

## INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

### INDEPENDENT AUDITORS' REPORT

To the Supervisory Board of the Bank of Albania:

We have audited the accompanying unconsolidated balance sheet of the Bank of Albania (the "Bank") as at December 31, 2005 and the related income statement, changes in capital and reserves and cash flow for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the unconsolidated financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2005 and the result of its operations, changes in capital and reserves and cash flow for the year then ended in accordance with accounting policies adopted by the Supervisory Board of the Bank of Albania as disclosed in Note 2 to the financial statements.

*Deloitte Tjander sh.p.k.*

Tirana, Albania

March 13, 2006

**BALANCE SHEET**  
**AS AT DECEMBER 31, 2005 AND 2004**  
(all amounts are expressed in million LEK, unless otherwise stated)

ASSETS	Notes	As at December 31, 2005	As at December 31, 2004
<b>ASSETS</b>			
Assets denominated in foreign currencies			
Gold and precious metals	3	708	540
Deposits with the International Monetary Fund	4	8,431	16,817
Deposits with non resident banks	5	10,175	11,489
Securities available for sale	6	133,464	104,450
Other assets	7	551	559
<b>Total assets denominated in foreign currencies</b>		<b>153,329</b>	<b>133,855</b>
Assets denominated in local currency			
Gold and precious metals	3	50	40
Transit credits	8	207	277
Securities available for sale	9.1	66,821	63,786
Investments held to maturity	9.2	1,725	1,649
Other assets	10	2,523	2,553
<b>Total assets denominated in local currency</b>		<b>71,326</b>	<b>68,305</b>
<b>Total Assets</b>		<b>224,655</b>	<b>202,160</b>
<b>LIABILITIES</b>			
Liabilities denominated in foreign currencies			
Due to the International Monetary Fund	11	16,145	15,948
Due to non-resident financial institutions	12	1,319	1,527
<b>Total liabilities denominated in foreign currencies</b>		<b>17,464</b>	<b>17,475</b>
Liabilities denominated in local currency			
Currency in circulation	13	153,550	141,630
Due to resident banks	14	45,182	39,318
Due to the Government	15	6,356	5,302
Deferred income	16	129	106
Other liabilities	17	761	578
<b>Total liabilities denominated in local currency</b>		<b>205,978</b>	<b>186,934</b>
<b>CAPITAL AND RESERVES</b>			
Capital		750	750
Legal reserve		3,750	3,750
Revaluation reserve	18	(11,469)	(14,824)
Other reserves	19	8,182	8,075
<b>Total capital and reserves</b>		<b>1,213</b>	<b>(2,249)</b>
<b>Total liabilities, capital and reserves</b>		<b>224,655</b>	<b>202,160</b>

*The accompanying notes on pages 145 to 169 are an integral part of these financial statements.*

INCOME STATEMENT  
 FOR YEARS ENDED DECEMBER 31, 2005 AND 2004  
 (all amounts are expressed in million LEK, unless otherwise stated)

	Notes	Year ended December 31, 2005	Year ended December 31, 2004
Operations with non-residents			
Interest and commission income	20	4,345	3,209
Interest and commission expense	21	(660)	(683)
Operations with non-residents, net		3,685	2,526
Operations with residents			
Interest and commission income	22	4,328	5,271
Interest and commission expense	23	(1,393)	(1,344)
Operations with residents, net		2,935	3,927
Other operating (expenses)/income, net	24	(360)	144
Net operating income		6,260	6,597
Other administrative expenses			
Personnel expenses	25	(528)	(436)
Depreciation	10	(115)	(110)
Amortization	10	(159)	(339)
General and administrative expenses		(280)	(253)
Total other administrative expenses		(1,082)	(1,138)
NET PROFIT FOR THE YEAR		5,178	5,459

The accompanying notes on pages 145 to 169 are an integral part of these financial statements.

STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
 FOR YEARS ENDED DECEMBER 31, 2005 AND 2004  
 (all amounts are expressed in million LEK, unless otherwise stated)

	Capital	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Total
As at December 31, 2003	750	3,750	(6,330)	7,878	-	6,048
Net profit for the year	-	-	-	-	5,459	5,459
Foreign currency and gold revaluation	-	-	(8,333)	-	-	(8,333)
Securities revaluation	-	-	(133)	-	-	(133)
Release of tangible fixed asset revaluation surplus	-	-	(28)	-	28	-
Profit distribution	-	-	-	197	(5,487)	(5,290)
As at December 31, 2004	750	3,750	(14,824)	8,075	-	(2,249)
Net profit for the year	-	-	-	-	5,178	5,178
Foreign currency and gold revaluation	-	-	3,841	-	-	3,841
Securities revaluation	-	-	(447)	-	-	(447)
Release of tangible fixed asset revaluation surplus	-	-	(29)	-	29	-
Other revaluations	-	-	(10)	-	-	(10)
Profit distribution	-	-	-	107	(5,207)	(5,100)
As at December 31, 2005	750	3,750	(11,469)	8,182	-	1,213

The accompanying notes on pages 145 to 169 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS  
FOR YEARS ENDED DECEMBER 31, 2005 AND 2004  
(all amounts are expressed in million LEK, unless otherwise stated)

	Notes	Year ended December 31, 2005	Year ended December 31, 2004
Cash flows from operating activities			
Net profit for the year		5,178	5,459
Non-cash items in the statement of operation			
Provision for doubtful loans		6	17
Depreciation and amortization		274	449
Discount amortization of securities available for sale		(3,760)	(4,643)
Interest income		(4,300)	(3,208)
Interests expense		1,457	1,405
Loss / (profit) from sales of securities available for sale		397	(80)
Grant amortization (deferred income)		(41)	(79)
Cash flow before the movement of working capital		(789)	(680)
Changes in working capital			
Decrease in deposits with the IMF		8,359	1,248
Decrease in other assets (in foreign currency)		8	27
Decrease in transit credits		70	107
(Increase) in other assets (in local currency)		(36)	(107)
Increase/(decrease) in due to the IMF		197	(1,530)
(Decrease) in due to financial institutions		(208)	(220)
Increase in due to resident banks		7,629	4,292
Increase/(decrease) in due to the Government		1,054	(162)
Increase in other liabilities (in local currency)		181	169
Grant received		64	68
Cash flows generated from operations		17,318	3,892
Interest received		3,993	2,955
Interest paid		(1,465)	(1,408)
Net cash from operating activities		19,057	4,759
Cash flows from investing activities			
Purchase of fixed assets		(152)	(88)
Purchase of intangible assets		(59)	(168)
Purchase of securities available for sale (in foreign currency)		(234,083)	(83,507)
Purchase of securities available for sale (in local currency)		(180,421)	(182,577)
Sale and maturity of securities available for sale (in foreign currency)		207,802	57,493
Sale and maturity of securities available for sale (in local currency)		181,506	195,614
(Decrease) / increase of repurchase agreement		(1,758)	1,059
Adjustment for effect of foreign exchange		158	(271)
Net cash used in investing activities		(27,007)	(12,445)

The accompanying notes on pages 145 to 169 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)  
 FOR YEARS ENDED DECEMBER 31, 2005 AND 2004  
 (all amounts are expressed in million LEK, unless otherwise stated)

Cash flows from financing activities		Year ended December 31, 2005	Year ended December 31, 2004
	Notes		
Revaluation of other reserves		(10)	-
Increase in other reserves		107	197
Increase in money in circulation emissions		15,000	13,500
Profit distribution		(5,207)	(5,487)
Net cash used in financing activities		9,890	8,210
Increase in cash during the year		1,940	524
Cash and cash equivalents at the beginning of the year	26	22,450	21,926
Cash and cash equivalents at the end of the year	26	24,390	22,450

*The accompanying notes on pages 145 to 169 are an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR YEARS ENDED DECEMBER 31, 2005 AND 2004

(all amounts are expressed in million LEK, unless otherwise stated)

### 1 GENERAL INFORMATION

The Bank of Albania (the "Bank") is the central bank of the Republic of Albania and was established according to the Law No. 8269, dated December 23, 1997 "On the Bank of Albania". Under the terms of its charter the Bank's main responsibilities are:

- establish and maintain price stability;
- supporting the development of a foreign exchange regime;
- management of money in circulation;
- management of interest rates;
- compilation, approbation and application of monetary policy of Republic of Albania;
- supervision of commercial bank activities including issuance of licenses to all banks; and
- issuing of licenses for international banking institutions operating within the Republic of Albania.

The Bank is subject to the regulatory requirements of the Parliament of the Republic of Albania and the "Law on the Bank of Albania".

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Albanian Law "On Accounting" and in accordance with accounting policies adopted by the Supervisory Board of Bank of Albania. This accounting policy is broadly in line with International Financial Reporting Standards ("IFRS") approved by the International Accounting Standards Board ("IASB") with the exceptions related to IAS 16, IAS 21, IAS 19, IAS 26, IAS 27 and IAS 20. These standards and interpretations were previously called International Accounting Standards ("IAS"). According to the local regulations IFRS are used in the preparation of the accompanying financial statements to the extent they do not contradict to the Albanian Law "On Accounting" and other local rules.

The significant accounting policies used by the Bank in these financial statements are set out as below:

The financial statements presented include the accounts of the Bank prepared on the historical cost basis of accounting modified to include the

revaluation of securities portfolio, foreign currency, gold, the head office building, and other financial assets and liabilities (available for sale).

The accompanying financial statements are presented in the national currency of the Republic of Albania, the Albanian Lek ("LEK").

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation of financial statements (continued)

The Bank controls the operations of the Printing House, a business entity engaged in the printing of Government high security material and publications of Bank of Albania. The Supervisory Board of the Bank of Albania at the meeting dated April 1, 2003 decided that the Printing House should be under the supervision of Bank of Albania as a separated part of the organizational structure of Bank of Albania. The financial operations of the Printing House have not been consolidated with those of the Bank, because of the inability of the Printing House to perform the revaluation of its assets and its buildings consistent with the revaluation of the Bank's assets and buildings.

The financial position of the Printing House as at December 31, 2005 and 2004 is set out in Note 27 to these financial statements.

### (b) Deviation from International Financial Reporting Standards

The following is a summary of the most significant deviations from IFRS:

#### - IAS 16 "Property, Plant and Equipment"

The revaluation methodology adopted for the revaluation of the head office building as detailed in Note 10 was not in accordance with the revaluation requirements set out in IAS 16 on property, plant and equipment to the extent that the revaluation was not conducted by independent, professionally qualified appraisers, the future cash flows were not discounted and the entire category of buildings were not revalued.

#### - IAS 21 "The Effects of Changes in Foreign Exchange Rates"

The Law "On the Bank of Albania" requires the recognition of all the realized gain/loss from exchange rate revaluation in the balance sheet under the "Capital and Reserves" account and not as an income/expense for the period when revaluation occurred.

#### - IAS 19 "Employee Benefits" and IAS 26 "Accounting and Reporting by Retirement Benefit Plans".

Reporting and accounting of Pension Fund is not prepared in accordance with IAS 19 and IAS 26. Obligation due to Pension Fund is expressed as net value, but the calculation of this obligation is not in compliance with specifics of accounting standards to the extent that no actuarial estimation is performed.

- IAS 27 "Consolidated Financial Statement and Accounting for Investments in Subsidiaries"

The financial operations of the Printing House under the administration of the Bank have not been consolidated with those of the Bank, as it is explained above.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Deviation from International Financial Reporting Standards  
(continued)

- IAS 20 "Accounting in Government Grants"

During years 1992-1993, the Bank has received grants from European Community and Swiss Government with the purpose of improving the balance of payment of Albanian Government. These grants have been recognized in capital and reserves under "special reserve for balance of payments" reserve. This is not in accordance with IAS 20 which requires that government assistance to be recognized as income over the periods necessary to match them with the related costs to which they are intended to compensate, on a systematic basis.

(c) Interest and Commission

In these financial statements, interest income and expense is recognized on the accrual basis. Interest income and expenses includes the amortization of premium or discount on the securities.

Commission income and expense is recognized in the income statement when services are provided or paid, respectively.

(d) Foreign currency translation

Transactions denominated in foreign currency are translated into LEK at the Bank's official exchange rate on the date of the transaction.

Foreign currency monetary assets and liabilities are retranslated into LEK at the Bank's official exchange rate valid on the balance sheet date. Unrealized foreign exchange gains and losses are credited or charged to the revaluation reserve.

The applicable official Bank rate (LEK to the foreign currency unit) for the principal currencies as at December 31, 2005 and 2004 were as below:

	December 31, 2005	December 31, 2004
United States dollar (USD)	103.58	92.64
European Union currency unit (EUR)	122.58	126.35
British pound (GBP)	178.65	178.69
Special Drawing rights (SDR)	148.03	143.39
Japanese yen (JPY)	0.8826	0.9036
Gold ("Xau")	1 onz = 53,136.54	1 onz = 40,576.32

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial assets

All the financial assets are recognized initially, at their fair value of the consideration given plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are classified as follows:

#### Loans originated by Bank

Loans are financial assets with fixed or determinable payments that are not quoted in an active market and created by Bank providing money to a debtor. Loans comprise loans to employees.

At subsequent reporting dates they are carried at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

#### Held-to-maturity

Investments held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity.

Held to maturity investments are recognized on a trade-date basis and are initially measured at cost. At subsequent reporting dates they are carried at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

#### Available for sale

After initial recognition, investments, which are classified as "available for sale", are remeasured at fair value. Fair value changes on available-for-sale assets are recognized directly in equity until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

### Fair values

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial assets (continued)

#### Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount and any impairment loss of that asset is determined, based on the net present value of future anticipated cash flows, and is recognized for the difference between the recoverable amount and the carrying amount as follows:

- For loans originated by Bank – the recoverable amount of originated loans is calculated based on the year-end evaluations of loans, including the accrued interest. In determining the recoverable amounts of loans to employees, management considers the particular factors, including the review of repayment history of the debt by its former employees. The provision for impairment losses on loans is reported in the income statement as a charge and is deducted from the relevant asset category on the balance sheet. When it is determined that a loan cannot be recovered, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off.
- For financial assets held to maturity – the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of profit and loss; and
- For financial assets available for sale –when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss even though the financial asset has not been derecognized.

### (f) Repurchase agreements and reverse repurchase agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase

agreements) are generally treated as collateralised financing transactions and are carried at the amounts of cash advanced or received, plus accrued interest.

Repurchase agreements are recorded in the balance sheet item "Due to domestic banks". Based on the Bank's regulation on repurchase agreements, the Bank is not required to put up any collateral for these securities.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income or interest expense, over the life of each agreement using the interest rate approved by the Supervisory Council.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Fixed assets

The fixed assets are stated at historical cost less accumulated depreciation except the head office building, which was revalued as at March 29, 2000 (see Note 10).

If the fair value of a fixed asset is lower than its carrying amount, due to circumstances not considered to be temporary, the fixed asset is written down to its fair value.

Gains and losses on disposal (sell or out of use) of fixed assets are determined as the difference between net disposal proceeds and the carrying amount of the asset and are recognized as income or expense in the statement of income and expenditure in the year of disposal.

Depreciation is provided on all fixed assets based on the historic cost. The annual charge for depreciation is computed using the straight-line method, using rates specified for each depreciable asset based on estimated useful lives. The estimated useful lives applied during 2005 are the same as year 2004:

	2005
Building – Head office	40 years
Buildings – At branches	25 years
Vehicles	5-10 years
Furniture, fixtures and equipment	3-20 years
Computer software	2 years

### (h) Printing and minting costs

The costs of printing banknotes and minting coins are capitalized as intangible fixed assets and amortized over 2.5 years and 10 years, respectively.

(i) Taxation and profit allocation

The Bank is exempt from income tax according to the “Law on the Bank of Albania” and is required by law to pay 100% of its statutory profit directly to the State budget after allocations to replenish the levels of reserve funds as directed by the Supervisory Council of the Bank of Albania.

(j) Legal reserve

In accordance with the “Law on the Bank of Albania”, the Bank has established a legal reserve into which 25% of the net profit for the year is transferred until the reserve amounts to 500% of the capital.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Grants

Grants are initially recorded in the balance sheet at the amount received. Grants related to expenditure items are released to income during the period of the related expenditure.

Grants related to the purchase of property, equipment and software are released to income over the life of the relevant assets at an amount corresponding to the associated depreciation/amortization charge on that asset.

(l) Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents is defined as cash in LEK and foreign currencies and foreign currency deposits with residual maturities of less than three months.

(m) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

(n) Comparison

Certain comparative figures in cash flow statement have been reclassified to conform to current year presentation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Managed assets

At as December 31, 2005, the Bank held as custodian short-term treasury, at nominal value LEK 292 billion. These are bills issued by the Ministry of Finance and gold and other precious metals on behalf of the Government, at market value of LEK 4,694 million.

As the Bank acts as custodian for these assets it does not bear any credit risk related to them.

The value of gold held on behalf of the Government as at December 31, 2005 and 2004 is as below:

	As at December 31, 2005	As at December 31, 2005
Gold standardized abroad	2,970	2,268
Gold not standardized in Albania	1,564	1,194
Other precious metals	160	115
Total	4,694	3,577

Interest received from the deposit of government gold reserves is recognized as income from interest due to Government, increasing the liability due to Government. For year 2005 the interest received is of 6 ounces. The difference of LEK 1,117 million is a result of the fluctuation of exchange rates (Note 3).

These assets are excluded from the Bank's balance sheet.

## 3 GOLD AND PRECIOUS METALS

As at December 31, 2005, the value of gold owned by the Bank placed in gold time deposits abroad was LEK 708 million (2004 - LEK 540 million), being 13,319 troy ounces of gold (2004 - 13,319 troy ounces).

Gold is valued at the London fixing rate on the balance sheet date. The difference of LEK 168 million (2004 - LEK 56 million) resulting from the revaluation of gold is recorded in the revaluation reserve. As at December 31, 2005 the price for one troy ounce of gold was USD 513 (2004 - USD 438).

Other gold and precious metals included within domestic assets include platinum and silver in a domestic vault, valued at the London fixing rate on the balance sheet date, amounting to LEK 45 million as at December 31, 2005 (2004 - LEK 36 million) and LEK 5 million of non-international standard gold (2004 - LEK 4 million).

#### 4 DEPOSITS WITH THE INTERNATIONAL MONETARY FUND

	As at December 31, 2005	As at December 31, 2004
International Monetary Fund	7,128	7,476
Special Drawing Rights ("SDR")	1,295	9,306
Accrued interest	8	35
<b>Total</b>	<b>8,431</b>	<b>16,817</b>

Deposits with the IMF resulted from the membership of the Republic of Albania in the IMF, according to Law nr.8269 dated December 23, 1997 "For the Bank of Albania". These deposits have as counterparty accounts the loans granted to the Republic of Albania as disclosed in Note 11.

The Special Drawing Rights (SDR) represent deposits placed in the International Monetary Fund, which during the year 2005 was partially divided in the constituting currencies of SDR (EUR, GBP, USD, and JPY) in order to have a more active administration of these funds.

The SDR holdings bear interest, which is determined on weekly basis. The interest rate prevailing as at December 31, 2005 was 3.03% (2004 – 2.22%).

#### 5 DEPOSITS WITH NON RESIDENT BANKS

	As at December 31, 2005	As at December 31, 2004
Current accounts	7,996	11,109
Short-term deposits	2,175	379
Accrued interest	4	1
<b>Total</b>	<b>10,175</b>	<b>11,489</b>

Short term deposits and current accounts earn interest at rates mostly based on the currency of the deposit or current account, and at rate varying from 1.25 % to 4.53% (2004 – 1% to 4.56%).

Deposits and current accounts with foreign banks are denominated in EUR, USD, GBP and JPY which equate to the following foreign currency balances:

	As at December 31, 2005 (in million)	As at December 31, 2004 (in million)
EUR	25	27
USD	28	85
GBP	11	1
JPY	2,615	-

## 6 SECURITIES AVAILABLE FOR SALE (IN FOREIGN CURRENCY)

Foreign securities disclosed in market value are as follows:

	As at December 31, 2005	As at December 31, 2004
United States Government treasury notes	40,218	34,277
French Government treasury notes	54,219	41,450
United Kingdom Government treasury notes	4,606	-
Bank for International Settlements: medium-term investments	4,577	5,672
United States agencies notes	2,584	4,625
French Government treasury bills	2,443	1,746
Fixed rate investments (FIX BIS)	24,817	16,680
Total	133,464	104,450

## 6 SECURITIES AVAILABLE FOR SALE (IN FOREIGN CURRENCY) (CONTINUED)

Foreign securities portfolio disclosed in nominal value and by currency are as follows:

	As at December 31, 2005	As at December 31, 2004
	(in million)	(in million)
USD		
United States Government treasury notes	388	370
Bank for International Settlements: medium-term investments	24	-
United States agencies notes	25	50
Fixed rate investments (FIX BIS)	77	61
Total	514	481
EURO		
French Government treasury notes	442	328
Bank for International Settlements: medium-term investments	10	20
French Government treasury bills	20	14
Fixed rate investments (FIX BIS)	125	69
Total	597	431
GBP		
United Kingdom Government treasury notes	26	-
Bank for International Settlements: medium-term investments	4	18
Fixed rate investments (FIX BIS)	9	12
Total	39	30

United States Government treasury notes are denominated in USD and have coupon rates varying between 1.5% and 4.62%. Interest is paid semi-annually and maturities vary between March 2006 and October 2010. The yields vary between 1.6% and 4.5% (2004 – 1.05% and 4.65%).

The French Government treasury notes are denominated in EUR with coupon rates varying between 2.25% and 5.5%. Interest is paid annually and maturities range between March 2006 and July 2010. The yield varies between 2.03% and 3.08% (2004 – 2.06% and 4.21%).

United Kingdom Government treasury notes are denominated in GBP and have coupon rates varying from 5% to 8.5%. Interest is paid semi-annually and maturities vary between December 2006 and March 2008. The yields vary between 4.15% and 5.82%.

Bank of International Settlements – medium term investments comprise of fixed coupon securities denominated in EUR, USD and GBP with coupon rates varying between 2.95% and 4.3%. Interest is payable annually for investments in EUR and semi-annually for investments in GBP and USD, and maturities range between September 2007 and September 2010. The yields vary between 2.87% and 5.1% (2004 – 2.47% and 5.27%).

## 6 SECURITIES AVAILABLE FOR SALE (IN FOREIGN CURRENCY) (CONTINUED)

United States agencies notes are denominated in USD with coupon rates varying between 2% and 2.5%. Interest is paid semi-annually and maturities range between January 2006 and February 2007. The yields vary between 2% and 2.4% (2004 – 1.14% and 2.44%).

The French Government treasury bills are denominated in EUR and mature on various dates between January 2006 and March 2006 with purchasing yields 2.1 % (2004 – 2.11% to 2.21%).

Fixed rate investments (FIXBIS) issued by the Bank of International Settlements are denominated in USD, EUR and GBP with yields that vary between 2.04% and 4.53% (2004-1.85% and 4.99%) and maturities range between February 2006 and December 2006.

## 7 OTHER ASSETS (IN FOREIGN CURRENCY)

As at December 31, 2005, other foreign assets are comprised of cash on hand in foreign currency of LEK 11 million (2004 - LEK 11 million) and of subscriptions for participation of the Republic of Albania in International Institutions.

	As at December 31, 2005	As at December 31, 2004
Cash on hand in foreign currency	11	11
Other		
International Bank for Reconstruction and Development subscriptions	361	357

International Development Agency subscriptions	12	35
Multilateral Investment Guarantee Agency subscriptions	6	12
International Finance Corporation subscriptions	76	68
European Bank for Reconstruction and Development subscriptions	61	54
Islamic Development Bank subscriptions	24	22
Total Other	540	548
Total	551	559

## 8 TRANSIT CREDITS

The total of LEK 207 million (2004 – LEK 277 million) represent credits for services provided to the Italian-Albanian Bank for further distribution to ultimate borrowers to support state development programs (See Note 12). This loan has not been secured by any collateral.

## 9 INVESTMENTS (IN LOCAL CURRENCY)

### 9.1 SECURITIES AVAILABLE FOR SALE

	As at December 31, 2005	As at December 31, 2004
Short-term treasury bills	66,821	63,786
Total	66,821	63,786

Short-term treasury bills as at December 31, 2005 relate to Government of Albania zero-coupon treasury bills, with maturities 3 to 6 months, ranging between January 2006 and June 2006, with yields varying between 5.38% and 8.64% (2004 – 6.10% and 8.10%).

### 9.2 INVESTMENTS HELD TO MATURITY

	As at December 31, 2005	As at December 31, 2004
Zero-coupon bond for capitalization of National Commercial Bank (NCB)	1,725	1,649
Total	1,725	1,649

Security for the capitalization of the National Commercial Bank relates to a zero-coupon bond, which was issued by the Government of Albania to replace its participation in the capital of the National Commercial Bank. The security bears a rate of return of 6% per annum and matures in January 2006.

## 10 OTHER ASSETS (IN LOCAL CURRENCY)

	As at December 31, 2005	As at December 31, 2004
Tangible fixed assets, net	1,464	1,427
Intangible assets, net	278	378
Loans to employees	707	613
Other debtors	5	44
Numismatic	38	63
Inventory	25	26
Other	6	2
<b>Total</b>	<b>2,523</b>	<b>2,553</b>

The net book values of tangible fixed assets by category are comprised of:

	Land, buildings and general constructions	General equipment	Transport vehicles	Total tangible fixed assets
Cost/Valuation				
Balance at January 1, 2005	1,440	562	161	2,163
Additions	20	120	12	152
Balance at December 31, 2005	1,460	682	173	2,315
Accumulated depreciation				
Balance at January 1, 2005	182	424	130	736
Charge for the year	38	66	11	115
Balance at December 31, 2005	220	490	141	851
Net book value				
Balance at December 31, 2005	1,240	192	32	1,464
Balance at December 31, 2004	1,258	138	31	1,427

## 10 OTHER ASSETS (IN LOCAL CURRENCY) (CONTINUED)

The head office building of the Bank, included within the category "Land, buildings and general constructions", was revalued during the year 2000 to LEK 1,143 million from a fully depreciated historic cost amount of LEK 7 million. The revaluation took place on March 29, 2000, effective January 1, 2000, and was conducted by an internal valuation committee. The basis of the valuation was not based on discounted future cash flows, but based on the potential market rental value of the property over an estimated useful life of 50 years. No other buildings owned by the Bank were revalued. The revaluation surplus of LEK 1,143 million was credited to the revaluation reserve and is amortized monthly in accordance with the respective amortization rate.

According to Albanian law, the legal title of the building where the Bank is located is unclear. Bank of Albania is in process to determine the status of the ownership for the fixed assets managed by the Bank.

The net book values of intangible fixed assets by category are comprised of:

	Computer software	Banknotes printed and coins minted	Total intangible assets
Cost valuation			
Balance at January 1, 2005	277	2,454	2,731
Additions	59	-	59
Balance at December 31, 2005	336	2,454	2,790
Accumulated depreciation			
Balance at January 1, 2005	193	2,160	2,353
Charge for the year	73	86	159
Balance at December 31, 2005	266	2,246	2,512
Net Book Value			
Balance at December 31, 2005	70	208	278
Balance at December 31, 2004	84	294	378

Loans to employees include a provision for legal claims of LEK 6 million at December 31, 2005 and LEK 10 million at December 31, 2004.

Loans to employees are collateralised by security such as mortgages, totaling approximately LEK 851 million at December 31, 2005 and LEK 626 million at December 31, 2004.

"Other Debtors" include an amount of LEK 4 million, which presents the provisions for the uncollected amount from Government of Albania, in relation to prior year transactions with World Bank (see Note 24).

## 11 DUE TO THE INTERNATIONAL MONETARY FUND

	As at December 31, 2005	As at December 31, 2004
Poverty Reduction and Growth Facility ("PRGF")	9,513	8,953
IMF securities account	4,881	5,148
IMF account in LEK	1,751	1,847
Total	16,145	15,948

PRGF borrowings related to the Republic of Albania's IMF quota and were drawn down on behalf of the Government for macroeconomic reforms. There are 3 component facilities:

The initial PRGF facility was drawing down in 1993, repayable over 10 years, which commenced in 1999. The outstanding balance as at December 31, 2005 was nil (2004 – SDR 706,000).

An additional loan under this facility (known as Poverty Reduction and Growth Facility) approved by the agreement of May 13, 1998 totaling SDR 45,040,000, was drawn down during the period 1999 to 2001. The

outstanding balance as at December 31, 2005 was SDR 36,265,400 (2004 - SDR 41,728,200). This facility is repayable by 2011 in 10 semi-annual installments commenced in 2004. Interest is payable, after the grace period, at 0.5% semi-annually.

The Poverty Reduction and Growth Facility 3 for Albania loan: This is a SDR 28,000,000 loan facility approved on June 21, 2002 and the last disbursement was made on June 20, 2005. The balance as of December 31, 2005 is SDR 28,000,000 (2004 - SDR 20,000,000) with an interest rate of 0.5% payable semi-annually. This facility is repayable after a grace period of five and a half years in 10 semi-annual equal installments.

## 12 DUE TO NON-RESIDENT FINANCIAL INSTITUTIONS

	As at December 31, 2005	As at December 31, 2004
Transit credits (Note 8)	207	277
Loan from the Hellenic Republic	1,079	1,112
Due to the World Bank	28	133
Accrued interest	5	5
Total	1,319	1,527

The loan for development of LEK 207 million consists of USD 0.5 million and of EUR 1.2 million (Note 8) by European Investment Bank. Interest is paid by the recipients of these transit credits (banks and domestic companies) directly to the providers of the funds.

The loan from the Hellenic Republic (in amount of EUR 8.8 million) was granted for the purpose of funding the balance of payments of the Republic of Albania. The interest rate is 1.17% per annum, payable semi-annually. The loan matures in 2018.

Due to World Bank represents the accounts of the international organizations such as International Bank for Reconstruction and Development, International Development Agency, Multilateral Investment Guarantee Agency, International Finance Corporation in the Bank of Albania.

## 13 CURRENCY IN CIRCULATION

The exclusive rights of national currency issue are vested with the Bank. This item comprises valid domestic banknotes and coins in circulation issued by the Bank.

The following bank notes and coins were in circulation as at December 31, 2005 and 2004:

Nominal value LEK	As at December 31, 2005		As at December 31, 2004	
	Number in thousand	Total LEK (million)	Number in thousand	Total LEK (million)
100	12,167	1,217	15,515	1,552
200	15,481	3,096	15,307	3,061
500	68,373	34,187	69,623	34,812
1,000	68,218	68,218	64,720	64,720
5,000	9,087	45,435	7,232	36,162
Coins		1,397		1,323
		153,550		141,630

## 14 DUE TO RESIDENT BANKS

	As at December 31, 2005	As at December 31, 2004
Foreign currency		
Compulsory reserve	14,683	10,826
Accounts of second level banks	118	65
Deposits taken as guarantee	-	104
	14,801	10,995
Domestic currency (LEK)		
Compulsory reserve	26,980	24,655
Accounts of second level banks	1,800	529
Repurchase agreements	505	2,263
Overnight deposits	1,082	855
	30,367	28,302
Accrued interest	14	21
Total	45,182	39,318

Interest on compulsory reserves is calculated as follows:

LEK balances: 70% of the yield on the repurchase agreements: 3.5 % as at December 31, 2005 (70% of the yield on the repurchase agreements: 3.675 % as at December 31, 2004);

USD balances: 70% of the one-month USD LIBOR rate: 3.07 % as at December 31, 2005 (70% of the one-month USD LIBOR rate: 1.69 % as at December 31, 2004);

EUR balances: 70% of the one-month EUR LIBOR rate: 1.7% as at December 31, 2005 (70% of the one-month EUR LIBOR rate: 1.52% as at December 31, 2004).

The Bank does not pay interest on correspondent accounts and current accounts .

Overnight deposits from domestic banks own interest of 3.25% (2004 - 2.25%).

## 15 DUE TO THE GOVERNMENT

	As at December 31, 2005	As at December 31, 2004
Profit distributable to the Government	547	400
Deposits received on behalf of the Government	5,785	4,880
Other	24	22
Total	6,356	5,302

The profit distributable to the Government relates to the remaining part of the profit not yet distributed to the Government at the year-end based on the decision of the Supervisory Board No. 17 dated on March 15, 2006.

Deposits received on behalf of the Government includes the main account of LEK 3,338 million and international donor funds deposited at the Bank for subsequent transfer to aid projects in Albania, of LEK 2,447 million.

“Other” includes funds received by the Bank of LEK 24 million (2004 – LEK 22 million) from a loan granted to the Government by the Islamic Arabian Bank of Development.

## 16 DEFERRED INCOME

	As at December 31, 2005	As at December 31, 2004
World Bank grant	289	225
World Bank grant amortization	(196)	(155)
Other	36	36
Total	129	106

The World Bank grant relates to a grant received by the Bank during the years 2002-2005 for the purchase of computer software and equipment for the implementation of the ATM project (Accounting and Treasury Management) totaling LEK 157 million, for the RTGS project (Real time Gross Settlement System) of LEK 68 million, as well as for the AECH project (Automated Electronic Clearing House) of LEK 64 million.

The amount of 36 million LEK included in “Other” represents the value of the two donated buildings in Korça and Berat.

## 17 OTHER RESIDENT LIABILITIES

	As at December 31, 2005	As at December 31, 2004
Due to Printing House (Note 27)	212	217
Deposits of individuals from the participation in Treasury Bills	469	272
Net obligation/ Pension fund	6	1

Other	74	88
Total	761	578

Pension plan scheme consists of employee contribution of 2% of gross salary and employer contribution of 15% on the total payroll amount.

Net obligation/ pension plan as at December 31, 2005 and 2004 are as follow:

	As at December 31, 2005	As at December 31, 2004
Obligation value of 2% of contribution	19	15
Results of 2% contribution invested	4	3
Real value of the treasury bill portfolio	(21)	(17)
Net obligation of 2% contribution	2	1

	As at December 31, 2005	As at December 31, 2004
Obligation value of 15% of contribution	203	161
Results of 15% contribution invested	73	56
Real value of the treasury bill portfolio	(272)	(217)
Net obligation of 15% contribution	4	-

“Other” includes accrued expenses of LEK 23 million (2004 – LEK 29 million) related to maintenance of ATM system, repair and maintenance of sorting machines, Reuter services, statistics information, etc. Also included here are the claims for several legal litigations raised in the normal course of business. A net provision of LEK 22 million has been recognized in relation to these claims for the year ended December 31, 2005 (2004 – LEK 20 million) (see Note 24).

## 18 REVALUATION RESERVE

The components of the revaluation reserve are as follows:

	As at December 31, 2005	As at December 31, 2004
Revaluation of foreign currency and gold balances	(12,164)	(16,005)
Reserve of security revaluation	(310)	137
Revaluation of historic notes and coins	22	32
Revaluation of Head Office building (Note 10)	983	1,012
Total	(11,469)	(14,824)

During year 2005, the revaluation reserve for foreign currency and gold balances has increased by LEK 3,841 million (2004 – decrease of LEK 8,333 million) due to a further revaluation of currencies during the year.

In accordance with the Law "On the Bank of Albania" article 64, point b, and Law no.9339 dated December 21, 2004 "On the State Budget for 2005", the Ministry of Finance issued securities by a total of LEK 7,672 million to cover the negative balance of the revaluation reserve created during year 2003. These securities were issued on February 1, 2005, with a maturity of six months renewable and an interest rate of 7.10%, being renewed on August 1, 2005 with an interest rate of 6.588% with a maturity of six months. Also on September 1, 2005 the Ministry of Finance issued securities in amount of LEK 3,828 million with a maturity period on March 3, 2006 and an interest rate of 9.94%.

## 19 OTHER RESERVES

The components of the other reserves are as follows:

	As at December 31, 2005	As at December 31, 2004
Special reserve for Balance of Payments	7,209	7,209
Investment fund	301	301
Other	672	565
Total	8,182	8,075

The special reserve for the Balance of Payments relates to funds provided by the European Community as a financial assistance to support Albania on its transition towards the market economy. These grants have been transferred during the period 1992 – 1993 supporting the long-standing of the Balance of Payment and reserves balance and no movement have been incurred in this reserve since 1995.

Investment fund consists of a fund created with decision of Supervisory Council with aim purchase of a new building for the Bank of Albania. "Other" includes reserves created from the allocation of profits for years 2002 - 2005 based on the Supervisory Council decisions on the respective following years. A further allocation of LEK 107 million was made from the profit of year 2005.

## 20 INTEREST AND COMMISSION INCOME (NON-RESIDENTS)

	Year ended December 31, 2005	Year ended December 31, 2004
Interest income from securities	3,578	2,739
Interest income from time deposits	508	253
Interest from SDR deposits	170	177
Other	89	40
Total	4,345	3,209

## 21 INTEREST AND COMMISSION EXPENSE (NON-RESIDENTS)

	Year ended December 31, 2005	Year ended December 31, 2004
Amortization of premium on securities	594	622
Interest expenses on loans of foreign institutions	13	13
Interest expenses on IMF accounts	48	47
Other	5	1
Total	660	683

## 22 INTEREST AND COMMISSION INCOME (RESIDENTS)

	Year ended December 31, 2005	Year ended December 31, 2004
Interest income from securities	4,194	5,172
Interest income from Government loans	30	65
Other	104	34
Total	4,328	5,271

## 23 INTEREST AND COMMISSION EXPENSE (RESIDENTS)

	Year ended December 31, 2005	Year ended December 31, 2004
Interest expense on compulsory deposits	1,176	1,085
Interest expenses on REPO agreements	196	236
Other	21	23
Total	1,393	1,344

## 24 OTHER OPERATING (EXPENSES)/INCOME, NET

	Year ended December 31, 2005	Year ended December 31, 2004
Net (loss)/profit from the sale of financial assets	(397)	80
Grants depreciation	42	79
Provision for legal claims and other (note 10 and 17)	(6)	(17)
Other	1	2
Total	(360)	144

## 25 PERSONNEL EXPENSES

Personnel expenses consist of employees' salaries, social insurance, pension plan contribution and other costs.

Social costs represent mainly compulsory contributions to the Social Security Fund. As at December 31, 2005, the Bank had 427 employees (2004 – 323 employees).

## 26. CASH AND CASH EQUIVALENTS

	As at December 31, 2005	As at December 31, 2004
Deposits with foreign banks (Note 5)	10,171	11,488
Domestic currency on hand	13,450	10,371
Foreign currency on hand (Note 7)	11	11
Gold held abroad (Note 3)	708	540
Gold and other precious metals held domestically (Note 3)	50	40
Total	24,390	22,450

## 27 PRINTING HOUSE

As detailed in Note 2(a), the Bank controls the operations of the Printing House. The financial position of the Printing House as at December 31, 2005 and 2004 is as follows:

	As at December 31, 2005	As at December 31, 2004
<b>ASSETS</b>		
Tangible fixed assets	16	23
Inventory	37	60
Trade accounts receivable	2	1
Amount due from the Bank (see Note 17)	212	217
Total assets	267	301
<b>EQUITY AND LIABILITIES</b>		
Capital	51	52
Legal reserve	19	19
Investment reserves	24	24
Other reserves	6	6
Retained earnings	161	159
Total capital and reserves	261	260
Other liabilities	6	41
Total equity and liabilities	267	301

	As at December 31, 2005	As at December 31, 2004
Income	99	117
Expenses	(97)	(114)
Profit of the year	2	3

## 28 CONTINGENCIES AND COMMITMENTS

The Bank maintains certain accounts in foreign currencies related to agreements concluded between Government of Albania and foreign governments and financial organizations. As these accounts do not present either assets or liabilities of the Bank, they have not been included within the Bank's balance sheet.

On November 10, 2005, Bank of Albania issued a one year guarantee in favor of Raiffeisen Bank sh.a, declaring the commitment of the Bank to guarantee the amount of LEK 29 billion in Treasury Bills of the Albanian Government in the Raiffeisen Bank portfolio. The price of this guarantee is 0.2% of nominal value per annum, payable quarterly.

## 29 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and other decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The only related parties of Bank of Albania are the relations with directors and the members of the Supervisory Council. As at December 31, 2005 and December 31, 2004, transactions made with related parties comprised:

	As at December 31, 2005	As at December 31, 2004
Other domestic Loans		
Loans to employee		
- Directors and Supervisory Board Members	79	46
Total assets	79	46
	Year ended December 31, 2005	Year ended December 31, 2004
Administrative expenses		
Mobile expenses		
- Directors and Supervisory Board Members	4	3
Salaries and Bonuses		
- Directors and Supervisory Board Members	67	42
Total of administrative expenses	71	45

## 30 RISK MANAGEMENT

The reserve is under the administration of the Bank of Albania and its inventory is performed by the Monetary Operations Department, which is based

on the regulation "About the policy of administrating the reserves", approved by the Supervisory Board. The reserve, in accordance with the liquidity needs, is invested in short-term securities and in fixed coupon instruments.

#### Liquidity risk

Policies to monitor and address liquidity risk are set by the Supervisory Board of the Bank. The Monetary Operations department of the Bank monitors the liquidity risk on a continual basis by analyzing liquidity ratios, gaps and economic scenarios. The Bank manages its liquidity risk by investing in short term deposits with foreign banks. Liquidity management policies are set to ensure that, even under adverse conditions, the Bank is in a position to meet its obligations.

#### Credit risk

The Monetary Operations department of the Bank, under the control of the Supervisory Board, is responsible for assessing the credit risk associated with the Bank's operations. The credit risk is mitigated by the Bank transacting largely with international and governmental institutions. Loans to domestic banks are secured by Government of Albania treasury bills.

#### Price risk

The key elements of price risk affecting the Bank are:

- currency risk associated with fluctuations in the fair value of financial instruments due to changes in foreign exchange rates; and
- interest rate risk associated with fluctuations in the fair value of financial instruments due to changes in market interest rates.

The Bank's exposure to currency risk is monitored on a continual basis by the Monetary Operations department. Financial assets denominated in foreign currencies are disclosed in each relevant note to the financial statements.

The Monetary Operations department of the Bank monitors interest rate risk. The Bank mitigates such risks by maintaining a significant excess of interest bearing assets over liabilities (as detailed in Note 31 below). The Bank maintains a portfolio of interest bearing financial assets and liabilities such that the generated net interest income is significantly in excess of operating requirements, which minimizes the potential adverse effects of interest rate fluctuations. Interest rates applicable to financial assets and liabilities are disclosed in each relevant note to the financial statements.

## 31 INTEREST RATE SENSITIVITY

	Up to one month	One to three months	Three to six months	Six to twelve months	One to five years	Over five years	Non-interest sensitive	Total
Assets								
Gold and precious metals	-	-	-	-	-	-	540	540
Deposits with the IMF	-	9,341	-	-	-	-	7,476	16,817
Deposits with non residents banks	11,489	-	-	-	-	-	-	11,489
Securities available for sale	7,850	4,110	13,569	14,710	64,211	-	-	104,450
Other assets	-	-	-	-	-	-	559	559
Other gold & precious metals	-	-	-	-	-	-	40	40
Transit credits	-	-	-	-	-	-	277	277
Securities available for sale	21,879	25,034	16,873	-	-	-	-	63,786
Investments held to maturity	-	-	-	1,649	-	-	-	1,649
Other assets	-	-	-	-	-	613	1,940	2,553
	41,218	38,485	30,442	16,359	64,211	613	10,832	202,160
Liabilities and equity								
Due to the IMF	-	-	407	477	6,203	1,866	6,995	15,948
Due to non-resident financial institutions	-	-	-	5	-	1,112	410	1,527
Currency in circulation	-	-	-	-	-	-	141,630	141,630
Due to resident banks	38,724	-	-	-	-	-	594	39,318
Due to the Government	-	-	-	-	-	-	5,302	5,302
Deferred income	-	-	-	-	-	-	106	106
Other liabilities	-	6	-	-	-	-	572	578
Capital and reserves	-	-	-	-	-	-	(2,249)	(2,249)
	38,724	6	407	482	6,203	2,978	153,360	202,160
Balance sheet gap as at December 31, 2004	2,494	38,479	30,035	15,877	58,008	(2,365)	(142,528)	-
Cumulative interest rate sensitivity gap - 2004	2,494	40,973	71,008	86,885	144,893	142,528	-	-

## 31 INTEREST RATE SENSITIVITY (CONTINUED)

	Up to one month	One to three months	Three to six months	Six to twelve months	One to five years	Over five years	Non-interest sensitive	Total
Assets								
Gold and precious metals	-	-	-	-	-	-	708	708
Deposits with the IMF	-	1,295	-	-	-	-	7,136	8,431
Deposits with non residents banks	7,868	-	-	-	-	-	2,307	10,175
Securities available for sale	1,747	8,744	4,886	20,877	97,210	-	-	133,464
Other assets	-	-	-	-	-	-	551	551
Other gold & precious metals	-	-	-	-	-	-	50	50
Transit credits	-	-	-	-	-	-	207	207
Securities available for sale	23,371	25,038	18,412	-	-	-	-	66,821
Investments held to maturity	1,725	-	-	-	-	-	-	1,725
Other assets	-	-	-	-	-	707	1,816	2,523
	34,711	35,077	23,298	20,877	97,210	707	12,775	224,655
Liabilities and equity								
Due to the IMF	-	263	264	597	5,338	3,051	6,632	16,145
Due to non-resident financial institutions	-	-	-	5	-	1,079	235	1,319
Currency in circulation	-	-	-	-	-	-	153,550	153,550
Due to resident banks	43,264	-	-	-	-	-	1,918	45,182
Due to the Government	-	-	-	-	-	-	6,356	6,356
Deferred income	-	-	-	-	-	-	129	129
Other liabilities	-	-	-	-	-	-	761	761
Capital and reserves	-	-	-	-	-	-	1,213	1,213
	43,264	263	264	602	5,338	4,130	170,794	224,655
Balance sheet gap as at December 31, 2005	(8,553)	34,814	23,034	20,275	91,872	(3,423)	(158,019)	-
Cumulative interest rate sensitivity gap - 2005	(8,553)	26,261	49,295	69,570	161,442	158,019	-	-

## 32 CURRENCY NET POSITION

	LEK	USD	EUR	GBP	Other	Total
<b>Assets</b>						
Gold and precious metals	-	-	-	-	708	708
Deposits with the IMF	6,632	-	-	-	1,799	8,431
Deposits with non residents banks	-	2,863	3,012	1,992	2,308	10,175
Securities available for sale	-	53,275	73,151	7,038	-	133,464
Other assets	335	209	7	-	-	551
Other gold & precious metals	50	-	-	-	-	50
Transit credits	-	57	150	-	-	207
Securities available for sale	66,821	-	-	-	-	66,821
Investments held to maturity	1,725	-	-	-	-	1,725
Other assets	2,520	2	1	-	-	2,523
<b>Total assets</b>	<b>78,083</b>	<b>56,406</b>	<b>76,321</b>	<b>9,030</b>	<b>4,815</b>	<b>224,655</b>
<b>Liabilities</b>						
Due to the IMF	6,632	-	-	-	9,513	16,145
Due to non-resident financial institutions	28	57	1,234	-	-	1,319
Currency in circulation	153,550	-	-	-	-	153,550
Due to resident banks	30,377	5,897	8,908	-	-	45,182
Due to the Government	4,547	646	1,162	1	-	6,356
Deferred income	129	-	-	-	-	129
Other liabilities	746	11	4	-	-	761
<b>Total Liabilities, capital and reserves</b>	<b>196,009</b>	<b>6,611</b>	<b>11,308</b>	<b>1</b>	<b>9,513</b>	<b>223,442</b>
Net currency position as at December 31, 2005	(117,926)	49,795	65,013	9,029	(4,698)	1,213
Net currency position as at December 31, 2004	(106,440)	47,130	50,066	5,586	1,409	(2,249)





