

United Bank of Albania Sh.a.  
**Financial Statements**  
**as at 31 December 2010**  
**(with independent auditor's report thereon)**

## **Contents**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>i-ii</b>
<b>FINANCIAL STATEMENTS:</b>	
<b>RESTATED BALANCE SHEET</b>	<b>1</b>
<b>RESTATED INCOME STATEMENT</b>	<b>2</b>
<b>RESTATED STATEMENT OF CASH FLOWS</b>	<b>3</b>
<b>RESTATED STATEMENT OF CHANGES IN EQUITY</b>	<b>4</b>
<b>NOTES TO THE RESTATED FINANCIAL STATEMENTS</b>	<b>5 – 27</b>



KPMG Albania Sh.p.k  
"Dëshmorët e Kombit" Blvd  
Twin Towers Buildings  
Building 1, 13th floor  
Tirana, Albania  
NIPT J91619001D

Telephone +355 (4) 2274 524  
+355 (4) 2274 534  
Telefax +355 (4) 2235 534  
E-mail al-office@kpmg.com  
Internet www.kpmg.al

## Independent Auditors' Report

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

Tirana, 18 February 2011

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 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the "Reporting Methodology and Content of Financial Reporting" pursuant to Article 47 of the Banking Law, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010, 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 recent financial years. As a result of these losses, the regulatory capital as at 31 December 2010 has decreased to Lek 230 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 24 to the financial statements describes Management plans to meet required capital levels.

**KPMG Albania Shpk**

KPMG Albania Sh.p.k.  
"Deshmoret e Kombit" Blvd.  
Twin Towers Buildings  
Building 1, 13th floor  
Tirana, Albania

# United Bank of Albania Sh.a.


Balance sheet as at 31 December 2010

(Amounts in Lek)

	Notes	31 December 2010	31 December 2009
<b>Assets</b>			
Cash and balances with Central Bank	3	1,034,973,611	1,011,846,298
Due from banks and other financial institutions	4	1,653,796,000	1,301,291,676
Due from financing activities	5	1,612,014,454	1,709,135,053
Fixed assets	6	329,629,334	333,306,458
Assets acquired through legal process	7	57,657,410	57,549,680
Treasury Bills	13	19,909,821	-
Other assets	8	53,340,323	55,911,248
<b>Total assets</b>		<b>4,761,320,953</b>	<b>4,469,040,413</b>
<b>Liabilities and shareholders' funds</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	9	21,548,854	51,138,176
Due to customers	10	4,252,476,525	3,502,892,742
Statistical provision	5	18,780,768	33,073,359
Other liabilities	11	20,505,438	114,089,775
<b>Total liabilities</b>		<b>4,313,311,585</b>	<b>3,701,194,052</b>
<b>Shareholders' funds</b>			
Share capital	12	1,757,603,789	1,757,603,789
Translation reserve	12	(439,605,965)	(543,398,294)
Statutory reserve	12	64,104,767	64,104,767
Accumulated losses		(510,463,901)	(138,347,420)
Loss for the year		(423,629,322)	(372,116,481)
<b>Total shareholders' funds</b>		<b>448,009,368</b>	<b>767,846,361</b>
<b>Total liabilities and shareholders' funds</b>		<b>4,761,320,953</b>	<b>4,469,040,413</b>

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 27.

The financial statements were authorised for release by the Board of Directors on 18 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 2010

(Amounts in Lek)

	Notes	2010	2009
Income			
Income from banks and other financial institutions		32,980,518	36,151,591
Income from financing activity		145,598,579	202,737,734
Income from Treasury Bills	13	444,585	-
		<u>179,023,682</u>	<u>238,889,325</u>
Other income			
Income from bank commissions		26,562,419	32,899,597
Foreign exchange gain/(loss), net	16	17,152,725	8,877,782
Other income		8,341,011	8,691,453
		<u>52,056,155</u>	<u>50,468,832</u>
<b>Total income</b>		<b>231,079,837</b>	<b>289,358,157</b>
Customers' share of profit		(167,501,071)	(139,843,916)
<b>Net income</b>		<b>63,578,766</b>	<b>149,514,241</b>
Provisions for losses from loans	5	(288,387,960)	(287,845,541)
Statistical provisions	5	25,327,900	(3,572,646)
Depreciation	6	(31,189,137)	(34,685,221)
Personnel expenses	14	(101,993,014)	(106,190,075)
Rent		(19,428,728)	(17,677,318)
Other administrative expenses	15	(71,492,149)	(71,569,921)
Tax and other penalties		(45,000)	(90,000)
<b>Total operating expenses</b>		<b>(487,208,088)</b>	<b>(521,630,722)</b>
<b>Loss before tax</b>		<b>(423,629,322)</b>	<b>(372,116,481)</b>
<b>Tax on profit</b>	17	-	-
<b>Loss for the year</b>		<b>(423,629,322)</b>	<b>(372,116,481)</b>

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 27.

# United Bank of Albania Sh.a.

## Statement of cash flows for the year ended 31 December 2010

(Amounts in Lek)

	2010	2009
<b>Cash flows from operating activities</b>		
Loss for the year	(423,629,322)	(372,116,481)
Adjustments for non cash items:		
Depreciation	31,189,137	34,685,221
Depreciation of leasehold improvements	1,502,533	1,352,490
Provision for loans and statistical provision	263,060,060	291,418,187
Foreign exchange - translation reserve	103,792,329	100,117,145
Income from financial assets	(179,023,682)	(238,889,325)
Customers' share of profit	167,501,071	139,843,916
	<b>(35,607,874)</b>	<b>(43,588,847)</b>
Changes in operating assets and liabilities:		
(Increase) in due from financing activities	(200,187,554)	(40,434,863)
Decrease in other assets	960,662	(3,521,794)
Decrease/(Increase) in due from banks	(440,944,625)	451,868,876
Increase/(Decrease) in due to customers	719,742,228	(23,572,300)
(Decrease)/Increase in other liabilities	(93,584,337)	84,537,540
	(14,013,626)	468,877,459
Income from financial assets received	191,847,272	214,259,535
Customers' share of profit paid	(137,669,543)	(131,458,856)
Net cash from operating activities	<b>4,556,229</b>	<b>508,089,291</b>
<b>Cash flows from investing activities</b>		
Purchases of Treasury Bills	(19,729,463)	-
Purchases of fixed assets, net of disposals	6 (27,512,013)	(28,407,884)
Net cash used in investing activities	<b>(47,241,476)</b>	<b>(28,407,884)</b>
<b>Cash flows from financing activities</b>		
(Decrease)/increase in due to banks	(29,579,295)	4,328,918
Net cash (used in)/provided by financing activities	<b>(29,579,295)</b>	<b>4,328,918</b>
Net (decrease)/increase in cash and cash equivalents	(72,264,542)	484,010,325
<b>Cash and cash equivalents at beginning of the year</b>	1,489,483,524	1,005,473,199
<b>Cash and cash equivalents at the end of the year</b>	18 <b>1,417,218,982</b>	<b>1,489,483,524</b>

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 27.

# United Bank of Albania Sh.a.

## Statement of changes in equity for the year ended 31 December 2010

(Amounts in Lek)

	<u>Share Capital</u>	<u>Translation Reserve</u>	<u>Statutory Reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
<b>Balance at 31 December 2008</b>	<b>1,757,603,789</b>	<b>(643,515,439)</b>	<b>64,104,767</b>	<b>(138,347,420)</b>	<b>1,039,845,697</b>
Change in translation reserve	-	100,117,145	-	-	100,117,145
Loss for the year	-	-	-	(372,116,481)	(372,116,481)
<b>Balance at 31 December 2009</b>	<b>1,757,603,789</b>	<b>(543,398,294)</b>	<b>64,104,767</b>	<b>(510,463,901)</b>	<b>767,846,361</b>
Change in translation reserve	-	103,792,329	-	-	103,792,329
Loss for the year	-	-	-	(423,629,322)	(423,629,322)
<b>Balance at 31 December 2010</b>	<b>1,757,603,789</b>	<b>(439,605,965)</b>	<b>64,104,767</b>	<b>(934,093,223)</b>	<b>448,009,368</b>

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 27.



# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(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 under the supervision by the Bank of Albania.

On 5 November 1992, the Bank received 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 Durres and 2 agencies located in Tirana. As at 31 December 2010, the Bank employs 72 staff (2009: 71 staff), including 2 expatriate senior managers (2009: 3 expatriate senior managers).

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

The Bank has incurred losses during recent financial years. As a result of these losses, the regulatory capital as at 31 December 2010 has decreased to Lek 230 million (see note 12). The minimum required capital is Lek 1 billion.

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 2010

(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 Treasury Bills 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) Treasury Bills

##### *Held-to-maturity securities*

Treasury Bills 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 2010

(Amounts in Lek unless otherwise stated)

---

### 2. Significant accounting policies (continued)

#### (e) Treasury Bills (continued)

##### *Treasury Bills available-for-sale*

Treasury Bills 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. Treasury Bills 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 2010

(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 2010, tax on profit is equal to 10% (2009: 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 recognized 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 2010	31 December 2009
• USD	104.00	95.81
• EUR	138.77	137.96
• GBP	161.46	154.64

#### (m) Use of estimates and judgments

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

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(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 2010	31 December 2009
Cash on hand	425,165,178	367,110,653
Balances with Central Bank:		
Current accounts	189,659,161	302,028,607
Statutory reserve	419,976,926	342,547,782
Remuneration of the statutory reserve	172,346	159,256
	<u>609,808,433</u>	<u>644,735,645</u>
	<b>1,034,973,611</b>	<b>1,011,846,298</b>

In accordance with the Bank of Albania's requirement relating to the deposit reserve, the Bank should maintain a minimum of 10% of customer deposits 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 2010	31 December 2009
a) By type:		
Call/current accounts	257,313,836	379,382,256
Term investments	1,377,962,301	910,391,711
Accrued income	18,519,863	11,517,709
	<u>1,653,796,000</u>	<u>1,301,291,676</u>
b) By geographical distribution:		
Resident	43,769,902	5,411,658
Non-resident	1,610,026,098	1,295,880,018
	<u>1,653,796,000</u>	<u>1,301,291,676</u>
c) By original maturity:		
Less than one month	756,259,006	775,695,075
More than one and less than three months	46,135,637	44,649,189
More than three and less than six months	130,446,792	193,596,920
More than six months and less than 1 year	186,718,143	287,350,492
More than one year	534,236,422	-
	<u>1,653,796,000</u>	<u>1,301,291,676</u>

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 2010

(Amounts in Lek unless otherwise stated)

### 5. Due from financing activities

Amounts due from financing represents credits extended under the Murabaha method of transacting finance. The Murabaha balances as of 31 December 2010 and 2009 are detailed as follows:

	31 December 2010	31 December 2009
Short term investments	767,166,393	739,409,914
Medium term investments	1,538,226,479	1,365,676,041
	<u>2,305,392,872</u>	<u>2,105,085,955</u>
Accrued income	39,036,611	58,992,113
<b>Total</b>	<b>2,344,429,483</b>	<b>2,164,078,068</b>
Provisions on substandard, doubtful and loss financing activities	<u>(732,415,029)</u>	<u>(454,943,015)</u>
	<b>1,612,014,454</b>	<b>1,709,135,053</b>

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:

	2010	2009
Balance at 1 January	454,943,015	154,970,898
Net charge for the year	288,387,960	287,845,541
Foreign exchange effects	(10,915,946)	12,126,576
	<b>732,415,029</b>	<b>454,943,015</b>

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

	2010	2009
Balance at 1 January	33,073,359	30,578,758
Net (reversal) / charge for the year	(25,327,900)	3,572,646
Foreign exchange effects	11,035,309	(1,078,045)
	<b>18,780,768</b>	<b>33,073,359</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

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

Due from financing activities as at 31 December 2010 and 2009 are detailed as follows:

Category	31 December 2010			31 December 2009		
	Individuals	Enterprises	Total	Individuals	Enterprises	Total
Standard	206,752,417	851,239,399	1,057,991,816	251,360,901	738,805,102	990,166,003
Special Mention	4,182,399	159,833,904	164,016,303	8,040,999	192,786,433	200,827,432
Substandard	21,081,450	27,565,998	48,647,448	3,040,761	569,658,908	572,699,669
Doubtful	1,974,758	741,905,588	743,880,346	13,429,327	203,002,742	216,432,069
Lost	45,843,434	284,050,136	329,893,570	26,460,809	157,492,086	183,952,895
Provisions for losses	(51,680,894)	(680,734,135)	(732,415,029)	(36,856,643)	(418,086,372)	(454,943,015)
<b>Total</b>	<b>228,153,564</b>	<b>1,383,860,890</b>	<b>1,612,014,454</b>	<b>265,476,154</b>	<b>1,443,658,899</b>	<b>1,709,135,053</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 6. Fixed assets

Fixed assets at 31 December 2010 and 2009 are as follows:

	Buildings	Office equipment	Computers and electronic equipment	Motor Vehicles	Furniture and fixtures	Intangible assets	Fixed assets in process	Total
<i>Cost</i>								
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
Additions	-	3,456,306	5,581,326	-	1,107,512	3,261,880	14,132,600	27,539,624
Disposals	-	(65,398)	-	-	(5,490)	-	-	(70,888)
<b>At 31 December 2010</b>	<b>282,845,749</b>	<b>85,645,480</b>	<b>64,632,676</b>	<b>16,502,467</b>	<b>22,147,819</b>	<b>3,748,298</b>	<b>36,925,066</b>	<b>512,447,555</b>
<i>Accumulated Depreciation</i>								
At 31 December 2009	(14,142,287)	(57,350,721)	(53,313,229)	(13,757,739)	(12,953,153)	(155,232)	-	(151,672,361)
Charge for the year	(14,142,287)	(8,552,515)	(3,345,209)	(1,590,568)	(2,759,186)	(799,372)	-	(31,189,137)
Disposals	-	37,787	-	-	5,490	-	-	43,277
<b>At 31 December 2010</b>	<b>(28,284,574)</b>	<b>(65,865,449)</b>	<b>(56,658,438)</b>	<b>(15,348,307)</b>	<b>(15,706,849)</b>	<b>(954,604)</b>	<b>-</b>	<b>(182,818,221)</b>
<i>Carrying amount</i>								
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
<b>At 31 December 2010</b>	<b>254,561,175</b>	<b>19,780,031</b>	<b>7,974,238</b>	<b>1,154,160</b>	<b>6,440,970</b>	<b>2,793,694</b>	<b>36,925,066</b>	<b>329,629,334</b>

Fixed assets in process at 31 December 2010 and 2009 represent a new banking software, which was implemented by the Bank starting from January 2011.

As at 31 December 2010 the gross value of the assets which were fully depreciated was Lek 115,129,265 (2009: Lek 98,756,341).

### 7. Assets acquired through legal process

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 2010, the carrying value of Lek 57,657,410 (2009: Lek 57,549,680) was determined with reference to current market prices. Based on a recent valuation of these properties performed in January 2011, a further decrease of Lek 2 million was reported. However, the decrease was not reflected in these financial statements.



# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 8. Other assets

Other assets are as follows:

	31 December 2010	31 December 2009
Expenses to be amortized, net	2,962,035	3,255,381
Prepaid expenses	2,521,214	2,636,686
Prepaid income tax	30,582,569	30,582,569
Other assets	17,274,505	19,436,612
	<b>53,340,323</b>	<b>55,911,248</b>

Other assets include an amount of Lek 11,533,789 (2009: Lek 11,970,315), 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 2010	31 December 2009
Current accounts	744,604	92,534
Term deposits	20,800,000	51,031,365
Accrued Customer share on profit	4,250	14,277
	<b>21,548,854</b>	<b>51,138,176</b>

At 31 December 2010 and 2009, 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 2010	31 December 2009
Current accounts	764,790,511	641,970,300
Investment deposits	3,404,947,406	2,835,279,473
Accrued Customers' Share on Profit	49,526,401	19,684,846
Other customer accounts	33,212,207	5,958,123
Total	<b>4,252,476,525</b>	<b>3,502,892,742</b>

Current accounts at 31 December 2010 include a balance of Lek 94 million, which represents amounts blocked by regulatory authorities in the previous years. These balances are not available for use, without prior consent of the authorities.

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 10. Due to customers (continued)

Due to customers by currencies are as follows:

	31 December 2010	31 December 2009
Current accounts:		
In USD	305,735,951	168,815,632
In ALL	235,753,941	233,153,182
In EUR	215,150,419	233,359,897
In GBP	8,150,200	6,641,589
	<b>764,790,511</b>	<b>641,970,300</b>

	31 December 2010	31 December 2009
Investment deposits:		
In USD	334,972,164	372,059,351
In EUR	1,120,764,089	768,112,373
In ALL	1,949,211,153	1,695,107,749
	<b>3,404,947,406</b>	<b>2,835,279,473</b>

### 11. Other liabilities

Creditors and accrued expenses are as follows:

	31 December 2010	31 December 2009
Remittances in transit	-	97,390,038
Accounts payable	13,688,550	11,542,790
Accrued expenses	6,816,888	5,156,947
	<b>20,505,438</b>	<b>114,089,775</b>

Remittances as at 31 December 2009 represent outgoing transfers in transit for which the Bank acted as intermediary. Remittances in transit are nil in the current year.

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 12. Shareholders' funds

#### *Share capital*

As at 31 December 2010, the paid-up capital of the Bank amounts to USD 12,673,056 (2009: 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 (2009: 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 (2009: 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 required 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 required the appropriation of 5% of the net profit, and the Bank's Statute, which required the appropriation of 10% of net profit for the year.

The Bank has not increased these reserves in 2010 and 2009, because it has operated at loss.

#### *Translation reserve*

The negative translation reserve of Lek 439,605,965 (2009: Lek 543,398,294) 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 2010 was as follows:

	<b>31 December 2010</b>
Total shareholders' fund	448,009,368
Deductible intangible assets	(2,793,694)
Deductible portion of fixed assets	(215,531,722)
<b>Regulatory capital (see note 1 (b))</b>	<b>229,683,952</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 13. Income from Treasury Bills

Following the Decision of the Board of Directors dated 17 June 2010, the Bank invested in Albanian Treasury Bills. The carrying amount of Treasury Bills at 31 December 2010 is Lek 19,909,821 (2009: nil) and income from Treasury Bills in 2010 is Lek 444,585 (2009: nil).

### 14. Personnel expenses

	2010	2009
Expatriate staff	24,384,572	28,451,537
Local employees	53,170,265	52,287,430
Social insurance	8,075,878	8,777,176
Other costs and bonuses	16,362,299	16,673,932
	<b>101,993,014</b>	<b>106,190,075</b>

### 15. Other administrative expenses

Other administrative expenses include the following:

	2010	2009
Swift and Reuters	14,493,438	11,863,689
Office expenses	12,998,587	13,130,720
Deposit Insurance	10,272,565	5,395,162
Security expenses	8,261,831	10,683,300
Professional services	6,588,153	6,237,044
Board of Directors and Audit Committee	6,567,560	5,845,877
Telephone and electricity	3,544,831	7,192,953
Fees, taxes and duties	2,766,911	1,635,492
Travel and transportation	2,452,528	4,089,092
Advertising, public relations & representation expenses	1,997,650	3,208,498
Depreciation of leasehold improvements	1,502,533	1,352,490
Other expenses	45,562	935,604
	<b>71,492,149</b>	<b>71,569,921</b>

### 16. 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.

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 17. Taxation

The reconciliation between accounting loss and the tax base for the year ended 31 December 2010 and 2009 is detailed as follows:

	2010	2009
Accounting Loss	(423,629,322)	(372,116,481)
Non-deductible expenses	12,009,518	18,828,999
Taxable loss	(411,619,804)	(353,287,482)
<b>Tax expense at 10%</b>	-	-

The Bank was not required and did not make any prepayment during 2010, because it has incurred taxable losses in the previous years. Therefore, there were no movements in the prepaid income tax balance in 2010 (see note 8).

#### *Changes in the legislation*

Based on the local accounting law, starting from 1 January 2008 the Bank must report in accordance with IFRS. In addition, Law No. 10364, dated 16.12.2010 provides for certain amendments (effective as of 24 January 2011). Based on these amendments, the impairment allowances charged by banks in accordance with IFRS shall be considered as tax deductible expenses, provided that they are certified by the external auditors and are not in excess of the limits determined by the Central Bank.

However, the impact of these changes in the legislation, on the financial statements of the Bank, are still uncertain and guidelines on the tax impact for IFRS or regulatory reporting not yet clear.

#### *Pending tax matters*

The financial statements of the Bank for the year ending 31 December 2009 were approved on 4 February 2010. The audit report dated 16 April 2010 on the financial statements was qualified due to the fact that the Bank had classified loans to certain customers by not strictly complying with the Bank of Albania Regulation No. 52 (amended), dated 14 July 2004 for amounts outstanding at 31 December 2009.

Subsequently, and based on additional information regarding collections and estimates, the Bank re-estimated the understated impairment provision to have been approximately Lek 280 million as at 31 December 2009. Following this review, management decided to restate and reissue the financial statements for the year ending 31 December 2009. Based on the tax examination report dated 18 January 2011, this additional provision of Lek 280 million in the restated financial statements of 2009 has not been recognised by the Tax Office. The Bank has filed a claim against this decision and the case is still in process.

### 18. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 December 2010	31 December 2009
Cash on hand (note 3)	425,165,178	367,110,653
Current account balance with Central Bank (note 3)	189,659,161	302,028,607
Due from Banks with maturities of less than one month (note 4)	756,259,006	775,695,075
Due from Banks with maturities of more than one and less than three months (note 4)	46,135,637	44,649,189
	<b>1,417,218,982</b>	<b>1,489,483,524</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 19. Commitments and contingencies

(i) Contingencies by type are as follows:

	31 December 2010	31 December 2009
<i>Assets</i>		
Facilities collateral	3,716,181,707	3,942,409,999
<i>Liabilities</i>		
Unused part of the financing	49,774,050	81,735,000
Letters of credit	-	3,812,884
Guarantees	62,243,007	31,180,440

(ii) Contingencies by geographic sector as of 31 December 2010 and 2009 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 2010 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 2010.

### Lease commitments

The Bank has entered into non-cancellable lease commitments for all branches. Such commitments for the years ended 31 December 2010 and 2009 are composed as follows:

	31 December 2010	31 December 2009
Less than one year	19,542,695	19,129,249
Between one and five years	18,959,427	38,153,932
	<b>38,502,121</b>	<b>57,283,181</b>

The Bank has rental agreements for all its branches.

### 20. Funds under management

Funds under management by type are as follows:

	31 December 2010	31 December 2009
Managed funds	3,404,947,406	2,835,279,473

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

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. 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 19).

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:

	<b>31 December 2010</b>	<b>%</b>	<b>31 December 2009</b>	<b>%</b>
Agriculture, Hunting	46,609,557	2.02	68,436,352	3.25
Processing Industry	231,877,850	10.06	258,898,488	12.3
Production, distribution of electricity, steam, water	324,495,437	14.08	145,016,856	6.89
Construction	584,049,433	25.33	467,536,201	22.21
Trade, repair of vehicles, household equipment	542,904,960	23.55	706,712,631	33.57
Transport, warehousing and telecommunications	21,892,726	0.95	20,335,643	0.97
Real estate, leasing, etc.	-	-	3,165,146	0.15
Education	3,532,889	0.15	5,294,254	0.25
Health and social activities	26,053,745	1.13	46,449,582	2.21
Collective services, social and individual	44,908,669	1.95	45,237,485	2.15
Others	202,913,361	8.80	53,918,592	2.55
Individuals	276,154,245	11.98	284,084,725	13.5
	<b>2,305,392,872</b>	<b>100</b>	<b>2,105,085,955</b>	<b>100</b>

The classification of financing activities by sector changed in 2010. It was impracticable to apply the change retrospectively; therefore this presentation is not consistent with the comparative figures.

At 31 December 2010, the financing activities are secured by mortgages, pledges over machinery, equipment and personal guarantees.

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. Financial risk management (continued)

#### (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. The following table summarizes the Bank's net foreign currency position at 31 December 2010 and 2009:

<b>Assets</b>	<b>USD</b>	<b>Lek</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Cash and balance with Central Bank	223,237,153	549,423,428	251,563,830	10,749,200	1,034,973,611
Due from banks	1,047,236,311	500,509	595,905,347	10,153,833	1,653,796,000
Due from financing activities	593,356,518	656,862,909	361,795,027	-	1,612,014,454
Other assets	9,761,948	37,364,281	6,214,094	-	53,340,323
Fixed assets	-	329,629,334	-	-	329,629,334
Assets acquired through legal process	-	39,201,000	18,456,410	-	57,657,410
Treasury Bills	-	19,909,821	-	-	19,909,821
<b>Total</b>	<b>1,873,591,930</b>	<b>1,632,891,282</b>	<b>1,233,934,708</b>	<b>20,903,033</b>	<b>4,761,320,953</b>
<b>Liabilities</b>					
Due to banks	20,886,115	200,354	462,351	34	21,548,854
Customer accounts	641,290,776	2,255,670,451	1,347,365,098	8,150,200	4,252,476,525
Other liabilities	5,541,668	9,956,411	5,007,359	-	20,505,438
Statistical Provision	10,037,789	5,414,015	3,328,964	-	18,780,768
Shareholders' equity	1,757,603,789	(1,309,594,421)	-	-	448,009,368
<b>Total</b>	<b>2,435,360,137</b>	<b>961,646,810</b>	<b>1,356,163,772</b>	<b>8,150,234</b>	<b>4,761,320,953</b>
<b>Net position at 31 December 2010</b>	<b>(561,768,207)</b>	<b>671,244,472</b>	<b>(122,229,064)</b>	<b>12,752,799</b>	<b>-</b>
<b>Cumulative Gap</b>	<b>(561,768,207)</b>	<b>109,476,265</b>	<b>(12,752,799)</b>	<b>-</b>	<b>-</b>



# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. Financial risk management (continued)

#### (b) Currency risk (continued)

<b>Assets</b>	<b>USD</b>	<b>Lek</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
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	591,559,558	792,804,060	324,771,435	-	1,709,135,053
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
<b>Total</b>	<b>1,723,853,296</b>	<b>1,724,467,762</b>	<b>993,691,717</b>	<b>27,027,638</b>	<b>4,469,040,413</b>
<b>Liabilities</b>					
Due to banks	51,121,064	12,696	4,384	32	51,138,176
Customer accounts	541,328,884	1,947,838,781	1,007,083,490	6,641,587	3,502,892,742
Other liabilities	97,155,124	12,425,559	4,509,092	-	114,089,775
Statistical Provision	15,639,708	12,479,326	4,954,325	-	33,073,359
Shareholders' equity	1,757,603,789	(989,757,428)	-	-	767,846,361
<b>Total</b>	<b>2,462,848,569</b>	<b>982,998,934</b>	<b>1,016,551,291</b>	<b>6,641,619</b>	<b>4,469,040,413</b>
<b>Net position at 31 December 2009</b>	<b>(738,995,273)</b>	<b>741,468,828</b>	<b>(22,859,574)</b>	<b>20,386,019</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(738,995,273)</b>	<b>2,473,555</b>	<b>(20,386,019)</b>	<b>-</b>	<b>-</b>

#### (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.

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. 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. 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 2010 the twenty largest balances due from customers represent 16% of the total (2009: 25%).

The following table shows the Bank's assets and liabilities by remaining maturity at 31 December 2010 and 2009:

<b>2010</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	1,034,973,611	-	-	-	-	1,034,973,611
Due from banks	756,186,178	149,105,223	426,923,622	107,318,357	214,262,620	1,653,796,000
Due from financing activities	302,275,193	175,723,479	135,419,669	309,879,255	688,716,858	1,612,014,454
Other assets	47,857,070	13,145	10,058	2,498,015	2,962,035	53,340,323
Assets acquired through legal process	57,657,410	-	-	-	-	57,657,410
Fixed assets	-	-	-	-	329,629,334	329,629,334
Treasury Bills	-	19,909,821	-	-	-	19,909,821
<b>Total</b>	<b>2,198,949,462</b>	<b>344,751,668</b>	<b>562,353,349</b>	<b>419,695,627</b>	<b>1,235,570,847</b>	<b>4,761,320,953</b>
<b>Liabilities and equity</b>						
Due to banks and institutions	21,548,854	-	-	-	-	21,548,854
Due to customers	3,269,049,829	197,547,651	85,284,470	640,522,943	60,071,632	4,252,476,525
Other liabilities	20,505,438	-	-	-	-	20,505,438
Statistical provision	2,287,617	1,827,925	1,426,447	3,224,098	10,014,681	18,780,768
Shareholders' equity	(423,629,322)	-	-	-	871,638,690	448,009,368
<b>Total</b>	<b>2,889,762,416</b>	<b>199,375,576</b>	<b>86,710,917</b>	<b>643,747,041</b>	<b>941,725,003</b>	<b>4,761,320,953</b>
<b>Liquidity gap at 31 December 2010</b>	<b>(690,812,954)</b>	<b>145,376,092</b>	<b>475,642,432</b>	<b>(224,051,414)</b>	<b>293,845,844</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(690,812,954)</b>	<b>(545,436,862)</b>	<b>(69,794,430)</b>	<b>(293,845,844)</b>	<b>-</b>	<b>-</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. Financial risk management (continued)

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

2009	Up to 1 month	1-3 months	3-6 months	Up to 1 year	1-5 years	Total
<b>Assets</b>						
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	640,141,393	85,790,814	218,222,513	177,429,795	587,550,538	1,709,135,053
Other assets	50,021,582	81,880	1,746,978	805,428	3,255,380	55,911,248
Asset acquired through legal process	57,549,680	-	-	-	-	57,549,680
Fixed assets	-	-	-	-	333,306,458	333,306,458
<b>Total</b>	<b>2,626,189,179</b>	<b>324,118,803</b>	<b>416,384,832</b>	<b>178,235,223</b>	<b>924,112,376</b>	<b>4,469,040,413</b>
<b>Liabilities and equity</b>						
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
Statistical provision	2,740,895	1,616,326	3,910,838	3,524,521	21,280,779	33,073,359
Shareholders' equity	(372,116,481)	-	-	-	1,139,962,842	767,846,361
<b>Total</b>	<b>2,741,384,657</b>	<b>111,286,086</b>	<b>31,474,718</b>	<b>397,141,511</b>	<b>1,187,753,441</b>	<b>4,469,040,413</b>
<b>Liquidity gap at 31 December 2009</b>	<b>(115,195,478)</b>	<b>212,832,717</b>	<b>384,910,115</b>	<b>(218,906,289)</b>	<b>(263,641,065)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(115,195,478)</b>	<b>97,637,239</b>	<b>482,547,354</b>	<b>263,641,065</b>	<b>-</b>	<b>-</b>

#### (d) Interest rate risk

The Bank's financial income and expenses are subject to the risk of fluctuations to the extent that income-earning assets and income-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.

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. Financial risk management (continued)

#### (d) Interest rate risk (continued)

##### Interest rate reprising analysis

The following table presents 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.

2010	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Noninterest bearing	Total
<b>Assets</b>							
Cash balance and Central Bank	609,808,517	-	-	-	-	425,165,094	1,034,973,611
Due from banks	498,912,303	148,824,907	426,991,601	107,318,357	214,262,620	257,486,212	1,653,796,000
Due from financing activities	127,985,455	156,915,154	103,917,210	248,193,955	558,868,589	416,134,091	1,612,014,454
Other assets	-	-	-	-	-	53,340,323	53,340,323
Assets acquired through legal process	-	-	-	-	-	57,657,410	57,657,410
Fixed assets	-	-	-	-	-	329,629,334	329,629,334
Treasury Bills	-	19,909,821	-	-	-	-	19,909,821
<b>Total</b>	<b>1,236,706,275</b>	<b>325,649,882</b>	<b>530,908,811</b>	<b>355,512,312</b>	<b>773,131,209</b>	<b>1,539,412,464</b>	<b>4,761,320,953</b>
<b>Liabilities and equity</b>							
Due to banks and institutions	20,804,250	-	-	-	-	744,604	21,548,854
Due to customers	2,471,047,111	197,547,651	85,284,470	640,522,943	60,071,632	798,002,718	4,252,476,525
Other liabilities	-	-	-	-	-	20,505,438	20,505,438
Statistical provision	-	-	-	-	-	18,780,768	18,780,768
Shareholders' equity	-	-	-	-	-	448,009,368	448,009,368
<b>Total</b>	<b>2,491,851,361</b>	<b>197,547,651</b>	<b>85,284,470</b>	<b>640,522,943</b>	<b>60,071,632</b>	<b>1,286,042,896</b>	<b>4,761,320,953</b>
<b>Gap at 31 December 2010</b>	<b>(1,255,145,086)</b>	<b>128,102,231</b>	<b>445,624,341</b>	<b>(285,010,631)</b>	<b>713,059,577</b>	<b>253,369,568</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(1,255,145,086)</b>	<b>(1,127,042,855)</b>	<b>(681,418,514)</b>	<b>(966,429,145)</b>	<b>(253,369,568)</b>	<b>-</b>	<b>-</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. Financial risk management (continued)

#### (d) Interest rate risk (continued)

2009	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Noninterest bearing	Total
<b>Assets</b>							
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	251,998,153	74,969,382	202,632,929	147,314,927	469,064,761	563,154,901	1,709,135,053
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
<b>Total</b>	<b>1,408,385,385</b>	<b>313,215,491</b>	<b>399,048,270</b>	<b>147,314,927</b>	<b>469,064,761</b>	<b>1,732,011,579</b>	<b>4,469,040,413</b>
<b>Liabilities and equity</b>							
Due to banks and financial 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	-	-	-	-	-	33,073,359	33,073,359
Shareholders' equity	-	-	-	-	-	767,846,361	767,846,361
<b>Total</b>	<b>2,352,772,145</b>	<b>109,669,760</b>	<b>27,563,880</b>	<b>393,616,990</b>	<b>22,387,180</b>	<b>1,563,030,458</b>	<b>4,469,040,413</b>
<b>Gap at 31 December 2009</b>	<b>(944,386,760)</b>	<b>203,545,731</b>	<b>371,484,390</b>	<b>(246,302,063)</b>	<b>446,677,581</b>	<b>168,981,121</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(944,386,760)</b>	<b>(740,841,029)</b>	<b>(369,356,639)</b>	<b>(615,658,702)</b>	<b>(168,981,121)</b>	<b>-</b>	<b>-</b>

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

### 21. Financial risk management (continued)

#### (d) Interest rate risk (continued)

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

	Equivalent weighted average interest rate					
	(Lek)		(USD)		(EUR)	
	2010	2009	2010	2009	2010	2009
<i>31 December</i>						
<b>Assets</b>						
Due from Central Bank and other banks	1.86%	2.03%	2.52%	4.66%	2.13%	3.1%
Due from financing activities	12.25%	12.35%	9.09%	10.12%	9.13%	9.26%
Treasury Bills	5.5%	-	-	-	-	-
<b>Liabilities</b>						
Due to banks and other financial institutions	-	-	0.39%	0.35%	-	-
Due to customers	7.09%	7.2%	1.75%	2.18%	3.90%	4.61%

### 22. 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 2010	31 December 2009
Due from Shamil Bank & IICG	316,879,048	287,350,494
Due from Dallah Holding subsidiaries	260,810,681	218,905,125
Due to customers – shareholders	27,677,715	25,168,667
Financing activities	64,945,817	68,536,415

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 2010	Year ended 31 December 2009
Salaries	24,384,572	28,451,537
Bonuses and other benefits	11,006,912	11,244,869
Remuneration of the Board of Directors	1,181,182	1,276,761
	<b>36,572,666</b>	<b>40,973,167</b>

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

	2010	2009
Income from Shamil Bank & IICG	5,003,560	21,088,941
Income from Dallah Holding subsidiaries	5,934,747	6,063,252
Customers' share on profit	357,658	461,587

# United Bank of Albania Sh.a.

## Notes to the financial statements for the year ended 31 December 2010

(Amounts in Lek unless otherwise stated)

---

### 23. 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 Treasury Bills (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, except for "Due from financing activities" as disclosed below, 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.

#### *Due from financing activities*

Due from financing activities are net of provisions for specific loan losses for loans classified as substandard, doubtful and lost. The estimated fair value of the Bank's loan portfolio has not been disclosed as there are no quoted market prices and no active market for similar financial instruments in Albania.

#### *Treasury Bills*

Due to the short-term of three months, the fair value of the Treasury Bills held-to-maturity at 31 December 2010 approximates their carrying amount.

### 24. Post balance sheet events

The Board of Directors has 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 in February 2011.

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