

**United Bank of Albania Sh.a.**  
**Financial Statements as at 31 December 2007**  
**(with independent auditor's report thereon)**

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholders of United Bank of Albania sh.a.:**

We have audited the accompanying financial statements of United Bank of Albania sh.a (the "Bank"), which comprise the balance sheet as at 31 December 2007, and the statement of income and expenditure, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Article 47 of the banking Law of the Republic of Albania (Law No. 9662 dated December 18, 2006). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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 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 United Bank of Albania sh.a. as of 31 December 2007, and the results of its operations, changes in equity and its cash flows for the year then ended in accordance with Article 47 of the Banking Law of the Republic of Albania.

March 3, 2008

**United Bank of Albania Sh.a.****Balance sheet as at 31 December 2007**

(Amounts in Lek, unless otherwise stated)

		<b>31 December 2007</b>	<b>31 December 2006</b>
<b>Assets</b>	<b>Notes</b>		
Cash and balances with Central Bank	3	849,169,655	669,084,325
Due from banks and other financial institutions	4	1,979,793,105	1,642,971,756
Due from financing activities	5	1,747,715,998	1,863,989,354
Investment securities	6	84,117,777	96,810,332
Fixed assets	7	292,828,096	285,128,606
Assets Acquire through legal Process		55,197,741	-
Other assets	8	119,521,619	77,447,447
<b>Total assets</b>		<b><u>5,128,343,991</u></b>	<b><u>4,635,431,820</u></b>
<b>Liabilities and shareholders' funds</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	9	107,491,106	125,095,323
Customers' accounts	10	3,905,165,776	3,212,540,627
Statistical provision	5	18,586,380	20,076,958
Other liabilities	11	27,327,831	22,450,708
<b>Total liabilities</b>		<b><u>4,058,571,093</u></b>	<b><u>3,380,163,616</u></b>
<b>Shareholders' funds</b>			
Share capital	12	1,757,603,789	1,743,903,789
Translation reserve	12	(707,180,563)	(566,474,453)
Statutory reserve	12	64,104,767	54,895,938
(Accumulated losses)/Retained Earnings		<u>(44,755,095)</u>	<u>22,942,930</u>
Total shareholders' funds		<u>1,069,772,898</u>	<u>1,255,268,204</u>
<b>Total liabilities and shareholders' funds</b>		<b><u>5,128,343,991</u></b>	<b><u>4,635,431,820</u></b>

The Financial Statements of the Bank were authorized for issue by the Board on January 31, 2008 by:

A. Waheed Alavi

*General Manager*

Fatmir Tresa

*Finance Manager*

The accompanying Notes 1 to 24 form an integral part of these financial statements



**United Bank of Albania Sh.a.**

**Statement of income and expenditures for the year ended 31 December 2007**

*(Amounts in Lek , unless otherwise stated)*

	Notes	2007	2006
<b>Revenue</b>			
Income from banks and financial institutions		99,791,954	85,291,434
Income from financing activity		185,401,780	179,494,098
Income from securities		3,308,228	3,587,497
<b>Total revenue</b>		<b>288,501,962</b>	<b>268,373,029</b>
Customers' share on profit		(146,477,468)	(120,439,930)
<b>Net revenue</b>		<b>142,024,494</b>	<b>147,933,099</b>
Other revenue			
Fee and commission income, net		27,278,095	31,739,078
Foreign exchange gain, net	16	845,292	4,844,563
Other income	13	42,470,006	31,987,321
		70,593,393	68,570,962
<b>Total net revenue</b>		<b>212,617,887</b>	<b>216,504,061</b>
Provision for loan losses	5	(74,436,068)	(21,248,185)
Statistical provision	5	800,949	(3,341,829)
Depreciation	7	(11,525,131)	(10,794,324)
Personnel expenses	14	(79,858,002)	(74,257,641)
Rent		(18,756,675)	(14,675,889)
Other administrative expenses	15	(73,632,156)	(62,126,441)
<b>Total operating expenses</b>		<b>(257,407,083)</b>	<b>(186,444,309)</b>
Net income before taxes		(44,789,196)	30,059,752
Tax on income	17	-	(7,139,803)
<b>Net profit for the year</b>		<b>(44,789,196)</b>	<b>22,919,949</b>

The accompanying Notes 1 to 24 form an integral part of these financial statements

**United Bank of Albania Sh.a.**

**Statement of cash flows for the year ended 31 December 2007**

*(Amounts in Lek, unless otherwise stated)*

		<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>	<b>Note</b>		
Net profit before tax		(44,789,196)	30,059,752
Adjustments for non cash items:			
Depreciation	7	11,525,131	10,794,324
Depreciation of expenses to be amortised		2,123,313	1,879,709
Provision for loans and statistical provision		73,635,119	24,590,014
Gain on sale of investment property			-
Change in translation reserve on capital		(140,706,110)	(112,126,411)
Interest income		(285,193,734)	(264,785,532)
Interest expense		146,477,469	120,439,930
		<u>(236,928,008)</u>	<u>(189,148,214)</u>
Changes in operating assets and liabilities:			
(Increase) decrease in due from financing activities		42,826,887	(252,110,791)
(Increase) decrease in other assets		(32,571,067)	(20,405,888)
Decrease (increase) in due from banks		(240,061,122)	1,148,859
Increase in customer accounts		692,625,149	656,208,193
Increase (decrease) in other liabilities		4,877,123	4,285,347
		<u>467,696,970</u>	<u>389,125,720</u>
Interest received		283,888,019	274,600,845
Interest paid		(146,477,468)	(117,388,644)
Income tax paid		(12,000,000)	(36,000,000)
<b>Net cash provided by (used in) operating activities</b>		<u>356,179,513</u>	<u>321,189,707</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment property			-
Change in investment securities	6	12,692,625	11,111,633
Purchases of fixed assets	7	(19,224,623)	(177,747,530)
Assets Acquired through legal Process		(55,197,740)	
<b>Net cash used in investing activities</b>		<u>(61,729,738)</u>	<u>(166,635,897)</u>
<b>Cash flows from financing activities</b>			
(Decrease)/Increase in due to banks		(17,604,218)	16,076,566
<b>Net cash (used in)/provided by financing activities</b>		(17,604,218)	16,076,566
<b>Net increase in cash and cash equivalent</b>		276,845,556	170,630,376
<b>Cash and equivalents at beginning of the year</b>	18	<u>1,422,924,491</u>	<u>1,252,294,115</u>
<b>Cash and equivalents at the end of the year</b>	18	<u><b>1,699,770,048</b></u>	<u><b>1,422,924,491</b></u>

The accompanying Notes 1 to 24 form an integral part of these financial statements

**United Bank of Albania Sh.a.**

**Statement of changes in equity for the year ended 31 December 2007**

*(Amounts in Lek, unless otherwise stated)*

	<b>Share Capital</b>	<b>Translation Reserve</b>	<b>Statutory Reserve</b>	<b>(Accumulated losses)/ Retained Earnings</b>	<b>Total</b>
Balance at 31 December 2005	<b>1,659,603,789</b>	<b>(454,348,064)</b>	<b>29,841,967</b>	<b>109,376,952</b>	<b>1,344,474,644</b>
<b>Transfer to Reserve</b>	-		25,053,971	(25,053,971)	-
<b>Change in translation reserve</b>	-	(112,126,389)	-	-	(112,126,389)
<b>Allocation of profit to paid in capital</b>	84,300,000	-		(84,300,000)	-
<b>Profit for the year</b>	-	-	-	22,919,949	22,919,949
Balance at 31 December 2006	<b>1,743,903,789</b>	<b>(566,474,453)</b>	<b>54,895,938</b>	<b>22,942,930</b>	<b>1,255,268,204</b>
<b>Transfer to reserves</b>	-	-	9,208,829	(9,208,829)	-
<b>Change in translation reserve</b>	-	(140,706,110)	-	-	(140,706,110)
<b>Allocation of profit to paid in capital</b>	13,700,000	-	-	(13,700,000)	-
<b>Accumulated losses</b>	-	-	-	-	-
<b>Loss for the year</b>	-	-	-	(44,789,196)	(44,789,196)
Balance at 31 December 2007	<b>1,757,603,789</b>	<b>(707,180,563)</b>	<b>64,104,767</b>	<b>(44,755,095)</b>	<b>1,069,772,898</b>

The accompanying Notes 1 to 24 form an integral part of these financial statements

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2007

*(Amounts in Lek, unless otherwise stated)*

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#### 1. General

The United Bank of Albania (hereinafter “the Bank” or “UBA”) is based in Tirana and carries out banking operations in accordance with Islamic laws and principles. The Bank’s activities include acting as manager, on a trustee basis, of funds invested in accordance with Islamic laws and principles. The Bank was incorporated in Albania as a joint venture between the National Commercial Bank of Albania (“NCB”), a state owned bank, which has a 40% share, and a group of Islamic investors composed mainly of:

Shamil Bank	20%
Islamic Development Bank Jedah	15%
Dallah Albaraka Holding Co	10%
Other investors	15%

During 2000, NCB was privatized. After the privatization, the Albanian Ministry of Finance retained NCB.’s shareholding in UBA. On 5 November 1992, the Bank received approval from the Bank of Albania for carrying out banking operations. Formalities in respect of the registration of procedures were completed on 1 July 1994, which is also the incorporation date of the Bank. The Bank is subject to supervision by the Bank of Albania. On 11 January 1999, according to the decision of the Bank of Albania No.165, dated 11 December 1998, the Bank obtained the license “For continuing the banking activity in the Republic of Albania” in accordance with Law No.8365, dated 2 July 1998 “On banks in the Republic of Albania”. The bank’s activity is subject to Law no. 8269 “On the Bank of Albania” dated December 23, 1997, Law No. 9662 dated December 18, 2006 and all rules and regulations approved by the Supervisory Board of Bank of Albania. At year end, the Bank employs 51 staff, including 3 expatriate senior managers.

#### 2. Significant accounting policies

##### (a) Basis of preparation

The accompanying financial statements have been prepared in accordance with Article 47 of the Banking Law of the Republic of Albania (Law No. 9662 dated December 18, 2006), which refers to the Bank Accounting Manual of Bank of Albania.

The financial statements are presented in Albanian Lek and are prepared on the historic cost basis.

##### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with the Central Bank (except for the statutory reserve) and balances with banks and other financial institutions that mature within one month.

##### (c) Due from financing activities (Murabaha)

Murabaha and other receivables are stated in the balance sheet net of a provision for specific loan losses. Murabaha and other receivable are similar to loans and advances to customers.

Specific provisions are created pursuant to regulation No. 13 of the Bank of Albania “On Credit Risk Management” (the “Credit Regulation”) approved by the Supervisory Board on 14 July 2004. The regulation requires the Bank to classify exposures into six risk categories.

For each risk category, the following minimum rates of specific provisions are applied after deducting the appropriate collateral offset allowed under the Credit Regulation:

Type of loans	Days in arrears	Loss Provision
Standard	0 days	1%
Past Due	0-30 days	1%
Special Mention	31-90 days	5%
Substandard	91-180 days	20%
Doubtful	181-365 days	50%
Loss	Over 365 days	100%

**2. Significant accounting policies (continued)**

**(c) Due from financing activities (Murabaha) (continued)**

Loans and advances to customers and financial institutions are reported net of provisions for financing activities that are classified as substandard, doubtful and loss. Provisions created for possible losses on financing activities that are classified as standard, past due and special mention are classified as statistical provisions on the liabilities side of the balance sheet.

**(d) Investment securities**

*Held-to-maturity securities* are securities that have been acquired with the intention of holding on a long term basis, in principal until maturity. These securities are included in the balance sheet at cost less any provision for permanent diminution in value. The bonds are booked at the purchase price, with profit share accrued for the coupons to be paid. Any discount obtained on the nominal value at the moment of the purchase is accrued to the payment date of the securities principal.

*Available-for-sale assets securities* are held for short term and medium term investment purposes and are initially reported at its acquisition price. Subsequently these assets are recorded at net of provision for any possible impairment as compared to the market value. Investment portfolio funds with Islamic financial institutions are valued at cost.

**(e) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a declining basis over the estimated useful lives of the assets and at rates specified by the Albanian tax authorities as follows:

Motor vehicles	20%
Office equipment	20%
Computers and electronic equipment	25%
Furniture and fixtures	20%

Leasehold improvements relate to expenditures on head office and branch renovations. According to a new regulation of the Bank of Albania, leasehold improvements are recorded under other assets under "Expenses to be amortized over years". These are depreciated over the period of the lease.

**(f) Assets acquired through legal process**

Assets acquired through legal process consist of collateral items obtained by the bank for bad loans and are booked with the historical cost and they are held with a view to be sold in the short term. In the year end the value was corrected according to evaluation made for this purpose.

**(g) Customers' accounts**

Customers' accounts principally include special investment deposits, where the depositors instruct the Bank to invest the funds in specific investments or on predetermined terms. These deposits are invested by the Bank in its own name under the terms of specific mudaraba contracts entered into with the depositors. These special investment deposits, which are classified within customers' accounts, share the direct profit or losses of their respective investments once realised and do not, otherwise, share the Bank's profit or loss.

**(h) Revenue recognition**

*Income from banks and other financial institutions*

Income from banks and other financial institutions is recognised as it accrues.

*Murabaha contracts*

Income from Murabaha contracts is recognised in the statement of income and expenditures on an accrual basis.

**2. Significant accounting policies (continued)**

**h) Revenue recognition (continued)**

*Fee and commission income:*

Fee and commission income arises on financial services provided by the Bank including cash management services, brokerage services and investment advice. Fee and commission income is recognised when the related service is performed.

**(i) Customers' share on profit**

The Bank's profit is allocated to the depositors and shareholders in accordance with the Islamic Sharia principles using the main pool method. Payments are made to the depositors and charged to the account of customers' share in profits in accordance with the contractual maturities of the investments. In line with the Islamic nature, the Bank is sharing the profit earned on the deposits of the Bank as Mudarib Fee. As a result of this, the Bank is deducting a fixed proportion of the amount distributed to the depositors which is then credited as the income of the Bank.

**(j) Taxation**

The Bank determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2007, tax on profit is calculated as 20% of taxable income (2006: 20%). Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenditure items as required under Albanian law.

**(k) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the measurement currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income and expenditures. Non-monetary assets and liabilities denominated in foreign currencies are translated to measurement currency at foreign exchange rates at the dates of transactions.

Share capital is treated as a monetary item and revalued in accordance with the policy noted above. According to BoA rules and regulations, capital in foreign currency should be accounted for at the exchange rate on the date of the transaction on the face of the balance sheet and a "translation reserve" created in equity that represents the difference between the year end and historical LEK BoA fixed rate used to record the foreign currency share capital.

The applicable rate of exchange rates (Lek to foreign currency unit) for the principal currencies as at 31 December 2007 and 2006 were as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
USD	82.89	94.14
EUR	121.78	123.85
GBP	166.02	184.65

**(l) Use of estimates**

The preparation of the financial statements in conformity with the Bank of Albania Regulations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**2. Significant accounting policies (continued)**

**(I) Corresponding figures**

Certain corresponding figures have been reclassified as below in order to conform to the current year financial statements presentation as follows:

- i) Accrued income from investments in term deposits with financial institutions amounting to Lek 2,376,432 have been reclassified from line item “Accrued income” in “Other assets” (Note 9) to Accrued income in Note 4. The reclassification also has an impact on line item “Increase in due from banks” in the Statement of Cash Flows.
- ii) The Mudarib fee included in “Other banking income” in Note 13 has been shown separately in the same note.

**United Bank of Albania sh.a.**

**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

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**3. Cash and balances with Central Bank**

Cash and balances with Central Bank can be detailed as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Cash on hand	258,318,111	237,945,136
Balance with Central Bank:		
Current Account	226,930,107	116,310,836
Statutory Reserve	363,604,462	314,828,353
Remuneration obligatory reserve	316,975	-
	<u>590,851,544</u>	<u>431,139,189</u>
	<b><u>849,169,655</u></b>	<b><u>669,084,325</u></b>

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 Bank of Albania as a statutory reserve account, which during the month can be decreased up to 80% of its level, provided that the monthly average is maintained.

**4. Due from banks and other financial institutions**

Due from banks and other financial institutions is detailed as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
a) By type:		
Call/current accounts	243,705,051	307,734,486
Term deposits	1,723,262,548	1,332,860,838
Accrued income	12,825,506	2,376,432
	<u>1,979,793,105</u>	<u>1,642,971,756</u>
b) By geographical distribution:		
Resident	1,665,222	2,390,279
Non-resident	1,978,127,883	1,640,581,477
	<u>1,979,793,105</u>	<u>1,642,971,756</u>
c) By maturity:		
Less than one month	1,214,521,830	1,068,668,519
More than one and less than three months	167,509,548	470,700,000
More than three and less than six months	500,464,053	
More than six months and less than 1 year	97,297,674	103,603,237
	<u>1,979,793,105</u>	<u>1,642,971,756</u>

**United Bank of Albania sh.a.**

**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

**5. Due from financing activities**

Amounts due from financing represents credits extended under the Murahaba method of transacting finance. The Murahaba balance as of 31 December 2007 and 2006 are detailed as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Short term investments	541,533,250	448,054,389
Medium term investments	<u>1,286,610,377</u>	<u>1,423,968,677</u>
	1,828,143,627	1,872,023,066
Accrued interest	18,910,691	17,231,463
Provisions on substandard, doubtful and loss financing activities	<u>(99,338,320)</u>	<u>(25,265,175)</u>
	<b><u>1,747,715,998</u></b>	<b><u>1,863,989,354</u></b>

Short term investments represent credits with a maturity of 12 months and medium term investments represent credits with a maturity of up to 5 years.

Movements in the provision for substandard, doubtful and loss financing activities are as follows:

	<b>2007</b>	<b>2006</b>
Balance at 1 January	25,265,175	5,361,287
Write back for the year, net of charge	74,436,068	21,248,185
Foreign exchange effects	<u>(362,923)</u>	<u>(1,344,297)</u>
	<b><u>99,338,320</u></b>	<b><u>25,265,175</u></b>

Movements in the provision for standard and special mention financing activities are as follows:

	<b>2007</b>	<b>2006</b>
Balance at 1 January	20,076,958	16,196,558
Charge for the year, net	(800,949)	3,341,829
Foreign exchange effects	<u>(689,629)</u>	<u>538,571</u>
	<b><u>18,586,380</u></b>	<b><u>20,076,958</u></b>

As at 31 December 2007 and 2006 due from financing activities can be detailed as follows:

Category	31 December 2007			31 December 2006		
	Individuals	Enterprises	Total	Individuals	Enterprises	Total
Standard	335,913,679	1,318,660,194	1,654,573,873	447,665,449	1,330,126,007	1,777,791,456
Special Mention	32,915,762	7,892,079	40,807,841	10,677,824	35,303,028	45,980,852
Substandard	25,455,638	-	25,455,638	20,771,621	29,500,000	50,271,621
Doubtful	4,074,547	59,865,001	63,939,548	-	-	-
Lost	5,609,106	56,668,312	62,277,418	-	15,210,600	15,210,600
Provisions for substandard loans	<u>(63,796,713)</u>	<u>(35,541,607)</u>	<u>(99,338,320)</u>	-	<u>(25,265,175)</u>	<u>(25,265,175)</u>
<b>Total</b>	<b><u>391,231,225</u></b>	<b><u>1,356,484,773</u></b>	<b><u>1,747,715,998</u></b>	<b><u>479,114,894</u></b>	<b><u>1,370,873,580</u></b>	<b><u>1,863,989,354</u></b>

**United Bank of Albania sh.a.**

**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

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**6. Investment securities**

Investment securities at 31 December 2007 and 2006 are composed as following:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Debt security-held to maturity	84,117,777	95,487,351
Equity investment-available for sale	-	1,322,981
	<u><b>84,117,777</b></u>	<u><b>96,810,332</b></u>

During 2003, the Bank purchased a security bond issued by the Islamic Development Bank with a nominal value of USD 1,000,000 and maturing on 12 August 2008. Further bond details at 31 December 2007 and 2006 are described as below:

	<b>31 December 2007</b>		<b>31 December 2006</b>	
	USD	Lek	USD	Lek
Purchase price	997,500	82,682,775	997,500	93,904,650
Accrued interest	15,104	1,251,983	15,104	1,421,904
Discount	2,208	183,019	1,708	160,797
	<u><b>1,014,812</b></u>	<u><b>84,117,777</b></u>	<u><b>1,014,312</b></u>	<u><b>95,487,351</b></u>

The equity investment represents an investment of 5% in the Albanian International Investment and Development Co (“Alintid”), a holding company based in Jeddah.

	<b>31 December 2007</b>	<b>31 December 2006</b>
Equity investment	4,659,523	5,291,923
Provision for devaluation	(4,659,523)	(3,968,942)
Reduction in equity investment	-	-
Foreign exchange effect	-	-
	<u><b>-</b></u>	<u><b>1,322,981</b></u>

During 2004, Alintid reduced its paid-up capital by 27% and paid the Bank the amount of USD 21,287 in proportion with the Bank’s investment in Alintid. During 2006 and 2007, no payments are done by Alintid , as result the Bank has provided 100 % this investment.

Movements in the provision for devaluation are as follows:

	<b>2007</b>	<b>2006</b>
Balance at 1 January	3,968,942	2,911,288
Charge for the year, net	1,220,953	1,362,470
Foreign exchange effects	(530,372)	(304,816)
	<u><b>4,659,523</b></u>	<u><b>3,968,942</b></u>

**United Bank of Albania sh.a.**

**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

**7. Fixed assets**

Fixed assets at 31 December 2007 and 2006 are as follows:

	<b>Furniture &amp; fixtures</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Vehicles</b>	<b>Building in process</b>	<b>Total</b>
<b>Cost</b>						
At 31 December 2006	26,140,255	47,927,719	50,747,241	13,988,360	243,961,738	382,765,313
Additions	3,313,745	8,726,468	2,721,091	1,398,600	3,605,217	19,765,121
Disposals	-	(914,117)	(1,156,414)	-	-	(2,070,531)
At 31 December 2007	<b>29,454,000</b>	<b>55,740,070</b>	<b>52,311,918</b>	<b>15,386,960</b>	<b>247,566,955</b>	<b>400,469,903</b>
<b>Accumulated Depreciation</b>						
At 31 December 2006	(20,896,193)	(32,497,486)	(37,662,750)	(6,580,278)	-	(97,636,527)
Charge for the year	(1,636,380)	(4,570,579)	(3,694,814)	(1,623,358)	-	(11,525,131)
Disposals	-	659,465	870,386	-	-	1,529,851
At 31 December 2007	<b>(22,532,573)</b>	<b>(36,408,600)</b>	<b>(40,486,998)</b>	<b>(8,203,636)</b>	<b>-</b>	<b>(107,631,807)</b>
<b>Net book value</b>						
At 31 December 2006	<b>5,244,062</b>	<b>15,430,233</b>	<b>13,084,491</b>	<b>7,408,082</b>	<b>243,961,738</b>	<b>285,128,606</b>
At 31 December 2007	<b>6,921,427</b>	<b>19,331,470</b>	<b>11,824,920</b>	<b>7,183,324</b>	<b>247,566,955</b>	<b>292,828,096</b>

Building in process represents the new premises for the Bank's Head Office. During April 2005, the Bank has signed an undertaking contract with Teknoprojekt Shpk for purchasing of new premises of the Bank's Head Office in Tirana. According to the contract the Bank has paid the first instalment amounting to Lek 73,955,969 during 2005. In 2006, after the preliminary registration of the building, the Bank has paid second instalment and on December 2006, 90% of value of additional contract. The total amount paid during year 2006 is Lek 170,005,769.

During year 2007 the building is still under process. The inside works consist in transforming the area to appropriate bank premises according to architectural, electrical, air cooling and other projects. Total amount paid during year 2007 is All 3,605,217.

**8. Other assets**

Other assets are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Expenses to be amortized over years, net	6,311,365	2,916,937
Accrued income	-	373,513
Prepaid expenses	2,359,114	4,763,214
Tax on income (see note 17)	41,070,835	29,070,835
Other	69,780,305	40,322,948
	<b>119,521,619</b>	<b>77,447,447</b>

Other includes the estimation relating to loans to customers rescheduling of amortization as per effective interest rate booked by the Bank by the year-end amounting Lek 58,394,249 (2006: Lek 35,624,848).

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**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

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**9. Due to banks and other financial institutions**

Due to banks and other financial institutions are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Current accounts	119,016	126,765
Term deposits	107,164,424	124,408,261
Accrued Customer share on profit	207,666	560,297
	<u><b>107,491,106</b></u>	<u><b>125,095,323</b></u>

At 31 December 2007 and 2006, term deposits represent deposits of Credit Bank of Albania, mainly in USD which are due less than one month.

**10. Customers' accounts**

Customers' accounts by types are detailed as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Current accounts	1,148,980,660	854,095,309
Investment deposits	2,736,151,472	2,329,942,722
Accrued Customer Share on Profit	6,320,728	2,864,502
Other Customer Account	13,712,916	25,638,094
Total	<u><b>3,905,165,776</b></u>	<u><b>3,212,540,627</b></u>

Customers' accounts by currencies are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Current accounts:		
In USD	442,169,957	361,239,832
In ALL	392,629,777	284,340,911
In EUR	303,428,719	199,169,140
In GBP	10,752,207	9,345,426
	<u><b>1,148,980,660</b></u>	<u><b>854,095,309</b></u>
Investment deposits:		
In USD	566,542,686	387,979,981
In EUR	514,870,197	335,970,968
In ALL	1,654,738,589	1,605,991,773
	<u><b>2,736,151,472</b></u>	<u><b>2,329,942,722</b></u>

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**Notes to the financial statements for the year ended 31 December 2007**

*(Amounts in Lek, unless otherwise stated)*

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**11. Other liabilities**

Creditors and accrued expenses are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Remittances and letters of guarantee	2,573,488	2,215,000
Accounts payable	13,579,506	15,491,660
Accrued expenses	4,155,746	1,698,028
Provision fund	7,019,091	3,046,020
	<u><b>27,327,831</b></u>	<u><b>22,450,708</b></u>

Provision fund mainly includes the fund created by a decision of the Board of Directors expatriate staff as post service gratuity in case that they cease working with the Bank.

**12. Shareholders' equity**

**Paid up capital**

The total authorized number of shares at 31 December 2004 was 100,000 shares (2003: 100,000 shares) with a par value of US Dollar 100 per share. All shares are fully paid. Shareholders' funds are recognized in these financial statements using the historical rate of exchange of 1 USD vs. 149.36 Lek (2003: 132.5 Lek). The change in 2004 was performed to comply with the Bank of Albania's recommendation to use the historical rate of exchange at the date the latest transaction with share capital.

During 2005, by decision of the Bank's Shareholders Assembly dated 23 June 2005, the net accumulated profit as at 31 December 2004 after deducting the required reserves (see below), amounting USD 1,635,989 or equivalent to Lek 166,003,789, was allocated to paid-in-capital to the existing shareholders in proportion to their existing shares. The number of shares increased to 116,360 with a par value of US Dollar 100 per share. The rate of exchange on the date of the transaction was 1 USD: 101.47 Lek.

As at 31 December 2005 the paid up capital of the Bank amounts to USD 11,635,989 equivalent to LEK 1,659,603 thousand.

During 2006, by decision of the Bank's Shareholders Assembly dated 8 June 2006, it was register in court by decision No. 4316/10 dated 13/07/2006 the net accumulated profit as at 31 December 2005 after deducting the required reserves (see below), amounting USD 871,227 or equivalent to Lek 84,300,000 was allocated to paid-in-capital to the existing shareholders in proportion to their existing shares. The number of shares increased to 125,072 with a par value of US Dollar 100 per share. The rate of exchange on the date of the transaction was 1 USD: 96, 76 Lek.

As at 31 December 2006 the paid up capital of the Bank amounts to USD 12,507,216 equivalent to LEK 1,743,903 thousand

During 2007, by decision of the Bank's Shareholders Assembly dated 21 June 2007, it was decided to increase of capital by All 13,700,000 which presents the net amount of accumulated profit as at 31 December 2006 after deducting the required reserves (see below) will be allocated to paid-in-capital to the existing shareholders in proportion to their existing shares. The registration was made in 2007 and the official certificate was received in 2008. The par value remains same: US Dollar 100 per share.

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**Notes to the financial statements for the year ended 31 December 2007**  
***(Amounts in Lek, unless otherwise stated)***

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**12. Shareholders' equity (continued)**

**Statutory reserve:**

Other reserves are comprised of LEK 64,104,767.

- According to Bank of Albania decision no. 51 dated 22 April 1999, article 8, the Bank is allowed to increase the reserves through appropriation of net profits. The reserves are calculated on an annual basis at 20% of after tax profit and should amount to at least 1.25% of the total bank assets.

- As per Law No. 7638 dated. 19/11/1992 article 213 on "Commercial Company" 5% of net profit to be register as legal reserve.

- Based on Bank Statute 10% of net income to be register as statutory reserve

Based on the above decision of the Shareholders Assembly, during 2007 all the reserves were allocated an amount of Lek 9,208,829 from the net profit of 2006

**Translation reserve:**

The translation reserve arises according to the Bank of Albania's regulations which require the paid in capital and other reserves of the Bank denominated in foreign currency to be converted into Lek as at the reporting date. The resulting difference is recorded in equity as a translation reserve.

**13. Other income**

Other income comprises the following:

	<b>2007</b>	<b>2006</b>
Rental income	800,000	-
Other banking income	22,936,586	16,552,797
Mudarib and management fee	18,733,420	15,434,523
	<u><b>42,470,006</b></u>	<u><b>31,987,320</b></u>

Mudarib and management fee being includes the Bank's share on "Customers share on profit" under Islamic Banking Rules (refer note 2 (h)). Rental income relates to assets acquired through legal process.

**14. Personnel expenses**

Personnel expenses for the years ended are as follows:

	<b>2007</b>	<b>2006</b>
Expatriate staff	23,845,766	25,309,356
Local employee salaries	47,465,063	39,756,408
Social insurance	8,118,862	8,864,476
Other	428,311	327,402
	<u><b>79,858,002</b></u>	<u><b>74,257,642</b></u>

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**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

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**15. Other administrative expenses**

Other administrative expenses include the following:

	<b>2007</b>	<b>2006</b>
Office expenses	39,307,510	36,246,415
Deposit insurance	4,562,444	3,079,096
Board of Directors' expenses	5,657,836	4,930,292
Professional services	3,471,604	5,404,829
Travel and transportation	3,338,080	2,294,836
Advertising and public relations	7,863,447	5,296,543
Depreciation of leasehold improvements	2,123,383	1,879,709
Fees, taxes and duties	744,440	193,014
Other	6,563,412	2,801,705
	<b><u>73,632,156</u></b>	<b><u>62,126,439</u></b>

**16. Foreign exchange gains, net**

During 2007, the Bank incurred foreign exchange gain from bank exchange transaction and loss from devaluation of currencies, especially Euro in which the bank has the main open position. The rate Euro /Lek fall from 123.85 at the beginning of the year to 1 Euro =121.78 Lek at the end of the year.

**17. Tax on income**

The reconciliation between the accounting profit and taxable profit for 2007 and 2006 is composed as follows:

	<b>2007</b>	<b>2006</b>
Accounting (loss) / profit	(44,789,196)	30,059,842
Un deductible expenses	11,695,793	5,639,170
<b>(Losses carried forward) / Taxable profit</b>	<b><u>(33,093,403)</u></b>	<b><u>35,699,012</u></b>
<b>Tax expense at 20% (2006: 20%)</b>	<b><u>-</u></b>	<b><u>7,139,803</u></b>

The tax reconciliation for the year ended 31 December 2007 and 2006 is as follows:

	<b>2007</b>	<b>2006</b>
Balance at 1 January (note 8)	29,070,835	210,638
Prepayments during the year	12,000,000	36,000,000
Tax expense	-	(7,139,803)
Balance at 31 December (note 8)	<b><u>41,070,835</u></b>	<b><u>29,070,835</u></b>

Based on Albanian tax regulations, the Bank made a tax prepayment of approximately Lek 12,000,000 (2006: Lek 36,000,000) during 2007 according to the Tax Office's projections.

**United Bank of Albania sh.a.**

**Notes to the financial statements for the year ended 31 December 2007**  
*(Amounts in Lek, unless otherwise stated)*

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**18. Cash and cash equivalents**

Cash and cash equivalents comprise the following:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Cash on hand (note 3)	258,318,111	237,945,136
Current account balance with Central Bank (note 3)	226,930,107	116,310,836
Due from banks within one month (note 4)	1,214,521,830	1,068,668,519
	<u><b>1,699,770,048</b></u>	<u><b>1,422,924,491</b></u>

**19. Commitments and contingencies**

(i) Contingencies by type are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
<i>Assets</i>		
Facilities collateral	3,001,060,601	2,780,721,202
<i>Liabilities</i>		
Un drawn facilities	74,376,700	42,243,451
Letters of credit	-	39,744,061
Guarantees	20,193,312	25,981,158
	<u><b>94,570,012</b></u>	<u><b>107,968,670</b></u>

(ii) Contingencies by geographic sector as of 31 December 2007 and 2006 are concentrated within Albania.

**Guarantees and letters of credit**

Guarantees received from customers include cash collateral, mortgages, inventory and other assets pledged in favour of the bank from its borrowers.

The Bank issues guarantees for its customers. These instruments bear a credit risk similar to that of credits granted. Based on management's estimate, no material losses related to guarantees outstanding at 31 December 2007 will be incurred and thus no provision have been included in these financial statements.

**Legal**

In the normal course of business the Bank is presented with legal claims; the Bank's management is of the opinion that no material losses will be incurred in relation to legal claims outstanding at 31 December 2007.

**Lease commitments**

The Bank has entered into non-cancellable lease commitments for all branches as well as for new branch in Durres, which is open on year 2007. Such commitments for the years ended 31 December 2007 and 2006 are composed as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Less than one year	12,585,324	18,366,029
Between one and five years	4,305,614	18,166,188
	<u><b>16,890,938</b></u>	<u><b>36,532,217</b></u>

The Bank has rental agreements for Tirana, Shkodra, Fieri and Durresi Branches. During 2007, Lek 18,756,675 was recognised as an expense in the statement of income and expenditures in respect of lease rentals (2006: Lek 14,675,889).

**United Bank of Albania sh.a.**

**Notes to the financial statements for the year ended 31 December 2007**  
**(Amounts in Lek, unless otherwise stated)**

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**20. Funds under management**

Funds under management by type are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Managed funds	<u>2,736,151,472</u>	<u>2,329,942,722</u>

Managed funds represent funds belonging to customers for which the Bank has assumed management responsibility. The customers assume the ultimate investment risk arising from investment of these funds (refer to note 10).

**21. Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions.

The Bank enters into transactions with its shareholders in the ordinary course of business. The balances of major transactions with related parties are as follows:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Due from Shamil Bank & IICG	649,832,224	713,859,272
Investment securities SUKUK-Guarnt. IDB	84,117,777	94,065,447
Due from Dallah Holding subsidiaries	650,363,484	537,313,268
Due to customers (on behalf of shareholders)	21,771,249	23,478,967
Due from Clients	<u>25,899,000</u>	<u>770,267</u>

The investment security was purchased from IDB and is held by the Gulf International Bank.

The transactions with related parties included in the statement of income and expenditures are as follows:

	<b>2007</b>	<b>2006</b>
Income from banks	85,750,346	72,423,663
Income from securities	3,308,228	3,587,497
Customers' share on profit	831,767	819,909

Related party transactions are conducted on an arm's length basis.

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**Notes to the financial statements for the year ended 31 December 2007**  
(Amounts in Lek, unless otherwise stated)

**22. Financial risk management**

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments result in certain risks to the Bank. The most significant risks facing the Bank are discussed below.

**(a) Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank attempts to manage this risk by closing daily open foreign currency positions and by establishing and monitoring limits on open positions.

The following table summarises the Bank's net foreign currency position at 31 December 2007 and 2006:

**31 December 2007**

	Usd	Lek	Euro	Other	Total
<b>Assets</b>					
Cash and balance with Central Bank	174,319,019	501,504,477	163,651,421	9,694,738	849,169,655
Due from banks	1,426,618,143	79,098	535,594,369	17,501,495	1,979,793,105
Due from financing activities	443,633,678	1,066,212,239	237,870,081	-	1,747,715,998
Investment securities	84,117,777	-	-	-	84,117,777
Other assets	10,935,963	90,608,360	17,957,253	20,043	119,521,619
Fixed Assets	-	292,828,096	-	-	292,828,096
Assets Acquired through legal process	-	39,001,000	16,196,741	-	55,197,741
<b>Total</b>	<b>2,139,624,580</b>	<b>1,990,233,270</b>	<b>971,269,865</b>	<b>27,216,276</b>	<b>5,128,343,991</b>
<b>Liabilities</b>					
Due to banks	107,437,341	47,641	6,089	35	107,491,106
Customer accounts	1,011,760,815	2,060,099,577	822,553,177	10,752,207	3,905,165,776
Other liabilities	6,430,844	17,798,660	3,080,895	17,432	27,327,831
Statistical Provision	4,137,011	11,876,740	2,572,629	-	18,586,380
Shareholder Equity	1,757,603,789	(687,830,891)	-	-	1,069,772,898
<b>Total</b>	<b>2,887,369,800</b>	<b>1,401,991,727</b>	<b>828,212,790</b>	<b>10,769,674</b>	<b>5,128,343,991</b>
<b>Net position at 31 December 2007</b>	<b>(747,745,220)</b>	<b>588,241,543</b>	<b>143,057,075</b>	<b>16,446,602</b>	<b>-</b>
<b>Cumulative Gap</b>	<b>(747,745,220)</b>	<b>(159,503,677)</b>	<b>(16,446,602)</b>	<b>-</b>	<b>-</b>

**31 December 2006**

	Usd	Lek	Euro	Other	Total
<b>Assets</b>					
Cash and balance with Central Bank	130,422,387	384,428,407	149,792,698	4,440,833	669,084,325
Due from banks	1,382,730,600	78,752	238,750,803	21,411,601	1,642,971,756
Due from financing activities	439,176,672	1,081,117,542	343,695,140	-	1,863,989,354
Investment securities	96,810,332	-	-	-	96,810,332
Other assets	7,654,590	53,781,003	16,009,071	2,783	77,447,447
Fixed Assets	-	285,128,606	-	-	285,128,606
<b>Total</b>	<b>2,056,794,581</b>	<b>1,804,534,310</b>	<b>748,247,712</b>	<b>25,855,217</b>	<b>4,635,431,820</b>
<b>Liabilities</b>					
Due to banks	119,565,021	5,530,264	-	38	125,095,323
Customer accounts	753,140,873	1,903,632,549	546,421,777	9,345,428	3,212,540,627
Other liabilities	6,947,053	14,681,102	822,553	-	22,450,708
Statistical Provision	4,574,434	11,727,164	3,775,360	-	20,076,958
Shareholder Equity	1,743,903,789	(488,635,585)	-	-	1,255,268,204
<b>Total</b>	<b>2,628,131,170</b>	<b>1,446,935,494</b>	<b>551,019,690</b>	<b>9,345,466</b>	<b>4,635,431,820</b>
<b>Net position at 31 December 2006</b>	<b>(571,336,589)</b>	<b>357,598,816</b>	<b>197,228,022</b>	<b>16,509,751</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(571,336,589)</b>	<b>(213,737,773)</b>	<b>(16,509,751)</b>	<b>-</b>	<b>-</b>

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*(Amounts in Lek, unless otherwise stated)*

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**22. Financial risk management (continued)**

**(b) 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 murabaha financing. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. In addition, the Bank is exposed to off-balance sheet credit risk through commitments to extend credit and guarantees issued (See Note 20).

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 type of customer in relation to the Bank's investments, loans and advances, commitments to extend credit and guarantees issued.

Total on balance sheet economic sector credit risk concentrations are presented in the table below.

	<b>31 December 2007</b>	<b>%</b>	<b>31 December 2006</b>	<b>%</b>
Energy	101,310,001	5.54	335,149,520	18
Automotive trade	40,851,079	2.23	691,385,409	37
Domestic trade	705,144,362	38.57	123,200,060	7
Real estate	120,843,445	6.61	230,756,596	12
Food industry	260,335,915	14.24	-	-
Construction	376,398,798	20.59	392,097,280	21
Bank personnel	7,970,367	0.44	10,533,201	1
Education, Social Activity	215,289,660	11.78	88,901,000	4
	<b>1,828,143,627</b>	<b>100</b>	<b>1,872,023,066</b>	<b>100</b>

At year-end, 85% of loans are secured by mortgages and the remainder by pledges over machinery, equipment, personal and international bank guarantees (2006: 85% of loans were secured by mortgages and the remaining by pledges over machinery, equipment and personal and international bank guarantees)

**(c) 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.

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, other liabilities evidenced by paper, 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.

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**Notes to the financial statements for the year ended 31 December 2007**  
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**22. Financial risk management (continued)**

**(c) Liquidity risk (continued)**

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

In addition the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

As at 31 December 2007 the twenty largest deposits from individual corporate clients represent 30% of total deposits from customers (2006: 27.11 %).

The following table shows the Bank's financial assets and liabilities by remaining maturity at 31 December 2007 and 2006:

<b>2007</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>Up to 1 year</b>	<b>1-5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash balance and Central Bank	849,169,655	-	-	-	-	849,169,655
Due from banks	1,214,521,830	167,509,550	500,464,053	97,297,672	-	1,979,793,105
Due from financing activities	262,136,153	245,878,410	199,280,957	255,472,887	784,947,591	1,747,715,998
Investment securities	-	1,251,980	-	82,865,797	-	84,117,777
Other assets	39,363,198	70,427,100	2,801,361	534,455	6,395,505	119,521,619
Assets Acquired through legal process	55,197,741	-	-	-	-	55,197,741
Fixed Assets	-	-	-	-	292,828,096	292,828,096
<b>Total</b>	<b>2,420,388,577</b>	<b>485,067,040</b>	<b>702,546,371</b>	<b>436,170,811</b>	<b>1,084,171,192</b>	<b>5,128,343,991</b>
<b>Liabilities and equity</b>						
Due to banks and FI	107,491,106	-	-	-	-	107,491,106
Customer accounts	3,597,226,169	53,009,510	122,681,600	106,087,230	26,161,267	3,905,165,776
Other liabilities	27,327,831	-	-	-	-	27,327,831
Provision	2,584,301	2,549,956	2,119,414.17	2,780,852	8,551,857	18,586,380
Shareholder Equity	(44,755,003)	-	-	-	1,114,527,901	1,069,772,898
<b>Total</b>	<b>3,689,874,404</b>	<b>55,559,466</b>	<b>124,801,014</b>	<b>108,868,082</b>	<b>1,149,241,025</b>	<b>5,128,343,991</b>
Liquidity gap at 31 December 2007	(1,269,485,827)	429,507,574	577,745,357	327,302,729	(65,069,833)	-
Cumulative gap	(1,269,485,827)	(839,978,253)	(262,232,896)	65,069,833	-	-

Notes to the financial statements for the year ended 31 December 2007  
(Amounts in Lek, unless otherwise stated)

22 Financial risk management (continued)

(c) Liquidity risk (continued)

2006	Up to 1 month	1-3 months	3-6 months	Up to 1 year	1-5 years	Total
Assets						
Cash balance and Central Bank	669,084,325	-	-	-	-	669,084,325
Due from banks	1,069,297,694	470,700,000	-	102,974,062	-	1,642,971,756
Due from financing activities	229,669,773	317,102,301	164,618,177	234,832,833	917,766,270	1,863,989,354
Investment securities	1,322,981	1,421,905	-	-	94,065,446	96,810,332
Other assets	70,799,796	521,656	1,545,324	373,513	4,207,158	77,447,447
Fixed Assets	-	-	-	-	285,128,606	285,128,606
<b>Total</b>	<b>2,040,174,569</b>	<b>789,745,862</b>	<b>166,163,501</b>	<b>338,180,408</b>	<b>1,301,167,480</b>	<b>4,635,431,820</b>
Liabilities and equity						
Due to banks and FI	119,565,061	-	5,530,262	-	-	125,095,323
Customer accounts	3,155,887,428	6,325,155	7,524,231	42,803,813	-	3,212,540,627
Other liabilities	22,450,708	-	-	-	-	22,450,708
Statistical Provision	3,132,104	3,232,760	1,724,700	2,504,170	9,483,224	20,076,958
Shareholder Equity	22,942,952	-	-	-	1,232,325,252	1,255,268,204
<b>Total</b>	<b>3,323,978,253</b>	<b>9,557,915</b>	<b>14,779,193</b>	<b>45,307,983</b>	<b>1,241,808,476</b>	<b>4,635,431,820</b>
Liquidity gap at 31 December 2006	(1,283,803,684)	780,187,947	151,384,308	292,872,425	59,359,004	-
Cumulative gap	(1,283,803,684)	(503,615,737)	(352,231,429)	(59,359,004)	-	-

(d) Interest rate risk

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.

The Bank attempts to mitigate this risk by monitoring the repricing dates of its assets and liabilities. 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 repricing periods and among currencies.

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**Notes to the financial statements for the year ended 31 December 2007**

*(Amounts in Lek, unless otherwise stated)*

**22. Financial risk management (continued)**

**(d) Interest rate risk (continued)**

- *Effective yield information*

The average effective yields of significant categories of financial assets and liabilities of the Bank as at 31 December 2007 and 2006 were as follows:

31 December	Weighted average interest rate (Lek)		Weighted average interest rate (USD)		Weighted average interest rate (EUR)	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Due from banks	1.9%	2.30%	5%	5.23%	3.27%	2.83%
Due from financing activities	12.24%	12.26%	9.36%	9.36%	9.16%	8.64%
Investment securities	-	-	3.63%	3.63%	-	-
<b>Liabilities</b>						
Due to banks and other financial institutions	-	6.72%	5.08%	5.45%	-	0%
Customers accounts	5.15%	4.41%	2.37%	1.67%	2.63%	1.62%

- *Interest rate reprising analysis*

The following table presents the interest rate reprising dates for the Bank's monetary assets and liabilities. Variable-rate assets and liabilities have been reported according to their next rate change date. Fixed-rate assets and liabilities have been reported according to their scheduled principal repayment dates:

**31 December 2007**

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non interest bearing	Total
<b>Assets</b>							
Cash balance and Central Bank	363,921,437	-	-	-	-	485,248,218	849,169,655
Due from banks	970,816,796	167,509,531	500,464,053	97,297,674	-	243,705,051	1,979,793,105
Due from financing activities	261,783,775	245,394,668	198,675,520	254,744,901	784,261,597	2,855,537	1,747,715,998
Investments	-	1,251,983	-	82,865,794	-	-	84,117,777
Other assets	-	-	-	-	-	119,521,619	119,521,619
Assets Acquired through legal process	-	-	-	-	-	55,197,741	55,197,741
Fixed Assets	-	-	-	-	-	292,828,096	292,828,096
<b>Total</b>	<b>1,596,522,008</b>	<b>414,156,182</b>	<b>699,139,573</b>	<b>434,908,369</b>	<b>784,261,597</b>	<b>1,199,356,262</b>	<b>5,128,343,991</b>
<b>Liabilities and equity</b>							
Due to banks and FI	107,372,090	-	-	-	-	119,016	107,491,106
Customer accounts	2,439,154,862	49,356,107	122,681,603	105,118,373	26,161,257	1,162,693,574	3,905,165,776
Other liabilities	-	-	-	-	-	27,327,831	27,327,831
Statistical Provision	2,580,779	2,545,117	2,113,360	2,773,572	8,544,997	28,555	18,586,380
Shareholder Equity	-	-	-	-	-	1,069,772,898	1,069,772,898
<b>Total</b>	<b>2,549,107,731</b>	<b>51,901,224</b>	<b>124,794,963</b>	<b>107,891,945</b>	<b>34,706,254</b>	<b>2,259,941,874</b>	<b>5,128,343,991</b>
<b>Gap</b>	<b>(952,585,723)</b>	<b>362,254,958</b>	<b>574,344,610</b>	<b>327,016,424</b>	<b>749,555,343</b>	<b>(1,060,585,612)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(952,585,723)</b>	<b>(590,330,765)</b>	<b>(15,986,155)</b>	<b>311,030,269</b>	<b>1,060,585,612</b>	<b>-</b>	<b>-</b>

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**Notes to the financial statements for the year ended 31 December 2007**  
(Amounts in Lek, unless otherwise stated)

**22. Financial risk management (continued)**

**(d) Interest rate risk (continued)**

							1 December 2006	
	Up to 1 month	1 to 3 Months	3 to 6 months	6 to 12 months	Over 1 year	Non interest bearing	Total	
<b>Assets</b>								
Cash balance and Central Bank	314,828,353	-	-	-	-	354,255,972	669,084,325	
Due from banks	761,563,205	470,700,000	-	102,974,062	-	307,734,489	1,642,971,756	
Due from financing activities	229,357,933	316,639,831	164,081,077	233,994,033	917,106,270	2,810,210	1,863,989,354	
Investments	-	1,421,905	-	-	94,065,447	1,322,980	96,810,332	
Other assets	-	-	-	-	-	77,447,447	77,447,447	
Fixed assets	-	-	-	-	-	285,128,606	285,128,606	
<b>Total</b>	<b>1,305,749,491</b>	<b>788,761,736</b>	<b>164,081,077</b>	<b>336,968,095</b>	<b>1,011,171,717</b>	<b>1,028,699,704</b>	<b>4,635,431,820</b>	
<b>Liabilities and equity</b>								
Due to banks and FI	119,438,296	-	5,530,264	-	-	126,763	125,095,323	
Customer accounts	2,301,792,119	6,325,155	7,524,230	42,803,813	-	854,095,310	3,212,540,627	
Other liabilities	-	-	-	-	-	22,450,708	22,450,708	
Statistical provision	-	-	-	-	-	20,076,958	20,076,958	
Shareholder Equity	-	-	-	-	-	1,255,268,204	1,255,268,204	
<b>Total</b>	<b>2,421,230,415</b>	<b>6,325,155</b>	<b>13,054,494</b>	<b>42,803,813</b>	<b>-</b>	<b>2,152,017,943</b>	<b>4,635,431,820</b>	
<b>Gap</b>	<b>(1,115,480,924)</b>	<b>782,436,581</b>	<b>151,026,583</b>	<b>294,164,282</b>	<b>1,011,171,717</b>	<b>(1,123,318,239)</b>	<b>-</b>	
<b>Cumulative gap</b>	<b>(1,115,480,924)</b>	<b>(333,044,343)</b>	<b>(182,017,760)</b>	<b>112,146,522</b>	<b>1,123,318,239</b>	<b>-</b>	<b>-</b>	

**23. Fair Value disclosures**

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

Because no market exists for a significant portion of the Bank's financial instruments, except for investment securities and investment property as disclosed in note 5 and note 8, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, and risk characteristics of various financial instruments that are readily marketable.

The fair value of the investment security based on quoted market rates is Lek 82,475,550 at 31 December 2007 (2006: Lek 91,572,802) while its carrying value is Lek 82,865,794 (2006: Lek 94,065,447).

In general, the Bank's balance sheet financial instruments have an estimated fair value approximately equal to their book value due to either short-term nature or underlying interest rates that approximate market rates. The majority of financial monetary instruments are either at floating rates of interest or are subject to reprising within a year.

**24. Subsequent Events**

The Ministry of Finance of Albania is in the process of selling its stake of 40% of the Bank's share capital.