

United Bank of Albania sh.a.

**Financial Statements as at 31 December 2008**  
**(with independent auditor's report thereon)**

## TABLE OF CONTENT

<b>CONTENT</b>	<b>PAGE</b>
Independent Auditor's Report	2
Balance Sheet	3
Statement of Income and Expenditures	4
Statement of Cash Flows	5
Statement of Changes in Equity	6
Notes to the Financial Statements	7-30

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders and management 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 2008, 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 2008, 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.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that the Bank has posted losses during the last two years which has caused shareholders' equity to decrease to 1.04 billion Lek. The minimum required capital is Lek 1 billion. If losses persist during 2009 the Bank may be required to contribute additional capital in order to meet minimum capital requirements and in order to continue operations. Note 26 of the financial statements describes Management plans to meet required capital levels.

April 15, 2009

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**United Bank of Albania sh.a****Balance sheet as at 31 December 2008***(Amounts in Lek, unless otherwise stated)*

		<i>31 December 2008</i>	<i>31 December 2007</i>
<b>Assets</b>	<b>Notes</b>		
Cash and balances with Central Bank	3	831,817,556	849,169,655
Due from banks and other financial institutions	4	1,460,841,529	1,979,793,105
Due from financing activities, net	5	1,921,331,424	1,806,110,247
Investment securities	6	-	84,117,777
Fixed assets	7	339,583,795	292,828,096
Assets Acquired through legal Process	8	55,397,740	55,197,741
Other assets	9	55,893,887	61,127,370
<b>Total assets</b>		<b><u>4,664,865,931</u></b>	<b><u>5,128,343,991</u></b>
<b>Liabilities and shareholders' funds</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	10	46,796,499	107,491,106
Customers' accounts	11	3,518,092,743	3,905,165,776
Statistical provision	5	30,578,758	20,015,589
Other liabilities	12	29,552,234	25,898,621
<b>Total liabilities</b>		<b><u>3,625,020,233</u></b>	<b><u>4,058,571,092</u></b>
<b>Shareholders' funds</b>			
Share capital	13	1,757,603,789	1,757,603,789
Translation reserve	13	(643,515,361)	(707,180,563)
Statutory reserve	13	64,104,767	64,104,767
(Accumulated losses) /Retained earnings		(44,755,095)	34,101
Loss for the year		(93,592,403)	(44,789,196)
<b>Total shareholders' funds</b>		<b><u>1,039,845,697</u></b>	<b><u>1,069,772,898</u></b>
<b>Total liabilities and shareholders' funds</b>		<b><u>4,664,865,931</u></b>	<b><u>5,128,343,991</u></b>

Financial statements of the bank were approved by the Board of Directors on March 30, 2009 and signed on their behalf by:

*Dr. A.Waheed Alavi*  
*General Director*

*Fatmir Tresa*  
*Finance Manager*

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

**United Bank of Albania sh.a**

**Income statement for the year ended 31 December 2008**

*(Amounts in Lek, unless otherwise is stated)*

		2008	2007
	<b>Notes</b>		
<b>Income</b>			
Income from banks and other financial institutions		75,123,172	99,791,954
Income from financing activity		196,024,670	185,401,780
Income for securities		1,704,557	3,308,228
<b>Total revenue</b>		<u>272,852,399</u>	<u>288,501,962</u>
<b>Other income</b>			
Income from bank commissions		29,323,466	27,278,095
Foreign exchange, net	17	(1,199,838)	845,292
Other income	14	18,862,360	23,689,166
		<u>46,985,988</u>	<u>51,812,553</u>
<b>Total income</b>		<b>319,838,387</b>	<b>340,314,515</b>
Expenses for clients interest		(135,713,272)	(127,744,048)
<b>Net income</b>		<b>184,125,115</b>	<b>212,570,467</b>
Provisions for losses from loans	5	(52,543,920)	(74,436,068)
Statistical provisions	5	(10,268,639)	(138,557)
Depreciation	7	(26,143,980)	(11,525,131)
Personnel expenses	15	(90,483,923)	(79,470,962)
Rent		(16,364,668)	(18,756,675)
Other administrative expenses	16	(70,412,436)	(73,032,270)
Tax Penalties		(11,499,952)	-
<b>Total of operating expenses</b>		<b>(277,717,518)</b>	<b>(257,359,663)</b>
Loss before tax		(93,592,403)	(44,789,196)
Tax on profit	18	-	-
<b>Net loss of the year</b>		<u><b>(93,592,403)</b></u>	<u><b>(44,789,196)</b></u>

*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 2008**

*(Amounts in Lek, unless otherwise stated)*

		<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>	<b>Note</b>		
Net profit / Loss before tax		(93,592,403)	(44,789,196)
Adjustments for non cash items:			
Depreciation	7	26,143,980	11,525,131
Depreciation of leasehold improvement		2,361,318	2,123,313
Provision for loans and statistical provision		62,812,559	74,574,625
Foreign exchange difference		63,665,202	(140,706,110)
Settlement of tax office penalties		11,848,266	-
Interest income		(271,147,842)	(285,193,734)
Interest expense		135,713,272	127,744,048
		<b>(62,195,648)</b>	<b>(254,721,923)</b>
Changes in operating assets and liabilities:			
Increase in due from financing activities		(163,681,421)	(15,077,659)
Decrease/(increase) in other assets		(7,616,101)	(25,823,182)
Increase (decrease) on dues from other banks		190,896,867	(240,061,122)
Increase on clients accounts		(387,073,033)	692,625,149
Increase (decrease) on other liabilities		3,653,612	3,447,912
		<b>(363,820,151)</b>	<b>415,111,170</b>
Interest received		267,358,773	283,888,022
Interest paid		(135,713,272)	(127,744,048)
Income tax paid		(1,360,000)	(12,000,000)
<b>Net cash provided by operating activities</b>		<b>(295,730,300)</b>	<b>304,533,221</b>
Cash flows from investing activities			
Decrease in/(purchases of) investment securities	6	84,117,777	12,692,625
Assets acquired through legal process		(200,000)	(55,197,740)
Purchases of fixed assets	7	(72,899,680)	(19,224,623)
<b>Net cash provided by investing activities</b>		<b>11,018,098</b>	<b>(61,729,738)</b>
Cash flows from financing activities			
(Decrease)/increase in due to banks		(60,694,607)	(17,604,218)
<b>Net cash (used in)/provided by financing activities</b>		<b>(60,694,607)</b>	<b>(17,604,218)</b>
<b>Net (decrease) /increase in cash and cash equivalent</b>		<b>(345,406,808)</b>	<b>276,845,557</b>
<b>Cash and cash equivalents at beginning of the year</b>	19	<b>1,699,770,048</b>	<b>1,422,924,491</b>
<b>Cash and cash equivalents at the end of the year</b>	19	<b>1,354,363,241</b>	<b>1,699,770,048</b>

*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 2008***(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>
<b>Balance at 31 December 2006</b>	<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>
Transfer to Reserve	-	-	9,208,829	(9,208,829)	-
Change in translation reserve	-	(140,706,110)	-	-	(140,706,181)
Allocation of profit to paid in capital	13,700,000	-	-	(13,700,000)	-
Profit for the year	-	-	-	(44,789,196)	(44,789,196)
<b>Balance at 31 December 2007</b>	<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>
Transfer to reserves	-	-	-	-	-
Change in translation reserve	-	63,665,202	-	-	63,665,202
Allocation of profit to paid in capital	-	-	-	-	-
Accumulated losses	-	-	-	-	-
Profit / Loss for the year	-	-	-	(93,592,403)	(93,592,403)
<b>Balance at 31 December 2008</b>	<b>1,757,603,789</b>	<b>(643,515,361)</b>	<b>64,104,767</b>	<b>(138,347,498)</b>	<b>1,039,845,697</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 2008

(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 Albanian laws and 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 had 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 N.C.B.A.’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”.

Actually the bank is on the last procedures of the privatization of the share of the Ministry of Finance (40%), where the potential buyer is the Multilateral Bank IDB that after this transaction will be the main shareholder with 55% of shares. At the end of the year the Bank exercises its activity in these cities: Tirana-Head Office and Main branch and two Agencies, in the city of Shkodra, Fier and Durres. The Bank employees 76 staff, including 3 expatriate senior managers.

### 2. Significant accounting policies

#### (a) Basis of preparation

The accompanying financial statements have been prepared in accordance with Banking Law of the Republic of Albania Law, No. 9662, dated 18 December 2006, and the of the Banking Accounting Manual of the Bank of Albania.

The financial statements are presented in Albanian Lek (“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.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

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## 2. Significant accounting policies (continued)

### (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 five 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:

<i>Type of loans</i>	<i>Days in arrears</i>	<i>Loss Provision</i>
Standard	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%

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 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 reported at the market value. Subsequently, these assets are booked as net after any possible discount from 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. During 2008, depreciation is calculated using the linear method and in accordance to the rates below. The *depreciation method was changed in comparison to previous years*, where fixed assets were depreciated using the same rates but on their remaining balance. The previous depreciation method was primarily tax driven, and the linear method reflects better the use of fixed assets throughout their life. The new method has been applied prospectively.

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 the regulation of the Bank of Albania, leasehold improvements are recorded under Other Assets as "Expenses to be amortized over years". These are depreciated over the period of the lease.

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

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

Assets acquired through legal process are the collaterals taken by the bank from the lost loans and are booked with the historical cost and they are available-for-sale. In the year end the value was corrected according to the 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 Mudarib 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.

*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.

**(j) Taxation**

The Bank determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2008, tax on profit is calculated as 10% of taxable income (2007: 20%). Taxable income is calculated by adjusting the statutory profit for certain income and expenditure items as required under Albanian law.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

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## 2. Significant accounting policies (continued)

### (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.

The share capital is treated like a monetary voice and is revaluated in accordance with the policy noted above. According to the regulatory of the Bank of Albania the capital in foreign currency should be booked in the balance sheet with the foreign exchange rate ruling at that date and a voice (difference from re-valuation" is created on the capital group and it includes the difference between the fixed rates of the Bank of Albania and the historical rate which the capital in foreign currency was booked.

The applicable rate of exchange rates (Lek to foreign currency unit) for the principal currencies as at 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
USD	87.91	82.89
EUR	123.8	121.78
GBP	127.66	166.02

### (l) Use of estimates

The preparation of the financial statements according to the regulations of the Bank of Albania needs that managers made their estimation and supposition that may have direct effect on the reported amount of the asset and liabilities, their possible value at the moment of preparation of the financial statements and in the amount of income and expenses for the period that it is reported. Actual outcomes can vary from the predicted one.

### (m) Corresponding figures

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

- i) "Deferred income" (the estimation relating to loans to customers rescheduling of amortization as per effective interest rate booked by the Bank at year end ) from "Other assets" ( Note 9) to "Due from Financing activities" on the face of balance sheet in Note 5 for the year 2008 the balance is 70,531,930 Lek (2007: 58,394,249 Lek). The same procedure was made for the provisions generated by this re-calculation.  
The loans were reported with their gross amount and accrued interest as at December 31, 2007, in 2008 are corrected by decreasing the provisions figure for the impaired loans.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

*(Amounts in Lek unless otherwise stated)*

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

##### (m) Corresponding figures

- ii) Some re-classifications were made between different classes of “Fixed Assets” detailed in Note 7. In addition certain items of fixed assets were included at their net amount in historical cost in 2007. The amount has been reclassified in the current year resulting in an increase of the historical cost and accumulated depreciation by the same amount, with no impact on the remaining net book value as at December 31, 2007.
- iii) The fund created by a decision of Board of Directors expatriate staff as post service gratuity in case they cease working with the Bank has been classified from note 12 “Other Liabilities” to “Statistical Provision” (1,429,209 Lek as at December 31, 2007) which is reflected in Note.
- iv) The Mudarib fee included in “Other banking income” in Note 14 has been reclassified under “Expenses for Clients’ interest” (2007:18,733,420 Lek)
- v) Bonus and Rewards, Medical expenses and training expenses have been reclassified from “Personnel Expenses” under Note 15 to “Administrative expenses” under Note 16 (2007: 387,041 Lek).

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

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

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

	31 December 2008	31 December 2007
Cash on hand	456,885,490	258,318,111
Balance with Central Bank:		
Current Account	35,885,090	226,930,107
Statutory Reserve	338,847,576	363,604,462
Remuneration Obligatory reserve	199,400	316,975
Total balances with Central Bank	374,932,066	590,851,544
<b>Total</b>	<b>831,817,556</b>	<b>849,169,655</b>

In accordance with the Bank of Albania's requirements relating to the statutory reserve, the Bank should maintain a minimum of 10% of customer deposits with the Central Bank as a reserve account which during the month can be reduced to 80% of its level, by the condition that monthly average should be maintained.

The statutory reserve is restricted and not available for daily operations.

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

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

	31 December 2008	31 December 2007
a) By type:		
Call/current accounts	243,475,539	243,705,051
Term deposits	1,207,733,969	1,723,262,548
Accrued income	9,632,021	12,825,506
	<b>1,460,841,529</b>	<b>1,979,793,105</b>
b) By geographical distribution:		
Resident	1,769,160	1,665,222
Non-resident	1,459,072,369	1,978,127,883
	<b>1,460,841,529</b>	<b>1,979,793,105</b>
c) By maturity:		
Less than one month	861,592,661	1,214,521,830
More than one and less than three months	82,984,341	167,509,548
More than three and less than six months	439,550,000	500,464,053
More than six months and less than 1 year	76,714,527	97,297,674
	<b>1,460,841,529</b>	<b>1,979,793,105</b>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(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 Murabaha balance as of 31 December 2008 and 2007 are detailed as follows:

	31 December 2008	31 December 2007
Short term investments	676,487,039	541,668,287
Medium term investments	1,377,115,520	1,344,869,589
	<u>2,053,602,559</u>	<u>1,886,537,876</u>
Accrued interest	22,699,762	18,910,691
Provisions on substandard, doubtful and loss financing activities	(154,970,897)	(99,338,320)
	<u>1,921,331,424</u>	<u>1,806,110,247</u>

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:

	2008	2007
Balance at 1 January	99,338,320	25,265,175
Charge for the year	52,543,920	74,436,068
Foreign exchange effects	3,088,658	(362,923)
	<u>154,970,898</u>	<u>99,338,320</u>

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

	2008	2007
Balance at 1 January	20,015,589	20,076,958
Charge for the year	10,268,638	138,557
Foreign exchange effects	294,531	(199,926)
	<u>30,578,758</u>	<u>20,015,589</u>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 5. Due from financing activities (continued)

As at 31 December 2008 and 2007 due from financing activities can be detailed as follows:

Category	31 December 2008			31 December 2007		
	Individuals	Enterprises	Total	Individuals	Enterprises	Total
Standard	265,274,159	1,347,503,707	1,612,777,866	336,048,716	1,376,919,405	1,712,968,121
Special Mention	14,759,867	229,298,205	244,058,072	32,915,762	7,892,079	40,807,841
Substandard	19,350,000	49,683,468	69,033,468	25,455,638	-	25,455,638
Doubtful	15,065,181	3,472,222	18,537,403	4,074,547	59,865,002	63,939,549
Lost	10,575,767	121,319,745	131,895,512	5,609,106	56,668,312	62,277,418
Provisions for substandard loans	(21,978,358)	(132,992,539)	(154,970,897)	(63,796,713)	(35,541,607)	(99,338,320)
<b>Total</b>	<b>303,046,616</b>	<b>1,618,284,808</b>	<b>1,921,331,424</b>	<b>340,307,056</b>	<b>1,465,803,191</b>	<b>1,806,110,247</b>

#### 6. Investment securities

Investment securities at 31 December 2008 and 2007 are composed as following:

	31 December 2008	31 December 2007
Debt security-held to maturity	-	84,117,777
Equity investment-available for sale	-	-
	<b>-</b>	<b>84,117,777</b>

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 2008 and 2007 are described as below:

	31 December 2008		31 December 2007	
	USD	Lek	USD	Lek
Purchase price	-	-	997,500	82,682,775
Accrued interest	-	-	15,104	1,251,983
Discount	-	-	2,208	183,019
	<b>-</b>	<b>-</b>	<b>1,014,812</b>	<b>84,117,777</b>

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

	31 December 2008	31 December 2007
Equity investment	4,659,523	4,659,523
Provision for devaluation	(4,659,523)	(4,659,523)
	<b>-</b>	<b>-</b>

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. From this year no payments are done by Alintid, as result in 2007 it was provision another 25% arriving to the 100% of the provision for this investment. In the year 2008 no payments were made and the investment remains fully provided.



## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 6. Investment securities (continued)

Movements in the provision for devaluation are as follows:

	2008	2007
Balance at 1 January	4,659,523	3,968,942
Charge for the year, net	-	1,220,953
Foreign exchange effects	282,191	(530,372)
	<b>4,941,714</b>	<b>4,659,523</b>

#### 7. Fixed assets

Fixed assets at 31 December 2008 and 2007 are as follows:

	<i>Furniture &amp; fixtures</i>	<i>Office equipment</i>	<i>Computer equipment</i>	<i>Vehicles</i>	<i>Building in process</i>	<i>Total</i>
<b>Cost</b>						
At 31 December 2007	29,338,658	56,611,684	52,399,713	15,163,267	247,566,955	401,080,277
Additions	7,951,066	24,049,042	4,457,485	1,339,200	35,278,794	73,075,587
Disposals	(16,962,669)	(504,566)	(117,694)	-	-	(17,584,929)
At 31 December 2008	<b>20,327,055</b>	<b>80,156,160</b>	<b>56,739,504</b>	<b>16,502,467</b>	<b>282,845,749</b>	<b>456,570,935</b>
<b>Accumulated Depreciation</b>						
At 31 December 2007	(22,532,575)	(36,408,600)	(41,107,370)	(8,203,636)	-	(108,252,181)
Charge for the year	(4,282,802)	(10,530,334)	(8,275,872)	(3,054,973)	-	(26,143,980)
Disposals	16,886,841	408,954	113,226	-	-	17,409,021
At 31 December 2008	<b>(9,928,536)</b>	<b>(46,529,980)</b>	<b>(49,270,016)</b>	<b>(11,258,609)</b>	<b>-</b>	<b>(116,987,140)</b>
<b>Net book value</b>						
At 31 December 2007	<b>6,806,083</b>	<b>20,203,084</b>	<b>11,292,343</b>	<b>6,959,631</b>	<b>247,566,955</b>	<b>292,828,096</b>
At 31 December 2008	<b>10,398,519</b>	<b>33,626,180</b>	<b>7,469,488</b>	<b>5,243,858</b>	<b>282,845,749</b>	<b>339,583,795</b>

Building in Process includes the setting of the Bank Head Office. On April 2005, the Bank has signed an undertaking contract with Teknoprojekt Shpk. Company for purchasing new premises of UBA Head Office in Tirana. According to the contract Bank has paid 1-st instalment for the value of 73,955,969 Lek.

On July 2006 based on this contract and the amendment on July 2005 after the preliminary registration as construction the Bank has paid 2-nd instalment and on December 2006, 90% of value of additional contract as per increasing the surface purchased.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 7. Fixed assets (continued)

In July 2008 the bank got through the premises where the bank relocates its Head-Office. According to the undertaking contract the bank paid the 3-rd instalment of 26,421,373 Lek. During the years 2007-2008 the building was under process working. The inside works consist in transforming the area to appropriate bank premises according to architectural, electrical, air cooling and other projects. During the year 2007 the total amount of extra work reached for 3,605,217 Lek and in the year 2008 these works reached the amount of 8,857,421 Lek. Total payments made for the building during the year 2008 were 35,278,794 Lek. The bank doesn't possess the property title of the new building so no depreciation is calculated for the year. It is expected to be possessed in the year 2009.

With the opening of these new premises the bank has made the purchases of new furniture, computers and office equipment.

In the balance sheet of 2007, included at technical instalment, equipments balance and tackles were shown the amounts that we have included as furniture and fixtures, office equipment, computers. The total amount is 157,222,719 Lek in 2008 and for the year 2007 it was 138,350,055 Lek.

Changes on amortisation method from remaining value method in 2008 to linear method brought an increase in expenses by 12,807,561 Lek compared to the previous method.

#### 8. Assets taken from legal processes

These assets shown as other inventory represent the collaterals taken by the legal processes from the lost loans. Here are included 2 buildings in Fier and one in Shkodra, for which the bank intends to sell. The buildings are booked at the amount of the last auction of the legal process. These assets in 2008 reached the amount of 55,397,740 Lek and for the year 2007 this amount was 55,197,741 Lek.

#### 9. Other assets

Other assets are as follows:

	31 December 2008	31 December 2007
Expenses to be amortized over years, net	4,379,331	6,311,365
Prepaid expenses	2,482,398	2,359,114
Prepayments-Tax on income (see note 17)	30,582,569	41,070,835
Other	18,449,589	11,386,056
	<u>55,893,887</u>	<u>61,127,370</u>

In "Other assets" the amount of "prepaid tax on income" and "others" in the balance sheet of 2007 are included as due from the debtors.

#### 10. Due to banks and other financial institutions

Due to banks and other financial institutions are as follows:

	31 December 2008	31 December 2007
Current accounts	179,707	119,016
Term deposits	46,615,274	107,164,424
Accrued Customer share on profit	1,518	207,666
	<u>46,796,499</u>	<u>107,491,106</u>

At 31 December 2008 and 2007, term deposits represent deposits of Credit Bank of Albania, mainly in USD which are due less than one month.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 11. Customers' accounts

Customers' accounts by types are detailed as follows:

	31 December 2008	31 December 2007
Current accounts	948,456,060	1,148,980,660
Investment deposits	2,542,656,586	2,736,151,472
Accrued Customer Share on Profit	11,312,547	6,320,728
Other Customer Account	15,665,550	13,712,916
	<b>3,518,092,743</b>	<b>3,905,165,776</b>

Customers' accounts by currencies are as follows:

	31 December 2008	31 December 2007
Current accounts:		
In USD	431,585,997	442,169,957
In ALL	295,089,469	392,629,777
In EUR	217,494,975	303,428,719
In GBP	4,287,619	10,752,207
	<b>948,458,060</b>	<b>1,148,980,660</b>
Investment deposits:		
In USD	378,133,775	566,542,686
In EUR	539,573,211	514,870,197
In ALL	1,624,949,600	1,654,738,589
	<b>2,542,656,586</b>	<b>2,736,155,472</b>

#### 12. Other liabilities

Creditors and accrued expenses are as follows:

	31 December 2008	31 December 2007
Remittances and letters of guarantee	22,909,789	2,573,488
Accounts payable	2,442,405	13,579,506
Accrued expenses	4,177,710	4,155,746
Provision fund	22,330	5,589,881
	<b>29,552,234</b>	<b>25,898,622</b>

#### 13. Shareholders' funds

##### 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 USD 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: Lek 132.5). 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.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

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#### 13. Shareholders' funds (continued)

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 166,003,789 Lek, 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 1,659,603 thousand Lek.

During 2006, by decision of the Bank's Shareholders Assembly dated 8 June 2006, it was registered in court by decision No. 4316/10 dt 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 84,300,000 Lek 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 USD 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 1,743,903 Lek thousand

During 2007, by decision of the Bank's Shareholders Assembly dated 21 June 2007, it was decided to increase of capital by 13,700,000 Lek 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 decision was taken by the Bank Shareholder Assembly and the official decision, registration at the QKR was realized at January, 31, 2008 increasing the paid-capital of the bank by USD 165,840 with the official date rate USD/LEK 82.61. So the paid capital of the Bank on December 31, 2008 is USD 12,673,056. The par value remains same: US Dollar 100 per share.

#### **Statutory reserve:**

Other reserves are comprised of 64,104,767 Lek. 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 November 19, 1992 article 213 on "Commercial Company" 5% of net profit to be registered as legal reserve.

Based on Bank Statute 10% of net income to be registered as statutory reserve.

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

#### **Translation reserve:**

The translation reserve arises according to the Bank of Albania's regulations and standards 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.

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 14. Other income

Other income comprises the following:

	<b>2008</b>	<b>2007</b>
Rental income	600,000	800,000
Other banking income	17,921,860	22,889,166
Income from the selling of the of fixed assets	340,500	-
	<u><b>18,862,360</b></u>	<u><b>23,689,166</b></u>

Rental income from investment property belongs to the bought assets through legal processes in Fier Branch.

#### 15. Personnel expenses

Personnel expenses for the years ended are as follows:

	<b>2008</b>	<b>2007</b>
Expatriate staff	22,503,980	22,184,921
Local employee salaries	51,708,323	43,201,653
Social insurance	9,765,529	8,118,610
Other treatment and bonus	6,506,091	5,965,778
	<u><b>90,483,923</b></u>	<u><b>79,470,961</b></u>

#### 16. Other administrative expenses

Other administrative expenses include the following:

	<b>2008</b>	<b>2007</b>
Office expenses	42,429,718	39,694,550
Deposit Insurance	5,233,725	4,562,444
Board of Directors expenses	6,423,821	5,657,836
Professional services	3,636,314	3,471,604
Travel and transportation	3,451,381	3,338,080
Advertising and public relation	4,577,871	7,863,447
Depreciation of leasehold improvements	2,361,318	2,123,383
Fees, taxes and duties	1,227,419	744,440
Other	1,070,869	5,576,486
	<u><b>70,412,436</b></u>	<u><b>73,032,270</b></u>

#### 17. Foreign exchange gains, net

During 2008, the Bank incurred foreign exchange loss from bank exchange transaction which was mainly caused by the frequent and unexpected fluctuation of the currency by not let the time to close the open positions.

	<b>2008</b>	<b>2007</b>
Foreign exchange gains	175,016,198	187,793,567
Foreign exchange losses	<u>(176,216,036)</u>	<u>(186,948,275)</u>
<b>Total</b>	<u><b>(1,199,838)</b></u>	<u><b>845,292</b></u>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 18. Taxation

The reconciliation between the accounting profit and taxable profit for 2008 and 2007 is composed as follows:

	<b>2008</b>	<b>2007</b>
Accounting profit / Loss	(93,592,403)	(44,789,196)
Un deductible expenses	33,738,663	11,695,793
<b>Taxable profit</b>	<b>(59,853,740)</b>	<b>(33,093,403)</b>
<b>Tax expense at 10% (2007: 20%)</b>	<b>-</b>	<b>-</b>

The tax reconciliation for the year ended 31 December 2008 and 2007 is as follows:

	<b>2008</b>	<b>2007</b>
Balance at 1 January (see note 8)	41,070,835	29,070,835
Prepayments during the year	1,360,000	12,000,000
Dues from tax control liquidated during 2008	(11,848,266)	-
Tax expenses	-	-
Balance at 31 December (note 8)	<b>30,582,569</b>	<b>41,070,835</b>

Based on Albanian tax regulations, the Bank made a tax prepayment of approximately 1,360,000 Lek (2007: 12,000,000 Lek) for the period January-April 2008, after which the payment were zero because of the loss result of the year 2007.

During 2008 the Bank was under the control of Tax Office for the period 2003-2006 as a consequence of which he have the notice of Nr/Prot 3951/9 dated 09/05/2009, in this document it was defined that we have a tax obligation of 12,120,702 Lek and a penalize of 100% of the obligation. The obligation amount was liquidated one part in cash 272,436 Lek and the other part 11,848,266 Lek by the overpaid tax confirmed by the compensation act nr 2951/19 dated 02/03/09.

#### 19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	<b>31 December 2008</b>	<b>31 December 2007</b>
Cash on hand (note 3)	456,885,490	258,318,111
Current account balance with Central Bank (note 3)	35,885,090	226,930,107
Due from banks within one month (note 4)	861,592,661	1,214,521,830
	<b>1,354,363,241</b>	<b>1,699,770,048</b>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 20. Commitments and contingencies

(i) Contingencies by type are as follows:

	31 December 2008	31 December 2007
<i>Assets</i>		
Facilities collateral	3,839,823,505	3,001,060,601
<i>Liabilities</i>		
Unused part of the financing	28,428,000	74,376,700
Letters of credit	16,336,772	-
Guarantees and letters of credit	23,165,550	20,193,312
	<b>67,930,322</b>	<b>94,570,012</b>

(ii) Contingencies by geographic sector as of 31 December 2008 and 2007 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 2008 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 2008.

#### Lease commitments

The Bank has entered into non-cancellable lease commitments for all branches. Such commitments for the years ended 31 December 2008 and 2007 are composed as follows:

	31 December 2008	31 December 2007
Less than one year	4,175,756	12,585,324
Between one and five years	41,395,419	4,305,614
	<b>45,571,175</b>	<b>16,890,938</b>

The Bank has rental agreements for Tirana, Shkodra, Fieri and Durrresi Branches. During 2008, 16,364,668 Lek was recognised as an expense in the statement of income and expenditures in respect of lease rentals (2007: 18,756,675 Lek)

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

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#### 21. Funds under management

Funds under management by type are as follows:

	<b>31 December 2008</b>	<b>31 December 2007</b>
Managed funds	<u>2,542,656,586</u>	<u>2,736,151,472</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).

#### 22. Related party transactions

Parts are considered related when a party has the opportunity to control the other part or exercises a considerable influence at the other part financial and operational 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 2008</b>	<b>31 December 2007</b>
Due from Shamil Bank & IICG	711,342,809	649,832,224
Investment securities SUKUK-Guarnt.IDB	-	84,117,777
Due from Dallah Holding subsidiaries	211,245,552	650,363,484
Due to customers (on behalf of shareholders)	18,039,877	21,771,249
Due from Clients	55,069,297	25,899,000

The income and expenses arising from dealing with related parties included in the statement of income and expenditures are as follows:

	<b>2008</b>	<b>2007</b>
Income from banks	75,125,172	87,750,346
Income from securities	1,704,557	3,308,228
Customers' share on profit	288,917	831,767

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

#### 23. 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.



## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 23. Financial risk management (continued)

##### (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 2008 and 2007:

	<i>2008</i>				
<b>Assets</b>	<i>Usd</i>	<i>Lek</i>	<i>Euro</i>	<i>Other</i>	<i>Total</i>
Cash and balance with Central Bank	229,566,979	355,493,464	242,596,673	4,160,440	831,817,556
Due from banks	1,167,776,214	80,307	278,300,982	14,684,026	1,460,841,529
Due from financing activities	590,390,846	1,015,263,669	315,676,909	-	1,921,331,424
Other assets	8,759,663	42,225,337	4,895,770	13,117	55,893,887
Fixed Assets	-	339,583,795	-	-	339,583,795
Assets Acquired through legal process	-	39,201,000	16,196,740	-	55,397,740
<b>Total</b>	<b>1,996,493,702</b>	<b>1,791,847,572</b>	<b>857,667,074</b>	<b>18,857,583</b>	<b>4,664,865,931</b>
<b>Liabilities</b>					
Due to banks	46,685,995	105,305	5,172	27	46,796,499
Customer accounts	810,013,384	1,942,085,191	761,706,549	4,287,619	3,518,092,743
Other liabilities	12,338,663	13,606,815	3,606,756	-	29,552,234
Statistical Provision	13,699,367	13,234,635	3,644,756	-	30,578,758
Shareholder Equity	1,757,603,789	(717,758,092)	-	-	1,039,845,697
<b>Total</b>	<b>2,640,341,198</b>	<b>1,251,273,854</b>	<b>768,963,233</b>	<b>4,287,646</b>	<b>4,664,865,931</b>
<b>Net position at 31 December 2008</b>	<b>-643,847,496</b>	<b>540,573,718</b>	<b>88,703,843</b>	<b>14,569,937</b>	<b>-</b>
<b>Cumulative Gap</b>	<b>(643,847,498)</b>	<b>(103,273,780)</b>	<b>(14,569,937)</b>	<b>-</b>	<b>-</b>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 23. Financial risk management (continued)

##### (a) Currency risk

	<i>2007</i>				
<b>Assets</b>	<i>Usd</i>	<i>Lek</i>	<i>Euro</i>	<i>Other</i>	<i>Total</i>
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	1,124,606,488	237,870,081	-	1,806,110,247
Investment securities	84,117,777	-	-	-	84,117,777
Other assets	10,935,963	32,214,111	17,957,253	20,043	61,127,370
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	10,752,208	3,905,165,777
Other liabilities	6,430,843	10,486,418	3,080,895	17,432	20,015,588
Statistical Provision	4,137,011	19,188,982	2,572,629	-	25,898,622
Shareholder Equity	1,757,603,789	-687,830,891	-	-	1,069,772,898
<b>Total</b>	<b>2,887,369,799</b>	<b>1,401,991,727</b>	<b>828,212,790</b>	<b>10,769,675</b>	<b>5,128,343,991</b>
<b>Net position at 31 December 2007</b>	<b>(747,745,219)</b>	<b>588,241,543</b>	<b>143,057,075</b>	<b>16,446,601</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(747,745,219)</b>	<b>(159,503,676)</b>	<b>(16,446,601)</b>	<b>-</b>	<b>-</b>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### (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 2008</b>	<b>%</b>	<b>31 December 2007</b>	<b>%</b>
Energy	126,090,556	6.14	101,310,001	5.54
Automotive trade	18,530,080	0.9	40,851,079	2.23
Domestic trade	851,206,030	41.45	733,538,611	38.57
Real estate	182,131,144	8.87	120,843,445	6.61
Food industry	99,552,194	4.85	260,335,915	14.24
Construction	559,988,997	27.27	386,398,798	20.59
Bank personnel	8,957,758	0.44	7,970,367	0.44
Education, Social Activity	207,145,979	10.09	215,289,660	11.78
	<b>2,053,602,558</b>	<b>100</b>	<b>1,886,537,876</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 (2007: 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.

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. 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 2008 the twenty largest deposits from individual corporate clients represent 27.4% of total deposits from customers (2007: 30%).

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### (c) Liquidity risk (continued)

The following tables shows the Bank's financial assets and liabilities by remaining maturity at 31 December 2008 and 2007:

<b>2008</b>	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3-6 months</i>	<i>Up to 1 year</i>	<i>1-5 years</i>	<i>Total</i>
<b>Assets</b>						
Cash balance and Central Bank	831,817,556	-	-	-	-	831,817,556
Due from banks	861,592,661	82,984,341	439,550,000	76,714,527	-	1,460,841,529
Due from financing activities	466,606,077	155,665,589	293,884,575	351,200,389	653,974,794	1,921,331,424
Other assets	47,672,219	1,447,300	184,800	2,210,238	4,379,330	55,893,887
Assets Acquire through legal process	55,397,740	-	-	-	-	55,397,740
Fixed Assets	-	-	-	-	339,583,795	339,583,795
<b>Total</b>	<b>2,263,086,253</b>	<b>240,097,230</b>	<b>733,619,375</b>	<b>430,125,154</b>	<b>997,937,919</b>	<b>4,664,865,931</b>
<b>Liabilities and equity</b>						
Due to banks and FI	46,796,499	-	-	-	-	46,796,499
Customer accounts	3,219,608,642	5,939,570	615,670	285,685,940	6,242,921	3,518,092,742
Other liabilities	29,552,234	-	-	-	-	29,522,234
Provision	11,430,984	1,960,735	3,604,594	4,804,387	8,778,058	30,578,758
Shareholder Equity	(93,592,403)	-	-	-	1,133,438,100	1,039,845,697
<b>Total</b>	<b>3,213,795,956</b>	<b>7,900,305</b>	<b>4,220,264</b>	<b>290,490,327</b>	<b>1,148,459,079</b>	<b>4,664,864,931</b>
<b>Liquidity gap at 31 December 2007</b>	<b>(950,709,703)</b>	<b>232,196,925</b>	<b>1,159,524,265</b>	<b>(290,490,327)</b>	<b>(150,521,160)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(950,709,703)</b>	<b>(718,512,778)</b>	<b>441,011,487</b>	<b>150,521,160</b>	<b>-</b>	<b>-</b>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

<b>23. Financial risk management (continued)</b>						
<b>(c) Liquidity risk (continued)</b>						
<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	1,214,521,831	167,509,548	500,464,053	97,297,673	-	1,979,793,105
Due from financing activities	320,530,401	245,878,410	199,280,957	255,472,886	784,947,593	1,806,110,247
Investment securities	-	1,251,980	-	82,865,797	-	84,117,777
Other assets	39,363,199	12,032,849	2,801,361	534,455	6,395,506	61,127,370
Asset acquired through legal process	55,197,741	-	-	-	-	55,197,741
Fixed Assets		-	-	-	292,828,096	292,828,096
<b>Total</b>	<b>2,478,782,827</b>	<b>426,672,787</b>	<b>702,546,371</b>	<b>436,170,811</b>	<b>1,084,171,195</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	3,597,226,168	53,009,510	122,681,600	106,087,230	26,161,269	3,905,165,777
Other liabilities	20,015,589	-	-	-	-	20,015,589
Statistical Provision	9,896,543	2,549,956	2,119,414	2,780,852	8,551,857	25,898,622
Shareholder Equity	(44,755,003)				1,114,527,900	1,069,772,897
<b>Total</b>	<b>3,689,874,403</b>	<b>55,559,466</b>	<b>124,801,014</b>	<b>108,868,082</b>	<b>1,149,241,026</b>	<b>5,128,343,991</b>
<b>Liquidity gap at 31 December 2006</b>	<b>(1,211,091,576)</b>	<b>371,113,321</b>	<b>1,013,916,167</b>	<b>(108,868,082)</b>	<b>(65,069,831)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(1,211,091,576)</b>	<b>(839,978,255)</b>	<b>173,937,912</b>	<b>65,069,831</b>	<b>-</b>	<b>-</b>

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

**(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.

**(b) Interest rate repricing analysis**

The following table presents the interest rate repricing 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

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

	31 December 2008						Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non interest bearing	
<b>23. Financial risk management (continued)</b>							
<b>(d) Interest rate risk</b>							
<b>Assets</b>							
Cash balance and Central Bank	339,046,976	-	-	-	-	492,770,580	831,817,556
Due from banks	618,117,121	82,984,341	439,550,000	76,714,529	-	243,475,538	1,460,841,529
Due from financing activities	466,606,075	155,665,589	293,884,575	351,200,389	653,974,796	-	1,921,331,424
Other assets	-	-	-	-	-	55,893,887	55,893,887
Assets Acquire through legal process	-	-	-	-	-	55,397,740	55,397,740
Fixed Assets	-	-	-	-	-	339,583,795	339,583,795
<b>Total</b>	<b>1,423,770,172</b>	<b>238,649,930</b>	<b>733,434,575</b>	<b>427,914,916</b>	<b>653,974,793</b>	<b>1,187,121,541</b>	<b>4,664,865,931</b>
<b>Liabilities and equity</b>							
Due to banks and FI	46,616,792	-	-	-	-	179,707	46,796,499
Customer accounts	2,261,813,703	2,225,571	-	285,685,868	4,243,962	964,123,639	3,518,092,743
Other liabilities	-	-	-	-	-	29,552,234	29,552,234
Statistical Provision	-	-	-	-	-	30,578,758	30,578,758
Shareholder Equity	-	-	-	-	-	1,039,845,697	1,039,845,697
<b>Total</b>	<b>2,308,430,495</b>	<b>2,225,571</b>	<b>-</b>	<b>285,685,868</b>	<b>4,243,962</b>	<b>2,064,280,035</b>	<b>4,664,865,931</b>
<b>Gap</b>	<b>(884,660,323)</b>	<b>236,424,359</b>	<b>733,434,575</b>	<b>142,229,048</b>	<b>649,730,834</b>	<b>(877,158,495)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(884,660,323)</b>	<b>(648,235,964)</b>	<b>85,198,612</b>	<b>227,427,661</b>	<b>877,158,495</b>	<b>-</b>	<b>-</b>

## United Bank of Albania sh.a.

### Notes to the financial statements for the year ended 31 December 2008

(Amounts in Lek unless otherwise stated)

#### 23. Financial risk management (continued)

##### (d) Interest rate risk

	31 December 2007					Non interest bearing	Total
	Up to 1 month	1 to 3 Months	3 to 6 months	6 to 12 months	Over 1 year		
<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	61,249,786	1,806,110,247
Investments	-	1,251,983	-	82,865,794	-	-	84,117,777
Other assets	-	-	-	-	-	61,127,370	61,127,370
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	105,118,374	26,161,257	1,162,693,574	3,905,165,777
Other liabilities	-	-	-	-	-	27,327,831	27,327,831
Statistical provision	2,580,779	2,545,117	2,113,360	2,773,572	8,544,996	28,555	18,586,379
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>107,891,946</b>	<b>34,706,253</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>327,016,423</b>	<b>749,555,344</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>311,030,268</b>	<b>1,060,585,612</b>	<b>-</b>	<b>-</b>



**24. 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.

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.

**25. Subsequent event**

During April 2009, the main shareholder of the Bank, the Albanian Ministry of Finance has sold its shareholding of 40% to Islamic Development Bank ("IDB") that after this transaction becomes the main shareholder with 55% of shares.

**26. Management assessment of ability to continue as Going Concern**

The Bank has incurred losses during the last two financial years. As a result of these losses and the weakness of the US Dollar (the currency of the equity Note 13), the shareholder's equity as on December 31, 2008, has decreased to approximately Lek 1.04 Billion. Injection of more capital during this year, in accordance with the Central Bank of Albania regulations, is imperative to avoid any shortfall.

Management has made an assessment of capital requirements by preparing a detailed business plan and has identified additional capital requirements under various performance scenarios.

Capital requirements will be presented shortly to the shareholders' board which was redesigned after the acquisition of the majority stake by IDB.

Management expects to approve and disburse the required additional amount of capital in due time and believes that its ability to continue as going concern will not be impaired.