CREDINS bank

ANNUAL REPORT 2015

01 MESSAGE FROM THE GENERAL DIRECTOR AND CHAIRMAN OF THE BOARD

02 A LOOK AT THE PERFORMANCE OF CREDINS BANK IN 2015

TABLE OF CONTENT


Maltin KORKUTI
CEO

MESSAGE FROM THE GENERAL DIRECTOR AND CHAIRMAN

Dear Clients and Shareholders of Credins Bank

Credins Bank remains loyal to the purpose for which it was established: to support the development of the economy through financing individuals, Albanian families and businesses across the country. 2015 was a year of challenges for Credins Bank, as it was for our customers and for domestic and international economy in general. Beyond this context, Credins Bank succeeded in providing positive results, in accordance with the strategic development plan in all its indicators. The challenges we face require an increasing commitment and efficiency, expert assessments, stable capital and innovation and skills, in implementing projects that we fully accomplished in the last year and also those initiated in 2015, which will be materialized in 2016.

In 2015, Lending Policies remained in the forefront of our strategic management. 2015 started with a reorganization of the credit sector, in order to adapt it better to the needs of customers. We intend to diversify the loan portfolio, gradually reducing financing for corporations and big business, orienting it toward growth in other strategic sectors. The establishment of the Department of Credit Sales and Support, S.I.M.A, a dynamic department focused on the development of SME, Agro and Micro businesses, proved a successful choice since its first steps. At the end of 2015, the portfolio was consolidated and Credins Bank managed to position itself as one of the most active banks in this segment in the Albanian market.

In 2015, Credins Bank continued to extend geographically to areas with prospects for economic growth and also to consolidate itself in the areas, where it operates for years. The opening of new branches in Pogradec and Çorovodë shows that, with the families and businesses in these cities, the bank shares dedication and confidence for a more intensive development of tourism in general and of the family business, agribusiness in particular, and every major development in national and regional plans, as well. In our business spectrum, work with central and local institutions occupies a special weight, providing quality services, advanced in technology and cost-effective. Our social responsibility, where, beyond the banking solution for all social categories, we offer our support to the community, was materialized in 2015 with 79 projects of donations and sponsorships, which served to improve the infrastructure in public health or educational institutions, computer equipment, investments in making cities greener, helping people in need, whether they were children or elderly people, increasing sensibility for disabled people, etc. We are proud to having fulfilled this fundamental mission for the benefit of society.

Credins Bank intends to continue its journey in 2016 and 2017, by investing in technology and infrastructure modernization, generating more digital-oriented products and providing a wide range of expertise in areas needed by customers. Our vision is to remain a successful and trustworthy bank, number one choice for individuals and Albanian businesses, to offer a wide range of products for all segments all over the country. The expansion of the range of products and services in Credins Bank serves our customers to expand and diversify their portfolio of financial savings, investments or pension products.

The Managing Board is committed to ensure respecting the principles of integrity, good management and business sustainability. Our faith in continuing to be a leading bank in the market is based on stable relationships with our institutional, business and individuals clients. These relationships also reflect the professionalism of the bank's staff. On this occasion, we thank them for their hard work to serve customers, their contribution in their selection and care on the portfolio quality. Together, we ensure the appropriate synergy, in order to respond to the expectations of our customers, shareholders and community.

Sincerely,

Maltin Korkuti,
CEO

Saimir Sallaku
Chairman of Credins Bank Managing Board

CLIVE MOODY
Member

RAIMONDA DUKA
Member

BRETT BELCHER
Member

SAJMIR SALLAKU
Chairman

MONIKA MILO
Member

ELTON TORO
Member

MALTIN KORKUTI
Member

A LOOK AT THE PERFORMANCE OF CREDINS BANK IN 2015

Corporates

During 2015, the Department of Corporations and Big Business was focused on managing the current credit portfolio, in line with the bank's strategy to reduce the share of lending to big business and focusing on non-credit products to corporate customers.

Corporate weight decreased to 74% from 78% in 2014. In the corporate sector, the number of salaried employees increased by 516 or 15% more than 2014. Growth was also recorded in the guarantee portfolio by 7%, compared to 2014.

This strategy has given the first results in the segment's weight in the bank's total loan portfolio, specifically for 2015, the growth of corporate portfolio was less than 1% (0.84%), from 6.25% that the bank's portfolio in 2015 had versus 2014.

The weight that corporate loans occupy in the bank's total, decreased by 4% in December 2015, compared to 2014 (from 78% to 74%). This corporate strategy will continue during 2016, as well.

Collaboration with corporations has increased their credibility to the bank, which was translated in increasing the volume of transactions of these customers with our bank in 2015, marking an increase in average volume at about 20%. Corporate departmental work has aimed at increasing beyond the quality of service, the offering of packages of competitive products and services in proportion with the market.

The financing of hydro energy sectors, road infrastructure and telecommunication is regarded as having the highest priority within the context of preserving the falling weight of corporate loan portfolio.

An increasing attention has been paid to a prudent pursuit of problematic loans. As a result, it was possible to ensure a decline from 20.43% in December 2014, to 19.27% in December 2015.

Gjikuria Construction

Construction still remains one of the most important strategic sectors for several years already. Gjikuria Construction Company has operated in this sector since 1995, having as object of activity the design, residential construction, social, cultural and shopping facilities, designing, construction and management of tourist villages, etc.

In a collaboration for 12 years, as one of the first clients of Credins Bank, we grew up together with our partner, investing in modern machinery, in flexibility to manage various projects with a high-quality work performance and in human resources, where today we count about 200 specialized employees, such as engineers, technicians, experts in the implementation and administration. Credins Bank is our special partner, with whom we preserve open and transparent relations.

With projects of different nature scattered everywhere in Albania, our company has had an impact on increasing the employment of area residents, where we operate. Our projects have included the laying of medium voltage lines in Paskuqan, construction of low-voltage lines in Metoq (Saranda), Kuç-Kudhës- Qeparo road construction, KUZ network construction in Cuka channel, etc. Focusing on the customer is the key to our success and our mission is always oriented toward the future, by providing effective services through innovative methods and technologies that differentiate us from the market competition.

Through hard work and a 15-year experience in the market, we are already serious investment guarantee to our clients, by representing one of the most prestigious companies in the construction industry.

"Credins Bank is our special partner, with whom we preserve open and transparent relations for 12 years of cooperation."

Department of sales and loan support S.I.M.A

Department of sales and soan support (S.I.M.A) was set up in 2015, as a structure that contributes to the bank's business development through sustainable growth and quality of the loan portfolio. This department manages the retail segment, SME Loans, Loans to Individuals, Micro Credit and Agro Loans and supports the growth and stability of these segments.

At the end of 2015, S.I.M.A Segment resulted in an increase of 1,678 loans, from 23,113 S.I.M.A. active loans. Of these loans, within S.I.M.A segment, the distribution was as follows:

	LOANS IN 2015	TOTAL ON 31.12.2015
S.I.M.A	**1,678**	**23,113**
SME	65	1,752
Individual	819	17,455
Micro	602	3,354
Agro	192	552

A growing clientele is found in all four segments of the S.I.M.A. Loan, thanks to policies and agreements that the Bank has developed with different partners for business development. Thus, in 2015, a significant increase was noticed from Agro and Micro customers. This has particularly affected the bank's activity focus towards the implementation of attractive policies to SME business, Micro and Agro business. Credins Bank has developed relationships with key partners, such as the Ministry of Economic Development, the Agency of Agriculture and Rural Development; Creative Business Solutions for client referral, as well as it has supported farmers with services during their application period for subsidies.

S.I.M.A Loan performance in 2015 was characterized by a qualitative increase in the volume of portfolio by 25.7%, the volume of disbursements by 36% and the number of active loans by 7.8%. The development of S.I.M.A loan portfolio segment has affected and increased the specific weight that this segment holds in the bank's portfolio, reaching 25.9%.

In achieving the above indicators, the Sale Department and Sima Loan Support commitment have influenced in: the continuous monitoring of the sales process and support in case analyses; improving sales and analytical processes by providing training at various levels; diversification of the loan portfolio in support with the bank's policy; identification of high potential and profitable segments; conservation and sustainable development of relations with existing customers; promoting the establishment of relations and attracting new customers; as well as following market developments and loan products.

The accomplishment of the objectives defined for the S.I.M.A segment is not only due to the dedication and involvement of a staff - oriented business development of the Bank, but also of an effective cooperation with other structures within the Bank.

> “Credins Bank was the first one to support us; it took over the risk to make our dream a reality”

Huqi agro-tourism

Although Agro-tourism is not a common activity in Albania, the requirements for this type of activity are recently growing, offering a pleasure and an opportunity to every tourist to experience the feeling of rural life and being in close communication with the nature.

Situated near Huqve Lake in Rada village, Durrësi district, with an area of 7 hectar of land with a hilly terrain, it has become a highly frequented area at weekends and especially during summer months, when the number of domestic tourists and those foreign tourists who want to explore Albania is increasing.

Location and grounds provide absolute tranquility and diversified activities for all ages, such as fishing, rowing boats, outdoor runs and other sports activities; taking part in seasonal activities, such as recognition and processing of fruits and various agricultural plants of the complex itself.

With the support of Credins Bank, we have continuously invested in fruit growing, because the area climate itself enables the development of a variety of fruits and vegetables, which makes possible the use of potentials to cover the additional needs of our complex with bio products.

Mr. Huqi emphasized that investment in this sector will succeed, as agro-tourism is becoming a trend that is attracting more and more people to visit farms, away from fatigue and urban areas’ noise. “We did not stop, even when our business plan seemed utopia to everyone. Credins Bank was the first one to support us; it took over the risk to make our dream a reality. Without Credins Bank support, the increase of our capacities in further expanding our activity would be impossible”.

Risk

During 2015, Loan Risk Department of Big Business has had in its focus the increase in quality, in terms of portfolio indicators, as well as that of the analysis made to the customer's request.
Improvement has also been made in terms of segregation of duties between Risk Units and those of Sales, thus bringing an increase in efficiency and a better communication in the information flow.

Micro & Agro Risk Department was reconfigured in January 2014, under which model it functions currently. The precursor of this structure is the Micro - credit Department, created in 2009, after the introduction of the product in the form of Micro project in Credins Bank.

For 2015, the Risk Micro & Agro Department had a final decision of 0.5 days for one case, out of 2 days before, that is the maximum allowed time limit for decision making. Credins Bank, compared to other banks and Microfinance Institutions, is distinguished for its high quality of the Micro and especially Agro Portfolio.

Sukaj sh.p.k

Sukaj Ltd. started its activity in 1991 and is specialized in the import of plastic materials, such as plastic pipes, plastic covers for greenhouses, containers, drainage pipes and other accessories used for agricultural activities and food industry.

In a market with a very high competition, Mrs. Sukaj stated that their goal is to stay close to customers by offering quality, fast service and low cost products. Product distribution is realized quickly, accomplishing safely on time any orders from customers and creating consistency and loyalty in consolidated relations with them.

Currently, the company performs wholesale and retail sales in Shkodra, Laç, Vora and Tirana, and has invested continuously in order to have a wide range all over the country, with the wish to expand its activity in the southern part of the country.

Mrs. Sukaj notes that Credins Bank is near their business at every step, continuously supporting them to realize their accomplishments in expanding activity, as well as in buying qualitative raw materials in the country and abroad. "We always feel safe in our cooperation with Credins Bank. You are the best, because you understand our language."

Treasury

The Treasury Department continued to play an active role in the effective management of liquidity, the ability to use and exploit profitably the instruments of the currency market, the continued growth of the volumes of transactions in the foreign exchange market and in profit growth during 2015.

Albanian financial market is closely linked with the global financial market and the unfavorable conditions in the financial markets; active management of financial products has been and is a constant challenge for the Treasury Department.

The performance of financial markets, the decisions of the Central Banks of developed countries and the Bank of Albania for a facilitating monetary policy has been our focus on the strategy of investments. The Treasury Department has served as a bridge for the global financial market, by offering customers the best options regarding investments.

For 2015, Treasury Department has provided the main role in relation to currency market transactions and foreign exchange between resident commercial banks. Credins Bank, as a Market Maker, has supported liquidity and increased cooperation with local banks; as a result, it has provided financial stability and seriousness on the performed investments. Income from investments in the currency market increased by 29%, compared to last year.

The volume of foreign exchange transactions in 2015 doubled in comparison with 2014. One of the objectives of the Treasury Department is offering alternative investments in financial markets for the Bank's clients, especially during this period, when benefits from deposit interest rates have remained at lower levels. Foreign exchange volumes, especially in secondary currencies AUD, CAD, JPY, have increased significantly during 2015, making these currencies favorable for the Albanian investors, and also making them familiar with currencies that were not used so far in Albania.

Within the strategic development of the bank, one of the main objectives of the Treasury Department is to pave the way for the Chinese currency, thus facilitating the importing companies in the country that perform transactions with China.

Flexibility, low cost, speed of action, 24 hour trading of currencies and transparency are among the dominant features of the Treasury Department, that in 2015, led to the profit growth, not only for Credins Bank but also for its customers.

During 2015, the securities' portfolio increased by 22% compared to last year.
Regarding the new financial products, 2015 was a successful year in Credins Bank bond issuance, which was reflected in the growing number of participants in the 6-year bonds, issued through private offer. Customers view this product of Credins Bank as a good investment option and it will be one of our successful products for 2016, as well.

Implementation of new financial products tailored to customer's needs is our challenge in the coming years, too.

Operations

Even during 2015, Credins Bank confirmed its active role in the field of payments, processing in real time through AIPS and AECH systems, a significant influx of 83.6 billion ALL, compared to 62.6 billion ALL disbursed in 2014, i.e. with an increase of 33.6%.

In accordance with its policy to increase revenues from transactions, the total of outgoing payments (in foreign currency + ALL) increased by 22.15%, compared with a year ago. In the same way, an increase in the amount of 6% is observed in the incoming flow of payments, compared with a year ago. Consequently, bank fees for incoming transfers in 2015 marked an increase of 24% compared with 2014.

Import credit letters had a considerable increase in the amount and number (17.8% more in number compared to 2014). Bank guarantees (Import) grew in value, to the extent of 73.7%.

A satisfactory performance was observed during 2015 in the field of electronic payments. Payments, processed through e-banking during 2015, grew by 30% in number, 48% in value and 54% in bank fees, compared to 2014.

During 2015, utility payments with automatic debit had a growth of 50% in value and 120% in bank fees, compared to 2014.

Credins Bank is one of the leading banks in the country for the payroll service for companies and institutions. Throughout 2015, this service grew by 14.7%.

The increase in the operational sector is an evidence of the staff's commitment to provide an efficient support and quality processing of products.

Cards

Throughout 2015, Credins Bank worked systematically to add and refine products and card services, which was reflected in the improvement of all indicators of card activities, not only as issuer, but also as recipients of card transactions.

Being conscious of comfort, safety, speed and efficiency offered by new forms of electronic payments versus cash, checks, etc., Credins Bank has aimed continually at implementing new technologies in this field. To support the business and to respond to the ever increasing customers' requirements, in 2015, Credins Bank entered the banking market with a new service, eCommerce, thus being among the first banks in Albania to offer this.

During 2015, the Secondary Visa Electron card was issued; it is an option that enables the client to authorize the issuance of one or more secondary cards, tied to the account of the base card.
The number and volume of card transactions increased significantly, compared to 2014. This increase was most evident in prepaid cards, which were issued for the first time in the Albanian banking market by Credins Bank in 2012. Prepaid cards resulted in a successful innovation, surpassing all forecasts and expectations.

For 2015, Card Performance Department marked an increase in all items, compared to 2014. The total number of issued cards in 2015, compared to 2014, increased by 13%, thus bringing the number of Visa cards in circulation to 102.821. For the same period, the number of transactions increased by 21% and 36% in value.

The issuing of Visa Business IP Card for Public Institutions ended in June 2014, and in 2015 this card was used by many important public institutions in the country.

Royal Institute of Culinary Arts

Turn your passion into profession!

This is the motto that has accompanied us for 4 years in "Royal Institute of Culinary Arts", whose birth was prompted by numerous requests of interested parties, seeking a better orientation in the labor market. Simultaneously, this business idea was born so as to answer those who had the ability to transform a passion for cuisine into Art.

We concluded that the market was very poor with genuine pastry and kitchen chiefs and came just at the right time, by adapting the latest trend to promote the development of professional profile schools.

With special and innovative ideas, but alone without support or any concrete infrastructure, Credins Bank became our first partner, which in 2011 gave life to our written projects. "We are increasing day by day, thanks to the continued support of our main collaborator, Credins Bank, which helped us in the most difficult time of business", and today we have modern equipment, the ability to have a qualified staff and adequate capacity, to face a significant number of students.

In our courses, we offer high professionalism and quality of raw materials, but what differentiates us from the competition is the fact that we give chances to every student to do practice and get new experiences near our partners in the field of Hotel-Tourism, where, we emphasize the fact that 40 % of graduates are employed.

Our vision is to make traditional cuisine into a gourmet one and create standardized curriculum, equivalent to the other culinary centers in Europe, marking as such one of our challenges for the coming years.

"The Bank that helped us in the most difficult time of my business"

Projects

During 2015, Credins Bank launched and accomplished a series of projects. "Credins Bank - Credins Leasing Absorption Joint" aimed at a further development of leasing business, by using the Bank's infrastructure and capital strengthening, as well. The project had as its object the management of the merger of the two institutions, through the completion of all documents required by the supervisor authority, the facility in operational compliance and business policies. The project was completed successfully at the end of 2015. The leasing market is relatively new in Albania.

"Increasing sales force effectiveness (SFE)" project. This project aims at guiding and controlling the transitory process of the bank's sales power transformation, from active sales force service. The preparatory phase began in early 2015, but the full project was materialized in September 2015. On the importance of successful implementation of this project, the Bank is supported by external consultants and has set up a dedicated team. The project entered the implementation phase with four pilot branches at the end of last year.

The "Data warehouse and Business intelligence" project has as its object the establishment of a database, which will provide integrated views of the Bank's data, generated by different systems, in view of a more effective decision-making, increasing productivity and reducing operational costs. The project is in the selection stage of supplier and very soon work on the first stage will begin, i.e. the building of data warehouse.

The project "Data cleaning" has as its object data quality growth in the Bank's main system, in order to ensure complete and accurate data. The project started in April 2014 and continued throughout 2015. During this period, satisfactory results were achieved in cleaning and improving the quality of existing data.

Information technology

Credins Bank relies on information technology to provide services and perform its daily operations. IT has traditionally been a centralized organizational unit, which serves the entire Bank. IT helps in creating the Bank's competitive position in the marketplace through technology.
Given the role of IT in Banking, the Bank's strategy, market trends and those of technological IT have supported or led the business units in developing and offering new innovative products.

During 2015, there have been conducted improvements in infrastructure, for the maintenance or upgrade of servers, maintenance and improvement of the network infrastructure and the provision of an enabling environment, in terms of information security.

The IT Department has been the main contributor to Business Intelligence and Data Warehouse projects. IT has been part of the wider team of SFE project and has provided assistance in regard to the current stage of the project, with knowledge on the processes and data, as well as suggestions on the necessary means in using SFE.

In cooperation with DedaGroup, a two-day workshop on "Bankup Assessment and demand for improvement" was organized. Workshop participants were representatives of Dedagroup, IT Department and representatives of all units in the Bank.

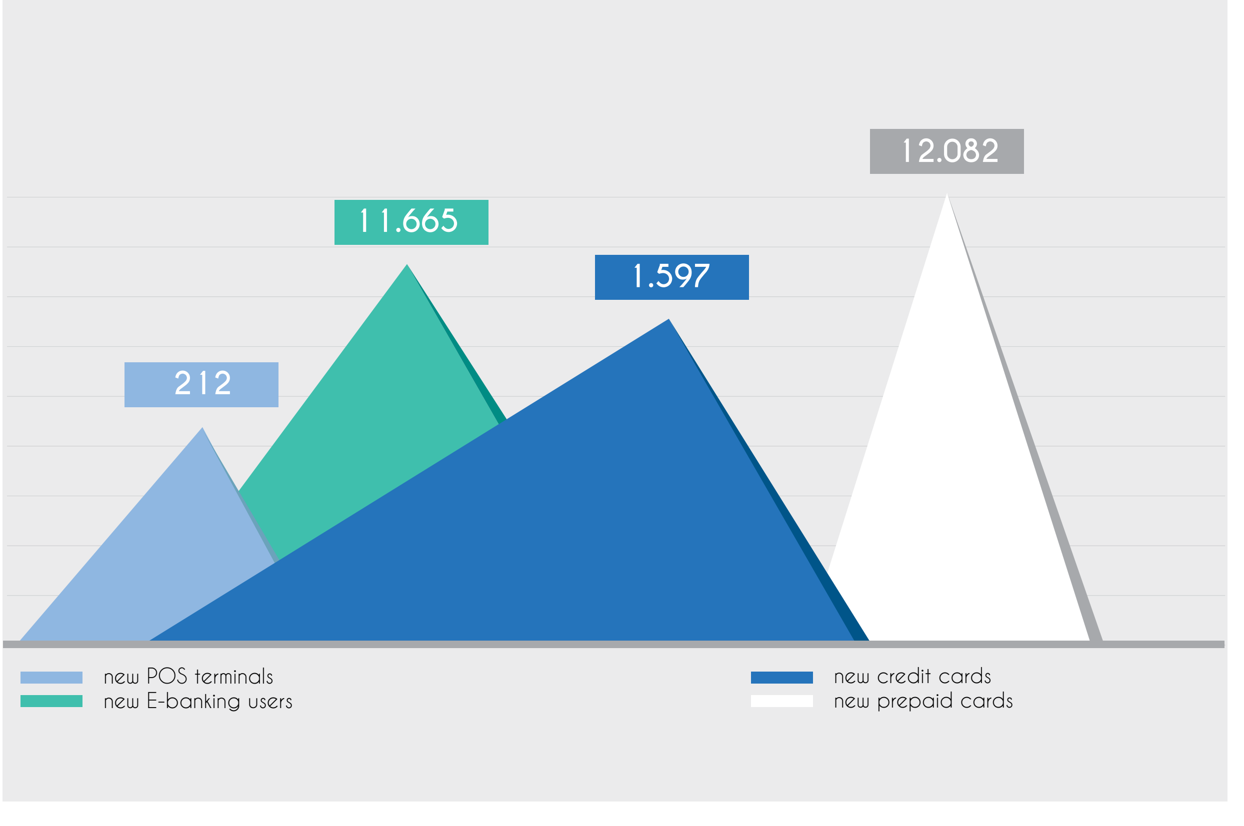
Hard work was done during 2015 to further automate processes with a special focus on services for customers, but also for the report improvement in the finance department. The offering of bank competitive advantages through technology also introduced a new qualitative hop with the service activation of sending reminders by SMS to customers.

Branch network

The activity of the branch network in Credins Bank recognized growth and development in 2015, in the number of branches and agencies, assets, income and human resources. So, the branch network expanded with seven new units, four branches, of which two in Tirana in Kombinat area, and one at Ring Trade Center, one in Pogradec and one in Çorovodë. Agencies were allocated near the Immovable Property Registration Local Offices in Korca, Kavaja and Fier, reaching a total of 56 branches and agencies.

Due to customers portfolio at the end of 2015 was valued at 123.5 million Euro from 112.4 million Euro that was at the end of 2014. The number of new customers in 2015 was 50.380, impacting positively on the growth of the portfolio of the bank clients.

During 2015, the bank worked diligently to increase non-credit product sales, aiming not only at enhancing the portfolios of these products, but also their use by our customers. Thus, in 2015 the portfolios of non- credit products were added to the total with another 12,082 new prepaid cards, 1,597 new credit cards, 212 new POS terminals and 11,665 new E-banking users.



Regulatory context

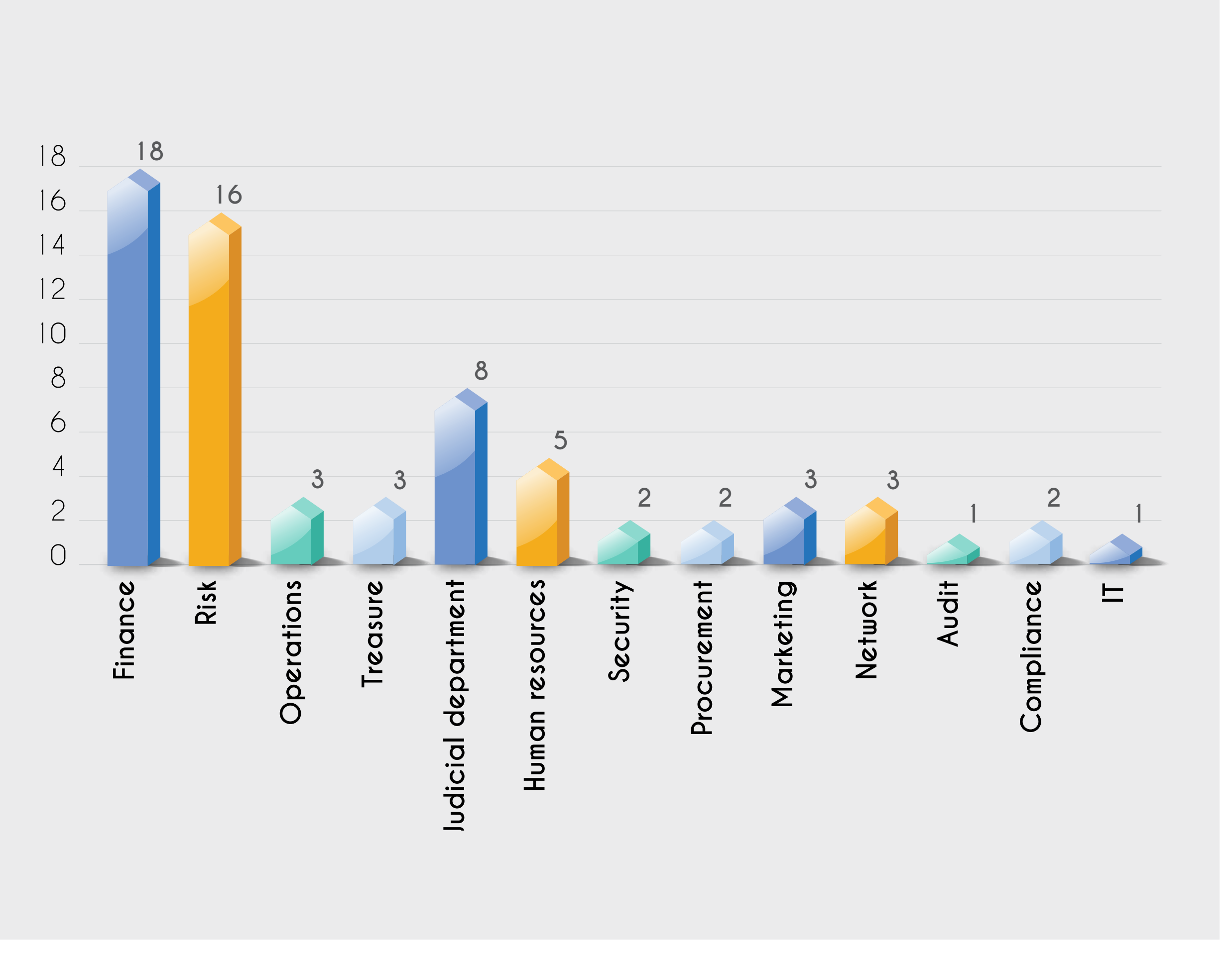
In September 2015, the Bank of Albania revised the regulatory framework regarding internal control systems in second-tier banks.

Therefore, it approved the new regulation No. 67, dated 09.02.2015, “On the internal control system”, which redefined and termed internal control lines in the second-tier banks in Albania, making the division into three control lines and clearly determining the responsibilities of each of these lines in accordance with the defined functions and in law 9662, dated 18.12.2006, on Banks in the Republic of Albania, amended.

In this context, the Bank took measures to revise the internal regulatory framework and to implement the regulation in force, on the clear definition of control lines within the Bank, on the creation of new units and increase the efficiency of existing structures, in accordance with the legislation in force.

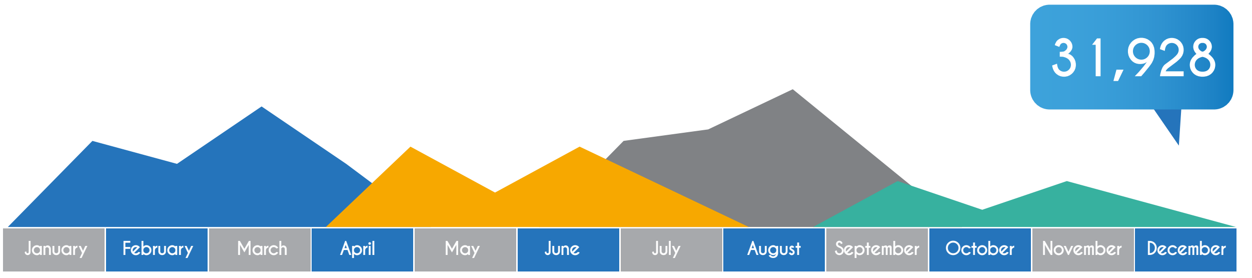
Compliance department

During 2015, the banking system has been subject to 42 laws and regulations that have affected the work of almost all bank departments, generating about 67 regulatory changes according to the following scheme.



Human resources department

During 2015 have been conducted in total 31,928 hours of training, from which:



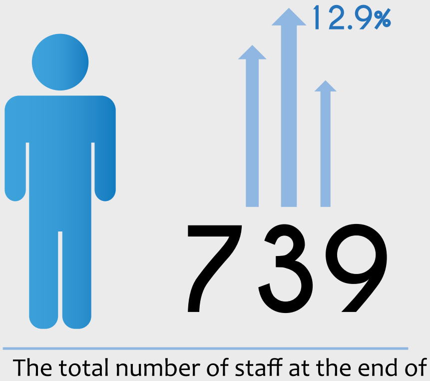
Hours of internal training of employees who have been promoted to new positions.

Hours of training for internal employees.

Hours training of new employees recruited from outside bank.

Number of staff

The total number of staff at the beginning of January



The total number of staff at the end of 31 December

37% 274 employees in headquarters

63% 465 employees in the branch network

Average statistics related to training in 2015:

558
Trained employees, at least once a year

3,992
Training days

57
Hours of training per trained employee

Gender breakdown:

451
women
(61% of total staff)

288
men
(39% of total staff)

34
Staff average age

Staff Qualification:

636 employees have high education, of which 32% with postgraduate qualification.
103 employees have secondary education.

There are a total of 131 employees recruited from outside the bank, 18 of them are on practice from Work Project Office, of which 13 are appointed and there have been 75 internal employees promoted to new positions.

SOCIAL RESPONSIBILITY

Credins Bank presents the following activities undertaken in the framework of social responsibility. The report carried out in accordance with the format set for 17 Goals for UN Sustainable Development Program:

OBJECTIVE # 1:

Free from poverty - End of poverty in any form and anywhere, promotion of agriculture and support to small farmers. Eradication of poverty in all its forms and everywhere!

During 2015, Credins Bank, in the framework of supporting policies for a sustainable development within business development, has launched microcredit products and products for micro-business development, thus enabling the financing of small businesses and farmers.

OBJECTIVE # 2:

Zero hunger - Eliminating hunger, achieving food security, improving nutrition and promoting sustainable agriculture!

The Bank has collaborated with organizations such as SOS Village, the Albanian Red Cross, Don Bosco Social Centre and the IECD Berat and has supported with 1,572,100 ALL various projects to help eliminate poverty for families in need and children without parental care.

OBJECTIVE # 3:

Good Health and welfare - providing healthy lifestyles and promoting wellbeing for all people of any age!

Credins Bank pays particular attention to the contribution in the field of health and is an active supporter of initiatives that contribute to the improvement of health infrastructure, health promotion and sensitization of the population on welfare and better health. During 2015, 13 hospitals and health centers in the country were supported with a total of 16,762,909 ALL. Credins Bank has collaborated to organize awareness campaigns like Life Marathon and the one in support of Down syndrome people.

OBJECTIVE # 4:
Quality Education - Providing inclusive and fair quality education and promotion of opportunities for lifelong learning for all!

Credins Bank believes that aid for education is one of the most valuable contributions to the benefit of the community. For this reason, in 2015 Credins Bank provided a contribution of 1,852,770 ALL in favor of 6 projects in the field of education, covering cooperation with elementary schools, universities and civil society organizations.

OBJECTIVE # 5:
Achieving gender equality and women empowerment!

Credins Bank believes in the growth and empowerment of women. This principle is included in its policy of human resources, the chances of employment and promotion of women and girls. Women were promoted to the highest levels of executive management. Many of the key positions in the direction of the business are entrusted to women leaders. The Bank also promotes business principles that enable the application of women in business. Furthermore, with its sponsorship policy, last year the bank provided a contribution of 905.400 ALL for social and cultural activities that promote the women's role.

OBJECTIVE # 7:
Affordable and clean Energy - Providing connectivity with affordable, safe, durable and modern energy for all!

In its business policy, Credins Bank supports projects aiming at energy efficiency. Furthermore, it encourages through social responsibility, policies, ideas and concepts for projects involving environmental protection concepts. In 2015, the bank was the supporter of the National Competition for Green Ideas, organized by civil society.

OBJECTIVE # 8:
Decent jobs and economic growth: - Promoting a continuing, comprehensive and sustaining economic growth, full and productive employment and decent work for all!

In 2015, Credins Bank has cooperated in various projects with various local and central institutions in Tirana, Durrës, Kavaja, Vlora, in order to improve the working conditions that enable economic growth. The total this contribution was 885.688 ALL.

OBJECTIVE # 9:
Industry, Innovation and Infrastructure - investment in infrastructure and scientific studies - Construction of resistant infrastructure, promotion of inclusive and sustainable industrialization and innovation!

In line with this objective, during 2015, Credins Bank invested and developed policies to support the financing of sustainable projects in the field of industry and innovation. Furthermore, in the context of social responsibility, the bank contributed in financing six institutions in the field of education, defense, health, food, etc., with a total of 3.456 million ALL, enabling equipment, software systems and programs.

OBJECTIVE # 11:

Sustainable Towns and Communities - The Return of comprehensive, safe, resilient and sustainable towns and settlements!

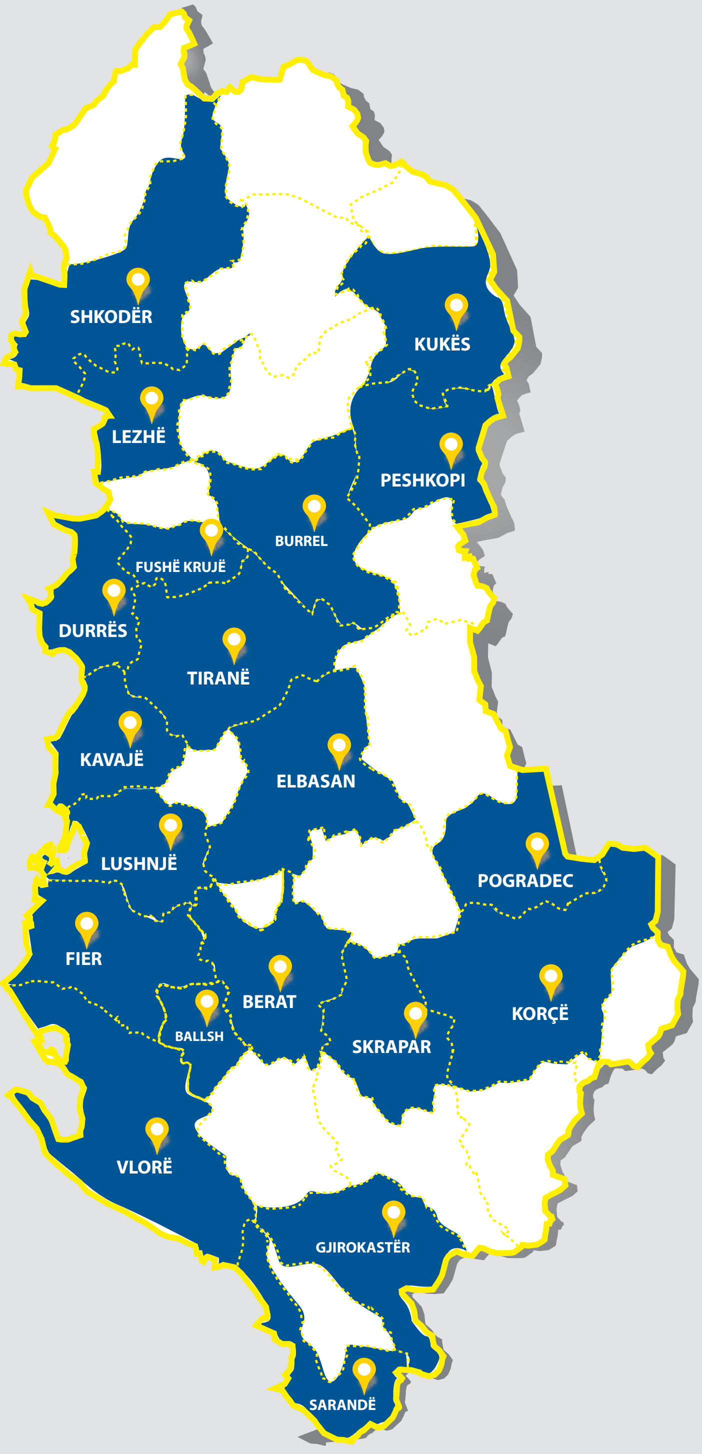
Credins Bank is a major player in its contribution to having an active community development and sustainable cities that provide comprehensive space for the life of citizens. For this reason, in 2015, the bank supported 21 organizations and institutions; including 6 municipalities, two universities, the central institutions of art and culture like Children's Theatre and Cultural Centre and also civil society organizations. We believe that investment in cultural activities for adults and children, the organization of open debates, conferences, international cultural activities, help to consolidate a sustainable society. The total of this financial support for all projects is 36,575,596 ALL together.

OBJECTIVE # 16:

Promoting peaceful and inclusive societies for sustainable development, providing opportunities to justice for all and the establishment of effective, accountable and inclusive institutions at all levels.

The Bank has cooperated and supported with funding two infrastructure projects to improve software infrastructure for law institutions, regarding it as a necessary tool in having effective institutions.

BRANCH NETWORK



TIRANA REGIONS AND NUMBER OF EMPLOYEES

Region 1

Dega Qendrore
Laprakë
Tirana 1
Tirana 2
Kamëz
Agjencia Emigres
Vorë
Ring Center

98
EMPLOYES

Region 2

Tirana 3
Tirana 10
Tirana 12
Tirana 14
Kombinat
Fushë Prezë
Agjencia Hipotekë

48
EMPLOYES

Region 3

Tirana 5
Tirana 6
Tirana 7
Tirana 8
Tirana 9

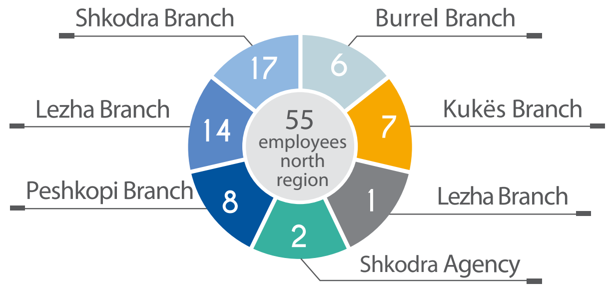
42
EMPLOYES

Region 4

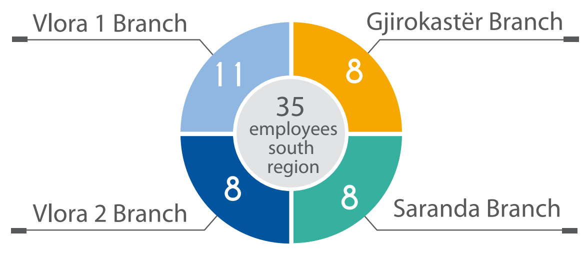
Tirana 4
Tirana 11
Tirana 13
Tirana 15
Tirana 16
Agjencia QKR

48
EMPLOYES

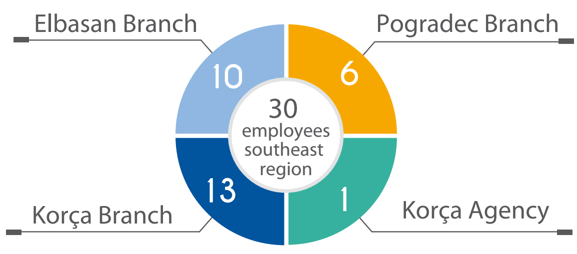
North Region



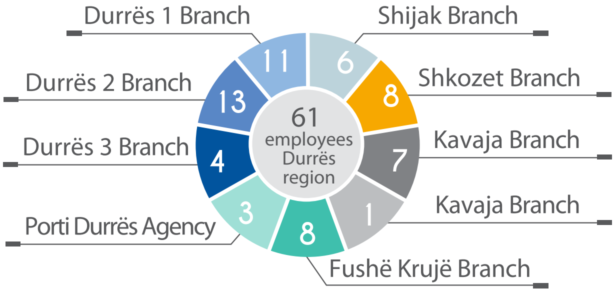
South Region



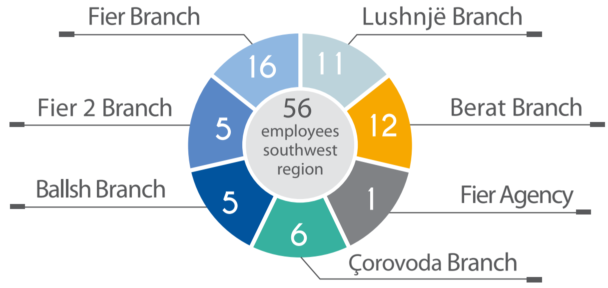
Southeast Region



Durrës Region



Southwest Region



FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2015

(INDEPENDENT AUDITOR'S REPORT)

CONTENTS

Building a better
working world

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

We have audited the accompanying consolidated financial statements of Banka Credins sh.a. (the "Group") which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of comprehensive income, changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of the group as at December 31, 2015, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphases of matter

We draw attention to Note 35.6 to the consolidated financial statements, which describes capital management policies of the Group. Management estimates that the Group needs to raise its capital during 2016 to meet regulatory requirements of the Bank of Albania. Our opinion is not qualified in respect of this matter.

Ernst & Young Ekspertë Kontabël të Autorizuar
Dega në Shqipëri

Ernst & Young Certified Auditors

June 30, 2016
Tirana, Albania

Mario Vangjel
Certified Auditor

ERNST & YOUNG - EKSPERTE KONTABEL TE AUTORIZUAR
NIPT: K61911012I
Tirane

Consolidated statement of profit or loss

for the year ended 31 December 2015[1]

	Notes	Year ended 31 December 2015 Lek '000	Year ended 31 December 2014 Lek '000
Interest income	3	8,869,801	8,361,969
Interest expense	3	(2,692,260)	(3,109,961)
Net interest income	3	**6,177,541**	**5,252,008**
Fee and commission income	4	535,950	438,813
Fee and commission expense	4	(59,492)	(56,734)
Net fee and commission income	4	**476,458**	**382,079**
Other expenses	**5**	(38,763)	(539,842)
Other income	**5**	147,439	12,508
Profit from foreign exchange transactions		664,716	553,203
Other banking income		**773,392**	**25,869**
Provision for loan losses	12	(3,978,006)	(2,452,440)
Losses from unrecoverable loans	12	(333,057)	(135,113)
Amortization of intangible assets	17	(41,184)	(41,242)
Depreciation of property and equipment	16	(123,270)	(121,313)
Personnel expenses	6	(910,094)	(820,992)
Administrative expenses	7	(1,906,634)	(1,481,073)
		(7,292,245)	**(5,052,173)**
Profit before taxes		**135,146**	**607,783**
Income tax expense	8	(77,412)	(222,641)
Deferred tax expense	8	68,360	-
Profit for the year		**126,094**	**385,142**
Attributable to:			
Equity holders of the parent		127,405	385,142
Non-controlling interests		(1,311)	-
		126,094	**385,142**

[1]The notes 1 to 35 are integral part of these consolidated financial statement

Consolidated statement of other comprehensive income
for the year ended 31 December 2015[2]

	Notes	Year ended 31 December 2015 Lek '000	Year ended 31 December 2014 Lek '000
Profit for the year		**126,094**	**385,142**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Revaluation of available for sale financial assets	14	107,494	(25,337)
Income tax effect		(16,124)	3,800
		91,370	**(21,537)**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:		**91,370**	***(21,537)***
Other comprehensive income for the year, net of income tax		**91,370**	**(21,537)**
Total comprehensive income for the year, net of tax		**217,464**	**363,605**
Attributable to:			
Equity holders of the parent		218,775	363,605
Non-controlling interests		(1,311)	-
		217,464	**363,605**

These consolidated financial statements have been approved by the Board of Directors of Credins Bank on June 10, 2016 and signed on its behalf:

Maltin KORKUTI
Executive Director

Valentina PRODANI
Head of Accounting and Finance Department

CREDINS bank
ZYRA QENDRORE I 212-00
TIRANË - SHQIPËRI

[2]The notes 1 to 35 are integral part of these consolidated financial statement

Consolidated statement of financial position
as at 31 December 2015[1]

	Notes	31 December 2015	31 December 2014
		Lek '000	Lek '000
Assets			
Cash and cash equivalents	9	18,889,094	18,531,018
Restricted balances with Central Bank	10	11,060,066	10,318,959
Loans and advances to banks	11	1,779,820	743,189
Investment securities AFS	14	19,077,358	15,454,143
Leasing	13	965,241	96,336
Loans and advances to customers	12	85,250,623	79,708,036
Investment securities HTM	15	17,289	-
Current tax asset		134,533	-
Other assets	21	1,199,566	659,921
Repossessed properties	19	3,699,881	3,741,694
Property and equipment	16	929,412	620,723
Intangible assets	17	138,593	131,278
Goodwill	20	43,371	
Deferred tax assets	18	53,026	967
Total assets		**143,237,873**	**130,006,264**
Liabilities			
Due to banks and other financial institutions	22	1,744,813	1,832,863
Due to customers	24	123,519,697	112,423,713
Borrowing	23	1,102,042	1,171,433
Current tax liabilities		-	65,990
Other liabilities	26	109,978	150,203
Provisions	27	1,525	43,275
Subordinated debt	25	4,854,857	4,144,396
Total liabilities		**131,332,912**	**119,831,873**
Equity			
Share capital	28,29	6,382,916	5,438,330
Share premium	28	2,369,595	1,838,990
General reserve	30	1,446,025	1,437,615
Revaluation reserve of investment securities	14	92,577	1,207
Retained earnings		1,606,530	1,458,249
Total equity attributable to equity holders of the parent		**11,897,643**	**10,174,391**
Non-controlling interest		7,318	-
Total equity		**11,904,961**	**10,174,391**
Total liabilities and equity		**143,237,873**	**130,006,264**

[1]The notes 1 to 35 are integral part of these consolidated financial statement

Consolidated statement of changes in equity

for the year ended 31 December 2015[1]

	Share capital	Share premiums	General reserve	Revaluation reserve	Retained earnings	Total	NCI	Total equity
	Lek '000	Lek '000	Lek '000	Lek '000	Lek '000	Lek '000	Lek '000	Lek '000
Balance at 1 January 2014	**5,438,330**	**1,838,990**	**1,437,615**	**22,744**	**1,073,107**	**9,810,786**	**-**	**9,810,786**
Profit of the year	-	-	-	-	385,142	385,142	-	385,142
Other comprehensive income	-	-	-	(21,537)	-	(21,537)	-	(21,537)
Total comprehensive income	**-**	**-**	**-**	**(21,537)**	**385,142**	**363,605**	**-**	**363,605**
Balance at 31 December 2014	**5,438,330**	**1,838,990**	**1,437,615**	**1,207**	**1,458,249**	**10,174,391**	**-**	**10,174,391**
Profit of the year	-	-	-	-	127,405	127,405	(1,311)	126,094
Other comprehensive income	-	-	-	91,370	-	91,370	-	91,370
Total comprehensive income	**-**	**-**	**-**	**91,370**	**127,405**	**218,775**	**(1,311)**	**217,464**
Appropriation of retained earnings (note 29.1)	36,767	-	-	-	(36,767)	-	-	-
Effect of merger with Credins Leasing (note 29.2)	612,590	311,934	8,410	-	57,644	990,578	-	990,578
Increase of paid-up capital	295,229	218,671	-	-	-	513,900	-	513,900
Non-controlling interests arising on a business combination	-	-	-	-	-	-	8,629	8,629
Balance at 31 December 2015	**6,382,916**	**2,369,595**	**1,446,025**	**92,577**	**1,606,531**	**11,897,643**	**7,318**	**11,904,961**

[1] The notes 1 to 35 are integral part of these consolidated financial statement

Consolidated statement of cash flows

for the year ended 31 December 2015[1]

	Notes	Year ended 31/12/2015 Lek '000	Year ended 31/12/2014 Lek '000
Cash flows from operating activities			
Profit before income tax		135,146	607,783
Adjustments for:			
Depreciation and amortization	15,16	164,454	162,555
Disposed fixed assets	15,16	-	6,155
Impairment on loans and advances to customers, & leasing	12,13	3,978,006	2,452,440
Other losses from unrecoverable loans	12	333,057	(752,169)
Impairment on repossessed properties	17	42,343	462,224
Net interest income	3	(6,177,541)	(5,252,008)
Foreign exchange effect to increase subordinated debt	24	(5,441)	(29,163)
Change in loans and advances to banks	11	(1,039,525)	(269,851)
Change in loans and advances to customers	12	(9,737,602)	(13,520,663)
Change in leasing	13	(868,905)	-
Change in restricted balances with Central bank	10	(741,376)	(1,647,904)
Change in repossessed properties	18	(2,030)	194,657
Change in other assets	20	(520,576)	(14,676)
Change in due to banks and financial institutions	21	(88,050)	603,032
Change in due to customers	23	11,276,119	20,799,162
Change in other liabilities	25,26	(146,465)	11,600
Change in operating assets from merger		1,506,971	-
Change in operating liabilities from merger		(371,885)	-
Interest received		8,587,155	7,645,463
Interest paid		(2,838,594)	(3,322,863)
Income tax paid		(274,421)	(106,999)
Net cash from operating activities		**3,210,841**	**8,028,775**
Cash flows used in investing activities			
Purchase of investment securities	14	(18,450,643)	(22,903,318)
Sales of investment securities	14	705,000	300,000
Investment securities matured	14	14,383,814	13,842,474
Purchase of property and equipment	15	(436,629)	(91,751)
Proceeds from sale of property and equipment		6,910	-
Purchase of intangible assets	16	(43,631)	(10,184)
Net cash used in investing activities		**(3,835,179)**	**(8,862,779)**
Cash flows from financing activities			
Proceeds from issued subordinated liabilities	24	1,093,940	1,154,227
Repayments of subordinated debt	24	(411,840)	(420,600)
Repayments of new financing	22	(215,721)	(182,188)
Proceeds from paid subscribed capital, not registered		-	392,777
Issue of share capital		513,900	-
Net cash from financing activities		**980,279**	**944,216**
Net increase in cash and cash equivalents		**355,940**	**110,212**
Cash and cash equivalents at 1 January		18,531,018	18,420,806
Cash and cash equivalents from merger		2,136	-
Cash and cash equivalents at 31 December		**18,889,094**	**18,531,018**

[1]The notes 1 to 35 are integral part of these consolidated financial statement

1 General information

Banka Credins Sh.A. (hereinafter "the Group") 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 2015, the Bank was operating through a head office located in Tirana, 48 branches located in Tirana, Durres, Fier, Lezha, Elbasan, Vlora, Shkodra, Korca, Shijak, Shkozet, Kavaja, Lushnja, Fushe Kruje, Kukes, Burrel, Ballsh, Berat, and Peshkopi and 8 agencies in Tirana, Shkoder and Durres. (31 December 2014: 41 branches and 5 agencies).

The Group'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 for an amount of LEK 65,000 thousand. 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 Group has consolidated the Company beginning 01 July 2015. During the first half of 2015 the Group injected a further 5 million leke for the capital increase, a further 6 million cash capital injection took place in the second half of 2015. The date of consolidation is considered therefore 30th June 2016 for the consolidation purposes.

As at 31 December 2015 the Group had 746 employees (31 December 2014: 654 employees).

The address of Group main registered office and principal place of business is Str. Vaso Pasha, Nr. 8, Tirana, Albania.

2 Accounting Policies

2.1 Basis of preparation

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

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

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

(ii) Presentation of Consolidated Financial Statements
The Group 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 31.

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 Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Accounting policies (continued)
2.2 Basis of consolidation (continued)

Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee
• The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• The contractual arrangement(s) with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

2. Accounting policies (continued)
2.2 Basis of consolidation (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 Significant accounting judgments, estimates and assumptions

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

(I) Going concern
The Group performs regularly, stress test exercises, to test the possible impact of macroeconomic indicators in Group'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 Group's main source of income, financial position including market risk. Official forecast models of the Central Bank and Group'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 Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis. For additional disclosures on capital adequacy refer to note 35.6.

(II) Impairment losses on loans and advances
The Group 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 Group 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 Group, or national or local economic conditions that correlate with defaults on assets in the Group.

The individually impaired loans are those for which exists an objective evidence of impairment such as:
- Loans more than 45 days in overdue;
- Restructured loans (excluding those restructured in standard and special mention category;
- Business loans with rating grade B- or under;
- Mortgage loans with credit score 7 or without score;
- Loans that have common collateral with individually impaired loans.

2. Accounting policies (continued)
2.3 Significant accounting judgments, estimates and assumptions (continued)

In the calculation of individual loan impairment are considered the following factors: Amount of loan according to IFRS; execution process time; interest rate; collaterals that guarantee the loan; costs of collateral execution.

Loans that are not individually tested for impairment and loans that are individually tested for impairment and resulted with no impairment, are assessed collectively for impairment. Collectively assessed loans for impairment are those that do not show objective evidences of downgrading, and those which are assessed individually but do not create individual impairment. In the collective impairment are included also the micro loans and individual consumers, which are provisioned by transition matrix.

The collective impairment is calculated based on the probability of default for each economic sector. The probability of default is updated biannually. For the economic sectors, for which exist than less 50 (fifty) loans in bank's portfolio, the Bank uses the probability of default of the banking system.

(III) Impairment of available–for–sale investments
The Group 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 Group 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 Group 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.

2.4 Changes in accounting policies and disclosures

2.4.1 Standards and interpretations effective for the current period

The accounting policies adopted are consistent with those of the previous financial year. The following amendments to standards have been adopted by the Company as of 1 January 2015:

- **Annual improvements to IFRSs 2011-2013 Cycle which comprise minor clarification changes in:**
- **IFRS 3 Business Combinations**
- **IFRS 13 Fair Value Measurement**
- **IAS 40 Investment Property**

The adoption of the above amendments to standards has no effect on these financial statements.

2.4.2 Standards and interpretations in issue not yet adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Bank intends to adopt those standards when they become effective.

Standards and amendments that are not applicable at all to the Bank have not been discussed in detail.

- **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 amortise 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.

2. Accounting policies (continued)
2.4 Changes in accounting policies and disclosures (continued)
2.4.2 Standards and interpretations in issue not yet adopted (continued)

- **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 2018. 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 and key judgments and estimates. The Bank will analyse and assess the impact of the new standard on its financial position or performance.
- **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.
- **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.

The Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

- **IFRS 14 Regulatory Deferral Accounts.** The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the pricing of particular types of activity. This can include utilities such as gas, electricity and water. The standard requires that the effect of rate regulation must be presented separately from other items and grants exemption to IFRS first-time adopters. As the Bank has adopted IFRS in prior periods and is not engaged in government regulated activities, it is not expected that the standard would be relevant to the Bank.
- **IFRS 16 Leases - The standard is effective for annual periods beginning on or after 1 January 2019.** IFRS 16 requires lessees to recognize most leases on their balance sheet and to have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Bank will analyze and assess the impact of the new standard on its financial position or performance.

2. Accounting policies (continued)
2.4 Changes in accounting policies and disclosures (continued)
2.4.2 Standards and interpretations in issue not yet adopted (continued)

- **IAS 27 Separate Financial Statements (Amended)** - The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. As the Bank does not have any investments in subsidiaries, joint ventures and associates, the amendment will not impact its financial position and performance.
- **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.
- **IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealised Losses** - The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would be relevant to the Bank.
- **IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative** - The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would be relevant to the Bank.

Annual improvements to IFRSs 2010 – 2012 Cycle

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. The Bank does not have any share based payments currently.
- **IFRS 3 Business combinations:** The Bank did not perform any business combinations.
- **IFRS 8 Operating Segments:** The standard itself is not applicable to the Bank.
- **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.

(Amounts in LEK '000, unless otherwise stated)

2. Accounting policies (continued)
2.4 Changes in accounting policies and disclosures (continued)
2.4.2 Standards and interpretations in issue not yet adopted (continued)

Annual improvements to IFRSs 2012 – 2014 Cycle

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.

2.5 Summary of significant accounting policies

(1) Foreign currency transactions

In preparing the Consolidated Financial Statements, transactions in currencies other than the Group'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 2015 and 31 December 2014 were as follows:

	31/12/2015	31/12/2014
USD	125.79	115.23
EUR	137.28	140.14
GBP	186.59	179.48
CHF	126.74	116.52
CAD	90.53	99.55
XAU	4,294.71	4,444.28

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)

(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 Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments
The Group 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 Group 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 Group 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 Groups
- 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 Group 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 Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(v) Loans and advances to customers and to bank
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 Group does not intend to sell immediately or in the near term other than:

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

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(2) Financial instruments – initial recognition and subsequent measurement (continued)
(v) Loans and advances to customers and to bank (continued)

When the Group 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 Group 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 Group's Consolidated Financial Statements. After initial measurement at fair value, amounts "Loans and advances to customers and to banks" 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 Group 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 Group 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 Group 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 Group, 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 Group 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 Group's issued debt is disclosed in Note 25.

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

(i) Financial assets
The Group 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 Group is recognized as a separate asset or liability.The Group 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. Accounting policies (continued)
2.5 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 Group 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 Group 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 Group 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 Group derecognizes financial liabilities when, and only when, the Group'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 Group 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 Group in identifying whether an active market for an instrument exists is the existence of quoted prices for identical assets and/or liabilities that the Group can access at the measurement date. If a market for a financial instrument is not active, the Group 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 Group, 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 Group 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 Group 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 Group 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 Group believes a third-party market participant would take them into account in pricing a transaction.

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(4) Determination of fair value (continued)

The Group 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.
- 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 Group 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 Group on terms that the Group 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 Group 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 Group 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.

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(5) Impairment of financial assets (continued)

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 Group 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.

(6) Offsetting financial instruments
Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group 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 Group'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.

Group as a lessee
Leases which do not transfer to the Group 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.

Group as a lessor
Leases where the Group transfers substantially all the risk and benefits of ownership of the asset are classified as finance leases. In the statement of financial position the Group 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 Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(9) Recognition of income and expenses (continued)

(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 Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(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 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 Group 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.

(Amounts in LEK '000, unless otherwise stated)

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(12) Property and equipment (continued)

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 Group 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 Group 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 Group'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.

(15) Financial guarantees
Financial guarantees are contracts that require the Group 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 Group 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 Group's contributions to the benefit pension plan are charged to the profit or loss as incurred

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(16) Pension benefits (continued)

(ii) Paid annual leave
The Group 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 Group 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 Group 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 Group has created a Professional Pension Plan for its employees. The Group 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 Group, and is recorded under "Personnel Expenses" accounts, affecting the profit and loss of the Group, with no other future liabilities for the Group.

(17) Provisions for contingent liabilities and commitments
A provision is recognized if, as a result of a past event, the Group 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 Group 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 Group 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 Group 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.

(ii) Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated 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.

2. Accounting policies (continued)
2.5 Summary of significant accounting policies (continued)
(18) Taxes (continued)

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 Group 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 Group'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 Group are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

The Group holds some repossessed properties that it has acquired through enforcement of collateral over loans and advances. The Group 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 Group's chief sources of debt funding. When the Group 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 Group's Consolidated 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 Group 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 Group's shareholders.

For the year ending on 31 December 2015, the Group has not declared any dividends to be paid to shareholders of the Group.

(22) Equity reserves
The reserves recorded in equity (other comprehensive income) on the Group'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 31/12/2015	Year ended 31/12/2014
Interest income		
Loans and advances to customers	7,805,370	7,027,855
Investment securities	741,253	396,402
Cash and cash equivalents	6,952	44,536
Loans and advances to banks	81,706	151,387
Restricted cash with Central Bank	86,180	100,779
Interest income accrued on impaired financial assets:		
Loans and advances to customers (individually impaired)	131,661	201,414
Loans and advances to customers (collectively impaired)	16,679	300,115
Total interest income	***8,869,801***	***8,361,969***
Interest expense		
Deposits from banks	(189,297)	(138,859)
Deposits from customers	(2,117,336)	(2,679,643)
Subordinated liabilities	(385,627)	(291,459)
Total interest expense	*(2,692,260)*	***(3,109,961)***
Net interest income	**6,177,541**	**5,252,008**

4 Net Fee and commission income and expense

	Year ended 31/12/2015	Year ended 31/12/2014
Fee and commission income		
Banking customer fees	531,385	424,848
Fee and commissions from lending services	4,565	13,965
Total fee and commission income	***535,950***	***438,813***
Fee and commission expense		
Inter bank transaction fees	(21,616)	(21,352)
Treasury operations	(31,059)	(22,386)
Other	(6,817)	(12,996)
Total fee and commission expense	***(59,492)***	***(56,734)***
Net fee and commission income	**476,458**	**382,079**

5 Net other expenses

	Year ended 31/12/2015	Year ended 31/12/2014
Other income		
Other income	147,439	12,508
Total other income	***147,439***	***12,508***
Other expenses		
Other expenses related to the Banking activity	(38,763)	(508,092)
Other expenses	-	(31,750)
Total other expenses	***(38,763)***	***(539,842)***
Net other income/(expenses)	**108,676**	**(527,334)**

Other expenses for the year ended as at 31 December 2015 include expenses related to the Banking activity for impairment on repossessed properties, which for the year ended on 31 December 2015 amounts to LEK 35,538 thousands (31 December 2014: LEK 462,225 thousands) (note 19).

(Amounts in LEK '000, unless otherwise stated)

6 Personnel expenses

	Year ended 31/12/2015	Year ended 31/12/2014
Salaries	652,439	605,887
Social insurance	85,877	76,316
Bonuses and rewards	61,302	71,413
Life insurance premium	10,000	10,237
Other	100,476	57,139
	910,094	**820,992**

7 Administrative expenses

	Year ended 31/12/2015	Year ended 31/12/2014
Insurance and surveillance	437,962	361,184
Third parties fees	340,235	300,705
Rent	481,829	249,643
Marketing and subscriptions	432,571	240,428
Maintenance	60,326	79,215
Utilities	42,625	43,917
Supplies	40,984	36,011
Transport and travel	23,417	29,006
Other	29,221	18,189
Local and other taxes	17,322	14,206
Impairment for debtor accounts	142	79,389
Provisions (refer to note 27)	-	29,180
	1,906,634	**1,481,073**

Insurance and surveillance and as well rent expenses have increased due to opening of new offices for the Head office. Marketing and subscription have increased due to the necessity to increase visibility of the bank through advertising and as well social responsibility. 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, net

	Year ended 31/12/2015	Year ended 31/12/2014
Current tax expense	77,412	222,641
Deferred tax benefit (note 17)	(68,360)	-
Income tax expense	**9,052**	**222,641**

The impairment allowances charged by the Group 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 2015 is 15% and 2014 is 15%.

The deferred tax benefit is calculated on the value of the repossessed properties.

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

	Year ended 31/12/2015	Year ended 31/12/2014
Profit before tax in income statement	135,146	607,783
Prima facie tax calculated at 15% (2014: 15%)	20,272	91,167
Deferred tax benefit	(68,360)	-
Income tax benefit due to loss of subsidiary	819	-
Non tax deductible expenses	56,321	131,474
Income tax expense	**9,052**	**222,641**

(Amounts in LEK '000, unless otherwise stated)

8 Income tax expense, net (continued)

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, 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.

9 Cash and cash equivalents

	31/12/2015	31/12/2014
Current accounts with banks	9,757,990	8,984,977
Money market placements	3,410,282	6,267,971
Cash on hand	3,019,556	3,005,720
Unrestricted balances with central bank	3,561,200	896,990
In transit	(859,934)	(624,640)
	18,889,094	**18,531,018**

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 31st, 2015 and settled with the current account at the Central Bank within the first days in January 2016.

10 Restricted balances with Central Bank

In accordance with the Central Bank's requirement relating to the deposit reserve, the Group 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, 2015 was 1.75% (31 December 2014: 2%). The reserve denominated in other currencies does not bear interest. As at December 31st, 2015 and December 31st, 2014 the balances of the restricted cash is LEK 11,060,066 thousand (2014: LEK 10,318,959 thousand).

11 Loans and advances to banks

	31/12/2015	31/12/2014
Resident banks and financial institutions	1,670,324	637,842
Non- Resident banks and financial institutions	109,496	105,347
Total	**1,779,820**	**743,189**

(Amounts in LEK '000, unless otherwise stated)

12 Loans and advances to customers

Loans and advances to customers consisted of the following:

	31/12/2015	31/12/2014
Loans and advances to customers at amortized cost	97,584,210	90,424,353
Loan loss allowances for impairment	(12,333,587)	(10,716,317)
	85,250,623	**79,708,036**

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

	31/12/2015	31/12/2014
Corporate lending	72,074,213	57,259,622
Mortgage lending	5,197,505	18,915,945
Private individuals lending	4,791,279	4,138,685
Other secured lending	15,521,213	10,110,101
	97,584,210	*90,424,353*
Impairment allowance	(12,333,587)	(10,716,317)
	85,250,623	**79,708,036**

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

	Year ended 31/12/2015	Year ended 31/12/2014
Balance at the beginning of the year	**10,716,317**	**8,719,020**
Allowance for loan loss impairment	10,799,045	5,727,412
Recoveries	(7,194,163)	(3,275,431)
Recover from writte offs	(2,056,457)	(616,778)
Effect of foreign currency movements	68,845	162,094
Balance at the end of the year	**12,333,587**	**10,716,317**

For the year ended 31 December 2015, the Bank considered unrecoverable loans for an amount of LEK 333,057 thousands (31 December 2014: LEK 135,113 thousands).

(Amounts in LEK '000, unless otherwise stated)

12 Loans and advances to customers (continued)

	Corporate Lending	Private individuals Lending	Mortage Lending	Other secured Lending	Total
Balance at 31 December 2013	**6,217,623**	**575,218**	**560,835**	**1,365,344**	**8,719,020**
Allowance for loan loss impairment	4,554,248	142,574	312,714	717,876	5,727,412
Recoveries	(2,442,300)	(162,745)	(198,059)	(472,327)	(3,275,431)
Write off	(459,896)	(30,646)	(37,295)	(88,941)	(616,778)
Effect of foreign currency movements	120,865	8,054	9,801	23,374	162,094
Balance at 31 December 2014	**7,990,540**	**532,455**	**647,996**	**1,545,326**	**10,716,317**
Allowance for loan loss impairment	8,402,875	(856,956)	(989,728)	4,242,854	10,799,045
Recoveries	(5,597,870)	570,891	659,342	(2,826,526)	(7,194,163)
Write off	(1,600,156)	163,190	188,474	(807,965)	(2,056,457)
Effect of foreign currency movements	53,568	(5,463)	(6,310)	27,050	68,845
Balance at 31 December 2015	**9,248,957**	**404,117**	**499,774**	**2,180,739**	**12,333,587**
As at 31 December 2014					
Individual impairment	5,118,256	-	306,447	965,487	6,390,190
Collective impairment	2,872,284	532,455	341,549	579,839	4,326,127
	7,990,540	**532,455**	**647,996**	**1,545,326**	**10,716,317**
As at 31 December 2015					
Individual ipmairment	6,853,302	-	216,609	1,322,969	8,392,880
Collective impairment	2,395,655	404,117	283,165	857,770	3,940,707
	9,248,957	**404,117**	**499,774**	**2,180,739**	**12,333,587**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**17,947,313**	**-**	**589,500**	**1,814,591**	**20,351,404**

(Amounts in LEK '000, unless otherwise stated)

13 Leasing

Leasing:

	31/12/2015	31/12/2014
Gross investment in finance leases, receivable		
- Not later than 1 year	468,804	89,907
- Later than 1 year and not later than 5 years	722,097	26,280
	1,190,901	**116,187**
Less: Unearned finance income	(145,494)	(15,025)
Net investment in finance leases	**1,045,407**	**101,162**
Loss allowances for impairment	(80,166)	(4,826)
Total	**965,241**	**96,336**

Movements in the impairment for loan losses is detailed as follows:

	Year ended 31/12/2015	Year ended 31/12/2014
Balance at the beginning of the year	**4,826**	**4,573**
Allowance for loan loss impairment	503,077	1,933
Recoveries	(335,143)	(1,475)
Recover from writte offs	(95,801)	(278)
Effect of foreign currency movements	3,207	73
Balance at the end of the year	**80,166**	**4,826**

	31/12/2015	31/12/2014
Individual impairment	15,495	-
Collective impairment	64,671	4,826
	80,166	**4,826**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**41,477**	**-**

14 Investment securities AFS

Investment securities available for sale

Investment securities available for sale as at 31 December 2015 and 31 December 2014 are as follows:

	31/12/2015	31/12/2014
Treasury Bills	12,552,817	13,247,652
Government bonds	6,524,541	2,206,491
Total	**19,077,358**	**15,454,143**

Treasury bills

The effective interest rates on treasury bills for the year ended 31 December 2015 fluctuated between 2.26% and 3.24% p.a. (2014: 3.06% and 3.88% p.a.). Details of treasury bills as at 31 December 2015 and 31 December 2014, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31/12/2015					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
6 months	400,000	(5,634)	3,067	397,433	296	397,729
12 months	12,277,710	(397,829)	235,313	12,115,194	39,894	12,155,088
	12,677,710	**(403,463)**	**238,380**	**12,512,627**	**40,190**	**12,552,817**

(Amounts in LEK '000, unless otherwise stated)

14 Investment securities AFS (continued)
Treasury bills (continued)

	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**

Government bonds
As at 31 December 2015, the Bank had a portfolio of 2-years, 3-years, 5-years, 7-years and 10-years government bonds, denominated in the local currency (LEK). Interest is received semi-annually at a respective coupon rate of 4.59% to 5.05 % (2-years), 5.68% to 5.8 % (3-years), 4.94% to 9.53% (5-years), 6.19% to 6.79% (7-years) and 5.94% to 8.8% (10-years). Details of government bonds as at 31 December 2015 and 31 December 2014, showing their initial maturity, their book value and respective fair value as at the reporting date, by type are presented as follows:

	31/12/2015					
	Nominal value	*Deferred discount*	*Accrued interest*	*Amortized cost*	*Revaluation difference*	*Fair value*
24 months	2,766,500	-	26,398	2,792,898	7,569	2,800,467
36 months	1,300,000	-	29,806	1,329,806	21,459	1,351,265
60 months	806,000	-	12,628	818,628	4,636	823,264
84 months	906,000	-	9,245	915,245	19,273	934,519
120 months	585,000	2,368	11,872	599,240	15,786	615,026
	6,363,500	**2,368**	**89,949**	**6,455,817**	**68,724**	**6,524,541**

	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**

The table below shows the movements in the balances of available for sale as at 31 December 2015 and 31 December 2014, including additions, maturing and sale of investments during these years:

	Movements in Available for sale	
	31/12/2015	**31/12/2014**
Opening Balance on 1 Jan	**15,454,143**	**6,636,909**
Additions	18,603,355	22,985,045
Sales	(705,000)	(300,000)
Maturing	(14,383,814)	(13,842,474)
FV fluctuations	108,674	(25,337)
Closing Balance on 31 Dec	**19,077,358**	**15,454,143**

(Amounts in LEK '000, unless otherwise stated)

15 Investment securities HTM

Investment securities held to maturity as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Treasury Bond	17,000	-
Premium	10	-
Accrued interest	279	-
Total	**17,289**	**-**

On October 2015 Shoqeria Administruese e Fondit te Pensionit SiCRED sh.a. purchased a 10 Year – Government Bond, with coupon rate 8.8% p.a. and effective interest rate 8.81 p.a.%. The Group has no other investment securities held to maturity.

(Amounts in LEK '000, unless otherwise stated)

16 Property and equipment

	Buildings	Electronic and office equipment	Vehicles, Furniture & Fittings	Leasehold improvements	Prepayment	Total
Cost						
Balance at 01/01/2014	**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**
Acquisitions	-	114,176	21,279	22,621	277,323	435,399
Additions from consolidation (note 20)	-	2,614	-	-	-	2,614
From merger with Credins Leasing (note 29.2)	-	13,078	1,554	-	-	14,632
Disposals	-	(506)	(7,513)	(1,193)	-	(9,212)
Balance at 31/12/2015	**303,863**	**956,306**	**212,423**	**308,040**	**277,323**	**2,057,954**
Depreciation						
Balance at 01/01/2014	**(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)**
Depreciation for the period	(15,193)	(67,551)	(13,101)	(27,425)	-	**(123,270)**
From consolidation (note 20)	-	(1,387)	-	-		**(1,387)**
From merger with Credins Leasing (note 29.2)	-	(11,849)	(541)	-	-	**(12,390)**
Disposals	-	938	1,364	-	-	**2,302**
Balance at 31/12/2015	**(155,675)**	**(618,741)**	**(134,525)**	**(219,602)**	**-**	**(1,128,543)**
Net Book Value						
Balance at 01/01/2014	**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**
Balance at 31/12/2015	**148,188**	**337,565**	**77,898**	**88,438**	**277,323**	**929,412**

(Amounts in LEK '000, unless otherwise stated)

17 Intangible Assets

	Software	Patents and licenses	Prepaid	Total
Cost				
Balance at 01/01/2014	**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**
Additions	28,713	10,863	-	39,576
Additions from consolidation (note 20)	5,559	-	-	5,559
Merger with Credins Leasing (note 29.2)	13,695	-	-	13,695
Balance at 31/12/2015	**277,741**	**72,387**	**-**	**350,128**
Amortization				
Balance at 01/01/2014	**(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)**
Amortization charge for the year	(32,567)	(8,616)	-	**(41,184)**
Additions from consolidation (note 20)	(1,506)	-	-	**(1,506)**
Merger with Credins Leasing (note 29.2)	(8,827)	-	-	**(8,827)**
Balance at 31/12/2015	**(179,323)**	**(32,212)**	**-**	**(211,536)**
Carrying amounts				
Balance at 01/01/2014	**117,065**	**45,271**	**623**	**162,959**
Balance at 31/12/2014	**93,350**	**37,928**	**-**	**131,278**
Balance at 31/12/2015	**98,418**	**40,175**	**-**	**138,593**

18 Deferred Tax

Deferred tax is attributable to the following:

	31/12/2015			**31/12/2014**		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Repossessed properties	68,360	-	68,360	-	-	-
AFS Securities	-	15,334	(15,334)	967	-	967
Net deferred tax liability	**68,360**	**(15,334)**	**53,026**	**967**	**-**	**967**

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 and as well from the impairment of the repossessed properties going through profit and loss.

19 Repossessed properties

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 2015 is the fair market value existing as at 31 December 2015 and 31 December 2014.

	31/12/2015	31/12/2014
Opening balance at 1 January	**3,741,694**	**4,398,574**
Additions	2,943	22,579
Merger with Credins Leasing (note 29.2)	12,617	-
Disposals	(13,530)	(217,234)
Net loss from a fair value adjustment	(43,843)	(462,225)
Closing balance at 31 December	**3,699,881**	**3,741,694**

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 2015, 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 2015 the Bank sold LEK 13,530 thousands from the repossessed properties portfolio, from which the Bank recognized LEK 1,402 thousands as loss on sale of repossessed properties.

20 Business combinations and acquisition of non-controlling interests

The Group's Shareholders have agreed that the Group would acquire 76% of the voting shares of "Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" from "SICRED SHA", through a share purchase agreement signed on December 22nd, 2014 for an amount of LEK 60,205 thousand. 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 Group has consolidated the Company beginning 01 July 2015. During the first half of 2015 the Group injected a further LEK 5 million for the capital increase and to cover the losses brought forward. As at the date when the Group took effectively the control, the consideration given amounted to LEK 65.205 thousand. There was another capital injection after the control of the Company and prior year end 2015.

"Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" is administering the voluntary private pension fund in Albania. The Group acquired "Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" because it significantly enlarges the range of products that can be offered to its clients.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of "Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" as at the date of acquisition (30 June 2015) were:

	Fair value recognized on acquisition (30 June 15)
Assets	**Lek '000**
Cash and cash equivalents	5,788
Loans and advances to banks	17,500
Property and equipment	1,212
Intangible assets	4,054
Other assets	819
Total assets	**29,373**
Liabilities	
Other liabilities	644
Total liabilities	**644**
Total identifiable net assets at fair value	**28,729**
Non-controlling interest measured (24% of net assets)	(6,895)
Goodwill arising on acquisition	43,371
Purchase consideration transferred	**65,205**

(Amounts in LEK '000, unless otherwise stated)

20 Business combinations and acquisition of non-controlling interests (continued)

Net cash acquired with the subsidiary	5,788
Cash paid	(65,205)
Net cash flow on acquisition	**(59,417)**

From the date of the effective control the "Shoqeria Administruese e Fondit te Pensionit "SiCRED" SHA" contributed LEK 3,345 thousand of revenue and a loss of LEK 5,461 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been LEK 5,294 thousand as revenues and loss before tax from continuing operations added to the Group's profit for the year would have been LEK 12,177 thousand.

21 Other Assets

	31/12/2015	31/12/2014
Debtors	233,602	208,687
Reimbursable from insurance companies	472,984	-
Deferred expenses	238,927	305,927
VAT receivable	155,256	-
Prepaid expenses	99,451	145,307
	1,199,566	**659,921**

Deferred expenses represents a prepayment from the Group to an external consultancy company during the year ended 31 December 2013 with a tenor of five years. During 2015, the Group recognized in its consolidated statement of comprehensive income (under administrative expenses as third party fees) (note 7) the cost of services received during the year, being LEK 85,114 thousands.

Reimbursable from insurance companies relate to the amount of Cash in Transit lost at the end of December 2015 during transportation. The whole amount is insured and is going to be reimbursed wholly by the insurance companies.

As at 24th December 2015 the Group merged with Credins Leasing company and all rights and liabilities were transferred to the Group. The amount of VAT receivable from Credins Leasing as at the date of the merger amounts to LEK 155,154 thousand, (note 29.2)

22 Due to banks and other financial institutions

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

	31/12/2015	31/12/2014
Current accounts		
Resident	13,571	79,502
Money market deposits		
Resident	299,689	466,775
Non-resident	1,431,553	1,286,586
	1,744,813	**1,832,863**

23 Borrowing

Borrowing as at 31 December 2015 and 31 December 2014 are composed of the following items:

	31/12/2015	31/12/2014
Ministry of Economic Development, Trade and Entrepeneurship (ex-METE)	170,593	165,767
EBRD	628,618	568,648
IFC	275,297	437,018
Other borrowing	27,534	-
	1,102,042	**1,171,433**

23 Borrowing (continued)

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

During 2009 the Group 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 2015 the outstanding amount of borrowings is LEK 170,593 thousand (2014: LEK 165,767 thousand), and there are no balances in default related to this borrowing either at 31 December 2015 or at 31 December 2014.

International Finance Corporation

On March 7th, 2013 the Group 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 Group a total amount of up to EUR 10 million, for renewable energy and energy efficiency related investments. The Group has not pledged any of its assets as collateral for this loan agreement.

As at 31 December 2015 the amount disbursed to the Group from IFC within the framework of this loan agreement is EUR 2 million, or LEK 275,297 thousand. Within the terms of this loan agreement, the Group has issued no sub-loans during 2015 (2014: 0 sub-loans).

As at 31 December 2015 the Group is not complying with Open Credit Exposures Ratio covenant. For the period ending as of this date, the Group has not received a waiver or consent letter from IFC, therefore the outstanding balance with IFC as at 31 December 2015 is treated as short-term (refer to note 28). The Group has not been in default in any of its payments during the year 2015 and 2014.

European Bank for Reconstruction and Development

On August 28th, 2013 the Group 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 Group a total amount of up to EUR 8 million, to provide the Group 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 Group has not pledged any of its assets as collateral for this loan agreement.

As at 31 December 2015 the amount disbursed to the Group from EBRD within the framework of this loan agreement is EUR 4.6 million, or LEK 628,618 thousand. Within the terms of this loan agreement, the Group has issued no sub-loans during 2015 (2014: 0 sub-loans).

As at 31 December 2015 the Group is not complying with Open Credit Exposures Ratio covenant. For the period ending as of this date, the Group has not received a waiver or consent letter from EBRD, therefore the outstanding balance with EBRD as at 31 December 2015 is treated as short-term, (refer to note 28). The Group has not been in default in any of its payments during the year 2015 and 2014.

Other borrowing

As at 24^{th} December 2015 the Group merged with Credins Leasing company and all rights and liabilities were transferred to the Group. The amount of a borrowing from an individual from merger, amounts to LEK 27,534 thousand (EUR 200,000) renewable every year. There were no borrowings from individuals as at 31 December 2014.

(Amounts in LEK '000, unless otherwise stated)

24 Due to customers

	31/12/2015	31/12/2014
Private individuals	98,921,098	90,698,723
Sovereign governments	12,655,815	9,819,055
Corporate	10,928,567	9,614,209
Other customers	1,014,217	1,898,949
Shareholder's balances	-	392,777
	123,519,697	**112,423,713**

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

	31/12/2015	31/12/2014
Current accounts		
Local currency	13,410,203	12,793,671
Foreign currency	7,361,353	7,572,125
Saving accounts		
Local currency	2,754,478	2,454,433
Foreign currency	4,309,632	2,271,546
Term deposits		
Local currency	52,552,980	48,141,738
Foreign currency	38,828,342	38,145,878
Other customers accounts		
Local currency	-	800,425
Foreign currency	4,302,709	243,897
	123,519,697	**112,423,713**

25 Subordinated debt

Subordinated debt can be detailed as follows:

	31/12/2015	31/12/2014
SIFEM-AG (former SECO)	569,969	582,073
European Fund for Southeast Europe (EFSE)	-	435,427
Subordinated Instruments	4,284,888	3,126,896
At the end of the period	**4,854,857**	**4,144,396**

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 2015.

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 2015, there are no balances overdue.

(Amounts in LEK '000, unless otherwise stated)

25 Subordinated debt (continued)

As of 31 December 2015 the instruments are detailed as follows:

Currency	No of Instruments	31/12/2015	31/12/2014
LEK	2,068	2,106,665	1,600,600
EUR	1,175	1,645,162	1,095,888
USD	421	533,061	430,408
	3,664	**4,284,888**	**3,126,896**

26 Other liabilities

Other liabilities are comprised of the following:

	31/12/2015	31/12/2014
Payments in transit	**272**	***6,319***
-Suspense accounts for forex transactions off balance sheet	272	226
-Public financing	-	6,093
Suppliers and accrued payables	**109,706**	***143,884***
Total	**109,978**	**150,203**

27 Provisions

Provisions as at 31 December 2015 and 31 December 2014 are composed of the following items:

	31/12/2015	31/12/2014
Provisions for litigations	1,525	13,275
Tax provisions	-	30,000
	1,525	**43,275**

In the table below are presented the movements in provisions occurred during 2015 and 2014.

	Year ended 31/12/2015	Year ended 31/12/2014
Balance 1 January	43,275	21,883
Payments	(10,250)	-
Reversal	(31,500)	(133)
Additions	-	21,525
Balance 31 December	**1,525**	**43,275**

There are no additions created for potential tax obligations for the year ended 31 December 2015 except the reversals of prior year provisions (2014: LEK 20,000 thousands).

The amount of LEK 10,250 thousand relates to the payment of the amount in the favor of tax offices according to the resolution of the court case for withholding tax penalties started and provided for, since 2005. The reversal of 31,500 thousand relates to court cases already provided for, where the Group was defendant and the court case decided in the favor of the Group. Out of which, the amount of LEK 30,000 thousand relates to a court case for VAT penalty imposed from tax authorities since 2008, for which the first instance court decided in the favor of the Group. The provision related to this court case therefore is released. The tax authorities have appealed the decision and the case in the appeal court as of the date of these Consolidated Financial Statements. The difference of LEK 1,500 thousand relates to another court case where the Group is defendant and former employee filed against the Group. The appeal court decided in the favor of the Group therefore the provision is released.

(Amounts in LEK '000, unless otherwise stated)

28 Share Premium

During 2015 the Group has issued new shares generating a share premium of LEK 530,605 thousand out of which from emission of new capital LEK 218,671 thousand and from issuing new shares for the merger with Credins Leasing for an amount of LEK 311,934 thousand (note 29.2), whilst in 2014 there were no new shares issued.

29 Share Capital

29.1 Share Capital of Credins Bank sh.a.

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 Consolidated Financial Statements with the historical rates of exchange. As at 31 December 2015 the subscribed share capital amounts to USD 16,392 thousand, EUR 16,840 thousand and LEK 2,170,077 thousand. Shares are ranked as normal and type A and are owned by the following shareholders:

Share Capital	31 December 2015 (%)	31 December 2014 (%)
Renis Tershana	28.220%	27.753%
Aleksander Pilo	19.380%	20.857%
B.F.S.E Holding BV	16.820%	19.249%
Unioni Shqiptar Kursim Kredie	3.190%	3.651%
Bank Executive Directors	7.630%	7.712%
Other (less than 5% of shareholding)	24.760%	20.778%
Total	**100.000%**	**100.000%**

The paid up capital of the Group as of 31 December 2015 is LEK 6,382,916 thousand translated at the historical rate of exchange (31 December 2014: 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 2015 approx. half (3.8 million EUR) of it is subscribed and registered in the national registration center (QKR).
There were new shares issued to compensate the shares of the merged company for an amount of LEK 612.589 thousand.

The shares of the Group 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".

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 Group 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 2015	31 December 2014	31 December 2015	31 December 2014
As at 1 January	**40,847,775**	**40,847,775**	**11,520,517**	**11,520,517**
Increase in number of shares:	7,807,514	-	60,829	-
As at 31 December	**48,655,289**	**40,847,775**	**11,581,347**	**11,520,517**

As of 29th June 2015 the shareholder's assembly has decided on the distribution of the result of 2014 profit, out of which LEK 36,767 thousand for capital increase.

(Amounts in LEK '000, unless otherwise stated)

29 Share Capital (continued)

29.2 Merger with Credins Leasing sh.a.

On 28th September 2015 the General Assembly of the Group has approved the project of the merger with Credins Leasing sh.a. As a result of the merger new shares were issued to compensate the shareholders of the merged company. There were 4.878.471 new shares issued with an amount of LEK 612.589.603.

The merger took place on 24th December 2015, where all the assets and liabilities of the merged company were transferred to the Group.

A detailed breakdown of the assets and liabilities of Credins Leasing (merged company) is provided below as at the date of the merger:

	Book value as of the date of merger (24 December 15)
Assets	
Cash and cash equivalents	2,133
Loans and advances to banks	425,245
Leasing	870,726
Property and equipment	2,242
Intangible assets	4,868
VAT receivables	155,154
Other assets	48,528
Total assets	**1,508,896**
Liabilities	
Due to banks and other financial institutions	488,991
Borrowing	27,421
Other liabilities	1,907
Total liabilities	**518,319**
Share capital	924,523
Reserves	8,410
Net income for the period	57,644
Total equity	**990,577**
Total liabilities and equity	**1,508,896**

30 General Reserve

The Group 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 Group. 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.

	31/12/2015	31/12/2014
General reserve	1,256,860	1,256,860
Statutory reserve	189,165	180,755
Total	**1,446,025**	**1,437,615**

(Amounts in LEK '000, unless otherwise stated)

31 Maturity analysis of assets and liabilities

31/12/2015	< 12 months	> 12 months	Total
Assets			
Net cash	18,889,094	-	18,889,094
Restriced balances with Central Bank	9,868,652	1,191,414	11,060,066
Advances to banks	1,724,423	55,397	1,779,820
Investment securities AFS	13,695,291	5,382,068	19,077,358
Investment securities HTM	-	17,289	17,289
Loans and advances to customers	36,298,898	48,951,725	85,250,623
Leasing	345,747	619,494	965,241
Property and equipment	-	929,412	929,412
Intangible assets	-	138,593	138,593
Deferred tax asset	-	53,026	53,026
Current tax asset	134,533	-	134,533
Repossessed properties	-	3,699,881	3,699,881
Goodwill	-	43,371	43,371
Other assets	1,181,653	17,913	1,199,566
Total	**82,138,291**	**61,099,583**	**143,237,873**
Liabilities			
Due to banks and other financial institutions	1,719,504	25,310	1,744,813
Borrowing	940,257	161,785	1,102,042
Due to customers	108,619,981	14,899,716	123,519,697
Subordinated debt	569,969	4,284,889	4,854,857
Other liabilities	109,978	-	109,978
Provisions	-	1,525	1,525
Total	**111,959,689**	**19,373,225**	**131,332,912**
Net	**(29,821,398)**	**41,726,358**	**11,904,961**

31/12/2014	< 12 months	> 12 months	Total
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	37,091,464	42,616,572	**79,708,036**
Leasing	62,230	34,106	**96,336**
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**
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**

(Amounts in LEK ’000, unless otherwise stated)

31 Maturity analyses of assets and liquidity (continued)

Expected maturity dates do not differ significantly from the contract dates, except for:

- Retail deposits, which are included within Due to customers, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group’s operations and liquidity needs because of the broad base of customers, and are renewable at the end of their contractual term, and
- Overdrafts, which are included within “Loans and advances to customers”, which are generally short term and with a contractual maturity of up to 12 months, but in practice are renewed and their maturity is extended for another period, usually of up to 12 months.

32 Contingent liabilities and commitments

To meet the financial needs of customers, the Group 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 Group. Letters of credit and guarantees (including standby letters of credit) commit the Group 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:

	31/12/2015	**31/12/2014**
Guarantees in favour of customers	3,830,769	3,276,062
Commitments in favour of customers	3,635,960	11,095,915
Guarantees pledged from credit customers		4,376,297
Guarantees received from credit customers		319,407,396
Commitments on securities		478,831

Guarantees and letters of credit
Guarantees received from customers include cash collateral, mortgages, inventory and other assets pledged in favor of the Group from its borrowers. The Group 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 2015 will be incurred.

Operating Lease commitments – Group as lessee
The Group 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 2015 and 2014 are detailed as follows:

	Year ended 31/12/2015	**Year ended 31/12/2014**
Not later than 1 year	540,707	240,370
Later than 1 year and not later than 5 years	1,755,221	652,692
Later than 5 years	4,335,030	204,446
Total	**6,630,958**	**1,097,508**

During 2015 the Group finalized the 10th year contract for the new building premises in Tirana for the head offices. As well all the lease contracts have been renewed during this time and the timeframe is a 10 year commitment which caused the committed liability to increase.

Lease commitments – Group as lessor
As part of its “Loans and advances to customers” portfolio, the Group has issued financial leases to its customers, amounting as at LEK 830,540 thousand (31 December 2014: LEK 93,130 thousand). These leases have an average life of between one to five years, with no renewal option included in the contracts.

(Amounts in LEK '000, unless otherwise stated)

32 Contingent liabilities and commitments (continued)
Lease commitments – Group as lessor (continued)

Future minimum lease payments (principal and interest) as at 31 December 2015 and 31 December 2014 are detailed as follows:

	Year ended 31/12/2015	Year ended 31/12/2014
Not later than 1 year	468,804	89,907
Later than 1 year and not later than 5 years	722,097	26,280
Total	**1,190,901**	**116,187**

The increase in the financial lease commitment is mainly due to merger process that increased the lease portfolio by around LEK 1,033 thousand. This affected as well the future lease commitments in which the Group is the lessor.

Litigation and claims
The Group 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 Group'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 Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Group had several unresolved legal claims with no probable adverse effects. Accordingly, no provision, except for the amounts included in provisions note 25, has been made in these Consolidated Financial Statements.

33 Related party disclosures

In the following tables, the Group 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 2015 and 31 December 2014.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Persons or entities that are related to the Group, by being either a person or close member of that person's family to the Group, 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

	31/12/2015		31/12/2014	
Transaction	**Key Management Personnel**	**Other related parties**	**Key Management Personnel**	**Other related parties**
Lease expense	-	34,745	-	-
Income	425	187,738	4,356	167,561
Expenses	53,770	34,200	73,380	30,858

33 Related party disclosures (continued)

Type of transaction	31/12/2015 Key Management Personnel	31/12/2015 Other related parties	31/12/2014 Key Management Personnel	31/12/2014 Other related parties
	Lek '000	Lek '000	Lek '000	Lek '000
Credit Line	-	1,258,380	-	1,220,385
Overdrafts	1	137,593	2,711	514,318
Credit Card	-	-	10,931	-
Term Loans	17,639	128,495	215,836	275,347
Incaso+Guarantees	-	20,288	-	63,035
Current accounts	(6,839)	(30,923)	-	-
Term deposits	(3,888)	(127,462)	-	(417,448)
Subordinated debt	-	-	-	-
Collateral placed in favour of the Bank	(45,671)	(3,741,041)	(1,538)	(3,560,090)

Type of transaction	Interest rates (in %) 31/12/2015	Interest rates (in %) 31/12/2014
Credit Line	5%-11%	4.5%-11%
Overdrafts	2.31%-20%	4%-11%
Credit Card	2.31%-20.02%	2.31%-30%
Term Loans	2.13%-8.61%	2.3%-18%
Current accounts	n/a	0.08%-0.2%
Term deposits	0.28%-4.5%	0.19%-5.5%

In addition the key management personnel remuneration has been as follows, with no other benefits to disclose as at 31 December 2015 and 31 December 2014:

	Salaries	Bonuses
Year ended 31 December 2015		
Key management remuneration	55,736	-
Board of Directors remuneration	2,370	-
Year ended 31 December 2014		
Key management remuneration	62,203	4,099
Board of Directors remuneration	1,566	-

34 Events after the statement of financial position date

The management of the Group is not aware of any event after the reporting date that would require either adjustments or additional disclosures in the consolidated financial statements.

35 Risk Management

35.1 Introduction and overview

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight and control of the Group's risk management framework. The Board has established the Group Asset and Liability Committee (ALCO) and the Credit Committee, which are responsible for developing and monitoring Group 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 Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, 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 Group's Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

35.2 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other Groups and investment securities. For risk management reporting purposes, the Group 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 Group Credit Committees for all credit exposures within 5% of the Group's regulatory capital. The Board of Directors in cooperation with the Credit Committee is responsible for oversight of the Group'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 Group'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. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group 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 Group 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 Group Credit processes are undertaken by Internal Audit. Based on the Group's internal rating policy, the portfolio rating as at 31 December 2015 and 31 December 2014 is as follows:

Group's Credit Rating	**31/12/2015**	**% to Total Gross**	**31/12/2014**	**% to Total Gross**
A+	17,955	0.02%	82,343	0.09%
A	1,315,353	1.33%	1,783,164	1.97%
A-	8,372,744	8.49%	11,378,911	12.57%
B+	8,202,772	8.32%	8,238,053	9.10%
B	48,898,023	49.58%	40,365,525	44.59%
B-	4,990,092	5.06%	3,069,027	3.39%
C+	106,917	0.11%	833,176	0.92%
C	100,425	0.10%	495,254	0.55%
C-	92,485	0.09%	125,828	0.14%
D+	1,349,245	1.37%	1,853,359	2.05%
D	4,505,212	4.57%	2,681,934	2.96%
E+	1,240,228	1.26%	1,259,259	1.39%
E	2,376,003	2.41%	3,165,732	3.50%
E-	2,911,920	2.95%	1,784,852	1.97%
Loans with a credit rating	**84,479,374**	**85.65%**	**77,116,417**	**85.19%**
Loans with no rating	3,198,963	3.24%	4,544,506	5.02%
Loans with credit score	9,905,873	10.04%	8,763,430	9.68%
Total Gross Loan portfolio	**97,584,210**	**98.94%**	**90,424,353**	**99.89%**
Leasing with no rating	1,045,407	1.06%	**101,162**	0.11%
Total Gross Loan & Leasing portfolio	**98,629,617**	**100.00%**	**90,525,515**	**100.00%**

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

	31/12/2015		**31/12/2014**	
Group's Internal Credit Rating	**Default rates in %**	**Total**	**Default rates in %**	**Total**
High grade		**12,487,531**		**30,726,502**
Risk rating class 1	4.81%	750,142	5.56%	680,701
Risk rating class 2	7.00%	2,031,384	7.99%	7,258,609
Risk rating class 3	3.04%	9,706,005	2.59%	22,787,192
Standard grade		**61,772,332**		**44,175,698**
Risk rating class 4	10.18%	11,209,523	11.20%	12,224,973
Risk rating class 5	6.34%	50,562,809	5.73%	31,950,725
Sub–standard grade		**20,126,529**		**6,016,585**
Risk rating class 6 and lower	26.54%	20,126,529	28.61%	6,016,585
No rating	29.38%	**3,198,963**	18.26%	**9,505,568**
Leasing with no rating	5,77%	**1,045,407**	6,78%	**101,162**
Total		**98,629,617**		**90,525,515**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)

The classification of the internal rating is in accordance with the Group'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).

Exposure to credit risk

	Gross maximum exposure	
	31/12/2015	**31/12/2014**
Cash and cash equivalent (exluding cash on hand)	15,869,538	15,525,298
Restricted balances with Central Bank	11,060,066	10,318,959
Due from Banks	1,779,820	743,189
Loans and advances to customers	85,250,623	79,708,036
Leasing	965,241	96,336
Financial assets available for sale	19,077,358	15,454,143
Financial assets held to maturity	17,289	-
Other assets (Debtors)	706,259	208,687
Total	**134,726,194**	**122,054,648**
Undrawn credit commitments	3,160,285	7,364,284
Letters of credit	475,675	3,731,631
Guarantees in favor of customers	3,830,769	3,276,062
Total Credit related commitments	**7,466,729**	**14,371,977**
Total Credit Risk Exposure	**142,192,923**	**136,426,625**

The aging of past due and not impaired exposures for loans and advances to customers as at 31 December 2015 and 31 December 2014 is presented in the following table:

	31/12/2015	**31/12/2014**
Past due but not individually impaired		
1-45 d	753,890	1,008,731
46-90 d	1,014,093	891,979
91 - 120 d	102,179	1,055,088
121 - 150 d	433,186	134,371
151 - 180 d	388,771	4,264,118
181 - 270 d	172,660	1,972,524
271 - 360 d	139,148	108,237
over 360 d	5,323,300	1,486,038
Total	**8,327,227**	**10,921,086**

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)

35 Risk Management (continued)
35.2 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 2015 and 31 December 2014, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired						
31-Dec-15	**High grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate lending	5,070,836	42,780,904	-	449,754	5,825,406	17,947,313	72,074,213
Small business lending	4,640,053	5,669,930	245,753	1,270,683	1,883,930	1,814,591	15,524,940
Consumer lending	1,862,078	1,834,733	886,769	203,971	-	-	4,787,551
Residential mortgage	723,589	2,255,285	863,579	147,662	617,891	589,500	5,197,506
Total	**12,296,556**	**52,540,852**	**1,996,101**	**2,072,070**	**8,327,227**	**20,351,404**	**97,584,210**
Allowances for impairment of loans	682,783	2,302,063	162,782	228,024	565,054	8,392,881	12,333,587
Loan exposure, net of allowances	**11,613,773**	**50,238,789**	**1,833,319**	**1,844,046**	**7,762,173**	**11,958,523**	**85,250,623**

	Neither past due nor impaired						
31-Dec-14	**High grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate lending	8,844,401	40,948,707	1	526,845	9,323,574	10,180,485	69,824,013
Small business lending	4,099,074	3,053,438	121,585	813,273	1,143,091	2,037,983	11,268,444
Consumer lending	1,634,995	1,490,792	597,407	438,956	-	-	4,162,150
Residential mortgage	641,317	2,025,683	1,140,102	175,326	454,421	732,897	5,169,746
Total	**15,219,787**	**47,518,620**	**1,859,095**	**1,954,400**	**10,921,086**	**12,951,365**	**90,424,353**
Allowances for impairment of loans	750,231	2,237,110	201,040	394,673	743,073	6,390,190	10,716,317
Loan exposure, net of allowances	**14,469,556**	**45,281,510**	**1,658,055**	**1,559,727**	**10,178,013**	**6,561,175**	**79,708,036**

For the purpose of this disclosure, the Bank includes under the category of "neither past due nor impaired" loans that are tested collectively for impairment.

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)
Exposure to credit risk (continued)

The table below shows the credit quality for leasing for the year as at 31 December 2015 and 31 December 2014, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired						
31-Dec-15	**High grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate lending	-	-	-	614,312	-	-	614,312
Small business lending	-	-	-	294,092	-	40,721	334,813
Consumer lending	-	1,144	-	94,382	-	756	96,282
Residential mortgage	-	-	-	-	-	-	-
Total	**-**	**1,144**	**-**	**1,002,786**	**-**	**41,477**	**1,045,407**
Allowances for impairment of loans	-	-	-	64,671	-	15,495	80,166
Loan exposure, net of allowances	**-**	**1,144**	**-**	**938,115**	**-**	**25,982**	**965,241**

	Neither past due nor impaired						
31-Dec-14	**High grade**	**Standard grade**	**Sub standard grade**	**Without rating**	**Past due but not impaired**	**Individually impaired**	**Total**
Corporate lending	4,472	22,881	23,972	5,358	-	-	56,683
Small business lending	6,715	-	-	34,476	-	-	41,191
Consumer lending	-	-	-	3,288	-	-	3,288
Residential mortgage	-	-	-	-	-	-	-
Total	**11,187**	**22,881**	**23,972**	**43,122**	**-**	**-**	**101,162**
Allowances for impairment of loans	540	1,642	1,230	1,414	-	-	4,826
Loan exposure, net of allowances	**10,647**	**21,239**	**22,742**	**41,708**	**-**	**-**	**96,336**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)
Exposure to credit risk (continued)

Loans and advances to banks, and investment securities (available for sale) as at 31 December 2015 and 31 December 2014 are neither past due nor impaired. The credit risk rating for loans and advances to banks and investment securities as at 31 December 2015 and 31 December 2014 is "high grade".

Loans and advances to banks		**31/12/2015**	**31/12/2014**
Neither past due nor impaired			
	"High grade"	1,779,820	743,189
Total carrying amount		**1,779,820**	**743,189**

Investment securities		**31/12/2015**	**31/12/2015**
Neither past due nor impaired			
	"High grade"	19,094,647	15,454,143
Total carrying amount		**19,094,647**	**15,454,143**

The table below shows the net exposure to loans and advances to customers and leasing as at 31 December 2015 and 31 December 2014, categorized as per individual and collective impaired portfolio:

	Net exposure to Loans and advances to customers	
	31/12/2015	**31/12/2014**
Individually impaired		
Past due and impaired	20,392,881	12,951,365
Allowance for impairment	(8,408,376)	(6,390,190)
Carrying amount	**11,984,505**	**6,561,175**
Collectively assessed for impaired		
Past due but not impaired	8,327,227	10,921,086
Allowance for impairment	(565,054)	(743,073)
Carrying amount	**7,762,173**	**10,178,013**
Neither past due nor individually impaired	69,909,509	66,653,064
Allowance for impairment	(3,440,323)	(3,587,880)
Carrying amount	**66,469,187**	**63,065,184**
Total carrying amount on loans and advances to customers	**86,215,864**	**79,804,372**

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Group 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 Group 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 groups of homogeneous assets in respect of losses that have been incurred but not identified on loans subject to individual assessment for impairment.

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)
Exposure to credit risk (continued)

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 Group 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.

Loans and advances to customers
The Group holds collateral against loans and advances to customers and leasing 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 2015 or 2014. It is the Group'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 Group 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:

	31/12/2015	31/12/2014
Against individually impaired:	**25,829,242**	**16,652,396**
Property	16,365,403	7,316,606
Other	9,463,839	9,335,790
Against collectively impaired:	**199,840,441**	**217,489,993**
Property	112,722,352	122,457,111
Other	87,118,089	95,032,882
	225,669,683	**234,142,389**

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

	31/12/2015	31/12/2014
Gross amount	98,629,617	90,525,515
Provisions if no collateral would be considered	32,416,813	27,728,445
Total carrying amount on loans and advances to customers	**66,212,804**	**62,797,070**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)

Risk concentration

The Group 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 and leasing	**31/12/2015**			**31/12/2014**		
	Albania	**Others**	**Total**	**Albania**	**Others**	**Total**
Construction	14,629,008	4,122,662	18,751,670	13,781,668	3,096,345	16,878,013
Commerce	33,568,304	2,866,148	36,434,452	31,758,767	1,741,306	33,500,073
Consumer loans	4,880,580	3,254	4,883,834	4,160,995	4,444	4,165,439
Public,social and personal services	11,848,745	2,498,648	14,347,393	12,592,271	1,671,501	14,263,772
Processing industry	8,703,627	1,410,144	10,113,771	6,699,489	1,065,911	7,765,400
Hotels and restaurants	2,272,673	407,337	2,680,010	2,156,755	423,739	2,580,494
Production and distribution of electricity/water	3,129,518	-	3,129,518	2,923,637	33,466	2,957,103
Real estate	228,928	-	228,928	8,538	-	8,538
Transport and telecommunication	623,919	4,138	628,057	815,113	4,267	819,380
Agriculture	155,897	-	155,897	125,810	-	125,810
Mining	810,600	-	810,600	733,283	-	733,283
Health and social activities	200,440	-	200,440	143,760	-	143,760
Fishery	11,534	-	11,534	13,487	-	13,487
Other	6,237,690	15,823	6,253,513	6,570,963	-	6,570,963
	87,301,463	**11,328,154**	**98,629,617**	**82,484,536**	**8,040,979**	**90,525,515**

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

31/12/2015	**Corporate lending**	**Small business lending**	**Consumer lending**	**Residential mortgage**	**Total**
Individuals	-	-	4,883,834	5,197,505	10,081,339
Public Sector	11,518	-	-	-	11,518
Trade	31,573,317	4,861,135	-	-	36,434,452
Manufacturing	10,849,585	2,393,705	-	-	13,243,290
Construction	16,436,472	2,315,198	-	-	18,751,670
Services	9,201,100	3,516,322	-	-	12,717,422
Others	4,616,533	2,773,393	-	-	7,389,926
Total	**72,688,525**	**15,859,753**	**4,883,834**	**5,197,505**	**98,629,617**
Financial Services	**-**	**204,173**	**-**	**-**	**204,173**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.2 Credit Risk (continued)
Risk concentration (continued)

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
Manifacturing	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**

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

Management of liquidity risk

The Group'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 Group'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 Group. Daily reports produced by Treasury as well as weekly and monthly reports produced by the Risk Management Division cover the liquidity position of the Group. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk
The key measures used by the Group 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 Group. The Group 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:

	31/12/2015	31/12/2014
Average for the period	185.24%	169.53%
Minimum for the period	125.98%	116.55%
Maximum for the period	224.94%	214.07%

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.3 Liquidity Risk (continued)
Exposure to liquidity risk (continued)

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 Group's assets and liabilities as of 31 December 2015 and 31 December 2014 according to their remaining maturity. The table enclosed shows the liquidity situation of the Group as currently monitored by the Bank's management, as at 31 December 2015. It considers the discounted cash flows in/out of the Group for on and off financial assets and liabilities, reflecting any earlier repayment or retention history assumptions.

31/12/2015	< 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
ASSETS (Cash flow in)	**25,609,741**	**11,820,734**	**46,060,666**	**25,433,090**	**42,095,127**	**151,019,358**
Net cash	6,580,757	-	-	-	-	6,580,757
Restriced balances with Central Bank	1,788,614	2,111,681	5,968,356	1,191,414	-	11,060,065
Advances to banks	11,646,343	13,736	1,508,114	-	-	13,168,193
Investment securities available for sale	1,453,398	2,226,057	10,025,126	3,863,191	1,509,586	19,077,358
Investment securities held to maturity	-	-	289	-	17,000	17,289
Loans to banks	-	-	1,724,423	55,397	-	1,779,820
Loans and advances to customers (gross)	3,433,286	7,462,978	26,467,261	19,652,144	40,568,541	97,584,210
Leasing (gross)	1,084	6,282	367,097	670,944	-	1,045,407
Other assets	706,259					706,259
LIABILITIES(Cash flow out)	**24,676,403**	**22,411,109**	**64,769,184**	**15,275,344**	**4,210,616**	**131,342,655**
Deposits from bank and customers-Current account	10,806,012	7,265,741	14,088,723	10	-	32,160,486
Current account with banks	13,572	-	-	-	-	13,572
Current account with customers	10,792,440	7,265,741	14,088,723	10	-	32,146,914
Deposits from Banks	98,434	585,834	1,021,663	25,310	-	1,731,241
Deposits from customers-Time deposits	13,662,251	14,468,201	48,354,164	14,899,707	-	91,384,323
Borrowings	-	12,686	927,571	161,785	-	1,102,042
Subordinated debt	-	78,647	377,062	188,531	4,210,616	4,854,856
Other liabilities	109,706	-	-	-	-	109,706
TOTAL GAP ON BALANCE SHEET						
Off Balace sheet (Cash flow in)	-	-	-	-	-	-
Off Balace sheet (Cash flow out)	(3,160,285)	-	-	-	-	(3,160,285)
TOTAL GAP OFF BALANCE SHEET	**(3,160,285)**	**-**	**-**	**-**	**-**	**(3,160,285)**
Total GAP 31 December 2015	**(2,226,947)**	**(10,590,375)**	**(18,708,518)**	**10,157,746**	**37,884,511**	**16,516,418**
Cumulative GAP 31 December 2015	**(2,226,947)**	**(12,817,322)**	**(31,525,839)**	**(21,368,093)**	**16,516,418**	**-**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.3 Liquidity Risk (continued)
Exposure to liquidity risk (continued)

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)	10,203,234	5,673,259	24,480,502	10,406,455	39,660,903	90,424,353
Leasing (gross)	24,833	5,622	36,601	34,106	-	101,162
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**	**-**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.3 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 2015						
Deposits from bank and customers-Current account	10,182,206	4,828,991	14,556,364	-	-	29,567,638
Current account with banks	76,605	566,055	802,540	-	-	1,445,200
Current account with customers	10,105,678	4,262,936	13,753,824	-	-	28,122,438
Deposits from Banks	34,092	586,027	97,650	149,819	-	867,588
Deposits from customers-Time deposits	13,362,707	14,829,631	15,075,813	47,318,984	543,113	91,130,248
Subordinated debt	30,691	54,129	824,790	1,321,041	3,569,211	5,799,862
Borrowing	-	29,189	1,125,347	161,785	-	1,316,321
Other liabilities (suppliers)	106,990	-	-	-	-	106,990
	23,716,687	**20,765,519**	**30,022,616**	**49,598,654**	**5,122,570**	**129,226,047**
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 Bank	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**

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group'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 Group manages this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions. The Group 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 Group'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 2015 and 31 December 2014 by the foreign currencies in which they were denominated is as follows:

31/12/2015	ALL	USD	EUR	OTHER	TOTAL
Cash and Cash equivalent	5,930,978	1,798,978	9,811,303	1,347,835	18,889,094
Restricted balances with Central Bank	6,222,998	649,080	4,187,988	-	11,060,066
Loans and advances to banks	162,209	115,008	1,502,603	-	1,779,820
Loans and advances to customers	37,980,910	8,756,016	38,513,697	-	85,250,623
Leasing	906	9,886	954,449	-	965,241
Investment Securities	19,094,647	-	-	-	19,094,647
Other assets (debtors)	507,455	124,016	61,880	12,908	706,259
Total assets	**69,900,103**	**11,452,984**	**55,031,920**	**1,360,743**	**137,745,750**
Due to banks and financial institutions	218,555	1,394,250	132,007	1	1,744,813
Borrowings	-	-	1,102,042	-	1,102,042
Due to customers	68,701,246	6,598,764	46,737,356	1,482,331	123,519,697
Other liabilities (suppliers)	88,099	1,287	19,344	976	109,706
Subordinated debt	2,106,665	533,061	2,215,131	-	4,854,857
Total liabilities	**71,114,565**	**8,527,362**	**50,205,880**	**1,483,308**	**131,331,115**
Net position at 31 December 2015	**(1,488,642)**	**2,902,238**	**4,764,160**	**236,879**	**6,414,635**

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	38,487,315	7,713,124	33,507,597	-	79,708,036
Leasing	9,963	-	86,373	-	96,336
Investment Securities	15,454,143	-	-	-	15,454,143
Other assets (debtors)	208,687	-	-	-	208,687
Total assets	**66,297,850**	**10,267,075**	**47,188,862**	**1,306,581**	**125,060,368**
Due to banks and 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)	122,846	-	-	21,038	143,884
Subordinated debt	1,600,601	430,408	2,113,387	-	4,144,396
Total liabilities	**66,114,503**	**7,920,291**	**44,434,168**	**1,247,327**	**119,716,289**
Net position at 31 December 2014	**183,347**	**2,346,784**	**2,754,694**	**59,254**	**5,344,079**

35 Risk Management (continued)
35.4 Market Risk (continued)
Exposure to Foreign Exchange Risk (continued)

The table below shows the sensitivity analysis on currency risk as at 31 December 2015 and 31 December 2014 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	31/12/2015			31/12/2014		
	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.	+/- 13,569	+/- 11,533	+/- 100 b.p.	+/- 7,652	+/- 6,504
USD	+/- 100 b.p.	+/- 162	+/- 138	+/- 100 b.p.	+/- 979	+/- 832
Other	+/- 100 b.p.	+/- 134	+/- 114	+/- 100 b.p.	+/- 57	+/- 48

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 2015 and 31 December 2014 and for the year then ended.

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.4 Market Risk (continued)

Exposure to Interest Rate Risk

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities and interest rate gap position as at 31 December 2015 and 31 December 2014. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re–pricing or maturity dates.

31/12/2015	Notes	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not allocated	Carrying amounts
Assets								
Cash and cash equivalents	9	-	-	-	-	-	18,889,094	18,889,094
Restricted balances with Central Bank	10	6,222,998	-	-	-	-	4,837,068	11,060,066
Loans and advances to banks	11	-	-	1,724,423	55,397	-	-	1,779,820
Loans and advances to customers (gross)	12	3,526,096	65,430,135	5,193,716	1,696,717	575,647	21,161,899	97,584,210
Leasing (gross)	13	694	973,225	-	-	-	71,488	1,045,407
Investment securities	14,15	1,453,398	2,832,444	11,425,158	3,054,675	328,972	-	19,094,647
Other assets (debtors)	21	-	-	-	-	-	706,259	706,259
Total assets		**11,203,186**	**69,235,804**	**18,343,297**	**4,806,789**	**904,619**	**45,665,808**	**150,159,503**
Liabilities								
Due to banks and other financial institutions	22	112,006	585,834	1,021,663	25,310	-	-	1,744,813
Borrowings	23	-	-	931,449	170,593	-	-	1,102,042
Due to customers	24	31,155,140	14,468,211	48,354,164	14,360,261	-	15,181,921	123,519,697
Subordinated debt	25	-	-	602,091	-	4,252,766	-	4,854,857
Other liabilities (suppliers)	26	109,706	-	-	-	-	-	109,706
Total liabilities		**31,376,852**	**15,054,045**	**50,909,367**	**14,556,164**	**4,252,766**	**15,181,921**	**131,331,115**
GAP as at 31 December 2015		**(20,173,666)**	**54,181,759**	**(32,566,070)**	**(9,749,375)**	**(3,348,147)**	**30,483,887**	**18,828,388**

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

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.4 Market Risk (continued)
Exposure to Interest Rate Risk (continued)

A summary of the Bank's interest rate gap position as of 31 December 2014 is as follows:

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 (gross)	12	6,518,565	55,976,666	5,914,250	1,919,604	386,874	19,708,394	90,424,353
Leasing (gross)	13	2	43,824	-	-	-	57,336	101,162
Investment securities	14,15	851,001	6,036,219	7,316,923	1,250,000	-	-	15,454,143
Other assets (debtors)	21	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	22	412,965	551,032	843,356	15,510	10,000	-	1,832,863
Borrowings	23	-	-	1,005,666	165,767	-	-	1,171,433
Due to customers	24	27,429,841	14,108,558	48,956,396	10,291,053	28,299	11,609,566	112,423,713
Subordinated debt	25	-	606,882	420,420	-	3,117,094	-	4,144,396
Other liabilities (suppliers)	26	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)

35 Risk Management (continued)
35.4 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 Group'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 2015		31 December 2014	
	Increase/(Decrease) in basis points	Sensitivity of profit or loss	Sensitivity of equity	Sensitivity of profit or loss	Sensitivity of equity
LEK	+100/(100)	+/-71,249	+/-243,265	+/- 115,288	+/-216,449
USD	+100/(100)	+/-16,466	+/-40,027	+/- 13,943	+/-28,491
EURO	+100/(100)	+/-52,788	+/-257,070	+/- 19,928	+/-218,760

The average interest rates on assets and liabilities for the period as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		31 December 2014	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
LEK	5.74%	2.10%	6.08%	2.50%
USD	5.12%	1.55%	5.05%	1.58%
EUR	4.90%	1.08%	5.27%	1.78%

35.5 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 Group 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.

35.6 Capital Management

Regulatory capital
The Group 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 Group'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.

(Amounts in LEK '000, unless otherwise stated)

35 Risk Management (continued)
35.6 Capital Management (continued)

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 Group 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 Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. As at 31 December 2015 the CAR is 14.63% (31 December 2014: 15.21%).

The Bank's regulatory capital is determined in accordance with regulations and accounting policies of the Albanian Central Bank which are different from IFRS accounting policies. One of the most significant differences relates to regulatory loan provisions that do not take into account any cash flows from execution of collaterals held as security. This policy has the most significant impact over loss provisions and equity.

The Bank is continuing to face unfavorable economic environment particularly in the oil sector where its loan portfolio has significantly concentration. Management forecasts that during 2016, days overdue, a key indicator for regulatory loan provisions, will continue to increase for certain significant loans requiring the bank to further build up its regulatory allowance for bad loans (estimated approximately between 10 to 15 million Euro).

Apart from increased efforts to improve the recovery of distressed loans, the Banks main response to the need of build of regulatory loan provisions is to contribute additional share capital into the Bank. The Shareholder or the Bank have approved a plan to increase the capital by approximately 10 million Euro during 2016, and 3 million Euro have been already disbursed as of the date of approval of these financial statements. The remaining amount will be contributing within the year through current or new shareholders, or through subordinated lenders.

In addition to the more pressing capital requirements, Management is also reviewing its practices to strengthen its risk management policies including:

- review of corporate lending policies and procedures,
- review of the quality of corporate lending committees,
- Improving identification and assessment of related or interdependent borrowers,
- review of quality of independent external asset valuators and quality of internal valuations etc.

With these measures, Management believes that the Bank will meet all the regulatory capital adequacy limits.

The banks regulatory capital is calculated based on accounting policies and regulation of the Bank of Albania. The differences between the regulatory capital and IFRS capital are as follows.

	31/12/2015
Equity, as per IFRS	**11,897,643**
Difference in revaluation reserve from Available for sale	(92,577)
Translation reserve	273,319
Difference in accumulated retained earnings	(1,541,373)
Bank of Albania equity	**10,537,012**

The translation reserve arises because capital treated as monetary item by accounting policies of Bank of Albania. Differences in accumulated retaining earnings arises primary due to different loan provision regulations.

35 Risk Management (continued)
35.6 Capital Management (continued)

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.

35.7 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)

35 Risk Management (continued)
35.7 Fair Value disclosures (continued)

31/12/2015	Held to maturity	Available for sale	Loans and receivables	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	-	18,889,094	**18,889,094**	**18,889,094**
Restricted Balances with Central Bank	-	-	11,060,066	-	**11,060,066**	**11,060,066**
Loans and advances to banks	-	-	1,779,820	-	**1,779,820**	**1,779,820**
Loans and advances to customers	-	-	-	85,250,623	**85,250,623**	**72,175,670**
Leasing	-			965,241	**965,241**	**854,451**
Available for sale securities	-	19,077,358	-	-	**19,077,358**	**19,077,358**
Held to maturity securities	17,289	-	-	-	**17,289**	**17,289**
Other assets (debtors)	-	-	706,259	-	**706,259**	**706,259**
Due to banks and financial institutions	-	-	-	1,744,813	**1,744,813**	**1,744,813**
Borrowings	-	-	-	1,102,042	**1,102,042**	**1,098,208**
Deposits from customers	-	-	-	123,519,697	**123,519,697**	**123,226,095**
Subordinated liabilities	-	-	-	4,854,857	**4,854,857**	**4,896,508**
Other liabilities (suppliers)	-	-	109,706	-	**109,706**	**109,706**

31/12/2014	Held to maturity	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	-	-	-	79,708,036	**79,708,036**	**68,083,340**
Leasing	-			96,336	**96,336**	**87,038**
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**