

# THE ALBANIAN BANKING SYSTEM - SUPPORTING INVESTMENT IN THE DOMESTIC ECONOMY

# The Albanian banking system

- 16 banks
- Private shareholder capital of foreign origin dominates the system's capital structure
- 100% private capital
- Foreign capital: 92.83%
- Capital originating from the EU: 76%
- Domestic capital: 7.17%
- Shareholder composition:
  - predominantly **banking groups**
  - a small proportion is occupied by non bank financial holdings/companies, individuals and International Financial Institutions

Capital:  
Countries of  
origin

Austria  
Greece  
Italy  
Turkey  
France  
Germany  
Saudi Arabia  
Kuwait  
Bahrain  
Switzerland  
Bulgaria  
United Kingdom  
Netherlands  
Malaysia

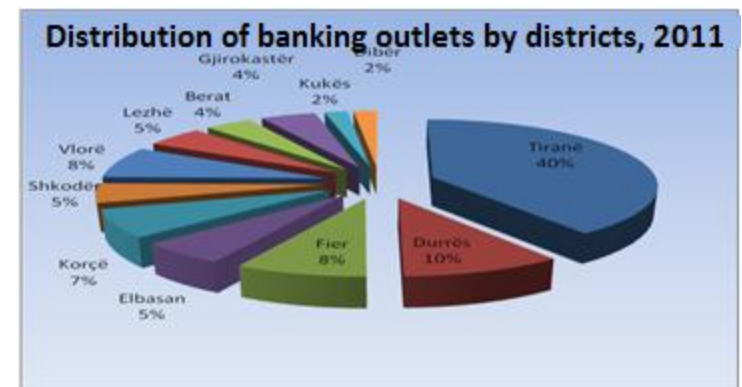
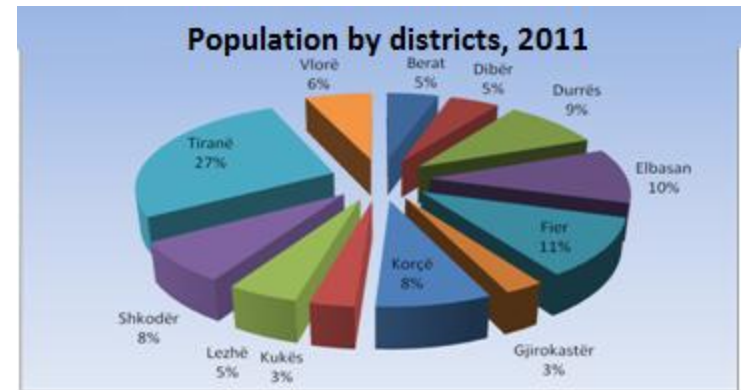
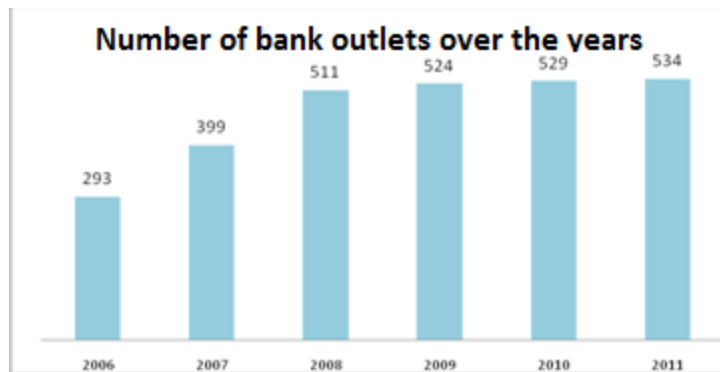
# Financial services provided

- The Albanian banking system provides universal banking services, contributing to the establishment of a solid financial infrastructure supporting savings and investments in the economy
- A full range of banking services, on equal footing with those offered in other more developed countries
- Traditional banking: lending is the main activity of the banking system, including corporate lending, SME and retail lending , no investments in sophisticated/ potentially toxic assets
- The banking system keeps pace with modern developments (electronic banking, etc.), while on the other hand it relies extensively on direct customer relationships

# Geographic extension of services

-The network of bank branches and agencies covers the whole territory of the Republic of Albania, and has continuously expanded over the years

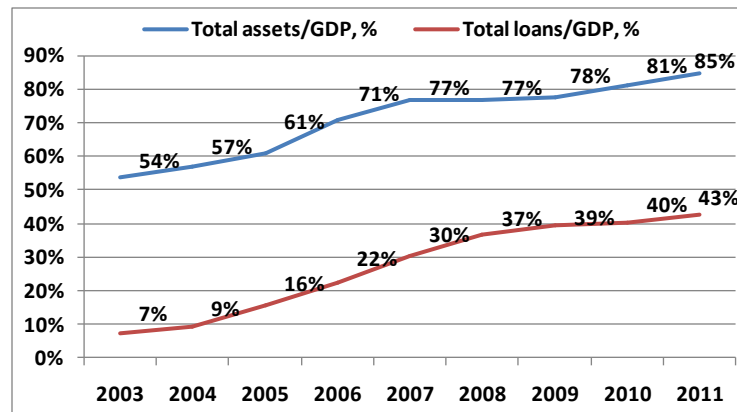
-The network distribution generally follows the pattern of geographic distribution of the population



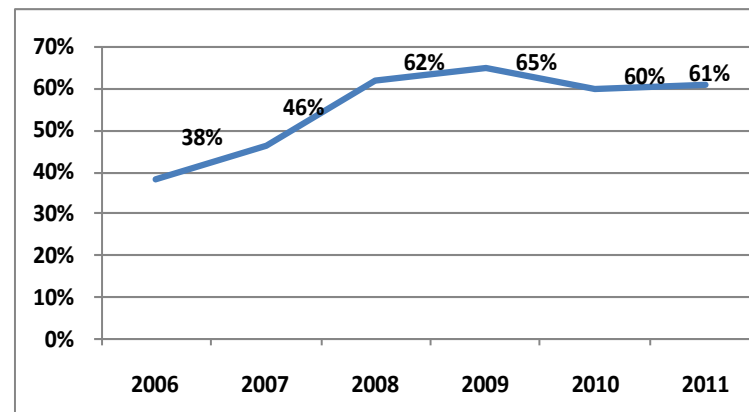
# The Albanian banking system – the key actor of financial intermediation

- The Albanian banking system is the most important sector of the financial market in Albania
- Total assets of the financial system/GDP, 2011: 89.4%
- Total assets of the banking system/Total assets of the financial system, 2011: 94.7%
- Total assets of the banking system/GDP, 2011: 84.7%

Banking system indicators to GDP, %



Loans to Deposits ratio, %



# Lending to the economy

- Lending by the banking system has traditionally provided **an essential support to economic growth** in Albania
- Maintaining the flow of credit to the real economy remains a vital condition to preserving growth and stability in the Albanian economy in the future as well – this is particularly important in view of the fiscal consolidation in place
- The Albanian banking system has managed to grow its loans portfolio even during the last years (an average growth of 23.4% during the 2007-2011 period).

Year by year growth respectively:

35.7% in 2008

13.4% in 2009

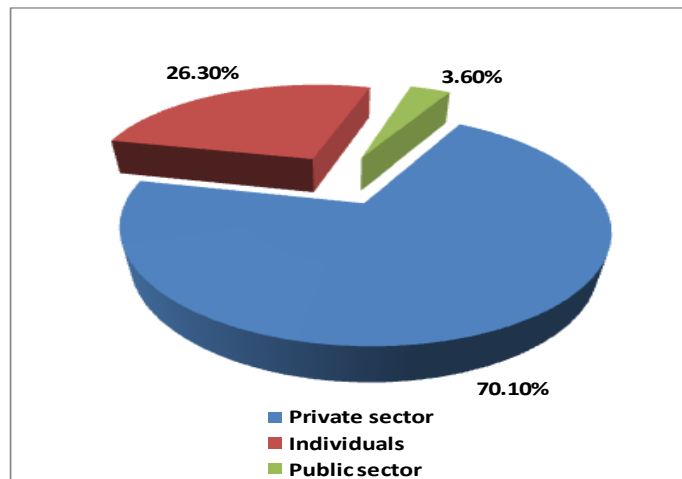
9.1% in 2010

15.4% in 2011

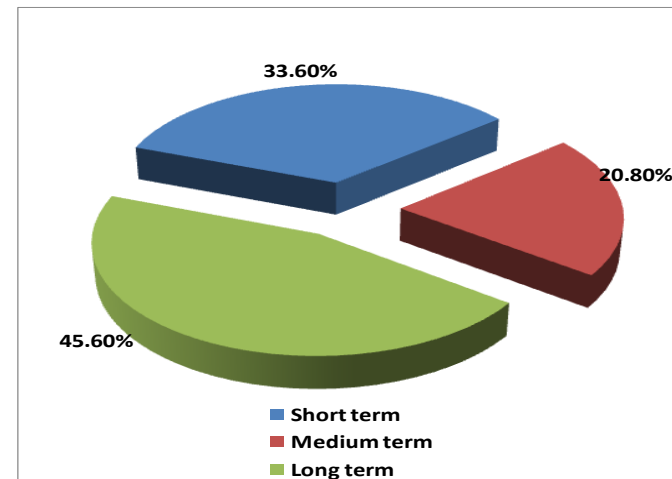
# Lending to the economy

- The loans portfolio is diversified, throughout the sectors of the economy providing a variety of financial products supporting business and individual financing needs
- Short and medium term maturities occupy the largest part of the portfolio => this maturity structure implies that the banking system is very active in circulating funds and identifying productive investment areas
- The overall portfolio is well distributed supporting investments, short term and working capital needs for businesses as well as individuals financing needs, being them mortgage, consumer and others.

Loan portfolio composition by subjects, 2011



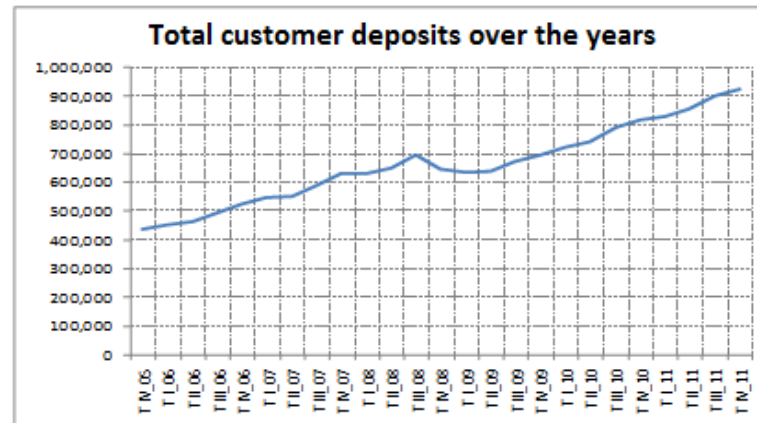
Loan portfolio composition by maturity, 2011





# Funding

- The banking system is independently funded: assets predominantly funded by **domestic deposits**
- Their growth over the years is a clear demonstration of public confidence in the system
- The system is **highly liquid**:
  - Liquid assets/Short term liabilities, 2011: **33.1%**
  - Loans/Deposits, 2011: **61%**
- Wholesale borrowing by other financial institutions or money markets is still at modest levels





# The Albanian banking system – effectively supervised and resilient

- The Bank of Albania, in its supervisory function ensures a sound banking activity in the country, aiming at preserving the stability of the banking system and the wider economy
- The banking system adopts strong risk administration procedures, and is **well capitalized**:
  - Capital Adequacy Ratio, 2011: **15.6%** (minimum requirement = 12%)
  - High quality of capital (mostly common equity)
- Due to **strong fundamentals and BoA's effective supervision**, the banking system has weathered well the international financial crisis:
  - No bank failures
  - No systemic disruptions requiring Government support
  - No costs incurred on taxpayers
- The banking system, **has maintained its crucial role in supporting economic growth** even under severe stress caused by international developments

# The Albanian banking system – the essential infrastructure to channel investments in the economy

-The banking sector is the most developed industry in the country - the sector in itself is an attractive environment for potential investors:

- Solid performance
- Profitability
- Further space for future growth

-The system provides a suitable infrastructure to facilitate the flow of funds to other sectors of the economy:

- solid lending capabilities
- risk administration and diversification functions
- complementary financial services

-In this context its role is fundamental in efficiently and safely transforming financial flows from potential investors into productive investments in the real economy through a whole set of instruments:

- corporate and SME lending
- project financing
- syndicated loans
- other specific forms of lending

# Islamic banking in Albania

- The Bank of Albania considers **IDB a very important partner** in exploring opportunities to introduce Islamic banking products in Albania
- In our view, the current legal, regulatory and supervisory framework provide ample space for the introduction of such financial products
- In this context, the Bank of Albania is willing to further evaluate the compatibility between Islamic banking products and the conventional/standard banking regulatory and supervisory framework whenever such a need arises