility policies, Credins Bank has always supported the renewable energy and energy efficiency projects, by promoting the efficient use of resources and minimizing the greenhouse gas emissions. Upon the continuous support of IFC, a member of the World Bank group and the support of the Canadian government though funding and trainings on important technical, financial and legal aspects, we have increased the chances for building up a sustainable market for renewable energy projects with a focus on small hydropower plants.

3. Credins Bank supports children in need through the financial aid disbursed to the Albanian Children Foundation. Care towards vulnerable groups is one of the main pillars upon which our policies related to social responsibility are based. Credins Bank also supports the SOS Children's Village by covering the expenses for some children, in order to provide a home and a healthy life for these children.

4. Pursuant to the special support and attention to the youth, Credins Bank sponsored the event organised at the end of the 2014 academic year for high school graduates of Tirana. This event was organised by the Educational Directorate of Tirana, under the auspices of the Ministry of Education and Sport and the support of Credins Bank.

5. Credins Bank supports sports. In this regard, the Bank has supported the national weightlifting team for the participation to the World Weightlifting Championship in Kazakhstan.

6. Credins Bank has recently engaged also in the support of art and culture by sponsoring the TRA.KU fest. This festival promoted the beautiful Albanian values and traditions through a number of activities such as academic conferences, traditional celebrations, visits organised, concerts with the best known groups in the region and many other parallel events. The support in the field of art has also been shown in the sponsorships to the National Theatre of Opera and Ballet.

As a result of the remarkable contribution in all the aforementioned fields, in December 2014 the Credins Bank won the prize for philanthropy at national level awarded by "Partners-Albania", under the motivation "On the remarkable contribution with a broad social impact provided in sensitive areas of Albanian society such as health, education and surely the promotion of art and culture"

During the same year, the Bank is also praised by the Chamber of Commerce and Industry in Tirana with the prize "Bank of the year 2014" not only for its financial achievements but also for its contribution to the Albanian economy.

SUPPORT
to Shkodra Regional Hospital

SUPPORT
to Durres Regional Hospital

PUBLIC INSTITUTIONS

The relationship with the Public Institutions has undergone a progressive development over time. The concept of the client has also developed at Credins Bank, which is closely interrelated not only to its well-being as an individual, but also to that of the community as a big communion of individuals. This is why the bank has paid great attention to fulfilling the requirements of Public Institutions supporting not only the individual needs of employees, but also the needs of the institutions themselves in the completion of their mission towards the society.

It has taken several years of work and experience to optimize our work practice, in order to make the product resemble the client and not the other way around. We have personalized the salary package, by complementing it not only with the indispensable products, but also with added values relating to the client's welfare.

Today we count about 47,000 budget clients and the volume of utility payments through the "direct debit" service has increased by 16% as compared to the previous year, the same as has multiplied the number of salary clients who have and still benefit free of charge life and health insurance.

This is a clear expression of trust that our values are to their benefit.

2014 counts
more than

47,000

salary account

3 *-Times*

encreasment of Credins Online number of users

2 *-Times*

encreasment of package of life and health insurance usage

OUR BUSINESS SEGMENTS

INDIVIDUAL BANKING

The year 2014, yet again marked a growth in several aspects of the individuals segment. This growth was evident not only in the increase in the number of clients, but also in the increase of loans as per the needs of the consumers of this segment.

It is worth mentioning the remarkable work of the entire Credins team in facilitating the credit terms and conditions for this segment and in personalizing the products. Part of this years' novelties was the possibility of payment by instalment using the credit card. This work was reflected in an increase by 10% of the credit portfolio for individuals.

The free provision of added values and extra benefits for the entire range of cardholders and depositors of this segment continued also during 2014, through the successful binomial already operating for several years now, that is SiCRED - Credins.

Loan grants increased

19%

OUR BUSINESS SEGMENTS

BUSINESS BANKING

In line with one of our strategic goals for growing the market share in the large, medium and small enterprises sector, it is worth pointing out the positive indicators of the credit portfolio growth by 19% during 2014.

The targeted sectors, such as energy, pharmaceutics or agribusiness were sufficiently funded, and this resulted in an increase of credit indicators as compared to the previous year, mainly the SME segment.

As part of the spirit, already turned into a tradition, of being together with our clients in the annual report, we fortuitously selected the following success stories:

BUSINESS BANKING

THE CHAIN OF MON CHERI BARS IN THE SERVICES SECTOR

Word by one of the managers Mr. Julian Balliu

We entered the marked differently, with an utterly youthful and western spirit. Our bars are preferred very much and frequented by thousands of young people every day.

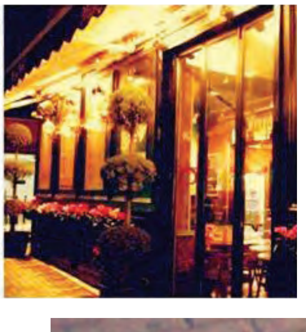
I would define it as literally a success story in creating a totally Albanian brand and in establishing an efficient franchise network.

Mon Cheri has started its activity since 2008, and today it numbers 13 bars distributed all over the city of Tirana. The quality of products and the excellent service offered in a friendly environment, beautifully furnished in a fine style are elements that make the difference.

The enlargement of the company is a natural process when the business philosophy is based on a concrete strategy with innovative and special ideas. In this journey of successful initiatives, Credins Bank becomes the partner with whom during 2014 we enabled the opening of 3 new Mon Cheri bars. This relationship of mutual trust has started to produce its results.


coffee shop
Mon Chéri
coffee shop


Mon Chéri



BUSINESS BANKING

VEHIP SALKURTI, KOOP FRUT (CORPORATE IN THE AGRIBUSINESS SECTOR)

Agribusiness, as one of the much discussed neuralgic and strategic sectors in Albania, a priority of both the government's policies and international projects, became the focus of the financial sector also. In this context, Credins Bank as a player with influence and experience in supporting this sector, continued to finance this segment also during 2014 through entirely personalized products and services, according to the nature, season, etc.. One of the proofs of the financial support of this sector is also the company Koop FRUT, led by Vehip Salkurti, operational in the region of Diber.

For more than 10 years, the company has specialized in harvesting and production of apples, pears and cherries. Mr. Salkurti says that the investment in 6.5 acres of intensive orchards in the form of "AKS" has produced its annual production "fruits" of 250 quintal of fruits indeed. The increase of production capacities through the financial support of Credins Bank is expected to generate five times the product with about 1,500 quintal of fruits in the three coming years. Logically, the capacity to process fruits for the production of natural fruit juices, initially apple juice, is added to the increase of production.

We remain convinced that this investment is undisputedly destined to grow and be successful, due to the simple fact that we have been "blessed" from the geographical point of view, we possess devoted human assets who want this initiative and have a financial partner who we trust and count on!

> "A financial partner whom we trust and may count on!"



BUSINESS BANKING

RUDINA GJONI, SELCA ENERGJI SHPK

In the filed of renewable energy

The potential of water resources remains a valuable asset still not fully exploited in our country, therefore the investment in hydropower sector, if well-thought and well-managed and made with reliable financial partners, is promising to be successful business.

SELCA Energy was established as a company in 2009 and has developed its business in energy production via hydropower plants.

> “We believed in our hydric resources, Credins believed in our green idea.”

We have continuously invested for the resurgence of the old hydropower potential of the HPP constructed on the Selca river in Malesi e Madhe. During the first year of the activity we invested in the rehabilitation of this plant which was totally dysfunctional.

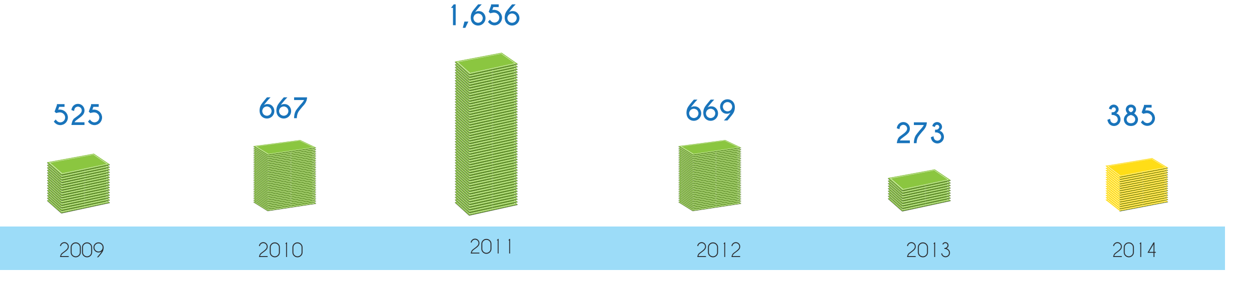
Credins Bank was with us during the most critical moments, supporting not only the HPP reconstruction but also the enlargement of its capacity. All the residents of the area have benefitted uninterrupted power supply by the energy generated by this HPP. This investment has directly contributed to the increase of employment in the area. We believed in our hydro resources, Credins Bank believed in “our green idea”, and our energies are together materialized in clean electric power.

FINANCIAL INDICATORS FOR 2014

Despite the great challenges, and the not yet stable macro-economic situation, 2014 marked again a positive financial performance for Credins Bank, this being an undisputable indicator of the stability, consolidation and continuity of a business for more than a decade of operation in the market.

TOTAL SHAREHOLDERS' EQUITY (IN BILLIONS ALL)

PROFIT AFTER TAX (IN MILION ALL)



BUSINESS AND RETAIL

BIZNESE DHE INDIVIDË	2014	2013
Loan figures	Gross portfolio in '000 ALL	Gross portfolio in '000 ALL
Individual loans	8,423,872	7,876,671
Micro Loan	1,565,449	2,046,341
SME	10,937,523	9,753,218
Corporate	69,598,672	56,387,070
Total portfolio	90,525,515	76,063,299

FINANCIAL HIGHLIGHTS FOR THE YEAR

BALANCE SHEET MAIN FINANCIAL POSITION LINES (ALL '000)	2014	2013
Gross Loan Portofolio	90,525,516	76,063,299
Loan Loss Reserve	(10,721,143)	(8,723,593)
Net Loan Portofolio	79,804,372	67,339,706
Investment securities	111,259,888	6,636,909
Total assets	130,006,264	107,610,426
Deposit from customers	119,831,873	91,432,733
Subordinated debt	4,144,396	3,087,342
Shareholders' equity (NBV)	10,174,391	9,810,786
Yield on Portofolio (% of Avg. GLP)	9.47%	10.42%
INCOME STATEMENT MAIN LINES (ALL '000)		
Net interest income	5,252,008	4,392,460
Net, operational Income	5,659,887	4,918,504
Operating profit	3,060,154	2,634,595
Provision for credit losses, net	(2,452,440)	(2,271,591)
Profit before tax	607,783	363,004
Taxes and provisions for taxes	(222,641)	(89,825)
Profit after tax	385,142	273,179
ASSET QUALITY		
Portfolio loans at Risk 30 days %	16.74%	14.17%
Non-performing loans %	21.86%	16.48%
LLR % / Non-performing loans	11.84%	66.26%
LLR % / Non-standard loans	37.70%	26.05%

STRATEGIC OBJECTIVES FOR 2015

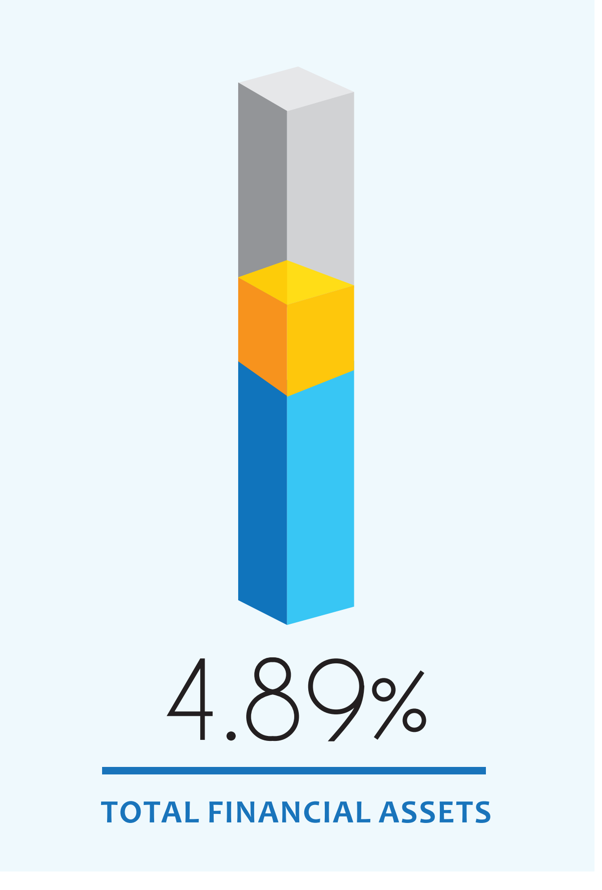
The main axis of our strategic goals is the sustainable and measurable progress in the following areas:

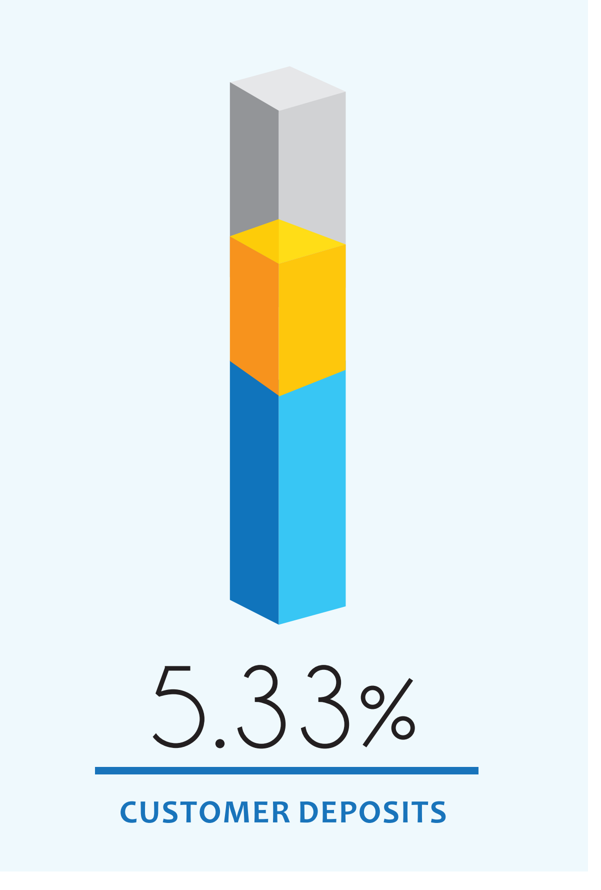
- Maintaining and expanding the Bank's market share, as per the number of clients.
- Improving the risk culture at the Bank and consolidating the risk management and control.
- Constant upgrade of information technology in order for it to go side by side with the bank's growing goals.
- Developing and maintaining a favourable working environment, in order to attract, motivate and keep highly qualified employees who possess the required skills and attitude.

In order to achieve these goals, the Bank is focused on the implementation of a concrete action plan, aiming to:

1. INCREASE SALES EFFICIENCY

This goal shall be achieved by implementing a program that will equip the employees with the necessary sharpness, tools and training, as well the incentives needed to stimulate profit-making sales and mutual benefits for the client and the Bank. This implies the review of all the aspects regarding the sales unit, including recruitment, training, compensation, career advancement, sales activities and support.





2. MAINTAIN AND DEVELOP THE CLIENT LOYALTY SCHEME

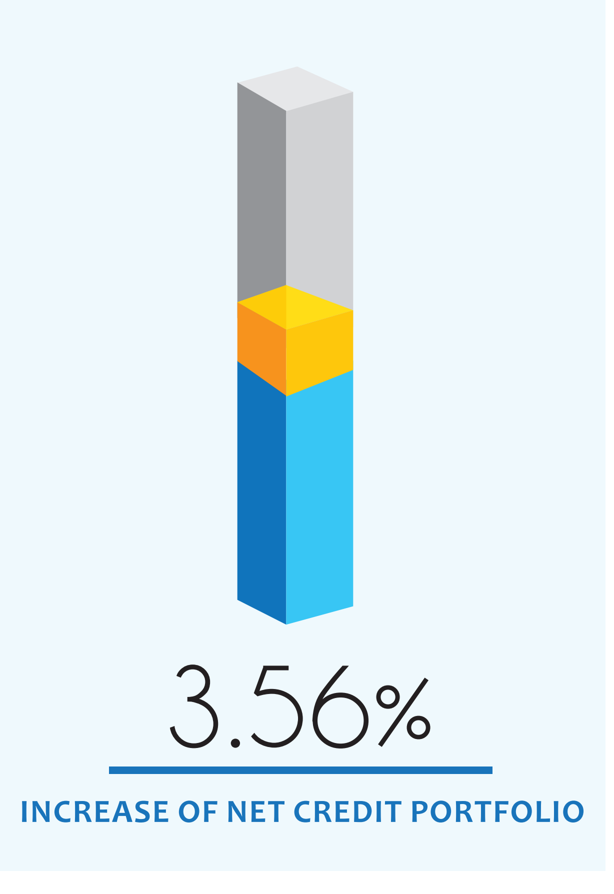
The client loyalty schemes constitute an efficient way of improving the client retention levels. The high cost of the new business behaviour, as compared to the retention of existing clients is a matter that needs no questioning, and therefore, increasing the client retention level may significantly increase the net income. In this context, effort must still be made in identifying the incentives that make a client be loyal to the Bank, and in the analysis of preferences based on historical data from the relationship of the clients with Bank.

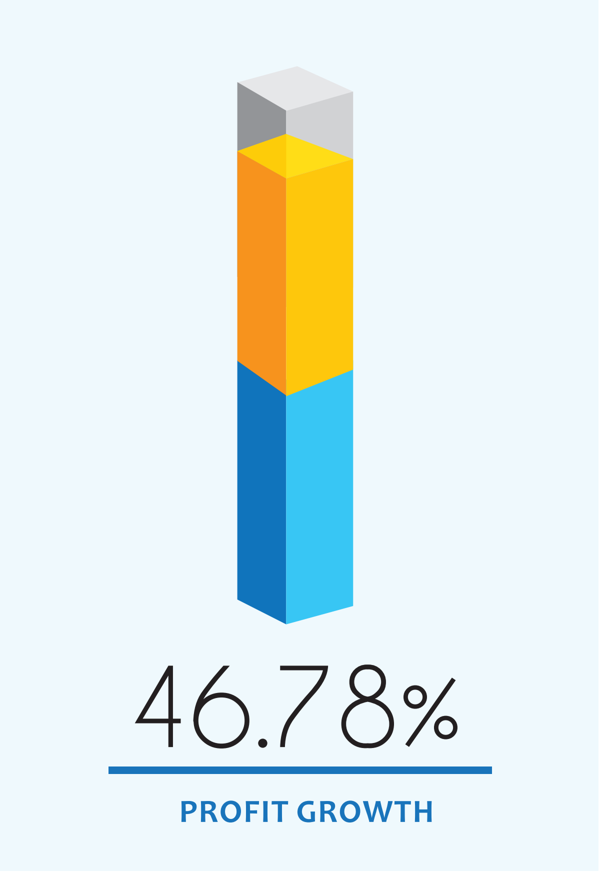
3. EXTENSION AND DIVERSIFICATION IN NON-URBAN AREAS

The Albanian economy is increasingly reoriented towards the agricultural sector due to its great potential for sustainable growth and the great possibility to compete in foreign markets. Continuous improvements in infrastructure and the legal framework have contributed to the increase of the banking sector attention towards this sector. Taking advantage of the government and the donors' support, the banks are now more motivated than before to create competitive advantages and to gain more market share in this sector. In this respect, the Bank is planning to significantly increase its direct approach to rural areas, focusing on the identification of the needs and the professional training of the staff specialized in this segment.

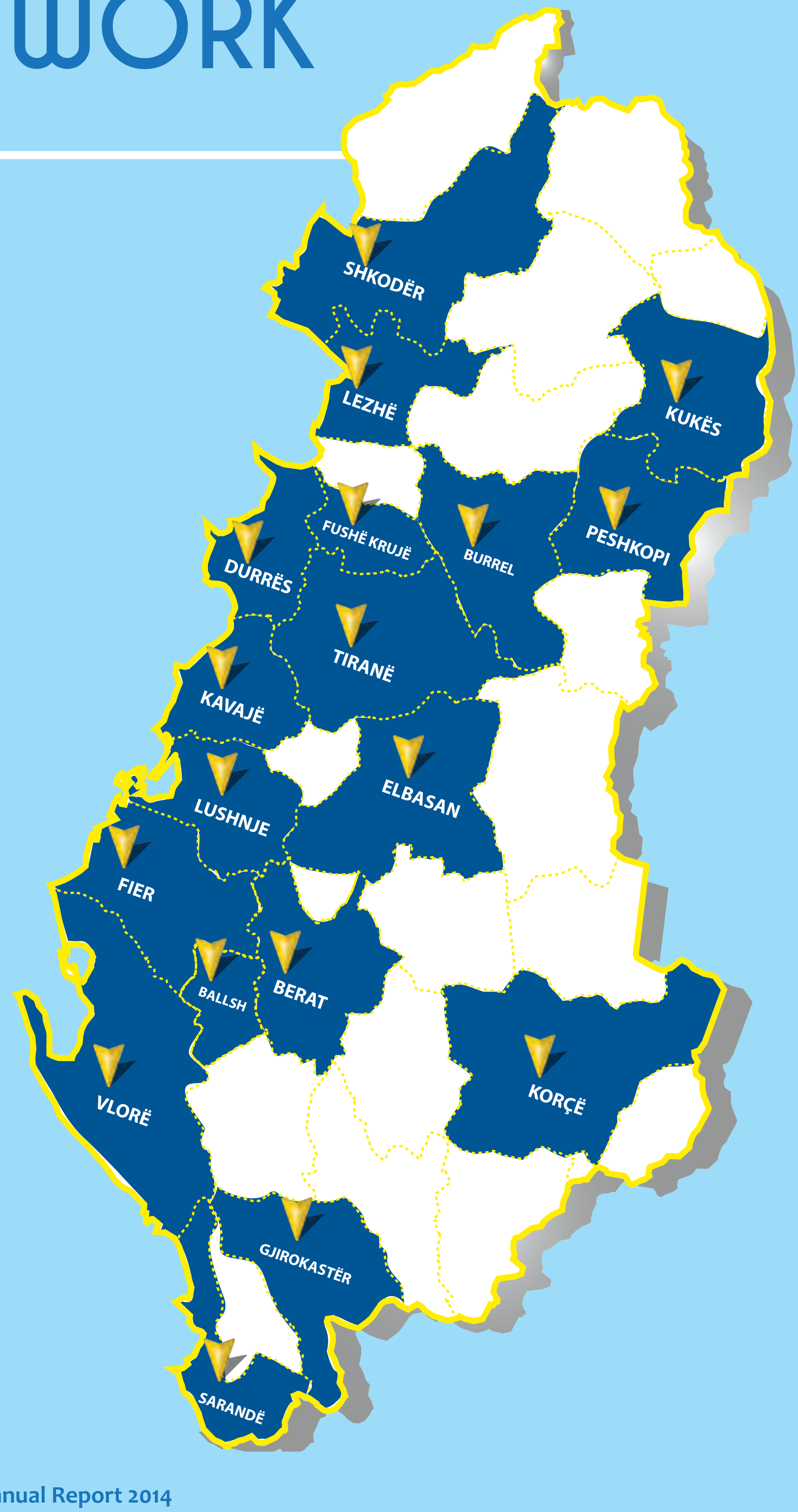
4. ESTABLISHMENT OF A COMPREHENSIVE DISTRIBUTION SYSTEM WITH MORE CHANNELS, WITH A SPECIAL FOCUS ON THE ONLINE SERVICE SYSTEM.

The Bank has established a sufficient network of branches, which guarantees the physical presence in the most important urban areas of the country, and has clear plans to expand in new areas. The Bank also exercises its activity through a broad ATM network all over the country and a consolidated electronic banking platform. We believe that the internet has altered the way of doing business, and it has turned into a powerful channel for the business marketing and communication. Despite the so far satisfactory results, we know there is enough room to grow the number of users and to transform this platform into a very important distribution channel. In this respect, expansion of service options through this channel and the review of the issues regarding the information security and quality will considerably increase also the active users of electronic platforms, thus expanding the presence of the Bank throughout the country.





BRANCH NETWORK



TIRANA REGIONS AND NUMBER OF EMPLOYEES

Region 1

Tirana 1
Gjirokastra
Saranda
Elbasan
Korça

Tirana 2
Lapraka
Kamza
Emigres Agency
Vora

114
EMPLOYEES

Region 2

Tirana 3
Tirana 10
Tirana 12
Hipoteka Agency Tirana
Tirana 14
Fushë Preza Agency

32
EMPLOYEES

Region 3

Tirana 5
Tirana 6
Tirana 7
Tirana 8
Tirana 9

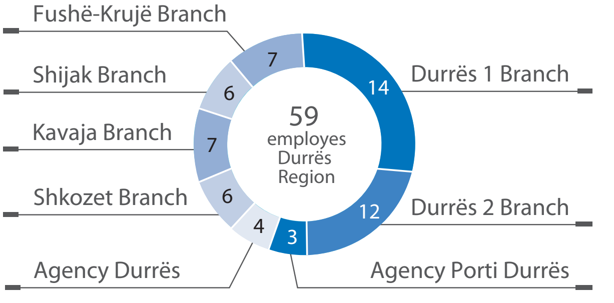
40
EMPLOYEES

Region 4

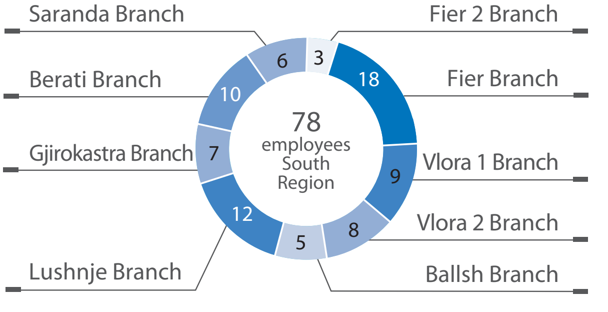
Tirana 4
Tirana 11
Tirana 13
Tirana 15
QKR Agency
Tirana 16

44
EMPLOYEES

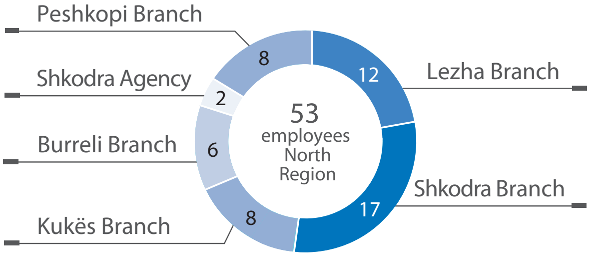
DURRËS REGION



SOUTH REGION



NORTH REGION



OUR LOCATIONS

HEAD OFFICE	
TIRANA 1 BRANCH	Rruga "Ismail Qemali", Nr 4, Tiranë. Tel. (04)22 34 096, 069 20 69666, (04) 22 50 994, Fax. (04) 22 22 916, e-mail. info@bankacredins.com
TIRANA 2 BRANCH	Bulevardi "Zogu i I", Qendra Veve, Tiranë. Tel. (04) 22 58 252, (04) 22 57 988, Fax. (04) 22 48 654
TIRANA 3 BRANCH	Kryqëzimi "21-Dhjetorit", Tiranë. Tel. (04) 22 39 042, Fax. (04) 22 38 995
TIRANA 4 BRANCH	Rruga "Komuna e Parisit", Tiranë. Tel. (04) 23 20 234, Fax. (04) 23 20 233
TIRANA 5 BRANCH	Rruga "Elbasanit", pranë "Shkollës së Baletit", Tiranë. Tel/Fax. (04) 23 47 809
TIRANA 6 BRANCH	Brenda Qendrës Spitalore Universitare "Nënë Tereza", Tiranë. Tel (04) 23 76 305
TIRANA 7 BRANCH	Rruga "Ali Demi", Tiranë. Tel/Fax. (04) 23 58 083
TIRANA 8 BRANCH	Rruga "Bardhyl", (tek kryqëzimi i Rrugës "Bardhyl" me Rrugën "Hoxha Tahsim") Tiranë. Tel. (04) 23 47 572
TIRANA 9 BRANCH	Rruga "Bajram Curri", pranë kryqëzimit të "Shkollës së Bashkuar", Tiranë. Tel/Fax. (04) 23 47 560
TIRANA 10 BRANCH	Rruga "Ferrit Xhajko", (ish-Frigoriferi), Tiranë. Tel. (04) 22 48 485
TIRANA 11 BRANCH	Rruga "Gjin Bue Shpata", pranë stadiumit Selman Stermasi. Tel/ (04) 22 56 694
TIRANA 12 BRANCH	Pranë Shkollës "Harry Fultz", Rruga "Jordan Misja", Tiranë. Tel. (04) 22 35 439
TIRANA 13 BRANCH	Rruga "Myslym Shyri", Tiranë. Tel. +355 4 24 21 223, Fax. +355 4 24 21 221
TIRANA 14 BRANCH	Rruga "Don Bosko", Tiranë. Tel. +355 4 240 6367, Fax. +355 4 240 6368
TIRANA 15 BRANCH	Rruga "Luigj Gurakuqi", pranë Ushtarit të Panjohur, Tiranë. Tel: (04) 22 58 128
TIRANA 16 BRANCH	Bulevardi "Gjergj Fishta", Tiranë. Tel/Fax: (04) 24 19 672
LAPRAKË BRANCH	Tek Blloku "Gintash" (dykatëshet) në Laprakë, Tiranë. Tel : (04) 23 56789, Fax : (04) 23 56 285
VORA BRANCH	Në qendër të Vorës. Tel. (047) 26 00 435; Fax. (047) 26 00 422
KAMËZ BRANCH	Në qendër të Kamzës. Tel. (04) 22 00 485; Fax. (04) 22 00 487

FUSHË PREZA AGENCY	Tek Kolaudimi i Automjeteve.
TIRANA 1 AGENCY	Autostrada Tiranë – Durrës, Km 11, pranë Emigres Sh.p.k. Tel. (048) 23 01 260
TIRANA 2 AGENCY	Agjencia tek Hipoteka e Tiranës.
QKR AGENCY	Pranë Qendrës Kombëtare të Regjistrimeve, Tiranë.
DURRËS BRANCH	Bulevardi kryesor, Rruga Tregtare, Nr. 42, Durrës. Tel. (052) 236 256, (052) 239 925, Fax. (052) 239 500
DURRËS 2 BRANCH	Lagjja Nr.3, Rruga "Egnatia", Durrës. Tel. (052) 901 074, Fax. (052) 901 075
DURRËS PORT AGENCY	Tek sheshi i trageteve në Portin detar, Durrës. Tel/Fax. (052) 234 500
DURRËS 2 AGENCY	Pranë Qendrës Tregtare Industriale, Lagjja 17, Rr. "Unazës", Durrës. Tel/Fax. (052) 236 257
SHKOZET BRANCH	Lagjja 14, Përballë Shkollës së Mesme "Olsi Lasko", Shkozet, Durrës. Tel. (052) 237 668, Fax. (052) 237 669
SHIJAK BRANCH	Lagjja "Kodër", Shijak. Tel. (0571) 23 069, Fax. (0571) 23 070
KAVAJË BRANCH	Lagjja Nr. 5, Kavajë. Tel. (0554) 227 858, Fax. (0554) 227 859
FUSHË KRUJË BRANCH	Lagjja "Kastrioti", Fushë - Krujë. Tel. (0563) 22 489, Fax. (0563) 22 490
FIER BRANCH	Bulevardi "Jakov Xoxe". Tel. (034) 29 131, (034) 29 132, Fax. (034) 229 130
FIER 2 BRANCH	Rruga Sheq i madh Fier, pranë Autogril Krasniqi, Fier, Tel. (03) 4 601 130
LEZHË BRANCH	Lagjja "Besëlidhja", Rruga "Luigj Gurakuqi" Nr. 48, Lezhë. Tel. (0215) 23 500
LEZHË BRANCH	Pranë Hipotekës Lezhë.
VLORA 1 BRANCH	Lagjja "Pavarësia", Banesë 12 katëshe, Skelë, Vlorë. Tel. (033) 229 958; Fax. (033) 229 959
VLORË 2 BRANCH	Rruga "Demokracia", Lagjja. "Osmen Haxhiu", Vlorë. Tel. (033) 237 170
ELBASAN BRANCH	Lagjja "Aqif Pasha", Rruga 28 Nëntori, (pranë Drejtorisë së Policisë). Tel. (0544) 224 213, (0544) 24 472, Fax. (0544) 24204
SHKODRA BRANCH	Lagjja "Vasil Shanto", Rruga "Vaso Kadia", Shkodër. Tel. (022) 250 643, (022) 250 645, Fax. (022) 250 633
SHKODRA AGENCY	Sheshi "2 Prilli" tek Hipoteka.
KORÇË BRANCH	Bulevardi "Republika", Lagjja 12. Tel. (082) 254 300, Fax. (082) 254 400
LUSHNJE BRANCH	Bulevardi Kryesor, Ish-Hotel Myzeqeja. Tel. (022) 2986, Fax. (022) 2983
KUKËS BRANCH	Lagjja Nr.2 Pallati 67, Kukës. Tel. (024) 224 903, Fax. (024) 224 904
BURREL BRANCH	Lagjja "Pjeter Budi", Burrel. Tel/ Fax. (02172) 3404, Fax. (02172) 3414
BALLSH BRANCH	Lagjja "5 Shkurti", Ballsh. Tel. (0313) 23642, Fax. (0313) 23643
PESHKOPI BRANCH	Bulevardi "Elez Isufi", Peshkopi. Tel. (0128) 25624, Fax. (0218) 25625
BERAT BRANCH	Lagjja "22 Tetori", Shëtitorja kryesore. Tel. (0322) 34 612, Fax. (0322) 34718
GJIROKASTËR BRANCH	Rruga "18 Shtatori", Gjirokastër. Tel. (084) 266 308, (084) 266 307
SARANDË BRANCH	Sheshi "Nënë Tereza", Sarandë.

FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2014

(INDEPENDENT AUDITOR'S REPORT)

Contents

Building a better working world

Ernst&Young Certified Auditors
Ltd. Skopje - Tirana Branch
NUIS: K61911012I
Ibrahim Rugova Str., Sky Tower
6th Floor, 1001, Tirana, Albania

Tel: (+355 4) 24 19 575
Fax: (+355 4) 24 19 570
www.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANKA CREDINS SHA

We have audited the accompanying financial statements of Banka Credins SHA (the "Bank") which comprise the statement of financial position as at December 31, 2014, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory Information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the auditors' 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, the auditor considers 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 policies 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the bank as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Certified Auditors Ltd
Skopje-Tirana Branch

Ernst + Young Certified Auditors Shpk

June 26, 2015
Tirana, Albania

Mario Vangjel
Certified Auditor

Statement of comprehensive income
for the year ended 31 December 2014[1]

	Notes	Year ended 31 December 2014 Lek '000	Year ended 31 December 2013 Lek '000
Interest income	3	8,361,969	7,982,734
Interest expense	3	(3,109,961)	(3,590,274)
Net interest income	3	**5,252,008**	**4,392,460**
Fee and commission income	4	438,813	438,059
Fee and commission expense	4	(56,734)	(99,244)
Net fee and commission income	4	**382,079**	**338,815**
Other expenses, net	5	(527,334)	(182,703)
Profit from foreign exchange transactions		553,203	369,932
Other banking income		**25,869**	**187,229**
Provision for loan losses	12	(2,452,440)	(2,271,591)
Losses from unrecoverable loans	12	(135,113)	(253,589)
Amortization of intangible assets	15	(41,242)	(33,116)
Depreciation of property and equipment	14	(121,313)	(125,865)
Personnel expenses	6	(820,992)	(773,942)
Administrative expenses	7	(1,481,073)	(1,097,397)
		(5,052,173)	**(4,555,500)**
Profit before taxes		**607,783**	**363,004**
Income tax expense	8	(222,641)	(89,825)
Net profit		**385,142**	**273,179**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Revaluation of available for sale financial assets	13	(25,337)	5,535
Income tax effect		3,800	(829)
		(21,537)	**4,706**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		***(21,537)***	***4,706***
Other comprehensive income for the year, net of income tax	13	**(21,537)**	**4,706**
Total comprehensive income for the year, net of tax		**363,605**	**277,885**

These financial statements have been approved by the Board of Directors of Credins Bank on June 12, 2015 and signed on its behalf:

Maltin KORKUTI
Executive Director

Valentina PRODANI
Head of Finance and Accounting Department

CREDINS bank
ZYRA QENDRORE | 212-00
TIRANË – SHQIPËRI

[1]The notes 1 to 32 are integral part of these financial statement

Statement of financial position
as at 31 December 2014[1]

	Notes	31 December 2014	31 December 2013
		Lek '000	Lek '000
Assets			
Cash and cash equivalents	9	18,531,018	18,420,806
Restricted balances with Central Bank	10	10,318,959	8,671,294
Loans and advances to banks	11	743,189	482,594
Loans and advances to customers	12	79,804,372	67,339,706
Investment securities AFS	13	15,454,143	6,636,909
Property and equipment	14	620,723	655,819
Intangible assets	15	131,278	162,959
Deferred tax assets	16	967	-
Current tax asset		-	53,453
Repossessed properties	17	3,741,694	4,398,574
Other assets	18	659,921	645,245
Total assets		**130,006,264**	**107,467,359**
Liabilities			
Due to banks and other financial institutions	19	1,832,863	1,230,864
Borrowing	20	1,171,433	1,717,125
Due to customers	21	112,423,713	91,432,733
Subordinated debt	22	4,144,396	3,087,342
Current tax liabilities		65,990	-
Deferred tax liabilities	16	-	2,834
Other liabilities	23	150,203	163,792
Provisions	24	43,275	21,883
Total liabilities		**119,831,873**	**97,656,573**
Equity			
Share capital	25,26	5,438,330	5,438,330
Share premium	25	1,838,990	1,838,990
General reserve	27	1,437,615	1,437,615
Revaluation reserve of investment securities	13	1,207	22,744
Retained earnings		1,458,249	1,073,107
Total equity		**10,174,391**	**9,810,786**
Total liabilities and equity		**130,006,264**	**107,467,359**

[1]The notes 1 to 32 are integral part of these financial statement

Statement of changes in equity
for the year ended 31 December 2014[1]

	Share capital	Share premiums	General reserve	Revaluation reserve	Retained earnings	Total equity
	Lek '000	Lek '000	Lek '000	Lek '000	Lek '000	Lek '000
Balance at 1 January 2013	**4,742,908**	**1,290,066**	**1,314,186**	**18,038**	**1,482,405**	**8,847,603**
Profit of the year	-	-	-	-	273,179	273,179
Other comprehensive income	-	-	-	4,706	-	4,706
Total comprehensive income	**-**	**-**	**-**	**4,706**	**273,179**	**277,885**
Appropriation of retained earnings	419,287	-	123,429	-	(542,716)	-
Dividend	-	-	-	-	(139,761)	(139,761)
Increase of paid-up capital	276,135	548,924	-	-	-	825,059
Balance at 31 December 2013	**5,438,330**	**1,838,990**	**1,437,615**	**22,744**	**1,073,107**	**9,810,786**
Profit of the year	-	-	-	-	385,142	385,142
Other comprehensive income	-	-	-	(21,537)	-	(21,537)
Total comprehensive income	**-**	**-**	**-**	**(21,537)**	**385,142**	**363,605**
Balance at 31 December 2014	**5,438,330**	**1,838,990**	**1,437,615**	**1,207**	**1,458,249**	**10,174,391**

Statement of cash flows
for the year ended 31 December 2014[1]

	Notes	Year ended 31/12/2014 Lek '000	Year ended 31/12/2013 Lek '000
Cash flows from operating activities			
Profit for the period		385,142	273,179
Adjustments for:			
Depreciation and amortization	14,15	162,555	158,981
Disposed fixed assets	14,15	6,155	7,933
Impairment on loans and advances to customers	12	2,452,440	2,271,591
Other losses from unrecoverable loans	12	(752,169)	(253,589)
Impairment on repossessed properties	17	462,224	192,179
Net interest income	3	(5,252,008)	(4,392,460)
Income tax expense	8	222,641	89,825
Foreign exchange effect to increase subordinated debt	22	(29,163)	(1,816)
Change in loans and advances to banks	11	(269,851)	333,143
Change in loans and advances to customers	12	(13,520,663)	(7,646,118)
Change in restricted balances with Central bank	10	(1,647,904)	(1,538,597)
Change in repossessed properties	17	194,657	25,280
Change in other assets	18	(14,676)	(385,732)
Change in due to banks and financial institutions	19	603,032	(207,396)
Change in due to customers	21	20,799,162	13,533,139
Change in other liabilities	23,24	11,600	(758,800)
Interest received		7,645,462	7,607,051
Interest paid		(3,322,863)	(3,390,731)
Income tax paid		(106,999)	(127,881)
Net cash from operating activities		**8,028,775**	**5,789,181**
Cash flows used in investing activities			
Purchase of investment securities	13	(22,903,318)	(10,240,943)
Sales of investment securities	13	300,000	17,965
Investment securities matured	13	13,842,474	8,194,787
Purchase of property and equipment	14	(91,751)	(56,540)
Purchase of intangible assets	15	(10,184)	(102,089)
Net cash used in investing activities		**(8,862,779)**	**(2,186,820)**
Cash flows from financing activities			
Proceeds from issued subordinated liabilities	22	1,154,227	400,852
Repayments of subordinated debt	22	(420,600)	-
Proceeds from new financing	20	-	1,182,782
Repayments of new financing	20	(182,188)	(330,401)
Proceeds from paid subscribed capital, not registered		392,777	-
Issue of share capital		-	829,765
Payment of dividend		-	(139,761)
Net cash from financing activities		**944,216**	**2,604,039**
Net increase in cash and cash equivalents		**110,212**	**6,206,400**
Cash and cash equivalents at 1 January	9	**18,420,806**	**12,214,406**
Cash and cash equivalents at 31 December		**18,531,018**	**18,420,806**

[1]The notes 1 to 32 are integral part of these financial statement

1 General information

Banka Credins Sh.A. (hereinafter "the Bank") is an Albanian financial institution which was incorporated on 1 April 2003 under the Albanian Commercial Law and was licensed by the Bank of Albania on 31 March 2003 to operate as a bank in all fields of banking activity in Albania in accordance with the law No. 8365, "On banks in the Republic of Albania", dated July 1998. The Bank is also subject to law No. 8269, dated December 1997, "On the Bank of Albania" (Bank of Albania hereinafter referred to as "Central Bank").

As at 31 December 2014, the Bank was operating through a head office located in Tirana, 44 branches located in Tirana, Durres, Fier, Lezha, Elbasan, Vlora, Shkodra, Korca, Shijak, Shkozet, Kavaja, Lushnja, Fushe Kruje, Kukes, Burrel, Ballsh, Berat, and Peshkopi and 5 agencies in Tirana, Shkoder and Durres. (31 December 2013: 41 branches and 5 agencies).

As at 31 December 2014 the Bank had 654 employees (31 December 2013: 619 employees).

The address of Bank main registered office and principal place of business is Str. Ismail Qemali 21, Tirane, Albania.

2 Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for available-for-sale investments which have been measured at fair value.

The financial statements are presented in LEK, which is the Bank's functional currency and all values are rounded to the nearest thousand (LEK '000), except when otherwise indicated.

(i) Statement of Compliance
The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

(ii) Presentation of financial statements
The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non–current) is presented in note 28.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

2.2 Significant accounting judgments, estimates and assumptions

In the process of applying the bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

(I) Going concern

The Bank performs regularly, stress test exercises, to test the possible impact of macroeconomic indicators in bank's key financial position, performance and regulatory compliance. These stress tests are mainly focused on the impact that some outlined macro and microeconomic scenarios might have on the loan portfolio, being the Bank's main source of income, financial position including market risk. Official forecast models of the Central Bank and Bank's internal risk valuation are used in these exercises. Dynamic tests are performed to evaluate the effect that a similar increase/decrease in customer's shock would have on each of the balance sheet, liability and profit and loss line items, for a specific period of time. The bank's management has made an assessment of the bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.2 Significant accounting judgments, estimates and assumptions (continued)

(II) Impairment losses on loans and advances
The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

(III) Impairment of available–for–sale investments
The bank reviews its debt securities classified as available–for–sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The bank also records impairment charges on available–for–sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. Amendments resulting from Improvements to IFRS-s did not have any impact on the accounting policies, financial position or performance of the Bank.

The Bank has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations.

The following standards, amendments and interpretations to existing standards are mandatory for the Bank's accounting periods effective as of January 1, 2014:

The following standards and amendments of IFRS became effective as of January 1, 2014:

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The application of these amendments did not have any effect in the policies of the Bank.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
  The Bank does not have any derivative instruments and this amendment did not affect the Bank.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
  These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The Bank does not have any recognized impairment of non-financial assets and as a result, this amendment did not affect the Bank.

- **IFRIC Interpretation 21: Levies**
  The Bank does not have any imposed Levies and consequently this new interpretation did not have any impact on the Bank.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This revision did not have any effect in the policies of the Bank.

2.3 Changes in accounting policies and disclosures (continued)

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The application of the new standard did not affect the Bank.

- **IFRS 11 Joint Arrangements**
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of the new standard did not affect the Bank.

- **IFRS 12 Disclosures of Interests in Other Entities**
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The new disclosures required did not have any affect in the Banks policies.

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Bank has not early adopted. Standards and amendments that are not applicable at all to the Bank have not been discussed.

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**
  The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The Bank does not currently use for depreciation purpose the specified revenue ratio and Management has assessed that this clarification will not impact the Bank when the standard becomes effective.

- **IAS 19 Employee benefits (Amended): Employee Contributions**
  The amendment is effective for annual periods beginning on or after 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. Currently, the Bank does not provide any plans to employees and this amendment will not impact the Bank.

- **IFRS 9 Financial Instruments**
  The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management is still in the process of assessing the impact of this amendment and whether it will adopt the standard early.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations:** The Bank does not have any joint arrangements.

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management is still in the process of assessing the impact the standard will have, however being a financial institution, no significant impact is expected.

2.3 Changes in accounting policies and disclosures (continued)

New Accounting Pronouncements (continued)

- **IAS 27 Separate Financial Statements (amended)**
  The amendment is effective from 1 January 2016. It will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The Bank presently does not have any investments in other entities and the amendment will not impact the Bank.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments will be effective from annual periods commencing on or after 1 January 2016. The Bank presently does not have any investments in other entities, it does not prepare consolidated financial statements and the amendment will not impact the Bank.

Annual improvements (continued)

The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014

- ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment is effective prospectively.
- ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.
- ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective retrospectively.
- ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial. The amendment is effective immediately.
- ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective retrospectively.
- ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective retrospectively.
- ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. The amendment is effective retrospectively.

The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014.

- ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective prospectively.
- ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendment is effective prospectively.
- ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other. The amendment is effective prospectively.

2.3 Changes in accounting policies and disclosures (continued)

The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on 1 January 2016.

- ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.The amendment also clarifies that changing the disposal method does not change the date of classification.
- ***IFRS 7 Financial Instruments***: ***Disclosures***: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
- ***IAS 19 Employee Benefits***: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- ***IAS 34 Interim Financial Reporting:*** The Bank does not report any general purpose interim financial statements. **IFRS 10, 12 & IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments):** The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The Bank does not meet the definition of Investment Entity and the amendments are not applicable.
- ***IAS 1: Disclosure Initiative (Amendment):*** The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. Management is assessing the impact of this amendment as it continuously tries to improve the presentation and relevance of information in the financial statements.

(Amounts in LEK '000, unless otherwise stated)

2.4 Summary of significant accounting policies

(1) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Bank's functional currency are recognized at the spot rates of exchange prevailing at the dates of the transactions.

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The applicable rate of exchange (LEK to foreign currency unit) for the principal currencies as at 31 December 2014 and 31 December 2013 were as follows:

	31 /12/ 2014	31 /12/ 2013
USD	115.23	101.86
EUR	140.14	140.20
GBP	179.48	168.39
CHF	116.52	114.41
CAD	99.55	95.70
XAU	4,444.28	3,993.71

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition
All financial assets and liabilities are initially recognized at the date that the bank becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments
The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(iii) Classification of financial assets
Financial assets are classified into the following specified categories:

- Cash and cash equivalent
- Loans and advances to customers and to Banks
- Investment securities

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(iv) Classification of financial liability and equity

Classification as debt or equity
Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of the financial liability and equity instruments.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

2.4 Summary of significant accounting policies (continued)
(2) Financial instruments – initial recognition and subsequent measurement (continued)

(v) Loans and advances to customers and to Banks
Loans and advances to customers and to Banks include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, and that the Bank does not intend to sell immediately or in the near term other than:

- Those that the Bank intends to sell immediately or in the near term and those that the bank upon initial recognition designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available for sale.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances. When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as reverse repo transactions (pledged securities), and the underlying asset is not recognized in the Bank's financial statements. After initial measurement at fair value, amounts 'Loans and advances to customers and to Bank's ' are subsequently measured at amortized cost using the effective interest rate method.

(vi) Investment securities
Investment securities are accounted for depending on their classification, as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(a) Held to Maturity Financial Instruments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.
If the bank were to sell or reclassify more than an insignificant amount of held–to–maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available–for–sale. Furthermore, the bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

(b) Available for Sale Financial Instruments
Available for sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.
Interest income is recognized in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss. Other fair value changes are recognized directly in other comprehensive income until the investment is sold or impaired and the cumulated gain or loss is recognized in profit or loss.

(vii) Debt issued and other borrowed funds
Financial instruments issued by the bank, that are not designated at fair value through profit or loss, and their "subordinate" status is received from the Central Bank, are classified as liabilities under 'Subordinated Debt', where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method.

An analysis of the Bank's issued debt is disclosed in Note 22.

(3) De-recognition of financial assets and financial liabilities

(i) Financial assets
The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions

2.4 Summary of significant accounting policies (continued)
(3) De-recognition of financial assets and financial liabilities (continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Bank retains rights to service a transferred financial asset for a fee. The transferred asset is derecognized in its entirety if it meets the de-recognition criteria.

(ii) Financial Liabilities
The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An asset or liability is recognized for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

(4) Determination of fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. A specific criterion used by the Bank in identifying whether an active market for an instrument exists is the existence of quoted prices for identical assets and/or liabilities that the Bank can access at the measurement date. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

2.4 Summary of significant accounting policies (continued)
(4) Determination of fair value (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(5) Impairment of financial assets
Financial assets, other than cash and cash equivalents, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that the financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

(i) Financial assets at amortized cost
Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(ii)Available –for-sale financial investments
For available–for–sale financial investments, the bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(iii) Renegotiated loans
Where possible, the bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

2.4 Summary of significant accounting policies (continued)

(6) Offsetting financial instruments
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(7) Financial instruments amortized cost measurement
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(8) Leasing
The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee
Leases which do not transfer to the bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable are recognized as an expense in the period in which they are incurred.

Bank as a lessor
Leases where the bank transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. In the statement of financial position the Bank presents the receivable amount equal to the net investment value. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. The sales revenue recognized at the commencement of the lease term by a manufacturer or dealer lessor is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the lessor, computed at a market rate of interest.

(9) Recognition of income and expenses
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest income and expense
Interest income and expense are recognized in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Interest income and expense presented in profit or loss include interest on financial assets and liabilities at amortized cost on an effective interest rate basis.

(ii) Fee and commission income and expense
Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.
Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed.
Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(10) Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.4 Summary of significant accounting policies (continued)

(11) Investments securities
Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(12) Property Plant and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent Cost
The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation
Depreciation is recognized in profit or loss on a declining balance method over the estimated useful life of the assets, except for depreciation of property which is based on the straight line method. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

The depreciation rates for the current and comparative periods are as follows:

Fixed Assets Category	Depreciation %
Buildings	5%
Electronic equipment	25%
Vehicles	20%
Furniture's, fittings and office equipment	20%
Leasehold improvements	5%

(13) Intangible assets

(i) Software
Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss at 25% based on the reducing balance method from the date that it is available for use.

(ii) Licenses
Licenses and rights to use that are acquired by Bank are stated at cost less accumulated amortization and impairment losses, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the license, from the date that it is available for use.

(14) Impairment of non – financial assets
The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.4 Summary of significant accounting policies (continued)
(14) Impairment of non – financial assets (continued)

(15) Financial guarantees
Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.
Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

(16) Pension benefits
(i) Compulsory social security contributions
The Bank makes only compulsory social security contributions that provide pension benefits for employees upon retirement. The social insurance authorities are responsible for providing the legally set minimum threshold for pensions under a defined contribution pension plan. The Bank's contributions to the benefit pension plan are charged to the profit or loss as incurred

(ii) Paid annual leave
The Bank recognizes as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange of the employee's service for the period completed.

(iii) Employee health insurance
The Bank also operates a defined contribution employee health insurance plan. The contribution is payable to an insurance company in proportion to the services rendered to the bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(iv) Voluntary pension contribution for employees
The Bank has created a Professional Pension Plan for its employees. The Bank commits to pay the contributions for each employee that signed the individual "Professional Pension Plan" contract. The annual expense represents the annual charge contributed by the Bank, and is recorded under "Personnel Expenses" accounts, affecting the profit and loss of the Bank, with no other future liabilities for the Bank, as the plan is administered by the company "Sicred sh.a.".

(17) Provisions for contingent liabilities and commitments
A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

(18)Taxes
Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.
Corporate tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years in accordance with the Albanian tax legislation. Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenditure items as required under Albanian law.

2.4 Summary of significant accounting policies (continued)
(18) Taxes (continued)

(ii) Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws in Albania that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

(19)Repossessed properties
The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations of the Bank are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

The Bank holds some repossessed properties that it has acquired through enforcement of collateral over loans and advances. The Bank measures these repossessed assets initially at their cost (purchase price). At the end of each reporting period, these assets are measured at the lowest of their cost or net realizable value. Gains and losses arising from changes in the net realizable value of these repossessed properties are included in profit or loss in the period in which they arise. These assets are derecognized upon disposal or when these are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(20) Deposits and subordinated liabilities
Deposits, debt securities issued and subordinated liabilities are the Bank's chief sources of debt funding. When the Bank sells a financial asset and simultaneously enters into a "repo" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Bank's financial statements.
Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(21) Dividends
Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the bank's shareholders.

For the year ending on 31 December 2014, the Bank has not declared any dividends to be payable to shareholders of the Bank.

(22) Equity reserves
The reserves recorded in equity (other comprehensive income) on the bank's statement of financial position
Include:

'General reserve' reserve which comprises changes made for legal and statutory reserve as determined in the Central Bank Law and Commercial Companies Law applicable in Albania.

'Revaluation reserve' which is used to record exchange differences arising from the revaluation of investment securities.

(Amounts in LEK '000, unless otherwise stated)

3. Net Interest income

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income		
Loans and advances to customers	7,027,855	6,860,683
Investment securities	396,402	300,409
Cash and cash equivalents	44,536	19,624
Loans and advances to banks	151,387	185,269
Restricted cash with Central Bank	100,779	115,220
Interest income accrued on impaired financial assets:		
Loans and advances to customers (individually impaired)	355,080	201,414
Loans and advances to customers (collectively impaired)	285,930	300,115
Total interest income	***8,361,969***	***7,982,734***
Interest expense		
Deposits from banks	138,859	59,284
Deposits from customers	2,679,643	3,289,109
Subordinated liabilities	291,459	240,636
Financial instruments from customers	-	1,245
Total interest expense	***3,109,961***	***3,590,274***
Net interest income	**5,252,008**	**4,392,460**

4. Net Fee and commission income and expense

	Year ended 31/12/2014	Year ended 31/12/2013
Fee and commission income		
Banking customer fees	231,359	414,487
Fee and commissions from lending services	207,454	23,572
Total fee and commission income	***438,813***	***438,059***
Fee and commission expense		
Inter bank transaction fees	21,352	26,300
Treasury operations	22,386	63,424
Other	12,996	9,520
Total fee and commission expense	***56,734***	***99,244***
Net fee and commission income	**382,079**	**338,815**

5. Net other expenses

	Year ended 31/12/2014	Year ended 31/12/2013
Other income		
Other income	12,508	18,234
Total other income	***12,508***	***18,234***
Other expenses		
Other expenses related to the Banking activity	508,092	198,611
Other expenses	31,750	2,326
Total other expenses	***539,842***	***200,937***
Net other expenses	**(527,334)**	**(182,703)**

Other expenses for the year ended as at 31 December 2014 include expenses related to the Banking activity for impairment on repossessed properties, which for the year ended on 31 December 2014 amounts to LEK 462,225 thousands (31 December 2013: LEK 192,179 thousands) (note 17).

(Amounts in Lek'000, unless otherwise stated)

6. Personnel expenses

	Year ended 31/12/2014	Year ended 31/12/2013
Salaries	605,887	602,013
Social insurance	76,316	71,600
Bonuses and rewards	71,413	67,722
Life insurance premium	10,237	9,831
Other	57,139	22,776
	820,992	**773,942**

7. Administrative expenses

	Year ended 31/12/2014	Year ended 31/12/2013
Insurance and surveillance	361,184	309,283
Third parties fees	300,705	165,307
Rent	249,643	238,637
Marketing and subscriptions	240,428	166,455
Impairment for debtor accounts	79,389	-3,893
Maintenance	79,215	60,425
Utilities	43,917	48,171
Supplies	36,011	30,811
Transport and travel	29,006	26,190
Provisions(refer to note 24)	29,180	11,500
Other	18,189	16,990
Local and other taxes	14,206	27,521
	1,481,073	**1,097,397**

Third parties fees have increased mainly due to the amortization of consultancy contract with e tenor fo 5 years, which for the year 2014 was amortized for 12 months, whilst in 2013 it was amortized for only 5 months. There have also been increases in the number of Visa Cards issued and as well the increase in the number of transactions processed via ATM & POS.

8. Income tax expense

	Year ended 31/12/2014	Year ended 31/12/2013
Current tax	222,641	89,825
Income tax expense	**222,641**	**89,825**

The impairment allowances charged by the Bank in accordance with IFRS are considered as tax deductible expenses, provided that they are certified by the external auditors and are not in excess of the limits determined by the Central Bank. In accordance with Albanian tax regulations, the applicable income tax rate for 2014 is 15% and 2013 is 10%.

The reconciliation of effective income tax rate is summarized as follows:

	Year ended 31/12/2014	Year ended 31/12/2013
Profit before tax in income statement	607,783	363,004
Prima facie tax calculated at 15% (2013: 10%)	91,167	36,301
Non tax deductible expenses	131,474	53,524
Income tax expense	**222,641**	**89,825**

Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Albanian tax laws and regulations are subject to interpretations by the tax authorities. Un-deductible expenses comprise losses from unrecoverable loans, impairment on repossessed properties, provisions created, depreciation charge for leasehold improvements that is not recognized as deductible for fiscal purposes, and other expenses not recognized as tax deductible based on current tax legislation.

(Amounts in LEK '000, unless otherwise stated)

9. Cash and cash equivalents

	31/12/2014	31/12/2013
Current accounts with banks	8,984,977	2,889,547
Money market placements	6,267,971	11,448,662
Cash on hand	3,005,720	4,225,663
Unrestricted balances with central bank	896,990	1
In transit	(624,640)	(143,067)
	18,531,018	**18,420,806**

Money market placements include placements with resident and non-resident banks, bearing short-term maturity, up to 3 months.
Cash in transit represents transactions as agents for payments made by customers in behalf of fiscal authorities, initiated within December 31[st], 2014 and settled with the current account at the Central Bank within the first days in January 2015.

10. Restricted balances with Central Bank

In accordance with the Central Bank's requirement relating to the deposit reserve, the Bank should maintain a minimum of 10% of customer deposits with the Central Bank as a reserve account. The statutory reserve is not available for the Banks' day-to-day operations. The maturity of the statutory reserve is created on a monthly basis and the interest rate applied to the LEK denominated reserve is 70% of the one-week REPO rate (base rate) in Albania, which as at December 31st, 2014 was 2% (31 December 2013: 3%). The reserve denominated in other currencies does not bear interest.

11. Loans and advances to banks

	31/12/2014	31/12/2013
Resident banks and financial institutions	637,842	415,758
Non- Resident banks and financial institutions	105,347	66,836
Total	**743,189**	**482,594**

12. Loans and advances to customers

Loans and advances to customers consisted of the following:

	31/12/2014	31/12/2013
Loans and advances to customers at amortized cost	90,525,515	76,063,299
Loan loss allowances for impairment	(10,721,143)	(8,723,593)
	79,804,372	**67,339,706**

Loans and advances to customers by sector can be detailed as follows:

	31/12/2014	31/12/2013
Corporate lending	57,259,622	46,375,401
Mortgage lending	18,915,945	17,261,132
Private individuals lending	4,138,685	4,164,639
Finance leases	101,162	112,642
Other secured lending	10,110,101	8,149,485
	90,525,515	***76,063,299***
Impairment allowance	(10,721,143)	(8,723,593)
	79,804,372	**67,339,706**

Movements in the impairment for loan losses by classes of loans and advances are detailed as follows:

	Year ended 31/12/2014	Year ended 31/12/2013
Balance at the beginning of the year	8,723,593	6,487,122
Allowance for loan loss impairment	2,452,440	2,271,591
Writte offs	(617,056)	-
Effect of foreign currency movements	162,166	(35,120)
Balance at the end of the year	**10,721,143**	**8,723,593**

For the year ended 31 December 2014, the Bank considered unrecoverable and wrote-of an amount of LEK 135,113 thousands (31 December 2013: LEK 253,589 thousands) that was not fully provisioned.

12. Loans and advances to customers (continued)

31 December 2014 (in Lek '000)	Corporate Lending	Private individuals Lending	Mortage Lending	Finance Lease	Other secured Lending	Total
Balance at 31 December 2012	**4,314,740**	**364,446**	**1,783,380**	**9,508**	**15,048**	**6,487,122**
Allowance for loan loss impairment	4,841,513	640,910	1,064,246	1,849	1,361,077	7,909,595
Recoveries	(2,916,127)	(427,786)	(2,276,621)	(6,764)	(10,706)	(5,638,004)
Effect of foreign currency movements	(22,503)	(2,352)	(10,170)	(20)	(75)	(35,120)
Balance at 31 December 2013	**6,217,623**	**575,218**	**560,835**	**4,573**	**1,365,344**	**8,723,593**
Allowance for loan loss impairment	4,554,248	142,574	312,714	1,933	717,876	5,729,345
Recoveries	(2,442,300)	(162,745)	(198,059)	(1,475)	(472,327)	(3,276,906)
Write off	(459,896)	(30,646)	(37,295)	(278)	(88,941)	(617,056)
Effect of foreign currency movements	120,865	8,054	9,801	73	23,374	162,167
Balance at 31 December 2014	**7,990,540**	**532,455**	**647,996**	**4,826**	**1,545,326**	**10,721,143**
						-
As at 31 December 2013						
Individual ipmairment	3,946,146	-	298,851	-	764,768	5,009,765
Collective impairment	2,271,477	575,218	261,984	4,573	600,576	3,713,828
	6,217,623	**575,218**	**560,835**	**4,573**	**1,365,344**	**8,723,593**
As at 31 December 2014						
Individual ipmairment	5,118,256	-	306,447	-	965,487	6,390,190
Collective impairment	2,872,284	532,455	341,549	4,826	579,839	4,330,953
	7,990,540	**532,455**	**647,996**	**4,826**	**1,545,326**	**10,721,143**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**10,180,843**	**-**	**732,923**	**-**	**2,037,599**	**12,951,365**

(Amounts in LEK '000, unless otherwise stated)

13. Investment securities AFS

Investment securities available for sale

Investment securities available for sale as at 31 December 2014 and 31 December 2013 are as follows:

	31/12/2014	31/12/2013
Treasury Bills	13,247,652	5,452,826
Government bonds	2,206,491	1,184,083
Total	**15,454,143**	**6,636,909**

Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2014fluctuated between 3.06% and 3.88% p.a. (2013: 3.39% and 6.54% p.a.). Details of treasury bills as at 31 December 2014 and 31 December 2013, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31/12/2014					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
3 months	3,926,940	(30,396)	8,430	3,904,974	504	3,905,478
6 months	1,406,000	(21,033)	8,996	1,393,963	(168)	1,393,795
12 months	8,087,020	(258,560)	118,349	7,946,809	1,570	7,948,379
	13,419,960	**(309,989)**	**135,775**	**13,245,746**	**1,906**	**13,247,652**

	31/12/2013					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
3 months	1,100,000	(9,086)	1,728	1,092,642	(155)	1,092,487
6 months	1,927,080	(33,448)	8,824	1,902,456	(797)	1,901,659
12 months	2,516,392	(102,059)	40,859	2,455,192	3,488	2,458,680
	5,543,472	**(144,593)**	**51,411**	**5,450,290**	**2,536**	**5,452,826**

Government bonds

As at 31 December 2014, the Bank had a portfolio of 2-years, 3-years, 5-years and 10-years government bonds, denominated in the local currency (LEK). Interest is received semi-annually at a respective coupon rate of 4.83% to 7.69 % (2-years), 5.78% to 5.8 % (3-years), 4.99% to 5.95% (5-years) and 5.96% (10-years). Details of government bonds as at 31 December 2014 and 31 December 2013, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31/12/2014					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
24 months	1,400,000	-	10,846	1,410,846	(1,154)	1,409,692
36 months	200,000	-	2,766	202,766	1,837	204,603
60 months	483,176	-	8,123	491,299	1,645	492,944
120 months	100,000	2,187	1,060	103,247	(3,995)	99,252
	2,183,176	**2,187**	**22,795**	**2,208,158**	**(1,667)**	**2,206,491**

	31/12/2013					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
24 months	450,000	-	5,502	455,502	3,360	458,862
36 months	200,000	-	8,801	208,801	(93)	208,708
60 months	383,176	-	10,446	393,622	20,795	414,417
120 months	100,000	2,435	682	103,117	(1,021)	102,096
	1,133,176	**2,435**	**25,431**	**1,161,042**	**23,041**	**1,184,083**

(Amounts in Lek'000, unless otherwise stated)

13. Investment securities AFS (continued)

The table below shows the movements in the balances of available for sale as at 31 December 2014 and 31 December 2013, including additions, maturing and sale of investments during these years:

	Movements in Available for sale	
	31/12/2014	**31/12/2013**
Opening Balance on 1 Jan	**6,636,909**	**4,699,608**
Additions	22,985,045	10,144,518
Sales	(300,000)	(17,965)
Maturing	(13,842,474)	(8,194,787)
FV fluctuations	(25,337)	5,535
Closing Balance on 31 Dec	**15,454,143**	**6,636,909**

As at 31 December 2014 and 31 December 2013 the Bank holds no held-to-maturity securities.

14. Property and equipment

	Buildings	Electronic and office equipment	Vehicles, Furniture & Fittings	Leasehold improvements	Total
Cost					
Balance at 01/01/2013	**303,863**	**728,475**	**193,053**	**281,756**	**1,507,147**
Acquisitions	-	53,157	1,309	2,075	56,541
Disposals	-	(24,016)	(1,439)	-	(25,455)
Balance at 31/12/2013	**303,863**	**757,616**	**192,923**	**283,831**	**1,538,233**
Acquisitions	-	83,058	5,910	2,781	91,749
Disposals	-	(13,731)	(1,730)	-	(15,461)
Balance at 31/12/2014	**303,863**	**826,943**	**197,103**	**286,612**	**1,614,521**
Depreciation					
Balance at 01/01/2013	**(110,095)**	**(431,319)**	**(93,985)**	**(138,672)**	**(774,071)**
Depreciation for the period	(15,193)	(67,221)	(16,381)	(27,070)	(125,865)
Disposals	-	16,686	836	-	17,522
Balance at 31/12/2013	**(125,288)**	**(481,854)**	**(109,530)**	**(165,742)**	**(882,414)**
Depreciation for the period	(15,194)	(66,245)	(13,439)	(26,435)	(121,313)
Disposals	-	9,207	722	-	9,929
Balance at 31/12/2014	**(140,482)**	**(538,892)**	**(122,247)**	**(192,177)**	**(993,798)**
Net Book Value					
Balance at 01/01/2013	**193,768**	**297,156**	**99,068**	**143,084**	**733,076**
Balance at 31/12/2013	**178,575**	**275,762**	**83,393**	**118,089**	**655,819**
Balance at 31/12/2014	**163,381**	**288,051**	**74,856**	**94,435**	**620,723**

(Amounts in LEK '000, unless otherwise stated)

15. Intangible Assets

	Software	Patents and licenses	Prepaid	Total
Cost				
Balance at 01/01/2013	**114,193**	**68,490**	**3,678**	**186,361**
Additions	105,714	2,175	623	108,512
Disposals	(4)	(9,454)	(3,678)	(13,136)
Balance at 31/12/2013	**219,903**	**61,211**	**623**	**281,737**
Additions	9,871	313	-	10,184
Disposals	-	-	(623)	(623)
Balance at 31/12/2014	**229,774**	**61,524**	**-**	**291,298**
Amortization				
Balance at 01/01/2013	**(77,364)**	**(15,010)**	**-**	**(92,374)**
Amortization charge for the year	(25,474)	(7,642)	-	**(33,116)**
Disposal	-	6,712	-	**6,712**
Balance at 31/12/2013	**(102,838)**	**(15,940)**	**-**	**(118,778)**
Amortization charge for the year	(33,586)	(7,656)	-	**(41,242)**
Disposal	-	-	-	-
Balance at 31/12/2014	**(136,424)**	**(23,596)**	**-**	**(160,020)**
Carrying amounts				
Balance at 01/01/2013	**36,829**	**53,480**	**3,678**	**93,987**
Balance at 31/12/2013	**117,065**	**45,271**	**623**	**162,959**
Balance at 31/12/2014	**93,350**	**37,928**	**-**	**131,278**

16. Deferred Tax

Deferred tax is attributable to the following:

	31/12/2014			31/12/2013		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
AFS Securities	967	-	967	-	(2,834)	(2,834)
Net deferred tax liability	**967**	**-**	**967**	**-**	**(2,834)**	**(2,834)**

The deferred tax assets have been recorded net of the deferred tax liabilities as the amounts are due to the same tax authority and are expected to be settled on a net basis. The created deferred tax assets/(liability) arises from the revaluation of the available-for-sale instruments, whose fluctuations in their fair value are recorded in the revaluation reserve in Equity, going through other comprehensive income.

17. Repossessed property

The Bank management classified those properties possessed as result of foreclosures on loans that were in default. The carrying amount of the repossessed properties as at 31 December 2014 is the fair value determined by independent valuator as at 31 December 2014 and 31 December 2013.

	31/12/2014	31/12/2013
Opening balance at 1 January	**4,398,574**	**3,603,725**
Additions	22,579	1,012,308
Disposals	(217,234)	(25,280)
Net loss from a fair value adjustment	(462,225)	(192,179)
Closing balance at 31 December	**3,741,694**	**4,398,574**

The repossessed properties are measured at the lower of the auction value and fair value and where deemed necessary reduced for any net realizable cost variation. As at 31 December 2014, repossessed properties include land, buildings, residential apartments and commercial and/or business premises. It is the Bank intention to sale the repossessed properties as soon as it is feasible. For the year ended as at 31 December 2014 the Bank sold LEK 217,235 thousands from the repossessed properties portfolio, from which the Bank recognized LEK 37,959 thousands as loss on sale of repossessed properties.

(Amounts in Lek'000, unless otherwise stated)

18. Other Assets

	31/12/2014	31/12/2013
Debtors	208,687	248,151
Prepaid expenses	145,307	37,247
Deferred expenses	305,927	359,847
	659,921	**645,245**

Deferred expenses represents a prepayment from the Bank to an external consultancy company during the year ended 31 December 2013 with a tenor of five years. As at 31 December 2014 the Bank has prepaid an amount of EUR 220 thousand (LEK 30,830 thousands) in addition to the amount prepaid in 2013 for EUR 2,780 thousand (LEK 389,756 thousand). During 2014, the Bank recognized in its statement of comprehensive income (under administrative expenses as third party fees) (note 7) the cost of services received during the year, being LEK 84,724 thousands.

19. Due to banks and other financial institutions

Due to banks and other financial institutions are detailed as follows:

	31/12/2014	31/12/2013
Current accounts		
Resident	79,502	199,785
Money market deposits		
Resident	466,775	1,031,079
Non-resident	1,286,586	-
	1,832,863	**1,230,864**

20. Borrowing

Borrowing as at 31 December 2014 and 31 December 2013 are composed of the following items:

	31/12/2014	31/12/2013
Ministry of Economic Development, Trade and Entrepeneurship (ex-METE)	165,767	222,029
EBRD	568,648	569,349
IFC	437,018	562,242
Financial instruments due to individuals	-	363,505
	1,171,433	**1,717,125**

Ministry of Economic Development, Trade and Entrepreneurship (ex-METE)

During 2009 the Bank obtained a borrowing (soft-loan) from the Ministry of Economy, Commerce and Energy, as part of the "Program for development of the Albanian private sector through a credit line for SMEs and relevant technical assistance" of the Italian-Albanian Development Cooperation (PRODAPS), which aims at supporting the development of the Albanian private sector by facilitating the access to credit of local SMEs. The annual interest rate is fixed at 0.5% p.a. for lending in EURO, and 3.5% p.a. for lending in LEK. Repayment to the Ministry is according to the same repayment terms settled with the final users of the loan contracts (ultimate borrowers).

As at 31 December 2014 the outstanding amount of borrowings is LEK 165,767 thousand (2013: LEK 222,029 thousand), and there are no balances in default related to this borrowing either at 31 December 2014 or at 31 December 2013.

International Finance Corporation

On March 7th, 2013 the Bank signed a loan agreement with International Finance Corporation("IFC") in its capacity as Implementing Entity of the Canada Climate Change Program ("CCCP"). Subject to this loan agreement, IFC agreed to lend to the Bank a total amount of up to EUR 10 million, for renewable energy and energy efficiency related investments. The Bank has not pledged any of its assets as collateral for this loan agreement.

As at 31 December 2014 the amount disbursed to the Bank from IFC within the framework of this loan agreement is EUR 3.1 million, or LEK 436,002 thousand. Within the terms of this loan agreement, the Bank has issued no sub-loans during 2014 (2013: 164 sub-loans amounting LEK 257,545 thousand).

As at 31 December 2014 the Bank is not complying with Open Credit Exposures Ratio and Economic Group Exposure Ratio covenants. For the period ending as of this date, the Bank has not received a waiver or consent letter from IFC, therefore the outstanding balance with IFC as at 31 December 2014 is treated as short-term (refer to note 28). The Bank has not been in default in any of its payments during the year 2014 and 2013.

(Amounts in LEK '000, unless otherwise stated)

20. Borrowing (continued)

European Bank for Reconstruction and Development
On August 28th, 2013 the Bank signed a loan agreement with European Bank for Reconstruction and Development ("EBRD"), in respect of the Western Balkans and Croatia Finance Framework. Subject to this loan agreement, EBRD agreed to lend to the Bank a total amount of up to EUR 8 million, to provide the Bank with a loan to be used to promote lending to small and medium sized enterprises in the countries situated in the Western Balkan region and Croatia. The Bank has not pledged any of its assets as collateral for this loan agreement.

As at 31 December 2014 the amount disbursed to the Bank from EBRD within the framework of this loan agreement is EUR 4 million, or LEK 560,560 thousand. Within the terms of this loan agreement, the Bank has issued no sub-loans during 2014 (2013: 39 sub-loans amounting LEK 230,036 thousand).

As at 31 December 2014 the Bank is not complying with Open Credit Exposures Ratio covenant. For the period ending as of this date, the Bank has not received a waiver or consent letter from EBRD, therefore the outstanding balance with EBRD as at 31 December 2014 is treated as short-term, (refer to note 28). The Bank has not been in default in any of its payments during the year 2014 and 2013.

Financial instruments from individuals
During December 2013, the Bank approved the issuance of additional financial instruments as sub-ordinated debt from individuals. Interested and approved individuals were 23 (twenty-three) and the amount of EUR 1.3 million and LEK 180 million were approved. The Bank received the approval from the Financial Supervisory Board as at 31 December 2013, for the issuance of these financial instruments. Such financial instruments are recognized as subordinated-debt based on the approval from the Bank of Albania received on March 3rd, 2014 (date on which these financial instruments are reclassified as subordinated-debt in the Bank's financial statements). These financial instruments are not convertible to ordinary shares at any given time. As at 31 December 2014, there is no financial instrument recognized as financial instruments due to individuals.

21. Due to customers

	31/12/2014	31/12/2013
Private individuals	90,698,723	78,455,358
Sovereign governments	9,819,055	5,141,351
Corporate	9,614,209	7,574,783
Other customers	1,898,949	261,241
Shareholder's balances	392,777	-
	112,423,713	**91,432,733**

Shareholder's balances represent prepayments made from several of the Bank's shareholders for part of the new subscribed capital that as at 31 December 2014 is not yet registered with QKR. The Shareholder's prepayment for the capital increase, amounting LEK 392,777 thousands has been paid in EUR and is included under current accounts – foreign currency.

The table below shows due to customers by currency are detailed as follows:

	31/12/2014	31/12/2013
Current accounts		
Local currency	12,793,671	7,363,508
Foreign currency	7,572,125	4,183,660
Saving accounts		
Local currency	2,454,433	1,393,750
Foreign currency	2,271,546	1,901,344
Term deposits		
Local currency	48,141,738	43,344,376
Foreign currency	38,145,878	32,434,688
Other customers accounts		
Local currency	800,425	135,634
Foreign currency	243,897	675,773
	112,423,713	**91,432,733**

(Amounts in Lek'000, unless otherwise stated)

22. Subordinated debt

Subordinated debt can be detailed as follows:

	31/12/2014	31/12/2013
SIFEM-AG (former SECO)	582,073	582,550
European Fund for Southeast Europe (EFSE)	435,427	870,926
Subordinated Instruments	3,126,896	1,633,866
At the end of the period	**4,144,396**	**3,087,342**

On 12 December 2007 the General Assembly of Shareholders approved the borrowing of a subordinated debt of Euro 2 million from the State Secretariat for Economic Affairs (SECO) acting through the Swiss Investment Fund for Emerging Markets (SIFEM). Additionally, on 31 December 2008, the General Assembly of Shareholders approved the borrowing of another subordinated debt of EUR 2.120 thousand from SIFEM. These debts are to be repaid with equal installments of Euro 666,666 and EUR 706,666. On 10 June 2014, the Bank and SIFEM signed two amendments to the aforementioned contracts, where the repayment of the subordinated debt is postponed to 30 June 2016, 31 December 2016 and 30 June 2017, with an effective date as at 31 December 2014.

On 8 February 2008, the General Assembly of Shareholders approved the borrowing of a subordinated debt of Euro 3 million from the European Fund for Southeast Europe (EFSE). On 31 July 2008, an additional amount of Euro 3 Million was disbursed to the Bank. On March 21st, 2014, the Bank of Albania approved the payment of the first principal repayment to EFSE, for the amount of EUR 3 million. On January 15th, 2015, the Bank of Albania approved the payment of the second principal repayment to EFSE, for the amount of EUR 3 million.

On 31 October 2011, the general assembly of shareholders approved the issuance of subordinated instruments in LEK, Euro and USD to private individuals. On November 2014 the general assembly approved the 9th issuance of subordinated debt to private individuals for the amount of 4 million EUR, 479 million LEK and 480 thousand USD.

As at 31 December 2014, there are no balances overdue.

As of 31 December 2014 the instruments are detailed as follows:

Currency	No of Instruments	31/12/2014	31/12/2013
LEK	1,601	1,600,600	872,294
EUR	782	1,095,888	534,384
USD	374	430,408	227,188
	2,757	**3,126,896**	**1,633,866**

23. Other liabilities

Other liabilities are comprised of the following:

	31/12/2014	31/12/2013
Payments in transit	***6,319***	***5,736***
-Suspense accounts for forex transactions off balance sheet	226	350
-Public financing	6,093	5,386
Suppliers and accrued payables	***143,884***	***158,056***
Total	**150,203**	**163,792**

24. Provisions

Provisions as at 31 December 2014 and 31 December 2013 are composed of the following items:

	31/12/2014	31/12/2013
Provisions for litigations	13,275	11,883
Tax provisions	30,000	10,000
	43,275	**21,883**

(Amounts in LEK '000, unless otherwise stated)

24. Provisions (continued)

In the table below are presented the movements in provisions occurred during 2014 and 2013.

	Year ended 31/12/2014	Year ended 31/12/2013
Balance 1 January	21,883	10,383
Reversal	(133)	-
Additions	21,525	11,500
Balance 31 December	**43,275**	**21,883**

Included in provisions there is an amount of LEK 10,383 thousand related to a litigation on tax penalties from the tax audit performed in 2008. The Bank has started a legal process for this case, and it has not yet been concluded as at 31 December 2014, as it is still pending a decision from the Supreme Court.

Additions, consist of additional LEK 20,000 thousand created for potential tax obligations for the year ended 31 December 2014 (2013 : LEK 10,000 thousands).

The other amount of additions in provisions, of LEK 1,525 thousand, is created for a litigation in which the Bank is the defendant against claims of a former client of the Bank. The latter case is still pending a decision from the Appeal Court of Vlora.

The reversal amount of LEK 133 thousand relates to the court case with Shkodra district dated 2012 that the court decided in the favor of the bank.

25. Share Premium

During 2014 the Bank has issued no new shares whilst in 2013 there were 6,301,526 new shares issued, generating a share premium of LEK 548,924 thousand.

26. Share Capital

The share capital is composed of type A shares and normal shares both with a nominal value of 1 USD for each share. The subscribed share capital contributed by the shareholders of the Bank is denominated in USD, EUR and LEK and is reported in the financial statements with the historical rates of exchange. As at 31 December 2014 the subscribed share capital amounts to USD 14,390,490, EUR 13,474,422 and LEK 2,011,645,656. Shares are ranked as normal and type A and are owned by the following shareholders:

Share Capital	31 December 2014 (%)	31 December 2013 (%)
Renis Tershana	27.753%	27.753%
Aleksander Pilo	20.857%	21.857%
B.F.S.E Holding BV	19.249%	19.249%
Unioni Shqiptar Kursim Kredie	3.651%	3.651%
Bank Executive Directors	7.712%	12.266%
Other (less than 5% of shareholding)	20.778%	15.224%
Total	**100.000%**	**100.000%**

The paid up capital of the Bank as of 31 December 2014 is LEK 5,438,330 thousand translated at the historical rate of exchange (31 December 2013: LEK 5,438,330 thousand) with a nominal value of USD 1 each. On 29th October 2014 the Assembly decided for the issuance of a new capital to the amount of EUR 7.2 million. As of 31 December 2014 approx. half of it is subscribed, but not yet registered in the national registration center (QKR).

The shares of the Bank have a nominal value and are indivisible. Each share gives its owner the right to one vote. The Bank holds "ordinary shares" and "class A" shares, where each of these shares has a nominal value of USD 1 per share. The "class A" shares afford to their holder certain rights and privileges, mainly in relation to the transfer of shares, sale of shares, conversion of "class A" shares into ordinary shares, and the right to propose to appoint and remove 2 members of the BOD, The holders of the class "A" shares acting jointly through an appointed representative will have the rights and privileges attached to their class "A" shares with regard to "pre-approval" of certain changes and decisions, and certain "information rights".

(Amounts in Lek'000, unless otherwise stated)

26. Share Capital (continued)

All shares held by B.F.S.E Holding BV or S.E.C.O. shall all time be "A" shares. All other shareholders of the Bank hold ordinary shares.

A reconciliation of share capital at the beginning and end of the year are as follows:

	Normal shares		Type A shares	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
As at 1 January	**40,847,775**	**35,434,699**	**11,520,517**	**10,632,067**
Increase in number of shares:	-	5,413,076	-	888,450
As at 31 December	**40,847,775**	**40,847,775**	**11,520,517**	**11,520,517**

27. General Reserve

The Bank has created two reserves through appropriations from retained earnings being the general reserve, which represents the risk weighted assets reserve, as required by the Central Bank, and the statutory reserve, as required by the by-laws of the Bank. The general reserve is calculated as 1.25% of the risk weighted assets, whereas the statutory reserve is calculated as 5% of annual profit. These reserves are not distributable.

	31/12/2014	31/12/2013
General reserve	1,256,860	1,256,860
Statutory reserve	180,755	180,755
Total	**1,437,615**	**1,437,615**

(Amounts in LEK '000, unless otherwise stated)

28. Maturity analysis of assets and liabilities

31/12/2014	< 12 months	> 12 months	Total
Financial Assets			
Net cash	18,531,018	-	**18,531,018**
Restriced balances with Central Bank	9,372,093	946,866	**10,318,959**
Advances to banks	712,768	30,421	**743,189**
Investment securities	13,704,143	1,750,000	**15,454,143**
Loans and advances to customers (gross performing loans)	37,153,694	42,650,678	**79,804,372**
Property and equipment	-	620,723	**620,723**
Intangible assets	-	131,278	**131,278**
Deferred tax asset	-	967	**967**
Repossessed properties	-	3,741,694	**3,741,694**
Other assets	351,191	308,730	**659,921**
Total	**79,824,907**	**50,181,357**	**130,006,264**
Financial Liabilities			
Due to banks and other financial institutions	1,807,354	25,509	**1,832,863**
Borrowing	1,014,656	156,777	1,171,433
Due to customers	101,639,546	10,784,167	**112,423,713**
Subordinated debt	462,126	3,682,270	**4,144,396**
Current tax liabilities	65,990	-	**65,990**
Other liabilities	150,203	-	**150,203**
Provisions	43,275	-	**43,275**
Total	**105,183,150**	**14,648,723**	**119,831,873**
Net	**(25,358,243)**	**35,532,634**	**10,174,391**

31/12/2013	< 12 months	> 12 months	Total
Financial Assets			
Net cash	18,420,806	-	**18,420,806**
Restriced balances with Central Bank	7,888,479	782,815	**8,671,294**
Advances to banks	473,903	8,691	**482,594**
Investment securities	5,778,896	858,013	**6,636,909**
Loans and advances to customers (gross performing loans)	32,100,715	35,238,991	**67,339,706**
Property and equipment	-	655,819	**655,819**
Intangible assets	-	162,959	**162,959**
Current tax asset	53,453	-	**53,453**
Repossessed properties	-	4,398,574	**4,398,574**
Other assets	282,595	362,650	**645,245**
Total	**64,998,847**	**42,468,512**	**107,467,359**
Financial Liabilities			
Due to banks and other financial institutions	1,230,864	-	**1,230,864**
Borrowing	1,505,344	211,781	1,717,125
Due to customers	82,864,848	8,567,885	**91,432,733**
Subordinated debt	52,620	3,034,722	**3,087,342**
Deferred tax liabilities	-	2.834	**2,834**
Other liabilities	163,792	-	**163,792**
Provisions	21,883	-	**21,883**
Total	**85,839,351**	**11,817,222**	**97,656,573**
Net	**(20,840,504)**	**30,651,290**	**9,810,786**

(Amounts in Lek'000, unless otherwise stated)

29. Contingent liabilities and commitments

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the bank. Letters of credit and guarantees (including standby letters of credit) commit the bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Commitments and contingencies include guarantees extended to customers and received from credit institutions. The balance is comprised of the following:

	31/12/2014	31/12/2013
Contigent Asets		
Guarantees in favour of customers	3,276,062	3,962,067
Commitments in favour of customers	11,095,915	2,721,747
Contigent Liabilities		
Guarantees pledged from credit customers	4,376,297	3,236,484
Guarantees received from credit customers	319,407,396	220,648,600
Commitments on securities	478,831	641,986

Guarantees and letters of credit
Guarantees received from customers include cash collateral, mortgages, inventory and other assets pledged in favor of the Bank from its borrowers. The Bank issues guarantees and letters of credit for its customers. These instruments bear a credit risk similar to that of loans granted. Based on management's estimate, no material losses related to guarantees and letters of credit outstanding at 31 December 2014 will be incurred.

Operating Lease commitments – Bank as lessee
The Bank leases office premises in Tirana, Durres, Fier, Vlora, Lezha, Elbasan, Shkodra, Korca, Shijak, Kavaja, Kukes, Berat, Ballsh, Mat, Peshkopi and Vora mostly under ten year operating leases, as a lessee. Such future commitments for the years ended 31 December 2014 and 2013 are detailed as follows:

	Year ended 31/12/2014	Year ended 31/12/2013
Not later than 1 year	240,370	232,441
Later than 1 year and not later than 5 years	652,692	744,747
Later than 5 years	204,446	247,896
Total	**1,097,508**	**1,225,084**

Lease commitments – Bank as lessor
As part of its "Loans and advances to customers" portfolio, the Bank has issued financial leases to its customers, amounting as at LEK 93,130 thousand (31 December 2013: LEK 104,670 thousand). These leases have an average life of between one to five years, with no renewal option included in the contracts. Future minimum lease payments (principal and interest) as at 31 December 2014 and 31 December 2013 are detailed as follows:

	Year ended 31/12/2014	Year ended 31/12/2013
Not later than 1 year	89,907	52,293
Later than 1 year and not later than 5 years	26,280	100,610
Total	**116,187**	**152,903**

Litigation and claims
The Bank is subject to other legal proceedings, claims, and litigation arising in the ordinary course of business. Management believes that the ultimate costs to resolve these matters will not have a material adverse effect on the Bank's financial position, results of operations, or cash flows.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business undertaken.
The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the bank had several unresolved legal claims with no probable adverse effects. Accordingly, no provision, except for the amounts included in provisions note 23, has been made in these financial statements.

30. Related party disclosures

In the following tables, the Bank presents the relationships that existed between the Bank and its related parties, the nature of the transactions, outstanding amounts and expenses and/or income recognized as at 31 December 2014 and 31 December 2013.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank. Persons or entities that are related to the Bank, by being either a person or close member of that person's family to the Bank, by having control or joint control by a person or close member of that person's family, or by having significant influence over the entity, are presented as other related parties.

Related party transactions

	31/12/2014		31/12/2013	
Transaction	**Key Management Personnel**	**Other related parties**	**Key Management Personnel**	**Other related parties**
Lease expense	-	-	-	24,381
Income	4,356	167,561	4,717	162,844
Expenses	73,380	30,858	83,617	67,388

	31/12/2014		31/12/2013	
Type of transaction	**Key Management Personnel**	**Other related parties**	**Key Management Personnel**	**Other related parties**
	Lek '000	**Lek '000**	**Lek '000**	**Lek '000**
Credit Line	-	1,220,385	-	960,500
Overdrafts	2,711	514,318	-	509,351
Credit Card	10,931	-	14,336	8,613
Term Loans	215,836	275,347	23,604	388,731
Incaso+Guarantees	-	63,035	-	18,436
Current accounts	-	-	(21,120)	(147,392)
Term deposits	-	(417,448)	(56,484)	(419,946)
Subordinated debt	-	-	-	-
Collateral placed in favour of the Bank	(1,538)	(3,560,090)	(46,388)	(3,769,361)

	Interest rates (in %)	
Type of transaction	**31/12/2014**	**31/12/2013**
Credit Line	4.5%-11%	4.9%-11.81%
Overdrafts	4%-11%	4%-22%
Credit Card	2.31%-30%	14%-26%
Term Loans	2.3%-18%	2.47%-18.5%
Current accounts	0.08%-0.2%	0.1%-0.2%
Term deposits	0.19%-5.5%	1.2%-6.9%

In addition the key management personnel remuneration has been as follows, with no other benefits to disclose as at 31 December 2014 and 31 December 2013:

	Salaries	Bonuses
Year ended 31 December 2014		
Key management remuneration	62,203	4,099
Board of Directors remuneration	1,566	-
Year ended 31 December 2013		
Key management remuneration	79,120	6,598
Board of Directors remuneration	2,191	-

31. Events after the statement of financial position date

The Bank's Shareholders have agreed that the Bank would acquire 76% of the shares of "Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" from "SICRED SHA", through a share purchase agreement signed on December 22nd, 2014. The approval for the change in the shareholding structure and change in control of "Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" has been given from the Financial Supervisory Authority on April 28th, 2015. This has been registered with the National Registration Center on 10 June 2015, which is the date when the change in control becomes effective.

The management of the Bank is not aware of any other events after the reporting date that would require either adjustments or additional disclosures in the financial statements.

32. Risk Management

32.1 Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight and control of the Bank's risk management framework. The Board has established the Bank Asset and Liability Committee (ALCO) and the Credit Committee, which are responsible for developing and monitoring Bank risk management policies in specified areas up to predetermined limits of exposure.

The risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

32.2 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The risk arising from investments in securities is maintained in low levels as investments are made only in government securities, Treasury Bills and Bonds, considered as low risk investments.

The Board of Directors has delegated responsibility for the management of credit risk to its Bank Credit Committees for all credit exposures within 5% of the banks regulatory capital. The Board of Directors in cooperation with the Credit Committee is responsible for oversight of the Bank's credit risk, including: formulating credit policies, covering collateral requirements, credit assessment, documentary and legal procedures, compliance with regulatory and statutory requirements, establishing the authorization structure for the approval and renewal of credit facilities.

Authorization limits are allocated to Risk Division Credit Committees. Larger facilities require approval by Senior Credit Committee, with the involvement of the High Management level or the Board of Directors as appropriate. Credit decision making Authorities assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

Developing and maintaining the Bank's risk classifications in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades in accordance with the Central Bank Credit Risk Management Regulation, reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approval by Credit Committee and these grades are subject to regular monthly reviews.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.2 Credit Risk (continued)

Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each branch and business unit is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit/branch has a Chief Credit Risk officer who reports on all credit related matters to local management and the Bank Credit Committee. Each business unit/branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and Bank Credit processes are undertaken by Internal Audit. Based on the Bank's internal rating policy, the portfolio rating as at 31 December 2014 and 31 December 2013 is as follows:

Bank's Credit Rating	31/12/2014	% to Total Gross	31/12/2013	% to Total Gross
A+	82,343	0.09%	30,096	0.04%
A	1,783,164	1.97%	2,051,630	2.70%
A-	11,378,911	12.57%	12,561,634	16.51%
B+	8,238,053	9.10%	4,975,745	6.54%
B	40,365,525	44.59%	27,132,765	35.67%
B-	3,069,027	3.39%	2,087,681	2.74%
C+	833,176	0.92%	-	0.00%
C	495,254	0.55%	441,189	0.58%
C-	125,828	0.14%	102,007	0.13%
D+	1,853,359	2.05%	2,318,961	3.05%
D	2,681,934	2.96%	970,648	1.28%
E+	1,259,259	1.39%	1,273,616	1.67%
E	3,165,732	3.50%	2,377,307	3.13%
E-	1,784,852	1.97%	1,086,296	1.43%
Loans with a credit rating	**77,116,417**	**85.19%**	**57,409,575**	**75.47%**
Loans with no rating	**4,645,668**	**5.13%**	**10,814,759**	**14.22%**
Loans with credit score	**8,763,430**	**9.68%**	**7,838,965**	**10.31%**
Total Gross Loan portfolio	**90,525,515**	**100.00%**	**76,063,299**	**100.00%**

The table below shows the credit quality by class of asset for loans and advances to customers to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

	31/12/2014		**31/12/2013**	
Bank's Internal Credit Rating	**Default rates in %**	**Total**	**Default rates in %**	**Total**
High grade		**30,726,502**		**19,296,191**
Risk rating class 1	5.56%	680,701	2.18%	1,286,933
Risk rating class 2	7.99%	7,258,609	4.33%	2,051,630
Risk rating class 3	2.59%	22,787,192	2.91%	15,957,628
Standard grade		**44,175,698**		**34,576,525**
Risk rating class 4	11.20%	12,224,973	5.34%	5,912,721
Risk rating class 5	5.73%	31,950,725	7.37%	28,663,804
Sub-standard grade		**6,016,585**		**11,375,825**
Risk rating class 6 and lower	28.61%	6,016,585	22.79%	11,375,825
No rating	18.26%	**9,606,730**	10.59%	**10,814,758**
Total		**90,525,515**		**76,063,299**

The classification of the internal rating is in accordance with the bank's procedures regarding the different segments of the client. In the high grade class are included the valuations for the commercial clients (A+,A,A-) and the valuations for individuals and micro (classes 1,2). For the standard grade are included the valuations for the commercial clients (B+,B) and the valuations for individuals and micro (classes 3,4,5). And in the sub-standard grade are included the valuations for the commercial clients (B- and lower) the valuations for individuals and micro (classes 6,7).

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.2 Credit Risk (continued)

Exposure to credit risk

	Gross maximum exposure	
	31/12/2014	**31/12/2013**
Cash Balance with Central Bank(exluding cash on hand)	11,210,695	8,666,944
Restricted balances wit Central Bank	10,318,959	8,671,294
Due from Banks	743,189	482,594
Loans and advances to customers	79,804,372	67,339,706
Financial assets available for sale	15,454,143	6,636,909
Other assets (Debtors)	208,687	248,151
Total	**117,740,045**	**92,045,598**
Undrawn credit commitments	7,364,284	2,448,244
Letters of credit	3,731,631	273,503
Guarantees in favor of customers	3,276,062	3,962,066
Total Credit related commitments	**14,371,977**	**6,683,813**
Total Credit Risk Exposure	**132,112,022**	**98,729,411**

The aging of past due and not impaired exposures for loans and advances to customers as at 31 December 2014 and 31 December 2013 is presented in the following table:

	31/12/2014	**31/12/2013**
Past due but not individually impaired		
1-45 d	1,008,731	4,233,164
46-90 d	891,979	762,435
91 - 120 d	1,055,088	61,501
121 - 150 d	134,371	139,018
151 - 180 d	4,264,118	75,441
181 - 270 d	1,972,524	32,304
271 - 360 d	108,237	235,058
over 360 d	1,486,038	1,494,577
Total	**10,921,086**	**7,033,498**

Exposures past due for more than 91 days and not individually impaired, include those loans and advances to customers which are tested for individual impairment, and resulting with no impairment.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.2 Credit Risk (continued)
Exposure to credit risk (continued)

The table below shows the credit quality for loans and advances to customers for the year as at 31 December 2014 and 31 December 2013, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

31-Dec-14	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	High grade	Standard grade	Sub standard grade	Without rating			
Corporate lending	8,848,873	40,971,588	23,973	532,203	9,323,574	10,180,485	69,880,696
Small business lending	4,105,789	3,053,438	121,585	847,749	1,143,091	2,037,983	11,309,635
Consumer lending	1,634,995	1,490,792	597,407	442,244	-	-	4,165,438
Residential mortgage	641,317	2,025,683	1,140,102	175,326	454,421	732,897	5,169,746
Total	**15,230,974**	**47,541,501**	**1,883,067**	**1,997,522**	**10,921,086**	**12,951,365**	**90,525,515**
Allowances for impairment of loans	750,771	2,238,752	202,270	396,087	743,073	6,390,190	10,721,143
Loan exposure, net of allowances	**14,480,203**	**45,302,749**	**1,680,797**	**1,601,435**	**10,178,013**	**6,561,175**	**79,804,372**

31-Dec-13	Neither past due nor impaired				Past due but not impaired	Individually impaired	Total
	High grade	Standard grade	Sub standard grade	Without rating			
Corporate lending	8,511,160	29,655,235	-	5,240,743	5,298,313	7,681,620	56,387,071
Small business lending	4,156,466	2,249,035	-	1,596,506	1,122,470	1,524,857	10,649,334
Consumer lending	1,776,266	860,663	270,554	1,264,630	-	-	4,172,113
Residential mortgage	2,402,568	805,714	84,257	298,754	612,715	650,773	4,854,781
Total	**16,846,460**	**33,570,647**	**354,811**	**8,400,633**	**7,033,498**	**9,857,250**	**76,063,299**
Allowances for impairment of loans	792,069	1,805,662	44,466	683,296	388,335	5,009,765	8,723,593
Loan exposure, net of allowances	**16,054,391**	**31,764,985**	**310,345**	**7,717,337**	**6,645,163**	**4,847,485**	**67,339,706**

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.2 Credit Risk (continued)
Exposure to credit risk (continued)

Loans and advances to banks, and investment securities (available for sale) as at 31 December 2014 and 31 December 2013 are neither past due nor impaired. The credit risk rating for loans and advances to banks and investment securities as at 31 December 2014 and 31 December 2013 is "high grade".

Loans and advances to banks		**31/12/2014**	**31/12/2013**
Neither past due or impaired			
	"High grade"	743,189	482,594
Total carrying amount		**743,189**	**482,594**

Investment securities		**31/12/2014**	**31/12/2013**
Neither past due or impaired			
	"High grade"	15,454,143	6,636,909
Total carrying amount		**15,454,143**	**6,636,909**

The table below shows the net exposure to loans and advances to customers as at 31 December 2014 and 31 December 2013, categorized as per individual and collective impaired portfolio:

	Net exposure to Loans and advances to customers	
	31/12/2014	**31/12/2013**
Individually impaired		
Past due and impaired	12,951,365	9,857,250
Allowance for impairment	(6,390,190)	(5,009,765)
Carrying amount	**6,561,175**	**4,847,485**
Collectively assessed for impaired		
Past due but not impaired	10,921,086	7,033,498
Allowance for impairment	(743,073)	(388,335)
Carrying amount	**10,178,013**	**6,645,163**
Neither past due nor individually impaired	66,653,064	59,172,551
Allowance for impairment	(3,587,880)	(3,325,493)
Carrying amount	**63,065,184**	**55,847,058**
Total carrying amount on loans and advances to customers	**79,804,372**	**67,339,706**

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance is the specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Banks of homogeneous assets in respect of losses that have been incurred but not identified on loans subject to individual assessment for impairment.

Write-off policy
The writing off of losses is done following a decision from the Board of Directors when the legal process of demanding payment from the borrower is completed and the borrower continues to be a debtor to the bank for the unpaid portion. Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.2 Credit Risk (continued)
Exposure to credit risk (continued)

Loans and advances to customers
The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2014 or 2013. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	31/12/2014	31/12/2013
Against individually impaired:	**16,652,396**	**10,409,593**
Property	7,316,606	5,864,974
Other	9,335,790	4,544,619
Against collectively impaired:	**217,489,993**	**143,514,368**
Property	122,457,111	86,950,861
Other	95,032,882	56,563,507
	234,142,389	**153,923,961**

The financial effect of collateral, by showing the level of provisions if no collateral would be considered is shown as below:

	31/12/2014	31/12/2013
Gross amount	90,525,515	76,063,299
Provisions if no collateral would be considered	27,728,445	20,557,719
Total carrying amount on loans and advances to customers	**62,797,070**	**55,505,580**

Risk concentration
The Bank monitors concentrations of credit risk by industry sector, geographic location, counterparty, maturity and currency. An analysis of concentrations of credit risk by industry sector and geographic location at the reporting date is shown below:

Loans and advances to customers	31/12/2014			31/12/2013		
	Albania	**Others**	**Total**	**Albania**	**Others**	**Total**
Construction	13,781,668	3,096,345	16,878,013	12,636,348	2,601,340	15,237,688
Commerce	31,758,767	1,741,306	33,500,073	23,271,386	1,075,498	24,346,884
Consumer loans	4,160,995	4,444	4,165,439	3,076,268	2,599	3,078,867
Public,social and personal services	12,592,271	1,671,501	14,263,772	9,171,298	701,662	9,872,960
Processing industry	6,699,489	1,065,911	7,765,400	4,250,029	202,304	4,452,333
Hotels and restaurants	2,156,755	423,739	2,580,494	2,711,246	-	2,711,246
Production and distribution of electricity/water	2,923,637	33,466	2,957,103	3,695,837	150,077	3,845,914
Real estate	8,538	-	8,538	9,139	-	9,139
Transport and telecommunication	815,113	4,267	819,380	854,737	4,294	859,031
Agriculture	125,810	-	125,810	79,961	-	79,961
Mining	733,283	-	733,283	1,487,322	-	1,487,322
Health and social activities	143,760	-	143,760	176,172	-	176,172
Fishery	13,487	-	13,487	12,437	-	12,437
Other	6,570,963	-	6,570,963	9,893,345	-	9,893,345
	82,484,536	**8,040,979**	**90,525,515**	**71,325,525**	**4,737,774**	**76,063,299**

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.2 Credit Risk (continued)
Risk concentration (continued)

An analysis of concentrations of credit risk by industry sector at the reporting date is shown below:

31/12/2014	**Corporate lending**	**Small business lending**	**Consumer lending**	**Residential mortgage**	**Total**
Individuals	-	-	4,165,439	5,169,748	9,335,187
Public Sector	664,866	7	-	-	664,873
Trade	29,777,963	3,722,110	-	-	33,500,073
Manufacturing	8,987,526	1,734,978	-	-	10,722,504
Construction	15,388,114	1,489,899	-	-	16,878,013
Services	13,362,231	3,788,840	-	-	17,151,071
Others	1,699,994	573,800	-	-	2,273,794
Total	**69,880,694**	**11,309,634**	**4,165,439**	**5,169,748**	**90,525,515**
Financial Services	**341,326**	**163,927**	**-**	**-**	**505,253**

31/12/2013	**Corporate lending**	**Small business lending**	**Consumer lending**	**Residential mortgage**	**Total**
Individuals	-	-	4,172,113	4,854,783	9,026,896
Public Sector	667,911	30	-	-	667,941
Trade	20,359,327	3,987,557	-	-	24,346,884
Manifacturing	6,735,484	1,562,764	-	-	8,298,248
Construction	13,854,954	1,382,734	-	-	15,237,688
Services	8,532,590	1,340,370	-	-	9,872,960
Others	6,236,804	2,375,878	-	-	8,612,682
Total	**56,387,070**	**10,649,333**	**4,172,113**	**4,854,783**	**76,063,299**
Financial Services	**497,237**	**10,741**	**-**	**-**	**507,978**

32.3 Liquidity Risk
Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Bank's reputation.

Short-term liquidity is managed by the Treasury Department, while mid-term and long-term liquidity is managed by ALCO. The Risk Management Division reports regularly to ALCO and the Treasury Department on level of exposure to liquidity risk.

Treasury Department maintains a portfolio of short-term liquid assets, made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained by the Bank. Daily reports produced by Treasury as well as weekly and monthly reports produced by the Risk Management Division cover the liquidity position of the Bank. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk
The key measures used by the Bank for managing liquidity risk are the calculation of liquidity ratios and the evaluation of liquidity gaps for specific periods.

Volatility in global and Albania's financial markets
The ongoing global financial and economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and volatility in stock markets. Further adverse developments resulting from the crisis might result in negative implications on the financial and liquidity position of the Bank.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.3 Liquidity Risk (continued)
Exposure to liquidity risk (continued)

The Bank calculates on a weekly basis the following ratios: liquid assets to short-term liabilities, loans to deposits, and liquid assets to deposits. Liquid assets are considered as including cash and cash equivalents, Albanian government treasury bills and any short term deposits with banks maturing within one month. Details of the liquid assets to short-term liabilities ratio during the reporting period were as follows:

	31/12/2014	31/12/2013
Average for the period	169.53%	159.15%
Minimum for the period	116.55%	107.61%
Maximum for the period	214.07%	227.11%

Maturity gaps for each major currency are calculated and analyzed by the Bank on a monthly basis. The tables below show an analysis of the Bank's assets and liabilities as of 31 December 2014 and 31 December 2013 according to their remaining maturity:

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.3 Liquidity Risk (continued)
Exposure to liquidity risk (continued)

The table enclosed shows the liquidity situation of the Bank as currently monitored by the Bank's management, as at 31 December 2014. It considers the discounted cash flows in/out of the Bank for on and off financial assets and liabilities, reflecting any earlier repayment or retention history assumptions.

31/12/2014	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS (Cash flow in)	**31,716,662**	**13,509,649**	**38,138,900**	**13,071,350**	**39,760,903**	**136,197,464**
Net cash	3,902,710	-	-	-	-	3,902,710
Restriced balances with Central Bank	1,656,716	1,969,317	5,746,061	946,865	-	10,318,959
Advances to banks	15,078,169	25,232	149,547	-	-	15,252,948
Investment securities available for sale	851,000	5,836,219	7,016,924	1,650,000	100,000	15,454,143
Loans to banks	-	-	709,265	33,924	-	743,189
Loans and advances to customers (gross performing loans)	10,228,067	5,678,881	24,517,103	10,440,561	39,660,903	90,525,515
LIABILITIES(Cash flow out)	**22,080,910**	**19,403,120**	**63,439,649**	**11,505,534**	**3,143,192**	**119,572,405**
Deposits from bank and customers-Current account	9,242,895	4,702,674	12,268,418	1,612	-	26,215,599
Current account with banks	79,502	-	-	-	-	79,502
Current account with customers	9,163,393	4,702,674	12,268,418	1,612	-	26,136,097
Deposits from Banks	397,910	551,032	778,909	15,510	10,000	1,753,361
Deposits from customers-Time deposits	12,440,105	14,108,558	48,956,396	10,754,258	28,299	86,287,616
Borrowings	-	11,351	1,003,305	156,777	-	1,171,433
Subordinated debt	-	29,505	432,621	577,377	3,104,893	4,144,396
TOTAL GAP ON BALANCE SHEET	**9,635,752**	**(5,893,471)**	**(25,300,749)**	**1,565,816**	**36,617,711**	**16,625,059**
Off Balace sheet (Cash flow in)	-	-	-	-	-	-
Off Balace sheet (Cash flow out)	(3,731,631)	-	-	-	-	(3,731,631)
TOTAL GAP OFF BALANCE SHEET	**(3,731,631)**	**-**	**-**	**-**	**-**	**(3,731,631)**
Total GAP 31 December 2014	**5,904,121**	**(5,893,471)**	**(25,300,749)**	**1,565,816**	**36,617,711**	**12,893,428**
Cumulative GAP 31 December 2014	**5,904,121**	**10,650**	**(25,290,099)**	**(23,724,283)**	**12,893,428**	**-**

Banka Credins Sh.a.

Notes to the financial statements for the year ended 31 December 2014
(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.3 Liquidity Risk (continued)
Exposure to liquidity risk (continued)

31/12/2013	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS (Cash flow in)	**24,191,706**	**10,857,819**	**32,669,242**	**18,342,570**	**24,356,631**	**110,417,968**
Net cash	4,225,663	-	-	-	-	4,225,663
Restriced balances with Central Bank	1,288,227	1,739,510	4,860,742	782,815	-	8,671,294
Advances to banks	14,017,213	320,996	-	-	-	14,338,209
Investment securities available for sale	273,258	1,600,469	3,910,989	750,209	101,984	6,636,909
Loans to banks	7,697	243	457,571	17,083	-	482,594
Loans and advances to customers (gross performing loans)	4,379,648	7,196,601	23,439,940	16,792,463	24,254,647	76,063,299
LIABILITIES (Cash flow out)	**16,925,018**	**16,447,013**	**52,281,645**	**9,328,908**	**2,485,480**	**97,468,064**
Deposits from bank and customers-Current account	5,622,639	2,764,075	7,465,661	1,079	-	15,853,454
Current account with banks	199,785	-	-	-	-	199,785
Current account with customers	5,422,854	2,764,075	7,465,661	1,079	-	15,653,669
Deposits from Banks	565,191	23,615	442,273	-	-	1,031,079
Deposits from customers-Time deposits	10,684,568	13,293,256	43,234,434	8,538,424	28,382	75,779,064
Borrowings	-	366,067	1,139,277	211,781	-	1,717,125
Subordinated debt	52,620	-	-	577,624	2,457,098	3,087,342
TOTAL GAP ON BALANCE SHEET	**7,266,688**	**(5,589,194)**	**(19,612,403)**	**9,013,662**	**21,871,151**	**12,949,904**
Off Balace sheet (Cash flow in)	-	-	-	-	-	-
Off Balace sheet (Cash flow out)	(2,427,308)	-	-	-	-	(2,427,308)
TOTAL GAP OFF BALANCE SHEET	**(2,427,308)**	-	-	-	-	**(2,427,308)**
Total GAP 31 December 2013	**4,839,380**	**(5,589,194)**	**(19,612,403)**	**9,013,662**	**21,871,151**	**10,522,596**
Cumulative GAP 31 December 2013	**4,839,380**	**(749,814)**	**(20,362,217)**	**(11,348,555)**	**10,522,596**	-

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.3 Liquidity Risk (continued)
Exposure to liquidity risk (continued)

The table below summarizes the maturity profile of the Bank's financial liabilities based on contractual undiscounted payments, and not reflecting any earlier repayment or retention history assumptions.

	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2014						
Deposits from bank and customers-Current account	24,594,331	-	-	-	-	24,594,331
Current account with banks	79,502	-	-	-	-	79,502
Current account with customers	24,514,829	-	-	-	-	24,514,829
Deposits from Banks	739,099	551,402	409,682	774	13,573	1,714,530
Deposits from customers-Time deposits	12,638,395	14,553,457	50,689,423	10,992,838	508,599	89,382,712
Subordinated debt	4,451	54,531	655,047	3,023,548	1,165,970	4,903,547
Borrowing	-	2,248	72,592	1,475,443	-	1,550,283
Other liabilities (suppliers)	143,884	-	-	-	-	143,884
	38,120,160	**15,161,638**	**51,826,744**	**15,492,603**	**1,688,142**	**122,289,287**
31 December 2013						
Deposits from bank and customers-Current account	14,990,153	-	-	-	-	14,990,153
Current account with banks	199,784	-	-	-	-	199,784
Current account with customers	14,790,369	-	-	-	-	14,790,369
Deposits from Bank	921,176	23,615	114,436	-	-	1,059,227
Deposits from customers-Time deposits	11,084,785	13,954,998	45,584,986	9,008,795	400,461	80,034,025
Subordinated debt	7,382	27,906	1,085,750	2,342,499	1,037,581	4,501,118
Borrowing	-	2,562	79,396	1,620,219	1,121,600	2,823,777
Other liabilities (suppliers)	158,058	-	-	-	-	158,058
	27,161,554	**14,009,081**	**46,864,568**	**12,971,513**	**2,559,642**	**103,566,358**

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments.

Management of market risks
ALCO is responsible for the overall management of market risks. The risk of foreign exchange positions is measured and reported by the Risk Management Department on a daily basis. The Bank manages this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions. The Bank manages interest rate risk by conducting reprising gap analysis and profit margin analysis for each major currency. The Risk Management Department produces these reports on a monthly basis.

Exposure to Foreign Exchange Risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ALCO has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis to ensure positions are maintained within established limits.

The analysis of assets and liabilities as of 31 December 2014 and 31 December 2013 by the foreign currencies in which they were denominated is as follows:

31/12/2014	**ALL**	**USD**	**EUR**	**OTHER**	**TOTAL**
Cash and Cash equivalent	6,258,629	1,790,913	9,174,895	1,306,581	18,531,018
Restricted balances with Central Bank	5,732,146	626,601	3,960,212	-	10,318,959
Loans and advances to banks	146,967	136,437	459,785	-	743,189
Loans and advances to customers	38,497,278	7,713,124	33,593,970	-	79,804,372
Investment Securities	15,454,143	-	-	-	15,454,143
Other assets (debtors)	288,659	60	334,457	36,745	659,921
Total assets	**66,377,822**	**10,267,135**	**47,523,319**	**1,343,326**	**125,511,602**
Due to banks and other financial institutions	200,790	1,588,689	43,383	1	1,832,863
Borrowings	-	-	1,171,433	-	1,171,433
Due to customers	64,190,266	5,901,194	41,105,965	1,226,288	112,423,713
Other liabilities (suppliers)	165,599	270,535	(263,694)	21,038	193,478
Subordinated debt	1,600,601	430,408	2,113,387	-	4,144,396
Total liabilities	**66,157,256**	**8,190,826**	**44,170,474**	**1,247,327**	**119,765,883**
Net position at 31 December 2014	**220,566**	**2,076,309**	**3,352,845**	**95,999**	**5,745,719**

31/12/2013	**ALL**	**USD**	**EUR**	**OTHER**	**TOTAL**
Cash and Cash equivalent	5,902,343	5,487,926	6,137,569	892,968	18,420,806
Restricted balances with Central Bank	4,891,849	613,305	3,166,140	-	8,671,294
Loans and advances to banks	225,910	45,837	210,847	-	482,594
Loans and advances to customers	35,691,641	3,053,997	28,594,068	-	67,339,706
Investment Securities	6,636,909	-	-	-	6,636,909
Other assets (debtors)	258,651	2,128	400,785	37,134	698,698
Total assets	**53,607,303**	**9,203,193**	**38,509,409**	**930,102**	**102,250,007**
Due to banks and other financial institutions	315,046	271,205	644,612	1	1,230,864
Borrowings	180,810	-	1,536,315	-	1,717,125
Due to customers	52,261,798	6,477,226	31,866,128	827,581	91,432,733
Other liabilities (suppliers)	327,958	418,038	(655,508)	98,021	188,509
Subordinated debt	872,294	227,188	1,987,860	-	3,087,342
Total liabilities	**53,957,906**	**7,393,657**	**35,379,407**	**925,603**	**97,656,573**
Net position at 31 December 2013	**(350,603)**	**1,809,536**	**3,130,002**	**4,499**	**4,593,434**

32. Risk Management (continued)
32.4 Market Risk (continued)
Exposure to Foreign Exchange Risk (continued)

The table below shows the sensitivity analysis on currency risk as at 31 December 2014 and 31 December 2013 for a change of +/(-) 100 basis points and the respective effect in pretax profit and loss. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Albanian LEK (all other variables being held constant) on the income statement (due to the fair value of currency sensitive non–trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the currencies below against the Albanian LEK would have resulted in an equivalent but opposite impact.

'000 LEK Currency	31/12/2014			31/12/2013		
	Increase in basis point	**Effect on pretax profit/loss**	**Effect on equity**	**Increase in basis point**	**Effect on pretax profit/loss**	**Effect on equity**
EURO	+/- 100 b.p.	+/- 7,652	+/- 6,504	+/- 100 b.p.	+/- 5,499	+/- 4,949
USD	+/- 100 b.p.	+/- 979	+/- 832	+/- 100 b.p.	+/- 881	+/- 793
Other	+/- 100 b.p.	+/- 57	+/- 48	+/- 100 b.p.	+/- 132	+/- 119

As there are no equity balances denominated in foreign currency (share capital paid in either USD or EUR is translated to LEK using the historical foreign exchange rate at the transaction date), the effect in equity is the same to the effect on the income statement, as at 31 December 2014 and 31 December 2013 and for the year then ended.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.4 Market Risk (continued)

Exposure to Interest Rate Risk

The table below analyses the Bank's interest rate risk exposure on financial assets and liabilities and interest rate gap position as at 31 December 2014 and 31 December 2013. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re–pricing or maturity dates.

31/12/2014	Notes	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets								
Cash and cash equivalents	9	7,403,682	25,232	488,163	-	-	10,613,941	18,531,018
Restricted balances with Central Bank	10	5,732,146	-	-	-	-	4,586,813	10,318,959
Loans and advances to banks	11	32,893	-	679,875	30,421	-	-	743,189
Loans and advances to customers	12	6,518,567	56,020,490	5,914,250	1,919,604	386,874	19,765,730	90,525,515
Investment securities	13	851,001	6,036,219	7,316,923	1,250,000	-	-	15,454,143
Other assets (debtors)	18	208,687	-	-	-	-	-	208,687
Total assets		**20,746,976**	**62,081,941**	**14,399,211**	**3,200,025**	**386,874**	**34,966,484**	**135,781,511**
Liabilities								
Due to banks and other financial institutions	19	412,965	551,032	843,356	15,510	10,000	-	1,832,863
Borrowings	20	-	-	1,005,666	165,767	-	-	1,171,433
Due to customers	21	27,429,841	14,108,558	48,956,396	10,291,053	28,299	11,609,566	112,423,713
Subordinated debt	22	-	606,882	420,420	-	3,117,094	-	4,144,396
Other liabilities (suppliers)	23	143,884	-	-	-	-	-	143,884
Total liabilities		**27,986,690**	**15,266,472**	**51,225,838**	**10,472,330**	**3,155,393**	**11,609,566**	**119,716,289**
GAP as at 31 December 2014		**(7,239,714)**	**46,815,469**	**(36,826,627)**	**(7,272,305)**	**(2,768,519)**	**23,356,918**	**16,065,222**

The amounts not allocated include exposures that are not sensitive to any interest rates.

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.4 Market Risk (continued)
Exposure to Interest Rate Risk (continued)

A summary of the Bank's interest rate gap position as of 31 December 2013 is as follows:

31/12/2013	Notes	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets								
Cash and cash equivalents	9	10,984,600	329,942	216,964	-	-	6,889,300	18,420,806
Restricted balances with Central Bank	10	4,891,850	-	-	-	-	3,779,444	8,671,294
Loans and advances to banks	11	7,697	243	457,571	17,083	-	-	482,594
Loans and advances to customers	12	3,745,064	49,206,735	1,577,403	3,303,088	10,032,423	8,198,586	76,063,299
Investment securities	13	273,258	1,889,264	4,114,958	359,429	-	-	6,636,909
Other assets (debtors)	18	248,151	-	-	-	-	-	248,151
Total assets		**20,150,620**	**51,426,184**	**6,366,896**	**3,679,600**	**10,032,423**	**18,867,330**	**110,523,053**
Liabilities								
Due to banks and other financial institutions	19	701,415	23,615	505,834	-	-	-	1,230,864
Borrowings	20	-	-	1,131,591	222,029	-	363,505	1,717,125
Due to customers	21	18,818,864	13,293,257	43,234,434	8,265,745	28,382	7,792,051	91,432,733
Subordinated debt	22	-	-	620,910	-	2,466,432	-	3,087,342
Other liabilities (suppliers)	23	158,058	-	-	-	-	-	158,058
Total liabilities		**19,678,337**	**13,316,872**	**45,492,769**	**8,487,774**	**2,494,814**	**8,155,556**	**97,626,122**
GAP as at 31 December 2013		**472,283**	**38,109,312**	**(39,125,873)**	**(4,808,174)**	**7,537,609**	**10,711,774**	**12,896,931**

The amounts not allocated include exposures that are not sensitive to any interest rates.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.4 Market Risk (continued)
Exposure to Interest Rate Risk (continued)

The following table demonstrates the sensitivity to a possible change in interest rates (all other variables being held constant) of the Bank's income statement and equity. The assumptions are for parallel shifts in the yield curve.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the financial assets and financial liabilities held at the end of the year. The sensitivity of equity is calculated by revaluing assets and liabilities, considering the duration gap at 31 December for the effects of the assumed changes in interest rates.

		31 December 2014		31 December 2013	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
LEK	+100/(100)	+/- 115,288	+/-216,449	+/- 102,965	+/-179,937
USD	+100/(100)	+/- 13,943	+/-28,491	+/- 22,379	+/-23,133
EURO	+100/(100)	+/- 19,928	+/-218,760	+/- 52,303	+/-128,604

The average interest rates on assets and liabilities for the period as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014		31 December 2013	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
LEK	6.08%	2.50%	7.19%	4.10%
USD	5.05%	1.58%	2.26%	1.12%
EUR	5.27%	1.78%	5.77%	2.68%

32.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

32.6 Capital Management

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Central Bank ("Boa"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23.12.1997 "On the Bank of Albania", and Law No. 9662 date 18.12.2006 "On Banks in the Republic of Albania".

The Bank's regulatory capital is analyzed into two categories:

1. Base capital, comprising ordinary share capital; premiums of emissions and mergers; retained earnings; less unpaid share capital; debit revaluation differences included in equity for regulatory reporting purposes, which reflect the changes of the historical currency exchange rates compared to the year-end exchange rates when the equity is paid in currencies other than the reporting currency; and intangible assets.

2. Additional capital, which includes subordinated liabilities, general reserves and other regulatory adjustments.

Risk-weighted assets and off balance-sheet items are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance-sheet exposures.

The Bank recognizes the need to maintain a balance between the higher returns that might be possible with higher risk weighted investments and the requirements for capital adequacy ratio higher than 14% which is the minimum capital adequacy ratio required by the regulator.

The Bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

(Amounts in Lek'000, unless otherwise stated)

32. Risk Management (continued)
32.6 Capital Management (continued)

The Bank's regulatory capital position at 31 December 2014 and 2013 was as follows:

	31/12/2014	31/12/2013
Base capital		
Subscribed capital	5,438,330	5,438,330
Share premium	1,838,990	1,838,990
General Reserve	1,437,615	1,437,615
Profit/(loss) of current year	-	(184,149)
Losses of prior years	(184,149)	-
Credit/(Debit) revaluation differences	191,028	(11,837)
Intangible fixed assets	(131,278)	(162,336)
	8,590,536	**8,356,613**
Additional capital		
Time subordinated liabilities	4,138,090	2,907,355
Total regulatory capital	**12,728,626**	**11,263,968**
Risk-weighted assets	78,636,003	72,868,132
Risk-weighted off balance exposure	5,063,536	4,040,454
Total	**83,699,539**	**76,908,586**
Capital adequacy ratio	15.21%	14.65%
Minimum required capital adequacy ratio	14.00%	14.00%

Capital allocation
The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is also dependent upon the regulatory capital. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, and is subject to review by the Bank Credit Committee or ALCO as appropriate.

32.7. Fair Value disclosures

Fair value estimates are based on existing statement of financial position financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments.

Due from Banks - Due from Banks include inter-bank placements and items in the course of collection. As deposits are short term and at floating rates their fair value is considered to approximate their carrying amount.

Investment securities - Treasury bills and Government bonds are interest-bearing assets available for sale.. The fair value has been estimated using a discounted cash flow model based on a current market yield curve appropriate for the remaining term to maturity as per the latest auction price as declared by Bank of Albania for similar investment securities. For the investments is used a level 2 input in the fair value hierarchy.

Loans and advances to customers - Loans and advances are net of allowances for impairment. The majority of the loan portfolio is subject to reprising within a year, by changing the base rate. The fair value is calculated using the cash flow of the payments for their remaining maturity discounted with an average market interest rate. For the investments is used a level 3 input in the fair value hierarchy.

Deposits from banks - The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value.

Deposits from customers and Subordinated liabilities - Because no active market exists for these instruments, the fair value has been estimated using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity as per the latest market rate for deposits with similar maturity and currency. For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. For the deposits and subordinated liabilities is used a level 3 input in the fair value hierarchy.

(Amounts in LEK '000, unless otherwise stated)

32. Risk Management (continued)
32.7. Fair Value disclosures (continued)

31/12/2014	Available for sale	Loans and receivables	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	8,028,322	10,502,696	18,531,018	**18,531,018**
Restricted Balances with Central Bank	-	10,318,959	-	10,318,959	**10,318,959**
Loans and advances to banks	-	743,189	-	743,189	**743,189**
Loans and advances to customers	-	-	79,804,372	79,804,372	**68,170,378**
Available for sale securities	15,454,143	-	-	15,454,143	**15,454,143**
Other assets (debtors)	-	208,867	-	208,867	**208,867**
Due to banks and financial institutions	-	-	1,832,863	1,832,863	**1,832,863**
Borrowings	-	-	1,171,433	1,171,433	**1,136,068**
Deposits from customers	-	-	112,423,713	112,423,713	**113,750,612**
Subordinated liabilities	-	-	4,144,396	4,144,396	**4,152,336**
Other liabilities (suppliers)	-	143,884	-	143,884	**143,884**

31/12/2013	Available for sale	Loans and receivables	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	4,225,663	14,195,143	**18,420,806**	**18,420,806**
Restricted Balances with Central Bank	-	8,671,294	-	**8,671,294**	**8,671,294**
Loans and advances to banks	-	482,594	-	**482,594**	**482,594**
Loans and advances to customers	-	-	67,339,706	**67,339,706**	**56,093,491**
Available for sale securities	6,636,909	-	-	**6,636,909**	**6,636,909**
Other assets (debtors)	-	248,151	-	**248,151**	**248,151**
Due to banks and financial institutions	-	-	1,230,864	**1,230,864**	**1,230,864**
Borrowings	-	-	1,717,125	**1,717,125**	**1,688,591**
Deposits from customers	-	-	91,432,733	**91,432,733**	**92,953,164**
Subordinated liabilities	-	-	3,087,342	**3,087,342**	**3,103,901**
Other liabilities (suppliers)	-	158,058	-	158,058	**158,058**