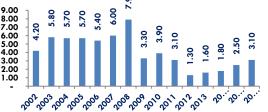


JCR Eurasia Rating SOVEREIGN RATING

<u>ALBANIA</u>		Long- Term	Short- Term				
Sovereign	Foreign currency	BB+	В				
	Local currency	BB+	В				
	Outlook	Negative	Negative				
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Positive Factors

- Greater integration with Western Europe
- Successful inflation targeting by the BoA supporting macro-economic stability in the medium-term
- The protection of corporate investors and significant progress in public credit registry reforms
- High levels of capital and liquidity in the banking sector
- The absence of serious religious and ethnic issues
- Importance of Integration process ongoing with the EU in terms of economic stability

Sovereign April 2014, Review

THE REPUBLIC OF ALBANIA								
Data	2013*	2012*	2011*	2010*	2009*	2008*		
GDP Current Prices LEK (bill)	1,380	1,360	1,320	1,282	1,144	1,088		
GDP Current Prices USD(bill)	13.55	13.40	13.08	12.32	12.04	12.97		
Population (ml)	3.26	3.23	3.22	3.20	3.18	3.17		
Unemployment Rate (%)	12.70	13.00	13.90	13.49	13.80	13.00		
Annual Inflation Rate (%)	2.17	2.40	3.50	3.10	3.53	2.16		
Real GDP Growth (%)	1.60	1.30	3.10	3.90	3.30	7.90		
Current Account Balance/GDP (%)	-9.33	-9.70	-13.00	-13.42	-16.09	-12.97		
Broad Money LEK (bill)	1,147	1,144	1,057	955	871	816		
Official International Reserves USD-bill	2,737	2,603	2,471	2,540	2,420	2,370		
Exchange Rate LEK per USD	101.86	101.50	100.93	104.09	94.98	83.89		

*End of year

Country Outlook and Rating Perspective

Albania continues to face economic weakness and macroeconomic imbalances with the financial sector's exposure to various risks, despite having managed to overcome the global recession in 2008. Under the current circumstances, the political checks and balance mechanisms have largely deteriorated and lost their effectiveness. The high public debt and difficulties inherent in the re-financing of short-term government borrowing persist. In addition, the depth of the Country's fiscal and commercial ties with the Eurozone makes the economy vulnerable to external risks. The absence of secondary markets and weakness of the Country's investor base hardens the management of the public debt burden. Based on the aforementioned reasons above, JCR Eurasia Rating has affirmed the Foreign and Local Currency Sovereign Ratings of the Republic of Albania as BB+ and downgraded the outlook from 'stable' to 'negative'.

Negative Factors

- Weak consumer and corporate spending
- Diminishing role of the government in stimulating economic growth in line with the rising budget deficit
- Uncertainties regarding private property rights acting as a deterrent for foreign investors
- Increasing strain with Serbia
- Negative effects of security or economic deterioration in Kosovo
- Relatively high level of organized crime, corruption and grey economy
- High level of public debt and the need for ongoing reform
- Current account deficit that exceeds the critical level
- Extraordinary increase in non-performing loans
- Reduction in worker remittances

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Publication Date: April 15, 2014