

FIRST INVESTMENT BANK
ALBANIA SH.A.

Financial Statements as at 31 December 2010
(with independent auditor's reports thereon)



KPMG Albania Sh.p.k.
"Dëshmorët e Kombit" Blvd.
Twin Towers Buildings,
Building 1, 13th floor
Tirana, Albania
NIPT J91619001D

Telephone +355 4 2274 524
+355 4 2274 534
Telefax +355 4 2235 534
E-mail al-office@kpmg.com
Internet www.kpmg.al

Independent Auditors' Report

To the shareholders of
First Investment Bank – Albania Sh.A.

Tirana, 17 February 2011

We have audited the accompanying financial statements of First Investment Bank, Albania Sh.a. ("the Bank"), which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Albania Shpk

KPMG Albania Sh.p.k.
"Dëshmorët e Kombit" Blvd.
Twin Towers Buildings
Building 1, 13th floor
Tirana
Albania

FIRST INVESTMENT BANK - ALBANIA SH.A.**Statement of Comprehensive Income for the year ended 31 December 2010****(single statement approach)**

<i>In thousands of ALL</i>	Note	Year ended 31 December 2010	Year ended 31 December 2009
Interest and similar income		480,103	345,751
Interest expense and similar charges		(236,177)	(117,448)
Net interest income	7	243,926	228,303
Fee and commission income		38,132	26,122
Fee and commission expense		(11,095)	(7,571)
Net fee and commission income	8	27,037	18,551
Net trading income	9	27,327	183,187
Other operating income		1,326	1,010
TOTAL INCOME FROM BANKING OPERATIONS		299,616	431,051
Net impairment loss, on loans to customers	19	(70,667)	(13,015)
Personnel expenses	10	(141,650)	(117,273)
Operating lease expenses		(70,691)	(78,488)
Depreciation and amortization	20, 21	(61,719)	(59,397)
General administrative expenses	11	(137,270)	(110,086)
Other expenses, net	12	(9,426)	(15,560)
		(491,423)	(393,819)
(LOSS)/PROFIT BEFORE TAX		(191,807)	37,232
Income tax expense	13	(2,974)	(1,410)
(LOSS) / PROFIT FOR THE YEAR		(194,781)	35,822
Other comprehensive income, net of income tax		278	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR ATTRIBUTED TO THE OWNERS		(194,503)	35,822

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 46.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Statement of Financial Position as at 31 December 2010

<i>In thousands of ALL</i>	Note	As at 31 December 2010	As at 31 December 2009
ASSETS			
Cash and balances with Central Bank	14	193,613	129,714
Restricted balances	15	546,951	292,736
Available for sale investments	16	441,098	-
Financial Assets held to maturity	17	1,340,615	381,418
Loans and advances to banks and financial institutions	18	1,755,470	3,129,251
Loans and advances to customers	19	3,125,923	1,578,617
Property and equipment	20	215,212	255,595
Intangible assets	21	16,850	20,912
Assets held for sale	22	20,681	5,563
Other assets	23	86,576	73,422
TOTAL ASSETS		7,742,989	5,867,228
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks and other financial institutions	24	-	95,832
Due to customers	25	6,173,646	4,535,450
Liabilities evidenced by paper	26	445,325	-
Other liabilities	27	24,182	13,747
Deferred tax liability	13	7,502	4,497
Total liabilities		6,650,655	4,649,526
Issued share capital	28	1,373,927	1,304,792
Revaluation reserve on available for sale investments		278	-
Accumulated losses		(281,871)	(87,090)
Shareholders' equity		1,092,334	1,217,702
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,742,989	5,867,228

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 46.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Statement of Cash Flow for the year ended 31 December 2010

<i>In thousands of ALL</i>	Note	Year ended 31 December 2010	Year ended 31 December 2009
Cash flow from operating activities:			
Net (loss) / profit for the period		(194,781)	35,822
<i>Non-cash items in the statement of comprehensive income</i>			
Net impairment loss on loans to customers	19	70,667	13,015
Depreciation and amortization	20,21	61,719	59,397
Loss on disposal of fixed assets	20	7,206	3,638
Net interest income		(243,926)	(228,303)
<i>Operating cash flows before changes in working capital</i>		(299,115)	(116,431)
<i>Changes in working capital:</i>			
(Increase) in loans to customers		(1,618,493)	(124,381)
(Increase) in other assets		(13,153)	(11,662)
(Increase) in obligatory reserve		(254,215)	(94,010)
(Decrease) / increase in deposits from banks		(95,810)	95,810
Increase in due to customers		1,683,503	2,302,664
Increase in other liabilities		13,440	6,047
Interest paid		(281,383)	(119,623)
Interest received		471,626	355,216
Profit tax paid		-	(40)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		(393,600)	2,293,590
Cash flow used in investing activities:			
Net proceeds from purchase and redemption of investments		(1,406,139)	(270,000)
Purchase of intangible assets		(2,584)	(6,100)
Purchase of property and equipment		(21,896)	(39,736)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,430,619)	(315,836)
Cash flow from financing activities:			
Increase in borrowings		445,202	-
Proceeds from issue of share capital		69,135	130,160
NET CASH FLOWS FROM FINANCING ACTIVITIES		514,337	130,160
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,309,882)	2,107,914
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	31	3,258,965	1,151,051
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	1,949,083	3,258,965

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 46.

FIRST INVESTMENT BANK - ALBANIA SH.A.**Statement of Changes in Equity for the year ended 31 December 2010**

<i>In thousands of ALL</i>	<i>Share Capital</i>	<i>Accumulated losses</i>	<i>Revaluation reserve on available for sale investments</i>	<i>Total</i>
Balance at 01 January 2009	1,174,632	(122,912)	-	1,051,720,
Total comprehensive income for the period				
Profit	-	35,822	-	35,822
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive income for the year	-	35,822	-	35,822
Transaction with owners, recorded directly in equity				
Contribution by the owners				
Issued share capital	130,160	-	-	130,160
Total contributions by and distributions to owners	130,160	-	-	130,160
Balance at 31 December 2009	1,304,792	(87,090)	-	1,217,702

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 46.

FIRST INVESTMENT BANK - ALBANIA SH.A.

**Statement of Changes in Equity for the year ended 31 December 2010
(continued)**

<i>In thousands of ALL</i>	<i>Share Capital</i>	<i>Accumulated losses</i>	<i>Revaluation reserve on available for sale investments</i>	<i>Total</i>
Balance at 01 January 2010	1,304,792	(87,090)	-	1,217,702
Total comprehensive income for the period				
Loss	-	(194,781)	-	(194,781)
Other comprehensive income, net of income tax	-	-	278	278
Total comprehensive income for the year	-	(281,871)	278	1,092,334
Transaction with owners, recorded directly in equity				
Contribution by the owners				
Issued share capital	69,135	-	-	69,135
Total contributions by and distributions to owners	69,135	-	-	69,135
Balance at 31 December 2010	1,373,927	(281,871)	278	1,092,334

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 46.

The financial statements have been approved by the Management on 17 February 2011 and signed on its behalf by:

Bozhidar Todorov
Chief Executive Officer

Edvin Liko
Chief Financial Officer



Ardian Kamberi
Executive Director

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

1. General

First Investment Bank - Albania (the Bank) incorporated in the Republic of Albania is a joint stock company established on 1 August 2005 and has its registered office in Tirana, "Deshmoret e Kombit" Blvd., Twin Towers, Tower 2 Floor 14.

The Bank has a general banking license issued by the Bank of Albania (hereinafter "BoA"), on 6 July 2007, according to which it is allowed to conduct all banking transactions permitted by the Albanian legislation. The Bank is primarily involved in corporate and retail banking. The inception of the Share capital incurred on 6 June 2007 (hereinafter "Inception Date") and amounted to EUR 8,474,559. The Bank is a subsidiary of First Investment Bank A.D. (hereinafter the "Parent"), an entity incorporated in Bulgaria as a financial institution which owns 100% of the Bank shares. The Bank received a full banking license on 26 June 2007 and started its business operations as a new entity on September 1, 2007. The shareholders structure of the parent as at 31 December 2010 was as follows:

Shareholders	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	28.94
Mr. Tzeko Todorov Minev	28.94
Legnano Enterprise Limited, Cyprus	7.68
Domenico Ventures Limited, British Virgin Islands	9.72
Rafaela Consultants Limited, British Virgin Islands	9.72
Other shareholders (shareholders holding shares subject to free trade on Bulgarian Stock Exchange – Sofia)	15.00
Total	100.00

The Bank took over the activity, assets and liabilities, rights and obligations from First Investment Bank – Tirana Branch ("the Branch"), which operated as a foreign branch of the Parent in Albania since February 1999. The take over of activity was based on a transfer agreement (hereinafter "Transfer Agreement") between parties dated 6 November 2006, construed in conformity with the laws of the Republic of Albania. Such agreement foresaw a transfer at book value of assets and liabilities as at 31 August 2007. The start of the business operations for the Bank coincided with making effective such transfer of assets and liabilities. The legal consequence of this transfer for the Branch was the revoking of its banking license and commencing of liquidation procedures, in conformity with the Albanian law. On 9 September 2007 and 14 September 2007 two respective addendums to the Transfer Agreement were signed where both parties agreed that based on the transfer of activity, a right emerged for the Bank of ALL 143,502,561 or EUR 1,161,588. Both parties agreed that the Branch would pay to the Bank such amount prior to 30 November 2007. The activities transferred were as follows:

- all loan contracts with clients;
- all contracts of current accounts with clients;
- all deposit contracts with clients;

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

1. General (continued)

- all lease contracts;
- all employment contracts with employee guarantee that there are no legal disputes;
- all long terms assets which have a monetary value;
- all financial assets;
- goodwill and any intangible assets and rights that were generated from Branch activity.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

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

c) Functional and presentation currency

The financial statements are presented in Albanian Lek (ALL) rounded to the nearest thousand, which is the Bank's functional currency.

Management chose ALL as the functional currency due to the fact that the Bank operates in an environment whose prices, in the judgment of Management, are driven by the domestic currency ALL. Costs and contracts are driven by ALL, even if their formal denomination is in different currencies.

d) Use of estimated and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies

a) Foreign currency 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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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.

b) Interest

Interest income and expense are recognised in 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. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

c) Fees and commission

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liabilities are included in the measurement of the effective interest rate.

Other fees and commission income and expenses arise on financial services operated by the Bank and are recognized when the corresponding service is provided or received.

d) Net trading income

Net trading income comprises gains less losses related to realized and unrealized foreign exchange differences.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

e) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

f) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

g) Financial assets

(i) Recognition

The Bank initially recognises 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 recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

See accounting policies 3 (h,i,j and n)

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. The bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and 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 derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in whom control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognising criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. The Bank writes off certain loans when they are determined to be uncollectible (see note 3.g.vii).

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

g) Financial assets (continued)

(v) Amortized cost measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

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

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

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

g) Financial assets (continued)

(vii) Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

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

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

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

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

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with original maturity of three months or less.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

i) Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo" or "stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

j) Investment 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.

(i) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Available for sale investments

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 recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired and the cumulated gain or loss previously recognised in other comprehensive income are reclassified to profit or loss.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

k) Property and equipment

Items of property and equipment are measured at their acquisition cost less accumulated depreciation and accumulated impairment losses. Useful life is estimated based on Management expectations on the serviceability of assets.

Depreciation is calculated on a straight line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over the expected useful lives of each part of an item of property and equipment. The following are the useful lives:

Leasehold improvements	4-5 years
Fittings, fixtures and installations	10 years
Motor vehicles	10 years
Machinery and electronic equipment	10 years
Computer and IT system equipment	5 years
Other office equipment	10 years

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

l) Intangible assets

Intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization is calculated on a straight-line basis over the expected useful life of the asset. The following are the useful lives:

Patents, copyrights and trademarks	5 years
Software & other intangible assets	5 years

m) Impairment of non-financial assets

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

An impairment loss is recognised 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 recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

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.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

3. Significant accounting policies (continued)

n) Deposits and subordinated liabilities

Deposits and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo" or "stock lending"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Deposits and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

o) Provisions

A provision is recognized if Bank has a legal or constructive obligation as a result of a past event, 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.

p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Bank.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures

Below is a discussion of the various risks the Bank is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

a) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank strategy.

As at 31 December 2010 the thirty largest non-financial institution depositors represent 20% (2009: 40 %) of total deposits from other customers.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as at 31 December 2010

	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More Than 1 year	Maturity not defined	Total
Financial Assets						
Cash and balances with Central Bank	193,613	-	-	-	-	193,613
Restricted balances	-	-	-	-	546,951	546,951
Available for sale investments	88,229	-	102,238	250,631	-	441,098
Financial Assets held to maturity	-	551,758	480,644	308,213	-	1,340,615
Loans and advances to banks and financial institutions	1,755,470	-	-	-	-	1,755,470
Loans and advances to customers	98,575	76,004	378,692	2,752,652	-	3,125,923
Other assets	-	-	-	-	107,257	107,257
Total	2,135,887	627,762	961,574	3,131,496	654,208	7,510,927
Financial Liabilities						
Due to customers	2,294,541	966,325	2,894,840	17,940	-	6,173,646
Other liabilities	445,325	-	-	-	24,182	469,507
Total	2,739,866	966,325	2,894,840	17,940	24,182	6,643,153
Net liquidity gap	(603,979)	(338,563)	(1,933,266)	3,113,556	630,026	867,774

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

a) Liquidity risk (continued)

Maturity table as at 31 December 2009

	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More Than 1 year	Maturity not defined	Total
Financial Assets						
Cash and balances with Central Bank	129,714	-	-	-	-	129,714
Restricted balances	-	-	-	-	292,736	292,736
Financial Assets held to maturity	-	195,243	186,175	-	-	381,418
Loans and advances to banks and financial institutions	3,129,251	-	-	-	-	3,129,251
Loans and advances to customers	25,622	79,840	266,502	1,206,653	-	1,578,617
Other assets	-	-	-	-	78,985	78,985
Total	3,284,587	275,083	452,677	1,206,653	371,721	5,590,721
Financial Liabilities						
Due to banks and other financial institutions	95,832	-	-	-	-	95,832
Due to customers	2,161,015	1,464,701	909,734	-	-	4,535,450
Other liabilities	-	-	-	-	13,747	13,747
Total	2,256,847	1,464,701	909,734	-	13,747	4,645,029
Net liquidity gap	1,027,740	(1,189,618)	(457,057)	1,206,653	357,974	945,692

b) Market risk

Interest rate risk

The Bank evaluates the Interest rate risk as the risk that its interest rate gap from interest bearing assets and liabilities might vary due to unexpected changes of core interest rates in the market. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as the Bank of Albania repo rate, the LIBOR and EURIBOR. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within reprising periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Bank measures the impact of a change in the market rates on net interest income.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Interest rate risk (continued)

The interest rate risk on the Bank's net interest income one year forward following a change of +100bp/-100bp as at 31 December 2010 is ALL +7.8/-7.8 Million (2009: ALL +8.8/-8.8 Million). An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is shown in the following table where the effective interest rates as indicated at 31 December 2010 and the periods in which financial liabilities and assets reprise.

	Total	Weighted avg. effective IR	Floating rate instruments	Fixed Rate Instruments			
				<=1 Month	1-3 months	3 months 1 year	More than 1 year
Financial Assets							
Cash and balances with Central Bank	193,613	1.09%	-	193,613	-	-	-
Restricted balances	546,951	2.00%	546,951	-	-	-	-
Available for sale investments	441,098	8.24%	-	88,229	-	102,238	250,631
Financial Assets held to maturity	1,340,615	7.61%	-	-	551,758	480,644	308,213
Loans and advances to banks and financial institutions	1,755,470	3.32%	-	1,755,470	-	-	-
Loans and advances to customers	3,125,923	9.95%	2,499,946	88,465	50,392	183,650	303,470
Non-interest earning assets	107,257	-	-	-	-	-	-
Total	7,510,927		3,046,897	2,125,777	602,150	766,532	862,314
Financial Liabilities							
Due to banks and other financial institutions	-	-	-	-	-	-	-
Due to customers	6,173,646	4.35%	-	2,317,761	921,103	2,918,441	16,341
Liabilities evidenced by paper	445,325	5.05%	-	445,325	-	-	-
Non-interest bearing liabilities	24,182	-	-	-	-	-	-
Total	6,643,153		-	2,763,086	921,103	2,918,441	16,341
REPRICING / DURATION GAP	867,774		3,046,897	(637,309)	(318,953)	(2,151,909)	845,973

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Interest rate risk (continued)

The following table indicates the effective interest rates at 31 December 2009 and the periods in which financial liabilities and assets reprise:

	Total	Weighted avg. effective IR	Floating rate instruments	Fixed Rate Instruments			
				<=1 month	1-3 months	3 months 1 year	More than 1 year
Financial Assets							
Cash and balances with Central Bank	129,714	2.00%	-	129,714	-	-	-
Restricted balances	292,736	2.00%	292,736	-	-	-	-
Available for sale investments	-	-	-	-	-	-	-
Financial Assets held to maturity	381,418	9.08%	-	-	95,355	286,063	-
Loans and advances to banks and financial institutions	3,129,251	6.00%	-	3,129,251	-	-	-
Loans and advances to customers	1,578,617	10.57%	473,629	46,914	34,459	143,654	879,961
Non-interest earning assets	78,985	-	-	-	-	-	-
Total	5,590,721		766,365	3,305,879	129,814	429,717	879,961
Financial Liabilities							
Due to banks and other financial institutions	95,832	1.55%	-	95,832	-	-	-
Due to other customers	4,535,450	4.00%	-	909,734	1,655,537	1,961,108	9,071
Liabilities evidenced by paper	-	-	-	-	-	-	-
Non-interest bearing liabilities	13,747	-	-	-	-	-	-
Total	4,645,029		-	1,005,566	1,655,537	1,961,108	9,071
REPRICING / DURATION GAP	945,692		766,365	2,170,599	(1,525,723)	(1,531,391)	870,890

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank is exposed to currency risk through transactions in foreign currencies and on financial instruments that are denominated in a foreign currency.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognized in the profit or loss. These exposures relate to those monetary assets and monetary liabilities of the Bank that are not denominated in the presentation currency of the Bank.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk (continued)

As at 31 December 2010 the exposures were as follows:

	ALL	USD	EUR	OTHER	TOTAL
Financial Assets					
Cash and balances with Central Bank	123,257	18,367	33,297	18,692	193,613
Restricted balances	252,889	31,585	262,477	-	546,951
Available for sale investments	441,098	-	-	-	441,098
Financial Assets held to maturity	1,135,355	-	205,260	-	1,340,615
Loans and advances to banks and financial institutions	592	216,409	1,531,055	7,414	1,755,470
Loans and advances to customers	639,567	38,003	2,448,308	45	3,125,923
Other assets	80,494	1,428	25,335	-	107,257
Total	2,673,252	305,792	4,505,732	26,151	7,510,927
Financial Liabilities					
Due to banks and other financial institutions	-	-	-	-	-
Due to other customers	2,775,099	305,625	3,073,488	19,434	6,173,646
Liabilities evidenced by paper	445,325	-	-	-	445,325
Other liabilities	22,991	-	1,191	-	24,182
Total	3,243,415	305,625	3,074,679	19,434	6,643,153
Net Currency position	(570,163)	167	1,431,053	6,717	867,774

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk (continued)

As at 31 December 2009 the exposures were as follows:

	ALL	USD	EUR	OTHER	TOTAL
Financial Assets					
Cash and balances with Central Bank	43,588	21,598	45,881	18,647	129,714
Restricted balances	120,187	30,438	142,111	-	292,736
Financial Assets held to maturity	381,418	-	-	-	381,418
Loans and advances to banks and financial institutions	163,275	332,140	2,626,999	6,837	3,129,251
Loans and advances to customers	252,100	27,700	1,298,786	31	1,578,617
Other assets	44,638	8,441	25,906	-	73,422
Total	1,005,206	420,317	4,139,683	25,515	5,590,721
Financial Liabilities					
Due to banks and other financial institutions	-	95,832	-	-	95,832
Due to other customers	1,455,818	315,829	2,743,815	19,988	4,535,450
Other liabilities	11,016	-	2,731	-	13,747
Total	1,466,834	411,661	2,746,546	19,988	4,645,029
Net Currency position	(461,628)	8,656	1,393,137	5,527	945,692

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk (continued)

In respect of monetary assets and liabilities denominated in foreign currencies that are not economically hedged, the Bank manages foreign currency risk in line with a policy that sets limits on currency positions and dealer limits.

c) Credit risk

The Bank is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. In this respect, the credit risk for the Bank stems from the possibility that different counterparties might default on their contractual obligations. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets. These exposures as at 31 December 2010 are as follows:

	Gross exposure	Allowance for Impairment	Net exposure
Collectively impaired			
-Standard	2,861,868	(39,045)	2,822,823
-Watch	93,933	(1,289)	92,644
-Substandard	67,284	(922)	66,362
-Doubtful	17,407	(236)	17,171
-Lost	65	(1)	64
Total collectively	3,040,557	(41,493)	2,999,064
Individually impaired			
-Standard	-	-	-
-Watch	-	-	-
-Substandard	89,803	(9,845)	79,985
-Doubtful	-	-	-
-Lost	105,551	(58,650)	46,901
Total individually	195,354	(68,495)	126,859
Total	3,235,911	(109,988)	3,125,923

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

The exposures as at 31 December 2009 are as follows:

	Gross exposure	Allowance for Impairment	Net Exposure
Collectively impaired			
-Standard	1,354,881	(14,310)	1,340,571
-Watch	144,768	(1,528)	143,240
-Substandard	26,220	(277)	25,943
-Doubtful	37,593	(398)	37,195
-Lost	-	-	-
Total collectively	1,563,462	(16,513)	1,546,949
Individually impaired			
-Standard	-	-	-
-Watch	-	-	-
-Substandard	13,799	(624)	13,175
-Doubtful	14,325	(2,200)	12,125
-Lost	26,352	(19,984)	6,368
Total individually	54,476	(22,808)	31,668
Total	1,617,938	(39,321)	1,578,617

In addition, the Bank is exposed to off-balance sheet credit risk through commitments to extend credit and guarantees issued (see note 29).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances, commitments to extend credit and guarantees issued.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

An analysis of concentration of credit risk by economic sector and their respective impairment allowances for loans and advances to customers are presented in the table below:

	As at 31 December 2010	As at 31 December 2009
Trade	606,322	191,749
Private individuals	888,025	591,713
Communication	4,711	6,057
Construction	601,355	317,845
Tourism	280,602	161,482
Agriculture	43,037	8,322
Transportation	191,268	110,272
Industry	321,175	119,331
Services	285,707	105,498
Finance	13,709	5,669
Gross credit risk	3,235,911	1,617,938
Trade	(15,763)	(2,027)
Private individuals	(48,285)	(22,885)
Communication	(64)	(64)
Construction	(17,266)	(3,355)
Tourism	(3,812)	(1,705)
Agriculture	(588)	(87)
Transportation	(13,009)	(6,768)
Industry	(4,891)	(1,256)
Services	(6,123)	(1,114)
Finance	(187)	(60)
Less allowance for impairment	(109,988)	(39,321)
Net Credit Risk	3,125,923	1,578,617

The amounts reflected in the tables represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank's obligations. The extent of collateral held for guarantees and letters of credit is at least 100 percent of the amount extended.

Collateral for loans, guarantees, and letters of credit is usually in the form of cash, mortgage, inventory, listed investments, or other property.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

An analysis of concentration of credit risk for loans and advances to customers. The table below shows a breakdown of total credit extended to customers by the Bank and their respective impairment allowances, other than financial institutions, by type of collateral, up to a maximum of the outstanding liability:

	As at 31 December 2010	As at 31 December 2009
Money deposits	172,125	35,324
Mortgage	2,692,974	1,380,995
Guarantee	133,477	75,292
Pledge of machines	39,292	38,829
Pledge of receivables	111,027	52,114
Other collateral	87,016	35,384
Gross credit risk	3,235,911	1,617,938
Money deposits	(2,337)	(373)
Mortgage	(71,100)	(21,131)
Guarantee	(18,364)	(10,295)
Pledge of machines	(10,115)	(6,015)
Pledge of receivables	(3,470)	(1,135)
Other collateral	(4,602)	(372)
Less allowance for impairment	(109,988)	(39,321)
Net Credit Risk	3,125,923	1,578,617

d) Capital management

Regulatory capital

The Bank's lead regulator, BoA sets and monitors capital requirements. In implementing current capital requirements, the Bank is required to maintain a minimum prescribed ratio of 12% of total capital to total risk-weighted assets. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank calculates requirements for credit risk for its exposures based on capital adequacy regulations established by the BoA. Exposures are taken into account using their statement of financial position amount. Off-balance-sheet credit related commitments are taken into account by applying different categories of conversion factors, designed to convert these items into statement of financial position equivalents. The resulting equivalent amounts are then weighted for risk using different percentages (0%, 20%, 50%, 100%, and 150%) depending on the class of exposure. Various credit risk mitigation techniques are used, for example collateralized transactions and guarantees. The Bank's regulatory capital is analyzed into two tiers:

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

4. Risk Management Disclosures (continued)

d) Capital management (continued)

Regulatory capital (continued)

- Tier 1 capital (core capital), which includes ordinary share capital, share premium, statutory reserve, other general reserves, retained earnings from prior years and minority interests after deductions for goodwill, intangible assets and unrealized loss from available for sale investments.
- Tier 2 capital (supplementary capital), which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

The following limits are applied to elements of the capital base: Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Bank. The management of the Bank performs daily monitoring over all positions of assets and liabilities, income and expenses. The management analyzes profitability, liquidity and the cost of funds and implements measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting possible negative effects from the global financial and economic crisis. In this way the Bank responds to the challenges of the market environment, seeking to maintain a stable capital and liquidity position.

Capital Ratios

The Bank has complied with all externally imposed capital requirements throughout the period. According to the requirements of BoA the capital adequacy ratio as at 31 December 2009 was 19.89% (31 December 2008: 50.01%) compared to a minimum of 12% stipulated by the Bank of Albania.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

5. Use of estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on available relevant market information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

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

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

Since the Bank started operations only on 3 September 2007, it cannot rely only on historical information for analyzing past loss events and draw conclusions on future performance of loan portfolio, when assessing the allowance for collectively impaired loans. To this end, Management use estimates based on available market information, benchmarks and indicators of impairment for assets with credit risk characteristics similar to the ones composing its portfolio.

(ii) Valuation of financial instruments

The Bank's accounting policy on fair value measurement is discussed in accounting policy 3(g).

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

-Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

-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.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and based on a current yield curve appropriate for the remaining term to maturity. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

5. Use of estimates and judgments (continued)

(ii) Valuation of financial instruments (continued)

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgments and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

As at 31 December 2010 and 2009 all financial instruments are measured at amortized cost and the respective fair values have been disclosed in note 6. Fair values as at 31 December 2010 and 2009 have been measured based on Level 2 hierarchy.

(iii) Calculation of corporate income tax

Starting from 1 January 2008 the Bank has applied International Financial Reporting Standards as its statutory accounting framework. Accordingly, the application of International Financial Reporting Standards provides the basis for the underlying records when an entity is subject to corporate tax. However, at the date of release of these financial statements there are limited amendments to the existing income tax law and respective guidelines on calculating tax on profit calculation which might offer guidance following the introduction of the International Financial Reporting Standard as a statutory framework. Management believes that the tax on profit provision calculation is prudent given the uncertainty of the Albanian tax environment and existing legislation in force and any future tax audit will have not a significant effect on the Bank's financial position, or results of operations.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

6. Financial assets and liabilities

Accounting classification and fair values

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

As at 31 December 2010

	Note	Held to Maturity	Available for Sale	Loans and Receivables	Other amortized cost	Total carrying amount	Fair Value
Cash and balances with Central Bank	14	-	-	-	193,613	193,613	193,613
Restricted balances	15	-	-	-	546,951	546,951	546,951
Available for sale investments	16	-	441,098	-	-	441,098	441,098
Financial Assets held to maturity	17	1,340,615	-	-	-	1,340,615	1,347,389
Loans and advances to banks and financial institutions	18	-	-	1,755,470	-	1,755,470	1,755,470
Loans and advances to customers	19	-	-	3,125,923	-	3,125,923	3,125,923
Due to customers	25	-	-	6,173,646	-	6,173,646	6,333,341
Liabilities evidenced by paper	26	-	-	445,325	-	445,325	445,325

As at 31 December 2009

	Note	Held to Maturity	Loans and Receivables	Other amortized cost	Total carrying amount	Fair Value
Cash and balances with Central Bank	14	-	-	129,714	129,714	129,714
Restricted balances	15	-	-	292,736	292,736	292,736
Financial Assets held to maturity	17	381,418	-	-	381,418	383,361
Loans and advances to banks and financial institutions	18	-	3,129,251	-	3,129,251	3,129,251
Loans and advances to customers	19	-	1,578,617	-	1,578,617	1,578,617
Due to banks and other financial institutions	24	-	-	95,832	95,832	95,832
Due to customers	25	-	-	4,535,450	4,535,450	4,604,387

The fair value of cash and cash equivalents, loan and advances to banks is approximately equal to the carrying value, because of their short-term maturity. The fair value of loans and advances to customers is approximately equal to their carrying value due to fact that the main part of the loan portfolio carries floating interest rates which reflect the changes in the market conditions.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

7. Net interest income

	Year ended 31 December 2010	Year ended 31 December 2009
Interest and similar income		
Interest and similar income arises from:		
Accounting with and placements with banks	130,758	152,456
Loans to small and medium enterprises	176,915	114,334
Loans to individual and households	75,533	55,674
Income from securities transactions	96,897	23,287
	480,103	345,751
Interest expense and similar charges		
Interest expense and similar charges arise from:		
Deposits from customers	(229,869)	(109,855)
Deposits from banks	(1,610)	(5,905)
Liabilities evidenced by papers	(4,698)	(1,688)
	(236,177)	(117,448)
Net interest income	243,926	228,303

Included within various line items under interest income for the year ended 31 December 2010 is a total of ALL 18,285 thousand (2009: ALL 4,040 thousand) accrued on individually impaired loans.

8. Net fee and commission income

	Year ended 31 December 2010	Year ended 31 December 2009
Fee and commission income		
Card business	3,074	4,732
Payments and transactions	11,165	7,833
Letters of credit and guarantees	1,228	1,129
Customer accounts	21,915	11,923
Other	750	505
	38,132	26,122
Fee and commission expense		
Card business	(4,208)	(2,020)
Correspondent accounts	(1,120)	(1,259)
Letters of credit and guarantees	(5,118)	(4,292)
Other	(649)	-
	(11,095)	(7,571)
Net fee and commission income	27,037	18,551

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

9. Net Trading Income

Net trading income comprises foreign exchange gains and losses.

10. Personnel expenses

	Year ended 31 December 2010	Year ended 31 December 2009
Wages and salaries	122,457	100,176
Compulsory social security obligations	11,500	11,552
Other allowances to staff	5,637	5,349
Training expenses	2,056	196
Total	141,650	117,273

At 31 December 2010, the Bank employed a total of 106 (2009: 100 employees) staff and senior management.

11. General administrative expenses

	Year ended 31 December 2010	Year ended 31 December 2009
Advertising and PR	35,213	30,181
Maintenance and repair	28,208	19,359
Administration, consultancy and other costs	73,849	60,546
Total	137,270	110,086

12. Other expenses, net

Other expenses amount to ALL 9,425 thousand (2008: ALL 15,560 thousand) and mainly include disposal of leasehold improvements amounting ALL 7,206 .

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

13. Income tax expense

	Year ended 31 December 2010	Year ended 31 December 2009
Current tax:		
Current year	-	-
Adjustments of previous year	-	-
	-	-
Deferred tax expense:		
Origination and reversal of temporary differences	(2,974)	(1,410)
	(2,974)	(1,410)
Total income tax expenses	(2,974)	(1,410)

Based on Albanian tax regulations, the Bank paid a prepaid profit tax during 2010 of ALL nil (2009: ALL 40 thousand). This prepaid tax can only be offset against future income tax expense, if any, after future Tax Office inspections.

	Year ended 31 December 2010	Year ended 31 December 2009
(Loss)/Profit for the period	(191,807)	37,232
Non-deductible expenses	15,858	12,241
<i>Personnel expenses</i>	5,637	5,349
<i>Other expenses</i>	9,948	6,892
Loan provision	(29,740)	(31,293)
Amortization and depreciation expense	14,225	21,683
(Loss)/Profit of the period after non-deductible expenses and other	(191,737)	39,863
Losses brought forward	(95,050)	(134,913)
Result of tax reassessment	17,884	-
Tax Losses	(268,903)	(95,050)
Income tax @ 10%	-	-
Tax Losses carried forward	(268,903)	(95,050)

During 2010, the Bank was subject to an audit by the Albanian tax authorities on corporate income taxes (for the years 2007 – 2008). At the end of December 2010, the tax audit was completed and a Tax Reassessment Notification dated 25 November 2010 was issued to the Bank. The total assessment resulted in a reduction of taxable loss for the year ended 2007 and 2008 respectively of ALL 1,869 thousand and ALL 16,015 thousand.

Based on the local accounting law, starting from 1 January 2008 the Bank must report in accordance with IFRS. In addition, Law No. 10364, dated 16.12.2010 provides for certain amendments (effective as of 24 January 2011). Based on these amendments, the impairment allowances charged by banks in accordance with IFRS shall be 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.

However, the impact of these changes in the legislation, on the financial statements of the Bank, are still uncertain and guidelines on the tax impact for IFRS or regulatory reporting not yet clear.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

13. Income tax expense (continued)

The following is a reconciliation of effective tax rate:

	2010	Effective Tax rate	2009	Effective Tax rate
(Loss)/Profit for the period	(194,781)		35,822	
Total income tax	2,974		1,410	
(Loss)/Profit excluding income tax expense	(191,807)		37,232	
Income tax using the Bank's domestic tax rate	(19,181)	10.00%	3,723	10.00%
Non-deductible expenses	1,558	(0.8)%	1,224	3.2%
Origination / (reversal) of unrecognized deferred tax assets on tax losses carried forward	19,174	(10.0)%	(3,986)	(10.7)%
Change in unrecognized temporary differences	1,423	(0.7%)	449	(1.2%)
Total tax expense	2,974	(1.5%)	1,410	3.8%

Income tax recognized in other comprehensive income

	2010			2009		
	Before Tax	Tax (expense) benefit	Net of Tax	Before Tax	Tax (expense) benefit	Net of Tax
Available for sale investments	309	(31)	278	-	-	-
Total	309	(31)	278	-	-	-

Recognized deferred tax liabilities as at 31 December 2010 and 2009 are attributable to the following:

	2010			2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Available for sale investments	-	(31)	(31)	-	-	-
Loans and advances to customers	-	(7,471)	(7,471)	-	(4,497)	(4,497)
Net tax assets (liabilities)	-	(7,502)	(7,502)	-	(4,497)	(4,497)

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

13. Income tax expense (continued)

At 31 December 2010 and 2009 deferred tax assets have not been recognized in respect of the following items:

	Year ended 31 December 2010	Year ended 31 December 2009
Accumulated depreciation	1,872	449
Tax losses	26,890	9,505
Total	28,762	9,954

Tax losses can be carried forward up to 3 years. The deductible temporary differences do not expire under the current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Bank can utilize the benefits therefrom.

	Year ended 31 December 2010	Year ended 31 December 2009
Tax loss from 2007 - expires 31 December 2010	-	22,654
Tax loss from 2008 - expires 31 December 2011	77,166	112,259
Tax profit from 2009	-	(39,863)
Tax loss from 2010 - expires 31 December 2013	191,737	-
Total	268,903	95,050

As previously discussed tax losses brought forward from 2009 of ALL 95,050 thousand were revised to ALL 77,166 thousand based on the tax audit inspection which disallowed tax losses of ALL 17,884 thousand.

14. Cash and balances with Central Bank

	As at 31 December 2010	As at 31 December 2009
Cash on hand		
in Albanian lek	52,137	36,431
in foreign currencies	68,363	85,958
Balances with central bank	73,113	7,325
Total	193,613	129,714

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

15. Restricted balances

	As at 31 December 2010	As at 31 December 2009
Statutory reserve	546,951	292,736
Total	546,951	292,736

In accordance with the Bank of Albania's requirement relating to the deposit reserve, the Bank should maintain a minimum of 10% of customer deposits with the Central Bank as a reserve account. The statutory reserve is not available for the Bank's day-to-day operations.

16. Available for sale investments

Securities available for sale comprise treasury bills and bonds of Albanian Government.

	As at 31 December 2010	As at 31 December 2009
Treasury Bills	88,229	-
Government Bonds	352,869	-
Total	441,098	-

17. Financial assets held to maturity

The hold-to-maturity investment securities comprise treasury bills and bonds of Albanian Government. The Bank has the intent and ability to hold to maturity.

	As at 31 December 2010	As at 31 December 2009
Treasury Bills	756,088	381,418
Government Bonds	584,527	-
Total	1,340,615	381,418

As at 31 December 2010 treasury bills with a carrying amount of Lek 502,644 thousand (2009: nil) were pledged as security for the purchase agreements portfolio (refer to note 26).

Albania Treasury Bills credit quality of long term and short debts based on rating agency Standard & Poor's are respectively B+ and B (Outlook Stable).

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

17. Financial assets held to maturity (continued)

17.1 Treasury Bills

Treasury bills as at 31 December 2010 and 2009 relate to zero-coupon treasury bills of the Government of Albania with maturities ranging between January 2011 to December 2011, with yields ranging from 5.98% to 9% per annum (2009: 8.65% to 9.30%).

	As at 31 December 2010	As at 31 December 2009
- in Albanian lek		
Nominal value of treasury bills	560,000	400,000
Unamortized discount	(9,172)	(18,582)
- in Foreign currency		
Nominal value of treasury bills	208,155	-
Unamortized discount	(2,895)	-
Total	756,088	381,418

17.2 Government bonds

Government bonds as at 31 December 2010 represent 2 and 3 year bonds denominated in Lek issued by the Government of Albania with coupon rates ranging from 8.75% to 9.70% per annum.

	As at 31 December 2010	As at 31 December 2009
Nominal value of bonds	560,000	-
Premium	8,647	-
Accrued interest	15,880	-
Total	584,527	-

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

18. Loans and advances to banks and financial institutions

(a) Analysis by type

	As at 31 December 2010	As at 31 December 2009
Current accounts with banks	99,207	78,853
Placement with banks	-	303,338
Receivables under resale agreements	1,656,263	2,747,060
Total	1,755,470	3,129,251

(b) Geographical analysis

	As at 31 December 2010	As at 31 December 2009
Domestic banks and financial institutions	9,078	308,007
Foreign banks and financial institutions	1,746,392	2,821,244
Total	1,755,470	3,129,251

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

19. Loans and advances to customers

	As at 31 December 2010	As at 31 December 2009
Retail customers	888,624	596,985
<i>Consumer loans</i>	228,748	156,308
<i>Mortgage loans</i>	630,246	427,684
<i>Credit cards</i>	29,630	12,993
Small and medium enterprises	2,347,287	1,020,953
Less allowance for impairment	(109,988)	(39,321)
Net loans and advances to customers	3,125,923	1,578,617

Loans and advances to customers composed by sector as at 31 December 2010 are as follows:

	31 December 2010		
	Gross amount	Impairment allowance	Carrying amount
Retail customer	888,624	(48,294)	840,330
<i>Consumer loans</i>	228,748	(21,589)	207,159
<i>Mortgage loans</i>	630,246	(23,594)	606,652
<i>Credit cards</i>	29,630	(3,111)	25,519
Small and medium enterprises	2,347,287	(61,694)	2,285,593
Total	3,235,911	(109,988)	3,125,923

Loans and advances to customers composed by sector as at 31 December 2009 are as follows:

	31 December 2009		
	Gross amount	Impairment allowance	Carrying amount
Retail customer	596,985	(22,941)	574,044
<i>Consumer loans</i>	156,308	(11,735)	144,573
<i>Mortgage loans</i>	427,684	(11,070)	416,614
<i>Credit cards</i>	12,993	(136)	12,857
Small and medium enterprises	1,020,953	(16,380)	1,004,573
Total	1,617,938	(39,321)	1,578,617

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

19. Loans and advances to customers (continued)

Impairment allowances as at 31 December 2010 and 2009 are as follows:

Changes in allowance for impairment for years ended 31 December 2010 and 2009 are as follows:

	2010	2009
Specific impairment allowance		
Balance at January 1	(22,808)	(7,904)
Net (Impairment loss) / recoveries for the	(45,687)	(14,904)
<i>charge for the year</i>	(45,687)	(17,038)
<i>recoveries</i>	-	2,134
Write-offs	-	-
Balance at December 31	(68,495)	(22,808)
Collective impairment allowance		
Balance at January 1	(16,513)	(18,426)
(Impairment loss) / recoveries for the year	(24,980)	1,889
<i>charge for the year</i>	(30,875)	(3,505)
<i>recoveries</i>	5,895	5,394
Write-offs	-	24
Balance at December 31	(41,493)	(16,513)
Total allowance for impairment	(109,988)	(39,321)

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

20. Property and equipment

	Leasehold improvements	Fittings, fixtures & installations	Motor Vehicles	Machinery and electronic Equipment	Computer and IT system equipment	Office equipment and other	Fixed assets in progress	Total
Cost								
Balance at 1 January 2009	81,535	26,848	17,201	67,137	60,131	32,044	28,593	313,489
Additions	1,874	9,082	-	9,445	909	75	18,351	39,736
Disposals	(3,836)	-	-	-	-	-	-	(3,836)
Transfer	28,880	1,640	-	4,092	-	7,685	(42,297)	-
Balance at 31 December 2009	108,453	37,570	17,201	80,674	61,040	39,804	4,647	349,389
Additions	11,945	2,198	2,202	71	1,074	161	4,245	21,896
Disposals	(11,546)	-	-	-	-	-	-	(11,546)
Balance at 31 December 2010	108,852	39,768	19,403	80,745	62,114	39,965	8,892	359,739
Accumulated Depreciation								
Balance at 1 January 2009	(14,299)	(3,379)	(1,984)	(6,117)	(11,067)	(3,452)	-	(40,298)
Charge for the period	(24,075)	(3,629)	(1,720)	(8,407)	(12,065)	(3,798)	-	(53,694)
Disposals	198	-	-	-	-	-	-	-
Balance at 31 December 2009	(38,176)	(7,008)	(3,704)	(14,524)	(23,132)	(7,250)	-	(93,794)
Charge for the period	(24,994)	(3,816)	(1,720)	(8,046)	(12,500)	(3,997)	-	(55,073)
Disposals	4,340	-	-	-	-	-	-	4,340
Balance at 31 December 2010	(58,830)	(10,824)	(5,424)	(22,570)	(35,632)	(11,247)	-	(144,527)
Net book value								
As at 1 January 2009	67,236	23,469	15,217	61,020	49,064	28,592	28,593	273,191
As at 31 December 2009	70,277	30,562	13,497	66,150	37,908	32,554	4,647	255,595
As at 31 December 2010	50,022	28,944	13,979	58,175	26,482	28,718	8,892	215,212

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

20. Property and equipment (continued)

Other

Fixed assets in progress include all costs incurred for reconstruction and refurbishing the new branches to be opened. Upon final approval of opening new branches, such costs will be booked in the appropriate fixed assets accounts and will be amortized accordingly. Leasehold improvements include the costs incurred when the existing branches opened.

21. Intangible assets

	Patents, copyrights and trademarks	Software and other intangible assets	Total
Cost			
Balance at 1 January 2009	7,226	18,934	26,160
Additions	-	6,100	6,100
Balance at 31 December 2009	7,226	25,034	32,260
Additions	-	2,584	2,584
Balance at 31 December 2010	7,226	27,618	34,844
Accumulated amortization			
Balance at 31 December 2009	(1,831)	(3,814)	(5,645)
Charge for the period	(1,445)	(4,258)	(5,703)
Balance at 31 December 2009	(3,276)	(8,072)	(11,348)
Charge for the period	(1,445)	(5,201)	(6,646)
Balance at 31 December 2010	(4,721)	(13,273)	(17,994)
Net book value			
As at 1 January 2009	5,395	15,120	20,515
As at 31 December 2009	3,950	16,962	20,912
As at 31 December 2010	2,505	14,345	16,850

22. Assets held for sale

Other assets held for sale represent properties acquired as a result of collateral execution, for which the Bank intends to sell in the short term.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

23. Other assets

	As at 31 December 2010	As at 31 December 2009
Deferred expenses	8,578	8,352
Gold bullion	8,547	2,053
Prepaid taxes	43,322	31,724
Other	26,129	31,293
Total	86,576	73,442

Prepaid taxes are composed of the following:

<i>In thousands of ALL</i>	As at 31 December 2010	As at 31 December 2009
Prepaid income tax	10,040	10,040
Withholding tax	33,282	21,684
Total	43,322	31,724

Prepaid withholding tax is related to interest income the Bank has generated in countries with which the Republic of Albania has signed agreements for Avoidance of Double Taxation.

24. Due to banks and other financial institutions

	As at 31 December 2010	As at 31 December 2009
<i>Money markets deposits with maturity up to two weeks</i>		
With resident banks	-	95,832
Total	-	95,832

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

25. Due to customers

	As at 31 December 2010	As at 31 December 2009
Retail customers	5,110,242	2,826,004
<i>payable on demand</i>	969,386	491,156
<i>term deposits</i>	4,140,408	2,334,408
<i>other clients account</i>	448	440
Corporate customers	1,063,404	1,709,446
<i>payable on demand</i>	368,200	277,593
<i>term deposits</i>	355,252	309,684
<i>other clients account</i>	339,952	1,122,169
Total	6,173,646	4,535,450

26. Liabilities evidenced by paper

The liabilities evidenced by paper totaling Lek 445,325 thousand as at 31 December 2010 relate to repurchase agreements with Bank of Albania with maturities of 7 days. They bear interest of 5.05% per annum. Treasury bills with a carrying amount of Lek 502,644 thousand were pledged as security for these repurchase agreements (see Note 17). No such agreements existed at 31 December 2009.

27. Other liabilities

	As at 31 December 2010	As at 31 December 2009
Fiscal administration	3,548	997
Social charges payable	-	1,466
Other creditors	4,815	411
Taxes payable	-	1,058
Accruals for expenses	12,431	5,833
Suppliers	3,388	3,982
Total	24,182	13,747

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

28. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2010

As at 31 December 2010 the registered share capital of the Bank is Euro 10,974,576.26 or ALL equivalent 1,373,927 thousand (2009: Euro 10,474,576.26 or ALL equivalent 1,304,792 thousand) divided into 1,295,000 ordinary shares with par value each of Euro 8.47457626 or ALL 1,060.95 (2009: 1,236,000 ordinary shares).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2010 together with the number and percentage of total issued shares.

	Number of shares	% of issued share capital
"First Investment Bank AD Sofia"	1,295,000	100.00%

29. Commitments and contingent liabilities

a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if each counterparty failed completely to perform as contracted.

	As at 31 December 2010	As at 31 December 2009
Bank guarantees	379,442	371,328
Commitments given on behalf of customers	174,061	174,679
Letter of credit	227,020	994,683
Total	780,523	1,540,690

These commitments and contingent liabilities have off balance-sheet credit risk because only organization fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

As at the reporting date there are no significant commitments and contingencies which require additional disclosure. At 31 December 2010 guarantees and letters of credit are fully collateralized.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

29. Commitments and contingent liabilities (continued)

b) Lease commitments

	As at 31 December 2010	As at 31 December 2009
Up to 1 year	72,254	72,804
Above 1 year and less than 5 years	233,873	209,689
Above 5 years	160,637	176,462
Total	466,764	458,955

The Bank is entitled to renew the existing lease contracts at terms previously agreed with the owners, although is under no legal obligation to do so.

30. Related Parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control. A number of banking transactions are entered into with the related party First Investment Bank A.D. (Bulgaria) in the normal course of business. This related party qualifies as parent company of the Bank. Such transactions include loans, deposits and other transactions. The outstanding balances at the end of respective periods are as follows:

	As at 31 December 2010	As at 31 December 2009
Loans and advances	1,718,714	2,796,536
Accounts receivables	7,120	7,736
Interest income	119,940	144,023
Interest expense	-	(3)
Commission income	211	255
Commission expense	(127)	(118)
Other income net	-	15,581

The key management personnel of the Bank received remuneration of ALL 16,610 thousand (2009: ALL 15,108 thousand) for the year ending 31 December 2010. Key management received other benefits amounting to ALL 5,637 thousand (2009: ALL 5,349 thousand) for the year ending 31 December 2010.

FIRST INVESTMENT BANK - ALBANIA SH.A.

Notes to the financial statements

In thousands of ALL

31. Cash and cash equivalents

	As at 31 December 2010	As at 31 December 2009
Cash on hand (note 14)	120,500	122,389
Current accounts	172,320	86,178
<i>central bank (note 14)</i>	73,113	7,325
<i>correspondent banks (note 18)</i>	99,207	78,853
Loans and advances to banks and financial institutions with maturity less than 90 days (note 18)	1,656,263	3,050,398
Total	1,949,083	3,258,965

32. Subsequent events

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