

FIRST INVESTMENT BANK - ALBANIA SH.A.

Financial statements
For the year ended 31 December 2016
(with independent auditors' report thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of First Investment Bank - Albania sh.a. ("the Bank"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Article 47 of the Banking Law of the Republic of Albania (Law No.9662, dated 18 December 2006).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Methodology for Financial Reporting or MRF" approved by the Supervisory Council of the Bank of Albania on 24 December 2008, in accordance with Article 47 of the Law on Banks in the Republic of Albania (Law no. 9662, dated 18 December 2006), 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO ALBANIA sh.p.k.

BDO Albania sh.p.k.

15 February 2017
Tirana, Albania

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

[Signature]
Besjana Doda
Engagement Partner

Balance sheet as at 31 December 2016

in thousands ALL

		As at	As at
	Note	31 December 2016	31 December 2015
ASSETS			
Cash and Central Bank	5	1,989,402	1,618,276
Due from banks	6	1,791,915	1,238,433
Investment securities	7	7,143,212	7,216,428
Loans and advances to customers	8	6,971,564	6,142,815
Property and equipment	9	86,229	99,554
Intangible assets	10	24,599	26,763
Repossessed assets	11	380,844	298,536
Other assets	12	64,596	123,010
TOTAL ASSETS		18,452,361	16,763,815
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to banks and other financial institutions	13	494,948	430,598
Due to customers	14	15,813,632	14,476,586
Repurchase agreements	15	-	135,035
Other liabilities	16	152,882	56,116
Statistical and other provision	17	94,686	89,811
Total liabilities		16,556,148	15,188,146
Paid-in capital	18	1,516,517	1,516,517
Translation reserve	18	102,804	127,353
Accumulated losses		276,892	(68,201)
Shareholder's equity		1,896,213	1,575,669
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		18,452,361	16,763,815

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 31.

Income statement for the year ended 31 December 2016

in thousands ALL

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Interest income		603,471	623,670
Interest expense		(236,185)	(265,138)
Net interest	19	367,286	358,532
Net income from financial activities	20	430,908	368,876
Fee and commission income		231,716	211,706
Fee and commission expense		(37,010)	(35,543)
Net fee and commission income	21	194,706	176,163
Other expenses net		2,178	443
Net foreign exchange gain	22	11,654	8,194
Net income from banking activities		1,006,732	912,208
Personnel expenses	23	(176,582)	(181,709)
Taxes other than profit tax		(4,155)	(4,014)
Other general and administrative expenses	24	(240,159)	(231,752)
Total general and administrative expenses		(420,896)	(417,475)
Amortization and depreciation	9,10	(38,189)	(32,455)
Change in provision for loan losses	25	(45,993)	(88,749)
Other provisions		(13,822)	(77)
Loss from uncollectible accounts		(77,631)	(89,373)
Total provisions		(175,635)	(210,654)
Net extraordinary losses		1,900	(7,614)
Profit before taxes		412,101	276,464
Income tax expense	26	(67,008)	(46,796)
NET PROFIT		345,093	229,668

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 31.

Statement of Cash Flow for the year ended 31 December 2016
in thousands ALL

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Net profit for the period		345,093	229,668
Loan loss provision charge		397,934	415,260
Reversal of provisions		(338,120)	(326,435)
Depreciation and Amortization	9,10	38,189	32,455
Effect of other accrued and deferred items		5,149	3,777
Decrease/(Increase) in interest receivable		25,981	42,154
(Decrease)/Increase in interest payables		(19,045)	(49,747)
Translation adjustments		(24,549)	(34,247)
		430,632	312,885
Change in obligatory reserve		(173,764)	(10,107)
Change in investment securities		(284,414)	31,985
Change in due from banks		(553,430)	1,634,376
Change in loans and advances to customers		(861,299)	(365,512)
Change in other assets		(28,717)	(102,212)
Change in due to banks		64,719	112,465
Change in due to customers		1,355,722	538,852
Change in other liabilities		82,489	(90,704)
Net cash flows from operating activities		31,938	2,062,028
Investing activities:			
Acquisition Investments of securities		188,124	(2,040,428)
Purchase of property, equipment and intangible assets	9,10	(22,700)	(29,368)
Net cash flows used in investing activities		197,362	(7,768)
Financing activities:			
Proceeds from increase of share capital		-	-
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		197,362	(7,768)
Cash and cash equivalents at the beginning of the period		226,855	234,623
Cash and cash equivalents at the end of the year	29	424,217	226,855


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 5 to 31.

Statement of Changes in Equity for the year ended 31 December 2016
in thousands ALL

	<i>Paid in capital</i>	<i>Translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2015	1,516,517	161,600	(297,869)	1,380,248
Change in translation reserve	-	(34,247)	-	(34,247)
Net profit for the period	-	-	229,668	229,668
Balance at 31 December 2015	1,516,517	127,353	(68,201)	1,575,669
Change in translation reserve	-	(24,549)	-	(24,549)
Net profit for the period	-	-	345,093	345,093
Balance at 31 December 2016	1,516,517	102,804	276,892	1,896,213

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 5 to 31.

The financial statements have been approved by the Management on 15 February 2017 and signed on its behalf by:



 Bozhidar Todorov
 Chief Executive Officer



 Elma Lloja
 Executive Director



 Edvin Liko
 Chief Financial Officer

Notes to the financial statements for the year ended 31 December 2016
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, "Dëshmorët 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 and is authorized to operate as a dealer in the secondary market of securities issued by the Government of Albania. 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's shares. Previously it operated as a foreign branch of the Parent in Albania since February 1999.

The shareholders structure of the parent as at 31 December 2016 was as follows:

Shareholders	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	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, Korçë, Fier, Berat and Vlorë.

The Bank had 140 (31 December 2015: 126) employees as at 31 December 2016.

Statement of compliance

The accompanying financial statements have been prepared in accordance with the "Reporting methodology and content of financial reporting" ("Financial Reporting Methodology" or "FRM") approved from the Supervisory Council of Bank of Albania on 24 December 2008. The FRM was approved for regulatory purposes, pursuant to Article 47 of the Law No. 9662, dated 18 December 2006 "On Banks in the Republic of Albania".

2. Significant accounting policies
a) Basis of preparations

The financial statements are presented in Albanian Lek (ALL) rounded to the nearest thousand, which is the Bank's functional currency. As allowed by local legislation, paid up capital originally recorded in Euro is presented in the Lek equivalent of the original Euro balances according to the historical exchange rates at the respective transaction dates. In accordance with Bank of Albania regulation, the difference between the Lek value of capital at the historic rate of exchange and the rate of exchange at the balance sheet date is recorded as a translation reserve in equity.

The financial statements are prepared on the historical cost basis and the accounting policies applied are the same as those applied by the Bank as at and for the year ended 31 December 2015.

2. Significant accounting policies (continued)**b) 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 amortized cost in foreign currency translated at the spot exchange rate at the end of the period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand and unrestricted balances held with the Central Bank. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

d) Investment securities held to maturity

Investment securities which have fixed or determinable payments and a fixed maturity that the Bank has the positive intention and ability to hold to maturity include treasury bills and government bonds. Subsequent to initial recognition, investment securities held to maturity are carried at amortized cost

e) Investment securities available for sale

Available for sale investment securities are those securities that the Bank acquires with the intention of holding for a period of more than six months, with the exception of those securities which the Bank intends to hold to maturity and which satisfy the rules regarding investment securities. Available for sale investment securities also include securities which cannot be recorded either as trading securities or as investment securities.

Available for sale investment securities are initially recorded at their acquisition price excluding acquisition costs. On each balance sheet date, provisions are made against unrealised capital losses resulting from the difference between the book value and the market price of the securities. Unrealised capital gains are not recorded in the accounts.

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
2. Significant accounting policies (continued)
f) Loans and advances to customers

Loans and advances to customers are reported net of provisions for specific loan losses for loans classified as substandard, doubtful and loss. Provisions created for possible losses on loans classified as standard, past due and special mention are classified as a Statistical and other provision in the liability side of the balance sheet. The credit policy and procedure of the Bank is in accordance with instructions issued by the Bank of Albania. Provisions are applied in accordance with regulation No. 62 of the Bank of Albania "On Credit Risk Management" (Loan regulation) approved by the decision of the Supervisory Council date 14 September 2011. The Bank classifies its loans in the following categories adopting the following loan loss provision rates:

	Days in arrear for overdrafts	Days in arrear for term loans	Loss provision
Standard and Past Due	1-30 days	Up to 30 days	1%
Special Mention	31-60 days	31 to 90 days	5%
Substandard	61-90 days	91 to 180 days	20%
Doubtful	91-180 days	181 to 365 days	50%
Lost	Over 180 days	Over 365 days	100%

Provision for loan losses

The provision for loan losses is recorded as a contra asset against loans to customers in the balance sheet. This provision includes estimates covering probable losses on substandard, doubtful and loss loans.

Provision for risks and expenses

The provision for statistical risks on loans and guarantees is based on statistical information related to loan losses on standard and special mention loans.

g) 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 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.

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
2. Significant accounting policies (continued)
h) 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 and other intangible assets	5 years

i) Repossessed assets

Repossessed assets are immovable and movable assets acquired from the Bank for unsolved credits and are measured at the lower of cost and net realizable value. Any gain or loss on disposal is recognized in profit or loss.

In case of the Bank cannot disposal repossessed assets within the first year of their obtainment, shall create reserve funds for loss covering according regulation no.62 of the Bank of Albania "On credit risk management" (Loan Regulation) approved with decision of Supervisory Board on 14 September 2011. Reserve funds for immovable assets shall be created based on accounting value within a period no longer than 7 years from their acquirement date at the end of the forced execution process for unsolved credits, according rates provided on loan regulation at no less that the rate as percentage of accounting value of these assets, as following table:

1 st year	5%
2 nd year	10%
3 rd year	15%
4 th year	15%
5 th year	15%
6 th year	20%
7 th year	20%
Total	100%

For movable assets, the banks shall create reserve funds at no less than 100% of the accounting value of the movable asset, in case they cannot sell these assets within a year from their acquirement date.

Reserve funds are recognised as expenses, meanwhile the reversal of reserve funds are recognised as profit of the period.

j) Interest income and expenses

Interest income and expense is recognised based on the effective interest rate method, other than interest income on substandard, doubtful and loss loans, which is recognised on a cash basis.

2. Significant accounting policies (continued)

k) Commissions

Fee and commission income arises on financial services provided by the Bank and is recognized when the corresponding service is provided.

l) Taxation

The Bank determines taxation at the end of the period in accordance with the Albanian tax legislation. Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenditure items as required under Albanian law.

m) Offsetting

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot or forward date. The notional amount of these contracts does not represent the actual market or credit risk associated with this product.

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
3. Risk management disclosure

Below is a discussion of the various risks the Bank is exposed to as a result of its 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 2016 the thirty largest non-financial institution depositors represent 8.22% (2015: 10.4%) of total deposits from other customers. The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at 31 December 2016.

Maturity table as at 31 December 2016

	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	Maturity not defined	Total
Assets						
Cash and Central Bank	1,989,402	-	-	-	-	1,989,402
Due from banks	11,728	46,043	489,498	-	-	547,269
Treasury Bills	1,791,915	-	-	-	-	1,791,915
Government Bonds	598,320	148,673	710,418	6,244,061	(729,908)	6,971,564
Loans and advances to customers	158,836	569,520	753,598	5,113,989	-	6,595,943
Property and equipment	-	-	-	-	86,229	86,229
Intangible assets	-	-	-	-	24,599	24,599
Other assets	-	-	-	-	445,440	445,440
Total	4,550,201	764,236	1,953,514	11,358,050	(173,640)	18,452,361
Liabilities						
Due to banks and credit institutions	375,747	15,556	103,645	-	-	494,948
Due to customers	7,452,532	843,439	6,525,164	992,497	-	15,813,632
Repurchase agreements	-	-	-	-	-	-
Other liabilities	-	-	-	-	152,882	152,882
Statistical and other provision	-	-	-	-	94,686	94,686
Total	7,828,279	858,995	6,628,809	992,497	247,568	16,556,148
Net liquidity gap	(3,278,078)	(94,759)	(4,675,295)	10,365,553	(421,208)	1,896,213

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

3. Risk management disclosure (continued)

a) Liquidity risk (continued)

Maturity table as at 31 December 2015

	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More Than 1 year	Maturity not defined	Total
Assets						
Cash and Central Bank	1,618,276	-	-	-	-	1,618,276
Due from banks	1,238,433	-	-	-	-	1,238,433
Treasury Bills	13,177	342,696	76,488	-	-	432,361
Government Bonds	310,465	253,916	1,013,739	5,205,947	-	6,784,067
Loans and advances to customers	725,328	82,866	640,700	5,382,842	(688,921)	6,142,815
Property and equipment	-	-	-	-	99,554	99,554
Intangible assets	-	-	-	-	26,763	26,763
Other assets	-	-	-	-	421,546	421,546
Total	3,905,679	679,478	1,730,927	10,588,789	(141,058)	16,763,815
Liabilities						
Due to banks and credit institutions	327,937	29,078	53,583	20,000	-	430,598
Due to customers	6,394,790	847,735	5,042,684	2,191,377	-	14,476,586
Repurchase agreements	135,035	-	-	-	-	135,035
Other liabilities	-	-	-	-	56,116	56,116
Statistical and other provision	-	-	-	-	89,811	89,811
Total	6,857,762	876,813	5,096,267	2,211,377	145,927	15,188,146
Net liquidity gap	(2,952,083)	(197,335)	(3,365,340)	8,377,412	(286,985)	1,575,669

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 reprice 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, 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.

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
3. Risk Management Disclosure (continued)
b) Market Risk (continued)
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 assets and liabilities of the Bank that are not denominated in the presentation currency of the Bank.

As at 31 December 2016 the exposures were as follows (amounts translated into '000 ALL) :

	Lek	EUR	USD	Other	Total
Assets					
Cash and Central Bank	1,014,992	829,434	121,555	23,421	1,989,402
Due from banks	547,269	-	-	-	547,269
Treasury Bills	420,042	1,316,294	51,980	3,599	1,791,915
Government Bonds	1,783,573	4,642,277	545,665	49	6,971,564
Loans and advances to customers	5,120,693	1,475,250	-	-	6,595,943
Property and equipment	86,229	-	-	-	86,229
Intangible assets	24,599	-	-	-	24,599
Other assets	286,858	158,534	46	2	445,440
Total	9,284,255	8,421,789	719,246	27,071	18,452,361
Liabilities					
Due to banks and credit institutions	191,505	119,519	179,985	3,939	494,948
Due to customers	8,905,401	6,367,213	519,353	21,665	15,813,632
Repurchase agreements	-	-	-	-	-
Other liabilities	60,944	91,966	(28)	-	152,882
Statistical and other provision	94,686	-	-	-	94,686
Total	9,252,536	6,578,698	699,310	25,604	16,556,148
Net liquidity gap	31,719	1,843,091	19,936	1,467	1,896,213

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

3. Risk Management Disclosures (continued)

b) Market Risk (continued)

Currency Risk (continued)

As at 31 December 2015 the exposures were as follows (amounts translated into '000 ALL):

	Lek	EUR	USD	Other	Total
Assets					
Cash and Central Bank	873,536	638,670	93,195	12,875	1,618,276
Due from banks	293	1,177,879	51,247	9,014	1,238,433
Treasury Bills	428,965	3,396	-	-	432,361
Government Bonds	5,157,911	1,626,156	-	-	6,784,067
Loans and advances to customers	1,640,014	4,086,035	416,712	54	6,142,815
Property and equipment	99,554	-	-	-	99,554
Intangible assets	26,763	-	-	-	26,763
Other assets	217,774	200,364	3,406	2	421,546
Total	8,444,810	7,732,500	564,560	21,945	16,763,815
Liabilities					
Due to banks and credit institutions	320,067	96,759	13,772	-	430,598
Due to customers	7,915,286	6,001,102	545,931	14,267	14,476,586
Repurchase agreements	135,035	-	-	-	135,035
Other liabilities	27,568	20,390	694	7,464	56,116
Statistical and other provision for substandard and special mention loans	89,811	-	-	-	89,811
Total	8,487,767	6,118,251	560,397	21,731	15,188,146
Net liquidity gap	(42,957)	1,614,249	4,163	214	1,575,669

In respect of 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.

The applicable rate of exchange (Lek to foreign currency unit) for the principal currencies as at 31 December 2016 and 31 December 2015 were as follows:

	31 December 2016	31 December 2015
USD	128.17	125.79
EUR	135.23	137.28
GBP	157.56	186.59
CHF	126.05	126.74

3. Risk Management Disclosure (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. In addition, the Bank is exposed to off-balance sheet credit risk through commitments to extend credit and guarantees issued (see note 27).

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.

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.

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%, 35%, 50%, 80%, 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:

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

3. Risk Management Disclosure (continued)

e) Capital Management (continued)

- Tier 1 capital (core capital), which includes ordinary share capital, share premium, statutory reserve, other general reserves, retained earnings from prior years after deductions for 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 2016 was 18.13% (31 December 2015: 17.54%) compared to a minimum of 12% stipulated by the Bank of Albania.

During 2014 the Supervisory Council of Bank of Albania issued a new regulation "On Regulatory Capital" in force by 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.

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
4. Fair value of financial instruments

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

As at 31 December 2016

	Note	Held to Maturity	Available for Sale	Other	Total carrying amount	Fair Value
Cash and Central Bank	5	-	-	1,989,402	1,989,402	1,989,402
Due from banks	6	-	547,269	-	547,269	547,269
Treasury Bills	7	-	-	1,791,915	1,791,915	1,791,915
Government Bonds	7	1,311,855	5,284,088	-	6,595,943	6,945,701
Loans and advances to customers	8	-	-	6,971,564	6,971,564	6,971,564
Due to banks and other financial institutions	12	-	-	494,948	494,948	494,948
Due to customers	13	-	-	15,813,632	15,813,632	15,965,292
Repurchase agreements	14	-	-	-	-	-

As at 31 December 2015

	Note	Held to Maturity	Available for Sale	Other	Total carrying amount	Fair Value
Cash and Central Bank	5	-	-	1,618,276	1,618,276	1,618,276
Due from banks	6	-	-	1,238,433	1,238,433	1,238,433
Treasury Bills	7	-	432,361	-	432,361	433,260
Government Bonds	7	1,957,557	4,826,510	-	6,784,067	6,990,438
Loans and advances to customers	7	-	-	6,142,815	6,142,815	6,142,815
Due to banks and other financial institutions	12	-	-	430,598	430,598	430,598
Due to customers	13	-	-	14,476,586	14,476,586	14,476,586
Repurchase agreements	14	135,035	-	-	135,035	135,035

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.

The fair value for Treasury Bills and Government Bonds is performed using the mark to market model valuation technique, by discounting all future cash flows deriving from such instruments.

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated
5. Cash and Central bank

	As at 31 December 2016	As at 31 December 2015
Cash on hand		
In Albanian Lek	124,612	69,869
In foreign currencies	284,537	131,198
	409,149	201,067
Balances with Central Bank		
Current accounts	15,068	25,788
Statutory reserves	1,565,185	1,391,421
	1,580,253	1,417,209
Total	1,989,402	1,618,276

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. Only 40% of the Lek statutory reserve is available for the Bank's day-to-day operations.

6. Due from Banks and credit institutions

	As at 31 December 2016	As at 31 December 2015
Current accounts		
Resident	-	38,641
Non-resident	1,236,633	650,672
Total	1,236,633	689,313
Deposits		
Resident	555,282	-
Non-resident	-	549,120
	555,282	549,120
Total	1,791,915	1,238,433

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
7. Investment Securities

Investment securities are composed as follows:

	As at 31 December 2016	As at 31 December 2015
Treasury Bills	547,269	432,361
Government Bonds	6,595,943	6,784,067
	7,143,212	7,216,428

No zero-coupon treasury bills of the Government of Albania were held as at 31 December 2016 and 31 December 2015.

	As at 31 December 2016	As at 31 December 2015
Treasury bills available for sale		
Nominal value	558,900	435,182
Unamortized discount	(11,631)	(2,821)
Total	547,269	432,361

Government bonds as at 31 December 2016 represent 6 months to 10 year bonds denominated in Lek and Euro, issued by the Government of Albania with coupon rates ranging from 5.68% to 9.34% per annum (2015: 2 to 10 years coupon rates ranging from 4.57% to 9.34% per annum).

	As at 31 December 2016	As at 31 December 2015
Government Bonds held-to-maturity		
Nominal value	1,264,845	1,913,000
Unamortized discount	20,919	17
Accrued interest	26,091	44,540
	1,311,855	1,957,557
Government Bonds available-for-sale		
Nominal value	5,167,072	4,713,237
Unamortized discount	42,589	57,216
Accrued interest	74,427	56,057
	5,284,088	4,826,510
Total	6,595,943	6,784,067

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
8. Loans and advances to customers

	As at 31 December 2016	As at 31 December 2015
Loans and advances to customers, gross	7,701,472	6,831,736
Provision for loan losses	(729,908)	(688,921)
Loans and advances to customers, net	6,971,564	6,142,815

Loans and advances to customers as at 31 December 2016 are as follows:

	Short term loans	Medium term loans	Long term loans	Total loans
Current accounts	904,326	100,029	-	1,004,355
Standard loans	13,392	1,790,192	3,327,448	5,131,032
Special mention loans	2,204	130,822	257,961	390,987
Substandard loans	33,958	97,007	185,661	316,626
Provision for substandard loans	(7,039)	(21,655)	(41,254)	(69,948)
Doubtful loans	27,371	33,315	323,479	384,165
Provision for doubtful loans	(18,783)	(17,474)	(166,514)	(202,771)
Lost loans	57,168	149,542	250,196	456,906
Provision for lost loans	(57,168)	(149,563)	(250,459)	(457,190)
Other accounts	17,402	-	-	17,402
Total	972,831	2,112,215	3,886,518	6,971,564

Loans and advances to customers as at 31 December 2015 are as follows

	Short term loans	Medium term loans	Long term loans	Total loans
Current accounts	736,913	95,429	-	832,342
Standard loans	18,249	1,333,047	2,882,594	4,233,890
Special mention loans	5,467	162,215	340,027	507,709
Substandard loans	68,711	74,278	391,422	534,411
Provision for substandard loans	(20,451)	(17,912)	(90,866)	(129,229)
Doubtful loans	22,000	82,814	166,126	270,940
Provision for doubtful loans	(12,343)	(43,337)	(85,949)	(141,629)
Lost loans	59,161	129,779	245,379	434,319
Provision for lost loans	(53,121)	(129,782)	(235,160)	(418,063)
Other accounts	18,125	-	-	18,125
Total	842,710	1,686,532	3,613,573	6,142,815

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
8. Loans and advances to customers (continued)

An analysis of concentration of credit risk by economic sector for loans and advances to customers as at 31 December 2016 and 2015 is presented in the tables below:

	As at 31 December 2016	As at 31 December 2015
Loans to small and medium enterprises		
Agriculture	295,566	35,944
Industry	350,831	225,670
Production and distribution of electrical power, gas and water	419,151	342,177
Construction	638,022	621,431
Trade	1,449,361	1,277,968
Hotels and restaurants	541,489	529,390
Transport, storage and telecommunication	459,971	387,782
Financial and monetary intermediation	321,887	383,829
Education	344,443	409,804
Health and social activities	33,101	23,384
Collective and individual services	151,256	172,618
	5,005,078	4,409,997
Loans to individuals	1,966,486	1,732,818
Net loans and advances to customers	6,971,564	6,142,815

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

9. 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
<i>Cost</i>								
Balance at 1 January 2015	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
Additions	1,070	448	-	1,884	532	464	13,403	17,801
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2016	120,465	49,253	21,938	90,505	79,927	49,009	20,709	431,806
<i>Accumulated Depreciation</i>								
Balance at 1 January 2015	(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)
Charge for the period	(4,498)	(5,334)	(2,487)	(9,725)	(3,467)	(5,615)	-	(31,126)
Disposals	-	-	-	-	-	-	-	-
Balance at 31 December 2016	(105,879)	(39,214)	(13,465)	(73,896)	(72,504)	(40,619)	-	(345,577)
<i>Net book value</i>								
As at 1 January 2015	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
As at 31 December 2016	14,586	10,039	8,473	16,609	7,423	8,390	20,709	86,229

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

10. Intangible assets

	Patents, copyrights and trade marks	Software and other intangible assets	Intangible assets in progress	Total
<i>Cost</i>				
Balance at 1 January 2015	8,598	37,492	-	46,090
Additions		22,006	-	22,006
Balance at 31 December 2015	8,598	59,498	-	68,096
Additions	236	3,131	1,532	4,899
Balance at 31 December 2016	8,834	62,629	1,532	72,995
<i>Accumulated amortization</i>				
Balance at 1 January 2015	(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)
Charge for the period	(301)	(6,762)	-	(7,063)
Balance at 31 December 2016	(8,284)	(40,112)	-	(48,396)
<i>Net book value</i>				
As at 1 January 2015	1,211	7,763	-	8,974
As at 31 December 2015	615	26,148	-	26,763
As at 31 December 2016	550	22,517	1,532	24,599

11. Repossessed assets

	As at 31 December 2016	As at 31 December 2015
Repossessed assets	394,796	298,536
Reserve funds for loss covering	(13,952)	-
Gjithsej	380,844	298,536

Based on decision of Supervisory Board of the Bank of Albania no.50, dated 30.03.2016 for some amendments on loan regulation, the banks are obliged to create reserve funds for loss covering for immovable and movable assets acquired for unsolved loans.

For immovable and movable assets acquired up to the month December 2015, is consider the year 2016 as the first year.

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated
12. Other assets

	As at 31 December 2016	As at 31 December 2015
Debtors	69,954	95,580
Deferred expenses	4,018	8,841
Precious metals	7,777	7,964
Payment in transit	(23,127)	2,446
Other assets	5,974	8,179
Total	64,596	123,010

13. Due to banks and other financial institutions

	31 December 2016	31 December 2015
<i>Current accounts with banks</i>		
With resident banks	191,332	147,323
Subtotal	191,332	147,323
<i>Deposit accounts with banks</i>		
With resident banks	120,228	283,275
With non-resident banks	183,388	-
Subtotal	303,616	283,275
Total	494,948	430,598

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated
14. Due to customers

	As at 31 December 2016	As at 31 December 2015
Current accounts	1,424,364	1,025,673
Saving accounts	4,588,942	4,265,094
Deposits	9,718,719	9,135,744
Other clients accounts	81,607	50,075
Total	15,813,632	14,476,586

Due to customers at 31 December 2016 is further detailed as follows (amounts translated into '000 ALL):

	In ALL	In foreign currency	Total
Current accounts			
Individuals	699,907	326,794	1,026,701
Entities	212,492	185,171	397,663
	912,399	511,965	1,424,364
Savings account			
Individuals	1,859,706	2,729,236	4,588,942
	1,859,706	2,729,236	4,588,942
Deposits			
Individuals	6,015,456	3,299,039	9,314,495
Entities	35,824	302,700	338,524
Accrued interest	62,834	2,866	65,700
	6,114,114	3,604,605	9,718,719
Other clients accounts			
Guarantees	9,340	60,673	70,013
Other	9,843	1,751	11,594
	19,183	62,424	81,607
Total	8,905,402	6,908,230	15,813,632

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
13. Due to customers (continued)

Due to customers at 31 December 2015 is further detailed as follows (amounts translated into '000 ALL):

	In ALL	In foreign currency	Total
Current accounts			
Individuals	457,560	221,763	679,323
Entities	145,187	201,163	346,350
	602,747	422,926	1,025,673
Savings account			
Individuals	1,836,521	2,428,573	4,265,094
	1,836,521	2,428,573	4,265,094
Deposits			
Individuals	5,273,282	3,234,420	8,507,702
Entities	146,803	434,216	581,019
Accrued interest	44,646	2,377	47,023
	5,464,731	3,671,013	9,135,744
Other clients accounts			
Guarantees	10,491	18,726	29,217
Pledged accounts	20,064	-	20,064
Other	794	-	794
	31,349	18,726	50,075
Total	7,935,348	6,541,238	14,476,586

15. Repurchase agreements

Bank did not have such agreements any liabilities evidenced by paper agreement at 31 December 2016. Meanwhile such agreement at 31 December 2015 where in the amount of ALL 135,035 thousand relate to 1 month repurchase agreements with Bank of Albania. They bore interest of 1.38% per annum. Treasury Bonds with a carrying amount of ALL 150,000 thousand were pledged as security for these agreements.

16. Other Liabilities

	As at 31 December 2016	As at 31 December 2015
Other creditors	56,337	18,321
Accrued expenses	4,506	3,724
Fiscal administration	3,702	5,730
Payment in transit	88,337	28,341
Total	152,882	56,116

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
17. Statistical and other provisions

	As at 31 December 2016	As at 31 December 2015
Statistical and other provisions for standard and special mention loans	94,585	89,579
Provision for possible losses from off-balance sheet items	101	232
Total	94,686	89,811

18. Capital and reserves
(a) Number and face value of registered shares as at 31 December 2016

As at 31 December 2016 the registered share capital of the Bank is Euro 11,974,576.26 or ALL equivalent 1,516,517 thousand (2015: 11,974,576.26 Euro or equivalent ALL 1,516,517 thousand) divided into 1,413,000 ordinary shares with par value each of Euro 8.47457626 or ALL 1,073.26 (2015: 1,413,000 ordinary shares).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2016 together with the number and percentage of ownership of each shareholder, from total issued shares of the Bank.

	Number of shares	% of issued share capital
"First Investment Bank AD Sofia"	1,413,000	100.00%

(c) Translation reserve

The share capital is denominated in Euro and is converted into Lek at the historical rate ruling at the date of any increase. The difference between the historic rate and year-end rate is included in the translation reserve as part of shareholders equity.

19. Net interest income

	Year ended 31 December 2016	Year ended 31 December 2015
Interest and similar income		
Interest and similar income arises:		
From treasury and interbank transactions	13,264	12,375
From transactions with customers	590,207	611,295
	603,471	623,670
Interest expense and similar charges		
Interest expense and similar charges arise :		
For treasury and interbank transactions	(6,656)	(16,938)
For transactions with customers	(229,529)	(248,200)
	(236,185)	(265,138)
Net interest income	367,286	358,532

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
20. Net income from financial activities

	Year ended 31 December 2016	Year ended 31 December 2015
From Treasury Bills	5,847	31,051
From Government Bonds	425,061	337,825
Total	430,908	368,876

21. Net fee and commission income

	As at 31 December 2016	As at 31 December 2015
Fee and commission income		
From client transactions	45,143	108,033
From banking services	186,504	103,635
Other commissions	69	38
	231,716	211,706
Fee and commission expense		
For treasury and interbank	(933)	(33)
For client transactions	(36,077)	(35,510)
	(37,010)	(35,543)
Net fee and commission income	194,706	176,163

Fee from banking services mainly are comprised of fees received from depositary services in the amount of ALL 60,984 thousand (2015: ALL 57,319 thousand).

22. Net foreign exchange gains

Net foreign exchange gains comprise realized and unrealized foreign exchange gains and losses.

23. Personnel expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Wages and salaries	151,310	158,370
Compulsory social security obligations	19,756	18,418
Other allowances to staff	2,941	3,224
Training expenses	2,575	1,697
Total	176,582	181,709

At 31 December 2016 the Bank has 140 personnel (2015: 126 employees).

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

24. Other general and administrative expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Rent	69,167	70,573
Administration, consultancy and other costs	120,812	121,377
Maintenance and repair	29,605	29,145
Advertising and PR	20,575	10,657
Total	240,159	231,752

25. Change in provision for loan losses

	Year ended 31 December 2016	Year ended 31 December 2015
<i>Statistical change provision for standard and special mention loan</i>		
Standard	(11,757)	(1,370)
Special mention	6,752	29,196
	(5,005)	27,826
<i>Change in provisions for substandard, doubtful and lost loans</i>		
Substandard	59,281	(50,982)
Doubtful	(61,142)	(41,562)
Lost	(39,127)	(24,031)
	(40,988)	(116,575)
Total	(45,993)	(88,749)

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
26. Income tax

	As at 31 December 2016	As at 31 December 2015
Accounting profit	412,101	276,464
Other non deductible/(taxable) accounting adjustments:		
Revaluation of share capital	(24,548)	(34,247)
Loans provisions	33,885	59,019
Recognition of effective interest	(6,284)	(3,886)
Assets held for sale	13,953	-
Profit before non deductible expenses	429,107	297,350
Non-deductible expenses:		
Amortisation	6,596	2,774
Personnel expenses	2,941	3,224
Other	8,077	8,622
Profit before taxable losses brought forward	446,721	311,970
Taxable profit/(loss)	446,721	311,970
Income tax expense applying 15% (2015:15%)	(67,008)	(46,796)
Net Profit	345,093	229,668

Based on Albanian tax regulations, the Bank paid a prepaid profit tax during 2016 of ALL 40,435 thousand (2015: ALL 45,509 thousand).

Based on the local accounting law, starting from 1 January 2008 the Bank must report in accordance with IFRS for statutory purposes. 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 Bank of Albania.

27. Commitments and contingent liabilities

The Bank provides financial guarantees and letters of credit to guarantee the performance of certain 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.

Notes to the financial statements for the year ended 31 December 2016

In thousands of ALL, unless otherwise stated

26. Commitments and contingent liabilities (continued)

a) Financial guarantees

	As at 31 December 2016	As at 31 December 2015
Bank guarantees	22,151	37,782
Commitments given on behalf of customers	371,909	318,786
Letter of credit	8,508	14,414
Total	402,568	370,982

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 2016 guarantees and letters of credit are fully collateralized.

b) Lease commitments

	As at 31 December 2016	As at 31 December 2015
Up to 1 year	66,371	67,638
Above 1 year and less than 5 years	98,345	170,684
Above 5 years	153	458
Total	164,869	238,780

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 2016 are Lek 17,951 thousand (2015: Lek 18,219 thousand).

Notes to the financial statements for the year ended 31 December 2016
In thousands of ALL, unless otherwise stated
28. 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 which is the 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 2016	As at 31 December 2015
Loans and advances	327,518	634,548
Accounts receivables	9,217	9,187
Due to banks	183,388	-
Interest income	14	302
Interest expense	(804)	(50)
Commission income	141	126
Commission expense	(123)	(50)

The key management personnel of the Bank received remuneration of ALL 25,106 thousand (2015: ALL 25,121 thousand) for the year ending 31 December 2016. Key management received no other benefits (2015: ALL 5,556 thousand) for the year ending 31 December 2016.

29. Cash and cash equivalent

	As at 31 December 2016	As at 31 December 2015
Cash on hand (note 5)	409,149	201,067
Central Bank (note 5)	15,068	25,788
<i>Current accounts</i>	<i>15,068</i>	<i>25,788</i>
Total	424,217	226,855

30. 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.