FIRST INVESTMENT BANK – ALBANIA SH.A.

Financial statements
For the year ended 31 December 2015
(with independent auditors' report thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Management and Shareholders of First Investment Bank - Albania sh.a.

Report on the Financial Statements

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 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and of its operations, and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Other Matter

The financial statements of the Bank for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 9 March 2015.

BDO ALBANIA SHPK
BDO Albania sh.p.k.
7 March 2016
Tirana, Albania

BDO
BDO ALBANIA sh.p.k.
NIPT L02407004C
TIRANA - ALBANIA

Limos Malaj
Engagement Partner

Statement of comprehensive income for the year ended 31 December 2015

in thousands ALL

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Interest and similar income		992,546	1,033,249
Interest expense and similar charges		(265,138)	(416,562)
Net interest income	**7**	**727,408**	**616,687**
Fee and commission income		207,820	210,176
Fee and commission expense		(35,543)	(34,666)
Net fee and commission income	**8**	**172,277**	**175,510**
Net trading income	9	(26,054)	8,493
Other operating income		1,275	761
TOTAL INCOME FROM BANKING OPERATIONS		**874,906**	**801,451**
Net impairment loss, on loans to customers	19	(118,271)	(238,349)
Personnel expenses	10	(181,709)	(167,320)
Operating lease expenses		(70,573)	(72,520)
Depreciation and amortization	20,21	(32,456)	(30,849)
General administrative expenses	11	(165,193)	(157,448)
Other expenses, net	12	(9,355)	(11,188)
		(577,557)	**(677,674)**
PROFIT BEFORE TAX		**297,349**	**123,777**
Income tax (expense)/income	13	**(46,402)**	**(26,285)**
NET PROFIT FOR THE YEAR		**250,947**	**97,492**
Other comprehensive (loss)/income, net of income tax		**83,396**	**(11,701)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTED TO THE OWNERS		**334,343**	**85,791**

The notes on pages 6 to 47 are an integral part of these financial statements.

Fibank
First Investment Bank

Statement of Financial Position as at 31 December 2015
in thousands ALL

	Note	As at 31 December 2015	As at 31 December 2014
ASSETS			
Cash and balances with Central Bank	14	226,854	234,623
Restricted balances	15	1,391,421	1,381,314
Available for sale investments	16	5,379,780	2,663,518
Financial Assets held to maturity	17	1,957,557	2,470,853
Loans and advances to banks and financial institutions	18	1,238,433	2,872,821
Loans and advances to customers	19	6,198,085	5,869,704
Property and equipment	20	99,554	120,430
Intangible assets	21	26,763	8,974
Repossessed assets	22	298,536	232,778
Other assets	23	123,011	90,302
Deferred tax assets	13	-	3,302
TOTAL ASSETS		**16,939,994**	**15,948,619**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks	24	197,855	-
Due to customers	25	14,709,329	14,305,614
Liabilities evidenced by paper	26	135,035	-
Other liabilities	27	56,348	146,943
Deferred tax liability	13	11,022	-
Total liabilities		**15,109,589**	**14,452,557**
Issued share capital	28	1,516,517	1,516,517
Revaluation reserve on available for sale investments		102,772	19,376
Accumulated losses		211,116	(39,831)
Shareholders' equity		**1,830,405**	**1,496,062**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,939,994**	**15,948,619**

The notes on pages 6 to 47 are an integral part of these financial statements.

Fibank
First Investment Bank

Statement of Cash Flow for the year ended 31 December 2015
in thousands ALL

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flow from operating activities:			
Net profit for the period		**250,947**	**97,492**
Non-cash items in the statement of comprehensive income			
Net impairment loss on loans to customers	19	118,271	238,349
Depreciation and amortization	20,21	32,456	30,849
Net interest income	7	(727,408)	(616,687)
Tax expense	13	46,402	26,285
Loss from sale of tangible assets		570	1,626
		(278,762)	**(222,086)**
Changes in working capital:			
Change in loans to customers		(450,168)	410,474
Change in other assets		(105,483)	(109,057)
Change in obligatory reserve		(10,107)	(101,195)
Change in deposits from banks		197,864	(198,852)
Increase in amounts owed to other depositors		353,977	(1,168,987)
Change in other liabilities		(59,113)	75,717
Interest paid		(215,309)	(348,520)
Interest received		1,008,158	1,021,008
Income tax paid		(56,544)	(2,745)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		**384,513**	**(645,869)**
Cash flow used in investing activities:			
Net proceeds from purchase and redemption of investments		(2,131,666)	(376,701)
Purchase of intangible assets		(22,006)	(2,719)
Purchase of property and equipment		(7,933)	(8,711)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(2,161,605)**	**(388,131)**
Cash flow from financing activities:			
Increase in borrowings		134,935	-
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**134,935**	**-**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,642,157)**	**(1,034,000)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**31**	**3,107,444**	**4,141,444**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**31**	**1,465,287**	**3,107,444**

The notes on pages 6 to 47 are an integral part of these financial statements.

Fibank
First Investment Bank

Statement of Changes in Equity for the year ended 31 December 2015

in thousands ALL

	Share Capital	*Accumulated losses*	*Fair value reserve on available for sale investments*	*Total*
Balance at 1 January 2014	**1,516,517**	**(137,323)**	**31,077**	**1,410,271**
Total comprehensive income for the period				
Profit of the year	-	97,492	-	**97,492**
Other comprehensive loss, net of income tax	-	-	(11,701)	**(11,701)**
Total comprehensive income for the year		97,492	(11,701)	**85,791**
Transaction with owners, recorded directly in equity				
Contribution by the owners				
Issued share capital	-	-	-	**-**
Total contributions by and distributions to owners	-	-	-	**-**
	-	**-**	**-**	**-**
Balance at 31 December 2014	**1,516,517**	**(39,831)**	**19,376**	**1,496,062**

The notes on pages 6 to 47 are an integral part of these financial statements.

Fibank
First Investment Bank

Statement of Changes in Equity for the year ended 31 December 2015

in thousands ALL

	Share Capital	*Accumulated losses*	*Revaluation reserve on available for sale investments*	*Total*
Balance at 1 January 2015	**1,516,517**	**(39,831)**	**19,376**	**1,496,062**
Total comprehensive income for the period				
Profit of the year	-	250,947	-	**250,947**
Other comprehensive loss, net of income tax	-	-	83,396	**83,396**
Total comprehensive income for the year	-	250,947	83,396	**334,343**
Transaction with owners, recorded directly in equity				
Contribution by the owners				
Issued share capital	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
	-	-	-	-
Balance at 31 December 2015	**1,516,517**	**211,116**	**102,772**	**1,830,405**

The notes on pages 6 to 47 are an integral part of these financial statements.

The financial statements have been approved by the Management on **7 March 2016** and signed on its behalf by:

Elma Lloja
Executive Director

Ina Paskaleva
Head of Risk Management

Edvin Liko
Chief Financial Officer

ALBANIA sh.a. FIRST INVESTMENT BANK

In thousands of ALL, unless otherwise stated

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 Bank has also been licensed by Albanian Financial Supervisory Authority for carrying out depositary, custodian and brokerage services.

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. Previously it operated as a foreign branch of the Parent in Albania since February 1999.

The shareholders structure of the parent as at 31December 2015 was as follows:

Shareholders	% of issued share capital
Mr. IvailoDimitrovMutafchiev	42.50
Mr. Tzeko Todorov Minev	42.50
Other shareholders (shareholders holding shares subject to free trade on Bulgarian Stock Exchange – Sofia)	15.00
Total	100.00

The headquarters of First Investment Bank – ALBANIA sh.a. is located in Tirana. The network of branches includes 9 branches. Two branches are located in Tirana (Tirana 1, Twin Towers) and other branches are located in Durrës, Elbasan, Shkodër, Korcë, Fier, Berat and Vlorë.

The Bank had 126 (31 December 2014: 122) employees as at 31 December 2015.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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.

2. Basis of preparation (continued)

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.

3. Significant accounting policies

a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the functional currency at the 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 year, adjusted for effective interest and payments during the year, and the amortised costs in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

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.

3. Significant accounting policies (continued)

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.

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) Tax expense

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

(i) Current tax

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.

(ii) Deferred tax

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 temporary differences on 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

3. Significant accounting policies (continued)

f) Tax expense (continued)

(ii) Deferred tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

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 it 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.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

g) Financial assets and financial liabilities

(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 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 transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial Assets

The Bank classifies its financial assets in one of the following categories:

- loans and receivables;
- held to maturity; or
- available-for-sale.

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

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or fair value through profit or loss. See accounting policy 3.o.

In thousands of ALL, unless otherwise stated

3. Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

(iii) Derecognition

Financial Assets

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 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).

Financial Liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(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.

(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.

3. Significant accounting policies (continued)

g) Financial assets and financial liabilities (continued)

(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.

3. Significant accounting policies (continued)

g) Financial assets and financial liabilities (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 and loss are impaired. Financial assets or a group of 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.Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances or held-to-maturity investment securities. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities, if any, are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. Significant accounting policies (continued)

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.

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 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, available-for-sale or fair value through profit or loss (if any).

(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 available-for-sale or fair value through profit or loss,(if any). 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.

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	4-10 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) Repossessed assets

Repossessed assets acquired through enforcement of security over non-performing loan and advances to customer that are not held for sale, do not earn rental, not own used and are intended for disposal in a reasonably short period of time, without significant restructuring, are classified as inventory. Repossessed assets are measured at the lower of cost and net realizable value and any write down is recognized in the profit or loss. Any gain or loss on disposal is recognized in profit or loss.

3. Significant accounting policies (continued)

n) 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.

o) Deposits

Deposits are the Bank's main 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.

p) Provisions

A provision is recognized if the 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.

3. Significant accounting policies (continued)

q) New standards, interpretations and amendments effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1, 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Entity's accounting policies.

r) New standards, interpretations and amendments not yet effective

At the date of authorization of these financial statements, the following new Standards, Interpretations and amendments to the Standards were in issue but not yet effective and have not been applied in preparing these financial statements:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after January 1, 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after January 1, 2016),
- **IFRS 15 "Revenue from Contracts with Customers**" and further amendments(effective for annual periods beginning on or after January 1, 2018),
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after January 1, 2019),
- **Amendments to 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 and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" -** Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016),

3. Significant accounting policies (continued)

r) New standards, interpretations and amendments not yet effective (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after January 1, 2016)
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after January 1, 2017),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after January 1, 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2016).

The Entity has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

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 2015 the thirty largest non-financial institution depositors represent 10.4 % (2014: 10%) 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.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Liquidity risk (continued)

Maturity table as at 31 December 2015

	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	226,854	-	-	-	-	**226,854**
Restricted balances	-	-	-	-	1,391,421	**1,391,421**
Available for sale investments	115,547	343,263	693,092	4,227,878	-	**5,379,780**
Financial Assets held to maturity	208,265	253,916	408,867	1,086,509	-	**1,957,557**
Loans and advances to banks and financial institutions	1,238,433	-	-	-	-	**1,238,433**
Loans and advances to customers	341,657	80,171	637,170	5,139,087	-	**6,198,085**
Total	**2,130,756**	**677,350**	**1,739,129**	**10,453,474**	**1,391,421**	**16,392,130**
Financial Liabilities						
Due to banks	197,855	-	-	-	-	**197,855**
Due to customers	6,540,043	870,272	5,087,638	2,211,376	-	**14,709,329**
Liabilities evidenced by paper	135,035	-	-	-	-	**135,035**
Total	**6,872,933**	**870,272**	**5,087,638**	**2,211,376**	**-**	**15,042,219**
Net liquidity gap	**(4,742,177)**	**(192,922)**	**(3,348,509)**	**8,242,098**	**1,391,421**	**1,349,911**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

a) Liquidity risk (continued)

Maturity table as at 31 December 2014

	Less than 1 month	Between 1 and 3 months	Between 3 and 1 year	More than 1 year	Maturity not defined	Total
Financial Assets						
Cash and balances with Central Bank	234,623	-	-	-	-	234,623
Restricted balances	-	-	-	-	1,381,314	1,381,314
Available for sale investments	80,359	549,223	1,319,423	714,513		2,663,518
Financial Assets held to maturity	206,835	256,245	100,205	1,907,568	-	2,470,853
Loans and advances to banks and financial institutions	2,872,821	-	-	-	-	2,872,821
Loans and advances to customers	160,627	148,297	544,122	5,016,658		5,869,704
Total	**3,555,265**	**953,765**	**1,963,750**	**7,638,739**	**1,381,314**	**15,492,833**
Financial Liabilities						
Due to customers	6,010,472	1,269,871	6,666,491	358,780	-	14,305,614
Total	**6,010,472**	**1,269,871**	**6,666,491**	**358,780**	**-**	**14,305,614**
Net liquidity gap	**(2,455,207)**	**(316,106)**	**(4,702,741)**	**7,279,959**	**1,381,314**	**1,187,219**

The Bank expects cash flows on certain financial assets and financial liabilities to vary significantly from the remaining contractual cash flows presented above. The principal differences are as follows:

- 40% of the restricted balances with central bank in ALL is available for the Bank's day-to-day operations and otherwise used for any Bank liquidity needs.
- Available for sale investments have a remaining contractual maturity from1month to 10 years but management may not keep those until final maturity.
- A large portion of saving and current accounts due from customers are reinvested of rolled over despite being in the category "less than 1 month".

4. Risk Management Disclosures (continued)

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.

The interest rate risk on the Bank's net interest income one year forward following a change of +100bp/-100bp as at 31 December 2015 is ALL +10.0/-10.0 Million (2014: ALL +10.2/-10.2 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 2015 and the periods in which financial liabilities and assets reprise.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Interest rate risk (continued)

	Total	Weighted avg. effectivel R	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	226,854	0.00%	-	226,854	-	-	-
Restricted balances	1,391,421	0.69%	778,100	613,321	-	-	-
Available for sale investments	5,379,780	4.88%	-	115,547	343,263	693,092	4,227,878
Financial Assets held to maturity	1,957,557	7.43%	-	208,265	253,916	408,867	1,086,509
Loans and advances to banks and financial institutions	1,238,433	0.07%	689,313	549,120	-	-	-
Loans and advances to customers	6,198,085	7.99%	5,403,984	157,818	5,617	195,309	435,357
Total	**16,392,130**	**5.44%**	**6,871,397**	**1,870,925**	**602,796**	**1,297,268**	**5,749,744**
Financial Liabilities							
Due to banks	197,855	1.48%	-	197,855	-	-	-
Due to customers	14,709,329	1.68%	-	6,540,043	870,272	5,087,638	2,211,376
Liabilities evidenced by paper	135,035	1.80%	-	135,035	-	-	-
Total	**15,042,219**	**1.65%**	**-**	**6,872,933**	**870,272**	**5,087,638**	**2,211,376**
REPRICING / DURATION GAP	**1,349,911**		**6,871,397**	**(5,002,008)**	**(267,476)**	**(3,790,370)**	**3,538,368**

In thousands of ALL, unless otherwise stated

Fibank
First Investment Bank

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Interest rate risk (continued)

At 31 December 2014 the effective interest rates were:

				Fixed Rate Instruments			
	Total	**Weighted avg. effective IR**	**Floating rate instruments**	**<=1 Month**	**1-3 months**	**3 months 1 year**	**More than 1 year**
Financial Assets							
Cash and balances with Central Bank	234,623	0.00%	-	234,623	-	-	-
Restricted balances	1,381,314	0.87%	1,381,314	-	-	-	-
Available for sale investments	2,663,518	5.36%	-	80,359	549,223	1,319,423	714,513
Financial Assets held to maturity	2,470,853	7.39%	-	206,835	256,245	100,205	1,907,568
Loans and advances to banks and financial institutions	2,872,821	0.15%	2,112,249	760,572	-	-	-
Loans and advances to customers	5,869,704	9.08%	5,190,811	45,548	51,581	68,482	513,282
Total	**15,492,833**	**5.65%**	**8,684,374**	**1,327,937**	**857,049**	**1,488,110**	**3,135,363**
Financial Liabilities							-
Due to customers	14,305,614	2.03%	-	6,010,472	1,269,871	6,666,491	358,780
Total	**14,305,614**	**2.03%**	**-**	**6,010,472**	**1,269,871**	**6,666,491**	**358,780**
REPRICING / DURATION GAP	**1,187,219**		**8,684,374**	**(4,682,535)**	**(412,822)**	**(5,178,381)**	**2,776,583**

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.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk (continued)

As at 31 December 2015 the exposures were as follows (with all amounts denominated in foreign currency being translated to ALL):

	ALL	USD	EUR	OTHER	TOTAL
Financial Assets					
Cash and balances with Central Bank	95,436	50,830	67,713	12,875	226,854
Restricted balances	778,100	42,364	570,957	-	1,391,421
Available for sale investments	3,747,655	-	1,632,125	-	5,379,780
Financial Assets held to maturity	1,957,557	-	-	-	1,957,557
Loans and advances to banks and financial institutions	293	51,247	1,177,879	9,014	1,238,433
Loans and advances to customers	2,113,246	372,051	3,712,735	53	6,198,085
Total	**8,692,287**	**516,492**	**7,161,409**	**21,942**	**16,392,130**
Financial Liabilities					
Due to banks	180,009	-	17,846	-	197,855
Due to other customers	8,055,345	559,703	6,080,014	14,267	14,709,329
Liabilities evidenced by Paper	135,035	-	-	-	135,035
Total	**8,370,389**	**559,703**	**6,097,860**	**14,267**	**15,042,219**
Net Currency position	**321,898**	**(43,211)**	**1,063,549**	**7,675**	**1,349,911**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

b) Market risk (continued)

Currency risk (continued)

As at 31 December 2014 the exposures were as follows (with all amounts denominated in foreign currency being translated to ALL):

	ALL	USD	EUR	OTHER	TOTAL
Financial Assets					
Cash and balances with Central Bank	152,974	30,553	45,534	5,562	234,623
Restricted balances	760,040	42,020	579,254	-	1,381,314
Available for sale investments	2,427,669	-	235,849	-	2,663,518
Financial Assets held to maturity	2,470,853	-	-	-	2,470,853
Loans and advances to banks and financial institutions	200,289	19,245	2,651,983	1,304	2,872,821
Loans and advances to customers	2,020,310	281,582	3,567,752	60	5,869,704
Total	**8,032,135**	**373,400**	**7,080,372**	**6,926**	**15,492,833**
Financial Liabilities					
Due to other customers	7,984,943	403,058	5,913,374	4,239	14,305,614
Total	**7,984,943**	**403,058**	**5,913,374**	**4,239**	**14,305,614**
Net Currency position	**47,192**	**(29,658)**	**1,166,998**	**2,687**	**1,187,219**

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.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

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 2015 are as follows:

	Gross exposure	Allowance for Impairment	Net Exposure
Collectively impaired			
-Standard	5,039,423	(142,917)	4,896,506
-Watch	503,975	(14,271)	489,704
-Substandard	82,794	(2,351)	80,443
-Doubtful	79,406	(2,256)	77,150
-Lost	-	-	-
Total collectively	**5,705,598**	**(161,795)**	**5,543,803**
Individually impaired			
-Standard	-	-	-
-Watch	-	-	-
-Substandard	447,688	(72,491)	375,197
-Doubtful	189,343	(28,845)	160,498
-Lost	432,235	(313,648)	118,587
Total individually	**1,069,266**	**(414,984)**	**654,282**
Total	**6,774,864**	**(576,779)**	**6,198,085**

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

The exposures as at 31 December 2014 are as follows:

	Gross exposure	Allowance for Impairment	Net exposure
Collectively impaired			
-Standard	4,723,366	(123,741)	4,599,625
-Watch	782,585	(20,438)	762,147
-Substandard	91,390	(2,396)	88,994
-Doubtful	40,733	(1,067)	39,666
-Lost	-	-	-
Total collectively	**5,638,074**	**(147,642)**	**5,490,432**
Individually impaired			
-Standard	-	-	-
-Watch	-	-	-
-Substandard	240,130	(72,917)	167,213
-Doubtful	146,222	(25,195)	121,027
-Lost	392,327	(301,295)	91,032
Total individually	**778,679**	**(399,407)**	**379,272**
Total	**6,416,753**	**(547,049)**	**5,869,704**

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.

In thousands of ALL, unless otherwise stated

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 2015	As at 31 December 2014
Trade	1,544,730	1,433,445
Private individuals	1,906,086	1,797,500
Communication	42,035	37,839
Construction	703,510	847,315
Tourism	374,656	393,374
Agriculture	48,113	53,225
Transportation	350,776	268,082
Industry	604,455	640,009
Services	819,052	836,851
Finance	381,451	109,113
Gross credit risk	**6,774,864**	**6,416,753**
Trade	(175,389)	(173,252)
Private individuals	(180,056)	(167,361)
Communication	(7,173)	(6,982)
Construction	(77,375)	(82,068)
Tourism	(19,307)	(16,030)
Agriculture	(9,030)	(4,762)
Transportation	(10,963)	(7,565)
Industry	(54,522)	(59,370)
Services	(32,175)	(26,798)
Finance	(10,789)	(2,861)
Less allowance for impairment	**(576,779)**	**(547,049)**
Net Credit Risk	**6,198,085**	**5,869,704**

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 for 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.

In thousands of ALL, unless otherwise stated

4. Risk Management Disclosures (continued)

c) Credit risk (continued)

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 2015	As at 31 December 2014
Money deposits	354,768	97,091
Mortgage	4,887,087	4,930,759
Guarantee	188,270	90,148
Pledge of machines	353,599	424,863
Pledge of receivables	638,464	503,316
Other collateral	352,676	370,576
Gross credit risk	**6,774,864**	**6,416,753**
Money deposits	(10,021)	(3,566)
Mortgage	(332,218)	(377,567)
Guarantee	(14,105)	(32,816)
Pledge of machines	(33,961)	(34,377)
Pledge of receivables	(58,065)	(42,053)
Other collateral	(128,409)	(56,670)
Less allowance for impairment	**(576,779)**	**(547,049)**
Net Credit Risk	**6,198,085**	**5,869,704**

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:

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 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 2015was17.54% (31 December 2014: 19.77%) compared to a minimum of 12% stipulated by the Bank of Albania.

During 2014 the Supervisory Council of Bank of Albania issued a new draft "On Regulatory Capital" which entered in force for reporting purpose in 30 April 2015. Meanwhile new regulation regarding the Capital Adequacy Ratio (CAR) which has entered in force in 31 December 2014. is based on Basel II criteria and is in line with the European Directives for Financial Institutions resulting in a reducing CAR. However due to the capital the Bank possesses, management consider the Bank has and will continue to remain well above the minimum level required.

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.

Management use estimates based on available market information, benchmarks and indicators of impairment for assets with credit risk characteristics similar to those it holds.

(ii) Valuation of financial instruments

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

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.

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 and 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. 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 2015 and 2014all financial instruments are measured at amortized cost, except available for sale assets which have been measured at fair value and the respective fair values have been disclosed in note 6. All financial assets and liabilities fair values disclosed have been measured based on Level 2 hierarchy.

In thousands of ALL, unless otherwise stated

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 2015

	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	-	-	226,854	-	-	226,854
Restricted balances	15	-		1,391,421		1,391,421	1,391,421
Available for sale investments	16	-	5,379,780	-	-	5,379,780	5,379,780
Financial Assets held to maturity	17	1,957,557	-	-	-	1,957,557	2,043,917
Loans and advances to banks and financial institutions	18	-	-	1,238,433	-	1,238,433	1,238,433
Loans and advances to customers	19	-		6,198,085	-	6,198,085	6,198,085
Due to credit institutions	24	-	-	197,855		197,855	197,855
Due to customers	25	-		14,709,329	-	14,709,329	14,709,329
Liabilities evidenced by paper	26	-	-	135,035	-	135,035	135,035

As at 31 December 2014

	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	-	-	234,623	-	234,623	234,623
Restricted balances	15	-	-	1,381,314	-	1,381,314	1,381,314
Available for sale investments	16	-	2,663,518	-	-	2,663,518	2,663,518
Financial Assets held to maturity	17	2,470,583	-	-	-	2,470,583	2,530,260
Loans and advances to banks	18	-	-	2,872,821	-	2,872,821	2,872,821
Loans and advances to customers	19	-	-	5,869,704	-	5,869,704	5,869,704
Due to customers	25	-	-	14,305,614	-	14,305,614	14,056,697

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.

In thousands of ALL, unless otherwise stated

7. Net interest income

	Year ended 31 December 2015	Year ended 31 December 2014
Interest and similar income		
Interest and similar income arises from:		
Accounting with and placements with banks	12,375	33,086
Loans to small and medium enterprises	435,009	466,984
Loans to individuals and households	176,286	190,524
Income from securities transactions	368,876	342,655
	992,546	**1,033,249**
Interest expense and similar charges		
Interest expense and similar charges arise from:		
Deposits from customers	(250,008)	(415,635)
Deposits from banks	(552)	(508)
Liabilities evidenced by papers	(14,578)	(419)
	(265,138)	**(416,562)**
Net interest income	**727,408**	**616,687**

Included within various line items under interest income for the year ended 31 December 2015 is a total of ALL 79,565 thousand (2014: ALL 69,167 thousand) accrued on individually impaired loans.

8. Net fee and commission income

	Year ended 31 December 2015	Year ended 31 December 2014
Fee and commission income		
Customer accounts	69,267	87,600
Payments and transactions	33,022	33,322
Card business	31,994	30,189
Letters of credit and guarantees	1,859	1,082
Other	71,678	57,983
	207,820	**210,176**
Fee and commission expense		
Card business	(26,391)	(18,530)
Letters of credit and guarantees	(640)	(3,640)
Correspondent accounts	(3,074)	(2,947)
Other	(5,438)	(9,549)
	(35,543)	**(34,666)**
Net fee and commission income	**172,277**	**175,510**

Other fee and commission income mainly are comprised of fees received from depositary services in the amount of ALL 57,319 thousand (2014: ALL 49,651 thousand).

In thousands of ALL, unless otherwise stated

9. Net Trading Income

Net trading income comprises foreign exchange gains and losses.

10. Personnel expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Wages and salaries	158,370	144,226
Compulsory social security obligations	16,266	15,821
Voluntary social security obligations	2,151	2,154
Other allowances to staff	3,225	4,368
Training expenses	1,697	751
Total	**181,709**	**167,320**

At 31 December 2015, the Bank employed a total of 126 (2014: 122) staff and senior management.

11. General administrative expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Advertising and PR	10,657	17,089
Maintenance and repair	29,145	25,477
Administration, consultancy and other costs	125,391	114,882
Total	**165,193**	**157,448**

12. Other expenses, net

Other expenses net, amount to ALL9,355thousand (2014: ALL 11,188thousand) and mainly include ALL 7,768 thousand loss frompenalties and fines (2014: ALL 10,478 thousand, penalties and fines).

In thousands of ALL, unless otherwise stated

13. Income tax expense

The amount recognized in profit or loss:

	Year ended 31 December 2015	Year ended 31 December 2014
Current tax		
Current year	(46,795)	(21,352)
Adjustments for prior years	-	(2,746)
	(46,795)	**(24,098)**
Deferred tax		
Origination and reversal of temporary differences	393	(2,187)
	393	**(2,187)**
Income tax (expense)/income	**46,402**	**(26,285)**

The amount recognized in other comprehensive income:

	Year ended 31 December 2015	Year ended 31 December 2014
Available-for-sale financial assets	14,719	2,065
Total	**14,719**	**2,065**

The following is a reconciliation of effective tax rate:

	2015	Effective Tax rate	2014	Effective Tax rate
Profit for the period	**250,947**		**97,492**	
Total income tax	46,402		26,285	
Profit excluding income tax expense	**297,349**		**123,777**	
Income tax using the Bank's domestic tax rate	44,603	15.0%	18,567	15.00%
Non-deductible expenses	1,776	0.6%	2,259	1.8%
Change in recognized temporary differences including change in tax rate	23	0.0%	2,254	1.8%
Change in estimate related to prior years	-	0.0%	3,205	2.6%
Total tax income	**46,402**	**18.5%**	**26,285**	**27.0%**

In thousands of ALL, unless otherwise stated

13. Income tax expense (continued)

	Year ended 31 December 2015	Year ended 31 December 2014
Profit for the period excluding tax expense	**297,349**	**123,777**
Non-deductible expenses	11,846	15,061
Personnel expenses	*3,224*	*4,368*
Other expenses	*8,622*	*10,693*
Amortization and depreciation expense	2,774	3,514
Taxable profit	**311,969**	**142,352**
Current year tax @ 15% (2014: 15%)	**46,795**	**21,352**

Deferred tax are calculated on all temporary differences by using tax rate of 15%. Movements in deferred tax are shown in the following table.

	2015	2014
Balance at 1 January	**3,302**	**3,424**
Accelerated depreciation of fixed assets	393	68
Revaluation of available for sale investments	(14,717)	2,065
Accumulated losses not recognized	-	(2,255)
Deferred tax assets/(liability) at 31 December	**(11,022)**	**3,302**

Recognized deferred tax assets and liabilities as at 31 December 2015 and 2014 are attributable to the following:

	2015			2014		
	Assets	Liabilities	**Net**	Assets	Liabilities	**Net**
Available for sale investments	-	(18,139)	**(18,139)**	-	(3,419)	**(3,419)**
Accumulated depreciation	7,115	-	**7,115**	6,722	-	**6,721**
Accumulated losses	-	-	**-**	-	-	**-**
Net tax assets/(liabilities)	**7,115**	**(18,139)**	**(11,024)**	**6,722**	**(3,419)**	**3,302**

In thousands of ALL, unless otherwise stated

14. Cash and balances with Central Bank

	As at 31 December 2015	As at 31 December 2014
Cash on hand		
in Albanian Lek	69,868	64,168
in foreign currencies	131,198	80,156
Balances with central bank	25,788	90,299
Total	**226,854**	**234,623**

15. Restricted balances

	As at 31 December 2015	As at 31 December 2014
Statutory reserve	1,391,421	1,381,314
Total	**1,391,421**	**1,381,314**

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. Up to 40% of the statutory reserve in ALL is available for the Bank's day-to-day operations.

16. Available for sale investments

Securities available for sale comprise treasury bills and bonds of the Albanian and EU countries Governments.

	As at 31 December 2015	As at 31 December 2014
Treasury Bills	433,260	368,553
Government Bonds	4,946,520	2,294,965
Total	**5,379,780**	**2,663,518**

In thousands of ALL, unless otherwise stated

17. Financial assets held to maturity

The held-to-maturity investment securities represent bonds of the Albanian Government. The Bank has the intent and ability to hold to maturity.

	As at 31 December 2015	As at 31 December 2014
Government Bonds	1,957,557	2,470,853
Total	**1,957,557**	**2,470,853**

Government bonds as at 31 December 2015 and 2014 represent 2, 3, 5, 7 and 10 year bonds denominated in Lek issued by the Government of Albania with coupon rates ranging from 4.84% to 9.34% per annum.

	As at 31 December 2015	As at 31 December 2014
Nominal value of bonds	1,913,000	2,414,200
Premium	17	267
Accrued interest	44,540	56,386
Total	**1,957,557**	**2,470,853**

As at 31 December 2015 Treasury Bonds with a carrying amount of ALL150,000 thousand (2014: nil) were pledged as security for the purchase agreement portfolio (refer to note 26).

18. Loans and advances to banks and financial institutions

(a) Analysis by type

	As at 31 December 2015	As at 31 December 2014
Current accounts with banks	689,313	2,112,249
Placements due from banks	549,120	760,572
Receivables under resale agreements	-	-
Total	**1,238,433**	**2,872,821**

(b) Geographical analysis

	As at 31 December 2015	As at 31 December 2014
Domestic banks and financial institutions	38,641	1,033,671
Foreign banks and financial institutions	1,199,792	1,839,150
Total	**1,238,433**	**2,872,821**

In thousands of ALL, unless otherwise stated

19. Loans and advances to customers

	As at 31 December 2015	As at 31 December 2014
Retail customers	1,931,697	1,824,008
Consumer loans	*313,105*	*334,388*
Mortgage loans	*1,474,200*	*1,353,566*
Credit cards	*144,392*	*136,054*
Small and medium enterprises	4,843,167	4,592,745
Less allowance for impairment	(576,779)	(547,049)
Net loans and advances to customers	**6,198,085**	**5,869,704**

Loans and advances to customers composed by sector as at 31 December 2015 are as follows:

	Gross Amount	Impairment allowance	Carrying Amount
Retail customer	1,931,697	(187,756)	1,743,941
Consumer loans	*313,105*	*(46,923)*	*266,182*
Mortgage loans	*1,474,200*	*(99,631)*	*1,374,569*
Credit cards	*144,392*	*(41,202)*	*103,190*
Small and medium enterprises	*4,843,167*	*(389,023)*	*4,454,144*
Total	**6,774,864**	**(576,779)**	**6,198,085**

Loans and advances to customers composed by sector as at 31 December 2014 are as follows:

	Gross Amount	Impairment allowance	Carrying Amount
Retail customer	1,824,008	(175,964)	1,648,044
Consumer loans	*334,388*	*(52,349)*	*282,039*
Mortgage loans	*1,353,566*	*(81,443)*	*1,272,123*
Credit cards	*136,054*	*(42,172)*	*93,882*
Small and medium enterprises	4,592,745	(371,085)	4,221,660
Total	**6,416,753**	**(547,049)**	**5,869,704**

In thousands of ALL, unless otherwise stated

19. Loans and advances to customers (continued)

Changes in allowance for impairment for years ended 31 December 2015and 2014 are as follows:

	2015	2014
Specific impairment allowance		
Balance at January 1	(399,406)	(211,551)
Net (Impairment loss)/recoveries for the year	(104,120)	(187,855)
charge for the year	*(182,330)*	*(224,560)*
Recoveries	*78,210*	*36,705*
Write-offs	88,542	-
Balance at December 31	**(414,984)**	**(399,406)**
Collective impairment allowance		
Balance at January 1	(147,643)	(97,149)
Net (Impairment loss)/recoveries for the year	(14,152)	(50,494)
charge for the year	*(62,271)*	*(81,238)*
recoveries	*48,119*	*30,744*
Write-offs	-	-
Balance at December 31	**(161,795)**	**(147,643)**
Total allowance for impairment	**(576,779)**	**(547,049)**

In thousands of ALL, unless otherwise stated

20. Property and equipment

	Leasehold improvements	Fittings, fixtures & installations	Motor Vehicles	Machinery and electronic Equipment	Computer and IT system	Office equipment and other	Fixed assets in progress	Total
Cost								
Balance at 1 January 2014	**117,116**	**46,866**	**27,865**	**84,947**	**73,172**	**47,507**	**8,050**	**405,523**
Additions	1,370	892	2,235	840	3,054	320	-	8,711
Disposals	-	-	(4,690)	-	-	-	-	(4,690)
Transfers	-	-	-	-	118	639	(757)	-
Balance at 31 December 2014	**118,486**	**47,758**	**25,410**	**85,787**	**76,344**	**48,466**	**7,293**	**409,544**
Additions	909	1,047	-	2,834	3,051	79	13	7,933
Disposals	-	-	(3,472)	-	-	-	-	(3,472)
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2015	**119,395**	**48,805**	**21,938**	**88,621**	**79,395**	**48,545**	**7,306**	**414,005**
Accumulated Depreciation								
Balance at 1 January 2014	**(93,071)**	**(24,234)**	**(11,962)**	**(47,164)**	**(63,238)**	**(25,311)**	**-**	**(264,980)**
Charge for the period	(4,111)	(4,725)	(2,432)	(8,464)	(2,627)	(4,839)	-	(27,198)
Disposals	-	-	3,064	-	-	-	-	3,064
Balance at 31 December 2014	**(97,182)**	**(28,959)**	**(11,330)**	**(55,628)**	**(65,865)**	**(30,150)**	**-**	**(289,114)**
Charge for the period	(4,199)	(4,921)	(2,550)	(8,543)	(3,172)	(4,854)	-	(28,239)
Disposals	-	-	2,902	-	-	-	-	2,902
Balance at 31 December 2015	**(101,381)**	**(33,880)**	**(10,978)**	**(64,171)**	**(69,037)**	**(35,004)**	**-**	**(314,451)**
Net book value								
As at 1 January 2014	**24,045**	**22,632**	**15,903**	**37,783**	**9,934**	**22,196**	**8,050**	**140,543**
As at 31 December 2014	**21,304**	**18,799**	**14,080**	**30,159**	**10,479**	**18,316**	**7,293**	**120,430**
As at 31 December 2015	**18,014**	**14,925**	**10,960**	**24,450**	**10,358**	**13,541**	**7,306**	**99,554**

In thousands of ALL, unless otherwise stated

20. Property and equipment (continued)

Other

Fixed assets in progress include all assets purchased and not yet put in use. Leasehold improvements consists in investments done for rented premises.

21. Intangible assets

	Patents, copyrights and trademarks	Software and other intangible assets	Total
Cost			
Balance at 1 January 2014	**8,369**	**33,376**	**41,745**
Additions	229	4,116	4,345
Balance at 31 December 2014	**8,598**	**37,492**	**46,090**
Additions	-	22,006	22,006
Balance at 31 December 2015	**8,598**	**59,498**	**68,096**
Accumulated amortization			
Balance at 1 January 2014	**(6,811)**	**(26,654)**	**(33,465)**
Charge for the period	(576)	(3,075)	(3,651)
Balance at 31 December 2014	**(7,387)**	**(29,729)**	**(37,116)**
Charge for the period	(596)	(3,621)	(4,217)
Balance at 31 December 2015	**(7,983)**	**(33,350)**	**(41,333)**
Net book value			
As at 1 January 2014	**1,558**	**6,722**	**8,280**
As at 31 December 2014	**1,211**	**7,763**	**8,974**
As at 31 December 2015	**615**	**26,148**	**26,763**

In thousands of ALL, unless otherwise stated

22. Repossessed assets

Repossessed assets are acquired collaterals through enforcement of security over non-performing loans and advances to customers. Repossessed assets comprise a number of properties including land and buildings not earning income rentals or own used. During 2015, the Bank tested the related properties for impairment and resulted that no impairment allowance was necessary (2014: ALL 2,599 thousand).

The movement of repossessed assets item during the reporting period is presented as follows:

	As at 31 December 2015	As at 31 December 2014
At the beginning of the period	232,778	113,518
Additions during the period	103,822	127,994
Disposals during the period	(38,064)	(6,135)
Impairment allowance	-	(2,599)
Total	**298,536**	**232,778**

Disposals represent properties sold by the Bank during 2015.

23. Other assets

	As at 31 December 2015	As at 31 December 2014
Prepaid taxes	48,721	50,355
Deferred expenses	8,842	12,586
Gold bullion	7,964	8,167
Other	57,484	19,194
Total	**123,011**	**90,302**

Movements in Other relates mainly to receivables from insurance company for losses from events against which Bank has insurance contract.

Prepaid taxes are composed of the following:

	As at 31 December 2015	As at 31 December 2014
Withholding tax	48,721	48,721
Prepaid income tax	-	1,634
Total	**48,721**	**50,355**

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.

In thousands of ALL, unless otherwise stated

24. Due to banks and other financial institutions

	As at 31 December 2015	As at 31 December 2014
Payable on demand	17,846	-
Term deposits	180,009	-
Total	**197,855**	**-**

25. Due to customers

	As at 31 December 2015	As at 31 December 2014
Retail customers	13,495,426	13,138,384
payable on demand	*4,944,417*	*4,520,443*
term deposits	*8,550,668*	*8,617,599*
other clients account	*341*	*342*
Corporate customers	1,213,903	1,167,230
payable on demand	*477,472*	*646,026*
term deposits	*686,697*	*496,849*
other client accounts	*49,734*	*24,355*
Total	**14,709,329**	**14,305,614**

26. Liabilities evidenced by paper

The liabilities evidenced by paper in the amount of ALL 135,035 thousand relate to 1 month repurchase agreements with Bank of Albania. They bear interest of 1.38% per annum. Treasury Bonds with a carrying amount of ALL150,000 thousand were pledged as security for these agreements. (refer to note 17). Bank did not have such agreements at 31 December 2014.

In thousands of ALL, unless otherwise stated

27. Other liabilities

	As at 31 December 2015	As at 31 December 2014
Payment in transit	28,340	41,339
Other creditors	19,706	71,981
Fiscal administration	5,730	4,802
Income tax payable	1,287	21,352
Accruals for expenses	477	477
Suppliers	808	6,992
Total	**56,348**	**146,943**

28. Capital and reserves

Number and face value of registered shares

As at 31 December 2015 and 2014 the registered share capital of the Bank is Euro 11,974,576.26 or ALL equivalent 1,516,517 thousand divided into 1,413,000 ordinary shares with par value each of Euro 8.47457626 or ALL 1,073.26.

In thousands of ALL, unless otherwise stated

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 counterpart failed completely to perform as contracted.

	As at 31 December 2015	As at 31 December 2014
Bank guarantees	37,782	53,128
Commitments given on behalf of customers	318,786	254,302
Letter of credit	14,414	-
Total	**370,982**	**307,430**

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 2015 guarantees and letters of credit are fully collateralized.

b) Lease commitments

	As at 31 December 2015	As at 31 December 2014
Up to 1 year	67,638	66,040
Above 1 year and less than 5 years	170,684	202,005
Above 5 years	458	6,073
Total	**238,780**	**274,118**

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. Lease contracts are cancelable, if notified for a period of 30 up to 180 days in advance.Minimum lease commitment for the year ending 31 December 2015 areALL18,219 thousand (2014: ALL 18,016 thousand).

In thousands of ALL, unless otherwise stated

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. Such transactions include loans, deposits and other transactions. The outstanding balances at the end of respective periods are as follows:

	As at and for the year ended	
	31 December 2015	**31 December 2014**
Loans and advances	634,548	716,309
Accounts receivables	9,187	6,686
Interest income	302	4,817
Interest expense	(5)	(13)
Commission income	126	80
Commission expense	(50)	(36)

The key management personnel of the Bank received remuneration of ALL 25,121 thousand (2014: ALL 24,355 thousand) for the year ending 31 December 2015. Key management received other benefits amounting to ALL 5,556 thousand (2014: ALL 3,514 thousand) for the year ending 31 December 2015.

31. Cash and cash equivalents

	As at 31 December 2015	**As at 31 December 2014**
Cash on hand (note 14)	201,066	144,324
Current accounts		2,202,548
central bank (note 14)	*25,788*	*90,299*
correspondent banks (note 18)	*689,313*	*2,112,249*
Loans and advances to banks and financial institutions with maturity less than 90 days (note 18)	549,120	760,572
Total	**1,465,287**	**3,107,444**

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.