

B a n k o f A l b a n i a

SUPERVISION
ANNUAL REPORT

2 0 0 6

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Published by : Bank of Albania, Sheshi "Skënderbej", No.1, Tirana, Albania
Tel : 355-4-222230; 235568; 235569;
Fax : 355-4-223558*

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*Printed by: Printing House of the Bank of Albania
Printed in: 1000 copies*

C O N T E N T S

Supervision mission	7
A. Supervision during 2006	9
1 Changes and developments in the legal and regulatory framework	9
2 On-site supervision	11
3 International accounting and financial reporting standards.	18
4 Challenges of implementation in the Albanian banking system	22
4 Albanian banking system concentration and competition	22
B. Financial position of the banking system in 2006	27
1 Economic environment in 2006	27
2 Albanian banking system structure	30
3 Banking activity risk management	40
4 Capital adequacy	46
5 Profitability indicators	48
C. Non-bank financial institutions	52
1 Activity of non-bank financial institutions in Albania	52
2 Regulatory framework of non-bank financial institutions in Albania	52
3 Supervision of non-bank financial institutions	53
Annex 1 Organisational chart of the banking Supervision Department	55
Annex 2 Level of assets, deposits and loans as of December 2006 (all million)	56
Annex 3 Number of branches, agencies and employees per each bank	57
Annex 4 Banking system assets and liabilities	58
Annex 5 List of entities licensed by the Bank of Albania	60
Annex 6 List of banking supervision regulations in force as of March 2007	83

T	A	B	L	E	S
Table 1	HHI index of the Albanian banking system, 1999 – 2006				23
Table 2	Indicators of banks' network extension at end of 2006				31
Table 3	Number of entities licensed by the Bank of Albania				32
Table 4	Performance of the number of banking system employees in years				35
Table 5	Geographical distribution of banking branches and agencies, as at end 2006				35
Table 6	H (Herfindahl) index of assets, deposits and loans concentration				38
Table 7	Credit outstanding structure by terms, in percentage				42
Table 8	Credit outstanding structure by currencies (in percentage)				42
Table 9	Credit rating in % to outstanding loans				43
Table 10	Performance of short-term assets to short-term liabilities of the system				44
Table 11	Structure of the system's shareholder equity and the performance of its components in years				46
Table 12	Risk-weighted assets of the banking system by years				47
Table 13	Performance of capital adequacy ratio by peer groups				48
Table 14	Performance of the main elements of net (non-cumulative) result in ALL million				48
Table 15	Main indicators of return in percentage				49
Table 16	Indicators of return on main operations in percentage				50
Table 17	Profitability indicators in ALL million				51
Table 18	Efficiency indicator (non cumulative) in ALL million				51
	1. Asset structure				53
	2. Asset quality				53

C H A R T S

Chart 1	Comparison with EU countries of the HHI index of the banking system assets	24
Chart 2	HHI index of assets for Albania and other SEE countries	24
Chart 3	H statistics for the banking systems in Albania and in some CEE and SEE countries	25
Chart 4	H statistics for the banking systems in Albanian and in advanced countries	25
Chart 5	Banking system capital ownership structure in years	33
Chart 6	Capital ownership structure by peer groups	34
Chart 7	Number of branches/agencies (in percentage) by peer groups	34
Chart 8	Number of employees (in percentage) by peer groups in years	34
Chart 9	Peer groups' shares to the system by total of assets	38
Chart 10	Asset structure	39
Chart 11	Liability structure	40
Chart 12	Gross credit outstanding (in ALL billion)	40
Chart 13	New credit extended by the banking system on a quarterly basis (in ALL billion)	41
Chart 14	Share of peer groups to total credit outstanding of the banking system	41
Chart 15	Volume of credit outstanding by sectors (in ALL billion)	41
Chart 16	Composition of liquid assets (December 2006)	44

SUPERVISION MISSION

Supervision is carried out by the Bank of Albania, as the central bank of the country, pursuant to the Law "On the Bank of Albania", No. 8269 of 23.12.1997 and the Law "On the Banks in the Republic of Albania", No. 8365 of 02.07.1998.

SUPERVISION MISSION

In compliance with its legal responsibility, the Bank of Albania, being the supervisory authority of the banks and other financial institutions licensed by it, intends to:

- Ensure a sound banking activity that is in good harmony with the Bank of Albania laws, rules and regulations, in order to protect depositors and prevent financial crises;
- Safeguard the banking system stability and even broader, by monitoring the market developments and recommending adequate measures, so that banks adapt to these developments and are continuously managed according to best principles;
- Strengthen the banking system credibility and to promote a healthier market discipline by demanding higher transparency in the system;
- Provide a fair competition in the banking system and beyond, and to ensure equal treatment of entities licensed by the Bank of Albania and their clients;
- Initiate continuous and professional communication with financial operators in the market and with other institutions which influence the activity of the Bank of Albania, in the framework of improving the functioning of the financial market and its operators.

The Bank of Albania will accomplish its supervisory mission through:

- a) Establishment and continuous improvement of the supervisory regulatory framework, so that it is in harmony with the best international principals and applicable in practice;
- b) On-site inspections and analysis of licensed institutions, as well as by undertaking corrective measures for sorting out various problems.
- c) Focus of the supervision process toward the identification of risks faced

by licensed institutions and their proper corrections.

- d) Implementation of policies which focus toward a development-oriented banking system;
- e) Co-operation with financial institutions under supervision, and with other financial institutions, as well as with international supervisory authorities;
- f) Continuous improvement of the Bank of Albania's supervisory capacities.

The Bank of Albania, in compliance with the requirements of the supervisory function, aims to achieve the highest levels of integrity, professionalism, efficiency and transparency.

A. SUPERVISION DURING 2006

1 CHANGES AND DEVELOPMENTS IN THE LEGAL AND REGULATORY FRAMEWORK

Year 2006 underwent developments in the legal and regulatory framework of the financial and banking supervision of the banks of the system. This was reflected in the new Law "On the Banks in the Republic of Albania", which regulates the activity of banks and branches of foreign banks operating in the country, and in the amendments of some regulations, as well as in drafting some new ones. The best European practices and experiences, and recommendations of standards of the Basel Committee on banking supervision, the core principles for an effective supervision and the developments of the country's banking sector would be on the basis of these important developments.

The new Law provides strict requirements on licensing banks and branches of foreign banks, on transparency of banks with the public and with market participants on their risk profile, a thinner and more comprehensive filter in the requirements for banks' management, new concepts on consolidated supervision, clearer procedures on conservatorship and liquidation, new requirements on statutory auditors, more differentiated requirements of the needs for capital, etc.

The law and the whole changes made in the supervisory regulatory acts are constantly aimed at accomplishing the financial stability objective.

a. New regulatory acts:

The Regulation "On using information technology at entities licensed by the Bank of Albania" was adopted with Decision No. 32 of 03.05.2006. Its purpose is to specify some basic criteria to be implemented by Bank of Albania licensed entities for minimizing risk deriving from inappropriateness or malfunctioning of information and technology systems. These requirements are envisaged to be flexible, because of the level of development itself and rather rapid change in this area. Nowadays, information and communication technology, as an important instrument in the expansion of activity and of financial institutions, considers also a certain level of risk to the latter. The international standards are laying more and more emphasis on the importance

of implementation of some basic requirements in setting up and monitoring these systems, aiming at a good administration of operational risk deriving from them.

b. Changes have taken place in the following regulations:

- 1- The decision No.68 of 13.09.2006 adopted a change in the Regulation "On Supervising the Savings and Loan Associations and their Unions". This change specifies accurately an element of capital adequacy ratio calculation – i.e., "loan portfolio outstanding". The previous regulation used the "gross loan portfolio outstanding" element, whereas the change consists in "net loan portfolio outstanding after deducting provisions". *From the quantitative viewpoint*, the change consists in deducting the provisions from both, the denominator and the numerator of the fraction, meaning that it makes its accurate calculation as a ratio of two elements of a comparative basis (net basis); whereas *from the qualitative viewpoint*, without changing the size of the ratio required in the regulation, it transforms the latter from a very prudential supervisory rate into a supervisory rate in dynamics with the activity of savings and loan associations and their unions.
- 2- The decision No. 69 of 13.09.2006 adopted the prevention of a limitation in the requirements for audit committee members of the bank, provided in the Regulation "On management of banks and branches of foreign banks". Audit committee members of banks, who meet the qualification criteria required under this regulation, may be at the same time members of its Steering Council. Until now Albania had the limitation that only 2/3 of the members of the audit committee of the bank might also be members of the Steering Council. In the meantime, the proposed change enables the entire presence, in the submitted cases, also even of the members of the council, without breaking the independence of the committee, and regulates the absences of the members of this committee, which is not filled with the required number of members in some banks.
- 3- The decision No. 70 of 13.09.2006 adopted an amendment to the Guideline "On regulatory capital of banks". This amendment aims at a more complete verification of the resources of bank shareholders, in cases of a subordinate debt, in addition to similar requirements referred to capital sources. Until now the shareholders' contribution to capital, in the form of subordinate liabilities, was recognised only in the form of some private foreign capital banks but not by individual shareholders. The appearance of this element in private Albanian capital banks has recently been noticed, thus leading to the reviewing of this Guideline. The amendment to the Guideline creates the possibility of transparency for individuals' resources, when they, as shareholders, contribute in the form of subordinate liabilities to permanent resources of the bank.
- 4- The decision No. 101, of 27.12.2006 adopted some important changes in the Regulation "On credit risk management". These changes aim at better management of the developments in credit area

and the maintaining of its quality by the banking system. The main changes include accuracy regarding the need for improving the bank analysis system of loan portfolio according to their characteristics, with the purpose to monitor the developments of these portfolios in real time; new requirements regarding (a) transparency of banks with their borrowers motivated by practice, with the purpose to protect consumers on the one hand and the bank on the other, for example against any legal risk, as well as to improve the way of development of competition in the banking market; and (b) operations to be undertaken by bank managing structures, intending a better credit risk management and maintenance of its portfolio quality. At the same time, the requirements ensure proper flexibility in carrying out the activity and necessary elements for a fast decision-making in terms of maintaining credit quality; amendments related to a) collateral - element in the borrowing process, intending loans guarantee and; (b) definitions of maintaining credit classifications, to carry out this process in a documented and prudential way.

- 5- The decision No. 80, of 25.10.2006 adopted an amendment to the Regulation "On granting a licence to conduct banking business in the Republic of Albania. This amendment relates with the specification of requirements for initial approval by the Bank of Albania, in case of transferring the ownership right of indirect shareholders, at above 10 percent or more of the bank's capital or of its shareholders with voting rights, or at such amount that creates the possibility to influence on its policies or administration, - as a case envisaged in the existing regulation and not come across in practice. In case of changing the indirect shareholder, likewise envisaged even in the case of changing the direct shareholder, the bank is bound to require the initial approval of the Bank of Albania and to fill in the documentation required under this regulation.

2 ON-SITE SUPERVISION

During 2006 the Bank of Albania continued its policy of supervising its licensed entities according to risk characteristics. The Bank of Albania has succeeded in ensuring banking system stability, thus fulfilling one of its legal responsibilities, through constant off-site and on-site supervision, highlighting problems and taking proper measures for their improvement.

Being risk-oriented, the supervisory process underwent constant improvements in 2006, including in the risk list even the operational ones, both in terms of identification and awareness of managers of the licensed entities to monitor and minimise them. Also, a special attention has been constantly paid to banks and non-bank institutions of a higher risk profile, analysing high risk operations in more details.

Even during 2006 an upward trend of loan portfolio continued, requiring prior attention to its performance and to the fulfilment of recommendations

about the quality of this portfolio. On-site examinations requested the improvement of the work of banks in terms of analysis of economic-financial indicators of borrowers' activity and continuous attendance of the performance of loan repayment, increasing also the on-site monitoring of the activity of those clients. The process of purchasing large loans (frequently even problematic) from one bank to another has required the increased number of on-site examinations, and their continuous monitoring. Recommendations about increasing the role and effectiveness of work of bank managing and auditing bodies have been given to avoid these problems. So, the banking supervision, being guided by the motto "prevention rather than treatment", has taken immediate measures for preventing risks from banks that have had problems in the lending process.

Loan portfolio quality and capital adequacy ratio, which provide important signals for problems appearing in banks were also important indicators attended prudentially by the Bank of Albania.

A special attention was also paid to communicating with representative structures of banks during 2006. Meetings were carried out with representatives of top management of banks, discussing about the situation of the banking system in general and specific banks in particular, presenting supervisory concerns and requiring commitment of bank management to their solution.

During 2006 and onwards, a special attention was paid to cooperating with supervisory authorities of the countries from which foreign investments come in the Albanian banking system.

Cooperation with the Austrian Financial Market Authority was made concrete during 2006. So, in March 2006, representatives of this supervisory authority participated in the full-scope examination of the Raiffeisen Bank in Albania. Then in May, the top manager of this institution carried out an official visit to the Bank of Albania, discussing the Raiffeisen Bank's situation and the strengthening of cooperation. This visit was followed by that of the directors of the Supervision Department to the Financial Supervision Authority in Austria, where three-lateral discussions took place between representatives of the Bank of Albania, of the Austrian Financial Market Authority, of the Raiffeisen International and of the Raiffeisen-Albania.

The cooperation with the Bank of Greece has been strengthened. After the visit of the Bank of Albania's delegation to the Bank of Greece in 2005, the Governor of the Bank of Greece and the Director of Supervision carried out an official visit to the Bank of Albania in April 2006. Also, some inspectors of the Bank of Greece, assisted also by inspectors of the Supervision Department of the Bank of Albania, conducted an examination of the "Tirana" Bank.

General information has been shared with the Payment Authority of Kosovo, with the National Bank of Macedonia and with the Central Bank of Montenegro on banking system composition and performance. Cooperation has continued and information has been shared with the National Bank

of Bulgaria and with the Bank of Italy, respectively in the framework of the planned transformation of the Branch of First Investment Bank into a bank and the acquisition of the Italian-Albanian Bank and the American Bank of Albania by San-Paolo IMI.

Cooperating with institutions inside the country, we have continued to show good willingness concerning law observance and signed agreements.

Cooperation with international financial institutions and with those specialised in technical assistance area has been fruitful during 2006. Cooperation has also taken place with legal IMF experts for assistance in the preparation of draft-laws "On the Banks in the Republic of Albania", and "On Money Laundering Prevention", as well as for necessary measures to be taken for maintaining loan portfolio quality under the conditions of its relatively rapid growth, etc.

During 2006 the following examinations took place:

Banks	14 full-scope examinations
	14 partial examinations
Non-bank institutions	5 full-scope examinations
Savings and Loan Associations	2 full-scope examinations
Foreign-exchange bureaus	54 examinations

The main goal of all these examinations conducted during 2006 was the safe and sound condition of the licensed entities.

2.1 BANKS

Expansion of banking system activity and increased lending are natural outcomes of the improved efficiency in using the financial resources. The rapid pace of this expansion under a competitive environment has raised the pressure on banks to operate with the adopted standards, in terms of auditing and monitoring systems of the main directions of activity. Developments of this year indicate that the rapid pace of investments of financial resources in institutions that ensure a higher profit rate, has led to further reduction of capital adequacy ratio and increased indicators of non-performing loans. Though these indicators are in compliance with the requirements of the supervisory regulatory framework, the Bank of Albania has requested from commercial banks' management to compile equilibrated and more realistic policies of development and to strengthen operational risk analysis capacities. Also, the Bank of Albania during 2006 has taken and will take measures which address the above-mentioned issues in the short run. These measures relate to fostering examinations in banks, aiming at maintaining good capitalization of the whole banking activity and the quality of assets, particularly the loan portfolio.

It has resulted from on-site examinations that the banking system continues to be well-capitalised and to constantly credit the country's economy. These positive developments are expected to continue even in the future. But, rapid paces of banking system activity expansion, under the conditions of a

competitive environment should be accompanied by a greater attention to asset quality maintenance.

Problems observed during full-scope examinations

Problems observed by on-site examinations may be divided into the following:

Problems related to senior management (Board of Directors and Audit Committee). Recommendations of examinations were aimed at enhancing the responsibility of these bodies, bringing to their attention problems considered as critical for ensuring a safe and sound activity of banks. The purpose of highlighting these recommendations is the exercising by these bodies of the competencies and responsibilities in completing banks with sufficient policies and procedures for their safe and sound activity.

Another purpose is to prevent the boards of directors or audit divisions (in parent banks) from confusion or slowness in decision-making, in terms of solving the problems of banks (branch or subsidiary) that carry out activity in Albania.

Increased presence of audit committees in banks, their closer cooperation with internal audit, increased responsibility about the presented problems, etc., were also required.

One of most frequently given recommendations is the fulfilment of documentation for senior managers, for whom initial approval should be received by the Bank of Albania. The delivery of this documentation has been frequently delayed. Banks' managing structures have generally responded positively to these recommendations. In view of increasing the cooperation between them and the Bank of Albania, as emphasised earlier, more meetings and contacts between parties have taken place.

Problems related to internal regulatory framework of banks. Upon expansion of activity and increased complexity of bank services, the need for constantly enriching and improving the internal regulatory framework arises. This problem is more tangible for new banks; therefore special attention has been paid to them, by conducting frequent examinations to assess the fulfilment of internal policies and procedures, and their quality.

Even in this direction, banks have generally reacted well, but internal policies and procedures should be approved even by the steering councils.

Regarding the implementation of internal regulatory framework, some deviations were noticed in some banks. In this context, increased responsibility and quality of the internal audit's and audit committee's work has been recommended.

Problems related to implementation of regulations. Though banks have tried to better implement the regulatory framework of the Bank of Albania, yet

there are noticed cases of non-implementation of regulations or violation of the specified limits, or even repetition of violations.

Violations are mostly noticed in the following regulations:

- a. Regulation "On Credit Risk Management": Credit rating and addition of provisions for re-rated loans have been among the mostly encountered problems. Deeper financial analyses of borrowers, on-site visits, and completion of files with necessary documentation are some of the recommendations about the bank lending process.
- b. Regulation "On Controlling Significant Risks ". Exceeding the limits of concentration for a beneficiary has been noticed, mainly for placements with banks (particularly by branches of foreign banks) and for loans extended.
- c. Regulation "On Open Foreign Exchange Positions". There are some banks, which have breached the requirements of this regulation.
- d. Regulation "On Foreign Exchange Activities". Remarks on implementation of this regulation generally relate to documenting the transfers by means of customs clearance documents. Staff training on formats and validity elements of customs clearance documents, accepted as justifying documents for commercial transfers is recommended for many banks.
- e. Regulation "On Money Laundering Prevention". There are given recommendations for assigning the banks' employees responsible for money laundering prevention, customer identification and transaction reporting pursuant to specified limits, and for training the staff for money laundering prevention.
- f. Regulation "On using information and communication technology in entities licensed by the Bank of Albania". Violations of this Regulation relate to the drafting of a strategy in information technology area and the procedures for the implementation of this strategy. Also, recommendations are given for improving the policies and procedures for assessing the risk of information technology and its documentation, establishing necessary organizational structures for ensuring the quality of information technology and its audit, drafting of a recovery plan in cases of disaster, automatic generation of necessary information, division of access for entering data and authorizing operations, etc.

In 2006 examination reports, the banks' positive response to given recommendations has to be appreciated. But it is noticed that a major part of these problems still exist. Due to high costs going with necessary changes in these systems, and dependence of subsidiaries or branches on their parent bank's policies, banks are reacting relatively slowly.

Problems related to accounting. Problems related to implementation of the Banking Accounting Manual arise from the fact that banks are allowed to keep the capital in foreign currency. Some banks continue to keep their profit and fixed assets in foreign currency, contrary to the Banking Accounting Manual.

Other problems. Other problems evidenced during the examinations have to do with the meeting of the targets set forth in the budget plans, addition of staffs and their training, improvements concerning employee salaries, staff leaving in some banks, transparency with clients, etc.

Partial examinations

Partial examinations were aimed at:

Assessing the fulfilment of recommendations of full-scope examinations. During 2006, 14 partial examinations were carried out for verifying the meeting of recommendations of full-scope examinations, from which it resulted that banks have generally responded positively to these recommendations.

Assessing the policies and procedures for the prevention of money laundering and of terrorism financing (MLP/TFP). In January 30 to February 1, a partial examination was carried out in 7 banks for assessing the organisational and procedural measures for prevention of money laundering and terrorism financing. It resulted from on-site examinations that banks have generally created the responsible units of MLP/TFP, which operate in the head-office but are not extended in all their branches or subsidiaries. This structure should function in the whole network of banks for the implementation of legal acts and regulations of MLP/TFP and in respective branches of banks. It resulted out of the examination that banks have generally set up the internal regulatory and procedural framework that relates to the regulation and procedures for money laundering prevention and to the guideline "How to know the client". A general recommendation to all banks is to create the data base for the identification and registration of economic and financial data of clients (creating the client's profile), which will serve in the assessment and identification of transactions potentially related to illegal activity.

2.2 NON-BANK INSTITUTIONS

During 2005 five non-bank financial institutions were examined. Problems evidenced during the examinations are presented in the following:

Violation of prudential regulations and reporting

Such violations have to do with non-performing loan rates and their provisioning (for both institutions extending loans), with liquidity and capital rates. Also, the reporting of these institutions is not always duly and timely. There are evidenced also cases of many violations of legal acts and regulations, irresponsibility of managers of non-bank institutions, against which penalizing measures have been taken.

Violation of licence conditions

Evidenced violations of licence conditions are provided below:

- a. Presence of credit balances in liability accounts, opened by institutions. In such cases, there is required the explicit stipulation of the purpose of account opening in the agreement signed by both parties (only for activities permitted by the licence).
- b. Presence of negative balances in customer accounts (similar to "overdraft" loans). In such cases, the immediate interruption of this practice and the turning of accounts to zero position have been required).

Problems of information recording systems

Some of these institutions have commenced their activity at modest levels of activity and capital, and their transactions are not complex. Therefore, the systems used for the book-keeping and the maintaining of information are manual. Upon growth of activity and assets, which need prudential monitoring for maintaining information pursuant to legal stipulations, these systems do no longer meet the requirements. In such cases, the ensuring of a proper and automated information system is recommended, to record all the operations accurately and to generate the necessary information for reporting to the Bank of Albania and to other authorities. On the other hand, these institutions should know better and apply rigorously the Banking Accounting Manual (those parts that cover their licensed activity).

Other recommendations

Other recommendations were aimed at increasing measures for monitoring the operational risks and for hedging against them, preventing money laundering, improving the structure and internal regulatory framework, implementing rigorously the regulations "On foreign exchange operations", "On credit risk management", "On money laundering prevention", "On reporting foreign exchange operations", etc.

2.3 UNIONS OF SAVINGS AND LOAN ASSOCIATIONS

During 2006 two full-scope examinations were carried out on two unions of savings and loan associations, which collect deposits from their members and extend loans to them. The examinations found out that the activity of the union and its members generally was in accordance with the law and the regulatory framework approved so far. Some savings and loan associations, which had deviated from prudential regulations, were assigned the task to observe the prudential regulations within a specified period of time. Other recommendations have to do with the following: the union should credit directly the savings and loan associations and the latter should credit their members; improvement of audit structures of unions and their savings and loan associations; improvement of internal regulatory framework in terms of lending and collecting deposits, preventing money laundering, and liquidity; improvement of procedures for analysis of lending and training of respective staff; introduction of new information systems and improvement of existing policies and procedures.

2.4 FOREIGN EXCHANGE BUREAUS

During 2006, 54 foreign exchange bureaus were examined. Among the main problems evidenced, we may highlight: the non-keeping of accounting in compliance with the law; non-maintaining of invoices (copies) for each foreign exchange operation; irregular reporting to the Bank of Albania; employed staff outside the list approved by the Bank of Albania, etc.. Relevant recommendations were given about these problems and measures were taken for some more problematic foreign exchange bureaus.

3 INTERNATIONAL ACCOUNTING AND FINANCIAL REPORTING STANDARDS. CHALLENGES OF IMPLEMENTATION IN THE ALBANIAN BANKING SYSTEM

3.1 IMPORTANCE OF ADJUSTMENT AND IMPLEMENTATION

Nowadays a broad consensus has been reached on the importance of adjustment (of adopting) and returning to national standards, of those that are currently known as International Financial Reporting Standards (IFRF)¹. In international level, the drafting of a unified framework of standards in accounting and financial reporting area is a process that is strongly² supported by economically advanced countries, by financial institutions and powerful business enterprises operating in these countries, by their regulatory authorities and by international financial institutions. This is a prudential phenomenon, under the conditions when openness of goods and capital market and integration of financial markets dictate the need for creating a field of activity with clear and similar rules of game.

In general, regulatory institutions of the financial market have a prior interest in ensuring unified standards in accounting and financial reporting. This interest is multi-dimensional, but we may state that acceptance of unified standards in this area provides a core contribution, important in ensuring and maintaining the financial stability of the country. More concretely, the adoption of these standards helps in:

- a) *Increasing the financial transparency through:* providing a broader and more accurate information on financial markets and their participants; a better perception of the economic value of a business unit; publications focused on analysis of the risk going with certain activities of business units; a better information of supervisory authorities, which assists in a better evaluation of the risk profile of business units, etc;
- b) *Attracting investments through:* transparency enhancement and quality improvement of information that provides to existing and probable investors (shareholders), either domestic or foreign, the necessary guarantee in acquainting the market and fair assessment of performance, to easily take important decisions in terms of investments;

- c) *Increasing the efficiency and reducing costs through: avoiding the regulatory requirements for compliance with other (local) standards of accounting and financial reporting;*
- d) *Encouraging discipline in the market among financial market stakeholders, under the conditions when increased transparency will impact on identification of problematic financial institutions and will serve for taking corrective measures by the institution itself, by regulatory institutions and by the market;*
- e) *Improving information used by regulatory and supervisory institutions, both nationally and internationally, under the conditions when information comparability has become better;*
- f) *Improving the information related to consolidated supervision, particularly in the cases of financial institutions operating in global markets and/or in various sectors. In this case, the information is regarded as very important for knowing the financial group structure, for accurate identification of its possessors and of the structures connected with it, etc;*
- g) *Convergence of the supervisory practices, for example for the full implementation of the European Directive.*

3.2 PROCESS COST AND CHALLENGES

Some costs related to full implementation of these standards should be accepted and recognised. This is needed to constantly identify proper ways of facing them, to set up a national and sectorial strategy in facing them and to select an efficient approach in implementing the standards.

More concretely, the most important costs derive from the process of passing to new standards. During this process, partial changing of information technology systems of financial institutions, full and duly staff training, fulfilment of necessary regulatory changes to be adjusted to risks brought about by international accounting and financial reporting standards are needed. It is also necessary to duly set up and strengthen the human resources that will orient and follow the process of passing to new standards, to specific sectors. Here are highlighted regulatory and supervisory structures, as well as external and internal audits of financial institutions. Preparations would be insufficient in case no possibility of education with these standards is provided even to broad users of financial statements built on the basis of new standards. It should be accepted that the level of complexity offered by new standards requires more specific knowledge even by their users.

Special attention in the process of new standards implementation should be paid to the interpretation of the "fluctuation" that will appear in certain elements of financial statements, for example, the need to mark the financial assets to market value. In such cases, it is important to accurately know the evaluation methodology and book-keeping models used (either mixed or not), as well as to deem whether they reflect clearly the economic reality. This is particularly important in the case of developing countries, when certain

markets are segmented and underdeveloped, making difficult the marking of traded products value.

The ratios that will be built between IFRS and the requirements of the regulatory and supervisory framework in terms of financial reporting are a critical element in standards implementation. The greater the changes in this case, the more difficult it is for the supervisory authority and the managing structures of financial institutions to recognize the real financial position of the institution. This ratio is complicated should we take into consideration the status of the institution, as a separate entity and/or as part of the group. For example, in the case of a financial group operating in the European Union area and having access to capital markets, the European Directives³ require from the group to implement international accounting and financial reporting standards. Concerning the financial entities that are part of the group, which operate in different jurisdictions and are subject to local standards, compliance costs at local level and at group level are important. Non-compliances cause confusion and loss of credibility in the market; different assessments by supervisory authorities and bank managing structures of the financial sustainability of the institution; and may frequently promote competition between the supervisory authorities of different jurisdictions for accepting the lowest standard. Given this fact, the Committee of European Banking Supervisors (CEBS⁴) has prepared some guidelines⁵ on interpretations related to adjustment between the IFRS specifications and the supervisory ones, particularly as regards the relation between debt and capital in the framework of calculating the regulatory capital, the way of setting up and reporting the financial statements, etc.

The form of acceptance of these standards⁶ and the way of interpreting them is extremely important. If they are going to be accepted and implemented as *principles*, then the strengthening of the mechanism for imposing them is necessary. This can be achieved by including responsible structures for verifying the consistency of implementation in separate sectors and the links that determine the relations between these structures in terms of coordinating, interpreting cases and adopting unified stances.

Concrete changes brought about by IFRS are numerous and can not be all mentioned in this summarised analysis. However, some of them relate to:

- a) Principles of creating provisioning for loans;
- b) Marking the financial assets to market value and providing the option for realizing such a think even to fixed assets;
- c) Requirements for consolidating all investments (including those in companies that do not take part in the financial sector), when this investment is not temporary;
- d) Distinction between financial and operational leasing;
- e) Dividend payments and their non-recognition as a liability, if declared after the financial statements date;
- f) Preparation of cash flow statements and changes in shareholders' equity, etc.

3.3 ALBANIA'S CASE

The Law No. 9228, dated 29.04.2004 passed by the People's Assembly "On accounting and financial statements" (amended), starting from 2008 the full implementation of IFRS will be mandatory to financial institutions and the banking system. This means that for comparative purposes even 2007 should be with new standards. We are almost in the last term, so we should start to operate rapidly to set up a strategy for this important project.

Assessing positively the efforts made by state authorities in general, by the National Council on Accounting, by regulatory and supervisory institutions of various parts of the financial market, as well as recognising and evaluating the assistance of international financial institutions in this regard (the World Bank and the International Monetary Fund), it should be accepted that no reliable strategy⁷ has been recognised yet for the implementation of the IFRS at national level, for economic stakeholders in general⁸ and for the financial market.

This problem is sharp even to regulatory and supervisory institutions. Working in this direction, we have been based on the Banking Accounting Manual, approved by the Council of Ministers, with decision No. 820 of 30.12.1998. At the moment it was drafted (with the assistance of foreign expertise) and approved, it was largely in compliance with the international accounting standards (IAS), disclosed at that time. Since then, the standards have been enriched and the banking activity has become more variable, making urgent the need for recognising and implementing new standards, and for changing the Banking Accounting Manual⁹. Therefore, the supervisors must get acquainted with the standards and preparations should be made for their full implementation by the banking industry¹⁰. More difficulties are presented to the rest of financial market, where insurance companies, pension funds, companies dealing with securities, etc., are included. No specific accounting manual exists here for assisting in the unification of practices and for facilitating the supervisors' work.

Regarding the preparations for the implementation of the IFRS, banks have revealed different levels. Some of more active banks in the market, which are owned by or belong to a banking group with headquarters in the European Union, are audited and prepare the financial reporting also on the basis of international financial reporting standards (as part of the group and in compliance with the requirements of the EU legislation). In general, it may be stated that these banks have broader knowledge of these standards and are relatively more prepared for their implementation. In fact, even in this case, the knowledge remains focused on certain structures or employees and more has to be done, so that the rest of employees, particularly the managing structures get acquainted with them. However, these banks have the "fate" to be supported by specialised structures of parent bank or banking group in this process.

The problem is more complicated to other banks that lack such a technical support. In this case, the knowledge the structures of these banks have on

the IFRS is rather limited and the audit is carried out in compliance with the national accounting standards.

Under these conditions and lacking adequate time till the standards implementation term as required by the law, the most acceptable solution is the one aiming at making use of knowledge in those financial market institutions where it is sufficient. We are referring to the approaching of international external auditing companies, which should be promoted to transmit their knowledge on this area to other financial market stakeholders. Also, there exists the need for coordination between financial market authorities, including regulatory and supervisory institutions, so as to make a preliminary assessment as regards the degree of knowledge and problems arising from full implementation of international accounting and financial reporting standards in the financial industry.

In conclusion, we underline that the implementation of international accounting and financial reporting standards by commercial banks and the financial market in general is a legal obligation. This project is complex, but it is necessary to put our financial market and its institutions to a better position, in relation with homologous foreign financial institutions, under the conditions of market openness and its integration with advanced financial markets. At the same time, we believe that this is a project, where the need to walk faster should not divert our attention from objective problems expected to arise from its implementation. Regardless of the time needed, these issues should be addressed to, aiming at a steady solution to ensure financial stability, well-functioning of the market and its stakeholders, and to reflect the economic reality.

4 ALBANIAN BANKING SYSTEM CONCENTRATION AND COMPETITION

Albanian banking system has been recently characterised by important structural developments. The increased number of banks in the system, restructuring and privatization of state-owned banks, establishment of domestic capital banks, and recently the entry of powerful foreign banks through acquisitions of the existing ones, have changed the Albanian banking system into a dynamic environment, where more and more efforts are made by banks to be better positioned in the market. These developments do naturally lead to the question: To what extent do Albanian banks compete with one-another?

Competition is an important aspect of the banking system, since as in any other market, it influences efficiently even the quality of the supplied products. Furthermore, the level of competition in the banking system has implications also for other sectors of the economy. Some empirical evidence indicates that a higher degree of competition in the banking system leads to faster growth of other sectors of the economy, which are based on banking system financing (Claessens and Laeven, 2005). Also, the results of Deidda and Fattouh (2002) suggest that the developing countries need a banking system of an enhanced competition, so as to promote the economic growth.

On the other hand, it is argued that competition and stability in the banking sector are negatively linked. The banking sector is considered as a fragile sector and with high social cost in case of bankruptcy. Vives (2001) argues that a high competition in the banking system may lead to increased risk taking by banks, thus raising the likelihood of failure. In consequence, a banking system with a moderate level of competition would be more appropriate to developing countries, given that it is more difficult for them to maintain its stability in the presence of a high competition.

Taking into account the above, it may be stated that the optimum level of competition in the banking market is not unique, but it depends on the economic and institutional development of a country. For a developing economy, a banking system with high competition would be desirable to further promote the economic growth, but at the same time it might become a source of instability for the financial system. In consequence, it is important to follow the developments attentively in competitive relations of the banking system, so that appropriate measures are taken, if necessary.

Concentration on the Albanian banking system

The market structure analysis has been, since a long time ago, the most useful way to judge about the banking system competition. Notwithstanding the empirical evidence that market structure does not describe the competition well, and the development of other more advanced approaches, the market concentration indices continue to be used as additional indicators in the competition analysis. *Table 1* below presents the Herfindahl Hirschman (HHI) concentration index¹¹, estimated for assets, credit and deposits.

HHI index	1999	2000	2001	2002	2003	2004	2005	2006*
Assets	4,795	4,382	3,757	3,226	3,016	2,736	2,110	1,949
Credit	3,316	2,727	2,011	1,729	1,459	1,150	1,035	1,035
Deposits	5,719	4,966	4,282	3,676	3,487	3,107	2,391	2,105

Source: Bank of Albania

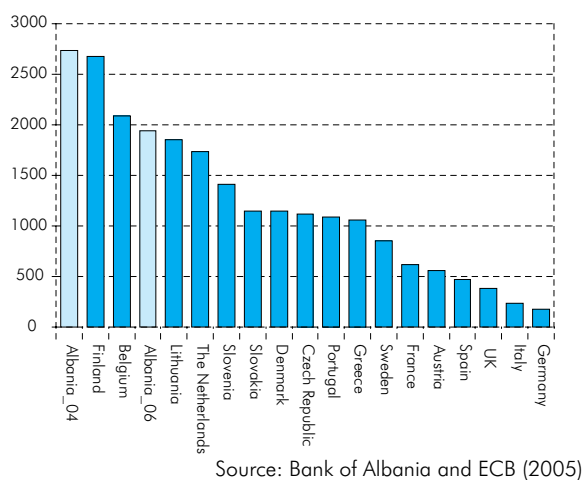
*July 2006

Table 1 HHI index of the Albanian banking system, 1999 – 2006

On the basis of the Regulation of the U. S. Department of Justice (1992) for the interpretation of the HHI¹², the Albanian banking market is considered to be highly concentrated in terms of assets and deposits, and moderately concentrated, close to perfect competition, in terms of lending. In spite of the fact that the level of credit market concentration is in satisfactory levels, high concentration of deposits remains concerning, since constituting more than 88 percent of the funds source, deposits are the most important factor that dictates banks' lending activity. This suggests that without further decrease of deposit concentration, it is less likely to maintain this level of concentration in credit or observe its further reduction, without excessive risk taking by small- and medium-sized banks.

The comparison with other countries of the region and with the developed ones also helps in qualifying the Albanian banking system as "highly" or

Chart 1 Comparison with EU countries of the HHI index of the banking system assets



“less” concentrated. Chart 1 shows the HHI index, calculated for assets of the European Union countries in 2004 and for Albania in 2004 and 2006.

The above comparison indicates that the Albanian banking system is more concentrated than the systems of most of the European Union countries. However, this level of concentration is justified, to a certain degree by the short life of our banking system and its degree of development as compared with EU countries. However, as it comes out obviously from the comparison in Chart 2, the Albanian banking system is also the mostly concentrated among the South Eastern European Countries taken into consideration.

Under the traditional viewpoint of competition, high level of concentration in the Albanian banking system implies that the degree of competition in it is low and it remains as such, regardless of the underlined downward trend of concentration over years. However, lack of strong empirical evidence that the concentration indices describe accurately the conditions of competition where firms operate, requires the use of other more direct methods for measuring the competition.

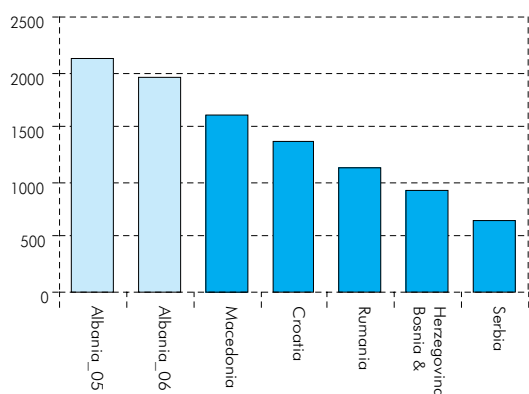
Competition in the Albanian banking system

An advanced methodology, called Panzar-Rosse methodology has been applied for measuring the Albanian banking system competition. It has been developed by Panzar and Rosse in a number of publications¹³ and is based on the Contestable Market Theory (CMT), formulated by Baumol, Panzar and Willig (1982). CMT represents a new theoretical

viewpoint on competition, which is substituted by the notion of contestability. According to this theory, regardless of the level of concentration in the market, the competition may be almost perfect if the market is completely contestable: no entry or exit barriers exist in it.

In the core of the Panzar-Rosse methodology stands the fact that depending on the level of competition in the market, banks reflect different behaviour in setting prices in response to cost changes. So, to measure the level of competition the banks are faced within the market, the Panzar-Rosse methodology studies the relationship between income earned by banks and costs incurred to generate these earnings. This is achieved through estimating a reduced equation of income, where the earnings are expressed as a function of costs and other variables that may impact on the size, the risk taken, geographical distribution, etc.

Chart 2 HHI index of assets for Albania and other SEE countries



Given that variables are in a logarithmic form, each of coefficients before a cost variable represents the elasticity of income to that cost variable. The amount of this elasticity, called *H statistics*, constitutes precisely the indicator used by the Panzar-Rosse methodology to measure the competition in an industry. Taking into account the characteristics of competition in various markets, *H statistics* is used to measure the competition as follows:

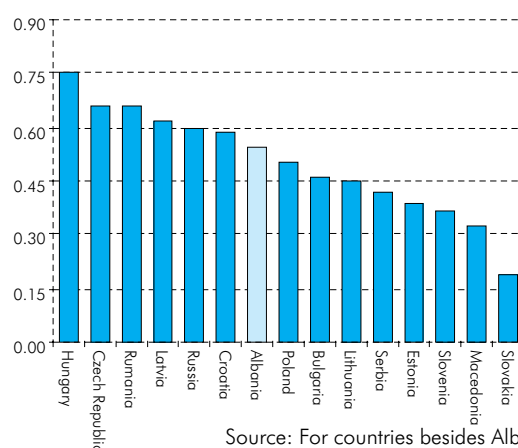
$H=1$	evidence for perfect competition;
$H=0$	monopoly or concealed monopoly agreement;
$0 < H < 1$	monopolistic competition

For applying the Panzar-Rosse methodology, in Albania's case, there were used data on individual banks of the Albanian banking system for the period of 2000 – 2005. The average value of *H statistics* from all the estimates is 0.5442 and based on the tests performed, it results statistically positive and different from 0 to 1, indicating that banks in Albania operate in a monopolistic competition environment. This implies that banks in Albania are differentiated from one-another, being focused on different market segments and/or providing products of various features within the same segment. This is a result encountered more frequently in empirical studies for other countries. As argued by Allen and Gale (2001), the banking system competition is generally monopolistic, because banks do not provide precisely homogeneous products, but are distinguished for various product features.

The comparison with other countries is valuable for getting a general idea of the level the Albanian banking system competition stands at. Chart 3 below presents the average value of *H statistics* for the Albanian banking system, together with *H statistics* for the systems of some countries of the Central and Eastern Europe (CEE) and of South and Eastern Europe (SEE).

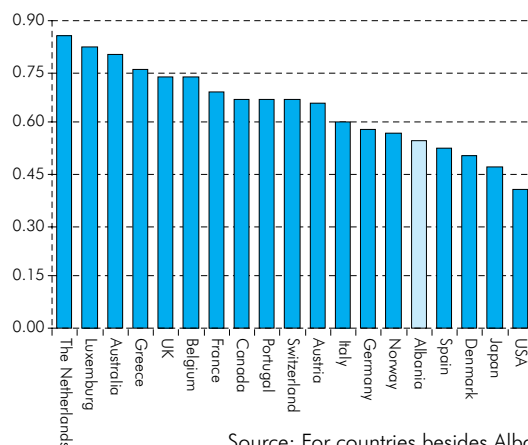
It is noticed from the chart that the level of competition in the Albanian banking market is comparable to banking markets of the region countries. Except Rumanian and Croatian banks, it seems that Albanian banks operate in an environment of a higher competition than in the other countries of the South-Eastern Europe. Also, even the comparison with advanced countries of the world, presented in Chart 4 below, indicates a satisfactory positioning, taking into account the history and development of the Albanian banking system.

Chart 3 H statistics for the banking systems in Albania and in some CEE and SEE countries



Source: For countries besides Albania, Philippatos and Yildirim (2002)

Chart 4 H statistics for the banking systems in Albanian and in advanced countries



Source: For countries besides Albania, Claessens and Laeven (2004)

Conclusions

The banking system in Albania is characterised by a high level of concentration and in spite of the underlined downward trend over the years, upon the increased number of banks and their activity, the concentration indices are higher than in most of other countries of the South-Eastern Europe and the European Union. However, based on a more sophisticated methodology for assessing the competition, in comparison to other countries of the region and to the developed ones, Albanian banking system competition is at moderate levels, acceptable for the level of development of Albania, and not low, as the market concentration indices would show.

Also, from the comparisons of the level of competition and concentration, it is obvious that Albanian banks operate in an environment of higher competition than some banking systems that are less concentrated. This simple survey and the broad empirical evidence show that concentration and competition are not necessarily related with each-other. Based on this evidence, we may conclude that concentration in the Albanian banking market may not be as concerning as it seems from the concentration indices. Furthermore, such a level of concentration for a developing country, such as Albania, facilitates the work of the banking supervision and the maintaining of system stability. Moreover, though a further consolidation that enhances efficiency and banking system stability may lead to increased concentration, it would still be favourable, as long as the competitive conditions remain intangible.

B. FINANCIAL POSITION OF THE BANKING SYSTEM IN 2006

1 ECONOMIC ENVIRONMENT IN 2006

The world economy was characterised by positive developments during 2006. Estimates from international institutions show that the world economy grew by 5.1 percent during 2006. During 2006 a balancing of the global economy was noticed. The economic activity was moderate in the United States of America, but gained momentum in Europe. Developments in China, India, Russia and in many other developing countries continued the positive performance of the recent years, whereas the countries of the region are distinguished for a faster economic growth than that of the Euro area.

Macroeconomic policies have remained on the encouraging side, though the largest central banks have taken measures to tighten the monetary policies, in response to inflationary pressures. Market fears stemming from an expected decline of production by main oil exporting countries in the wake of added geopolitical tensions, impacted on price rise over the first half of the year. These developments have tended to put the economic activity stability into difficulty, but have not managed to impinge on it. Also, the upward tendencies towards globalization of the national and regional economies have provided a great contribution to transmitting growth impulses beyond the geographic borders.

- euro area economy

According to the latest estimates, GDP grew by 2.7 percent in 2006, from 1.4 percent in 2005. Increased consumption and private investments have been the driving force of this upswing. The improved domestic demand has created foundations for a sustainable and long-lasting growth. The data indicate that the economic activity of the Euro area gained a new impetus in 2006, having a geographically widespread economic growth. This favourable economic situation of the Euro area constitutes a good moment for budget consolidation in many countries.

Consumer price inflation ascended during the first half of the year, peaking by 2.5 percent in June. The monetary policy pursued by the ECB has assisted in anchoring the inflation expectations around 2 per cent. Inflation trend of consumer prices changed direction during the second part of the year. In view of inflation expectations and forecasts, the ECB continued with the cycle

of monetary policy tightening. During 2006 key interest rates were raised 5 times, reaching the level of 3.5 percent at end of 2006.

- **Economy of the United States of America**

After some years of high growth rates, the USA economy started to change during 2006. This year was characterised by a moderate but steady economic growth rate. After a high growth in the first quarter of 2006, the growth rate of Gross Domestic Product moderated in the rest of the year. The main reason of economic activity slowdown related to reverse developments in the housing market and their impact on construction sector. However, consumer expenditures, constituting the basis for the growth in the latest years, have continued to be in high rates. The good financial conditions of the business sector have been supportive to capital business expenditures, thus impacting on a satisfactory and steady labour demand.

Inflationary pressures were somewhat subdued during the last months of the year, after the high levels recorded in the first half of the year. The central bank of the United States of America (Federal Reserve) continued to tighten its monetary policy, raising the key interest rate in the USA to 5.25 percent, the highest for large economies. This policy was pursued in the first half of the year, to make later on a pause, after 17 consecutive hikes of the key interest rate. It seems that this period will serve for understanding the degree and intensity of materialization of their effects on the economic development.

- **Economy of the countries of the region¹⁴**

During 2006 economic developments of the countries of the region tended to catch up the Western European Countries. The economic growth rates of these countries have been higher than those of the Euro area. The real GDP growth, from 4.7¹⁵ percent for 2005 is expected to be about 5.9 percent for 2006. Foreign direct investment inflows and high domestic demand, driven also by rapid credit growth, are among the main factors influencing the significant economic growth.

The domestic demand and high energy prices have exerted inflationary pressures throughout the region. Also, the increasing pressures likely to impinge on the financial stability, deriving from rapid growth of loan portfolio or of real salaries and reflected in high domestic demand, have been prudentially addressed by the central banks of the region. Many central banks have decided to strengthen the regulatory and prudential regulations, and have been attentive to monetary and inflationary developments.

- **Economic environment in Albania**

Year 2006 was characterised by economic growth and macroeconomic stability, due to a supportive macroeconomic policy, a prudential monetary policy, observance of main parameters by the fiscal policy, and the positive developments in the financial sector in general and in the banking sector in particular.

The quantitative and qualitative indicators of economic performance show a satisfactory growth, based mainly on the activities of services and industrial

production. Based on the available economic indicators, the growth rate is estimated at about 5 percent. The sales carried out by economic enterprises during the first nine-month period accounted for about 11 percent higher than in 2005. The industry sector, particularly the process industry has recorded positive developments. The country's trade activity continues to ensure the majority of sales, and to record significant annual growth rates. Construction sector has increased, though in lower levels than in the previous year. Agricultural output has grown at modest levels and has been concentrated on the second half of the year. The country's economic activity expansion has been associated with increased foreign trade exchanges. The balance of payments has been closed in positive terms, being supportive to exchange rate stability.

This growth has been associated with price stability, reflected in an annual average inflation rate of 2.4 percent or a year-end inflation rate of about 2.5 percent. The price inflation of consumer goods over 2006 mostly fluctuated around the targeted band of 2 - 3 percent, being close to 3 percent target of the Bank of Albania and within its tolerance band. Inflationary pressures have been increasing over 2006. Under the conditions of an increasing inflation and in the presence of a number of factors expected to further favour the price rise, the Bank of Albania decided to change the monetary policy stance at the beginning of the third quarter of 2006. This change occurred after a neutral period that lasted about 1.5 years. The change in monetary policy stance was materialised in raising the key interest rate twice during the second half of 2006. In July and November 2006 the one-week repo rate rose respectively by 0.25 percentage point, encouraging the creation of a more liquid environment in the banking market. The total growth by 0.5 percentage point is assessed to have normalized the annual growth rates of money supply, wholly responding to the demand for monetary assets.

The monetary conditions, characterised by historically low interest rates and exchange rate stability have promoted rise of investments and consumption in the economy. In particular, they have also been reflected in the rapid credit growth, thus further supporting the economy growth. The ratio of currency outside banks to money supply continued to maintain low historical levels. This ratio was 24.2 percent, being 1.7 percentage points lower than that of the same previous year period. The reduction of this ratio indicates that the Bank of Albania and the banking system have been more active than a year earlier in addressing money to formal channels. On the other hand, fiscal developments have taken place within the programmed limits, contributing to further consolidation of public finances and budget deficit control.

The economic growth was also reflected in the labour market. The number of the employed in the country has increased. According to INSTAT, given the division by private sectors of the economy, employment has increased mainly in trade, process industry and construction, which have also been the main sectors contributing to economy growth.

Developments in the external environment of the economy have been reflected in the Albanian economy mainly through partner countries'

inflation and oil price movements. The domestic fuel market has reflected the international oil price rise or fall. The ALL-USD exchange rate impact on transmitting the international price to domestic price during 2006 was almost insensitive. Consumer price performance of the trade partner countries of Albania has also been reflected in the domestic consumer prices. This phenomenon appeared stronger during the third quarter, when a rise in foodstuff prices was recorded in Italy and Greece. Nonetheless, imported inflation has been moderate, without putting the maintaining of the country's inflation target at risk.

2 ALBANIAN BANKING SYSTEM STRUCTURE

2.1 NUMBER OF BANKS

During 2006, the banking system underwent important qualitative and quantitative developments. At year-end the Albanian banking sector was composed of 17 banks, out of which 3 were of fully national private capital.

The Union Bank started its activity at the beginning of 2006. In February, the initial approval for a licence was given to the First Investment Bank. Jnt. Stk. It will be the subsidiary of the First Investment Bank in Bulgaria.

Year 2006 was characterised by changes in capital ownership of banks and in the structure of their shareholders. These changes of bank shareholders indicate the interest of banks and powerful foreign bank groups to invest in the Albanian banking capital.

Concretely:

- On May 2006, the sale of 80 percent of the shares of the Italian-Albanian Bank, which belonged to the Ministry of Finances of the Republic of Albania and Capitalia S.A., Italy, to Sanpaolo IMI S.p.A., Italy was approved.
- Also, on May of this year, the 60 percent (plus 2 shares) ownership transfer of the shareholders' equity of the National Commercial Bank from Kent Bank/Bayindir Bank to the new shareholder, Çalik-Seker Konsorsiyum Yatirim Anonim was approved.
- On August 2006, the 11.25 percent ownership transfer of shareholders' equity of ProCredit, from the EBRD to the ProCredit Holding AG was approved.
- On October 2006, the transfer of 71.97 percent of the stock of the Emporiki Bank Jnt. Stk., of Greece to Credit Agricolt Jnt. Stk., France was approved. This transfer also influences on indirect participation of Credit Agricolt Jnt. Stk., to the shareholders' equity of Emporiki Bank of Albania Jnt. Stk., at the same amount.

Changes are expected to take place in the shareholders of the Italian-Albanian Bank and the American Bank of Albania. The shareholder Sanpaolo IMI S.p.A has been taken over by the Intesa Bank, and the new

Intesa-Sanpaolo S.p.A has been established. This company will be also the shareholder of the American Bank of Albania. Such changes will be approved by the Bank of Albania during 2007, after the submission of documentation pursuant to requirements of the Law "On Banks in the Republic of Albania" and the Regulation "On granting a licence to conduct banking business in the Republic of Albania".

The extension of banks' network within the territory of Albania continued also during 2006. So, the banks' network was expanded with 62 new branches and agencies, being established in the whole Albania and outside it. Tirana occupies the largest share, with the establishment of 30 new branches and agencies in its whole territory. In this way, banking services are provided not only in the areas where business, production, trade and services are concentrated, but also in the suburban areas.

During 2006 the approval was given for the establishment of two bank branches outside the territory of Albania, and two other branches are under the process of approval.

No.	Banks	No. of branches within the country	No. of agencies within the country	No. of branches outside Albania
1	Raiffeisen Bank	37	46	
2	National Commercial Bank	21	10	1 ¹⁶
3	United Bank of Albania	3	1	
4	Italian-Albanian Bank		6	
5	Italian Development Bank	1		
6	Tirana Bank	32	4	
7	National Bank of Greece (Tirana Branch)	4	6	
8	International Commercial Bank	5		
9	Alfa Bank (Tirana Branch)	9	1	
10	American Bank of Albania	8	11	2
11	ProCredit Bank	21	1	
12	First Investment Bank (Tirana Branch)	1	2	
13	Emporiki Bank	3	4	
14	Credit Bank of Albania	2	1	
15	Credins Bank	11	4	
16	Popular Bank	29		
17	Union Bank	3	4	
	TOTAL	190	101	3

Source: Bank of Albania

Table 2 Indicators of banks' network extension at end of 2006

During 2006, banks submitted 71 applications for approval of administrators appointed by them, under the requirements of the Law "On Banks in the Republic of Albania". There were no decisions for turning down any of administrators appointed by them.

Also raising the licence level, from the first level to the second one has been requested by the American Bank of Albania and Italian-Albanian Bank. The completion of documentation is expected from those banks, pursuant to the respective regulation for the Bank of Albania's approval.

The Bank of Albania has been notified about changes in banks' statutes, related to increased paid-in capital, changed structure of shareholders and ownership for shares of less than 10 percent of bank's capital, etc. These changes have been entered into banks' registers held at the Bank of Albania.

During 2006 the banks fulfilled the level of the minimum initial capital required, pursuant to decisions No. 3 and No. 4 of 26.01.2005 of the Supervisory Council of the Bank of Albania "On an amendment to the Regulation "On granting a licence to conduct banking business in the Republic of Albania".

Nine applications were submitted to the Bank of Albania for licensing foreign exchange bureaus and they were all granted a licence; at the same time, the licence of 7 other exchange bureaus was revoked.

In 2006, four new savings and loan associations were licensed and ten licences of other associations were revoked. The savings and loan associations, whose licence was revoked, have been united on the basis of 6 existing savings and loan associations.

The "Albanian Partner in Micro credit" Jnt. Stk., submitted an application for a licence for a non-bank institution. Approval and granting of licence to this entity is expected to take place in 2007.

In 2006, the "Tirana Leasing" company was no longer included in nonbank entities licensed by the Bank of Albania, pursuant to the Law "On financial leasing". This company has delivered the licence documentation to the Bank of Albania.

At the same time, the nonbank entity "Credins Institute" Jnt. Stk., has submitted an application for the approval to carry out an additional activity and concretely, that of financial leasing. This application is going through the initial stage.

During 2006 the approval of electronic products used by commercial banks in service to customers started. The ATM placement service and the issuing of debit and credit cards are obvious almost in all banks. This increases not only the speed of service, but also its quality. E-banking is being provided by some banks.

At end of 2006, after the occurrence of some changes, the list of entities licensed by the Bank of Albania according to years is presented as follows:

Table 3 Number of entities licensed by the Bank of Albania

No.	Entities	2000	2001	2002	2003	2004	2005	2006
1	Bank and foreign bank branches	13	13	14	15	16	17	17
2	Non-bank financial institutions	2	4	5	7	7	7	6
3	Foreign exchange bureaus	19	38	58	58	54	58	60
4	Savings and loan associations			113	131	130	131	125
5	Unions of savings and loan associations			2	2	2	2	2

Source: Bank of Albania

- Financial analysis

The banking system analysis for 2006 is based not only on the overall banking system performance over time, but also on the comparison of different banks' performances within the same period, according to some specified criteria. For these purposes, the banking system is divided into peer groups, based on assets volume criterion. Thus, we distinguish three main peer groups:

- Banks having a total volume of assets lower than 2 per cent (group 1 or G1);
- Banks having a total volume of assets higher than 2 per cent, but lower than 7 per cent (group 2 or G2).
- Banks having a total volume of assets higher than 7 per cent (group 3 or G3).

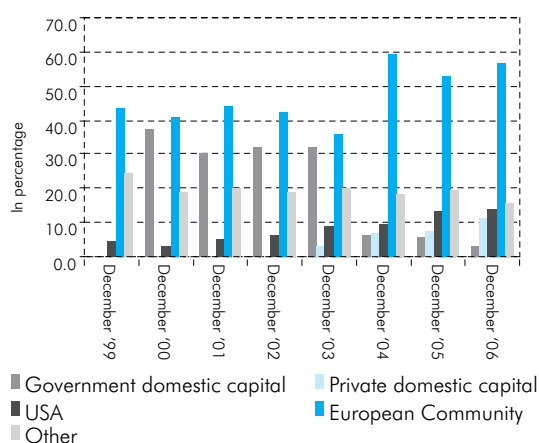
During 2006 banks were grouped as follows:

- Group 1 (G1) – Emporiki Bank (EB); United Bank of Albania (UBA); First Investment Bank (Tirana Branch) (FIB); International Commercial Bank (ICB); Credit Bank of Albania (CBA); Italian Development Bank (IDB);
- Group 2 (G2) – ALPHA Bank (Tirana Branch) (AB), Italian-Albanian Bank (IAB); Procredit Bank (PCB); National Bank of Greece (Tirana Branch) (NBG); Credins Bank (CB); Popular Bank (PB);
- Group 3 (G3) - Raiffeisen Bank (RZB); Tirana Bank (TB); American Bank of Albania (ABA); National Commercial Bank (NCB).

2.2 CAPITAL OWNERSHIP STRUCTURE

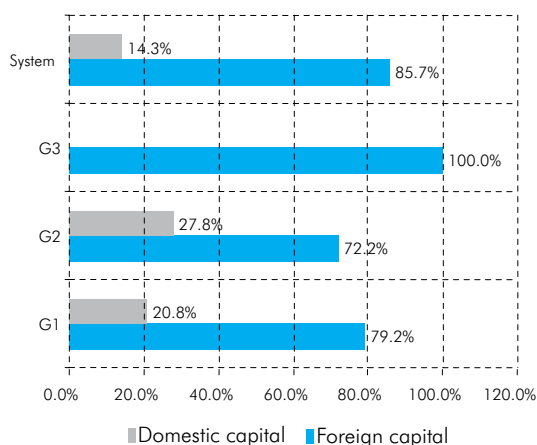
In 2006 the banking system capital ownership structure presented small changes in comparison to 2005. Foreign capital continues to dominate to domestic one, occupying 85.7 percent of the capital of the system, or about 0.6 percentage point less than in the previous year. Within this group, an increasing share of capital deposited by the European Union countries has been noticed, by 3.3 percentage points, against a reduction of capital coming from other countries by 4 percentage points. The group of domestic capital has also undergone important developments. A new bank with Albanian capital¹⁷ was added to the system, thus increasing the share of private domestic capital by about 11.2 percent, from 7.8 percent in the previous year. In the meantime, the sale by the Ministry of Finances of the shares it owned to a bank, further consolidated the downward trend of the share of the domestic state-owned capital reflected in the recent years.

Chart 5 Banking system capital ownership structure in years



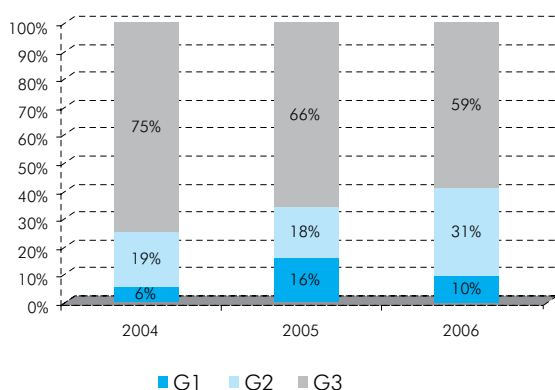
Source: Bank of Albania

Chart 6 Capital ownership structure by peer groups



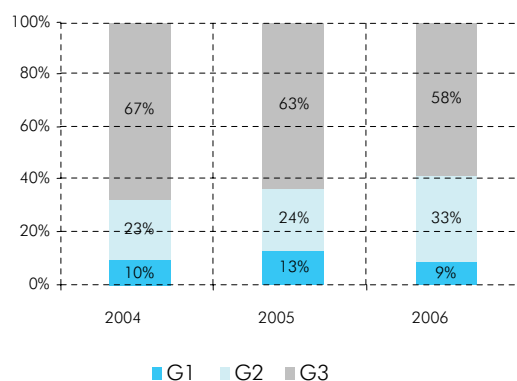
Source: Bank of Albania

Chart 7 Number of branches/agencies (in percentage) by peer groups



Source: Bank of Albania

Chart 8 Number of employees (in percentage) by peer groups



Source: Bank of Albania

According to peer groups, G3, i.e., the group of large banks continued to be based on permanent resources, wholly foreign ones, even during 2006. Concerning G2 – medium banks and G1 – small banks, the capital structure is presented as a combination of domestic capital with the foreign one, where the foreign one exceeds 50 percent.

2.3 NUMBER OF EMPLOYEES AND BANK BRANCHES

During 2006 the banking system continued the rapid expansion of its network with branches and agencies within the territory of the Republic of Albania. The number of branches and agencies in 2006 went up, with 62 or 15 percent more than in 2005. The bank's network was extended in the whole territory of Albania, small towns included, having the highest share in Tirana (the city and the district included), with the establishment of 30 new branches and agencies. At end of 2006 their number climbed to 98 in Tirana, constituting about 33 percent of the total. This is due to larger concentration of population and businesses in this part of the territory of Albania.

Almost all the banks opened new branches/agencies during 2006. Medium banks (G2) occupy the largest share in this extension, by opening 26 new branches and agencies.

The number of employees hired by the banking system in 2006 climbed to 4,189, being increased by about 20 percent in comparison to 2005. In 2006, about 62 percent of total bank employees worked at banking branches or agencies. The increased number of bank employees relates to increased number of branches and agencies, as well as to banking activity extension.

The increased number of banks and their branches and agencies on the one hand, and the increased number of bank employees on the other, have improved significantly the coverage of population with banking services and their quality. According to the following table, the average number of people per bank has increased. This indicator is increasing, since the number of banks has not changed from

`2005 to `2006, whereas the number of population has gone up. The average number of population per each banking unit and per each bank employee has decreased because of extremely high increasing paces of the number of branches and agencies and the number of employees, in comparison to population growth rates.

	2003	2004	2005	2006
Number of employees	2,236	2,816	3,479	4,189
Number of branches, agencies	161	188	250	294
Number of employees per:				
bank	149	176	217	246
banking unit	13.9	15	13.9	14.2
Number of residents per ¹⁸ :				
bank	206,851	194,971	184,410	185,365
banking unit	20,815	16,593	12,539	10,718
Bank employees	1,388	1,108	901	752

Source: Bank of Albania

Table 4 Performance of the number of banking system employees in years

No.	Districts	TOTAL	No.	Districts	TOTAL
1	Tiranë	98	26	Gramsh	2
2	Sarandë	8	27	Librazhd	4
3	Kavajë	5	28	Peshkopi	2
4	Bilisht	4	29	Koplik	2
5	Durrës	22	30	Shijak	1
6	Fier	14	31	Delvinë	3
7	Elbasan	13	32	Divjakë	1
8	Korcë	11	33	Rrëshen	2
9	Shkodër	8	34	Krujë	3
10	Vlorë	13	35	Lac	4
11	Lezhë	6	36	Tepelenë	3
12	Pogradec	7	37	Bajram Curri	1
13	Berat	7	38	Bulqizë	1
14	Gjirokastër	8	39	Çorovodë	2
15	Lushnje	7	40	Ersekë	1
16	Kukës	3	41	Krumë	1
17	Burrel	2	42	Pukë	2
18	Himarë	1	43	Peqin	1
19	Kakavijë	3	44	Fushë Krujë	1
20	Kuçovë	3	45	Athinë	1
21	Kamëz	1	46	Selanik	1
22	Shëngjin	2	47	Shkup	1
23	Kapshticë	2	48	Prishtinë	0
24	Përmet	4	49	Prizren	0
25	Ballsh	2		TOTAL	294

Source: Bank of Albania

Table 5 Geographical distribution of banking branches and agencies, as at end 2006

2.4 NEW TECHNOLOGY

Upon approval by the Bank of Albania of the Regulation "On the use of information and communication technology of entities licensed by the Bank of Albania", during the last year an obvious improvement has been noticed related to bank information systems. This is obvious in improvements made to the employed software and to new software purchased by some banks.

These computer programs provide better support to the requirements of the Banking Accounting Manual and the needs of the institution for extending the activity and introducing new services, such as e-banking. This Regulation has helped not only for a correct and complete supervision of information and communication technology applied by banks, but also for assisting banks in their daily activity and in using this technology. The said Regulation provides security measures the banks should apply for ensuring and using information properly, for saving the information and for ensuring the continuation of work in case of extraordinary events. Also, the Regulation highlights that the documentation of all main activities carried out by information and technology department staff is very important.

In spite of so-far improvements, a lot of work has to be done in this area by some banks, especially regarding risk assessment and the software used. The Bank of Albania has required from banks to draft a risk assessment methodology, to specify its acceptable levels and the measures for minimizing or preventing it in the most sensitive points of their system. This risk assessment, which should be carried out at least once a year, will serve as a basis for drafting and improving the policy, the procedures and various information and communication technology plans, for improving the quality of various services, as well as for preventing or minimising work interruptions.

A special attention has to be paid to the rights of users of various information and communication technology systems, adjustment of these rights to the users' position in the daily work, access they have, and various controls to be exercised time and again by the banks themselves, in order to avoid any possibilities of misuse or different errors.

SWIFT is an important system, to which more attention should be paid. Upon development of various banking applications, a major part of banks have made the automation of generating SWIFT messages directly from the banking application. A new task assigned to banks now is to review the SWIFT users' profile, considered in complexity with the roles these users play in banking application, (in those banks where SWIFT is related to banking application), so as to respect the three steps of sending the message (creation, verification, authorisation).

During 2006 special attention was paid to internal auditing of banks (and even to the external one, provided by advisory companies), including the information technology. So, there are audited various issues having to do with the functionality of banking applications used, accuracy of generating the information, changes carried out in the system, information security while working or in transmission, recovery plans, plans for re-initiating the work, risk analysis, etc.

Latest developments in information technology and e-banking

The latest information technology developments worth mentioning are those related mainly to the improvements of banking applications used by

banks, automatic generating of SWIFT messages, as well as improvement of services by means of *e-banking*.

Concerning improvements of banking applications, we may state that a part of banks have updated their systems, passing to new variants of these applications. This has brought about improved quality of service provided to users of these applications and increased speed of service; addition of various modules, making the information more accurate; compliance with regulatory requirements of the Bank of Albania; reduced need for manual calculation of various indices, etc. Also, it is worth mentioning that upon passing to new variants of banking applications used, a major part of banks have placed interfaces, which serve for communicating these applications by SWIFT, carrying out the automatic generation of SWIFT messages. Depending on the interface, these generated messages may be only in the initial phase (only created), or in a higher scale (created and verified) and only the third phase remains to them, that of authorisation.

Pursuant to the Regulation "Supervising e-banking transactions", approved with the Supervisory Council decision No. 28, dated March 30, 2005, e-banking includes the ATM and POS services, as well as internet services.

Concerning the first part of services, out of 17 banks operating in Albania, 11 provide ATM and POS services, 4 banks are under the stage of application for these services and only 2 of them do not provide this service. Though not at the planned level, an increase is noticed in using cards for effecting various payments. Increased payments effected through cards has been also influenced by the fact that based on agreements between banks, the holders of international bank cards, such as MasterCard and Visa may effect payments also through POS service of another bank.

Concerning internet-banking, besides two banks that have provided this service for a long time, seven other banks are under the stage of projection for providing this service. However, still this service remains limited only to a narrow cycle of clients.

2.5 CONCENTRATION

The banking system in Albania during 2006 continued to reflect positive tendencies in better allocating financial resources and in consequence even assets among banks. Herfindahl index on deposits and total assets is obviously lower than in the previous year. The dynamics of these indices has been generally oriented towards the optimum level of concentration, though the current levels are still far from the latter one. We highlight the dynamics of Herfindahl index on the loan portfolio that appears more stable in time, closer to the optimum level in comparison to two other indices, and which speaks for a better distribution of the lending activity in the banking system.

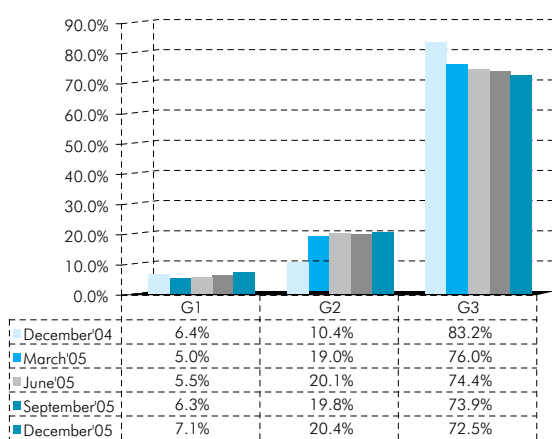
The positive developments of the H index on assets and deposits is explained by the reduced market share of the Raiffeisen Bank, increased market share particularly of two banks of Albanian capital, i.e., Credins Bank and Popular Bank, as well as the entry into the market of a new bank during 2006. More concretely, the share of assets and deposits of the Raiffeisen Bank has dropped by 4.6 percent and 5.3 percent, while the share of Credins Bank and Popular Bank altogether has increased by 2.6 percent and 2.9 percent respectively. Two other banks, the American Bank of Albania and the National Commercial Bank, have also had a striking dynamic, with increased assets and deposits. In spite of these positive developments, the largest banks of the system continue to dominate assets and main banking system resources. The share of their deposits to the banking system is estimated at 71.8 percent to 75.7 percent of the previous year, whereas the share of assets is 69.3 percent to 72.5 percent.

Table 6 H (Herfindahl) index of assets, deposits and loan concentration

	December '02	December '03	December '04	December '05	June '06	September '06	December '06
H Index (assets)	0.32	0.30	0.27	0.21	0.20	0.18	0.18
H Index (deposits)	0.37	0.35	0.31	0.24	0.21	0.20	0.20
H Index (loans)	0.17	0.15	0.11	0.10	0.10	0.11	0.11

Source: Bank of Albania

Chart 9 Peer groups' shares to the system by total of assets



Source: Bank of Albania

The assessment of banking system competition constitutes a complex issue, which goes beyond the referring of the concentration level of assets, deposits and loans as an assessment measure. Banking system competition, seen in a broader and more objective sense, refers to the degree of comparative advantages that provide products, services and homogeneous business lines among various banks. From this viewpoint, a quantitative estimation according to a model that tends to include this advanced concept of competition indicates that the Albanian banking system is at average level¹⁹.

From an empirical outlook, we ascertain that the competition conditions in the Albanian banking system tend towards improvement year on year, and as a result, even during 2006. Thus, we can mention the following essential developments in improving

the climate of the banking system competition: the network extension of various banks, not only in important urban areas but also beyond them; provision of a broader variety of services and products, not only by a bank or a small group of banks but by all the banks of the system; intensified marketing and overall improvement of bank – customer relations.

2.6 ASSETS AND LIABILITIES

2.6.1 Total assets and their structure

During 2006 the banking system assets recorded a growth of ALL 127.7 billion or 25.7 percent. The growth is estimated at about ALL 57.6 billion higher than the growth of assets for 2005. Besides large banks, small- and medium-sized banks also contributed to the enlargement of the balance sheet of the system. Only the last quarter recorded a growth in the banking activity of ALL 56.5 billion or about 10 percent, from ALL 24.2 billion or 4.5 percent in the previous quarter.

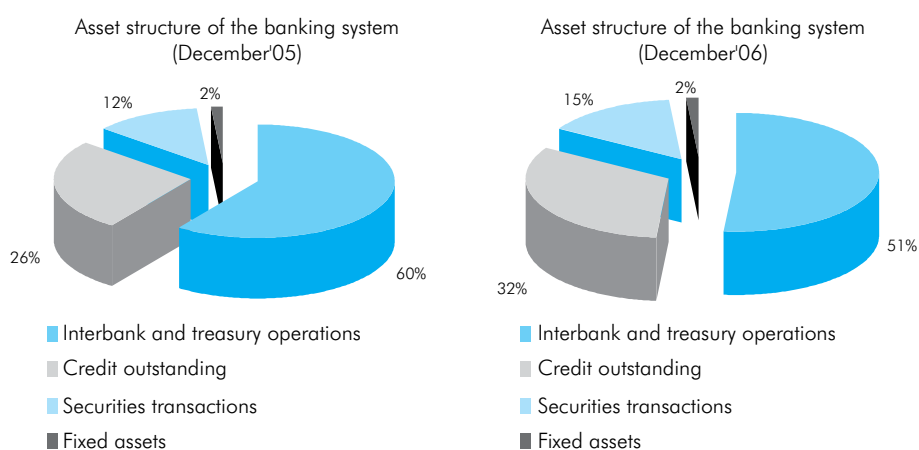
The banking system assets structure continues to evidence the main dynamics in the following indicators:

- Reduction of treasury bill investments of the Albanian Government by about ALL 1.1 billion or 6.3 percent, compared to previous year-end;
- Upward lending trend by 55.5 percent, resulting to about 31.7 percent of total banking system assets; and
- Increased importance of investments in other securities, besides those in treasury bills of the Albanian Government, by ALL 31.6 billion or 52.2 percent.

Investments in securities occupy a considerable share of 82.5 percent of the Albanian Government bonds, accompanied by the bonds of other foreign governments by 8.7 percent. In the meantime, the shares of bonds issued by foreign banks and foreign financial institutions are estimated respectively by 6.1 percent and 2.7 percent. The latter ones are mainly assessed as of low risk by international rating companies.

The main impact on the growth of banking system resources for 2006 was given by customer deposits, by ALL 87.3 billion (recording a growth of 20.2

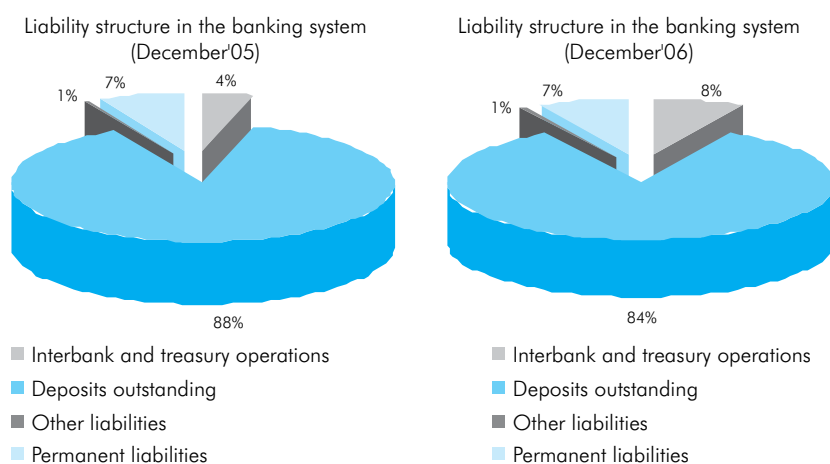
Chart 10 Asset structure



Source: Bank of Albania

percent), accompanied by “interbank and treasury operations” by ALL 26.6 billion (recording a growth of 129.4 percent) and “permanent resources” by ALL 10.5 billion (recording a growth of 29.6 percent). Increase of deposits of the system indicates an upward confidence of the public in the banking system. It is an indicator of the reduced informality and increased efficiency of savings of the whole population.

Chart 11 Liability structure



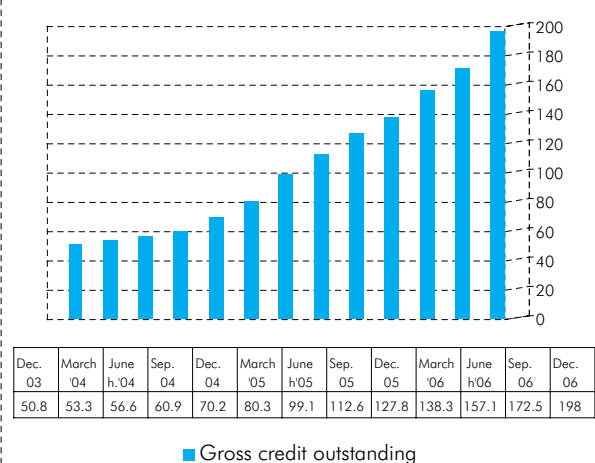
Source: Bank of Albania

3. BANKING ACTIVITY RISK MANAGEMENT

3.1 CREDIT RISK

3.1.1 Lending activity

Chart 12 Gross credit outstanding (in ALL billion)



Source: Bank of Albania

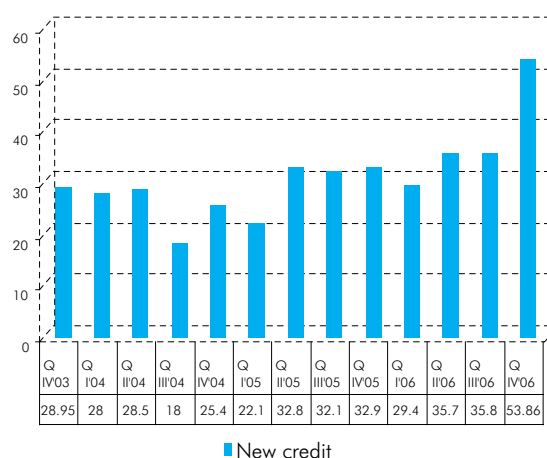
During 2006 banking system credit outstanding recorded a growth of ALL 70.2 billion²⁰ or 55 percent, from ALL 57.6 billion or 82.1 percent of the previous year. The upward performance of lending speaks for a high demand of the community and the economy for financing, as well as for increasing willingness of the banking system to satisfy this demand.

Year 2006 highlights that large banks (G3) had the main impact on credit portfolio growth of the system by ALL 43.3 billion, followed by medium-sized banks (G2) by ALL 20.7 billion and small-sized banks (G1) by ALL 6.2 billion. Only over the last quarter of the year, the banking system credit outstanding increased by ALL 25.5 billion or 14.8 percent, from ALL 15.4 billion or 9.8 percent in the previous quarter. Credit in foreign currency

continued to render a larger contribution. While credit outstanding in ALL has increased by ALL 5.9 billion or 11.9 percent, credit in foreign currency has increased by ALL 19.5 billion or 16 percent.

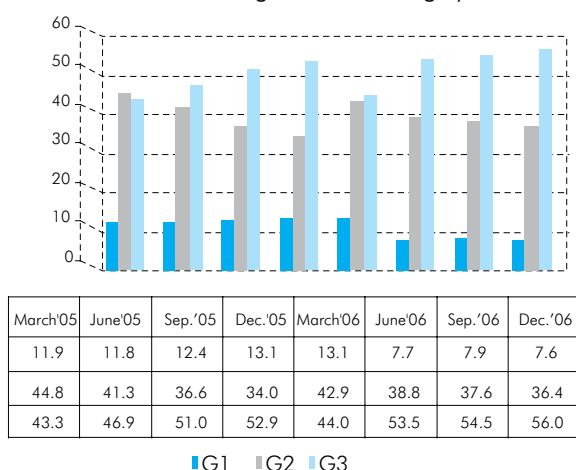
About the fourth quarter, G3 and G2 contributed more to the growth of credit outstanding, respectively by ALL 17 billion (or 18.1 percent), ALL 7.1 billion (or 10.9 percent), followed by G1 by about ALL 1.4 billion (or 10.3 percent). This period has deepened the effect of large banks' contribution compared to two other groups, to the growth of credit outstanding in the system. The fourth quarter recorded the increased share of large banks to total loan portfolio and reduced the share of medium- and small-sized banks.

Chart 13 New credit extended by the banking system on a quarterly basis (in ALL billion)



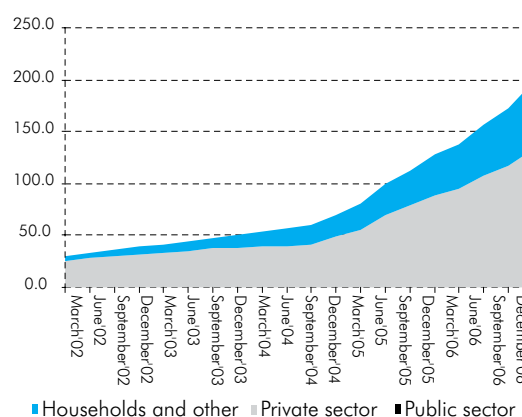
Source: Bank of Albania

Chart 14 Share of peer groups to total credit outstanding of the banking system



Source: Bank of Albania

Chart 15 Volume of credit outstanding by sectors (in ALL billion)



Source: Bank of Albania

Year 2006 distinguished important growth of credit extended to the private sector and to households. In spite of the obvious upward trend of credit to households, the corporate sector continues to be the most preferred segment. About 67.4 percent of credit growth or ALL 26 billion belongs to this sector, which maintains the main weight to credit stock.

The credit structure by maturity terms underwent a shifting of short-term credit towards the long-term one. Increased volume of short-term credit, but at lower growth rate compared to other categories, explains the reduction of its share to the credit structure by terms.

Table 7 Credit outstanding structure by terms, in percentage

	December '04	March '05	June '05	September '05	December '05	March '06	June '06	September '06	December '06
Short-term	33.8	34.0	34.2	32.4	33.2	33.0	32.1	31.5	30.8
Medium-term	35.3	33.9	33.1	32.3	30.6	29.9	30.9	31.6	30.8
Long-term	30.9	32.2	32.8	35.2	36.2	37.1	36.9	36.8	38.4

Source: Bank of Albania

ALL loan portfolio, notwithstanding the domination of credit in foreign currency, presented a significant growth rate. Credit in ALL grew about 78.2 percent in comparison to year-end 2005. In consequence, during 2006 the ALL loan portfolio share to total loan portfolio is distinguished for a considerable growth from 24.4 to 28.1 percent. Developments in the ALL loan portfolio size, though positive, continue to rank Albania among the countries with the highest rate in the region for the foreign currency loan portfolio²¹.

Table 8 Credit outstanding structure by currencies (in percentage)

	December '04	March '05	June '05	September '05	December '05	March '06	June '06	September '06	December '06
In ALL	19.5	20.1	22.3	22.4	24.4	25.5	27.5	28.9	28.1
In foreign currency	80.5	79.9	77.7	77.6	75.6	74.5	72.5	71.1	71.9

Source: Bank of Albania

On the basis of historical and latest data on lending activity performance, it is estimated that outstanding credit is expected to grow above ALL 70 billion during 2007. In the meantime, the assumption that the regulatory capital size of the banking system will remain the same till end 2007 (the worst case possible, since it does not take into consideration the financial profit of this period), allows the growth of credit outstanding about ALL 110 billion, so that capital adequacy rate maintains the level of 12 percent. However, a considerable part of active banks in the market have relatively unsuitable capital adequacy rates for a substantial contribution to the loan portfolio growth during 2007. We think that other banks, having higher lending potentials, and aiming at lending activity expansion, will generally follow a gradual strategy. We deem that even the process of approximation to the advanced countries, as concerns the loan portfolio share to total assets will continue during 2007, though at controlled paces. Also, macroeconomic conditions and inflation expectations, as well as the economic growth will be important factors for the loan portfolio expansion in the future.

3.1.2 Credit quality

Year 2006 recorded an increase of about ALL 3.1 billion for the non-performing loan portfolio of the banking system, from ALL 24 million the increase of this indicator was for 2005. We deem that the significant upward rates of credit extended by the banking sector during last periods, and the small possibility of identification and monitoring of problems of new loans are expected to reflect quality deterioration in the future.

In this way, the index that measures the effectiveness of loan portfolio management, i.e., the ratio of “non-performing loans (gross) to gross outstanding credit” is estimated to 3.1 percent, from 2.3 percent at end 2005.

Also, even the net base indicator²², which shows the potential size of the system exposure to credit risk, recorded the level of 1.4 percent, from about 1 percent in the same previous year period.

In comparison to year-end 2005, the credit structure by categories of quality presented the increased weights of the balances rated as “sub-standard”, “doubtful”, “loss”, and a reduced weight of those rated as “standards” and “special mention”.

Table 9 Credit rating in % to outstanding loans

Credit rating	2004				2005				2006
	Q IV	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Standard loans	92.8	92.5	94.9	94.2	94.1	93.2	92.4	92.5	93.5
Special mention loans	3.2	4.1	2.8	3.4	3.6	3.8	3.9	4.3	3.4
Sub-standard loans	1.0	0.9	0.6	0.9	0.8	1.1	1.4	1.6	1.1
Doubtful loans	1.0	0.9	0.5	0.4	0.5	1.0	1.5	0.7	0.9
Loss loans	2.1	1.6	1.2	1.1	1.0	0.9	0.8	0.9	1.1

Source: Bank of Albania

Analysis of credit quality by sectors indicates a better quality of household loan portfolio. So, the ratio of non-performing household loans to total household loans is estimated at 2.2 percent, from 3.5 percent this ratio was estimated for corporations. We believe that these indicators confirm the importance of portfolio diversification, which is more obvious in household sector. Otherwise, the large concentration for the corporate sector brings about the dominant effect of some borrowers in the quality of total loan portfolio.

Though the indicators that measure loan portfolio quality by currencies²³, evidence lower values for the ALL portfolio, the fourth quarter presents improvement of the foreign currency credit quality, against the growth of the “non-performing ALL loans to total ALL loans” ratio.

3.2 LIQUIDITY RISK

3.2.1 Liquidity ratios

At end 2006 the level of liquid assets of the system is presented to about ALL 359 billion, being increased by about ALL 48 billion or 15.6 percent compared to end of 2005. Their share to total assets has dropped by about 5 percentage points, due to higher growth rates of assets of the system. We deem that their share to total assets continues to be satisfactory, at the level of 58 percent.

Treasury bill investments continue to occupy the primary share of liquid assets of the system, though they have dropped significantly by about 12 percentage points in comparison to end 2005.

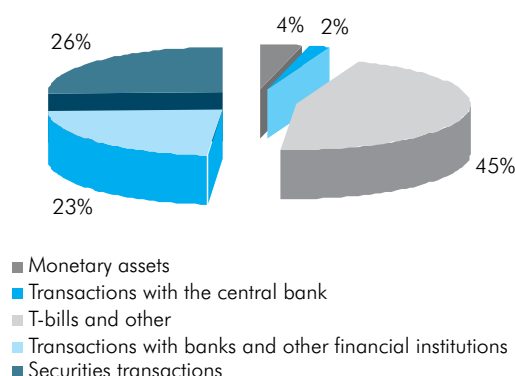
The value of the other liquidity ratio of the short-term assets²⁴/short-term liabilities indicates that the banking system covers about 74 percent of short-term liabilities, with short-term assets. As noticed also in the following table, the value of the indicator has been falling during three last years; however it continues to reflect satisfactory levels.

Table 10 Performance of short-term assets to short-term liabilities of the system

Indicator (in ALL million)	December 2004	December 2005	December 2006
1.Short-term assets	154,788	166,364	198,936
2.Short-term liabilities	160,067	207,852	268,878
(1)/(2) (in %)	97	80	74

Source: Bank of Albania

Chart 16 Composition of liquid assets
(December 2006)



Source: Bank of Albania

The ratio of the gap of cumulative maturity of up to one month to total assets for the last quarter of the year has undergone slight worsening. This indicator has increased to -11.2 percent against -8.36 percent in end 2005.

There was excess liquidity in the system at end of December 2006, whereas on annual basis its average level was about ALL 6.48 billion, against ALL 4.5 billion for 2005.

The banks of the system have been more active in the market in comparison to 2005, being reflected in the growth by about 7 percent of the average monthly volume of interbank transactions. The use of instruments of open market operations, such repurchase and reverse repurchase agreements, outright sale/purchase of securities and other

facilities provided by the Bank of Albania, have helped banks in good management of their liquidity risk.

Good management of this risk assumes importance from the viewpoint of systemic risk. Non-settlement of obligations of a bank in the interbank market to one or more banks of the system may cause insolvency even to other banks, in the form of domino effect, causing the collapse of the whole financial system. In the banking system of Albania, the exposure of banks of the system to one-another is mainly short-term and is considered almost insignificant. In the meantime, the volume and number of transactions in the interbank market still remains limited. Also, the operation since some time ago of the real time payment system, has not only encouraged banks to better manage the operational liquidities, but has also reduced the daily accumulation of exposures that may bring about consequences in certain circumstances.

Liquidity position in our banking system is considered as satisfactory for 2006. Deposits with the banks have maintained their upward trend. The prudential monetary policy of the Bank of Albania for keeping under control the inflation and the real rates of return in ALL, the interest rate rise of deposits in the USD and the EURO, and the expansion of system banks network, have contributed to the stability of deposits of the system. This good liquidity position of banks has been reflected also in the normal operation of the payment system, operated and supervised by the Bank of Albania, through which banks settle their financial liabilities.

3.3 MARKET RISKS

Regarding market risks, the exchange rate and interest rate risks are analysed, since capital price and "other goods" risks are not yet present in our financial system.

The Regulation adopted by the Bank of Albania Supervisory Council decision "On market risks" requires from commercial banks to calculate the individual requests for regulatory capital to cover the interest rate and the exchange rate risks every six-month period.

Concretely, at year-end the banking system evidenced the coverage rate by 145 percent, which indicates the ratio of the current size of regulatory capital of the system and the required regulatory capital size for covering market risks.

Also, some hypothetical scenarios are prepared for measuring the sensitiveness of banks to market risks. According to such scenarios, concrete losses the banks may undergo due to exchange rate or interest rate volatility are calculated.

So, exchange rate risk takes into consideration the impact of depreciation/appreciation of the lek against two main currencies (euro, usd), on the regulatory capital of individual banks and of the whole system.

The existence of net foreign currency positions exposes banks to exchange rate volatility for that currency. Loss/profit of the bank is precisely this net position, multiplied with exchange rate change. The bank's capital is influenced with this size, in consequence of the exchange rate change.

Tests are prepared in relation to interest rate risk. Such testing on interest rate risk takes into consideration the impact of current interest rate change for the euro, the usd and the lek on the regulatory capital of banks and on the whole system. So, the current interest rate of each currency is used and the impact of its increase/decrease on the bank's regulatory capital is calculated, through the difference of the current values of gaps in the euro, usd and lek for various maturity baskets according to current and new interest rates.

Summing up, the analysis of these scenarios speaks for a banking system minimally exposed to probable risks.

4 CAPITAL ADEQUACY

4.1 SHAREHOLDER EQUITY

At end of 2006 the system's shareholder equity reached about ALL 42 billion, recording a growth of about ALL 9.1 billion or 27.7 percent, compared to end of 2005. The largest weight on the system's shareholder equity growth was held by G3 large peer group, whose shareholder equity has increased respectively by ALL 6.2 billion or 38.8 percent. Whereas, the shareholders' equity of G2 medium-sized peer group, and G1 small-sized peer group has increased respectively by ALL 1.7 billion or 15 percent and ALL 1.3 billion or 21.4 percent.

Table 11 Structure of the system's shareholder equity and the performance of its components in years

Indicators	December 2004		December 2005		December 2006	
	In lek million	In %	In lek million	In %	In lek million	In %
Shareholders' equity	25,949.5	100.0	33,013.8	100.0	42,162	100
Paid-in capital ²⁵	23,593.5	71.5	29,420.3	77.4	34,768	71.5
Share premiums	1.8	0.0	1.8	0.0	363.5	0.9
Reserves	2,436.8	9.4	1,432.9	4.3	3,309.4	7.8
Revaluation differences	-5,033.8		-3,852.3		-4,611.5	
Retained earnings/losses	-155.0		-184.3		1,281	3
Current year profit/loss	5,106.1	19.7	6,195.5	18.8	7,051.3	16.7

Source: Bank of Albania

The component of paid-in capital has reduced somewhat its weight to shareholders' equity of the system, to about 71.5 percent, but continues to be the main contributor to its growth during 2006. The growth of paid-in capital by 13 banks of the system and the entry of a new bank in the system have brought about the growth of overall paid-in capital by about ALL 5.3 billion or 18 percent, compared to end 2005. The effect of the paid-in capital on the system's shareholder equity is reduced slightly if we take into account the revaluation differences that continue to be negative; moreover they have increased by about ALL 760 million this year, mainly as a result of the lek's appreciation against the American dollar. The system reserves have also contributed significantly to the system's shareholder equity. At end of December 2006, they reached the Chart of ALL 3.3 billion and are presented almost twice higher than the reserve of year-end 2005. The shareholder equity was also influenced by the retained earning, which increased by ALL 1.46 billion compared to the previous year.

Total assets financed by the shareholders' equity at end of 2006 presents a slight rise, 6.75 percent from about 6.65 percent at end of December 2005. In consequence, even the financial leverage has decreased somewhat, whereas the highest level of the financial leverage is noticed in G3 and G2 peer groups, respectively by 5 percent and 8 percent. The opposite takes

place with G1 peer group of small banks, which are not generally competitive in the market and have a limited extension. These banks are based more on financing assets by own funds, which is also reflected in the high value of the said ratio, to about 23.7 percent.

4.2 CAPITAL ADEQUACY

Capital adequacy ratio of the system at end of 2006 is estimated at 18.1 percent, recording a decline of 0.5 percentage points compared to end of 2005. The main impact on the slight reduction of the indicator is given by the growth with somewhat higher paces of total of assets and off balance sheet items, weighted according to risk (about ALL 67 million or 45 percent) compared to the regulatory capital (about ALL 11.4 million or 41 percent).

The banks of the system have continued to increase their investments during 2006, as is also shown by the data of the following table. The expansion of lending – the most risky activity of banks – has been reflected in the growth by about ALL 58 billion or 47 percent of high risk assets and in the growth by about ALL 5.7 billion or 49 percent of moderate risk assets. The indicator has maintained the downward trend observed recently, indicating also a more effective management of the system resources.

Indicator (in ALL million)	December 2004	December 2005	December 2006
Risk free assets	271,216.7	292,452.4	340,775
Low risk assets	71,384.0	71,480.4	79,720
Moderate risk assets	8,892.7	11,759.0	17,499.5
High risk assets	70,805.8	122,319.5	180,161.4
Total risk weighted assets and off balance sheet items ²⁶	94,800.7	148,757.1	215,775

Source: Bank of Albania

Table 12 Risk-weighted assets of the banking system by years

The value of capital adequacy ratio for individual banks, at end of December 2006 varied from 12.4 percent to 166.1 percent. During the year, its minimum required value, by 12 percent has been infringed temporarily only in two cases. Banks of G2 and G3 peer groups, which are more active in the market, reflect values of adequacy ratio closer to the minimum required value, respectively to about 15.9 percent and 16 percent. For G1 peer group, the relatively high value of the said ratio, to about 41.3 percent is an indicator of investing capacities still not made use of by them, under the current capitalization conditions.

Compared to end of 2005, capital adequacy ratio for G3 peer group has increased by 1.6 percentage point, a growth which has been influenced mainly by the growth of the regulatory capital of the group. In the meantime, changes in the value of this indicator for two other G1 and G2 peer groups relate with the developments taking place in the banking system and concretely, with the passing of a bank from G1 to G2 peer group during the first quarter of 2006.

Table 13 Performance of capital adequacy ratio by peer groups

Capital adequacy ratio in %	Banking system	G1	G2	G3
December 2006	18.1	41.3	15.9	16.0
December 2005	18.6	35.0	19.4	14.4
December 2004	21.6	47.3	17.8	17.3

Source: Bank of Albania

5 PROFITABILITY INDICATORS

5.1 NET RESULT AND ITS STRUCTURE

The net result of the banking system for 2006 is estimated at about ALL 7.45 billion against ALL 6.6 billion in the previous year, or 12.9 percent more. Incomes from the main activities, which are reflected in net interest income, are estimated at 31.2 percent higher than in the previous year, reflecting: the banking system activity orientation to more risky assets and therefore even a higher return²⁷; the change of the maturity structure of high risk assets²⁸; the increased volume of overall assets, under the conditions when the key interest change for the three main currencies of the balance sheet are generally reflected more favourably for assets rather than for liabilities. The positive developments in the net interest income are also reflected in the dynamics of net interest margin indicator, NIM. Also, at end of 2006, the net interest income was 92.6 percent of the banking system gross income²⁹, compared to 84 percent at end of 2005. This indicator has recorded constant growth, particularly over three last years, reflecting the stability of the overall net income for the banking system.

The banking system for 2006 reflected a slight reduction of the return from average assets. The reverse side of the RoAA movement against the NIM indicates the impact of increased operating expenses and to a certain degree, that of provisions in calculating the net income. We deem that the developments in operating expenses and in provisions generally reveal an increased activity of the banking system and improvement of the intermediation.

Even in the fourth quarter of 2006 the banking system continued with a performance which is generally reflected as better than in the previous quarter, but comparable for the result from the main activity. The net result is estimated to above 23 percent higher than in the previous quarter and in the quarterly average for 2006. Compared to the same period of the previous year, the net result growth is estimated obviously higher, about 64 percent. Mainly the rapid growth of net result from interests and from other operations has impacted on the better performance in absolute value of the banking system, compared to the same quarter of the previous year.

Table 14 Performance of the main elements of net (non-cumulative) result in ALL million

Indicators	December '06	September '06	December '05
Net interest income	5,621.90	5,577.87	4,916.08
Net result from other operations	1,431.93	1,047.05	1,171.06
Operating expenses	3,599.74	3,529.59	3,093.09
Provision expenses	443.83	469.34	555.15
Credit provisioning expenses	461.61	549.47	n/a
Net result (after tax)	2,329.47	1,881.69	1,357.18

Source: Bank of Albania

Compared to the previous quarter, the analysis of the main components of income and expenditure indicates a substantial contribution of the net result from other operations. The growth of this indicator is about 36.8 percent and represents a contribution above 85 percent to net result growth. The dynamics in the said indicator has resulted mainly from the growth of net income from commissions and foreign currency transactions, but also from other banking operations. The contribution of net interest result, operating expenses and provisioning has been modest.

Generally these developments indicate an increased volume of the banking system activity; a good performance of loan portfolio for this quarter; and a moderate growth of income from main operations. This growth should be somewhat determined by the interest rate stability and the non-important structural changes of the balance sheet of banks or of the main income-earning assets.

Performance of individual banks on cumulative basis, measured as a number of banks with negative net result even for the fourth quarter continued to be the same with that of the previous quarter. Again here are evidenced six such banks, which belong mainly to small-sized peer group. Even in non-cumulative terms, again four banks are evidenced with negative net result, which belong wholly to the small-sized peer group.

The banks that have contributed more to net result of the system are the largest banks and one bank from the medium-sized peer group. The major contribution to net result of the system for 2006 and for its last quarter continued to be rendered by two banks of G3 and one bank of G2. This contribution is determined not only by their size, but also by the profitability, rating these banks in the first places as concerns the size of return on assets.

5.2 PROFITABILITY INDICATORS

Performance of the main profitability indicators, respectively the return on average assets (RoAA), and the return on average equity (RoAE) was very good even for 2006. The RoAA indicator fluctuated from the level of 1.41 percent on annual basis for the end of the first quarter to 1.24 percent at end of the first six-month period of 2006, to record a gradual growth of 1.28 percent and 1.36 percent respectively at end of the nine-month period and end of '2006. The volatility in time of the RoAA indicator for this year seems moderate and indicates a tendency towards quarterly average at end of the year.

Indicators	December '06	September '06	December '05
RoAA	1.36	1.28	1.40
RoAE	20.17	19.17	22.24

Source: Bank of Albania

Table 15 Main indicators of return in percentage

Reduction of the RoAA by 0.04 percent in 2006 compared to 2005 is explained by higher pace of average assets growth (16.7 percent) to net income. The contrary has happened during the last quarter of the year. Net result growth deriving not from main operations has been determinant, impacting on a considerable growth of the RoAA. Also for the RoAE, faster growth of average shareholder equity during 2006 than the net income constitutes the essence of reduction of this indicator. The entry of new banks into the market, which in the initial stage of their activity contribute more to system assets growth and less to its financial result, also influences the performance of these indicators. Under other unchangeable conditions, these indicators would perform better, something that is verified even in the concrete case.

Also, the relatively high levels of return on equity do not evidence any possible forecasting for profit allocation by shareholders. On the contrary, earnings have served as a good support to banks for further activity expansion.

The analysis of the RoAA by peer groups, also at end of 2006 continued with a higher profitability for G3, followed by G2 and G1 peer groups. The RoAA indicator for the G3 peer group is estimated at about 1.62 percent from 1.72 percent, whereas the RoAA for G2 peer group is estimated to 1.03 percent against 0.72 percent at end of the third quarter. The very good performance of G2 peer group only for the fourth quarter, where the non-cumulative RoAA on annual basis is estimated at 2.06 percent³⁰, has impacted on this converging dynamics. In the meantime, the G1 peer group continued with a negative RoAA also during the end of the year, though their performance was better only in the fourth quarter. The banks of this group reflect a high level of operating expenses or comparable to the net result from the main operations. Also, the net result from other operations, which resulted positive, is relatively small and does not contribute substantially to a comparable return of average banking system level. These developments indicate a lack of efficiency in most banks of this group, associated also with a limited volume of the banking activity.

The banking system profitability from the main operations and the dynamics of the equilibrium between collecting interest payable liabilities and investing in interest earning assets are provided in both following tables:

Table 16 Indicators of return on main operations in percentage

Indicators	December '06	September '06	December '05
Interest income / average interest bearing assets (1)	7.05	7.04	6.81
Interest expenses / average interest bearing assets (2)	2.83	2.76	3.08
Net interest margin (NIM)[(1) – (2)]	4.22	4.27	3.73

Source: Bank of Albania

The positive developments for 2006 were also reflected in the net interest margin (NIM) performance, which increased obviously by about 0.5 percent. Both, the growth of return on average interest (income) bearing assets and the reduction of financing cost of average interest bearing assets have contributed almost at the same extent to this performance of the NIM. We deem that the reduction of the second component of the NIM, when the key interest rates

for the main currencies have gone up, is related with the reduction of deposits weight compared to total liabilities in 83.3 percent (from 87.2 percent), as well as with the considerable growth of cost free liabilities³¹, such as paid in capital.

Concerning the last quarter, the NIM indicator reflected a non-significant reduction. This development is explained by the growth of the component that represents the financing cost of income earning assets, whereas the component of interest income to average interest bearing assets has remained almost unchanged. The dynamics of this indicator in the last quarter seems to be determined mainly by two largest banks of the system, which unlike other banks have had a decline in the first component of the above table.

Indicators	December '06	September '06	December '05
Interest bearing average assets (1)	510,211.88	496,456.96	379,263.33
Average expense bearing liabilities (2)	473,967.73	462,243.79	355,766.29
Average assets (3)	547,498.09	532,229.34	400,080.92
(1)/(3)	0.93	0.93	0.95
(2)/(3)	0.87	0.87	0.89

Source: Bank of Albania

Table 17 Profitability indicators in ALL million

The above table shows stability in the system's ability to invest in interest bearing assets and to collect interest payable liabilities. This fact is reflected in the constantly unchanged difference between two last indicators. We believe that this difference, with the passing of time will be brought almost to the same level. The conclusion is based on the mixed structure of assets and liabilities of the banks in general. Particularly, we distinguish the main banks that promise for further expansion of income bearing assets, increase of capital to maintain acceptable levels of capital adequacy and further expansion of the deposits base.

Also, for end of 2006, it results from the analysis of both above indicators per bank that generally the most consolidated banks in the market³², reflect also the slightest difference. In the meantime, the said difference is very large for some banks that are not properly structured and that give the impression of banks that have newly entered in the market, though almost all of them are banks that are operating in the market for years. As such, are evidenced some banks of G1 peer group. For these banks the capital level constitutes a considerable part of total resources, being reflected in a low level of expense bearing liabilities.

Finally, the efficiency indicator for the last quarter of the year presents a small improvement compared to the first quarter. Its level decreased from 0.57 to 0.54. This development was determined by a larger growth of gross income to operation expenses, which speaks for improvement of operation income. The increase of operation expenses indicates that the banking system continues to gradually expand its scope of activity.

Indicator	December '06	September '06	December '05
Operating expenses (1)	3,599.74	3,529.59	3,093.09
Operation gross income ³³ (2)	6,610.01	6,155.58	5,531.99
Efficiency (1)/(2)	0.54	0.57	0.56

Source: Bank of Albania

Table 18 Efficiency indicator (non cumulative) in ALL million

C. NON-BANK FINANCIAL INSTITUTIONS

1 ACTIVITY OF NON-BANK FINANCIAL INSTITUTIONS IN ALBANIA

- As specified by different international standards (UN, 1993; Eurostat, 1995; IMF, 2004)³⁴, non-bank financial institutions are companies or institutions involved mainly with financial intermediation or with financial assisting activities closely related to financial intermediation, but that are not classified as accepting deposits. They are divided into *other financial intermediaries, excluding insurance companies and pension funds*.

2 REGULATORY FRAMEWORK OF NON-BANK FINANCIAL INSTITUTIONS IN ALBANIA

Except insurance companies and pension funds, almost all other non-bank financial institutions are licensed by the Bank of Albania. A part of them is licensed pursuant to the Regulation "On licensing non-bank entities", approved with the Supervisory Council decision No. 96, dated 26.11.2003. In this regulation, foreign exchange bureaus are not included, whose licensing is based on the Regulation "On licensing foreign exchange bureaus" approved with the Bank of Albania Supervisory Council decision No. 65, dated 30.07.2003. Even the savings and loan associations and their unions are treated separately by the regulatory framework of the Bank of Albania. They are licensed pursuant to the Regulation "On licensing the savings and loan associations and their unions" approved with the decision No. 11, dated 27.02.2002, amended with the Supervisory Council decision No. 09 of 12.02.2003. Also, the Bank of Albania will license and supervise some non-bank institutions, which previously were excluded from the Law "On Banks in the Republic of Albania" (mainly: the foundations: "Besa" and "Partneri Shqiptar në Mikrokredi" ("Albanian partner in micro credit"). In the meantime, upon entry into force of the Law No. 9396, dated 12.05.2005 "On financial leasing", the Bank of Albania is no longer the licensing and regulatory authority of the financial leasing company "Tirana Leasing" Jnt. stk., or of such companies that carry out only financial leasing activity.

3 SUPERVISION OF NON-BANK FINANCIAL INSTITUTIONS

Companies belonging to the category of non-bank financial institutions, according to the classification of the Methodology of Monetary and Financial Statistics at the Bank of Albania³⁵ carry out their activity in Albania.

Currently, the Bank of Albania regulates and supervises the activity of a part of non-bank financial institutions, concretely:

- Financial Union of Tirana Ltd;
- Albanian Post-Office, Jnt.Stk;
- "Credins" Union Jnt.Stk., Tirana;
- Mountain Area Financing Fund;
- "AK- Invest" Jnt.Stk;
- Albanian Union of Savings and Loan Associations;
- "Jehona" Union;
- Foreign Exchange Bureaus.

The share of non-bank financial institutions to total assets of the financial system is very low, compared to the share of commercial banks in it. So, the share of these two groups stands at 1.19 and 0.3 percent, while the commercial banks constitute on average 97.32 percent of the financial system in 2006. In the major part of them, the assets of these institutions (non-bank financial institutions and savings and loan associations) are composed of loans extended to customers, households and other companies. The other financial intermediaries do not extend loans.

It is worth distinguishing the savings and loan associations (SLA) in the entirety of non-bank financial institutions (NBFi). The SLAs accept deposits from their members and in this context they are regarded as other depository institutions, without entering either into the group of banks or in that of non-bank institutions.

Period	March '06	June'06	September'06	December'06
Banking system assets (in ALL mln)	521,428.82	543,512.49	567,743.76	624,279.28
Assets of non-bank financial institutions (in ALL mln)	5,861	6,420	6,115,1	6,847
Growth of assets of the non-bank financial institutions (in %)	34.3% ³⁶	9.53%	-4.75%	11,97%
Assets of the SLAs (in ALL mln)	2,067	2,297	2,539	2,734
Growth of assets of the SLAs (in %)	12.1 ^{37%}	11.1%	10.5%	7.7%

1. Asset structure

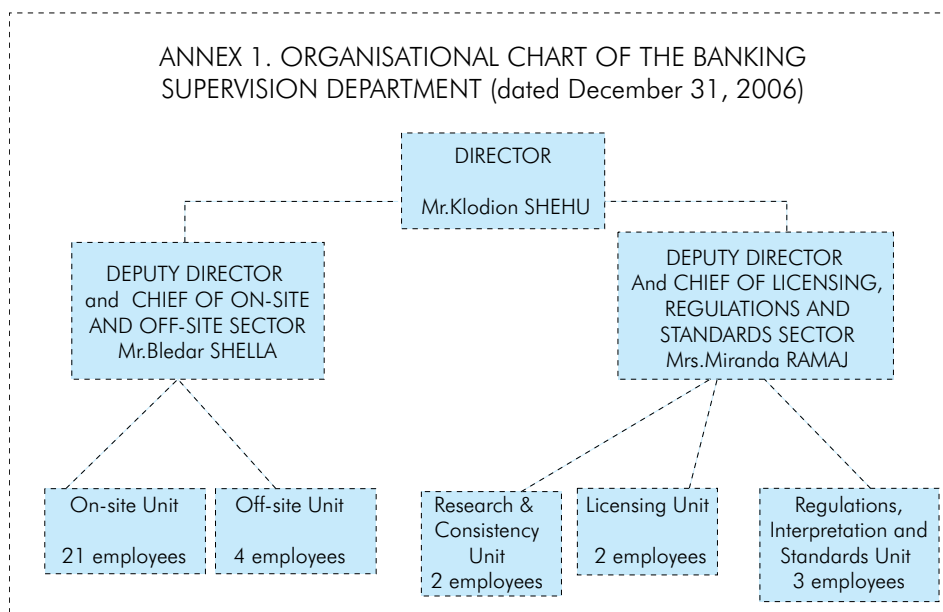
Indicators	NBFi	SLA	TOTAL
Total loans (ALL mln)	1,576	2,574	4,150
Total loans/total assets	23%	94%	43.3%
Non-performing loans (ALL mln)	41,1	19,4	60,5
Non-performing loans / total loans (in %)	2.6%	0.74%	1.46%

2. Asset quality

At end 2006 (see the above table), the loan portfolio was estimated on average 43.3 percent of the assets of the NBFIs and of the SLAs. Non-performing loans have a share of about 1.46 percent to the total of their loans. In the meantime, loss loans are insignificant and belong to the SLAs group.

The major part of income for these institutions is composed of interest income (about 66 percent of total income) and concretely those from loans. Different activities of these two subgroups (financial intermediaries and entities that carry out lending activity) are manifested also in different sources of income. So, the financial intermediaries have had their main source of income (about 80 percent) from commissions, whereas the lending institutions have had their main source of income from credit interest.

Liquidity is not generally reported as specified in the Regulation of the Bank of Albania "On prudential rates of non-bank financial institutions conducting financial activity" Article 7. The entities that do not carry out lending activity, unlike other institutions (financial intermediaries) report rather high indicators of liquidity. Liquid assets of the unions of the SLAs are presented at satisfactory levels, covering the members' deposits several times.

ANNEX 1 ORGANISATIONAL CHART OF THE
BANKING SUPERVISION DEPARTMENT

ANNEX 2 LEVEL OF ASSETS, DEPOSITS AND LOANS AS OF DECEMBER 2006 (ALL MILLION)

No.	Banks	Assets	Deposits	Loans
1	RAIFFEISEN BANK	221,045.24	201,883.32	37,230.51
2	NATIONAL COMMERCIAL BANK	81,342.16	74,329.54	21,769.20
3	UNITED BANK OF ALBANIA	4,642.57	3,209.68	1,872.02
4	ITALIAN ALBANIAN BANK	22,358.84	19,649.63	6,448.72
5	ITALIAN DEVELOPMENT BANK	2,157.32	1,022.59	1,083.63
6	TIRANA BANK	49,945.33	42,179.57	26,287.05
7	NATIONAL BANK OF GREECE (TIRANA BRANCH)	17,649.38	9,720.14	12,757.53
8	INTERNATIONAL COMMERCIAL BANK	3,721.49	2,661.27	1,250.49
9	ALPHA BANK (TIRANA BRANCH)	36,918.04	29,199.13	20,219.58
10	AMERICAN BANK OF ALBANIA	80,303.34	54,993.98	25,156.37
11	PROCREDIT BANK	28,181.63	23,629.58	11,709.84
12	FIRST INVESTMENT BANK (TIRANA BRANCH)	2,205.88	1,028.97	209.40
13	EMPORIKI BANK	12,635.06	5,709.87	9,767.75
14	CREDIT BANK OF ALBANIA	1,601.37	711.33	246.27
15	CREDINS BANK	27,639.96	23,237.00	11,253.11
16	POPULAR BANK	28,693.98	25,612.76	9,134.17
17	UNION BANK	3,237.70	1,503.52	468.89
	TOTAL	624,279.28	520,281.86	196,864.51

ANNEX 3 NUMBER OF BRANCHES, AGENCIES AND EMPLOYEES PER EACH BANK³⁸

No.	Banks	No. of branches	No. of agencies	No. of employees
1	RAIFFEISEN BANK	37	46	1 263
2	NATIONAL COMMERCIAL BANK	21	10	439
3	UNITED BANK OF ALBANIA	3	1	56
4	ITALIAN ALBANIAN BANK		6	89
5	ITALIAN DEVELOPMENT BANK	1		18
6	TIRANA BANK	32	4	377
7	NATIONAL BANK OF GREECE (TIRANA BRANCH)	4	6	154
8	INTERNATIONAL COMMERCIAL BANK	5		52
9	ALPHA BANK (TIRANA BRANCH)	9	1	105
10	AMERICAN BANK OF ALBANIA	10	11	367
11	PROCREDIT BANK	21	1	567
12	FIRST INVESTMENT BANK (TIRANA BRANCH)	1	2	48
13	EMPORIKI BANK	3	4	92
14	CREDIT BANK OF ALBANIA	2	1	35
15	CREDINS BANK	11	4	169
16	POPULAR BANK	29		284
17	UNION BANK	3	4	73
	TOTAL	190	101	4 189

ANNEX 4 BANKING SYSTEM ASSETS AND LIABILITIES

CODE	DESCRIPTION	DEC. 2005	DEC. 2006
1	TOTAL ASSETS	496,561.49	624,279.28
11	Treasury and interbank transactions	292,217.33	316,086.02
111	Cash in hand	10,333.77	13,827.08
112	Transactions with the Central Bank	46,128.38	55,378.49
1121	Required reserve of central bank	41,662.40	48,395.08
1122	Other	4,465.98	6,983.41
113	Treasury bills and other bills eligible for refinancing with CB	175,380.40	164,281.58
1131	Treasury bills	175,380.40	164,281.58
1132	Other bills eligible for refinancing	0	0
1133	Reserve funds for other eligible bills for refinancing with CB	0	0
114	Transactions with banks, credit institutions and other financial institutions	60,374.78	82,598.86
1141	Current accounts	3,197.31	3,994.97
1142	Deposits with banks, credit institutions and other financial institutions	53,679.02	76,221.71
1143	Loans	2,599.09	1,219.39
1144	Other	899.35	1,162.80
13	Operations with customers (gross)	127,056.37	196,864.51
131	Loans to private sector and individuals	118,071.40	186,571.90
1311	Short-term loans	33,313.57	50,497.23
1312	Medium-term loans	38,818.74	60,491.61
1313	Long-term loans	29,346.71	37,312.40
1314	Real estate loans	16,532.50	38,223.24
1315	Finance lease contracts	59.89	47.41
132	Loans to public administration	0	0.00
1321	Current accounts	0	0.00
1322	Loans	0	0
1323	Other accounts	0	0
133	Other customer accounts	8,984.97	10,292.62
14	SECURITIES TRANSACTIONS	60,395.19	91,954.16
141	Fixed income securities	60,395.19	91,764.78
142	Variable income securities	0	189.37
143	Securities purchased and sold under REPO	0	0
144	Paid collateral	0	0
145	Received premiums	0	0
15	PROVISIONS	(1,808.46)	(3,404.37)
151	Provisions for covering losses from loans (principal)	(1,760.10)	(3,344.55)
152	Provisions for covering losses from loans (accrued interests)	(21.17)	(59.82)
153	Investment provisions	(27.19)	0
16	OTHER ASSETS	3,493.98	5,353.94
161	Other assets	2,498.52	3,039.27
162	Agent transactions	388.08	1,331.94
163	Inter-office accounts	78.08	73.34
164	Suspense and position accounts	529.30	909.39
1641	Suspense accounts	402.09	895.72
1642	Position accounts	127.22	13.67
165	Value added tax	0	0
17	FIXED ASSETS	7,263.21	9,514.51
171	Investments on participation equity	6.02	93.77
172	Affiliates	0	619.25
173	Fixed assets (net)	7,257.19	8,801.49
18	ACCRUED INTERESTS	7,943.86	7,910.51
181	Accrued interests (Class 1)	6,109.85	5,090.49
182	Accrued interests (Class 2)	701.23	1,097.11
183	Accrued interests (Class 3)	1,132.77	1,722.91
A	Total assets in foreign currency	204,009.58	276,109.34
B	Total assets of non-residents	84,988.10	103,747.94

CODE	DESCRIPTION	DEC. 2005	DEC. 2006
1	TOTAL LIABILITIES	496,561.49	624,279.28
11	TREASURY AND INTERBANK TRANSACTIONS	20,566.95	47,184.40
111	Central Bank	761.06	1,273.84
112	Treasury bills and other eligible bills	0	8,850.00
113	Current account	3,667.85	2,558.55
114	Deposits from banks and other financial institutions	9,388.59	8,261.39
115	Loans	6,745.97	14,424.16
116	Other	3.48	11,816.46
12	OPERATIONS WITH CUSTOMERS	432,960.41	520,281.86
121	Public administration	3,377.84	3,875.48
1211	Current account	2,834.28	3,601.01
1212	Demand deposits	0	0
1213	Time deposits	268.25	71.50
1214	Loans	275.31	202.96
1215	Other	0	0
122	Private sector	429,582.57	516,406.38
1221	Current account	65,385.09	89,356.99
1222	Demand deposits	54,505.23	53,608.77
1223	Time deposits	300,296.78	360,305.54
1224	Other	8,803.84	12,522.46
1225	Certificate of deposits	591.63	612.63
13	SECURITIES TRANSACTIONS	0	0.00
131	Debts represented by securities	0	0
132	Securities sold under REPO	0	0
133	Collateral on securities transactions	0	0
134	Premiums on financial instruments	0	0
14	OTHER LIABILITIES	2,837.64	5,325.23
141	Other liabilities	1,969.03	2,571.77
142	Agent transactions	155.06	366.83
143	Inter-office accounts	340.14	384.64
144	Suspense and position accounts	372.86	2,001.94
1441	Difference accounts	367.83	1,997.25
1442	Position accounts	5.04	4.69
145	Value added tax = (form. 21) 46	0.54	0.05
15	PERMANENT RESOURCES	35,576.95	46,107.85
151	Grants and public financing	4.06	2.63
152	Discretionary provisions	1,911.71	2,384.86
1521	Provisions for risk and expenses	1,673.27	2,232.04
1522	Discretionary provisions	238.45	152.82
153	Subordinated debt	647.38	1,558.15
154	Shareholders' equity	33,013.79	42,162.22
1541	Paid in capital	29,420.31	34,768.44
1542	Share premiums	1.75	363.53
1543	Reserves	1,432.88	3,309.40
1544	Difference of revaluation	(3,852.32)	(4,611.47)
1545	Retained earnings (loss)	(184.35)	1,280.98
1546	Current year profit (loss)	6,195.53	7,051.34
16	ACCRUED INTERESTS	4,619.54	5,379.93
161	Accrued interest (Class 1)	16.25	111.75
162	Accrued interest (Class 2)	4,587.61	5,243.67
163	Accrued interest (Class 3) = (form 21) 339 + 3429	0	0
164	Accrued interest (Class 5)	15.69	24.51
A	Total liabilities in foreign currency	203,655.94	274,847.71
B	Total liabilities of non-residents	18,429.82	39,847.37

ANNEX 5 LIST OF ENTITIES LICENSED BY THE BANK OF ALBANIA³⁹

BANKS AND BRANCHES OF FOREIGN BANKS

1. ITALIAN-ALBANIAN BANK JNT.STK

Licence No.1/1996, dated 17.07.1998

Approved with the Bank of Albania Supervisory Council Decision, No. 89, dated 18.06.1998 Certificate No. 1 "On Deposit insurance"

Director: Luigi MASTRAPASQUA

Address: Rruga e Barrikadave, Nr.70, Tirana, Albania

Tel: 233 965, 235 697, 235 698, 226 262

Fax: 23 30 34, 235 700

2. RAIFFEISEN BANK JNT.STK.

Licence No.2/1998, dated 11.01.1999

Approved with the Bank of Albania Supervisory Council Decision, No. 163, dated 11.12.1998

Certificate No. 2 "On Deposit insurance"

Director: Steven GRUNERUD

Address: Bulevardi "Barjram Curri", European Trade Center, Tiranë

Tel. central: 226 699, 224 540, 222 669, 225 416

Fax: 275 599, 223 587, 223 695, 224 051

3. UNITED BANK OF ALBANIA JNT.STK.

Licence No.3/1998, dated 11.01.1999

Approved with the Bank of Albania Supervisory Council Decision, No. 165, dated 11.12.1998

Certificate No. 3 "On Deposit insurance"

Director: Abdul Waheed ALAVI

Address: Bulevardi "Dëshmorët e Kombit", No.8, Tirana, Albania

Tel: 22 84 60, 22 38 73, 22 74 08

Fax: 22 84 60, 22 83 87

4. ITALIAN DEVELOPMENT BANK (FORMER DARDANIA BANK) JNT.STK.

Licence No.5/1998, dated 11.01.1999

Approved with the Bank of Albania Supervisory Council Decision, No. 164, dated 01.12.1998

Certificate No. 4 "On Deposit insurance".

Director: Libero CATALANO

Address: Bulevardi Dëshmoret e Kombit, Ndertesa Kullat Binjake, Tiranë

Tel: 280 351 / 2 / 3 / 4 / 5.

Fax: 280 356

Email: info@bisbanca.com

5. NATIONAL COMMERCIAL BANK JNT.STK.

Licence No.6/1998, dated 11.01.1999

Approved with the Bank of Albania Supervisory Council Decision, No.162, dated 11.01.1999

Certificate No. 5 "On Deposit insurance"

Director: Seyhan PENCAPLIGIL

Address: Bulevardi "Zhan D'Ark", Tirana, Albania.

Tel: 25 09 55

Fax: 25 09 56

6. TIRANA BANK JNT.STK

Licence No.7, dated 12.09.1996

Approved with the Bank of Albania Supervisory Council Decision, No.9, dated 12.09.1996 Certificate No. 6 "On Deposit insurance"

Director: Dimitrios FRANGETIS

Address: Rruga "Deshmoret e 4 Shkurtit"

Tel: 269 616 / 7 / 8, 233 441, 42, 43, 44, 45, 46, 47

Fax: 233 417

7. NATIONAL BANK OF GREECE (TIRANA BRANCH) JNT.STK

Licence No.8, dated 25.11.1996

Approved with the Bank of Albania Supervisory Council Decision, No.4, dated 14.03.1996. Certificate No. 7 "On Deposit insurance"

Director: Spiro BRUMBULLI (Local manager)

Address: Rruga e Durrësit, Godina "Comfort", Tirana, Albania.

Tel: 23 36 23/24

Fax: 23 36 13

8. INTERNATIONAL COMMERCIAL BANK JNT.STK

Licence No.9, dated 20.02.1997

Approved with the Bank of Albania Supervisory Council Decision, No.9, dated 30.04.1996 Certificate No. 8 "On Deposit insurance"

Director: Mahendra Sing RAWAT

Address: Qendra e Biznesit, Rruga "Murat Toptani", Tirana, Albania.

Tel: 254 372, 256 254

Telfax: 254 368

9. ALPHA BANK (TIRANA BRANCH)

Licence No.10, dated 07.01.1998

Approved with the Bank of Albania Supervisory Council Decision, No.01/03/96, dated 27.12.1997

Certificate No. 9 "On Deposit insurance".

Director: Andrea GALATOULAS

Address: Bulevardi "Zogu I", Nr.47, Tirana, Albania.

Tel: 23 35 32, 23 33 59, 34 04 76/240 477

Tel/ Fax: 23 21 02

10. AMERICAN BANK OF ALBANIA JNT.STK.

Licence No.11, dated 10.08.1998

Approved with the Bank of Albania Supervisory Council Decision, No.105, dated 10.08.1998.

Certificate No. 10 "On Deposit insurance"

Director: Lorenzo RONCARI

Address: Rruga "Ismail Qemali" Nr.27, P.O. Box 8319, Tirana, Albania.

Tel.: 24 87 53 / 4 / 5 / 6

Tel/ Fax: 24 87 62

11. PROCREDIT BANK JNT.STK.

Licence No.12, dated 15.03.1999

Approved with the Bank of Albania Supervisory Council Decision, No.22, dated 03.03.1999. Certificate No. 11 "On Deposit insurance"

Director: Frieder WOEHRMANN

Address: Rruga "Sami Frashëri", Tirana e Re, P.O. Box. 2395, Tirana, Albania.

Tel: 27 12 72 / 3 / 4 / 5

Telfax: 271 276

12. FIRST INVESTMENT BANK (TIRANA BRANCH) JNT.STK

Licence No. 13, dated 16.04.1999.

Approved with the Bank of Albania Supervisory Council Decision, No.45, dated 13.04.1999. Certificate No. 12 "On Deposit insurance"

Director: Martin Tsvetkov BOGDANOV

Address: Bulevardi "Zogu I", Nr. 64, Tirana, Albania.

Tel: 35 64 23, 35 64 24

Telfax: 35 64 22

13. EMPORIKI BANK (ALBANIA) JNT.STK

Licence No. 14, dated 28.10.1999.

Approved with the Bank of Albania Supervisory Council Decision, No.105, dated 19.10.1999

Certificate No. 13 "On Deposit insurance"

Director: George CARACOSTAS

Address: Rruga e Kavajës, "Tirana Tower", Tirana, Albania

Tel: 25 87 55/56/57/58/59/60

Telfax: 25 87 52

14. CREDIT BANK OF ALBANIA JNT.STK.

Licence No. 15, dated 28.08.2002

Approved with the Bank of Albania Supervisory Council Decision, No.66, dated 28.08.2002. Certificate No. 14 "On Deposit insurance"

Director: Kamal Abdel MONEIM

Address: Rruga "Perlat Rexhepi", Al-Kharafi Group Administration Building, Kati 1&2, Tirana, Albania.

Tel.: 27 21 68; 27 21 62

Fax: 27 21 62

E-mail: creditbkalb@icc-al.org

15. CREDINS BANK JNT.STK.

Licence No. 16, dated 31.03.2003

Approved with the Bank of Albania Supervisory Council Decision, No.22, dated 26.03.2003. Certificate No. 15 "On Deposit insurance"

Director: Artan SANTO

Address: Rruga "Ismail Qemali", Nr.21, Tirana, Albania.

Tel: 22 29 16; 23 40 96

16. POPULAR BANK JNT.STK.

Licence No.17, dated 16.02.2004

Approved with the Bank of Albania Supervisory Council Decision, No. 06, dated 11.02.2004 Certificate No. 16 "On Deposit insurance"

Director: Edvin LIBOHOVA

Address: Rruga "Donika Kastrioti", Pallati 11/1, Kati I, Tirana, Albania.

Tel: 27 27 88/89/90/91

Fax: 27 27 81

Mobile 068 20 60 974

17. UNION BANK JNT.STK.

Licence No.18, date 09.01.2006

Approved with the Bank of Albania Supervisory Council Decision, No. 101, dated 28.12.2005

Certificate No. 17 "On Deposit insurance"

Director: Gazmend KADRIU

Address: Bulevardi "Zogu I", pallati 13 katësh, përballë stacionit të trenit

Tel: 250 653

Fax: 250 654

NON-BANK FINANCIAL INSTITUTIONS

1. FINANCIAL UNION OF TIRANA LTD. (FUT)

Licence No.1, dated 08.12.1999, for conducting the following financial activities:

- Providing payment and receivable services;
- Intermediary services in the conduct of monetary transactions;
- Acting as a financial agent or advisor.

Director: Niko Leka; Edmond Leka

Address: Rruga "Reshit Çollaku", Pallati "Shallvare", Sh.2, Nr.18, Tirana, Albania.

Tel: 25 06 53

Fax: 25 06 54

e-mail: uft@and.net.al; www.unionfinaniar.com

2. ALBANIAN POST-OFFICE JNT.STK.

Licence No.3, dated 18.04.2001, as a "Non-bank financial institution" for conducting the following financial activities:

- Providing payment and receivable services;
- Acting as a financial agent or advisor.

Director: Arqile Goreja

Address: Rruga "Reshit Çollaku", Nr.4, Tirana, Albania.

Tel: 22 23 15

3. "CREDINS" TIRANA JNT.STK.

Licence No. 4, dated 13.06.2001, as a "Non-bank financial institution" for conducting the following financial activities:

- Extending loans;
- Providing payment and receivable services;
- Intermediary services in the conduct of monetary transactions (foreign currency included);
- Offering guarantees;
- Acting as a financial agent or advisor (excluded herein the services set forth in points 3/a and 3/b of Article 26 of the Law "On Banks in the Republic of Albania").

Director: Migena Roshal

Address: Rruga "Deshmorët e 4 Shkurtit", Tirana, Albania.

Tel: 22 29 16; 23 40 96

4. "MOUNTAIN AREAS FINANCE FUND"

Licence No.5, dated 29.03.2002, as a "Non-bank financial institution" for conducting the following financial activities:

- Extending loans

Founded by the Decision of the Council of Ministers of the Republic of Albania

Director: Bajram Korsita, Executive Manager

Address: Rruga "Mustafa Matohiti", Vila nr.12, Tirana, Albania

Tel: 25 06 33

5. "AK – INVEST" JNT.STK.

Licence No.7, dated 03.12.2003, as a "Non-bank financial institution" for conducting the following financial activities:

- Providing payment and receivable services;
- Intermediary services in the conduct of monetary transactions (foreign currency included);
- Acting as a financial agent or advisor.

Director: Ilir Adili

Address: Rruga "Ded Gjon Luli", Nr.2/3, Tirana, Albania.

Tel: 24 01 47

FOREIGN EXCHANGE BUREAUS

1. "JOARD" LTD, FOREIGN EXCHANGE BUREAU, TIRANA

Licence: No. 1, dated 01.10.1999
 Address: Rruga "Ded Gjon Luli", Nr.2, Tiranë
 Cambists: Josif Kote, Pajtim Kodra
 Tel: 233 158

2. "AMA" LTD, FOREIGN EXCHANGE BUREAU, DURRËS

Licence: No. 2, dated 01.10.1999.
 Address: Rruga "Tregtare", Lagjja 3, Durrës
 Cambists: Mirlinda Ceka, Ilir Hoxha
 Tel: 225 183, 220 340

3. "ARIS" LTD, FOREIGN EXCHANGE BUREAU, TIRANA

Licence: No. 3, dated 01.10.1999.
 Address: Rruga "Luigj Gurakuqi", Tiranë
 Cambists: Ardian Goci, Ismet Noka
 Tel: 488 67

4. "UNIONI FINANCIAR TIRANA" LTD, FOREIGN EXCHANGE BUREAU

Licence: No. 4, dated 01.10.1999
 Address: Rruga "Reshit Çollaku", "Pallati Shallvare", Shk. 2/18, Tiranë
 Cambists: Arjan Lezha (Agency manager), Albert Sara, Dhimitër Papadhopulli, Genta Angjeli (Agalliu), Piro Teti, Flora Simixhi, Petrika Mano (Agency manager), Lindita Shala, Mirela Bakalli, Anila Demiri, Emili Bakalli (Nako), Astrit Sferdelli, Mirela Kaiku, Erisa Emiri.

5. "AGLI" LTD, FOREIGN EXCHANGE BUREAU, TIRANA

Licence: No. 5, dated 01.10.1999.
 Address:
 Agency 1: Rruga "Islam Alla", Nr.1, Tiranë
 Agency 2: Rruga e Kavajës, pranë Pastiçeri "Rinia", Tiranë
 Cambists: Kujtim Nina (Director), Agim Cani, Selim Luli
 Tel: 508 85

6. "EXCHANGE" LTD, FOREIGN EXCHANGE BUREAU, TIRANA

Licence: No. 08, dated 24.11.1999.
 Address: Rruga e Durrësit, Nr. 170, Tiranë
 Cambist: Ivan Pavlovski, Ervis Myftari
 Tel: 238 344
 Tel/fax: 238 345

7. "UNISIX" LTD, FOREIGN EXCHANGE BUREAU, KORÇA

Licence: No. 09, dated 26.11.1999.
 Address: Bulevardi "Republika", Pallati 4, Korçë
 Cambists: Pandi Cunoti, Ernest Golka, Nikolin Bicka, Eli Bode
 Tel: 0824 3624

8. "EKSPRES J & E" LTD, FOREIGN EXCHANGE BUREAU, DURRËS

Licence: No. 10, dated 26.11.1999.
 Address: Lagjja 11, Rruga "Prokop Meksi" (pranë Hotel "Durrësi"), Durrës
 Cambists: Kostandin Ekonomi, Entela Ekonomi

9. "ILIRIA '98" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 12, dated 25.02.2000.

Address: Sheshi "Skënderbej", Teatri i Kukullave, Tiranë
Cambists: Edmond Ymeri, Ali Topalli, Ilir Janku
Tel: 248 821

10. "SERXHIO" LTD, FOREIGN EXCHANGE BUREAU, ELBASAN
Licence: No. 14, dated 07.04.2000.
Address: Lagjja "Luigj Gurakuqi", Rruga "11 Nëntori", Pallati 70, Nr.14, Elbasan.
Cambists: Amarildo Canoku
Tel: 054 545 66

11. "ALBTUR" LTD, FOREIGN EXCHANGE BUREAU, TIRANË
Licence: No. 15, dated 07.04.2000.
Address: Bulevardi "Zogu I", Pallati 32, Shk.1 (përballë Bankës Tirana), Tiranë
Cambists: Albert Rahmani, Artur Rahmani
Tel/fax: 235 820

12. "R & M" LTD, FOREIGN EXCHANGE BUREAU, TIRANË
Licence: No. 16, dated 22.05.2000.
Address: Rruga "Punëtorët e Rilindjes", Pallati 182, Tiranë
Cambists: Edmond Stepa, Miranda Stepa

13. "T & E" LTD, FOREIGN EXCHANGE BUREAU, Durrës
Licence: No. 18, dated 11.06.2000.
Address: Lagjja 4, Rruga "9 Maji", Durrës
Cambist: Shpëtim Hysa

14. "SHIJAK 2000" LTD, FOREIGN EXCHANGE BUREAU, SHIJAK
Licence: No. 19, dated 24.11.2000.
Address: Lagjja "Popullore", Shijak.
Cambists: Nazmi Ademi, Farije Ademi
Tel: 068 20 485 58; 057 130 76; 057 121 93
Fax: 052 721 93

15. "MANUSHI" LTD, FOREIGN EXCHANGE BUREAU, TIRANA
Licence: No. 22, dated 18.04.2001.
Address: Bulevardi "Zogu I", Qendra e Biznesit VEVE, Tiranë
Cambist: Roland Manushi
Tel: 228 986

16 "UNIONI SELVIA" LTD, FOREIGN EXCHANGE BUREAU, TIRANA
Licence: No. 23, dated 21.05.2001.
Address: Rruga "Sami Frashëri", Pallati 11, shk. 4, ap.29, Tiranë
Cambists: Denis Merepeza
Tel: 068 22 86 475

17. "KALENJA" LTD, FOREIGN EXCHANGE BUREAU, TIRANË
Licence: No. 24, dated 29.06.2001.
Address: Rruga "Kavajës" (pranë Ambasadës Turke), Tiranë
Cambists: Hair Shametaj, Fatmir Shametaj, Rudina Shametaj

18. "TILBA" LTD, FOREIGN EXCHANGE BUREAU, ELBASAN
Licence: No. 25, dated 30.09.2001
Address: Lagjja "Luigj Gurakuqi", Bulevardi "Qemal Stafa", Njësia nr.12, Elbasan
Cambists: Kristaq Bako, Vjollca Bako

19. "ANAGNOSTI" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 26, dated 31.10.2001

Address:

Bureau 1: Bulevardi "Zogu I", Pallati 97, Shk.3, Ap. 28, Tiranë

Cambists: Jani Anagnosti, Odise Anagnosti, Edlira Anagnosti

Tel: 038 21 26 326

Bureau 2: Rruga "Kajo Karafili", Nr.11 Tirana

Cambist: Fredi Cami

Tel: 069 20 90 523; 233 242

20. "KO-GO" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 27, dated 12.11.2001

Address: Rruga "Vaso Pasha", Pallati 16, Shk.2, Ap. 9, Tiranë

Cambists: Mihal Konomi, Përparim Goxhaj

Tel: 038 20 24 230

21. "ALB- FOREX" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 28, dated 22.11.2001.

Address: Bureau 1: Rruga "Abdyl Frashëri, Nr.3, Tiranë

Cambists: Mirel Topçiu

Address: Bureau 2: Bulevardi "Zogu I", ish-Pallati i Kulturës "Ali Kelmendi", Kati I

Cambist: Melsi Çami

Tel: 270 541

Cel: 069 20 85 561

22. "L&N" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 29, dated 22.11.2001

Address: Rruga "Muhamet Gjollështa", ish-Gjelltorja tek sheshi ATATURK, Tiranë

Cambist: Leonora Mihalcka

Tel: 268 393, 270 720

Address: Bureau 2: Rruga e Durrësit, përballë ish Ambasadës Jugosllave, Tiranë

Cambists: Myzafer Velaj, Dashuriye Rumbullaku

Tel: 235 590

23. "EXCHANGE ALOG" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 31, dated 22.11.2001

Address: Rruga "Mine Peza" (përballë Selisë së Vatikanit), Tiranë

Cambists: Almida Sterio, Fatmir Tafaj, Eduard Andoni, Elida Hasamemi.

24. "BASHKIMI 2001" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 35, dated 12.12.2001

Address: Rruga e Kavajës (Pastiçeri "Rinia"), Tiranë

Cambists: Bashkim Shametaj, Luan Shametaj, Ilir Mesini

Tel: 038 20 24 601

25. "ARJON 2002" LTD., FOREIGN EXCHANGE BUREAU, ELBASAN

Licence: No. 36, dated 14.12.2001.

Address: Lagjja "Kongresi i Elbasanit", Bulevardi "Qemal Stafa", Pallati 9-katësh, Elbasan

Cambists: Arben Kovaçi, Besnik Lulja, Alfred Kapxhi

Tel: 054 584 60, 054 578 27, 069 21 07 7887

26. "ALAKTH" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 42, dated 18.01.2002.

Address: Rruga "Dibrës", Nr.105/1, Tiranë

Cambists: Kosta Papa, Arben Memko, Lorenc Konomi, Thoma Konomi, Aleko Plaku

Tel: 038 20 26 363

27. "FORMAT" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 43, dated 21.01.2002.

Address: Rruga e Durrësit, Pallati 85, Shk.1, Ap.1, Tiranë

Cambists: Diana Lemi, Egon Sinani

Tel: 221606

28. "TRI URAT" LTD., FOREIGN EXCHANGE BUREAU, ELBASAN

Licence: No. 44, dated 05.02.2002.

Address: Lagjja "29 Nëntori", pranë Filialit të Postës Elbasan.

Cambists: Fahri Sanco, Ismail Bejta

Tel: 038 22 62233; 038 21 331 84

29. "BESA 2001" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 46, dated 15.02.2002.

Address: Rruga "Myslym Shyri", Nr.25, Tiranë

Cambists: Belul Lleshi, Vladimir Avda, Mimoza Avda

Tel: 069 21 338 79

30. "MARIO" LTD., FOREIGN EXCHANGE BUREAU, SARANDË

Licence: No. 47, dated 14.03.2002

Address: Lagjja 1, pranë ish-Komitetit Ekzekutiv të rrethit Sarandë.

Cambists: Vangjel Gramozi, Blerim Dhima

Tel: 0732 38 33, 073 229 85,00355 973 708 363

31. "DROGU" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 49, dated 23.04.2002

Address: Rruga "Vaso Pasha", Kulla 1(pas pallatit Agimi), Kati I, Tiranë

Cambists: Shkëlqim Drogu, Kostandin Koteci

Tel: 240534, 038 20 450 31

32. "HYSEN-C" LTD., FOREIGN EXCHANGE BUREAU, LAÇ

Licence: No. 50, dated 23.04.2002

Address: Lagjja nr.3, përballë Komisarariatit të Policisë, Laç

Cambist: Cen Hyseni

Tel: 038 20 246 88

33. "UNIONI FIER" LTD., FOREIGN EXCHANGE BUREAU, FIER

Licence: No. 51, dated 08.05.2002

Address: Lagjja "15 Tetori", Rruga "Kastriot Muça", Fier

Cambist: Gjergj Dulaj

Tel: 064 25 554

34. "TAXI EKSPRES" LTD, FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 52, dated 20.05.2002

Address: Rruga "Sami Frashëri", nr. 11 (pranë shkollës "Edith Durhan", Tiranë

Cambists: Arben Sharra, Sokol Kaleci

Tel: 223231, 038 20 46 099, 038 22 505 66

35. "GLEAR" LTD., FOREIGN EXCHANGE BUREAU, SHIJAK

Licence: No. 55, dated 23.07.2002.

Address: Lagjja "Kodër", Shijak, Durrës

Cambists: Argjend Calliku, Afërdita Calliku

Tel: 05712657; 068 2050515.

36. "POSTA SHQIPTARE" JNT.STK., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 56, dated 28.08.2002.

Address: Rruga "Reshit Çollaku", nr.4 Tiranë,

Tel: 259 770, 266 559, 250 702; 222 315

37. "UNIONI BALLSH" LTD., FOREIGN EXCHANGE BUREAU, BALLSH

Licence: No. 57, dated 11.09.2002

Address: Rruga "8 Nëntori", Ballsh

Cambists: Luan Zenelaj, Lavdimir Zenelaj

Tel: 03132675; cel: 0692121006

Fax: 03132675

38. "ESLULI" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 58, dated 17.10.2002

Address: Rr. "Reshit Çollaku", Pallati "Shallvare", Shk.4/1, Tiranë

Cambists: Selim Luli, Kleomen Gjijnuri

Tel: 271 160; 271 438

39. "DENI&KRISTI-2002" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 61, dated 02.06.2003

Address: Rruga "Myslym Shyri", Pallati 60, Ap.3, Tiranë

Cambist: Maksim Çeku

Tel: 269 576, 266 494

40. "YLDON" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 62, dated 03. 06.2003.

Address: Rruga "Qemal Stafa", Pallati 382/2/2, Tiranë

Cambist: Ylli Ndroqi

Tel: 343 476, 0692095681

41. "BILLI" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 63, dated 16. 02.2004.

Address: Sheshi "Wilson", Pallati i ri në kryqëzimin e Tiranës së Re.

Cambist: Sybi Cenolli (Founder and manager)

Tel: 270 724, 0682020224

42. "I.S.N." LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 66, dated 06.05.2004.

Address: Rruga e Kavajës, Pallati 3, Kati I, Tiranë

Cambists: Evzi Zemzadja, Nexhmi Uka, Salandi Brojaj

Tel : 068 20 35 265 Evzi Zemzadja

069 20 32 727 Salandi Brojaj

43. "ARIABA" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 67, dated 07.06.2004.

Address: Rruga "Abdyl Frashëri", pranë Librit Universitar, Kati I, Shk.5, Tiranë.

Cambists: Agim Xhemo (manager), Astrit Hado

Tel/fax: 246 199

44. "ALBACREDITS" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 68, dated 13.07.2004

Address: Rruga "Dede Gjon Luli", Nr. 5, Tiranë

Cambists: Ermira Skënderi, Engjëll Skënderi, Burhan Kodra, Shqiponja Spahiu

Mobile: 068 20 62 916/917

Tel/fax: 227 678, 237 840

45. "ALB-KREDIT" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No.69, dated 19.07.2004.

Address: Rruga "Kongresi i Përmetit", Nr.2, Tiranë

Cambists: Arben Cani, Vasil Marto, Rudina Muskaj, Valbona Kadriu, Teuta Koltarka,

Hajredin Toca, Doreza Arapi (Behbi)
 Tel/fax: 274 840, 228 928 / 9
 Address: Bureau in Peshkopi: Bulevardi "Nazmi Rushiti", Peshkopi, Dibër
 Cambist: Xhetan Krrashi

46. "OMEGA" LTD., FOREIGN EXCHANGE BUREAU, TIRANË
 Licence: No. 72, dated 20.12.2004
 Address: Rruga "Abdyl Frashëri", Pallati 1, Shk. 2, Ap. 10, Tiranë
 Cambists: Mihallaq Peko
 Mobile: 068 20 50 909
 Tel/fax: 261 956

47. "ELBA 2005" LTD., FOREIGN EXCHANGE BUREAU, TIRANË
 Licence: No. 73, dated 28.04.2005
 Address: Bulevardi "Bajram Curri", Pallatet Agimi, nr. 16, Tiranë
 Cambists: Kujtim Elbasani
 Mobile: 068 22 06 194
 Tel/fax: 237 866, 274 382.

48. "JONADA – 05" LTD., FOREIGN EXCHANGE BUREAU, TIRANË
 Licence: No. 74, dated 27.06.2005
 Address: Rruga e Kavajës, Pallati 185, Shk. 2, Ap. 09, Tiranë
 Cambists: Liliana Zyfi, Pëllumb Zyfi
 Mobile: 069 27 56 654
 Tel/fax: 259 569; 257 157

49. "BASHA – N.B." LTD., FOREIGN EXCHANGE BUREAU, ELBASAN
 Licence: No. 75, dated 08.07.2005
 Address: Lagjja "Shenkoll", rruga "Thoma Kaleshi", pallati 110, shk. 1, kati i parë, Elbasan
 Cambists: Nashifer Basha, Çlirim Basha
 Mobile: 069 20 77 640
 Tel: 054 425 65

50. "I & K 2005" LTD, FOREIGN EXCHANGE BUREAU, LEZHË
 Licence: No. 77, dated 09.09.2005
 Address: Lagjja "Besëlidhja", Pallati 73, Lezhë.
 Cambist: Ilir Malaj

51. "EUROTOURS" LTD., FOREIGN EXCHANGE BUREAU, TIRANË
 Licence: No. 78, dated 17.10.2005
 Address: rruga "Reshit Çollaku", nr. 2/18, pallatet "Shallvare", Tiranë
 Cambists: Albert Cara, Ilir Stafa

52. "A.B.I. EXCHANGE" LTD., FOREIGN EXCHANGE BUREAU, TIRANË
 Licence: No. 79, dated 17.02.2006
 Address: Bulevardi "Zog I", Godina "Zëri i Popullit", Tiranë
 Cambists: Ilir Doçi, Suela Dedaj
 Mobile: 068 20 54 116

53. "REGENCY INTERNATIONAL CASINO TIRANA" LTD., FOREIGN EXCHANGE BUREAU, TIRANË
 Licence: No. 80, dated 06.03.2006
 Address: Rruga "Dëshmorët e 4 Shkurtit", Parku Rinia, Tiranë
 Cambists: Rajmonda Lami; Florjan Lami; Bandill Molla; Suzana Aliu; Aides Goga; Murat Haruni, Gjergji Selala, Marsela Elmazaj, Vjollca Nurka, Julian Llazri, Andi Hidi, Enkeleda Kola, Leonard Gjonaq, Almir Dhimitri, Elvis Marku,

Tel: Donald Mihal, Albana Sherifi, Armand Çadra, Eriselda Dhamo
274 907, 274 742, 274 739

54. "ARBËR F" LTD., FOREIGN EXCHANGE BUREAU, TIRANË

Licence: No. 81, dated 07.03.2006
Address: Rr "Kavajës", Pallati 3 Kati i Parë, ose ish Gudeni, Tiranë
Cambists: Florina Jaho, Bukurosh Jaho
Mobile: 682218652
Tel: 248 384

55. "EURO 2006" LTD., FOREIGN EXCHANGE BUREAU, Durrës

Licence: No. 82, dated 12.04.2006
Address: Lagjja nr. 4, Rruga "Migjeni", prane Poliklinikes Qendrore, Durrës
Cambists: Hysni Baganaçi, Medi Dyrishi
Mobile: 068 26 18 699

56. "VOSKOP" LTD., FOREIGN EXCHANGE BUREAU, KORÇË

Licence: No. 83, date 13.04.2006
Address: Lagjja nr. 7, Blloku "8 Nëntori", Korçë
Cambists: Anesti Leska, Rexhep Mankolli

57. "KRISTIAN 2002" LTD., FOREIGN EXCHANGE BUREAU, LEZHË

Licence: No. 84, dated 31.05.2006
Address: Lagjja "Besëlidhja", përballë Degës së Bankës Raiffeisen, Lezhë
Cambist: Sandër Marashi

58. "PRE-LAND" LTD., FOREIGN EXCHANGE BUREAU, LEZHË

Licence: No. 85, dated 31.05.2006
Address: Lagjja "Skenderbej", ish lokali "Gjahtari", Lezhë
Cambists: Roland Kola

59. "SHQIPONJA VL" LTD., FOREIGN EXCHANGE BUREAU, Vlorë

Licence: No. 86, dated 16.06.2006
Address: Pallati i Kulturës "Labëria", përballë portit detar, Vlorë
Cambists: Vjollca Musaraj
Tel: 033 2 46 42

60. "BONVOYAGE" LTD., FOREIGN EXCHANGE BUREAU, Durrës

Licence: No. 87, dated 20.06.2006
Address: Lagjja 11, Bulevardi "Durrahu", Ap.243, Durrës
Cambists: Petrit Shtaro, Jusuf Milaqi
Tel: 052 3 81 16; 052 3 73 89

UNIONS OF SAVINGS AND LOAN ASSOCIATIONS

1. "JEHONA" SAVINGS AND LOAN ASSOCIATIONS UNION, TIRANË

Licence: No.1, dated 27.06.2002.

Address: Rruga "Kajo Karafili", nr.26/1

Chairman of the Board of Directors: Vojsava Rama.

2. "ALBANIAN SAVINGS AND LOAN UNION" SAVINGS AND LOAN ASSOCIATIONS UNION, TIRANË

Licence: No.2, dated 09.08.2002.

Address: Rruga "Ismail Qemali", Nr.32.

Chairman of the Board of Directors: Mrs. Zana Konini

Tel. 251 910

E-mail: ascunion@icc-al.org

SAVINGS AND LOAN ASSOCIATIONS, 2006

1. "MËSUESI" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 1, dated 01.07.2002

Member of "JEHONA" SLA Union

2. "RIZGJIMI" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 2, dated 01.07.2002

Member of "JEHONA" SLA Union

3. "AFADA " SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 3, dated 01.07.2002

Member of "JEHONA" SLA Union

4. "BLETËRRITËSIT " SAVINGS AND LOAN ASSOCIATION, KORÇË

Licence No 5, dated 01.07.2002

Member of "JEHONA" SLA Union

5. "BREGAS " SAVINGS AND LOAN ASSOCIATION, KORÇË

Licence No. 6, dated 01.07.2002

Member of "JEHONA" SLA Union

6. "FITORJA" SAVINGS AND LOAN ASSOCIATION, PRRENJAS

Licence No. 12, dated 01.07.2002

Member of "JEHONA" SLA Union

7. "GRAMSHI" SAVINGS AND LOAN ASSOCIATION, LUSHNJË

Licence No. 13, dated 01.07.2002

Member of "JEHONA" SLA Union

8. "HABA" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 14, dated 01.07.2002

Member of "JEHONA" SLA Union

Merged with ANSPA SLL since 15.03.2005

9. "KANDAVIA" SAVINGS AND LOAN ASSOCIATION, LIBRAZHD

Licence No. 15, dated 01.07.2002

Member of "Jehona" SLA Union

Merged with "Shqiponja" SLA and "Egnatia" SLA since 31.03.2004

10. "KORÇARJA" SAVINGS AND LOAN ASSOCIATION, KORÇË

Licence No. 17, dated 01.07.2002

Member of "Jehona" SLA Union

Merged with Bulgarec SLA, Plasë SLA and Mesonjetorja SLA

11. "KRUJA" SAVINGS AND LOAN ASSOCIATION, KRUJË

Licence No. 18, dated 01.07.2002

Member of "Jehona" SLA Union

12. "METAJ" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 20, dated 01.07.2002

Member of "Jehona" SLA Union

13. "ORIK" SAVINGS AND LOAN ASSOCIATION, VLORË

Licence No. 21, dated 01.07.2002

Member of "Jehona" SLA Union

14. "PIRG" SAVINGS AND LOAN ASSOCIATION, KORÇË

Licence No. 22, dated 01.07.2002

Member of "Jehona" SLA Union

15. "RINGJALLJA" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 24, dated 01.07.2002

Member of "Jehona" SLA Union

Merged with Besa SLA and Shpresa SLA, according to official paper No. 4/1, dated 02.02.2006

16. "SHËNDETI" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 25, dated 01.07.2002

Member of "Jehona" SLA Union

17. "SHKËNDIJA" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 26, dated 01.07.2002

Member of "Jehona" SLA Union

18. "STROPSKA" SAVINGS AND LOAN ASSOCIATION, POGRADEEC

Licence No. 29, dated 01.07.2002

Member of "Jehona" SLA Union

Merged with "Përparimi- Nizhavec" SLA, Pogradec.

19. "SYNEI" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 30, dated 01.07.2002

Member of "Jehona" SLA Union

20. "TEUTA" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 31, dated 01.07.2002

Member of "Jehona" SLA Union

21. "URA E KUÇIT" SAVINGS AND LOAN ASSOCIATION, BERAT

Licence No. 32, dated 01.07.2002

Member of "Jehona" SLA Union

Merged with "Shpiragu" SLA, Berat

22. "VOLOREKA" SAVINGS AND LOAN ASSOCIATION, POGRADEEC

Licence No. 33, dated 01.07.2002

Member of "Jehona" SLA Union

23. "YLLI I KUQ" SAVINGS AND LOAN ASSOCIATION, KORÇË

Licence No. 34, dated 01.07.2002

Member of "Jehona" SLA Union

Merged with "Drita" SLA and "Gurëbardh" SLA since 15.07.2005.

24. "VELÇE" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 36, dated 29.08.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

25. "KALLM" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 37, dated 29.08.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

26. "KURORA E ELBASANIT" SAVINGS AND LOAN ASSOCIATION, ELBASAN
(CHANGED FROM "BANJE E SIPERME")

Licence No. 39, dated 29.08.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

27. "MOLLAS" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 40, dated 29.08.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
28. "PASHTRESH" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 41, dated 05.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
29. "GJINAR" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 42, dated 05.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
30. "KUQAN" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 45, dated 05.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
Merged with "Shirgjan", "Mjekes", "Bujqës" and "Bathes" SLAs.
31. "SHUSHICË" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 46, dated 05.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
32. "BESTROVË" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 49, dated 05.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
33. "SHALËS" SAVINGS AND LOAN ASSOCIATION, ELBASAN
Licence No. 51, dated 05.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
34. "OSHËTIMË" SAVINGS AND LOAN ASSOCIATION, VLORE,
Licence No. 52 dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
35. "BABICË E VOGËL" SAVINGS AND LOAN ASSOCIATION, VLORE,
Licence No. 53 dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
36. "NOVOSELË" SAVINGS AND LOAN ASSOCIATION, VLORE,
Licence No. 54, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
37. "ROMANAT" SAVINGS AND LOAN ASSOCIATION, DURRËS
Licence No. 55, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
38. "JUBE" SAVINGS AND LOAN ASSOCIATION, DURRËS
Licence No. 56, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
39. "ARDENICË" SAVINGS AND LOAN ASSOCIATION, LUSHNJE
Licence No. 58, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union
40. "VAJKAN" SAVINGS AND LOAN ASSOCIATION, FIER
Licence No. 54, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

41. "LLAKATUND" SAVINGS AND LOAN ASSOCIATION, VLORE
Licence No. 60, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

42. "GRABIAN" SAVINGS AND LOAN ASSOCIATION, VLORE
Licence No. 61, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

43. "MAZREK" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 62, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

44. "MUSTAFA KOÇAJ" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 63, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

45. "SHPAT ISUF MUÇAJ" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 64, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

46. "PINAR" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 65, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

47. "FUSHAS MUMAJËS" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 66, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

48. "QEHA" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 67, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

49. "DOBRESH" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 68, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

50. "SHILBATËR" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 69, dated 23.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

51. "INIBA" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 71, dated 25.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

52. "FUSHË-PREZË" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 72, dated 25.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

53. "MËNIK" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 73, dated 25.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

54. "MULLET" SAVINGS AND LOAN ASSOCIATION, TIRANË
Licence No. 74, dated 25.09.2002
Member of "Unioni shqiptar i kursim-kreditit" SLA Union

55. "ZALL-HERR" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 75, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

56. "BARËZEZ" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 76, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

57. "DAIAS" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 77, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

58. "PETRELË" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 78, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

59. "MANGULL" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 79, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

60. "PINET" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 80, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

61. "BERZHITË" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 81, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

62. "MARIKAJ" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 82, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

63. "ALLGJATË" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 83, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

64. "KAMÇISHT" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 84, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

65. "BUBULLIMË" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 85, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

66. "GORRE" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 87, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

Merged with Bishqethem SLA

67. "DRITHAS" SAVINGS AND LOAN ASSOCIATION, VLORE,

Licence No. 88, dated 25.09.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

68. "PALASË" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 89, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

69. "MAMINAS" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 90, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

70. "RRAPËZ" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 91, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

Merged with "Pirre" SLA, Lushnje, since 01.12.2004.

71. "PANAJA" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 92, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union.

72. "HOLTA" SAVINGS AND LOAN ASSOCIATION, GRAMSH

Licence No. 93, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

73. "GJERGJAN" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 94, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

74. "GJONME" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 95, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

75. "GRAMSH" SAVINGS AND LOAN ASSOCIATION, GRAMSH

Licence No. 96, dated 07.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

76. "SHPRESA" SAVINGS AND LOAN ASSOCIATION, GRAMSH

Licence No. 97, dated 10.10.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

77. "FIER 2002" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 98, dated 28.10.2002

Member of "Jehona" SLA Union.

78. "BUCIMAS" SAVINGS AND LOAN ASSOCIATION, POGRADEC

Licence No. 99, dated 28.10.2002

Member of "Jehona" SLA Union.

79. "LESHNICË" SAVINGS AND LOAN ASSOCIATION, POGRADEC

Licence No. 100, dated 28.10.2002

Member of "Jehona" SLA Union.

80. "TREGAN" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 101, dated 27.11.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

81. "BELESH" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 102, dated 27.11.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

82. "LUZI I MADH" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 103, dated 27.11.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

83. "BAGO" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 104, dated 27.11.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

84. "RADË" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 105, dated 05.12.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

85. "HAMALLAJ" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 106, dated 05.12.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

86. "TIRANA KREDIT" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 107, dated 05.12.2002

Member of "Jehona" SLA Union.

Merged with Valias SLA

87. "RRUSHKULL" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 110, dated 24.12.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

88. "FIER SEMAN" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 111, dated 24.12.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

89. "FRAKULL E MADHE" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 112, dated 24.12.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

90. "DAULLAS" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 113, dated 24.12.2002

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

91. "KALLM I VOGËL" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 114, dated 10.01.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

92. "LEKAJ" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 115, dated 10.01.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

93. "ALLKAJ" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 116, dated 10.01.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

94. "TOSHKËZ" SAVINGS AND LOAN ASSOCIATION, LUSHNJE

Licence No. 117, dated 30.01.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

95. "KAFARAJ" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 118, dated 19.02.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

96. "LLESHAN" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 119, dated 23.06.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

97. "GOSË" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 120, dated 23.06.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

98. "HIMARË" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 122, dated 23.06.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

99. "KOTË" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 123, dated 23.06.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

100. "ARMEN" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 124, dated 23.06.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

101. "PERLAT" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 125, dated 15.07.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

102. "REMAS" SAVINGS AND LOAN ASSOCIATION, LUSHNJË

Licence No. 126, dated 16.07.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

103. "MIZË" SAVINGS AND LOAN ASSOCIATION, LUSHNJË

Licence No. 127, dated 04.08.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

104. "DUKAT-RADHIMË" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 128, dated 03.11.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

105. "MJELLMA-HUDENISHT" SAVINGS AND LOAN ASSOCIATION, POGRADEC

Licence No. 129, dated 03.11.2003

Member of "Jehona" SLA Union.

106. "GJEÇ KODËR" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 130, dated 26.11.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

107. "MËRTISH" SAVINGS AND LOAN ASSOCIATION, LUSHNJË

Licence No. 131, dated 26.11.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

108. "MASHAN" SAVINGS AND LOAN ASSOCIATION, GRAMSH

Licence No. 132, dated 26.11.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

109. "PAPËR" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 133, dated 26.11.2003

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

110. "KUKUR" SAVINGS AND LOAN ASSOCIATION, GRAMSH

Licence No. 134, dated 07.01.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

111. "BLETA" SAVINGS AND LOAN ASSOCIATION, POGRADEC

Licence No. 135, dated 03.03.2004

Member of "Jehona" SLA Union.

112. "VAQARR" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 136, dated 01.04.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

113. "GRACEN" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 137, dated 23.06.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

114. "SKENDERBEGAS" SAVINGS AND LOAN ASSOCIATION, GRAMSH

Licence No. 138, dated 23.06.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

115. "DARZEZË" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 139, dated 12.07.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

116. "SPILLE" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 140, dated 12.07.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

117. "GOSTIMË" SAVINGS AND LOAN ASSOCIATION, ELBASAN

Licence No. 141, dated 12.07.2004

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

118. "JADORA" SAVINGS AND LOAN ASSOCIATION, SHKODER

Licence No. 143, dated 17.11.2004

Member of "Jehona" SLA Union

119. "QARR - BISHAN" SAVINGS AND LOAN ASSOCIATION, FIER

Licence No. 145, dated 28.04.2005

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

120. "KRUTJE" SAVINGS AND LOAN ASSOCIATION, LUSHNJË

Licence No. 146, dated 29.07.2005

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

121. "TIRONA" SAVINGS AND LOAN ASSOCIATION, TIRANË

Licence No. 147, dated 05.12.2005

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

122. "SHKAFANE" SAVINGS AND LOAN ASSOCIATION, DURRËS

Licence No. 148, dated 16.01.2006

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

123. "LIBRAZHË" SAVINGS AND LOAN ASSOCIATION, LIBRAZHË

Licence No. 149, dated 10.11.2006

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

124. "HELMAS" SAVINGS AND LOAN ASSOCIATION, KAVAJË

Licence No. 150, dated 22.11.2006

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

125. "LUKOVË" SAVINGS AND LOAN ASSOCIATION, VLORE

Licence No. 151, dated 14.12.2006

Member of "Unioni shqiptar i kursim-kreditit" SLA Union

REPRESENTATIVE OFFICES OF FOREIGN BANKS

1. Representative Office of the Popular Bank of Puglia in Albania

Licence: No. 1, dated 02.07.2003.

Representative: Pasquale Guido Vergine.

Address: Sheshi "Skënderbej", Pallati i Kulturës, Kati III, Tirana, Albania.

ANNEX 6 LIST OF BANKING SUPERVISION REGULATIONS IN FORCE AS OF MARCH 2007

- 1– Methodical Guideline “On foreign exchange risks” of 1999.
- 2– Regulation “On the size and fulfilment of minimum initial capital for the permitted activities of licensed banks and branches of foreign banks”, approved by the Supervisory Council Decision No. 51, dated 22.04.1999.
- 3– Guideline “On internal audit in banks”, approved by the Supervisory Council Decision No. 107, dated 03.11.1999.
- 4– Regulation “On foreign currency open positions”, approved by the Supervisory Council Decision No. 59, dated 05.05.1999, amended by the Supervisory Council Decision No. 118, dated 01.12.1999.
- 5– Regulation “On cooperative banks”, approved by the Supervisory Council Decision No. 25, dated 29.03.2000.
- 6– Guideline “On interest rate risk management”, approved by the Supervisory Council Decision No.61, dated 05.07.2000.
- 7– Regulation “On bank’s investments in the equity of commercial companies”, approved by the Supervisory Council Decision No.42, dated 06.06.2001.
- 8– Guideline “On certificates of deposits”, approved by the Supervisory Council Decision No. 79, dated 03.10.2001.
- 9– Regulation “On controlling significant risks”, approved by the Supervisory Council Decision No. 78, dated 07.07.1999, and amended by the Supervisory Council Decisions No. 119, dated 01.12.1999 and No.92, dated 05.12.2001.
- 10– Regulation “On market risks”, approved by the Supervisory Council Decision No. 72, dated 02.06.1999, amended by the Supervisory Council Decision No. 98, dated 19.12.2001.
- 11– Guideline “On banks’ conservatorship and receivership”, approved by the Supervisory Council Decision No.45, dated 12.06.2002.
- 12– The Supervisory Council Decision No. 58, dated 24.07.2002, approved to add the “banking activity related to gold and precious metals” to the permitted banking activities.
- 13– Guideline “On banks’ liquidity”, approved by the Supervisory Council Decision No.04, dated 19.01.2000, amended by the Supervisory Council Decision No. 08, dated 12.02.2003.

14– Regulation “On licensing the savings and loan associations” approved by the Supervisory Council Decision No.11, dated 27.02.2002 and amended by decision No. 09, dated 12.02.2003.

15– Regulation “On licensing the foreign exchange bureaus”, approved by the Supervisory Council Decision No. 65, dated 30.07.2003.

16– Guideline “On reporting the foreign exchange operations”, approved by the Supervisory Council Decision. 69, dated 30.07.2003.

17– Regulation “On bank’s relations with persons connected to it”, approved by the Supervisory Council Decision No. 100, dated 10.12.2003.

18– Regulation “On foreign exchange operations” approved by the Supervisory Council Decision No. 64, dated 30.07.2003, amended by the Supervisory Council Decision No.101, dated 10.12.2003.

19– Regulation “On authorized chartered auditors of the banks”, approved by the Supervisory Council Decision No. 06, dated 29.01.2003, amended by the Supervisory Council Decision No.102, dated 10.12.2003.

20– Regulation “On money laundering prevention” approved by the Supervisory Council Decision No.10, dated 25.02.2004.

21– Regulation “On Supervising the electronic banking transactions” approved by the Supervisory Council Decision No.28, dated 30.03.2005.

22– Regulation “On prudential rates of non-bank financial institutions” approved by the Supervisory Council Decision No. 60, of 05.07.2000 and amended by the Supervisory Council Decisions No.31, of 27.04.2005.

23– “Reporting system of non-bank entities conducting financial activities”, approved by the Supervisory Council Decision No.32, dated 27.04.2005.

24– “The reporting system of savings and loans associations” approved by the Supervisory Council Decision No. 44, of 08.06.2005.

25– Regulation “On consolidated supervision of banks”, approved by the Supervisory Council Decision No. 68, dated 28.07.2005.

26– Regulation “On licensing the non-bank financial institutions”, approved by the Supervisory Council Decision No. 96, dated 26.11.2003, amended with the decision No. 87, 88, of 16.11.2005

27– Regulation “On minimum technical and security conditions of work premises at the entities licensed by the Bank of Albania” approved by the Supervisory Council Decision No. 102, dated 28.12.2005.

28– Regulation “On using the communication and information technology in entities licensed by the Bank of Albania” approved by the Supervisory Council Decision No.32, of 03.05.2006.

29– Guideline “On regulatory capital”, approved by the Supervisory Council Decision No. 57 of 05.05.1999, and amended by the Supervisory Council Decisions No.21 of 24.03.2004, No. 21 of 24.03.2004, No. 45 of 08.06.2005 and No. 70 of 12.09.2006.

30– Regulation “On supervising the savings-loans associations”, approved by the Supervisory Council Decision No.43, dated 08.06.2005 and amended by decision No. 68, dated 13.09.2006.

31– Regulation “On managing banks and branches of foreign banks” approved by the Supervisory Council Decision No. 120, dated 30.12.2003, amended with the decision No. 69, of 13.09.2006.

32– Regulation “On granting a licence to conduct banking business in the Republic of Albania” approved by the Supervisory Council Decision No.71, dated 11.09.2002 and amended by the decision No. 03, of 26.01.2005 and decision No. 80, of 25.10.2006.

33– Regulation “On credit risk management”, approved by the Supervisory Council Decision No.52, dated 14.07.2004, amended by the Supervisory Council Decision No. 101, dated 27.12.2006.

34– Regulation “On reporting the capital adequacy ratio”, approved by the Supervisory Council Decision No. 58 dated 05.05.1999 and amended by the Supervisory Council Decisions No.86, dated 07.11.2001; No.72, dated 11.09.2002; No. 30, dated 16.04.2003; No. 82, dated 08.10.2003; No. 22, dated 24.03.2004; No. 46, dated 08.06.2005.

ENDNOTES

¹ International Financial Reporting Standards – IFRS represent a group of standards in accounting, which have been developed by International Accounting Standards Board - IASB. Many of standards included in IFRS have been previously recognized with the name International Accounting Standards – IAS. IAS were issued in 1973 – 2001 by the Board of the International Accounting Standards Committee - IASC. In April 2001, IASB accepted all IAS and continued their development, giving the name IFRS to new standards. To indicate this relationship and to avoid any misunderstanding from the prior meaning of words in Albanian, the material may use also the words international accounting and financial reporting standards.

² According to a survey of the World Bank, analysed in May 2006, 138 countries of the world had declared in various forms their stance to international accounting and financial reporting standards. Concretely: 26 countries have allowed the implementation of these standards; 32 countries have not allowed the implementation of these standards; 74 countries requested the implementation of these standards for all their national companies; 6 countries requested implementation of these standards for some of their national companies. The World Bank has noticed a slowdown of the movement of different countries towards adopting the international accounting and financial reporting standards, which relate mainly with the complexity of this project. However, under the conditions when the implementation of these standards reaches what is called “the critical mass” the possibility of increasing pressures over countries that have not accepted the implementation of new standards, for adopting them at an earliest time possible, exists.

³ Starting from 2005, all companies of the European Union, whose shares are traded in a public way (listed in the stock-exchange) should prepare their consolidated statements according to IFRS. In order to be accepted for use in the EU area, standards should be approved by the Accounting Regulatory Committee – ARC, which is composed of representatives of the governments of EU member states and that is advised by a group of experts in accounting area, known as European Financial Reporting Advisory Group – EFRA. Two sections of the IAS 39: Financial Instruments: Recognition and Measurement, have not received the ARC’s approval and in this framework, IFRS implemented in the EU change from those used in other countries. IASB is cooperating with EU structures to find an acceptable way for preventing this irregularity.

⁴ Committee of European Banking Supervisors (CEBS) – is composed of high level representatives from the banking supervisory authorities and central banks of the European Union. It gives advice to the European Commission on banking policy issues and promotes cooperation and convergence of supervisory practice across the European Union.

⁵ CEBS Guideline on prudential filters for regulatory capital” – December 2004; “CEBS Guideline for the implementation of the framework for consolidated financial reporting” – December 2005; etc.

⁶ IFRS is considered as a group of standards based on principles, since they define general rules and do not dictate specific treatments. Since 2002, a part of the IFRS provides options for certain treatments to users. IASB is trying to decrease these options through a separate structure.

⁷ National Council on Accounting (NCA) is still under the process of translating the IFRS and there is needed the specification of a certain structure for making their interpretation according to sectorial needs.

⁸ With the purpose to accomplish its tasks and objectives, the NCA, supported by the Albanian Government, through a project financed and assisted by the World Bank, realized a set of 14 national accounting standards (NAS), compiled in line with the international standards. More concretely, the national accounting standards (NAS) will be applied by all entities of both private and public sector, which have the profitable or cost covering juridical status. These standards will not be applied by those entities that apply international accounting and financial reporting standards (IAS/IFRS) (see footnote No.7, below) and by those of the public sector, which are financed by budgetary funds. Under the order of the Minister of Finances, No. 4292, dated 15.06.2006, the disclosure and publication of the 14 NASs is made and January 1, 2008 is specified as their implementation date. The work for professional training of their users has already started.

⁹ To be adjusted to current IFRS, changes should be made to the Banking Accounting Manual and to the requirements of the regulatory and supervisory framework, in terms of specifying the provisioning, the effective interest rate, the way of estimation and amortisation of buildings and equipments, deferred tax obligations, etc.

¹⁰ According to the Law No. 9228, dated 29.04.2004 "On accounting and financial statements", Article 3, letter (b), commercial banks, along with similar financial institutions, insurance and re-insurance companies, securities funds, etc., take part in the group of entities that are bound to apply the IFRS, since they are translated into Albanian under the responsibility of the National Council on Accounting and are announced by the Minister of Finances.

¹¹ $HHI = \sum_{i=1}^n MS_i^2$ where MS_i is the market share of the firm i and n is the number of firms' operating in the market.

¹² A market is considered:

- In perfect competition if the HHI is less than 1,000;
- In moderate level of concentration if the HHI is between 1,000 -1,800;
- Highly concentrated if the HHI is over 1,800.

¹³ Rosse and Panzar (1977), Panzar and Rosse (1982, 1987)

¹⁴ The countries of the region include: Italy, Greece, Kosovo, Croatia, Bulgaria, Rumania, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Serbia and Montenegro.

¹⁵ According to the European Bank for Reconstruction and Development.

¹⁶ Prizren and Pristine branches have been given initial approval.

¹⁷ Union Bank

¹⁸ According to INSTAT, the population of Albania was 3,102,777 people in 2003, 3,119,543 people in 2004 and 3,134,982 people in 2005. The data on the number of population for 2006 are calculated on the basis of the annual average growth rate for 2004 and 2005, which results 0.52 percent.

¹⁹ Note Sofika, January 2006, "Competition in the Albanian banking system". According to this material, within the permitted limit from $-\infty$ to 1, where the values from $-\infty$ to 0 represent the monopoly agreement and the value 1 represents perfect competition. The estimate for the Albanian banking

system is 0.57.

²⁰ Credit outstanding in ALL has increased by ALL 24.4 billion or 78.2 percent, whereas credit outstanding in foreign currency has increased by ALL 45.7 billion or 47.4 percent.

²¹ Source: NBG

²² "Net outstanding non-performing credit/net outstanding credit"

²³ At end 2006, the "ALL non-performing credit / ALL outstanding credit" indicator is estimated at 2.8 percent, from 3.2 percent of the value of "foreign currency non-performing credit / foreign currency outstanding credit" ratio.

²⁴ Short-term assets and liabilities include only those of one-month maturity.

²⁵ The shares in percentage of the paid-in capital are calculated by taking into consideration even the revaluation differences.

²⁶ The indicator includes four categories of assets reflected in the table, with the accounting value weighted according to respective risk by 0%, 20%, 50% and 100%, as well as the total off balance sheet items weighted with the respective risk coefficients.

²⁷ Loans share to total assets of the system increased from 25.6 percent at end of 2005 to 31.5 percent at end of 2006.

²⁸ Mid-term loans share increased to 33.2 percent against 29.7 percent of the previous year, while the short-term loans share decreased to 28.8 percent, from 32.3 percent at end 2005. We underline that the weighted average interest for mid-term loans is estimated as higher than for short-term loans, particularly for loans in ALL.

²⁹ Total net result from interests and other operations.

³⁰ Four out of six banks in this group have the RoAA of the fourth quarter above 2 percent.

³¹ Generally, cases of dividend allocation by banks in Albania are very rare.

³² Mainly banks rated in G3 and most of G2 banks, which have a large basis of customer deposits in relation to their capital.

³³ These incomes consist of the sum of net income from the main operation and from other operations, without deducting the operation expenses.

³⁴ United Nations (1993), System of National Accounts 1993, New York; Eurostat, 1996, European System of Accounts: ESA 1995, Luxembourg; IMF (2004), Compilation Guide on Financial Soundness Indicators, Washington D. C.

³⁵ The Bank of Albania, (2003), Monetary and Financial Statistics Methodology.

³⁶ Growth of assets for March 2006 is compared to that of December 2005.

³⁷ Growth of assets of the SLAs for March 2006 is compared to that of December 2005.

³⁸ Only branches and agencies that have already received the Bank of Albania's approval are included.

³⁹ As at June 30, 2007