

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET 2012 Q3

Table 1: Volume of temporary open market operations (in ALL million*)

DATE	R/REPO one week	R/REPO one month	R/REPO three month	R/REPO overnight
05.07.2012	14,610.00		1,870.00	
12.07.2012	16,710.00		1,400.00	
19.07.2012	16,000.00		1,950.00	
23.07.2012				1,600.00
26.07.2012	18,400.00	2,000.00		
02.08.2012	11,200.00	2,000.00		
09.08.2012	16,200.00	2,000.00		
16.08.2012	15,400.00	2,000.00		
20.08.2012				-1,020.00
21.08.2012				-1,200.00
22.08.2012				-1,070.00
23.08.2012	13,200.00	2,000.00		-1,200.00
30.08.2012	15,400.00	2,000.00		
06.09.2012	11,800.00	2,000.00		
13.09.2012	14,800.00	2,000.00		
19.09.2012				1,300.00
20.09.2012	13,600.00	2,000.00		1,300.00
21.09.2012				2,800.00
27.09.2012	12,600.00	3,000.00		

Interventions in the money market in 2012 Q3 consisted in open market operations to inject and withdraw liquidity.

The total amount of injected liquidity was almost unchanged from the average of ALL 17.2 billion in 2012 Q2, reaching ALL 17.8 billion, on average, in 2012 Q3.

The average injected liquidity is about 22% lower, from ALL 23 billion a year earlier.

To inject liquidity, the Bank of Albania employed its main instrument, the one-week reverse repurchase agreement, at an average of ALL 14.61 billion per week.* In the first three weeks, the three-month reverse repurchase agreements were used while

its place in the following weeks was taken by the one-month reverse repurchase agreements.

Given the more frequent re-investment, characteristic of the monthly injection, which facilitates the use of this instrument in parallel with the main market operation, at the end of July, the three-month reverse repurchase agreements began to be replaced by the one-month reverse repurchase agreement, which was used in ten cases, reaching on average ALL 2.1 billion per auction.*

To withdraw excess liquidity, on 20-23 August 2012, which coincided with the last days of the required reserve period, the overnight repurchase agreement was used, on average ALL 1.12 billion* per auction.

On the opposite direction, to compensate for the liquidity shortfall in the system, during the last days of the required reserve period, on 23 July and 19-21 September 2012, the

*Figures are given in their nominal value.

Interventions in the money market and foreign exchange market over 2012 Q3

overnight reverse repurchase agreement was used in five cases, on average ALL 1.40 billion* per auction.

Following structural operations of the open market in the first half of the year, when the net portfolio of the Bank of Albania increased ALL 6.01 billion*, as anticipated, during the third quarter, the sterilisation of this effect started on maturities in the primary market. The reinvestment of the Bank of Albania portfolio for the third quarter was down ALL 1.40 billion*, mainly concentrated in 3 and 6-month T-bills, while ALL 4.61 billion are expected to reach their maturity term in the primary market during the last quarter of the year.

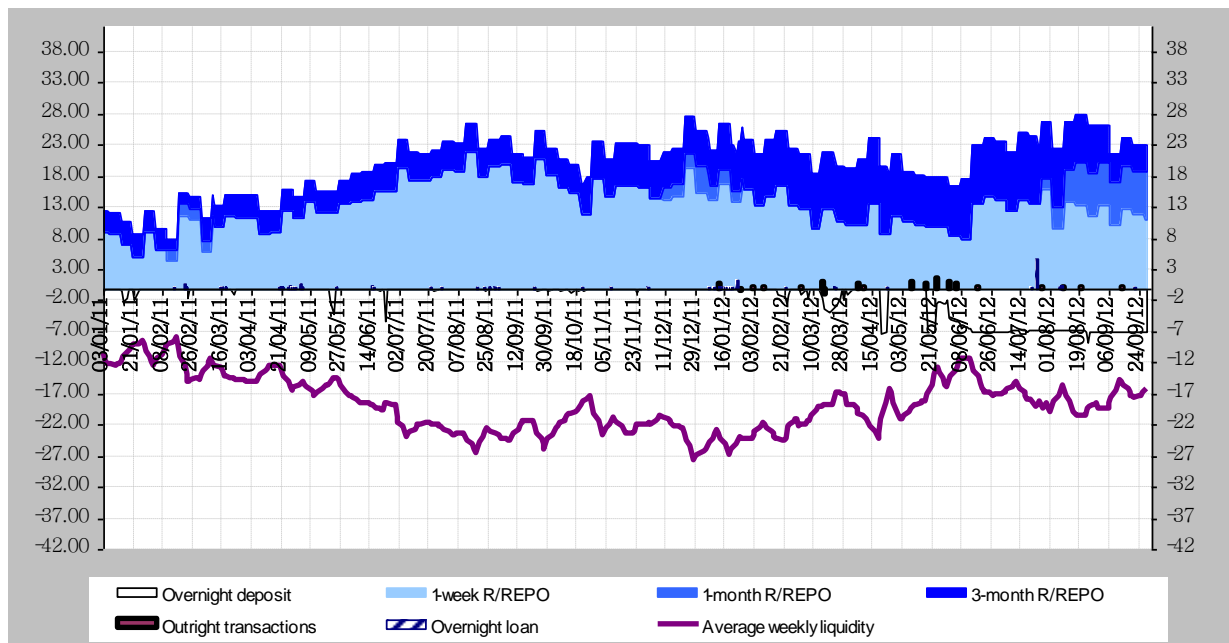
1.2. Use of standing facilities

During 2012 Q3, the overnight deposit facility was used in 65 cases in total, on average ALL 6.95 billion, almost ALL 2.44 billion higher than in the previous quarter, when this instrument was used in 42 cases recording an average of ALL 4.51 billion.

The overnight credit facility was more frequently employed than in the previous quarter concentrating mostly around the last days of the required reserve period, especially during 20-23 July 2012. During the third quarter, this instrument was used in 5 cases, on average ALL 1.08 billion.

The following chart provides an overview of the Bank of Albania interventions in the money market for 2011-2012

Chart 1 Bank of Albania interventions in the money market 2011-2012 (at purchase price)

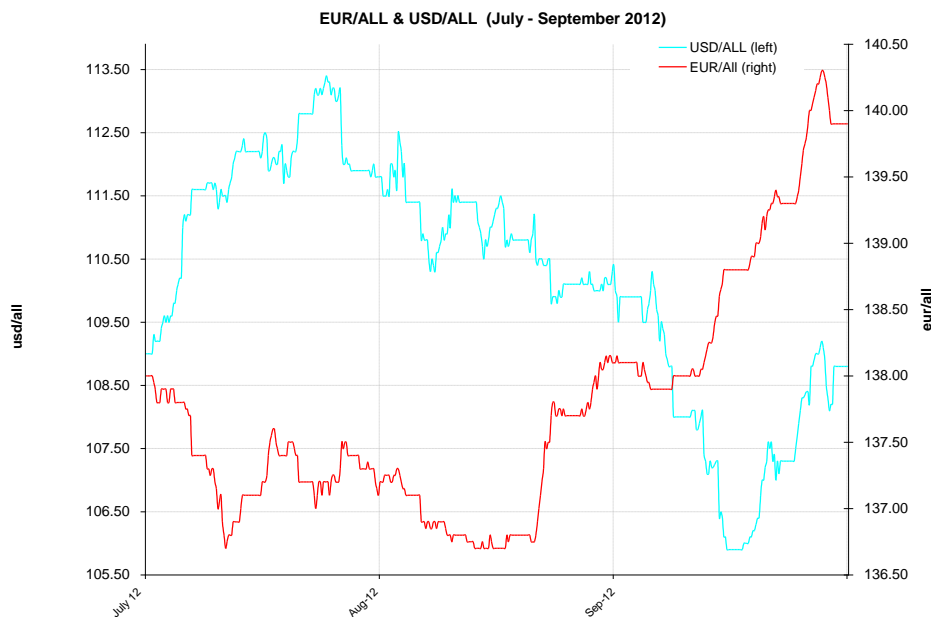


2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREX MARKET 2012 Q3

2.1 Operations with commercial banks

During 2012 Q3, the Bank of Albania continued to intervene in the domestic foreign exchange market, purchasing foreign currency pursuant to the decision of the Monetary Policy Implementation Committee to increase the foreign currency reserve by at least EUR 10.0 mio. The favourable seasonality and the relatively low demand by bank clients triggered larger purchases by the Bank of Albania compared to the second quarter. As a result of such operations, EUR 5.2 million were purchased at the average exchange rate of ALL 137.36.

Chart 2 Forex operations



2.2 Operations with other institutions

During this quarter, *swap* contracts were concluded for Albanian lek and foreign currency transactions between the Bank of Albania and the Ministry of Finance, driven by the need to administer the liquidity of the Ministry of Finance. During this period, the Ministry of Finance purchased from the Bank of Albania the amount of ALL 6,195.5 million, and sold ALL 6,245.8 million (of which, ALL 2,788.7 swap outstanding that reach their maturity term on 5 November 2012).

Foreign currency purchased from international institutions amounted to ALL 165.5 million (International Bank for Reconstruction and Development - IBRD and the International Development Agency - IDA).

Interventions in the money market and foreign exchange market over 2012 Q3

Financial institution	Foreign currency purchase (in ALL million)	Foreign currency sale (in ALL million)
Ministry of Finance	6,195.5	6,245.8
Other (IDA, IBRD)	165.5	