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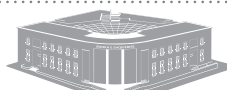
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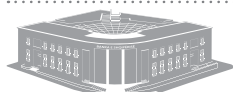
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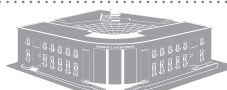
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## 1. THE FUNCTION OF SUPERVISION

The main objective of the Function of Supervision is early identification of risks, such as: credit risk, liquidity risk, operational risk, interest rate risk, capital profitability risk, reputational risk and money laundering, but not only. The focus is on the evaluation 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 evaluation of banks supervision and beyond - and their implementation, remain important steps to successfully finalize the ultimate goal that of preserving the soundness of financial entities.

## 2. KEY DEVELOPMENTS

### STRUCTURAL DEVELOPMENTS

In 2023, the banking activity recorded a growth in the loan portfolio by 3.43%<sup>1</sup> and an improvement of its quality, while the non-performing loans ratio fell to 4.74%, from 5% recorded in December 2022. These developments may be considered positive compared to forecasts where non-performing loans ratio was expected to increase and loan demand was expected to shrink, as a result of the impact of rising interest rates in the last quarter of 2022. The non-performing loans ratio increased during the year, where the highest level of 5.3% was recorded in August 2023, gradually coming down since then.

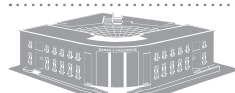
Banks with domestic capital expanded their activity, increasing their share of total assets by around 1.8 p.p. This trend is identified in the structure of the main financing sources that of deposits, which grew by around 1.17%, and loan portfolio by around 1.26%. These developments confirm the expected increase in the level of intermediation in financing the domestic economy.

### Implementations of recommendations of the assessment report by Moneyval Committee and ICRG/FATF action-plan

Among the most important developments in 2023 pertaining to combating money laundering and financing of terrorism, is the removal of Albania from the list of 'jurisdictions under increased monitoring' also known as "grey list" by the FATF, in the plenary of 27 October 2023. This achievement came as a result of the engagement of many Albanian institutions in undertaking reforms and policies in order to fulfil the necessary criteria, where the Bank of Albania made its own contribution in the framework of the legal scope it covers.

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<sup>1</sup> This calculation excludes the significant impact of the exchange rate; if it were to be included the growth of credit portfolio would be around 8%.



The Bank of Albania had a major contribution during the entire assessment process conducted by the experts of the Moneyval Committee of Albania in the 5th assessment round (2017-2018). The Bank of Albania was present in all the meetings held with the ICRG/FATF experts, fulfilling its obligations laid down in the ICRG/FATF action plan, to share all the required information and clarifications.

Delisting from the grey list of FATF is an important and positive achievement for the country, the economy and its reputation. It indicates that Albania is committed to combat money laundering and the financing of terrorism, and a sign that the international community has placed greater trust in our ability to do so. A potential benefit after exiting the 'grey list' of the FATF, is the increase of investments and the lower costs on financial transactions.

### Assessment of the equivalence of the regulatory supervisory framework

Since Albania left the 'grey list' of the FATF, it is now possible to resume the discussion with the European Banking Authority (EBA) on the process of equivalence assessment. In the beginning of 2022, the EBA published a new assessment methodology. According to that the Bank of Albania, aided by the technical assistance of the European Bank for Research and Development (EBRD) and PricewaterhouseCoopers (PwC) Spain, has conducted an independent assessment of the current regulatory framework of bank supervision. This analysis concluded that the procedural and regulatory framework, as well as the supervisory practices, are 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 against credit risk, large exposures, liquidity, financial leverage, securitisations, macroprudential supervision, professional secrecy, and international cooperation. After presenting the official request to the EBA, it is expected to commence discussions on the assessment of the equivalence of Albania based on the current methodology, in mid-2024.

### Contribution in the accession negotiation process to the EU

During 2023, the Department of Supervision made an important contribution in preparing the presentations and delivering them to the Bilateral Meetings held in Brussels on some of the key topics regarding the EU integration, such as: Chapter 4 "Free Movement of Capital", Chapter 9 "Financial Services", Chapter 17 "Economic and Monetary Policies", Chapter 20 "Enterprise and Industrial Policy", Chapter 24 "Justice, freedom and security", Chapter 28 "Consumer and health protection" and "Economic Criteria".

During the Bilateral Meetings the following were presented: the level of approximation of the legislation of the EU with the legal and regulatory framework of the Bank of Albania, the gaps identified and the plans for the further approximation of this legislation in the future.



## Preparation of the guideline on financial reporting

An important event in the development of supervision processes during the year, was that of drafting the document on financial reporting, which marks the first step toward the implementation of international standards on financial reporting and accounting. This document is drafted based on the standards laid out by the European Banking Authority (EBA), regarding both its content and tables as well as the explanatory guidelines. The document was disseminated to banks and has served as a starting point for the dialogue on the challenges that accompany the process, determining the obligations arising from its implementation as well. The drafting phase has also identified the regulations that need reviewing in order to adapt to these changes, which will be addressed from 2024 onward.

## Drafting the law “On Payment Accounts with Basic Features”

The purpose of this law, which was drafted with the assistance of the World Bank, is to create the legal framework for offering payment services to all consumers, particularly to those who do not own bank accounts, charging them no fee or a reasonable fee, by guaranteeing the right of every consumer and enabling them to have access to basic services in payment accounts regardless of their level of income, employment status and credit history.

To this end, the law lays down the rules and conditions regarding: a) the non-discrimination of consumers for opening a payment account with basic features; b) the obligation of banks to not refuse the opening of a payment account with basic features, except in specific cases when prevention of money laundering and financing of terrorism requirements are violated; c) the mechanism behind the application of basic account fees, where, in general, the fees on the services provided by the payment accounts with basic features are lower than those charged in standard payments account, while vulnerable categories will be charged no service fees.

## Green finance

In the framework of green finances and the strategy drafted to include it in the supervision processes, work has been done in 2023 to gather more knowledge regarding similar processes undertaken by fellow institutions, as they apply best international practices, and to identify the typology of practices that could be adopted in the domestic market. The Bank of Albania has collaborated with the representatives of the World Bank, as they have played the role of consultant in developing robust processes to include this component in the identification of risks in existing exposures, as well as in taking measures to mitigate them in future exposures. These steps have been undertaken in accordance with the initiatives forecasted in the three-year strategy.



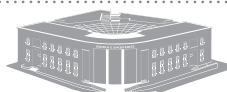


## Cyber risk

Threats against information technology has been the key event in the developments of the past two years. Owing to the geopolitical developments in the world and the active role of the Republic of Albania toward these developments in 2023, critical sectors, including the banking system and the financial one, have been constantly threatened by escalating cybernetic attacks. This situation was followed by a heightened level of alert and restrained measures in direct proportions to the present threats.

The financial system has been able to carefully manage the constant and various attacks coming from malicious subjects, whose primary aim is to damage public trust and the image of financial institutions, particularly banks, more than for the purpose of deriving profits. As a result, these attacks have failed to fulfil their objective. In 2023, the attacks directed toward the DoS – Denial of Service noted in the third quarter, stand out; these attacks were aimed at commercial banks to prevent them from providing their online services. In the fourth quarter of 2023, there were attempts of smishing as attackers tried to impersonate the official websites of banks, which again proved to be unsuccessful because banks took the necessary measures and organised various campaigns to raise public awareness. Banks' clients have also been more attentive while using online services, as they have identified and reported attempts made by wrongdoers to misappropriate their credentials.

As per the above, the Bank of Albania has enhanced the level of communication and interaction with the banking sector and regulatory authorities responsible in this field, increasing its focus and attention in this direction, particularly during onsite inspections. Furthermore, in order to have a full picture of the banking sector's security and its efficiency and maturity in preventing cybernetic risks, the information gathered by the banking sector became more intense over a period of time. To this end, in order to update the regulatory framework with the information security developments and improve supervision expectations as they prepare the financial sector, the Bank of Albania is continuing its revision of the regulatory framework according to the best EU standards and practices. This process, congruent to the long-established approach of the Bank of Albania, will be finalised with the cooperation of the banking industry and will include the best market practices as well.



### 3. ON-SITE EXAMINATIONS

In 2023, 8 examinations were carried out onsite of which: 4 full-scope examinations in banks, 3 in non-bank financial institutions and one full-scope examination was carried out in a Savings and Loan Associations (SLAs).

Table 1 Number of examinations by topic in 2023

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
2021	7	7	12	7	7	7	8	8	109*	6	6
2022	8	9	12	12	8	8	8	8	82**	8	12
2023	8	8	8	8	4	8	7	7	61**	8	8

\*\*\* In 2021, 90 examinations were carried out in 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.

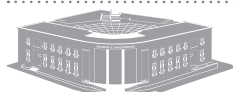
In 2022, 70 examinations were carried out in Foreign Exchange Bureaus on Reputational Risk and 12 other examinations regarding this risk were carried out in banks and non-bank financial institutions.

\*\*\* In 2023, 50 examinations were carried out in Foreign Exchange Bureaus on Reputational Risk and 11 other examinations regarding this risk were carried out in banks and non-bank financial institutions.

In 2023, there were examinations carried out in two systemic banks and two non-systemic ones. In systemic banks, the main focus was assessing the compliance with the regulatory capital requirements, including those on eligible liabilities and macro-prudential reserves. Systemic banks have to fulfil additional measures on capital in several levels, thus, planning and acquiring the necessary sources to fulfil them, is the most important element while conducting a general assessment upon them.

Besides assessing compliance with the capital requirements, assessing the systems and culture of governance, risk management (i.e., credit risk, liquidity, market, operational and reputational risks) and the business model remain incessantly important. Overall, systemic bank have consolidated their risk management systems, but further improvements are needed as regards adding more indicators to be monitored, balancing risk appetite with risk tolerance, parametrizing stress-tests etc.

As regards governance, in addition to ensuring compliance with the legal and regulatory requirements, banks should also support a culture of sustainability in order to adopt a qualitative implementation of the principles of "good governance", including the clear division of tasks and lines of reporting, effectively guaranteeing the independence of key supervision positions, effective



supervision from high governing institutions (governing board, supervision committee), etc.

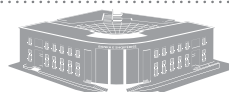
As regards non-systemic banks, supervision has been focused on measures and systems for ensuring full compliance with legal and regulatory requirements, drafting and implementation of the realizable strategic plans in relation to their risk-bearing capacity, the preconditions established to ensure a healthy increase of activity, among others. The main concern of supervision for this category of banks remains their ability to create an adequate level of reserve funds for losses and devaluations of assets and the timely reflection in their financial statements, as well as the planning and guaranteeing of adequate sources of capital that supports their activity (since most of them are not part of large banking groups).

In 2023, the examination of non-bank entities and SLAs focused on covering various areas of activity such as payment, lending, financial leasing and microcredit entities. The business model, governance system, credit risk, market and operational risk, the accuracy of reporting to the Bank of Albania, transparency with clients and the threat of money laundering were under the focus of the examinations that were carried out. Examinations assess that the activity of these subjects generate stable income that continuously supports the capital. Overall, the internal organisational and regulatory framework is congruent to the size and complexity of the entities that have a consolidated position in the market, while younger entities realise their weaknesses and the need to improve and grow in accordance with the current level of activity and the principles of a meticulous governance. Also, as regards the accuracy of reporting to the Bank of Albania, transparency with clients, and the prevention of money laundering, entities who are consolidated in the market have a better level of adherence, whereas the other ones have shown inadequacies and have breached the legal and regulatory requirements.

The examinations have also identified the need for improvement in terms of the general management of financial risks, operational and ICT risks, as well as providing competent human resources.

Concerning the identified breaches, the Bank of Albania has undertaken the respective supervision measures, namely, the termination of the activity of one entity for a period of 6 months and ceasing of contravention order and charged a penalty to the manager of another entity.

During 2023, following the regulatory amendments adopted in response to the requests received from the entities of the microfinancing sector, three publishing of the Maximum EIR were made, including an intermediate one.



## 4. LEGAL AND METHODOLOGY FRAMEWORK

In 2023, the Bank of Albania continued to work on approximating its legal and regulatory framework with the respective legal acts of the European Union, through drafting new laws and by-laws and revising the regulatory framework in force, to ensure the most effective supervision for banks and other entities, which it has licensed and it supervises.

In 2023, work to draft the new regulatory framework pursuant to the requirements laid down in Law 55/2020 "On payment services", is still ongoing. This is done in order to continue completing this framework with the new requirements of the EU regulations and the guidelines of the European Banking Authority (BE), drafted for the implementation of the Payment Services Directive (PSD2).

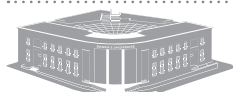
In order to implement the National Strategy of Retail Payments (2018-2023) on December 14, 2024, the Assembly of the Republic of Albania approved the Law no. 100/2023 "On payment account with basic features". The abovementioned law and Regulation No. 59/2022 "On the comparability of the fees related to payment accounts and payment accounts switching service" have transposed Directive 2014/92/EU (PAD) in the legal framework of the Bank of Albania with the purpose of enhancing transparency and competition in the market, as well as encouraging financial inclusion among the Albanian population. The transposition of Directive 2014/92/EU marks also the fulfilment of the obligations undertaken by the Bank of Albanian in the framework of the National Plan for the European Integration (2023-2025) and Chapter 9 of the *acquis*.

Further on, over the course of 2023, the Bank of Albania created the working group for drafting the new law "On Banks in the Republic of Albania", including experts from different departments. The purpose of the new law is the approximation with the requirements of Directive 2013/36/EU and the latest amendments adopted in this Directive.

Banks and other entities, licensed and supervised by the Bank of Albania have also assisted the process of drafting the new legal and sub-legal acts, as well as the amendments to the regulatory framework in force, by contributing their comments and suggestions.

Developments in the legal and regulatory framework over 2023 are presented in a more detailed manner below:

### I. Completing the framework of sub-legal acts drafted for the implementation of Law No. 55/2020 "On Payment services":

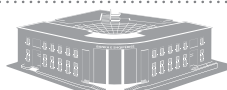


- Approval of the new Regulation “On carrying out the activity and supervision of payment institutions” (adopted with Decision No. 14, dated 23.3.2023 of the Supervisory Council of the Bank of Albania)

This Regulation lays down the rules for supervising and regulating the activity of payment institutions, while providing new requirements on these institutions in compliance with the provisions of Law “On Payment Services”, by also taking into consideration some of the requirements already in force, which, have up to recently, regulated the activity of non-bank financial institutions involved in the financial activity of payment services and money transfers.

- Approval of amendments to Regulation “On reporting to the Bank of Albania according to the Unified Reporting System” (adopted with Decision No. 48, dated 1.11.2023 of the Supervisory Council of the Bank of Albania)

- These amendments consist of reviews on reporting requirements for some of the entities provided for in the regulation, specifically: i) a new reporting system for payment institutions and electronic money institutions, drafted in congruence to supervision requirements springing from the new legal provisions and regulatory obligations on these entities; ii) some changes to the reporting templates for non-bank financial entities that reflect the most current regulatory amendments regarding these entities; iii) the inclusion of some reporting templates for banks and savings and lending associations in the electronic reporting system; iv) an additional reporting template to be used by banks when reporting information on payment transactions by the type of authentication used, which aims to gather data on the implementation of the Regulation “On strong customer authentication and common, open and secure standards of communication”.



**BOX 1 NEW REGULATION "ON CARRYING OUT THE ACTIVITY AND SUPERVISION OF PAYMENT INSTITUTIONS"**

*The Regulation provides new regulatory requirements for payment institutions in conformity with the Law "On Payment services."*

*The new requirements provided for in the Regulation, consist of rules on the regulatory capital and its comprising elements; the method for calculating the regulatory capital requirements; safeguarding the clients' funds; accounting and auditing, etc.*

*The Regulation introduces the rules on the adequate capital necessary for covering risks arising from the activity of payment institutions, which are considered important since in order to provide payment services, they hold clients' funds. For this reason, the capital requirements laid down in this regulation have been addressed in a similar way to banks, introducing for the first time the concept of "regulatory capital" and "regulatory capital requirement", pursuant to the standards of the respective transposed EU Directives.*

*This Regulation includes the harmonisation of the rules pertaining to the legal auditor, or the auditing association of the payment institution, with the requirements laid down in the legal code and the sub-legal framework in force for banks, complaint with the law "On Payment Services" and EU standards.*

*Requirements on safeguarding clients' funds come as a new obligation for this institutions. They are adopted from the new requirements laid down in the Law "On Payment services." As a result, with the purpose of fulfilling the legal and regulatory requirements on payment institutions to protect the funds, this Regulation includes the types of assets that will be considered secure, low-risk and liquid.*

*In a detailed manner, the regulation stipulates the new requirements respectively for:*

- *the elements comprising the regulatory capital, as well as the regulatory threshold for Common Equity Tier 1 and Tier 2 capital, foreseeing the same treatment applicable to banks as well, through referring to the respective requirements provided for in the Regulation "On the bank's regulatory capital";*
- *the method for calculating the regulatory capital requirements of payment institutions pursuant to method B provided for in the Directive 2015/2366/EU (PSD2), transposed by the law "On Payment Services";*
- *the safeguarding of the funds of payment institutions' clients, while setting out the types of secure, low-risk and liquid assets in accordance with the provisions referred to in Article 12 of the Law "On Payment Services";*
- *diversifying clients' investment funds in accordance with the requirements for the safeguarding of funds;*
- *the conditions that payment institutions must fulfil to grant loans related to payment services, as provided for in points 4 and 5 of Annex I of Law No 55/2020, as well as the capital requirement that these institutions must fulfil when issuing such loans;*
- *reporting, accounting and auditing of payment institutions.*



## II. Approval of the Law No 100/2023 “On payment accounts with basic features” (approved on 14.12.2023 by the Assembly of the Republic of Albania)

The approval of the law “On payment account with basic features” and Regulation No 59/2022 “On the comparability of the fees related to payment accounts and payment accounts switching service” complete the transposition of Directive 2014/92/EU (PAD) and the Regulations in pursuance thereof (Regulations 2018/32, 2018/33 and 2018/34 of the EU) into the legal framework of the Bank of Albania, finalizing the engagement of the Bank of Albania in the framework of the National Plan for European Integration 2023-2025 and Chapter 9, as well as in the framework of implementing the National Strategy of Retail Payments (2018-2023).

### BOX 2 THE NEW LAW “ON PAYMENT ACCOUNTS WITH BASIC FEATURES”

*Law No 100/2023 “On payment account with basic features” is approved by the Bank of Albania with the aim to encourage the financial inclusion of the Albanian population and modernise the payment system; it is also part of the measures undertaken in the framework of implementing the National Strategy of Retail Payments (2018-2023). The implementation of this law aims to increase the number of payment accounts, enticing consumers who currently do not possess a bank account to the banking system, as well as to encourage those existing payment account owners to increase their banking activity.*

*The law on payment account with basic features is focused on the consumer (individual client) and does not apply on payment accounts of legal persons, micro-enterprises, small enterprises or commercial natural persons. This law allows the consumer access to basic banking services, through ‘the payment account with basic features’, avoiding discrimination of consumers based on their employment status or financial situation. To this end the law defines the rules and conditions for opening and using a payment account with basic features. With the purpose of guaranteeing basic services to consumers, the law lays down obligations on banks that prevent them from refusing to open a payment account with basic features, except in specific cases when requirements for preventing money laundering, as well as some other requirements, are infringed upon. Also, clients have the right to issue a complaint to the Bank of Albania when the bank refuses to open a payment account with basic features.*

*The payment account with basic features is a type of account that offers a set of basic services such as: deposits and/or fund withdrawals, payments and transfers at the counter through debit cards or online platforms, provided they are carried out in the national currency (Lek) and transactions executed within the territory of the Republic of Albania only. The basic services offered by this account exclude payment transactions with credit cards as well as credit related to payment services.*

*Clients opting for this account will benefit from more favourable fees applied on these basic services as compared to standard payment services, whereas for some categories of clients, service fees will be zero.*

*Currently, the category of consumers that are regulated by this law are those that receive payments in cash such as: unemployment benefits; economic assistance;*





*disabilities and pensions, among others. Consequently, every payment conducted by this category of clients uses cash as a means of payment, which is a costly instrument. From this point of view, the law allows them access to a bank account, while also supporting the use of electronic payment instruments, to reduce cash in the economy.*

*As a result, the law stipulates the criteria upon which banks will determine the reasonable fee applicable to clients. The law also determines the group of clients that receive economic and social assistance, who will benefit from the services provided for in this law free of charge. This category includes those individuals that benefit from social, economic and health protection and assistance, as well as pensioners, students and people with disabilities.*

*The law determines the mechanisms behind adopting the fees according to the type of service provided by this account, as well as modalities and transactions. It also lays down the requirements related to handling complaints and transparency, and administrative breaches, sanctions and the right and procedures for these complaints.*

III. In the framework of reviewing the regulatory framework in order to implement the Basel III requirements and transpose the EU acquis, the following developments have taken place:

- Approval of amendments to the Regulation “On capital adequacy ratio” and to the Regulation “On the consolidated supervision” (adopted respectively with Decision No. 36 and 37, dated 2.8.2023 of the Supervisory Council of the Bank of Albania).

Amendments consist of revising Annex 7 of Regulation “On capital adequacy ratio”, precisely the reporting templates on capital adequacy (COREP) on credit risk and market risk, as well as the templates on securitization exposures and the methodological guidelines to complete them. These amendments are also reflected in the same manner in the COREP reporting templates on a consolidated basis, revising Annex 3 of the Regulation “On consolidated supervision.”

#### IV. Other developments

- Approval of amendments to the Regulation “On consumer credit and mortgage loans” (adopted with Decision No. 9, dated 1.3.2023 of the Supervisory Council of the Bank of Albania)

These amendments reflect the market dynamics on the application of the maximum effective interest rate for consumer credit and aim to establish a more accurate calibration for the calculation and determination of the maximum EIR.

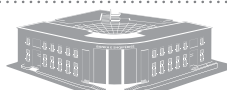
- Approval of amendments to the Regulation “On licensing and activity of savings and loan associations and their Unions” (adopted with





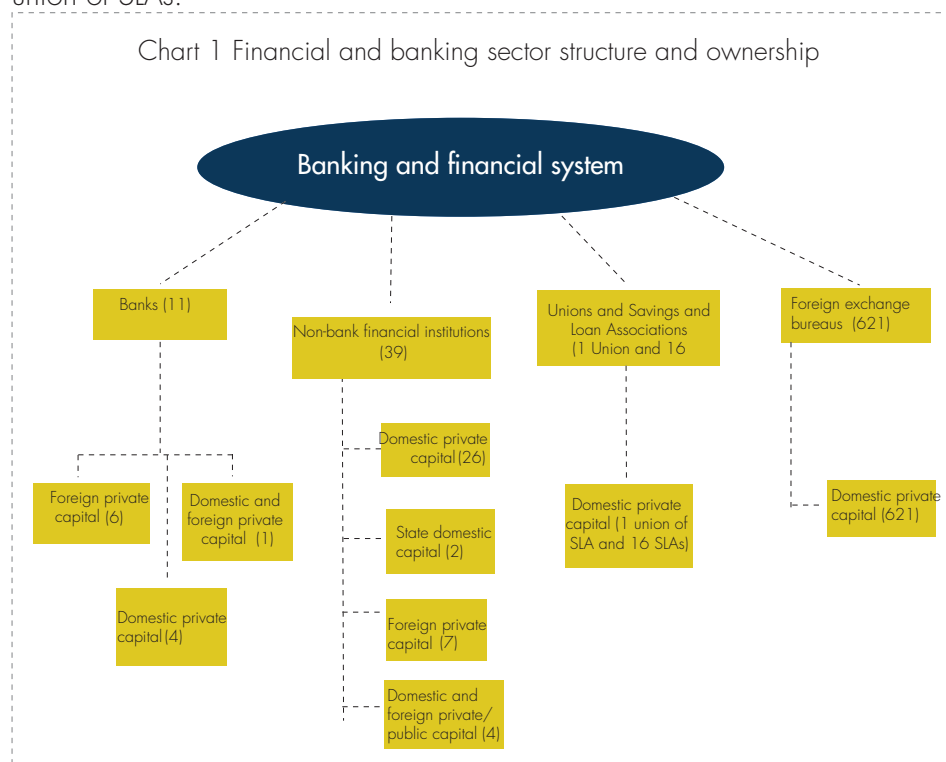
Decision No. 42, dated 6.9.2023 of the Supervisory Council of the Bank of Albania)

The amendments to the Regulation provide a change in handling the payment of SLA membership contribution (that are quite low in value), which will not require some documents regarding the integrity of new members; whereas for any other capital payment and/or capital buffer below ALL 100 000, the SLA is required to acquire and retain documents on the integrity of members/donors.



## 5. LICENSING

As at the end of 2023, the structure of the banking and financial system in Albania consisted of 11 banks, 39 non-bank financial institutions (NBFIs), 621 foreign exchange bureaus, 16 Savings and Loan Associations (SLAs) and 1 union of SLAs.

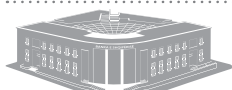


Pursuant to the Law “On banks in the Republic of Albania”, the Bank of Albania is vested with the power to licence and supervise banks, NBFIs, savings and loans associations and their unions, foreign exchange bureaus and representative offices of foreign banks.

### 1. Banks:

In 2023, within the scope of the licensing function, the Bank of Albania made the following decisions

- approval of 66 administrators of banks, including: 23 members of steering councils, 15 members of audit committees, and 28 executive and internal audit directors of banks;
- approval of the expansion of the banking network with one new branch within the territory of the Republic of Albania, and one new branch outside the territory of the Republic of Albania;
- approval of amendments to the statutes of Procredit Bank sh.a, Credins Bank sh.a, and First Bank of Investments, Albania sh.a.;
- approval/no-objection on the appointment/re-appointment of chartered auditors for auditing of financial statements at end of 2023 for all



banks;

- e) approval of subordinated debt issuance by Credins Bank sh.a. (3 cases), American Investment Bank sh.a., Tirana Bank sh.a., First Bank of Investments, Albania sh.a., National Commercial Bank, Union Bank sh.a., and the settlement of subordinated debt of Credins Bank sh.a.;
- f) approval of the conduction of one additional financial activity (insurance intermediary/agent) in one bank (OTP Bank Albania sh.a.).

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

The Bank of Albania's decisions related to non-bank financial institutions, microcredit financial institutions and electronic money institutions, during 2023, included:

- a) granting the licence to one electronic money institution ("BKT Pay" sh.a.);
- b) granting the licence to one non-bank financial institution to carry out the activity of "purchasing non-performing loans ("New Collection" sh.p.k./Ltd.)
- c) preliminary approval for the appointment /re-appointment of 9 administrators, 4 chairs of the steering council and one chair of the audit committee of non-bank financial institutions;
- d) approval on the transfer of the qualifying holding of the capital of two financial entities ("MIA Finance" sh.a. and "Landeslease" sh.a.);
- e) approval of an additional financial activity (i.e., insurance intermediary/agent) to one electronic money payment institution (i.e., "lutePay" sh.p.k);
- f) revocation of the licence of one payment institution by the institution's own request (Kastrati 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 issued to savings and loan associations (SLAs) and unions of savings and loan associations, during 2023, consists in approvals for appointment/re-appointment of one administrator of savings and loans 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) license 52 new foreign exchange bureaus; and
- b) revoke the licenses of 14 foreign exchange bureaus, as a supervisory measures and due to the discontinuation of the activity.

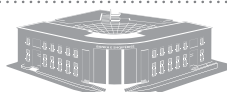
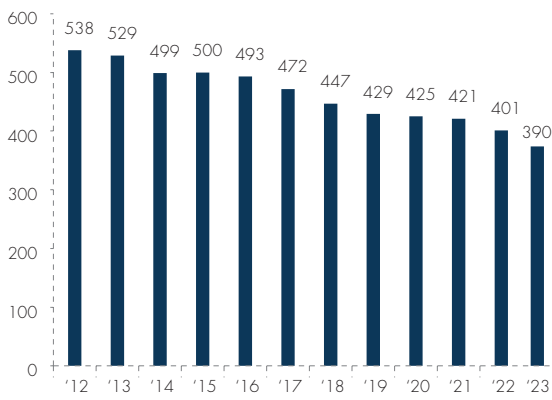


Chart 2 Number of bank branches/agencies, over years



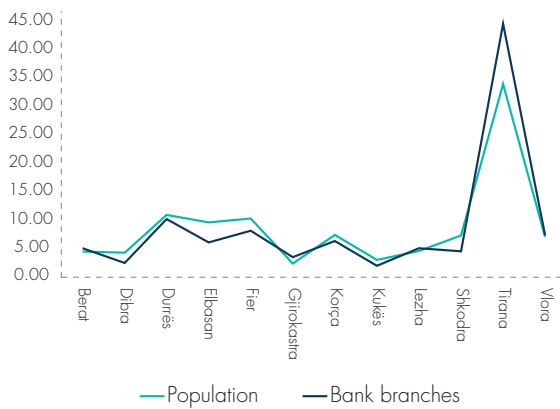
Source: Bank of Albania.

### 5. Other

As of the end of 2023, banks operate through 390 branches/agencies across the country. The chart below shows the number of branches and their changing trends over the years.

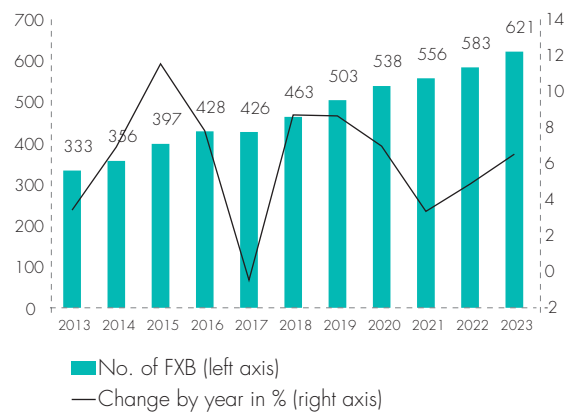
The geographical distribution of bank branches/agencies covers almost the entire territory of Albania. The highest concentration of branches and agencies is in Tirana (44.10%), where the population concentration is greater as well (33.50%). Likewise, the breakdown of the presence of bank branches/agencies by prefectures is also in proportion with the population.

Chart 3 Resident population and bank branches and agencies' network, by region, in 2023 (in %)



Source: Bank of Albania and INSTAT.

Chart 4 Foreign exchange bureaus, over the years



Source: Bank of Albania.

During 2023, applications to conduct foreign exchange activities continued. At the end of the year, a total of 621 foreign exchange bureaus were operating in the foreign exchange market. During the year, 52 new licences were granted to foreign exchange bureaus, and 14 existing ones were revoked.

In compliance with the requirements laid down in the legal framework in force, payment institutions and electronic money institutions may conduct the activity of payment service and/or funds distribution and repayment. In the case of e-money institutions, this may be done even through agents, which numbered 1569, as at end of 2023.

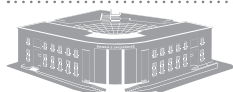
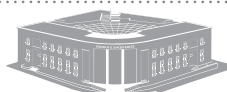


Table 2 Number of payment institutions' and e-money institutions' agents, as at end-2023

Entity	AK-INVEST	Financial Union Tirana	EASYPAY	RAEA FINANCIAL SERVICES SH.P.K.	Total
Agents of payment institution	363			117	480
Agents of electronic money institution		617	472		1089
Total	363	617	472	117	1.569

Source: Bank of Albania.



## 6. RISKS IN THE BANKING SYSTEM AND NON-BANK FINANCIAL INSTITUTIONS

### 6.1 BANKING SYSTEM HIGHLIGHTS

The most important indicator of supervision, the capital adequacy ratio (CAR), at the end of 2023, stood at 19.4%<sup>2</sup>. This ratio has fallen by 0.6 percentage point, compared with the same period in the previous year.

In the same vein, as at end of 2023, the non-performing loans ratio (NPLR) dropped by 0.25 percentage points in annual terms, to 4.74%. At the end of 2023, the non-performing loans reached at ALL 35 billion, down by ALL 0.7 billion or 1.95% compared to the previous year. Meanwhile, the loan portfolio grew by ALL 24.5 billion, or around 3.43% during this year.

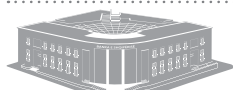
Profitability indicators - Return on Average Assets (RoAA) and Return on Average Equity (RoAE) respectively, - increased compared with 2022. RoAA stood at 1.7%, while RoAE at 17.3%, as at end-2023, from 1.2% and 11.8%, respectively, at the end of 2022.

The following are banking system highlights for 2023

1. The non-performing loans ratio (NPLR) dropped by 0.25 percentage points in annual terms, to 4.74 % at the end of 2023.
2. Net outstanding non-performing loans to total credit portfolio stood at 1.44%, down by 0.4 percentage point compared with December 2022;
3. Provisioning of NPLs was 70.56%, from 64.41% a year earlier;
4. Liquidity indicators keep appearing significantly above the regulatory requirement laid down in the Bank of Albania's regulatory acts. In December 2023, the ratio of liquid assets to short-term liabilities in the banking system was 43.44%<sup>3</sup>, up by 2.4 percentage points compared with the same period in the previous year.
5. Liquidity coverage ratio stood at 303% form the regulatory limit of 100%;
6. As of December 2023, the total value of deposits in the system amounted to ALL 1.605 billion, recording 5.7% annual growth from the previous year. The share of the domestic currency in total deposits increased to 46.6%, from 46.1% in December 2022;
7. As at the end of 2023, the Capital Adequacy Ratio - the main supervision indicator – was reported at 19.4%. This ratio has increased by 0.6 percentage point, compared with the same period in the previous year;
8. The financial result was positive in 2023, at around ALL 32.5 billion, or ALL 11.7 billion (56%) higher than in 2022.

<sup>2</sup> The data presented in this Report for the preceding years may be different from those reported in the Annual Supervision Report of 2023, due to the corrections of the data reported from banks and other licensed entities, as a result of auditing processes which correct calculations.

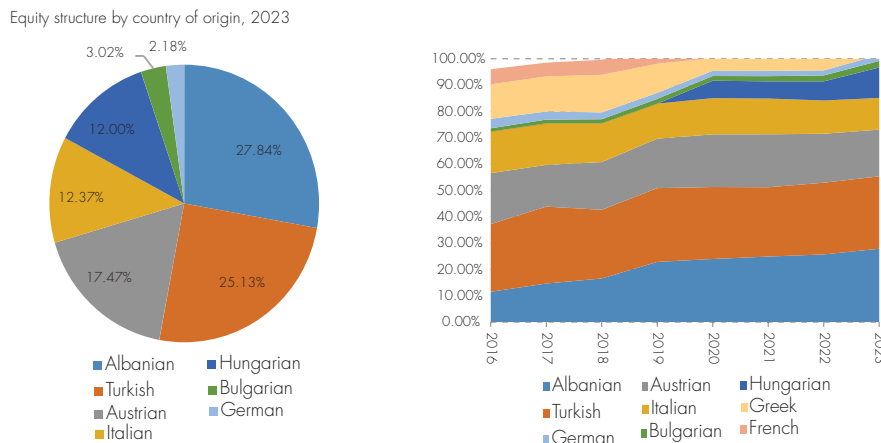
<sup>3</sup> The minimum required level for this indicator, according to the regulatory requirements, is 20%.



## 6.2 CAPITAL OWNERSHIP STRUCTURE BY COUNTRY OF ORIGIN

The shareholders capital of the banking system reached ALL 195.39 billion, up by around ALL 12.01 billion, or 6.5% against the previous year. Foreign capital continues to dominate the capital structure. At the end of 2023, foreign capital accounted for around 72.16% of paid-in capital in the banking system, down by around 5 percentage points from the end of 2022.

Chart 5 Equity ownership structure by country of origin and performance over time



Source: Bank of Albania.

## 6.3 BANKING SYSTEM STRUCTURE

### 6.3.1 ASSET AND LIABILITY STRUCTURE

During 2023, banking system assets grew by around ALL 89.43 billion or 4.77%, compared to ALL 104.02 billion or 5.87% growth a year earlier. The loan portfolio grew by ALL 24.5 billion, or 3.43% during this year.

The banking system's share in the economy, measured by the ratio of total assets to the Gross Domestic Product (GDP), continues to remain at high levels, though these indicators decreased by 2.9 percentage points, recording 84.98%. Meanwhile, the loan to Gross Domestic Product ratio fell by 1.52 p.p. due to the higher growth of GDP against the increase in the loan portfolio.

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

Indicators	2018	2019	2020	2021	2022	2023
Total assets (in ALL billion)	1,453.45	1,475.55	1,580.82	1,773.29	1,875.84	1,965.28
Total assets/GDP (in %)	88.80	87.21	95.96	95.53	87.88	84.98
Total loans/GDP (in %)	35.48	34.03	36.96	36.15	33.50	31.98

Source: Bank of Albania.



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

- Decrease in treasury and interbank transactions by ALL 8.1 billion or 1.6%, springing from the decrease in relations with banks and financial institutions by ALL 28 billion or 15.6%. Meanwhile, relations with the central bank increased by ALL 10.8 billion or 5.1% and the T-bills portfolio also grew by ALL 4.3 billion or 4.3%;
- Increase in transactions with clients (net) by ALL 22.8 billion or by 3.3%;
- Increase in security transactions (net) by ALL 70.5 billion or by 11.5%;
- Increase in other assets by ALL 2 billion or by 9.3%;
- Increase in fixed assets by ALL 2.2 billion or by 8.2%;

Table 4 Key banking system asset items

Indicators:	Decemebre 2022			Decemebre 2023		
	Amount*	Share**	Change % ***	Amount*	Share**	Change % ***
1. Treasury and interbank transactions	519.9	27.7	5.43	511.8	26.0	(1.56)
Of which:						
- Monetary assets	27.3	1.5	(6.87)	31.9	1.6	17.15
- Transactions with the central bank	213.0	11.4	14.05	223.8	11.4	5.07
- T-bills	100.1	5.3	37.09	104.4	5.3	4.26
- Transactions with other banks	179.6	9.6	(11.97)	151.6	7.7	(15.57)
2. Transactions clients (net)	692.0	36.9	(30.63)	714.8	36.4	3.29
3. Security transactions (net)	615.5	32.8	5.76	686.0	34.9	11.46
4. Other assets	21.4	1.3	(10.19)	23.4	1.2	9.28
5. Fixed assets	27.1	1.4	8.12	29.3	1.5	8.17
Total assets	1,875.8	100.0	5.78	1,965.3	100.0	4.77

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 previous year:

- Increase in transactions with customers by ALL 86.94 billion or 5.73%. This increase was arising from the following:
  - a ALL 81.26 bln or 5.45% increase recorded by private sector mainly as a result of the increase in time deposits by ALL 45.5 bln or 7.26% and the increase in current accounts by ALL 42.7 bln, or 6.62%.
- Increase in permanent resources by ALL 17.6 billion or 8.34%;
- Decrease in other liabilities by ALL 5.2 billion or 17.7%.
- Decrease in treasury and interbank transactions by ALL 14.1 billion (12.28%);
- Increase in securities transaction by 134.8%, however their share remains low.

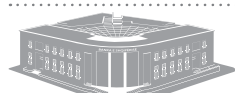




Table 5 Key banking system liability items

Indicators:	December 2022			December 2023		
	Amount*	Share**	Change %***	Amount*	Share**	Change %***
1. Treasury and interbank transactions	114.5	6.1	1.5	100.4	5.1	(12.28)
2. Transactions with customers	1,518.2	80.9	5.9	1,605.2	81.7	5.73
3. Securities transactions	3.1	0.2	0.3	7.3	0.4	134.78
4. Other liabilities	29.3	1.6	19.1	24.1	1.2	(17.77)
5. Permanent resources	210.7	11.2	5.6	228.2	11.6	8.34
Total liabilities	1,875.8	100.0	5.8	1,965.3	100.0	4.77

Source: Bank of Albania.

\*in ALL billion

\*\* in % to total assets

\*\*\*in % to a year earlier

During 2023, the share of off-balance sheet items to total assets decreased, reaching 95.73%, from 105.25% as at end of 2022. Off-balance sheet items decreased both in value and as a share to total assets. Table 6 shows that the annual fall during this year was driven by the drop in "commitments received" and "commitments given" items. The commitments received have the main share in off-balance sheet items, accounting for 90.63%, from 87.13% at the end of 2022.

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

Treguesit:	Change from previous year		December 2022	Change from previous year		December 2023
	December 2022			December 2023		
	In ALL bln	In %		In ALL bln	In %	
TOTAL	585.2	25.3	1,974.3	(93.0)	(4.7)	1,881.3
Commitments given	(52.9)	(26.3)	148.3	(10.8)	(7.3)	137.4
Of which:						
- Financing commitments	9.2	14.7	72.0	10.0	13.9	81.9
- Guarantees	7.3	17.9	48.3	(2.0)	(4.1)	46.3
- Security commitments	(69.4)	(71.2)	28.0	(18.9)	(67.4)	9.1
Commitments received	(342.2)	(16.6)	1,720.2	(15.2)	(0.9)	1,705.0
Of which:						
- Financing commitments	1.1	28.9	4.9	11.8	243.4	16.7
- Guarantees	(348.0)	(17.0)	1,703.2	(22.8)	(1.3)	1,680.4
Foreign currency transactions	30.6	152.6	50.7	(30.0)	(59.1)	20.7
Other commitments	(0.1)	(2.1)	2.6	(0.1)	(5.6)	2.4
Commitments for financial instruments	22.4	74.0	52.6	(36.9)	(70.1)	15.7

Source: Bank of Albania.

### 6.3.2 CONCENTRATION

Concentration indicators, as measured by the Herfindahl index calculated for total deposits and loan index, registered the same level as in 2022, while the total assets index decreased by 0.01 percentage point. All three indicators show low levels.



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

Indicators	2018	2019	2020	2021	2022	2023
H Index (assets)*	0.16	0.15	0.15	0.14	0.15	0.14
H Index (deposits)	0.15	0.15	0.15	0.15	0.15	0.15
H Index (loans)	0.13	0.12	0.12	0.12	0.13	0.13

Source: Bank of Albania.

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

## 6.4 MANAGEMENT OF BANKING ACTIVITY RISKS

### 6.4.1 CREDIT RISK

#### 6.4.1.1 Lending

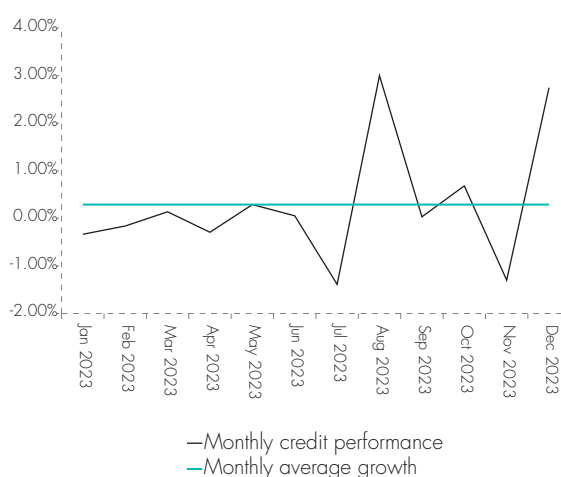
Total credit grew by ALL 24.5 billion, or around 3.43% in 2023.

Table 8 Quarterly credit growth in 2023

Quarterly credit growth	March 2023	June 2023	September 2023	September 2023
in ALL million	(2,583.17)	388.37	11,436.08	15,257.71
in %	-0.36%	0.05%	1.60%	2.11%

Source: Bank of Albania.

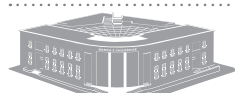
Chart 6 Monthly credit growth in 2023 (in %)



Source: Bank of Albania.

In 2023 Q1, there was a decrease in the loan portfolio by ALL 2.5 bln, or 0.36%, whilst during the other quarters, the loan portfolio increased. In Q2, the increase recorded was more modest by only ALL 0.38 bln, or 0.05%. Whereas in the third and fourth quarters, this portfolio increased at a higher rate by ALL 11.4 bln (1.6%) and ALL 15.2 bln (2.11%), respectively. As regards monthly growth, in August and December 2023, the credit portfolio was up by ALL 21 bln (3%) and ALL 19.7 bln (2.75%), respectively. The monthly average credit growth stood at 0.29%.

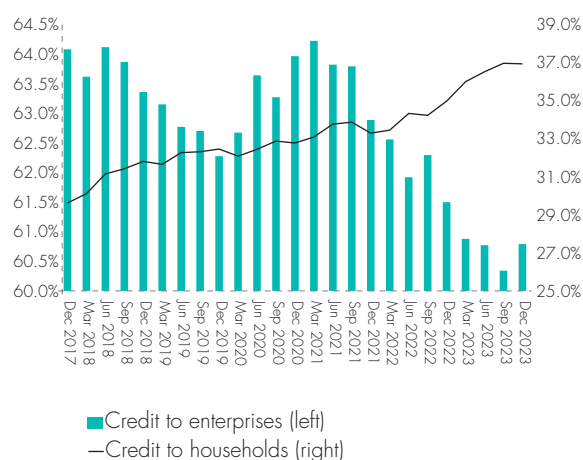
Credit analysis by **type of entity** shows a higher concentration in the private sector, around 60.8%, down by 0.7 p.p., while credit to this sector, during 2023, grew by ALL 9.8 billion (2.24%). Also, credit to households grew by ALL 23 billion (9.22%), contributing in the increase of its share by 2 p.p. Credit to public sector decreased by ALL 8.4 billion (33%).



By entity and purpose of use<sup>4</sup> the analysis shows that loans for ‘investment for real estate’ to households have the major share in the total credit portfolio (26%); followed by loans for “real estate” to enterprises (23.3%); loans for “equipment purchase” to enterprises (11.2%); and “overdraft” to enterprises (14.6%).

Loans to enterprises for “real estate” reflects the highest growth for 2023, by 43.5%, followed by loans to households for “intangible goods”, by 15% and “overdraft” to households, by 13%.

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



Source: Bank of Albania.

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

Descriptio	December 2022	Share in %	Change in % Dec. 2022 - Dec 2021	Dec. 2023	Share in	Change in % Dec. 2023 - Dec. 2022
Total loans	661.1	100.0	7.1	693.7	100.0	4.9
Credit to enterprises t	411.9	62.3	4.4	422.0	60.8	2.5
Overdraft	102.2	15.5	13.0	101.4	14.6	(0.8)
Working capital	75.7	11.4	2.5	73.2	10.6	(3.2)
Start-up loans	9.3	1.4	(5.7)	8.0	1.2	(13.6)
Equipment purchase	111.8	16.9	2.4	77.5	11.2	(30.7)
Real estate	112.4	17.0	0.9	161.3	23.3	43.5
Loans for investments in financial instruments	0.5	0.1	4.0	0.6	0.1	4.2
Credit to households	249.2	37.7	11.8	271.7	39.2	9.0
Overdraft	8.0	1.2	5.8	9.0	1.3	12.9
Intangible good	36.6	5.5	9.1	42.1	6.1	15.0
Tangible goods	24.6	3.7	6.0	25.5	3.7	3.7
House purchase loans	166.7	25.2	14.2	180.7	26.0	8.4
Loans for other purposes	13.3	2.0	6.2	14.4	2.1	8.1

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, as the share of short-, medium-, and long-term loans has decreased. The long-term loans recorded the highest decline by ALL 28 bln, or 10.46%, followed by short-term loans, by ALL 12 bln, or 7.74%.

<sup>4</sup> Data do not include non-residents.

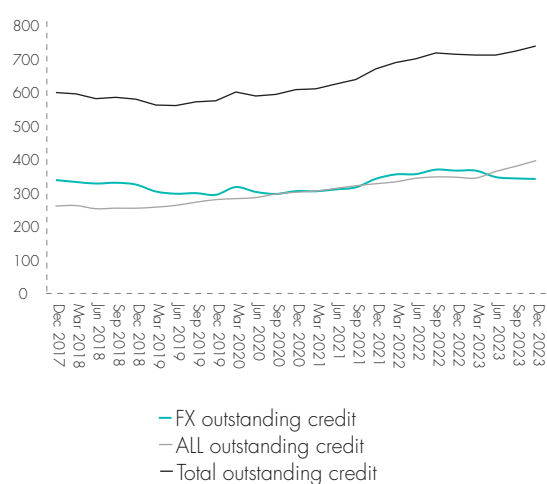


Table 10 Structure of outstanding credit by term to maturity (in %)

Maturity	Dec. 2022	March 2023	June 2023	Set. 2023	Dec. 2023
Short-term	22.8	22.0	22.3	21.6	20.3
Medium-term	13.2	13.1	13.4	12.9	12.9
Long-term	37.5	37.9	37.7	36.1	32.5

Source: Bank of Albania.

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



Source: Bank of Albania.

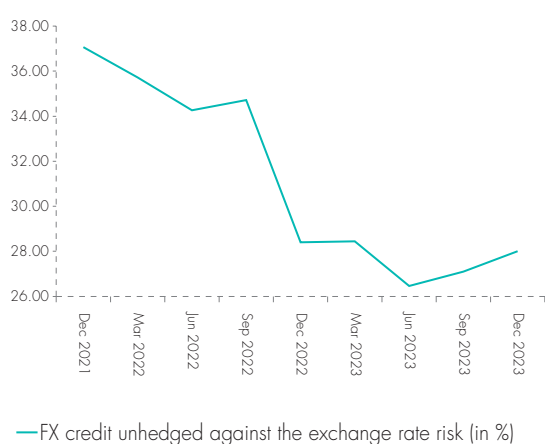
In 2023, the credit portfolio **by currency**, in contrary to 2022, shows that loans in lek have the highest share in total loans, by 53.7%, up by 4 p.p. Whereas, the portfolio of loans in foreign currency, as compared to the same period in the previous period, shows a decline by 4 p.p.

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

Currency	December 2020	December 2021	December 2022	December 2023
ALL	49.7	48.9	48.6	53.7
Foreign currency	50.3	51.1	51.4	46.3

Source: Bank of Albania.

Chart 9 Share of FX credit unhedged against exchange rate risk in FX credit portfolio (in %)



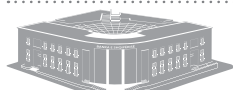
Source: Bank of Albania.

In 2023, the share of foreign currency loans unhedged against the exchange rate risk to total credit portfolio in foreign currency<sup>5</sup>, compared to the previous year, decreased by 0.39 p.p. reaching at 28%.

The structure of credit by sectors of the economy<sup>6</sup> for 2023, shows 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 30.3% in the portfolio, followed by "Construction" and "Processing industry" sharing

<sup>5</sup> 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).

<sup>6</sup> Data do not include non-residents.



17.3% and 12.4% in the portfolio, respectively.

Table 12 Credit by branches of economy (amount (in ALL billion) and by share to total credit)

Description	December 2022		December 2023	
	Amount	Share in %	Amount	Share in %
<b>Enterprises</b>	411.9	62.3	422.0	60.8
Agriculture, Forestry, Fishing	6.9	1.7	6.8	1.6
Extracting industry	6.1	1.5	5.1	1.2
Processing industry	51.9	12.6	52.5	12.4
Electricity, gas supply, steam and air conditioning	32.8	8.0	33.7	8.0
Water supply, waste management activities	1.5	0.4	1.2	0.3
Construction	72.7	17.6	72.8	17.3
Wholesale and retail trade; Repair of vehicles and motor-cycles	136.5	33.1	127.9	30.3
Transportation and storage	10.6	2.6	16.1	3.8
Accommodation and food services	33.5	8.1	37.5	8.9
Information and communication	7.0	1.7	6.1	1.5
Financial and insurance activities	3.5	0.8	4.7	1.1
Real estate activities	7.9	1.9	13.3	3.2
Professional, scientific and technical activities	2.4	0.6	1.9	0.5
Management and supporting services	3.3	0.8	3.5	0.8
Public management and defence; Obligatory social security	0.1	0.0	0.1	0.0
Education	6.1	1.5	4.6	1.1
Healthcare and social work activities	5.4	1.3	6.8	1.6
Art, recreation and leisure	0.6	0.1	0.7	0.2
Other service activities	23.0	5.6	25.0	5.9
Households' activities as employers; Activities of output of invariable goods and services of households for their own use	0.0	0.0	1.3	0.3
Activities of international organisations and bodies	0.0	0.0	0.1	0.0
<b>Households</b>	249.2	37.7	271.7	39.2
<b>Total</b>	661.1	100.0	693.7	100.0

Source: Bank of Albania.

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

#### 6.4.1.2 Assets quality

At the end of 2023, non-performing loans stood at ALL 35 billion, down by ALL 0.7 billion or 1.95% compared with the previous year. Gross non-performing loans ratio declined by 0.26 percentage points, in annual terms, standing at 4.74% at the end of 2023.

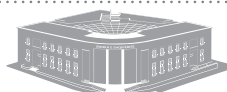
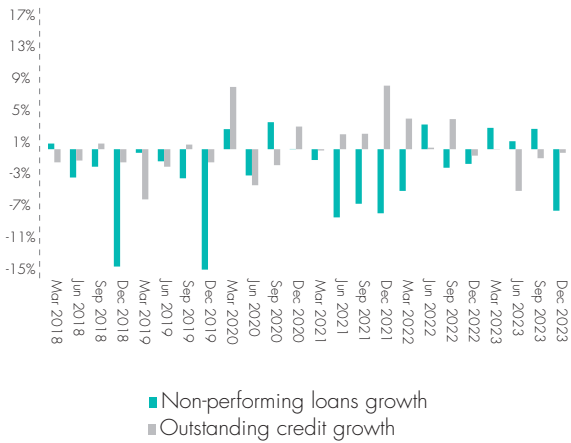
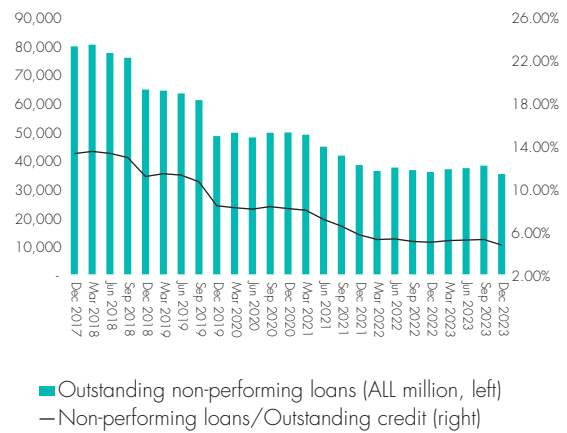


Chart 10 NPLs portfolio and credit portfolio compared to the previous quarter (in %)



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 1.44%, down by 0.4 percentage points compared with December 2022.

The portfolio of performing loans shows that “standard” loans grew by 0.8 percentage point. Meanwhile, the NPL portfolio shows a decrease in “substandard” and “doubtful” loans by 0.2 percentage points and 0.4 percentage points, respectively. Whereas, the category of “lost” loans was up by 0.4 percentage point.

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

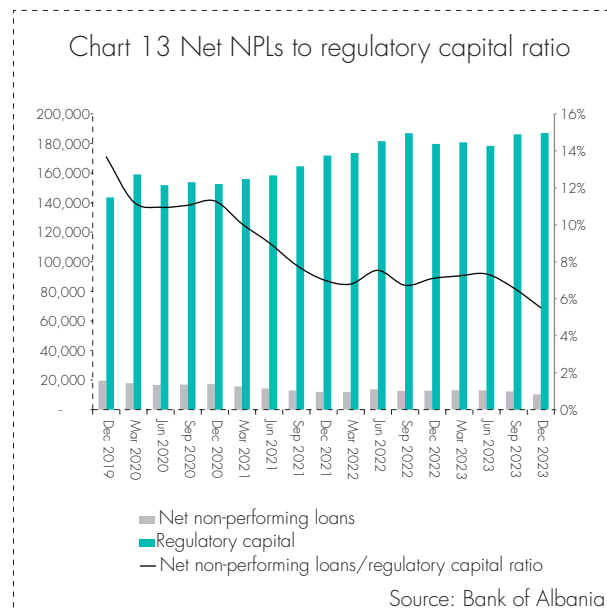
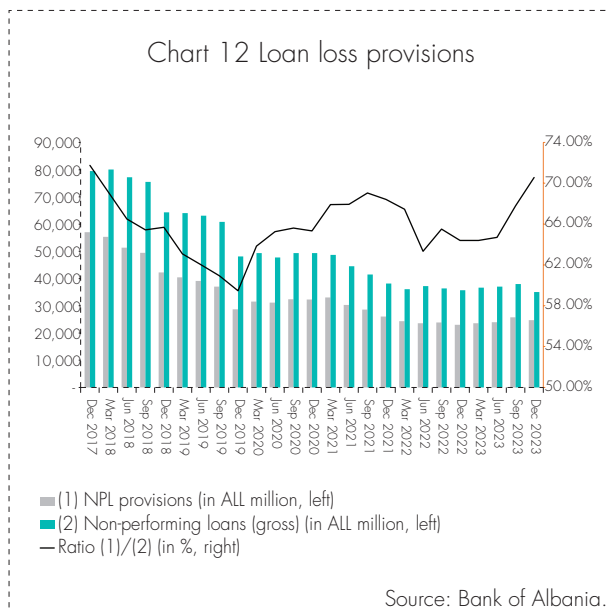
Classification	2022				2023			
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Standard loans	91.2	91.6	92.0	91.3	91.3	91.7	91.2	92.1
Special mention loans	3.7	3.2	3.0	3.8	3.7	3.3	3.6	3.3
Sub-standard	1.5	1.8	1.6	1.5	1.5	1.6	1.7	1.3
Doubtful loans	1.1	0.9	1.0	1.1	1.3	1.1	0.7	0.7
Loss loans	2.6	2.4	2.4	2.2	2.3	2.4	2.8	2.6

Source: Bank of Albania.

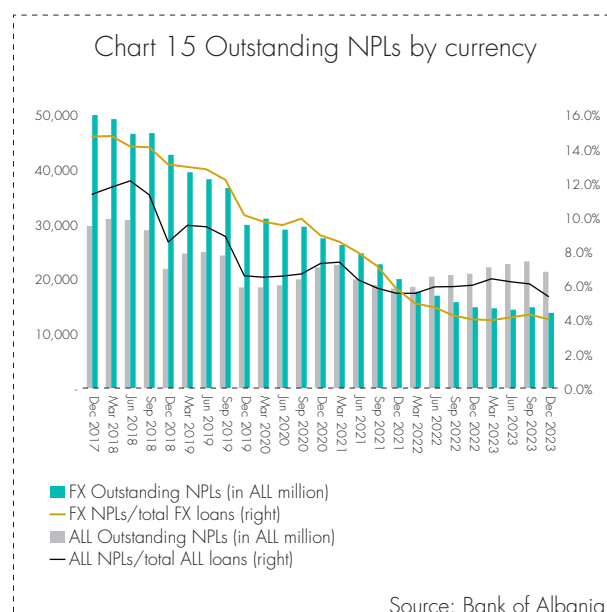
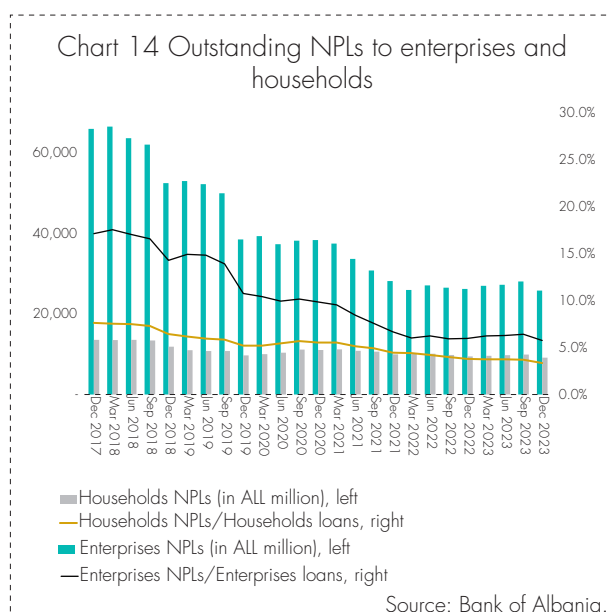
Loan loss provisions amounted to ALL 24.7 billion, up by around ALL 1.7 billion, or 7.48% from the previous year. Whereas, the “loan loss provisions to non-performing loans” was 70.56%, around 6.16 percentage points higher over the scope of one year.



The share of net NPLs to regulatory capital dropped by 1.58 percentage point compared to the previous year, as a result of the decrease of net non-performing loans by ALL 2.4 billion or 18.98%, while the regulatory capital grew by ALL 7.5 billion or 4.19%.



Regarding the credit quality by type of borrower, the non-performing loans ratio for enterprises declined by 0.2 percentage point, standing at 5.7%; while for households it decreased by 0.4 percentage point compared to the previous year, standing at 3.4%.



By currency, the NPL ratio in foreign currency has remained unchanged at 4%, compared to last year, whereas NPL ratio in lek declined by 0.6 p.p., standing at 5.4% compared to 6% in the previous year.

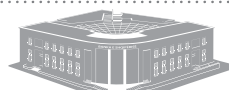
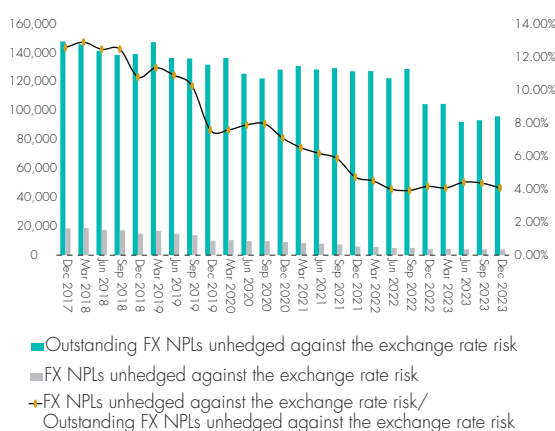


Chart 16 Quarterly unhedged foreign currency NPLs to unhedged foreign currency outstanding credit



Source: Bank of Albania.

The unhedged NPLs ratio in foreign currency against the exchange rate risk stands at 4.07%, down by only 0.09 percentage point from the end of 2022. This decline is attributed to the decrease of non-performing loans in foreign currency, by 9.97% and the decrease of outstanding foreign currency loans unhedged against the exchange risk, by 8.04%.

The data reported shows that the major share of the loan portfolio (75%) was collateralized, down by 11 percentage points from a year earlier (86%). By type of collateral, the largest share of loans in the system, around 44%, was collateralized by real estate. Loans in foreign currency to households had a higher rate of collateralization with real estate, at 70%, compared to loans to enterprises, at 36%.

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

Type of collateral	December 2023					
	Households		Enterprises		Total	
	ALL	Foreign currency	ALL	Foreign currency	ALL	Foreign currency
Real estate	51%	70%	37%	36%	44%	44%
Cash	1%	4%	1%	2%	1%	2%
Other collateral	13%	15%	42%	36%	28%	31%
Uncollateralized loan	35%	11%	20%	26%	27%	23%
Total	100%	100%	100%	100%	100%	100%

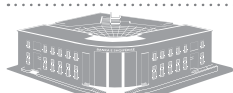
Source: Bank of Albania.

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 2023.

### 6.4.2 LIQUIDITY RISK

In 2023, the overall liquidity situation in the banking system continued to be stable, showing 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 a 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, all 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 2023, the ratio of liquid





assets to short-term liabilities in the banking system was 43.44%<sup>7</sup>, up by 2.4 percentage points compared with the same period in the previous year. The increase was mainly attributable to the different rate of growth between liquid assets and short-term liabilities. Liquid assets grew by 9%, whereas short-term liabilities by 3.1%. The main changes in liquid assets results in the increase of accounts in the Bank of Albania, including the minimum reserve requirement up to the extent of its usage, as well as the orientation towards investments in securities issued by the Government of the Republic of Albania and investments in foreign currency securities, which meet the conditions to be considered liquid assets according to regulation no. 71 "On liquidity risk management", Article 19. Foreign currency assets grew the most, as a result of the increase in policy interest rates, in the main currencies such as EUR and USD.

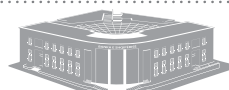
In December 2023, the liquidity in foreign currency, stood at 30.6%<sup>8</sup> (from 27.11% in December 2022), owing to the increase in liquid assets in foreign currency against the growth in short-term liabilities denominated in foreign currency. The immediate reflection on the assets side of the change in interest rates in foreign currency has influenced the increase in investments in liquid assets, considering it as an opportunity for profit at the same time as prudence in terms of liquidity risk. In the liabilities side, the lower reflection of the change in interest rates, as well as the changes in the exchange rate, with the appreciation of lek, are followed by a lower increase in foreign currency of customer deposits. Liquid assets in foreign currency are mainly in investments in securities of governments and foreign central banks, in financial institutions evaluated by international agencies and issued from international development banks. At the same time, the accounts with the Bank of Albania have increased, including the Minimum reserve requirement up to the extent of its use. Liquid assets in lek remain the main support of liquidity at 61.7% of total liquid assets (58.8% of total liquid assets in in December 2022).

The Liquidity Coverage Ratio (LCR)<sup>9</sup> stood at 303%, which is mainly determined by the lek indicator. Broken by currency, the indicator in lek is 343%, considerably higher compared to other significant foreign currencies, which stands at 214%. This is as a result of the structure of liquid assets that are dominated by bonds of the Albanian Government.

<sup>7</sup> The minimum required level for this indicator, according to the regulatory requirements, is 20%.

<sup>8</sup> The minimal level of indicator in lek, in accordance with regulatory requirements is 15%, whereas the one in foreign currency is 20%.

<sup>9</sup> This indicator is calculated as a ratio between liquidity reserve (or 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. So, not more than 75%. The minimum regulatory limits for the LCR are 100% of the total of all currencies and 80% of significant foreign currencies.



Throughout 2023, the Net Stable Funding Ratio (NSFR)<sup>10</sup> has resulted above the regulatory limits for the system, both in total and for currency. The regulation, for non-systemic banks has defined the simplified calculation of this indicator, while systemic banks must use the calculation specified in the regulation. Consequently, we have the reports with the basic calculation and those with the simplified calculation. The NSFR in total for December 2023 for systemic banks and those that have chosen the basic calculation is reported at 172%, in the domestic currency at 175% and in foreign currency at 167%. The NSFR with the simplified calculation method in total is at 163%, in the domestic currency 202% and in the foreign currency it is reported at 141%.

### 6.4.2.1 Banking system deposits<sup>11</sup>

Customer deposits remain the main source of financing for the Albanian banking system, sharing 81.7% (80.9% in December 2022) of total liabilities.

49.5% in December 2020. In December 2023, total value of deposits in the system amounted ALL 1.605 billion, recording 5.7% annual growth from the previous year. The share of the domestic currency in total deposits grew to 46.6% from 46.1% in December 2022. The maturity structure throughout 2023 reflects a higher growth in term deposits, followed by current accounts, while demand deposits have slightly decreased. The structure of deposits, as a known normality, weighs on the shortest terms. In 2023 there has been a shift towards longer terms deposits.

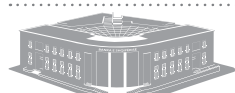
### 6.4.2.2 Concentration of deposits

In December 2023, ten largest depositors accounted for 8.04% of total banking system's deposits, from 6.9% in December 2022. The other groups of the largest depositors show the same performance with progressive increase<sup>12</sup>. Households' deposits remain the main base of the banking system's deposits, with a share of 77.6% of total deposits, down by around 1.9 percentage points, compared to the previous year. During this year, the public sector and the private sector had the highest growth rates (respectively 21.1% and 14.4%), while the individual sector increased by 3.2%.

<sup>10</sup> The indicator was officially reported for the first time in March 2023, following the entry into force by 1st January 2023, of the Regulation No. 70 "On the net stable funding ratio of banks", approved on 2 December 2020, amended by decision no. 45, dated 1 September 2021. This indicator is measured as the ratio of available stable funding and required stable funding. Available stable funding is calculated by multiplying the accounting value of liabilities and equity items by available stable funding factors in accordance with the regulation. Similarly, the required stable funding is calculated by multiplying the accounting value of the asset items with the required stable funding factors in accordance with the regulation. NSFR's minimum regulatory limits are 100% for the total of all currencies and 70% for significant foreign currencies, and on 1 January 2025, this limit will be 100%.

<sup>11</sup> "Deposits" refers to all sources from clients, including current accounts, time deposits, demand deposits and other accounts, except when otherwise specified.

<sup>12</sup> 20 Larger depositors: 10.5% in 2023, from 9.1% in 2022. 50 Larger depositors: 13.6% in 2023, from 12.3% in 2021.



### 6.4.2.3 Loan to deposit ratio

The loan/deposit ratio, in December 2023, was 46.07% (December 2022: 47.09%) and reflects a structure of asset-liabilities that facilitates liquidity management and provides potential lending incentives. During 2023, the ratio narrowed slightly, due to the different growth rates of credit portfolio and total deposits (credit portfolio growth was lower than the growth in deposits). The ratio between the domestic currency and foreign currencies, during this year, is higher in the domestic currency at 53%, while the foreign currency is at 40%. The foreign currency indicator has contracted compared to a previous period (foreign currency: 39.97% from 44.89%).

### 6.4.2.4 Liquid assets of the banking system

During 2023, liquid assets grew by ALL 50 billion, or 9%. The increase is mainly a result of investments in foreign currency, but the domestic currency has increased. The investment portfolio in securities continues to account for the largest share of liquid assets. Investments in bank accounts or financial institutions in the form of current accounts, deposits or loans have decreased. This behaviour is consistent with the potential for better returns in liquid debt instruments.

Total liquid assets of the banking system amounted to ALL 605 billion, in December 2023. Government securities have the main share in their structure (51.9%, from 52.1% in December 2022).

### 6.4.2.5 Other financial sources

Other financial sources in the banking system have a relatively low share in total assets, around 5.1%, contracting slightly during the year (December 2022 6.06%). Liabilities to financial institutions and repurchasing agreements had the main share in this item.

### 6.4.2.6 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.

## 6.4.3 MARKET RISKS

The overall situation of the banking system's exposure to market risks remained at relatively low levels over 2023 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 placement portfolio), and the capital buffers to cover potential losses from these risks.

The capital requirement for market risk at system level constitutes only 1.46% of total capital requirement. This exposure arises mainly from the exchange rate 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 2023, the value of this indicator was 5.27%, compared to 6.32% in December 2022<sup>13</sup>. 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 2023, the banking system's exposure to exchange rate risk was "long", at ALL 11.44 billion, accounting for 6.1% of the banks' regulatory capital<sup>14</sup>, at levels far from the regulatory limit.

Market risk in the trading portfolio for the banking system is rather low, showing a downward dynamic. This risk was assessed as such throughout the analysed annual performance. Trading portfolio at system level appears rather low against total assets (0.14% in December 2023, from 0.08% in December 2022). 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.

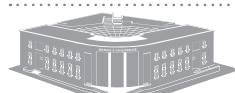
### 6.4.4 OPERATIONAL RISK

Losses of the banking system from operational risk appear to be increasing compared to the previous year. In 2023, banks reported around ALL 500

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<sup>13</sup> The maximum allowed level for this indicator, in accordance with regulatory requirements, is 20%.

<sup>14</sup> The maximum allowed level for this indicator, in accordance with regulatory requirements, is 30%.



million annual gross losses, compared to ALL 193 million in 2022. 8 banks have reported an increase in losses, one of which has reported about 41% of system losses, 2 banks have reported a decrease in the level of losses and only one bank has not reported losses.

The ratio of losses to demand for capital represents a deterioration from last year, increasing from 2.31% in 2022, to 5.18% in 2023, as a result of the increase in operational losses from last year by 160%, while the capital requirement has increased by 16%.

#### *6.4.4.1 Information and Communication Technology*

The continuous changes in the information technology industry, as well as the increase in awareness regarding the various problems arising from its use, especially in relation to cyber and information security, have driven to the enhancement of attention and investments from the banks. Special attention is being paid to increasing information security and continuous risk monitoring related to it. During 2023, a large share of these investments have been occupied by those for cyber security, in response to the geopolitical situation which Albania is faced with. An important impact on the review of information security systems has been the adoption of the regulation on in-depth customer authentication, which sets specific requirements regarding the security of transactions carried out electronically at a distance.

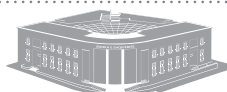
The policies and procedures framework related to ICT has been continuously improving; however, due to the broad spectrum of activities it covers and the dynamic developments in this field, its completion and improvement remains a continuous process.

#### **6.4.5 REPUTATIONAL RISK**

Reputational risk – as a 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 terms and conditions, contractual terms, etc.

##### *6.4.5.1 Anti- money laundering and countering the financing of terrorism*

During 2023, 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 2022, 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. This year the supervision is mainly focused on areas such as: the regulatory framework, the expanded/appropriate vigilance processes, 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, relevant training etc. The cooperation has continued with the Ministry of Foreign Affairs through the distribution to licensed institutions, of UN Security Council resolutions and Council of Ministers' decisions on sanctioning and updating the list of people who finance terrorism and international sanctions.

This year as well supervision is mainly focused on areas such as:

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

In 2023, 61 on-site examinations were carried out to prevent money laundering and terrorist financing, specifically in:

- o 5 banks;
- o 5 non-bank financial institutions;
- o 1 Savings and Loan association;
- o 50 foreign exchange bureaus. The process of checking the implementation of recommendations was realised in 11 foreign exchange bureaus, as a result of shortcomings noticed in previous examinations.

From these, two joint inspections in cooperation with the Financial Intelligence Agency (FIU) were carried out in two banks.

The types of problems identified in banks consisted mainly in issues related to: regulatory framework, Due diligence/ Enhanced diligence, training, staff and the centralised system, which are summarized below:



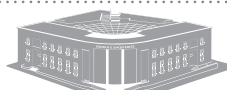
- the procedure does not clearly states who is the person responsible for AML/CFT issues in the bank;
- the document "Prevention of money laundering manual" and "Know your customer", as well as the job descriptions of the employees for the period being inspected, have not been updated in line with the changes that occurred in the organizational structure of the bank;
- cases that result in indications and have not been reported;
- failure to update customer information;
- cash transactions in high values;
- using personal account for business purposes;
- relying only on the business extract, without analysing the financial data of the entity data (activity) against the client's profile;
- shortcomings in automated processes;
- cases of transactions in cash over the threshold of one million ALL that were not reported to RTPF at AIF;
- lack of a dedicated system for AML issues;
- there are no scenarios related to credit cards in the bank's system;
- the position of the responsible person turns out to be in the conditions of a conflict of interest for AML/CFT issues;
- shortcomings of staff in the money laundering prevention unit;
- trainings for bank staff are of insufficient, not in accordance with legal/regulatory requirements;
- specific trainings have not been carried on for the staff of the general directorate, especially the departments that are impacted by the legal obligations for AML/CFT, such as that of operations, cards, payments, loan, etc.;
- in the conducted trainings, there is no staff testing for the knowledge gained from the trainings;
- the orientation trainings were not attended by all the new employees.

There is no issues observed in regards to the terrorist financing risk management and the implementation of sanctions.

The examinations in non-bank financial institutions (NBFIs) and Savings and Loan Associations (SLAs) identified shortcomings in: the internal regulatory framework of AML/CFT; the responsible structure/staff; the implementation of the due diligence and enhanced due diligence; the centralised system; internal audit; the processes of risk management of TF and TSF 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, in summary, consisted mainly of:

- The internal regulatory framework:
  - the regulatory framework not in compliance with the legal/regulatory



- requirements in force;
- shortcomings in the regulatory framework regarding measures against the financing of terrorism and the implementation of sanctions.
- Lack of due diligence:
  - lack of customer filtering/verification process with declared lists and sanctions;
  - the risk assessment has not been carried out and documented, including the risk derived from exposure to terrorist financing;
  - failure to notify the Bank of Albania on the person in charge;
  - reporting to the Bank of Albania not in accordance with regulatory requirements;
  - lack of analysis on customer profile;
  - lack of proof on the verification conducted against the declared lists;
  - failure to report data to the Bank of Albania according to regulatory requirements;
  - the AML/CFT risk assessment process does not determine the extent of the subject's exposure to money laundering and terrorist financing;
  - the system lacks information about the member's risk level (SLA);
  - the subject's system does not enable the verification of clients with the declared lists.
- Training:
  - lack of training for the person in charge;
  - the training materials are not complete as they did not cover issues related to TF and TFS.
- Other shortcomings:
  - Failure to address previous recommendation regarding updating of client's documentation.
- TF risk management and sanctions:
  - failure to carry out the process of filtering/verifying clients with the declared lists and sanctions;
  - lack of proof on the verification conducted against the declared lists;
  - failure to conduct and document risk assessment resulting from exposure to terrorist financing;
  - failure to audit TF issues, including AML;
  - lack of training on TF/TFS issues. In cases where the trainings have been carried out, the training materials are not expanded in terms of the implementation of international sanctions.

In the examinations performed in **Foreign Exchange Bureaus (FEBs)** the identified shortcomings relate 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





AIF. 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:

- Administrative sanctions 17 FEBs
- Warning 8 FEBs
- License revocation 2 FEBs

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

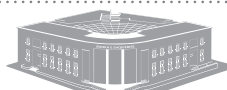
- lack of an internal regulation with the purpose of preventing money laundering and financing of terrorism (AML/CFT), when the activity is run from not fewer than three people.
- non-compliance with customer identification procedures, customer identification and verification of their identity and shortcomings in maintaining supporting documents of foreign exchange operations;
- non-compliance with the requirements for taking preventive measures to establish centralized system responsible for data collection and analysis, with elements for identifying anomalies;
- insufficient knowledge and non-compliance with the legal obligations and the sub legal acts on AML/CFT;
- lack of training regarding legal obligations as well as sub legal acts for AML/CFT;
- absence of evidence on cases suspected for the similarity of names with the declared lists 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 2024, with the data for 2023. This evaluation consists in the integration of the evaluation on the quantity of risk and the evaluation on the risk management quality, in the framework of institution categorisation and orientation of supervisory focus to the function of risk-based supervisory principles. The evaluation was carried out for 683 financial entities (11 banks, 37 NBFIs, 10 SLAs and 625 FEBs).

#### *6.4.5.2 Transparency and disclosure of information*

Transparency and disclosure of information, which are both 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 2023.

In this context, compliance with obligations of banks to report to the Bank of Albania was subject to a detailed analyses 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.



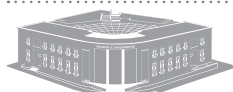
Banks' behaviour and measures relating to public transparency and disclosure of financial information have been consistently and cautiously examined through on-site and off-site supervision.

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 in need of further improvement in terms of:

- the internal regulatory framework (mainly in the methodology for calculating interest rates and commissions, responsible units involved in publishing information and reporting to the Bank of Albania, on a periodic basis, of interest rates for loans/deposits and commissions for banking products and services and financial services that it offers to customers);
- pre-contractual information (in terms of personalization of information and inclusion of some of the elements provided for in the regulatory framework);
- contractual information (contracts) of consumer credit, mortgage, credit card, deposit, current account and savings account in accordance with regulatory requirements;
- certain elements in the information published on the websites;
- staff knowledge (in terms of payment account operation, payment account transfer service and customer relations for rare coins (opening accounts in rare coins and transactions to be carried out from these accounts (transfers), which carry some hidden costs in exchanges from one currency to another).

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

- policies and procedures (not fully compliant with regulatory requirements);
- pre-contractual information (in terms of including some of the elements provided for in the regulatory framework, establishing the consumer's right to be provided with a copy of the draft-contract of the loan and the method of obtaining the consumer's consent, in case of changes to the conditions);
- contractual information (contracts) of consumer credit, mortgage, credit card, deposit, current account and savings account in accordance with regulatory requirements;
- certain elements in the information published on the websites;
- publication of information (leaflets published in workplaces are not updated, published information is incomplete);
- calculations of interest rates, maximum EIR, commissions and penalties (the method of calculating the loan instalment accompanied by an (illustrative) example is not reflected in the contract, for EIR, its value is not shown in the contract (in %) together with the financial data for each of its component elements, for the arrears, has not been accompanied



by a concrete (illustrative) example for their calculation, the value of the penalty calculated in the system does not match the value obtained by applying the formula of expressed in the loan contract).

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 2023, 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.

### 6.4.5.3 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 2023, the unit for the supervision of reputational risk processed a considerable number of complaints/requests/letters (239) submitted from households, enterprises, natural persons, media, bailiffs and state institutions.

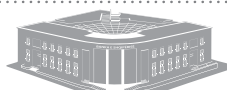
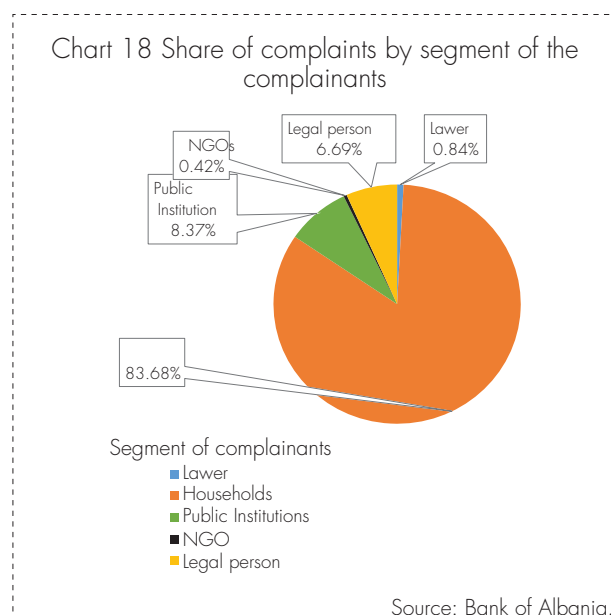


Chart 18 shows that households have the largest number of processed complaints at 83.68%.

Chart 19 shows credit products account for the largest share by 45.61%.

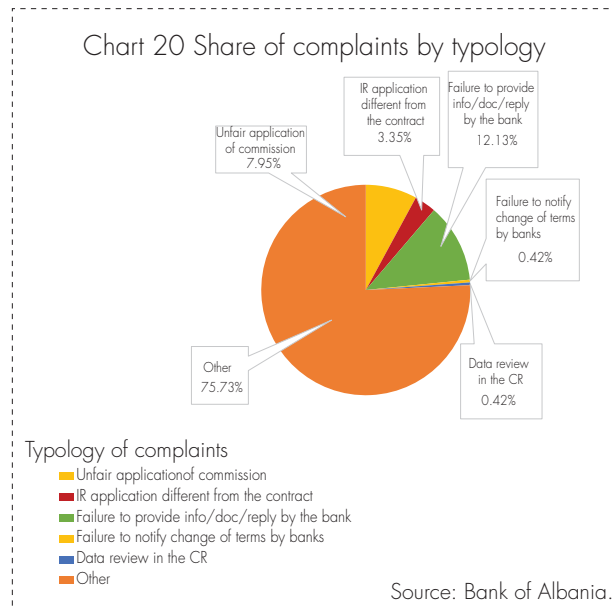
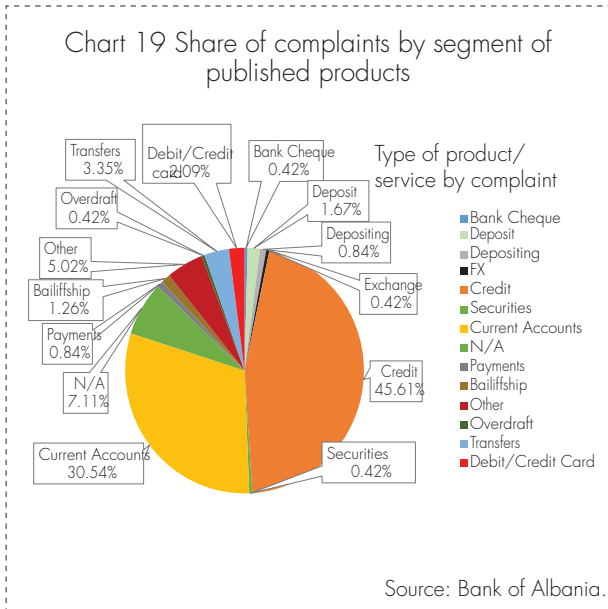


Chart 20 shows that “Other” accounts for the largest share by 75,73%. This typology includes complaints that are requests for intervention of the BoA to ease loan conditions and other requests for information from the Bank of Albania, whereas the rest consists of complaints/requests/letters on bailiff decisions’ appeals, the level of commissions or interest rates adopted by banks and non-bank financial institutions on applied products and services etc.

## 6.4.6 PROFITABILITY

### 6.4.6.1 Net result and its structure

The financial result was positive in 2023, at around ALL 32.5 billion, or ALL 11.7 billion (56%) higher than in 2022.

Throughout 2023, the net financial result grew in all quarters. The highest increase is recorded in the second quarter, up by ALL 7.9 billion or 116%, followed by the increase in the third quarter with ALL 8 billion or 54%, as well as the increase in the fourth quarter with ALL 9.7 billion or 42.95%. The biggest impact on the financial result of the first quarter was given by the increase in the net result from interest by 110%, influenced by the increase in income from interest on securities by 115%, as well as by interest from the loan portfolio by 103%.



### 6.4.6.2 Profitability indicators

The performance of the main profitability indicators, Return on Average Assets (RoAA) and Return on Average Equity (RoAE), appears upward compared to 2022. RoAA stood at 1.7%, while RoAE at 17.3%, as at end-2023, from 1.2% and 11.8%, respectively, at the end of 2022.

Table 15 Key profitability indicators (in percentage, cumulative)

Indicators	December 2023	December 2022	December 2021	December 2020
RoAA	1.7	1.2	1.3	1.1
RoAE	17.3	11.8	12.6	10.4

Source: Bank of Albania.

Table 16 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 income-earning assets. Their dynamics in 2023 show an increase in the efficiency of sources use by 0.7 percentage point, affected by the higher increase in income from interests compared to interest expenses.

Table 16 Profitability indicators from main activity (in %, cumulative)

	December 2023	December 2022	December 2021	December 2020
Interest income/ average earning assets (1)	4.40	3.5	3.3	3.4
Interest expenses/ average earning assets (2)	0.90	0.7	0.5	0.5
Net Interest Margin (NIM)[(1) - (2)]	3.5	2.8	2.8	2.9

Source: Bank of Albania.

At the end of 2023, the ratio of average income-generating assets to average assets increased by 1.07 percentage points (from 84.04% to 85.11%) compared to the end of the previous year, influenced by the larger increase in average income-generating assets versus average asset growth. Regarding the ratio "average liabilities that bring expenses to average assets", it decreased by 5.07 percentage points (from 92.17% to 87.10%) compared to the end of last year, impacted by the greater increase in average assets compared to increase in average liabilities that bring expenses.

Table 17 Average profitability ratios (in ALL million)

Indicators	December 2023	June 2023	December 2022	June 2022
Average earning assets (1)	1,610,642.2	1,591,349.5	1,471,651.8	1,498,931.5
Average paying liabilities (2)	1,648,458.7	1,649,708.7	1,614,031.2	1,658,850.3
Average assets(3)	1,892,506.4	1,874,989.9	1,751,114.7	1,782,743.5
(1) / (3)	85.11%	84.87%	84.04%	84.08%
(2) / (3)	87.10%	87.98%	92.17%	93.05%

Source: Bank of Albania.



The efficiency ratio of the system increased by 18.14 percentage points compared to the previous year, as operating income rose at a higher pace than operating expenses, by ALL 19.5 billion or 29.45%, whilst operating expenses increased by ALL 7 billion or 17.25%.

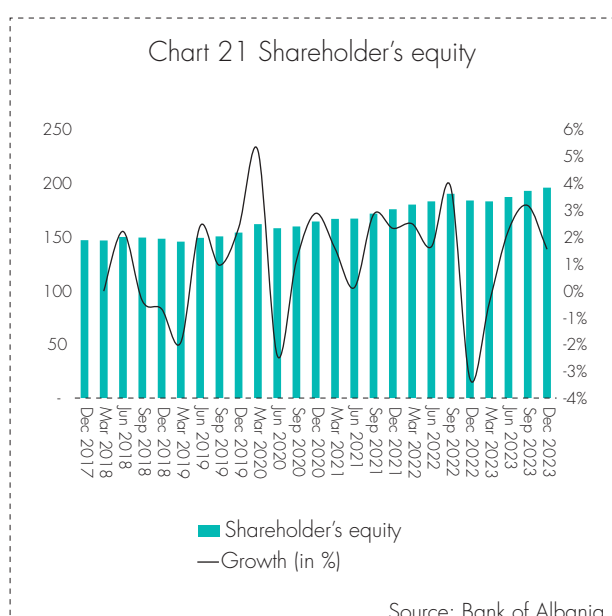
Table 18 Performance of efficiency ratio (in ALL million)

Indicators	December 2023	December 2022	December 2021	December 2020
Net interest result (1)	66,287.4	48,707.8	46,762.8	43,678.1
Operating expenses (2)	40,928.1	33,866.5	32,192.7	29,759.2
Efficiency ratio (1) / (2)	161.96%	143.82%	145.26%	146.77%

Source: Bank of Albania.

## 6.4.7 CAPITAL ADEQUACY RATIO

### 6.4.7.1 Shareholders' equity



Source: Bank of Albania.

At the end of 2023, the shareholders' equity of the banking system amounted to ALL 195.39 billion, with an annual growth of ALL 12.01 billion or 6.55% against the growth at a lower level of ALL 8.05 billion or 4.6% during 2022.

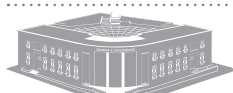
In 2023, the shareholder's equity increased in the last quarters ranging between 2.2% and 3.2%, except for the first quarter where there was a decrease of the shareholder's equity by 0.5%.

The components with the greatest impact on the increase in shareholders' equity are the increase in profits of the reporting periods by ALL 11.7 billion or 56%, as well as the increase in retained earnings by ALL 1.9 billion or 5.4%.

Table 19 Shareholders' equity structure and its components' performance

Treguesit	December 2023		December 2022		December 2021		December 2020	
	ALL million	%	ALL million	%	ALL million	%	ALL million	%
Shareholders' equity	195,389.4	100.0	183,384.3	100.0	175,331.2	100.0	163,966.7	100.0
Paid-in capital	97,840.3	50.1	94,421.6	51.5	102,363.0	58.4	101,859.3	74.8
Share premiums	7,152.7	3.7	7,152.7	3.9	7,130.6	4.1	7,084.1	4.4
Reserves	35,626.4	18.2	34,140.2	18.6	26,035.0	14.8	23,537.8	12.4
Revaluation difference	(14,888.9)	(7.6)	(8,386.7)	(4.6)	(8,037.6)	(4.6)	(9,005.2)	(4.7)
Earnings/retained loss	37,176.4	19.0	35,267.6	19.2	26,662.0	15.2	23,994.0	0.8
Earnings/loss for the period	32,482.5	16.6	20,788.8	11.3	21,178.2	12.1	16,496.7	12.5

Source: Bank of Albania.



### 6.4.7.2 Capital adequacy ratio

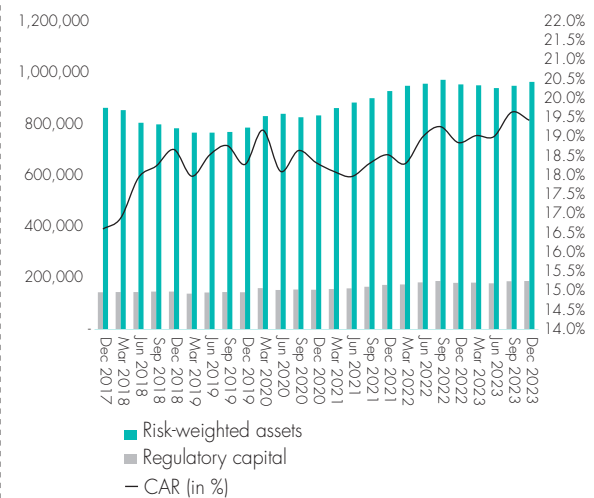
Against the minimum regulatory benchmark of 12%<sup>15</sup>, the Capital Adequacy Ratio (CAR), as a key supervision indicator was 19.4% at end-2023. This ratio has increased by 0.6 percentage point, compared with the same period in the previous.

#### 6.4.7.2.1 Regulatory capital

The banking system's regulatory capital totalled ALL 187,160 billion, up by ALL 7.5 billion (4.19%) compared to 2022.

Common Equity Tier 1 capital of the banking system is the main component of the regulatory capital of the system, accounting for around 91.27%, down by 1.79 percentage point, compared with the previous year, and yet it stands at a level that is evidence for a qualitatively stable regulatory capital.

Chart 22 Capital adequacy ratio and its components



Source: Bank of Albania.

#### 6.4.7.2.2 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 10.3 billion or 1.08%. Capital requirement for credit risk by 85.87% has the highest share in total risk-weighted assets and off-balance sheet items, followed by capital requirement for operational risk by 12.7%, and capital requirement for market risk by 1.46%.

## 6.5 NON-BANK FINANCIAL INSTITUTIONS AND SAVINGS AND LOAN ASSOCIATIONS

### 6.5.1 NON-BANK FINANCIAL INSTITUTIONS

#### 6.5.1.1 General provisions

The number non-bank financial institutions was 39 at the end of 2023. Two new entities were licensed during this year, "BKT Pay" as an electronic money institution and "New Collection", as an institution for the purchase and treatment of non-performing loans. Meanwhile, at the request of the subject, the license for the payment institution "Kastrati" shpk was revoked. More Information on the activity of the subjects is summarized in Table 20.

<sup>15</sup> For some banks, the level was required higher than the regulatory minimum.

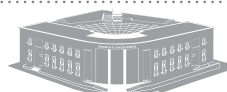


Table 20 Activity of non-bank financial institutions

No	Non-bank financial institutions	E-money	Payment and Money Transfer Service Activities	Credit risk activities						Foreign exchange		
				Lending	Micro-credit	Financial leasing	Factor-ing	Advisory services, intermediary services, and other supporting services for credit activities	Provision of guarantees and the assumption of commitments	Non-performing loan purchases	Foreign exchange service	Foreign Exchange Advisory Service
1	Agro & Social Fund (VF)				√							
2	Kredit Partner				√							
3	Agrokredit - ish FAF			√				√	√			
4	Ak-Invest		√	√			√	√	√		√	√
5	Albania Leasing					√						
6	Albanian Financial Institution			√		√	√	√	√			
7	Crimson Finance Fund Albania (CFFA)			√		√	√	√				
8	Easy pay*	√	√								√	√
9	FIN – AL			√		√						
10	Fondi Besa			√				√	√			
11	lutecredit Albania				√							
12	Kredo Financë				√							
13	Landeslease					k						
14	MiA Finance				√							
15	Micro Credit Albania			√				√				
16	Credital				√							
17	Virtus Lending					√						
18	M-Pay		√									
19	NOA		√	√					√		√	√
20	FAB INVEST shpk			√			√	√				
21	Platinum Investment											√
22	Porshe Leasing					√						
23	Posta Shqiptare*	√	√								√	
24	Raea Financial Services		√								√	√
25	Raiffeisen Leasing					√						
26	Tirana Capital Trade						√					
27	Tirana Factoring & Lease					√	√				√	
28	Tranzit			√		√	√	√				
29	Unioni Financiar i Tiranës*	√	√								√	√
30	Paysera Albania	√										
31	Antigone Financial Enterprise					√						
32	eReja shpk	√										
33	RPay	√										
34	Soft Solution	√										
35	Lendal Sh.p.k.				√							
36	Rubicon sha	√										
37	lutepay	√										
38	BKT pay	√										
39	New collection									√		

Source: Bank of Albania.

### 6.5.1.2 The activity of NBFIs that carry out lending activities (all forms of lending, micro-credit, financial lease, factoring, purchase of non-performing loans)

The total assets of NBFIs that carry out lending activities during 2023 have seen an increase of about ALL 7 billion or 12%. In December 2023, the total assets of these entities reach ALL 65 billion and constitute 3.3% of the total assets of the banking system.

The subjects with the highest share in the total assets of NBFIs that exercise lending activities are: "Fondi Besa" (28%), "NOA" (21%) and "lutecredit Albania" (11%).





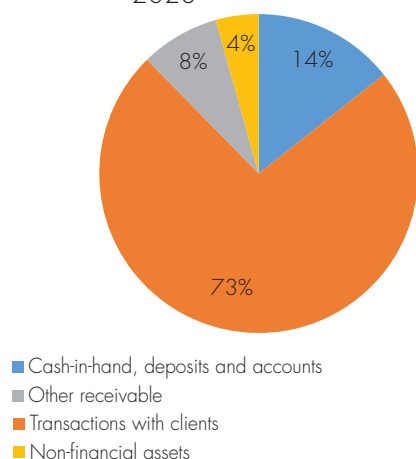
Table 21 Total assets of NBFIs

Indicator/ALL million	December 2021	December 2022	December 2023
Total assets of NBFIs	55.57	58.00	64.65

Source: Bank of Albania.

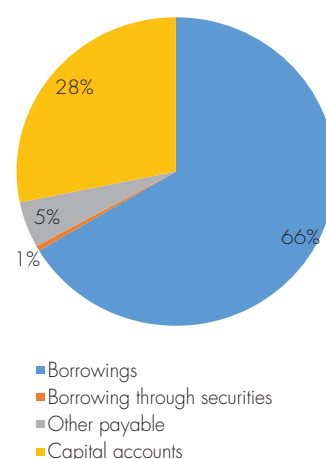
Credit portfolio accounts for the main share in the asset structure of NBFIs, by 73%. The rest is divided into liquid assets (14%), other receivables (9%) and other assets (including durable assets) (4%).

Chart 23 Distribution of NBFIs assets, December 2023



Source: Statistics Department and staff calculations of the Supervision Department.

Chart 24 Distribution of NBFIs funding sources, December 2023



Source: Statistics Department and staff calculations of the Supervision Department.

NBFIs are mostly financed through borrowing (66% of liabilities) and own capital (28%). Borrowing through the issuance of securities accounts for only 1%. Regarding the origin of borrowings, the balance leans slightly towards non-resident financial institutions by 52%.

#### 6.5.1.2.1 Outstanding loan portfolio developments and activity volume.

At the end of 2023, the gross credit portfolio of non-bank financial institutions increased around ALL 6.23 billion (or 13%) compared to the previous year. The gross credit portfolio of NBFIs reaches 7.25% of the total credit of the banking system, recording an increase of 1 p.p. compared to the previous year.

Table 22 Total NBFIs' credit portfolio performance, net and gross

Indicator/ALL billion	December 2021	December 2022	December 2023
Total credit portfolio of NBFIs (gross)	42.1	47.38	53.61
Total credit portfolio of NBFIs (net)	37.4	42.02	47.15

Source: Bank of Albania.

The largest share of NBFIs' credit portfolio is accounted by lending and microcredit entities (78%). Followed by the financial lease portfolio (21%), while the share of the factoring portfolio remains less than 1%.



The activity with the highest growth during 2023 was microcredit, with ALL 5.2 billion. But it should be noted that this increase is more the result of events that occur only once. Specifically, during 2023, the entity "NOA", one of the entities with significant share in the market, for the first time decided to report a part of its portfolio as microcredit (previously the entire portfolio was reported in the credit segment). The effect of this reclassification is ALL 2.2 billion (so this amount is deducted from the loan portfolio and added to the microcredit).

During this year, the entity "Micro Credit Albania" also presents a significant increase in the microcredit portfolio (ALL 0.53 billion). Last year, this share was accounted in the item "Other receivables", such as non-performing loans, purchased but not treated by the entity. After the suspension of activity that the Bank of Albania applied to this entity during 2023, it has handled a high number of loans, classifying them in the relevant classes of the microcredit portfolio.

Similarly, the entity "Final", during 2023, has transferred a part of the non-performing loans that it had purchased from other entities (ALL 0.43 billion), from the item "Other receivables" to the relevant classes of the portfolio microcredit.

Meanwhile, the microcredit entities that consistently show the highest growth in activity are "IuteCredit" and "Kredo Finance".

Table 23 Gross credit portfolio by NBFs' activities

Financial activities (in ALL billion.)	December 2021	December 2022	December 2023
Lending	16.6	18.4	18.8
Microcredit	15.4	18.0	23.2
Financial leasing	9.6	10.4	11.2
Factoring	0.5	0.4	0.4
Gross Portfolio	42.1	47.4	53.6

Source: Bank of Albania.

At the end of 2023, the financing portfolio of entities that engage in lending activities is balanced at 50%:50% between enterprises and households.

The sectors of the economy financed at the largest extent by non-bank entities during 2023 were "Other service activities" (25%), "Trade, vehicle repair" (16%) and "Construction" (10%).

The portfolio of NBFs remains oriented towards funding in the domestic currency (68.6%) and with medium-term maturity (71.6%).

The portfolio of financial leasing, by products, is dominated by funding for personal transport (42%) and work transport (29%). Compared with December 2022, the portfolio increased by ALL 76 million, localized on the product "personal transport vehicles".

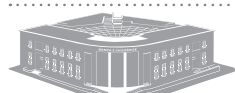


Table 24 Financial leasing portfolio, by funded subject

Financial leasing. (ALL billion)	New equipment	Used equipment	December 2022	New equipment	Used equipment	December 2023
Personal transport vehicles	2.10	2.07	4.17	2.42	2.22	4.64
Work transport vehicles	2.05	1.17	3.22	2.11	1.11	3.22
Work equipment/production lines	0.73	0.31	1.04	0.56	0.24	0.80
Real Estate	0.09	0.01	0.10	0.03	0.1	0.13
Other	1.84	0.04	1.88	2.32	0.06	2.38
Total	6.82	3.59	10.41	7.43	3.73	11.17

Source: Bank of Albania.

At the end of 2023, the factoring portfolio registers an outstanding balance of ALL 0.43 million, downward by ALL 0.06 million compared with the previous year. The annual circulation of the factoring portfolio increased by ALL 0.03 million compared to 2022, accompanied by the decrease of circulated invoices.

The activity of factoring is realized in the domestic market at 87%, and mainly for guaranteed financing (92.4%).

Table 25 Annual factoring volumes and balance

Factoring	December 2021	December 2022	December 2023
Circulation			
No. of invoices	1.930	2.170	1.476
Value (in ALL billion)	1.39	1.4	1.4
Outstanding Portfolio (ALL billion)	0.48	0.49	0.43

Source: Bank of Albania.

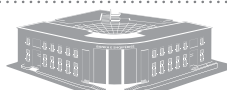
### 6.5.1.2.2 Credit portfolio quality

At the end of 2023, the non-performing loan indicator for financial entities increased by 0.7 percentage point. The increase in total non-performing loans (about 85% of it) was mainly influenced by the actions of the "Final" and "Micro Credit Albania", which during 2023 handled a significant volume of non-performing loans, purchased from banks and other institutions (more details can be found in section 6.5.1.2.1 Developments in the balance of the loan portfolio and volumes of activity).

Table 26 Indicator of credit portfolio quality

Indicators	December 2021	December 2022	December 2023
Non-performing loans/outstanding loans (gross)	13.60	13.20	13.90
Non-performing loans/outstanding loans (net)	3.96	3.54	3.39

Source: Bank of Albania.



### 6.5.1.2.3 Financial Result

During 2023, NBFIs that exercise lending activities have generated a positive net result of ALL 4.96 billion<sup>16</sup>. Compared to the previous year, an increase of ALL 2.3 billion can be observed, the largest part of which belongs to the dividend from the shares received by the entity “Tranzit”. The latter is the entity with the highest contribution to the realized profit this year, followed by “Kredo Finance” and “luteCredit”.

The average return on assets for NBFIs that exercise lending activities reached 7.7% (against 4.8% in 2022), while the average return on capital reached 37.4% (against 17.9% in 2022).

## 6.5.2 PAYMENT AND ELECTRONIC MONEY INSTITUTIONS

### 6.5.2.1 Number of entities

As for end-2023, there are 5 subjects that exercise the activity of payments and 10 subjects that exercise the activity of electronic money (one subject of electronic money was licensed in 2023).

### 6.5.2.2 Assets performance

The total assets of electronic money entities, for 2023, increased by ALL 185 ALL. In addition to the increase in the activity of the entities, impacted by the licensing of a new entity during this period, but also by the increase in the assets of the Paysera and Velox entities.

Table 27 Total assets of EPI entities

Volume (all mln)	2021	2022	2023
Total assets	11,666.19	14,170.97	14,356.27

Source: Bank of Albania.

### 6.5.2.3 Transfer and payment activity

Payment and transfer services for 2023 have seen a decrease both in number and value, while outgoing payments follow a positive trend for this period. More on their performance on Table 28.

<sup>16</sup> For 2022, the net result of NBFIs that exercise lending activities was ALL 2.66 billion.

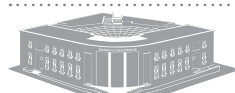


Table 28 Payment &amp; Transfer Service Progress (e-money not included)

	2022*		2023	
	No.	Volume (ALL mln)	No.	Volume (ALL mln)
Outgoing transfers	1,042,733	28.79	756.329	19.65
Incoming transfers	2,467,268	112.65	2,741,213	108.16
Total transfers	3,510,001	141.45	3,497,542	127.81
Outgoing payments	10,519,592	42.19	12,744,389	47.87

Source: Bank of Albania.

\* Data was reviewed after the corrections reported by the entities.

The progress of transfers (declining volumes) has been influenced by the rapid development of electronic money activity in 2023, as a service that offers more convenience to customers, since it can be accessed and used remotely, through personal devices ( computer, cell phone, etc.).

For 2023, the value of payments made with electronic money reaches ALL 91.6 billion, up by about 100% compared to last year, while their number reaches over ALL 14 million, up by about 38%. The total number of electronic money accounts at the end of 2023 is 152,862.

#### 6.5.2.4 Financial Result

Table 29 Income volume

Volume (all mln)	2021	2022	2023
Net result	830.62	699.20	1,290.94

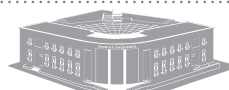
Source: Bank of Albania.

The net result of payment and electronic money institutions shows fluctuations due to the inclusion of new entities, which operate at a loss during the first years of their activity. Even among the most consolidated entities in the market, the result shows fluctuations due to the ongoing costs for the maintenance and improvement of the technology used during the activity.

### 6.5.3 FINANCIAL UNIONS AND SAVINGS AND LOAN ASSOCIATIONS

#### 6.5.3.1 Number of SLAs

The number of savings and loans associations and their unions has remained the same during 2023. This group consists of 16 SLAs and 1 Union, of which only 9 SLAs are included in the deposit insurance scheme. The Albanian Savings and Loan Union (ASLU) is the only union that continues to be licensed, but it doesn't operate.



### 6.5.3.2 Assets performance

Total assets<sup>17</sup> of the SLAs, at the end of 2023, amounted to ALL 15.11 billion, up by ALL 890 billion or 6% compared to end-of-2022. This result was due to the increase in the assets of the large SLAs (Fed Invest, Alb-Progres and Alb Credit).

In the structure of assets in the SLAs group continued to be oriented towards lending to members (76%) and liquid assets (19%). "Fed Invest" with 52% and "Alb-Progres" with 15%, "Alb Credit" with 11% and "UniFin" with 9% account for the main share of SLAs total assets.

SLAs' total assets accounts for only 0.77% of the banking system's total assets.

Table 30 Performance of assets (in ALL bln)

Total assets/ ALL bln	December 2021	December 2022	December 2023
SLAs	13.12	14.22	15.11

Source: Bank of Albania.

### 6.5.3.3 Developments in the outstanding loan portfolio of unions and SLAs

In December 2023, the gross loan portfolio for the SLAs group reaches ALL12 billion, up by1.3 billion or 12%, compared to the previous year.

"Fed Invest", "UniFin" and "Alb Progres" have given the highest contribution to this increase.

The gross loan portfolio of SLAs accounts for only 1.6% of the banking system's credit portfolio.

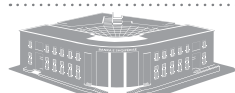
Table 31 Gross and Net loan portfolio, SLAs

SLAs indicators (ALL bln)	December 2021	December 2022	December 2023
Gross loans	9.34	10.70	11.97
Net loans	8.93	10.28	11.51

Source: Bank of Albania.

In December 2023, the non-performing loans ratio for SLAs was 4.6%, slightly decreasing by 0.03 percentage, compared with the previous year. This improvement was due to the higher increase in percentage of total loans (12%) at a higher pace compared to the increase in the percentage of non-performing loans. (11%).

<sup>17</sup> The calculation includes also those SLAs that are not part of the deposit insurance scheme, but that report to the Bank of Albania.



### 6.5.3.4 Financial Result

During 2023, SLAs generated a positive financial result, which reached ALL 183.5 million. This result remains almost at the same level as in the previous year (slight decrease of about ALL 0.5 million). During the period, there is an increase in expenses for provisions and those of the activity, which have influenced the slight decrease in profit.

For 2023, RoA for total of SLAs reached 1.21% (against 1.29% in 2022), while the RoE reached 9.45% (against 10.47% in 2022).

## 6.6 THE CREDIT REGISTRY

In 2023, the Credit Registry Office has continued to ensure the maintenance and accuracy of data reporting to its subject users, as well as the necessary assistance to the authorised users of the subject regarding the uninterrupted functioning of data reporting and Credit Registry use.

The volume of processed reports has been increasing. During 2023, the number of searches carried out by data reporters registers an increase of 6%, compared to the previous year. The increase in the number of searches has had a positive impact on the generation of income from the Credit Registry (which does not aim to make a profit). Compared to the previous year, the revenues from the system increased by 6%.

Table 32 Licensed entities that report data to the Credit Registry

DATA REPORTER			
1	Bank of Albania		
	Banks		Non-bank financial institutions
1	Raiffeisen Bank	1	Agro & Social Fund Shpk
2	OTP Albania Bank	2	AGRO Partner Shpk
3	American Bank of Investments	3	Agrocredit Sha
4	Credins Bank	4	Ak Invest
5	United Bank of Albania	5	Albania Leasing Sha
6	First Investment Bank Albania	6	Albanian Financial Institution
7	Intesa Sanpaolo Bank	7	Antigone Financial Enterprise Shpk
8	National Commercial Bank	8	Capital Invest (Mia Finance Sha)
9	Tirana Bank	9	Crimson Finance Fund Albania
10	Union Bank	10	Final Sha
11	ProCredit Bank	11	FUND BESA Sha
		12	IUTECREDIT ALBANIA Sha.
		13	Kredo Finance
	<b>UNIONS AND SAVINGS AND - LOAN ASSOCIATIONS</b>	14	Landeslease Sha
		15	Lendal Shpk
1	SHKK Fast Credit Albania	16	Micro Credit Risk (Credit Al shpk)



2	SLA Alb Credit	17	Microcredit Albania (MCA)
3	SLA Alb Progress	18	Mogo Albania sh.a (Virtus lending)
4	SLA Fed Invest	19	NOA SH.A.
5	SLA Partner Plus	20	Porsche Leasing sh.p.k.
6	SLA Unifin	21	Raiffeisen Leasing sh.a
7	SLA Tirana Invest Credit 2000	22	Tirana Factoring & Lease
8	Savings and Loan Associations Union	23	Tranzit representative of AMCO
9	SLA Petrelë	24	Tranzit SH.P.K
			OTHER
		1	Credit Treatment Agency

In function of registry services, a large number of communications and information with the public is developed, where the request for Borrower Report continues to remain the most important function. The number of complaints remains high at 2,263 complaints during 2023. Also, it is worth mentioning that there is an increase in the number of online users.

Effective cooperation with all structures of the Bank of Albania, which use the data of this system in order to carry out their tasks, has continued for the smooth running of the data of the Credit Register or even for their exchange, as well as with several other institutions. Here we can mention the judicial bodies and partner institutions (SAK, AFSA and FIU).

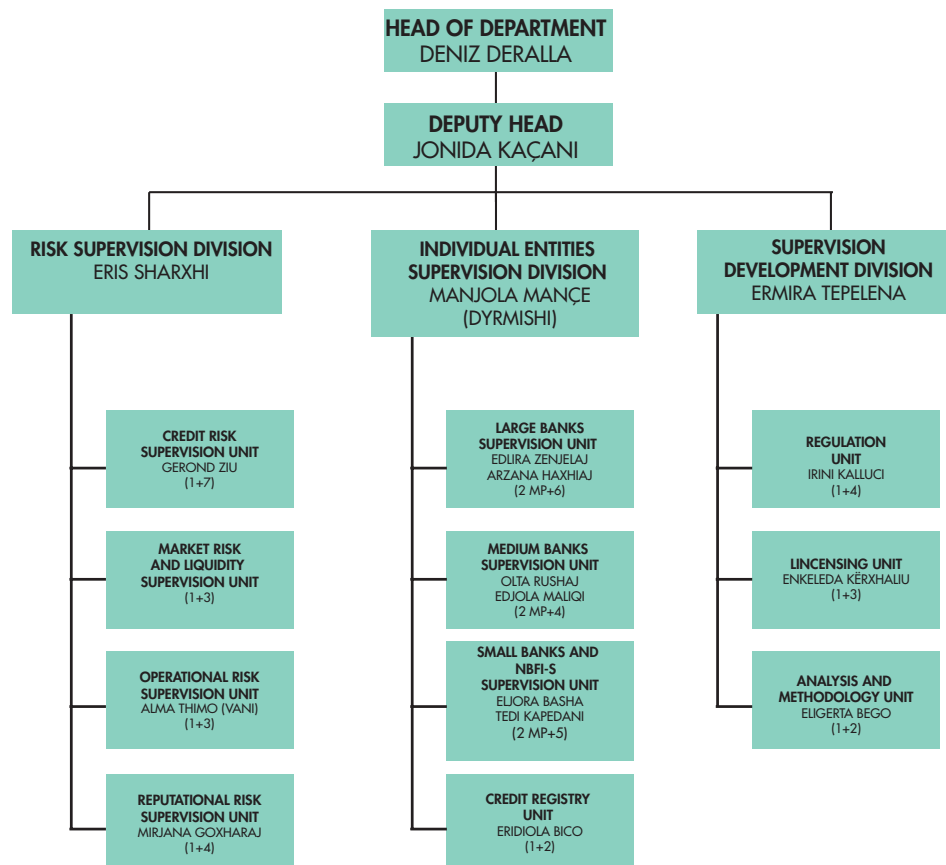
In addition to the above functions, the evaluation of the data reported to this system remains a priority, at a time when the latter aims to create a mechanism for the safe and accurate distribution of information. In this regard and in function of the supervisory process, in cooperation with the Portfolio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





## ANNEXES

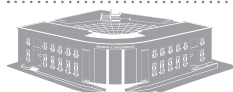
### 1.1 ORGANISATIONAL STRUCTURE OF THE SUPERVISION DEPARTMENT



## 1.2 SPECIFIC SHARE OF EACH BANK IN THE BANKING SYSTEM

BANKAT (Indicator in %)	December 2023							
	Total balance sheet	Permanent resources	Shareholders' capital	Outstanding loans	Non-performing loans	T-bills	Securities	Total deposits
RAIFFEISEN BANK	15.6	16.5	17.5	16.8	21.0	27.0	11.1	15.7
UNITED BANK OF ALBANIA	0.9	1.4	1.6	1.7	4.1	-	-	0.7
NATIONAL COMMERCIAL BANK	24.8	24.0	25.1	13.2	9.1	12.5	42.6	25.4
TIRANA BANK	6.7	6.7	6.6	7.3	7.1	7.4	6.4	6.4
INTESA SANPAOLO BANK ALBANIA	9.9	11.0	12.4	7.4	4.3	27.9	7.3	10.4
PROCREDIT BANK	2.3	2.3	2.2	3.7	1.8	2.4	0.0	2.0
AMERICAN BANK OF INVESTMENTS	6.6	5.0	4.6	6.4	1.6	3.1	8.8	5.5
FIRST INVESTMENT BANK, ALBANIA	2.8	3.2	3.0	3.8	3.5	4.6	1.6	2.6
CREDINS BANK	16.5	14.7	11.2	20.0	25.2	12.0	12.4	17.6
OTP BANK	9.1	11.1	12.0	13.8	15.2	1.7	5.3	9.2
UNION BANK	5.0	4.1	3.9	6.0	7.3	1.5	4.6	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Albania.



## 1.3 ASSETS AND LIABILITIES

ASSETS (in ALL million)		Dhjetor 2019	Dhjetor 2020	Dhjetor 2021	Dhjetor 2022	Dhjetor 2023
KODI	DESCRIPTION					
1	TOTAL ASSETS	1,475,550.92	1,580,818.91	1,773,289.99	1,875,841.80	1,965,275.66
11	TREASURY AND INTERBANK TRANSACTIONS	470,059.29	468,874.12	492,854.98	519,746.88	510,414.40
111	Monetary assets	25,908.62	29,324.64	29,276.76	27,265.27	31,322.21
112	Transactions with the Central Bank	130,849.91	179,337.97	186,688.07	212,952.96	223,520.40
1121	Required reserve at the Central Bank	107,737.69	114,546.26	127,219.17	137,621.49	138,648.01
1122	Other	23,112.22	64,791.71	59,468.91	75,331.47	84,872.38
113	Treasury bills and other eligible bills for refinancing with the central bank	74,026.90	70,284.88	73,012.92	100,014.46	103,972.11
1131	Treasury bills	74,027.67	70,285.25	73,015.93	100,118.70	103,984.90
1132	Other eligible bills for refinancing	(0.76)	(0.37)	(3.01)	(104.24)	(12.79)
1133	Reserve funds for the depreciation of bills eligible for refinancing from Central Bank	239,273.85	189,926.63	203,877.23	179,514.19	151,599.69
114	Transactions with bank, credit institutions and other financial institutions	64,424.19	47,460.56	61,457.45	44,044.71	25,860.40
1141	Current accounts	144,558.86	103,828.39	107,805.38	99,389.59	92,991.36
1142	Deposits with banks, credit institutions and other financial institutions	28,539.45	36,757.04	31,638.18	30,603.18	28,964.39
1143	loans	23,112.22	64,791.71	59,468.91	75,331.47	84,872.38
1144	Other	573,354.55	606,434.96	668,605.31	711,928.58	735,875.15
13	TRANSACTIONS WITH CUSTOMERS (Gross)	547,751.81	582,990.63	644,385.26	688,761.04	716,504.28
131	Loans to private sector and households	133,729.49	126,972.45	141,314.14	162,465.27	149,888.90
1311	Short-term loans	94,519.19	93,182.65	97,914.53	93,552.68	94,469.63
1312	Medium-term loans	199,279.13	234,244.38	259,542.21	266,869.26	238,689.85
1313	Long-term loans	116,818.97	125,080.41	141,586.73	160,865.49	226,175.08
1314	Real estate loans	3,405.03	3,510.74	4,027.65	5,008.34	7,280.82
1315	Finance lease contracts	6,175.65	4,708.10	3,100.47	1,526.18	108.70
132	Loans to public administration	64,424.19	47,460.56	61,457.45	44,044.71	25,860.40
1321	Current accounts	28,539.45	36,757.04	31,638.18	30,603.18	28,964.39
1322	Loans	19,427.09	18,736.23	21,119.57	21,641.36	19,262.17
1323	Other accounts	404,408.70	479,581.13	581,954.73	617,591.93	682,763.39
14	SECURITIES TRANSACTIONS	400,629.26	471,229.38	567,297.87	602,721.61	668,454.53
141	Fixed income securities	2,633.82	294,150.64	328,933.44	3,054.50	2,699.11
142	Variable income securities	2,141.16	45,158.68	69,448.90	6,973.15	5,351.88
143	Securities purchased and sold under REPO	-	-	-	-	-
144	Paid collateral	-	-	-	-	-
145	Received premiums	-	131,920.05	168,915.53	-	-
15	PROVISIONS	(28,751.25)	(32,508.23)	(27,601.50)	(32,724.89)	(30,320.61)
151	Loan loss provisions (principal)	(28,020.52)	(31,690.10)	(25,581.25)	(22,539.79)	(24,384.02)
152	Loan loss provisions (accrued interest)	(591.25)	(570.28)	(496.08)	(446.53)	(322.32)
153	Investment provisions	(139.49)	(247.85)	(1,524.17)	(9,738.57)	(5,614.27)
16	OTHER ASSETS	25,712.73	25,627.33	23,017.15	21,424.72	23,413.36
161	Other assets	23,626.01	23,711.48	20,802.35	18,840.68	18,851.97
162	Agent transactions	114.53	1.47	1.52	12.90	2.12
163	Inter-office accounts	0.18	2.87	2.17	3.85	5.21
164	Suspense, difference and position accountst	1,876.26	1,889.73	2,206.75	2,536.49	3,889.12
1641	Suspense accounts	1,869.96	1,847.02	2,206.55	2,461.21	3,857.86
1642	Position accounts	6.30	42.71	0.20	75.28	31.27
165	Value added tax	95.75	21.79	4.37	30.80	664.93
17	FIXED ASSETS	23,562.09	24,497.70	25,035.13	27,068.35	29,279.93
171	Investments in participation equity	5.87	5.97	5.83	5.51	5.01
172	Affiliates	3,668.96	5,836.64	5,458.20	5,168.28	5,084.86
173	Fixed assets (net)	19,887.25	18,655.09	19,571.10	21,894.56	24,190.07
18	ACCRUED INTERESTS	7,204.81	8,311.90	9,424.19	10,806.23	13,850.04
181	Accrued interests (Class 1)	181.01	194.40	221.16	114.51	1,359.73
182	Accrued interests (Class 2)	2,391.08	2,475.04	2,420.63	3,063.43	3,615.85
183	Accrued interests (Class 3)	4,632.71	5,642.46	6,782.40	7,628.29	8,874.46
A	Total assets in foreign currency	773,921.56	811,366.74	922,797.34	988,075.69	1,002,173.47
B	Total assets of nonresidents	351,271.90	333,371.94	390,667.50	395,904.65	422,678.26



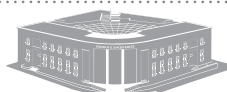
LIABILITIES (in ALL million)		December 2019	December 2020	December 2021	December 2022	December 2023
CODE	DESCRIPTION					
1	TOTAL LIABILITIES	1,475,040.39	1,580,818.91	1,773,289.99	1,875,841.80	1,965,275.66
11	TREASURY AND INTERBANK TRANSACTIONS	87,905.66	86,880.03	112,690.58	114,306.28	100,011.17
111	Central Bank	2,072.16	1,446.82	820.49	103.10	877.07
112	Treasury bills and other eligible bills	32,686.01	32,660.52	41,572.69	51,044.03	44,685.42
113	Current accounts	10,748.82	11,430.92	11,943.04	15,029.52	12,635.55
114	Deposits from banks, Financ. inst	20,854.99	21,675.46	30,050.46	27,470.86	27,602.15
115	Loans	18,385.10	17,305.04	25,239.45	18,290.45	12,595.42
116	Other	3,158.59	2,361.27	3,064.45	2,368.31	1,615.56
12	TRANSACTIONS WITH CUSTOMER	1,189,632.85	1,282,671.95	1,429,636.81	1,514,036.78	1,598,900.79
121	Public administration	10,649.60	13,053.38	20,893.92	22,200.38	25,801.42
1211	Current accounts	10,748.82	11,430.92	11,943.04	15,029.52	12,635.55
1212	Demand deposits	6.12	6.16	6.19	6.24	1.56
1213	Time deposits	1,845.00	2,221.10	12,470.94	14,132.62	15,861.16
1214	Loans	18,385.10	17,305.04	25,239.45	18,290.45	12,595.42
1215	Other	3,158.59	2,361.27	3,064.45	2,368.31	1,615.56
122	Private sector	1,178,983.25	1,269,618.58	1,408,742.89	1,491,836.41	1,573,099.37
1221	Current accounts	10,748.82	11,430.92	11,943.04	15,029.52	12,635.55
1222	Demand deposits	6.12	6.16	6.19	6.24	1.56
1223	Time deposits	1,845.00	2,221.10	12,470.94	14,132.62	15,861.16
1224	Other	3,158.59	2,361.27	3,064.45	2,368.31	1,615.56
1225	Certificates of deposits	-	-	-	-	-
13	SECURITIES TRANSACTIONS	2,634.47	3,556.77	3,106.34	3,113.80	7,302.14
131	Debt represented by securities	-	-	-	-	3,191.19
132	Securities purchased and sold under REPO	2,634.44	3,556.77	3,106.34	3,113.80	4,110.94
133	Collateral on securities transactions	-	-	-	-	-
134	Premiums on financial instruments	-	-	-	-	-
14	OTHER LIABILITIES	13,291.60	17,578.55	24,599.97	29,305.30	24,097.78
141	Other liabilities	6,813.03	12,230.07	14,427.51	16,330.29	12,202.59
142	Agent transactions	2,621.86	2,367.35	4,156.55	6,144.00	4,203.29
143	Inter-office account	(3.10)	0.23	0.23	0.23	0.28
144	Difference and position pending accounts	3,787.54	2,871.82	5,926.62	6,728.58	7,105.00
1441	Difference accounts	3,293.69	2,871.45	5,318.14	5,948.33	6,742.86
1442	Position accounts	493.86	0.37	608.48	780.25	362.15
145	Value added tax= (form. 21) 46	72.26	109.08	89.06	102.20	586.60
15	PERMANENT RESOURCES	177,702.61	186,110.05	199,303.69	210,516.38	227,965.49
151	Grants and public funding	-	-	-	-	-
152	Specific provisions	9,673.27	9,518.79	10,026.02	10,567.82	11,075.75
1521	Provisions for risk and expenses	8,416.81	8,425.49	9,137.75	9,648.07	10,365.44
1522	Specific provisions	9,673.27	9,518.79	10,026.02	10,567.82	11,075.75
153	Subordinated debt	14,459.77	12,624.57	13,946.52	16,564.31	21,500.33
154	Shareholders' equity	153,569.57	163,966.70	175,331.16	183,384.25	195,389.41
1541	Paid-in capital	105,767.48	101,859.34	102,362.97	94,421.61	97,840.28
1542	Share premiums	6,991.62	7,084.11	7,130.63	7,152.71	7,152.71
1543	Reserves	21,270.48	23,537.81	26,034.97	34,140.24	35,626.44
1544	Revaluation difference	(6,812.10)	(9,005.23)	(8,037.58)	(8,386.65)	(14,888.90)
1545	Retained earnings or loss	7,121.41	23,993.99	26,661.97	35,267.57	37,176.35
1546	Current year profit (loss)	19,230.67	16,496.68	21,178.20	20,788.77	32,482.53
16	ACCRUED INTERESTS	3,873.19	4,021.56	3,952.61	4,563.26	6,998.30
161	Accrued interests (Class 1)	149.58	142.62	153.18	205.43	435.44
162	Accrued interests (Class 2)	3,538.44	3,756.76	3,674.44	4,200.64	6,279.13
163	Accrued interests (Class 3) = (form. 21) 339 + 3429	0.50	0.04	0.19	1.41	11.63
164	Accrued interests (Class 5)	184.67	122.14	124.79	155.79	272.10
A	Total liabilities in FX	751,118.92	789,903.99	897,042.59	965,895.58	983,017.42
B	Total liabilities of npnridents	37,574.17	35,121.17	51,344.68	47,017.35	43,998.15



## 1.4 KEY FINANCIAL INDICATORS

(in %, unless otherwise stated)				
Indicators	December 2020	December 2021	December 2022	December 2023
Based on capital				
Regulatory capital to risk-weighted assets	18.32	18.53	18.84	19.42
Tier 1 capital to risk-weighted assets	17.23	9.0%	9.0%	9.0%
Tier 1 capital to total assets	9.07	9.11	8.91	8.69
Regulatory capital to total assets	9.65	9.69	9.58	9.52
Shareholders' equity to total assets	0.07	0.05	0.05	0.04
Non-performing loans net of provisions to Tier 1 capital	12.00	7.47	7.62	6.04
Non-performing loans net of provisions to regulatory capital	11.29	7.02	7.09	5.51
Non-performing loans net of provisions to shareholders' equity	1,574.83	1,358.84	1,384.63	1,452.54
Return on equity	10.41	12.63	11.80	17.26
Open foreign exchange position to Tier 1 capital	8.65	9.44	5.20	6.70
Open foreign exchange position to regulatory capital	8.13	8.87	4.84	6.11
Open foreign exchange position to shareholders' equity	1,134.66	1,716.44	945.94	1,611.08
Liquid assets to total assets	34.23	35.68	34.81	33.28
Liquid assets to short-term liabilities	46.21	49.40	47.39	45.39
Return on assets	1.08	1.28	1.19	1.72
Non-performing loans to total loans	8.13	5.68	5.00	4.74
Net interest income to gross income	91.30	83.98	83.76	84.87
Operating expenses to gross income	62.21	57.81	58.24	52.40

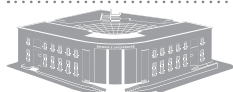
Source: Bank of Albania.



## 1.5 BANKS' SHAREHOLDERS

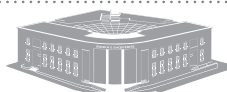
No.	Bank	Shareholders	Equity share in (%)	Ownership	Capital originet	Home country
1.	RAIFFEISEN BANK SH.A.	Raiffeisen SEE Region Holding GmbH	100	Private	Foreign	Austria
2.	NATIONAL COMMERCIAL BANK SH.A.	Çalik Holding A.S.	100	Private	Foreign	Turkey
3	UNITED BANK OF ALBANIA SH.A.	Islamic development Bank (IDB)	31.87	Private	Foreign	Saudi Arabia
		EUROSIG SH.A.	66.26	Private	Domestic	Albania
4	INTESA SANPAOLO BANK ALBANIA SH.A.	Saudi Brothers Commerce Co.	0.41	Private	Foreign	Saudi Arabia
		3 Individuals	1.46	Private	Foreign	Saudi Arabia
5	TIRANA BANK SH.A.	Intesa Sanpaolo S.p.A.	100	Private	Foreign	Italy
6	PROCREDIT BANK SH.A.	Balfin - Balkan Finance Investment Group sh.p.k.	100	Private	Domestic	Albania
7	AMERICAN BANK OF INVESTMENTS SH.A.	PROCREDIT HOLDING AG	100	Private	Foreign	Germany
8	CREDINS BANK SH.A.	TRANZIT sh.p.k	100	Private	Domestic	Albania
		B.F.S.E. Holding B.V.	15.1	Private	Foreign	The Netherlands
		Amyra Capital LLP	6.4	Private	Foreign	United Kingdom
		Albanian Savings Loan Union	2.5	Private	Domestic	Albania
		EDRO sh.p.k.	1.3	Private	Domestic	Albania
		A.F.C. sh.p.k.	3.5	Private	Domestic	Albania
		Frijo Alba sh.p.k.	0.7	Private	Domestic	Albania
		Prima sh.p.k.	2.9	Private	Domestic	Albania
		PE-VLA-KU SHPK	2.9	Private	Domestic	Albania
		Teoren Shpk	1.0	Private	Domestic	Albania
		Renis Tërshana	18.1	Private	Domestic	Albania
		Aleksandër Pilo	7.7	Private	Domestic	Albania
		Individuals	37.9	Private	Domestic	Albania
9	OTP BANK ALBANIA SH.A.	OTP Bank Nyrt,	100	Private	Foreign	Hungary
10	UNION BANK SH.A.	Finanacial Union Tirana sh.a.	96.46	Private	Domestic	Albania
		2 Individuals	3.54	Private	Domestic	Albania
11	FIRST INVESTMENT BANK, ALBANIA SH.A.	First Investment Bank S.A.	100	Private	Foreign	Bulgaria

Source: Bank of Albania.



## 1.6 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.	Ministry of Economy, Trade and Energy	100	Public	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	Netherlands
		NOA Cooperatief U.A.	1 share	Private	Foreign	Netherlands
5	FONDI BESA SH.A.	Albanian Besa Capital Foundation	66.57	Private	Domestic	Albania
		Bajram Muçaj	20	Private	Domestic	Albania
		45 Individuals	13.43	Private	Domestic	Albania
6	FINAL SH.P.K.	Arben Meskuti	100	Private	Domestic	Albania
7	"AGROKREDIT.SH.A." Sh.a.	Ministry of Finance	100	Public	Domestic	Albania
8	Raiffeisen Leasing sh.a	Raiffeisen Bank	100	Private	Domestic	Albania
9	LANDESLEASE SH.A.	Union Bank sh.a.	81	Private	Domestic	Albania
		Unioni Financiar Tranë sh.a.	19	Private	Domestic	Albania
10	AGRO & SOCIAL FUND SH.P.K.	Fondi Besa Sh.a.	100	Private	Domestic	Albania
11	MIA Finance sh.a.	lavdije Elezaj	59.4	Private	Domestic	Albania
		lajthiza Invest sh.a.	34	Private	Domestic	Albania
		Jason Orozi	6.6	Private	Domestic	Albania
12	Tranzit sh.p.k.	Moscopole Inc, USA	80	Private	Foreign	USA
		New Century Holdings XI, L.P.	10	Private	Foreign	Cayman Islands
		NCH Balkan Fund, L.P.	10	Private	Foreign	Cayman 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	PLATINIUM INVESTMENT SH.P.K.	Andri Kasneci	100	Private	Domestic	Albania
16	Tirana Factoring & Lease sh.a.	Rolandi Manushi	40	Private	Domestic	Albania
		Lediana Aliqaj	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 Corporation for the Development of the Private Sector (ICD), Saudi Arabia	35.64	Private	Foreign	Saudi Arabia
		National Commercial Bank (NCB) sh.a.	29.98	Private	Domestic	Albania
		ND Real Estate Doel	21.88	Private	Foreign	North
		Kolon World Investment Co	12.5	Private	Foreign	Hong Kong
19	lutecredit Albania sh.a	lute Group AS	100	Private	Foreign	Estonia
20	KREDIT PARTNER SH.P.K.	Arjan Lala	100	Private	Domestic	Albania
21	Crimson Finance Fund Albania sh.p.k	Albanian – American Development Foundation (AADF), Albania	32.02	Private	Foreign	USA
		Crimson Capital Corp	3.85	Private	Foreign	USA
		Helenos s.a.	38.45	Public	Foreign	Belgium
		Tirana Municipality	25.68	Public	Domestic	Albania



22	EASYPAY SH.P.K.	Lindita Shomo	96.5	Private	Domestic	Albania
		3 Individuals	3.5	Private	Domestic	Albania
23	MICRO CREDIT ALBANIA SH.A.	Elda Ibro	100	Private	Domestic	Albania
24	ALBANIAN FINANCIAL INSTITUTION SH.P.K.	Besnik Leskaj	80	Private	Domestic	Albania
		Redjan Basha	20	Private	Domestic	Albania
25	RAEA FINANCIAL SERVICES SH.P.K.	Relianda Zhelegu	90	Private	Domestic	Albania
		Rezart Kastrati	10	Private	Domestic	Albania
26	Virtus Lending sh.a. (former Mogo Albania)	"Virtus Invesco Partners" L.L.C	100	Private	Foreign	Kosovo
27	Kredo Finance sh.p.k	AS "ELEVING CONSUMER FINANCE HOLDING"	95.75	Private	Foreign	Latvia
		8 Individuals	4.25	Private	Domestic	Albania
28	Tirana Capital Trade sh.p.k	Arta Mici	90	Private	Domestic	Albania
		Ergys Demneri	10	Private	Domestic	Albania
29	Credital sh.p.k.	ANGELUS LEX sh.p.k.	75	Private	Domestic	Albania
		Klei Kaçupi	25	Private	Domestic	Albania
30	PAYSERA ALBANIA SH.P.K.	Redion Çatri	10	Private	Domestic	Albania
		Idlir Ahmati	10	Private	Domestic	Albania
		BWV sh.p.k	80	Private	Domestic	Albania
31	ANTIGONE FINANCIAL ENTERPRISE SH.P.K.	Dritan Zeqo	100	Private	Domestic	Albania
32	eReja sh.p.k.	AK – INVEST sh.a.	100	Private	Domestic	Albania
33	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
34	SOFT & SOLUTION SH.P.K	Ermal Beqiri	100	Private	Domestic	Albania
35	Rubicon sh.a.	APC INTEGRATED, LLC	3.63	Private	Domestic	Albania
		NAVY YARD CAPITAL, LLC	2.74			
		JULIA HOXHA	27.11			
		ARMAND BRAHAJ	27.11			
		ALTIN LEKSANI	13.69			
		IGLI GJELISHTI	6.57			
		DENIS BEHLULI	4.38			
		ALJULA HASA	3.84			
		ARIAN SYKNEJ	2.74			
		EDUARD HOXHA	2.74			
		ALFONS MUCAJ	2.74			
		ENO KOTMILO	2.74			
36	IUTEPAY SH.P.K.	Iute Group AS	100	Private	Foreign	Estonia
37	Lendal sh.a.	Anila Misa	30	Private	Domestic	Albania
		Eron Merko	70	Private	Domestic	Albania
38	BKT PAY SH.A.	National Commercial Bank (NCB) sh.a.	100	Private	Domestic	Albania
39	NEW COLLECTION SH.P.K.	Qudruple-A sh.p.k.	100	Private	Domestic	Albania





## 1.7 GEOGRAPHIC DISTRIBUTION OF BRANCHES AND BANKING AGENCIES WITHIN THE TERRITORY OF THE REPUBLIC OF ALBANIA BY PREFECTURES

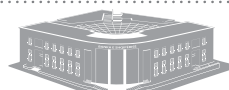
No.	Region	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Tirana	213	203	204	207	197	190	183	181	181	175	172
2	Durrës	53	51	51	49	49	45	45	43	41	39	38
3	Fier	42	42	41	39	38	34	33	32	33	32	30
4	Elbasan	30	28	29	29	27	25	24	24	24	23	22
5	Korça	38	35	35	34	31	30	26	26	26	23	23
6	Shkodra	24	22	22	22	22	20	19	19	18	17	16
7	Vlora	41	37	37	35	32	31	29	30	29	29	27
8	Lezha	24	23	23	23	22	22	22	22	21	19	18
9	Berat	22	20	20	20	20	19	19	19	19	18	18
10	Gjirokastër	23	20	20	18	17	14	13	13	13	12	12
11	Kukës	9	9	9	8	8	8	7	7	7	6	6
12	Dibra	10	9	9	9	9	9	9	9	9	8	8
	TOTAL	529	499	500	493	472	447	429	425	421	401	390

Source: Bank of Albania.

## 1.8 E-BANKING PRODUCTS/SERVICES, BY COMMERCIAL BANKS, AS AT END OF 2023

BANKS	ATM	POS	POS Virtual	Pay-Box	Internet Banking	Phone banking	Mobile / SMS banking	Electronic (debit, credit, prepaid) cards
RAIFFEISEN BANK SH.A.	√	√	√		√		√	√
NATIONAL COMMERCIAL BANK SH.A.	√	√			√	√	√	√
TIRANA BANK SH.A.	√				√	√	√	√
PROCREDIT BANK SH.A.	√	√		√	√			√
FIRST INVESTMENT BANK, ALBANIA SH.A.	√				√			√
CREDINS BANK SH.A.	√	√	√		√			√
UNION BANK SH.A.	√	√			√		√	√
OTP BANK ALBANIA SH.A.	√				√		√	√
INTESA SANPAOLO BANK ALBANIA SH.A.	√	√			√		√	√
AMERICAN BANK OF INVESTMENTS SH.A.	√				√			√
UNITED BANK OF ALBANIA SH.A.					√			√

Source: Bank of Albania.



### 1.9 NUMBER OF ENTITIES LICENSED BY THE BANK OF ALBANIA, BY YEAR

No	Entities	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Banks and branches of foreign banks	16	16	16	16	16	14	12	12	12	11	11
2	Non-bank financial institutions	21	22	27	28	31	30	32	30*	35	38	39
3	Foreign exchange bureaus	333	356	397	428	426	463	503	538	556	583	621
4	Savings and Loan Associations	121	113	111	13	13	13	14	14	16	16	16
5	Unions of Savings and Loan associations <sup>1</sup>	2	2	2	2	1	1	1	1	1	1	1

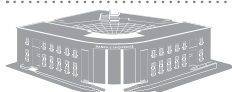
Source: Bank of Albania.

### 1.10 DATA ON BANKING SERVICES UP TO 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of banks	16	16	16	16	16	14	12	12	12	11	11
Number of banks' employees	6,686	6,819	6,819	6,949	6,877	6,738	6,383	6,563	6,609	6,637	7,009
Number of branches/ agencies in the country	529	499	500	493	472	447	429	425	421	401	390
Average number of employees per:											
- Bank	418	426	426	434	430	481	532	547	551	603	637
- Banking unit	13	14	14	14	15	15	15	15	16	17	18
Number of population (000)	2,896	2,893	2,886	2,876	2,870	2,862	2,846	2,830	2,794	2,794	2,761
Number of population per:											
- Bank	181,000	180,813	180,375	179,750	179,375	204,459	237,167	235,812	232,833	254,000	251,000
- Banking unit	5,474	5,798	5,772	5,834	6,081	6,404	6,634	6,658	6,637	6,968	7,079
- Bank employee	433	424	423	414	417	425	446	431	423	421	394

Source: Bank of Albania and INSTAT.

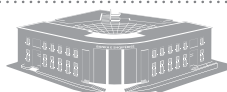
\*Population data after 2011 are calculated based on the projection.



### 1.11 BANKS NETWORK AS AT THE END OF 2023

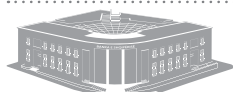
No.	Banks	No. of branches / agencies in the country	No. of branches abroad*	No. of branches and agencies, total
1	RAIFFEISEN BANK SH.A	74		74
2	NATIONAL COMMERCIAL BANK SH.A.	63		63
3	UNITED BANK OF ALBANIA SH.A	6		6
4	TIRANA BANK SH.A.	32		32
5	INTESA SANPAOLO BANK ALBANIA SH.A	35		35
6	PROCREDIT BANK SH.A.	7		7
7	AMERICAN BANK OF INVESTMENTS SH.A	24		24
8	CREDINS BANK SH.A.	51		51
9	OTP BANK ALBANIA SH.A.	50		50
10	UNION BANK SH.A.	34		34
11	FIRST INVESTMENT BANK, ALBANIA SH.A.	14		14
	<b>TOTAL</b>	<b>390</b>	<b>0</b>	<b>390</b>

\*Currently no bank exercises its activity outside the territory of the Republic of Albania.  
Source: Bank of Albania.



## 1.12 SUPERVISION REGULATIONS IN FORCE, AS AT 31 DECEMBER 2023

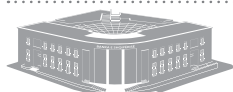
1. Regulation "On bank's investments in the equity of commercial companies", approved by the Supervisory Council Decision No. 42, dated 06.06.2001.
2. Guideline "On certificates of deposits", approved by the Supervisory Council Decision No. 79, dated 03.10.2001.
3. Manual on corrective actions for banks and branches of foreign banks in the Republic of Albania, approved by the Supervisory Council Decision No. 51, dated 26.06.2002.
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 03.05.2006.
6. Regulation "On licensing, organization and supervision of foreign exchange bureaus", approved by the Supervisory Council Decision No. 31, dated 06.06.2007 and amended by the Decision No. 73, dated 27.11.2007, Decision No. 82, dated 14.12.2011, Decision No. 31, dated 30.04.2014, Decision No. 48, dated 30.03.2016 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 29.08.2008.
8. Regulation "On transparency for banking and financial products and services", approved by the Supervisory Council Decision No. 59, dated 29.08.2008 and amended by the Decision No. 14, dated 09.03.2011, Decision No. 25, dated 3.5.2017, and Decision No. 15, dated 7.2.2018 and by the Decision No.64, dated 24.11.2021.
9. 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 29.08.2008 and amended by the Decision No. 25, dated 10.04.2015.
10. Document "Reporting methodology and content of financial reports", approved with the Decision of Supervisory Council No. 95, dated 24.12.2008.
11. The document "Licensing policy of banking entities", approved by the Supervisory Council Decision No. 12, dated 25.02.2009.
12. 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 11.03.2009 and amended by the Decision No. 33, dated 11.05.2011, Decision No. 28, dated 16.05.2012, Decision No. 55, dated 01.10.2014, Decision No. 15, dated 03.02.2016, by the Decision No. 46, dated 3.7.2019 and by the Decision No.64, dated 24.11.2021.
13. Regulation "On the prevention of money laundering and financing of terrorism" approved by the Supervisory Council Decision No. 44, dated 10.06.2009



- and amended by Decision No.55, dated 28.08.2013, Decision No.22, dated 5.4.2017 and Decision No. 78, dated 18.12.2019.
14. Regulation "On Reporting to the Bank of Albania according to the Unified Reporting System", approved by Supervisory Council Decision No. 45, dated 10.06.2009 and amended by Decision No. 61, dated 06.08.2015, Decision No.80, dated 06.07.2016, Decision No.58, dated 03.10.2017, Decision No.36, dated 2.5.2018, Decision No. 71, dated 2.12.2020 and Decision No. 48, dated 1.11.2023.
  15. Regulation "On foreign exchange activity", approved by the Supervisory Council Decision No. 70, dated 30.09.2009 and amended by Decision No. 07, dated 28.01.2015.
  16. Regulation "On liquidity risk management", approved by the Supervisory Council Decision No. 71, dated 14.10.2009 and amended by the Decision No. 75, dated 26.10.2011, Decision No. 28, dated 27.03.2013 and Decision No. 14, dated 7.2.2018.
  17. Regulation "On defining the decision-making level in the supervision of banking and financial activities", approved by the Supervisory Council Decision No. 36, dated 26.05.2010 and amended by the Decision No. 54, dated 12.09.2012 and Decision No. 29, dated 07.06.2017.
  18. Regulation "On management of risk from open foreign currency positions", approved by the Supervisory Council Decision No. 48, dated 14.07.2010.
  19. Manual "On conservatorship and liquidation", approved by the Decision of the First Deputy Governor of the Bank of Albania on 31.12.2010.
  20. Regulation "On operational risk management", approved by the Supervisory Council Decision No. 03, dated 19.01.2011.
  21. Regulation "On authorized chartered auditors of banks and branches of foreign banks", approved by the Supervisory Council Decision No. 42, dated 15.06.2011.
  22. Regulation "On managing credit risk from banks and branches of foreign bank", approved by the Supervisory Council Decision No. 62, dated 14.09.2011 and amended by Decision No. 27, dated 27.03.2013, Decision No. 22, dated 27.02.2014, and Decision No. 26, dated 01.04.2015, Decision No. 50, dated 30.03.2016, 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 No. 5, dated 13.1.2021.
  23. 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, and by Decision No. 21, dated 6.4.2022.
  24. Regulation "On granting the license to non-bank financial institutions", approved by the Supervisory Council Decision No. 1, dated 17.01.2013 and amended by Decision No. 47, dated 30.03.2016, Decision No.70, dated 09.11.2016, Decision No. 47, dated 06.09.2017, Decision No. 47, dated 3.7.2019, Decision No. 60, dated 24.11.2021, and Decision No.51, dated 7.12.2022.
  25. Regulation "On the management of risk in the activity of non-bank financial



- institutions”, approved by the Supervisory Council Decision No. 2, dated 17.01.2013 and amended by Decision No. 46, dated 06.09.2017, Decision No. 50, dated 3.7.2019, the Circulating Decision No. 14, dated 12.3.2020, and by Decision No. 58, dated 21.12.2022.*
26. *Guideline “On managing interest rate risk in the banking book”, approved by the Supervisory Council Decision No. 33, dated 30.04.2013.*
  27. *Regulation “On capital adequacy ratio”, approved by Supervisory Council Decision No. 48, dated 31.07.2013 and amended by Decision No. 43, dated 30.07.2014, Decision No.70, dated 18.12.2014, Decision No. 49, dated 01.07.2015, Decision No. 91, dated 02.12.2015, Decision No. 49, dated 30.03.2016, Decision No.5, dated 01.02.2017, Decision No.34, dated 2.5.2018, Decision No. 7, dated 5.2.2020, the Circulating Decision No. 22, dated 1.4.2020, the Circulating Decision No. 54, dated 9.11.2021, Decision No. 68, dated 22.12.2021, Decision No.44, dated 2.11.2022 and by the Decision No.36, dated 2.8.2023.*
  28. *Document “Supervision Policy”, approved by the Supervisory Council Decision No. 9, dated 26.02.2014*
  29. *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 04.03.2015, 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.*
  30. *Regulation “ On regulatory capital of the bank”, approved by the Supervisory Council Decision No. 69, dated 18.12.2014 and amended by Decision No. 19, dated 04.03.2015, Decision No. 2, dated 9.1.2019, and Decision No. 45, dated 2.11.2022.*
  31. *Order “On recognition of ECAIs”, approved by Order No. Prot./1883, dated 22.04.2015 of the First Deputy Governor of the Bank of Albania.*
  32. *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, Decision No. 69, dated 22.12.2021 and Decision No. 9, dated 1.3.2023.*
  33. *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.*
  34. *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 01.06.2016 and amended by Decision No. 107, dated 05.10.2016, and by Decision No. 63, dated 24.11.2021.*
  35. *Regulation “On licensing and exercising of the activity of savings and loan associations and their unions” approved by Supervisory Council Decision No. 104, dated 05.10.2016 and amended by Decision No. 48, dated 3.7.2019, Decision No.62, dated 24.11.2021, Decision No.52, dated 7.12.2022 and buy teh Decision No.42, dated 6.9.2023.*
  36. *Regulation “On management of risk in the activity of savings and loan associations and their unions” approved by Supervisory Council Decision No.*



- 105, dated 05.10.2016 and amended by the Circulating Decision No. 15, dated 12.3.2020 and the Circulating Decision No. 20, dated 26.3.2020.
37. 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, Decision No. 41, dated 4.8.2021, and by Decision No. 44, dated 2.8.2023.
  38. Guideline "On the internal capital adequacy assessment process" approved by the Decision of Supervisory Council, No. 26, dated 3.5.2017.
  39. Regulation "On banks recovery plans", approved by the Supervisory Council Decision No. 72, dated 6.12.2017.
  40. Regulation "On liquidity coverage ratio", approved by the Supervisory Council Decision No. 27, dated 28.3.2019, and amended by Decision No. 46, dated 1.9.2021.
  41. Regulation<sup>18</sup> "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.
  42. Regulation "On stress-test of bank", approved by the Supervisory Council Decision No. 60, dated 4.9.2019.
  43. 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.
  44. 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 61, dated 4.11.2020.
  45. 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.
  46. Regulation "On the financial leverage ratio of banks", approved by Supervisory Council Decision No. 63, dated 4.11.2020.
  47. Regulation "On net financial sustainability ratio of banks", approved by Supervisory Council's Decision No. 70, dated 2.12.2020 and amended by Decision No. 45, dated 1.9.2021.
  48. 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. 48, dated 1.9.2021.
  49. Regulation "On the licensing 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.
  50. Guideline No. 2, dated 1.12.2021, "On the internal capital adequacy assessment process".
  51. Regulation "On the public register of payment service providers", approved by Supervisory Council Decision No. 7, dated 2.2.2022.
  52. Guideline No. 1, dated 2.3.2022, "On the criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance or other comparable guarantees".

<sup>18</sup> Was in force until 1.1.2022.



53. Regulation<sup>19</sup> "On strong customer authentication and common and secure open standards of communication", approved by Supervisory Council Decision No. 29, dated 1.6.2022.
54. Regulation "On carrying out of activity and supervision of electronic money institutions", approved by Supervisory Council Decision No.57, dated 21.12.2022.
55. Regulation "On the comparability of the fees related to payment account and payment account switching service", approved by Supervisory Council Decision No. 59, dated 21.12.2022.
56. Regulation "On carrying out the activity and supervision of electronic money institutions", approved by Supervisory Council Decision No.57, dated 23.3.2023.

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<sup>19</sup> Enters into force on 1.1.2024.

