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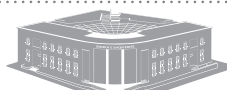
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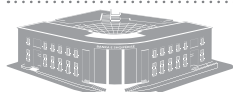
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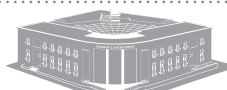
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1 THE FUNCTION OF SUPERVISION

The main objective of the Function of Supervision is early identification of main risks, such are: credit risk, liquidity risk, operational risk, interest rate risk, capital profitability risk, reputational risk, money laundering and financing of terrorism risk. The focus is on the assessment of internal control and the efficiency of corporate governance, being important risk-mitigating factors in the whole sphere of the activity of banks in particular, but also of non-bank financial institutions licensed by the Bank of Albania.

Timely action and effective regulatory measures through ongoing supervision, arising from the assessment of banks supervision and beyond, and their implementation, remain important steps to successfully finalize the ultimate goal - to preserve the soundness of financial entities.



2 KEY DEVELOPMENTS

STRUCTURAL DEVELOPMENTS

Banking activity experienced positive developments over 2021, amongst which was the fall in non-performing loans ratio at 5.65%. The annual fall in this ratio of 2, 46 p.p., in addition to the drop in the value of non-performing loans of around 23.3%, was also affected positively by the growth of lending, where credit portfolio grew by around 10,2% during 2021.

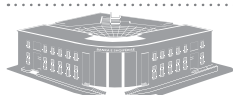
The main soundness indicators of the banking activity related to capitalisation, income and liquidity continued to be at satisfactory values, supporting in a sustained manner the annual rapid growth of banking assets by around 12,2%. The structure of banks' balance sheet continues to be stable, where the around 11,4% growth of deposits of the system remains the main source to its structure increase and preservation.

This performance, while congruent to the expectations, was driven by the increase in the activity of banks with Albanian capital, whose share in the total of the system balance grew by 0,66 p.p, during 2021. Also, accumulated deposits show a similar growth line, where banks with Albanian capital increased their share by 0,55 p.p in the lending activity. Meanwhile, banks with European capital seem to have had a somewhat higher trend towards lending, where their share grew by 1,3 p.p, compared to the increase of the share of Albanian capital banks by around 0,92 p.p.

MANAGEMENT OF THE PANDEMIC-RELATED SITUATION

In 2021, banks conducted the financial activity under the effect of the pandemic and the measures undertaken to cope with it. Needs of banks and economic agents, coupled with the uncertainty about the future developments were the main factors that drove the decision-making of the Bank of Albania to extend the regulatory measures in place for managing the situation. These extensions consisted in providing extra time for addressing the classification and provisioning of restructured credit with easier criteria, up until March 2021. The decision-making was also completed by postponing the entry into force of more restrictive regulatory criteria to 1 January 2022, from 1 January 2021.

In order to facilitate the restructuring process, the final deadline of the regulation on the out-of-court treatment of distressed borrowers was extended to 31 December 2021, as the initial deadline was 31 December 2020. In the same



vein, the entry into force of the amendments in the Regulation on managing large exposures was postponed to 1 January 2022, initially planned on 1 June 2021.

Once these measures came to an end, special attention was paid to the performance of portfolios through both off-site analyses and on-site examinations, in order to identify possible negative developments with a material impact and to address them in an early stage. The situation management resulted in a stable improvement in the indicators of credit portfolio quality throughout the previous year.

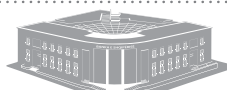
In the framework of the undertaken measures, the Bank of Albania decided to suspend the distribution of dividend of banks' profits up to December 2021, and the generated profits during 2020. This measure was undertaken with a view to create capital sources for banks to cover potential capital requirements in case of negative developments, as a result of the pandemic or its secondary effects.

ASSESSMENT OF THE EQUIVALENCE OF THE ALBANIAN REGULATORY SUPERVISORY FRAMEWORK WITH THE APPLICABLE REQUIREMENTS IN THE EU

Upon receiving the candidate status in June 2014, in the framework of opening the accession negotiations of Albania to the European Union, the Bank of Albania jointly with the other public authorities has been engaged constantly in the approximation of the legislation with the EU Acquis. The regular evaluation reports have continuously highlighted the achieved progress on the implementation of the agenda of reforms in Albania, including the progress achieved by the Bank of Albania in respect of banking supervision and adoption of Capital Accord, known as Basel III.

The main goal of the equivalence assessment of the regulatory and supervisory framework according to the methodology published by the European Banking Authority (EBA) is to provide an effective cross-border cooperation under a prudent approach between the European financial institutions and those in third countries (outside the EU), as the latter aim at fully adhering and adopting the same high standards that are in force within the EU. To this extent, the recognition of equivalence of the regulatory and supervisory framework provides mutual benefits for both the EU and third country financial and banking institutions.

In this context, in 2021, an independent evaluation of the current regulatory framework of supervision was conducted with the technical assistance of the European Bank for Research and Development (EBRD) and PriceWaterhouseCooper (PwC), through the adoption of a comprehensive approach, based on the methodology and the questionnaire drafted by the EBA for this purpose. This analysis, which ended in December 2021, concluded that



the procedural and regulatory framework, as well as the supervisory practices, is at a high degree of equivalence and approximation with the applicable standards of the EU countries. This approximation is assessed particularly high in relation to capital requirements, applicable mitigation techniques, large exposures, liquidity, financial leverage, macroprudential supervision, professional secrecy, and international cooperation.

The Bank of Albania (BoA) continues to be entirely dedicated to finalise this process. At the beginning of 2022, the BoA has required the European Commission to consider the evaluation process for Albania in accordance with the European Directive No. 575/2015).

Meanwhile, the collaboration with international partner institutions, as the IBRD, the World Bank, the IMF and other central banks part of the Eurosystem and authorities, like the BSCEE or Vienna Initiative will continue in 2022, to further update the supervisory standards and practices, as well as to improve their effectiveness.

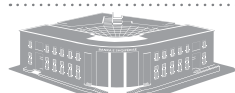
COMPILATION OF THE REGULATORY FRAMEWORK ON PAYMENT SERVICES

Upon the approval of the Law no.55/2020 "On Payment services" and its entry into force in January 2021, the BoA is working on drafting the entire regulatory framework pursuant to this Law. The regulatory framework aims to ensure alignment with the EU Acquis and the best practices of advanced countries, guaranteeing on one hand adherence to the obligations on the approximation of the regulatory and legal framework, and on the other hand, enabling payment services providers and their clients the possibility to adopt the same standards with the EU countries as regards these services.

Currently, a substantial part of sub-legal acts has been approved pursuant to the Law "On Payment services," which allow new entities that require licensing as electronic payment institutions or registering as payment service providers that benefit from exceptions according to law stipulations, to commence their activity pursuant to the stipulations laid down in the Law. The other by laws are in the process of discussions and consultations with interested parties (entities and other public institutions).

IMPLEMENTATION OF RECOMMENDATIONS OF THE ASSESSMENT REPORT BY MONEYVAL COMMITTEE AND ICRG/FATF ACTION-PLAN

In the framework of implementing the recommendations from the Committee of Experts of CoE on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), the Bank of Albania was included in the implementation of the national plan of measures, regarding both technical



and effectiveness issues, in order to improve the regulatory framework and strengthen the effectiveness of the supervisory process, with the purpose of addressing the main problems evidenced in the report, whose fulfilment will continue also during 2022. In this framework, a considerable number of on-site examinations have been carried out related to anti-money laundering, particularly focusing on terrorism financing issues and implementation of the international sanctions, especially on non-bank financial institutions and foreign exchange bureaus as vulnerable entities.

Related to the identified violations, in addition to the recommendations for specific entities, also supervisory measures, such as “warnings” and “fines” are implemented. In more concrete terms, a total of 109 examinations were carried out in 2021, in the field of preventing money laundering and terrorism financing, which comprised 5 banks, 13 non-bank financial institutions, 1 SLA and 90 FEBs (of which 15 FEBs underwent the process of implementing recommendations as a result of deficiencies observed in previous examinations). Nine of these examinations were carried out in collaboration with the General Directorate for the Prevention of Money Laundering (GDPML), respectively in 2 banks, 6 non-bank financial institutions, and 1 Foreign Exchange Bureau.

To make the NBFIs and FEBs aware for the implementation of measures to counter terrorist financing and the international sanctions, the on-site examinations, in addition to the verifications, have served for strengthening/refreshing the knowledge and increasing awareness of the entities’ staff on meeting the legal and regulatory obligations related to the prevention of money laundering issues, with a particular focus on terrorism financing and sanctions issues.



3 SPECIFIC DEVELOPMENTS

THE CHANGE OF REFERENCE INDEXES FOR INTEREST RATES ON LOANS

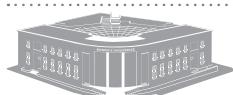
One of the consequences of the international financial crisis was the wavering of international market's confidence in respect to reference indexes on interest rates for bank and interbank products, broadly issued as IBORs (for e.g. LIBOR, EURIBOR etc.), due to the potential elements of manipulation noted in them. This event has given rise to the need for their entire review and substitution. In this context, the European Supervisory Authorities have presented regulatory interventions to address these market disruptions, where certain indexes might not have quotations from now on.

Banks operating in the domestic market are also exposed to this phenomenon, due to the relationships with banking agents of international markets, particularly for loan products they have supplied to borrowers. In 2020, the Bank of Albania started a communication process with banks to draw attention on this phenomenon with a view to make them aware and take measures to address in a timely manner the abnormalities that may have a considerable impact on both the banking activity and borrowers.

In 2021, to address particularly reference indexes related to clients, BoA undertook regulatory amendments in the Regulation No. 59, dated 29.8.2008 "On Transparency for banking and financial products and services". These amendments aim at safeguarding transparency in rates selection, as well as establishing a legal basis for the relationship with the client, when contracts are changed. The stress is put on providing the borrower with full notification and information, and receiving a documented agreement on the necessary changes.

ADJUSTING INTEREST RATES ON CONSUMER LOANS

In the rapid expansion of consumer credit market, where non-bank financial institutions have been important contributors, the Bank of Albania undertook an initiative to regulate these loans by implementing regulatory amendments in the Regulation No. 48 dated 1.7.2015 "On consumer and mortgage loans." These amendments introduce for the first time the concept of Maximum Effective Interest Rate (Maximum EIR), which is the maximum possible threshold of the effective interest rate that is applicable to clients of consumer credit, and which is calculated by the BoA based on the semi-annual average adopted by the market on certain products and certain amounts of consumer loans. In order to carry out these amendments, the BoA followed the best EU practices.



The purpose of these amendments is to protect the consumer through regulating the Maximum EIR, which in many cases is identified to be at high burdensome levels for the consumer. The defined thresholds allow for a 33% above-the-average margin, therefore a relative limit subject of change in periodical intervals. In this context, this is not an inflexible threshold, but rather has an indicator that continuously adapts to market conditions. Its goal is to cushion the large differences and asymmetries between costs charged on consumers by various institutions, for products of similar features.



4 ON-SITE EXAMINATIONS

A considerable part of time and supervisory resources were dedicated to assessing the management of the pandemic situation and its impact, especially concerning credit portfolio.

The conclusions reached in this assessment reconfirmed the ones of the previous examinations with the same focus - banks have adopted a cautious approach oriented towards supporting customers who perform their repayments regularly. Providing facilitations for customers facing problems has been conditioned by their track record in implementing the agreements on the reduction of their respective liability.

In total, 14 full-scope and partial examinations were performed, with a higher trend toward partial examinations, due to the health guidelines on reduced staff numbers, as well as to achieve a thorough assessment of weightier risks on the activity of banks and non-bank financial institutions.

Table 1 Number of examinations by risk in 2021

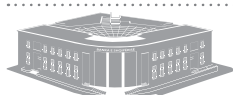
Examined institutions	Strategic Risk	Organisational Risk	Credit Risk	Liquidity Risk	Interest Rate Risk	Market Risk	Information and Communication Technology	Operational risk	Reputational Risk	Profitability	Capital
2018	8	10	9	8	8	8	9	8	28*	9	8
2019	13	13	16	13	13	14	13	13	14	13	15
2020	2	8	15	11	2	5	5	5	88**	2	6
2021	7	7	12	7	7	7	8	8	109***	6	6

* In 2018, 28 examinations were carried out at Foreign Exchange Bureaus on Reputational Risk. 10 examinations regarding this risk were carried out with the General Directorate for the Prevention of Money laundering.

** In 2020, 74 examinations were carried out at Foreign Exchange Bureaus on Reputational Risk and 14 other examinations regarding this risk were carried out in banks and non-bank financial institutions. Among these, examinations on 2 banks, 1 non-bank financial institutions and 1 Foreign Exchange Bureau, regarding this risk, was carried out in collaboration with the General Directorate for the Prevention of Money Laundering and examinations on 3 banks were carried out in collaboration with the Financial Supervision Authority.

*** In 2021, 90 examinations were carried out at Foreign Exchange Bureaus on Reputational Risk and 19 other examinations regarding this risk were carried out in banks and non-bank financial institutions. Among these, the examinations on 2 banks, 6 non-bank financial institutions and 1 Foreign Exchange Bureau, regarding this risk, were carried out in collaboration with the General Directorate for the Prevention of Money Laundering.

The examinations conducted in 2021 while mainly focusing on credit risk, have also considered other aspects of the activity carried out by the licensed entities, in response to the developments in the risk profile originating from their activity.



Related to banks, special attention was paid to operational risk and information technology risk, as well as financial risks (liquidity risk, interest rate risk, market risk).

Operational risk and information technology risk are always present in the activity of licensed entities, but in the last two years, due to the significant increase in the number of electronic transactions and the fast orientation of banks towards e-banking services, ensuring business continuity and a quick response to operational interruptions and incidents, has become indispensable. Therefore, the examinations' main objective has been to assess the availability of systems and organisational structures to promptly react to incidents, as well as assess the efficiency of the measures undertaken to guarantee work continuity. To this end, the relevant recommendations are oriented towards the possible procedural improvements, as well as identifying the need for investments in high-quality technology and supportive systems.

The banking system shows a satisfactory liquidity situation. It is concluded that most banks have oriented part of their investments in the international markets of debt instruments, searching for higher rates of return. This orientation needs the internal policies and procedures be adopted related to the prudential additional risks management these instruments have, and the maintaining of an adequate balance between resident and non-resident investments. In the framework of the supervisory evaluation, the recommendations are oriented both towards the completion of the internal regulatory framework and the improvement of the methodological framework for monitoring and measuring risks, as well as the creation of adequate reserves to cover them.

In 2021, examinations of non-bank financial institutions focused mainly on entities that carry out the activity of lending, leasing and microcredit, by combining full-scope and thematic examinations to verify the implementation of recommendations. The conducted examinations have identified that non-bank entities are generally involved to address structural and organisational weaknesses, with a view to increase the quality of governance and the functioning of control systems. Other issues that need to be better addressed by these entities are related to reporting accuracy, improvement of information technology systems, prevention of fraud cases, strengthening of the risk management function, client transparency etc.



5 LEGAL AND METHODOLOGY FRAMEWORK

The drafting of new bylaws and the review of the regulatory framework in force, through the approximation with the EU directive, or in compliance with legal requirements, aims at completing and improving this framework, with a view to accomplish a more effective supervision on banks and other financial entities being licensed and supervised by the Bank of Albania.

In 2021, special attention was paid to the drafting of the regulatory framework pursuant to the Law 55/2020 "On Payment Services". This regulatory framework aims at meeting and detailing the requirements of the Law 55/2020, while its drafting is based on the EU Acquis and the European Banking Authority (EBA) guidelines. In this light, the revision of the implemented regulatory acts was carried for the implementation of the commitment of the Bank of Albania for the alignment of the regulatory framework with the Basel III requirements.

Also, part of the regulatory amendments approved during 2021 took into consideration the situation created during the year by the COVID-19 pandemic and its effects on the economy of Albania.

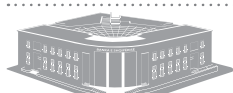
The new regulatory acts approved, as well as those revised during 2021, are listed in details below.

I. Pursuant to the Law 55/2020 "On payment services:

- Approval of the new Regulation "On licensing payment institutions and electronic money institutions, as well as registering payment services providers" (adopted with Decision No. 59, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)

This regulation sets forth the conditions, requirements, time frame, documentation and procedures for: i) licensing the payment institutions and electronic money institutions; as well as the entering in the public registry of providers of payment services in the Republic of Albania, which benefit from exceptions, which on their part consider the low volume of transactions, the restricted increase of users they serve or the limited type of payment services they provide as laid down in the Law "On payment services"; ii) granting approvals by the Bank of Albania; iii) and the obligation of notification by entities to the Bank of Albania, throughout the conduction of their activity.

The regulation specifies detailed requirements on payment institutions, electronic money institutions and on some providers' categories of payment



services, which benefit from exceptions, while defining, in addition to common requirements to payment institutions and electronic money institutions, specific requirements on each type of payment services providers, addressed in specific chapters or sub-chapters.

BOX

NEW REGULATION " ON LICENSING PAYMENT INSTITUTIONS AND ELECTRONIC MONEY INSTITUTIONS, AS WELL AS REGISTERING PAYMENT SERVICES PROVIDERS"

With the approval of the Law 55/2020 "On Payment Services" and its entry into force in January 2021, the Bank of Albania was committed, over 2021, to the drafting of the new regulatory framework and the review of some bylaws in force, in compliance with the requirements set forth in the Law.

As an important part of this framework, in November 2021, the Regulation "For the licensing of payment institutions and electronic money institutions, as well as for the registration of payment service providers", was approved. The regulation mainly defines:

- a. *Amount of minimum capital for payment institutions and electronic money institutions;*
- b. *Criteria on granting or refusing to grant a license to payment institutions and electronic money institutions;*
- c. *Licensing request procedures and terms;*
- d. *Detailed requirements on the information and documentation to be submitted to the Bank of Albania from the applicants for being granted a license as payment institution and electronic money institution , together with the following:*
 - *the programme of operations and the business plan;*
 - *structural organisation;*
 - *a description of the measures taken for safeguarding all funds which have been received from the payment service users;*
 - *internal management system and control mechanisms, particularly focusing on implementation of the requirements in relation to anti-money laundering and terrorism financing;*
 - *the procedures in place to monitor, handle and follow up a security incident and security related customer complaints;*
 - *the process in place to file, monitor, track and restrict access to sensitive payment data;*
 - *business continuity plan and the security policy document;*
 - *the identity and assessment of shareholders/ the size of with qualifying holding in the capital;*
 - *suitability assessment of the administrator and persons responsible for the management of the payment institution and electronic money institution;*
 - *statutory auditors or audit firms, and agents;*
- e. *Detailed requirements on the information and documentation to be submitted to the Bank of Albania from the applicants to enter in the register as account information service providers;*
- f. *Requirements to enter in the register the persons benefiting from the exemptions referred to in Article 4, "gj" and "h" of the Law "On payment services";*
- g. *Requirements on the necessary documentation for granting approvals by*



- the Bank of Albania, during the conduction of the activity of the entities, in relation to the reduction of the capital, the appointment/reappointment of administrators, the change of the qualifying holding participation and the conduction of the activity as an insurance agent;*
- h. the obligation to notify the entities for carrying out the process of re-evaluation of the suitability of shareholders/partners, members of the management board/steering council, administrators and members of the audit committee.*

The minimum initial capital required for payment institutions varies according to the type/types of payment services they will carry out, and in case they provide two or more payment services as referred to in Article 5 of the Regulation, the applicant must provide the highest level of the required capital, while the minimum initial capital required for electronic money institutions is already stipulated in this Regulation as part of the licensing requirements of these entities and the required amount is ALL 45 million.

The Regulation, as referred to in Article 99 of the Law "On payment services", on the obligations of non-bank financial entities, savings and loan associations and electronic money institutions that provide payment and money transfer services, licensed before the entry into force of the Law, also foresees the obligation to take measures by these entities, for the organization of the activity and the internal structure, as well as the submission to the Bank of Albania of the documentation provided for in the above-mentioned Article, by July 2, 2022. In addition, the Regulation provides for the obligation of electronic money institutions, licensed by the Bank of Albania after the entry into force of the Law "On payment services", but before the entry into force of the Regulation, to submit to the Bank of Albania, within 2 July, 2022, the documentation and information referred to in Article 99 (4) of the Law "On payment services".

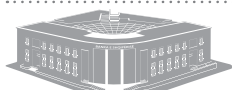
- Approval of amendments to the Regulation "On licensing and activity of non-bank financial institutions" (adopted with Decision No 60, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)

Amendments to this regulation repeal all the requirements laid down in the previous regulation, mainly related to licensing requirements and prior approvals for non-bank financial institutions that provide payment services and money transfers, as well as for electronic money institutions, which are now treated in accordance with the new legal and regulatory requirements.

- Approval of amendments to the Regulation "On licensing and carrying out the activity of banks and branches of foreign banks in the Republic of Albania" (adopted with Decision No. 61, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)

The amendments in this Regulation mainly consist in:

- Adding some requirements on the agents of banks, when the latter operate with agents who only serve as payment service providers,



pursuant to the requirements set forth in Article 21 of the Law "On Payment services". This Law introduces for the first time the concept of banks providing the payment service through agents. Such right was not previously stipulated in the Law on banks;

- Creation of a form with the data of bank agents, when they operate with agents in the capacity of payment service providers, which will be presented by banks both at the time of their licensing and in the case of new agents; and
 - Evidencing in a differentiated way the requirements for expanding the network outside the territory of the Republic of Albania, namely through branches/agencies, subsidiaries and representative offices, better clarifying the requirements for each type of network expansion.
- **Approval of amendments to the Regulation "On licensing and activity of savings and loan associations (SLAs) and their Unions" (adopted with Decision No. 62, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)**

The amendments in this Regulation mainly consist in repealing the provisions which stipulated that one of the allowed activities to SLAs was to provide the payment and money transfer services. With the entry into force of the Law "On payment services" and the regulation on the licensing of payment institutions and electronic money institutions, SLAs which require to provide the payment services will apply to the Bank of Albania to be granted the license as a payment institution, in addition to the license they hold as a savings and loan association. The requirements for the licensing of payment institutions will also apply to these SLAs, according to some specific provisions laid down in the Regulation on licensing the payment institutions and electronic money institutions.

- **Approval of amendments to the Regulation "On minimum security requirements regarding premises where banking and financial activities are conducted and transportation of monetary values" (adopted with Decision No. 63, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)**

The amendments in this Regulation mainly consist in:

- the provision of payment institutions and electronic money institutions as entities of the regulation that will carry out financial activities at counters and/or through agents, in accordance with the requirements of the Law "On payment services";
- predicting the responsibility of banks for verifying the fulfilment of the requirements of the regulation by their agents in the case when banks offer payment services through agents; and
- the increase in number of payment institutions and electronic money institutions as entities that should meet the requirements for the security of the premises provided for in chapter III of the Regulation, which



were previously addressed within the category of non-bank financial institutions.

Pursuant to the provisions of the Law 55/2020 "On Payment Services", during 2021, a number of other by-laws were drafted, which are expected to be approved in 2022. This regulatory framework aims to complete and detail the requirements of Law 55/2020 and its drafting will align the relevant EU acts in the field of payment services.

II. In the framework of further alignment with the EU Acquis and the best European practices.

- **Approval of amendments to the Regulation "On the net stable funding ratio of banks", (adopted with Decision No. 45, dated 1.9.2021 of the Supervisory Council of the Bank of Albania)**

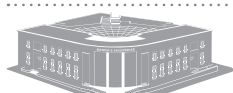
The amendments encompass the enclosure of two new annexes which contain the reporting forms and explanatory guidelines to fill them, and the review of some requirements, in compliance with EU Regulation CRR2 (2019/876/EU). In addition, the amendments set at a minimum level of 100 % on the net stable funding and on the total of significant foreign currencies, for the purposes of analogy and consistency with the same requirements stipulated in the liquidity coverage ratio and the traditional liquidity indicators (liquid assets ratio to short-term liabilities) in foreign currency. The addition of this supervisory indicator, as a regulatory requirement, also results from the specific asset-liability structure of banks operating in Albania, where items denominated in foreign currencies have a considerable share in their balance sheet.

- **Approval of one amendment to the Regulation "On liquidity coverage ratio", (adopted with Decision No. 46, dated 1.9.2021 of the Supervisory Council of the Bank of Albania)**

The amendment consists in the revision of the definition "significant currency", in compliance with the regulatory amendments of EU in 2019, laid down in the EU Regulation 2019/876 (CRR2), which will apply on both the Regulation "On liquidity coverage ratio" and the Regulation "On net stable funding of banks". "Significant currency", means only the bank's liabilities denominated in that currency, against the total liabilities of the bank, excluding capital items or off-balance sheet items from the calculations.

- **Approval of amendments to the Regulation "On consumer credit and mortgage credit" (adopted with Decision no. 47, dated 1.9.2021 of the Supervisory Council of the Bank of Albania)**

The amendments provide the alignment with the European best practices (Bank of Portugal, France and Belgium models) for determining: I) limits on the Effective Interest Rate (EIR), as a comprehensive indicator of known credit costs,



based on the calculation of a market average for this indicator, as well as ii) a limit for penalties and deferred interest paid by the borrower. Amendments aim at providing fair practices in the market related to the interest rate level, late payments, and implemented penalties, particularly from non-bank financial institutions on credit products.

- **Approval of amendments to the Regulation “On the functioning of Credit Registry at the Bank of Albania, and the conditions and procedures on the information, use and revision of data being administered in this Registry”, (adopted with Decision No. 48, dated 1.9.2021 of the Supervisory Council of the Bank of Albania)**

Amendments to the Regulation took place as a result of the amendments to the Regulation “On consumer credit and mortgage credit”, for the purposes of reporting data from entities, for calculating the maximum effective interest rate by the Bank of Albania.

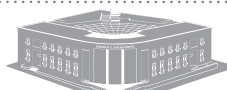
- **Approval of amendments to the Regulation “On transparency for banking and financial products and services”, (adopted with Decision No. 64, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)**

The amendments consist in changing/substituting the reference rates (reference indexes (benchmarks)/IBOR-s) and the presentation of the “clause of changing the benchmark” with a view to mitigate the risks of adopting the new reference rates in the most normal and effective manner. These amendments are taken in the framework of the implementation of the reference rate reform globally, including the European Union¹, given the Albanian banking system is affected by these reforms. Other countries or economic areas have implemented similar processes, which has already reached the last steps, to fulfil the good administration of the transition to the new reference rates.

- **Approval of the new Guideline “On the Internal Capital Adequacy Assessment Process (ICAAP)”, (adopted with Decision No. 2, dated 1.12.2021 of the Supervisory Council of the Bank of Albania)**

This guideline provides some additional supervisory requirements for banks, regarding strategies, policies, processes and internal systems for the identification, measurement, management and monitoring of liquidity risk, to ensure adequate levels of liquidity reserves. The Guideline has been drafted in accordance with the requirements of the European Directive (2013/36/EU) on

¹ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016, known also as “Benchmark Regulation”, which entered into force on 1 January 2018, aims at improving governance of “critical benchmarks”, ensuring that the benchmark administrators are not subject to conflicts of interest. In parallel, through the regulatory amendments is required to realise the improvement of input data, based on considerable volumes of transactions, the improvement of the methodology for their calculation, consumer protection and increase transparency to various investors.



internal liquidity adequacy assessment process (ILAAP)² and the guidelines³ of the European Banking Authority (EBA)⁴, which specify common procedures and methodologies for the Supervisory Review and Evaluation Process (SREP)⁵; the supervisory stress test; and the draft-methodology for the assessment of liquidity and funding risk, etc. The internal liquidity adequacy assessment process (ILAAP) includes the identification, measurement, management and monitoring of liquidity from banks themselves. Both the internal liquidity adequacy assessment process (ILAAP) and the Internal capital adequacy assessment process (ICAAP) aim to encourage banks to reflect on their capital and liquidity risks in a structured way, using bank-specific approaches to measure and manage these risks. Both processes ensure that banks identify, effectively manage and cover their capital and liquidity risks at all times. Implementing the ICAAP and ILAAP proportionately, commensurate with the business model, size, complexity, riskiness and market expectations, is the responsibility of the banks themselves.

The internal liquidity adequacy assessment process (ILAAP) mainly consists in:

- i) Liquidity risk assessment;
- ii) Funding risk assessment;
- iii) Liquidity risk and funding risk management; and
- iv) Assessment of requirements for liquidity buffers, in compliance with this internal process of the bank.

This guideline enters into force on 31.12.2022 and provides the entities with the necessary and appropriate time to take the necessary measures for its implementation.

- **Amendments to the Regulation “On capital adequacy ratio” (adopted with Decision No. 68, dated 22.12.2021 of the Supervisory Council of the Bank of Albania)**

The relevant amendments to the regulatory framework have been drafted in accordance with the requirements of the European regulations CRR (2013/575/EU) and CRR2 (2019/876/EU), for further alignment with the requirements for credit risk, in particular for credit risk in banks’ investments in collective investment undertakings (CIUs), based on more risk-sensitive rules that promote transparency regarding exposures to these companies, as well as easier handling of risk factors for exposures to SMEs, such as one of the main pillars of the country’s economic development and growth.

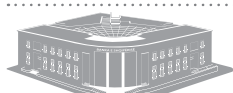
In addition, the amendments provide for a more favourable treatment, through the application of a risk weight from 75% to 35%, for banks’ exposures in

² Internal Liquidity Assessment Process.

³ EBA/GL/2014/13, dated 19 December 2014 “On common procedures and methodologies for the supervisory review and evaluation process (SREP)” and EBA/GL/2016/10 dated 03 November 2016 “Guidelines on ICAAP and ILAAP information collected for SREP purposes”.

⁴ European Banking Authority (EBA).

⁵ SREP- Supervisory Review and Evaluation Process.



the form of loans granted to pensioners or employees with an open-ended employment contract, as a lower risk category, which in any case must meet the conditions under the regulation; reviewing the treatment of exposures or parts of exposures fully secured by real estate collateral; provision of the right of the Bank of Albania to assign higher risk weights or other criteria for exposures secured by residential and commercial real estate collateral based on its assessments, relying on data to be provided in time on the historic losses from these types of exposures and on the expected developments of the real estate market; the addition of two new criteria that must meet exposures or parts of exposures fully secured by residential real estate collateral for preferential weighting with a 35% risk weight.

Amendments also provide for the review of the types of exposures that are considered high risk, the conditions that must be met by investments to be categorized as investments in venture capital companies or private capital companies, as well as the criteria that banks must take in consideration to assess whether certain exposures (other than those explicitly provided for in the regulation) can be classified as high-risk exposures. These amendments were realised with the assistance of experts from the Bank of Italy and the Bank of Germany in the framework of the twinning project.

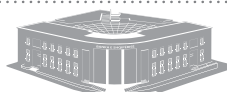
- **Approval of amendments to the Regulation “On consumer credit and mortgage loan” (adopted with Decision no. 69, dated 22.12.2021 of the Supervisory Council of the Bank of Albania)**

The amendments to the Regulation “On consumer credit and mortgage loan” aim at a further alignment with the requirements of the Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and its further revisions, for improving the requirements of regulatory authority on consumer protection.

In more concrete terms, the amendments include the definition of some new concepts related to consumer credit; completing the pre-contractual and contractual information with some additional elements, such as deferred payments; the consumer’s right to be provided, at his request and free of charge, with a copy of the draft loan contract; the provision of new requirements in the case of exceeding the limit (overrunning) and the bank’s obligation to notify the consumer; etc. The approval of these changes aims to ensure the fulfilment of the commitments undertaken by the Bank of Albania in the framework of the strategic documents of the European integration, since the revision of this regulation was foreseen in the National Plan for European Integration (NPEI) 2021-2023.

I. In the framework of measures taken due to the situation by COVID-19 pandemic.

- **Approval of the Decision “On the suspension of profit distribution**



from Banks”, adopted with Decision No. 4 dated 13.1.2021 of the Supervisory Council of the Bank of Albania.

The Decision provides the suspension of the profit distribution for both 2020 and of the profit to be realised in 2021 by banks up to December 2021. Initially, the Bank of Albania took this measure in 2020 (not allowing distributions of accumulated profit and that of 2020) due to the economic and financial difficulties created from the COVID19-pandemic situation. Then the Bank of Albania extended this measure in 2021 as well. This decision aimed at maintaining the adequacy capital levels to cover possible losses in the future, as well as the liquidity in the banking system, to support the economy with needed funding.

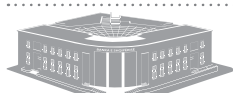
- Approval of an amendment to the Regulation “On credit risk management in banks and branches of foreign banks” (adopted with Decision No. 5, dated 13.01.2021 of the Supervisory Council of the Bank of Albania)

This amendment aimed at maintaining equal classification level of provisioning for reclassified loans up to 31 March 2021, with the classification and provisioning before restructuring.

- Approval of the extended effective date until 1 January 2022, of the amendments approved in September 2020 to the Regulation “On risk management from large bank exposures” and to the Regulation “On consolidated supervision”, respectively with the Decision No. 6, dated 13.1.2021 and with Decision No. 6, dated 13.1.2021 and Decision No. 41, dated 4.8.2021 of the Supervisory Council of the Bank of Albania.
- Amendments to the Regulation “On capital adequacy ratio”, (adopted with circulatory Decision No. 54, dated 9.11.2021 of the Supervisory Council of the Bank of Albania)

These amendments consist in more favourable addressing of the risk weights applied to the banks’ exposure to the Albanian government’s debt securities in foreign currency, issued during 2021, as well as to the loan to the OSHEE in 2021, guaranteed by the government Albanian.

In 2021, the focus was put on transposition of the Payment Account Directive 2014/92 (PAD) and European Commission (EU) regulations 2018/32, 2018/33 and 2018/34 into the legal and regulatory framework of the Bank of Albania. More specifically, in 2021, the draft-law “On the payment account with basic services” and the draft-regulation “On transparency for fees related to the payment account and on the transfer service of payment accounts” were drafted, which were also published on the official website of the Bank of Albania, for consultation with the relevant entities (payment service providers).



In 2021⁶, work continued to finalize the amendments to the Regulation "On the core principles of the management of banks and foreign bank branches and the criteria for the approval of their administrators", as well as on drafting of the draft-guideline "On the internal and effective management of banks". Amendments to the Regulator No. 63, dated 14.11.2012 "On the core principles of the management of banks and foreign bank branches and the criteria for the approval of their administrators", in accordance with the recommendations of Deloitte⁷, are aimed at improving the regulatory and supervisory framework for responsible and effective management of banks. In order to ensure the effective implementation of the requirements of the regulation in force, banks will also consider the provisions of the new guideline "On the internal and effective management of banks", which will be published by the Supervision Department on the official website of Bank of Albania.

Also, the Supervision Department has continued to provide its contribution for some important chapters in the Inter-institutional Working Groups in the framework of the European Integration process, throughout 2021.

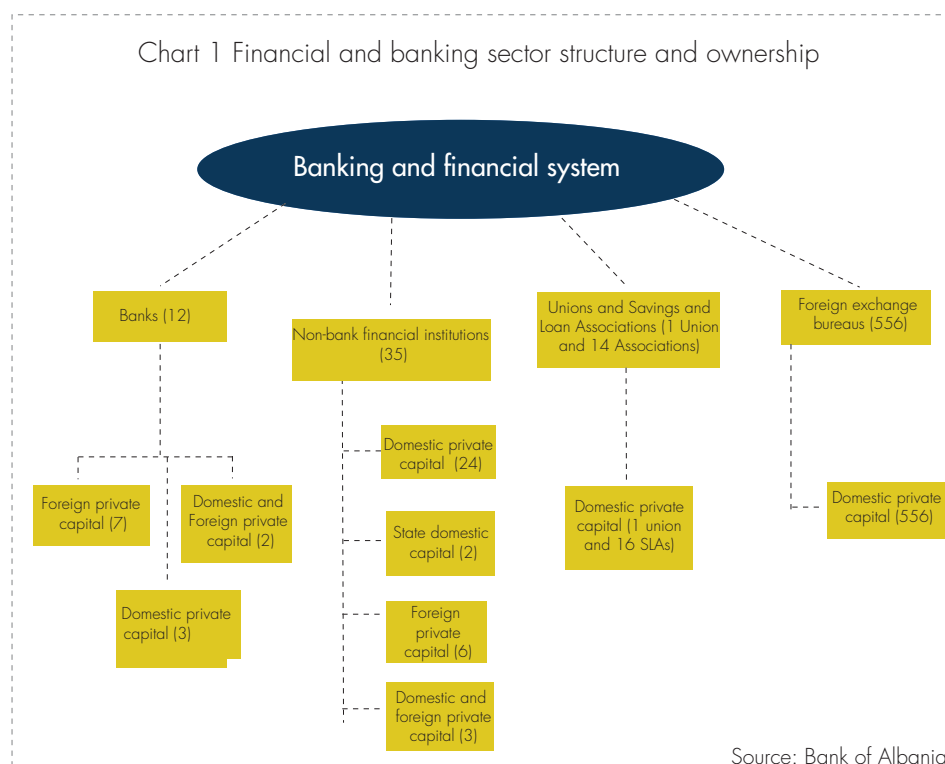
⁶ Amendments to the regulation and the guideline were adopted with Decision No. 21, dated 6.4.2022 of the Supervisory Council of the Bank of Albania.

⁷ The project of the Bank of Albania with Deloitte and the European Bank for Reconstruction and Development for the review of legislation, regulatory acts and banking supervision practices on the internal management of banks.



6 LICENSING

As at the end of 2021, the structure of the banking and financial system in Albania consisted of 12 banks, 35 non-bank financial institutions (NBFIs), 556 foreign exchange bureaus, 16 Savings and Loan Associations (SLAs) and 1 Union of SLAs.

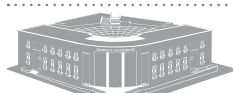


Pursuant to the Law “On banks in the Republic of Albania”, the Bank of Albania is vested with the power to licence and supervise banks, NBFIs, savings and loans associations and their unions, foreign exchange bureaus and representative offices of foreign banks.

1. Banks:

In 2021, within the scope of the licensing function, the Bank of Albania made the following decisions:

- approval of (100% direct) ownership control of the shares of Alpha Bank Albania sh.a. by the new shareholder Alpha International Holdings Single Member S.A. Greece;
- approval of (100% direct) ownership control of the shares of National



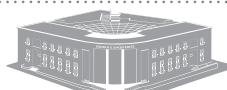
Commercial Bank sh.a., by the shareholder Çalik Holding A.Ş., Turkey, as a result of the legal re-organisation for the merger by absorption of Çalik Finansal Hizmetler Anonim Sirketi, Turkey (the absorbed company, the sole shareholder of the bank prior to the re-organisation) by Çalik Holding A.Ş., Turkey (the absorbing company). After the conclusion of the merger by absorption, Çalik Finansal Hizmetler Anonim Sirketi, Turkey ceases existing and Çalik Holding A.Ş., Turkey owns directly 100% the National Commercial Bank sh.a.;

- c) approval of (800% indirect) ownership of the capital of the American Bank of Investments sh.a. by Moscopole INC, USA;
- d) approval of (21.02% direct) ownership of the qualifying holding in the capital of the United Bank of Albania by EUROSIG sh.a., Albania;
- e) approval for the First Investment Bank, Albania sh.a. to conduct the additional financial activity of factoring;
- f) approval of 40 administrators of banks, including: 19 members of steering councils, 11 members of audit committees, 2 general managers and 8 executives and directors of internal audit of banks;
- g) approval of the expansion of the banking network with two new branches, within the territory of the Republic of Albania;
- h) approval of the amendments of the statute of National Commercial Bank sh.a., Tirana Bank sh.a., Procredit Bank sh.a., Union Bank sh.a., Credins Bank sh.a.;
- i) approval/no-objection on the appointment/re-appointment of chartered auditors for the auditing of financial statements at end of 2021 for all banks;
- j) approval for the issuance of subordinated debt by Credins Bank sh.a., Tirana Bank sh.a., and Union Bank sh.a.;
- k) approval for the opening of the representative office of Tirana Bank sh.a. in the Republic of Kosovo;
- l) approval for signing of agreements with third parties for American Bank of Investment sh.a.;
- m) approval for the settlement of subordinated debt of Credins Bank sh.a.;
- n) approval for the reduction of the capital of Tirana Bank sh.a.

2. Non-bank financial institutions, microcredit financial institutions and electronic money institutions

The Bank of Albania's decisions relating to non-bank financial institutions, microcredit financial institutions and electronic money institutions during 2021 included:

- a) granting the licence to "PAYSER", sh.p.k., to conduct the activity as an electronic money institution;
- b) granting the licence to "eReja", sh.p.k., to conduct the activity as an electronic money institution;
- c) granting the licence to "RPAY", sh.p.k., to conduct the activity as an electronic money institution;



- d) granting the licence to "SOFT & SOLUTION", sh.p.k., to conduct the activity as an electronic money institution;
- e) granting the licence to "ANTIGONE FINANCIAL ENTERPRISE" sh.p.k. As non-bank financial institution to conduct the activity of leasing;
- f) preliminary approval for the appointment /re-assignment of nine administrators of non-bank financial institutions; 6 chairs of steering councils; and 5 head of control committees of non-bank financial institutions;
- g) approval for the 100% ownership (direct) of capital shares of the microcredit financial institution "Kredo Finance" sh.p.k. by the AS "NF Capital", Latvia;
- h) approval of ownership by Çalik Holding A.Ş., Turkey of the qualifying holding (indirect, at 29.98%) in the capital of the non-bank financial institution "ALBANIA LEASING" sh.a.;
- i) approval of ownership by Moscopole Inc. USA of 80% qualifying holding (direct) in the capital of non-bank financial institution "Tranzit" sh.p.k.

3. Savings and Loan Associations and Unions of Savings and Loan Associations

Within the scope of the licensing function the Bank of Albania's decision making on savings and loan associations (SLAs) and unions of savings and loan associations during 2021 consists in:

- a) licensing the Saving and Loan Association "RRUSHKULL ONE";
- b) licensing the Saving and Loan Association "FAST CREDIT ALBANIA";
- c) approval of 4 chairs of steering councils, 5 chairs of heads of audit committees, and 4 administrators of savings and loan associations.

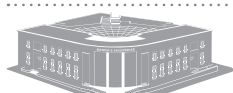
4. Foreign Exchange Bureaus

Within the scope of the licensing function, in relation to foreign exchange bureaus, the Bank of Albania decided to:

- a) licensing 41 new foreign exchange bureaus;
- b) revoking the license of 23 foreign exchange bureaus due to the discontinuation of the activity.

5. Other

As at end 2021, banks operate through 421 branches/agencies, across the territory of the Republic of Albania. Chart 2 shows the number of branches and their changing trends over years.

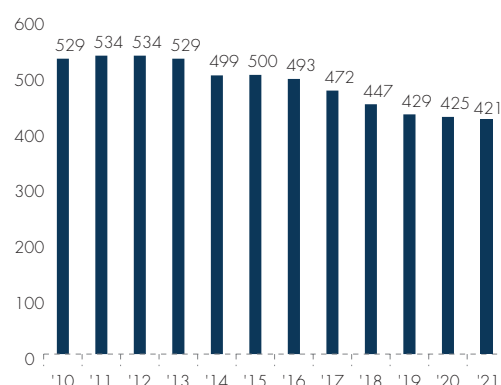


In 2021, 2 new branches of banks were opened and 6 branches and existing agencies were closed, thus driving the number of bank branches and agencies down by 4 compared with the previous year.

The geographical distribution of bank branches/agencies include almost the entire territory of Albania, while a great concentration of branches and agencies is located in Tirana (42.99%), where the population concentration is greater as well (31.92%). Likewise, the distribution of bank branches/agencies by prefectures is also in proportion with the population.

During 2021, despite the situation created by the COVID-19 pandemic, applications to conduct foreign exchange activities continued. At the end of 2021, a total of 556 foreign exchange bureaus were operating in the foreign exchange market.

Chart 2 Number of bank branches/agencies, over years



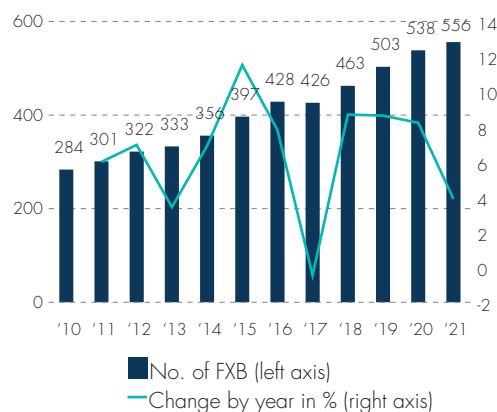
Source: Bank of Albania

Chart 3 Resident population and bank branches and agencies' network, by region in 2021 (in %)



Source: Bank of Albania and INSTAT

Chart 4 Foreign exchange bureaus, over the years



Source: Bank of Albania

In compliance with the requirements laid down in the legal framework in force, NBFIs and e-money institutions may conduct the activity of payment and money transfer services and/or funds distribution and repayment. In the case of e-money institutions this may be done even through agents. As of the end of 2021, the number of these entities' agents was 1,409. Meanwhile, the Albanian Post conducts the activity of electronic money institution and the services of payments and transfer of money through post offices across the territory of Albania.



Table 2 Number of NBFIs' agents and number of e-money institutions as at end-2021

	AK-INVEST	FINANCIAL UNION TIRANA	EASYPAY	RAEA FI- NANCIAL SERVICES	TOTAL
Agents conducting the activity of money transfer on behalf of NBFIs	286			117	403
Agents of an e-money institution		581	425		1006
Total	286	581	425	117	1,409

Source: Bank of Albania.



7 RISKS IN THE BANKING SYSTEM AND NONBANK FINANCIAL INSTITUTIONS

7.1 BANKING SYSTEM HIGHLIGHTS

The most important indicator of supervision, the capital adequacy ratio (CAR), at the end of 2021, stood at 18.02%⁸. This ratio shows a fall of 0.30 percentage point, compared with the same period in the previous year.

As at end of 2021, the non-performing loans ratio (NPLR) dropped by 2.46 percentage points, in annual terms, to 5.65%. At the end of 2021, the non-performing loans reached at ALL 37.9 billion. Meanwhile, the loan portfolio increased by ALL 62.12 billion, or 10.28% during this year.

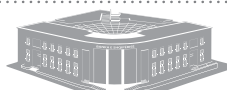
Profitability indicators, Return on Average Assets (RoAA) and Return on Average Equity (RoAE), respectively, increased compared with 2020. At the end of 2021, RoAA stood at 1.31% while RoAE stood at 12.89% from 1.10% and 10.41%, respectively at the end of 2020.

The following are banking system highlights for 2021

1. Net outstanding non-performing loans to total credit portfolio stood at 1.8%, down by 1.05 percentage points compared with December 2020;
2. The non-performing loans ratio (NPLR) dropped by 2.46 percentage points in annual terms, to 5.65 % at the end of 2021.
3. Provisioning of NPLs was 68.6%, from 65.2% a year earlier.
4. The liquidity continuously appeared significantly above the regulatory requirement laid down in the Bank of Albania's regulatory acts. In December 2021, liquid assets ratio to short-term liabilities in the banking system was 45.4%⁹, down by 2 percentage point from the previous year.
5. Liquidity coverage ratio stood at 391% form the regulatory limit of 100%. This ratio started to be reported in March 2020.
6. In December 2021, total value of deposits in the system amounted ALL 1.433 billion, recording 10.25% annual growth from the previous year. The share of the domestic currency in total deposits decreased to 41.1%, from 49.5% in ember 2020;
7. At the end of 2021 the capital adequacy ratio – the main supervision

⁸ Data for 2020 in this Report may be different from those reported in the Annual Supervision Report 2020, due to the corrections of the data reported from banks and other licensed entities, as a result of the auditing processes which drive to the correctness of calculations.

⁹ The minimum required level for this indicator, as laid down by the regulatory requirements, is 20%.

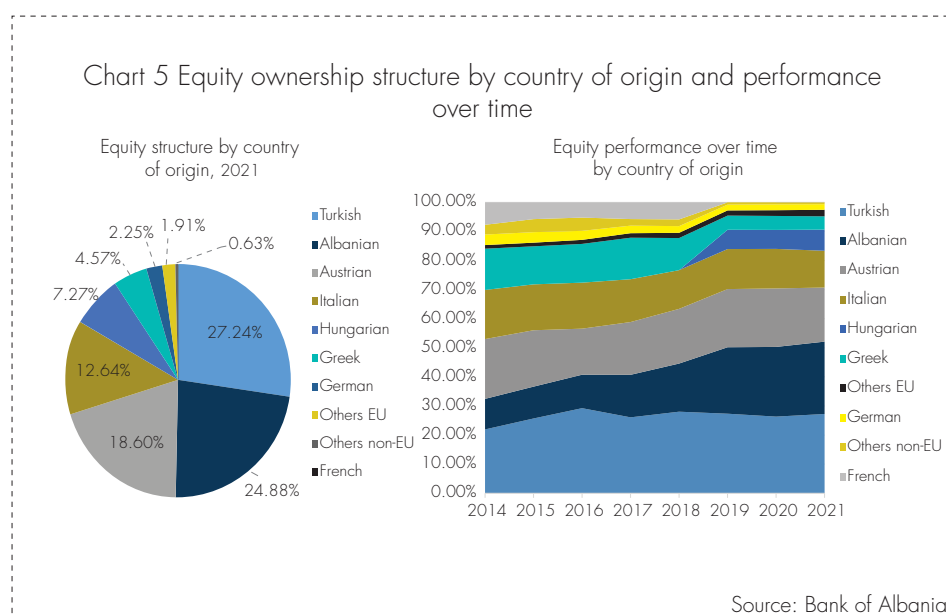


indicator – was reported at 18.02%, slightly down by 0.30 percentage point, compared with the same period in the previous year.

8. The banking system's profit was positive in 2021, at ALL 21.63 billion or ALL 5.13 billion higher than in 2020.

7.2 CAPITAL OWNERSHIP STRUCTURE BY COUNTRY OF ORIGIN

The shareholders capital of the banking system reached ALL 175.78 billion, up by around ALL 11.44 billion, or 6.96% against the previous year. Foreign capital continues to dominate the capital structure. At the end of 2021, foreign capital accounted for around 75.12% of paid-in capital in the banking system, down by around 0.92 percentage points from the end of 2020.



7.3 BANKING SYSTEM STRUCTURE

7.3.1 ASSET AND LIABILITY STRUCTURE

During 2021, banking system assets grew by around ALL 192.97 billion or 12.21%, compared to the ALL 105.27 billion or 7.13% growth a year earlier. The loan portfolio increased by ALL 62.12 billion, or 10.20% during this year.

The banking system's share in the economy, measured by the ratio of total assets to the Gross Domestic Product (GDP), continued to remain at high levels, even though, in 2021, the indicator has been decreasing by 4.51 p.p. to of 93.84%. Meanwhile, the loan to Gross Domestic Product ratio fell due to the growth of GDP against the increase in the loan portfolio.

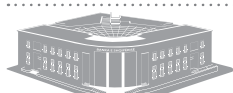


Table 3 Banking system total assets and loan portfolio's share in GDP

Indicators:	2016	2017	2018	2019	2020	2021
Total assets (in ALL billion)	1,407.29	1,445.33	1,453.45	1,475.55	1,580.82	1,773.79
Total assets/GDP (in %)	95.05	92.50	89.38	87.92	98.35	93.84
Total loans/GDP (in %)	40.55	38.46	35.71	34.31	37.87	35.50

Source: Bank of Albania.

The following provides highlights of the banking system's asset structure, compared to the same period in the previous year:

- Increase in treasury and interbank operations by ALL 24.11 billion or 5.14%, which mainly stems from the increase in relations with other banks by ALL 13.93 billion or 7.34%. Meanwhile, relations with the central bank also increased by ALL 7.35 billion or 4.10% and treasury bills fell by ALL 2.73 billion or 3.89%.
- Increase in transactions with customers (net) by ALL 68.44 billion (or by 11.92%).
- Increase in security transactions (net) by ALL 101.16 billion (or 21.10%).
- Decrease in other assets by ALL 0.58 billion (13.22%).
- Increase in fixed assets by ALL 2.45 million (2.39%).

Table 4 Key banking system asset items

Indicators:	December' 2020			December' 2021		
	Amount*	Share**	Change %***	Amount*	Share**	Change %***
1. Treasury and interbank transactions	468.9	29.7	(0.3)	493.0	27.8	5.14
Of which	-					
- Transactions with the central bank	179.3	11.3	37.1	186.7	10.5	4.10
T-bills	70.3	4.4	(5.1)	73.0	4.1	3.89
- Transactions with other banks	189.9	12.0	(20.6)	203.9	11.5	7.34
2. Transactions with customers (net)	574.2	36.3	0.1	642.6	36.2	11.92
3. Security transactions (net)	479.3	30.3	18.5	580.5	32.7	21.10
4. Other assets	26.7	1.7	3.9	23.2	1.3	(13.22)
5. Fixed assets	24.5	1.5	4.0	25.1	1.4	2.39
Total assets	1,580.8	100.0	7.1	1,773.8	100.0	12.21

Source: Bank of Albania.

Note: Items 1, 2, 3 in this table include accrued interest.

* in ALL billion

** in % to total assets

*** in % to a year earlier

The following provides the banking system's liability structure highlights, compared to the same period in the previous year:

- Increase in transactions with customers by ALL 146.96 billion (11.46%). This increase was arising from the following:
 - increase in private sector by ALL 139.12 billion or 10.96%;
 - increase in public administration by ALL 7.84 billion or 60.07%;
- Increase in permanent resources by ALL 13.72 billion or 7.37%;
- Increase in treasury and interbank transactions by ALL 25.85 billion or 29.75%;
- Increase in other liabilities by ALL 6.96 billion or 39.57%.



Table 5 Key banking system liability items

Indicators:	December'2020			December'2021		
	Amount*	Share**	Change %***	Amount*	Share**	Change %***
1. Treasury and interbank transactions	86.9	5.5	(1.3)	112.7	6.4	29.75
2. Transactions with customers (gross)	1,282.7	81.1	7.8	1,429.6	80.6	11.46
3. Other liabilities	17.9	1.1	36.0	24.5	1.4	39.57
4. Permanent resources	186.5	11.8	4.5	199.8	11.3	7.37
Total liabilities	1,581.5	100.0	7.2	1,773.8	100.0	12.21

Source: Bank of Albania.

* in ALL billion

** in % to total liabilities

*** in % to a year earlier

During 2021, the share of off-balance sheet items in total assets increased reaching at 130.59%, from 109.51% at the end-2020. Off-balance sheet items increased in value as well as in weight to total assets. Table 6 shows that the annual growth during this year was driven by the growth in both "commitments received" and "commitments granted" items. Foreign currency transactions have also increased. The commitments received have the main share in off-balance sheet items, accounting for 91.67%, from 88.14% at the end of 2020.

Table 6 Change in off-balance sheet items compared to the previous year

Indicators:	Change from previous year			Change from previous year		
	December '20		Dec. '20	December '21		Dec. '21
	In ALL bln	In %		In ALL bln	In %	
Total	82.1	5.0	1,731.2	585.2	33.8	2,316.4
Commitments granted	1.3	0.7	175.8	25.3	14.4	201.2
Of which:			0.0			
- Financing commitments	4.1	8.2	54.0	8.8	16.2	62.8
- Guarantees	(0.8)	(2.0)	36.9	4.1	11.0	41.0
- Security commitments	(2.0)	(2.4)	84.9	12.5	14.7	97.4
Commitments received	87.7	6.1	1,525.8	536.5	35.2	2,062.3
Of which:			0.0			
- Financing commitments	-0.1	-1.8	2.9	0.9	30.2	3.8
- Guarantees	84.6	5.9	1,516.6	534.6	35.3	2,051.2
Foreign currency transactions	-6.1	-25.8	17.5	2.6	15.0	20.1
Other commitments	-0.1	-4.3	2.8	-0.2	-5.4	2.6
Commitments for financial instruments	-0.6	-6.5	9.3	20.9	226.1	30.2

Source: Bank of Albania.

7.3.2 CONCENTRATION

Concentration indicator, as measured by the Herfindahl index calculated for total credit and deposit registered the same level of 2020, while the total assets index decreased by 0.01 p.p. All three indicators show low levels.

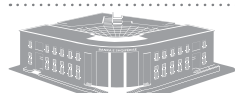


Table 7 Herfindahl (H)¹⁰ Index of asset, deposit and loan concentration

Indicators	2016	2017	2018	2019	2020	2021
Index H (assets)	0.15	0.15	0.16	0.15	0.15	0.14
Index H (deposits)	0.14	0.15	0.15	0.15	0.15	0.15
Index H (loans)	0.13	0.13	0.13	0.12	0.12	0.12

Source: Bank of Albania.

* The values of this indicator fluctuate between 0 and 1. Values closer to 0 show low levels of concentration.

7.4 MANAGEMENT OF BANKING ACTIVITY RISKS

7.4.1 CREDIT RISK

7.4.1.1 Lending

Total credit increased by ALL 62.12 billion or about 10.28% in 2021.

Table 8 Quarterly credit growth in 2021

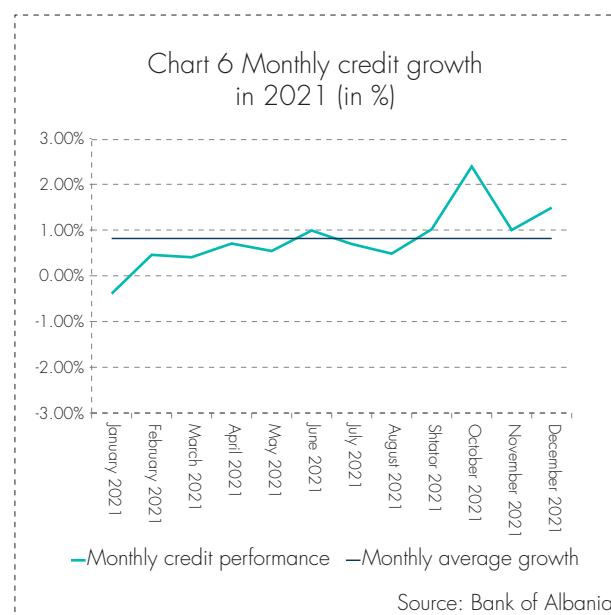
Quarterly credit growth	Q I	Q II	Q III	Q IV
In million ALL	2,879.45	13,779.48	13,829.41	31,632.38
In %	0.47	2.25	2.21	4.95

Source: Bank of Albania.

In January 2021, there was a decrease in the loan portfolio by ALL 2.37 billion (0.39%). In the other months of the year, the credit portfolio was up, where the highest increase was reported in October and December, by ALL 15.26 billion (2.39%) and ALL 9.84 billion (1.49%), respectively. The monthly average credit growth stood at 0.81%.

The analysis of credit by type of entity shows a higher concentration to the private sector, around 62.89%, down by 1.08 percentage points, while lending to this sector, during 2021, increased by ALL 32.50 billion (8.34%). Credit to the public sector has increased albeit at a slower pace, by ALL 5.76 billion (29.01%). Credit to households grew by ALL 23.85 billion (11.96%), with a 0.52 percentage point higher share.

By entity and purpose of use¹¹, the analysis shows that loans for "investment for real estate" to households



¹⁰ *The values of this indicator fluctuate between 0 and 1. Values closer to 0 show low levels of concentration

¹¹ Data do not include non-residents.

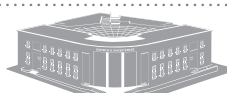
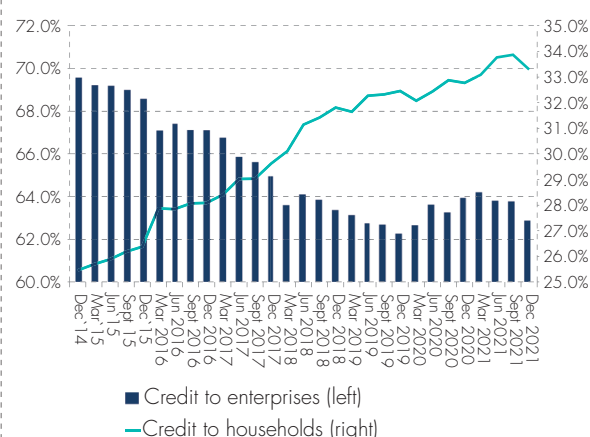


Chart 7 Outstanding credit to enterprises and households to outstanding total loans (in %)



Source: Bank of Albania

have the major share in the total credit portfolio (24.9%); followed by loans for “real estate” to enterprises (19.1%); loans for “equipment purchase” to enterprises (18.7%); and “overdrafts” to enterprises (18.5%).

In 2021, “overdraft” to enterprises reflects the highest growth by 33.6%, followed by loans for “house purchase” to households, by 14.4%. Meanwhile, only “overdraft” to households decreased by 0.5%.

Table 9 Credit by sector and purpose of use (in ALL billion and share of each to total loans)

Description	Dec. 2020	Share in %	Change in % Dec. 2019 - Dec. 2020	Dec. 2021	Share in %	Change in % Dec. 2020 - Dec. 2021
Total loans	584.6	100.0	7.0	638.3	100.0	9.2
Credit to enterprises	370.4	63.3	10.3	416.3	71.2	12.4
Overdraft	81.0	13.9	(4.5)	108.2	18.5	33.6
Working capital	72.0	12.3	15.4	77.1	13.2	7.0
Equipment purchase	102.2	17.5	15.7	109.1	18.7	6.7
Real estate	102.2	17.5	13.8	111.6	19.1	9.2
Other loans	0.4	0.1		0.5		
Credit to households	199.1	34.1	6.8	222.0	38.0	11.5
Overdraft	7.4	1.3	(1.4)	7.4	1.3	(0.5)
Non-durable goods	30.8	5.3	(1.4)	33.3	5.7	8.3
Durable goods	21.2	3.6	13.1	23.1	4.0	8.8
Real estate loans	127.2	21.8	8.9	145.6	24.9	14.4
Loans for other purposes	12.3	2.1	23.3	12.5	2.1	1.2

Source: Bank of Albania.

Note: Data in the table refer only to resident customers and do not include accrued interests.

The structure of loans by term to maturity has changed from the previous year showing a decline in the share of medium-term loans in favour of short-and-long-term loans. As at the end of 2021, the latter has the main share in the total credit portfolio, followed by short-and-medium-term loans.

Table 10 Structure of outstanding credit by term to maturity (in %)

Term to maturity	Dec. 2020	March 2021	June 2021	Sept. 2021	Dec. 2021
Short-term	20.9	20.2	20.1	20.2	21.1
Medium-term	16.0	15.2	15.4	15.2	14.7
Long-term	59.2	60.5	61.0	60.7	60.0

Source: Bank of Albania.

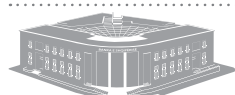
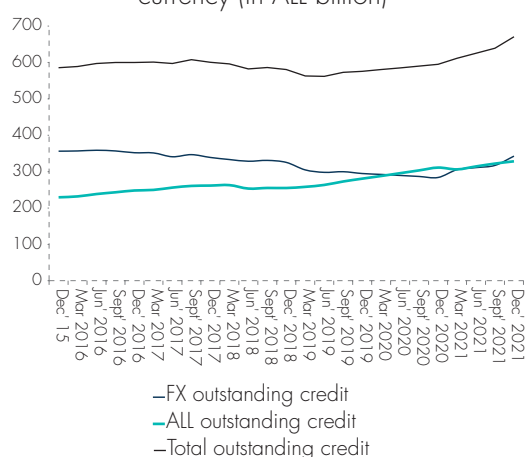
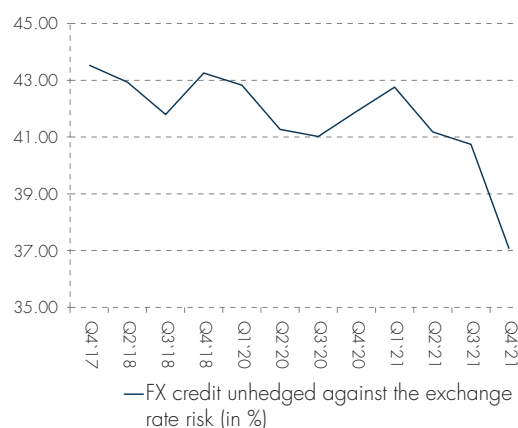


Chart 8 Volume of outstanding credit by currency (in ALL billion)



Source: Bank of Albania.

Chart 9 Share of unhedged foreign currency loans, against the exchange rate risk, in total foreign currency loans (in %)



Source: Bank of Albania.

In 2021, the credit portfolio by currency shows that loans in foreign currency continue to have the highest share in total loans by 51.1% at the end of 2021, the share of loans in foreign currency to total credit portfolio increased by 0.80 percentage points, compared to the same period in the previous year.

Table 11 Structure of outstanding credit by currency (in %)

Currency	December 2018	December 2019	December 2020	December 2021
Lek	43.9	48.8	49.7	48.9
FX	56.1	51.3	50.3	51.1

Source: Bank of Albania.

In 2021, the share of foreign currency loans unhedged against the exchange rate risk to total credit portfolio in foreign currency¹², compared to the previous year, decreased by 4.8 p.p. standing at 37.06%.

The structure of credit by sectors of the economy¹³, for 2021, shows some minor changes, reflecting higher lending to enterprises compared to households. "Wholesale and retail trade" and "Repair of vehicles and motorcycles" remain the most credited sectors of the economy, sharing 41.7% in the portfolio, followed by "Construction" and "Processing industry" sharing 19.6% and 16.7% in the portfolio, respectively.

¹² The credit unhedged against the exchange rate risk is defined in Bank of Albania's Regulation, No. 62, dated 14.09.2011 "On credit risk management", Article 4, paragraph 2 (c).

¹³ Data do not include non-residents.



Table 12 Credit by branches of economy (by value and share to total credit)

Description	December 2020		December 2021	
	Value	Share in %	Value	Share in %
Enterprises	355.9	64.1	395.2	63.9
Agriculture, Forestry, Fishing	4.9	1.6	6.7	2.1
Extracting industry	11.6	3.7	11.3	3.6
Processing industry	52.0	16.4	53.0	16.7
Electricity, gas supply, steam and air conditioning	27.4	8.6	33.3	10.5
Water supply, waste management activities	0.2	0.1	1.2	0.4
Construction	50.1	15.8	62.3	19.6
Wholesale and retail trade; Repair of vehicles and motorcycles	122.2	38.5	132.4	41.7
Transportation and storage	9.9	3.1	6.6	2.1
Accommodation and food services	21.2	6.7	30.9	9.7
Information and communication	2.4	0.7	10.2	3.2
Financial and insurance activities	1.7	0.5	2.3	0.7
Real estate activities	5.2	1.6	6.9	2.2
Professional, scientific and technical activities	1.4	0.4	1.7	0.5
Management and supporting services	2.9	0.9	2.9	0.9
Public management and defence; Obligatory social security	0.0	0.0	0.2	0.1
Education	4.5	1.4	6.0	1.9
Healthcare and social work activities	6.1	1.9	4.9	1.5
Art, recreation and relaxation	1.0	0.3	0.9	0.3
Other service activities	29.3	9.2	20.1	6.3
Households' activities as employers; Activities of output of invariable goods and services of households for their own use	0.9	0.3	0.6	0.2
Activities of international organisations and bodies	0.9	0.3	0.8	0.3
Households	199.5	35.9	223.4	36.1
Total	555.5	100.0	618.6	100.0

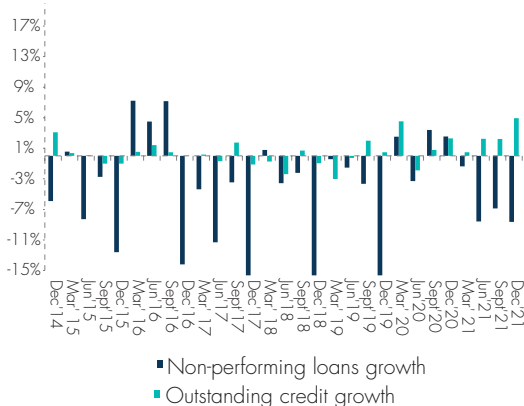
Source: Bank of Albania.

Note: Data in the table refer only to resident customers and do not include accrued interests.

7.4.1.2 Assets quality

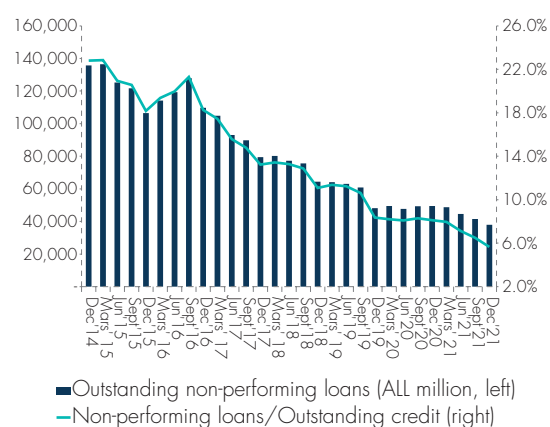
As at end-2021, non-performing loans reached at ALL 37.9 billion, down by ALL 11.5 billion, or 23.27% compared with the previous year. Non-performing loans ratio declined by 2.46 percentage points, in annual terms, standing at 5.65% at end of 2021.

Chart 10 NPLs portfolio and credit portfolio compared to the previous quarter (in %)

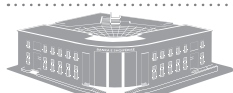


Source: Bank of Albania

Chart 11 Outstanding NPLs in the banking system



Source: Bank of Albania



Net outstanding non-performing loans to total loan portfolio stood at 1.8%, down by 1.05 percentage point compared with December 2020.

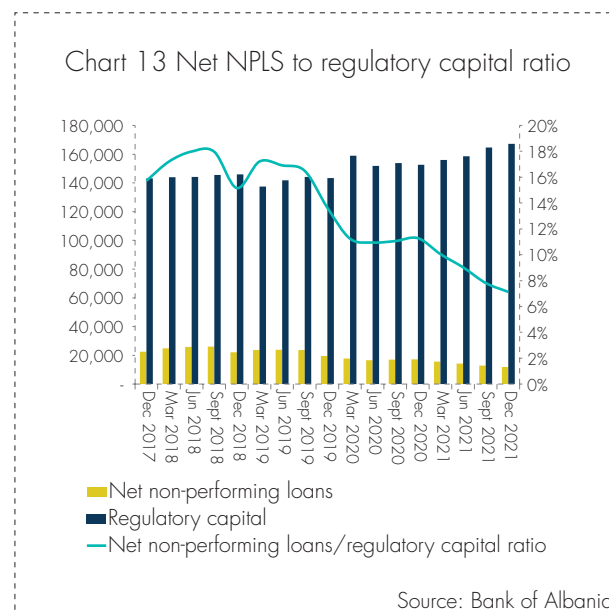
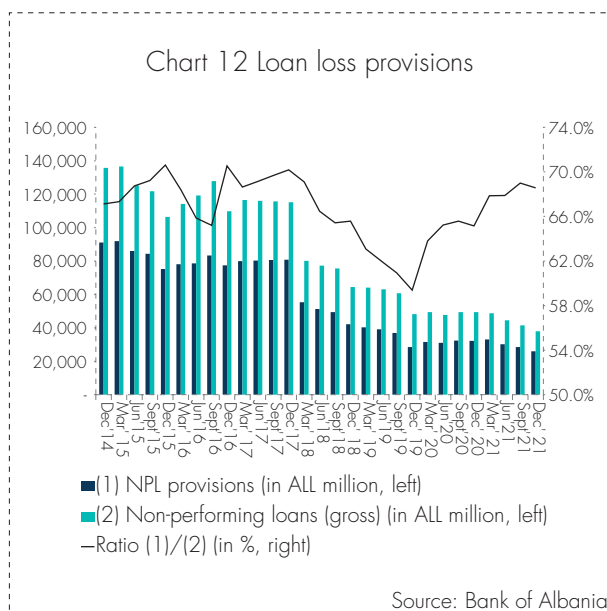
The portfolio of performing loans shows: "standard" loans grew by 2.66 percentage points, while the share of "special-mention" loans fell by 0.16 percentage points. Meanwhile, the portfolio of non-performing loans shows a decrease in "substandard", "doubtful" and "lost" loans by 0.80 p.p. 0.9 p.p., and 0.8 p.p., respectively.

Table 13 Share of outstanding credit by category (in %)

Classification	2020				2021			
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Standard loans	92.8	88.4	86.8	87.7	87.7	89.6	89.6	90.4
Special mention loans	1.1	3.5	4.8	4.1	5.8	3.3	3.9	3.9
Sub-standard	2.2	2.3	2.5	2.3	1.5	2.0	1.8	1.5
Doubtful loans	0.5	2.0	1.9	2.1	0.5	1.5	1.3	1.2
Loss loans	3.4	3.9	4.0	3.8	4.4	3.7	3.5	3.0

Source: Bank of Albania.

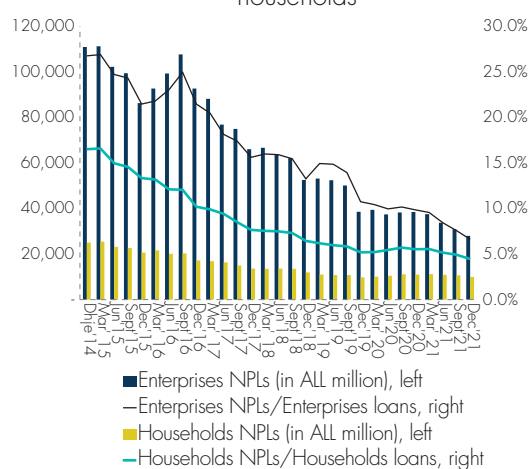
Loan loss provisions amounted to ALL 25.99 billion, down by around ALL 6.20 billion from the previous year. Whereas, the "loan loss provisions to non-performing loans" was 68.6%, around 3.4 percentage points higher over the scope of one year.



The share of net NPLs to regulatory capital fell by 4.16 percentage points compared to the previous year, showing an increase in the system's capability to cover with capital the losses that may rise from loan deterioration. The indicator improved due to the decrease of non-performing loans and increase of regulatory capital.



Chart 14 Outstanding NPLs to enterprises and households



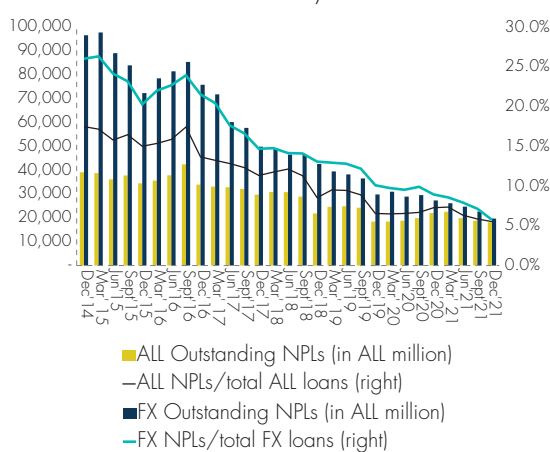
Source: Bank of Albania

Regarding the credit quality by type of entity, the non-performing loans ratio for enterprises decreased by 3.23 percentage points, standing at 6.63%, while for households it decreased by 1.07 percentage points compared to the previous year, standing at 4.45%.

By currency, the non-performing loans portfolio ratio in lek was lower by 5.55% (7.29% at the end of the previous year) compared with the foreign currency portfolio by 5.75% (8.93% at the end of the previous year).

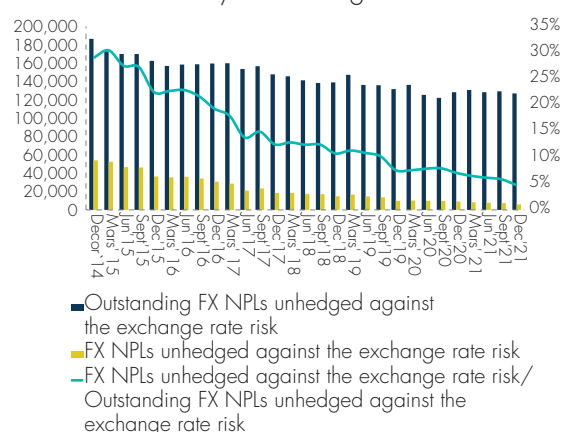
The indicator of foreign currency non-performing loans unhedged against the exchange rate risk is 4.72%, down by 2.36 percentage points from the end of 2020. This decline was attributable to the decrease of foreign currency non-performing loans by 27.94% and the decrease of foreign currency unhedged outstanding credit against the exchange risk by 33.92%.

Chart 15 Outstanding non-performing loans by currency



Source: Bank of Albania

Chart 16 Quarterly unhedged foreign currency NPLs to unhedged foreign currency outstanding credit



Source: Bank of Albania

The data reported shows that the major share of the loan portfolio (78.6%) was collateralized, down by 1.61 percentage points from a year earlier (80.3%). By type of collateral, the largest share of loans in the system, around 54% was collateralized by real estate. Loans to households had a higher rate of collateralization with real estate, at 78%, compared to loans to enterprises, at 46%.

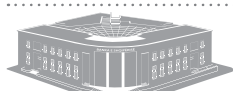


Table 14 Type of collateral by sector and currency (in %)

December 2021								
Households			Enterprises			Total		
Total	ALL	FX	Total	ALL	FX	Total	ALL	FX
78%	59%	76%	46%	43%	47%	55%	50%	54%
4%	3%	5%	3%	2%	3%	3%	3%	3%
9%	5%	11%	34%	41%	29%	27%	25%	25%
30%	33%	8%	17%	13%	20%	21%	22%	18%
100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Bank of Albania.

The Bank of Albania conducts stress-tests to measure a bank's capital resilience to risks facing the banking activity. Analyses show that the current level of the banking system capital is sufficient to withstand a relatively high level of losses, which may arise from exposure to credit risk. This ability of the capital to withstand any potential losses was constant throughout 2021.

7.4.2 LIQUIDITY RISK

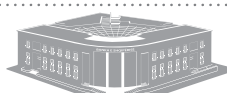
In 2021, the overall liquidity situation in the banking system continued to prove stable, reflecting a relatively low exposure to liquidity risk. Steady growth of deposits, as the main financing contributor to banks' activity, a level of liquidity two times higher than the regulatory minimum (calculated as the ratio of liquid assets to short-term liabilities), a low credit to deposits ratio and the ability of the system to generate liquidity in the event of materialisation of extraordinary situations, provide an adequate framework for protection against liquidity risk.

Liquidity indicators continuously appear significantly above the ratios set out in the Bank of Albania's regulatory acts. In December 2021, the ratio of liquid assets to short-term liabilities in the banking system was 45.4%¹⁴, down by 2 percentage points, compared with the same period in the previous year. The decrease was mainly attributable to the different rate of growth between liquid assets and short-term liabilities. Liquid assets grew by 7.2%, whereas short-term liabilities by 11.9%. The main changes in liquid assets results in the increase of investments oriented towards "T-bills and securities issued by the Albanian Government," and short-term investments, such as "current accounts" and "deposits with residual maturity up to 7 days with banks or financial institutions."

In December 2021, the liquidity in foreign currency, stood at 32.1%¹⁵ (from 32.6% in December 2020), owing to the lower increase of liquid assets in foreign currency against the increase of short-term liabilities in foreign currency. The changes in foreign currency indicator are in the same line with total changes, but the increase in "current accounts" and "time deposits with a residual maturity term of up to 7 days" was higher than investments. Liquid

¹⁴ The minimum required level for this indicator, as laid down by the regulatory requirements, is 20%.

¹⁵ The minimal level of indicator in lek, in accordance with regulatory requirements is 15%, whereas the one in foreign currency is 20%.



assets in lek remain the main support of liquidity at 61.2% of total liquid assets (63.3% of total liquid assets in December 2020).

The Liquidity Coverage Ratio (LCR)¹⁶ stood at 391%, which is mainly determined by the lek indicator. Broken by currency, the indicator in lek is 427%, or several times higher than the one of significant foreign currencies, which stands at 156%. This is as a result of the structure of liquid assets that are dominated by securities in lek of the Albanian Government.

7.4.2.1 Banking system deposits¹⁷

Customer deposits remain the main source of financing for the Albanian banking system, sharing 80.8% (81.3% in December 2020) of total liabilities. In December 2021, the total value of deposits in the system amounted to ALL 1.433 billion, recording 10.25% annual growth from the previous year. The share of the domestic currency in total deposits decreased to 41.1%, from 49.5% in December 2020. The maturity structure shifted to short-term maturities, given that the share of current accounts and demand deposits increased, whereas time deposits shrank relatively, driven by the continuous downward of interest rates in the market.

7.4.2.2 Concentration of deposits

In December 2021, ten largest depositors accounted for 6.8% of the banking system's total deposits, from 5.2% in December 2020. The other groups of larger depositors show a similar expanding performance¹⁸.

Households' deposits remain the main base of banking system's deposits, with a share of 80.05% of total deposits, though down by around 2.4 percentage points, compared to the previous year. During 2021, enterprises' accounts grew faster than households' accounts (25.2% and 8.1%, respectively).

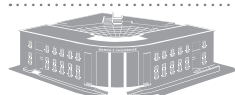
7.4.2.3 Loan to deposit ratio

The loan to deposit ratio, in December 2021, was 45.39% (December 2020: 47.33%) and reflects a structure of asset-liabilities that facilitates liquidity management and provides potential lending incentives. During 2021, the

¹⁶ The indicator was officially reported for the first time in March 2020, following the entry into force of the Regulation No. 27 "On liquidity coverage ratio" approved on March 28, 2019. This indicator is calculated as a ratio between liquidity reserve (and liquid assets) and net outflow. Net outflows are calculated as the difference between incoming and outgoing flows, save that incoming flows are less than 75% of outgoing flows. If incoming flows are greater than 75% of outgoing flows, then the ceiling of inflows is applied. No higher than 75%. The minimum regulatory limits for the LCR are 100% of the total of all currencies and 50% of significant foreign currencies.

¹⁷ Deposits refers to all sources from clients, including current accounts, time deposits, demand deposits and other accounts, except when otherwise specified.

¹⁸ 20 Larger depositors: 9.0% in 2021, from 7.19% in 2020. 50 Larger depositors: 12.2% in 2021, from 10.42% in 2020.



ratio reduced slightly due to the different growth rates of credit portfolio and total deposits (credit portfolio grew at a slower pace against deposits). This ratio maintains a balance between domestic and foreign currencies, with a slight contraction against the previous period (foreign currency: 47.54% from 46.15%).

7.4.2.4 Liquid assets of the banking system

During 2021, liquid assets grew by ALL 39.8 billion, or 7.2%. The increase is mainly a result of the investment portfolio of banks in securities of the Albanian Government and the channelling of funds in current accounts and deposits with residual term to maturity up to 7 days with financial institutions and banks.

Total liquid assets of the banking system amounted to ALL 590.3 billion, in December 2021. Government securities have the main share in their structure (by 54%, from 54.3% in December 2020).

7.4.2.5 Other financial sources

Other financial sources in the banking system have a relatively low share in total liabilities, about 6.36%, contracting slightly during the year (December 2020: 6.63%). Liabilities to financial institutions and repurchasing agreements had the main share in this item.

7.4.2.6 Stress tests

Stress tests, which assume various scenarios of unpredictable events and factors that may have a negative impact on liquidity, have shown that all banks may successfully withstand such situations.

7.4.3 MARKET RISKS

The overall situation of the banking system's exposure to market risks remained at relatively low levels over 2021 as well. For the assessment of market risks, the trading book and the banking book include indicators (risk factors) of exposure to: **change of interest rate in the banking book; exchange rate risk** in all the balance sheet items; the position risk (specifically **change of interest rate in the tradable and non-resident placement portfolio**), and the capital buffers to cover potential losses from these risks.

The capital requirement for market risk at system level constitutes only 3.24% of the total capital requirement. This exposure arises mainly from the exchange rate risk as the trading portfolio is at very low levels¹⁹.

¹⁹ Capital requirement consists of 1.83% exchange rate risk and 1.4% debt securities position risk.



Market risk originating from the exposure to interest rate risk - measured as the change of exposure value in the banking book after the standard shock in the interest rate to regulatory capital – during the year, reflects an averagely low risk of the structure of re-priced assets and liabilities in the banking system. In December 2021, the value of this indicator was 9.35%, compared to 9.26% in December 2020²⁰. Certain banks show a divergence from the average, due to the changes in the average maturity of the credit portfolio and investments in securities, which however remain well within regulatory limits.

Market risk originating from exposure to the exchange rate - assessed from the dynamic of open position in foreign currencies - continues to be low and this behaviour dominated throughout the annual period. In December 2021, the banking system's exposure to exchange rate risk was "long", at ALL 15.4 billion, accounting for 9.20% of the banks' regulatory capital²¹. These levels are far from the regulatory limit.

Market risk in the **trading portfolio** for the banking system is rather low showing an upward dynamic. This risk was assessed as such throughout the analysed annual performance. Trading portfolio at system level appears rather low against total assets (0.64% in December 2021, from 0.5% in December 2020). Market risk originating from **interest rate in non-resident trading portfolio of placement** (non-resident portfolio of placement bears market risk factors) is assessed at low levels against total assets.

Stress tests for the exchange rate risk, using various shock scenarios from the exchange rate, show that both the banking system as a whole and individual banks would be able to successfully withstand such situations.

7.4.4 OPERATIONAL RISK

Based on the gross annual losses in 2021, the performance of exposure to operational risk continues the positive trend, significantly improving compared to 2020 due to the considerable fall of annual gross losses.

In 2021, banks reported around ALL 139 million annual gross losses, compared to ALL 439 million in 2020. The fall in the level of losses in 2021 is due to the lack of significant and consequential events, such as the robberies that occurred in the previous periods and the expenses incurred on account of the pandemic, which took place throughout 2020.

Exposure to operational risk improved during 2021, as the capital requirement for this risk increased by 14.9%, whereas operational losses fell by 68%.

²⁰ The maximum permitted level for this indicator, in accordance with regulatory requirements, is 20%.

²¹ The maximum permitted level for this indicator, in accordance with regulatory requirements, is 30%.



7.4.4.1 Information and Communication Technology

In 2021, the situation of the banking system appears satisfactory, as it has successfully overcome the challenges of the pandemic faced in the previous year, including the risks and threats during remote working.

Banks have ensured business continuity, while focusing on improving the IT infrastructure through reviewing and updating the information safety programs, as well on their continuation plans driven partially by difficulties/issues encountered in practice.

The uncertainties on technical matters experienced in the previous year related to remote working, were significantly minimised due to the improvement of quality and safety of operational services as well.

Special attention has been paid to the continuous monitoring of information safety events, through improving the quality of handling and response towards them. A value added to the banking system was the additional staff training on awareness-raising and managing new threats of information safety, orienting the last user how to exercise more responsibility as regards the appropriate use of information systems.

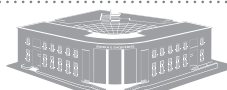
7.4.5 REPUTATIONAL RISK

Reputational risk - the risk that may harm banks and financial institutions immediately - has the following key assessment elements: reasonable doubts about the involvement or use of financial institutions for money laundering/terrorism financing; lack of transparency with clients; failure to comply with working conditions, contractual terms, etc.

7.4.5.1 Anti- money laundering and countering the financing of terrorism

During 2021, banks and financial institutions have made positive efforts in terms of anti-money laundering and countering the financing of terrorism (AML/CFT). Overall, on-site examinations, carried out during 2021, identified that, regarding AML/CFT risk management issues, banks paid adequate attention and increased their efforts for the appropriate management of AML/CFT risk, in compliance with the legal, regulatory and internal regulatory requirements in this field.

The issues identified belong to the following typologies: the regulatory framework, the due diligence and enhanced due diligence, dependence on third parties. In particular, banks have in place adequate structures and systems in this regard and have increased the effectiveness of preventive measures, which is reflected in an increase in the number and quality of Suspicious Activity Reports.



For the supervision of this risk, the Bank of Albania has also closely cooperated with the responsible authority, the General Directorate for the Prevention of Money Laundering, through conducting joint inspections, exchanging information, coordinating administrative measures, coordinating reporting to international organizations, training etc. The cooperation has continued with the Ministry for Europe and Foreign Affairs through the distribution to licensed institutions, of UN Security Council resolutions and Council of Ministers' decisions on sanctions and updates to the list of those that finance terrorism and of international sanctions.

This year supervision continued to focus mainly on areas, such as:

- policies and procedures;
- centralized structures and systems;
- identification of the beneficiary and the controlling ownership structure of the client;
- quality of suspicious activity reports (SARs) and the analysis of complex and unusual transactions that have been carried out or are being attempted;
- categorizing clients and transactions according to the risk level;
- implementation of legal obligations;
- internal audit systems;
- effective risk management arising from money laundering/financing of terrorism.

In 2021, in total, 109 on-site examinations were carried out in financial institutions focusing on ALM/CFT issues, specifically in:

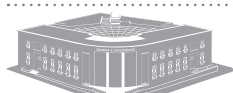
- o 5 banks;
- o 13 non-bank financial institutions;
- o 1 Savings and Loan Association;
- o 99 foreign exchange bureaus. The process of checking the implementation of recommendations was realised in 15 foreign exchange bureaus, as a result of shortcomings noticed in previous examinations.

Nine on-site inspections were carried out within the framework of cooperation with the General Directorate for the Prevention of Money Laundering (GDPML), in the following entities:

- o 2 banks;
- o 6 non-bank financial institutions;
- o 1 foreign exchange bureau.

The types of problems identified in banks, mainly consisted in:

- Issues related to the internal regulatory framework and the need to improve it:



- the regulatory framework has not clarified the implementation of an annual training programme for the designated person and the employees of the responsible AML/CFT unit;
 - the regulatory framework (procedure) foresees that the final approval for the establishment of a business relationship is issued by the Director of Branch Network, following the opinion of the AML/CFT unit. The Director of Branch Network is not a senior management position;
 - the internal procedure on the measures against terrorist financing do not include the requirements laid out in the Law No.72/ 2019, dated 17.10.2019, "On the international restrictive measures in the Republic of Albania".
- Issues on Due diligence/ Enhanced Due Diligence:
 - the relationship between the issuer and receiver of funds is unclear;
 - the source of income is missing;
 - the source of funds remains mainly in the form of statement;
 - the documents (receipts) that the client deposits in banks have suspicious features (they are not signed and stamped);
 - lack of accompanying documentation for a commercial transfer;
 - using personal account for business purposes;
 - Issues on internal audit:
 - expanding the field of control as regards the implementation of international sanctions measures and international restrictive measures.
 - Issues related to training:
 - the need to provide thematic training on the implementation of measures against terrorist financing, restrictive and international sanctions measures, or to include these issues in regular training scheduled by the entity;
 - it is necessary that the training materials include: (i) the measures undertaken by the entity as regards the implementation of international sanctions (TFS), following the requirements laid out in the Law No. 72/2019 "On the international restrictive measure in the Republic of Albania"; (ii) GDPML' Guidelines "Financial sanctions related to terrorism, financing of terrorism, and financing weapons of mass destruction."

In regards to issues related to the terrorist financing risk management and the implementation of sanctions, the problems are related to the regulatory framework, the training materials, the process of verifying the last beneficiary owner with the lists, etc. More concretely, as follows:

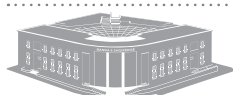
- the internal procedure on the measures against terrorist financing do not include the requirements laid out in the Law No. 72/ 2019, dated 17.10.2019, "On the international restrictive measures in the Republic of Albania."



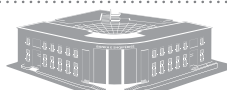
- the training materials do not include: (i) the measures undertaken by the entity as regards the implementation of the Targeted Financial Sanctions (TFS), following the requirements laid out in the Law No. 72/2019 "On the international restrictive measures in the Republic of Albania"; (ii) GDPML' Guideline "Financial sanctions related to terrorism, financing of terrorism, and financing weapons of mass destruction";
- the lists declared by the banking entities do not include the verification method for monitoring and tracking the last beneficiary owner, or the cases identified in the monitoring system.

The examinations in non-bank financial institutions (NBFIs) and in Savings and Loan Associations (SLAs) identified shortcomings in: the internal regulatory framework of AML/CFT; the structure/responsible staff; the implementation of the due diligence and enhanced due diligence; the centralised system; internal audit; the TF and TFS risk management processes; training, etc. Specific recommendations were issued regarding the identified shortcomings in order to address them in a timely manner. The types of problems in non-bank financial institutions and savings and loan associations, mainly related to:

- The internal regulatory framework:
 - the internal regulatory framework regarding AML/CFT issues has not undergone any changes and remains the same with the one identified in previous examinations;
 - failure to update the regulatory framework;
 - the regulatory framework on AML/CFT issues is not consistent with the type of activity and complexity of the entity;
 - several non-compliances of the regulatory framework with the legal framework in force;
 - the legal basis underpinning the internal regulatory framework of the entity is not complete (failure to include the Law No. 72/20219 "On the international restrictive measures in the Republic of Albania" as well as the Bank of Albania Regulation, No. 44).
- Other shortcomings related to the internal framework include the following:
 - clearly identifying the part of the structure that is responsible, the concrete steps to be taken by each employee, and the method of reporting to the designated person, as regards the fulfilment of legal obligations;
 - identifying in full the steps of the client verification process in regards to similarities with the lists and sanctions that have been published, and the measures implemented in cases of suspicion for similarities in names;
 - identifying the risk profile of the member (e.g., low risk or high risk);
 - determining the assessment of risk that derives from exposure to money laundering and terrorist financing;
 - determining the frequency of the continuous monitoring in accordance with the risk profile of the member;



- designating an annual training programme for the person responsible and the staff of the responsible structure for preventing money laundering and terrorist financing.
- The shortcomings in the process of conducting due diligence:
 - expiration of the identifying document of the member beyond the valid date and failure to update it;
 - the source of funds remains mainly in the form of statement;
 - lack of analysis on the reason behind fulfilling loan obligations before due time, accompanied by corroborating documents on the source of funds;
 - documents filed by the entity render it impossible to complete client identification;
 - the purpose of use of the loan remains obscure due to lack of corroborating documentation;
 - client's solvency is inadequate;
- The shortcomings in the process of conducting the enhanced due diligence consist of:
 - missing the verification of new and existing members who are classified as politically exposed people "PEP";
 - failure to conduct client verification (including the beneficiary owner/s) with the foreign PEP lists, due to lack of funds to invest in databases or platforms that contain such information.
- Other shortcomings related to legal and regulatory requirements:
 - errors in the reporting of Annex 3 and 4 to the Bank of Albania;
 - failure to conduct the risk assessment that springs from exposure to money laundering and terrorist financing;
 - failure to report cash transactions to the designated authority (GDPML);
 - failure to analyse and report suspicious cases;
 - refusal to establish relationship, a process that has not been accompanied by the proper reporting;
 - failure to explain the procedure that the agent must follow in order to fulfill the requirements pertaining to the extended and adequate vigilance, in the contract signed between the entity and the agent. Also, the method of checking and their periodicity have not been disclosed to the agents.
- Training:
 - absence of training for the staff on AML/CFT issues;
 - failure to draft an annual programme for training the person responsible for AML/CFT issues;
 - the entity was invited to participate in the training organised by the Bank of Albania and GDPML, but has failed to do so, without justifying their absence;
 - insufficient knowledge on the undertaken measures and management of



the AML/CFT risk.

- CFT risk management and sanctions:
 - lack of consultation on the lists of people reported in the GDPML portal, the PEP list, and failure to familiarise with the content of Law No. 72/2019, "On the international restrictive measures in the Republic of Albania";
 - lack of proof on the verification conducted against the declared or PEP lists;
 - failure to verify the (new/existing) clients with the declared lists. This process was conducted by the entity during the examination.
- Internal audit:
 - lack of an internal audit structure;
 - lack of audit on the AML/CFT issues.
- The centralised system:
 - lack of systems to the function of AML/CFT;
 - failure to categorise the client by risk;
 - lack of identification on whether the client belongs under the category which requires extended vigilance (PEP or non-resident);
 - failure to automatically conduct the verification process of the members database (new/existing) with the watchlist and PEP lists, through the integration of these lists in the system, in order to enhance their effectiveness. The system does not currently provide an automated process for the verification of watchlist, sanctions, and PEP.
- The structure and the personnel:
 - the staff employed on AML/CFT issues conducts business functions;
 - the job description fails to specify the tasks and responsibilities of the designated person, as well as those of the other employees of the entity working on the prevention of money laundering and terrorist financing.

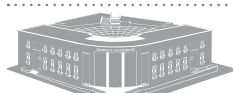
Examinations in FEBs identified shortcomings in relation to insufficient knowledge and, consequently, non-compliance with the legal/regulatory obligations regarding: (i) the implementation of Due diligence/Enhanced Due Diligence; (ii) the centralized system; (iii) training; (iv) the lack of evidence that document TF and TFS verification; (v) failure to analyse and utilize the online reporting portal of the GDPML. In addition to recommendations issued to address these shortcomings, there were also administrative measures imposed such as fines.

The problems identified at FEBs were addressed with the supervisory/administrative measures, as follows:

Fine 26 FEBs;

Warning 16 FEBs;

License revocation 12 FEBs.



The FEB cases where licenses were revoked, did not relate to AML/CFT issues, but with the on-site examination process. In this case, a disruption/cease or suspension of activity was observed.

The identified problems in the foreign exchange bureaus consisted mainly of:

- lack of an internal regulation with the purpose of anti- money laundering and countering the financing of terrorism (AML/CFT), when the activity is run from not fewer than three people;
- non-compliance with customer identification procedures, customer identification and verification of their identity and shortcomings in maintaining supporting documents of foreign exchange operations;
- non-compliance with the requirements for taking preventive measures to establish a centralized system responsible for data collection and analysis, with elements for identifying anomalies;
- insufficient knowledge and non-compliance with the legal obligations defined in Law No. 157/ 2013 "On measures against terrorist financing" and Law No. 72/ 2019, dated 17.10.2019, "On the international restrictive measures in the Republic of Albania," and Law No. 9917, dated 19.5.2008, "On anti-money laundering and countering the financing of terrorism "and the sub-legal acts on AML/CFT);
- absence of training on the legal obligations laid down in Law No. 157/ 2013 "On measures against terrorist financing" and Law No. 72/ 2019, dated 17.10.2019, "On the international restrictive measures in the Republic of Albania," and Law No. 9917, dated 19.05.2008, "On anti- money laundering and countering the financing of terrorism," and the sub-legal acts on AML/CFT);
- absence of evidence on cases suspected for the similarity of names with the watchlist and the sanction list of the UN Security Council or proof that verification with lists were carried out;

In parallel, the Bank of Albania has carried out the evaluation of exposure to this risk for entities in the context of off-site analyses on the basis of reporting at the beginning of 2022, with the 2021 data. This evaluation, as we have mentioned in the previous year, consists in the integration of the evaluation on the quantity of risk and the evaluation on the risk management quality, to provide a final evaluation. The evaluation was carried out for 620 financial entities (12 banks, 34 NBFIs, 10 SLA and 564 FEBs).

Off-site analyses of AML/CFT risk exposure and the results of banks, NBFIs and SLAs entities for 2021 are presented as follows:

56 financial entities were subject of the evaluation (12 banks, 34 NBFIs and 10 SLAs). The integrated evaluation showed: average level of risk for 36 entities (5 banks, 25 NBFIs and 6 SLAs) and high level of risk for 20 entities (7 banks, 9 NBFIs and 4 SLAs).

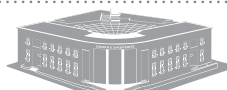


Table 15 Integrated evaluation of money laundering and terrorist financing risk

No. of entities	No. Total entities			Banks			NBFI			SLA		
	High risk	Medium risk	Low risk	High risk	Medium risk	Low risk	High risk	Medium risk	Low risk	High risk	Medium risk	Low risk
Integrated evaluation	20	36	0	7	5	0	9	25	0	4	6	0

Source: Bank of Albania.

* 1 NBFI was not evaluated since it was licensed in 2021.

** 6 SLAs were not evaluated since their activity was suspended.

The reasons for evaluating entities with high risk are the:

- ratio of the number of clients with high risk to total number of clients;
- ratio of outstanding account of clients with high risk to the outstanding account of total clients;
- ratio of the number of transfers with high risk to total number of carried out transfers;
- ratio of the value of transfers with high risk to total value of carried out transfers;
- ratio of reported SARs to total number of clients;
- non-reporting of annexes and supplementary documentation required in the BoA Regulation No. 44, dated 19 May 2008 "On anti-money laundering and countering the financing of terrorism", as amended.

The integrated evaluation of transfers conducted by entities (18 total entities, of which: 12 banks and 6 NBFIs) is an integral part of risk evaluation for AML/CFT. The integrated evaluation of transfers consist in the integration of two evaluations: evaluation of outgoing and incoming transfers, both in Albania and abroad; and the evaluation of the value of incoming and outgoing transfers, both in Albania and abroad.

The integrated evaluation of transfers, showed: low level of risk (L) for 6 entities (6 NBFIs); averagely low level of risk for 1 entity (1 bank); averagely high level of risk for 4 entities (4 banks); and high level of risk for 7 entities (7 banks)²².

Table 16 Integrated evaluations of transfers on money laundering and terrorist financing risk

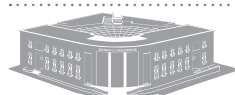
No of entities	No of total entities				Banks				IFJB			
	L	AvL	AvH	H	L	AvL	AvH	H	L	AvL	AvH	H
Integrated evaluation	6	1	4	7	0	1	4	7	6	0	0	0

Source: Bank of Albania.

The sectoral/risk analysis for FEBs, for AML/CFT issues for 2021, is presented as below:

²² As mentioned above, the reasons are:

- The ratio of the number of transfers with high risk to total number of carried out transfers;
- The ratio of the value of transfers with high risk to total value of carried out transfers.



In the assessment of risks related to the foreign exchange sector, factors such as: (i) share structure; (ii) geographical distribution; (iii) turnover volume; (iv) structure in the role of money transfer sub-agent; (v) reporting to the Bank of Albania.

The overall evaluation results showed that: 120 FEBs (21% of the total number of FEBs) show high level of risk, 209 FEBs (37% of the total number of FEBs) show average level of risk and 235 FEBs (42% of the total number of FEBs) show low level of risk. For more details refer to the Table 17.

Table 17 FEBs evaluation on money laundering and terrorism financing risk

Risk level	Total	Weight
High Risk	119	21%
Average Risk	204	37%
Low Risk	233	42%
Total	556	100%

Source: Bank of Albania.

The reasons for evaluating entities with high risk are mainly related to the non-reporting to the Bank of Albania according to regulatory requirements, the geographical position in high-risk cities in relation to the level of criminality, turnover volume, etc.

7.4.5.2 Transparency and disclosure of information

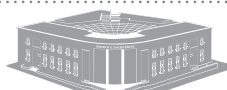
Transparency and the publication of information, which are elements that affect the level of public confidence in the financial system of the country, have continued to be in the focus of the Bank of Albania during 2021.

In this context, compliance with obligations of banks to report to the Bank of Albania was subject to analyses and monitoring with regard to the implementation of the regulatory framework on transparency and issues relating to fully reporting or publishing the working conditions on the banks' website.

Banks' behaviour and measures relating to public transparency and disclosure of financial information have been consistently and cautiously examined through on-site and off-site supervision.

As a result of the monitoring and measures taken by the Bank of Albania, the banking sector has raised its awareness and commitment to matters of transparency and disclosure of information. However, there are still issues for further improvement in terms of:

- internal regulatory framework (mainly in drafting the methodology for calculating interest rates and commissions and complaints);
- contractual information (contracts) on consumer loans, mortgages loans, and credit cards in accordance with regulatory requirements;



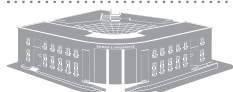
- application of terms and conditions (e.g. amortization plan) not in accordance with the provisions of the contract signed between the parties;
- certain elements in the information published on the websites;
- opening the current account product in the system (opening several current accounts in the system by signing one single contract with the customer).

In NBFIs and SLAs, the issues needed to be addressed mostly relate to:

- policies and procedures (shortcomings in the methodology for calculating interest rates and commissions related to cost elements);
- inaccuracy in the calculation of the NEI (the insurance premium is not included in the calculation of the NEI);
- loan contracts (some elements of the loan contract are in violation of regulatory provisions; Commission for early repayments is not in accordance with regulatory provisions; Lack of interest calculation method and penalty calculation method; Lack of a written comment , accompanied by an illustrative example, where the borrower's attention is drawn to the risk posed by borrowing in foreign currency; Absence in the contract of the value/amount of the restructuring commission; absence of the loan instalment calculation method and its example, etc.);
- the internal regulatory framework does not comply with the regulatory requirements;
- Publication of information (lack of information in internal premises: (i) information on loan interest rates, relevant commissions, as well as product promotional materials (leaflets); (ii) effective interest rate);
- administration of complaints (failure to inform the management bodies on a periodic basis about the number, typology and solutions of complaints submitted by customers; the database of complaints does not contain the typology of the complaint).

In addition to on-site examinations, in order to evaluate the entities on their compliance with the requirements of the regulatory acts of the Bank of Albania, off-site analyses were also carried out regarding the publication of financial reports and working conditions for the products and services offered by the licensed entities. In the framework of informing the public, the publication of transparency forms for interest rates and commissions for products and services offered to the public by banks and NBFIs has been carried out periodically.

Also, during 2021, the minimum requirements for the publication of financial reports by banks and branches of foreign banks were monitored. Overall, the information disclosed by banks is in accordance with the regulatory requirements of the Bank of Albania.



In the framework of transparency, the engagement in on-site inspections was aimed at assessing the entities for compliance with the requirements of the regulatory acts of the Bank of Albania.

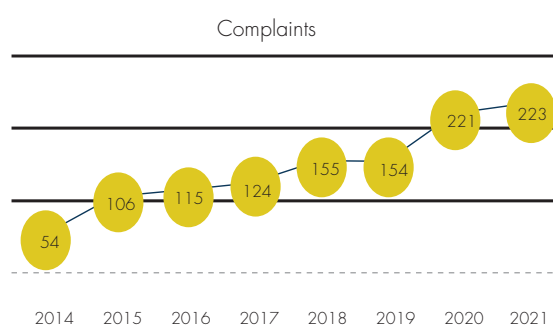
7.4.5.3 Treatment of customers' complaints

Treatment of customers' complaints has taken a significant importance in the framework of transparency and consumer protection in the financial sector. In 2021, the unit for the supervision of reputational risk processed a considerable number of complaints/requests/letters (223) submitted from households, enterprises, natural persons, media, bailiffs and state institutions.

Chart 18 shows that households have the largest number of processed complaints at 73.54%.

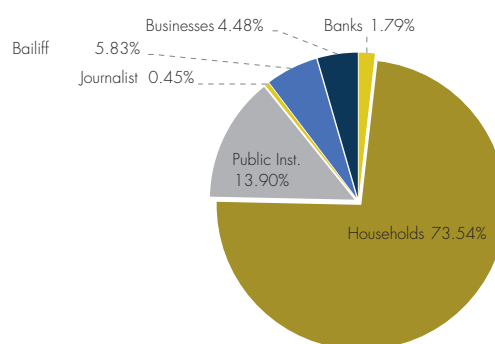
Chart 19 shows credit products account for the largest share by 46,64%.

Chart 17 Number of complaints handled over the years



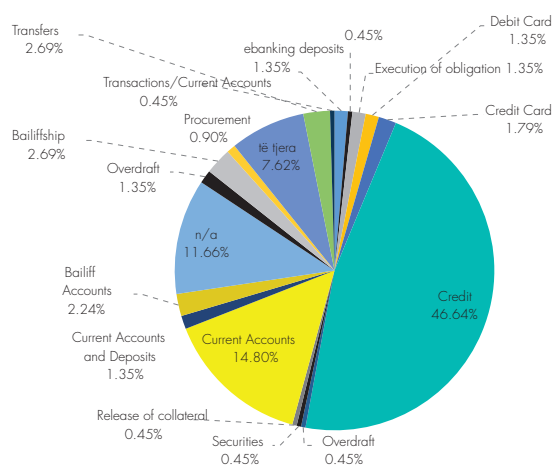
Source: Bank of Albania

Chart 18 Share of complaints by segment of the complainants



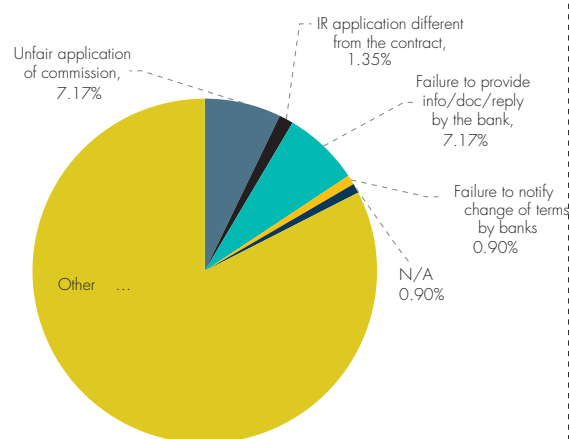
Source: Bank of Albania

Chart 19 Share of complaints by segment of published products



Source: Bank of Albania

Chart 20 Share of complaints by typology



Source: Bank of Albania



Chart 20 shows that the typology “Other” accounts for the largest share by 82.5%. This typology includes complaints that are requests for intervention of the BoA to ease loan conditions, requests for information from the Bank of Albania, etc.

7.4.6 PROFITABILITY

7.4.6.1 Net result and its structure

The financial result was positive in 2021, at around ALL 21.63 billion, or ALL 5.13 billion higher than in 2020.

Throughout 2021, the first and third quarter of the year had the greatest impact on the financial result, with a net financial result above the result of the same periods of the previous year, by ALL 3.38 billion and ALL 1.80 billion, respectively. The increase in net interest income and the decrease in provision expenses mainly drove to the higher level of profit in 2021 compared to the previous year.

7.4.6.2 Profitability indicators

Due to a higher positive financial result than in the previous year, the main profitability ratios, Return on Average Assets (RoAA) and Return on Average Equity (RoAE), increased compared to 2020. At the end of 2021, RoAA stood at 1.31% and RoAE at 12.89%, from 1.10% and 10.41%, respectively at the end of 2020.

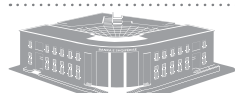
Table 18 Main profitability indicators (in %; cumulative)

Indicators	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018
RoAA	1.3	1.1	1.39	1.32
RoAE	12.9	10.4	13.45	12.96

Source: Bank of Albania.

The following table shows the banking system profitability from the main activity and the dynamics of the equilibrium between the collection of interest bearing liabilities and investment in interest-earning assets. During 2021, their dynamics show a slight increase in the efficiency of the use of resources when interest income has increased and expenses have decreased compared to average interest-generating assets.

At end-2021, the ratio of average interest-earning assets to average assets decreased by 0.81 percentage points (from 84.28% to 83.47%), compared to end of the previous year, affected by the higher increase in average assets versus the increase in average interest earning assets. The ratio of average interest bearing liabilities to average assets increased by 1.0 percentage point (from 92.86% to 93.86%), compared to end of the previous year, affected by



the higher increase in average interest bearing liabilities against the increase of average assets.

Table 19 Profitability ratios from the main activity (in %, cumulative)

	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018
Interest income/ average earning assets (1)	3.9	4.0	3.4	3.8
Interest expenses/ average earning assets (2)	0.5	0.5	0.7	0.7
Net interest margin (NIM)[(1) - (2)]	3.4	3.4	2.7	3.0

Source: Bank of Albania.

Table 20 Average profitability ratios (in ALL million)

	Q IV 2021	Q II 2021	Q IV 2020	Q II 2020
Average earning assets (1)	1,382,550.6	1,335,212.4	1,289,967.2	1,286,360.2
Average paying liabilities (2)	1,554,632.0	1,504,680.2	1,421,228.4	1,392,221.5
Average assets (3)	1,656,347.4	1,603,594.3	1,530,511.9	1,509,807.3
(1) / (3)	83.47%	83.26%	84.28%	85.20%
(2) / (3)	93.86%	93.83%	92.86%	92.21%

Source: Bank of Albania.

The efficiency ratio of the system increased when the relevant indicator decreased by 0.52 percentage point compared to the previous end-year, as operating income rose by ALL 3.88 billion or 7.12% while operating expenses increased by ALL 2.42 billion or 8.13%.

Table 21 Performance of efficiency ratio (in ALL million)

Indicators	Dec. 2021	Dec. 2020	Dec. 2019	Dec. 2018
Operating expenses (1)	32,170.3	29,750.8	29,474.5	30,188.7
Operating income (2)	58,508.1	54,621.2	51,451.9	53,490.6
Efficiency ratio (1) / (2)	54.98%	54.47%	57.29%	56.44%

Source: Bank of Albania.

7.4.7 CAPITAL ADEQUACY RATIO

7.4.7.1 Shareholders' equity

As at end 2021, the shareholders' equity of the banking system amounted to ALL 175.78 billion, registering ALL 11.82 billion (7.2%) annual growth, against a lower growth of ALL 9.73 (6.3%) registered in 2020.

In 2021, the shareholders' equity decreased in the first quarter (0.9%). Meanwhile the increase in the rest of the year ranged between 2.6% and 2.8%, in the second, fourth and third quarters, respectively.

The increase of profit provided the largest material contribution to the shareholders' equity growth, up by ALL 5.13 billion, compared with the same period in the previous year.

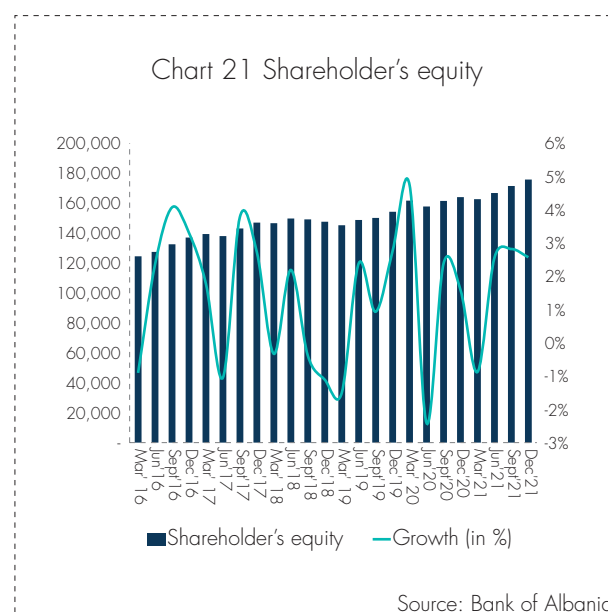
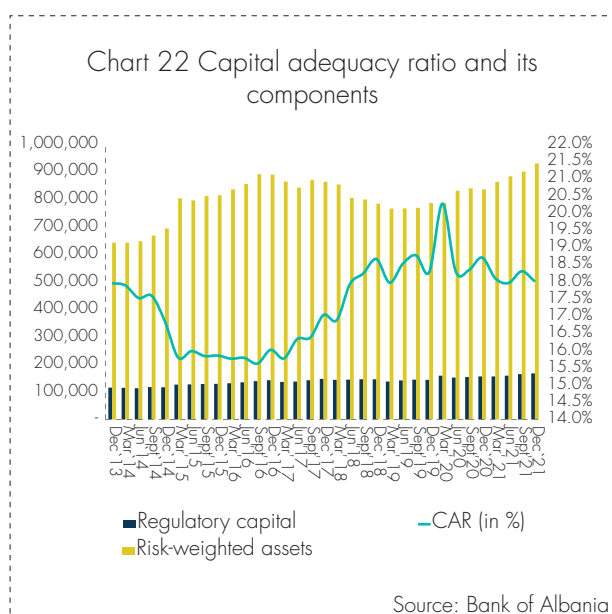


Table 22 Shareholders' equity structure and its components

Indicators	Dec. 2021		Dec. 2020		Dec. 2019		Dec. 2018	
	In ALL million	%	In ALL million	%	In ALL million	%	In ALL million	%
Shareholders' equity	175,787.2	100.0	163,966.7	100.0	154,234.5	100.0	147,453.5	100.0
Paid-in capital	102,363.0	58.2	101,859.3	62.1	105,767.5	68.6	110,251.8	74.8
Share premium	7,130.6	4.1	7,084.1	4.3	6,991.6	4.5	6,440.5	4.4
Reserve	26,035.0	14.8	23,537.8	14.4	21,271.5	13.8	18,220.7	12.4
Revaluation difference	(8,037.6)	(4.6)	(9,005.2)	(5.5)	(6,812.3)	(4.4)	(6,994.0)	(4.7)
Earnings/retained loss	26,662.0	15.2	23,994.0	14.6	7,121.4	4.6	1,143.5	0.8
Earnings/loss for the period	21,634.3	12.3	16,496.7	10.1	19,894.8	12.9	18,391.0	12.5

Source: Bank of Albania.



7.4.7.2 Capital adequacy ratio

As at end-2021, the Capital Adequacy Ratio (CAR) – the main supervisory indicator – was reported at 18%, against the 12% required regulatory minimum²³. This ratio dropped by 0.7 percentage point, compared with the same period in the previous year.

7.4.7.2.1 Regulatory capital

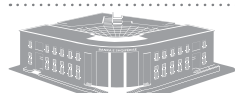
The banking system's regulatory capital totalled ALL 167.21 billion, up by ALL 11.12 billion (7.12%) compared to 2020.

Common Equity Tier 1 capital of the banking system is the main component of the regulatory capital of the system, accounting for around 93.84%, down by 0.28 percentage point, compared with the previous year, and yet it stands at a level that is evidence for a qualitatively stable regulatory capital.

7.4.7.2.2 Total risk-weighted assets and off-balance sheet items

Total risk-weighted assets and off-balance sheet items increased compared with the previous year by ALL 94.19 billion or 11.28%. Capital requirement for credit risk by 86.24% has the highest share in total risk-weighted assets and off-balance sheet items, followed by capital requirement for operational risk by 10.52%, and capital requirement for market risk by 3.24%.

²³ For some banks, the required level is higher than the regulatory minimum.



7.5 NON-BANK FINANCIAL INSTITUTIONS AND SAVINGS AND LOAN ASSOCIATIONS

7.5.1 NON-BANK FINANCIAL INSTITUTIONS

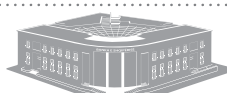
7.5.1.1 General provisions

At the end of 2021, the financial system included 35 NFBIs, up by 5 (five) entities compared to 2020. The licensed entities are Paysera Albania, E Reja, RPay, Soft&Solution to conduct the electronic money activity and Antigone Financial Enterprise to conduct the financial leasing activity.

Table 23 Activity of non-bank financial institutions

No.	Non-bank financial institutions	Payment and Money Transfer Service Activities	E-money	Credit risk activities				Foreign exchange	
				Lending	Micro-credit	Leasing	Factoring	Foreign exchange services	Foreign Exchange Advisory Services
1	Financial Union Tirana	√	√					√	√
2	Agrokredit			√					
3	Ak-Invest	√		√			√	√	√
4	Fondi Besa			√					
5	NOA	√		√				√	
6	Easypay	√	√						
7	Posta Shqiptare	√	√						
8	Tranzit			√		√	√		
9	M-Pay	√							
10	Platinum Investment								√
11	Raiffeisen Leasing					√			
12	FIN - AL			√		√			
13	Landeslease					√			
14	Porsche Leasing					√			
15	Albania Leasing					√			
16	Crimson Finance Fund Albania (CFFA)			√		√	√		
17	Mogo Albania					√			
18	Agro & Social Fund				√				
19	Capital Invest				√				
20	Micro Credit Albania			√					
21	Iutecredit Albania				√				
22	Agro Partner				√				
23	Kredo Finance				√				
24	Omnifactor						√		
25	Tirana Factoring & Lease					√	√	√	
26	Albanian Financial Institution			√		√	√		
27	Kastrati	√							
28	Raea Financial Services	√						√	√
29	Tirana Capital Trade						√		
30	Micro Credit Risk				√				
31	Paysera Albania		√						
32	Antigone Financial Enterprise					√			
33	eReja shpk		√						
34	RPay		√						
35	Soft & Solution		√						

Source: Bank of Albania.



7.5.1.2 Assets of NBFIs

Total assets of NBFIs in December 2021 reached ALL 76.29 billion, increasing by ALL 8.42 billion, or 12.4%. This growth was mainly generated from the following entities: Besa Fund (25%), Iutecredit Albania (19%), Kredo Finance (16%), Porsche Leasing (5%), etc. The assets of non-bank financial institutions account for around 4.43% of the total banking system assets, up by 0.14 percentage point compared with the previous year.

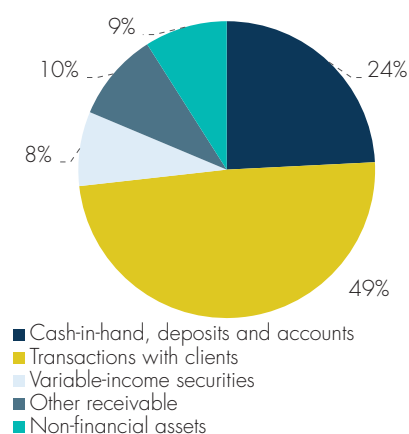
Table 24 Total assets of NBFIs

Indicator/ALL million	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Total assets of NBFIs	53.1	65.2	67.9	76.3

Source: Bank of Albania.

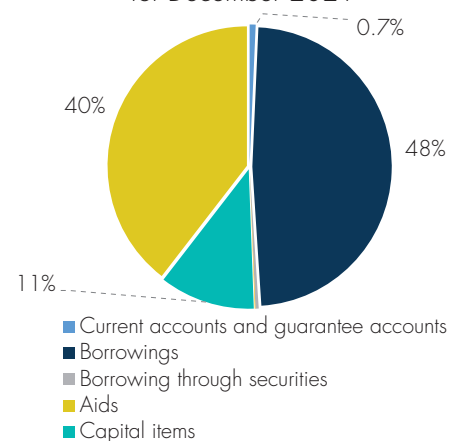
Credit portfolio accounts for the main share in the asset structure of NBFIs, by 49%. The rest is divided into liquid assets (24%), other receivables (9.7%), variable-income securities (8%) and other assets (including durable assets) (9%).

Chart 23 Assets allocation of NBFIs for December 2021



Source: Bank of Albania

Chart 24 Funding sources allocation of NBFIs for December 2021

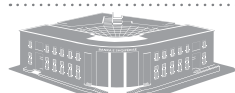


Source: Bank of Albania

NBFIs are mostly financed through borrowing (48% of liabilities) and own capital (40%). Borrowing through the issuance of securities accounts for only 0.4%. Regarding the origin of borrowings, the balance leans slightly towards non-resident financial institutions by 51.6%.

7.5.1.3 Outstanding loan portfolio developments and activity volume

At the end of 2021, the gross credit portfolio of NBFIs reached ALL 42.1 billion, registering an increase of ALL 5.51 billion (or 15.1%) compared with the previous year. In 2021, microcredit registered the highest growth (by around



ALL 3.87 billion) compared to the three other categories: lending, financial leasing and factoring.

Table 25 Total NBFIs' credit portfolio, net and gross

Indicator/ALL billion	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Total loan portfolio of NBFIs (net)	26.4	33.0	33.5	37.4
Total loan portfolio of NBFIs (gross)	28.6	35.5	36.6	42.1

Source: Bank of Albania.

The largest share of NBFIs' credit portfolio is held by credit and microcredit entities (76.1%), followed by the portfolio of financial leasing entities (22.8%) and the portfolio of factoring entities (1.1%).

The credit portfolio of NBFIs accounted for 5.9% of total credit in the banking system, maintaining almost the same share compared to the previous year.

Table 26 Gross credit portfolio by NBFIs' activities

Financial activity (ALL bln)	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Lending	12.7	14.7	15.6	16.6
Microcredit	8.4	11.4	11.6	15.4
Financial leasing	6.9	8.9	9.1	9.6
Factoring	0.6	0.5	0.4	0.5
Gross Portfolio	28.6	35.5	36.6	42.1

Source: Bank of Albania.

At the end of 2021, the activities of lending and financial leasing entities remained business-oriented, with around 85.3% and 84.3%, respectively, while the factoring portfolio is carried out entirely for business purposes. Compared with 2020, there is an increase in loans to households against enterprises which was mainly due to the expansion of microcredit activity.

In the framework of the business portfolio, in 2021, the most financed sectors are: "Trade and repair of vehicles" by 19.2%, "Other service activities" by 16.8% and "Construction" by 13%.

The portfolio of NBFIs remains oriented towards financing in local currency (65%) and medium-term maturity (67%).

The portfolio of financial leasing, broken down by products, is dominated by financing for personal transport vehicles (40%) and work transport vehicles (31%). Compared with December 2020, the portfolio increased by ALL 57 million, localized on the product "Work transport vehicle".

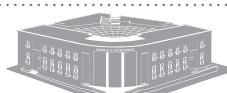


Table 27 Leasing portfolio, by funded subject

Financial leasing (ALL bln)	New equipment	Used equipment	Total Dec. 2019	New equipment	Used equipment	Total Dec. 2020
Personal transport vehicles	2.85	2.15	5.00	2.00	1.86	3.86
Work transport vehicles	1.66	1.03	2.68	1.80	1.22	3.02
Work equipment/ production lines	0.87	0.30	1.18	0.77	0.28	1.05
Real Estate	0.02	0.08	0.10	0.04	0.05	0.08
Other	0.06	0.02	0.08	1.57	0.04	1.61
Total	5.47	3.57	9.04	6.17	3.45	9.61

Source: Bank of Albania.

At the end of 2021, the factoring portfolio registers an outstanding balance of ALL 483.1 million, down by ALL -35.6 million, or -6.87%, compared to the previous year. The annual circulation of the factoring portfolio increased by ALL 0.44 billion compared to 2020, despite the decrease of invoice circulation.

The activity of factoring is realised in the domestic market at 94.6%, and mainly for guaranteed financing (90%).

Table 28 Annual volumes and balance of factoring portfolio

Factoring	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Circulation				
No. of invoices	1,403	2,609	2,076	1,930
Value (ALL millions)	1.47	1.03	0.96	1.39
Outstanding portfolio (ALL bln)	0.56	0.48	0.52	0.48

Source: Bank of Albania.

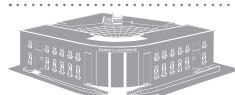
7.5.1.4 Credit portfolio quality

For financial entities, the non-performing loans ratio, increased by 2.44 percentage points, as at end of 2021. This result was affected by the increase of non-performing loans by about 28.6% (or ALL 1.6 billion), while the increase in the financing portfolio was about 15.1%. The increase in non-performing loans was a mainly due to the deterioration of the quality of the micro-credit portfolio.

Table 29 Credit quality indicator performance

Indicator	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Non-performing loans/outstanding loans (gross)	9.16	9.69	11.20	13.60
Non-performing loans/outstanding loans (net)	2.53	4.14	4.38	3.96

Source: Bank of Albania.



7.5.1.5 Payment and transfer services

During 2021, payment and transfer services showed positive results, with a significant growth both in total number and volume of transactions. Their performance is as follows:

Table 30 Volume of transfers and payments on annual basis

	2020		2021	
	No.	Volume (ALL mln)	No.	Volume (ALL mln)
Outgoing transfers	807,041	12.84	886,084	15.08
Incoming transfers	2,459,522	97.80	2,696,636	106.67
Outgoing payments	6,610,443	24.66	32,912,627*	71.91

Source: Bank of Albania.

*the number of payments increased in 2021 because of the higher number of entities included in reporting.

7.5.1.6 Financial Result

During 2021, NBFIs generated a positive result of ALL 3.66 billion. Compared with the previous year, there is an increase by ALL 1.3 billion (56.9%), that is, for the most part, explained by the distribution of dividends by banks, which have non-bank financial institutions as shareholders. The activities conducted by "Kredo Finance", "Iute Credit Albania", "Micro Credit Albania" and "Fondi Besa" provided a positive impact in this regard.

The result of non-bank financial institutions accounts for about 14.5% of the result of the banking system. RoA for total of entities reaches 4.80% (against 3.44% in 2020), while the RoE reaches 13.83% (against 9.47% in 2020).



7.5.2 FINANCIAL UNIONS AND SAVINGS AND LOAN ASSOCIATIONS

7.5.2.1 Structure of the group

Savings and Loans Associations (SLAs) and their unions increased with two new entities. This group is composed by 16 SLAs and 1 Union, of which only 9 SLAs are included in the deposit insurance scheme.

The Albanian Savings Loan Union (ASLU) is the only union which continues to be licensed, but it doesn't operate. Its liquidation process depends on the progress of the court case filed with several SLAs that were its members prior to 2016.

Meanwhile, the Supervision Department continues to follow the SLAs, which are still licensed but are not members of the deposit insurance scheme, in order to take measures against them, according to the legal provisions.

7.5.2.2 Performance of assets

Total assets²⁴ of the SLAs, at the end of 2021, amounted to ALL 13.12 billion, up by ALL 1.56 billion or 13.5% during the year. The main contribution to this growth came from larger SLAs. SLAs' total assets accounts for only 0.73% of the banking system's total assets.

In December 2021, the structure of SLAs' assets continued to be oriented towards lending to members (68%) and liquid assets (23%). "Fed Invest" with 53.8% and "Alb-Progress" with 13.3% account for the main share of SLAs total assets.

Table 31 Performance of assets (in ALL bln)

Total assets/ALL bln	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
SLAs	9.35	10.92	11.56	13.12

Source: Bank of Albania.

7.5.2.3 Developments in the outstanding loan portfolio

In December 2021, the gross loan portfolio for the SLAs group reached at 9.3 billion ALL, up by ALL 0.85 billion or 10%, compared to the previous year. The increase in the lending activity of the SLAs: "Fed Invest" (ALL 0.77 billion), "Alb Progres" (ALL 0.30 billion) and "Alb Credit" (ALL 0.18 billion); provided the main contribution in this result.

The gross loan portfolio of SLAs accounts for only 1.37% of the banking system's credit portfolio.

²⁴ The calculation includes also those SLAs that are not part of the deposit insurance scheme, but that report to the Bank of Albania.

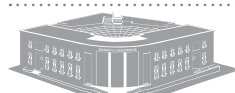


Table 32 Gross and Net credit portfolio for SLAs

SLAs indicators (ALL bln)	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Gross Loans	7.2	7.96	8.49	9.34
Net Loans	6.8	7.64	8.11	8.93

Source: Bank of Albania.

In December 2021, the non-performing loans ratio for SLAs was 5.18%, decreasing by 0.59 percentage points, compared with the previous year. This improvement was a result of the highest increase in percentage of total loans (10.5%), while non-performing loans remained almost at the same level.

Non-performing loans ratio increased in March 2021, reaching at 6.17%, further improving in the following months.

7.5.2.4 Financial Result

During 2021, SLAs generated a positive financial result, amounting to ALL 200.5 million. This result decreased by ALL 92 million, or 31.5% compared with the previous year. The increase in the credit portfolio has also led to an increase in loan loss provisions for regular loans, driving to the increase in provision expenses.

For 2021, RoA for the total of SLAs reaches at 1.62%, while RoE reaches at 15.39%.

7.6 CREDIT REGISTRY

Operating the new Credit Registry system and releasing it on-line in December 2020 provided all stakeholders with an advanced technological infrastructure from a Hardware and Software point of view throughout 2021. This tool is in line with the pace of contemporary technologies, while offering a significantly improved performance. New functionalities, the possibility of automatic data exchange and the automation of processes have significantly reduced operational risk, as well as provided a faster response to the requests of data reporters.

The inclusion of new reporting entities in the Credit Registry System has continued to be the focus of the work. Throughout 2021, one new reporting entity has been included in the scheme, registering at the end of the year a total number of 46 financial institutions. Our projections for further expansion of data reporters remain positive. Currently, two new financial entities are in the process of being analysed, the inclusion of which is expected to be completed within 2022.



Table 33 Financial institutions that report to the Credit Registry the data of their borrowers

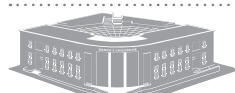
DATA REPORTER			
1	Bank of Albania		
	BANKS		NON-BANK FINANCIAL INSTITUTIONS
1	Raiffeisen Bank	1	Agro & Social Fund shpk
2	Alpha Bank	2	AGRO Partner Sh.P.K
3	American Bank of Investments	3	Agrocredit sha
4	Credins Bank	4	Ak-Invest
5	United Bank of Albania	5	Albania Leasing Sh.A.
6	First Investment Bank	6	Albanian Financial Institution
7	Intesa Sanpaolo Bank	7	Antigone Financial Enterprise shpk
8	National Commercial Bank	8	Capital Invest
9	OTP Albania Bank	9	Crimson Finance Fund Albania
10	Tirana Bank	10	Final sh.a
11	Union Bank	11	FUND BESA SH.A.
12	Procredit Bank	12	IUTECREDIT ALBANIA SH.A.
		13	Kredo Finance
	UNIONS AND SAVINGS AND LOAN ASSOCIATIONS	14	Landeslease sh.a
1	SLA Fast Credit Albania	15	Micro Credit Risk
2	SLA Alb Credit	16	Microcredit Albania (MCA)
3	SLA ALB-Progres	17	Mogo Albania sh.a
4	SLA Fed Invest	18	NOA SH.A.
5	SLA Partner Plus	19	Porsche Leasing sh.p.k.
6	SLA Unifin	20	Raiffeisen Leasing sh.a
7	SLA Tirana Invest Kredit 2000	21	Tirana Factoring & Lease
8	Albanian Savings Loan Union	22	Tranzit representative of AMCO
9	SLA Petrelë	23	Tranzit SH.P.K
			OTHER
		1	Credit Treatment Agency

Source: Bank of Albania.

The use of the system by interest groups has been increasing. At the end of 2021, the number of researches carried out by data reporters increased by 12%, compared to the previous year. The increase in the number of researches, as well as the review of the fee applied to them, has had a positive impact on the generation of income from the Credit Registry, which, although not created for profit-making purposes, it is considered as the main contributor of the Supervision Department in the income budget plan of the Bank of Albania. Compared to the previous year, the income from the system has increased by 36% and with a realization, against the approved plan, at 140%.

The treatment of Borrower Report requests has continued to remain an important function of the office. In this direction, the high volume of requests presented by legal entities and households has been handled, where at the end of 2021, 1710 requests were registered and handled for this purpose.

Also, a valuable contribution was made in the direction of handling complaints, as well as continuously informing the public, (around 80 complaints/requests for information) based on the requests/complaints addressed by them to the Supervision Department or forwarded complaints at the Communications Sector.



The activity of the registry this year, once again was also characterized by a series of collaborations with internal structures of the Bank of Albania, which used the data of the system in order to meet their tasks, as well as with several institutions. In this regard, it has intensively cooperated with the judicial bodies, which are permitted to get acquainted with the data reported in the Credit Register, and also with partner institutions of the Bank of Albania, such as the FSA and GDPML.

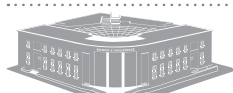
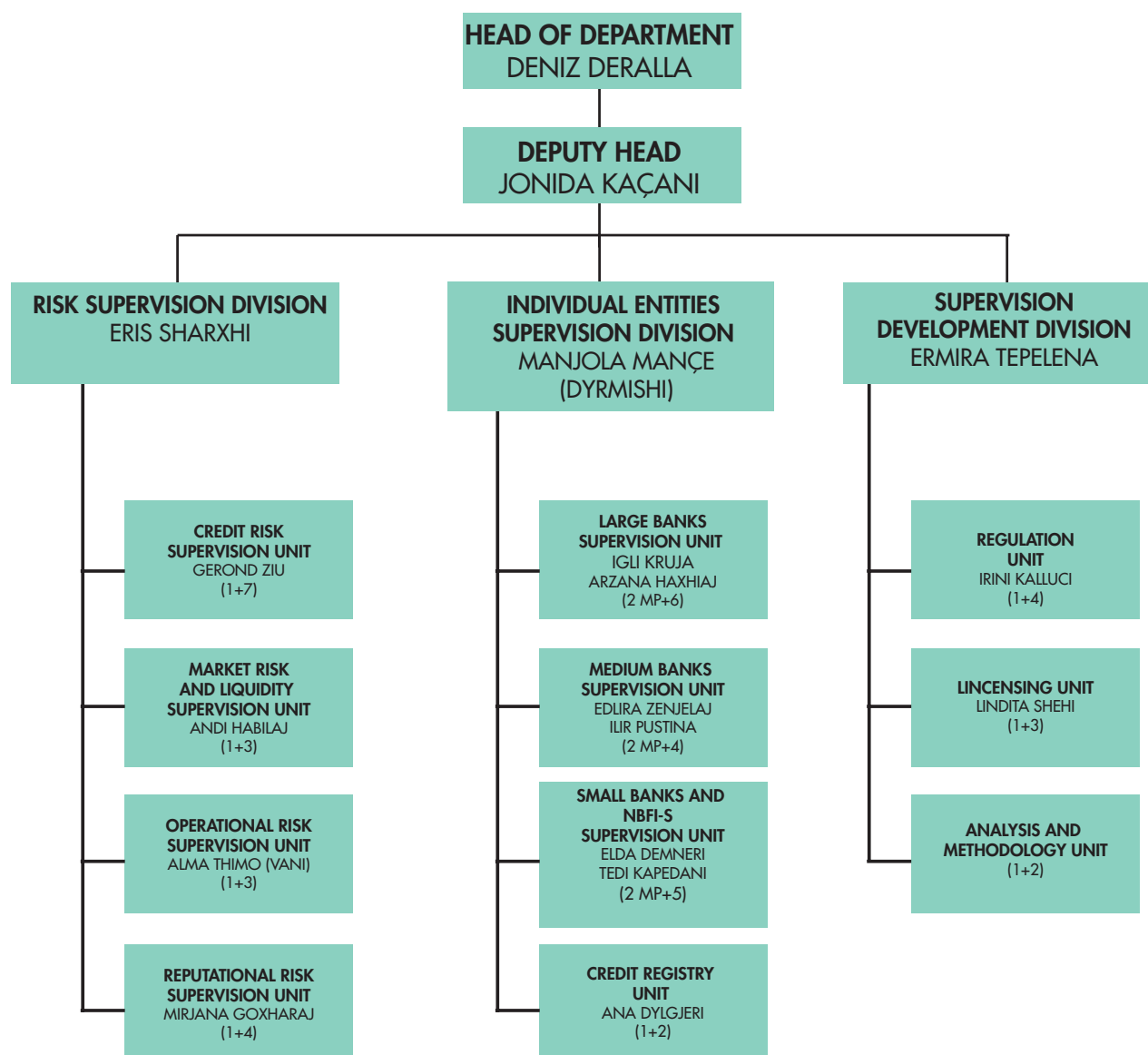
In addition to the above functions, the priority of the registry continues to be the evaluation of the data reported to this system, at a time when the latter aims to create a mechanism for a safe and accurate distribution of information. In this regard and in function of the supervisory process, in cooperation with the portfolio managers, on-site examinations of 7 financial institutions (banks and non-banks) were carried out.

In parallel, in support of the initiative of the Bank of Albania for the review of the regulatory acts "On consumer credit and mortgage credit", which among other things provided for the calculation by the Bank of Albania of the **Maximum Effective Interest Rate**, some necessary developments were realized in the system, which accompanied the entire process of reviewing the relevant regulatory framework. The cooperation with the interest groups has been very intensive to finalize the realization of the above objective of the Bank of Albania within the expected deadline.



8 ANNEXES

8.1 ORGANISATIONAL STRUCTURE OF SUPERVISION DEPARTMENT



8.2 SPECIFIC SHARE OF EACH BANK IN THE BANKING SYSTEM

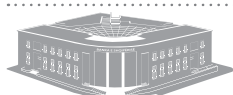
BANKS (Indicator in %)	December '21							
	Total balance sheet	Permanent resources	Share- holders' equity	Out- standing loans	Non-per- forming loans	T-bills	Securi- ties	Total deposits
RAIFFEISEN BANK SH.A.	15.7	17.0	18.6	16.8	19.7	6.8	13.1	16.1
UNITED BANK OF ALBANIA SH.A.	0.7	0.6	0.6	1.1	0.9	-	-	0.6
NATIONAL COMMERCIAL BANK SH.A.	26.0	26.7	27.2	13.6	11.4	20.6	39.1	24.9
TIRANA BANK	5.4	5.6	5.6	6.6	5.4	8.7	5.0	5.4
INTESA SANPAOLO BANK ALBANIA SH.A.	11.0	11.7	12.6	8.2	5.4	37.1	8.1	11.8
PROCREDIT BANK	2.2	2.3	1.9	4.2	3.3	2.3	-	1.8
AMERICAN INVESTMENT BANK	5.4	4.4	4.7	5.4	4.4	5.3	6.6	5.0
ALPHA BANK – ALBANIA SH.A.	4.4	4.9	4.6	5.5	3.0	1.3	3.5	4.6
FIRST INVESTMENT BANK, ALBANIA	2.3	2.4	2.3	3.3	4.4	2.1	1.7	2.3
CREDINS BANK	15.9	14.1	11.1	19.1	26.9	12.6	14.6	17.3
OTP BANK ALBANIA SH.A	6.5	6.8	7.3	11.0	8.9	-	4.1	5.8
UNION BANK	4.5	3.6	3.5	5.2	6.5	3.3	4.3	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Albania.



8.3 ASSETS AND LIABILITIES

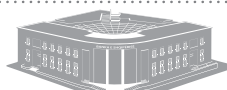
ASSETS (in ALL million)						
CODE	Description	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
1	Total assets	1,445,329.85	1,453,451.57	1,475,550.92	1,580,818.91	1,773,792.56
11	Treasury and interbank transactions	482,914.34	474,296.67	470,059.29	468,874.12	492,980.15
111	Cash in hand	24,176.38	28,246.25	25,908.62	29,324.64	29,418.99
112	Transactions with the central bank	149,792.09	146,678.80	130,849.91	179,337.97	186,688.07
1121	Required reserve at the Central Bank	97,725.32	98,911.83	107,737.69	114,546.26	127,219.17
1122	Other	52,066.77	47,766.97	23,112.22	64,791.71	59,468.91
113	Treasury bills and other eligible bills for refinancing with the central bank	64,617.63	67,417.93	74,026.90	70,284.88	73,012.92
1131	T-bills	64,621.58	67,417.93	74,027.67	70,285.25	73,015.93
1132	Other eligible bills for refinancing	-	-	-	-	-
1133	Reserve funds for the depreciation of bills eligible for refinancing from Central Bank	(3.94)	-	(0.76)	(0.37)	(3.01)
114	Transactions with bank, credit institutions and other financial institutions	244,328.25	231,953.69	239,273.85	189,926.63	203,860.16
1141	Current accounts	60,794.76	65,322.47	64,424.19	47,460.56	61,457.45
1142	Deposits with banks, credit institutions and other financial institutions	118,866.33	128,410.89	144,558.86	103,828.39	107,805.38
1143	Loans	63,020.16	36,443.07	28,539.45	36,757.04	31,621.11
1144	Other	1,700.49	1,834.42	1,817.57	1,943.19	3,036.16
13	Transactions with customers (gross)	597,793.51	577,911.34	573,354.55	606,434.96	668,609.56
131	Loans to private sector and households	565,692.56	551,004.54	547,751.81	582,990.63	644,389.51
1311	Short-term loans	151,141.75	135,814.55	133,729.49	126,972.45	141,318.18
1312	Medium-term loans	108,783.72	109,888.17	94,519.19	93,182.65	97,935.54
1313	Long-term loans	195,873.85	193,424.26	199,279.13	234,244.38	260,144.48
1314	Real estate loans	107,387.72	109,166.79	116,818.97	125,080.41	140,959.41
1315	Finance lease contracts	2,505.53	2,710.78	3,405.03	3,510.74	4,031.91
132	Loans to public administration	2,903.61	7,650.44	6,175.65	4,708.10	3,100.47
1321	Current accounts	-	-	-	-	-
1322	Loans	2,902.52	7,650.18	6,175.65	4,708.09	3,100.47
1323	Other accounts	1.08	0.25	-	0.01	-
133	Other customer accounts	29,197.34	19,256.36	19,427.09	18,736.23	21,119.57
14	Securities transactions	357,087.99	384,912.95	404,408.70	479,581.13	581,648.13
141	Fixed income securities	353,934.96	381,441.40	400,629.26	471,229.38	566,991.27
142	Variable income securities	247,773.52	256,219.45	2,603.00	294,150.64	328,595.37
143	Securities purchased and sold under REPO	-	538.23	1,176.44	3,629.75	4,366.87
144	Paid collateral	-	-	-	-	-
145	Received premiums	-	-	-	-	-
15	Provisions	(58,214.87)	(43,492.59)	(28,751.25)	(32,508.23)	(27,144.59)
151	Loan loss provisions (principal)	(56,331.52)	(41,536.87)	(28,020.52)	(31,690.10)	(25,495.88)
152	Loan loss provisions (accrued interest)	(676.82)	(699.35)	(591.25)	(570.28)	(495.44)
153	Investment provisions	(1,206.54)	(1,256.37)	(139.49)	(247.85)	(1,153.27)
16	Other assets	37,569.18	30,551.55	25,712.73	25,627.33	23,190.40
161	Other assets	34,822.82	27,597.08	23,626.01	23,711.48	21,117.84
162	Agent transactions	61.34	18.51	114.53	1.47	1.52
163	Inter-office accounts	0.20	0.18	0.18	2.87	2.17
164	Suspense, difference and position accounts	2,589.89	2,820.67	1,876.26	1,889.73	2,064.50
1641	Suspense accounts	2,589.36	2,817.98	1,869.96	1,847.02	2,064.30
1642	Position accounts	0.53	2.69	6.30	42.71	0.20
165	Value added tax	94.93	115.11	95.75	21.79	4.37
17	Fixed assets	19,829.88	20,009.48	23,562.09	24,497.70	25,082.40



171	Investments in participation equity	50.53	38.51	5.87	5.97	5.83
172	Affiliates	855.41	900.23	3,668.96	5,836.64	5,488.40
173	Fixed assets (net)	18,923.94	19,070.74	19,887.25	18,655.09	19,588.17
18	Accrued interests	8,349.81	8,736.96	7,204.81	8,311.90	9,426.52
181	Accrued interests (Class 1)	859.26	785.17	181.01	194.40	221.15
182	Accrued interests (Class 2)	3,082.05	2,775.60	2,391.08	2,475.04	2,421.16
183	Accrued interests (Class 3)	4,408.50	5,176.19	4,632.71	5,642.46	6,784.21
A	Total assets in foreign currency	818,444.68	798,171.05	773,921.56	811,366.74	922,821.37
B	Total assets of non-residents	381,253.93	385,864.63	351,271.90	333,371.94	390,657.13

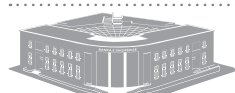
Source: Bank of Albania.

LIABILITIES (in ALL millions)						
CODE	DESCRIPTION	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
1	Total liabilities	1,445,329.85	1,453,451.57	1,475,550.92	1,580,818.91	1,773,792.56
11	Treasury and interbank transactions	76,701.37	80,235.87	88,013.37	86,880.03	112,730.85
111	Central bank	1,472.18	6,004.19	2,072.16	1,446.82	820.49
112	Treasury bills and other eligible bills	36,917.87	32,301.08	32,686.01	32,660.52	41,572.69
113	Current accounts	8,215.73	8,481.73	10,748.82	11,430.92	11,983.32
114	Deposits from banks, inst. Financ.	21,237.05	17,570.06	20,854.99	21,675.46	30,050.46
115	Loans	8,058.18	12,660.36	18,492.81	17,305.04	25,239.45
116	Other	800.36	3,218.44	3,158.59	2,361.27	3,064.45
12	Transactions with customers	1,162,225.94	1,176,537.94	1,189,632.83	1,282,671.95	1,429,636.90
121	Public administration	10,275.23	10,134.94	10,649.60	13,053.38	20,893.92
1211	Current accounts	8,325.52	8,677.96	8,392.78	10,334.68	8,069.87
1212	Demand deposits	6.06	6.09	6.12	6.16	6.19
1213	Time deposits	1,419.20	1,077.15	1,845.00	2,221.10	12,470.94
1214	Loans	524.44	373.73	405.70	491.43	346.92
1215	Other	-	-	-	-	-
122	Private sector	1,151,950.71	1,166,403.00	1,178,983.23	1,269,618.58	1,408,742.98
1221	Current accounts	374,888.68	387,944.79	403,885.17	485,063.72	581,479.70
1222	Demand deposits	106,561.98	124,119.83	149,422.99	173,106.25	197,013.33
1223	Time deposits	650,308.22	638,058.42	608,798.64	594,069.01	603,053.99
1224	Other	20,191.82	16,279.96	16,876.43	17,379.60	27,195.97
1225	Certificates of deposits	-	-	-	-	-
13	Securities transactions	8,429.66	6,936.43	2,526.76	3,556.77	3,106.34
131	Debts represented by securities	-	-	-	-	-
132	Securities purchased and sold under REPO	8,429.66	6,934.62	2,526.73	3,556.77	3,106.34
133	Collateral on securities transactions	-	-	-	-	-
134	Premiums on financial instruments	-	-	-	-	-
14	Other liabilities	15,026.70	14,199.04	13,136.10	17,578.55	24,534.09
141	Other liabilities	5,520.14	5,610.54	6,745.97	12,230.07	14,379.46
142	Agent transactions	3,324.77	2,704.29	2,621.86	2,367.35	4,156.55
143	Inter-office accounts	(0.33)	(1.64)	(3.10)	0.23	0.23
144	Difference and position pending accounts	6,105.84	5,826.38	3,699.16	2,871.82	5,910.22
1441	Difference accounts	5,902.28	5,383.91	3,205.31	2,871.45	5,301.74
1442	Position accounts	203.56	442.47	493.86	0.37	608.48
145	Value added tax = (form. 21) 46	76.28	59.47	72.21	109.08	87.63
15	Permanent resources	179,079.18	171,525.40	178,368.66	186,110.05	199,831.86
151	Grants and public funding	-	-	-	-	-
152	Specific provisions	10,006.17	9,474.98	9,674.37	9,518.79	10,098.11
1521	Provisions for risk and expenses	8,413.63	7,883.69	8,407.60	8,425.49	9,149.61
1522	Specific provisions	1,592.54	1,591.29	1,266.77	1,093.30	948.50
153	Subordinated debt	22,120.01	13,967.48	14,459.77	12,624.57	13,946.52
154	Shareholders' equity	146,953.00	148,082.94	154,234.52	163,966.70	175,787.23
1541	Paid in capital	128,713.81	110,251.76	105,767.48	101,859.34	102,362.97



1542	Share premiums	6,479.81	6,440.53	6,991.62	7,084.11	7,130.63
1543	Reserves	12,918.51	18,892.48	21,271.51	23,537.81	26,034.97
1544	Revaluation difference	(2,255.46)	(6,696.50)	(6,812.32)	(9,005.23)	(8,037.58)
1545	Retained earnings or loss	(20,977.48)	782.69	7,121.41	23,993.99	26,661.97
1546	Current year profit (loss)	22,073.82	18,411.99	19,894.82	16,496.68	21,634.28
16	Accrued interests	3,867.00	4,016.90	3,873.19	4,021.56	3,952.52
161	Accrued interests (Class 1)	59.47	86.96	149.59	142.62	153.18
162	Accrued interests (Class 2)	3,453.42	3,701.47	3,538.44	3,756.76	3,674.39
163	Accrued interests (Class 3) = (form. 21) 339 + 3429	20.58	33.61	0.50	0.04	0.19
164	Accrued interests (Class 5)	333.52	194.87	184.67	122.14	124.75
A	Total liabilities in foreign currency	784,095.42	771,324.59	751,052.42	789,903.99	897,038.78
B	Total liabilities of non-residents	87,501.57	88,138.98	37,574.17	35,121.17	51,369.31

Source: Bank of Albania.



8.4 KEY FINANCIAL INDICATORS

(in %, unless otherwise stated)				
Indicators	Dec. '18	Dec. '19	Dec. '20	Dec. '21
Based on capital				
Regulatory capital to risk-weighted assets	18.24	18.28	18.70	17.96
Tier 1 capital to risk-weighted assets	17.00	17.08	17.60	16.94
Tier 1 capital to total assets	9.16	9.09	9.29	8.85
Regulatory capital to total assets	9.82	9.72	9.87	9.43
Shareholders' equity to total assets	10.15	10.45	10.37	9.91
Non-performing loans net of provisions to Tier 1 capital	16.63	14.59	12.00	7.59
Non-performing loans net of provisions to regulatory capital	15.51	13.64	11.04	7.13
Non-performing loans net of provisions to shareholders' equity	15.01	12.69	10.50	6.78
Return on equity	12.96	13.45	10.41	12.89
Open foreign exchange position to Tier 1 capital	8.34	7.95	8.97	9.80
Open foreign exchange position to regulatory capital	7.78	7.43	8.44	9.20
Open foreign exchange position to shareholders' equity	7.53	6.92	7.83	8.75
Liquid assets to total assets	34.23	35.68	34.81	33.28
Liquid assets/Short-term liabilities	46.21	49.40	47.39	45.39
Return on assets	1.32	1.39	1.08	1.31
Non-performing loans to total loans	11.08	8.37	8.11	5.65
Net interest income to gross income	92.18	80.55	91.30	83.03
Operating expenses to gross income	63.92	57.61	62.21	57.53

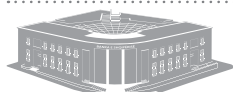
Source: Bank of Albania.



8.5 BANK'S SHAREHOLDERS

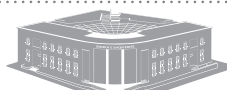
No.	Banka	Shareholders	Equity share in %	Ownership	Capital origin	Home country
1.	RAIFFEISEN BANK SH.A.	Raiffeisen SEE Region Holding GmbH	100	Private	Foreign	Austria
2.	NATIONAL COMMERCIAL BANK SH.A.	Çalik Holding A.S.	100	Private	Foreign	Turkey
3	UNITED BANK OF ALBANIA SH.A.	Islamic Development Bank (IDB) Jeddah	72.20	Private	Foreign	Saudi Arabia
		EUROSIG SH.A.	21.02	Private	Domestic	Albania
		Ithmaar Bank BSC	4.30	Private	Foreign	Kingdom of Bahrain
		Saudi Brothers Commerce Co.	0.54	Private	Foreign	Saudi Arabia
		3 Individuals	1.94	Private	Foreign	Saudi Arabia
4	INTESA SANPAOLO BANK ALBANIA SH.A.	Intesa Sanpaolo S.p.A.	100.00	Private	Foreign	Italy
5	TIRANA BANK SH.A.	Balfin - Balkan Finance Investment Group sh.p.k.	100.00	Private	Domestic	Albania
6	ALPHA BANK – ALBANIA SH.A.	Alpha International Holding Single Member S.A.*	100.00	Private	Foreign	Greece
7	PROCREDIT BANK SH.A.	ProCredit Holding AG & CO, KgaA	100.00	Private	Foreign	Germany
8	AMERICAN BANK OF INVESTMENTS	TRANZIT sh.p.k	100.00	Private	Domestic	Albania
9	CREDINS BANK SH.A.	B.F.S.E. Holding B.V.	15.13	Private	Foreign	The Netherlands
		Amryta Capital LLP	6.42	Private	Foreign	United Kingdom
		Unioni Shqiptar Kursim Kredi EDRO sh.p.k.	2.51	Private	Domestic	Albania
		A.F.C. sh.p.k.	1.27	Private	Domestic	Albania
		A.F.C. sh.p.k.	3.47	Private	Domestic	Albania
		Frigo Alba sh.p.k.	0.67	Private	Domestic	Albania
		Prima sh.p.k.	2.92	Private	Domestic	Albania
		Renis Tershana	18.16	Private	Domestic	Albania
		Aleksander Pilo	7.68	Private	Domestic	Albania
		60 individuals	41.77	Private	Domestic	Albania
10	OTP BANK ALBANIA SH.A.	OTP Bank Nyrt,	100.00	Private	Foreign	Hungary
11	UNION BANK SH.A.	European Bank for Reconstruction and Development (EBRD)	6.74	Private	Foreign	United Kingdom
		Union Financiar Tirana Sh.A.	89.72	Private	Domestic	Albania
		2 Individuals	3.54	Private	Domestic	Albania
12	FIRST INVESTMENT BANK, ALBANIA SH.A.	First Investment Bank S.A.	100.00	Private	Foreign	Bulgaria

Source: Bank of Albania.



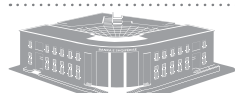
8.6 DATA FOR THE SHAREHOLDERS/PARTNERS OF THE NON-BANK FINANCIAL ENTITIES*

No.	Non-bank financial entity	Partners/Shareholders	Equity share in %	Ownership	Capital origin	Home country
1	Union Financiar Tiranë sh.a.	Edmond Leka	35	Private	Domestic	Albania
		Niko Leka	35	Private	Domestic	Albania
		Varuzhan Piranjan	10	Private	Domestic	Albania
		Gjergj Misha	10	Private	Domestic	Albania
		Eduard Shima	10	Private	Domestic	Albania
2	Posta Shqiptare sh.a.	Ministria e Ekonomisë, Tregtisë dhe Energjetikës	100	Publike	Domestic	Albania
3	Ak- Invest sh.a.	Muharrem Kokona	35	Private	Domestic	Albania
		Suzana Adili	65	Private	Domestic	Albania
4	Noa sh.a.	Noa Holding N.v.	100	Private	Foreign	The Netherlands
		Noa Cooperatief U.a.	1 share	Private	Foreign	The Netherlands
5	Fondi Besa sh.a.	Albanian Besa Capital Foundation	65.94	Private	Domestic	Albania
		Bajram Muçaj	20	Private	Domestic	Albania
		49 Individë	14.06	Private	Domestic	Albania
6	Final sh.a.	Arben Meskuti	100	Private	Domestic	Albania
7	Agrokredit sh.a	Ministria e Financave	100	Publike	Domestic	Albania
8	Raiffeisen Leasing sh.a.	Banka Raiffeisen Sh.a.	100	Private	Domestic	Albania
9	Landeslease sh.a.	Banka Union Sh.a.	100	Private	Domestic	Albania
10	Agro & Social Fund sh.p.k.	Fondi Besa Sh.a.	100	Private	Domestic	Albania
11	Capital Invest sh.a.	Elona Muhametaj	30	Private	Domestic	Albania
		Lavdiqe Elezaj	30	Private	Domestic	Albania
		Gëzim Balisha	25	Private	Domestic	Albania
		Aida Zaja	10	Private	Domestic	Albania
		Arjan Sadushaj	5	Private	Domestic	Albania
12	Tranzit sh.p.k.	Moscopole Inc, USA	80	Private	Foreign	USA
		New Century Holdings Xi, L.p.	10	Private	Foreign	Kayman islands
		Nch Balkan Fund, L.p.	10	Private	Foreign	Kayman islands
13	M - Pay sh.p.k.	Ludovic Laventure	100	Private	Foreign	France
14	Fab Invest sh.p.k.	Fab -Group Sh.p.k.	100	Private	Domestic	Albania
15	Platinum Investment sh.p.k.	Andri Kasneci	100	Private	Domestic	Albania
16	Tirana Factoring & Lease sh.a.	Rolandi Manushi	40	Private	Domestic	Albania
		Lediana Aliaj	40	Private	Domestic	Albania
		Endrit Beqaj	20	Private	Domestic	Albania
17	Porsche Leasing sh.p.k.	Porsche Bank Aktiengesellschaft (AG)	100	Private	Foreign	Austria
18	Albania Leasing sh.a.	Islamic Corporate for Private Sector Development (ICD)	35.64	Private	Foreign	Saudi Arabia
		Banka Kombëtare Tregtare sh.a.	29.98	Private	Domestic	Albania
		Nd Real Estate Dooel	21.88	Private	Foreign	Macedonia
		Kolon World Investment Co	12.5	Private	Foreign	Hong Kong
19	Iutecredit Albania sh.a.	As Iutecredit Europe	100	Private	Foreign	Estoni
20	Agro Partner sh.p.k.	Arjan Lala	100	Private	Domestic	Albania



21	Crimson Finance Fund Albania sh.p.k.	Albanian – American Development Foundation (AADF)	38.8	Private	Foreign	USA
		Crimson Capital Corp	4.66	Private	Foreign	USA
		Norwegian Investment Fund For Developing Countries (Norfund)	25.43	Publike	Foreign	Norway
		Bashkia e Tiranës	31.11	Publike	Domestic	Albania
22	Easypay sh.p.k.	Lindita Shomo	96.5	Private	Domestic	Albania
		3 individuals	3.5	Private	Domestic	Albania
23	Kastrati sh.p.k.	Shefqet Kastrati	100	Private	Domestic	Albania
24	Micro Credit Albania sh.a.	Elda Ibro	100	Private	Domestic	Albania
25	Albanian Financial Institution sh.p.k.	Besnik Leskaj	80	Private	Domestic	Albania
		Redjan Basha	20	Private	Domestic	Albania
26	Raea Financial Services sh.p.k.	Relianda Zhelegu	90	Private	Domestic	Albania
		Rezart Kastrati	10	Private	Domestic	Albania
27	Mogo Albania sh.a.	Eleving Group S.a.	100	Private	Foreign	Luxemburg
28	Kredo Finance sh.p.k.	As Eleving Consumer Finance Holding	100	Private	Foreign	Latvia
29	Tirana Capital Trade sh.p.k.	Arta Mici	90	Private	Domestic	Albania
		Ergys Demneri	10	Private	Domestic	Albania
30	Micro Credit Risk sh.p.k.	Angelus Lex Sh.p.k.	75	Private	Domestic	Albania
		Klei Kaçupi	25	Private	Domestic	Albania
31	Paysera Albania sh.p.k.	Redion Çatri	10	Private	Domestic	Albania
		Idlir Ahmati	10	Private	Domestic	Albania
		Bwb Sh.p.k.	80	Private	Domestic	Albania
32	Antigone Financial Enterprise sh.p.k.	Dritan Zeqo	100	Private	Domestic	Albania
33	Ereja sh.p.k.	Ak – Invest Sh.a.	100	Private	Domestic	Albania
34	Rpay sh.p.k.	Aleksandër Risilia	30	Private	Domestic	Albania
		Akil Rajdho	30	Private	Domestic	Albania
		Landways International Sh.p.k.	20	Private	Domestic	Albania
		Blessed Investment Sh.p.k.	20	Private	Domestic	Albania
35	Soft & Solution sh.p.k.	Ermal Begiri	100	Private	Domestic	Albania

Source: Bank of Albania.



8.7 GEOGRAPHIC DISTRIBUTION OF BRANCHES AND BANKING AGENCIES BY REGION

No.	Region	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Tirana	212	218	213	203	204	207	197	190	183	181	181
2	Durrës	54	55	53	51	51	49	49	45	45	43	41
3	Fier	44	43	42	42	41	39	38	34	33	32	33
4	Elbasan	30	30	30	28	29	29	27	25	24	24	24
5	Korçë	37	37	38	35	35	34	31	30	26	26	26
6	Shkodër	25	25	24	22	22	22	22	20	19	19	18
7	Vlorë	41	42	41	37	37	35	32	31	29	30	29
8	Lezha	26	25	24	23	23	23	22	22	22	22	21
9	Berat	21	21	22	20	20	20	20	19	19	19	19
10	Gjirokastra	24	23	23	20	20	18	17	14	13	13	13
11	Kukës	10	9	9	9	9	8	8	8	7	7	7
12	Dibër	10	10	10	9	9	9	9	9	9	9	9
	TOTAL	534	538	529	499	500	493	472	447	429	425	421

Source: Bank of Albania.



8.8 E-BANKING PRODUCTS/SERVICES BY COMMERCIAL BANKS, AS AT END OF 2021

BANKS	ATM	POS	POS Virtual	Pay-Box	Internet Banking	Phone banking	Mobile / SMS banking	Electronic (Debit, Credit) Cards
RAIFFEISEN BANK SH.A.	√	√	√		√		√	√
NATIONAL COMMERCIAL BANK SH.A.	√	√			√	√	√	√
TIRANA BANK	√				√	√	√	√
ALPHA BANK – ALBANIA SH.A.	√	√			√		√	√
PROCREDIT BANK	√	√		√	√			√
FIRST INVESTMENT BANK, ALBANIA	√				√			√
CREDINS BANK	√	√	√		√			√
UNION BANK	√	√			√		√	√
OTP BANK ALBANIA SH.A	√				√		√	√
INTESA SANPAOLO BANK ALBANIA SH.A.	√	√			√		√	√
BANKA AMERIKANE E INVESTIMEVE SH.A	√				√			√
UNITED BANK OF ALBANIA SH.A.								√

Source: Bank of Albania.



8.9 LIST OF ENTITIES LICENSED BY THE BANK OF ALBANIA BY YEAR

No.	Entities	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Banks and branches of foreign banks	16	16	16	16	16	16	16	16	16	16	14	12	12	12
2	Non-bank financial institutions	7	13	17	19	21	21	22	27	28	31	30	32	30*	35
3	Foreign exchange bureaux	189	221	284	301	322	333	356	397	428	426	463	503	538	556
4	Savings and Loan Associations	133	135	126	126	126	121	113	111	13	13	13	14	14	16
5	Unions of Savings and Loan Associations	2	2	2	2	2	2	2	2	2	1	1	1	1	1

Source: Bank of Albania.

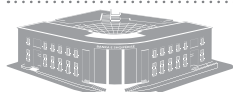


8.10 DATA ON BANKING SERVICES UP TO 2021

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of banks	16	16	16	16	16	16	16	16	14	12	12	12
Number of employees of banks	6,384	6,714	6,836	6,686	6,819	6,819	6,949	6,877	6,738	6,383	6,563	6,609
Number of branches/agencies in the country	529	534	538	529	499	500	493	472	447	429	425	421
Average number of employees per:												
- Bank	399	420	427	418	426	426	434	430	481	532	547	551
- Banking unit	12	13	13	13	14	14	14	15	15	15	15	16
Number of population (000)	2,907	2,902	2,899	2,896	2,893	2,886	2,876	2,870	2,862	2,846	2,830	2,794
Number of population per:												
- Bank	181,688	181,375	181,188	181,000	180,813	180,375	179,750	179,375	204,459	237,167	235,812	232,833
- Banking unit	5,495	5,434	5,388	5,474	5,798	5,772	5,834	6,081	6,404	6,634	6,658	6,637
- Bank employee	455	432	424	433	424	423	414	417	425	446	431	423

Source: Bank of Albania and INSTAT.

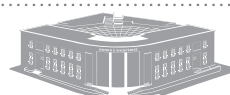
*Population data after 2011 are calculated based on the projection.



8.11 BANKS NETWORK AS AT END OF 2021

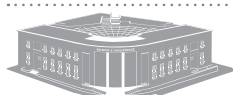
No.	Banks	No. of branches/agencies in the country	No. of branches abroad*	No. of branches and agencies, total
1	Raiffeisen	74		74
2	National Commercial Bank	63		63
3	United Bank of Albania	6		6
4	Tirana Bank	35		35
5	Alpha Bank Albania	34		34
6	Intesa Sanpaolo Bank, Albania	35		35
7	ProCredit Bank	7		7
8	American Bank of Investments	24		24
9	Credins Bank	57		57
10	OTP Bank Albania	39		39
11	Union Bank	33		33
12	First Investment Bank	14		14
	TOTAL	421	0	421

* Currently no bank exercises its activity outside the territory of the Republic of Albania.

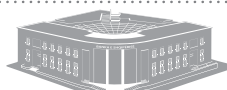


8.12 SUPERVISION REGULATIONS IN FORCE, AS AT 31 DECEMBER 2021

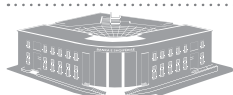
1. Regulation "On bank's investments in the equity of commercial companies", approved by the Supervisory Council Decision No. 42, dated 6.6.2001.
2. Guideline "On certificates of deposits", approved by the Supervisory Council Decision No. 79, dated 3.10.2001.
3. Manual on corrective actions for banks and branches of foreign banks in the Republic of Albania, approved by the Supervisory Council Decision No. 51, dated 26.6.2002.
4. Regulation "On supervision of electronic banking transactions", approved by the Supervisory Council Decision No. 28, dated 30.03.2005 and amended by the Decision No.80, dated 18.12.2019.
5. Regulation "On use of information and communication technology in entities licensed by the Bank of Albania", approved by the Supervisory Council Decision No. 32, dated 3.5.2006.
6. Regulation "On licensing, organization and supervision of foreign exchange bureaus", approved by the Supervisory Council Decision No. 31, dated 6.6.2007 and amended by Decision No. 73, dated 27.11.2007, Decision No. 82, dated 14.12.2011, Decision No. 31, dated 30.4.2014, Decision No. 48, dated 30.3.2016 and Decision No. 49, dated 3.7.2019.
7. Regulation "On the management of risk in the activity of branches of foreign banks", approved by the Supervisory Council Decision No. 57, dated 15.10.2007 and amended by Decision No. 62, dated 29.8.2008.
8. Regulation "On electronic payment instruments", approved by the Supervisory Council Decision No. 11, dated 06.2.2008, and amended by the Decision No. 03, dated 17.1.2013, by the Decision No. 122, dated 09.11.2016, and by the Decision No. 17, dated 7.2.2018.
9. Regulation "On transparency for banking and financial products and services", approved by the Supervisory Council Decision No. 59, dated 29.8.2008 and amended by Decision No. 14, dated 9.3.2011, by Decision No. 25, dated 3.5.2017, by Decision No. 15, dated 7.2.2018, and by Decision No. 64, dated 24.11.2021.
10. Regulation "On the minimum requirements for disclosure of information by banks and branches of foreign banks", approved by the Supervisory Council Decision No. 60, dated 29.8.2008 and amended by Decision No. 25, dated 10.4.2015.
11. Document "Reporting methodology and content of financial reports", approved with the Decision of Supervisory Council, No 95, dated 24.12.2008.
12. Document "Licensing policy of banking entities", approved by the Supervisory Council Decision No. 12, dated 25.2.2009.



13. Regulation "On granting the licence to banks and branches of foreign banks to conduct banking business in the Republic of Albania" approved by the Supervisory Council Decision No. 14, dated 11.3.2009 and amended by Decision No. 33, dated 11.5.2011, Decision No. 28, dated 16.5.2012, Decision No. 55, dated 01.10.2014, Decision No. 15, dated 03.2.2016, Decision No. 46, dated 3.7.2019, and Decision No. 61, dated 24.11.2021.
14. Regulation "On the prevention of money laundering and financing of terrorism" approved by the Supervisory Council Decision No. 44 of .2009 and amended by Decision No.55 of 28.8.2013, by Decision No. 22, dated 5.4.2017 and Decision No. 78, dated 18.12.2019.
15. Regulation "On Reporting to the Bank of Albania according to the Unified Reporting System", approved by Supervisory Council Decision No. 45, dated 10.6.2009 and amended by Decision No. 61, dated 6.8.2015, Decision No. 80, dated 6.7.2016, Decision No. 58, dated 3.10.2017, Decision No. 36, dated 2.5.2018, and Decision No. 71, dated 2.12.2020.
16. Regulation "On foreign exchange activity", approved by the Supervisory Council Decision No. 70, dated 30.09.2009 and amended by Decision No. 07, dated 28.1.2015.
17. Regulation "On liquidity risk management", approved by the Supervisory Council Decision No. 71, dated 14.10.2009 and amended by Decision No. 75, dated 26.10.2011, Decision No. 28, dated 27.3.2013 and Decision No. 14, dated 7.2.2018.
18. Regulation "On defining the decision-making level in the supervision of banking and financial activities", approved by the Supervisory Council Decision No. 36, dated 26.5.2010 and amended by Decision No. 54, dated 12.9.2012 and Decision No. 29, dated 7.6.2017.
19. Regulation "On management of risk from open foreign currency positions", approved by the Supervisory Council Decision No. 48, dated 14.7.2010.
20. Manual "On conservatorship and liquidation", approved by the Decision of the First Deputy Governor of the Bank of Albania on 31.12.2010.
21. Regulation "On operational risk management", approved by the Supervisory Council Decision No. 3, dated 19.1.2011.
22. Regulation "On authorized chartered auditors of banks and branches of foreign banks", approved by the Supervisory Council Decision No. 42, dated 15.6.2011.
23. Regulation "On managing credit risk from banks and branches of foreign banks", approved by the Supervisory Council Decision No. 62, dated 14.9.2011 and amended by Decision No. 27, dated 27.3.2013, Decision No. 22, dated 27.2.2014, Decision No. 26, dated 1.4.2015, Decision No. 50, dated 30.3.2016, Decision No. 52, dated 3.7.2019, the Circulating Decision No. 13, dated 12.3.2020, the Circulating Decision No. 33, dated 28.5.2020, and Decision Nr. 5, dated 13.1.2021.
24. Regulation "On core management principles of banks and branches



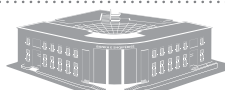
- of foreign banks and the criteria for approving their administrators", approved by the Supervisory Council Decision No. 63, dated 14.11.2012 and amended by Decision No. 73, dated 6.12.2017.
25. Regulation "On granting the license to non-bank financial institutions", approved by the Supervisory Council Decision No. 1, dated 17.1.2013 and amended by Decision No. 47, dated 30.3.2016, Decision No.121, dated 09.11.2016, Decision No. 47, dated 6.9.2017, Decision No. 47, dated 3.7.2019, and Decision No. 60, dated 24.11.2021.
26. Regulation "On the management of risk in the activity of non-bank financial institutions", approved by the Supervisory Council Decision No. 2, dated 17.1.2013 and amended by Decision No. 46, dated 06.09.2017 and Decision No. 50, dated 3.7.2019, and the Circulating Regulation No. 14, dated 12.3.2020.
27. Guideline "On managing interest rate risk in the banking book", approved by the Supervisory Council Decision No. 33, dated 30.4.2013.
28. Regulation "On capital adequacy ratio", approved by Supervisory Council Decision No. 48, dated 31.7.2013 and amended by Decision No. 43, dated 30.7.2014, and amended by Decision No. 43, dated 30.7.2014, Decision No. 70, dated 18.12.2014, Decision No. 49, dated 1.7.2015, Decision No. 91, dated 2.12.2015, Decision No. 49, dated 30.3.2016, Decision No. 5, dated 1.2.2017, Decision No.34, dated 2.5.2018, Decision No. , dated 5.2.2020, the Circulating Decision No. 22, dated 1.4.2020, the Circulating Decision No. 54, dated 9.11.2021, and Decision no. 68, dated 22.12. 2021.
29. Document "Supervision Policy", approved by the Supervisory Council Decision No. 9, dated 26.2.2014.
30. Regulation "On managing risk arising from large exposure of banks", approved by Supervisory Council Decision No. 10, dated 26.02.2014 and amended by Decision No. 20, dated 4.3.2015, Decision No. 50, dated 01.07.2015, the Circulating Decision No. 23, dated 1.4. 2020, Decision No. 53, dated 2.9.2020, and Decision No. 6, dated 13.1.2021.
31. Regulation "On regulatory capital", approved by the Supervisory Council Decision No. 69, dated 18.12.2014 and amended by Decision No. 19, dated 4.3.2015, and by Decision No. 2, dated 9.1.2019.
32. "On recognition of ECAs", approved by Order No. Prot./1883, dated 22.4.2015 of the First Deputy Governor of the Bank of Albania.
33. Regulation "On consumer and mortgage loans to households", approved by the Supervisory Council Decision No. 48, dated 01.07.2015 and amended by Decision No. 27, dated 4.4.2018, Decision no. 47, dated 1.9.2021, and Decision no. 69, dated 22.12.2021.
34. Regulation "On the internal control system", approved by the Supervisory Council Decision No. 67, dated 02.09.2015 and amended by



- Decision No. 74, dated 6.12.2017.
35. Regulation "On minimum security requirements regarding premises where banking and financial activities are conducted and transportation of monetary values", approved by Supervisory Council Decision No. 67, dated 1.6.2016 and amended by Decision No. 107, dated 5.10.2016, and Decision No. 63, dated 24.11.2021.
 36. Regulation "On licensing and exercising of the activity of savings and loan associations and their unions" approved by Supervisory Council Decision No. 104, dated 5.10.2016 and amended by Decision No. 48, dated 3.7.2019 and Decision No. 62, dated 24.11.2021.
 37. Regulation "On management of risk in the activity of savings and loan associations and their unions" approved by Supervisory Council Decision No. 105, dated 5.10.2016 and amended by the Circulating Decision No. 15, dated 12.3.2020 and the Circulating Decision No. 20, dated 26.3.2020.
 38. Regulation "On consolidated supervision", approved by the Supervisory Council Decision No. 4, dated 1.2.2017, and amended by the Decision No. 79, dated 18.12.2019, Decision No. 54, dated 2.9.2020 and Decision No. 41, dated 4.8.2021.
 39. Guideline "On the internal capital adequacy assessment process", approved with the Decision of Supervisory Council, No. 26, dated 3.5.2017.
 40. Regulation "On banks recovery plans", approved by Supervisory Council Decision No. 72, dated 6.12. 2017.
 41. Regulation "On liquidity coverage ratio", approved by Supervisory Council Decision No. 27, dated 28.3.2017 and amended by Decision No. 46, dated 1.9.2021.
 42. Regulation¹ "On out-of-court treatment of distressed borrowers by banks", approved by Supervisory Council Decision No. 51, dated 3.7.2019 and amended by the Circulating Decision No. 34, dated 28.5.2020.
 43. Guideline "On stress-test of banks", approved by Supervisory Council Decision No. 60, dated 4.9.2019.
 44. Regulation "On determining the conditions for granting the prior approval to the intra-banking group financial support agreement" approved by Supervisory Council Decision No. 6, dated 5.2.2020.
 45. Regulation "On determining the conditions for applying early intervention measures and on the conditions and manner of carrying out the temporary administration", approved by Supervisory Council Decision No. 61, dated 4.11.2020.
 46. Regulation "On the establishment, licensing, supervision, functioning, and termination of the operation of the bridge bank" approved by Supervisory Council Decision No. 62, dated 4.11.2020.
 47. Regulation² "On the financial leverage ratio of banks", approved by Supervisory Council Decision No. 70, dated 2.12.2020.

¹ Remains into force until 1.1.2022.

² Enters into force on 1.1.2022.



48. Regulation³ "On net financial sustainability ratio of banks", approved by Supervisory Council Decision No. 70, dated 2.12.2020 and amended by Decision No. 45, dated 1.9.2021.
49. Regulation "On the functioning of the Credit Registry of the Bank of Albania, as well as the conditions and procedures for the recognition, use and review of the data administered thereon", approved by Supervisory Council Decision No. 72, dated 2.12.2020 and amended by Decision No. 59, dated 24.11.2021.
50. Regulation "On the licencing of payment institutions and electronic money institutions and the registration of payment service providers," approved by Supervisory Council Decision No. 59, dated 24.11.2021.
51. Guideline No. 2, dated 1.12.2021, "On the internal capital adequacy assessment process."

³ Enters into force on 1.1.2023.

