

BANK OF ALBANIA  
ANNUAL  
REPORT  
2013



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*Bank of Albania*

*Sheshi "Avni Rustemi" Nr.24, Tirana, Albania*

*Tel.: + 355 4 2419301/2/3; + 355 4 2419409/10/11*

*Fax: + 355 4 2419408*

*E-mail: [public@bankofalbania.org](mailto:public@bankofalbania.org)*

**[www.bankofalbania.org](http://www.bankofalbania.org)**

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GOVERNOR OF THE BANK OF ALBANIA, MR. ARDIAN FULLANI.





*BANK OF ALBANIA SUPERVISORY COUNCIL*

*First row, left to right:*

*ELISABETA GJONI*

*ARDIAN FULLANI*

*ERMELINDA MEKSI*

*Deputy Chairwoman (First Deputy Governor)*

*Chairman (Governor of the Bank of Albania)*

*Member*

*Second row, left to right:*

*ELA GOLEMI*

*PETRAQ MILO*

*DHORI KULE*

*ADRIAN CIVICI*

*Member*

*Member*

*Member*

*Member*



## FOREWORD BY THE GOVERNOR

*Dear reader,*

It is my pleasure to present, through this Annual Report, Bank of Albania's work and activities during 2013. This Report gives the opportunity to evaluate the achievement of our legal objectives and institutional commitments. Let me highlight some of the events marking Bank of Albania's work during 2013.

The Bank of Albania operated amid a difficult internal and external macroeconomic context. Economic activity slowed its pace in 2013, while aggregate demand and inflationary pressures were weak. This year confirmed once again the altered configuration of global economy. The decision-making authorities faced an environment dominated by elevated risks, low economic growth, weak inflationary pressures and worsened balance sheets. In such a setting, the Bank of Albania has aimed at creating a safe and stable economic and financial environment through its monetary policy, liquidity management, macro-prudential measures and prudential banking system supervision. The Bank of Albania has strived to be clear in establishing the perimeter of its objectives and influence, and insist on harmonising its policies with other domestic macroeconomic policies. At the same time, it has widened the range of instruments and amended the regulatory framework to set up safety barriers and, eventually, foster price and financial system stability.

*Bank of Albania's primary legal objective is to achieve and maintain price stability.*

This objective has been translated into our commitment to keep inflation at around 3.0%, adequate for a small open economy like ours, which aims to integrate into the European markets. Our monetary policy operates under the inflation targeting framework, where monetary policy decisions are future-oriented and in line with market principles.

The Albanian economy continued to grow below its potential in 2013 and at a slower pace than last year. It was positively driven by foreign demand and fiscal stimulus, whereas consumption and private investments were weak. Credit growth hit negative rates for the first time in 2013. Annual inflation averaged 1.9%, fluctuating close to the lower bound of Bank of Albania's tolerance band. The weak domestic demand-side pressures and lower

imported inflation were the main factors driving the performance of inflation. In face of the sluggish economic and monetary dynamics, the Bank of Albania pursued a stimulating monetary policy in 2013. It cut the key interest rate by a cumulative 100 basis points, from 4.00% to 3.00%. The stimulating monetary policy enabled the central bank to keep the downward inflation in check and manage inflation expectations. Its transmission was reflected in lower interest rates across all market segments. However, the effect of monetary stimulus to economic activity was incomplete due to high risk premiums and private sector's small appetite for increasing consumption and undertaking long-term investments.

During 2013, the Bank of Albania adopted a new approach to monetary policy communication, by declaring its expected future path. This form of communication enhances confidence among businesses and individuals, by establishing the connection between expected monetary policy course and economic conditions. On the one hand, it has contributed to firm anchoring of inflation expectations and, on the other hand, to enhancing central bank credibility.

*In addition to price stability objective, the Bank of Albania is also tasked with strengthening and safeguarding the country's financial stability.*

Bank of Albania's policies have aimed to ensure a well-capitalised and well-governed banking system, with strong financial parameters and sound risk management practices. The Albanian financial system was stable and not exposed to direct market risks in 2013. The banking system was liquid and well-capitalised, and its profitability improved. In March, the Bank of Albania adopted a package of macro-prudential measures, which seek to address lending and loan quality issues. Combined with the accommodative monetary policy, this package began to provide its effects in terms of curbing the growth of non-performing loans and reducing the cost of borrowing. In addition, the Bank of Albania proposed some amendments to the legal framework, which were approved by the Assembly of the Republic Albania. These amendments will alleviate banks' balance sheet burdens and improve financial soundness indicators.

In the framework of the Financial Sector Assessment Program, the IMF and the World Bank, in cooperation with the Bank of Albania, made an in-depth assessment of the Albanian financial system in 2013. This assessment concluded that our financial system is capable to withstand the international financial crisis. The assessment process required the cooperation and coordination of several authorities, confirming once again that the task of safeguarding financial stability is not limited to the central bank alone. The financial system assessment exercise was coupled with financial supervision strengthening. The Bank of Albania revised the regulatory basis to shift the supervision practices from Basel I to Basel II. Shifting to the new system is a medium-term project for the Bank of Albania. It seeks to ensure the implementation of most advanced practices and facilitate cooperation with European supervisory authorities.

Bank of Albania's membership into Vienna Initiative 2 Steering Committee was a step further in this regard. This fact highlights the importance of financial coordination and integration to us. First, decisions and conclusions drawn from the Steering Committee meetings have substantial impact on the Albanian financial system, which is fully integrated with international financial markets and directly affected by international events. Second, Albania is the only non-EU member country with a membership in this Committee. It is, therefore, a unique opportunity for Albania to share opinions and concerns facing host non-EU member countries with home EU-member countries.

In 2013, the Assembly of the Republic of Albania passed the Law "On the Payments System", which marks a major step in achieving international standards and approximating the Albanian legislation to EU directives. This Law strengthens Bank of Albania's authority in regulating, licensing and supervising payment systems, and augments its responsibility for fostering financial stability. It also provides for the establishment of private payment systems, providing as such a new dimension to the Albanian financial market.

These major projects, along with central bank's daily tasks and functions, have called for enhanced expertise within the institution. Our human capacities are oriented towards deepening research by expanding the network of academic cooperation, both inside and outside Albania. Bank of Albania's work agenda for 2013 placed special focus on improving the quality of statistics and approximating them to Eurostat requirements; managing the foreign exchange reserve; approximating the internal control standards to ECB practices; implementing advanced human resources management systems; and meeting institutional requirements in the context of European integration.

In addition, the Bank of Albania took concrete steps to enhance financial literacy and implemented an active communication strategy, in order to help the public make sound financial decisions and clearly understand central bank's policies. Clear and understandable communication enhances the efficiency of our policies. I hope this Annual Report will also be read in this spirit.

*Dear reader,*

Achieving and maintaining price stability will remain Bank of Albania's primary objective. Without prejudice to this objective, the central bank will continue to support and provide adequate policy framework to safeguard Albania's financial stability. In this way, the Bank of Albania, the country's monetary authority, makes the best contribution to ensuring long-term growth and improving citizens' welfare.

  
Ardian Fullani  
Governor



## MISSION AND MAIN TASKS OF THE BANK OF ALBANIA

- According to the Law "On the Bank of Albania", the main objective of the Bank of Albania is to achieve and maintain price stability. By guaranteeing price stability, the Bank of Albania contributes to maintaining macroeconomic balances, creating the right conditions for economic growth, employment and welfare, maintaining the value of savings, and safeguarding financial system stability and development. The objective of price stability is achieved through the independent formulation and implementation of monetary policy.
- The Bank of Albania is responsible for licensing, regulating and supervising banking activities. Based on market principles, it seeks to promote the smooth functioning of the banking system, aiming to establish an effective and stable banking system. The Bank of Albania is committed and provides direct contribution to safeguarding Albania's financial stability through its macro-prudential policy; prudential regulation and supervision of the banking sector and non-bank financial institutions; its role as lender of last resort; its role as the authority handling and liquidating troubled banks; and regulation and oversight of payments infrastructure.
- The Bank of Albania has the exclusive right to issue and circulate the domestic currency – Lek. It promotes and oversees the smooth operation of payment systems, aiming at supporting monetary policy implementation and safeguarding financial stability and public confidence in the domestic currency.
- The Bank of Albania has the right to hold and manage the foreign exchange reserves of the Republic of Albania. Foreign exchange reserves serve as a guarantee to cope with unexpected shocks on the real or financial sector of the economy. The management of foreign exchange reserves is guided by the principles of prudence so as to safeguard their value.
- The Bank of Albania has the right to collect and produce banking system statistics, and to compile Albania's balance of payments and respective methodology. It cooperates with other national statistics agencies to design and harmonise national statistics methodologies.

The Bank of Albania is also tasked with a number of duties and institutional commitments, such as: supporting Albania's European integration process; enhancing financial literacy; strengthening cooperation with international counterparts; broadening the knowledge, and actively participating in academic debates.

*The Bank of Albania seeks to base its decision-making process on three solid foundations: independence, transparency and expertise.*

The Law grants the Bank of Albania independent status to formulate and implement the monetary policy to achieve its objective. The Supervisory Council, the central bank's decision-making body, acts out independently of any external influence, ensuring the public that the decisions are made on the basis of a long-term perspective.

Transparent communication contributes to the quality of decision-making, proper transmission of policies to the economy and enhanced confidence in this central institution.

High-level expertise and skills are key to the success of Bank of Albania's work and reputation. The Bank of Albania ensures that its staff is equipped with the required expertise and know-how to contribute to achieving the Bank's operational and strategic objectives.

## HIGHLIGHTS OF 2013

- Gross domestic product grew 0.4% in the first three quarters of 2013, slowing down markedly from 2012. The weak economic growth was mainly driven by the poor investments and private consumption, which reflected the low economic agents' confidence and tight financing conditions. The external economic environment remained unfavourable.
- In June, general parliamentary elections were held in Albania. Similar to previous election-related experiences, the post-election period was marked by elevated perceived uncertainty in the economy, which curtailed consumption and private investments.
- Annual inflation averaged 1.9% in 2013. Inflation pursued a downward path, falling from 2.7% in January to 1.9% in December. The downward inflation was driven by the weak aggregate demand growth and lower imported inflation. Inflation expectations remained anchored around Bank of Albania's target.
- In response to the weak aggregate demand and inflationary pressures, the Bank of Albania continued to pursue an expansionary monetary policy. The Supervisory Council cut the key interest rate in January, July, November and December. At the end of 2013, the key interest rate decreased to the record low of 3.0%.
- Economic activity was supported by a counter-cyclical fiscal policy, which, in turn, increased the budget deficit and public debt. At the end of 2013, budget deficit was estimated at around 4.8% of GDP.
- In December, an IMF mission visited Albania in the framework of Article IV Consultations. The mission reached staff-level agreement with the authorities on including Albania in an economic programme, which, among others, provides for financial assistance from the IMF and the World Bank.
- The main financial soundness indicators improved in 2013. The positive profit improved, and capitalisation and liquidity indicators were at adequate levels. The banking sector appeared relatively hedged against direct risk associated with unfavourable exchange rate and interest rate movements.
- The increase in bank lending slowed markedly and loan quality worsened in 2013. In response, in March 2013, the Bank of Albania made some amendments to the regulatory framework to improve the supply of bank lending and support the credit restructuring process. In addition, in cooperation with the banking industry and other institutions, the Assembly of the Republic of Albania approved some amendments to the Code of Civil Procedure and the Civil Code, which seek to facilitate the loan collateral auction procedure and improve the associating legal guarantees.



- In September, the IMF and the World Bank, in cooperation with the Bank of Albania and other supervisory authorities, updated the Financial Sector Assessment Program for Albania. This exercise concluded that the Albanian financial system is able to withstand the international financial crisis.
- As of 2013, Ardian Fullani, Governor of the Bank of Albania, is appointed member of Vienna Initiative 2 Steering Committee. Albania is the only non-EU member country with a membership in this Committee. It, therefore, also represents the interests of other countries aspiring to join the EU.
- On the initiative of the Bank of Albania, in April 2013, the Assembly of the Republic of Albania passed the Law "On the Payments System". This Law mandates the Bank of Albania with the regulation, licensing and oversight of payment systems through a special legal framework. The passing of this Law also implies the liberalisation of the payment systems market through the establishment of private payment systems.
- In line with Bank of Albania's medium-term strategy, the Bank continued its work to deepen economic research; enhance the quality of statistics; improve the quality of currency; enhance staff qualification and motivation; and accomplish the institutional tasks in the context of European Integration. The Bank of Albania has paid special attention to improving the means of communication with the public, including the adoption of principles for Institutional Social Responsibility. This philosophy was reflected in several humanitarian initiatives of the Bank of Albania during 2013.











## I. BANK OF ALBANIA DURING 2013

### I.1. MACROECONOMIC ENVIRONMENT AND MONETARY POLICY

- *Year 2013 was challenging for the Albanian economy and financial markets. The weak aggregate demand was reflected in low economic growth, leading eventually to low increase in employment and wages, weak inflationary pressures, financial constraints for enterprises and increased non-performing loans in the banking system. In response, the Bank of Albania pursued a stimulating monetary policy. It cut the key interest rate four times in 2013, to the record low of 3.0%. Bank of Albania's monetary policy was supported by continuous injection of liquidity and reinforced by the improved public communication. It proved successful in containing the downward inflation pressures and keeping it around the central bank's target.*

#### I.1.1. INTERNATIONAL DEVELOPMENTS

Global economy grew at positive rates in 2013. Economic growth picked up in the last part of the year; however, the recovery of output and economic activity was not uniform across the regions. Advanced economies saw frail economic growth in the first half of the year, but their growth pace gained momentum in the last quarter, offsetting, in turn, the weak performance of developing economies. The subduing effects of rigorous fiscal policies in many advanced economies moderated, while major central banks' monetary policies remained accommodative and supported the growth of economic activity. These policies opened the way to economic recovery. Unemployment remained high in most major economies, while the weak aggregate demand restrained the growth pace of employment in developing economies. Despite the positive developments, international markets and economy are surrounded by elements of uncertainty as long as a number of economic crisis-related factors remain present.

Financial markets saw downward risk premiums, reflecting the accommodative monetary policies and fiscal consolidation results. In this context, a number of international arrangements were concluded in 2013, which helped improve confidence in market agents. Investors' approach to developing economies was more positive, being expressed in the form of lower yields and increased financial activity. However, Fed's tapering of monetary stimulus was reflected in unexpected fluctuations in the capital

markets of a number of developing economies, confirming the yet frail recovery. Global inflationary pressures were contained due to downward energy and raw material prices.

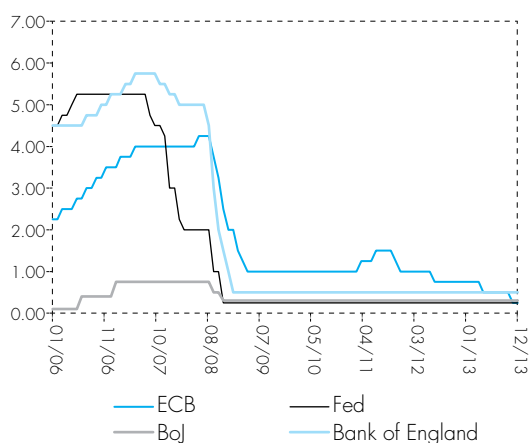
Table 1 Selected macroeconomic indicators

Countries	GDP change		Unemployment rate	Inflation rate	
	2012	2013	2013	2012	2013
USA	2.8	1.9	7.4	2.1	1.5
Euro area	-0.7	-0.4	12.1	2.5	1.4
Germany	0.7	0.4	5.3	2.1	1.5
France	0.0	0.3	10.4 <sup>1</sup>	2.2	1.0
United Kingdom	0.3	1.9	7.7 <sup>1</sup>	2.8	2.6
Japan	1.4	1.7 <sup>1</sup>	4.0	0.0	0.4

Source: Eurostat, respective statistical institutes.

<sup>1</sup>According to major economic institutes' projections and estimates.

Chart 1 Key interest rates



Source: ECB, Fed, Bank of England, Bank of Japan.

## MONETARY POLICY AND FINANCIAL MARKETS

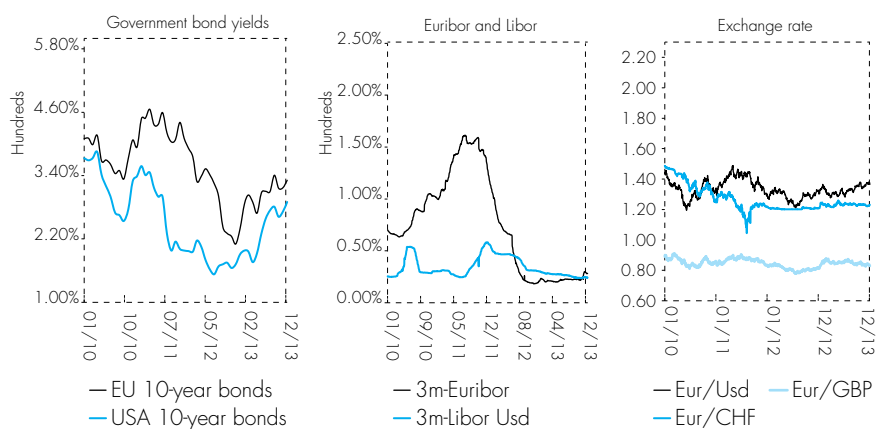
The European Central Bank cut its main refinancing rate twice by 25 basis points to 0.25%. The other major central banks kept their key interest rates unchanged in 2013: Federal Reserve at 0-0.25%, Bank of England at 0.5%, and Bank of Japan at 0-0.1%.

ECB's cut of the main refinancing rate and Fed's and many central monetary institutions' continued quantitative easing helped reduce the uncertainties and interest rates in financial markets. Euro area countries' debt securities saw lower spreads and risk premiums. However, the lower ask premia in the capital markets was not translated into a general decrease in lending interest rates. In many countries, the lending rates remained high compared to the

pre-crisis' period. Improving the financial market functioning has been at the focus of EU's central institutions. Actions have been taken and agreements have been made to prevent obstacles and improve confidence in agents and investors. Overall, foreign investors' approach to Central and South-Eastern European countries was more positive and active in 2013. It, however, could not restore the pre-crisis levels.

In the last months of 2013, financial market yields were slightly affected by Fed's tapering of quantitative easing. In the money market, Euribor and Libor rates were low thanks to improved confidence, in addition to major central banks' accommodative monetary policies pursued in the past two years. European, U.S. and Japanese stock markets improved progressively over 2013, standing well above the previous year's level.

Chart 2 Exchange rate and selected financial indicators in international markets



Source: ECB, Reuters.

The 1, 3, 6 and 12-month Euribor rates stood at 0.13%, 0.22%, 0.34% and 0.54%, respectively, in 2013, registering an average drop<sup>1</sup> of 0.41 percentage points from 2012. The 3-month U.S. dollar Libor interest rate dropped slightly to 0.27%, from 0.43% in 2012.

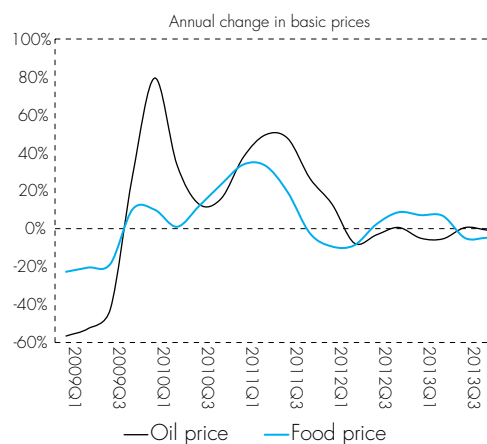
In the foreign exchange market, the euro appreciated against most major currencies. It gained ground against the U.S. dollar, Japanese yen and the Swiss franc, reflecting primarily the higher demand for the euro following the improved confidence in the European markets. One euro was traded at an average of USD 1.3281 in 2013, appreciating by 3.37% from 2012.

### INTERNATIONAL PRICES

Average raw material prices in international markets did not show significant changes in 2013. The European Brent index dropped by 2.7% in annual terms, due to higher supply from non-OPEC member states and absent oil demand-side pressures. Average price per barrel ranged between USD 102-116, with the minimum price recorded in April.

Primary commodity prices (based on IMF's periodic index) maintained a slight downward tendency, -1.6%, reflecting the fluctuations in oil and food prices. Food Index registered similar rates to 2012, being in line with the growth of supply of agricultural products.

Chart 3 Oil and food price in the international market



Source: EIA and IMF.

<sup>1</sup> They dropped by 0.20, 0.36, 0.49 and 0.57 percentage points, respectively.

### I.1.2. ECONOMIC DEVELOPMENTS IN ALBANIA

Year 2013 was challenging for the Albanian economy and financial markets. Aggregate demand was weak, and the fiscal stimulus and external demand offset the poor performance of consumption and private investments only partially. Private sector demand continued to be negatively impacted by the low economic agents' confidence, slower income and relatively tight financing conditions. In addition, the external economic environment, which saw sharp economic constraints for Albania's trading partners and low appetite for financing developing economies, did not favour domestic economic activity. The general elections held in 2013 elevated the uncertainties in economic agents and financial markets, hence impacting their consumption and investment decisions adversely. The weak aggregate demand was reflected in low and below-potential economic growth in Albania. This eventually led to slower increase in employment and wages, and produced weak inflationary pressures. Albanian businesses were faced with financial constraints and the banks' balance sheets with worsened non-performing loan portfolio. The economic slowdown also affected public finances, which saw fast increase in budget deficit and public debt.

The weak aggregate demand and consequent concerns drove the relevant institutions to implement stimulating macroeconomic policies in 2013. The government pursued a stimulating fiscal policy, which was materialised into higher expenditure and budget deficit. The fiscal stimulus was most concentrated in the first half of the year, to later moderate in the second half. In addition, the Bank of Albania pursued a highly stimulating monetary policy, which was manifested in four key interest rate cuts and continuous injection of liquidity. In line with domestic economic and monetary developments and without prejudice to its objective of financial stability, in March 2013, the Bank of Albania revised a number of banking supervision-related regulations, to stimulate lending to the economy.

Fiscal and monetary policies, and the package of regulatory measures proved successful in guaranteeing general economic and financial stability in Albania. CPI inflation was low due to weak demand-side pressures and anchored inflation expectations. The latter reflected Bank of Albania's prudent monetary policy, and enhanced transparency and communication with the public. Its measures also helped contain the liquidity risk premiums and decrease interest rates in the economy. The improved current account deficit, the stable domestic currency and the sound financial sector balance sheets contributed to safeguarding Albania's financial stability further. Economic and financial stability is one of the pillars required to guarantee stable and long-term economic growth.

Despite the stimulating economic and financial policies, aggregate demand and economic growth remained weak. On the one hand, this reflects economic and financial agents' conservative approach and their low willingness to undertake risk. Along with concerns relating to the external sector of the economy, risks keep the Albanian economy below potential. On



the other hand, the weak performance reflects the structural concerns facing the Albanian economy. These concerns relate to the need to generate stable economic growth resources, strengthen the measures to improve the business climate, undertake comprehensive reforms to increase productivity, expand the markets, and develop the sectors that could be competitive in international markets. In response to the costs associating domestic restructuring and in face of the tighter financing conditions in international financial markets, the Bank of Albania notes that the potential growth pace of the Albanian economy has slowed in the past years, bringing, in turn, negative consequences for employment and welfare. Addressing these concerns will determine the future path of the Albanian economy.

Table 2 Selected economic figures through the years

	2008	2009	2010	2011	2012	2013
Inflation (y-o-y, average for the period)						
Headline inflation (in %)	3.4	2.3	3.6	3.5	2.0	1.9
Economic growth						
Real GDP growth (in %) <sup>1</sup>	7.5	3.3	3.8	3.0	1.3	0.4 <sup>2</sup>
GDP (at current prices, in ALL million)	1,089,293	1,148,082	1,222,462	1,282,255	-	-
Labour market						
Number of employed (in thousands)	974.1	899.3	916.9	928.0	955.0	966.0 <sup>2</sup>
Unemployment rate <sup>3</sup>	12.7	13.7	13.5	13.3	13.0	12.8 <sup>2</sup>
Unemployment rate according to the survey <sup>4</sup>	13.0	13.8	14.2	13.9	13.9	15.7 <sup>2</sup>
Fiscal sector						
Budget balance (including grants, as a percentage of GDP)	-5.5	-7.0	-3.1	-3.6	-3.5	-4.8
Budget revenues (as a percentage of GDP)	26.7	26.0	26.6	25.8	24.9	24.1
Budget expenditure (as a percentage of GDP)	32.3	33.0	29.7	29.4	28.4	28.9
External sector						
Current account (as a percentage of GDP)	-15.6	-15.3	-11.5	-13.0	-10.7	-9.9 <sup>2</sup>
Imports of goods (fob, as a percentage of GDP)	37.7	35.1	36.7	39.9	37.0	34.0 <sup>2</sup>
Exports of goods (fob, as a percentage of GDP)	10.3	8.6	13.2	15.4	16.0	17.9 <sup>2</sup>
FDI inflows (as a percentage of GDP)	7.5	8.2	8.9	8.2	7.8	9.8 <sup>2</sup>
International reserve (in EUR million, end of period)	1,675	1,646	1,904	1,912	1,972	2,015 <sup>1</sup>
Monetary and financial sector						
Repo rate (end of period)	6.25	5.25	5.00	4.75	4.00	3.00
M3 aggregate (annual growth, end of period)	7.7	6.8	12.5	9.2	5.0	2.31
Lending to the private sector (annual growth, end of period)	32.2	11.7	10.6	10.4	1.5	-1.21
12-month yield (annual average)	8.16	9.17	7.98	7.34	7.03	5.16
ALL/USD average exchange rate	83.9	95.0	103.9	100.8	108.2	105.7
ALL/EUR average exchange rate	122.8	132.1	137.8	140.3	139.0	140.3
NEER	99.7	107.1	113.4	113.8	113.3	113.7

Source: INSTAT, Ministry of Finance, IMF estimates and Bank of Albania.

<sup>1</sup> Semi-final estimates for 2010; preliminary estimates for 2011; and flash estimates for 2012 and 2013.

<sup>2</sup> Annual growth of the nine-month period and end-Q3 for labour market and external sector data.

<sup>3</sup> According to administrative data, INSTAT.

<sup>4</sup> "Labour Force Survey Results", INSTAT.

\* GDP ratios are based on annual projections.

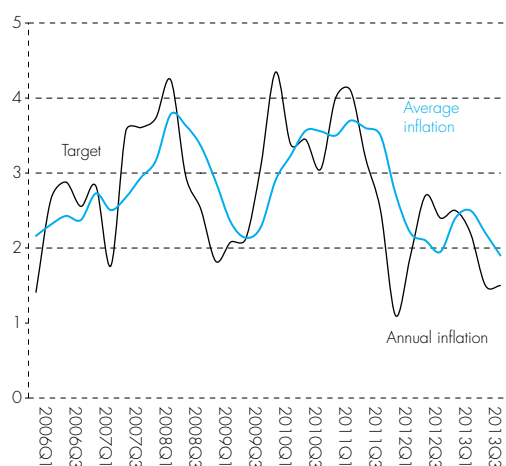
### I.1.3. PRICE STABILITY

The primary objective of the Bank of Albania's monetary policy is to achieve and maintain price stability. In quantitative terms, the Bank of Albania aims at keeping CPI inflation at around 3.0%. The inflation objective is set to be achieved in the medium-term period, while the actual inflation may be subject to short-term deviations from the target, due to unexpected shocks or shocks independent from monetary policy.

#### *Inflation was low and downward in 2013.*

Annual inflation averaged 1.9% in 2013, ranging close to the lower bound of Bank of Albania's tolerance band. It maintained a slowing tendency, reducing from 2.7% in January to 1.9% at year-end.

Chart 4 Annual inflation (in %)



Source: INSTAT and Bank of Albania.

#### *Food prices made major contribution to inflation.*

Food prices, which have the main share in our consumer basket, determined the performance of headline inflation. 'Unprocessed foods' contributed by around 1.7 percentage points to inflation, forming around 90% of headline inflation. This item's inflation decreased considerably in the second half of the year due to lower prices in Albania's trading partners and higher domestic supply of agricultural products.<sup>2</sup> Inflation of other important basket items - 'Processed foods', 'Non-food consumer goods' and 'Housing' - fell considerably, leading eventually to lower headline inflation. The lower inflation of these goods and services reflected the waning of past year's price rise effect, the favourable global conjuncture of raw material and primary commodity prices, and the weak real estate market. The lower

prices of durable consumer goods also helped reduce the annual inflation, while prices of other consumer goods did not undergo any significant changes. 'Regulated prices', in particular, continued to make no contribution to inflation formation, due to energy and drinking water price remaining unchanged for a relatively long time.

<sup>2</sup> INSTAT data show an increase in agricultural production by 2.8% in the third quarter of 2013.

Table 3 Annual contribution of key items to annual inflation (in percentage points)

	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13
Processed foods (pp)	0.7	0.4	0.4	0.6	0.5	0.3	0.1	-0.1
Bread and grains (pp)	0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Alcohol and tobacco (pp)	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.1
Unprocessed foods (pp)	-0.6	0.5	1.3	1.0	1.7	2.0	1.5	1.5
Fruit (pp)	0.3	0.3	0.5	0.5	0.3	0.4	0.8	0.5
Vegetables (pp)	-1.2	-0.1	0.7	0.2	1.2	1.5	0.5	1.1
Services (pp)	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Regulated prices (pp)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Fuels and energy (pp)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing (pp)	0.3	0.2	0.0	-0.2	-0.2	-0.2	-0.1	+0.1
Non-food consumer goods	0.6	0.4	0.5	0.5	0.1	-0.2	-0.2	-0.1
Durable consumer goods (pp)	0.0	0.1	0.2	0.2	0.1	0.1	0.0	0.0
Consumer Price Index (y-o-y, %)	1.1	1.9	2.7	2.4	2.5	2.2	1.5	1.5

Source: INSTAT and Bank of Albania.

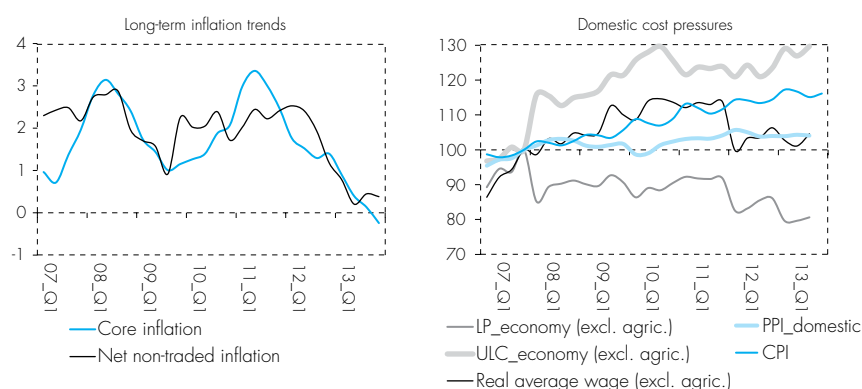
\*The table presents some of the main items.

From the macroeconomic perspective, inflation was affected by the weak aggregate demand, which has also determined the past two years' weak inflation; continuous fall in import prices, which have generated sharp volatility in headline inflation; and anchored inflation expectations, which have limited the sharp deviation of inflation from the Bank of Albania's target.

### *Below-potential growth has generated low core inflation rates.*

Albania's negative output gap deepened in 2013, exercising weak pressures on the increase in labour and producer costs, and profit margins in the economy. After increasing sharply until 2010, unit labour costs remained broadly unchanged in the following period, due to slow rise in real wages and stable labour productivity indicators. The average wage in the non-agricultural sectors of the economy increased around 0.6%, annually, at the end of the first nine months of 2013. Industrial product costs in the domestic market fell 0.7% annually over the same period, whereas core inflation decreased from 1% in the first quarter to -0.24% in the last one. Non-traded inflation maintained a similar path, falling from 0.8% to 0.4% in the reference periods.

Chart 5 Long-term inflation trends (left), domestic cost pressures (right)\*



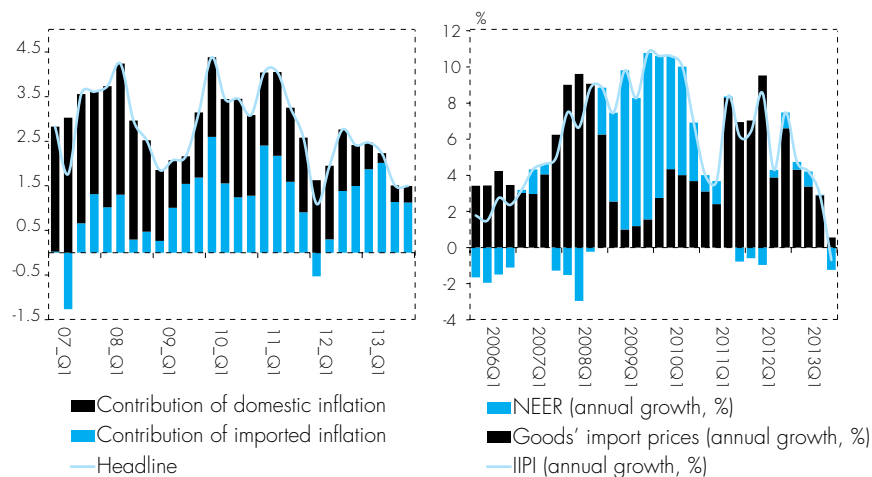
\*LP - Labour Productivity; ULC - Unit Labour Cost; PPI - Producer Price Index; CPI - Consumer Price Index. For comparison purposes, the indices are based on their respective values of 2007 Q4.

Source: INSTAT and Bank of Albania calculations.

### *Pressures from imported inflation have been downward.*

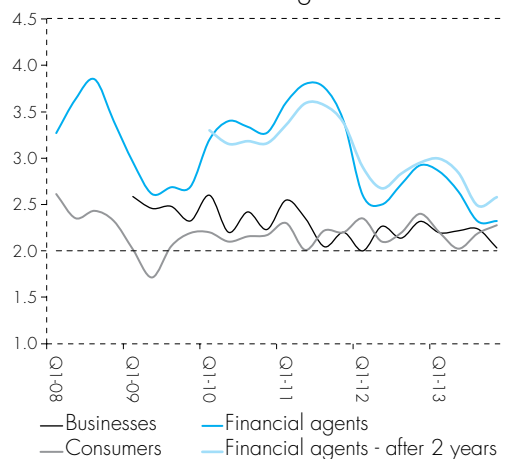
In addition to the receding domestic inflationary pressures, headline inflation was also impacted by the curbed imported inflation. The latter's dynamics was determined by the low inflation in Albania's major trading partners, falling primary commodity prices and appreciating exchange rate. Import Price Index<sup>3</sup> showed a declining tendency in 2013, hitting its lowest value (0.6%) in Q4. This index conditioned the performance of the Imported Inflationary Pressures

Chart 6 Contribution of imported and domestic inflation to headline inflation



Source: INSTAT and Bank of Albania calculations.

Chart 7 Inflation expectations from different economic agents



Source: Bank of Albania.

Index<sup>4</sup> almost entirely during 2013. On the other hand, the stable exchange rate helped further alleviate the inflationary pressures deriving from the external economy. The depreciation of the Nominal Effective Exchange Rate<sup>5</sup> by 0.6% in the first half of 2013 was followed by its similar appreciation (0.6%) in the second half of the year. Despite their fall, imported inflation continued to make the biggest contribution to headline inflation, by around 1.5 percentage points (or around 79% of headline inflation).

### *Inflation expectations remain anchored.*

Inflation expectations ranged around 2-4% in 2013, with a slight declining tendency over the

<sup>3</sup> This synthetic index measures imported inflationary pressures and is comparable to traded inflation of Albania's CPI basket. Import Price Index is based on the inflation rates of 'Food, beverages and tobacco' for 18 major countries, and goods' inflation of Bulgaria, Germany, Greece, Italy and Turkey. The final index value is calculated as the weighted average of the above-mentioned CPIs and the monthly weights of their import.

<sup>4</sup> IPI is calculated as the sum of the annual increase in import price indices and the NEER index value for the respective month. Imported inflationary pressures impact inflation with a 1-3 month lag.

<sup>5</sup> NEER – Nominal Effective Exchange Rate is measured against the currencies of Albania's five main trading partners, namely Italy, Greece, Germany, Turkey and China. An increase in NEER implies lek's depreciation.

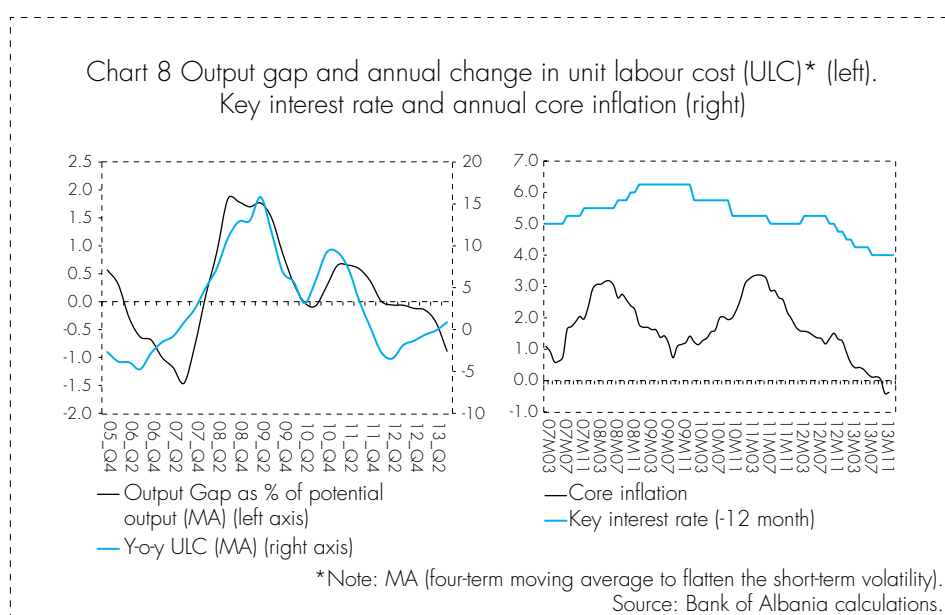
quarters. On an average annual level, expectations of different groups did not show significant changes from a year earlier. Financial agents' medium-term expectations stand closer to Bank of Albania's point target for inflation.

#### 1.1.4. MONETARY POLICY OF THE BANK OF ALBANIA

The overall weakness in inflationary pressures required the Bank of Albania to pursue an easing monetary policy in 2013. The central bank cut the key interest rate four times to a record low of 3.0% at year-end. The easing monetary conditions contributed to a general decrease in interest rates, easier liquidity conditions and improved financial market activity. The monetary policy proved successful in keeping the downward tendency of inflation under check and managing economic agents' expectations.

*The weak inflationary pressures required the Bank of Albania to pursue a stimulating monetary policy.*

The cyclical weakness in aggregate demand and downward pressures from imported inflation generated low inflation rates in 2013. Taking into account the forecast for low inflation rates in the period ahead, the Bank of Albania continued the monetary policy easing cycle that had begun since 2011. It cut the key interest rate four times, in January, July, November and December, by a cumulative 100 basis points. At the end of 2013, the key interest rate fell to the record low of 3.0%.



Monetary policy was in coherence with fiscal policy stance and intensity, seeking to maintain a policy mix steered towards boosting economic activity and closing the negative output gap in the medium-term period. In addition, the easing pace was in line with international market developments, with central banks in the region carrying out consecutive key interest rate cuts.

The Bank of Albania continued to inject adequate liquidity into the banking system through its standard refinancing operations. It continued to conduct regular liquidity injection operations of one-week maturity and employed one-month reverse repurchase agreements, to better meet banks' liquidity requirements.

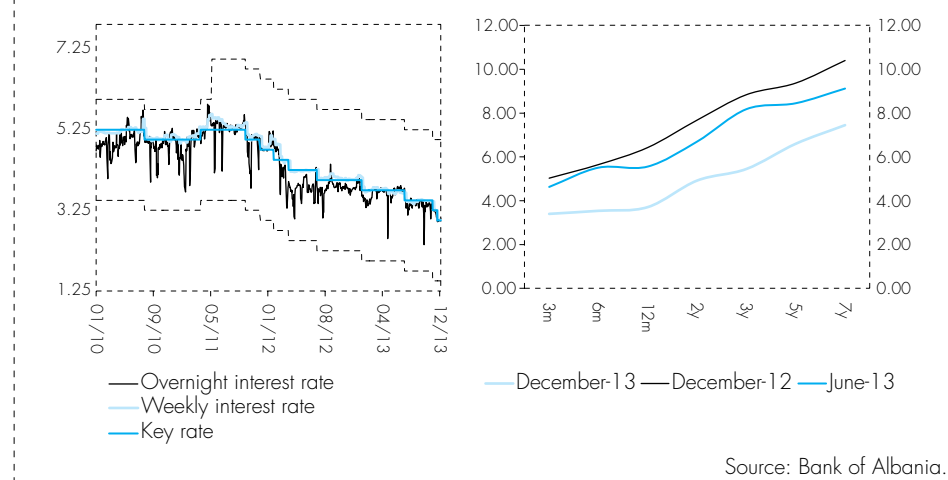
From a longer-term perspective, the timely and consistent monetary policy decision-making contributed to lowering perceived risk and managing inflation expectations. To this end, in addition to the conventional monetary policy instruments, the Bank of Albania enhanced its communication with the public regarding the expected monetary policy path. The new tool – forward guidance – proved effective in stabilising financial system expectations and lowering key interest rates.

*Monetary policy was transmitted adequately to the financial markets, but less to the real economy.*

Financial markets' activity recovered and risk premiums were downward in 2013. Both factors helped transmit the easing monetary policy into the interest rates applied by financial agents. Interest rates dropped sharply in the primary market for debt instruments, interbank market and the deposit market, whereas those in the loan market decreased at a more moderate pace.

Interbank rates were in line with Bank of Albania's monetary policy stance. Average overnight interest rate in the interbank market fell to 3.09% in December 2013, from 3.76% in 2012, while the one-week rate fell to 3.14%, from 4.02%. Trading volume in the money market grew considerably, with banks showing a more active approach and increased use of this instrument. The growing trading volume in 2013 was also driven by the more frequent use of repurchase agreements and the regular use of the collateral market. Banks' increased volume and activity in the interbank market improved the monetary policy impact on this segment. The spread between the overnight interest rate in the money market and the key interest rate narrowed in 2013, while showing, overall, lower volatility<sup>6</sup> than in 2012.

Chart 9 Interbank rates (left) and yield curve in the primary market (right)



Source: Bank of Albania.

<sup>6</sup> The standard deviation of the overnight interbank rate was 0.2626 in 2013, from 0.4219 in 2012.

Government securities' primary market was relaxed and liquid in 2013. Unlike the previous year, banks' participation in this market was high, exceeding Government demand for borrowing. T-bill and bond yields fell considerably, in line with the monetary policy moves. The intensity and speed of their fall varied across the periods, maintaining, however, downward tendency. The growing demand for debt securities in auctions strengthened the downward tendency of yields. The decrease in yields was sharper in maturities over one year, implying controlled risk and low inflation expectations from financial agents. The 12-month yield fell to 3.71% in December 2013, from 6.43% in December 2012. Bond yields also fell in 2013. Yields of 2, 3, 5 and 7-year bonds stood nearly 300 basis points<sup>7</sup> below the previous year. Although deficit financing shifted towards long-term instruments, the yield performance showed that these debt securities are highly preferred in the banking system, hence, putting no upward pressures on their premiums. The 10-year maturity bond was issued and traded successfully in 2013, with the demand and yield being in line with the current market performance. Yields on floating-rate bonds fell in 2013, confirming controlled financial agents' risk perception and anchored inflation expectations.

Despite the general downward tendency of interest rates, there was limited transmission of monetary stimulus into the economy, due to heightened uncertainties and low consumer confidence, as in many global economies. Bank's financial intermediation was lower due to weak private sector demand for borrowing and lower banks' willingness to undertake risk. A high perceived risk curbs financial intermediation and restrains the private sector's use of financial leverage. Further transmission of stimulating macroeconomic policies into the economy will be conditioned by private agents' confidence and success of structural reforms.

#### 1.1.5. ECONOMIC ACTIVITY<sup>8</sup>

##### *The Albanian economy showed strong signs of deceleration in 2013.*

GDP grew 0.4% in the first three quarters of 2013, from 1.3% and 2.8% in 2012 and 2011, respectively.<sup>9</sup> The sluggish economic activity was mainly driven by the poor investments and private consumption, which continued to suffer from the economic agents' low confidence and tight financing conditions. Consumption and private investments did not seem to be favoured by banks' conservative lending policies, which originated from the distressed situation in euro area's financial markets and high perceived risk of default. On the other hand, fiscal stimulus and external demand made positive contribution to economic growth in the first three quarters of 2013.

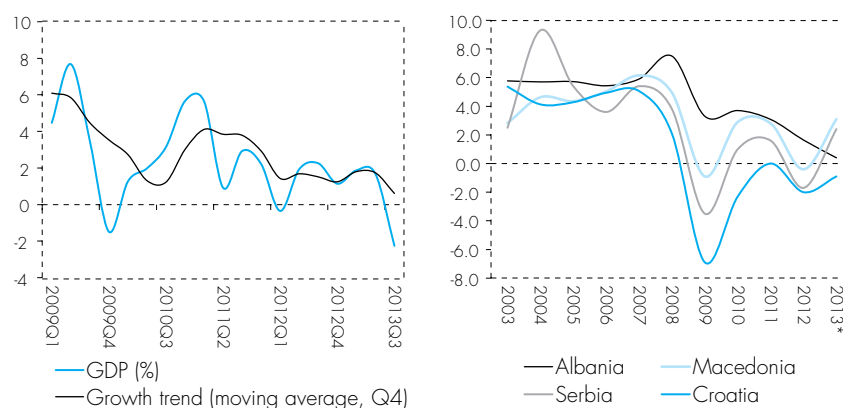
<sup>7</sup> More specifically, yields on 2, 3, 5, and 7-year bonds dropped 2.76%, 3.39%, 2.77% and 3.06%, respectively.

<sup>8</sup> The analysis of GDP by sector refers to the first three quarters of 2013 as the latest value added data refer to Q3.

<sup>9</sup> The low economic growth was highly impacted by the 2.3% contraction in economic activity in Q3. To a large extent, this contraction reflected short-term shocks, such as the withdrawal of fiscal stimulus and post-election uncertainties, which made an adverse impact on consumption, investments and tourism.



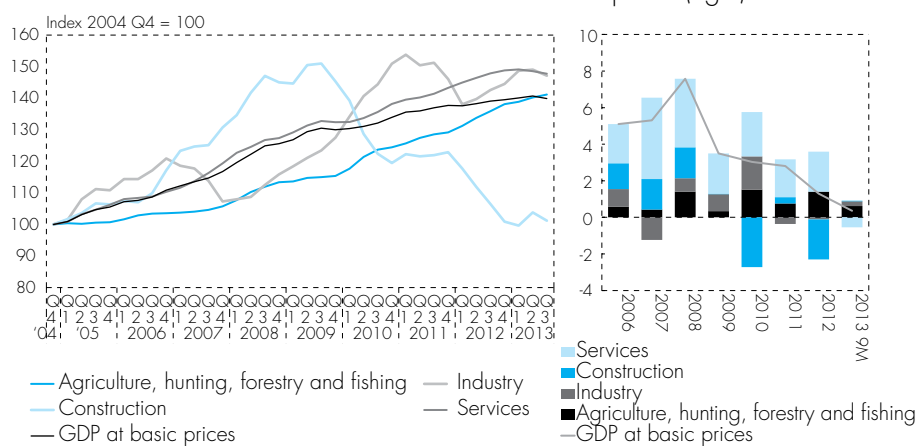
Chart 10 GDP (annual changes and moving average, left);  
Annual economic growth rates of countries in the region (right)



Source: INSTAT, Bank of Albania, Eurostat.

By sector, the deceleration in economic activity reflected the contraction in the services sector<sup>10</sup>, whereas the production sector<sup>11</sup> increased. The activity worsened in almost all branches of the services sector providing, therefore, a negative contribution of 0.5 percentage points to GDP growth, from the positive contribution of 2.5 percentage points in 2012. The lower value added in the services sector was mainly driven by the weak domestic demand and tourist activity in Q3. The production sector was the only source of economic growth in 2013. In contrast to the previous year's negative contribution, in 2013, it contributed by around 0.9 percentage points to annual GDP growth. Construction and industrial production helped increase the value added of the production sector. The agricultural sector also continued to maintain positive

Chart 11 Value added by sector (left; index);  
Contribution of sectors to GDP at basic prices (right)



\*The index is constructed based on GDP series at basic prices in total, and by sector, as annual moving sum.  
Source: INSTAT, Bank of Albania and calculations.

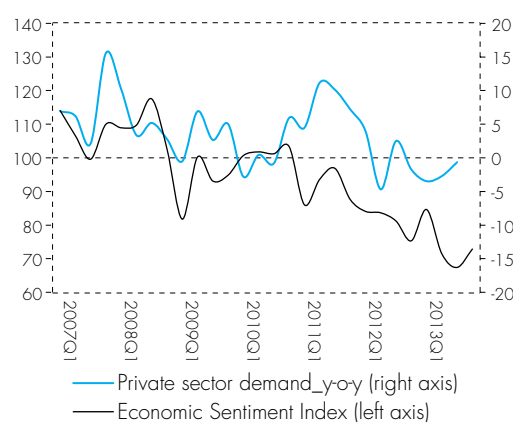
<sup>10</sup> The services sector accounts for around 60% of the Albanian economy and includes 'Trade, hotels and restaurants', 'Transportation', 'Post and communication' and 'Other services'.

<sup>11</sup> The production sector includes construction, industry and agriculture, hunting, forestry and fishing.

growth rates. After shrinking sharply in 2012, the construction sector recorded temporary increase in Q2, mainly attributable to public investments. Beyond short-term volatilities, construction continued to suffer from the poor private investments in the economy. The positive contribution of industrial production to economic growth was mostly attributable to its double-digit growth in Q1, which was mainly induced by the export of electrical energy.

The weak economic activity was also reflected in the labour market, which showed sluggish performance in 2013. Employment increased by only 0.5%, from 5.7% and 2.1% in 2011 and 2012, respectively. Since the second half of 2012, unemployment rate has remained almost unchanged at 12.8%.

Chart 12 Private sector demand and Economic Sentiment Index (long-term average = 100)



Source: INSTAT and Bank of Albania.

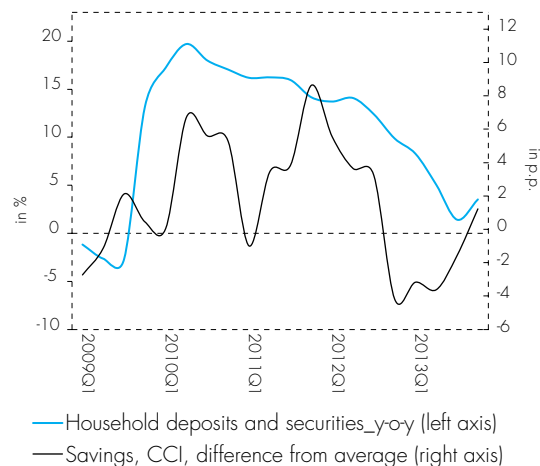
## AGGREGATE DEMAND AND ECONOMIC GROWTH

*Private sector demand has maintained a downward trend in the past two years.*

Available data suggest that private sector demand shrank in the first three quarters of 2013, lowering its contribution to aggregate demand growth. This tendency was noticeable in the two components: consumption and private investments. The low economic agents' confidence, slower income and tight financing conditions led to weaker consumer demand and greater tendency to save. In face of the weak final demand and presence of spare production capacities, businesses reduced their investments in machinery, equipment and buildings.

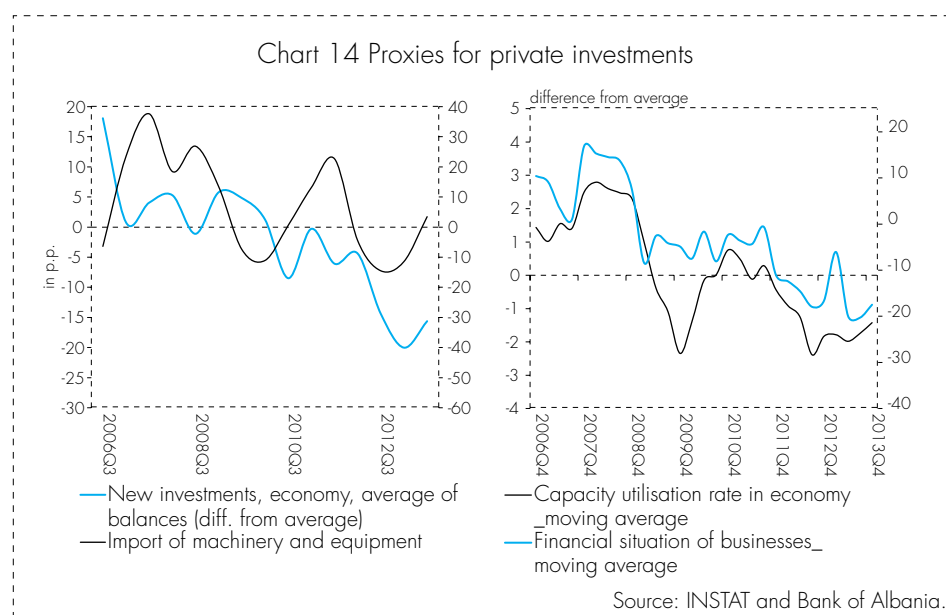
The weak private consumption continued to be driven by the hesitation of Albanian households to spend. Disposable income grew at modest rates; however, household purchasing power was also aided by the low and stable inflation rates. The low confidence in the future was reflected in greater household tendency to save, materialised into increased deposits and securities investments. Despite the low interest rates, household savings in the form of deposits and securities investments increased by 5.1% in 2013. On the other hand, bank lending for consumption shrank annually, after two years of positive annual growth. Mortgage loans grew in 2013, suggesting increased interest in purchasing homes.

Chart 13 Indirect private consumption data



Source: INSTAT and Bank of Albania.

The weak consumer demand affected business sales and income, leading, in turn, to little room for steady growth in employment and wages, production capacities and demand for borrowing. The cyclical weakness in the economy over the past years has been materialised into partial utilisation of capacities and, consequently, has discouraged new investments. Investment loans fell, while businesses' financial situation worsened in 2013. Except for infrastructure investments in public sector-related projects in Q2, private investments remained weak during the first nine months of 2013. Recovery of consumption and external demand, improvement of business confidence and performance of lending conditions will determine the recovery of this component in the future.

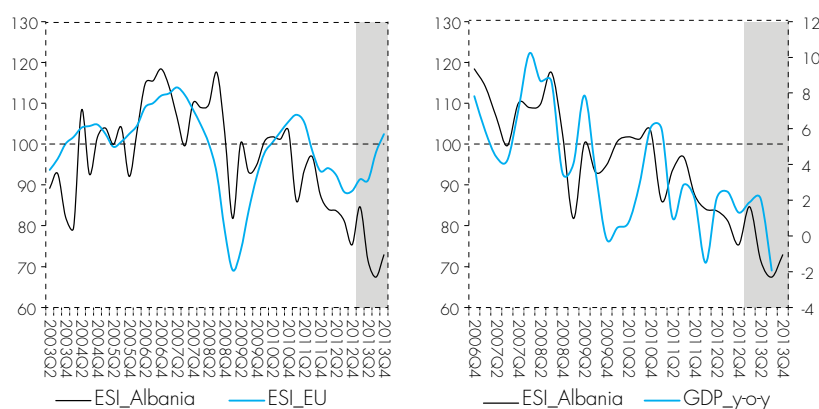


### BOX 1 THE ALBANIAN ECONOMY FROM THE BUSINESS AND CONSUMER PERSPECTIVE

This box summarises business and consumer confidence survey results for 2013. The main purpose of these surveys is to measure the concepts of “confidence in the economy” and “uncertainty” of economic agents. Unlike other quantitative indicators, these concepts cannot be measured and quantified directly. They can only be measured indirectly through business and consumer judgement. In advanced economies, increasing attention has been paid to confidence indicators after the 2008 global financial crisis, as it is generally believed that elevated uncertainty has delayed the recovery of economic growth. Economic agents’ confidence level affects economic activity through several channels, the main being the direct impact on the two aggregate demand components, private investments and consumption.<sup>12</sup> Lower business confidence delays new investments. Uncertainty also affects aggregate demand directly through volatile household consumption.

The sharp fall in the Economic Sentiment Indicator (ESI<sup>13</sup>) by 13 points in 2013 Q2 preceded the economic decline in Q3. Confidence worsened in all sectors of the economy; however, the sharp worsening of confidence in the services sector made major contribution to the deterioration of the ESI.<sup>14</sup> After the slight fall by 4 points in 2013 Q3, the ESI appeared more optimistic in Q4, increasing by 5.5 points, mainly driven by the improved confidence in the trade sector. Services and industry sectors also made positive contribution, whereas the construction sector continued to contribute adversely.

Chart 15 Economic Sentiment Indicator in Albania and the European Union, and comparison to GDP annual growth rates



Source: INSTAT, European Commission and Bank of Albania.

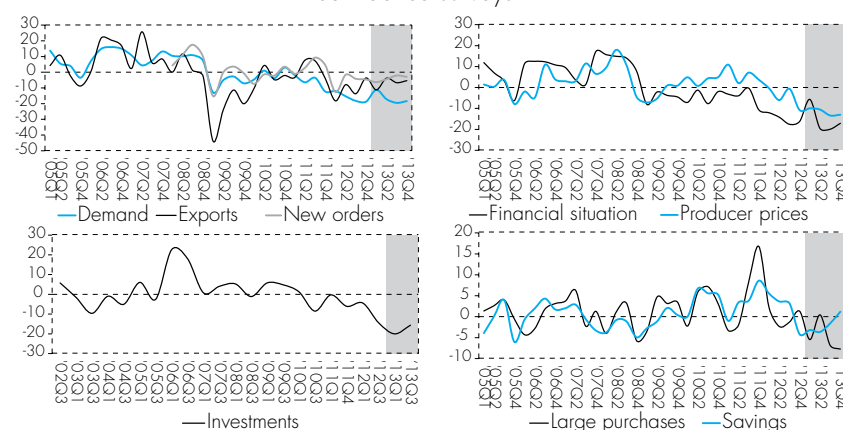
<sup>12</sup> Uncertainty affects business decisions to increase employment and consumer decisions to increase savings.

<sup>13</sup> The ESI is an aggregate indicator for the entire economy. It includes 16 balances from the business survey of industry, construction, services and trade sectors, and the consumer survey.

<sup>14</sup> Confidence index in services fell by 19.7 percentage points, whereas the confidence index in industry, construction and trade fell by 8.3, 6.3 and 6.6 percentage points, respectively, from the previous quarter.

According to the business confidence survey, domestic demand fell at a faster pace than external demand (exports, Chart 16). The balances of exports and new orders stood closer to their long-term average in 2013 Q4, giving positive signals for the recovery of total demand in the economy during 2014. Producer prices maintained a downward tendency in 2013 due to weak demand for goods and services. Under these conditions, businesses' financial situation weakened in 2013. Despite the slight increase in 2013 Q4, the balance of businesses' financial situation stood 18 percentage points below the historical average. The balance of investments stood at record low, suggesting slow recovery of this aggregate demand component.

Chart 16 Main balances of business (average for the economy) and consumer confidence surveys\*



\* All balances are expressed as the difference from their historical average.

Source: Bank of Albania.

Consumer confidence survey indicators showed sharper volatility than business indicators, remaining, however, closer to their historical average. Consumer confidence was lower in 2013 H2. One of the indicators used to evaluate consumption in the economy, the balance of large purchases, stood considerably below the long-term average. Despite the pessimistic assessment of financial situation and employment, the balance of savings improved in 2013 Q4.

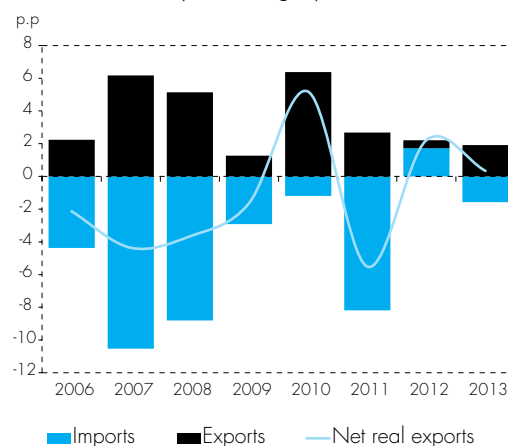
### External demand was the main driver of economic growth in 2013.

The narrowing real net exports deficit by around 1.4% annually provides evidence for the positive contribution of the external sector of the economy to aggregate demand, albeit to a lesser extent than in 2012.<sup>15</sup> The post-election period corresponding to the tourist season had a negative impact on real exports of services. By contrast, exports of goods were more dynamic than in 2012, driven by the improved global trade and higher demand for Albanian products. Real imports of goods remained almost similar to 2012, whereas those of services showed increasing tendency.

In addition to the positive contribution to annual aggregate demand, the narrowing net exports deficit also helped narrow the current account deficit in the first three quarters of 2013. The net surplus in the income account provided a similar positive contribution as well. The positive effect of these two accounts was not waned by the lower current transfers' income – mainly the decrease in remittances.

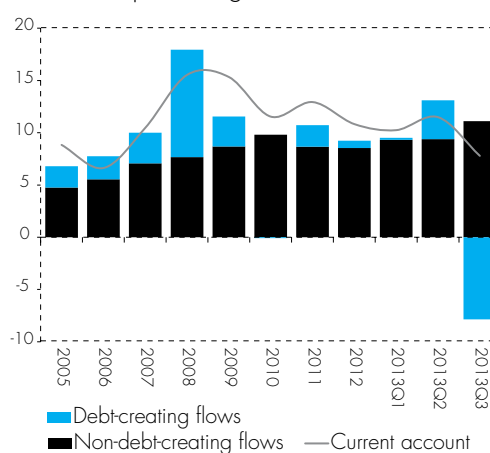
The narrower current account deficit in 2013 was translated into lower need for foreign financing. The latter's profile to cover the current account deficit was almost entirely based on non-debt-creating flows in the form of foreign direct investments and capital account investments. Albanian residents' investments abroad - net portfolio investments - increased in 2013. Financial transactions, classified under other investments, increased Albania's assets invested abroad, driven by fluctuations in investments in the form of banking system currency and deposits. Based on the performance of the above two accounts, debt-creating financial flows were lower in annual terms. Foreign inflows and outflows in the balance of payments increased the international reserve by around EUR 97.3 million in the first three quarters of 2013.

Chart 17 Contribution of real net exports to GDP (in percentage points)



Source: Bank of Albania.

Chart 18 Current account financing (as a percentage of nominal GDP)



Source: Bank of Albania.

<sup>15</sup> The final data on real net exports of goods and services are available as at 2013 Q3. Monetary Policy Department forecasts for 2013 Q4.

Table 4 Main balance of payments items (in EUR million, unless otherwise stated)

	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13
Current account (in EUR million)	-290.4	-251.8	-242.8	-236.3	-224.7	-296.9	-191.6
y-o-y	26.7%	-23.9%	-6.2%	-35.5%	-22.6%	17.9%	-21.1%
/ GDP	-13.8%	-10.0%	-9.6%	-9.9%	-10.2%	-11.5%	-7.8%
Trade balance	-465.3	-475.5	-540.5	-517.8	-332.4	-397.6	-437.6
Exports, f.o.b.	325.8	394.2	402.5	403.1	381.6	458.8	454.7
Imports, f.o.b.	-791.2	-869.7	-943.0	-920.9	-714.0	-856.4	-892.3
Balance of services	8.5	26.2	132.6	27.9	-43.9	-37.3	46.6
Credit	293.8	381.1	578.1	402.1	283.6	346.9	524.7
Debit	-285.4	-354.9	-445.4	-374.2	-327.5	-384.2	-478.1
Travel – export	185.1	246.4	445.3	268.4	171.2	227.3	361.7
Travel – import	-180.8	-240.1	-325.6	-256.1	-205.8	-258.7	-335.7
Travel – net	4.3	6.2	119.7	12.3	-34.6	-31.5	26.1
Income balance	-40.4	-27.7	-20.6	-0.2	-11.3	-23.7	35.3
Credit	48.2	43.0	57.8	55.3	42.2	47.4	53.1
Debit	-88.6	-70.7	-78.5	-55.5	-53.5	-71.1	-17.8
FDI income - net	-54.8	-29.8	-42.0	-26.2	-35.1	-47.6	4.9
Current transfers	206.8	225.3	185.8	253.9	163.0	161.7	164.1
Credit	243.5	265.2	224.1	285.8	195.7	193.8	198.1
Debit	-36.7	-39.9	-38.4	-31.9	-32.6	-32.0	-34.0
Remittances - net	166.5	171.6	140.8	196.3	122.3	104.4	119.0
Capital and Financial (EUR million)	258.3	185.5	174.4	249.1	208.5	338.5	79.5
y-o-y	15.1%	-21.3%	-25.2%	-12.5%	-19.3%	82.5%	-54.4%
/ GDP	12.3%	7.4%	6.9%	10.4%	9.5%	13.1%	3.2%
Capital account	12.9	43.0	9.8	15.6	9.7	4.8	14.8
Financial account	245.3	142.5	164.6	233.5	198.9	333.7	64.7
A. Liabilities	307.5	277.7	378.4	224.4	229.3	322.3	333.6
FDI	205.5	191.1	164.5	183.7	197.0	249.3	265.6
Portfolio investments	14.5	19.6	7.8	21.0	21.8	21.9	21.8
Other investments	87.5	67.0	206.0	19.7	10.5	51.1	46.1
Currency and deposits	69.1	34.8	164.8	3.7	6.1	21.9	41.2
B. Assets	-62.2	-135.2	-213.8	9.2	-30.4	11.4	-268.9
FDI	-2.7	-0.3	-7.7	-7.0	-2.1	-11.7	-7.5
Portfolio investments	-61.0	9.9	-26.4	-10.0	-28.9	-106.5	-10.5
Other investments	1.5	-144.8	-179.7	26.2	0.6	129.6	-250.9
Currency and deposits	-11.0	-133.2	-178.2	67.0	-4.0	92.4	-278.5
Errors and omissions	35.4	73.8	158.0	-36.0	-7.5	44.8	146.5
Reserve assets	-3.2	-7.5	-89.7	23.1	23.6	-86.4	-34.5

Source: Bank of Albania.

### Aggregate demand was supported by a stimulating fiscal policy during 2013

The low economic growth and weak domestic demand drove the Government to pursue a stimulating fiscal policy. The higher budget deficit provided a fiscal impulse of 1.3 percentage points.<sup>16</sup> Most of this fiscal impulse was attributable to the discretionary fiscal policy, whereas automatic stabilisers contributed less to its formation in 2013.<sup>17</sup>

Tax revenue maintained a downward path in 2013 and made major contribution to fiscal stimulus. Budget revenues were impacted by the easing fiscal measures<sup>18</sup> and weak domestic demand. On the other hand, current

<sup>16</sup> Fiscal impulse is defined as the change in the primary deficit as a share of GDP from the previous year.

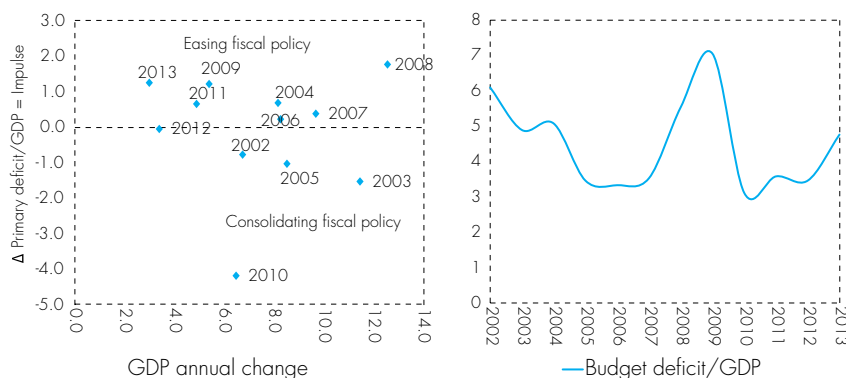
<sup>17</sup> The latest available data are preliminary and may be subject to revision before the publication of this report.

<sup>18</sup> These measures implied broader spectrum of tax exempts and lower rates for some tax categories.



primary expenditure increased in 2013, accounting for around 35% of the fiscal stimulus. Capital expenditure accounted for only 11% of the fiscal stimulus due to their sharp slowdown in the second half of the year.

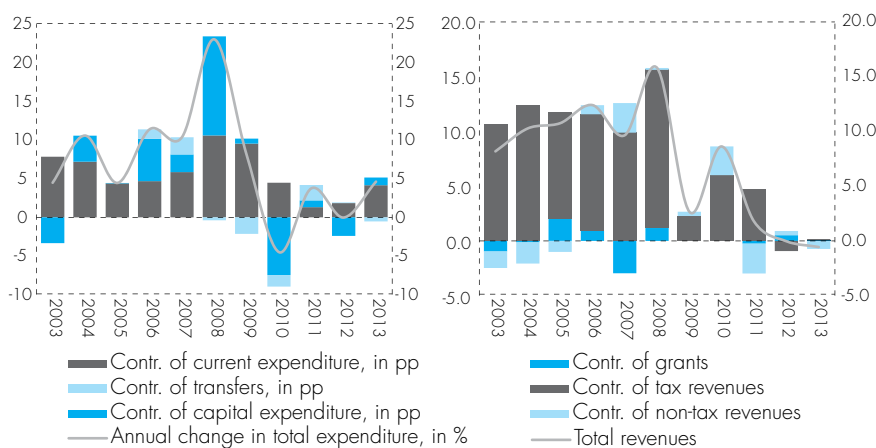
Chart 19 Fiscal policy and fiscal position, 2002-13\*



\* The left-hand chart shows the changes in the primary deficit (general deficit – interest payments) depending on the changes in nominal GDP. The changes in the primary deficit on a year earlier, on the horizontal axis, imply fiscal position deterioration, or positive fiscal impulse, and vice versa.  
Source: Ministry of Finance, INSTAT and Bank of Albania calculations.

The countercyclical fiscal policy, expressed in the widening of the budget deficit, reduced the available fiscal scope, leading to the increase in debt.

Chart 20 Annual changes in main fiscal items (expenditure, left, and revenues, right) by contributions of main relevant items, 2003-13



Source: Ministry of Finance.

The size of the public sector, expressed as budget expenditure as a percent of GDP, was estimated at around 28.9%, up around 0.5 percentage points from 2012. Total expenditure increased by 4.7% in annual nominal terms.<sup>19</sup> Around 40% of the total expenditure increase was attributable to the higher social security outlays (6.1%). This form of expenditure allocation hampers the sustainability of public finances beyond the short-term period. Capital expenditure amounted to around ALL 65.4 billion, up 6.1% from 2012. Their

<sup>19</sup> Excluding lending to KESH in 2012, the annual change in expenditure for 2013 is 5.3%.

path in 2013 made a positive contribution to aggregate demand growth in the first half of the year, and a negative contribution in the second. On the other hand, the contribution of government's final consumption to domestic demand, after peaking in 2013 Q2, moderated in Q3, and later shrank in Q4.

Budget revenues amounted to around ALL 328.6 billion, down by around 0.5% in annual nominal terms. After the negative pace in the first eleven months, tax revenues picked up considerably in December, moving to a positive range of values, due to higher imports (and, consequently, higher related revenues).<sup>20</sup> The positive performance of tax revenues in December improved the overall fiscal setting for 2013. However, this performance was rather a reflection of importers' strategy to precede the changes in the fiscal package applicable as from January 2014<sup>21</sup>, than of an improved consumption dynamics.

This performance materialised into higher budget deficit, which was estimated at around 4.8% of GDP for 2013. Budget deficit was estimated at around ALL 65.4 billion, up 42.7% in annual nominal terms, but around ALL 18 billion short of the annual plan. The difference between the actual and planned level for the deficit (mainly due to lower capital expenditure) was reflected in an almost uniform fall of borrowing in the domestic and foreign market. Budget deficit financing in 2013 was mainly based on the issue of long-term securities and privatisation receipts.<sup>22</sup>

Table 5 Fiscal indicators

	ALL billion			% of GDP		
	2011	2012	2013	2011	2012	2013
Total revenues	330.5	330.4	328.6	25.8	24.9	24.1
Grants	3.8	5.6	5.7	0.3	0.4	0.4
Tax and customs	235.5	232.6	230.6	18.4	17.5	16.9
VAT	119.2	116.5	112.9	9.3	8.8	8.3
Tax on profit	19.7	16.9	15.1	1.5	1.3	1.1
Excise tax	40.4	36.4	38.6	3.2	2.7	2.8
Personal income tax	28.0	28.0	29.6	2.2	2.1	2.2
Local government	11.8	10.9	10.8	0.9	0.8	0.8
Contributions	56.6	57.4	60.0	4.4	4.3	4.4
Non-tax	22.7	24.0	21.6	1.8	1.8	1.6
Total expenditure	376.4	376.2	394.1	29.4	28.4	28.9
Current expenditure	305.7	312.6	328.6	23.8	23.6	24.1
Personnel expenditure	67.4	69.4	70.7	5.3	5.2	5.2
Interest expenditure	41.1	41.5	43.3	3.2	3.1	3.2
Operating expenditure	33.0	31.5	32.4	2.6	2.4	2.4
Social security expenditure	113.9	120.3	127.6	8.9	9.1	9.3
Local government expenditure	28.1	27.3	29.8	2.2	2.1	2.2
Other expenditure	18.7	20.7	23.2	1.5	1.6	1.7
Capital expenditure	70.7	61.7	65.4	5.5	4.7	4.8
Budget balance	-45.9	-45.9	-65.4	-3.6	-3.5	-4.8
Domestic borrowing	28.2	24.8	46.3	2.2	1.9	3.4

Source: Ministry of Finance and Bank of Albania's calculations.

<sup>20</sup> In December alone, VAT and excise revenues recorded an unusual annual increase of 45% and 66%, respectively. Their increase drove the tax revenues for 2013 up by 0.2% in annual nominal terms. As at end-November, tax revenues were 2.7% lower in annual terms.

<sup>21</sup> The changes in the 2014 fiscal package, which brought about advanced imports by businesses, were mainly related to the increase in some excise taxes, broader range of goods subject to excise, fewer exemptions from the VAT scheme, and the increase in national (circulation) tax.

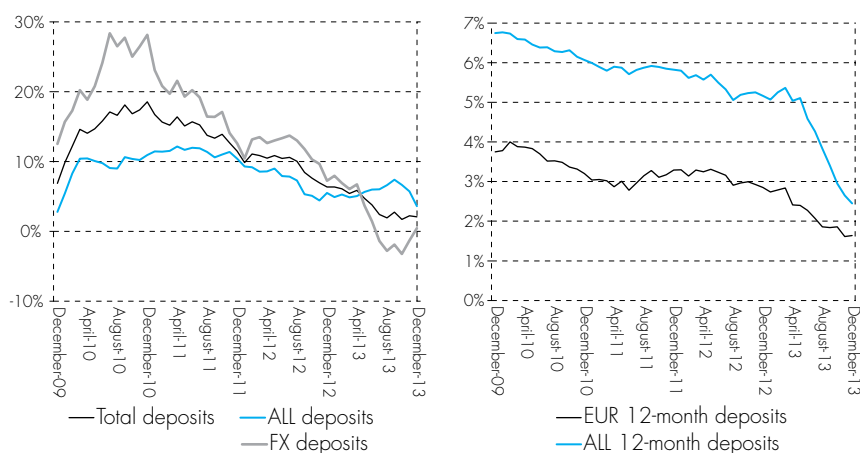
<sup>22</sup> In October 2013, the Government sold the first-ever 10-year bond, which was added to the range of long-term instruments ranging between 2-7 years.

DEPOSITS AND LOANS<sup>23</sup>*Annual growth rate of deposits slowed in 2013.*

Monetary indicators in 2013 reflected the deceleration in economic activity, lower creation of currency, and increased economic agents' tendency to place their savings in other financial instruments. The annual growth pace of deposits slowed in 2013. As at end-December, total deposit stock was around 2.1% higher than in 2012. Deposits accounted for around 82.7% of broad money, maintaining an almost similar share to 2012. Deposits by currency confirmed a more stable growth of lek-denominated deposits, which recorded an annual growth rate of 3.6% in December. The higher level of domestic currency creation was supported by the increased public sector borrowing, particularly in the first half of the year, and better lek lending performance. Foreign currency-denominated deposits performed slower and were more volatile. At the end of December, total deposits in foreign currency were around 0.4% higher than in 2012.

During 2013, deposits were also affected by operations of new non-bank financial institutions and launch of long-term financial instruments<sup>24</sup>, which proved attractive to the Albanian public. Household deposits slowed their pace in 2013, increasing by 1.7%. Being also driven by the lower interest rate on bank deposits, households shifted part of their savings toward these new institutions. Interest rates on deposits maintained a downward path in 2013. At the end of the year, the interest rate on new one-year lek deposits was 2.5%, from 5.2% in 2012. This substantial fall reflected the monetary policy signals and liquidity performance in the banking system. The two indicators favoured the drop of interest rates on lek deposits in 2013, whereas those on euro deposits were more stable. As at the end of 2013, the interest rate on euro time deposits averaged 1.35%, from 2.3% in 2012.

Chart 21 Deposits by currency; interest rates on deposits



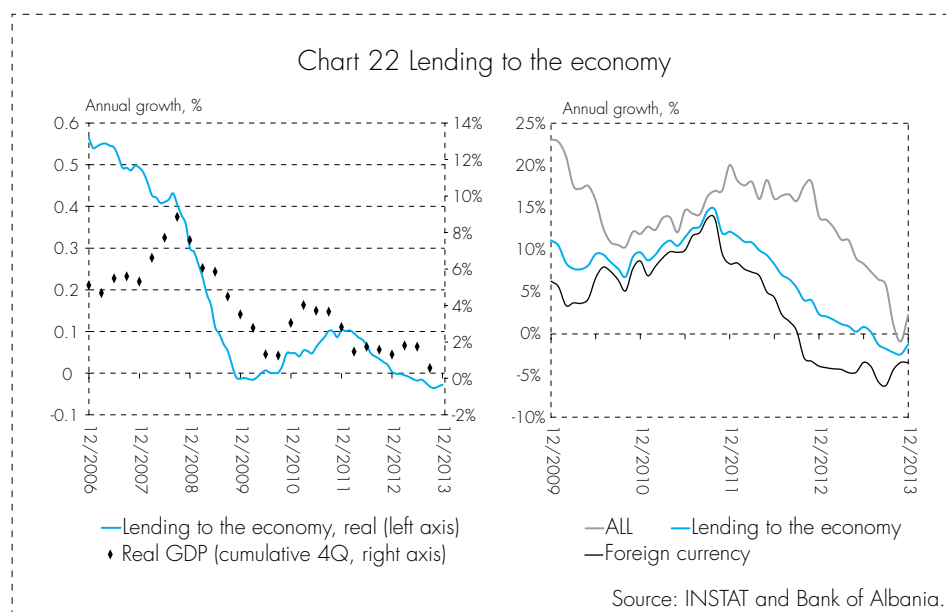
Source: Bank of Albania.

<sup>23</sup> December data are preliminary and may be subject to revision before the publication of this report.

<sup>24</sup> In October, the Albanian Government launched the 10-year lek bond, and in December the 2-year euro bond.

*Lending showed weak performance during 2013, reflecting the negative impact of both supply and demand-side factors.*

The liquidity collected during 2013 was mostly invested in the primary market, whereas bank lending shrank. Lending to the economy worsened in 2013. Its portfolio shrank by ALL 7 billion and, at the end of the year, was reported 1.2% lower than in 2012. Lending in foreign currency continued to shrink, registering an annual fall of 3.4%. Additionally, lending in lek slowed considerably from 2012. At the end of 2013, it grew 2.2% annually.

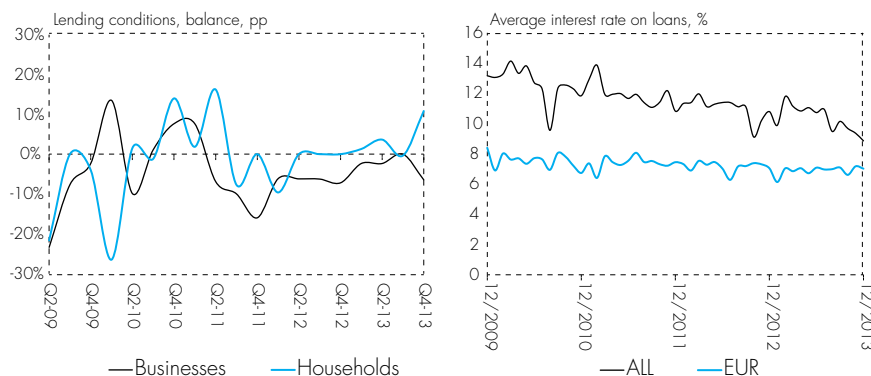


The weak performance of lending in 2013 materialised the concurrent effect of demand and supply-side factors. In face of the further deceleration in economic activity, uncertainties about the future and spare production capacities, demand for household and business borrowing shrank in 2013. On the other hand, banks remained cautious and selective in the lending process, reflecting high perceived risk relating to their customers' financial soundness. In addition to the above factors, the shrinking loan portfolio also reflected banks' non-performing loan management policies.<sup>25</sup>

The conservative bank lending policies were applied through the loan rate and other bank lending standards, relating mainly to collateral requirements and loan amount, which were mainly applied to businesses. After remaining rigid with respect to following the monetary policy signals in the first half of the year, interest rates on new lek loans began to fall for the rest of the year. Their fall was sharper in 2013 Q4, due to a further increase in Bank of Albania's monetary stimulus, and mostly affected business loans and household mortgage loans. Interest rates on euro loans were more stable, dropping only slightly from 2012.

<sup>25</sup> These policies consisted in loan loss write-offs or sale of a part of non-performing loans to third parties. This phenomenon was particularly present in 2013 Q3, in business loans denominated in foreign currency.

Chart 23 Lending conditions and interest rates on new loans\*

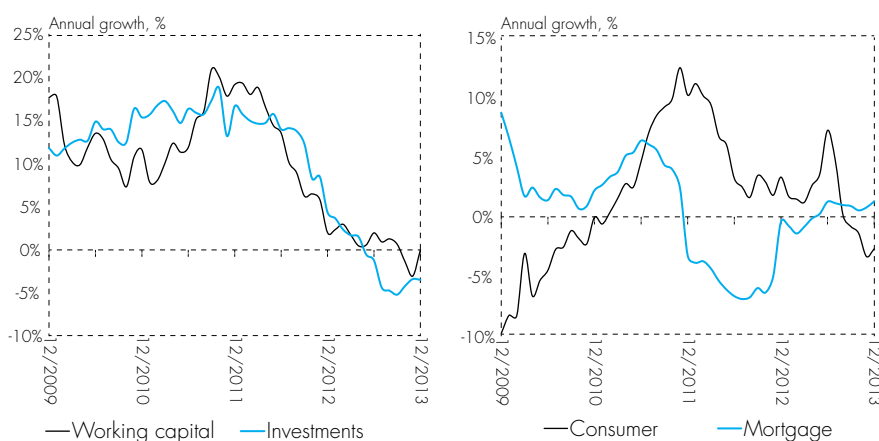


\* The lending conditions are based on information obtained from the Bank Lending Survey. They show the net balance, expressed as the net percentage of banks easing the lending standards. The positive balance indicates the easing of lending standards, whereas the negative balance indicates their tightening.

Source: Bank of Albania.

Lending to businesses shrank 2.0% in 2013. By purpose of use, investment loans fell by 3.5%, whereas working capital loans remained similar to 2012. Banks reported further fall of business demand for loans. The fall of demand for investment loans, which has been noticeable in the past four years, became more pronounced in the second half of the year. Also, demand for working capital loans, which has been the main driver of credit growth in the recent years, fell considerably during this period. On the other hand, banks tightened the lending standards applied to businesses. They showed greater caution towards lending to businesses, particularly with respect to long-term investment loans. While interest rates on business loans decreased, banks' conservative policies were materialised through the tightening of other lending standards.

Chart 24 Lending to businesses (left) and households (right) by purpose of use



Source: Bank of Albania.

The poor performance of lending to businesses was noticeable in almost all sectors of the economy, with few exceptions in some particular branches. Banks increased their lending only to industry and agriculture. Lending to the construction sector continued to shrink. Similarly, lending to the services sector decreased due to lower lending to trade, hotels and real estate management.

Despite worsening less than lending to businesses, lending to households showed comparably poorer performance than in 2012. At the end of 2013, its portfolio remained unchanged from end-2012. After the recovery of mortgage loans in the first half of the year, the annual growth of household loans improved in Q2, to later slow due to shrinking consumer loans. Banks reported higher household demand for loans after 2013 Q1. Unlike businesses, banks applied more encouraging standards on household loans, and particularly on mortgage loans. To encourage lending, banks applied more favourable standards relating to interest rates and other lending conditions. In spite of this, household demand for loans was weak due to uncertainties about the future; hence, responding very little to the easier lending standards.

## BOX 2 SUMMARY OF INFORMATION FROM THE BANK LENDING SURVEY FOR 2013

The Bank Lending Survey makes a qualitative analysis of aspects related to bank lending standards, and business and household demand for loans. This box summarises the survey data to describe the factors affecting the lending standards and criteria applied to banking system customers during 2013.<sup>26</sup>

The surveys show that banks tightened slightly the lending standards applied to businesses in 2013 H1, while keeping them unchanged in H2. Their net balances were -2.3% and 0%, respectively, during the period under review. On the other hand, the lending standards applied to households showed an easing tendency in 2013. The net percentage of banks easing the lending standards stood at 10% at year-end. We note a similar tendency in euro area countries, with the lending standards being tightened less during 2013, both on businesses and households.

Chart 25 Lending standards applied to economic agents



Source: Bank of Albania.

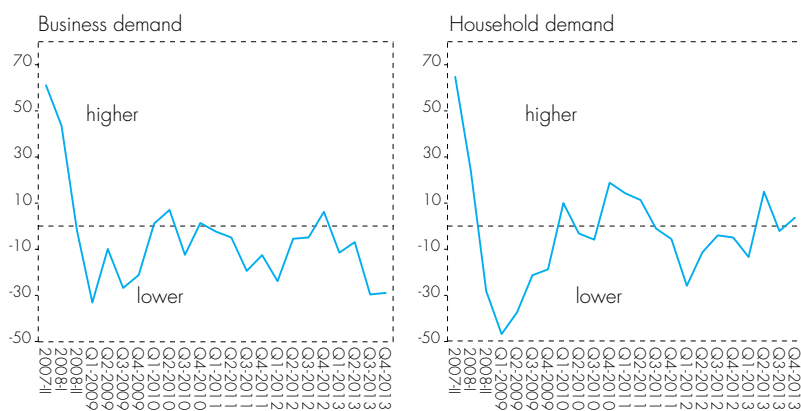
Overall, the change in lending standards applied to businesses and households, analysed by purpose of use, was in the same direction.<sup>27</sup> The easier lending standards applied to households during 2013 were attributable to the improved liquidity situation and competition in the market. Concerning businesses, the main factors driving the tightening of standards were specific business-related problems, macroeconomic setting and non-performing loans.

The change in bank lending terms and conditions applied to businesses and households was generally on the easing side. This trend was seen in both monetary and nonmonetary-related standards, excluding the margin on risk-rated loans, which was considerably tightened for all economic agents.

<sup>26</sup> The aggregation of bank lending survey results is based on a standardised methodology, which is widely used by central banks. The results are, therefore, comparable to other central banks' surveys. Some of the major central banks conducting the bank lending survey include the Federal Reserve (since 1967), European Central Bank (since 2003), Bank of England (since 2007), and Bank of Japan (since 2000).

<sup>27</sup> Businesses: working capital and investments; Households: house purchase and consumption.

Chart 26 Demand for loans



Source: Bank of Albania.

According to banks' reporting, business demand for loans was generally downward in 2013. Business net demand<sup>28</sup> hit negative values throughout 2013, deteriorating in the second half of the year. The main factor driving the weak business demand for loans was the macroeconomic setting. On the other hand, household demand for loans improved during 2013, driven by the need to finance consumption and housing.

<sup>28</sup> Measured as the difference in percentage points between the responses showing its growth and those showing its decline.



## I.2. FINANCIAL STABILITY AND BANKING SUPERVISION

- *A financial system is assessed as stable, if it is able to withstand various shocks to its activity and meet economic agents' needs for financing and other financial services.*

The definition reveals clearly the need for identifying, preventing and managing risks to the financial system, particularly the systemically important ones<sup>29</sup>. The latter accompany the financial system activity and reflect not only the complexity of activity but also its extension to various jurisdictions and the real-economy interplay. Therefore, ensuring financial system stability is not the exclusivity of a public authority but it requires cooperation among relevant public authorities at home and abroad, and regular communication with the financial industry.

The role of each public authority in financial stability is markedly influenced by the financial system structure. As in many European countries, the Albanian financial system is dominated by the banking sector, which accounts for about 90% of the volume of financial system activity. The rest is represented by non-bank financial institutions, which are supervised by several public institutions. The Law "On the Bank of Albania" and the Law "On Banks in the Republic of Albania" regulate Bank of Albania's role in maintaining financial stability. Besides the objective of maintaining price stability through monetary policy implementation, the Bank of Albania has other objectives as well, including regulating the banking activity and developing the payment systems. These objectives shall be achieved by licencing, regulating and supervising the banking activity, as well as by monitoring and implementing initiatives to technologically improve the payment systems, in line with the best international standards. Furthermore, the legal framework also defines the Bank of Albania's responsibility for communicating its assessment on financial stability to the public.

### I.2.1 BANKING SECTOR

Despite the fragile situation of the Albanian economy and increased vulnerabilities in the financial system, the key financial strength indicators improved in 2013. The positive profit increased. The levels of liquidity and capitalisation were adequate.

The banking sector remains the main sector of financial intermediation in Albania. As of end-2013, its assets accounted for 90.5% of GDP or 0.9 percentage points higher than a year earlier. It is dominated by five large banks,

<sup>29</sup> *Systemic risk is defined as the risk of collapse of financial services due to the partial or total damage of the financial system and that may provide seriously negative consequences to the real economy. Systemic risks are divided into cyclical and structural risks. The cyclical dimension relates to the way the risk develops over time, in the conditions of interplay between financial agents or financial system and the real economy. The structural dimension, also known as the inter-sector dimension, is related to the way the risk is concentrated or extended to the financial system infrastructure, at a certain period, potentially bringing about a significant negative impact on the financial system stability.*

which altogether account for 67% of the system's loan portfolio and 73% of deposits. The major part of the banking sector is controlled by subsidiaries of EU-based banks, conducting their business pursuant to the Albanian legislation and Bank of Albania's legal framework.

Table 6. Bank ownership structure, 2010-2013

Number of banks at period end	2010	2011	2012	2013
Banks in Albania, of which:	16	16	16	16
Branches of foreign banks	2	2	0	0
Private significant holding <sup>1</sup> by divisions:				
Foreign private significant holding:	14	14	14	14
- Foreign significant holding from the European Union <sup>2</sup>	10	10	10	10
- Turkish-owned significant holding	1	1	1	1
- International Finance Corporation-owned significant holding	1	1	1	1
- Kwaitian-owned significant holding	1	1	1	1
- Swiss Confederation-owned significant holding	1	1	1	1
Domestically-owned private significant holding <sup>3</sup>	2	2	2	2

<sup>1</sup> "Significant holding" is in any case a simple majority of 50% plus 1 vote.

<sup>2</sup> Banks with capital originating from the EU countries are from Italy (1 bank), Austria (1 bank), Germany (1 bank), France (2 banks), Greece (3 banks) and Bulgaria (1 bank)

<sup>3</sup> Banks with domestically-owned significant holding are Union Bank Sh.a., and Credins Bank Sh.a.

As of end-2013, the banking sector assets increased to ALL 1,234 billion, up by 3.9% in annual terms, from 6.1% a year earlier. This slowdown was due to slower deposit growth and decline in bank lending. Assets expanded through interbank market operations and the security market, mainly reflecting the banking sector's higher engagement in government debt security auctions. Financing of operations was ensured from increase in public deposits, which accounted for 82.1% of total banking sector liabilities. Despite the moderate economic activity, bank deposits increased 3.6% in 2013, from 7.3% in the previous year.

Banking sector exposure to non-residents is similar to the previous period, reflecting banking sector's low dependence on foreign sources of finance.

During 2013 H2, bank lending contracted 1.8%. As of end-2013, lending accounted for about 41.3% of GDP<sup>30</sup>.

#### NET PROFIT AND PROFITABILITY

As of end-2013, the banking sector's net profit was positive, about ALL 6.6 billion, improved by 74% from 2012. Net interest income fell slightly, while other operating income increased by ALL 1.14 billion. The contracted lending led to lower flows for credit risk provisioning, while the improved price of investment securities in bank portfolios contributed to lowering overall provisions. These developments are the main drivers of net profit growth for the period. Annualised return on average assets was 0.54%, while return on average equity was 6.4%.

<sup>30</sup> Here, differently from chapter 1, the credit portfolio and deposits refer to total loans and deposits including public and non-resident enterprises.

Table 7. Core-activity profitability indicators, in percentage (cumulative)

Ratios	December`10	December`11	December`12	December`13
Interest income/average interest-earning assets (1)	8.11	7.78	7.73	7.32
Interest expenses/average interest-earning assets (2)	3.78	3.57	3.72	3.42
Net Interest Margin (NIM) {(1)-(2)}	4.32	4.20	4.01	3.89

Source: Bank of Albania.

#### CAPITAL ADEQUACY RATIO

The structure of regulatory capital appears favourable as regards its capacity to cover any potential losses, since Tier 1 capital continues to dominate, accounting for 82.5%. The higher increase in the regulatory capital to risk-weighted assets led to rise in the capital adequacy ratio to 17.96%, from 16.2% a year earlier.

#### CREDIT QUALITY

In December 2013, non-performing loans accounted for 23.5% of the loan portfolio, increasing very slowly compared to previous years. The share of non-performing loans in private business loan portfolio expanded by 1.8 percentage points to 27.7%, while in household loan portfolio it improved slightly by 0.5 percentage points to 16.7%.

During the year, non-performing loans continued downgrading into loss loans, hence increasing banks' dependence on collateral execution processes and loss loan write-offs. Downgraded loans led to a surge in loan-loss provisioning by 20%.

#### LIQUIDITY

Liquidity position was adequate. As at end-2013, the ratio of liquid assets to short-term liabilities was 34.7%, being 42.7% for the lek and 26.6% for foreign currencies. Each indicator was above the minimum regulatory requirement. During the year, there were no important changes in banks' dependence on parent-bank financing. This indicator remained at moderate levels.

Deposits remained the main source of financing, with a generally low concentration. At end-2013, ten largest depositors accounted for 6.5%, 20 largest accounted for 8.1%, and 50 largest accounted for 11.2% of the total banking system deposits.

#### STRESS-TEST RESULTS

Stress-testing is used to assess the financial stability and capital adequacy of the banking sector for a period up to end-2014. It assesses the impact of macroeconomic situations on banks' financial position, excluding the likelihood of rise in paid-in capital during the period under review. This analysis focuses mainly on assessing credit risk and its impact on banks' capitalisation. It contains a baseline scenario and two adverse scenarios. The baseline scenario is based on economic and financial indicators projected on the basis of their historical performance. Adverse scenarios assume a situation of stress, with a low probability of occurrence. They are based on some probable shocks to the Albanian economy, as follows:

- Stopped lending, higher market interest rates and lower net interest income;
- Stopped lending, depreciated domestic currency, higher interest rates and lower net interest income.

Stress-test results show that under all scenarios, the banking sector remains well capitalised but under adverse scenarios some banks show a need for additional capital at the end of 2014.

Regarding market risk, the stress test has assessed banks' exposure to sovereign risk of investing in foreign government debt securities and in trading debt securities. The adverse scenario assumes haircut<sup>31</sup> shock to the value of foreign securities investment on the market value reported by banks. The stress-test results reveal that the exposure to private trading debt securities is significant, whereas exposure to sovereign debt securities is limited.

To assess the pass-through of risk to the Albanian banking sector through the contagion risk, the stress test has also considered the banking sector's exposure to major banking groups. The stress-test results show that this exposure remains significant, particularly to some banks.

Concluding, the stress-test exercise highlights the importance for some banks to prudentially monitor the overall economic developments, in order to assess their impact on the banking activity and their needs for additional capital.

#### FINANCIAL STABILITY STATEMENT

The Bank of Albania communicates regularly its opinion about financial stability issues and banking supervision through its publications, particularly the semi-annual Financial Stability Report, Financial Stability Statement, Supervision Annual Report and Annual Report of the Bank of Albania. In these publications, the Bank of Albania assesses the financial system, particularly the banking sector, drawing attention to various risks to financial system and making relevant recommendations.

The Financial Stability Statement of September 2013 assessed the situation of the banking sector and financial system as stable, evidencing the risks arising not only from the financial difficulties in the economies of Albania's trading partners, but also from developments in the domestic activity, especially the credit quality deterioration. Also, the statement highlighted the importance of the fiscal policy impact on the banking sector performance against the backdrop of public arrears. It stressed the need for restoring the balances and maintaining the fiscal stability, particularly as regards the lek and foreign-currency debt management policies.

Bank of Albania's website regularly presents press releases on meetings of the Financial Stability Advisory Group. Financial stability issues are also

<sup>31</sup> The spread between the market value of a security pledged as collateral and its value used for calculating the extended credit, expressed as a percentage of the market value.

addressed in Bank of Albania's other regular publications, and in Governor's public addresses.

## 1.2.2. RISK ASSESSMENT AND MANAGEMENT

Pursuant to its mandate, the Bank of Albania constantly analyses the banking system's sensitivity to credit, market, liquidity risks, and risks arising from the banking-sector exposure to foreign markets and their products. Such analyses are later on used for assessing the systemic risk.

### *CREDIT RISK*

Credit risk has drawn Bank of Albania's attention since the global crisis burst. Its impact on Albania's economic growth slowdown is associated with a deteriorated bank credit quality and reduced pace of bank lending to the economy. Due to growth slowdown, the loan demand by businesses and households has dropped. Also, banks have tightened their lending terms and have become more prudent about the credit risk. Bank of Albania's approach to credit risk has undergone the following stages:

- a) First, it aims to accurately identify the problem. To this end, the Bank of Albania has intensified its banking supervision focusing on rapid and accurate identification of non-performing loans. Therefore, it has conducted on-site examinations and has improved the off-site surveillance. The latter include different surveys and stress-testing exercises, which aim to assess the banking industry outlook for lending and test the abilities of both individual banks and the overall sector against the assumption of further deterioration in credit quality. Given the results and in case of need, the bank is requested to take corrective structural actions and raise its capital level;
- b) Second, it aims to address problems, which associate with lending and impede the process for resolving non-performing loans. From Bank of Albania's viewpoint, resolving this problem requires addressing of non-performing loans stock and flows. Therefore, actions have been taken in the two following directions:
  - a. To address the non-performing loans stock, the Bank of Albania has focused on:
    - i. Improving the collateral execution process; and
    - ii. Tax treatment of bank loan losses in case of bank write-offs.

Regarding these issues, the Bank of Albania has constantly communicated with the banking industry, the Ministry of Finance and other process-relevant institutions. Thanks to this joint work, on September 2013, the Albanian Parliament passed several amendments to the Code of Civil Procedure and the Civil Code, which facilitate the procedure for credit collateral auctions and improve legal guarantees for the whole process. Also, after the respective instruction by the Ministry of Finance on May 2013, the Parliament has lately

approved some amendments to the law on tax revenues. Amendments treat bank loan losses as deductible expenses for the effect of calculating the profit, when the required conditions are met.

Recently, the Bank of Albania has undertaken to provide banks with a detailed orientation as regards banks' selling off loans from their portfolios. Year 2013 saw several such cases and we regard this process as useful for reducing non-performing loans in banks.

- b. To address the flows of non-performing loans, the Bank of Albania has focused on:
  - i. Early restructuring of loans to prevent their downgrading as non-performing loans;
  - ii. Providing some stimuli to orient banks toward lending, in the conditions of adequate liquidity.

Regarding these issues, the Bank of Albania adopted some regulatory amendments on May 2013, which required creating a sub-category to include performing loans that would become part of the early restructuring process. Provisions for covering these loans would be higher than in normal conditions but lower than in non-performing loans category. Also, for restructuring the non-performing loans, the period of holding them at the same category after restructuring was shortened from 9 to 6 months. Furthermore, capital requirements for new flows of bank's investments with non-residents increased. In parallel, capital requirements for annual addition of lending in the country within a band of 4-10% dropped to zero. These temporary actions aimed to create appropriate conditions for banks to orient their funds toward lending to the domestic economy.

Concerns about lending and its quality were on the focus of cooperation with and assistance by international financial institutions, particularly the World Bank. Together with the World Bank, cooperating closely with the banking industry, we are currently involved in a project to improve banks' capacities for addressing and resolving non-performing loans.

During 2013, the Bank of Albania conducted an easing monetary policy, reflecting not only the low inflation pressures but also aiming to stimulate growth through lending at low interest rates. Overall, the Bank of Albania deems that these actions contributed to preventing rise in non-performing loans during 2013, and instituted a downtrend of credit interest rates. We expect that the effect of these measures will pass through fully during 2014.

#### *MARKET RISKS*

The Bank of Albania deems that the banking sector is exposed to interest-rate and exchange-rate fluctuations. In both cases, the market risk is indirect and relates mainly to difficulties that a swift and considerable increase in interest rate and/or exchange rate would pose to borrowers. However, we deem that the probability of occurrence of these adverse moves remains low, in the conditions of a slowed economic activity and contracted foreign-currency lending by the banking sector.

*LIQUIDITY RISK*

The Bank of Albania deems that the banking sector exposure to liquidity risk is low, against the backdrop of adequate liquidity condition. Liquidity indicators, both in lek and foreign currency, are above the minimum required threshold. Albeit at slow paces, bank deposits continue to pick up. As a result, the banking sector's relying on foreign financing remains low.

*RISK OF FOREIGN SHOCKS SPILLOVER*

The latest financial crisis highlighted the need for monitoring international market developments to assess their impact on the value of the banking sector investments. The Bank of Albania conducts this assessment periodically, as part of the stress-testing exercise. This exercise assesses each bank's capital adequacy for covering loss of a certain value of bank investments with non-residents. The results become part of Bank of Albania's supervision policy.

*SYSTEMIC RISK*

Assessment of each risk and the overall analysis of the economy and the financial system provide us with an assessment of the systemic risk situation and performance. Therefore, the Bank of Albania focuses on:

- a. Developing methodologies and techniques to assess the systemic risk in its both dimensions;
- b. Conceiving and establishing the framework for macroprudential policies;
- c. Developing inter-institutional cooperation and preparing in advance for:
  - i. Preventing systemic-risk situations;
  - ii. Managing systemic-risk situations.

To assess the systemic risk according to its cyclical dimension, the Bank of Albania has applied several methodologies and techniques, which include indices for assessing the banking sector's financial position and the financial stress level. Furthermore, surveys are designed and conducted with the banking industry to learn about its perception of the systemic risk; and with businesses and households to assess their debt burden and the pass-through of risk to the financial system. Also, a model is constructed for assessing the linkage between macroeconomic developments and financial system developments. Recently, the Bank of Albania has completed a methodology for mapping the state of financial stability.

Assessing the systemic risk according to its structural dimension, the Bank of Albania has developed a methodology that identifies banks' contribution to systemic risk and determines the systemically important banks. Since some time ago we have enriched the information on banks' exposure to the interbank market, which, in turn, has served to assess the interbank risk pass-through. We have requested some banks to develop internal recovery and restructuring plans in compliance with international standards. Moreover, a new methodology has been developed to assess the real estate market, based on a specific survey which we believe will improve the existing

methodology and provide broader information on the developments of this market.

We are currently in the stage of aggregating this information and incorporating it properly to the stress-testing exercises. About the latter, the Bank of Albania has also involved some commercial banks in this process, asking them to submit their stress-testing results under some scenarios constructed by the Bank of Albania.

#### *MACROPRUDENTIAL POLICY*

The global financial crisis highlighted the need to complete the traditional financial supervision that focuses on risks to certain institutions with the risk-based supervision that focuses on the overall financial system. Therefore, the framework for macroprudential policies clearly defines the role of Bank of Albania (intermediate and final) objectives and instruments in the systemic risk management. Also, it is important to coordinate supervision with monetary policy activities. Several abovementioned actions, precisely those related to boosting lending and assessing systemic risk may be regarded as macroprudential measures, as long as they focus on systemic risk, are counter-cyclic, and apply to the whole banking sector.

#### *INTER-INSTITUTIONAL COOPERATION*

Over the past two years, the inter-institutional cooperation on consulting the policies of addressing and assessing the systemic risk has made headway, upon the institutionalisation of the Financial Stability Advisory Group. This group consists of the Minister of Finance presiding it, the Governor of the Bank of Albania, and the Chairperson of the Albanian Financial Supervisory Authority. The Group regularly invites the General Director of the Deposit Insurance Agency and is supported by a Secretariat, which is directed by the Bank of Albania. The purpose of this advisory structure is to discuss and harmonise policies and actions for preventing and managing risks, and for maintaining financial stability. In its regular meetings, participating authorities have discussed the state of the financial system, assessment of risks to related segments, and have provided information on actions taken to address relevant issues, including legal initiatives.

#### *FSAP PROCESS*

On October-November 2013, the financial system and its oversight were subject to an assessment by the International Monetary Fund (IMF) and the World Bank (WB). This assessment included all the segments of the financial system, the way of overseeing them, approximation to international standards, the public authorities' ability to identify and manage various risks and inter-institutional cooperation. Preliminary discussions with the IMF and the WB showed that they assessed as positive the banking and financial sector's capacity to withstand the impact of the global financial crisis.

In this regard, the mission stressed that the actions taken by authorities to identify and manage risks were on right track. The mission also put forward



recommendation for improving and completing the initiated processes, which have been translated into detailed work plans for respective institutions. Some of these recommendations have become part of the terms of the latest arrangement with the IMF. Carrying them out in due time and quality assumes special importance.

The mission assessed that in spite of unfavourable and challenging economic environment due to the international financial crisis, the Bank of Albania demonstrates a high level of compliance with the Basel Core Principles for Effective Banking Supervision. The work and improvements of concepts for full implementation of risk-based supervision were also assessed as positive.

In terms of the mission, one of the ways to measure Albanian banking system's resilience to liquidity shocks was conducting a stress-testing analysis on liquidity risk. In line with the best practices and international standards for this purpose, the Bank of Albania, in cooperation with the International Monetary Fund, applied a new methodology. It was based on the maturity basket concept and was a step ahead of the existing methodology applied by the Bank of Albania, tending to assume a situation as real as possible to the behaviour of customers and markets during a probable liquidity crisis situation.

In the same light, other stress tests were conducted to test credit and market risks. The applied methodology consisted in measuring the resilience of the capital adequacy ratio to potential shocks by assuming increase in non-performing loans, and volatile exchange rates and interest rates. The stress tests were conducted by applying standard shocks used in similar stress tests of other financial systems, which were suggested by the mission.

### 1.2.3. SPECIFIC SUPERVISORY ACTIVITIES

- Bank of Albania's supervision function is based on three pillars: licensing, regulation and supervision. The latter is carried out through off-site surveillance and on-site examinations<sup>32</sup>.

The system is assessed through periodic (monthly and quarterly) reviews, which aim to provide a complete landscape of developments in the banking and financial activities, by analysing a broad range of indicators for the respective period. Each bank and non-bank financial institution is assessed periodically to identify the main risks and developments and to determine the respective supervisory activity.

Financial difficulties in economies and global financial markets, and in the domestic market have directed the focus on the loan portfolio quality, loan loss provisions, capital adequacy ratio and overall performance of individual banks. From the qualitative viewpoint, attention was paid to bank management quality and commitments to preparing the infrastructure needed for facing

<sup>32</sup> The Bank of Albania publishes detailed information on developments in banking system and banking supervision in its Annual Supervision Report.

potential problems and challenges in the future. Besides supporting the financial stability assessment, the supervisory resources focused on some other essential projects in 2013, such as: criteria for the development policy loan, risk-based supervision, addressing non-performing loans, compiling the guideline for loan restructuring and real-estate assessment, switching from Basel I to Basel II, recovery and resolution plans, and regulatory reporting standards.

- *Criteria for the development policy loan*

'Criteria for the Development Policy Loans (DPL)' is a World Bank instrument for setting some important development objectives to extend supportive loans to the Albanian government. The DPL objectives have derived from some conclusions of the FSAP mission and the Bank of Albania has the most important role in meeting these criteria. They aim at making legal and regulatory amendments to improve the functioning and soundness of the financial system. The Bank of Albania is strongly committed to meeting these criteria, closely cooperating with the involved institutions for their entry into force within 2014 Q1.

- *Risk-based supervision*

In pursuance of the Twinning Project with the Bank of Italy, recommendations by the FSAP mission, and criteria for the Development Policy Loan by the World Bank, the Bank of Albania is completing the work for full implementation of the risk-based supervision methodology. It consists in orienting human resources toward supervision and monitoring the evidenced and potential risks versus the standard methodology of static assessment of licensed entities. Regarding this methodology, two important documents are being completed, the Operational Supervision Policy and the Risk Assessment Manual. The latter provides a new bank assessment system, in line with the EU standards. These changes are expected to enter into force within 2014 Q1.

- *Addressing non-performing loans*

Further to a number of legal and regulatory initiatives to lower the share of non-performing loans and boost lending to the economy, the Bank of Albania has undertaken a specific initiative, in cooperation with the World Bank's FinSAC project, to further the loan restructuring. The purpose of this platform is to use the international experience for drafting recovery and resolution plans about non-performing borrowers or those who are showing problems in individual bank portfolios. The close cooperation with experts from the Financial Sector Advisory Centre aims at a deeper and professional restructuring of non-performing loans management.

- *Drafting guidelines*

Two guidelines were drafted for the loan restructuring process - one for businesses and one for households. Their purpose is to orient banks and borrowers in the loan restructuring process, as a very important phenomenon under the current economic situation. They were drafted following the market-

driven need for comprehensively reviewing the lending relationships under Albania's current economic conditions and the difficulties of businesses and households to settle their liabilities to banks. The ongoing messages by the Bank of Albania and the recent package of measures for encouraging an ever massive and sound restructuring process have led to the necessity for determining some orienting and clarifying benchmarks for participants in this process.

Also, a third guideline on real-estate assessment issues was drafted to define some core principles for orienting the assessment of real estates pledged as collateral for the disbursed loans. This guideline sets forth minimum standards that would enable comparative assessments not only within a financial institution but also within the overall financial system. It also identifies more accurately the level of specific credit risk and the overall loan portfolio. These guidelines are published on Bank of Albania's website.

- *Switching from Basel I to Basel II*

In terms of approximation to the European Directive 2006/48/EC on credit institutions and the Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions, a new regulation 'On Capital Adequacy Ratio' was launched. It marks the switching from Basel I to New Capital Accord, also known as Basel II. This Bank of Albania's approach, under the light of the Basel II, ensures the linkage between bank capital and its risk profile, related to the standard method for calculating the capital demand, credit risk and counterparty risk. Also, it sets forth the principles and rules for calculating the risk-weighted exposures for each class of exposure; recognising External Credit Assessment Institutions (ECAI) and Export Credit Agencies (ECA); principles and methods for recognising and mitigating the credit risk; securitisation and calculation rules for securitisation exposure; use of the simple-index method and operational risk standard approach, use of the standardised approach for the market risk, supervisory authority's requirements for the internal assessment process of capital adequacy; and publication of information on bank capital adequacy. This regulation will provide banks with potential opportunities to further upgrade the risk management systems and calculation of more calibrated capital needs.

- *Recovery and resolution plans*

One of directions of the supervision work during 2013 was the assessment of recovery plans prepared by systemically important banks in response to Bank of Albania's supervisory requirements. The recovery plans are documents presenting the recovery measures that banks themselves plan to undertake to turn their financial condition back to normality, if unfavourable conditions materialise at market or individual bank level. As such, these plans are useful instruments for banks and the supervisory authorities to manage the potentially problematic situations. Based on the results of this process, within 2014 Q1, the Bank of Albania will adopt a relevant guideline to clarify and further structure the requirements for recovery plan preparation by banks.

- **Regulatory reporting standards**

The Supervision Department has paid special attention to improvement of bank reporting standards to the Bank of Albania, aiming to ensure that the reporting methodology reflects and adapts to developments and changes in international financial reporting regulatory standards. It is worth of note that these changes are made in close cooperation with the stakeholders, such as banks and external auditors.

#### **VIENNA INITIATIVE II AND BANK OF ALBANIA'S CONTRIBUTION**

*The Vienna Initiative II builds on the success of Vienna Initiative I, which was established at the height of the global financial crisis of 2008-2009. The Vienna Initiative II functions as a public and private sector platform, which brings together key International Financial Institutions, the European Commission and relevant EU institutions, the principal cross-border banking groups, and home and host country authorities. Its geographical coverage extends beyond the European Union (EU) and includes other CESEE countries with a substantial presence of Western banks.*

*In this view, the financial crisis, and particularly the sovereign debt crisis in the euro area, has brought the conflict of interest between the banking sector's home and host countries sharply into focus. The ongoing euro-area crisis has highlighted the risk of disorderly deleveraging of parent banks to their affiliates in CESEE and the difficulties in cooperation between home and host country authorities. Hence, countries where foreign banks' subsidiaries or branches are systemically important face particular challenges in safeguarding the financial stability and ensuring adequate credit supply for their economies. Influenced by these developments, in January 2012, the Vienna Initiative was re-launched as Vienna II, in response to renewed risks for the region from the euro area crisis.*

*The objective of Vienna Initiative II is to foster home and host authority coordination in support of stable cross-border banking and guard against disorderly deleveraging. Specifically, the objective of the Vienna Initiative II is to help:*

- *Avoid disorderly deleveraging, which could jeopardize financial stability in host countries and ultimately hurt home and host country economies alike. The large-scale, unanticipated rapid deleveraging has created systemic risks and unduly curtails overall funding of CESEE banks.*
- *Ensure that potential cross-border financial stability issues are resolved. The multi-jurisdictional setting is prone to gaps, overlaps, competing objectives and conflicts of interest among authorities, all of which demands attention. In addition, banking groups would benefit from progress in this area as it would strengthen the conditions for stable and well-functioning cross-border banking.*
- *Achieve policy actions, notably in the supervisory area, that are taken in the best joint interest of home and host countries. This requires mutual recognition of concerns by home and host countries, ensuring that host authorities have an appropriate voice, and fostering an atmosphere of trust amongst all relevant parties.*

*Steering bodies of the Initiative are:*

1. *Full Forum, consisting of all participants in the Initiative. The forum decides by consensus on the Initiative's priorities and approves the working plan and reports. It also approves the principles and recommendations undertaken in the framework of the Initiative;*
2. *Steering Committee composed by international financial institutions (EBRD, EIB, IMF, World Bank), European Commission and selected participants (Italy, Romania), manages the practical work of the Initiative and prepares strategic decisions for the Full Forum.*

*The Steering Committee reports to the Full Forum during its meetings. Mr. Marek Belka, Governor of the National Bank of Poland is the Chairman of the Vienna Initiative's Steering Committee.*

*As from 2013, Mr. Ardian Fullani, the Governor of the Bank of Albania, has been a member of the Vienna Initiative II Steering Committee.*

*Membership of Bank of Albania's Governor in the highest steering body of the Vienna Initiative II is an important step to convey more efficiently Bank of Albania's stance to the European Union authorities, international institutions and large banking groups, related to the impact of euro-area developments on the Albanian financial system. This role is not limited merely to transmission of concerns of the Bank of Albania in the capacity of the host-country supervisory authority. It will also be used to contribute substantially with relevant suggestions to building more fruitful collaborating mechanisms between EU and non-EU authorities. These mechanisms aim at ensuring common stability of already integrated European markets, in the long run. Considering that Albania is the only non-EU member sitting in Vienna Initiative II Steering Committee, it is committed to representing the interests of countries aspiring to join the EU. Albania will, therefore, play an important role in encouraging cooperation between EU and non-EU member countries.*

#### I.2.4. REGULATORY FRAMEWORK

During 2013, the regulatory and supervisory framework was reviewed intensively, aiming at approximating it to standards of the Basel Committee and the European directives, and adapting the framework to the domestic financial market dynamics. The changes consist in either full or partial amendment of legal acts.

##### *Regulatory acts fully revised and approved during 2013*

- Regulation on licensing and activity of non-bank financial institutions, which stipulates the terms and conditions, requirements, documentation and procedures for licensing non-bank financial institutions to extend licensing requirements to electronic money institutions.
- Regulation on management of risk to non-bank financial institutions' activity, which sets forth the rules for managing the operational risk

of non-bank financial institutions to extend regulatory requirements to electronic money institutions.

- Regulation on electronic payment instruments, which sets forth rules about transparency in the framework of electronic money activities.
- Guideline on managing the interest rate risk in banking books, which sets forth the rules and procedures for managing the interest rate risk position in the banking books.
- Regulation on capital adequacy ratio<sup>33</sup>, which, in accordance with the Basel II standards, presents new approaches for risk measurement and a more calibrated calculation that the banks need to hedge against risk.
- Regulation on prevention of money laundering and terrorist financing.

#### *Regulatory acts partially amended during 2013*

- Regulation on capital adequacy ratio - partial amendments to the existing regulation in the framework of the package of measures to improve lending in Albania.
- Regulation on credit risk management - partial amendments to create necessary stimuli for banks in carrying out the credit restructuring process, as an effective way to prevent further deterioration in the loan portfolio quality.
- Regulation on liquidity risk management - partial amendments to revise the level of some liquidity indicators, in line with the changes in the banking system liquidity situation.

### 1.2.5. LICENSING

In 2013, the structure of the Albanian banking sector remained unchanged, with 16 commercial banks of foreign or domestic capital origin. In accordance with and pursuant to requirements under the Law No. 9662, dated 18.12.2006 "On Banks in the Republic of Albania" and for the smooth functioning of the banking activity, through assessing requirements set forth in prudential regulations, the Bank of Albania has supported banks in their applications during 2013.

During 2013, following assessment, two applications were approved, under bank licence annexes, for conducting additional activities: one for intermediation in insurance and reinsurance (Raiffeisen Bank sh.a) and one for providing guarantees and taking commitments, trading for the account of clients, and foreign exchange transactions in a self-organised market of transferrable securities (Intesa Sanpaolo Albania sh.a.). It is worth noting that intermediation in insurance and reinsurance is an innovation in the banking activity and is an outcome of changes made to the bank licensing regulation a year ago, which expanded the spectrum of banking and financial activity by including these activities, as well. Further, the conduct of this activity is

<sup>33</sup> This regulation will enter into force on 31 December 2014, whereas during 2014 a testing period for bank reporting is projected in terms of implementing the requirements under this regulation.



attractive to other banks of the system, which are in the application process or are interested in meeting the related requirements.

During the year, banks submitted applications for expanding or reducing their branches or agencies in the country. During 2013, five new bank branches/agencies were opened and 14 existing agencies/branches closed, hence leading to contraction in the banking network by nine branches/agencies on a year earlier.

	2010	2011	2012	2013
Branches/agencies within the country, by prefecture	529	534	538	529
- Tirana	210	212	218	213
- Berat	20	21	21	22
- Dibra	9	10	10	10
- Durrës	54	54	55	53
- Elbasan	30	30	30	30
- Fier	44	44	43	40
- Gjirokastra	24	24	23	23
- Korçë	38	37	37	38
- Kukës	9	10	9	9
- Lezha	25	26	25	24
- Shkodra	25	25	25	24
- Vlora	41	41	42	41
Branches abroad	2	1	1	1
- Athens, Greece	1	-	-	-
- Kosovo	1	1	1	1
Total	531	535	539	530

Source: Bank of Albania.

Table 8. Indicators of bank network expansion, by prefecture (number of branches/agencies)

The Bank of Albania has paid special attention to defining the core principles and rules for a responsible and effective bank management, by constantly assessing bank organisational structures and management responsibilities. These principles led to changes made by end-2012 to the regulation on core principles for management of banks and branches of foreign banks and the criteria for approving their administrators. During 2013, the presented practices highlighted that, along with the granting of consent by the Bank of Albania, there were also cases of changes in the decision-making by banks' steering boards and withdrawals of candidates who did not meet the required criteria.

The Bank of Albania granted approval for 45 new administrators, of which 14 members of the steering council, 6 members of the steering committee and 25 executive managers. Approvals also included administrators of non-bank financial institutions.

Even during 2013, based on the submitted applications, the Bank of Albania granted licences to financial institutions subject to its licensing and supervisory framework.

Table 9. Number of financial institutions licensed by the Bank of Albania

	2010	2011	2012	2013
Banks and branches of foreign banks	16	16	16	16
Non-bank financial institutions	17	19	21	21
Foreign exchange bureaus	284	301	322	333
Unions of savings and loan associations	2	2	2	2
Savings and loan associations	126	126	126	12

Source: Bank of Albania.

In 2013, the number of entities operating in the non-bank financial market did not change, since three new licences were granted for factoring and financial leasing and three other licences were revoked. Three non-bank financial institutions were revoked their licence for not starting the financial activity as a consequence of merging with a commercial bank and at their request. Given the right of licencing by regulation, two non-bank financial institutions applied to the Bank of Albania for conducting additional services to their core activity. They received approval for conducting all payment services via internet or by agents, and for conducting over-the-counter activities. Also, initial approval was granted to a non-bank financial institution for the significant holding transfer.

Licensing foreign exchange bureaus continued in 2013, albeit at a slower pace than a year ago. Specifically, 18 foreign exchange bureaus were licensed and seven were revoked the licence. At end-2013, 333 licensed foreign exchange bureaus operated in the foreign exchange market.

In terms of licensing the savings and loan associations, this year no new licences were granted, while their number dropped as a result of revoking the licence to five savings and loan associations: four as a consequence of starting the liquidation procedure and one as a consequence of merging with union associations.

Also, an important part in Bank of Albania's supervisory process was the follow-up and assessment of changes taking place in banks, non-bank financial institutions, foreign exchange bureaus and savings and loan associations, changes in the equity structure, increase or decrease in capital, leaving of administrators, branch closure, e-banking services, changes in organisational structure, changes in addresses, or other changes under the legal and regulatory requirements for banks.

#### 1.2.6. ON-SITE EXAMINATIONS

On-site examinations, as an important part of the supervisory process, have aimed at closely inspecting and assessing the risk profile of entities licensed by the Bank of Albania. The planning and organisation is based on the following pillars: switching to risk-based supervision, ensuring institutions' compliance with effective legal and regulatory framework, and enhancing the efficiency of the supervisory instruments. Also, the trust in off-site inspection is of crucial importance to the process of planning on-site examinations. This function aims to monitor dynamically and proactively the financial position of each licensed institution and the overall banking system, identifying the current and future concerns, and serving the early warning system.

During 2013, eight full-scope examinations and three partial examinations were conducted on banks; two examinations on non-bank financial institutions; and one examination on the savings and loan associations union. During these examinations, cooperation was in place with other supervisory authorities, such as the General Directorate for Prevention of Money Laundering and the Financial Supervisory Authority.

This process has identified the following supervisory concerns:

#### *COMPLIANCE WITH THE LEGAL AND REGULATORY FRAMEWORK*

Overall, the activity of licensed institutions has complied with the requirements of the supervisory, legal and regulatory framework. However, in some cases, on-site examinations highlighted the need for rigorous implementation of risk management principles, specifically the requirements of the following regulations:

- Regulation "On credit risk management". On-site examinations have required a higher classification of credit risk for some borrowers and strengthening of bank's internal systems, aiming to improve the credit risk management practices.
- Regulation "On managing risk from significant exposures of banks" in the framework of reassessing the relationships of some borrowers with the bank, for computing the maximum allowed exposure. Recommendations have addressed the issue of identifying, measuring and monitoring bank exposure to a borrower or a group of connected borrowers.
- Regulation "On core principles for management of banks and branches of foreign banks and the criteria for approving their administrators". On-site examinations focused, among others, on full implementation of the new requirements of this regulation, which entered into force at end-2012. Specifically, the supervisory requirements have aimed at re-conceiving the role and responsibilities of committees supporting the bank management activities, assessing some executive functions that require initial approval by the Bank of Albania, etc.
- Regulation "On capital adequacy ratio" is related to correct classification of asset items and their risk-weighting.
- Regulation "On liquidity risk management" is related to monitoring of the optimum level of bank's liquid assets to short-term contractual liabilities. Recommendations have also addressed the institution's completion of internal policies and procedures for liquidity risk management. About stress-tests, the on-site examinations required observance of their periodicity to identify and measure institution's exposure to liquidity risk under both baseline and adverse scenarios.
- Regulation "On the use of information and communication technology in entities licensed by the Bank of Albania". Improving assessment of the information and communication technology (ICT) risk is recommended, including classifying systems and applications, and identifying weaknesses and potential threats, improving business continuity plans based on institution's size and complexity, reviewing the procedure for

archiving a backup copy on its frequency and destination, completing bank's internal regulatory framework, etc.

- Regulation "On transparency of banking and financial products and services" is related to reporting to the Bank of Albania and disclosing at bank's premises the effective interest rate and the changes in contractual terms, as well as changes in products and services offered.
- Regulation "On the minimum standards for operational risk management" is related to certain aspects of managing this type of risk, such as identifying, monitoring and reporting to responsible structures, gathering data on operational losses, conducting an annual self-assessment campaign, etc.
- Regulation "On preventing money laundering", in terms of classifying transactions by risk classes they pose and conducting due diligence.
- Regulation "On the functioning of Credit Registry at the Bank of Albania" related to accurate reporting of data by folders.

#### *OPERATIONAL RISK*

Supervision of operational risk aims to constantly improve the practices of operational risk management, as a specific risk to the banking system. Approval of the regulation "On capital adequacy ratio" (Basel II), provides a specific requirement for the operational risk capital, contributing to increasing the attention of bank senior management for further developments of operational risk management practices.

On-site examinations on banks' information and communication technology have been part of eight full-scope examinations and three targeted examinations about their electronic products. Examinations have found deficiencies, particularly in the management of ICT-related risks, implementation of business continuity plans in case of disasters, and management of information security incidents. Respective recommendations are given with regard to identified deficiencies.

#### *TRANSPARENCY AND PUBLICATION OF INFORMATION*

During 2013, improvement of transparency standards and fostering of market discipline were on focus. Identifying, measuring, assessing and monitoring the requirements on the manner and form of disclosing information to clients about banking and financial products and services were a priority, aiming to ensure transparency and customer protection. Banks' behaviour and their measures about transparency to the public and publication of financial information were constantly and prudentially assessed through both on-site and off-site inspections.

Thanks to measures taken by the Bank of Albania, the banking sector has increased awareness of and commitment to issues of information transparency and publication. As a result, entities have responded by fully reviewing the credit contract elements in accordance with the regulatory requirements, and providing to their clients full pre-contractual information. In conducting the daily legal and regulatory tasks, the focus has been on defining the requirements for the content and form of providing pre-contractual and contractual information to borrowers, prior to concluding consumer and mortgage loan contracts and during their execution, and also on consumer credit regulation. The supervisory

measures taken by the Bank of Albania on publication of information have proved effective, since actually all banks publish their annual and quarterly reports on their websites. However, there are still deficiencies related to publication of qualitative reports, in accordance with the effective regulatory requirements and standards, about which the Bank of Albania will continue to take all necessary measures to address the problem.

During 2013, the publication of banks' reports on Bank of Albania's website, in a standard format, on approved commissions and interest rates on loans and deposits, was constantly monitored. Besides off-site monitoring, on-site examinations also assessed the accuracy of these reports.

In terms of customer protection and development of market discipline, customer complaints about financial institutions have been assessed and analysed. 72 complaints about the supervised entities were addressed during 2013. Their typology related mainly to: failure to meet contractual terms, freezing of bank accounts, execution of orders, claims for higher interest rates, commissions on advance credit repayment and non-disclosure of bank information.

#### *NON-BANK FINANCIAL INSTITUTIONS*

Year 2013 posed several challenges needing proper attention in terms of improving the regulatory framework and the supervisory practices for these institutions. In this context, there started the process for reviewing the legal framework for the unions and savings and loan associations to encourage their well functioning and better performance, and the process for including them in the Scheme of the Deposit Insurance Agency. Also, considerable work was done for drafting a new manual on inspecting the non-bank institutions and preparing a new reporting system for these entities, in line with the regulatory amendments.

#### **I.2.7. CREDIT REGISTER**

Credit Registry is a centralised database on loans borrowed from banks and financial institutions, aiming at an optimal credit risk management.

The number of entities reporting borrower's data to the Credit Registry increased to 29 banks and financial institutions. During 2013, two non-bank financial institutions and one savings and loan association became part of the Credit Registry. Other non-bank financial institutions licensed for lending are in the process of completing their work for becoming part of this borrower data reporting system. The information that these entities report to the Credit Registry serves the Bank of Albania for credit risk assessment.

About 1,038,452 loans were reported to the Credit Registry as of end-2013, of which 391,408 were active loans, while the rest were loans closed along the year, including write-offs. Entities conducting banking activity have reported 313,982 active loans; non-bank financial institution that conduct lending and financial lease have reported 59,753 active loans; while unions of savings and loan associations have reported 17,673 active loans to the system.

Along the year, based on communications with representatives of banking and financial institutions, work started for identifying changes or improvements needed to enable the Credit Registry to make more qualitative credit risk analyses.

### I.3. PAYMENT SYSTEM AND CURRENCY ISSUANCE

#### I.3.1. PAYMENT SYSTEM

- Reforming and oversight of payment systems is taking more and more space in central bank development strategies, especially after the effects identified in financial market infrastructure during the global financial crisis. Supervisory principles of financial market infrastructure, published by the Bank for International Settlements (BIS) in April 2012, underscore the central bank's need to support the oversight function of payment and settlement systems with a clear legal mandate. Aiming to materialise the above mentioned needs into the Albanian context, the Bank of Albania took necessary steps for drafting and passing by the Albanian Parliament of the law "On Payment System", no. 133, dated 29.04.2013.*

The law "On Payment System" aims to mandate the Bank of Albania through a special legal framework for payment systems' regulation, licensing and oversight, in accordance with the legal objectives of this institution. Law approval implies liberalization of the payment system market, by creating private payment systems. The Law "On Payment System" aims to promote security, stability and efficiency in the Albanian national payment systems, and to define tools, procedures and rules for finality of settlements in the systems and financial collateral arrangements. More specifically, the law aims to minimize the systemic risk, which relates to participation in payment and securities settlement systems, and in particular to risks associated with the insolvency of a participant in the system. In terms of financial collateral, it provides a national legal framework applicable for creation, validation and implementation of certain types of financial collateral arrangements. Also, it aims to minimise potential obstacles for effective use of the financial collateral arrangements. The above objectives have been achieved by implementing the internal legal framework for two very important directives on payments - directives "On payment settlement finality in the payment and securities settlement systems" (Directive 98/26/EEC) and "On financial collateral" (Directive 2002/47/EC).

Approval of the law "On Payment System" provided the necessary room for regulating the national payment systems through specific regulations. In this context, decision No. 42, dated 06.26.2013 by Bank of Albania's Supervisory Council adopted the regulation "On regulating, licensing and overseeing operators of national payment schemes". The purpose of the regulation is to provide the necessary room for promoting private initiatives in creating the infrastructure needed for the domestic card payment market. More specifically, the provisions of the regulation on licensing operators of card payment schemes, entitle legal persons to create national card payment schemes, including the national processor's role. In this context, this regulatory act intends to promote competition in the Albanian card payment market



and then lower the card payment costs in the domestic market. So far, large international companies have dominated this market.

Implementation of the above measures in the Albanian market led to licensing of the first operator of the national card payment scheme in October 2013. In this regard, it is worth noting that the establishment of the regulatory framework and the licensing of the national card payment scheme operator is the first step of the Bank of Albania toward regulating, licensing and overseeing all important elements of the payment systems.

In infrastructure developments, the Bank of Albania has undertaken two major projects that will improve the financial market infrastructure. In 2013, the Bank of Albania focused on upgrading the AIPS and AECH systems operated by the Bank of Albania to make these systems comply with the EU standards. Also, in completing the basic financial market infrastructure, the Bank of Albania is working to create a Central System for Settlements and Security Registration, which will allow for further development of the secondary market and will guarantee settlement of transactions in this market in accordance with the best international standards.

Finally, for promoting the use of electronic payment instruments and curtailing use of cash in the economy, the Bank of Albania has taken concrete steps for implementing electronic money and its institutions in the Albanian market, based on the EU Directive 2009/110/EC. Implementing this directive would not only expand the range of payment instruments in the Albanian market but would also promote competition in this market segment. Also, creating this alternative payment method in line with the international experience would be applied for a wide spectrum of payment needs and would help and promote the financial inclusion of the population.

*Functioning of the basic national Lek payment infrastructure has displayed safety and efficiency.*

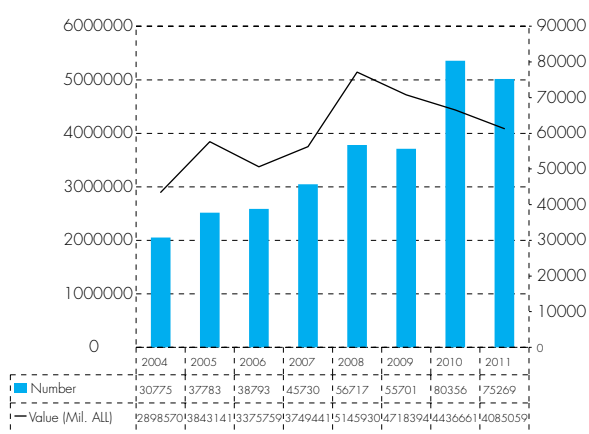
During 2013, the functioning of the basic national Lek payment infrastructure displayed safety and efficiency, which are necessary characteristics for meeting Bank of Albania's objective on payment systems, hence contributing to supporting the efficient implementation of monetary policy, maintaining financial stability and public confidence in the national currency.

The systems operated and managed by the Bank of Albania - "Albanian Interbank Payment System (AIPS) for large payments" and "Albanian Electronic Clearing House (AECH) for clearing small-value payments" - have operated in line with the relevant rules and procedures, without reflecting any significant deviations from clearing and settlement schedules, and lacking any extraordinary situations. At end-2013, all commercial banks operating in the Republic of Albania turned out to be direct participants in the systems. Since 2011, the Ministry of Finance has also been an indirect participant in these systems, being considered as the main generator of payments in the AECH system, accounting for about 73 % of the total transactions, while in the AIPS, due to the nature of the system, the share of transactions accounted for about 25% of the total payments.

## PERFORMANCE OF AIPS AND AECH

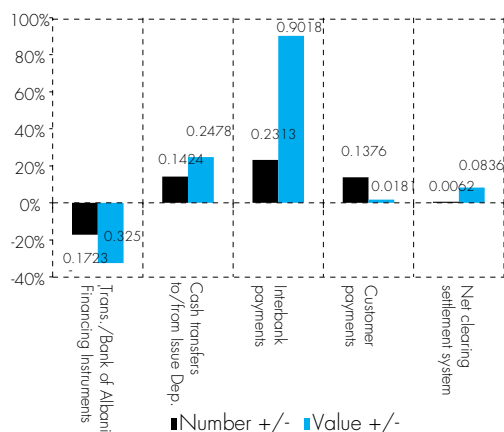
Statistical indicators of the AIPS and AECH showed an upward trend in number and value during 2013. Developments in the activity of both systems were materialised into adequate liquidity conditions in the market.

Chart 27 Value and number of transactions processed in the AIPS



Source: Bank of Albania.

Chart 28 Annual changes (2013-2012) in types of transactions settled through the AIPS, by number and value



Source: Bank of Albania.

## AIPS - ALBANIAN INTERBANK PAYMENT SYSTEM (AIPS) FOR LARGE PAYMENTS

During 2013, about 86,350 transactions, with an average value of ALL 80 million per transaction were processed in AIPS, showing increase in the number and value of transactions, by 12% and 2%, respectively, compared to the same period a year ago. From a longer-term perspective, the liquidity circulating through the AIPS continued to increase, reaching in 2013, the highest number and value of transactions processed since the creation of the system.

Distribution of transactions by typology in the AIPS dictates a substantial contribution to increasing the value and number of processed transactions of "Interbank payments", and "Customer payments", while "Bank of Albania Financing Instruments" continued to fall during 2013.

From the customer payment perspective, the above developments reflect the implementation of measures\* taken by the Bank of Albania to promote the use of AIPS and AECH. The performance of 'Interbank payments' and 'Bank of Albania financing instruments' reflect the interbank market liquidity conditions.

Concentration indicator, which measures the share of the four most active banks in the total activity through the AIPS, was 56.88% in number and 68.68% in value, in 2013. In terms of the number, it increased slightly from 51.38% in 2012, but in terms of the value it dropped from 73.34% in 2012.

The number of Intraday Loan Facility (ILF)\*\* applied in 2013 increased to 264, totalling ALL 252.5 billion. On a year earlier, this performance implies increase to 178% in the value and slight increase by 2% in the number of the ILFs. The needs for intraday liquidity were limited in time and segments, and did not reflect the behaviour of the overall market. Despite the considerable increase in

the absolute value of this instrument, in relative terms, the needs for covering total transactions processed in the AIPS with ILF have reached record lows since the creation of this system, reflecting the decline in the liquidity risk.

\* By decision No. 12, dated 23.02.2011, Bank of Albania's Supervisory Council decided on the AECH: increase in value of the limit from 1 million to 1.5 million in the AECH, addition of a third clearing session in the AECH, differentiated tariffs during the sessions and reduction of commissions and tariffs for this system, as well as setting of a maximum value of ALL 500 on bank commissions for ALL payments cleared in the AECH. For the AIPS: reduction of commissions and tariffs for this system, as well as setting of a maximum value of ALL 1500 for bank commissions for ALL payments cleared and settled in the AIPS.

\*\* The intraday loan facility (ILF) is a financing instrument provided by the Bank of Albania to provide intraday liquidity to banks participating in the payment systems operated by the Bank of Albania.

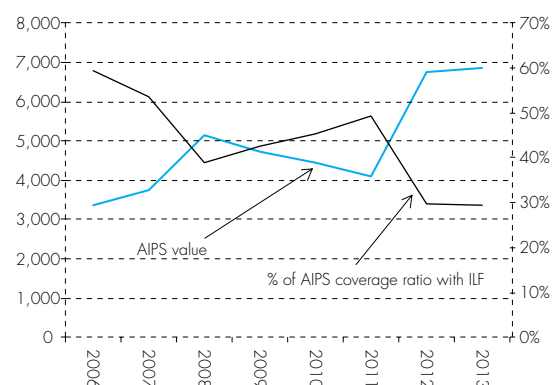
AIPS upgrading innovations, undertaken by the Bank of Albania during 2013, which will become live in early 2014, are expected to bring about value added in minimising the liquidity risk.

### AECH – ALBANIAN ELECTRONIC CLEARING HOUSE FOR SMALL VALUE PAYMENTS

The Albanian Electronic Clearing House (AECH) clears payments below ALL 1.5 million. In 2013, about 363,507 payment orders were processed through this system, with an average value of ALL 72,7 billion, up by an annualised 0.54% in terms of volume and 8.62% in terms of value.

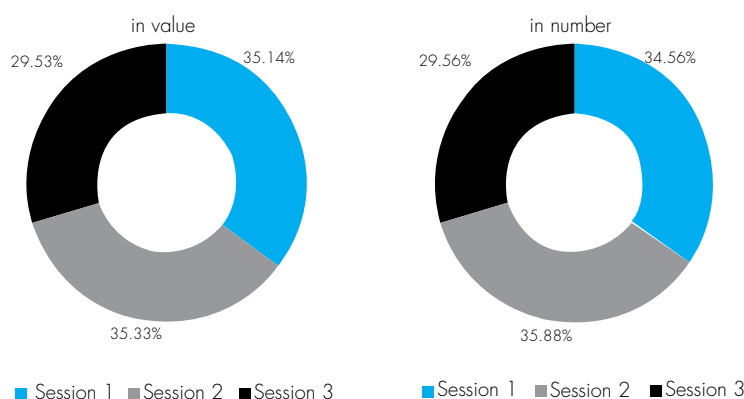
Transactions initiated by commercial banks for the account of their clients and transactions initiated by the Bank of Albania for settlement of liabilities to third parties (including Bank of Albania's staff) have contributed significantly to increasing the transactions cleared in the AECH. Transactions initiated by commercial banks (accounting for around 23% of the total) and those initiated by the Bank of Albania (accounting for around 3% of the total) increased by 40% and 36%, respectively. Similar to AIPS, increase in the interbank transactions by commercial banks for customer account has reflected the implementation of Bank of Albania's measures\*\*\* to promote the use of interbank transactions. Statements of payments cleared via the AECH during the sessions, show an almost even distribution of transactions in the first and second sessions and a reduction of their flow in the third and last session. The above development reflects Bank of Albania's measures\*\*\* taken on February 2011, which aim to avoid overloading in the flow of payments in the last clearing session, and hence minimising additional risks for a smooth operation of the payment systems.

Chart 29 Value of transactions processed in AIPS and the coverage ratio of these transactions with ILF



Source: Bank of Albania.

Chart 30 Share of AECH transactions (in value and number) by sessions, in 2013



Source: Bank of Albania.

In terms of concentration of activity in the AECH, four most active banks in this system have a share of 60.91% in number and 70.90% in value, showing an increase in this indicator relative to 2012 (59.75% in number and 66.35% in value).

\*\*\*By decision of Bank of Albania's Supervisory Council, No. 12, dated 23.02.2013.

### *Use of payment instruments and their potential have trended up*

Banks' statistics show increase in the use of payment instruments and their potential, being reflected in increase in current accounts and percentage of these online-accessible accounts. By end-2013, the number of customer current accounts in lek or in foreign currency increased by 7.1%. It is worth noting that during this year the number of online-accessible customer accounts has doubled.

During 2013, there were made around 8.7 million customer payments totalling ALL 3,624 billion, recording an annual increase by 9% in number and a decline by 5% in value compared to 2012.

Table 10. Share of customer payments by payment instrument in the last three years

Customer payment services	2012		2013	
	Number	Value	Number	Value
I. Customer credit transfers,	75.50%	95%	74%	97%
of which:				
1. Paper-based credit transfer	96.40%	96.69%	95%	97.12%
2. E-banking credit transfer	3.50%	3.32%	5.00%	2.88%
II. Card payments at POS terminals,	12.70%	0.36%	17.25%	0.35%
of which:				
1. Payments through debit cards	59.20%	35.30%	57.78%	45.87%
2. Payments through credit cards	40.70%	64.60%	42.22%	54.13%
III. Direct debit	6.40%	0.10%	7.76%	0.61%
IV. Cheques	0.72%	2.20%	0.57%	2.35%
Total payments (I+II+III+IV), in ALL billion	8,316,444	3,633,448	8,674,708	3,624,336.64

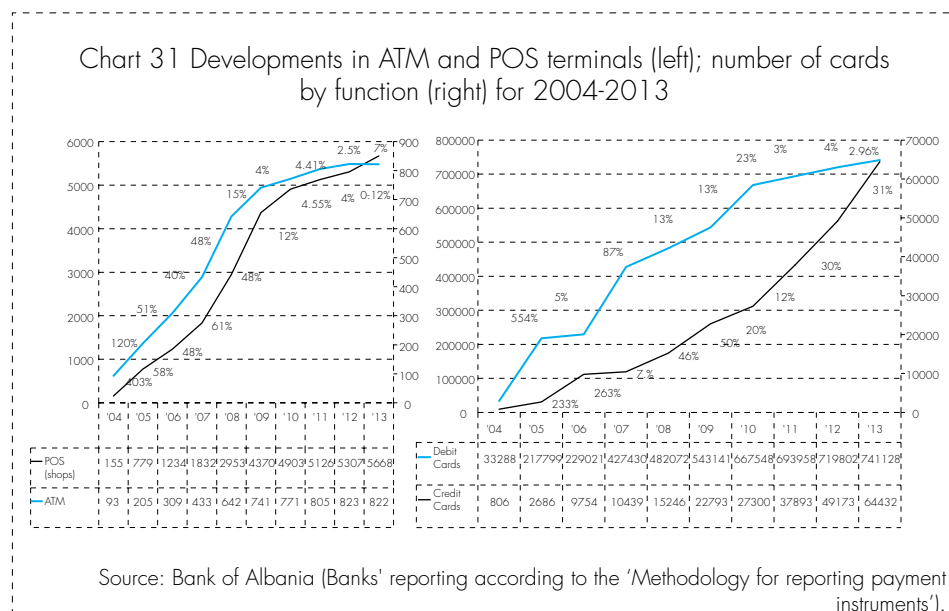
Source: Bank of Albania (Banks' reporting according to the 'Methodology for reporting payment instruments').

Home banking services are increasingly expanding in the Albanian market. After their introduction in 2005 by one bank of the system, at end-2013, 11 banks provided home-banking services. The increasing number of online-accessible customer current accounts is followed by an increasing number of home-banking transactions, up by 37% from 2012.

In 2013, the number of cards in circulation increased by 5% from 2012. By function, credit cards increased faster than debit ones, though the latter have the largest share (92%) in total cards in circulation.

The increasing number of debit and credit cards has been associated with increase in card transactions, mostly for cash withdrawal. In 2013, about 13.2 million (ATM and POS) card transactions were processed, equal to ALL 130 billion. Of total transactions, about 88.7% were cash withdrawals from ATMs and only 11.3% were customer payments through cards at POS terminals. Card payments at POS terminals point to domination of debit card transactions by about 57.8%. However, in terms of value, credit card transactions are significantly higher than debit card ones.

Analysis of the infrastructure of banks licensed as card issuers<sup>34</sup> in 2013 shows a slightly lower number of ATMs, down by 0.12% in annual terms. On the other hand, the number of POS terminals offered by banks licensed as card acceptors<sup>35</sup> increased by 7%.



Developments in the banking system infrastructure for supporting electronic trading in Albania have led to creating, for the first time, virtual POS terminals<sup>36</sup> in the Albanian market. Their creation would promote the use of card payments, and hence curtailing use of cash. The banks reported that three virtual POS terminals operated in the Albanian market as of end-2013.

### 1.3.2. MONEY ISSUANCE

#### BANKNOTES AND COINS IN CIRCULATION<sup>37</sup>

As of end-2013, there were 130,503,210 banknotes in circulation, worth ALL 204.372 billion. Compared to 2012, the number of banknotes fell by 5.3%, while their value increased by 3.3%. The change in this indicator was due to change in the structure in the favour of banknotes with a nominal value of 5000 Lek and 2000 Lek. Also, the volume of payment requests from commercial banks increased slightly.

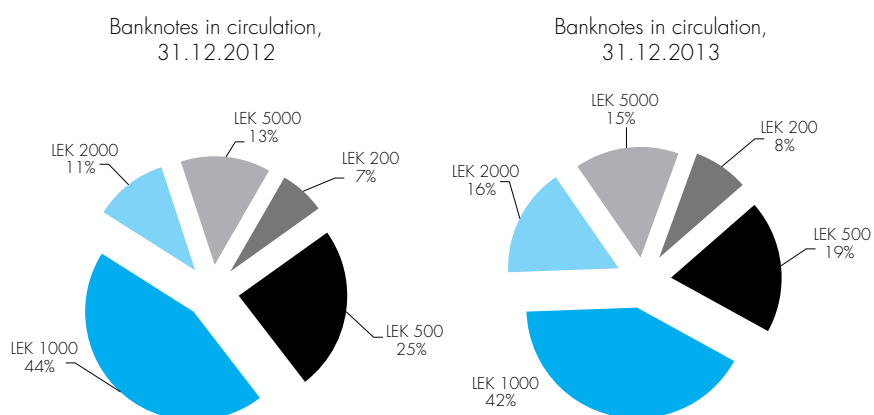
<sup>34</sup> Number of banks licensed as card issuers in the Republic of Albania as of end-2013 was 14. These banks provide the service of cash withdrawals from ATMs.

<sup>35</sup> Of banks licensed as card issuers, only seven banks are also licensed as card acceptors as of end-2013. These banks provide the service of card payment acceptors via POS terminals at shops, restaurants, hotels and trading centres.

<sup>36</sup> The equipment is similar to a regular POS terminal, but it makes transactions via internet or by phone, through online accessible bank cards.

<sup>37</sup> It is the number and value of banknotes and coins put in circulation by the Bank of Albania..

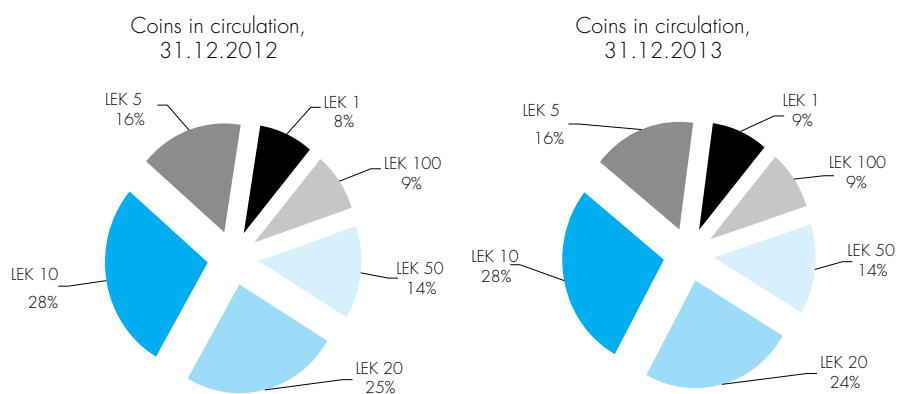
Chart 32 Banknote structure



Source: Bank of Albania.

As of end-2013, there were 140,058,618 coins in circulation, worth ALL 3.394 billion. Compared to 2012, the number of coins increased by 6.7% and their value increased by 6.5 %. In 2013, almost the whole coin structure shifted up.

Chart 33 Coin Structure



Source: Bank of Albania.

As of end-2013, the overall coin to banknote value ratio was higher than a year earlier.

#### INDICATORS OF MONEY IN CIRCULATION

At end-2013, the ratio of money in circulation to M2 aggregate was 30%, from 31% at end-2012. Further, the Money Rate of Return<sup>38</sup> at the Bank

<sup>38</sup> It is the ratio of the number of banknotes and coins delivered at the Bank of Albania's cash desk to the average annual number of banknotes and coins in circulation.



of Albania was 0.535 in 2013, from 0.496 in 2012. This indicates that commercial banks, in relation to money in circulation, delivered more money to Bank of Albania's cash desks. In addition, the average value of a banknote in circulation was ALL 1566 at end-2013, from ALL 1434 at end-2012.

#### *RECYCLING OF CASH AND QUALITY OF BANKNOTES IN CIRCULATION*

During 2013, upon approval of the new regulation no. 15, dated 13.02.2013 "On authenticity checking and criteria for recirculation of Albanian banknotes" a standard was established for launching into circulation via the ATMs only banknotes processed by automatic sorting machines and successfully tested by the Bank of Albania, and the criteria were set out for determining banknotes fit for circulation.

In 2013, 137 million banknotes were processed, which were checked for their authenticity and fitness for circulation. The processing showed about 42.9 million banknotes unfit for use, which were withdrawn from circulation. The sorting rate<sup>39</sup> was 31.29% and increased by 15.02 % on a year earlier. Unfit banknotes were replaced case by case with new banknotes fit for circulation. The banknote circulation rate<sup>40</sup> for 2013 was 1.055, implying that a banknote returned to the Bank of Albania cash desks once a year, on average. This rate is higher for the 500 Lek, 1000 Lek (around 1.9 and 1.1) and lower for the 5000 Lek and 2000 Lek (around 0.3), which shows that the latter returned less frequently to Bank of Albania cash desks.

#### *PROTECTING BANKNOTES AND COINS AGAINST COUNTERFEITING*

During 2013, the regulatory framework on protecting currency against counterfeiting was totally revised. Also, at the National Cash Centre, a laboratory was set up for analysing banknotes suspected as counterfeit. This laboratory is equipped with up-to-date technology instruments in accordance with the best European standards. It provides scientific expertise in examining national banknotes, euro and other foreign currencies.

The number of counterfeit banknotes in 2013 was 30% lower than the average for the last five years. The number of counterfeit coins was around 30% lower than in the last year. Overall, the number of counterfeit banknotes and coins was small and insignificant in relation to the quantity of coins and banknotes in circulation.

Banknotes evidenced as counterfeit by the technical analysis are mainly reproductions with ink-toner in reproducing colour machines (scanning or photocopies), realising in several cases imitation of some security elements in poor-quality banknotes and on general printing paper.

<sup>39</sup> It is the ratio of the number of unfit banknotes and coins to the total number of banknotes and coins processed in a year.

<sup>40</sup> It is the ratio of the number of banknotes delivered to the Bank of Albania cash desks to the average annual number of banknotes in circulation.

## I.4. FINANCIAL MARKET OPERATIONS AND FOREIGN EXCHANGE RESERVE MANAGEMENT

### I.4.1. INTERVENTIONS IN THE DOMESTIC MONEY MARKET

- The Bank of Albania implements its monetary policy by using indirect market instruments. They include open market operations, standing facilities and the required reserve. Open market operations play a key role in the monetary policy transmission to the banking system and the Bank of Albania exclusively determines the conditions for applying them. The main open market operation is the repurchase and reverse repurchase agreement of seven-day maturity, the interest rate of which represents the key interest rate. Other operations are repurchase agreements (reverse repo) of one- and three-month maturity and outright transactions.

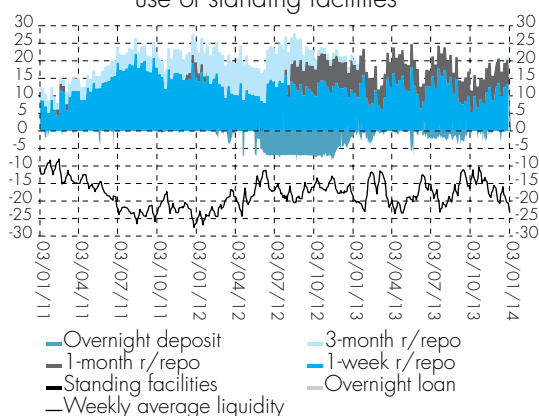
#### OPEN MARKET OPERATIONS

Open market operations are used for short-term management of liquidity in the money market, aiming at attainment of Bank of Albania's operational objective - orienting short-term interbank rates close to Bank of Albania's key interest rate and limiting their fluctuations. During 2013, the overnight interbank rate fluctuated around the key rate, resulting in an average of 10 basis points below the key rate, versus 26 basis points below the key rate in 2012 and four basis points below the key rate in 2011. The seven-day rate averaged one point above the key rate, versus +7 points in 2012 and +13 points in 2011. The increased share of one-week transactions in the interbank market and banks' better understanding of Bank of Albania's forecast model and of

the way of using market instruments are two drivers of this positive development. Supervisory Council's decisions on key interest rate cut were immediately reflected in banks' interbank quotations and hence in overnight operations conducted in the daily market, followed by closer renovation in the weekly market.

The liquidity provided through open market operations averaged ALL 17.4 billion in 2013. If we consider the liquidity provided through SWAP agreement with the Ministry of Finance, the needs for liquidity in 2013 increased (for ALL 3.3 billion). The liquidity-providing structure averaged 60% through the main instrument and 40% through the fine-tuning instruments of a longer-than-one week maturity, from 55% and 45% in the previous year.

Chart 34 Open market operations and use of standing facilities\*



\*The negative values in use of instruments at the chart reflect the liquidity-withdrawing operations, while the positive values represent liquidity-providing operations.  
Source: Bank of Albania.

	2009	2010	2011	2012	2013
Main instrument	55%	58%	74%	55%	60%
Long-term liquidity-providing instruments	45%	42%	26%	45%	40%

The interventions through the main operation (reverse repurchase agreements of seven-day maturity) were conducted through fixed-amount and variable-price auctions and a maximum participation of 70%. The liquidity injected through this instrument averaged ALL 13 billion a week, during 2013. The number of banks participating in one-week auctions fell to on average five banks, from on average seven and eight banks per auction, respectively in 2012 and 2011. The fall in the number of participant banks was due to increased concentration of the amount asked and injected in some of them, associated with increased consolidation in the structural balance of some other banks.

Besides one-week liquidity-providing operations, one-month ones continued in 2013. The liquidity provided through them averaged ALL 1.94 billion per week. Similar to one-week agreements, the reverse repurchase auctions of one-month maturity were conducted through fixed-amount variable-price auctions. The reverse repurchase agreements of a three-month maturity returned only during the last week of 2013 for an amount of ALL one billion, versus 16 cases in 2012 (in the first half of the year), for on average ALL 1.80 billion. To enhance competition, these operations were conducted without a maximum participation limit.

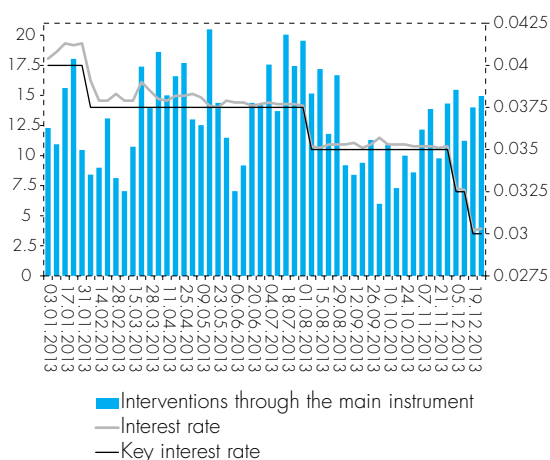
The average bid-to-cover ratio of monthly auctions was 99%<sup>41</sup>, from 123% in 2012 H2. The spread between one-month interest rate and the key interest rate fluctuated around 2 - 23 basis points, falling from the highest levels at year-start to record lows in the last quarter. This spread averaged 7 basis points, from 20 basis points in the previous year.

Beside the liquidity-providing instruments of longer-than-one-week maturity, overnight operations were also applied more frequently. The overnight reverse repurchase agreement was applied in 18 cases for an average of ALL 1.45 billion per auction, from 12 cases in 2012 for an average of ALL 1.28 billion, to manage the liquidity situation and the short-term interest rates in the last days of the required reserve maintenance period.

By contrast, overnight repurchase agreement was applied only twice, for an average of ALL 4.30 billion to withdraw liquidity surpluses accumulated at the end of the required reserve maintenance period (between 22 and 23 October 2013).

The Bank of Albania intervened in the market through structural operations, aiming to enhance competition in the short-term security market segment. During 2013, the Bank of Albania continued to be active in the secondary security market by structuring its own portfolio in terms of gradually decreasing the

Chart 35 Main market operation, by auction dates (in ALL billion)



Source: Bank of Albania.

<sup>41</sup> Cover is the amount asked by the Bank of Albania in the reverse repurchase agreement auctions, whereas bid is banks' demand to participate in such auctions.

participation in 3- and 6-month securities, offset by purchasing newly-issued 12-month Treasury bills. This strategy aims to create more room for setting a competitive price in the primary market auctions. Pursuing the 'buy and hold' strategy, banks continue to be reluctant to participate with large amounts in these auctions. Completing the outright purchases, Bank of Albania's portfolio returned to its early 2013 level.

#### STANDING FACILITIES

Standing facilities - overnight deposits and overnight loans at the Bank of Albania - are instruments available to commercial banks to manage unexpected liquidity on a daily basis. Their interest rate is set by Bank of Albania's Supervisory Council. During 2013, they pursued the key interest rate movements, creating an upper limit (+1.75 percentage points from the key rate) and a lower limit (-1.75 percentage points from the key rate), where the short-term interbank rates fluctuate.

The use of overnight deposit continued to be high in 2013 due to concentration of banks' structural liquidity surplus beyond their space for circulation in the interbank market or increase in investment in the primary market auctions. Overnight deposit was used even in the conditions of impossibility of averaging the daily surplus, given that they hold required reserve as cash in vault. During 2013, overnight deposit was used during 159 days, averaging ALL 1.74 billion, from around ALL 5.51 billion in 200 cases a year earlier.

Overnight loan was used in 19 cases in 2013, averaging ALL 1.46 billion, from 20 cases in the previous year averaging ALL 0.49 billion. The use of overnight loan was concentrated mainly on the last days of the required reserve maintenance period.

#### REQUIRED RESERVE

The required reserve is an opportunity for managing the short-term liquidity. The lek-denominated required reserve system applied by the Bank of Albania allows banks to use a certain level of the required reserve on a daily basis, currently 40%, setting forth the obligation to keep the monthly average level of the minimum required reserve not lower than the required reserve<sup>42</sup>, calculated on the last day of the maintenance period.

During 2013, the banks used 40% of the required reserve for averaging their balances, excluding one bank that continued to maintain the 100% lek required reserve in cash in vault. The deviation of the account position from the required reserve level at the end of the maintenance period fell to on average ALL 36.1 million, from on average ALL 38.6 million in 2012. Ideally, the deviation should be positive and close to zero. The improved bank behaviour and their greater commitment to liquidity management are due to adjustment of Bank of Albania's liquidity-providing operations and Bank of Albania's ongoing communications with them.

<sup>42</sup> The minimum reserve amount each bank holds is determined on the basis of the required reserve, by applying the required reserve rate. This rate is the same for both ALL and FX liabilities. Currently the required reserve rate is 10%.

The remuneration rate on the lek required reserve reflected the performance of Bank of Albania's key interest rate it derives from (70% of the key interest rate). The Bank of Albania applies a 0% remuneration rate on foreign required reserve<sup>43</sup>.

#### 1.4.2. FOREIGN EXCHANGE RESERVE MANAGEMENT

- *The Bank of Albania is the national responsible authority for maintaining and managing the foreign exchange reserve of the Republic of Albania. It uses its best opportunities to achieve and maintain a certain level of foreign exchange reserve, conducive to Albania's financial stability, and in accordance with the monetary policy. The objectives and criteria on foreign exchange reserve management to be met during this process are stipulated in the regulation 'On foreign exchange reserve management policy', approved by the Supervisory Council. The primary objective of this process is ensuring liquidity and safety, whereas ensuring income from reserve funds management represents the third objective as long as it does not infringe the objective for liquidity and safety.*

During 2013, the gross foreign exchange reserve, estimated and reported in Euro, increased by about EUR 42.5 million, registering EUR 2,014.99 million at end-December. A specific regulation approved by the Supervisory Council on decision-making and monitoring of the foreign exchange reserve management process provides the powers and duties of links involved in this process. Based on the objectives and criteria approved by the Supervisory Council, the Investment Committee monitors periodically the reserve portfolio management through reports prepared by the Monetary Operations Department, the unit responsible for the foreign exchange reserve management function. The Investment Committee shall approve the names permitted for investing the foreign exchange reserve. They include USA, Japan, Great Britain and Eurozone, as well as government-connected agencies or institutions that are generally rated at least under AA-. The names permitted for investment also include multi-party institutions or other institutions rated at least under AA-. Revenues on securities from foreign exchange reserve investment for 2013 are estimated at about EUR 36.72 million.

Further to the work begun in 2012 H2 for re-evaluating the foreign exchange reserve investment options and for fulfilling the goal for a better diversification of the reserve portfolio, on February 2013, the Supervisory Council approved an amendment to the regulation "On foreign exchange reserve management policy". Given the structures established to manage the euro-area crisis, which reduced significantly the probability of occurrence of a severely adverse scenario in this region, the minimum threshold of credit quality for euro-area countries was changed, allowing for investment all governments included in the 'Investment grade' category. This decision was associated with an analysis to determine the size of the reserve portfolio for investment, observing the risk tolerance set by the Supervisory Council. Besides, consent was given for establishing some mechanisms to monitor the return and the risk size, when investing in new names added to the investment-permitted universe.

<sup>43</sup> As of 24.07.2011, the remuneration rate on the required reserve in foreign currency is zero.

**FOREIGN EXCHANGE RESERVE STATISTICS IN 2013**

Factors affecting the gross foreign exchange reserve are grouped as follows:

- A. Transactions with the Ministry of Finance provided a positive impact, estimated at EUR 49.45 million, according to the following items:
  - Net inflows from buying foreign currency in the market, SWAP operations, EUR 98.24 million;
  - Net inflows from loans disbursed by the International Development Agency, renovation of short-term-securities, etc., EUR 106.53 million;
  - Privatisation receipts, EUR 109.5 million;
  - Transfers (including debt service), EUR 264.82 million
- B. Commercial banks' transactions provided a positive impact, estimated at EUR 51.95 million, according to the following items:
  - Commercial banks' deposits at the Bank of Albania to fulfil the required reserve and transactions related to their capital, etc., at EUR 189.04 million;
  - Transfers, EUR 137.19 million;
  - Net inflows for the account of other entities (DIA, etc.), EUR 0.10 million.
- C. Bank of Albania's transactions provided a positive impact, estimated at EUR 33.19 million, according to the following items:
  - Buying foreign currency from commercial banks and other institutions, at EUR 15.49 million;
  - Receipts generated from foreign-exchange reserve investments, at about EUR 36.72 million. These receipts represent mainly interests and cash coupons;
  - Settlement of Bank of Albania's dues to the IMF, at EUR, 7.81 million;
  - Transfers, at about EUR 11.21 million.
- D. Market factors provided a negative impact, at EUR 92.09 million, according to the following items:
  - exchange rate fluctuations of the foreign exchange reserve currencies impacted negatively on the gross reserve value reported in euro, registering an effect of about EUR 64.03 million;
  - Portfolio re-evaluation effect, as a consequence of interest rate fluctuations is estimated at a negative value of EUR 28.06 million<sup>44</sup>.

<sup>44</sup> This value also includes the effect from security coupons.



In cooperation with the World Bank<sup>45</sup>, during 2013, efforts were made to put into practice the Portfolio Management System. This system will serve the foreign exchange reserve portfolio management and will provide a better support for monitoring risks generated during this process. The project will be completed within the 2014 Q1.

## I.5. STATISTICS

- *The Bank of Albania, besides being a regular user of official statistics, mainly of economic and financial nature, is one of the most important statistical agencies in Albania. On Bank of Albania's website and in its periodic publications, users can find banking supervision statistics, monetary statistics and external sector statistics having Bank of Albania as their source. Also, aiming to offer a complete and qualitative service to users, the Bank of Albania regularly includes in its statistical publications important macroeconomic data produced by the Institute of Statistics and the Ministry of Finance.*

The most important document of statistical agencies' work is the five-year National Program of Official Statistics approved by the Albanian Parliament. The program qualifies the statistical agencies that constitute the National Statistical System and describes the statistical data that should be produced during the program duration, as well as the main criteria for each category of statistics<sup>46</sup>. All the activities for meeting Bank of Albania's obligations are conducted by the statistical unit at the Financial Stability and Statistics Department.

### REPORTS AND ASSESSMENTS BY INTERNATIONAL INSTITUTIONS

As the main statistical agency responsible for financial statistics and external-sector statistics, the Bank of Albania keeps regular contacts with international institutions, such as the IMF, World Bank, OECD, UNCTAD, etc. Bank of Albania's reporting to these institutions has been regularly commended, not only for its regular and coherent reports but also for the quality of the reported information.

Also, regarding the integration process, the Bank of Albania, intermediated by the Institute of Statistics and supported by other statistical agencies, is involved in compiling reports for different European Union structures on approximating national statistics to EU standards (Chapter 18 'Statistics' - Annual Progress Reports). During 2013, the National Statistical System underwent a detailed assessment by the Eurostat, regularly applied to member states, candidate countries and potential candidate countries. The assessment is based on

<sup>45</sup> Based on an agreement between the Bank of Albania and the World Bank "On the Reserves Advisory Management Program (RAMP)".

<sup>46</sup> Here are included descriptions of statistical indicators, required classifications, the level for which these indicators will be produced, publication frequency and periodicity, year or period during which the statistics and indicators will be first made public, list of sources of data and list of statistical surveys, etc.

15 principles of the European Statistics Code of Practice<sup>47</sup> and thoroughly reviews all the practices and processes related to collection, processing, dissemination and reporting of official statistics. To this end, the Bank of Albania and the Ministry of Finance, classified as 'other statistical agencies', besides the National Statistical Office (the Institute of Statistics), completed a detailed questionnaire with information on activities and procedures pursued to implement the Code of Practice, at principle<sup>48</sup> and indicator levels.

The Bank of Albania presented in this survey detailed data required by the Code of Practice principles, relating to legal, regulatory and methodological framework. As a result of self-assessment and the conclusion of meetings with Eurostat's representatives, besides commending for the observance of international standards and methodologies, a set of recommendations were given for improving the statistics production and the statistical service. According to these recommendations, the Bank of Albania should invest in the following areas, in order to progress regarding full compliance with the Code of Practice principles: professional independence, strengthening of legal framework for the data collection mandate, investing in human resources and technological infrastructure; guaranteeing statistical confidentiality through regulatory amendments, and strengthening the procedures and infrastructure for information exchange among statistical agencies.

*Table 11. Bank of Albania's statistical reports to international institutions*

	Frequency	No. of reporting	No. of indicators	Receiver	Publication site
Balance of payment statistics	Quarterly	1	1,015	IMF	IMF-eLibrary-Data
External debt statistics	Quarterly	7	284	WB/IMF	QEDS (SDDS, GDDS)
PIN and foreign direct investment statistics	Annually	3	853	IMF	CDIS, IMF-eLibrary-Data IMF Data
Monetary statistics	Monthly	5	1,255	IMF	IFS IMF DATA
	Quarterly	1	10	IMF	IFS IMF DATA
	Annually	1	160	IMF	IFS IMF DATA
	Monthly	40	16,100	IMF	
	Weekly	4	200	IMF	

*Source: Bank of Albania.*

#### WORK FOR MEETING THE MEDIUM-TERM STRATEGY OBJECTIVES

In Bank of Albania's medium-term development strategy for 2013 - 2015, its long-term objectives as a statistical agency relate to approximating the legislation, methodologies, terms and statistical products to EU standards, in accordance with statistical acts and products of the European Union, as well as improving the statistical services for the public by expanding the basis of

<sup>47</sup> The European Statistics Code of Practice, published on: European Commission/Eurostat/Quality/European Statistics Code of Practice.

<sup>48</sup> The code of practice principles are: 1. Professional independence; 2. The mandate for collecting data; 3. Adequacy and adaptability of resources; 4. Devotion to quality; 5. Statistical confidentiality; 6. Non-bias and objectivity; 7. Implementation of qualitative methodology; 8. Statistical appropriate procedures; 9. Keeping the burden of reporting at appropriate levels; 10. Cost-effectiveness; 11. Relevance; 12. Accuracy and reliability; 13. Timely publication and term observance; 14. Coherence and comparability; 15. Data access and clarity

statistical indicators, increasing the level of details, increasing the degree of publication coverage and reducing the term. The work done during 2013 in terms of approximation to international standards and particularly to those of the European Union has affected the three categories of statistics, for which the Bank of Albania is the responsible authority, under the effective legislation.

- *Monetary sector statistics*

During 2013, the work was intensive for strengthening and improving the quality of reporting by non-bank financial institutions, which complies with the objective for increasing the reporting coverage and is expected to significantly improve the quality of monetary and financial statistics in the medium-term future. In terms of the Project for 'Regulatory Reporting Automation', the work aimed at harmonising user requests within the Bank of Albania and approximating the reporting system to EU standards and methodology (IMF and ECB). Also, based on these approaches, several reporting forms were constructed to include more details related to instruments and institutional sectors on loans and deposits. In cooperation with the Financial Supervision Authority, the coordination of work and fulfilment of the annual questionnaire (Financial Access Survey) (IMF) were completed.

- *Financial account statistics*

Financial account statistics represent a new undertaking and a major challenge for Bank of Albania's statistical function because of their coverage extent and complexity. This year the work will focus on studying the methodologies and requirements of the Eurostat and the European Central Bank about these statistics and identifying the strong and weak points of the national statistics system to compile the financial accounts for all the sectors of the economy nationwide.

- *External sector statistics*

In terms of external sector statistics, methodological improvements have mainly influenced the balance of payments financial accounts, external debt statistics, international investment position, and reserve module. Among activities and accomplishments in 2013, it is worth noting: cooperation with the IMF experts to improve the calculation of accrued and paid-in interests of financial instruments in the form of flow or stock; reporting to the World Bank of new tables for detailing other sectors' debt, public debt and arrears, additional information on lending, borrowing, public debt; table reporting for the first time to the IMF on the position of the International Coordinated Direct Investment Survey (CDIS) and relevant surveys.

#### *PROJECT FOR AUTOMATION OF REGULATORY-STATISTICAL REPORTING*

During 2013, in order to accomplish two medium-term objectives for improving the technological infrastructure and coordinating the reporting requirements, a considerable part of human resources of Bank of Albania's statistical

function was engaged in the Project<sup>49</sup> for Bank of Albania's Automation of the Regulatory-Statistical Reporting. The goal of the project is to set up a platform for automation of reporting for the needs of statistical production. Through the new reporting platform, there will be automated all the processes that are currently done manually by operators and specialists. Automation will affect the process of reporting, checking, processing and publishing/disseminating the user data.

The past year saw successful completion of three most important stages of the project:

- I. Defining technical specifications/unit of reporting forms and statistical statements for the first version of the system (SRR 1.0);
- II.a Building forms and statements in the automatic reporting system (SRR 1.0);
- II.b Testing the system operation, forms and statements produced by the system;
- III.a Setting up a support infrastructure platform;
- III.b Training the system administrators within the Bank of Albania and introducing the system to the industry/commercial banks.

In accomplishing the medium-term objective for coordinating the reporting requirements and reducing the reporting burden from reporting entities, a considerable work has been done, aiming to improve the content and form of all types of reports for the existing reporting system. Special attention has been paid to eliminating unnecessary out-dated elements from statements and forms; harmonizing and unifying the concepts and terminology; combining several forms into one or two forms to reduce the burden of reporting; identifying the dimensions and setting up respective codes (for example, for states, currencies, coins, terms, economy sectors, etc.) and including the updated classification and nomenclature such as codes from ESA (2010) for standardising the reporting of statistical product.

Thanks to these efforts, some forms were shortened or fully eliminated, some were simplified and in general, the specifications under this process became more eligible and comprehensible.

#### OBJECTIVES FOR 2014

During 2014, the Bank of Albania will strive to set up and test the second version of the SRR 2.0. In compiling the reporting forms and instructing documents for reporting entities, the Bank of Albania has and will have in focus the objectives for including in the reporting system the new regulatory requirements of banking supervision and financial stability functions, and adapting the monetary-statistics and external-sector reports to updated statistical methodologies and manuals. It is projected that in 2014, the commercial bank's reporting will gradually switch from paper-based to electronic format.

<sup>49</sup> The project covers the two-year period of November 2012 – October 2014 and is funded by the European Bank for Reconstruction and Development.

The work will continue for improving methodological standards and approximating Bank of Albania's statistical products to EU and international standards, by:

- Studying and setting up a financial accounts methodology - for the financial account unit;
- Following up the requirements and recommendations of the IMF's technical assistance mission in the area of external sector statistics (April 2014);
- Further investing and enriching human and technological resources for strengthening the statistical units' processing capacities.

## 1.6. RESEARCH

- *The Bank of Albania aims to base its decision-making process on sound foundations of tested knowledge about the Albanian economy. Investment in creating sound researching capacities has enhanced Bank of Albania's work quality, its reputation and reliability. Therefore, Bank of Albania's development strategy regards the active scientific research as a priority.*

During 2013, Bank of Albania's research focused on addressing concerns related to the financial system and deeper understanding of the Albanian economy tendencies, and their implications in compiling the economic policies for the future. Empirical evidence and theoretical research on alternative methods for assessing the multi-dimensional case variables predicting the macroeconomic indicators have completed the spectre of research in financial stability, monetary policy, exchange rate, economic and financial integration.

Volatile production and long-term trends of income per capita have recently been on central bank focus. Therefore, assessment of the role of the nominal shocks – through money or interest rates – for smoothing the business cycles has aroused much interest. As the Bank of Albania uses such instruments to transmit the monetary policy to the economy, special attention has been paid to identifying the size of use of these indicators for driving the economic activity toward the desired level.

A small and open economy is expected to be sensitive to foreign inflationary pressures. However, the efforts to quantify the imported inflation into an index including 60% of the CPI basket show that the response of the latter may be lower than our overall perception.

The US financial crisis highlighted the importance of monitoring house prices for the country's economic and financial stability. Analyses reveal that the house price in Albania might have been omitted versus the core price (based on growth rate, interest rate, etc.). However, since 2012, corrections have been made in this regard.

Volatile flows of foreign capital during the global crisis increased the vigilance of central banks in the developing countries on their implications about the economic stability. Based on the concept of 'sudden stop', one of empirical studies suggests that Albania is not immune and risks related to fiscal behaviour and public debt increase the probability of these episodes.

Surveys have played an important role in identifying drawbacks and finding proper ways to communicate with the public, as a necessary tool for monetary policy efficiency. The survey on measuring the financial literacy of the population sheds light to financial inclusion, behaviour of individuals and their response to changed financial conditions. In the meantime, empirical assessments based on respondents' answers suggest that features, such as education level, income level, gender, etc., determine the use of certain payment instruments.

In this context, the research has served as a basis for Bank of Albania's decision-making process, for formulating and implementing Bank of Albania's policies and enriching macroeconomic models. In 2013, the MEAM and its satellite models were used to assess future developments of the main macroeconomic indicators and various risk scenarios on price stability, financial stability and macroeconomic stability. The addressed potential risks include the impact of significant depreciation of the exchange rate, the effect of fiscal consolidation policies, the impact of interest rate cut on stimulating the economic growth, the effect of regulatory measures taken by the Bank of Albania in terms of credit restructuring, and the pass-through of these measures to financial system and real economy.

Regardless of the attention and promotion for reducing the banking sector's dollarization, its level in Albania continues to be significant. Therefore, identifying factors that determine the ratio of foreign-currency deposits and loans was subject to three researches by different authors at the Bank of Albania.

Bank of Albania's researches generally use econometric models for measuring the linkages between economic and financial indicators. A recently published paper suggests using alternative methods besides the econometric ones, such as the methods of case indicators modelling, which consist in assessing the multidimensional densities. This way of assessment would be useful to test the performance of certain models used for modelling the macroeconomic indicators.

The Bank of Albania's website, under the section "Publications/Research and Working Papers" provides detailed and complete information on Bank of Albania's research, while several articles are also published in Bank of Albania's Bulletin. The bi-annual brochure on "Scientific novelties at the Bank of Albania" informs about the newly-completed research materials or about those in process. The materials are presented in the 'Friday Seminars' or in other activities organized by the Bank of Albania and the Research Department throughout the year.



**WORKING PAPERS PUBLISHED DURING 2013**

*"Survey Report on the Use of Payment Instruments – Businesses", Kliti Ceca, Alban Pllaha, Valentina Semi*

*"Survey Report on the Use of Payment Instruments – Individuals", Kliti Ceca, Alban Pllaha, Valentina Semi*

*"A Financial Systemic Stress Index for Albania", Vasilika Kota, Arisa Sage*

*"Fiscal Policy and Economic Growth: The Case of Albania" Gerti Shijaku, Arlind Gjokuta*

*"Cyclically-adjusted Budget Balance: an Alternative Approach in Estimating the Fiscal Position for Albania", Anjeza Gazidede*

*"Corporate Governance Framework and Practice in Albanian Banking Sector", Roden Pajaj, Rezart Ferzaj*

*"Fiscal Position and Yield Curve in Albania", Esida Abazaj*

*"Performance of Inflation Forecast and Monetary Policy Decision-making during 2011-2012", Evelina Çeliku, Genti Hashorva*

*"The Impact of Trade on Growth: A Gravity Model-Based Instrument Approach on Post-Communist Europe", Endrit Yzeiraj*

*"Determinants of Bank Credit to the Private Sector: The Case of Albania", Gerti Shijaku, Irini Kalluci*

*"Density Estimation for Economic Variables – a Genuine Application", Altin Tanku, Kliti Ceca*

*"Financial Literacy in Albania: Survey Results on Measuring the Financial Literacy of the Population, 2011", Kliti Ceca, Arlinda Koleniço, Egnis Isaku, Borana Haxhimusaj*

*"J-curve Effect of Exchange Rate on Bilateral Trade Balance between Albania and its Main Trade Partners", Alban Pllaha*

*"A Financial Model for Albania: A Panel Data Approach", Elona Dushku, Vasilika Kota*

**WORKING PAPERS COMPLETED DURING 2013 OR IN PROGRESS**

*"Macroeconomic Indicators Statistical Estimations Addressing Density Valuation Techniques", Altin Tanku, Kliti Ceca*

*"The Adequacy Level of Foreign Exchange Reserve Holdings: a New Approach", Elona Dushku, Gerti Shijaku*

*"Housing Prices in Albania, Deviations from the Equilibrium", Endrit Yzeiraj*

*"Imported Inflation of Consumer Goods and its Contribution to the National Inflation", Lorena Skufi, Enian Çela*

*"Financial Euroisation in Albania", Lindita Vrioni*

*"Payment Instruments as Perceived by Albanian Consumers: Probit Model on Estimations of a Public Survey", Alban Pllaha, Kliti Ceca, Valentina Semi*

*"Foreign Currency Lending in Albania", Gerti Shijaku*

**ACTIVITIES**

The Bank of Albania, in collaboration with the University of Oxford, convened a conference on "Strengthening linkages in South East Europe: Policy anchors and business perspectives", which was held on 19<sup>th</sup> September, 2013. The participants included academics from Albania, the region and beyond; representatives from the banking system, public institutions and international institutions in Albania. It focused on recent developments in the economies in the region, and the challenges facing them, considering the effects of the

global financial crisis, the central bank role in domestic and external shocks, essentially the financial system's health, and assessment of their implications for the countries' macroeconomic framework. Discussions and analyses also addressed structural changes underway in the euro area, such as the regulatory and supervisory process and the setting-up of new structures to enhance the efficiency of supervision and macro prudential measures in the European Union and beyond. The conference underlined that the main challenges for the region in the future would be stimulating economic growth, deepening domestic anchors, boosting confidence in the financial sector and continuing structural reforms that aim at macroeconomic stability of the country and the whole region.

Another important activity was the seventh regional workshop on "Economic Research in Southeastern Europe", organised by the Research Department on 4-5 December 2013. Its purpose was cooperation and expansion of the network of researchers at central banks in the region, and getting acquainted with certain features of development in participant countries. This year, 24 researches were presented from central banks of Albania's neighbouring countries and beyond, such as: the Bank of Italy, (Austrian) Oesterreichische Nationalbank, (Hungarian) Magyar Nemzeti Bank, the National Bank of the Czech Republic, the National Bank of Poland, and the Central Bank of the Republic of Turkey. The presented researches addressed mainly matters related to the financial system, such as: Estimating the probability of adverse scenarios; foreign-currency borrowing and knowledge on exchange rate risk; debt financing and firm performance, modelling of determinants of various economic indicators, etc. Some new topics of great interest in central bank decision-making were: the study on the coherence of decisions on the key interest rate, when members of the Supervisory Council trust different economic interpretations, and the surveys on payment instruments and financial literacy in Albania.

"Governor's award for the best diploma thesis" gathered around a considerable number of students graduating in 2013, either in Albania or abroad. This award aims to create a supporting structure for young, willing, and knowledgeable Albanian researchers, hence encouraging them to involve in discussions for solving concerning issues. Three winners of this award for 2013 were: Ms. Eda Dokle, Mr. Minella Kalluci and Mr. Ergi Take.

On 18 October 2013, the Bank of Albania signed a cooperation agreement with the Swiss State Secretariat for Economic Affairs (SECO), aiming to share recent research work and policy experience among the central banks involved in the program, academics, and policy makers from other institutions. The first activity organised under this three-year agreement was the joint conference on "Setting up the Monetary Policy Framework: What role for Financial Sector Considerations?" that took place in Geneva, Switzerland on 17-18 October 2013. The Governor of the Bank of Albania, Mr. Ardian Fullani, contributed to the conference as speaker on policies pursued by the Bank of Albania during the global financial crisis, the challenges and role of central banks, given the country's specifics and the degree of Albania's integration

to global economy. Also, the Bank of Albania presented some research papers in the conference, which addressed the role of money, exchange rate determinants, financial stress index, the structural model using Bayesian approach, and assessing uncertainties in macroeconomic models through MonteCarlo simulation.

During the past year, the Bank of Albania became a member of the Central Bank Librarians Group (CBLG). Through this membership, Bank of Albania's library aims to promote electronic exchange of scientific works and materials with other central banks' libraries, and facilitate the ways to timely access the needed materials. Currently, the CBLG has 155 libraries from 57 countries.

## 1.7. EUROPEAN INTEGRATION AND INTERNATIONAL COLLABORATION

### EUROPEAN INTEGRATION

- *Albania has made progress to approximate its legislation to EU requirements to fulfil the legal criteria for membership. According to EC, the macroeconomic stability continued to be enhanced by a sound monetary policy.*

In December 2013, the EU Council confirmed that, while enlargement remains a key policy of EU, the Western Balkan countries will become an integral part of EU once they fulfil the Copenhagen Criteria. According to the EC, each country will be assessed based on its merits, combined with the EU ability to absorb new member countries.

Related to Albania, the Council welcomed the fulfilling of judicial, parliamentary and administrative reforms and the smooth and orderly conduct of June 2013 parliamentary elections. The Council guaranteed that it will continue to follow the developments in Albania, particularly the rule of law, on the basis of a report to be delivered by the European Commission. Upon this Report, the Council will decide on granting the status of potential candidate country for Albania in June 2014.

In compliance with the existing practice, the opening of membership negotiations will be decided by the European Council, upon the assessment by the Commission that Albania has achieved the needed level of compliance with the political, economic, legal and administrative criteria of the membership. Albania's progress in fulfilling the above-stated criteria is assessed regularly by the Commission in its annual reports. The latest report (2013) confirms the progress made by the Bank of Albania towards meeting European standards in all the fields of its activity, such as capital movement, financial services and the economic and monetary policy.

Related to economic criteria, the Report assesses the contribution of the Bank of Albania towards maintaining macroeconomic stability at home and the low inflation that has provided room for monetary policy easing and economic growth simulation. Macroeconomic stability continued to be enhanced by a sound monetary policy, which was successful in keeping inflation low and anchoring inflation expectations. Also, the Report states that the exchange rate stability was maintained implementing a floating foreign exchange regime. Also, the Report commends the efforts of the Bank of Albania to reinvigorate lending by adopting regulatory changes aiming at releasing financial resources for banks and channelling them towards lending to the private sector. The banking system is assessed as well capitalised and liquid.

The Report also shows that the Stabilisation and Association Agreement (SAA) continued to be overall smoothly implemented and Albania continued aligning its legislation to the requirements of the EU legislation in a number of areas, enhancing its ability to take on the obligations of membership. The Report points that the adoption, in April 2013, of the Law on Payment Systems, is welcomed and that it completes the infrastructure of the Albanian financial market, aiming at liberalising the market and providing stability and efficiency. Also, it mentions the adoption of the Regulation on licensing and supervision of operators in the national card payment scheme, and the amendments to the Civil Code and the Civil Procedure Code to make repossession easier as additional positive developments. Moreover, in the field of financial services, the Report evidences the progress made towards strengthening the regulatory framework and banking supervision, through the approval of the Bank of Albania by-laws that regulate the corporate governance, on capital adequacy, on credit risk management, on liquidity risk management, as well as on the electronic payment instruments. Finally, according to the Report, the monetary policy has been prudent, hence maintaining price stability, and keeping inflation within the Bank of Albania's target range. It calls for continued effective management of such monetary policy in future.

The Stabilisation and Association Committee has continued to monitor regularly the implementation of the SAA, in the annual meetings of the Stabilisation and Association Committee composed of Albanian State and EU representatives. The Bank of Albania has participated and provided materials for the Committee meeting in March 2013. Also, BoA representatives have participated in the regular meetings of two out of five other main authorities established under the SAA, respectively: EU-Albania Sub Committee on Economic-Financial Issues and Statistics (October 2013), reporting on the overall economic development, inflation and monetary policy, external sector, developments and reforms in the banking and financial sector, and the Sub-Committee on the Internal Market and Competitiveness (April 2013), reporting on the work related to the improvement of banking system regulatory framework and capital movement.

In 2013, the Bank of Albania continued to participate in developing documents related with the stabilisation and association process. The Bank of Albania participated in the updating of the National Plan for the implementation of SAA for the period 2012-2015. Also, during 2013, the Bank of Albania has

fulfilled all the measures within its area of competences for the implementation of this plan.

With TAIEX (Technical Assistance and Information Exchange) assistance, an instrument, which provides short-term assistance supplied by EU to help potential candidate countries to acknowledge, implement and enforce EU legislation during 2013, the Bank of Albania has implemented a set of activities with some experts of EU central banks. The selected training topics were closely related to the alignment of the Bank of Albania regulatory and legal framework to EU in the fields of capital adequacy, payments services, fight against currency counterfeiting, implementation of Basel standards, etc.

## INTERNATIONAL COOPERATION

### *RELATIONS WITH THE INTERNATIONAL MONETARY FUND*

The quota of the Republic of Albania at International Monetary Fund (IMF) remained unchanged, at SDR 60 million. Albania owns 1,337 votes (or 0.05% of the total amount of all IMF members). It is in the same constituency with Italy, Greece, Portugal, Malta, and San Marino and is represented by the Italian Andrea Montanino, who serves as the Executive Director of the constituency. This constituency has a total of 106,404 votes (or about 4.22% of total votes of all IMF members).

In the framework of IMF resolution "The 14th overall review and the reform of International Monetary Fund Executive Board", during 2013, the Bank of Albania has undertaken all the necessary legal and institutional actions for the finalisation of the procedures on the increase of the country's quota with IMF. The resolution is aimed at increasing the overall quota at 100% value for all the IMF member countries, hence better reflecting the change in the relative share of countries in the world economy.

In December, an IMF mission held consultations in the framework of Article IV of the Fund's Articles of Agreement and discussed on the possibility of an economic program in response to the Albanian authorities' request. The mission reached staff-level agreement with the authorities, subject to approval by IMF Management and the Executive Board, on an economic program that could be supported by a 36-month Extended Fund Facility (EFF).

The Governor of the Bank of Albania has represented regularly the Republic of Albania in the decision-making of the Board of Governors, the highest body of the IMF. The Spring and Annual meetings of the IMF and World Bank Group, held in April and October 2013, have an important place in the relations between the Bank of Albania and these two institutions. The Governor had meetings with high-level officials of both institutions in the framework of these events. These meetings focused on the latest international economic developments, especially on the euro area economies and our main trading partners, and the measures undertaken by the Bank of Albania in the field of monetary policy and banking supervision to guarantee the macroeconomic

stability at home and to ensure a steadfast and long-term economic growth. In this light, particular importance was paid to the macro prudential measures and other legal actions undertaken by the Bank of Albania to boost lending and reduce the level of non-performing loans. Discussions during this year's annual meetings also focused on fiscal policy and future steps towards a sustainable level of public debt.

Albania paid IMF, during 2013, about SDR 6.88 million in the framework of liabilities payment (principal, interests, regular expenses, etc.), which arise from the previous PRGF and EFF arrangements.

The Bank of Albania continued to receive technical assistance by the IMF during 2013 for its staff training on banking supervision and monetary policy. In this framework, IMF experts have made several working visits on issues such as: international accounting standards and financial reporting, and implementation of Basel II.

#### *RELATIONS WITH THE WORLD BANK GROUP*

The World Bank Group is committed to support the economic recovery and growth of Albania in line with the Partnership Strategy that covers the period 2011-2014, which aims the further progress of implementing the Government's National Strategy for Development and Integration.

The cooperation of the Bank of Albania with the World Bank Group continues in the framework of the Agreement "On the Reserves Advisory and Management Program" (RAMP), through training courses offered to Bank of Albania staff according to their needs, aiming to maintain, consolidate and further increase the employees' professional level in foreign exchange reserve management.

An important project for which it has been intensively worked during 2013, in the framework of the assistance offered by the World Bank, is the implementation of the new computerised system, Portfolio Analytic Tool 2. This system serves to manage foreign exchange reserves portfolio, and provides better support to monitor risks arising during this process. The system is developed by the World Bank resources in the framework of the RAMP program and is provided to central banks and other participant entities with no cost.

In 2013, a team of the World Bank continued meeting with the Supervision Department on the implementation of an 18-month program in Albania to reduce the share of non-performing loans, with the participation of several domestic institutions. Also, the World Bank is cooperating with the Financial Stability Department and the Supervision Department related to the program on non-performing loans resolution.

The World Bank has constantly expressed its willingness to assist the Bank of Albania in implementing projects on the consolidation, modernisation and stability of the Albanian banking system.

*RELATIONS WITH THE FSVC*

In 2013, the Bank of Albania continued to cooperate with the USAID through the financial sector development program in Albania, implemented by the VEGA/FSVC. The assistance to the Bank of Albania consisted in several important projects, mainly on banking supervision, in the form of workshops, seminars or study visits, on issues such as liquidity risk management under Basel III principles, international financial reporting standards and the resolution and winding-up of banks.

*RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS*

In the framework of the relations with International Financial Institutions, the Bank of Albania continued to maintain regular contacts with the European Bank for Reconstruction and Development (EBRD), by providing information and statistics on the Albanian economy in general, and the financial sector in particular.

At the same time, in 2013, the Bank of Albania continued to maintain close relations with the Bank for International Settlements (BIS), through the participation of the Bank of Albania representatives at forums and conferences on strengthening financial sector supervision and on monetary policy. Also, BIS experts visited, in April, the Bank of Albania in the context of monetary operations.

*RELATIONS WITH OTHER CENTRAL BANKS AND TECHNICAL COOPERATION*

Following the intensification of bilateral relations with other central banks, during 2013, upon the invitation of the Governor of the Bank of Albania, official visits were paid to the Bank of Albania by senior managers from its counterpart institutions, such as: the President of Deutsche BundesBank, Mr. Jens Weidmann; the Governor of the Central Bank of the Republic of Turkey, Mr. Erdem Başçı; the Governor of the Central Bank of Greece, Mr. Georgios A. Provopoulos, etc.

Furthermore, the Governor of the Bank of Albania participated in many international conferences, regional forums and workshops, such as the High-Level Conference "International central bank cooperation, prior, during and after the crisis", hosted by the European Central Bank; Bosphorus Summit 4 on "Middle East and North Africa in Global Sustainable Competitiveness"; the second Child & Youth Finance International (CYFI) Regional Meeting for Europe and Central Asia on "Financial education and inclusion for children and young people", co-hosted by the European Central Bank and Child&Youth Finance International; the participation at the Full Forum Meeting of Vienna Initiative 0.2, held in Brussels; the Summit of finance ministers and governors on "The financial future of the region", hosted in Montenegro; the Conference "Interlinkages with the euro area and long-term convergence dynamics", hosted by the European Central Bank; the annual meeting of the European Fund for Southeast Europe (EFSE) held in Bosnia and Herzegovina; the 18th Central & Eastern European Forum hosted by Euromoney in Austria, and the



China-Europe Economists Symposium on "China-Europe Economy: Future challenges and opportunities ahead", organised by Official Monetary and Financial Institutions Forum (OMFIF) in cooperation with CF40 (China Finance 40 Forum).

These events contributed not only to exchange experiences, discussions and analysis of recent developments in regional or domestic economies, but also to strengthen the further cooperation between the Bank of Albania and its counterpart institutions.

For the year 2013, the election of the Governor of the Bank of Albania at the Steering Committee of the Vienna Initiative 2.0 is considered as a particularly important development. Upon the participation in this committee, Albania is committed to represent the interest of countries aspiring to join the EU and to play an important role in promoting the cooperation between these countries and the European Union members.

To strengthen regional central bank ties and to promote closer cooperation, the Bank of Albania continued to participate in the meetings of Central Bank Governors Club of Black Sea Region, Central Asia and Balkan Countries, and at the meeting of central banks Governors' Club of Francophone countries.

In the framework of the Memorandum of Cooperation between the Bank of Albania and the Central Bank of the Republic of Kosovo (CBRK), in 2013, the Bank of Albania continued to provide technical assistance through the mutual study visits, focusing on areas such as human resources, information technology, payment systems, security and defence, etc.

Also, in 2013, the BundesBank, the Croatian National Bank, Bank of Italy and Sweden's Riksbank provided technical assistance to the Bank of Albania's employees through the study visits and workshops organised at their premises.









## II. HUMAN RESOURCES MANAGEMENT

- *To achieve strategic objectives set forth in the Medium-Term Development Strategy of the Bank of Albania for 2013-2015, human resources policies aim at enhancing the professional capacities and expertise of the Bank's staff, strengthening and maintaining a motivating accountable working environment for the employees, achieving stability and long-term continuance of management capacities, and improving regulatory framework and organisational structure of the Bank of Albania.*

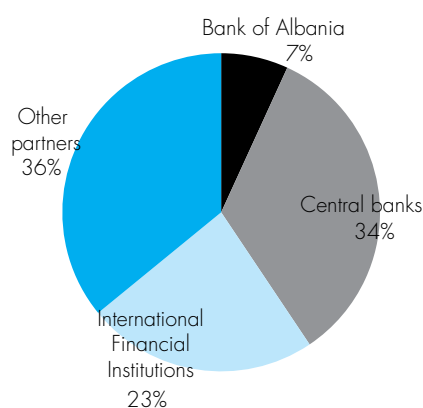
Improvements in the organisational structure of the Bank of Albania were in the focus of the human resources policies, to increase the effectiveness of the Bank of Albania's activity and inter-departmental communication, help these units adapt to the new tasks arising from the strategic goals of the institution, and achieve the standards of central banks, members of the European System of Central Banks, and the ECB.

Human resources are one of the most important and vital assets of the Bank of Albania and the adoption of regulatory infrastructure to provide the possibility of horizontal promotion for the professional service, applied at other banks as well, was one of the novelties of this year. This system and its application will increase the professional competitiveness and serve as an instrument for identifying and managing potential employees' career. Professional motivation through this instrument aims at strengthening the sustainability of human capital and the work continuance of the employees, one of the main challenges that all central banks encounter regarding the qualitative management of capacities.

The human capital and their professional skills to discharge their duties qualitatively and achieve the Bank of Albania strategic objectives is considered as very important. Likewise, the continuous improvement of stimulating policies to raise their professional qualification, receive academic titles and scientific degrees, and obtain international professional certificates is equally important.

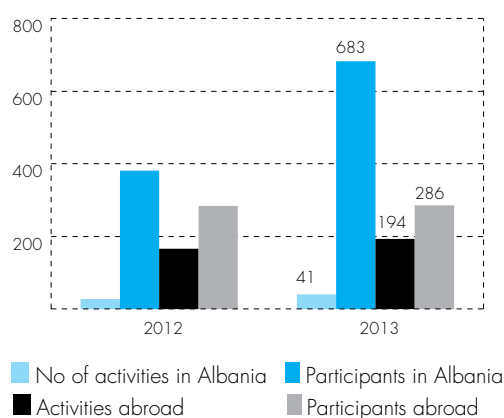
Staff's professional development is achieved through the training programs in Albania and abroad. Participation in these specialised trainings organised by other central banks, international financial institutions or other institutions, in addition to the mere possibility of training, contribute to sharing professional experiences with representatives of other central banks.

Chart 36 Training activities by organisers



Source: Bank of Albania.

Chart 37 Training activities and participation in Albania and abroad



Source: Bank of Albania.

Compared to 2012, the number of training activities in Albania is higher providing therefore a broader participation and lower cost. Most of professional trainings in 2013 were on banking supervision (26.54%), monetary policy (19.12%), accounting and payment systems (10.73%), central banking operations (8.98%), financial stability and statistics (4.39%). The rest of trainings were carried out in fields such as internal audit, money issue and management, legal issues, information technology, human resources management, European integration, and communication.

It should be emphasised that the largest number of professional trainings is focused on building central bank institutional capacities to meet its main functions.

### AGREEMENTS AND COOPERATION

An important step in 2013 to promote and enhance the qualitative research work, and the professional development of the staff, was the signing of the bilateral agreement between the Bank of Albania with the Swiss State Secretariat for Economic Affairs (SECO) on the program "Bilateral assistance and capacity building for Central Banks" jointly funded by SECO and GIIDS (Graduate Institute for International and Development Studies).

The purpose of this three-year programme (2013 – 2016) is to provide technical assistance to central banks, through contributing to the development of a favourable environment for sound and well-balanced financial systems. The elements of the program consist in conference and workshops, In-Residence specialised trainings, technical assistance, research, which will be focused on: analysis and implementation of monetary policy, development of financial market, banking supervision and regulation, operational risk management, etc.

Also, during 2013, the Bank of Albania continued to implement the protocol for the cooperation and technical assistance with the National Bank of Serbia (2009) and the Central Bank of Kosovo (2012). The visits and meetings at homologue departments aimed at discussing and sharing mutual experiences, hence positively affecting the establishment of a bilateral professional collaboration.









### III. INTERNAL AUDIT

- *Internal audit at the Bank of Albania is carried out by the Internal Audit Department. The main objective of the Internal Audit Department is to ensure compliance with the laws and by-laws in the activity of the Bank of Albania. Another objective of the Internal Audit Department is to act as an overall controller and consultant to the administrators and the Supervisory Council, by providing its contribution toward maintaining the integrity of information, efficiently using resources and internal audit systems at the Bank of Albania.*

The activity of the Internal Audit Department during 2013 was conducted in compliance with the internal audit plan, which was approved by the Inspector General, after being presented to the Governor and the Supervisory Council members of the Bank of Albania. Throughout 2013, 15 audits on granting a guarantee were planned, of which 13 audit reports were completed and reported to administrators, and two investigation reports upon the request of the Management. Currently, two additional audit reports and two advisory audits are being completed and will be reported within the first quarter of 2014. The findings and recommendations in the audit reports, for each of the audits conducted in 2013, are first addressed to the directors of the organisational units subject to the audit and then to the Bank of Albania's Administrators. In total, 75 new recommendations and 24 previous recommendations "in process/not implemented" were addressed during 2013. A summary of these findings in the form of periodic reports was submitted to the Supervisory Council of the Bank of Albania.

In 2013, Audit Department was engaged in non-auditing tasks, such as:

- "The Programme on the Bank of Albania Business Continuity" - a consultative engagement based on the request of the Administrators, to improve the programme and enhance implementing structures. The main objective of the inspectors' engagement is to assess the current situation of the Programme on the Management of the Bank of Albania's Business Continuity and propose further stages in supporting the forthcoming project on the implementation of the management of the Bank of Albania business continuity.
- Review of regulatory framework – The "Policy on the Internal Audit at the Bank of Albania" is drafted and the regulation "On the organisation and function of the Audit Department" is revised. Review of the regulatory framework aims at setting out the objective, authority and responsibilities of the internal audit at the Bank of Albania, in compliance with the Definition of the Internal Auditing, Code of Ethics

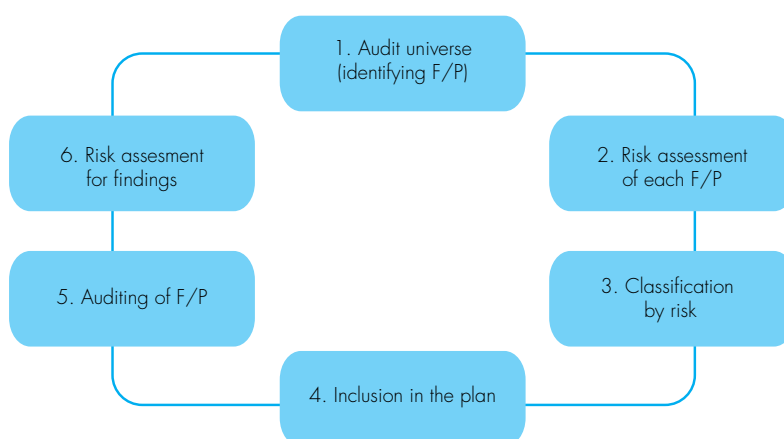
and the International Internal Auditing Standards. The "Policy of Internal Auditing at the Bank of Albania" is drafted based on the Statute of the Internal Auditing proposed by the Institute of Internal Auditors (IIA) and in similar documents of other central banks. Two projects will be proposed for approval to the Supervisory Council of the Bank of Albania within the first quarter of 2014.

- Review of the methodology on risk assessment based on the methodology used by the European Central Bank and some other central banks. The new methodology is divided into two sections, distinguishing between "inherent risk assessment of the function/process" and "assessment of audit adequacy" to clearly establish both concepts:
  - (i) internal audit planning - inherent risk assessment (financial, reputation or operational) substantially connected to the function/process, which is expected to change insignificantly in the medium term; and
  - (ii) assessing the adequacy of the established audits - the way how this substantial risk is managed through the implementation of the internal audits by the responsible units for activities related to the assessed function/process (risk assessment of findings and recommendations).

**RISK-BASED AUDIT PLAN AT THE BANK OF ALBANIA**

1. Identification of functions/processes in the internal audit universe and their review on an annual basis, in compliance with the Bank of Albania strategic objectives.
2. Assessment of inherent risk for the functions/processes identified in the auditing universe, according to the criteria set forth in the methodology:
  - a) Financial risk (25%);
  - b) Reputation risk (30%);
  - c) Operational risk (45%).
3. List of functions/processes being identified in the audit universe based on:
  - a) Assessment of inherent risk;
  - b) Assessment of the audits adequacy set forth by the management;
  - c) Assessment of the residual risk for the function/process after the determination and/or implementation of the internal audits.
4. Inclusion in the internal auditing plan of the functions/processes of inherent risk and/or with high residual risk. The comments/suggestions provided by the Management and the Supervisory Council of the Bank of Albania shall be taken in consideration when drafting the annual internal auditing plan.
5. Conducting the auditing engagements in line with the approved annual plan of internal audit.
6. Risk assessment for findings during the auditing engagements and categorisation according to the criteria set forth in the methodology (high, medium and low), and the addressing of the respective recommendations to the Bank of Albania's Management and Supervisory Council.

Risk-based audit plan at the Bank of Albania risk based











## IV. PUBLIC COMMUNICATION

- *Public communication is an important pillar in the Bank of Albania's activity for fulfilling the responsibility to provide maximum transparency about decision-making and its effects; and raising public confidence in the central bank. In this framework, to the Bank of Albania the interacting communication with the public is a primary issue of strategic importance, to transmit its monetary policy directly and comprehensively to the public.*

### PUBLIC INFORMATION

The Bank of Albania uses a number of communication instruments to inform the public and explain clearly its objective. Among them, we can mention:

#### *MONTHLY PRESS CONFERENCES*

The Bank of Albania organises a monthly press conference on the Supervisory Council's monetary policy decision, during which the Governor explains the decision to the public and the analysis that led to that decision making. In 2013, the Bank of Albania organised 12 press conferences, whose dates are published in an annual schedule at year-start. The Governor's speech and respective questions and answers at the press conference are also published both in Albanian and English.

#### *MONETARY POLICY REPORT*

This report is the main written monetary policy instrument for communication with the public. It presents a comprehensive description of the latest macroeconomic developments and factors that have affected and are expected to affect consumer prices in Albania. In 2013, this report was published quarterly, both in Albanian and English.

#### *PRESENTATION OF THE ANNUAL REPORT TO THE PARLIAMENT*

The Annual Report is an annual publication that provides an overview of Albania's economic and financial situation as well as the activity of the Bank of Albania during the year. The annual report is introduced each year to the Parliament of Albania, following a preliminary presentation by the Governor to the Economy and Finance Parliamentary Committee, showing the Bank of Albania's accountability for its activities during the year.

#### *MEDIA RELATIONS*

Communication with media is considered as an important element for real-

time information of the public about the decisions and activity of the Bank of Albania and of the entire banking system. This communication is a crucial part of the Bank of Albania transparency and as such, it contributes to the accountability of the institution. In this regard, media is informed and made aware continuously on issues related to the central bank and on the economic and financial performance of the country.

In 2013, the communication with media proceeded through the monthly press conferences or other public activities. The Bank of Albania held seven "off the records" presentations of its regular report to the media. These meetings help the media read the Bank of Albania decision-making correctly and are seen as an effective means for the transmission of Bank of Albania activities to the public.

#### *PUBLIC ADDRESSES*

The Governor and other representatives of the Bank of Albania communicate with the public through speeches, presentations and lectures delivered in various activities organised by the Bank of Albania or other national or international institutions.

#### *DIALOGUE WITH THE BANKING SYSTEM, BUSINESS AND ACADEMIA*

The forums and round tables held with representatives of the banking system, business and academia had an important place in communications with the public, during 2013. Besides discussions on key current issues, they provide the Bank of Albania with the possibility to obtain information on problems related to these sectors or to certain areas of the country.

#### *PUBLICATIONS*

Bank of Albania publications provide detailed and updated information on Albanian and global economy developments in the banking and financial system, currency and financial stability, amendments to and enrichment of the banking legislation and its regulatory framework, as well as other relevant issues. Bank of Albania publications are consolidated sources of accurate and reliable information for the public.

Periodic and non-periodic publications, in 2013, consisted of about 4720 pages of analyses, statistics and research in both Albanian and English. The set of periodic reports was the same as in the previous year: Annual Report 2012, Quarterly Monetary Policy Report, Financial Stability Report (semi-annual) and Annual Supervision Report 2012. In addition to periodic reports, the following were published: the monthly Official Bulletin, the semi-annual Bulletin of the Bank of Albania, discussion papers (nine titles), educational set "1, 2, 3, Cufo piglet is learning to save", three educational brochures, and the book "Growth in Albania and South East Europe: The Way Ahead" by the Governor of the Bank of Albania, Mr. Ardian Fullani.

In order to intensify relations with economic, financial and research institutions, and with any other interested parties, and to fulfil the Bank of Albania's



obligation to publish, inform and explain its objectives, policies, procedures, and opinions, the Bank of Albania continued to distribute its publications free of charge, during 2013.

#### *OFFICIAL WEBSITE*

Throughout 2013, the Bank of Albania provided full transparency, by real-time publication on its website of information about its work and the banking system, speeches by its administrators, statements and press releases, periodic reports, surveys, analyses and research work, statistics and various indicators. Also, the Bank of Albania, identifying the information of the public as part of its priorities, since 27 July 2012 has started to periodically publish the interest rates and commissions on products and services offered by commercial banks in Albania.

#### *STATISTICS*

The Bank of Albania has a rich statistics system for many sectors of the Albanian economy such as: banking sector, fiscal sector, real sector and external sector, which are published according to a defined schedule, and are updated bi-yearly. The main goal for collecting this information is related to central bank goals, such as: drafting the monetary policy, compiling the balance of payments, and analysing the banking and financial system for its further development. Bank of Albania statistics are published in the monthly statistical reports, in the quarterly monetary policy reports and on the official website.

#### **PUBLIC EDUCATION**

The Bank of Albania's strategy aims to, inter alia, educate the public about a great number of issues, ranging from personal finance and banking to direct or indirect impact of the Bank of Albania on supporting the country's economic development. Financial literacy is now a necessity, taking into consideration not only the rates of economic, banking and technological development, but also the importance and significance of information on today's global world.

Though the public education is not a legal obligation, the Bank of Albania has special interest in expanding and deepening financial literacy in the country, particularly amid the new generation. The measures planned under the communication strategy were fully implemented in 2013, highlighting the most striking project, i.e., the integration of financial literacy into the nine-year school curricula through the teaching set "1,2,3... Çufo piglet is learning to save.

#### *PILOT PROJECT ON FINANCIAL EDUCATION FOR THE NINE-YEAR PRIMARY SCHOOL PUPILS: THE EXTRA-CURRICULAR TEACHING SET "1,2,3... ÇUFO PIGLET IS LEARNING TO SAVE"*

The extra-curricular teaching set "1, 2, 3 ... Çufo piglet is learning to save", launched by the Bank of Albania during the academic year 2013- 2014,

targets pupils attending class I, II and III of the nine-year primary school. It will be taught in the free teaching classes dedicated to school projects or as an inter-subject project.

The topics elaborated in this book were selected conform to the daily experience of pupils with money and personal finance. This educational set consists in:

- The Students Book "1, 2, 3... Çufo piglet is learning to save" that consists in seven short tales. Through a simple language, these tales cover topics such as: the difference between needs and wants; where the money comes from and what it serves for; and money management and saving;
- 22 worksheets, which help the pupils learn while having fun;
- The Teacher's Guide, aiming to help teachers better understand the set objectives and guiding them during the elaboration of fairy tales and worksheets in class.

To ensure the successful implementation of this project, the Publications Office, in collaboration with representatives by the Ministry of Education and Science and the Institute for the Development of Education, has held three training seminars for teachers of the elementary schools that have opted to teach this set. These seminars aimed to introduce teachers to the essential concepts, and guide them to best teach financial education. The seminars were held during the second week of September, with the participation of teachers of nine-year schools under the jurisdiction of the Regional Educational Directorate (REDs) of Tirana, Shkodra and Vlora. Thirty teachers, selected by the respective REDs, teaching classes I, II, III, in 10 different nine-year schools attended each seminar.

Upon their request, the 30 selected schools by REDs, during the academic year, were joined by other interested schools, raising the overall number to 36 schools that use the Çufo set. The total number of pupils studying Çufo in the three cities is 8400. This educational set is provided by the Bank of Albania to all schools free of charge in cooperation with the Albanian Association of Banks (2,300 copies).

#### *EDUCATIONAL ACTIVITY AT THE HIGH ECONOMIC SCHOOL*

On 20 March 2013, the international "Global Money Week" was celebrated. This week was dedicated to educate young people and introduce them to concepts such as saving, banking, banking products and financial instruments. The Bank of Albania participated in this initiative, together with other 80 countries. The students and teachers were addressed by representatives of the Bank of Albania, Albanian Association of Banks and the Ministry of Education and Science. The representatives of the Bank of Albania introduced the textbook "Personal finances in your hands", which was provided free of charge to about 7000 high-schools students throughout the country.

*EDUCATIONAL ACTIVITY AT "ZYBER HALLULLI" CHILDREN'S HOME*

The Bank of Albania organised, on 27 May 2013, two activities of social, humanitarian and educational character at Infant's Home and "Zyber Hallulli" Children's Home in Tirana. These activities, along with the one that took place at the Infant's Home in Shkodra, were organised in the light of principles of social and institutional responsibilities that the Bank of Albania reflects and promotes. Some of the activities organised in this framework include the activity organised on the occasion of the International Day of Environment at "Rinia" Park, under the slogan "21 Green Economy: does it include you?", as well as other various activities held on the occasion of Albanian currency anniversary.

The Bank of Albania donated clothes, toys and medicaments, which were purchased with the contributions of the employees of the Bank of Albania. Also, on this occasion, entertaining activities were organised for the children, and the set "1,2,3, ... Çufo piglet is learning to save" was introduced. The distinguished writer of children stories, Gaqo Bushaka, who advised the Bank of Albania in preparing this set, participated in this activity as well.

*EXHIBITION IN THE NATIONAL MUSEUM ON: "...THE BANK, FOR ALBANIA, IS A SECOND VICTORY AFTER FREEDOM".*

On the occasion of celebrating the 100th Anniversary of the signing of the first concession agreement establishing the National Bank of Albania, on 4 October 2013, the Bank of Albania opened a numismatic exhibition on: "...the Bank, for Albania, is a second victory after freedom..."

One hundred years ago, on 4 October 1913, the founder of the modern Albanian state, Ismail Qemal Bey Vlora signed, on behalf of the Albanian Government with the representatives of two of the largest financial groups of the time, of Austria-Hungary and Italy, the first concession agreement to establish a central bank in Albania. The concession is the corner stone for the establishment of central banking in Albania.

The exhibition aimed at informing the public on the journey of the currency across Albanian territories, the history of the establishment of the central bank in our country, as well as the most recent initiatives of the Bank of Albania on financial education. This activity was attended by representatives of diplomatic missions accredited in Albania, banking sector senior officials, relevant scholars, media and members of the public.

*XVII<sup>TH</sup> "TIRANA BOOK FAIR" 2013*

For the first time, the Bank of Albania participated at the XVI<sup>th</sup> "Tirana Book Fair 2013", organised at "Pallati i Kongreseve", on 13-17 November 2013. In the light of this experience and considering the Book Fair as a convenient event to introduce and distribute Bank of Albania publications, diverse publications were made available to the public at the booth of the Publications Unit.

During the fair days, copies of periodical publications, scientific and research

works and educational and informative brochures were made available to the public. During the five days of the fair, about 4000 copies of periodic publications, 6000 copies of scientific publications and 18000 copies of educational publication to the public were distributed.









## V. MEDIUM-TERM DEVELOPMENT STRATEGY 2013-2015

The Medium-term Development Strategy of the Bank of Albania sets forth the Bank of Albania's vision for the three-year period 2013–2015, aiming at: (i) providing a proactive response to challenges to the environment in which the central bank operates; (ii) encouraging the effective and efficient allocation of resources; and (iii) promoting the Bank of Albania's accountability. The strategy is a concrete plan of actions to be implemented, transparent about planning and desired outcomes, as well as a means of communication with Bank staff and other interested persons.

The work to address the main challenges facing the Bank of Albania continued during 2013. These challenges are identified in the medium-term strategy, in the following aspects:

- **Maintaining monetary stability:** The Bank of Albania's monetary policy continued to remain oriented toward achieving and maintaining price stability, aiming, at the same time, at minimising its operational costs to the real and financial sector of the economy. The Bank is improving the monetary policy decision-making, to enhance its efficiency and respond to domestic and global economic development challenges. Raising the quality of analysis and forecasting instruments, fostering the coordination between monetary and fiscal policies, and the macro-prudential measures lead to this improvement.
- **Developing macro-prudential policies and strengthening inter-institutional cooperation:** The development of appropriate macro-prudential policies relates to the identification and implementation of measures for preventing, restraining and handling the financial systemic risks. The framework for macro-prudential policies is based on consolidated principles of institutional independence and maintaining the Bank of Albania's primary objective. Guided by these principles, the Bank of Albania is encouraging the discussion and supports macro-prudential decision-making that relies on consolidated monetary policy instruments.
- **Ensuring a sound banking activity:** The core objective of banking supervision is to ensure a sound banking activity in Albania to guarantee citizens' savings, support financial stability, and contribute to the positive performance of the whole economy. Supervisory procedures are being structured based on international standards and risk analysis in line with the elevated level of sophistication in banking



activity, ensuring the grounds for identifying and assessing material risks. The development of regulatory framework is guided by the core objective of approximation with Basel II/III principles and European Union legislation.

- Increasing statistical data quality: With the contribution of the European Bank for Reconstruction and Development (EBRD), the upgrading of banks' reporting infrastructure will further improve the quality of statistics and analyses produced by the Bank of Albania.
- Improving payment systems infrastructure: The payment system oversight is being strengthened by re-dimensioning its role into a more active and prudential role, in line with best international practices developed after the post-global economic and financial crisis. Also, the focus will be on improving the technical and regulatory infrastructure, aiming to approximate it to the best European practices and enhance its security and efficiency, and eventually promote the spectrum of use of the system by the public.
- Improving currency quality: The Bank aims at ensuring an acceptable and good quality of banknotes and coins in circulation, to boost public confidence and protect banknotes integrity. Through the National Analysis Centre, the Bank will re-design its approach to counterfeit deterrence, starting from legal, administrative, and laboratory aspects to public education.
- Strengthening independence, transparency and accountability: Bank of Albania aims at fostering independence in compliance with the European Union Treaty and the Statute of the European System of Central Banks. Also, the Bank is working to further approximate Albania's banking legislation to the European Union legislation.
- Reconstructing the buildings where the Bank of Albania conducts its business: The Bank of Albania is working to successfully complete the project for restructuring the Bank's head offices, expanding the workspace and reinstate its original design. The renovated building will provide adequate facilities for a modern museum with integrated numismatic, historical and educational functions. Also, the projects to upgrade cash processes will continue to be extended to all branches of the Bank of Albania.

The Bank of Albania pays considerable attention to implementation of the medium-term strategy by the departments and other organisational units, as well as to monitoring the success achieved in this regard. This process includes breaking the strategic objectives down into concrete work plans that set forth deadlines, the required human, financial and technological resources for fulfilling the objectives, and, whenever possible, concrete targets to measure the performance. The Bank of Albania's medium-term strategy has been integrated into the assessment process of the institution and employees'

performance since March 2010. This has provided for the identification of measurable, adequate and achievable objectives, and has contributed to the work planning based on past achievements. Finally, the medium-term strategy is essential in drafting the medium-term budget (2013-2015) and annual budgets of the Bank of Albania, thus contributing to the strengthening of the institution's accountability.

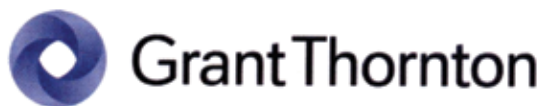








# BANK OF ALBANIA FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)



Grant Thornton sh.p.k  
Rr: Sami Frasheri, Kompleksi T.I.D,  
Shk. B, Floor 1, 10 000  
Tirana, Albania

T +355 4 22 74 832  
F +355 4 22 56 560  
www.grantthornton.com.mk

## INDEPENDENT AUDITOR'S REPORT

### TO THE SUPERVISORY COUNCIL OF BANK OF ALBANIA

We have audited the accompanying financial statements of Bank of Albania (further referred to as "the Bank"), which comprise the Statement of Financial Position as at 31 December 2013, and the Separate Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies adopted by Bank of Albania as disclosed in Note 2 (a) to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with accounting policies adopted by Bank of Albania as disclosed in Note 2 (a) to the financial statements.

Grant Thornton sh.p.k  
Tiranë, Shqipëri  
18 mars 2014

Grant Thornton DOO  
Shkup, Maqedoni  
18 mars 2014

Grant Thornton Sh.p.k.

Grant Thornton DoO

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

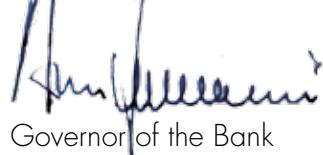
(amounts in Lek million, unless otherwise stated)

	Notes	31 December 2013	31 December 2012
<b>ASSETS</b>			
Assets denominated in foreign currencies			
Gold and precious metals	5	8,474	12,196
Accounts with the International Monetary Fund	6	20,220	18,644
Deposits with non-resident banks	7	21,661	27,286
Available for sale investments	8.1	230,588	216,279
Held for trading investments	8.2	12,591	13,034
Other foreign assets	9	577	703
Total assets denominated in foreign currencies		294,111	288,142
Domestic assets			
Gold and precious metals	5	4,021	5,805
Loans to resident banks	10	21,502	21,800
Available for sale investments	11	63,920	63,619
Other domestic assets	12	12,388	11,212
Total domestic assets		101,831	102,436
Total Assets		395,942	390,578
<b>LIABILITIES</b>			
Liabilities denominated in foreign currencies			
Due to the International Monetary Fund	13	18,633	20,195
Due to non-resident financial institutions	14	1,256	1,252
Other foreign liabilities	15	-	131
Total liabilities denominated in foreign currencies		19,889	21,578
Domestic liabilities			
Currency in circulation	16	207,766	200,872
Due to resident banks	17	100,031	97,054
Due to the Government	18	23,779	16,025
Other domestic liabilities	19	1,546	1,686
Total domestic liabilities		333,122	315,637
<b>CAPITAL AND RESERVES</b>			
Capital		2,500	2,500
Legal reserve		12,500	12,500
Revaluation reserve	20	10,421	20,826
Property revaluation surplus		1,750	1,789
Other reserves	21	15,760	15,748
Total capital and reserves		42,931	53,363
Total liabilities, capital and reserves		395,942	390,578

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 122 to 158.

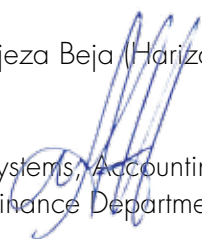
The financial statements were authorised by the Supervisory Council on 26 February 2014 and signed on its behalf by:

Arbjan Fullani



Governor of the Bank

Anjeza Beja (Harizaj)



Director of Payment Systems, Accounting  
and Finance Department



**SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31  
DECEMBER 2013**  
*(amounts in Lek million, unless otherwise stated)*

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Operations with non-residents			
Interest and commission income	22	5,171	5,440
Interest and commission expense	23	(4,158)	(3,829)
Operations with non-residents, net		1,013	1,611
Operations with residents			
Interest and commission income	24	4,387	5,250
Interest and commission expense	25	(930)	(1,221)
Operations with residents, net		3,457	4,029
Other operating income, net	26	654	2,753
Net trading income	27	56	99
Loss from change in value of gold, SDR and assets/ liabilities denominated in foreign currencies		(9,660)	(715)
Total income from Banking activities		(4,480)	7,777
Other administrative expenses			
Personnel expenses	28	(1,116)	(1,089)
Depreciation	12	(244)	(215)
Amortization	12	(126)	(15)
General and administrative expenses	19	(690)	(640)
Total other administrative expenses		(2,176)	(1,959)
Net (loss)/ income from Banking activities		(6,656)	5,818

Profit distribution as at 31 December 2013:

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Net (loss)/ income from Banking activities		(6,656)	5,818
Transfer from/ (to) revaluation reserve		9,660	715
Profit before distribution		3,004	6,533
Provisions		-	(132)
Deduction from the previous year profit		-	(8)
Net profit before allocation		3,004	6,393
Uses (allocation) of profit of Bank of Albania			
Reversal of property revaluation surplus		39	39
Reversal of income from the arrangement of the previous years		-	1
Creation of a reserve fund		(12)	-
Total distribution of profit to Albanian Government		3,031	6,433

*The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 122 to 158.*

## SEPARATE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

*(amounts in Lek million, unless otherwise stated)*

	Year ended 31 December 2013	Year ended 31 December 2012
Net (loss)/ income from Banking activities	(6,656)	5,818
Other revaluation reserve	9	-
Property revaluation	(39)	(39)
Revaluation of available for sale financial assets	(754)	(1,313)
Other comprehensive loss for the year	(784)	(1,352)
Total comprehensive (loss)/income for the year	(7,440)	4,466

*The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 122 to 158.*

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR  
ENDED 31 DECEMBER 2013**  
(amounts in Lek million, unless otherwise stated)

	Capital	Legal reserve	Revaluation reserve	Property revaluation surplus	Other reserves	Retained earnings	Total
As at 1 January 2013	2,500	12,500	20,826	1,789	15,748	-	53,363
Revaluation of securities	-	-	(754)	-	-	-	(754)
Revaluation of numismatics	-	-	(3)	-	-	-	(3)
Other revaluation reserves (EFF loan from IMF)	-	-	12	-	-	-	12
Reversal of property revaluation surplus	-	-	-	(39)	-	-	(39)
Total other comprehensive income	-	-	(745)	(39)	-	-	(784)
Net loss from banking activity	-	-	-	-	-	(6,656)	(6,656)
Total comprehensive income for the year	-	-	(745)	(39)	-	(6,656)	(7,440)
Transfer from/ to the revaluation reserve	-	-	(9,660)	-	-	9,660	-
Reversal of property revaluation surplus	-	-	-	-	-	39	39
Other reserves	-	-	-	-	12	(12)	-
Total of contributions from/ to Government of Albania	-	-	-	-	-	(3,031)	(3,031)
As at 31 December 2013	2,500	12,500	10,421	1,750	15,760	-	42,931

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 122 to 158.

	Capital	Legal reserve	Revaluation reserve	Property revaluation surplus	Other reserves	Retained earnings	Total
As at 1 January 2012	2,500	12,500	22,922	1,828	15,748	-	55,498
Revaluation of securities	-	-	(1,313)	-	-	-	(1,313)
Revaluation of numismatics	-	-	(1)	-	-	-	(1)
Other revaluation reserves (EFF loan from IMF)	-	-	(67)	-	-	-	(67)
Reversal of property revaluation surplus	-	-	-	(39)	-	-	(39)
Total other comprehensive income	-	-	(1,381)	(39)	-	-	(1,420)
Net income from banking activity	-	-	-	-	-	5,686	5,686
Total comprehensive income for the year	-	-	(1,381)	(39)	-	5,686	4,266
Transfer from/ to the revaluation reserve	-	-	(715)	-	-	715	-
Reversal of property revaluation surplus	-	-	-	-	-	39	39
Deduction from the previous year profit (adjustments from prior year)	-	-	-	-	-	(8)	(8)
Reversal of incomes from prior years	-	-	-	-	-	1	1
Total of contributions from/ to Government of Albania	-	-	-	-	-	(6,433)	(6,433)
As at 31 December 2012	2,500	12,500	20,826	1,789	15,748	-	53,363

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 122 to 158.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(amounts in Lek million, unless otherwise stated)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities			
Net income before allocation		3,004	6,393
Non-cash items in the statement of operation			
Interest and commission income (non-residents)	22	(5,171)	(5,440)
Interest and commission expense (non-residents)	23	4,158	3,829
Interest and commission income (residents)	24	(4,387)	(5,250)
Interest and commission expense (residents)	25	930	1,221
Net trading securities income	27	(56)	(99)
Profit from sale of available for sale investments	26	(420)	(2,659)
Gain from forward foreign exchange contracts and futures contracts	26	(223)	(41)
Provision for doubtful loans		13	132
Deduction from the previous year profit		-	8
Depreciation and amortization	12	370	230
Cash flow before changes in working capital		(1,782)	(1,676)
Changes in working capital			
Increase in accounts with the IMF	6	(1,575)	(2,818)
Increase in other foreign assets	9	135	(124)
Decrease/ (Increase) in other domestic assets	12	99	(402)
(Decrease) /Increase in due to the IMF	13	(1,562)	647
Increase in due to financial institutions	14	4	10
(Decrease) /Increase in due to other foreign liabilities	15	(131)	131
Increase in due to resident Banks	17	2,976	8,489
Increase in due to the Government	18	9,517	2,422
(Decrease) /Increase in other domestic liabilities	19	(140)	507
Purchase of held for trading securities (in foreign currency)		(23,354)	(24,207)
Sale of held for trading securities (in foreign currency)		23,277	24,103
Cash flows generated from operations		9,246	8,758
Interest received		6,293	1,250
Interest paid		(965)	(361)
Net cash generated from operating activities		12,792	7,971

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from investing activities			
Purchase of property and equipment	12	(1,078)	(1,404)
Proceeds from disposal of property and equipment		-	52
Purchase of intangible assets	12	(567)	(63)
Proceeds from disposal of intangible assets		-	17
Purchase of available for sale investments (in foreign currency)		(263,295)	(308,725)
Purchase of available for sale investments (domestic assets)		(109,395)	(123,774)
Sale and maturity of available for sale investments (in foreign currency)		241,246	299,445
Sale and maturity of available for sale investments (domestic assets)		112,686	127,978
Decrease in repurchase agreements	10	281	3,663
Adjustment for effect of foreign exchange		(5,892)	906
Net cash (used in) investing activities		(26,014)	(1,905)
Cash flows from financing activities			
Decrease/(Increase) in money in circulation emissions		16,000	16,000
Distributed profit		(4,793)	(4,693)
Net cash generated from financing activities		11,207	11,307
(Decrease)/Increase in cash and cash equivalents during the year		(2,015)	17,373
Cash and cash equivalents at the beginning of the year	29	83,444	66,071
Cash and cash equivalents at the end of the year	29	81,429	83,444

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 122 to 158.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

*(amounts in Lek million, unless otherwise stated)*

### 1. GENERAL

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 23 December 1997 'On the Bank of Albania'.

Under the terms of its charter the Bank's main responsibilities are:

- formulating, adopting and executing the monetary policy of Albania, which shall be consistent with its primary objective;
- formulating, adopting and executing the foreign exchange arrangement and the exchange rate policy of Albania;
- issuing or revoking of licenses and supervising banks that engage in the banking business in order to secure the stability of the banking system;
- holding and managing its official foreign exchange reserves;
- acting as banker and adviser to, and as fiscal agent of, the Government of the Republic of Albania;
- promoting an effective operation of payments system.

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. BASIS OF PREPARATION

#### *(a) Statement of compliance*

These financial statements have been prepared in accordance with the accounting policies adopted in the Bank's Accounting Manual approved from the order No. 50 of the Council of Ministers, dated 26 January 2001 and other policies approved by the Supervisory Council of the Bank of Albania. Significant accounting policies applied in the preparation of these financial statements are described in note 3. The accounting policies adopted in preparation and presentation of these financial statements are broadly in line with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB').

#### *(b) Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following:



- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- gold is measured at fair value
- buildings are measured at revalued amount.

#### *(c) Functional and presentation currency*

These financial statements are presented in Albanian Lek ('LEK'), which is the Bank's functional currency. Except when indicated, financial information presented in LEK has been rounded to the nearest million.

#### *(d) Use of estimates and judgments*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The most significant exception from IFRS is explained below:

#### IAS 39 'Financial Instruments: Recognition and Measurement'

Interest income and expenses on financial assets and liabilities are recognized in profit or loss on an accrual basis, calculated on the straight line method (see Note 3.a). This method is not in accordance with IAS 39, which requires the calculation on an effective interest basis method. Nevertheless, the Bank has identified such differences and these will be addressed during year 2014 (see note 3.f).

Additionally, borrowings from international financial institutions are recognized at cost rather than fair value as required by IAS 39.

#### *a. Interest and commission recognition*

Interest income and expense are recognized in profit or loss on an accrual basis. Interest income and expense include the interest earned on coupons,

as well as the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on a straight line basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fee and commission income and expenses arise on financial services provided by the Bank and are recognized when the corresponding service is provided. Other operating income/expense includes gains and losses arising from disposals and changes in the fair value of available for sale assets.

#### *b. Foreign currency transactions*

Transactions in foreign currencies are accounted for at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Some non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

According to the Law No. 8269, dated 23 December 1997 'On the Bank of Albania as well as the decision No. 104 dated 27 December 2006 of the Supervisory Council, exchange differences arising from the revaluation of assets and liabilities denominated in foreign currencies, revaluation of gold and precious metals and balances denominated in SDR are initially recognized in profit or loss in the period in which they arise, and are then transferred from retained earnings to 'Revaluation reserves' in capital and reserves section.

The Bank during the normal course of its activities enters into foreign exchange transactions with settlement dates 1 or 2 days after the trade date. These transactions are recorded in the financial statements on the settlement date. Foreign currency differences are recognised in profit or loss on the settlement date.

The applicable official Bank rate (LEK to the foreign currency unit) for the principal currencies as at 31 December 2013 and 31 December 2012 were as below:

	31 December 2013	31 December 2012
United States dollar (USD)	101.86	105.85
European Union currency unit (EUR)	140.20	139.59
British pound (GBP)	168.39	171.18
Special Drawing rights (SDR)	156.86	162.69
Japanese yen (JPY)	0.9698	1.2293
Gold ('XAU') per 1 onz (LEK)	122,384.79	176,134.40

*c. Net trading income*

Net trading income comprises net gains (losses) related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

*d. Lease payments made*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

*e. Taxation and Profit distribution policy of the Bank*

The Bank is not subject to income tax based on the law 'On the Bank of Albania'.

The Bank's policy of distribution of profit from banking operations is defined in the Law 'On the Bank of Albania'. According to this law, the Bank allocates all the realized profit to the State Budget after having fulfilled its requirement for reserve fund as required from the Supervisory Council of the Bank.

According to Article 64, point (a) of the Law 'On the Bank of Albania' as well as the decision No. 104 dated 27 December 2006 of the Supervisory Council, the net gain / losses arising from the revaluation of assets and liabilities denominated in foreign currencies, revaluation of gold and precious metals and balances denominated in SDR are initially recognized in profit or loss in the period in which they arise, and are then transferred from retained earnings to 'Revaluation reserves' in capital and reserves section. According to Article 64, point (b), the Government of Albania issues debt securities at market interest rates to cover any negative balance of the revaluation reserve arising from the Bank's activity.

According to Article 11 of the Law 'On the Bank of Albania' no transfer, redemption or payment under Articles 8, 9 or 10 of this law shall be made if the assets of the Bank are less than the sum of its liabilities and paid-up capital. If such conditions arise, based on the Law 'On the Bank of Albania' under article 7, the Ministry of Finance might have to transfer interest bearing negotiable government securities to the Bank, in such amount as would be necessary to remedy the deficiency.

*f. Legal and other reserves*

According to the requirements of Article 9 of the Law 'On the Bank of Albania', the Bank sets aside 25 per cent of the net profit for the year into a legal Reserve until the reserve amounts to 500% of the capital. The Bank has complied in full with this requirement as at 31 December 2011 with its legal reserve amounting to LEK 12,500 million.

Based on Decision no. 530, dated 04 March 2014, of the Supervisory Council, the Bank has created for 2013, a reserve in the amount of LEK 12 million. The reserve is created to address any difference emerged from the change in accounting policies with regards to securities as well as the adoption to the new informatics system for the administration of the cash reserve (PAT 2), in order to assure compliance with IAS 39.

*g. Financial assets and liabilities*

*(i) Recognition and subsequent measurement*

Financial assets held-to-maturity, financial asset at fair value through profit or loss and financial assets available-for-sale are initially recognised on the settlement date. The investments held-for-trading are accounted for on the trade date. The Bank initially recognises loans and advances, deposits, and financial liabilities on the date at which they are originated. A financial asset or financial liability is initially measured at fair value. The cost of financial assets approximates their fair value. Subsequent measurement of financial assets and financial liabilities is described below in accounting policies 3 (i), (j) and (k).

*(ii) Classification*

See accounting policies 3 (i), (j) and (k).

*(iii) De-recognition*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank writes off certain loans and investment securities when they are determined to be uncollectible.

*(iv) Offsetting*

Financial assets and liabilities are set off and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting policies of the Bank, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

*(v) Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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 reporting 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.

*(vi) Assessment and measurement of impairment*

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, as follows:

- For loans originated by the 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 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 profit or loss as a charge and is deducted from the relevant asset category in the statement of financial position. 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 profit or loss.
- For financial assets available for sale – when a decline in the fair value of an available-for-sale financial assets has been recognized directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss even though



the financial asset has not been derecognized.

#### *(vii) Securities lending agreements*

Investments lent under securities lending agreements are reported in the statement of financial position and are valued in accordance with the accounting policies applicable to assets held for trading and assets available-for-sale. Investments lent under securities lending agreements continue to be recognized in the Bank's statement of financial position. The Bank receives cash or securities collateral for such lendings. Income arising from the securities lending agreements is reported as interest income.

#### *h. Cash and cash equivalents*

Cash and cash equivalents include notes and coins on hand and current accounts and time deposits with original maturities of less than three months. These assets are carried at amortised cost in the statement of financial position. For the purposes of the statement of cash flows, the Bank includes gold and precious metals as part of cash and cash equivalents (See accounting policy 3.m).

#### *i. Trading assets and liabilities*

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised at fair value and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

A general information on the derivative instruments, which comprise future and forward contracts, is disclosed in Note 33 (d).

#### *j. Available for sale investments*

Available for sale investments are initially measured at fair value. Subsequently they are carried at fair value. Interest income is recognised in profit or loss on an accrual basis.

Fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are recognised in profit or loss.

#### *k. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Interest income is recognised in profit or loss on an accrual basis.

### *l. Derivatives held for risk management purposes*

Derivatives held for risk management purposes are classified as assets or liabilities at fair value through profit or loss. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Information about the basic contracts, risks, and other general considerations regarding derivative instruments held by the Bank, which include the exchange forward and swap contracts, are disclosed in Note 33 (d).

### *m. Gold and other precious metals*

Gold and other precious metals are valued at their fair values being the market value based on the official London Bullion Market price at the reporting date. This valuation is in line with local legislation.

### *n. Property and equipment*

#### *(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for land and buildings, which are stated at re-valued amount, calculated using the replacement cost method.

Any revaluation increase arising on the revaluation of land and buildings is credited in other comprehensive income to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Cost includes expenditures that are directly attributable to the acquisition of the asset.

#### *(ii) Subsequent costs*

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of property and equipment are recognised in profit or loss as incurred.

### *(iii) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and work in progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

· Buildings, Head Office	40 years
· Buildings, branches	25 years
· Vehicles	5 - 10 years
· Furniture, fixtures and equipment	3 - 20 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### *o. Intangible assets*

#### *(i) Printing and minting costs*

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

#### *(ii) Software*

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is two years.

### *p. Impairment of non-financial assets*

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *q. Grants*

Grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Bank will comply with the conditions associated with the grant. Grants that compensate the Bank for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Bank for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### *r. Borrowings from the International Monetary Fund (IMF)*

The borrowings of the Government of the Republic of Albania from the IMF are undertaken through the Bank and are shown on the statement of financial position of the Bank. The interest on these borrowings is paid directly by the Bank. Borrowings from the IMF are denominated in Special Drawing Rights. Borrowings from IMF are initially measured at cost.

#### *s. Repurchase agreements*

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements. Repurchase agreements are included in '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 of the Bank of Albania.

*t. Provisions*

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

*u. Employee benefits**(i) Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

The Bank makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

*(ii) Termination benefits*

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

*(iii) Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**4. USE OF ESTIMATES AND JUDGEMENTS**

These disclosures supplement the commentary on financial risk management (see note 33).



## *Key sources of estimation uncertainty*

### *Allowances for credit losses*

Assets accounted for at amortised cost and available for sale assets are evaluated for impairment on a basis described in accounting policy 3(g)(vi). The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

### *Determining fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that are traded infrequently and have some or no observable inputs, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Significant accounting judgements in applying the Bank's accounting policies  
Significant accounting judgements made in applying the Bank's accounting policies include:

### *Valuation of financial instruments*

The Bank measures fair values using the following hierarchy of methods:

- Level 1: Quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed securities, exchange traded derivatives like interest rate futures and simple over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

#### *Balances with Banks*

The fair value of these instruments is based on the Level 2 method described above.

#### *Investment securities*

Fair value of investment securities is based on market prices or broker/dealer price quotations. The fair value of these instruments is based on the Level 1 method described above. Where this information is not available, fair value has been estimated using the Level 2 method described above (Note 33.c).

### 5. GOLD AND PRECIOUS METALS

	31 December 2013	31 December 2012
Gold – foreign	8,474	12,196
Gold and precious metals - domestic	4,021	5,805
<b>Total</b>	<b>12,495</b>	<b>18,001</b>

As at 31 December 2013, the value of gold owned by the Bank placed in gold time deposits and current accounts abroad was LEK 8,474 million (2012: LEK 12,196 million).

Gold and precious metals included within domestic assets include non-monetary gold, platinum and silver held in a domestic vault, valued at the London fixing rate on the reporting date, amounting to LEK 4,021 million as at 31 December 2013 (31 December 2012: LEK 5,805 million).

The total decrease of LEK 5,506 million compared to prior year (2012: increase of LEK 700 million) results from the devaluation of gold and precious metals and is initially recognized in profit or loss and subsequently is transferred to revaluation reserve.

## 6. ACCOUNTS WITH THE INTERNATIONAL MONETARY FUND

	31 December 2013	31 December 2012
Quotas in the International Monetary Fund (IMF)	9,712	9,854
Special Drawing Rights (SDR) holdings	10,506	8,789
Accrued interest	2	1
<b>Total</b>	<b>20,220</b>	<b>18,644</b>

Accounts (Quotas) with the IMF originated from the membership of the Republic of Albania in the IMF, according to Law No.8269 dated 23 December 1997 'On the Bank of Albania'. These deposits have as counterparty accounts due to the IMF (see Note 13).

At 31 December 2013 the Republic of Albania's quotas in the IMF amount LEK 9,712 million or SDR 60 million, of which LEK 969 million or SDR 6 million represents the reserve tranche held with the IMF. The IMF pays remuneration (interest) to those members who have a remunerated reserve tranche position at 0.13% (2012: 0.03%) annual floating interest rate.

The Special Drawing Rights (SDR) holdings represent deposits placed with the International Monetary Fund. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate from 31 December 2013 up to 05 January 2014 is 0.13% (2012: from 31 December 2012 up to 06 January 2013 the interest rate was 0.03%).

At 31 December 2013, the amount of LEK 10,506 million or SDR 67 million (2012: LEK 8,789 million or SDR 54 million) included in SDR Holdings represents the amounts acquired through the SDR allocations (see Note 13). At 31 December 2013, the amount of holdings above allocations was LEK 3,220 million or SDR 21 million (2012: LEK 1,232 million or SDR 7 million).

## 7. DEPOSITS WITH NON RESIDENT BANKS

	31 December 2013	31 December 2012
Current accounts	13,313	20,370
Short-term deposits	8,315	6,900
Future contracts	31	14
Accrued interest	2	2
<b>Total</b>	<b>21,661</b>	<b>27,286</b>

Short-term deposits and current accounts earn interest at rates based on the currency of the deposit or current account. The interest rate of overnight deposits is 0.01% and 0.19% for EUR currency, 0.91% and 0.35% for GBP currency and 0.0075% for USD currency (2012: 0.02% for EUR, 0.65% for GBP currency and 0.017% for USD currency).

In "Accrued interest" are included accrued income for security lending for an approximate value of ALL 2 Million.

## 8. INVESTMENTS IN ASSETS DENOMINATED IN FOREIGN CURRENCY

### 8.1 AVAILABLE FOR SALE INVESTMENTS

The portfolio of available for sale investments in foreign currency is accounted for at market value as follows:

	31 December 2013	31 December 2012
Foreign Governments Treasury Notes	169,262	160,599
Bank for International Settlements (BIS): medium-term investments	-	1,449
Foreign Governments Treasury Bills	3,502	7,632
Agencies and Corporation Treasury Notes	55,723	40,689
Agencies Treasury Bills	2,101	5,910
Total	230,588	216,279

Foreign Government Treasury Notes have coupon rates varying between 0.10% up to 8.00% (2012: 0.20% up to 8.7%). Interest is paid semi-annually (USD, GBP and JPY) and annually (EUR) and maturities vary between January 2014 and January 2023. The yields vary from 0.2382% - 6.4796% in USD currency (2012: 0.2127% - 3.704%), from 0.0098% - 5.8728% in GBP currency (2012: 0.6648% - 3.6033%), from 0.2195% - 3.6033% in JPY currency (2012: 0.099% - 0.2704%), while for EUR currency where the interest is paid on annual basis, it varies from 0.0098% to 5.8728% (2012: 0.0099% - 5.0318%).

Bank for International Settlements – medium term investments comprised of fixed coupon securities denominated in EUR. As at 31 December 2013, the Bank has not invested part of its monetary reserve in this instrument.

Agencies and Corporation Treasury Notes are denominated in USD, GBP and EUR with coupon rates between 0.330% to 5.50% (2012: 0.380% to 5.375%). Interest is paid annually and semi-annually and maturities range from March 2014 up to September 2022. The yield is from 0.0997% up to 2.2028% (2012: 0.0401% up to 2.312%).

Agencies Treasury Bills are denominated in EUR with yields of 0.37% (2012: 0.103% up to 0.2604 %) and maturities up to July 2013.

Foreign Government Treasury Bills are dominated in EUR. The yields vary between 0.108% up to 0.554% (2012: 0.017% up to 2.50%), and its' maturities range between February 2014 up to October 2014.

## 8.2. HELD FOR TRADING INVESTMENTS

Held for trading portfolio in foreign currency measured at market value is presented as follows:

	31 December 2013	31 December 2012
Government Treasury Notes	7,685	7,564
Agencies Treasury Notes	4,906	5,389
Government Treasury Bills	-	81
Total	12,591	13,034

Government Treasury Notes, denominated in USD, have a fixed rating coupon, its rates varying from 0.125% up to 2.750% (2012: 0.25% up to 3.375%). Interest is paid semi-annually and its maturities are ranged between 31 August 2014 and 31 October 2018.

Agencies Treasury Notes, denominated in USD, have a fixed and variable coupon rates. For the fixed interest rate Agency Treasury Notes the interest is paid with semi-annually or annually.

Interest rates of Agency Treasury Notes with a semi-annual maturity, vary between 0.375% and 2.000% (2012: 0.500% and 2.750%) and their maturities range from January 2014 up to November 2018.

Agencies Treasury Notes with annual maturity vary between 0.875% and 1.250% (31 December 2012: 0.875% to 1.000%). Their maturities range from April 2015 to November 2016.

For the Agencies Treasury Notes with floating rates the interest is paid quarterly and monthly. Their maturities range from March 2014 up to January 2016.

Held for trading portfolio is administrated by International Bank for Reconstruction and Development ("IBRD") as stated in the agreement 'On the administration and technical assistance on investing the foreign reserve of Bank of Albania (Reserves and Advisory Management Program) signed between Bank of Albania and IBRD on 23 September 2005. Investments from this portfolio are accounted for on the trade date.



## 9. OTHER ASSETS (IN FOREIGN CURRENCY)

	31 December 2013	31 December 2012
Quotas in international financial institutions		
International Bank for Reconstruction and Development subscriptions (IBRD)	361	362
International Development Agency subscriptions (IDA)	12	12
Multilateral Investment Guarantee Agency subscriptions (MIGA)	6	7
International Finance Corporation subscriptions (IFC)	75	78
European Bank for Reconstruction and Development subscriptions (EBRD)	60	62
Islamic Development Bank subscriptions (IDB)	23	24
Total Quotas	537	545
Accounts with IBRD	-	127
Cash on hand in foreign currency	40	31
Total other assets in foreign currency	577	703

Quotas in international financial institutions comprised subscriptions for participation of the Republic of Albania in these institutions (see Note 30.i).

## 10. LOANS TO RESIDENT BANKS

The amount of LEK 21,502 million (31 December 2012: LEK 21,800 million) includes loans to resident banks which represents reverse repurchase agreements signed between the Bank of Albania and second-tier banks in the amount of LEK 21,132 million (including LEK 15 million of the accrued interest) with maturing terms between one week, one month and three months. On 31 December 2013, the annual interest rates of reverse repurchase agreement vary from 3.00% to 3.29% (2012: 4.00% to 4.32%), and its maturities extend up to January 2014. The balance also includes an amount of LEK 370 million related to loan with daily maturity (31 December 2012: nil).

## 11. AVAILABLE FOR SALE INVESTMENTS (DOMESTIC ASSETS)

	31 December 2013	31 December 2012
Short-term Treasury Bills	63,920	63,619
Total	63,920	63,619

At 31 December 2013, short-term Treasury Bills include Treasury Bills issued by the Government of Albania with zero-coupon rates and a maturity from 3 months to 12 months. Its yields are varying from 3.2684% to 6.6009% (2012: 5.00% to 7.3871%). Treasury Bills Portfolio maturities range from January 2014 up to December 2014.

## 12. OTHER DOMESTIC ASSETS

	31 December 2013	31 December 2012
Property and equipment, net	9,546	8,712
Intangible assets, net	500	59
Loans to employees	1,822	1,894
Other debtors	151	199
Numismatic	264	253
Inventory	58	59
Other	47	36
Total	12,388	11,212

Loans to employees are net of a provision for legal claims of LEK 9 million at 31 December 2013 (2012: LEK 12 million). The total amount of registered collateral for long term loans extended to employees shows the value of LEK 2,295 million at 31 December 2013 (2012: LEK 2,294 million). At 31 December 2013, commitments for loans to employees (in accordance with the Regulation on Loans No. 77, dated 25 October 2006) amounts to LEK 79 million (2012: LEK 86 million).

As at 31 December 2013, the balance of "Other Debtors" amounting to LEK 151 million (2012: LEK 199 million) relates to Letter of Guarantee at a commercial bank in accordance with an agreed contract with third parties for the printing of banknotes.

The net carrying amounts of property and equipment by category at 31 December 2013 are comprised of:

	Land, buildings and general constructions	General equipment	Transport vehicles	Work in Progress	Total
Cost / Valuation					
Balance at 1 January 2013	6,659	1,888	191	1,499	10,237
Additions	26	219	84	749	1,078
Balance at 31 December 2013	6,685	2,107	275	2,248	11,315
Accumulated depreciation					
Balance at 1 January 2013	346	1,014	165	-	1,525
Charge for the year	58	178	8	-	244
Balance at 31 December 2013	404	1,192	173	-	1,769
Net carrying amount					
Balance at 31 December 2013	6,281	915	102	2,248	9,546
Balance at 31 December 2012	6,313	874	26	1,499	8,712

The net carrying amounts of property and equipment by category at 31 December 2012 are comprised of:

	Land, buildings and general constructions	General equipment	Transport vehicles	Work in Progress	Total
Cost / Valuation					
Balance at 1 January 2012	6,601	1,330	184	770	8,885
Additions	60	608	7	729	1,404
Disposals	(2)	(50)	-	-	(52)
Balance at 31 December 2012	6,659	1,888	191	1,499	10,237
Accumulated depreciation					
Balance at 1 January 2012	274	878	158	-	1,310
Charge for the year	72	136	7	-	215
Balance at 31 December 2012	346	1,014	165	-	1,525
Net carrying amount					
Balance at 31 December 2012	6,313	874	26	1,499	8,712
Balance at 31 December 2011	6,327	452	26	770	7,575

The net carrying amounts of intangible assets by category at 31 December 2013 are comprised of:

	Computer software	Banknotes printed and coins minted	Total intangible Assets
Cost / Valuation			
Balance at 1 January 2013	404	3,147	3,551
Additions	52	515	567
Balance at 31 December 2013	456	3,662	4,118
Accumulated amortization			
Balance at 1 January 2013	395	3,097	3,492
Charge for the year	19	107	126
Balance at 31 December 2013	414	3,204	3,618
Net carrying amount			
Balance at 31 December 2013	42	458	500
Balance at 31 December 2012	9	50	59

The net carrying amounts of intangible assets by category at 31 December 2012 are comprised of:

	Computer software	Banknotes printed and coins minted	Total intangible Assets
Cost / Valuation			
Balance at 1 January 2012	408	3,097	3,505
Additions	8	55	63
Disposals	(12)	(5)	(17)
Balance at 31 December 2012	404	3,147	3,551
Accumulated amortization			
Balance at 1 January 2012	392	3,088	3,480
Charge for the year	6	9	15
Disposals	(3)	-	(3)
Balance at 31 December 2012	395	3,097	3,492
Net carrying amount			
Balance at 31 December 2012	9	50	59
Balance at 31 December 2011	16	9	25

## 13. DUE TO THE INTERNATIONAL MONETARY FUND

	31 December 2013	31 December 2012
SDR Allocations	7,286	7,557
Poverty Reduction and Growth Facility ('PRGF')	1,678	2,634
IMF securities account	7,286	7,592
IMF account in LEK	2,380	2,409
Accrued interest	3	3
Total	18,633	20,195

SDR allocations represent amounts borrowed from IMF, and their purpose is to provide immediate response to the short term and long term liquidity needs of the member countries.

PRGF borrowings relate to the Republic of Albania's IMF quotas and were drawn down on behalf of the Government for macroeconomic reforms. These loans consist in the following component facilities:

- The loan 'Poverty Reduction and Growth Facility 3' is approved based on the agreement dated 21 June 2002, for an amount of SDR 28,000,000 and the last disbursement was effected on 20 June 2005. The balance as of 31 December 2013 is SDR 4,000,000 (2012: SDR 8,800,000), equivalent of LEK 627 million (2012: LEK 1,432 million), with an interest rate of 0.5% p.a payable semi-annually. This facility had a grace period of five and a half years and is paid in 10 semi-annual equal instalments.
- The loans 'Poverty Reduction and Growth Facility 4 (PRGF 4)' and 'Extended Fund Facility' are approved based on a three year agreement signed on 27 January 2006 for the amount of SDR 17,045,000 at an interest rate of 0.5%, payable semi-annually. The balance as of 31 December 2013 is SDR 6,696,250 (2012: SDR 7,392,000), equivalent of LEK 1,050 million (2012: LEK 1,203 million). This facility had a grace period of five and a half years and is paid in 10 semi-annual equal instalments.

The IMF accounts represent liabilities towards Albania's participation in the IMF. As at 31 December 2013, these liabilities amount to LEK 9,666 million or SDR 59,506,677 (as at 31 December 2012: LEK 10,001 million or SDR 60,825,631). Liabilities related to Albania's IMF quota are non-interest bearing with no stated maturity. These liabilities include No.1 and No.2 accounts and the securities account, where non-interest bearing and non-negotiable promissory notes are deposited. Balances in these accounts are created by the payment of the national currency component of the quota subscription and purchases of the Fund's resources in exchange for domestic currency.

Included in the IMF securities accounts is the loan 'Extended Fund Facility' (EFF) of LEK 923 million (2012: LEK 1,151 million). The loan was disbursed during the period 2006 – 2009. As at 31 December 2013, the balance is SDR 5,681,676 (2012: SDR 7,000,630).

The facility is repayable after a grace period of four and a half years and will be repaid within 10 years. The interest on these loans is floating and payable quarterly. At 31 December 2013, the annual interest rate was 1.12 % (2012: 1.04%).

#### 14. DUE TO NON-RESIDENT FINANCIAL INSTITUTIONS

	31 December 2013	31 December 2012
Loan from the Republic of Greece	1,234	1,229
Due to the World Bank	17	18
Accrued interest	5	5
<b>Total</b>	<b>1,256</b>	<b>1,252</b>

The loan from the Republic of Greece, amounting LEK 1,234 million or EUR 8.8 million (2012: LEK 1,229 million or 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 the World Bank represents amounts owing to international organizations such as International Bank for Reconstruction and Development (IBRD), International Development Agency (IDA), Multilateral Investment Guarantee Agency (MIGA).

#### 15. OTHER FOREIGN LIABILITIES

Other foreign liabilities relates to security purchase transactions administered by IBRD which, at the reporting date, have not been settled by the Bank. As at 31 December 2013, these transactions are nil (2012: LEK 131 million).

#### 16. CURRENCY IN CIRCULATION

The exclusive rights of issuing Albanian currency 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 31 December 2013 and 2012:

	31 December 2013		31 December 2012	
Nominal value LEK	Number in thousand	Total LEK (million)	Number in thousand	Total LEK (million)
100	15,843	1,584	14,820	1,482
200	10,210	2,042	9,133	1,827
500	24,663	12,331	32,843	16,421
1,000	52,643	52,643	59,697	59,697
2,000	20,285	40,570	14,752	29,505
5,000	19,289	96,445	17,981	89,908
Coins		2,151		2,032
		<b>207,766</b>		<b>200,872</b>



## 17. DUE TO RESIDENT BANKS

	31 December 2013	31 December 2012
Foreign currency		
Compulsory reserve and current accounts	55,355	48,196
Domestic currency (LEK)		
Compulsory reserve and current accounts	32,070	32,331
Compulsory reserve - cash in custody	12,589	14,863
Overnight deposits	-	1,648
Accrued interest	17	16
Total	100,031	97,054

Based on the decision number 29 dated 27 April 2011 of Supervisory Council which entered in force on July 2011, compulsory reserve in foreign currency will not be remunerated at the year-end 2013. Interest on compulsory reserve in domestic currency is calculated as 70% of the yield on the repurchase agreements that is 2.450% (2012: 2.800%). This remuneration value results from Decision No. 47, dated 31 July 2013, of the Supervisory Council "For the decrease in the interest rate of the purchase and re-purchase agreements". Starting from May 2012, Bank of Albania, in accordance with Decision No. 29, date 16 May 2012, of the Supervisory Council, "On the minimum compulsory reserve level held at Bank of Albania by second tier banks" allows the latter to maintain its compulsory reserve in the form of cash in custody. As at 31 December 2013, cash in custody amounted at LEK 12,589 million (2012: LEK 14,863 million).

As at 31 December 2013 there are no overnight deposits placed by second tier banks at Bank of Albania. As at 31 December 2012, overnight deposits amounted to LEK 1,648 millions. Overnight deposits from domestic banks bear annual interest of 2.25%.

## 18. DUE TO THE GOVERNMENT

	31 December 2013	31 December 2012
Profit to be distributed to the Government	1,351	3,113
Deposits received on behalf of the Government	22,404	12,888
Other	24	24
Total	23,779	16,025

The balances in deposits received on behalf of the Government are as follows:

	31 December 2013	31 December 2012
Main account in LEK	12,566	3,260
Main account in foreign currencies	1,656	1,289
Others	8,182	8,339
Total	22,404	12,888

## 19. OTHER DOMESTIC LIABILITIES

	31 December 2013	31 December 2012
Deposits of individuals from the participation in Treasury Bills	725	669
Net Pension fund obligation	14	11
Due to non banks financial institutions	208	148
Due to third parties	-	226
Other	599	632
<b>Total</b>	<b>1,546</b>	<b>1,686</b>

The net pension fund obligation relates to the pension plan scheme, which is based on employee contribution and employer contribution. As at 31 December 2013, the amount of pension fund assets invested in treasury bills maturing within 12 months, is LEK 44 million (2012: LEK 52 million) and the amount invested in Albanian Government bonds maturing within 2-10 years, is LEK 1,244 million (2012: LEK 1,023 million). As at 31 December 2013, the pension fund invested in Albanian Government short term and long term securities is LEK 1,288 million (2012: LEK 1,075 million).

The employer contribution has increased as result of two main factors: the increase of the number of the employees enrolled in the Pension Fund Scheme as well as the increase in the level of personal contribution of the employees in the scheme.

	Year ended 31 December 2013	Year ended 31 December 2012
Assets at 1 January		
Income from investment	1,086	890
Interest	104	88
Net income from investment	104	88
Employees contribution	27	25
Employer contribution	97	94
Reserves used	(4)	(3)
Total contribution	120	116
Payment to pension beneficiaries	(8)	(8)
Net increase	216	196
Assets at 31 December	1,302	1,086
Liabilities at 31 December	(1,288)	(1,075)
<b>Net Pension fund obligation</b>	<b>14</b>	<b>11</b>

The fall in due to third parties relates to the closing of the financial liability relating to the former Printing House, which eventually closed following Decision no. 598, dated 5 September 2007 of Council of Ministers, ammended. Based on Decision no. 25, dated 27 March 2013, of the Supervisory Council of the Bank, the amount was trasferred into the account of Government of Albania at Bank of Albania. Consequently, as of 31 December 2013 the liability amounts to nil.

Other liabilities include accrued expenses of LEK 599 million (2012: LEK 632 million) which relates to services provided to the Bank and it also includes provisions for claims for litigation incurred in the normal course of business.

Movements in the litigation are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Balance at the beginning of the year	181	63
Additional provision for the year	13	132
Provision reversal for the year	(1)	(13)
Difference from revaluations	-	(1)
Balance at the end of the year	193	181

During 2013, the Bank has recognised an additional litigation of LEK 13 million (2012: 132 million).

## 20. REVALUATION RESERVE

The components of the revaluation reserve are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Revaluation/(devaluation) of foreign currency and gold balances	10,288	19,949
Security revaluation reserve	302	1,056
Other (devaluations)/revaluations	(169)	(179)
Total	10,421	20,826

During 2013, the net loss arising from the revaluation of foreign currency and gold balances was LEK 9,660 million (2012: net loss of LEK 715 million).

The revaluation of securities at market value during the year ended 31 December 2013 resulted with the loss of LEK 754 million (2012: loss of LEK 1,313 million).

In accordance with the Law 'On the Bank of Albania' Article 64, point (a), the net gain / losses arising from the revaluation of assets and liabilities denominated in foreign currencies, is initially recognised in profit or loss and then transferred to equity to a revaluation reserve account 'Revaluation of foreign currency balances'.

## 21. OTHER RESERVES

The components of other reserves are as follows:

	31 December 2013	31 December 2012
Special reserve for Balance of Payments	7,209	7,209
Reserve of gold and precious metals	7,042	7,042
Other	1,509	1,497
Total	15,760	15,748

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

'Other' includes reserves created from the allocation of profits for years 2002 - 2007 based on the Supervisory Council decisions in the respective following years.

## 22. INTEREST AND COMMISSION INCOME (NON - RESIDENTS)

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income from securities	5,106	5,333
Interest income from time deposits	12	26
Interest from SDR deposits with IMF	9	9
Interest from "Security Lending"	13	18
Other (discounts)	31	54
<b>Total</b>	<b>5,171</b>	<b>5,440</b>

## 23. INTEREST AND COMMISSION EXPENSE (NON -RESIDENTS)

	Year ended 31 December 2013	Year ended 31 December 2012
Amortization of premium on securities	4,080	3,740
Interest expenses on loans from foreign institutions	15	14
Interest expenses on IMF accounts	16	22
Other	47	53
<b>Total</b>	<b>4,158</b>	<b>3,829</b>

## 24. INTEREST AND COMMISSION INCOME (RESIDENTS)

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income from securities	3,611	4,178
Income from repurchase and reverse repurchase agreements	689	992
Other	87	80
<b>Total</b>	<b>4,387</b>	<b>5,250</b>

## 25. INTEREST AND COMMISSION EXPENSE (RESIDENTS)

	Year ended 31 December 2013	Year ended 31 December 2012
Interest expense on compulsory reserve	870	1,081
Interest expenses on Government deposits	18	21
Other	42	119
<b>Total</b>	<b>930</b>	<b>1,221</b>

## 26. OTHER OPERATING INCOME, NET

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit from the sale of available for sale investments	420	2,659
Net profit from forward contracts	223	54
Net profit from future contracts	-	(13)
Other	11	53
Total	654	2,753

## 27. NET TRADING INCOME

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income from trading assets	78	111
Gains less loss related to sale of trading assets	8	68
Unrealized fair value changes	(30)	(80)
Total	56	99

## 28. PERSONNEL EXPENSES

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

Social costs represent mainly compulsory contributions to the Social Security Fund. As at 31 December 2013, the Bank had 504 employees (2012: 517 employees).

## 29. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Deposits with foreign banks (Note 7)	21,661	27,286
Domestic currency on hand	47,233	38,126
Foreign currency on hand (Note 9)	40	31
Gold held abroad (Note 5)	8,474	12,196
Gold and other precious metals held domestically (Note 5)	4,021	5,805
Total	81,429	83,444

## 30. CONTINGENCIES AND COMMITMENTS

*(i) Participation in International Financial Institutions*

In the past the Republic of Albania entered into a number of subscriptions with International Financial Institutions, including International Bank for Reconstruction and Development ('IBRD'), International Development Agency ('IDA'), Multilateral Investment Guarantee Agency ('MIGA'), International Finance Corporation ('IFC'), European Bank for Reconstruction and Development ('EBRD') and Islamic Development Bank ('IDB'). As detailed in



Note 9, "Other Assets (in foreign currency)" the Bank has paid an amount of LEK 537 million (2012: LEK 545 million).

The total amount of callable subscriptions to support the Republic of Albania, confirmed by IBRD, and MIGA as at 31 December 2013 was LEK 9,923 million (31 December 2012: LEK 10,312 million).

The Bank and the Government of Albania have not signed yet a Memorandum of Understanding on allocating the original contributions and ownership of the subscriptions in the International Financial Institutions between both parties.

#### *(ii) Reverse repurchase agreements*

Reverse repurchase agreements as at 31 December 2013, represented collateralized loans (see note 10). The nominal value of the securities used as collateral as at 31 December 2013 was LEK 23,900 million (2012: LEK 25,010 million). The market value of the collateral as at 31 December 2013, was LEK 23,954 million (2012: LEK 24,736 million).

#### *(iii) Rent agreements*

Bank of Albania has entered into rent agreements for periods ranging from three to five years. For the coming year the amount that has to be paid is LEK 48 million. (On 31 December 2012 these agreements bearing obligation to pay within a year LEK 52 million).

#### *(iv) Capital engagement*

Bank of Albania has entered into an agreement for the reconstruction of its premises. On 31 December 2013, the Bank has an obligation of LEK 715 million (2012: LEK 1,214 million) payable in 2014.

### 32. MANAGED ASSETS

As at 31 December 2013, the Bank acted as custodian for short-term treasury bills (with maturity from 3 to 12 months) at nominal value of LEK 254 billion (2012: LEK 260 billion) and EUR 24 million (2012: EUR 46 million) and, for long term securities with a maturity varying between 2 and 10 years at a nominal value of LEK 252 billion (2012: LEK 204 billion) and EUR 25 million (2012: nil). These securities are issued by the Albanian Government.

### 33. RELATED PARTIES

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

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

The only related parties of Bank of Albania are the relations between directors and the members of the Supervisory Council. As at 31 December 2013 and 2012 transactions made with related parties comprised:

	31 December 2013	31 December 2012
Loans to directors		
- Directors	142	112
Total assets	142	112

The loans have an annual interest rate of 0.5% and are repayable after a grace period of two years within 30 years by monthly equal instalments. The home loans are collateralized:

The difference of LEK 30 million, represents a reclassification of the loan level after changes in the hierarchy structure of the managing staff during 2013.

	Year ended 31 December 2013	Year ended 31 December 2012
Administrative expenses		
- Mobile expenses		
- Directors and Supervisory Council Members	5	4
- Salaries and Bonuses		
- Directors and Supervisory Council Members	120	114
- Bank contribution to pension plan scheme		
- Directors	12	11
Total of administrative expenses	137	130

## 34. FINANCIAL RISK MANAGEMENT

### *(a) Risk management framework*

The Supervisory Board has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The foreign reserve is under the administration of the Bank of Albania and investments are performed by the Monetary Operations Department, which is based on the regulation 'On foreign reserve management policy', approved by the Supervisory Board. Its investment strategy depends mainly on the specific function of a central bank which is strictly regulated and in accordance with the requirements of the Law 'On the Bank of Albania'.

The reserve, in accordance with the liquidity needs, is invested in short-term instrument, fixed and floating income securities, and derivatives. The remaining portion is held in SDRs, and monetary gold.

The Bank has exposure to the following risks from financial instruments:

- liquidity risk
- credit risk
- market risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk.

### *(b) Liquidity risk*

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities.

### *Management of liquidity risk*

Policies to monitor and address liquidity risk are set by the Supervisory Council of the Bank. The Bank manages its liquidity risk by investing in short term deposits with foreign banks and in debt securities in liquid and highly controlled and organized markets.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation, and to comply with its monetary and exchange policy. The portfolio is defined annually based on the forecasts of the monthly and annual liquidity needs for each currency. The investments in securities are considered as sufficiently liquid instruments.

Because of the specifics of a central bank, the Bank is not exposed to liquidity risk in relation to liabilities in local currency.

The following table shows the Bank's financial liabilities on the basis of their contractual maturity and the financial assets on the basis of their earliest possible expected maturity. The Bank's expected cash flows on these instruments may vary from this analysis.

31 December 2013	Up to one Month	One to three Months	Three to six months	Six months to one year	One to five years	Over five years	Undefined maturity	Total
Due to IMF	8,898	315	21	437	1,640	36	7,286	18,633
Due to non-resident financial institutions	-	-	-	-	1,240	-	16	1,256
Currency in circulation	-	-	-	-	-	-	207,766	207,766
Due to resident Banks	100,031	-	-	-	-	-	-	100,031
Due to the Government	14,558	1,351	-	-	-	-	7,870	23,779
Other domestic liabilities	138	2	3	7	23	-	1,373	1,546
Total Liabilities 2013 (contractual maturity date)	123,625	1,668	24	444	2,903	36	224,311	353,011
Total assets 2013 (expected maturity date)	75,889	30,514	36,963	59,002	152,580	7,653	33,341	395,942

31 December 2012	Up to one Month	One to three Months	Three to six months	Six months to one year	One to five years	Over five years	Undefined maturity	Total
Due to IMF	9,028	372	3	545	2,470	220	7,557	20,195
Due to non-resident financial institutions	-	-	-	-	-	1,252	-	1,252
Due to other foreign liabilities	131	-	-	-	-	-	-	131
Currency in circulation	-	-	-	-	-	-	200,872	200,872
Due to resident Banks	96,636	-	-	-	-	-	418	97,054
Due to the Government	5,749	-	2,413	-	-	-	7,863	16,025
Other domestic liabilities	252	1	3	5	21	-	1,404	1,686
Total Liabilities 2012 (contractual maturity date)	111,796	373	2,419	550	2,491	1,472	218,114	337,215
Total assets 2012 (expected maturity date)	70,746	29,383	36,621	43,378	158,849	14,379	37,222	390,578

### (c) Credit risk

Credit Risk is the risk of the decrease in value of the foreign currency reserve as result of insolvency of a financial institution or the bankruptcy or insolvency of a debt issuer, in whose debt instruments the Bank has invested its own funds.

The Bank sets a system of maximum exposure investment limits to individual financial institutions and debt issuers. These limits are calculated on the basis of credit ratings of the counterparty. The internal credit rating is based on criteria which are approved by the Supervisory Council. Credit risk is also mitigated through the diversification of the portfolio.

Loans to domestic Banks are secured by Albanian Government Treasury bills.

The financial assets which represent credit risk at the reporting date are shown below:

Assets	2013	2012
Gold - foreign (Note 5)	8,474	12,196
Special Drawing Rights with IMF (see below)	3,220	1,231
Deposits with non-resident banks (Note 7)	21,661	27,286
Available for sale investments (foreign currency) (Note 8.1)	230,588	216,279
Held-for-trading investment (foreign currency) (Note 8.2)	12,591	13,034
Loans to resident banks (note 10)	21,502	21,800
Available for sale investments - domestic (Note 11)	63,920	63,619
Total assets	361,956	355,445

An amount of LEK 7,286 million (2012: LEK 7,557 million) which is included in SDR Holdings (see Note 6) does not represent credit risk for the Bank since it represents the counter-account of the amounts acquired through the SDR allocations (see Note 13). Only the amount of holdings above allocations of LEK 3,220 million (2012: LEK 1,231 million) is included in the assets which represent credit risk.

As of 31 December 2013, the foreign available for sale investments classified as Level 1 amount to LEK 229,186 million (31 December 2012: LEK 211,900 millions) and as those classified as Level 2 amount to LEK 1,402 million (31 December 2012: LEK 4,379 million). The information on security prices is obtained from two sources: Merrill Lynch and Bloomberg. The rule followed in obtaining the information on security price from the first source is that the price is set at a certain time of the day and is eventually published the next consecutive day for all of those institutions which have decided to use this source to value their portfolio. For the remaining securities, valued through the second source, the Bank uses the end of day prices which are published in Bloomberg.

As at 31 December 2013, the fair value of domestic available for sale investments classified as at Level 2 amounts to LEK 63,920 million (31 December 2012 : LEK 63,619 million). The valuation of these securities is performed through interpolation of each point in the yield curves, which are developed through yields relating to the securities traded in primary markets, for specific maturities.

An analysis of concentrations of financial assets by type of counterparty at the reporting date is shown below:

Credit rating	Gold	Special Drawing Rights with IMF	Deposits with non-resident banks	Available for sale investments (foreign currency)	Held-for-trading investment (foreign currency)	Loans to domestic banks	Available for sale investments (domestic assets)	Total
Central bank	8,474	3,220	6,543	-	-	-	-	18,237
BIS Basle	-	-	3,220	-	-	-	-	3,220
Foreign Government & Agencies Securities	-	-	-	224,950	12,591	-	-	237,541
Commercial Banks	-	-	11,898	5,638	-	21,502	-	39,038
Albanian Government B1	-	-	-	-	-	-	63,920	63,920
Total 31 December 2013	8,474	3,220	21,661	230,588	12,591	21,502	63,920	361,956

The Albanian Government is rated based on the Standard & Poor's ratings or equivalents.

Credit rating	Gold	Special Drawing Rights with IMF	Deposits with non-resident banks	Available for sale investments (foreign currency)	Held-for-trading investment (foreign currency)	Loans to domestic banks	Available for sale investments (domestic assets)	Total
Central bank	12,196	1,231	12,361	-	-	-	-	25,788
BIS Basle	-	-	7,167	1,449	-	-	-	8,616
Foreign Government & Agencies Securities	-	-	-	209,280	13,034	-	-	222,314
Commercial Banks	-	-	7,758	5,550	-	-	-	13,308
Albanian Government B1	-	-	-	-	-	-	63,619	63,619
Unrated	-	-	-	-	-	21,800	-	21,800
Total at 31 December 2012	12,196	1,231	27,286	216,279	13,034	21,800	63,619	355,445



An analysis of concentrations of credit risk by geographic location is shown below:

31 December 2013	Europe	USA	Republic of Albania	Other	Total
Gold - foreign	8,474	-	-	-	8,474
Special Drawing Rights with IMF	-	-	-	3,220	3,220
Deposits with non-resident banks	20,530	1,131	-	-	21,661
Available for sale investments (foreign currency)	178,178	44,005	-	8,405	230,588
Held-for-trading investment (foreign currency)	-	12,591	-	-	12,591
Loans to resident banks	-	-	21,502	-	21,502
Available for sale investments – domestic	-	-	63,920	-	63,920
Total	207,182	57,727	85,422	11,625	361,956

31 December 2012	Europe	USA	Republic of Albania	Other	Total
Gold - foreign	12,196	-	-	-	12,196
Special Drawing Rights with IMF	-	-	-	1,231	1,231
Deposits with non-resident banks	23,605	3,681	-	-	27,286
Available for sale investments (foreign currency)	167,364	39,934	-	8,981	216,279
Held-for-trading investment (foreign currency)	-	13,034	-	-	13,034
Loans to resident banks	-	-	21,800	-	21,800
Available for sale investments – domestic	-	-	63,619	-	63,619
Total	203,165	56,649	85,419	10,212	355,445

#### *(d) Market risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The key elements of price risk affecting the Bank are:

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

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

#### *Interest rate risk*

The Bank's operations are subject to the risk of interest rate fluctuations which affect the prices of interest-earning assets (including investments) and interest-bearing liabilities. 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. The Bank maintains a portfolio of interest bearing financial assets and liabilities such that the net interest income is significantly higher than operating needs, in order to minimize 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.

The assets and liabilities with floating interest rates involve the risk of changes in the base which serves to determine the interest rates. Floating rate instruments are detailed as follows:

	Average rate	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	Over five years	Total
31 December 2013								
Assets								
Available for sale investments	0.39%	-	-	-	2,778	-	-	2,778
Available for sale investments	0.33%	-	-	-	-	918	-	918
Held for trading investments	0.72%	-	408	-	-	-	-	408
Held for trading investments	0.39%	-	-	306	-	-	-	306
Held for trading investments	0.45%	-	-	-	562	-	-	562
Held for trading investments	0.38%	-	-	-	-	1,021	-	1,021
Total		-	408	306	3,340	1,939	-	5,993
Liabilities								
Due to IMF	1.14%	-	-	-	-	-	923	923
Total		-	-	-	-	-	923	923
Floating Interest rate gap		-	408	306	3,340	1,939	(923)	5,070
Sensitivity to a 100 b.p. increase		-	4	3	33	19	(9)	50
31 December 2012								
Assets								
Available for sale investments	0.33%	-	487	-	-	-	-	487
Held for trading investments	0.32%	529	-	-	-	-	-	529
Held for trading investments	0.47%	-	-	-	-	2,011	-	2,011
Total		529	487	-	-	2,011	-	3,027
Liabilities								
Due to IMF	1.04%	-	-	-	-	-	1,151	1,151
Total		-	-	-	-	-	1,151	1,151
Floating Interest rate gap		529	487	-	-	2,011	(1,151)	1,876
Sensitivity to a 100 b.p. increase		5	5	-	-	20	(11)	18

A summary of the Bank's interest-earning assets and interest-bearing liabilities (including the floating rate instruments above) by maturity dates as at 31 December 2013 and 2012 is as follows:

31 December 2013	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 earning/bearing	Total
<b>Assets</b>								
Gold and precious metals – foreign	-	-	-	-	-	-	8,474	8,474
Accounts with the IMF	10,508	-	-	-	-	-	9,712	20,220
Deposits with non-residents Banks	20,482	1,179	-	-	-	-	-	21,661
Available for sale investments – foreign	3,796	11,704	16,380	51,006	141,871	5,831	-	230,588
Held for trading investments	308	408	459	706	10,710	-	-	12,591
Other foreign assets	-	-	-	-	-	-	577	577
Gold and precious metals - domestic	-	-	-	-	-	-	4,021	4,021
Loans to resident banks	20,628	874	-	-	-	-	-	21,502
Available for sale investments – domestic	20,158	16,349	20,123	7,290	-	-	-	63,920
Other domestic assets	9	-	-	-	-	1,822	10,557	12,388
<b>Total</b>	<b>75,889</b>	<b>30,514</b>	<b>36,962</b>	<b>59,002</b>	<b>152,581</b>	<b>7,653</b>	<b>33,341</b>	<b>395,942</b>
<b>Liabilities and equity</b>								
Due to the IMF	8,898	315	21	437	1,640	36	7,286	18,633
Due to non-resident institutions	-	-	-	-	1,240	-	16	1,256
Currency in circulation	-	-	-	-	-	-	207,766	207,766
Due to resident Banks	32,087	-	-	-	-	-	67,944	100,031
Due to the Government	-	-	-	-	-	-	23,779	23,779
Other domestic liabilities	56	-	-	-	-	-	1,490	1,546
Capital and reserves	-	-	-	-	-	-	42,931	42,931
<b>Total</b>	<b>41,041</b>	<b>315</b>	<b>21</b>	<b>437</b>	<b>2,880</b>	<b>36</b>	<b>351,212</b>	<b>395,942</b>
Gap as at 31 December 2013	34,848	30,199	36,941	58,565	149,701	7,617	(317,871)	-
Cumulative gap – 2013	34,848	65,047	101,988	160,553	310,254	317,871	-	-

31 December 2012	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 earning/bearing	Total
<b>Assets</b>								
Gold and precious metals – foreign	-	-	-	-	-	-	12,196	12,196
Accounts with the IMF	8,789	-	-	-	-	-	9,855	18,644
Deposits with non-residents Banks	24,690	1,396	1,200	-	-	-	-	27,286
Available for sale investments – foreign	2,451	11,112	15,502	36,217	147,282	3,715	-	216,279
Held for trading investments	530	384	13	541	11,566	-	-	13,034
Other foreign assets	127	-	-	-	-	-	576	703
Gold and precious metals - domestic	-	-	-	-	-	-	5,805	5,805
Loans to resident banks	21,800	-	-	-	-	-	-	21,800
Available for sale investments -domestic	20,626	16,489	19,895	6,609	-	-	-	63,619
Other domestic assets	522	2	11	11	1	-	10,665	11,212
<b>Total</b>	<b>79,535</b>	<b>29,383</b>	<b>36,621</b>	<b>43,378</b>	<b>158,849</b>	<b>3,715</b>	<b>39,097</b>	<b>390,578</b>
<b>Liabilities and equity</b>								
Due to the IMF	9,028	372	3	545	2,470	220	7,557	20,195
Due to non-resident institutions	-	-	-	-	-	1,252	-	1,252
Other foreign liabilities	131	-	-	-	-	-	-	131
Currency in circulation	-	-	-	-	-	-	200,872	200,872
Due to resident Banks	96,636	-	-	-	-	-	418	97,054
Due to the Government	5,749	-	2,413	-	-	-	7,863	16,025
Other domestic liabilities	252	1	3	5	21	-	1,404	1,686
Capital and reserves	-	-	-	-	-	-	53,363	53,363
<b>Total</b>	<b>111,796</b>	<b>373</b>	<b>2,419</b>	<b>550</b>	<b>2,491</b>	<b>1,472</b>	<b>271,477</b>	<b>390,578</b>
Gap as at 31 December 2012	(32,261)	29,010	34,202	42,828	156,358	2,243	(232,380)	-
Cumulative gap – 2012	(32,261)	(3,251)	30,951	73,779	230,137	232,380	-	-

### Future contracts

A future contract is a standardised contract to buy or sell a financial or non financial asset, at a certain date in the future and at a market determined price. To minimize the credit risk, depended on the type of instrument, the investor should post a margin to the clearing house. This margin or performance bond, is valued every day according to the prices in the market (marked to market), which means that every change in value is shown in the account of investor at the end of each trading day until the expiry day.

The net valuation of future contract transactions as at 31 December 2013 is Lek 31 million (2012 : Lek 14 million) (see Note 7).

Notional value of these contracts as at 31 December 2013 is composed by buy contracts in the amount of LEK 3,354 million (2012: 2,298 million) and sell contracts in the amount of LEK 8,270 million (2012: LEK 4,666 million).

### Exchange rate risk

Currency risk exists where there is a difference between the currency structure of assets and that of liabilities. From an accounting point of view, the Bank is

exposed to currency risk when conducting transactions in financial instruments denominated in currencies other than the Bank's base currency.

This risk might affect the size of the Bank's capital. In order to manage this type of risk exposure, throughout the years the Bank has increased its capital, its funds and in specific cases, when the revaluation of the balance sheet items has resulted into a loss, the Government of Albania, as also set in the Law on "Bank of Albania" has issued financial instruments.

### *Forward and Swaps*

In order to manage its monetary reserve or the liquidity of the Albanian Government, the Bank of Albania uses forward and swap contracts. The risks involved are immaterial considering the parties involved in the contract.

An "exchange rate - forward" type of contract, represents an agreement to convert various currencies at a given future date, at a predetermined exchange rate.

Swap contracts are future contracts which allow parties involved in the agreement to exchange funds in the future.

### Exchange rate risk

	LEK	USD	EURO	GBP	Other	Total
<b>Assets</b>						
Gold and precious metals – foreign	-	-	-	-	8,474	8,474
Accounts with the IMF	-	-	-	-	20,220	20,220
Deposits with non-residents Banks	-	3,046	15,127	3,279	209	21,661
Available for sale investments – foreign	-	49,872	163,843	8,468	8,405	230,588
Held for trading investments	-	12,591	-	-	-	12,591
Other foreign assets	335	206	36	-	-	577
Gold and precious metals – domestic	4,021	-	-	-	-	4,021
Loans to resident banks	21,502	-	-	-	-	21,502
Available for sale investments - domestic	63,920	-	-	-	-	63,920
Other domestic assets	12,216	13	154	5	-	12,388
<b>Total assets</b>	<b>101,994</b>	<b>65,728</b>	<b>179,160</b>	<b>11,752</b>	<b>37,308</b>	<b>395,942</b>
<b>Liabilities</b>						
Due to the IMF	9,586	-	-	-	9,047	18,633
Due to non-resident financial institutions	16	-	1,240	-	-	1,256
Currency in circulation	207,766	-	-	-	-	207,766
Due to resident banks	44,676	6,959	48,396	-	-	100,031
Due to the Government	21,040	196	2,542	1	-	23,779
Other domestic liabilities	1,141	54	351	-	-	1,546
<b>Total liabilities</b>	<b>284,225</b>	<b>7,209</b>	<b>52,529</b>	<b>1</b>	<b>9,047</b>	<b>353,011</b>
Net currency position as at 31 December 2013	(182,231)	58,519	126,631	11,751	28,261	42,931
Net currency position as at 31 December 2012	(172,017)	62,645	119,253	11,973	31,509	53,363

	LEK	USD	EURO	GBP	Other	Total
<b>Assets</b>						
Gold and precious metals – foreign	-	-	-	-	12,196	12,196
Accounts with the IMF	-	-	-	-	18,644	18,644
Deposits with non-residents Banks	-	4,897	18,811	1,697	1,881	27,286
Available for sale investments – foreign	-	51,635	145,390	10,272	8,982	216,279
Held for trading investments	-	13,034	-	-	-	13,034
Other foreign assets	334	339	30	-	-	703
Gold and precious metals – domestic	5,805	-	-	-	-	5,805
Loans to resident banks	21,800	-	-	-	-	21,800
Available for sale investments – domestic	63,619	-	-	-	-	63,619
Other domestic assets	10,992	14	201	5	-	11,212
<b>Total assets</b>	<b>102,550</b>	<b>69,919</b>	<b>164,432</b>	<b>11,974</b>	<b>41,703</b>	<b>390,578</b>
<b>Liabilities</b>						
Due to the IMF	10,001	-	-	-	10,194	20,195
Due to non-resident financial institutions	18	-	1,234	-	-	1,252
Other domestic liabilities	-	131	-	-	-	131
Currency in circulation	200,872	-	-	-	-	200,872
Due to resident banks	48,858	6,923	41,273	-	-	97,054
Due to the Government	13,296	136	2,592	1	-	16,025
Other domestic liabilities	1,522	84	80	-	-	1,686
<b>Total liabilities</b>	<b>274,567</b>	<b>7,274</b>	<b>45,179</b>	<b>1</b>	<b>10,194</b>	<b>337,215</b>
Net currency position as at 31 December 2012	(172,017)	62,645	119,253	11,973	31,509	53,363
Net currency position as at 31 December 2011	(161,995)	64,344	111,072	12,060	30,017	55,498

### (e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

Operational risk management is supported by the development of overall Bank standards for the management of operational risk and a wide range of common policies, staff management regulations, obligatory requirements, and the internal control systems on several activities of the Bank.

### 35. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.











# SHTOJCË STATISTIKORE

# STATISTICAL APPENDIX

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## TREGUES TË PËRGJITHSHËM MAKROEKONOMIKË

## MAIN MACROECONOMIC INDICATORS

## 1. ZHVILLIMET MONETARE DHE NORMAT E INTERESIT

Në miliardë lekë, përveç rasteve kur shënohet ndryshe, fund periudhë

## MONETARY DEVELOPMENTS AND INTEREST RATES 1.

In billions ALL, unless otherwise indicated, end of period

	Agregatet monetare / Monetary aggregates			Depozitat / Deposits <sup>1</sup>	Kredita <sup>2</sup> / Credit <sup>2</sup>	Normat e interesit 12m / 12m interest rates (%)			Norma e marrëveshjes së riberjes në javore <sup>4</sup> / Weekly repurchase agreement rate <sup>4</sup>
	M1	M2	M3			Depozita <sup>3</sup> / Deposits <sup>3</sup>	Kredita <sup>3</sup> / Loans <sup>3</sup>	Bona Thesori / T. Bills	
2009	284.5	578.2	871.5	662.4	440.4	6.78	12.46	9.14	5.25
2010	275.4	604.5	980.3	785.2	483.1	6.40	11.29	7.09	5.00
2011	276.9	647.0	1,070.1	875.2	541.9	5.87	11.17	6.95	4.75
2012	281.2	669.6	1,123.4	930.7	554.7	5.38	10.28	6.37	4.00
2013	295.9	693.2	1,149.0	950.1	547.9	4.17	9.52	3.66	3.00

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

2. PRODHIMI I BRENDSHËM BRUTO<sup>5</sup>, INDEKSET E ÇMIMEVE DHE TREGU I PUNËSGROSS DOMESTIC PRODUCT<sup>5</sup>, PRICE INDEXES AND LABOR MARKET 2.

	Rritja reale vjetore e PBB me çmime konstante (%) / Annual real growth of GDP at constant prices (%)	Me çmime korrente, në milionë lekë / At current prices, in million ALL			Ndryshimet vjetore të Indekseve (%) / Yearly Index change (%)	Tregu i punës <sup>7</sup> / Labor market <sup>7</sup>		
		Produkti Brendshëm Bruto (PBB) / Gross domestic product (GDP)	Pagat e të punësuarve, neto / Compensation of employees, net	Të Adhura nga pronat, neto / Property income, net		Të Adhurat Kombëtare Bruto / Gross National Income	Niveli i punësimit / Employment rate (%)	Shtalla e papunësisë / Unemployment rate (%)
	1	2	3	4	5	6	7	8
2008	7.5	1,089,293.1	21,258.1	-15,854.6	1,094,696.7	2.2	4.4	45.8
2009	3.3	1,148,082.1	20,783.6	-34,192.1	1,134,673.6	3.5	0.4	41.9
2010	3.8	1,222,462.1	22,494.7	-34,879.1	1,210,077.7	3.6	0.2	42.3
2011	3.1	1,282,254.8	18,384.9	-11,746.1	1,288,893.6	1.7	2.6	13.3
2012						2.4		13.0

Burimi: INSTAT.

Source: INSTAT.

### 3. BILANCI I PAGESAVE, REZERVA DHE KURSI I KËMBIMIT

Në milionë euro, përveç rasteve kur shënohet ndryshe

### BALANCE OF PAYMENTS, RESERVES AND EXCHANGE RATE 3.

In millions EUR, unless otherwise indicated

	Bilanci i llogarisë korrente/ Current account		Nga të cilat: Bilanci tregtar/ Of which: Trade balance (3+4)		Ekspori/Export		Importi/Import		Nga të cilat: Remitancat/ Of which: Remittances		Investimet direkte neto/ Direct investments, net	Rezervat valutoie (stock)/ Reserves (stock)	Rezervat në muaj importe/ Reserves in months of import	Kursi i këmbimit/ Exchange rate	
	1	2	3	4	5	6	7	8	9	10				Mesatare e periudhës/ ALL / EUR	Period average ALL / USD
2008	-1,381.2	-2,431.5	917.5	-3,348.9	833.3	609.8	1,675.4	4.0	122.8	83.9					
2009	-1,329.8	-2,303.7	750.7	-3,054.4	781.3	688.7	1,646.2	4.2	132.1	95.0					
2010	-1,018.6	-2,082.7	1,171.5	-3,254.2	689.8	788.5	1,904.8	4.8	137.8	103.9					
2011	-1,185.4	-2,241.6	1,405.5	-3,647.1	664.5	715.5	1,912.5	4.4	140.3	100.9					
2012	-1,021.3	-1,999.2	1,525.6	-3,524.8	675.3	727.2	1,972.5	4.7	139.0	108.2					

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

### 4. BILANCI FISKAL, STOKU I BORXHIT TË BRENDSHËM DHE BORXHI I JASHTËM

Në miliardë lekë

### FISCAL BALANCE, DOMESTIC DEBT STOCK AND EXTERNAL DEBT 4.

In billions ALL

	Të Ardhura/ Revenue	Nga të cilat: Të ardhura të ardhura/ Of which: Tax revenue	Shpenzime/ Expenditure	Shpenzime kapitale/ Capital expenditure	Deficiti/ Deficit	Financim i brendshëm/ Domestic financing		Financim i jashtëm/ Foreign financing		Stoku i borxhit të qeverisë qendrore/ Central government debt stock	
						1	2	3	4	5	6
2009	299.0	270.8	379.9	97.6	-80.9	70.7	10.2	415.0	267.5		
2010	324.7	288.6	362.8	67.5	-38.0	27.8	10.2	407.4	308.0		
2011	330.5	303.9	376.3	70.7	-45.8	26.1	19.8	438.6	333.9		
2012	330.4	300.9	376.2	61.7	-45.9	26.5	19.4	470.4	357.6		
2013	328.6	301.4	394.1	65.4	-65.4	54.6	10.8	520.8	363.7		

Burimi: Ministria e Financave, sipas publikimeve "Statistikat fiskale, janar-dhjetor 2013" dhe "Treguesit e Borxhit, 2013".

Source: Ministry of Finance, according to "Fiscal Statistics, January-December 2013" and "Debt Indicators, 2013" publications.

1) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parash së gjerë.

1) Deposits included in broad money.

2) Përfshihen kreditë për ekonominë.

2) Credit to economy.

3) Norma mesatare e pondeuar vjetore e depozitave dhe kredive të reja 12 mujore në lekë për sistemin bankar.

3) The annual weighted average rate of the 12 months new deposits and loans in ALL for the banking system.

4) Të dhënat i referohen normës në fund të periudhës.

4) End of period data.

5) PBB 2010 (që përfundimtare, PBB 2011 paraprake).

5) GDP 2010 semi final, 2011 flash.

6) Ndryshimi i muajit dhjetor të vitit n me dhjetorin e vitit n-1.

6) Variation of December index of year n with December index of year n-1.

7) Të dhënat sipas informacionit në tabelat vjetore "Të punësuar gjithsej sipas sektorëve, niveli i punësimit" dhe "Shkalla e papunësisë". Të dhëna administrative.

7) Data as of "Total employment by sector, employment rate" and "Unemployment rate" yearly tables. Administrative data.

## 1. SEKTORI FINANCIAR

## FINANCIAL SECTOR 1

## 1-1 BILANCI SEKTORIAL I BANKËS SË SHQIPËRISË

## SECTORAL BALANCE SHEET OF BANK OF ALBANIA 1-1

Në milionë lekë, fund periudhë

In millions ALL, end of period

	Totali i njësive/ Total assets (2+3 +4+5 +8+12 +13 +14)		Mbaljet e SDR/ SDR holdings	Akte në valutë/ Foreign currency	Depozita/ Deposits	Lejdat me vlerë të ndryshme nga aksionet/ Securities other than shares (6+7)	Qeveria qendrore/ Central Government			Huatë/ Loans (9+10+11)	Korporata të tjera depozituese/ Other depository corporations			Sektore të tjerë rezidentë/ Other resident sectors	Derivatet financiare/ Financial derivatives	Llogaritë të pagueshme/ Accounts receivable	Mjetet jo-financiare/ Nonfinancial assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2010/12	368,031.5	8,126.9	647.0	41,705.7	280,300.9	215,901.8	64,399.2	14,302.2	-	12,534.8	1,767.3	81.4	10,748.3	12,119.1	-	-	-
2011/12	384,581.3	8,226.5	59.8	40,286.0	284,209.6	219,718.8	64,490.8	27,388.1	-	25,485.4	1,902.8	35.3	11,295.9	13,080.0	-	-	-
2012/12	394,833.6	8,789.7	67.5	39,431.1	294,007.2	229,313.1	64,694.1	23,706.8	-	21,800.2	1,906.5	14.2	14,129.2	14,688.0	-	-	-
2013/01	382,749.4	8,379.5	71.9	30,196.9	295,972.0	231,633.7	64,338.3	18,745.2	-	16,844.9	1,900.2	14.6	14,833.6	14,535.8	-	-	-
02	378,371.8	8,289.8	45.8	34,733.9	294,127.7	229,850.6	64,277.0	15,887.0	-	13,991.8	1,895.1	13.3	10,636.9	14,637.4	-	-	-
03	387,638.5	11,518.2	35.3	39,726.3	288,953.5	224,599.0	64,354.4	21,540.9	-	19,652.2	1,888.7	14.9	10,999.5	14,850.1	-	-	-
04	387,504.2	11,429.2	39.0	34,035.7	290,439.0	225,935.6	64,503.4	24,960.5	-	23,077.5	1,882.9	14.2	11,868.5	14,589.3	-	-	-
05	397,246.4	11,384.7	101.9	46,353.9	294,083.4	229,765.5	64,317.9	19,566.7	-	17,690.1	1,876.7	12.1	11,434.0	14,309.6	-	-	-
06	393,992.2	11,420.5	29.4	23,069.3	314,538.3	250,076.5	64,461.8	19,128.0	-	17,257.6	1,870.3	13.9	12,117.2	13,675.6	-	-	-
07	397,811.8	11,035.9	36.8	34,199.1	301,735.9	237,283.9	64,452.0	24,013.0	-	22,149.2	1,863.8	16.1	12,660.2	14,114.8	-	-	-
08	401,351.6	10,837.0	27.7	29,943.8	310,317.2	246,100.6	64,216.5	22,926.9	-	21,068.6	1,858.3	15.9	13,020.3	14,262.9	-	-	-
09	398,612.3	10,792.8	22.9	35,503.3	307,096.0	242,288.7	64,807.3	18,798.3	-	16,947.6	1,850.7	16.1	12,169.5	14,213.4	-	-	-
10	392,344.4	10,602.3	20.6	35,635.4	302,820.3	237,723.3	65,097.0	16,544.3	-	14,701.0	1,843.3	12.1	12,385.0	14,324.4	-	-	-
11	392,295.7	10,586.6	13.4	29,549.8	307,484.9	242,270.9	65,214.0	17,581.3	-	15,743.8	1,837.5	19.5	12,872.8	14,187.4	-	-	-
12*	398,813.6	10,508.0	57.3	30,086.2	308,387.0	243,178.6	65,208.4	23,333.2	-	21,502.3	1,830.9	31.5	11,994.1	14,416.4	-	-	-

	Detyrimet Total liabilities (2+3+4+10+ 14+15 +16)		Paraqitja në qarkullim/ Currency in circulation	Depozita të përfshira në paranë e gjërë/ Deposits included in broad money	Depozita të përfshira në gjërë/ Deposits excluded from broad money (5+6+7+8+9)	Korporata të tjera depozituese/ Other depository corporations			Sektore të tjerë rezidentë/ Other resident sectors	Huatë / Loans (11+12+13)	Jonezidentë/ Nonresidents	Qeveria qendrore/ Central Government	Korporata të tjera depozituese/ Other depository corporations	Llogaritë të pagueshme/ Accounts payable	Alokimi i SDR/ SDR allocation	Aksione dhe instrumente të tjerë të kapitullit/ Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2010/12	368,031.5	202,386.7	256.8	98,841.8	8,440.3	8,966.2	80,810.0	14.9	610.4	5,920.6	5,920.6	-	-	939.4	7,439.5	52,246.7
2011/12	384,581.3	202,906.6	102.8	108,016.5	8,318.7	10,465.6	88,570.2	20.5	641.5	4,852.0	4,852.0	-	-	1,064.3	7,647.1	59,992.0
2012/12	394,833.6	200,898.7	187.3	120,691.0	10,042.9	12,887.1	97,054.7	37.2	669.2	3,870.7	3,870.7	-	-	1,680.5	7,557.9	59,947.5
2013/01	382,749.4	193,000.1	147.2	120,798.6	10,026.1	17,145.8	92,666.5	39.0	921.3	3,663.0	3,663.0	-	-	1,634.3	7,371.2	56,135.0
02	378,371.8	192,517.2	510.4	118,056.9	9,983.9	15,370.2	91,879.3	42.7	780.7	3,505.2	3,505.2	-	-	3,968.5	7,490.2	52,323.5
03	387,638.5	195,056.4	259.0	122,243.9	9,961.0	19,972.8	91,456.2	44.1	809.7	3,410.8	3,410.8	-	-	3,767.9	7,596.2	53,304.3
04	387,504.2	198,302.7	746.1	122,033.6	9,962.9	15,672.6	95,367.2	44.2	986.8	3,406.3	3,406.3	-	-	2,067.7	7,548.4	53,399.5
05	397,246.4	204,408.1	1,225.1	126,648.8	9,830.8	20,626.0	95,489.2	44.6	638.4	3,395.6	3,395.6	-	-	1,730.3	7,520.2	52,318.3
06	393,992.2	212,177.7	216.2	118,336.1	9,821.6	13,213.5	94,508.3	46.3	746.4	3,408.8	3,408.8	-	-	2,172.8	7,540.9	50,136.8
07	397,811.8	210,750.6	986.8	123,218.4	9,755.0	18,600.0	93,869.1	47.5	946.8	3,224.1	3,224.1	-	-	2,775.5	7,430.1	49,426.3
08	401,351.6	211,326.9	942.1	125,422.2	9,735.0	11,683.9	102,962.3	48.8	992.2	3,031.7	3,031.7	-	-	2,863.6	7,445.1	50,320.1
09	398,612.3	208,196.1	1,233.1	125,804.6	9,725.1	12,674.6	102,446.9	55.5	902.5	2,985.0	2,985.0	-	-	1,885.5	7,458.9	51,049.1
10	392,344.4	205,093.5	1,073.7	125,438.3	9,708.3	16,831.6	97,952.9	57.9	887.6	2,931.6	2,931.6	-	-	2,224.7	7,351.7	48,231.0
11	392,295.7	205,666.1	1,228.0	124,119.3	9,717.9	16,484.8	96,972.1	59.1	885.4	2,930.3	2,930.3	-	-	2,757.9	7,342.0	48,252.0
12	398,813.6	207,792.7	249.7	132,764.9	9,706.5	22,239.2	100,031.3	62.5	725.4	2,919.3	2,919.3	-	-	1,828.3	7,287.5	45,971.3

\* Të dhënat e muajit dhjetor, 2013 janë paraprake.

Burimi: Banka e Shqipërisë.

\* December 2013 data are preliminary.

Source: Bank of Albania.



1-2.A BILANCI SEKTORIAL I BANKAVE PARADEPOZITITUESE / MIJETET  
Në milionë lekë, fund periudhe

1-2.A BILANCI SEKTORIAL I BANKAVE PARADEPOZITITUESE / MIJETET

In millions ALL, end of period

	Totali i mjetëve / Total assets (2+3+4+8+11+12+14+24+25 +26)	Akta në lekë / National currency	Akta në valutë / Foreign currency	Depozita / Deposits (5+6+7)	Jezidentët / Nonresidents	Banka qendrore / Central Bank	Bankat para-depozituese / Deposit money banks	Letra me vlerë të ndryshme nga akcionet / Securities others than shares (9+10)	Jezidentët / Nonresidents	Qeveria qendrore / Central Government
	1	2	3	4	5	6	7	8	9	10
2010 / 12	1,012,069.6	7,297.8	11,343.3	155,910.2	65,042.6	80,939.8	9,927.8	313,094.4	25,129.5	287,964.9
2011 / 12	1,152,773.6	7,961.6	11,365.7	184,302.3	88,470.2	89,122.7	6,709.5	342,609.4	34,075.6	308,533.8
2012 / 12	1,235,866.3	8,177.0	10,928.2	225,802.8	122,169.4	97,304.4	6,329.0	355,507.8	51,037.8	304,470.0
2013 / 01	1,236,149.7	8,280.1	8,949.5	233,998.5	130,322.4	95,435.8	8,240.3	353,813.3	49,697.6	304,115.7
02	1,242,576.7	7,386.9	9,402.6	231,921.4	129,358.9	93,721.1	8,841.4	359,718.7	52,598.5	307,120.2
03	1,250,714.5	8,243.1	10,161.7	224,499.1	124,407.0	94,039.4	6,052.7	368,670.1	55,073.1	313,597.0
04	1,264,146.7	8,281.1	11,104.4	233,515.7	130,136.9	95,906.2	7,472.5	373,387.0	55,715.2	317,671.8
05	1,259,665.8	8,216.6	9,973.6	231,311.0	126,167.9	97,615.3	7,527.7	372,425.4	54,559.0	317,866.5
06	1,264,134.0	9,990.9	10,348.5	220,254.9	111,555.5	96,994.0	11,705.4	386,831.6	69,108.3	317,723.2
07	1,263,243.5	9,476.4	12,263.9	229,949.6	121,642.6	95,982.8	12,324.2	384,657.6	66,312.7	318,345.0
08	1,294,569.9	9,964.6	13,706.1	257,429.6	142,726.5	103,656.8	11,046.3	385,654.8	69,787.3	315,867.5
09	1,300,763.8	10,398.5	13,000.3	259,498.1	147,661.4	102,440.3	9,396.5	385,889.8	70,087.9	315,801.9
10	1,293,215.8	9,669.3	11,873.6	260,972.4	152,428.2	101,557.9	6,986.4	386,387.9	66,487.9	319,900.0
11	1,295,903.7	9,891.0	10,709.8	255,196.0	148,150.6	102,457.2	4,588.3	390,715.5	68,752.9	321,962.6
12	1,300,471.2	8,890.4	11,328.9	249,448.4	139,446.8	103,932.0	6,069.6	390,569.2	66,157.5	324,411.7

	Huajtë / Loans (12+13+14+15+16+17+18+19+20)	Banka qendrore / Central Bank	Bankat para-depozituese / Deposit money banks	Korporata të tjera financiare / Other financial corporations	Gjenera gjendore / Central Government	Gjenera lokale / Local government	Gjenera qendrore / Central Government	Korporata publike / Public nonfinancial corporations	Korporata të tjera financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity (22+23)	Jezidentët / Nonresidents	Rezidentë / Residents	Derivatet financiare / Financial derivatives	Llogaritë të Arkëveshjeve / Other accounts receivable	Mjetë financiare / Nonfinancial assets
	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
2010 / 12	501 556.9	20 228.0	-	966.8	8 704.5	3 475.1	85.0	9 373.8	315 879.1	142 844.6	2 502.2	2 200.3	301.9	-	5 498.5	14 866.4
2011 / 12	579 934.2	41 796.5	-	1 260.4	9 841.9	1 400.3	147.2	18 678.4	364 374.0	142 435.5	2 525.1	2 223.2	301.9	-	6 915.4	17 159.8
2012 / 12	598 545.9	45 050.3	-	3 856.4	10 162.9	1 397.5	193.9	23 780.6	370 993.0	143 111.2	4 327.9	4 026.0	301.9	-	6 335.3	26 241.4
2013 / 01	595 299.6	42 711.7	-	6 228.3	9 986.4	1 399.2	189.7	23 753.7	369 151.5	141 879.2	3 255.1	2 953.2	301.9	-	6 391.9	26 161.7
02	597 823.2	43 753.0	-	7 544.6	9 777.0	1 397.1	189.5	23 946.4	369 645.9	141 569.7	3 565.0	3 263.1	301.9	-	6 516.7	26 242.2
03	600 997.4	44 830.7	-	4 661.0	9 665.5	1 401.4	192.7	23 933.8	373 836.0	142 476.2	5 053.1	4 567.6	485.5	-	6 584.1	26 505.9
04	598 752.2	43 638.6	-	5 257.5	9 615.8	1 411.3	212.0	23 678.5	371 554.3	143 364.1	5 498.0	5 111.4	386.6	-	6 631.4	26 977.0
05	597 305.2	42 337.0	-	5 245.9	9 575.7	1 405.3	222.0	24 029.4	370 878.0	143 612.0	6 253.3	5 867.0	386.2	-	6 787.9	27 392.9
06	595 584.8	39 438.0	-	3 670.9	9 549.0	1 412.1	237.7	23 703.6	371 984.9	145 588.7	5 882.4	5 495.5	386.9	152.5	6 898.2	28 190.4
07	582 477.0	37 003.7	-	2 456.2	9 681.6	1 406.2	231.7	23 865.0	363 098.8	144 733.9	6 051.9	5 666.0	385.9	135.2	7 021.7	31 210.1
08	582 631.6	37 243.4	-	5 282.3	9 616.8	1 400.4	230.9	24 600.5	361 368.7	142 888.7	6 171.4	5 801.6	369.8	179.8	7 271.0	31 561.0
09	585 625.6	34 334.7	-	7 805.6	9 810.7	1 416.1	237.8	25 022.2	362 258.6	143 781.3	6 167.8	5 796.3	371.5	190.6	7 237.6	32 755.5
10	578 034.3	34 334.7	-	8 556.1	10 256.3	1 405.3	235.0	25 017.6	355 533.1	142 696.3	5 943.0	5 573.0	370.0	229.4	7 273.0	32 832.9
11	583 035.8	35 907.1	-	10 957.5	9 614.1	1 403.1	255.0	25 065.3	356 714.3	143 119.5	5 505.5	5 135.3	370.1	291.4	7 690.2	32 868.6
12	593 625.3	43 698.9	-	6 787.2	9 578.2	1 404.4	256.0	24 961.0	363 541.1	143 398.5	5 123.1	4 753.0	370.1	-	8 138.8	33 347.1

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

# 1-2. B BILANCI SEKTORIAL I BANKAVE PARADEPOZITITUESE/ DETYRIMET

## SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ LIABILITIES 1-2.B

Në milionë lekë, fund periudhë

In millions ALL, end of period

	Detyrimet totale / Total liabilities (2+8+17+18+27+28)	Depozita të përfshira në paranë e gjërë/ Deposits included in broad money (3+4+ 5+6 +7)				Sektorë të tjerë rezidentë/ Other resident sectors	Korporata jo-financiare/ nonfinancial corporations	Korporata publike/ Public nonfinancial corporations	Korporata të tjerë financiare/ Other financial corporations	Qeveria qendrore/ Central Government	Korporata të tjerë depozituese/ Other depository corporations	Banka qendrore/ Central Bank	Jezidentët/ Nonresidents	Korporata të tjerë depozituese/ Other depository corporations	Korporata jo-financiare/ nonfinancial corporations	Korporata publike/ Public nonfinancial corporations	Korporata të tjerë financiare/ Other financial corporations	Sektorë të tjerë rezidentë/ Other resident sectors	Korporata jo-financiare/ nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
		1	2	3	4															
2010/ 12	1,012,069.6	783,208.8	8,637.2	1,496.1	18,760.4	88,204.6	666,110.6	44,302.9	14,003.0	4,473.9	4,638.1	61.2	258.0	6,754.3	13,639.6					
2011/ 12	1,152,773.6	873,228.0	7,875.2	1,547.5	15,154.6	86,392.3	762,258.4	57,282.9	22,100.6	894.9	5,817.2	3,045.8	59.8	201.8	8,424.5	16,738.2				
2012/ 12	1,235,866.3	928,459.6	10,168.9	1,123.6	12,894.6	82,538.2	821,734.4	59,626.8	20,358.2	308.2	4,236.0	63.6	146.9	5,601.5	22,209.8					
2013/ 01	1,236,149.7	926,356.4	10,612.4	1,171.6	13,921.7	79,630.2	821,020.4	65,066.3	19,613.2	3,061.9	4,792.0	63.9	147.1	3,756.3	23,231.1					
02	1,242,576.7	930,655.9	9,924.4	1,135.8	16,503.9	79,755.4	823,336.4	66,900.8	21,241.7	1,978.0	4,753.3	64.3	145.5	4,010.5	23,657.1					
03	1,250,714.5	930,198.4	7,585.6	1,509.4	14,895.9	81,041.0	825,166.6	65,282.2	22,046.2	2,679.0	4,613.0	63.6	144.2	4,432.5	23,966.4					
04	1,264,146.7	940,550.1	8,961.1	1,424.4	14,631.8	89,701.9	825,831.0	68,733.7	21,989.4	546.0	5,143.1	64.0	139.1	6,826.3	24,689.0					
05	1,259,665.8	937,494.5	7,995.5	1,772.6	15,536.0	86,626.4	825,564.0	68,223.9	22,733.8	2,355.0	4,772.5	64.3	121.3	4,228.3	25,291.5					
06	1,264,134.0	937,118.6	7,589.6	1,451.0	13,336.3	86,633.1	828,108.7	73,711.3	25,878.8	2,669.7	4,810.1	63.6	117.3	4,911.3	25,588.3					
07	1,263,243.5	931,720.8	9,214.9	1,335.6	10,731.5	81,993.6	828,445.2	71,915.4	22,288.6	2,255.0	4,715.9	63.9	331.7	5,726.7	26,758.7					
08	1,294,569.9	944,810.5	10,621.2	1,323.8	11,221.2	87,066.4	834,577.9	80,983.3	27,679.8	876.0	5,357.0	64.3	175.9	6,091.0	28,405.1					
09	1,300,763.8	952,430.5	11,622.5	1,405.7	11,534.1	90,250.2	837,618.0	83,053.8	26,142.2	191.3	5,195.8	63.6	95.7	7,356.3	29,802.4					
10	1,293,215.8	945,273.8	9,684.0	2,149.8	12,945.8	89,803.2	830,691.0	83,719.9	25,184.0	3,725.2	4,891.0	64.8	127.7	6,667.1	30,322.4					
11	1,295,903.7	947,387.3	9,367.1	2,024.2	12,725.9	89,871.4	833,398.8	83,200.1	24,977.7	4,122.6	3,491.3	64.3	80.9	6,637.7	31,811.2					
12	1,300,471.2	947,233.4	9,958.6	1,734.7	11,852.1	88,149.7	835,538.2	82,137.5	25,452.4	4,280.5	3,419.6	63.6	78.8	6,603.9	32,666.6					

	Lejtar me vlerë përveç aksioneve/ Securities other than shares	Huajtë / Loans (19+20+21+22 +23+ 24+25 +26)				Jezidentët/ Nonresidents	Banka qendrore/ Central Bank	Korporata të tjerë depozituese/ Other depository corporations	Qeveria qendrore/ Central Government	Korporata të tjerë financiare/ Other financial corporations	Derivatet financiare/ Financial derivatives	Llogaritë pagueshme/ Other accounts payable	Aksione dhe instrumente të tjerë të kapitalit/ Shares and other equity
		17	18	19	20								
2010/ 12	-		49,254.2	28,680.5	12,536.9	7,761.7	274.0	1.0	-	-	-	37,701.7	97,602.0
2011/ 12	-		59,492.0	27,467.9	25,488.8	5,314.2	432.9	2.6	-	785.6	-	62,929.6	99,841.1
2012/ 12	-		54,001.4	23,320.2	21,802.6	6,972.9	659.8	13.3	-	1,232.6	333.7	85,228.8	108,216.0
2013/ 01	-		49,724.5	23,356.4	16,846.8	7,624.2	660.0	1.5	-	1,235.5	-	86,802.4	108,200.1
02	-		46,857.7	22,145.0	13,993.3	8,804.7	660.7	2.2	-	1,251.9	-	89,355.4	108,806.9
03	-		50,754.1	23,624.7	19,658.4	5,566.7	640.6	9.3	-	1,254.4	-	94,685.9	109,793.9
04	-		52,186.4	21,592.6	23,080.0	5,596.8	641.8	20.3	-	1,254.9	-	91,243.0	111,433.4
05	-		48,896.9	22,756.7	17,691.9	6,299.3	666.1	1.8	-	1,481.2	-	92,510.1	112,540.3
06	-		50,074.1	22,727.6	17,263.0	7,913.2	711.7	1.1	-	1,457.5	-	93,377.6	109,852.4
07	-		54,123.0	22,605.0	22,151.5	7,204.1	700.8	1.1	-	1,460.6	-	98,890.1	106,594.3
08	-		59,597.5	29,571.7	21,072.7	6,599.1	699.9	1.1	-	1,653.0	-	99,213.4	109,965.2
09	-		54,931.6	30,014.6	16,949.3	5,623.2	684.6	1.1	-	1,658.8	-	99,312.9	111,035.0
10	-		52,331.7	29,826.3	14,702.4	5,445.6	695.3	1.1	-	1,661.1	-	101,624.2	110,266.3
11	-		51,251.1	27,002.1	15,749.9	6,141.9	696.3	1.1	-	1,659.8	-	103,529.8	110,535.4
12	-		54,824.2	25,535.2	21,503.6	5,480.0	670.5	1.1	-	1,633.9	-	104,946.1	111,330.0

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

## 1-3 AGREGATËT MONETARË DHE PËRBËRËSIT E TYRE

## MONETARY AGGREGATES AND THEIR COMPONENTS 1-3

	M3 (2+7)	M2 (3+6)	M1 (4+5)	Paraja jashtë korporatave depozituese/ Currency outside depository corporations	Llogari rrjedhëse dhe depozitat pa afat në lekë/ Current accounts and non-term deposits in national currency	Depozitat me afat në lekë/ Time deposits in national currency	Depozitat në valutë/ Deposits in foreign currency
	1	2	3	4	5	6	7
	Gjendja në fund të periudhës (në milionë lekë)/ Stock at end of period (in millions ALL)						
2010 / 12	980,283.9	604,517.3	275,427.3	195,059.0	80,368.4	329,090.0	375,766.6
2011 / 12	1,070,149.6	647,003.3	276,898.1	194,923.2	81,974.9	370,105.2	423,146.2
2012 / 12	1,123,407.8	669,577.1	281,246.6	192,705.1	88,541.5	388,330.5	453,830.8
2013 / 01	1,113,262.8	660,455.2	267,783.0	184,703.5	83,079.5	392,672.2	452,807.5
02	1,118,335.9	666,244.1	270,666.9	185,113.8	85,553.1	395,577.2	452,091.8
03	1,119,404.5	669,119.8	274,753.3	186,795.3	87,957.9	394,366.5	450,284.8
04	1,133,451.6	678,133.3	280,474.9	190,003.6	90,471.2	397,658.5	455,318.3
05	1,137,045.0	692,706.9	291,176.7	196,173.6	95,003.2	401,530.2	444,338.0
06	1,141,702.8	700,521.7	298,698.9	202,167.1	96,531.8	401,822.9	441,181.1
07	1,136,162.9	698,924.0	294,801.3	201,254.4	93,546.9	404,122.8	437,238.9
08	1,149,296.1	699,974.6	296,921.6	201,342.6	95,579.0	403,053.0	449,321.4
09	1,153,831.6	697,314.2	292,639.9	197,782.4	94,857.5	404,674.3	456,517.4
10	1,144,142.1	693,708.3	290,123.0	195,409.0	94,714.0	403,585.3	450,433.7
11	1,146,760.9	692,320.2	291,092.5	195,760.0	95,332.6	401,227.7	454,440.7
12*	1,148,980.9	693,172.2	295,876.5	198,892.7	96,983.9	397,295.6	455,808.8
	Ndryshimi vjetor në përqindje/ Annual percentage changes						
2010 / 12	12.5	4.6	-3.2	-6.7	6.5	12.1	28.1
2011 / 12	9.2	7.0	0.5	-0.1	2.0	12.5	12.6
2012 / 12	5.0	3.5	1.6	-1.1	8.0	4.9	7.3
2013 / 01	4.9	2.9	1.0	-1.9	7.9	4.3	8.0
02	4.8	3.4	1.8	-1.2	8.9	4.5	6.9
03	4.6	3.6	3.8	0.6	11.3	3.5	6.0
04	5.2	4.2	5.0	2.1	11.8	3.6	6.7
05	4.8	5.5	8.6	5.3	16.2	3.4	3.7
06	4.5	6.5	10.9	7.8	17.9	3.5	1.4
07	3.2	6.3	9.0	6.9	13.7	4.4	-1.4
08	2.7	6.6	9.0	6.6	14.6	4.9	-2.8
09	3.2	6.8	7.4	5.4	11.8	6.5	-1.9
10	2.3	6.3	8.0	5.3	13.9	5.1	-3.3
11	2.7	5.6	8.9	5.3	17.1	3.3	-1.3
12*	2.3	3.5	5.2	3.2	9.5	2.3	0.4

Burimi: Banka e Shqipërisë.

\* Të dhënat e muajit dhjetor 2013 janë paraprake.

Source: Bank of Albania.

\* December 2013 data are preliminary.

## 1-4 KUNDËRPARTITË E AGREGATËVE MONETARË

## COUNTERPARTS OF MONETARY AGGREGATES 1-4

	Mjetet valutore neto/ Net Foreign Assets	Mjetet e brendshme/ Domestic assets (3+4)	Pretendimet ndaj qeverisë qendrore neto/ Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors*	Të tjera neto/ Other items net
	1	2	3	4	5
Gjendja në fund të periudhës (milionë lekë)/ Stock at end of period (in millions ALL)					
2010 / 12	339,409.2	826,848.0	343,395.1	483,453.0	10,282.6
2011 / 12	387,271.2	903,860.2	361,663.0	542,197.2	29,672.2
2012 / 12	451,146.6	909,351.1	354,023.1	555,328.0	34,300.0
2013 / 01	445,420.9	901,429.2	349,388.6	552,040.6	34,952.9
02	450,805.7	900,599.1	348,397.0	552,202.0	37,440.3
03	452,440.8	906,209.0	348,882.6	557,326.5	38,941.3
04	456,880.7	916,708.4	361,163.4	555,545.0	36,872.4
05	463,858.0	911,983.4	356,554.0	555,429.4	37,399.5
06	456,020.9	921,631.9	363,574.9	558,057.0	38,474.0
07	463,069.4	907,849.4	359,254.3	548,595.0	38,869.3
08	480,134.5	908,499.3	362,831.5	545,667.8	37,032.3
09	486,901.0	911,088.9	363,038.9	548,050.0	37,710.4
10	480,995.6	904,290.6	363,619.8	540,670.8	38,487.9
11	481,338.1	907,733.5	366,040.3	541,693.2	39,415.2
12**	478,861.7	913,493.8	364,862.8	548,630.9	40,283.9
Ndryshimi vjetor në përqindje/ Annual percentage changes					
	Mjetet valutore neto/ Net foreign assets	Mjetet e brendshme/ Domestic assets (3+4)	Pretendimet ndaj qeverisë qendrore neto/ Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors*	
	1	2	3	4	
2010 / 12	38.9	5.7	0.6		9.7
2011 / 12	14.1	9.3	5.3		12.2
2012 / 12	16.5	0.6	-2.1		2.4
2013 / 01	16.7	0.0	-3.1		2.1
02	17.4	-0.6	-4.2		1.7
03	16.9	-0.2	-2.6		1.3
04	15.5	0.5	1.8		-0.3
05	15.0	-0.1	1.2		-1.0
06	10.9	1.2	3.7		-0.4
07	8.2	0.0	3.2		-2.1
08	5.7	0.6	5.7		-2.5
09	6.1	0.6	6.6		-3.0
10	4.6	0.6	6.2		-2.8
11	5.1	0.8	6.5		-2.7
12**	6.1	0.5	3.1		-1.2

Burimi: Banka e Shqipërisë.

\* Përfshin kredinë për ekonominë dhe pretendime të tjera ndaj sektorëve mbajtës së parasë së gjerë.

\*\* Të dhënat e muajit dhjetor 2013 janë paraprake.

Source: Bank of Albania.

\* Include credit to economy and other claims on broad money holding sectors.

\*\* December 2013 data are preliminary.

## 1-5 LLOGARITË RRJEDHËSE DHE DEPOZITAT PA AFAT NË LEKË SIPAS SEKTORIT\*

Në milionë lekë, fund periudhe

## LEK DENOMINATED CURRENT ACCOUNT AND SIGHT DEPOSITS BY SECTOR\* 1-5

In millions ALL, end of period

	Llogari rrjedhëse dhe depozitë pa afat/ Current account and sight deposits (2+ 3+4+ 5+6)	Qeveria lokale/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2010/ 12	80,368.4	948.1	7,134.0	920.6	22,505.0	48,860.8
2011/ 12	81,974.9	1,157.4	7,303.5	532.5	20,681.5	52,300.1
2012/ 12	88,541.5	1,059.7	7,168.0	1,789.2	24,716.6	53,807.9
2013/ 01	83,079.5	1,089.7	7,193.7	567.8	22,346.8	51,881.6
02	85,553.1	1,059.8	7,946.2	561.1	23,921.6	52,064.4
03	87,957.9	1,451.5	7,415.2	476.8	24,854.6	53,759.8
04	90,471.2	1,359.3	7,066.5	413.0	26,299.0	55,333.5
05	95,003.2	1,651.6	8,925.2	589.2	27,291.7	56,545.4
06	96,531.8	1,292.9	6,822.1	497.8	27,962.2	59,956.7
07	93,546.9	1,287.2	5,420.7	653.9	25,916.4	60,268.8
08	95,579.0	1,236.2	5,672.8	528.1	25,831.5	62,310.4
09	94,857.5	1,294.0	6,045.2	577.6	26,503.1	60,437.6
10	94,714.0	1,582.4	6,756.4	571.6	25,334.4	60,469.2
11	95,332.6	1,568.6	7,090.4	512.4	24,279.3	61,881.9
12**	96,983.9	1,305.0	6,108.2	937.0	24,244.0	64,389.7

Burimi: Banka e Shqipërisë.

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

\*\* Të dhënat e muajit dhjetor 2013 janë paraprake.

Source: Bank of Albania.

\* Deposits included in broad money.

\*\* December 2013 data are preliminary.

1-6 DEPOZITAT ME AFAT NË LEKË SIPAS SEKTORIT\*  
Në milionë lekë, fund periudheLEK DENOMINATED TIME DEPOSITS BY SECTOR \* 1-6  
In millions ALL, end of period

	Depozitat me afat/ Time deposits (2+3+4+5+6)	Qeveria lokale/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2010 / 12	329,090.0	55.1	3,054.3	1,773.4	8,316.8	315,890.5
2011 / 12	370,105.2	109.6	2,608.9	1,423.5	11,292.5	354,670.8
2012 / 12	388,330.5	19.4	1,715.4	2,224.4	10,954.1	373,417.3
2013 / 01	392,672.2	17.2	2,555.5	3,743.4	9,775.8	376,580.4
02	395,577.2	17.6	3,502.0	3,740.9	9,739.6	378,577.1
03	394,366.5	18.0	2,210.7	1,560.5	10,620.6	379,956.8
04	397,658.5	18.4	1,770.8	3,231.4	11,238.3	381,399.6
05	401,530.2	18.9	1,748.5	2,986.5	13,035.2	383,741.0
06	401,822.9	19.3	1,742.9	1,996.5	13,385.5	384,678.7
07	404,122.8	16.8	644.0	4,167.6	13,692.2	385,602.2
08	403,053.0	16.5	663.0	5,746.0	14,502.9	382,124.7
09	404,674.3	16.8	635.0	6,507.3	12,810.2	384,704.9
10	403,585.3	13.9	1,499.6	4,150.3	14,881.6	383,040.0
11	401,227.7	54.0	988.7	3,854.4	14,940.2	381,390.4
12**	397,295.6	57.1	1,257.8	2,556.5	14,523.4	378,900.8

Burimi: Banka e Shqipërisë.

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

\*\* Të dhënat e muajit dhjetor 2013 janë paraprake.

Source: Bank of Albania.

\* Deposits included in broad money.

\*\* December 2013 data are preliminary.

1-7 LLOGARI RRJEDHËSE DHE DEPOZITA PA AFAT NË VALUTË SIPAS SEKTORIT\*  
Në milionë lekë, fund periudheFOREIGN CURRENCY DENOMINATED CURRENT ACCOUNT AND SIGHT DEPOSITS BY SECTOR\* 1-7  
In millions ALL, end of period

	Llogari rrjedhëse dhe depozita pa afat/ Current account and sight deposits (2+3+4+5+6)	Qeveria lokale/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2010 / 12	87,471.8	256.0	4,102.0	971.9	29,547.6	52,594.2
2011 / 12	86,753.0	263.1	2,091.5	971.8	28,217.3	55,209.4
2012 / 12	89,206.6	44.5	2,137.6	253.4	29,224.4	57,546.6
2013 / 01	87,576.5	64.8	2,276.6	730.9	29,141.9	55,362.2
02	87,985.5	58.5	2,603.8	315.7	28,116.4	56,891.1
03	87,057.6	39.9	2,526.1	207.3	28,327.4	55,957.0
04	94,054.7	46.7	2,999.6	489.6	35,021.4	55,497.3
05	87,406.8	102.2	2,280.4	406.5	28,689.6	55,928.1
06	90,486.6	138.8	2,334.9	426.2	29,641.5	57,945.3
07	94,240.7	31.7	2,319.2	619.8	30,217.8	61,052.2
08	104,176.8	71.1	2,326.3	883.0	33,133.5	67,762.9
09	105,597.6	94.8	2,299.8	429.1	36,501.7	66,272.1
10	103,162.9	553.5	2,389.9	362.1	34,822.6	65,034.7
11	108,601.1	401.6	2,455.6	856.6	36,772.9	68,114.4
12**	109,627.6	372.6	1,972.2	982.3	35,865.9	70,434.6

Burimi: Banka e Shqipërisë.

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

\*\* Të dhënat e muajit dhjetor 2013 janë paraprake.

Source: Bank of Albania.

\* Deposits included in broad money.

\*\* December 2013 data are preliminary.

1-8 DEPOZITAT ME AFAT NË VALUTË SIPAS SEKTORIT\*  
Në milionë lekë, fund periudheFOREIGN CURRENCY DENOMINATED TIME DEPOSITS BY SECTOR\* 1-8  
In millions ALL, end of period

	Depozitat me afat/ Time deposits (2+3+4+5+6)	Qeveria lokale/ Local government	Korporatat jofinanciare publike/ Public nonfinancial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jofinanciare/ Other nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors
	1	2	3	4	5	6
2010 / 12	288,294.8	237.0	4,470.0	5,229.1	27,835.3	250,523.5
2011 / 12	336,393.2	17.4	3,150.8	5,050.5	26,201.1	301,973.4
2012 / 12	364,624.2	—	1,873.6	6,049.9	17,643.1	339,057.6
2013 / 01	365,231.1	—	1,895.9	5,681.4	18,365.6	339,288.2
02	364,106.3	—	2,451.8	5,780.5	17,977.7	337,896.2
03	363,227.1	—	2,743.9	5,560.5	17,238.4	337,684.3
04	361,263.6	—	2,794.9	5,530.5	17,143.1	335,795.1
05	356,931.2	—	2,581.9	5,196.9	17,609.8	331,542.6
06	350,694.5	—	2,436.4	4,843.2	15,643.9	327,771.0
07	342,998.2	—	2,347.7	4,716.5	12,167.3	323,766.7
08	345,144.6	—	2,559.0	4,364.6	13,598.5	324,622.4
09	350,919.8	—	2,554.1	5,300.2	14,435.2	328,630.4
10	347,270.9	—	2,299.9	5,626.0	14,764.5	324,580.4
11	345,839.6	—	2,191.2	5,329.6	13,878.9	324,439.9
12**	346,181.2	—	2,514.0	5,690.8	13,516.4	324,460.1

Burimi: Banka e Shqipërisë.

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjerë.

\*\* Të dhënat e muajit dhjetor 2013 janë paraprake.

Source: Bank of Albania.

\* Deposits included in broad money.

\*\* December 2013 data are preliminary.



1-9 KREDIA SIPAS AKTIVITETIT EKONOMIK<sup>1</sup>  
Në milionë lekë, fund periudhe

LOANS BY ECONOMIC ACTIVITY<sup>1</sup> 1-9  
In millions ALL, end of period

	Totali i kredisë për bizneset/ Total loans to business (2+3+4+5+6+7 +8+9+10+11+1 2+13+14+15+1 6+17)	Bujësi, gjuetia dhe silvicultura/ Agriculture, hunting and forestry	Peshkimi/ Fishing	Industria nxjerrëse/ Mining and quar- rying	Industria për- punuese/ Manufacturing	Prodhim, shpërndarja e energjisë elektrike, e gazit dhe e ujt/ Electric- ity, gas and water supply	Ndërtim/ Construc- tion	Tregtia, riparimi i autovehikujve dhe ar- tikujve shpërndarë/ Trade, repair of motor vehicles and personal and household goods	Hotelet dhe restorantet/ Hotels and restaurants	Transporti, magazini dhe telekomu- nikacioni/ Transport, storage and telecommuni- cations	Ndërm- jetësim monetar dhe financiar/ Financial intermedia- tion	Pasuritë e palundërme, qira, etj. / Real estate, renting, etc.	Admin- istrimi publik/ Public adminis- tration	Arsimi/ Education	Shër- dell dhe veprimtarie sociale/ Health and social work	Shërbime kolek- tive, sociale dhe individuale/ Other commu- nity, social and personal service activities	Të tjera/ Other
2010/ 12	330,388.1	3,982.6	903.8	6,736.7	47,196.6	23,563.2	65,787.3	113,996.3	14,118.4	10,910.9	10,631.7	2,437.6	797.1	3,687.1	4,797.3	12,117.9	8,723.4
2011/ 12	389,425.7	5,586.3	1,036.4	6,572.6	57,853.6	37,073.3	70,875.5	129,075.9	15,876.4	11,060.5	11,404.7	2,672.0	1,660.4	4,496.7	4,675.2	16,811.3	12,695.1
2012/ 12	401,699.1	5,655.4	905.5	7,566.5	57,931.2	46,518.3	63,410.3	137,951.2	17,467.7	11,470.1	13,087.6	5,829.6	808.6	5,517.6	4,916.4	15,199.2	7,463.9
2013/ 01	399,045.8	5,619.2	914.4	6,960.0	57,308.5	48,942.0	62,836.7	134,637.0	17,539.9	11,962.2	12,926.3	5,755.8	774.5	5,441.7	4,949.2	15,084.3	7,394.0
02	399,112.1	5,619.8	912.9	6,513.0	56,670.3	48,798.7	63,102.4	135,249.6	17,563.6	12,388.0	12,712.1	5,731.1	797.8	5,413.3	4,985.3	14,886.0	7,768.1
03	403,442.6	5,573.9	893.7	7,219.7	56,234.0	49,420.2	62,966.6	138,032.4	17,679.0	12,416.8	12,733.4	5,749.7	837.4	5,406.8	5,021.7	15,390.5	7,866.9
04	400,368.0	5,684.5	884.8	5,970.9	56,223.2	49,284.4	60,348.1	138,276.4	18,072.5	12,582.2	12,843.9	5,792.4	856.7	5,489.2	5,013.5	15,652.7	7,392.8
05	399,909.6	5,784.6	895.1	7,410.3	57,265.3	49,306.2	59,926.2	136,206.5	18,755.2	12,429.2	12,697.7	3,583.8	877.2	5,478.3	4,959.4	15,356.6	8,978.0
06	401,390.3	5,845.6	906.2	6,048.3	58,571.0	48,919.7	59,088.0	138,189.6	19,794.0	12,260.8	12,809.0	2,850.1	931.2	5,520.2	5,003.3	15,323.6	9,327.9
07	392,599.9	5,735.6	911.4	6,263.6	57,228.6	49,923.3	55,198.8	134,163.6	19,089.2	12,255.3	13,431.6	2,723.8	914.0	5,505.7	4,902.3	15,329.2	9,023.9
08	391,474.2	5,733.7	893.2	5,152.7	57,046.3	50,555.6	54,786.0	133,775.9	18,835.4	12,804.0	12,972.9	2,561.7	913.1	5,384.8	4,911.4	16,265.3	8,882.3
09	393,712.8	5,827.6	852.8	5,302.6	57,575.0	51,157.0	54,348.6	134,295.3	18,588.6	12,801.5	13,462.9	2,544.4	883.8	5,376.3	5,163.6	16,702.4	8,830.3
10	387,021.7	5,842.8	883.2	5,652.3	57,190.1	51,075.1	53,859.9	128,291.7	18,387.4	12,699.5	13,973.6	2,513.8	893.9	5,184.6	5,370.8	16,713.6	8,489.2
11	387,313.8	6,083.7	887.4	5,277.6	56,852.6	49,545.8	54,045.6	130,320.3	18,339.8	12,708.4	13,651.6	2,469.1	916.4	5,145.1	5,155.9	17,886.7	8,028.1
12	394,660.3	6,201.7	825.4	7,515.5	57,112.9	49,943.6	53,784.0	133,676.5	16,069.8	12,486.9	13,555.7	2,545.3	989.1	5,177.0	5,219.5	20,369.6	9,187.7

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredisë nuk përfshijnë interesat e përlogaritura.

Source: Bank of Albania.  
1) Data on loans do not include accrued interests.

1-10 KREDIA SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS PËR BIZNESET<sup>1</sup>

Në milionë lekë, fund periudhe

BUSINESS LOANS  
BY PURPOSE AND CURRENCY<sup>1</sup> 1-10

In millions ALL, end of period

	Kredia për bizneset/ Business loans (2+7+12+17)	Në lekë / In ALL (3+4+5+6)	Overdraft/ Overdraft	Kapital qarkullues/ Working capital	Blerje pajisjesh/ Machineries and appliances	Pasuri të paluajtshme/ Real estate
	1	2	3	4	5	6
2010/12	330,388.1	89,529.3	33,349.8	21,738.1	21,121.2	13,320.3
2011/12	389,425.7	118,862.4	37,883.4	33,938.2	26,536.0	20,504.8
2012/12	401,699.1	142,844.8	42,857.0	44,283.3	22,145.0	33,559.5
2013/01	399,045.8	140,377.8	44,383.3	43,221.9	21,951.7	30,820.9
02	399,112.1	139,672.1	44,368.8	42,910.4	21,595.0	30,797.9
03	403,442.6	141,074.2	45,230.5	42,865.2	21,515.1	31,463.4
04	400,368.0	140,687.4	45,304.3	42,764.3	21,286.7	31,332.1
05	399,909.6	139,885.4	46,716.4	40,755.7	21,071.6	31,341.7
06	401,390.3	141,253.2	49,075.5	39,386.8	20,923.0	31,867.9
07	392,599.9	141,199.2	50,802.1	37,055.0	20,969.6	32,372.5
08	391,474.2	140,416.4	50,169.0	37,073.8	20,926.0	32,247.7
09	393,712.8	142,617.5	51,594.2	37,580.8	20,994.8	32,447.7
10	387,021.7	137,759.8	46,721.5	36,880.7	21,512.5	32,645.1
11	387,313.8	138,131.7	46,749.2	37,095.7	22,040.0	32,246.8
12	394,660.3	145,978.4	49,815.8	39,508.7	23,935.2	32,718.7
	Në dollarë amerikanë / In USD (8+9+10+11)	Overdraft/ Overdraft	Kapital qarkullues/ Working capital	Blerje pajisjesh/ Machineries and appliances	Pasuri të paluajtshme/ Real estate	
	7	8	9	10	11	
2010 / 12	31,186.8	12,966.4	6,116.6	6,474.7	5,629.1	
2011 / 12	36,138.2	17,403.7	5,354.5	7,070.4	6,309.6	
2012 / 12	34,546.2	14,513.9	6,114.0	9,176.9	4,741.3	
2013 / 01	31,535.4	12,542.4	5,652.0	8,770.8	4,570.2	
02	32,270.2	12,763.8	5,715.0	9,004.4	4,787.0	
03	34,455.7	14,509.0	6,007.2	8,961.5	4,978.0	
04	33,458.3	13,913.6	5,941.4	8,734.9	4,868.5	
05	33,170.2	14,467.1	5,294.3	8,597.1	4,811.7	
06	32,622.4	13,820.3	5,414.2	8,427.6	4,960.4	
07	30,662.7	13,686.2	4,432.4	8,069.0	4,475.1	
08	30,786.1	13,917.4	4,487.6	7,826.2	4,554.9	
09	29,292.1	12,653.5	4,592.0	7,717.9	4,328.6	
10	28,750.1	12,816.6	4,418.8	7,352.7	4,162.0	
11	30,424.0	14,122.9	4,714.9	7,430.4	4,155.8	
12	31,784.4	15,449.0	4,107.5	8,337.9	3,890.1	
	Në euro / In EUR (13+14+15+16)	Overdraft/ Overdraft	Kapital qarkullues/ Working capital	Blerje pajisjesh/ Machineries and appliances	Pasuri të paluajtshme/ Real estate	Kredia në monedha të tjera/ In other currencies
	12	13	14	15	16	17
2010 / 12	209,347.5	61,989.3	27,174.5	60,072.5	60,111.2	324.5
2011 / 12	234,203.0	68,305.4	31,695.8	65,354.7	68,847.0	222.1
2012 / 12	224,224.0	62,521.8	28,140.0	57,525.4	76,036.8	84.1
2013 / 01	227,063.2	62,381.4	27,970.9	57,910.0	78,800.9	69.3
02	227,100.8	62,099.7	28,152.7	56,940.4	79,908.0	69.0
03	227,844.5	62,783.1	28,554.7	57,463.1	79,043.7	68.3
04	226,155.4	60,750.7	28,229.7	57,910.2	79,264.9	67.0
05	226,789.1	61,140.8	29,420.2	60,615.2	75,612.9	64.9
06	227,450.6	62,015.5	30,333.1	60,199.4	74,902.6	64.1
07	220,675.4	62,357.7	28,745.1	58,953.5	70,619.1	62.7
08	220,210.3	61,530.8	27,963.7	60,902.2	69,813.5	61.5
09	221,741.7	62,454.9	27,803.0	61,466.9	70,016.9	61.6
10	220,452.2	61,210.1	29,534.0	60,386.9	69,321.2	59.6
11	218,699.2	60,135.3	28,702.1	59,804.1	70,057.8	58.9
12	216,839.5	60,019.9	29,554.8	59,328.0	67,936.8	58.0

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredisë nuk përfshijnë interesat e përlogaritura.

Source: Bank of Albania.

1) Data on loans do not include accrued interests.

1-11 KREDIA SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS PËR INDIVIDËT<sup>1</sup>

Në milionë lekë, fund periudhe

HOUSEHOLD LOANS BY PURPOSE AND CURRENCY<sup>1</sup>

1-11

In millions ALL, end of period

	Kredia për individët/ Household loans (2+8+ 14+20)	Në lekë/In ALL (3+4+5+6+7)	Overdraft/Overdraft	Mallra jo të qëndrueshme/ Non durable goods	Mallra të qëndrueshme/ Durable goods	Pasuri të paluajtshme/ Real estate	Ushtrim aktiviteti/ Business activity
	1	2	3	4	5	6	7
2010/12	142,176.0	59,411.9	4,468.4	14,403.5	5,434.0	27,782.7	7,323.3
2011/12	141,618.3	61,524.9	5,271.1	16,128.1	5,489.7	30,285.5	4,350.5
2012/12	142,270.8	63,553.9	5,617.3	15,501.0	5,442.2	33,014.8	3,978.5
2013/01	140,995.6	63,134.5	5,559.8	15,349.8	5,313.8	33,010.1	3,901.1
02	140,697.0	63,157.2	5,476.3	15,293.2	5,321.8	33,146.0	3,919.9
03	141,489.0	63,703.9	5,580.9	15,345.5	5,326.2	33,553.8	3,897.5
04	142,412.5	64,129.8	5,520.5	15,518.4	5,297.3	33,832.0	3,961.6
05	142,638.1	64,758.1	5,626.8	15,613.1	5,375.0	34,231.2	3,912.1
06	144,614.7	65,309.5	5,511.8	15,831.3	5,460.1	34,675.8	3,830.5
07	143,815.9	65,957.8	5,807.3	15,947.9	5,577.9	34,926.4	3,698.4
08	141,909.9	64,626.3	5,614.2	14,656.0	5,465.0	35,230.1	3,661.1
09	142,693.2	64,933.6	5,636.3	14,722.1	5,562.2	35,406.4	3,606.6
10	141,830.9	65,170.2	5,572.2	14,737.0	5,587.4	35,694.7	3,578.9
11	142,039.0	65,274.4	5,485.8	14,426.6	5,938.2	35,930.6	3,493.2
12	142,716.7	65,588.1	5,571.9	14,345.7	6,052.7	36,148.8	3,469.1
	Në dollarë amerikanë / In USD (9+10+ 11+12+13)	Overdraft/ Overdraft	Mallra jo të qëndrueshme/ Nondurable goods	Mallra të qëndrueshme/ Durable goods	Pasuri të paluajtshme/ Real estate	Ushtrim aktiviteti/ Business activity	
	8	9	10	11	12	13	
2010 / 12	2,254.3	236.8	20.6	135.1	1,756.7		105.1
2011 / 12	2,253.4	251.0	35.5	93.3	1,606.5		267.2
2012 / 12	1,900.9	223.0	62.6	44.9	1,354.1		216.3
2013 / 01	1,764.1	189.1	32.9	36.5	1,298.0		207.7
02	1,811.1	203.6	41.2	36.2	1,315.6		214.6
03	1,852.4	228.8	42.5	36.6	1,318.9		225.6
04	1,822.7	215.0	54.3	44.1	1,280.8		228.6
05	1,795.9	206.0	58.6	50.1	1,249.1		232.1
06	1,747.9	178.1	58.8	60.0	1,222.2		228.8
07	1,642.4	172.0	51.9	44.2	956.3		417.9
08	1,577.1	115.4	64.1	40.2	945.7		411.6
09	1,501.5	87.9	65.6	41.0	1,099.2		207.9
10	1,463.5	91.5	57.8	41.2	1,067.1		205.8
11	1,414.5	43.5	54.8	45.4	1,066.0		204.8
12	1,325.5	60.2	59.8	41.1	965.4		199.0
	Në euro / In EUR (15+16 +17+ 18+19)	Overdraft/ Overdraft	Mallra jo të qëndrueshme/ Nondurable goods	Mallra të qëndrueshme/ Durable goods	Pasuri të paluajtshme/ Real estate	Ushtrim aktiviteti/ Business activity	Kredia në monedha të tjera / In other currencies
	14	15	16	17	18	19	20
2010 / 12	80,001.6	1,559.4	1,732.9	2,415.5	70,107.7	4,186.0	508.3
2011 / 12	77,355.1	1,624.0	1,687.8	2,912.2	68,167.1	2,964.0	484.9
2012 / 12	76,371.6	2,759.3	1,761.0	3,194.8	66,055.3	2,601.3	444.4
2013 / 01	75,665.2	2,670.9	1,646.8	3,118.2	65,689.3	2,540.0	431.7
02	75,294.4	2,653.2	1,682.6	3,039.8	65,420.8	2,497.9	434.3
03	75,499.4	2,597.6	1,734.8	3,089.3	65,694.5	2,383.2	433.4
04	76,044.3	2,696.6	1,806.5	3,093.1	65,992.7	2,455.6	415.7
05	75,679.1	2,676.4	1,834.3	3,240.1	65,525.2	2,403.0	405.0
06	77,150.4	3,739.0	1,868.0	3,242.8	65,924.1	2,376.5	406.9
07	75,814.7	2,829.4	1,837.9	3,250.4	65,597.4	2,299.7	401.0
08	75,312.8	2,700.8	1,812.4	3,179.6	65,305.8	2,314.2	393.7
09	75,865.5	2,743.8	1,833.4	3,192.3	65,855.1	2,241.0	392.6
10	74,820.1	2,677.3	1,782.6	3,109.3	65,039.5	2,211.4	377.1
11	74,979.1	2,586.7	1,806.5	3,094.0	65,138.6	2,353.4	371.1
12	75,433.5	2,595.6	1,991.7	2,956.1	65,436.0	2,454.2	369.6

Burimi: Banka e Shqipërisë.

1) Të dhënat e kredisë nuk përfshijnë interesat e përlogaritura.

Source: Bank of Albania.

1) Data on loans do not include accrued interests.

## 1-12 KREDIA SIPAS RRETHIT \*

Në milionë lekë, fund periudhe

	Totali i kredisë/ Total loans (2+3+4+5+6+7+8+9+10)									
	1	2	3	4	5	6	7	8	9	10
	Tiranë/ Tirana	Durrës/ Durrës	Elbasan/ Elbasan	Shkodër/ Shkodra	Korçë/ Korça	Vlorë/ Vloja	Fier/ Fier	Lezhë/ Lezha	Të tjera/ Other	
2010 / IV	472,564.0	330,634.1	12,921.5	12,024.4	8,083.6	16,490.2	14,187.2	8,909.6	32,175.2	
2011 / IV	531,044.0	374,940.9	15,266.5	13,128.9	8,649.4	16,477.1	15,779.5	10,257.8	35,160.0	
2012 / IV	543,969.9	390,253.4	15,272.7	13,134.1	8,496.4	16,190.1	13,810.2	10,611.4	34,934.7	
2013 / I	544,931.6	394,005.4	39,911.9	12,972.8	8,507.5	16,130.3	13,398.6	10,583.1	34,273.2	
II	546,005.0	390,933.6	41,710.5	13,174.9	8,617.6	16,489.9	13,099.3	10,886.9	34,519.0	
III	536,405.9	381,330.5	42,441.6	12,955.7	8,622.8	16,024.5	13,800.2	10,206.2	34,220.4	
VI	537,377.0	385,356.1	42,538.0	12,664.2	9,003.5	15,731.6	12,859.3	9,263.8	33,995.7	

Burimi: Banka e Shqipërisë.

\* Të dhënat e kredisë nuk përfshijnë interesat e përlogaritur.

## 2. NORMAT E INTERESIT TË INSTRUMENTEVE TË POLITIKËS MONETARE

### INTEREST RATES OF MONETARY POLICY INSTRUMENTS 2.

## 2-1 NORMAT E INTERESIT TË BANKËS SË SHQIPËRISË \*

### BANK OF ALBANIA INTEREST RATES \* 2-1

Në përqindje

In percentage

	Depozita njëditore/ Overnight deposit		Marëveshje riblejete njëjtore/ Weekly repurchase agreement		Kredita njëditore/ Overnight credit		Kredita për mbështetje me likuiditet/ liquidity supporting loan <sup>1)</sup>	
	Vlera/ Level	Ndryshimi/ Change	Vlera/ Level	Ndryshimi/ Change	Vlera/ Level	Ndryshimi/ Change	Vlera/ Level	Ndryshimi/ Change
2004	1	2	3	4	5	6	7	8
29/04	3.25	-	6.25	-	8.75	-	12.25	-
12/05	3.00	-0.25	6.00	-0.25	8.50	-0.25	12.00	-0.25
24/06	2.75	-0.25	5.75	-0.25	8.25	-0.25	11.75	-0.25
28/07	2.50	-0.25	5.50	-0.25	8.00	-0.25	11.50	-0.25
04/11	2.25	-0.25	5.25	-0.25	7.75	-0.25	11.25	-0.25
2005	2.00	-0.25	5.00	-0.25	7.50	-0.25	11.00	-0.25
31/03	2.00	-0.25	5.00	-	7.50	-0.25	11.00	-
27/07	3.25	1.25	5.00	-	6.75	-0.75	11.00	-
2006	3.50	0.25	5.25	0.25	7.00	0.25	11.25	0.25
30/11	3.75	0.25	5.50	0.25	7.25	0.25	11.50	0.25
28/06	4.00	0.25	5.75	0.25	7.50	0.25	11.75	0.25
27/09	4.25	0.25	6.00	0.25	7.75	0.25	12.00	0.25
30/11	4.50	0.25	6.25	0.25	8.00	0.25	12.25	0.25
2008	4.50	-	6.25	-	7.00	-1.00	12.25	-
2009	4.50	-	6.25	-	7.00	-	12.25	-
29/01	4.00	-0.50	5.75	-0.50	6.50	-0.50	11.75	-0.50
28/10	3.50	-0.50	5.25	-0.50	6.00	-0.50	11.25	-0.50
2010	3.25	-0.25	5.00	-0.25	5.75	-0.25	11.00	-0.25
2011	3.25	-	5.00	-	6.75	1.00	11.00	-
24/03	3.50	0.25	5.25	0.25	7.00	0.25	11.25	0.25
30/09	3.25	-0.25	5.00	-0.25	6.75	-0.25	11.00	-0.25
01/12	3.00	-0.25	4.75	-0.25	6.50	-0.25	10.75	-0.25
2012	2.75	-0.25	4.50	-0.25	6.25	-0.25	10.50	-0.25
29/03	2.50	-0.25	4.25	-0.25	6.00	-0.25	10.25	-0.25
10/05	2.50	-	4.25	-	6.00	-	10.25	-
25/07	2.25	-0.25	4.00	-0.25	5.75	-0.25	10.00	-0.25
31/01	2.00	-0.25	3.75	-0.25	5.50	-0.25	9.75	-0.25
01/08	1.75	-0.25	3.50	-0.25	5.25	-0.25	9.50	-0.25
02/12	1.50	-0.25	3.25	-0.25	5.00	-0.25	9.25	-0.25
16/12	1.25	-0.25	3.00	-0.25	4.75	-0.25	9.00	-0.25

Burimi: Banka e Shqipërisë.

\* Tabela paraqet ndryshimin e normave bazë të interesit sipas vendimit të politikës monetare.

1) Më hyrjen në fuqi të vendimit nr. 16, datë 13.03.2012, për miratimin e rregulloreve "Për kredinë për mbështetje me likuiditet", instrumenti "Kredia Lombard" do të pësohet nga "Kredia për mbështetje me likuiditet".

\* Table present the change of key interest rates according to the monetary policy decisions for interest rates.

1) Upon the entry into force of Decision No. 16, dated 13 March 2012, on the approval of the Regulation "On the liquidity supporting loan", the instrument of "Lombard Loan" will be followed by the "liquidity supporting loan".

## 3. TREGJET FINANCIARE

## FINANCIAL MARKETS 3.

## 3-1 NORMAT E INTERESIT PËR DEPOZITAT E REJA SIPAS MONEDHËS\*

INTEREST RATES ON NEW DEPOSITS BY CURRENCY\* 3-1  
In percentage

Në përqindje

	Llogari rrjedhëse/ Current accounts	1 mujore/ 1 months	3 mujore/ 3 months	Në lëvë/ In ALL	6 mujore/ 6 months	12 mujore/ 12 months	24 mujore/ 24 months
2010	0.30	4.55	4.64	5.38	6.40	7.04	7.04
2011	0.22	4.39	4.22	4.87	5.87	6.59	6.59
2012	0.05	3.62	3.83	4.50	5.38	6.50	6.50
2013/01	0.04	2.75	3.56	4.20	5.07	6.44	6.44
02	0.05	3.09	3.71	4.25	5.25	6.48	6.48
03	0.05	2.89	3.66	4.32	5.36	6.60	6.60
04	0.05	2.87	3.42	4.15	5.04	6.40	6.40
05	0.05	3.19	3.23	4.09	5.11	6.26	6.26
06	0.05	3.01	2.78	3.64	4.59	6.12	6.12
07	0.05	2.85	2.56	3.30	4.26	5.83	5.83
08	0.04	2.72	2.35	3.07	3.83	5.66	5.66
09	0.05	1.93	1.91	2.57	3.41	5.06	5.06
10	0.05	2.74	1.32	2.29	2.95	4.57	4.57
11	0.05	2.62	1.55	2.18	2.65	4.11	4.11
12	0.05	2.70	1.43	2.00	2.45	4.04	4.04
Në dollarë amerikanë/ In USD							
2010	0.09	1.15	1.19	1.39	2.04	2.34	2.34
2011	0.09	0.84	1.07	1.59	2.14	1.96	1.96
2012	0.03	0.96	1.46	1.81	2.56	2.56	2.56
2013/01	0.04	0.94	1.20	1.62	1.99	2.27	2.27
02	0.04	0.84	0.96	1.48	3.31	2.23	2.23
03	0.04	1.01	1.28	1.46	2.09	2.21	2.21
04	0.04	1.03	1.40	1.06	1.71	1.88	1.88
05	0.04	0.88	0.98	1.11	1.63	2.20	2.20
06	0.05	0.86	1.04	1.14	1.70	2.00	2.00
07	0.04	0.93	0.88	1.45	1.41	1.74	1.74
08	0.04	0.95	1.04	1.09	1.34	1.51	1.51
09	0.03	0.83	1.04	1.13	1.36	1.93	1.93
10	0.04	0.78	1.00	0.97	1.85	2.14	2.14
11	0.04	2.40	0.62	1.08	1.35	2.07	2.07
12	0.04	2.24	1.08	1.17	1.58	2.14	2.14
Në Euro/ In EUR							
2010	0.15	1.87	2.52	3.00	3.57	4.22	4.22
2011	0.11	2.04	2.09	2.45	3.11	3.85	3.85
2012	0.03	1.86	2.02	2.40	3.06	3.80	3.80
2013/01	0.03	1.48	1.85	1.92	2.74	3.36	3.36
02	0.04	1.53	1.64	1.85	2.79	3.28	3.28
03	0.05	1.48	1.71	2.01	2.84	3.49	3.49
04	0.05	1.31	1.32	1.69	2.41	3.08	3.08
05	0.04	1.27	1.30	1.84	2.40	3.13	3.13
06	0.04	1.33	1.21	1.67	2.27	3.43	3.43
07	0.05	1.15	1.22	1.54	2.08	3.31	3.31
08	0.04	1.12	1.08	1.29	1.86	3.00	3.00
09	0.04	1.16	1.12	1.38	1.84	2.82	2.82
10	0.04	1.25	1.02	1.13	1.86	2.90	2.90
11	0.05	1.15	0.87	1.32	1.62	2.54	2.54
12	0.04	0.99	0.77	1.40	1.64	2.16	2.16

Burimi: Banka e Shqipërisë .

\*Normal vjelore përfaqësojnë normal mesatare të ponderuara vjelore, ndërsa normal mujore përfaqësojnë normal mesatare të ponderuara mujore.

\*Yearly data presents the annual weighted average rate, while the monthly data presents the monthly weighted average rate.

Source: Bank of Albania.



### 3-2 NORMAT E INTERESIT PËR KREDITË E REJA SIPAS MONEDHËS\* Në përqindje

### INTEREST RATES ON NEW LOANS BY CURRENCY\* 3-2 In percentage

	Deri në 6 muaj/ Up to 6 months	6 muaj - 1 vit/ 6 months - 1 year	Në lekë/ In ALL	1-3 vjet/ 1-3 years	3 - 5 vjet/ 3 - 5 years	Mbi 5 vjet/ Over 5 years
2010	13.17	11.29		15.68	14.16	12.05
2011	12.28	11.17		13.43	12.79	10.73
2012	10.61	10.28		14.35	12.37	10.22
2013/01	9.80	9.26		15.48	13.26	9.42
02	11.13	11.57		16.02	13.99	9.51
04	8.85	10.58		15.17	12.34	11.14
05	11.60	10.12		15.07	12.81	10.05
06	9.56	10.90		13.62	11.86	10.25
07	11.36	10.24		13.54	12.27	10.31
08	10.01	8.68		13.22	11.58	8.85
09	8.88	10.08		14.28	11.50	9.48
10	9.94	8.72		12.72	10.93	8.73
11	9.02	8.96		13.30	10.29	8.60
12	8.10	8.27		12.74	9.45	9.45
	Në dollarë amerikanë / In USD					
2010	7.44	6.68		6.72	7.06	8.01
2011	8.85	6.57		7.15	4.52	6.91
2012	7.29	6.96		6.38	6.90	8.96
2013/01	8.30	7.30		14.97	8.47	-
02	4.60	6.49		-	13.48	5.52
03	7.19	6.34		7.65	6.53	6.89
04	7.03	6.07		7.55	13.65	4.96
05	8.05	6.05		6.12	5.42	6.78
06	5.90	6.28		8.07	6.60	7.00
07	8.95	6.31		5.71	8.27	6.46
08	6.53	6.51		5.56	6.98	7.71
09	7.23	6.72		6.38	6.55	6.39
10	6.60	5.59		8.83	5.54	7.59
11	6.40	5.85		6.62	6.00	5.97
12	6.01	7.24		6.04	6.19	7.97
	Në Euro/ In EUR					
2010	7.20	7.14		8.02	7.87	7.41
2011	7.51	7.18		7.76	7.45	7.56
2012	6.94	6.92		7.41	7.92	7.22
2013/01	7.92	7.21		7.35	5.51	5.60
02	6.24	7.33		7.53	7.95	7.01
03	6.71	6.88		5.85	8.11	7.16
04	6.89	6.98		8.05	8.08	6.72
05	5.65	6.00		8.42	7.14	7.59
06	6.95	6.95		7.56	6.85	7.34
07	7.29	6.70		6.93	7.66	6.97
08	6.24	6.90		6.71	6.32	7.56
09	6.42	7.67		7.97	7.35	6.49
10	6.34	6.39		7.38	7.17	6.74
11	7.21	7.57		8.01	7.44	6.40
12	7.49	6.67		8.64	7.11	6.92

Burimi: Banka e Shqipërisë.

\*Normat vjetore përfaqësojnë normat mesatare të ponderuara mujore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

\*Yearly data presents the annual weighted average rate, while the monthly data presents the monthly weighted average rate.

Source: Bank of Albania.

3-3 NORMAT E INTERESIT PËR BONOT E  
THESARIT SIPAS AFATIT\*  
Në përqindje

YIELDS OF TREASURY BILLS BY MATURITY  
BREAKDOWN\* 3-3  
In percentage

	Normat e interesit për bonot e thesarit / Maturity breakdown of Treasury bill yields		
	3-mujor/ 3 months	6-mujor/ 6 months	12-mujor/ 12 months
2007 / 12	6.32	7.41	8.26
2008 / 12	6.27	7.45	8.56
2009 / 12	6.30	7.52	9.14
2010 / 12	5.29	6.41	7.09
2011 / 01	—	6.32	6.83
02	5.21	6.38	6.95
03	5.35	6.72	7.27
04	—	6.84	7.41
05	5.47	6.82	7.36
06	5.65	6.80	7.54
07	—	6.82	7.69
08	5.61	6.78	7.68
09	5.62	6.77	7.68
10	—	6.49	7.50
11	5.49	6.44	7.40
12	5.31	6.23	6.95
2012 / 01	—	6.23	7.07
02	5.08	6.10	7.11
03	5.29	6.20	7.33
04	—	6.20	7.35
05	5.30	6.20	7.36
06	5.26	6.25	7.37
07	—	6.24	7.34
08	5.15	6.23	7.19
09	5.08	6.17	6.93
10	—	6.13	6.78
11	5.03	6.06	6.46
12	5.03	5.65	6.37
2013 / 01	5.08	6.08	6.56
02	5.05	6.00	6.38
03	5.04	5.99	6.18
04	—	5.94	6.11
05	4.80	5.80	5.87
06	4.63	5.51	5.55
07	—	5.30	5.35
08	3.85	4.52	4.85
09	3.44	3.99	4.18
10	3.43	3.68	3.81
11	—	3.49	3.73
12	3.40	3.54	3.66

Burimi: Banka e Shqipërisë.

\* Përfaqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania.

\* Weighted average interest rates.

## 4. KURSI I KËMBIMIT

## EXCHANGE RATE 4.

## 4-1 KURSI I KËMBIMIT TË LEKUT KUNDREJT MONEDHAVE KRYESORE

EXCHANGE RATE 4-1  
All per unit of foreign currencies

Lekë për njësi të monedhës së huaj

Monedhat kryesore/ Main foreign currencies	Mesatarja e periudhës / Average of period					Dollari kanadez/ Canadian dollar (CAD)	Fundi i periudhës / End of period					
	Dollari amerikan/ US dollar (USD)	Monedha evropiane / European currency (EUR)	Poundi britanik/ British pound sterling (GBP)	Franga zvicareze/ Swiss franc (CHF)	Jeni japonez/ Japanese yen (per 100 JPY)		Dollari amerikan/ US Dollar (USD)	Monedha evropiane / European currency (EUR)	Poundi britanik/ British pound sterling (GBP)	Franga zvicareze/ Swiss franc (CHF)	Jeni japonez/ Japanese yen (per 100 JPY)	
2011	100.90	140.33	161.72	113.98	126.68	102.04	107.54	138.93	165.92	114.46	138.80	105.36
2012	108.18	139.04	171.43	115.39	135.74	108.27	105.85	139.59	171.18	115.65	122.93	106.37
2013	105.67	140.26	165.19	114.00	108.50	102.65	101.86	140.20	168.39	114.41	96.98	95.70
2013/01	104.96	139.49	167.44	113.48	117.87	105.92	103.00	139.58	162.95	113.07	113.16	102.82
	104.61	139.75	162.02	113.66	112.38	103.72	106.48	139.66	161.43	114.42	115.54	104.03
	107.81	139.78	162.64	114.03	113.89	105.24	109.15	139.91	165.85	115.01	116.02	107.36
04	107.86	140.28	165.01	115.06	110.42	105.93	107.65	140.72	166.87	114.98	110.35	106.52
05	108.56	140.89	165.95	113.59	107.61	106.33	108.16	140.45	164.44	113.36	107.71	104.47
06	106.89	140.96	165.45	114.43	109.80	103.69	107.99	140.96	164.63	114.28	109.08	103.11
07	107.27	140.31	162.81	113.51	107.68	103.06	105.38	140.20	160.58	113.83	108.07	102.58
08	105.20	140.01	162.94	113.53	107.40	101.12	105.71	139.98	163.72	113.65	107.71	100.41
09	105.31	140.51	166.93	113.96	106.16	101.69	104.76	141.37	169.13	115.75	107.04	101.68
10	103.27	140.85	166.29	114.44	105.67	99.68	102.52	140.11	164.27	113.60	104.38	98.11
11	103.91	140.11	167.07	113.76	104.14	99.24	103.17	140.25	167.99	114.02	101.34	97.89
12	102.38	140.21	167.69	114.53	98.97	96.23	101.86	140.20	168.39	114.41	96.98	95.70

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

## 5. STATISTIKAT E SEKTORIT TË JASHTËM

## 5-1 BILANCI I PAGESAVE

Në milionë euro

## EXTERNAL SECTOR STATISTICS 5.

## BALANCE OF PAYMENTS 5-1

In millions EUR

	Llogaria korentë/ Current account (2+5+6+7+8+9+10)	Bilanci tregtar/ malltar / Trade balance (3+4)	Eksporti i mallrave (fab) / Export of goods (fab)		Importi i mallrave (fab) / Import of goods (fab)		Shërbimet/ Services		Të ardhurat/ Income		Transferi private/ Private transfers	Transferi shtetëror/ Official transfers	
	1	2	3	4	Kredi/ Credit	Debi/ Debit	Kredi/ Credit	Debi/ Debit	Kredi/ Credit	Debi/ Debit	8	9	10
2010	-1,018.6	-2,082.7	1,171.5	-3,254.2	1,750.7	-1,518.9	286.3	-376.4	877.1	-376.4	877.1	45.3	
2011	-1,185.4	-2,241.6	1,405.5	-3,647.1	1,747.4	-1,612.4	220.1	-197.4	877.6	-197.4	877.6	20.9	
2012	-1,021.3	-1,999.2	1,525.6	-3,524.8	1,655.1	-1,459.9	204.4	-293.3	846.7	-293.3	846.7	25.0	
2012 / IV	-236.3	-517.8	403.1	-920.9	402.1	-374.2	55.3	-55.5	244.4	-55.5	244.4	9.5	
2013 / I	-224.7	-332.4	381.6	-714.0	283.6	-327.5	42.2	-53.5	161.4	-53.5	161.4	1.6	
II	-296.9	-397.6	458.8	-856.4	346.9	-384.2	47.4	-71.1	154.4	-71.1	154.4	7.4	
III	-191.6	-437.6	454.7	-892.3	524.7	-478.1	53.1	-17.8	160.6	-17.8	160.6	3.5	
	Llogaria kapitale / Capital account	Llogaria financiale/ Financial account (13+14+15+16)	Investimet e huaja direkte (neto)/ Foreign direct investment, net	Investimet portofoli (neto)/ Portfolio investment, net	Kapitale të tjera* (neto)/ Other capital, net*	Përdorim kredish dhe huash nga FMN/ Use of fund credit and loans	Gabime dhe harranca/ Net errors and omissions	Bilanci i përgjithshëm/ Overall balance (1+11+12+17)	Rezervat/ Reserve assets	Ndryshimi total në rezervat/ Total change in reserves assets	Nga të cilat: Rivlerësim/ Of which: Revaluation		
	11	12	13	14	15	16	17	18	19	20	21		
2010	85.5	786.6	788.5	232.1	-224.9	-9.2	325.4	179.0	-179.0	254.6	75.7		
2011	84.9	893.2	715.5	-13.1	199.5	-8.7	178.6	-28.7	28.7	8.0	36.7		
2012	81.4	785.9	727.2	-24.6	95.9	-12.5	231.2	77.3	-77.3	60.2	-17.1		
2012 / IV	15.6	233.5	176.7	11.0	45.9	-	-36.0	-23.2	23.2	-56.0	-32.9		
2013 / I	9.7	198.9	194.9	-7.1	15.0	-3.9	-7.5	-23.6	23.6	-16.7	6.9		
II	4.8	333.7	237.6	-84.6	180.8	-0.1	44.8	86.4	-86.4	56.4	-30.0		
III	14.8	64.7	258.2	11.3	-201.2	-3.5	146.5	34.5	-34.5	16.1	-18.4		

Burimi: Banka e Shqipërisë.

\* Nuk përfshihen përdorime huash dhe kredish nga FMN.

Source: Bank of Albania.

\* Excluding Use of Fund Credit and Loans.

5-2 EKSPORTI SIPAS GRUPMALLIRAVE  
Në milionë lekëEXPORT BY COMMODITIES 5-2  
In millions ALL

	Gjithësi/ Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije duhan/ Food, beverages, tobacco	Mineralë, lëndë djegëse, ener. elektr./ Minerals, fuels, electricity	Produkte kimike dhe plastike/ Chemical and plastic products	Lëkurë dhe artikuj prej lëkure/ Leather and leather manufactures	Prodime druri dhe letre/ Wood manufactures and articles of paper	Tekstile dhe këpucë/ Textile and footwear	Materiale ndërtimi dhe metale/ Construction materials and metals	Makinëri, pajisje dhe pjesë këmbimi/ Machines, equipments and spare parts	Të tjera/ Others
	1	2	3	4	5	6	7	8	9	10
2010	161,547.7	9,454.9	44,848.6	1,743.3	2,567.5	4,796.1	55,646.4	32,339.2	6,730.0	3,421.6
2011	196,896.6	11,177.8	58,775.8	2,833.9	2,926.1	4,557.7	64,106.4	41,303.0	7,749.7	3,466.1
2012	213,022.7	12,818.9	76,145.7	2,025.8	2,773.5	5,353.0	62,091.9	40,213.5	7,639.4	3,961.0
2013/01	18,127.9	847.7	7,481.2	169.3	226.3	500.7	5,454.7	2,567.6	574.2	306.3
02	15,864.2	793.7	5,098.5	213.4	257.3	517.2	5,637.8	2,422.1	687.5	236.7
03	19,301.2	877.4	8,806.2	186.7	302.8	477.7	5,379.6	2,337.3	593.5	339.9
04	20,600.4	1,037.1	7,626.8	236.1	336.8	503.7	5,681.9	4,194.4	625.9	357.7
05	23,201.2	1,393.6	11,134.8	281.5	277.3	525.4	5,633.5	2,808.3	763.7	383.1
06	20,760.7	1,328.3	8,580.4	279.6	308.1	571.4	5,999.3	2,560.0	806.9	326.8
07	24,288.4	1,262.2	9,680.5	281.6	273.2	951.0	7,464.0	2,748.5	1,136.1	491.3
08	18,154.7	1,053.1	8,908.1	227.1	167.1	505.9	4,404.6	2,157.7	411.5	319.5
09	21,360.1	1,215.8	8,035.4	298.3	336.2	812.4	6,226.4	3,301.4	825.8	308.4
10	22,299.2	1,990.1	8,623.0	257.4	271.8	923.1	5,825.3	3,391.0	672.6	345.1
11	20,997.9	1,581.5	7,213.5	240.3	239.5	863.3	6,097.4	3,709.1	677.1	376.2
12	21,396.4	1,265.3	8,229.6	216.1	197.3	848.2	5,548.2	3,975.9	471.1	644.9

Burimi: INSTAT.

\*Eksporti janë në vlerën F.O.B.

Të dhënat vjetore sipas tabelës "Tregtia e jashtme sipas produkteve (1993-2012)" në faqen e internetit të INSTAT datë 04.03.2014.

Të dhënat mujore sipas "Data baza Statistike" tabela "Eksporti sipas grupmallirave 2005-01 - 2013-12" dhe "Tregtia e jashtme sipas grup mallirave" në faqen e internetit të INSTAT, datë 04.03.2014.

Annual data as of table "Foreign trade according to the products (1993-2012), INSTAT web page on 04.03.2014.  
Monthly data as of "Statistical Database", table "Export by group of commodities 2005-01-2013-12" and "Foreign Trade by group commodities", INSTAT web page on 04.03.2014.

Source: INSTAT.

\*Exports are valued in F.O.B.

Annual data as of table "Foreign trade according to the products (1993-2012), INSTAT web page on 04.03.2014.

Monthly data as of "Statistical Database", table "Export by group of commodities 2005-01-2013-12" and "Foreign Trade by group commodities", INSTAT web page on 04.03.2014.

5-3 IMPORTI SIPAS GRUPMALLIRAVE  
Në milionë lekëIMPORT BY COMMODITIES 5-3  
In million ALL

	Gjithësi/ Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije duhan/ Food, beverages, tobacco	Mineralë, lëndë djegëse, ener. elektr./ Minerals, fuels, electricity	Produkte kimike dhe plastike/ Chemical and plastic products	Lëkurë dhe artikuj prej lëkure/ Leather and leather manufactures	Prodime druri dhe letre/ Wood manufactures and articles of paper	Tekstile dhe këpucë/ Textile and footwear	Materiale ndërtimi dhe metale/ Construction materials and metals	Makinëri, pajisje dhe pjesë këmbimi/ Machines, equipments and spare parts	Të tjera/ Others
	1	2	3	4	5	6	7	8	9	10
2010	477,767.8	87,089.9	73,521.5	56,300.7	8,384.2	20,431.9	45,733.7	76,425.5	92,673.1	17,207.2
2011	544,003.9	91,954.1	102,268.7	60,994.4	9,422.7	20,418.9	50,499.6	82,101.3	109,706.7	16,637.5
2012	528,491.2	93,176.5	110,476.3	66,016.6	9,724.8	18,100.5	48,321.0	68,066.2	97,774.8	16,834.5
2013/01	34,159.3	5,920.5	7,116.4	4,175.3	734.5	1,218.3	3,535.9	4,348.6	6,225.5	884.4
02	33,350.3	6,487.0	4,916.4	4,673.6	590.4	1,300.7	3,685.1	4,172.4	6,307.5	1,217.3
03	38,212.3	7,142.6	6,822.0	4,896.4	814.7	1,314.9	4,199.2	4,633.6	7,402.5	986.4
04	41,498.9	8,559.4	7,342.8	6,343.3	867.0	1,399.9	3,993.2	4,340.2	7,540.0	1,113.2
05	45,130.8	8,286.3	7,468.7	7,269.6	1,233.7	1,993.7	5,257.5	5,000.4	7,242.3	1,378.6
06	41,499.5	7,053.8	7,372.7	6,111.4	1,259.2	1,561.9	4,754.9	5,256.3	6,944.6	1,184.7
07	48,383.0	8,666.4	7,565.0	7,124.6	1,119.2	2,136.1	5,013.3	6,494.8	8,857.9	1,405.6
08	42,402.7	8,700.1	8,397.9	5,653.6	546.9	2,156.8	3,145.9	5,703.4	6,858.0	1,240.0
09	42,122.7	7,994.4	8,669.2	4,716.9	735.7	1,742.4	4,330.3	5,796.9	7,198.8	938.0
10	46,679.6	7,468.0	8,779.7	6,052.1	1,037.8	2,000.8	5,304.4	6,304.8	8,289.0	1,442.9
11	44,883.1	7,589.4	7,820.8	5,734.7	1,249.3	1,751.4	5,408.5	5,327.4	8,413.4	1,588.1
12	54,212.3	9,476.1	10,144.2	5,442.1	1,192.8	1,721.4	5,495.3	5,900.3	12,889.6	1,950.6

Burimi: INSTAT.

\*Importet janë në vlerën C.I.F.

Të dhënat vjetore sipas tabelës "Tregtia e jashtme sipas produkteve (1993-2012)" në faqen e internetit të INSTAT, datë 04.03.2014.

Të dhënat mujore sipas "Data baza Statistike" tabela "Importi sipas grupmallirave 2005-01 - 2013-12" dhe "Tregtia e jashtme sipas grup mallirave" në faqen e internetit të INSTAT, datë 04.03.2014.

Annual data as of table "Foreign trade according to the products (1993-2012), INSTAT web page on 04.03.2014.  
Monthly data as of "Statistical Database", table "Import by group of commodities 2005-01-2013-12" and "Foreign Trade by group commodities", INSTAT web page on 04.03.2014.

Source: INSTAT.

\*Imports are valued in C.I.F.

Annual data as of table "Foreign trade according to the products (1993-2012), INSTAT web page on 04.03.2014.

Monthly data as of "Statistical Database", table "Import by group of commodities 2005-01-2013-12" and "Foreign Trade by group commodities", INSTAT web page on 04.03.2014.



#### 5-4 POZICIONI I INVESTIMEVE NDËRKOMBËTARE

Në milionë euro

#### INTERNATIONAL INVESTMENT POSITION 5-4

In millions Eur

	Pozicioni i investimeve ndërkombëtare/ International investment position (2+16)		Mjetet/ Assets (3+ 8+ 9+ 10+15)		Investime direkte jashtë/ Direct investment abroad		Kapitale të firmave/ Equity capital and reinvested earnings		Kapitale të tjera/ Other capital		Leita me vlerë të kapitalit/ Equity securities		Leita me vlerë të borxhit/ Debt securities		Derivative financiare/ Financial derivatives		Investime të tjera/ Other investments		Mjetet e rezervës/ Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
2007	-1,477.7	2,373.6	50.7	50.7	-	61.2	0.0	61.2	-	-	0.0	0.0	0.0	0.0	61.2	-	26.5	754.8	20.7	1,459.8
2008	-2,396.1	2,479.6	104.7	102.9	1.8	109.8	0.7	109.1	-	-	0.7	0.7	0.7	0.7	109.1	-	33.7	533.8	22.2	1,675.4
2009	-2,869.4	2,394.5	115.7	112.2	3.5	103.5	0.3	103.2	-	-	0.3	0.3	0.3	0.3	103.2	-	108.6	403.7	16.9	1,646.2
2010	-3,208.2	2,919.6	115.2	109.6	5.6	181.0	0.5	180.5	-	-	0.5	0.5	0.5	0.5	180.5	-	149.2	543.3	26.2	1,904.8
2011	-3,784.9	3,332.0	141.7	120.7	21.0	254.8	9.1	245.7	-	-	9.1	9.1	9.1	9.1	245.7	-	272.4	725.2	25.4	1,912.5

	Detyrimet/ Liabilities (17+ 20+ 23+ 24)		Investime direkte në Shqipëri/ Direct investment in the reporting economy		Kapitale të firmave/ Equity capital and reinvested earnings		Kapitale të tjera/ Other capital		Leita me vlerë të kapitalit/ Equity securities		Leita me vlerë të borxhit/ Debt securities		Derivative financiare/ Financial derivatives		Investime të tjera/ Other investments		Detyrimet të tjera/ Other liabilities	
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33
2007	3,851.3	1,829.6	1,626.2	203.4	107.7	58.0	49.7	-	1,914.1	88.1	1,625.8	166.6	33.5	-	1,914.1	88.1	1,625.8	166.6
2008	4,875.7	2,061.2	1,812.1	249.0	143.6	70.8	72.8	-	2,671.0	101.4	2,376.2	161.8	31.6	-	2,671.0	101.4	2,376.2	161.8
2009	5,263.9	2,261.4	2,147.6	113.9	140.2	67.4	72.8	-	2,862.3	96.0	2,517.0	177.3	72.0	-	2,862.3	96.0	2,517.0	177.3
2010	6,127.8	2,666.6	2,521.0	145.6	439.1	72.5	366.6	-	3,022.0	108.6	2,425.2	420.6	67.7	-	3,022.0	108.6	2,425.2	420.6
2011	7,116.9	3,036.0	2,917.7	118.4	512.5	86.9	425.6	-	3,568.4	122.0	2,680.6	693.9	71.9	-	3,568.4	122.0	2,680.6	693.9

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

#### 5-5 BORXHI I JASHTËM

Në milionë euro

#### EXTERNAL DEBT 5-5

In millions Eur

	Borxhi i jashtëm/ Gross external debt (2+5 + 8 + 11 + 14)		Qeveria e përgjithshme/ General Government (3+4)		Ataigjatë/ Longterm		Ataigjatë/ Shortterm		Autoritetet monetare/ Monetary authorities (6+7)		Ataigjatë/ Longterm		Ataigjatë/ Shortterm		Bankat/ Banks (9+10)		Ataigjatë/ Longterm		Ataigjatë/ Shortterm		Investime direkte: hua ndërmjet kompanive/ Direct investment: intercompany lending	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
2010	4,097.0	1,886.0	-	1,886.0	105.9	-	105.9	604.2	435.9	168.3	792.6	121.1	671.5	708.4	-	-	105.9	168.3	435.9	168.3	792.6	121.1
2011	4,795.8	2,069.1	-	2,069.1	99.3	-	99.3	871.0	706.1	164.9	954.6	139.0	815.6	801.8	-	-	99.3	164.9	706.1	164.9	954.6	139.0
2012	5,284.0	2,223.6	-	2,223.6	90.0	-	90.0	1,088.6	966.5	122.1	1,028.4	154.1	874.3	853.4	-	-	90.0	122.1	966.5	122.1	1,028.4	154.1
2012/IV	5,284.0	2,223.6	-	2,223.6	90.0	-	90.0	1,088.6	966.5	122.1	1,028.4	154.1	874.3	853.4	-	-	90.0	122.1	966.5	122.1	1,028.4	154.1
2013/I	5,357.2	2,277.9	-	2,277.9	86.2	-	86.2	1,091.6	980.0	111.6	1,034.2	144.3	890.0	867.3	-	-	86.2	111.6	980.0	111.6	1,034.2	144.3
II	5,412.9	2,342.2	-	2,342.2	85.0	-	85.0	1,098.4	999.0	99.4	1,007.3	150.2	857.1	879.9	-	-	85.0	99.4	999.0	99.4	1,007.3	150.2
III	5,472.6	2,327.6	-	2,327.6	80.4	-	80.4	1,111.4	1,010.5	100.9	1,015.9	161.2	854.7	937.3	-	-	80.4	100.9	1,010.5	100.9	1,015.9	161.2

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

## 6. FINANCAT E QEVERISË

## GOVERNMENT FINANCE 6.

6-1 TË ARDHURAT E BUXHETIT TË QEVERISË<sup>1</sup>GOVERNMENT BUDGET REVENUE<sup>1</sup> 6-1

Të dhëna progresive, në milionë lekë, fundi i periudhës

Progressive data in millions ALL, end of period

	Totali i të ardhurave / Total revenue (2+3+7)	Të ardhura nga ndihmat / Grants	Të ardhura tatimore / Tax revenue (4+5+6)	Të ardhurat nga tatimet dhe doganat / Revenue from tax offices and customs	Të ardhura nga pushteti vendor / Revenue from local government	Të ardhura nga fondet speciale / Social inst. Contributions	Të ardhura jo tatimore / Non tax revenue
	1	2	3	4	5	6	7
2010	324,721	4,605	288,564	223,019	11,898	53,647	31,552
2011	330,469	3,811	303,927	235,509	11,791	56,627	22,731
2012	330,383	5,559	300,861	232,591	10,859	57,411	23,963
2013/01	27,669	710	23,827	17,047	862	5,918	3,132
02	49,947	1,026	44,169	32,406	1,356	10,407	4,752
03	75,914	1,424	68,619	51,508	2,241	14,870	5,871
04	106,765	1,676	94,582	69,540	4,522	20,520	10,507
05	133,088	1,918	118,194	88,133	5,047	25,014	12,976
06	157,131	2,405	140,484	105,547	5,436	29,501	14,242
07	185,416	2,535	167,573	126,060	6,429	35,084	15,308
08	210,679	2,727	191,814	144,954	7,095	39,765	16,138
09	235,953	3,552	214,949	162,452	8,096	44,401	17,452
10	266,224	3,948	243,313	183,496	9,505	50,312	18,963
11	292,371	4,506	267,645	202,637	10,092	54,916	20,220
12	328,627	5,665	301,408	230,551	10,825	60,032	21,554

Burimi: Ministria e Financave.

Source: Ministry of Finance.

\* Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave në datën 18.02.2014;

\* Data as of Ministry of Finance web page publications on 18.02.2014;

Raportime / Programimi ekonomik/fiskal. Raporte dhe statistika / Raporte dhe statistika fiskale mujore;

Reports / Fiscal and economic programming, reports and statistics / Fiscal and statistical reports;

Publikimi "Statistika fiskale janardhjetor 2013" tabelat;

Publication "Fiscal indicators January/December 2013" tables;

"Treguesit fiskalë sipas buxhetit të konsoliduar 2013 (progresiv për çdo muaj)"

"Consolidated general budget 2013 (cumulative data)"

"Treguesit fiskalë sipas buxhetit të konsoliduar (12 muaj në vitel)".

"Consolidated general budget (January/December in years)"

1) 2013, të dhëna paraprake.

1) 2013 Preliminary data.

GOVERNMENT BUDGET EXPENDITURE<sup>1</sup> 6-2  
Progressive data, in millions ALL, end of period

6-2 SHPENZIMET E BUXHETIT TË QEVERISË<sup>1</sup>  
Të dhëna progresive, në milionë lekë, fundi i periudhës

	Totali i shpenzimeve/total expenditure (2+10+11)	Shpenzimet korrente/Current expenditure (3+4+5+6+7+8+9)	Shpenzime për personelin/ Personnel expenditure	Interesat/ Interest	Shpenzime operative mirëmbajtje/ Operational & maintenance	Subvencionet/ Subsidies	Shpenzime për fonde speciale/ Social insurance outlays	Shpenzime për buxhetin vendor/ Local budget expenditure	Shpenzime korrente të tjera/ Other current expenditure	Shpenzime kapitale/ Capital expenditure	Shpenzime të tjera/ Other expenditure
	1	2	3	4	5	6	7	8	9	10	11
2010	362,752	300,878	65,762	41,604	34,318	3,535	106,207	30,764	18,688	67,492	-5,618
2011	376,300	305,621	67,446	41,121	32,995	3,301	113,894	28,119	18,745	70,679	-
2012	376,241	312,585	69,437	41,498	31,470	1,884	120,269	27,333	20,694	61,656	2,000
2013/01	27,884	23,976	5,635	3,755	1,139	60	8,753	1,282	3,352	3,908	-
02	59,414	50,078	11,358	7,911	3,553	223	18,935	3,440	4,658	9,336	-
03	90,558	76,198	17,121	10,353	6,488	294	28,913	6,271	6,758	14,360	-
04	130,149	103,608	22,895	12,694	9,664	377	39,413	8,969	9,596	26,541	-
05	169,012	134,472	28,669	17,448	13,488	479	49,699	12,437	12,252	34,540	-
06	205,238	163,817	34,525	21,129	17,339	733	60,558	15,327	14,206	41,421	-
07	234,306	189,422	40,452	24,119	19,579	810	71,143	17,487	15,832	44,884	-
08	265,155	216,929	46,322	28,375	22,260	1,016	82,313	19,351	17,292	48,226	-
09	294,791	242,226	52,307	30,710	24,714	1,202	93,320	21,201	18,772	52,565	-
10	321,199	266,638	58,226	33,238	26,446	1,343	104,371	23,640	19,374	54,561	-
11	352,922	295,572	64,273	39,311	28,849	1,388	114,864	26,063	20,823	57,349	-
12	394,051	328,641	70,716	43,335	32,424	1,574	127,644	29,787	23,161	65,409	-

Burimi: Ministria e Financave.

\* Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave në datën 18.02.2014; Raportime/ Programimi ekonomik-fiskal, Raporte dhe statistika/ Raporte dhe statistika fiskale mujore; Publikimi "Statistika fiskale (anadhetor 2013)" tabelat:

"Treguesit fiskale sipas buxhetit të konsoliduar 2013 (progresiv për çdo muaj)"

"Treguesit fiskale sipas buxhetit të konsoliduar (vjetor)";

1) 2013, të dhëna paraprake.

Source: Ministry of Finance.

\* Data as of Ministry of Finance web page publications on 18.02.2014;

Reports/ Fiscal and economic programming, reports and statistics/ Fiscal and statistical reports;

Publication "Fiscal indicators January-December 2013" tables;

"Consolidated general budget 2013 (cumulative data)"

"Consolidated general budget (January-December in years)";

1) 2013 Preliminary data.

6-3 FINANCIMI I DEFICITIT BUXHETOR<sup>1</sup>

Të dhëna progresive, në milionë lekë, fundi i periudhës

FISCAL DEFICIT AND ITS FINANCING<sup>1</sup>  
Progressive data, in millions ALL, end of period

	Deficiti/ Deficit	Financimi i deficitit / Deficit financing (3+8)	Financimi i brendshëm/ Domestic financing (4+5+6+7)	Të ardhura nga privatizimi/ Privatization receipts	Huanarritje brendshme/ Domestic borrowing	Paguesa e prapambetur e TVSh së rimbursueshme/ Payments of arrears on Vat Refund	Të tjera / Other	Financim i huaj/ Foreign financing (9+10+11)	Hua afatgjatë (matrë)/ Long term loan (drawings)	Ndryshimi i gjendjes se arkës/ Change of statement accounts	Ripaguesa/ Repayments
	1	2	3	4	5	6	7	8	9	10	11
2010	-38,031	38,031	27,819	411	25,948	-	1,460	10,212	18,429	-1,705	-6,512
2011	-45,831	45,831	26,073	438	28,175	-	-2,539	19,758	25,229	2,142	-7,613
2012	-45,858	45,857	26,495	1,221	24,783	-	491	19,362	32,257	-2,226	-10,669
2013 / 01	-215	215	-1,108	106	3,822	-	-5,036	1,323	2,420	-509	-588
02	-9,467	9,467	6,810	122	9,734	-	-3,046	2,657	4,321	-508	-1,156
03	-14,644	14,644	9,880	210	18,984	-	-9,314	4,764	5,879	284	-1,399
04	-23,384	23,384	19,255	228	22,802	-	-3,775	4,129	7,543	407	-3,821
05	-35,924	35,924	28,305	15,750	22,965	-3,473	-6,937	7,618	12,861	-548	-4,695
06	-48,107	48,107	38,146	15,845	25,256	-3,473	518	9,961	16,597	-690	-5,946
07	-48,890	48,890	37,785	15,897	24,738	-3,473	623	11,105	17,804	-266	-6,433
08	-54,476	54,476	42,985	15,961	23,488	-3,473	7,009	11,491	18,719	-127	-7,101
09	-58,838	58,838	46,837	16,427	25,565	-3,473	8,318	12,001	19,441	461	-7,901
10	-54,975	54,975	44,446	16,690	35,135	-3,473	-3,906	10,529	19,961	680	-10,112
11	-60,551	60,551	49,861	16,702	42,002	-3,473	-5,370	10,690	21,715	390	-11,415
12	-65,424	65,424	54,609	16,703	46,298	-3,473	-4,919	10,815	22,354	1,235	-12,774

Burimi: Ministria e Financave.

\* Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave në datën 18.02.2014:

Raportime/ Programimi ekonomik/fiskal, Raporte dhe statistika/ Raporte dhe statistika fiskale mujore;

Publikimi "Statistika fiskale (janar-dhjetor 2013)" tabelat:

"Treguesit fiskale sipas buxhetit të konsoliduar 2013 (progresiv për çdo muaj)"

"Treguesit fiskale sipas buxhetit të konsoliduar (vjetor)"

1) 2013, të dhëna paraprake.

Source: Ministry of Finance.

\* Data as of Ministry of Finance web page publications on 18.02.2014:

Reports/ Fiscal and economic programming, reports and statistics/ Fiscal and statistical reports;

Publication "Fiscal indicators (January-December 2013)" tables;

"Consolidated general budget 2013 (cumulative data)"

"Consolidated general budget (January-December in years)"

1) 2013 Preliminary data.

## 6-4 STOKU I BORXHIT TË BRENDSHËM SIPAS INSTRUMENTEVE

Në milionë lekë, fund periudhe, të dhëna progresive

DOMESTIC DEBT STOCK BY INSTRUMENTS 6-4  
In millions ALL, end of period, progressive data

	Stoku i borxhit të brendshëm/ Domestic debt stock (2+9)		Borxhi shtetëror/ Public debt (3+4+ 5+6+ 7+8)		Bono Thesaur / Treasury bills		Obligacione dyvjeçare/ 2 years bonds		Obligacione trevjeçare/ 3 years bonds		Obligacione pesëvjeçare/ 5 years bonds		Obligacione shtatëvjeçare/ 7 years bonds		Obligacione dhjetëvjeçare/ 10 years bonds		Borxhi i garantuar/ Publicly guaranteed debt	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
2010	407,372	401,821	231,436	70,957	15,613	71,815	12,000	-	-	-	-	-	-	-	-	-	5,551	5,551
2011	438,582	429,924	241,385	75,141	19,387	82,012	12,000	-	-	-	-	-	-	-	-	-	8,657	8,657
2012	470,358	454,695	250,352	76,742	22,625	87,994	16,982	-	-	-	-	-	-	-	-	-	15,663	15,663
2013 / I	493,512	473,623	253,978	78,592	26,625	90,494	23,934	-	-	-	-	-	-	-	-	-	19,889	19,889
II	499,886	479,899	253,547	77,942	29,483	91,994	26,934	-	-	-	-	-	-	-	-	-	19,986	19,986
III	500,228	480,205	249,249	77,442	30,683	92,898	29,934	-	-	-	-	-	-	-	-	-	20,023	20,023
IV	520,786	500,868	245,782	81,731	32,655	93,910	38,517	-	-	-	-	-	-	-	-	-	19,918	19,918

Burimi: Ministria e Financave.

Të dhënat janë sipas informacionit të publikuar në faqen e internetit të MF në 18.02.2014,

Raportime/ Borxhi/Treguesit e borxhit: Publikimi "Treguesit e borxhit 2013".

Source: Ministry of Finance.

Data are as of MoF web page information on 18.02.2014,

Reports/ Debt/ Debt indicators: "Debt Indicators 2013" publication.

## 7. SEKTORI REAL

## REAL SECTOR 7.

## 7-1 PRODIMI I BRENDSHËM BRUTO SIPAS AKTIVITETIT EKONOMIK\*

GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITIES\* 7-1  
1996-2010, me çmime korrente, në milionë lekë

	1	2	3	4	5	6	(1) Shërbime ndërmjetëse matura indirekt/ (1) Financial intermediation services indirectly measured	Takso mbi produktet/ Tax on products	(1) Subvencionet mbi produktet/ (1) Subsidies on products	Rritja reale vjetore e PBB me çmime konstante, krahasuar me vlerën e mëparshme/ Annual real growth of GDP at constant prices compared to previous year (%)
	Prodimi i brendshëm bruto sipas aktivitetit ekonomik/ Gross domestic product by economic activity (2+8+9)	Vlera e shtuar bruto, me çmime bazë/ Gross value added at basic prices (3+4 +5+ 6 +7)	Bujqësia, gjuetia dhe pyllt/ Agriculture, hunting and forestry	Industri/ Industry	Ndërtim/ Construction	Shërbime/ Services				
				Në milionë lekë/ In million ALL						
1996	346,403.2	324,861.4	121,756.8	32,834.9	17,011.3	161,316.7	8,058.3	23,163.9	1,622.0	9.1
1997	346,197.8	319,587.7	104,503.7	28,973.5	20,171.6	177,085.0	11,148.1	28,020.1	1,410.0	-10.8
1998	409,208.8	363,514.7	110,781.9	28,321.6	19,334.6	225,807.8	20,731.2	48,059.1	2,365.0	9.0
1999	471,578.5	424,066.7	114,997.3	32,319.7	26,942.5	271,231.7	21,424.5	49,577.8	2,066.0	13.5
2000	523,043.4	463,971.1	122,908.1	37,528.7	39,979.4	282,062.8	18,507.9	63,935.8	4,863.5	6.7
2001	583,368.6	523,612.8	128,039.3	39,448.8	56,450.2	317,569.8	17,895.3	67,165.8	7,410.0	7.9
2002	622,710.8	554,994.0	134,508.0	39,592.3	69,164.7	330,980.7	19,251.7	73,710.8	5,994.1	4.2
2003	694,097.2	612,397.9	149,012.9	54,927.4	87,046.7	342,259.9	20,849.0	86,714.3	5,015.0	5.8
2004	751,021.6	660,904.6	151,562.1	68,028.9	94,431.9	365,610.7	18,729.0	94,951.0	4,834.0	5.7
2005	814,796.7	714,127.7	151,640.2	78,318.6	101,759.5	405,917.4	23,508.0	104,158.0	3,489.0	5.7
2006	882,208.8	764,738.5	154,648.1	88,207.3	113,723.7	438,605.7	30,446.2	121,188.3	3,718.0	5.4
2007	967,670.4	833,959.9	165,747.9	81,692.9	129,585.4	495,614.7	38,681.0	136,789.2	3,078.8	5.9
2008	1,089,293.1	932,925.0	182,118.2	95,229.5	145,450.6	551,029.0	40,902.2	158,712.1	2,344.0	7.5
2009	1,148,082.1	985,175.0	192,263.0	103,945.9	146,043.6	586,266.5	43,343.9	164,717.4	1,810.3	3.3
2010 <sup>1)</sup>	1,222,462.1	1,047,720.3	211,346.1	128,504.0	119,973.1	634,812.1	46,914.9	176,520.2	1,778.4	3.8
2011 <sup>2)</sup>	1,282,254.8	1,113,919.7	226,598.9	139,815.7	124,126.9	671,793.6	48,415.4	182,465.3	**14,130.3	3.1

Burimi: INSTAT.

1) Të dhënat e vitit 2010 janë operfundimtare.

2) Të dhënat e vitit 2011 janë paraprake, flash.

\* Të dhënat janë sipas tabelave në faqen e internetit të INSTAT, në datën 18.02.2014.

Temat/ Llogaritë Kombëtare/ Shifrat:

-Tregues kryesorë makroekonomikë

-Prodimi i brendshëm bruto sipas aktivitetit ekonomik (me çmime korrente).

\*\* Përfshihen subvencionet e imputuara për energjinë elektrike.

Source: INSTAT.

1) 2010 Semi final data.

2) 2011 preliminary data, flash.

\* Data as of INSTAT web page tables on 18.02.2014.

Themes/ National account/ Figures:

Main macroeconomic indicators

-Gross domestic product by economic activities (at current prices).

\*\* Here are included imputed subsidies for electricity.

## 7-2 INDEKSI I ÇMIMEVE TË PRODHIMIT DHE INDEKSI I KUSHTIMIT NË NDËRTIM

Index

## PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX 7-2

Index

	ICP Indeks Total <sup>1</sup> / PPI Total Index <sup>1</sup> 2005=100	Industria nxjerrëse / Mining and quarrying industry	Industria përpunuese / Manufacturing industry	Indekset e çmimeve të prodhimit, duke përfshirur ndërtimin / Producer price index, excluding construction	Prodhimi, shpërndarja e energjisë elektrike, e gazit dhe e ujt / Electricity, gas and water supply	Indeksi i kushtimit në ndërtim <sup>2</sup> / Construction cost index <sup>2</sup> / 2011=100
	1	2	3	4	5	
2009	109.2	124.3	114.1	92.1	99.3	
2010	109.5	133.8	118.2	76.8	99.7	
2011	112.4	139.7	122.3	77.0	100.1	
2012 / IV	113.1	139.3	123.6	77.3	101.0	
2013 / I	113.3	141.5	123.7	77.4	101.5	
II	113.6	140.9	124.0	77.4	101.7	
III	112.8	136.5	123.3	77.4	101.6	
VI	113.2	137.8	123.8	77.3	102.2	

## NDRYSHIMET NË % TË INDEKSE TË ÇMIMEVE TË PRODHIMIT DHE TË

## INDEKSE TË KUSHTIMIT NË NDËRTIM

Në përqindje

## CHANGE IN % OF PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX

In percentage

	IÇP Indeks Total <sup>1</sup> / PPI Total Index <sup>2</sup> 2005=100	Industria nxjerrëse / Mining and quarrying industry	Industria përpunuese / Manufacturing industry	Prodhimi, shpërndarja e energjisë elektrike, e gazit dhe e ujit / Electricity, gas and water supply	Ndryshimi i kushtimit në ndërtim <sup>4</sup> / Quarterly change of construction cost index <sup>5</sup> / 2011=100
	1	2	3	4	5
2009	0.4	2.6	0.2	0.6	0.0
2010	0.2	7.7	3.6	-16.5	0.3
2011	2.6	4.1	3.5	0.1	0.5
2012 / IV	0.1	0.6	-0.1	0.4	-0.1
2013 / I <sup>5</sup>	-1.2	0.4	-1.7	0.4	0.5
II	-0.5	-0.5	-0.6	0.4	0.2
III	0.1	-1.5	0.2	0.1	-0.1
VI	0.1	-1.1	0.2	-0.1	0.6

Burimi: INSTAT.

1) Të dhënat vjetore të IÇP-së përfshijnë indeksin mesatar vjetor.

2) Duke filluar nga T1 2011, INSTAT i llogarit IKN me shprehje të materialëve dhe shpenzimeve dhe me periudhë bazë T1 2011=100.

3) Ndryshimi për të dhënat vjetore përfshijë ndryshimin e çmimit të indeksit mesatar vjetor të vitit korrent me vitin e mëparshëm, ndërsa ndryshimi vjetor për të dhënat tremujore të indeksit mat ndryshimin e çmimit të tremujorit korrent me tremujorin e njëjtë të vitit të mëparshëm.

4) Ndryshimi tremujor mat ndryshimin e indeksit të çmimeve të tremujorit korrent me tremujorin e mëparshëm.

5) Të dhënat tremujore të IÇP-së sipas publikimit "Indeksi i Çmimeve të Prodhimit", INSTAT.

Source: INSTAT.

1) PPI annual data represent yearly average indexes.

2) Starting from Q1 2011, INSTAT calculates CCI referring to the new basket of materials and expenditures, with base period Q1 2011=100.

3) Annual data change in % represents price changes of the current year with the previous one, while the annual change for quarterly data measures the price changes of the current quarter with the same quarter of the previous year.

4) Quarterly change measures the price changes of the current quarter with the previous one.

5) Quarterly data of PPI according to "Producer Price Index" publication, INSTAT.



## 7-3 INDEKSI I ÇMIMEVE TË KONSUMIT

## CONSUMER PRICE INDEX 7-3

	ICK <sup>1</sup> Totali dhjetor 2007=100 / CPI <sup>1</sup> Total December 2007=100	Ushqime dhe pije fokaloolike/ Food and nonalcoholic beverages	Pije alkalike dhe duhan/ Alcoholic beverages and tobacco	Veshje dhe kepuce/ Clothing and footwear	Qira, ujë lëndë dritësore dhe energji/ Rent/ water, fuel and power	Mobilim, pajisje shpie dhe mirëmbajtje e shpise/ Furniture household and maintenance	Shëndeti/ Medical care	Transport/ Transport	Komunikim/ Communication	Argëtim dhe kulturë/ Recreation and culture	Shërbimi arsimor/ Education service	Hete, kafene dhe restorante/ Hotels, coffee-house and restaurants	Mallia dhe shërbime të ndryshme/ Goods and various services
	1	2	3	4	5	6	7	8	9	10	11	12	13
2011	110.78	116.25	122.84	91.37	111.94	101.87	119.90	113.66	81.30	112.09	103.83	103.64	103.23
2012	112.91	118.82	125.50	89.47	112.89	103.21	123.11	118.38	81.27	113.88	107.43	107.41	108.82
2013	115.23	124.03	130.02	86.10	113.23	103.87	122.75	118.58	81.67	114.71	109.07	109.80	108.88
2013/01	115.21	123.80	128.83	87.89	112.74	103.99	123.59	118.65	82.30	114.77	108.93	108.90	110.55
02	116.48	127.05	129.20	87.32	112.73	104.08	123.64	118.50	82.29	114.65	108.95	108.96	110.70
03	116.77	128.58	129.15	87.06	112.55	104.10	123.63	118.42	82.27	114.41	108.95	108.92	105.61
04	116.62	128.11	128.99	86.99	112.52	104.19	123.63	118.94	82.26	114.37	108.95	109.01	105.63
05	115.47	124.87	129.70	86.66	112.37	104.15	123.61	119.09	82.24	114.44	108.95	109.08	108.38
06	114.78	123.14	129.45	85.61	112.86	104.02	123.44	118.76	82.23	114.48	109.31	109.53	107.92
07	113.83	121.11	129.50	85.04	112.70	103.89	122.25	118.68	82.20	114.63	109.31	109.56	107.06
08	113.73	120.66	129.27	84.88	112.80	103.98	121.74	119.22	82.24	114.97	109.27	110.19	107.52
09	114.61	122.57	129.44	85.13	113.86	103.67	121.89	118.48	82.28	115.31	109.05	110.77	106.96
10	114.77	122.45	129.78	85.48	114.03	103.42	121.89	118.31	79.89	114.99	109.05	110.93	112.15
11	114.22	120.72	132.61	85.49	114.34	103.55	121.89	118.03	79.89	114.79	109.05	110.89	111.93
12	116.21	125.29	134.38	85.62	115.21	103.40	121.74	117.90	79.91	114.69	109.05	110.88	112.18
Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore <sup>2</sup> / (në %) / Year on year consumer price index, main groups (in %)													
													Inflacioni mesazh <sup>3</sup>
2011	1.68	1.22	9.46	-2.35	1.30	1.25	4.08	5.81	-0.36	1.19	1.53	1.55	-0.42
2012	2.43	3.56	3.82	-2.30	0.32	1.47	1.53	3.41	1.32	1.86	1.90	1.99	5.73
2013	1.85	3.48	4.25	-3.40	2.28	-0.46	-1.47	-1.19	-2.91	-0.17	0.07	1.90	3.31
2013/01	2.70	4.44	3.77	-3.07	0.34	1.28	1.43	1.54	1.32	1.66	1.81	1.89	7.46
02	2.48	4.88	3.86	-3.23	-0.14	1.36	1.13	0.60	1.30	1.50	1.81	1.92	1.44
03	2.37	5.63	3.64	-3.43	-0.50	1.27	1.10	-0.68	1.30	0.81	1.79	1.71	-3.49
04	2.29	5.71	3.51	-3.42	-0.94	1.23	0.12	-0.25	1.31	0.33	1.79	1.83	-3.60
05	2.05	4.89	4.26	-3.62	-1.03	0.75	0.05	0.50	1.29	0.43	1.80	1.52	-1.00
06	2.30	5.39	4.13	-4.46	-0.48	0.53	-0.06	1.14	1.27	0.43	2.20	1.92	-1.57
07	1.63	4.04	4.13	-4.37	-0.54	0.41	-1.02	0.51	1.23	0.93	2.20	2.10	-2.43
08	1.17	2.81	3.88	-3.76	-0.51	0.46	-1.48	0.51	1.28	0.78	2.16	2.70	-2.05
09	1.73	3.87	2.40	-3.70	1.46	0.20	-1.37	-0.91	1.28	0.60	1.99	3.05	-2.96
10	1.67	3.54	1.16	-3.78	1.59	-0.13	-1.46	-0.98	-1.42	0.39	0.11	2.98	1.76
11	0.99	2.13	3.21	-3.70	1.52	-0.06	-1.56	-1.00	-1.43	0.09	0.09	2.48	-1.24
12	1.85	3.48	4.25	-3.40	2.28	-0.46	-1.47	-1.19	-2.91	-0.17	0.07	1.90	3.31

Burimi: INSTAT.

Source: INSTAT

1) Të dhënat vjetore të indeksit të çmimeve të konsumit janë indekse mesatare vjetore të çmimeve të konsumit sipas grupeve kryesore, ndërsa të dhënat mujore pasqyrojnë indeksin e çmimeve të konsumit.

1) The Consumer Price Index yearly data (for this and consecutive years), represent yearly average consumer price indexes by main groups, while monthly data represent consumer price index.

2) Të dhënat vjetore matin variacionin e indekseve të muajit dhjetor të vitit n me indeksin e muajit dhjetor të vitit n-1, ndërsa të dhënat mujore matin ndryshimet vjetore të indekseve, në përqindje.

2) Yearly data measure the variation of December index of year n with December index of year n-1 while, monthly data measure yearly index changes in percentage.

3) Eshirë mesatarja aritmetike e thjeshtë e inflacioneve vjetore të dymbëdhjetë muajve të fundit (logaritme e B.Sh).

3) Simple arithmetic average of annual inflation of latest twelve months (calculation of BoA).

# 7-4 PUNËSIMI, PAPUNËSIA DHE PAGAT<sup>1)</sup> Në mijë, ose në rast të kundërt, sikurse përcaktohet

	Forca e punës/ labor force (2+6)		Të punësuar, prej të cilëve / Total employment, of which (3+4+5)		Në sektorin shtetëror/ In public sector		Në sektorin privat bujqësor/ In non agricultural private sector		Në sektorin privat bujqësor/ In agricultural private sector		Të papunë të regjistruar / Registered unemployment	Pagat (në lekë) / Wages (in ALL)	
	1	2	3	4	5	6	7	8					
2009	1,041	899	166	237	496	142	40,874	18,000					
2010	1,059	917	166	244	507	144	43,625	19,000					
2011	1,070	928	165	256	507	142	46,665	20,000					
2012 / IV	1,108	966	164	278	524	142	51,500	21,000					
2013 / I	1,106	964	164	281	519	142	51,700	21,000					
II	1,106	965	164	282	519	142	51,700	21,000					
III	1,114	971	164	288	519	143	52,600	22,000					

Burimi: INSTAT.

1) Të dhënat vjetore janë administrative sipas informacionit të publikuar në faqen e webit të INSTAT: -

Temat / "Tregu i Punës" / Shifra: -

Temat / "Pagat dhe të ardhurat" / Shifra: -

Të dhënat tremujore janë sipas publikimit në faqen e internetit të INSTAT: Temat / "Tregu i Punës", tabelat "Forcat e punës".

\* Të dhënat janë sipas tabelave në faqen e internetit të INSTAT në datën 18.02.2014.

1) Yearly data are administrative and according to the information on INSTAT web page: -

Themes / "Labour Market" / Figures

- Themes / "Earnings and Wages" / Figures.

Quarterly data are according to INSTAT web page publication: Themes / "Labour Market", table "Labour force".

\* Data as of INSTAT web page tables on 18.02.2014.

Source: INSTAT

