

United Bank of Albania Sh.a.

Financial Statements as at 31 December 2009

(with independent auditor's report thereon)

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Independent Auditors' Report

To the shareholders and management of
United Bank of Albania Sh.a.

Tirana, 16 April 2010

Report on the Financial Statements

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 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Bank as at and for the year ended 31 December 2008, were audited by another auditor whose report dated 15 April 2009, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "Reporting Methodology and Content of Financial Reporting" pursuant to Article 47 of the Banking Law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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



Basis for Qualified Opinion

As described in Note 5 to the financial statements, the Bank has classified loans to certain customers with a net carrying amount of Lek 944 million by taking into account debt repayment after the end of year, collateral and other repayment sources of the borrowers and considered that certain overdue amounts related to temporary difficulties of the borrower. If the criteria as prescribed in the Bank of Albania Regulation No. 52 (amended), dated 14 July 2004 had been strictly applied for amounts outstanding at 31 December 2009; these exposures would have been downgraded to lower categories and the Bank would have made additional provisions of approximately Lek 513 million. Had such losses been provided for, the effect as of 31 December 2009 would have been to increase the accumulated losses and to reduce the carrying amount of due from financing activities by Lek 513 million. Additionally, the loss for the year would have been increased by Lek 513 million.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the "Reporting Methodology and Content of Financial Reporting" pursuant to Article 47 of the Banking Law.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1.(b) to the financial statements which describes that the Bank has incurred losses during the last three financial years. As a result of these losses, the regulatory capital as at 31 December 2009 has decreased to Lek 976 million. An injection of additional capital, in accordance with the Bank of Albania regulations, is imperative in order to meet minimum capital requirements, to limit the risks from significant exposures and to continue operations. Note 25 to the financial statements describes Management plans to meet required capital levels.

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United Bank of Albania Sh.a.


Balance sheet as at 31 December 2009

(Amounts in Lek)

	Notes	31 December 2009	31 December 2008
Assets			
Cash and balances with Central Bank	3	1,011,846,298	831,817,556
Due from banks and other financial institutions	4	1,301,291,676	1,460,841,529
Due from financing activities	5	1,979,454,793	1,921,331,424
Fixed assets	6	333,306,458	339,583,795
Assets acquired through legal process	7	57,549,680	55,397,740
Other assets	8	55,911,248	55,893,887
Total assets		4,739,360,153	4,664,865,931
Liabilities and shareholders' funds			
Liabilities			
Due to banks and other financial institutions	9	51,138,176	46,796,499
Due to customers	10	3,502,892,742	3,518,092,743
Statistical provision	5	23,672,737	30,578,758
Other liabilities	11	114,089,775	29,552,234
Total liabilities		3,691,793,430	3,625,020,234
Shareholders' funds			
Share capital	12	1,757,603,789	1,757,603,789
Translation reserve	12	(543,398,294)	(643,515,439)
Statutory reserve	12	64,104,767	64,104,767
Accumulated losses		(138,347,420)	(44,755,017)
Loss for the Year		(92,396,119)	(93,592,403)
Total shareholders' funds		1,047,566,723	1,039,845,697
Total liabilities and shareholders' funds		4,739,360,153	4,664,865,931

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 26.

The financial statements were authorised for release by the Board of Directors on 4 February 2010 and signed on its behalf by:


Hikmet Guler
General director


Fatmir Tresa
Finance Manager

United Bank of Albania Sh.a.

Income statement for the year ended 31 December 2009

(Amounts in Lek)

	Notes	2009	2008
Income			
Income from banks and other financial institutions		36,151,591	75,123,172
Income from financing activity		202,737,734	196,024,670
Income from securities	13	-	1,704,557
		<u>238,889,325</u>	<u>272,852,399</u>
Other income			
Income from bank commissions		32,899,597	29,323,464
Foreign exchange gain/(loss), net	17	8,877,782	(1,199,838)
Other income	14	8,691,453	18,862,360
		<u>50,468,832</u>	<u>46,985,986</u>
Total income		289,358,157	319,838,385
Expenses for clients interest		<u>(139,843,916)</u>	<u>(135,713,272)</u>
Net income		149,514,241	184,125,113
Provisions for losses from loans	5	(17,525,801)	(52,543,920)
Statistical provisions	5	5,827,976	(10,268,638)
Depreciation	6	(34,685,221)	(26,143,980)
Personnel expenses	15	(106,190,075)	(90,483,923)
Rent		(17,677,318)	(16,364,667)
Other administrative expenses	16	(71,569,921)	(70,412,436)
Tax and other penalties		<u>(90,000)</u>	<u>(11,499,952)</u>
Total operating expenses		(241,910,360)	(277,717,516)
Loss before tax		(92,396,119)	(93,592,403)
Tax on profit	18	-	-
Loss of the year		<u>(92,396,119)</u>	<u>(93,592,403)</u>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 26.

United Bank of Albania Sh.a.

Statement of cash flows for the year ended 31 December 2009

(Amounts in Lek)

	2009	2008
Cash flows from operating activities		
Loss for the year	(92,396,119)	(93,592,403)
Adjustments for non cash items:		
Depreciation	34,685,221	26,143,980
Depreciation of leasehold improvements	1,352,490	2,361,318
Provision for loans and statistical provision	11,697,825	62,812,558
Foreign exchange - translation reserve	100,117,145	63,665,273
Tax related penalties	-	11,848,266
Interest income	(238,889,325)	(272,852,399)
Interest expense	139,843,916	135,713,272
	(43,588,847)	(63,900,135)
Changes in operating assets and liabilities:		
Increase in due from financing activities	(40,434,863)	(163,681,502)
Increase in other assets	(3,521,794)	(7,816,117)
Decrease/(Increase) in due from other banks	451,868,876	(147,796,191)
Decrease in due to customers	(23,572,300)	(392,064,850)
Increase in other liabilities	84,537,540	3,653,612
	468,877,459	(707,705,048)
Interest received	214,259,535	258,866,295
Interest paid	(131,458,856)	(130,927,601)
Income tax paid	-	(1,360,000)
Net cash from/(used in) operating activities	508,089,291	(645,026,489)
Cash flows from investing activities		
Decrease in investment securities	13 -	84,117,777
Purchases of fixed assets	6 (28,407,884)	(72,899,679)
Net cash (used in)/provided by investing activities	(28,407,884)	11,218,098
Cash flows from financing activities		
(Decrease)/increase in due to banks	4,328,918	(60,488,459)
Net cash provided by/(used in) financing activities	4,328,918	(60,488,459)
Net increase/(decrease) in cash and cash equivalent	484,010,325	(694,296,850)
Cash and cash equivalents at beginning of the year	1,005,473,199	1,699,770,049
Cash and cash equivalents at the end of the year	19 1,489,483,524	1,005,473,199

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 26.

United Bank of Albania Sh.a.

Statement of changes in equity for the year ended 31 December 2009 (Amounts in Lek)

	Share Capital	Translation Reserve	Statutory Reserve	Accumulated losses	Total
Balance at 31 December 2007	1,757,603,789	(707,180,712)	64,104,767	(44,755,017)	1,069,772,827
Change in translation reserve	-	63,665,273	-	-	63,665,273
Loss for the year	-	-	-	(93,592,403)	(93,592,403)
Balance at 31 December 2008	1,757,603,789	(643,515,439)	64,104,767	(138,347,420)	1,039,845,697
Change in translation reserve	-	100,117,145	-	-	100,117,145
Loss for the year	-	-	-	(92,396,119)	(92,396,119)
Balance at 31 December 2009	1,757,603,789	(543,398,294)	64,104,767	(230,743,539)	1,047,566,723

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 26.

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

1. Introduction

(a) General

United Bank of Albania (hereinafter “the Bank” or “UBA”) was established in Albania to carry 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 is subject to Law no. 9662 “On Banks on the Republic of Albania”, dated 18 December 2006 and to supervision by the Bank of Albania.

On 5 November 1992, the Bank received the approval from the Bank of Albania for carrying out banking operations. The registration procedures were completed on 1 July 1994, the incorporation date. On 11 January 1999, pursuant to the Decision No.165, dated 11 December 1998 of the Bank of Albania, 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 was established by the National Commercial Bank of Albania (“NCB”), a state owned bank and a group of Islamic investors. The shareholding structure was as follows:

National Commercial Bank of Albania	40%
Shamil Bank	20%
Islamic Development Bank Jeddah (“IDB”)	15%
Dallah Albaraka Holding Co	10%
Other investors	15%

Following the privatization of NCB in 2000, 40% of the shares in UBA were transferred to the Ministry of Finance of Albania.

On 30 March 2009, the Bank changed its shareholding structure through the sale of the shares that the Ministry of Finance of Albania owned in UBA to IDB. Following the sale of shares, the new shareholding structure was as follows:

Islamic Development Bank Jeddah (“IDB”)	55%
Shamil Bank	20%
Dallah Albaraka Holding Co	10%
Other investors	15%

The Head Office of the Bank is located in Tirana. Currently, the Bank has an Albanian network of 4 branches located in Tirana, Shkodra, Fier and Durrës and 2 agencies located in Tirana. As at 31 December 2009, the Bank employs 71 staff (2008: 76 staff), including 3 expatriate senior managers (2008: 3 expatriate senior managers).

(b) Management assessment of the ability to continue as going concern

The Bank has incurred losses during the last three financial years. As a result of these losses, the regulatory capital as at 31 December 2009 has decreased to Lek 976 million (see note 12). The minimum required capital is Lek 1 billion. Had the Bank accounted for an additional provision as required by the regulations of the Bank of Albania, of Lek 513 million (see note 5), the regulatory capital would decrease to approximately Lek 463 million.

An injection of additional capital, in accordance with the Bank of Albania regulations, is imperative in order to meet minimum capital requirements, to limit the risks from significant exposures and to continue operations.

Management has made an assessment of the additional capital requirements under various performance scenarios. Capital requirements will be presented shortly to the shareholders’ meeting.

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

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

2. Significant accounting policies

(a) Statement of compliance

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

The Bank has prepared these financial statements on a going concern basis because Management has determined that it does not intend and will not be forced to liquidate the Bank (see note 1.(b)).

(b) Basis of preparation

The financial statements are presented in Albanian Lek and are prepared on the historic cost basis, except for investment securities available for sale and assets acquired through legal process, which are measured at fair value.

(c) 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 with original maturities of three months or less.

(d) 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.

Provisions are created pursuant to regulation No. 52 (amended) 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 provisions are applied:

<i>Type of loans</i>	<i>Days in arrears</i>	<i>Provision rate</i>
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%
Lost	Over 365 days	100%

Loans and advances to customers are reported net of provisions for specific loan losses for loans classified as substandard, doubtful and lost. Provisions created for possible losses on loans classified as standard, past due and special mention are classified as statistical provisions on the liabilities side of the balance sheet.

(e) Investment securities

Held-to-maturity securities

Investment securities held-to-maturity are booked at the purchase price, with interest accrued for the coupons to be paid. Any discount or premium paid on the nominal value at the moment of the purchase is accrued to the payment date of the bond's capital. Those securities are considered to be investment held-to-maturity as the Bank has the intention of holding them on a long-term basis, in principle until maturity.

A provision is booked where there is a strong likelihood of the Bank not holding these securities until maturity because of new circumstances or if there is a risk of default by the issuer of the securities.

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

2. Significant accounting policies (continued)

(e) Investment securities (continued)

Investment securities available-for-sale

Investment securities available-for-sale, are booked at the market price, with interest accrued for the coupons to be paid. Any discount or premium paid on the nominal value at the moment of the transfer is accrued to the payment date of the bond's capital. Investment securities available-for-sale after initial recognition are re-measured at fair value. Losses arising from change in the fair value of such available-for-sale investments are included in net profit or loss for the period when they arise. Those securities are considered to be investments available-for-sale as the Bank has the intention of reselling them before their maturity.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation, which is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for the current and comparative period are as follows:

• Buildings	20 years
• Motor vehicles	5 years
• Office equipment	5 years
• Computers and electronic equipment	4 years
• Furniture and fixtures	5 years
• Intangible assets	2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Estimates in respect of certain items of property and equipment were revised in 2008. In the previous years the depreciation was calculated using the declining balance method.

Leasehold improvements are included in other assets as "Expenses to be amortized over years" and are depreciated over five years.

(g) Assets acquired through legal process

Assets acquired through legal process include collaterals of unrecoverable loans, the ownership of which was taken by the Bank. These assets are held as investment properties and are reappraised on a regular basis with reference to the market prices. The carrying amount of these assets approximates their current market value.

(h) Due to customers

Due to customers 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 Mudareb contracts entered into with the depositors. These special investment deposits, which are classified within due to customers, share the direct profit or losses of their respective investments once realised and do not, otherwise, share the Bank's profit or loss.

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

2. Significant accounting policies (continued)

(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) Revenue recognition

Income from banks and other financial institutions

Income from banks and other financial institutions is recognized on the accrual basis.

Murabaha contracts

Income from Murabaha contracts is recognized on the 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 recognized when the corresponding service is provided.

(k) Taxation

The Bank determines taxation at the end of the year in accordance with the Albanian tax legislation. In 2009, tax on profit is equal to 10% (2008: 10%) of the taxable income. Taxable income is calculated by adjusting the statutory profit before taxes for certain income and expenditure items as required under the Albanian law. The statutory profit is based on the financial records kept by the Bank for regulatory purposes in accordance with FRM and may differ significantly from the IFRS reported financial position.

(l) 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 the Bank of Albania regulation, 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 period end and historical Lek spot rate used to record the foreign currency share capital.

The applicable exchange rates (Lek to foreign currency unit) for the main currencies were as follows:

	31 December 2009	31 December 2008
• USD	95.81	87.91
• EUR	137.96	123.8
• GBP	154.64	127.66

(m) Use of estimates and judgements

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

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

3. Cash and balances with Central Bank

Cash and balances with Central Bank are detailed as follows:

	31 December 2009	31 December 2008
Cash on hand	367,110,653	456,885,490
Balances with Central Bank:		
Current accounts	302,028,607	35,885,090
Statutory reserve	342,547,782	338,847,576
Remuneration of the statutory reserve	159,256	199,400
	644,735,645	374,932,066
	1,011,846,298	831,817,556

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 in Albania with the Bank of Albania as a statutory reserve account, which during the month can be decreased to 60% of this 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:

	31 December 2009	31 December 2008
a) By type:		
Call/current accounts	379,382,256	243,475,539
Term investments	910,391,711	1,194,225,924
Accrued income	11,517,709	23,140,066
	1,301,291,676	1,460,841,529
b) By geographical distribution:		
Resident	5,411,658	1,769,160
Non-resident	1,295,880,018	1,459,072,369
	1,301,291,676	1,460,841,529
c) By original maturity:		
Less than one month	775,695,075	372,586,369
More than one and less than three months	44,649,189	140,116,250
More than three and less than six months	193,596,920	172,901,990
More than six months and less than 1 year	287,350,493	775,236,920
	1,301,291,676	1,460,841,529

Term investments represent funds invested by the Bank through financial institutions, acting as agents of the Bank. The agents invest the Bank's funds in instruments selected by them, including commodities and pay the profit generated there-from as per the return estimated by them in accordance with the offer made to the Bank for every investment.

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(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 balances as of 31 December 2009 and 2008 are detailed as follows:

	31 December 2009	31 December 2008
Short term investments	739,409,914	676,487,039
Medium term investments	1,365,676,041	1,377,115,520
	<u>2,105,085,955</u>	<u>2,053,602,559</u>
Accrued income	58,992,113	22,699,763
Total	2,164,078,068	2,076,302,322
Provisions on substandard, doubtful and loss financing activities	<u>(184,623,275)</u>	<u>(154,970,898)</u>
	1,979,454,793	1,921,331,424

Short term investments represent credits with a maturity of 12 months or less, and medium term investments represent credits with a maturity of five years or less.

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

	2009	2008
Balance at 1 January	154,970,897	99,338,320
Net charge for the year	17,525,801	52,543,920
Foreign exchange effects	12,126,577	3,088,658
	184,623,275	154,970,898

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

	2009	2008
Balance at 1 January	30,578,758	20,015,589
Net (reversal) / charge for the year	(5,827,976)	10,268,638
Foreign exchange effects	(1,078,045)	294,531
	23,672,737	30,578,758

The Bank has classified loans to certain customers with a net carrying amount of Lek 944 million by taking into account debt repayment after the end of year, collateral and other repayment sources of the borrowers and considered that certain overdue amounts related to temporary difficulties of the borrower. If the criteria as prescribed in the Bank of Albania Regulation No. 52 (amended), dated 14 July 2004 had been strictly applied for amounts outstanding at 31 December 2009; these exposures would have been downgraded to lower categories and the Bank would have made additional provisions of approximately Lek 513 million.

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009 (Amounts in Lek unless otherwise stated)

5. Due from financing activities (continued)

Due from financing activities as at 31 December 2009 and 2008 are detailed as follows:

	31 December 2009			31 December 2008		
Category	Individuals	Enterprises	Total	Individuals	Enterprises	Total
Standard	234,985,986	1,474,417,220	1,709,403,206	265,274,159	1,347,503,707	1,612,777,866
Special Mention	14,596,621	127,968,339	142,564,960	14,759,867	229,298,205	244,058,072
Substandard	3,040,761	145,177,182	148,217,943	19,350,000	49,683,468	69,033,468
Doubtful	17,824,544	-	17,824,544	15,065,181	3,472,222	18,537,403
Lost	15,190,247	130,877,168	146,067,415	10,575,767	121,319,745	131,895,512
Provisions for losses	(24,710,671)	(159,912,604)	(184,623,275)	(21,978,359)	(132,992,540)	(154,970,899)
Total	260,927,488	1,718,527,305	1,979,454,793	303,046,615	1,618,284,807	1,921,331,424

United Bank of Albania Sh.a.

Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

6. Fixed assets

Fixed assets at 31 December 2009 and 2008 are as follows:

	Buildings	Office equipment	Computers and electronic equipment	Motor Vehicles	Furniture and fixtures	Intangible assets	Fixed assets in process	Total
Cost								
At 31 December 2008	-	80,156,160	56,739,504	16,502,467	20,327,055	-	282,845,749	456,570,935
Transfers	282,845,749	-	-	-	-	-	(282,845,749)	-
Additions	-	2,098,412	2,311,846	-	718,742	486,418	22,792,466	28,407,884
At 31 December 2009	282,845,749	82,254,572	59,051,350	16,502,467	21,045,797	486,418	22,792,466	484,978,819
Accumulated Depreciation								
At 31 December 2008	-	(46,529,980)	(49,270,015)	(11,258,609)	(9,928,536)	-	-	(116,987,140)
Charge for the year	(14,142,287)	(10,820,741)	(4,043,214)	(2,499,130)	(3,024,617)	(155,232)	-	(34,685,221)
At 31 December 2009	(14,142,287)	(57,350,721)	(53,313,229)	(13,757,739)	(12,953,153)	(155,232)	-	(151,672,361)
Carrying amount								
At 31 December 2008	-	33,626,180	7,469,489	5,243,858	10,398,519	-	282,845,749	339,583,795
At 31 December 2009	268,703,462	24,903,851	5,738,121	2,744,728	8,092,644	331,186	22,792,466	333,306,458

Fixed assets in process at 31 December 2008 represent the cost of the new premises for the Head Office. The registration of this asset as property of the Bank is in process. Following the completion of works, these premises were made available for use and in 2009 they were classified as buildings.

Fixed assets in process at 31 December 2009 represent the down payment for the purchase of a new banking software from Pexim Dooel Skopje.

As at 31 December 2009 the gross value of the assets which were fully depreciated was Lek 98,756,341 (2008: Lek 67,846,751).

7. Assets acquired through legal processes

These assets include the collateral values of some unrecoverable loans, the ownership of which was taken by the Bank. They represent the values of two buildings and land where the buildings are situated, located in Fier and in Shkodra. At 31 December 2009, the carrying value of Lek 57,549,680 (2008: Lek 55,397,740) was determined with reference to current market prices.

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8. Other assets

Other assets are as follows:

	31 December 2009	31 December 2008
Expenses to be amortized over years, net	3,255,381	4,379,331
Prepaid expenses	2,636,686	2,482,398
Prepaid income tax (see note 18)	30,582,569	30,582,569
Other assets	19,436,612	18,449,589
	55,911,248	55,893,887

Other assets include an amount of Lek 11,970,315 (2008: Lek 10,843,135), which represents notary and legal expenses for bad loans. The Bank expects to reimburse such amounts from the borrowers.

9. Due to banks and other financial institutions

Due to banks and other financial institutions are as follows:

	31 December 2009	31 December 2008
Current accounts	92,534	179,707
Term deposits	51,031,365	46,615,274
Accrued Customer share on profit	14,277	1,518
	51,138,176	46,796,499

At 31 December 2009 and 2008, term deposits represent deposits in USD from Credit Bank of Albania, with a remaining maturity of less than one month.

10. Due to customers

Due to customers by type are detailed as follows:

	31 December 2009	31 December 2008
Current accounts	641,970,300	948,458,060
Investment deposits	2,835,279,473	2,542,656,586
Accrued Customers' Share on Profit	19,684,846	11,312,546
Other customer accounts	5,958,123	15,665,551
Total	3,502,892,742	3,518,092,743

Due to customers by currencies are as follows:

	31 December 2009	31 December 2008
Current accounts:		
In USD	168,815,632	431,585,997
In ALL	233,153,182	295,089,469
In EUR	233,359,897	217,494,975
In GBP	6,641,589	4,287,619
	641,970,300	948,458,060

	31 December 2009	31 December 2008
Investment deposits:		
In USD	372,059,351	378,133,775
In EUR	768,112,373	539,573,211
In ALL	1,695,107,749	1,624,949,600
	2,835,279,473	2,542,656,586

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(Amounts in Lek unless otherwise stated)

11. Other liabilities

Creditors and accrued expenses are as follows:

	31 December 2009	31 December 2008
Remittances in transit	97,390,038	22,909,789
Accounts payable	11,542,790	2,442,405
Accrued expenses	5,156,947	4,177,710
Provision fund	-	22,330
	114,089,775	29,552,234

Accounts payable include the net outstanding amount of payments and collections made by the Bank to and from third parties, on behalf of tax authorities. These amounts relate to the activity of the Bank as an agent of the tax authorities, either in the collection of taxes or in performing advance payments for the budget. In addition, accounts payable include social insurance, taxes and cheques for collection payable at year-end.

12. Shareholders' funds

Share capital

As at 31 December 2009, the paid-up capital of the Bank amounts to USD 12,673,056 (2008: USD 12,673,056). The equivalent amount in Lek, translated with the exchange rate at the date of transaction is Lek 1,757,603,789 (2008: Lek 1,757,603,789). The nominal value of the shares is USD 100 per share.

The latest increase in share capital, made in 2007 was registered at the National Registration Center on 31 January 2008. Based on the Decision of the Bank's Shareholders Assembly, dated 21 June 2007, the capital was increased by Lek 13,700,000 or USD 165,840, which represents the remaining balance of net profit for the year 2006 after the use of an amount of Lek 9,208,829 to increase the statutory reserves (see below). The capital increase was allocated to the existing shareholders in proportion with their existing shares.

Statutory reserve

Statutory reserves of Lek 64,104,767 (2008: Lek 64,104,767) were created pursuant to Article 8 of the Decision No. 51, dated 22 April 1999 of the Bank of Albania, which requires the appropriation of 20% of the net profit for the year, Article 213 of the Law No. 7638, dated 19 November 1992 "On commercial companies" which requires the appropriation of 5% of the net profit, and the Bank's Statute, which requires the appropriation of 10% of net profit for the year.

The Bank has not increased these reserves in 2009 and 2008, because it has operated at a loss.

Translation reserve

The negative translation reserve of Lek 543,398,294 (2008: Lek 643,515,439) represents the exchange rate difference between the equivalent of the capital in Lek, translated with the historical exchange rate and the exchange rate at the end of the year. The movement in the translation reserve for the year is recognized within "Foreign exchange gain/(loss), net" in the income statement.

Regulatory capital

The Bank monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to the Banking Law. The regulatory capital at 31 December 2009 was as follows:

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Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

12. Shareholders' funds (continued)

	31 December 2009 In Lek '000
Total shareholders' fund	1,047,567
Deductible intangible assets	(486)
Deductible portion of fixed assets	(71,205)
Regulatory capital (see note 1 (b))	975,876

13. Income from securities

In 2003, the Bank purchased a bond issued by the Islamic Development Bank with a nominal value of USD 1,000,000 maturing on 12 August 2008. Upon maturity, the Bank received an amount of Lek 84,117,777, which was equal to the carrying amount of the bond at that date. The total income received from this investment in 2008 was Lek 1,704,557.

14. Other income

Other income comprises the following:

	2009	2008
Rental income	-	600,000
Other banking income	8,691,453	17,921,860
Gain from sale of fixed assets	-	340,500
	8,691,453	18,862,360

Rental income relates to a building located in Fier acquired through legal process (see note 7). The building was not rented after July 2008.

15. Personnel expenses

	2009	2008
Expatriate staff	28,451,537	22,503,980
Local employees	52,287,430	51,708,323
Social insurance	8,777,176	9,765,529
Other costs and bonuses	16,673,932	6,506,091
	106,190,075	90,483,923

16. Other administrative expenses

Other administrative expenses include the following:

	2009	2008
Office expenses	13,130,720	14,138,964
Security expenses	10,683,300	11,129,800
Swift and Reuters	11,863,689	10,515,615
Telephone and electricity	7,192,953	6,645,339
Deposit Insurance	5,395,162	5,233,725
Board of Directors and Audit Committee	5,845,877	6,423,821
Professional services	6,237,044	3,636,314
Travel and transportation	4,089,092	3,451,381
Advertising, public relations & representation expenses	3,208,498	4,577,871
Depreciation of leasehold improvements	1,352,490	2,361,318
Fees, taxes and duties	1,635,492	1,227,419
Other expenses	935,604	1,070,869
	71,569,921	70,412,436

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17. Foreign exchange gain/(loss), net

Foreign exchange gain / (loss), net represent the effect of the change in foreign exchange rates on the revaluation at year-end of the Bank's foreign currency position, gains and losses from transactions in foreign currencies and movements in revaluation of share capital during the year.

18. Taxation

The reconciliation between accounting loss and the tax base for the year ended 31 December 2009 and 2008 is detailed as follows:

	2009	2008
Accounting Loss	(92,396,119)	(93,592,403)
Non-deductible expenses	18,828,999	33,738,663
Taxable loss	(73,567,120)	(59,853,740)
Tax expense at 10%	-	-

The movements in prepaid income taxes for the year ended 31 December 2009 and 2008 are as follows:

	2009	2008
Balance at 1 January (see note 8)	30,582,569	41,070,835
Prepayments during the year	-	1,360,000
Tax penalties charged in 2008	-	(11,848,266)
Tax expenses	-	-
Balance at 31 December (note 8)	30,582,569	30,582,569

The Bank was not required and did not make any prepayment during 2009, because it has incurred taxable losses in the previous two years.

Based on the Law No.9228, dated 29 April 2004 'On accounting and financial statements' (amended), starting from 1 January 2008 the Bank must report in accordance with International Financial Reporting Standards ('IFRS'). However the tax law has not yet been amended to converge with the new reporting requirements. A new tax law has been drafted; however the impact of this law on the financial statements of the Bank is still uncertain.

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 December 2009	31 December 2008
Cash on hand (note 3)	367,110,653	456,885,490
Current account balance with Central Bank (note 3)	302,028,607	35,885,090
Due from Banks with maturities of less than one month (note 4)	775,695,075	372,586,369
Due from Banks with maturities of more than one and less than three months (note 4)	44,649,189	140,116,250
	1,489,483,524	1,005,473,199

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20. Commitments and contingencies

(i) Contingencies by type are as follows:

	31 December 2009	31 December 2008
<i>Assets</i>		
Facilities collateral	3,942,409,999	3,839,823,505
<i>Liabilities</i>		
Unused part of the financing	81,735,000	28,428,000
Letters of credit	3,812,884	16,336,772
Guarantees	31,180,440	23,165,550

(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 2009 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 2009.

Lease commitments

The Bank has entered into non-cancellable lease commitments for all branches. Such commitments for the years ended 31 December 2009 and 2008 are composed as follows:

	31 December 2009	31 December 2008
Less than one year	19,129,249	15,557,900
Between one and five years	38,153,932	30,013,275
	57,283,181	45,571,175

The Bank has rental agreements for all its branches.

21. Funds under management

Funds under management by type are as follows:

	31 December 2009	31 December 2008
Managed funds	2,835,279,473	2,542,656,586

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

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Notes to the financial statements for the year ended 31 December 2009

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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) 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.

Credit risk concentrations for gross amounts due from financing activities by sector are presented in the table below.

	31 December 2009	%	31 December 2008	%
Agriculture, Hunting	68,436,352	3.25	59,260,484	2.89
Processing Industry	258,898,488	12.3	216,371,618	10.54
Production, distribution of electricity, steam, water	145,016,856	6.89	99,508,212	4.85
Construction	467,536,201	22.21	569,550,475	27.73
Trade, repair of vehicles, household equipment	706,712,631	33.57	633,491,430	30.85
Transport, warehousing and telecommunications	20,335,643	0.97	19,189,140	0.93
Real estate, leasing, etc.	3,165,146	0.15	3,595,719	0.18
Education	5,294,254	0.25	7,291,025	0.36
Health and social activities	46,449,582	2.21	70,068,071	3.41
Collective services, social and individual	45,237,485	2.15	19,370,841	0.94
Others	53,918,592	2.55	43,322,660	2.11
Individuals	284,084,725	13.5	312,582,884	15.21
	2,105,085,955	100	2,053,602,559	100

At 31 December 2009, loans are secured by mortgages, pledges over machinery, equipment and personal guarantees.

(b) 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.

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Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

22. Financial risk management (continued)

(b) Currency risk (continued)

The following table summarises the Bank's net foreign currency position at 31 December 2009 and 2008:

Assets	USD	Lek	Euro	Other	Total
Cash and balance with Central Bank	211,668,590	520,031,642	274,173,869	5,972,197	1,011,846,298
Due from banks	910,874,626	296,210	369,065,911	21,054,929	1,301,291,676
Due from financing activities	789,370,659	858,094,870	331,989,264	-	1,979,454,793
Other assets	9,750,522	38,828,392	7,331,822	512	55,911,248
Fixed assets	-	333,306,458	-	-	333,306,458
Assets acquired through legal process	-	39,201,000	18,348,680	-	57,549,680
Total	1,921,664,397	1,789,758,572	1,000,909,546	27,027,638	4,739,360,153
Liabilities					
Due to banks	51,121,065	12,695	4,384	32	51,138,176
Customer accounts	541,328,882	1,947,838,781	1,007,083,490	6,641,589	3,502,892,742
Other liabilities	97,155,125	12,425,558	4,509,092	-	114,089,775
Statistical Provision	11,194,348	8,932,259	3,546,130	-	23,672,737
Shareholders' equity	1,757,603,789	(710,037,066)	-	-	1,047,566,723
Total	2,458,403,209	1,259,172,227	1,015,143,096	6,641,621	4,739,360,153
Net position at 31 December 2009	(536,738,812)	530,586,345	(14,233,550)	20,386,017	-
Cumulative Gap	(536,738,812)	(6,152,467)	(20,386,017)	-	-

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(Amounts in Lek unless otherwise stated)

22. Financial risk management (continued)

(b) Currency risk (continued)

Assets	USD	Lek	Euro	Other	Total
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
Total	1,996,493,702	1,791,847,572	857,667,074	18,857,583	4,664,865,931
Liabilities					
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	13,235,236	3,644,155	-	30,578,758
Shareholders' equity	1,757,603,789	(717,758,092)	-	-	1,039,845,697
Total	2,640,341,198	1,251,274,455	768,962,632	4,287,646	4,664,865,931
Net position at 31 December 2008	(643,847,496)	540,573,117	88,704,442	14,569,937	-
Cumulative gap	(643,847,496)	(103,274,379)	(14,569,937)	-	-

(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.

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22. Financial risk management (continued)

(c) Liquidity risk (continued)

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 2009 the twenty largest deposits from individual corporate clients represent 25% of total deposits from customers (2008: 27.4 %).

The following table shows the Bank's assets and liabilities by remaining maturity at 31 December 2009 and 2008:

2009	Up to 1 month	1-3 months	3-6 months	Up to 1 year	1-5 years	Total
Assets						
Cash balance and Central Bank	1,011,846,298	-	-	-	-	1,011,846,298
Due from banks	866,630,226	238,246,109	196,415,341	-	-	1,301,291,676
Due from financing activities	679,000,188	92,658,022	227,325,934	195,519,704	784,950,945	1,979,454,793
Other assets	50,021,582	81,880	1,746,978	805,428	3,255,380	55,911,248
Assets acquired through legal process	57,549,680	-	-	-	-	57,549,680
Fixed assets	-	-	-	-	333,306,458	333,306,458
Total	2,665,047,974	330,986,011	425,488,253	196,325,132	1,121,512,783	4,739,360,153
Liabilities and equity						
Due to banks and institutions	51,138,176	-	-	-	-	51,138,176
Due to customers	2,945,532,292	109,669,760	27,563,880	393,616,990	26,509,820	3,502,892,742
Other liabilities	114,089,775	-	-	-	-	114,089,775
Provision	10,628,768	1,063,850	2,354,105	2,118,846	7,507,168	23,672,737
Shareholders' equity	(92,396,119)	-	-	-	1,139,962,842	1,047,566,723
Total	3,028,992,892	110,733,610	29,917,985	395,735,836	1,173,979,830	4,739,360,153
Liquidity gap at 31 December 2009	(363,944,918)	220,252,401	395,570,268	(199,410,704)	(52,467,047)	-
Cumulative gap	(363,944,918)	(143,692,517)	251,877,751	52,467,047	-	-

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Notes to the financial statements for the year ended 31 December 2009 (Amounts in Lek unless otherwise stated)

22. Financial risk management (continued)

(c) Liquidity risk (continued)

2008	Up to 1 month	1-3 months	3-6 months	Up to 1 year	1-5 years	Total
Assets						
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
Asset acquired through legal process	55,397,740	-	-	-	-	55,397,740
Fixed assets	-	-	-	-	339,583,795	339,583,795
Total	2,263,086,253	240,097,230	733,619,375	430,125,154	997,937,919	4,664,865,931
Liabilities and equity						
Due to banks and institutions	46,796,499	-	-	-	-	46,796,499
Due to customers	3,219,608,643	5,939,570	615,670	285,685,940	6,242,920	3,518,092,743
Other liabilities	29,552,234	-	-	-	-	29,552,234
Statistical provision	11,430,984	1,960,735	3,604,594	4,804,387	8,778,058	30,578,758
Shareholders' equity	(93,592,403)	-	-	-	1,133,438,100	1,039,845,697
Total	3,213,795,957	7,900,305	4,220,264	290,490,327	1,148,459,078	4,664,865,931
Liquidity gap at 31 December 2008	(950,709,704)	232,196,925	729,399,111	139,634,827	(150,521,159)	-
Cumulative gap	(950,709,704)	(718,512,779)	10,886,332	150,521,159	-	-

(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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22. Financial risk management (continued)

(d) Interest rate risk (continued)

Interest rate reprising analysis

The following table presents the interest rate reprising dates for the Bank's 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.

2009	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non interest bearing	Total
Assets							
Cash balance and Central Bank	669,139,261	-	-	-	-	342,707,037	1,011,846,298
Due from banks	487,247,971	238,246,109	196,415,341	-	-	379,382,255	1,301,291,676
Due from financing activities	413,977,868	89,970,089	222,118,873	185,170,736	751,756,244	316,460,983	1,979,454,793
Other assets	-	-	-	-	-	55,911,248	55,911,248
Assets acquired through legal process	-	-	-	-	-	57,549,680	57,549,680
Fixed assets	-	-	-	-	-	333,306,458	333,306,458
Total	1,570,365,100	328,216,198	418,534,214	185,170,736	751,756,244	1,485,317,661	4,739,360,153
Liabilities and equity							
Due to banks and institutions	51,045,642	-	-	-	-	92,534	51,138,176
Due to customers	2,301,726,503	109,669,760	27,563,880	393,616,990	22,387,180	647,928,429	3,502,892,742
Other liabilities	-	-	-	-	-	114,089,775	114,089,775
Statistical provision	-	-	-	-	-	23,672,737	23,672,737
Shareholders' equity	-	-	-	-	-	1,047,566,723	1,047,566,723
Total	2,352,772,145	109,669,760	27,563,880	393,616,990	22,387,180	1,833,350,198	4,739,360,153
Gap at 31 December 2009	(782,407,045)	218,546,438	390,970,334	(208,446,254)	729,369,064	(348,032,537)	-
Cumulative gap	(782,407,045)	(563,860,607)	(172,890,273)	(381,336,527)	348,032,537	-	-

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Notes to the financial statements for the year ended 31 December 2009

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22. Financial risk management (continued)

(d) Interest rate risk (continued)

2008	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non interest bearing	Total
Assets							
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
Total	1,423,770,172	238,649,930	733,434,575	427,914,918	653,974,796	1,187,121,540	4,664,865,931
Liabilities and equity							
Due to banks and financial institutions	46,616,792	-	-	-	-	179,707	46,796,499
Due to customers	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
Shareholders' equity	-	-	-	-	-	1,039,845,697	1,039,845,697
Total	2,308,430,495	2,225,571	-	285,685,868	4,243,962	2,064,280,035	4,664,865,931
Gap at 31 December 2008	(884,660,323)	236,424,359	733,434,575	142,229,050	649,730,834	(877,158,495)	-
Cumulative gap	(884,660,323)	(648,235,964)	85,198,611	227,427,661	877,158,495	-	-

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Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

22. Financial risk management (continued)

(d) Interest rate risk (continued)

The weighted average interest rates for the main financial assets and liabilities are as follows:

	Weighted average interest rate (Lek)		Weighted average interest rate (USD)		Weighted average interest rate (EUR)	
31 December	2009	2008	2009	2008	2009	2008
Assets						
Due from Central Bank and other banks	2.03%	3.92%	4.66%	3.42%	3.1%	2.89%
Due from financing activities	12.35%	12.23%	10.12%	10.19%	9.26%	9.24%
Liabilities						
Due to banks and other financial institutions	-	-	0.35%	0.59%	-	-
Due to customers	7.2%	5.60%	2.18%	1.35%	4.61%	3.19%

23. Related party transactions

Related parties are defined in accordance with the Article 4 'Definitions', paragraphs 9 and 10, of the Law No. 9662, dated 18 December 2006 "On Banks in the Republic of Albania". The maximum exposures with related parties are monitored for compliance with Article 64 of this Law.

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:

	31 December 2009	31 December 2008
Due from Shamil Bank & IICG	287,350,494	711,342,809
Due from Dallah Holding subsidiaries	218,905,125	211,245,552
Due to customers – shareholders	25,168,667	18,039,877
Financing activities	68,536,415	55,069,297

Balances due from Shamil Bank & IICG and Dallah Holding subsidiaries exceed 10% of the regulatory capital at 31 December 2010.

Transactions with directors

The remuneration of directors is included in personnel expenses. It can be detailed as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Salaries	28,451,537	22,503,980
Bonuses and other benefits	11,244,869	2,241,584
Remuneration of the Board of Directors	1,276,761	960,500
	40,973,167	25,706,064

The income and expenses arising from transactions with related parties are as follows:

	2009	2008
Income from Shamil Bank & IICG	21,088,941	38,073,955
Income from Dallah Holding subsidiaries	6,063,252	15,389,449
Income from securities	-	1,704,557
Customers' share on profit	461,587	288,917

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Notes to the financial statements for the year ended 31 December 2009

(Amounts in Lek unless otherwise stated)

24. Fair Value disclosures

Fair value estimates are based on existing conditions related to the financial instruments, without attempting to estimate the value of anticipated future business. Because no market exists for a significant portion of the Bank's financial instruments, except for certain investment securities (see below) and assets acquired through legal process (see note 7), fair value estimates are based on judgments regarding future expected losses, experience, current economic conditions and risk characteristics of various financial instruments that are readily marketable.

In general, the Bank's financial instruments have an estimated fair value approximately equal to their book value due to either the 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.

Investment securities

An equity investment of USD 77,500 represents the value of 775 shares held by the Bank in the Albanian International Investment and Development Co ("Alinted"). In 2004, Alinted reduced its paid-up capital and paid to the Bank an amount of USD 21,287, which was in proportion with the Bank's investment in Alinted. Following this payment in 2004 the Bank has not received and does not expect to receive any other return for this investment. Therefore, in the years prior to 2008, the Bank has fully provided the investment.

25. Post balance sheet events

On 4 February 2010, the Board of Directors decided to recommend to the General Assembly of the Shareholders, the increase of the paid up share capital. The meeting of the General Assembly is expected to be held on 8 May 2010.

There are no other events after the balance sheet date that would require either adjustments or additional disclosures in the financial statements.