

# Banks & Customer's Financial Reports

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# Albanian Financial Sector Composition



*Continuous institutional expansion and development...*

Subject	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bank and branches of foreign banks	15	16	17	17	17	16	16	16	16	16
Non-bank financial institutions	7	7	7	5	6	7	7	17	19	21
Foreign exchange bureaus	58	54	58	60	112	189	207	284	301	322
Unions of Savings & Loans Associations	2	2	2	2	2	2	2	2	2	2
Savings and Loans Associations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	126	126	126

# Albanian Banking System

## Main Features

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- **The dominant sector within Albanian financial system, managing more than 96% of total financial assets;**
  - **Universal banking system;**
  - **Mainly foreign-owned (14 out of 16 banks are foreign-owned);**
  - **Many international names have presence; namely Raiffeisen, Intesa San Paolo, Societe Generale, Credit Agricole etc.**
  - **All privately-owned (no State shareholdings);**
  - **A fairly concentrated banking system; top five banks have a share of ~ 67.8 % of total lending to the economy and a share of 74.4 % of total deposits (Dec. 2012)**
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# Albanian Banking System Distribution



- **Number of banks outlets has been increasing, albeit the crisis period;**
- **The number of people employed in banking sector has also increased.**

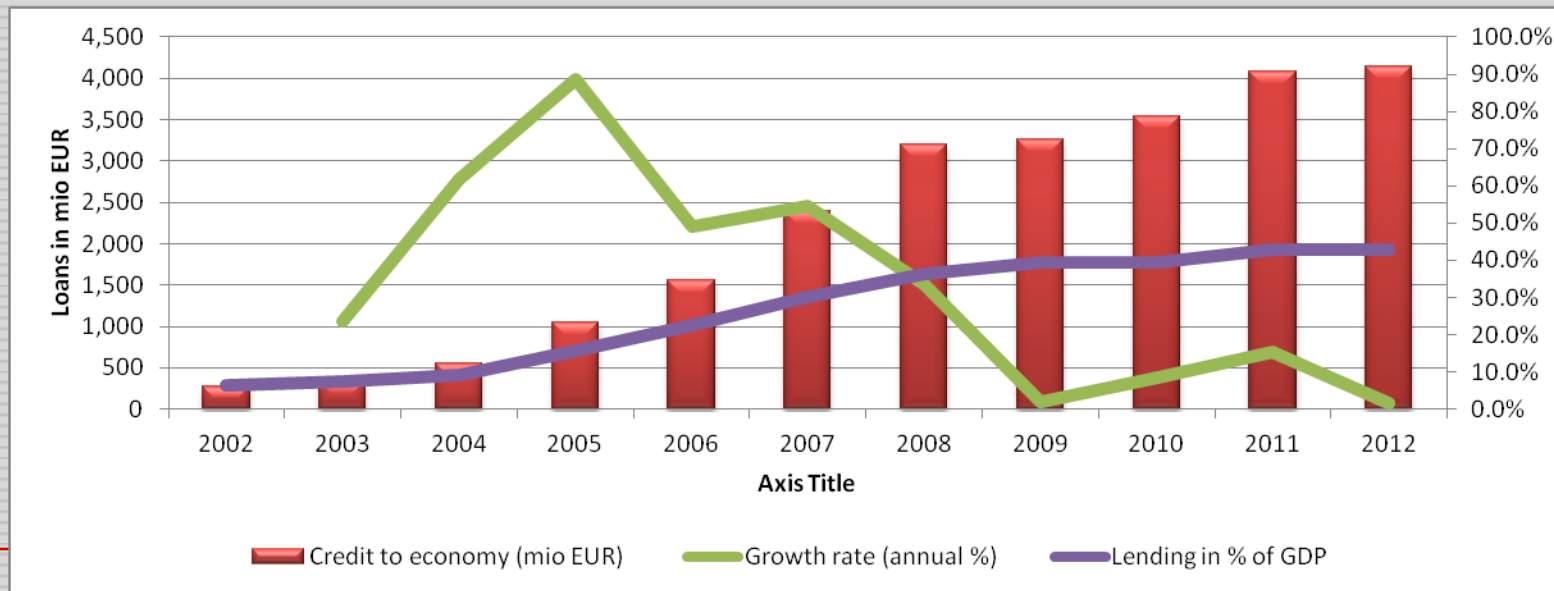
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Number of employees</b>	<b>3,479</b>	<b>4,263</b>	<b>5,206</b>	<b>6,479</b>	<b>6,103</b>	<b>6,430</b>	<b>6,714</b>	<b>6,820</b>
<b>Number of outlets</b>	<b>250</b>	<b>292</b>	<b>392</b>	<b>517</b>	<b>533</b>	<b>548</b>	<b>553</b>	<b>556</b>
<b>Number of employees per:</b>								
<b>-bank</b>	<b>217</b>	<b>251</b>	<b>306</b>	<b>405</b>	<b>381</b>	<b>402</b>	<b>420</b>	<b>426</b>
<b>-bank unit</b>	<b>13</b>	<b>15</b>	<b>13</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Number of people per:</b>								
<b>-bank</b>	<b>176,718</b>	<b>175,367</b>	<b>173,813</b>	<b>182,933</b>	<b>181,136</b>	<b>179,401</b>	<b>177,683</b>	<b>175,984</b>
<b>-bank unit</b>	<b>12,017</b>	<b>10,210</b>	<b>7,538</b>	<b>5,661</b>	<b>5,437</b>	<b>5,188</b>	<b>5,092</b>	<b>5,014</b>
<b>-bank employee</b>	<b>864</b>	<b>699</b>	<b>568</b>	<b>452</b>	<b>475</b>	<b>442</b>	<b>419</b>	<b>409</b>

# Albanian Banking System

## Lending

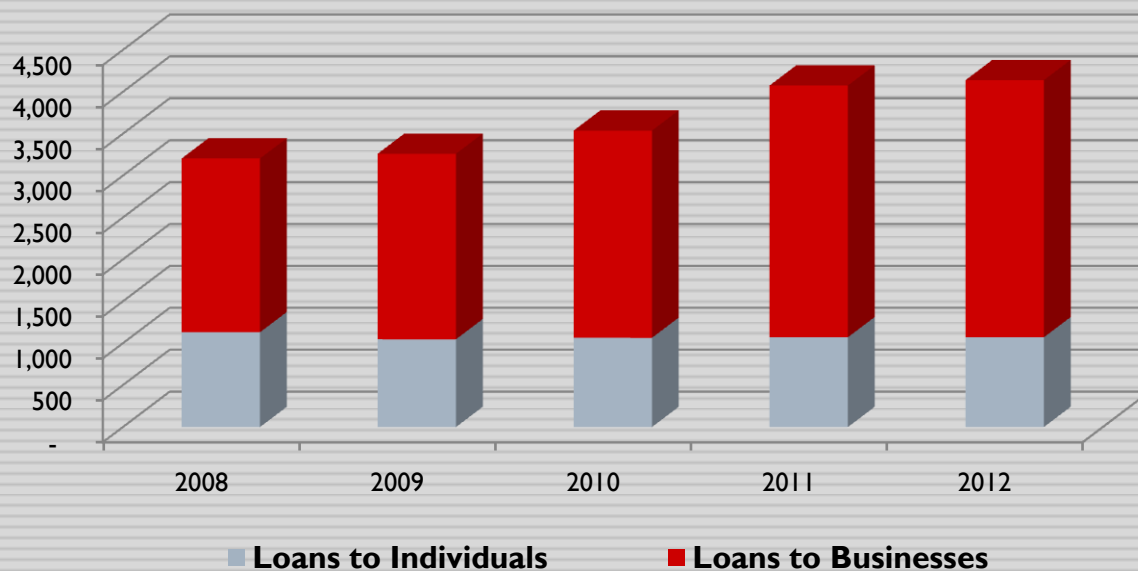


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Credit to economy (mio EUR)	276	341	552	1,042	1,553	2,401	3,205	3,261	3,537	4,076	4,139
Growth rate (annual %)		23.6%	61.9%	88.8%	49.0%	54.6%	33.5%	1.8%	8.5%	15.2%	1.6%
Lending in % of GDP	6.3%	7.3%	9.3%	15.7%	22.4%	30.2%	36.5%	39.3%	39.5%	42.8%	42.7%
In % to total assets	11.5	13.7	16.9	25.1	31.3	35.8	47.6	50.8	49.6	50.5	48.6



# Lending by Subjects

<b>in mio EUR</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Total loans	3,205	3,261	3,537	4,076	4,139
Loans to Individuals	1,131	1,047	1,065	1,072	1,071
In % to Total Loans	35.3%	32.1%	30.1%	26.3%	25.9%
Loans to Businesses	2,074	2,214	2,473	3,004	3,068
In % to Total Loans	64.7%	67.9%	69.9%	73.7%	74.1%



# Quality of Credit Portfolio

	2007	2008	2009	2010	2011	2012	March 2013
<b>Standard loans in %</b>	<b>96.0</b>	<b>93.4</b>	<b>89.5</b>	<b>86.0</b>	<b>81.2</b>	<b>77.5</b>	<b>76.3</b>
<b>Past due loans in %</b>	<b>4.0</b>	<b>6.6</b>	<b>10.5</b>	<b>14.0</b>	<b>18.8</b>	<b>22.5</b>	<b>23.7</b>

- On average, NPL ratio reached to 23.7 % for Albanian Banking System in March 2013;
- Fast deteriorating credit quality due to crisis, but also due to not healthy growth of lending till 2009
- Higher NPL damage the profitability of the banking system.
- **Has the NPL ratio reached to its ceiling yet?**

# Main Challenges

## *Lending Growth*

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- **Decreased liquidity in the market due to the economic slowdown**
  - **Higher risk is being perceived by both banks and businesses**
    - **therefore decreased offer and demand**
  - **High level of informal economy**
  - **Weak enforcement of law, and institutional infrastructure**
  - **Unclear property rights and absence of a land market**
  - **Low level of access to reliable information**
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# Main Challenges

## *Lending Quality - MUSTS*

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- **Banks have tightened their lending conditions (because of the risk perceived) therefore:**
    - **More documentation is requested by potential clients**
    - **More thorough analysis are required by credit officers**
      - **Internal and other types of training and control**
  - **More access to reliable financial information is a must!**
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# Looking Forward



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- **KKK to keep up the good job on translation and amendments of standardised reporting requirements for all businesses (especially small & medium);**
  - **Authorities to ensure enforcement of reasonable standards by all parties, and lowering of informal economy;**
  - **The banking sector, through the Association, to be more involved in the above process in order to enable:**
    - **User friendly financial reports;**
    - **Standardised and easier access to finances.**
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