

ENDNOTES

¹ "World Economic Outlook – Crisis and Recovery" Report, April 2009.

² A detailed description of the Bank of Albania operations is provided in Section 4.1.2 "Open Market Operations during 2008" and in Box 5 "(Monetary policy) Open market instruments".

³ This includes banks, non-bank financial institutions, savings and loan companies, insurance companies and supplementary private pension funds.

⁴ ALL 1,072.60 billion, according to IMF estimates.

⁵ Including accrued interest.

⁶ According to the United Nations Global Outlook Report, house prices declined in 2008 at an annual rate of 17 percent, while mortgage delinquency rates surged, particularly for sub-prime loans. No less than 40 percent of the sub-prime mortgage loans originated in 2006 were delinquent by the second half of 2008.

⁷ See Box 2.

⁸ Measured as the change in percentage of the GDP in quarters, compared with the same quarter the previous year.

⁹ The annual share profits' growth rate for non-financial business listed in EURO STOXX Dow Jones Index decreased from 10% in June 2008 to -3% in November 2008.

¹⁰ See Box 2.

¹¹ See Box 2.

¹² CDS (loans default swap) – a swap contract in which the buyer of the CDS makes a series of periodic payments to the seller and, in exchange, receives a payoff if the financial instrument that is object of the contract goes into default. These contracts are similar to insurance for the loans instruments.

¹³ ABS (Asset Backed Security) – a security whose value and income payments are derived from and collateralized by a specified pool of underlying assets, as for example by a pool of loans.

¹⁴ CDO (Collateralized Debt Obligation) – a type of structured ABS, whose value and payments are derived from a portfolio of fixed-income underlying assets. CDOs are assigned different risk classes, or tranches. Interest and principal payments are made in order of tranches, so that higher risk tranches offer higher interest rates (and lower prices) to compensate for additional default risk.

¹⁵ See Box 3.

¹⁶ It is estimated that in the period July 2007 – December 2008, the fall experienced in the world stock markets have caused a loss of value of around EUR 16 thousand billion for the listed companies, around 1.5 times higher than the EU GDP.

¹⁷ Bank for International Settlements, quarterly report.

¹⁸ In the U.S., in 2005 and 2006 the savings rate became negative, while it accounted for 7 percent of disposable income in 1990. The subprime mortgages increased from USD 180 billion in 2001 to USD 625 billion in 2005.

¹⁹ The losses of the banking sector and insurance companies in July 2007 to December 2008 are estimated to be around EUR 1 thousand billion.

²⁰ See Box 3.

²¹ The data on GDP and its real growth for 2001-2006 are provided by INSTAT. The rest of the data are Ministry of Finance and IMF assessments and Bank of Albania data.

²² The table has been constructed based on the revised nominal GDP.

²³ Nominal GDP converted with the average exchange rate of the period.

²⁴ The data on the number of employed people and unemployment rate for 2008 refer to the third quarter, INSTAT.

²⁵ Government debt including the Government guaranteed debt.

²⁶ ETI aggregates specific indicators of the main sectors of economic activity (industry, construction and services) and of consumers. The series of indicators, which are based on the information obtained from confidence surveys organized by the Bank of Albania and used in the construction of the ETI, are seasonally adjusted.

²⁷ Budget and non-budget (INSTAT, Conjunction, main economic indicators, July-September 2008).

²⁸ Annual Report of the Bank of Albania 2008.

²⁹ In November, the Bank of Albania changed the form of auctions for open market operations from determined into auctions with undetermined amount (the interest rate is fixed with the key interest rate). Moreover, in December, the interest rate on overnight loan – an instrument provided by the Bank of Albania – dropped by 100 basis points.

³⁰ Banks, non-bank financial institutions, savings and loan associations, insurance companies and private supplementary pension funds.

³¹ ALL 1,072.60 billion, according to the IMF assessment.

³² Including accrued interests.

³³ Commercial banks' transactions with the Central Bank (deposits, required reserve, open market operations – repurchase and reverse repurchase agreements) T-bill transactions and operations among commercial banks (deposits, current accounts, loans, etc.).

³⁴ In addition to the transactions with the Central Bank and T-bills, these include the borrowings from foreign banks (from the banking group they belong to).

³⁵ This item includes the capital (shareholders' equity, the retained earnings/loss, the current year profit/loss), reserves (general, specific), revaluation account etc.

³⁶ Inter-office accounts, suspense accounts and position accounts.

³⁷ The weighted average of the assets' distribution is calculated based on the reported maturity terms. For each interval, the mid value is taken "a priori". Specifically, the interval which includes the "0-10 days" remaining maturity assets, the average duration considered is 5 days, for the one of "10 days to 1 month", the average duration considered is 20 days; for the "1-3 months", the average duration considered is 2 months; for the "3-6 months", the average duration considered is 4.5 months; for the interval of "6-9 months", the average duration considered is 7.5 months; for the interval of "9-12 months", the average duration taken into consideration is 10.5 months; for the interval of "1-5 years", the average duration considered is 36 months; for the interval of "over 5 years", the average duration considered is 10 years or 120 months (since the majority of this segment is represented by mortgage loans with an initial maturity of 15 years).

³⁸ The weighted average of the liabilities' distribution is calculated based on the reported maturity terms. For each interval, the mid value is taken "a priori". Specifically, the interval which includes the "0-10 days" liabilities, the average duration considered is 5 days; for the one of "10 days-1 month", the average duration considered is 20 days; for the "1-3 months", the average duration considered is 2 months; for the "3-6 months" the average duration considered is 4.5 months; for the "6-9 months", the average duration considered is 7.5 months; for the interval of "9-12 months", the average duration considered is 10.5 months; for the interval of "1-5 years", the average duration considered is 36 months; for the interval of "over 5 years", the average duration is 6 years or 72 months.

³⁹ The weighted average of the deposits' distribution is calculated based on the reported maturity terms. For each interval, the mid value is taken "a priori". Specifically, the interval which includes the "up to 1 month" deposits, the average duration considered is 0.5 months, for the "1-3 months" interval, the average duration considered is 2 months; for the "3-6 months" interval, the average duration considered is 4.5 months; for the interval of "6-12 months", the average duration considered is 9 months; for the interval of "1-5 years", the average duration considered is 36 months; for the interval of "over 5 years", the average duration considered is 6 years or 72 months.

⁴⁰ The weighted average of the loans allocation is calculated based on the reported maturity terms. For each interval, the mid value is taken "a priori". Specifically, the interval which includes the "up to 1 month" loans, the average duration considered is 0.5 months, for the "1-3 months" interval, the average duration considered is 2 months; for the "3-6 months", the average duration considered is 4.5 months; for the interval of "6-12 months", the average duration considered is 9 months; for the interval of "1-5 years", the average duration considered is 36 months; for the interval of "over 5 years", the average duration considered is 10 years or 120 months (since the majority of this segment is represented by mortgage loans with an initial maturity of 15 years).

⁴¹ Measured since March 2006.

⁴² Contribution is calculated on an annual basis.

⁴³ They represent investments in deposits, securities, etc., which decreased due to the need for meeting higher demands for liquidity in the last quarter of the year.

⁴⁴ Normally, the value of risk-weighted assets should be higher than the loans value (since it includes the latter) and therefore, the share of risk-weighted assets to total assets should be higher.

The change to the regulatory supervision framework for branches of foreign banks has avoided the mandatory reporting on risk-weighted assets value, but has preserved the reporting on loan portfolio value, which continues to be reported and included in the calculation of indicators.

⁴⁵ According to IMF estimates, GDP is estimated at 1.072 billion for 2008.

⁴⁶ It is calculated by foreign currency non-performing loans (the borrower's income is in foreign currency)/total foreign currency-denominated loans (the borrower's income is in foreign currency).

⁴⁷ It is calculated by foreign currency non-performing loans (the borrower's income is in lek)/total foreign currency loans (borrower's income is in lek).

⁴⁸ In spite of this, for safety reasons, the Supervision Department has required from banks to raise their capital and monitor the lending activity prudently. The banks' shareholders that were subject to this requirement responded immediately, raising the capital without any reluctance.

⁴⁹ Including also the provisions for investment abroad (loans extended by the foreign branches of domestic banks), the reserve funds amount to ALL 12.6 billion.

⁵⁰ In the form of real estates, securities, other collaterals such as: deposits, vehicles, machinery and equipment, etc.

⁵¹ When referring to RoE and RoA, we always imply annualized indicators.

⁵² The minimum level of this indicator required from the regulatory supervisory framework is 12 percent.

⁵³ Source: GDP rate obtained from "Country Report IMF – October 2008".

⁵⁴ The section "Settlement for net clearing systems" contains net settlement transactions resulting from the clearing systems, as: clearing of small-value payments in AECH system; clearing of banking and personal cheques in ALL, net settlement of Government securities and net settlements of the results of payments in ALL via credit cards, about which the Bank of Albania plays the settlement agent's role.

⁵⁵ Procedures on providing intraday loan facility are rather simple and the extension of funds is carried out within 10.00 o'clock of the business day after the bank application.

⁵⁶ The payments cleared through the AECH system are processed in two sessions (session 1 - 09.00 to 11.00 hours; and session 2 - 12.00 to 14.30 hours) during the business day, and they are settled for the net result through the AIPS at the end of each session.

⁵⁷ INSTAT – Population number, January 2008.

