



# BANK OF ALBANIA ANNUAL REPORT

# '16

*\*Fragments from ornaments featured in the "100 gold francs" banknote issued in 1926 by the National Bank of Albania.*

Data from this publication may be used, provided the source is acknowledged.

Published by:

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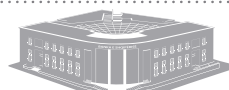
Printed in: 270 copies

Printed by: sh.p.k.



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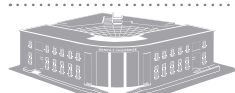
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## MISSION OF THE BANK OF ALBANIA

The Bank of Albania is the country's central bank and monetary authority and has the exclusive right to: (i) formulate, adopt and implement independently the monetary policy of Albania. **The principal objective of the Bank of Albania is to achieve and maintain price stability**, which is the best contribution of monetary policy for sustainable and long-term economic growth; (ii) issue and circulate the Albanian currency, ensuring the public confidence in the currency, by guaranteeing the quality of banknotes and coins, and providing secure and efficient currency supply to meet the needs of the economy; (iii) hold and manage official foreign reserves of the Republic of Albania, as a guarantee for withstanding adverse shocks to the real sector of the economy and support financial stability.

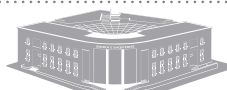
As the issuer of the national currency, the Bank of Albania promotes the smooth operation of payments systems to: ensure a safe and fast circulation of the currency in the economy at minimum costs, prevent systemic risk, and safeguard the stability of financial institutions and markets.

The Bank of Albania promotes financial system stability - public confidence in institutions, markets, and financial infrastructure - through regulating, licencing, and supervising banks and other financial institutions, as well as regularly identifying and analysing risks and threats to financial stability.

## VISION OF THE BANK OF ALBANIA

The Bank of Albania aims at fostering good-governance with a view to boosting public confidence in the central bank through:

- a) strengthening the independence for accomplishing the mission and achieving the objectives, in conformity with obligations arising from the gradual approximation of our legislation and policies with the EU and ESCB legislation.
- b) increasing the accountability to the Assembly of the Republic of Albania and the general public for the fulfilment of the main duties, as well as the primary objective and other legal objectives of the Bank of Albania. This includes also adopting best accounting and audit standards, regularly publishing financial reports and ensuring the integrity of external and internal audit processes, as key elements for public accountability.
- c) enhancing the transparency on the activity of the Bank of Albania, through an open and clear communication with the public. The Bank of Albania will take the appropriate measures, in accordance with the law and its policies, to increase the comprehensibility and predictability of the monetary policy, improve accountability, and boost public confidence in the institution.





*GENT SEJKO, GOVERNOR OF THE BANK OF ALBANIA*



## FOREWORD BY THE GOVERNOR

*Dear reader,*

*The Bank of Albania is a key institution in the economic and financial life of the country. It is tasked with the administration of the national currency, formulation and implementation of the monetary policy, regulation and supervision of the banking sector, regulation and promotion of the payment systems, as well as other duties that have an impact on the economy and the national or personal finances.*

*Through its policies and instruments, the Bank of Albania contributes to the currency value and loan price, promotes the development and supports the stability of the financial system, and contributes to sustainable growth and maintaining macroeconomic balances.*

*I am glad to affirm that, in the last year, positive steps were made across all the aspects listed above.*

*In the economic aspect, our monetary policy contributed to strengthening economic growth, in withstanding disinflationary shocks that Albania experienced in the first quarter, and creating adequate conditions for compliance with the inflation target in the medium-term horizon.*

*In the financial aspect, the banking sector made progress with regard to both cleaning the balance sheets and boosting credit growth. Moreover, this sector succeeded in maintaining sound liquidity, profitability, and capitalisation indicators. In parallel, during 2016, we consolidated further the legal and regulatory framework and safety nets in the banking sector, and advanced the payment system and its infrastructure.*

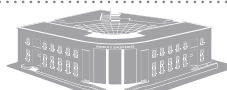
*These are tangible achievements, I believe, for a broad spectrum of economic and social stakeholders.*

*In addition, the Bank of Albania has made a substantial contribution to supporting European integration processes, public information, compiling and enriching statistics, financial literacy, and many other activities detailed in the next sections of the report.*

*These results may not be achieved without a strong, professional, motivated and responsible institution. These are the long-term basis of success in the vision of the Supervisory Council, the highest governing body of the Bank of Albania.*

*In 2016, we paid special importance to all the dimensions listed above.*

*The Bank of Albania conducts its activity based on a medium-term development strategy, accompanied by detailed three-year budget plans. The internal audit system, procedures, and monitoring are strengthened. They serve to enhance accountability and transparent communication with the Assembly of the Republic of Albania and the public. Our financial statements are measured and reported in full compliance with the best international practices. Furthermore, the Bank of Albania has continued to invest in the qualification and professional capacities of its staff.*



Dear reader,

*The Annual Report 2016 is a faithful description of our activities over 2016. The topics I mentioned briefly are elaborated in more detail in the next sections of the Report. I hope that, as you read it, you will see beyond the realisation of our commitment for transparency. It should be an open window of communication with the central bank, to keep the institution in a constant working and accountability position.*

Gent SEJKO

Governor

A handwritten signature in blue ink, appearing to read 'Gent Sejko', with a long, sweeping horizontal stroke extending to the right.

## HIGHLIGHTS OF 2016



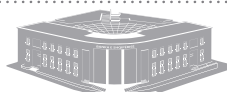
*\*Fragments from ornaments featured in the "5 gold francs" banknote issued in 1926 by the National Bank of Albania.*

## HIGHLIGHTS OF 2016

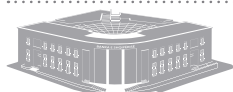
- Economic activity expanded by 3.3% in the first nine months of the year. Indirect data point to a similar growth rate for the fourth quarter. Economic activity expanded driven mainly by the expansion of consumption and private investments, whereas the external environment was unfavourable and the fiscal policy was consolidating.
- After a supply shock, which contributed to the down side in the first quarter, inflation was upward during the rest of the year. In 2016, the inflation rate averaged 1.3%. At the end of the year, it stood at 2.2%. Inflation shifted upward attributable to the weakened external disinflationary pressures and higher pressure from domestic demand.
- The accommodative monetary policy stance continued. The policy rate was lowered by 0.50 percentage point, down to 1.25%. Also, the Bank of Albania has narrowed the corridor of the interbank rates, intensified the forward guidance, and continued to inject liquidity in the interbank market. The monetary policy has led to eased financing conditions, contributing to economic growth, better production capacity utilisation, and upward inflation towards the target.
- The fiscal policy has maintained the consolidating stance, reflected in deficit and public debt reduction. While generating low fiscal stimulus in the economy, this policy has favoured the reduction of financing costs for the private sector.
- The activity of the banking sector is stable. The liquidity, profitability, and capitalisation indicators remain within the regulatory soundness parameters. The banking sector has adequate capital and liquidity to withstand effects from volatility in the financial market and liquidity shocks.
- The implementation of the national plan for the reduction of non-performing loans has marked evident progress. In accordance with its commitments, the Bank of Albania initiated several important legal amendments, undertook changes to the regulatory framework, and worked for a solution of large loans and their out-of-court restructuring.
- The regulatory framework on supervision and financial stability continued to be aligned with the Basel Committee principles and EC directives. Among the most important initiatives are the finalisation of the Law "On recovery and resolution" in banks, comprehensive review of the legal framework on the functioning and supervision of savings and loan associations.



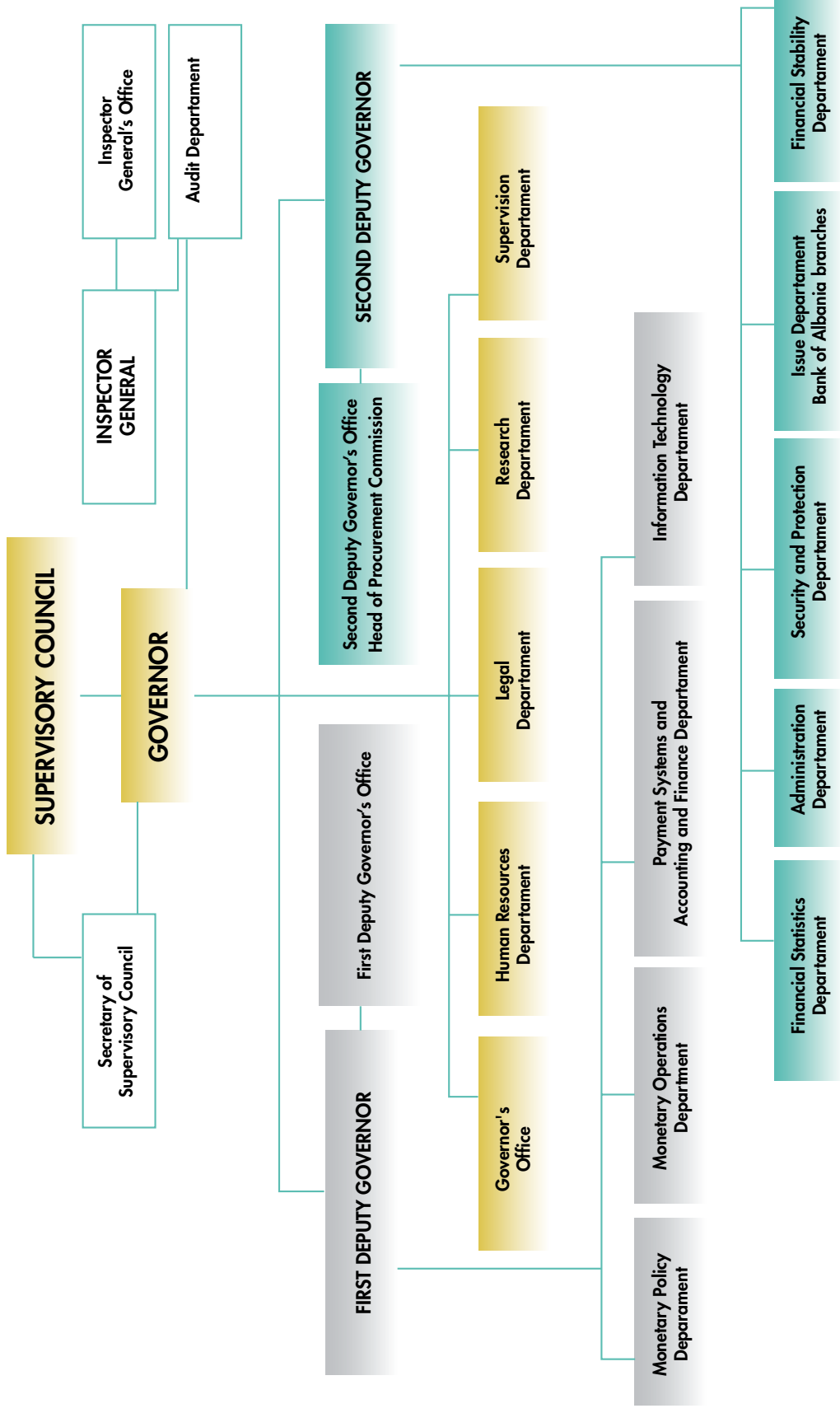
- In view of implementing recommendations of the National Payment System Committee, the payment order form was finalised in accordance with SEPA standards. This is an important step for increasing the effectiveness in the use of electronic payment instruments. In this regard, the regulatory framework for electronic payment instruments was revised, aligning it to EU directives. In cooperation with the World Bank, projects were started to measure the cost of payment instruments in Albania, on financial inclusion of the public, and remittances.
- In the context of improving the infrastructure for supporting the foreign-exchange reserve management, a new version of the Portfolio Management System (PAT II R 3.1.) was implemented. The new version improves the processing and maintenance of static data, automates the operations and reduces the level of operational risk.
- With regard to achieving international standards for the reporting infrastructure and enhancing the quality of statistics, this year, the Electronic Regulatory Reporting System (ERRS) was introduced. Through it, the Bank of Albania provides for the online data reporting by commercial banks for supervision, financial stability, and monetary policy purposes. The automation includes reporting, control, processing and dissemination of data for users within the Bank.
- For the first time, the Supervisory Council adopted the financial statements in accordance with the International Financial Reporting Standards, thus accomplishing one of the most important priorities of the Bank of Albania.
- The Supervisory Council adopted, for the first time, the Operational Risk Management Policy, a comprehensive framework for the identification, assessment, control, management and integrated follow up of the operational risk, at the institutional level. During the year, an application was implemented for the automated management of audits and operational risk management, and a dedicated unit was established in this regard.
- In May, a conference was organised on "Digital Banking", in cooperation with the Albanian Association of Banks and the National Payment System Committee. The conference was aimed at promoting contemporary technology for the provision of payment services and products.
- In June, Albania Financial Forum IV was organised in cooperation with the IMF. The Forum discussions focused on credit recovery as one of the criteria for supporting sustainable economic growth. In conclusion, the Bank of Albania, the Albanian Association of Banks, the Ministry of Finance and the Ministry of Economy signed a Memorandum of Understanding, under which the signatory institutions commit to take concrete measures for promoting sustainable credit growth.
- In October, Bank of Albania's Annual Conference was organised on



“Aligning monetary policy with financial stability – their objectives, responses and interaction in times of uncertainty” in cooperation with the South East European Studies at Oxford. The conference addressed the optimisation of the coordination of central bank objectives, and coordination between Balkan and EU economies, amid heightened international uncertainties.



# ORGANIZATIONAL STRUCTURE OF THE BANK OF ALBANIA







*SUPERVISORY COUNCIL OF THE BANK OF ALBANIA*

*(front row, left to right)*

*Ms. Denada Prifti, Member  
Ms. Natasha Ahmetaj, Member  
Mr. Gent Sejko, Chair  
Ms. Elisabeta Gjoni, Deputy Chair  
Ms. Ela Golemi, Member*

*(back row, left to right)*

*Mr. Dhori Kule, Member  
Mr. Arben Malaj, Member  
Mr. Petraq Milo, Member  
Mr. Tonin Kola, Member*



## 1. ACTIVITY OF THE SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

*The decision-making process at the Bank of Albania is guided by the principles of lawfulness, professionalism, independence, and transparency. The Supervisory Council is the highest decision-making and supervisory body of the Bank of Albania. It is composed of nine members elected and appointed by the Assembly of the Republic of Albania.*

The Supervisory Council performs its activity in line with the competences set out in the Law "On the Bank of Albania"<sup>1</sup> and the procedures established in the regulation for the organisation and functioning of the Supervisory Council. It has the ultimate responsibility for formulating and adopting the monetary policy. The Council makes decisions on the approval of regulations and guidelines on the banking activity, on drafting the strategy of the Bank of Albania, and, among others, the appointment of heads of departments, organisational structure, and realisation of obligations related to risk management. A special committee assists the Council, with delegated responsibilities in the aspects of internal and external audit.

Highlights of Supervisory Council activities in 2016: (i) approval of the financial statements of the Bank of Albania in accordance with International Financial Reporting Standards (IFRS); (ii) establishment and functioning of the Projects Management Unit; (iii) establishment of the Capital Expenditure Committee; and (iv) establishment of the Operational Risk Management Unit.

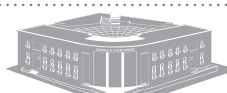
In 2016, the composition of the Supervisory Council changed. In July, the Assembly decided on electing a new member, Mr Arben Malaj, to replace Ms Ermelinda Meksi, following her resignation.

### SUPERVISORY COUNCIL - THE HIGHEST GOVERNING BODY OF THE BANK OF ALBANIA

The Supervisory Council met 15 times in 2016. Eight of these meetings focused on the review and approval of the monetary policy, based on 4 quarterly and 4 intermediate reports. In these meetings, the Council made decisions about the policy rate. Starting in April, decisions included the other two key interest rates that provide facilities for the short-term management of liquidity for banks: the overnight deposit and overnight loan.

To ensure an effective division of responsibilities for the monetary and financial stability, the other four meetings focused on issues related to banking supervision

<sup>1</sup> The Law No. 8269, dated 23.12.1997, "On the Bank of Albania".



and financial system stability. Separate meetings were also held for: (i) approving the Annual Report 2015; (ii) approving the financial statements; and (iii) approving the budget of the Bank of Albania.

### *a. Decision making*

The Supervisory Council has the power to adopt decisions, regulations and guidelines of general application, issued by the Bank of Albania. During 2016, the Council adopted 136 decisions, of which 82 were legal acts approved for the first time, and 54 amendments to the existing legal acts. In addition, the Council adopted 63 regulations (of which 26 were new, 35 were amendments to existing regulations, and 2 were guidelines), regarding different aspects of the activity of the Bank of Albania. Of them, 20 were internal regulations for the organisation and functioning of Bank of Albania departments.

These acts were issued in accordance with the duties of the Supervisory Council, as stipulated in the Law on the Bank of Albania, such as: (i) monetary stability; (ii) licencing, regulation and supervision of banks and other financial institutions; and (iii) provision of financial infrastructure (currency issue; payment settlement, clearing of payments and securities, and oversight of payment systems).

### *b. Internal organisation*

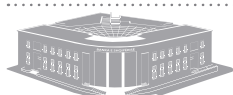
The Law on the Bank of Albania stipulates that the Supervisory Council is responsible for: (i) approving internal regulations of the Bank of Albania; (ii) determining the organisational structure; and (iii) approving heads of departments and setting employment conditions at the Bank of Albania. On this basis, amendments to the organisational structure (and regulations on the functioning) of some departments were approved: Human Resources, Supervision, Issue, and Security and Protection departments.

At the end of the respective probation periods, the Council approved the appointment of the: (i) Head of the Human Resources Department; (ii) Head of the Supervision Department; (iii) Head of the Administration Department; (iv) Head of the IT Department; and (v) Head of the Issue Department.

### *c. Budget*

The Law on the Bank of Albania tasks the Council also with the approval of the budget, administration policies and procedures for using the financial assets for the realisation of the operational activity of the Bank. In July, the new budget regulation was adopted, which enhances the coordination in the process of the budget drafting, as well as planning and control of capital expenditures at the Bank of Albania.

In December, the Supervisory Council adopted the annual budget 2017. For the first time, based on the alignment of the regulatory budgeting framework with



the best national and international practices, the budget included projections for the next year (2017) and the following two years (2018 and 2019). The budget was adopted in accordance with the Medium-Term Development Strategy objectives of the Bank of Albania and departmental projections on income and expenditure for 2018 and 2019. The medium-term budget details items for the first financial year and summary and orienting items for the second and third years. The planning period of the medium-term budget concurs with the period of the budget system of the Republic of Albania (Medium-term Budget Programme). The medium-term budget is reviewed every year.

## SUPERVISORY COUNCIL - THE HIGHEST SUPERVISORY BODY OF THE BANK OF ALBANIA

In 2016, special attention was given to the supervisory responsibility of the Supervisory Council over policies, administration and operations of the Bank of Albania. To ensure proper compliance with the law and other acts that regulate the daily activity of the Bank of Albania, the Council has been regularly informed by the relevant internal and external control units.

### *a. Internal audit*

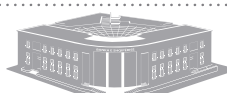
The internal audit is an independent activity from the administration, which provides evaluation, reporting and objectivity, and includes compliance, internal auditing and risk management functions.

### *i. Control over administration*

According to the Law on the Bank of Albania, the Governor is responsible to the Supervisory Council for the execution of the adopted decisions, and for the management, control and oversight of the administration and operations of the Bank of Albania. Administrators (the Governor and two Deputy Governors) informed the Supervisory Council on monthly basis about the economic, financial and monetary developments, in accordance with the legal obligations. The Council was also informed about the institution's management policies and ways of using the financial assets for the realisation of the operational activity of the Bank of Albania. Every month, information was presented on the financial position and result of the Bank of Albania and on the foreign currency reserve management.

### *ii. Activity of the Audit Committee*

With a view to enhancing efficiency, internal and external audit functions are coordinated by the Audit Committee. This committee is responsible for the following: (i) financial reporting process; (ii) internal control system; (iii) internal and external audit; and (iv) compliance with legal and sublegal acts in force.



The Committee is composed of three external members of the Council, namely: Mr Petraq Milo (Chair), Ms Ela Golemi and Ms Denada Prifti. The members were appointed by a Council Decision in May 2015 for a three-year period. They may be re-elected only once. As a rule, the Audit Committee shall meet at least four times a year. In 2016, the Audit Committee met seven times. Meetings aim at facilitating communication between Committee members, Inspector General and Audit Department staff, as well as the independent external auditor. Administrators were not present in all the meetings.

The Audit Committee met regularly with the Inspector General. They discussed on the organisation of the Audit Department and the annual audit plan. Particular attention was paid to the human and financial resources necessary for realising the annual plan. As a result of the meetings, Committee members were able to have a better understanding of the internal audit and risk management systems at the Bank of Albania.

The Audit Committee, and in turn, the Supervisory Council have been informed regularly on audit findings and recommendations by the Audit Department, which provide an independent guarantee on the effectiveness and quality of the systems mentioned above.

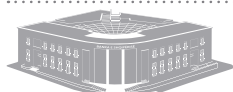
In March, the Audit Committee invited the external auditor (KPMG) to discuss on the audit for 2015 and the certification of financial statements. The Committee members are interested especially in understanding the conditions of the audit engagement - described in the engagement letter - including also the audit objective and responsibilities of the auditor and administration of the Bank of Albania. The Committee was informed on: (i) audit strategy and results; (ii) necessary skills for realising the planned procedures; (iii) degree of labour utilisation of internal auditors; (iv) evaluation of the external auditor on BoA's financial reporting; and (v) other relevant issues.

Meetings with the head of department responsible for finances focused on the preparation of financial statements in accordance with the IFRS and deviations compared to the existing accounting policies at the Bank of Albania, as well as the quality and internal audit on financial statements. The Audit Committee has also received feedback regularly from the head of department responsible for finances about the external auditing.

Lastly, to enhance its work and capacities, the Audit Committee visited and exchanged experiences with reputable international institutions such as the Banque de France and De Nederlandsche Bank.

### *iii. Internal audit*

The Inspector General and the Audit Department control, and present the Council reports and recommendations on, the accounts and books, as well as budget, accounting and control procedures at the Bank of Albania.



In accordance with the Internal Audit Policy, in February, the Council adopted for the first time the annual plan of activities of the Inspector General and of the Audit Department. The plan had been approved preliminarily by the Audit Committee.

The annual plan is based on international internal audit standards and the updated risk assessment on the identified functions in the revised audit universe. It reflects also the suggestions of the Supervisory Council, the Audit Committee and administrators related to the functions/processes that need to be audited, or requests for counselling/investigating on specific issues, as well as the available budget for the year.

#### *iv. Risk management*

In July, the Supervisory Council adopted for the first time the Operational Risk Management Policy at the Bank of Albania, a comprehensive framework for the identification, assessment, control, management and integrated follow up of the operational risk at the institutional level. The document sets out the objectives, resources and key risk assessment principles, reporting lines and responsibilities of the relevant units. On these grounds, rules were adopted on the organisation and functioning of the Operational Risk Management Unit. This unit reports to the Inspector General and is responsible for coordinating risk assessment activities at the Bank of Albania. The unit contributes to a proper management of uncertainties and informs the decision-making process on the management of risks that may prevent the achievement of BoA objectives or may have adverse financial and/or reputational effects.

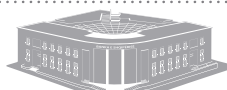
#### *b. External audit*

Pursuant to the Law on the Bank of Albania, its financial statements are audited by external independent auditors, among reputable international institutions, as determined by the Council. Auditors state their opinion, whether the financial statements reflect truly and accurately the financial situation of the Bank of Albania, in accordance with the IFRS.

#### *v. External independent auditor*

The external auditor audits the financial statements of the Bank of Albania to provide reasonable certainty that they do not have material anomalies, as a result of fraud or error. This provides the external auditor with a key role in maintaining the trust of financial markets and of the public in financial statements of the Bank of Albania.

The Audit Committee contributes to this process through continuous communication and dialogue with the external auditor throughout the auditing cycle. This communication focuses on main issues that have risen during the audit and on ways for their solution, as well as on conclusions on key accounting and audit-related issues.



## *vi. Financial control*

The Council was informed on and discussed about the State Supreme Audit Report for 2015 to ensure that the recommendations therein comply with the principle of the central bank independence. The Council has been also informed periodically on the measures taken by BoA departments with regard to addressing these issues.

## ACCOUNTABILITY AND TRANSPARENCY

During 2016, The Council complied to the obligation of Bank of Albania's accountability to the Assembly and the obligation of its transparency to the public, the financial system and the media.

Pursuant to the Law on the Bank of Albania, the Council is vested with the power to approve all the reports that the Bank submits to the Assembly, or the Council of Ministers. These reports explain the decision-making at the Bank of Albania and its performance in light of achieving its legal objectives.

### *a. Approval of the annual report*

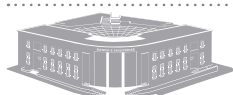
The Bank of Albania prepares the report and financial statements at the end of each financial year, which are published following their approval by the Council. In March, the Council approved the Annual Report 2015 and sent it to the Assembly. The report describes the economy and financial situation in Albania and the activity of the Bank of Albania over the reporting period. The report presents detailed information on the realisation of objectives of the Bank of Albania in the area of monetary policy, financial stability, and banking supervision, as well as the use of financial and human resources.

For the first time, information on the annual activity and results of the Audit Department for the period January-December 2015 was added to the report. This is an important step towards strengthening the accountability of the institution.

### *b. Approval of financial statements*

The financial statements and the opinion of the external independent auditor were an integral part of the Annual Report, based on the audit conducted in compliance with the International Audit Standards.

The approval of the financial statements according to the IFRS was one of the key priorities of the Bank of Albania for 2015 arising from the Law on Accounting and Financial Statements and the Law on the Bank of Albania. It has been a constant recommendation of the Inspector General, Safeguards Assessment missions of the IMF and the Supreme State Audit over the years.



### *c. Profit distribution*

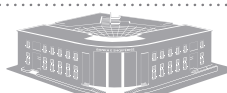
In March, the Supervisory Council approved the financial position of the Bank of Albania for 2015, in accordance with the IFRS, and distribution of profit. The net profit from the activity of the Bank of Albania for 2015 was ALL 1,894,920,824.13. The Council decided to separate from the profit a reserve fund amounting to ALL 800 million to cope with unexpected financial situations, which the Bank of Albania might face, and may affect its normal operation.

This fund was calculated from the projections in the three-year budget 2016-2018 and assessments on developments and uncertainties in international financial markets, which show that the return from investments in euro-denominated assets is highly likely to be in negative territory.

### *d. Reporting for the Assembly and Council of Ministers*

The Law on the Bank of Albania requires the mandatory publication, quarterly, of a detailed opinion on the situation of the economy and, half yearly, a statement on threats to the stability of the financial system. On this basis, in February, May, August, and November, the Council approved the quarterly monetary policy reports, the main instrument for accountability and transparency in the area of monetary policy. These reports present a comprehensive description of the latest macroeconomic developments and factors that affect the performance of consumer prices in Albania.

In addition, in March and September, the Council approved the half-yearly financial stability reports, which present Bank of Albania's assessment of financial system developments in Albania, underline potential risks to financial stability, and make recommendations in relation to the necessary measures for reducing risks. The reports have been sent to the Assembly of the Republic of Albania, the Council of Ministers and other central institutions.







# ACTIVITY OF THE BANK OF ALBANIA DURING 2016



*\*Fragments from ornaments featured in the "5 gold francs" banknote issued in 1926 by the National Bank of Albania.*

## 2. ACTIVITY OF THE BANK OF ALBANIA DURING 2016

### 2.1 MONETARY POLICY

*The primary objective of the monetary policy is to achieve and maintain price stability. An economic environment with stable prices: (i) allows households and enterprises to make well-informed decisions on consumption, savings and investments; (ii) prevents unexpected income distribution; (iii) facilitates the efficient allocation of resources in the economy; and, (iv) promotes financial stability at home. Thus, the monetary policy promotes the stable and long-term growth, and fosters economic and social welfare.*

*The objective of Bank of Albania's monetary policy is to keep inflation around 3% in the medium term. To achieve this objective, the Bank of Albania applies an inflation targeting regime, while the exchange rate is freely determined by the demand and supply for foreign currency in the market. The monetary policy is implemented by intervention with indirect instruments in financial markets.*

### ALBANIAN ECONOMY PERFORMED POSITIVELY THROUGHOUT 2016

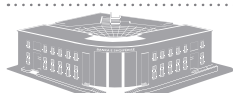
The volume of economic activity has been growing, the spare capacities in the labour and capital markets reduced, while the main indicators of the economic and financial stability of Albania improved.

INSTAT data show that the Albanian economy grew by 3.3% over the first nine months of the year. Indirect data suggest a similar growth rate for the fourth quarter, as well. The economic activity expanded driven by the increase in consumption and private investments, while external environment remains unfavourable; the external demand was volatile and fiscal policy continues to be oriented toward consolidation.

The growth of aggregate demand drove to the increase of employment and full utilisation of production capacities by enterprises. Thus, the domestic inflationary pressures strengthened and inflation showed clear signs of convergence toward the target. The annual inflation averaged 1.3% in 2016, and hit 2.2% at the end of the year.

Fiscal consolidation drove to the reduction of deficit and public debt. Although this consolidation implies the presence of a low fiscal stimulus, it helps the accommodative policy pass through to the financial markets and contributes to lower the financing costs for the private sector.

The expansion of the current account deficit reflected mainly the high imports related to big energy projects. Nevertheless, this deficit continues to be highly



financed by non-debt creating flows, in the form of foreign direct investments.

In the financial aspect, the available data show that the financial situation of enterprises improved. Also, the Albanian banking system maintained good level of liquidity, profitability, and capitalisation indicators.

**The accommodative monetary policy provided the main contribution to the improvement of economic indicators.**

The interest rate cut and the establishment of good financing conditions, among others, supported economic developments in 2016. With a stronger stimulating nature over 2016, the Bank of Albania's monetary policy played a key role in this regard. This policy was transmitted via the following instruments:

- **Bank of Albania cut the policy rate twice during 2016 H1, for a cumulative effect of 0.5 percentage point, down at 1.25% in May.** The policy rate remained at this level throughout the remainder of the year. Disinflationary pressures from foreign markets drove to the increase of monetary stimulus. It aimed at further reducing financing costs in the economy and signalling the Bank of Albania's willingness and capability to respect its price stability objective.
- **Also, the Bank of Albania narrowed the interest rates corridor in the interbank market, determined by the overnight credit and deposits' interest rates.** This movement aimed at reducing the fluctuations of interest rates, and a better pass through of the monetary policy in the financial markets.
- **In addition, the Bank of Albania continued to inform the public on maintaining the monetary policy accommodative stance.** The use of the forward guidance was strengthened over 2016, orienting the public on the time frame and intensity of the monetary stimulus. These terms were related and consistent with the forecasts on the achievement of the objective. Thus, they served to increase transparency and credibility of the monetary policy, which are important objectives of the Bank of Albania's development strategy.
- **Finally, the Bank of Albania, for the purpose of its monetary policy implementation, continued to supply the banking sector with the required liquidity.** The Bank of Albania has constantly adopted the terms and instruments to inject liquidity to the market's needs. The injected liquidity in the banking system averaged ALL 24 billion over 2016.

The monetary policy implemented by the Bank of Albania was effective. The policy rate cut, the limitation of the volatilities in the short term and the forward guidance in the medium term drove to the reduction of interest rates across all segments of the financial market. The average interest rates on credit, deposits and 12-month T-bills in ALL were 0.8, 0.5, and 1.5 percentage points lower than in the previous year.

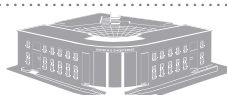
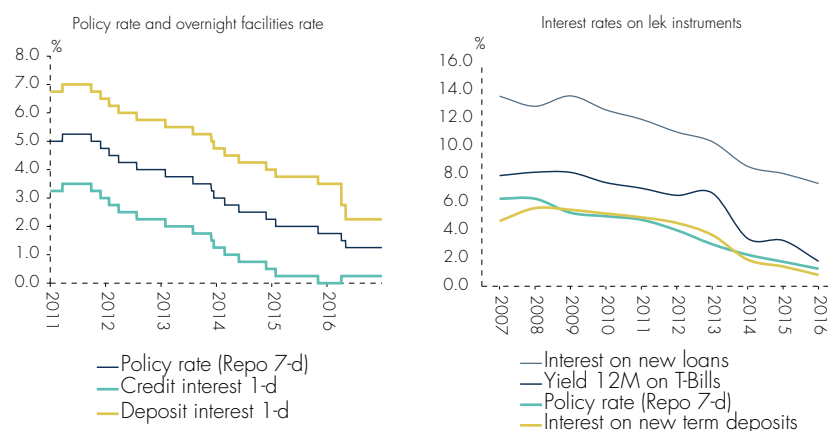


Chart 1 Policy rate and overnight facilities (left), interest rates on some lek instruments (right)



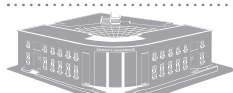
Source: Bank of Albania.

The effects of the monetary policy on the economy were felt in several aspects.

- **First, although banks' lending policies remain conservative, the reduction of financing costs helped the expansion of credit in ALL.** The ALL credit portfolio to the private sector grew by 10.2%, over 2016, while total credit grew by 3.2%.
- **Second, the low interest rates helped to reduce the service costs of the existing credits and to lower their re-financing costs.** The fall of interest rates over 2016, helped borrowing enterprises and households save ALL 1.7-3.4 billion<sup>2</sup>.
- **Third, the low interest rates supported the increase of private consumption in the economy, encouraging a propensity toward consumption, rather than savings.**

The three aspects mentioned above drove to the growth of aggregate demand and to the acceleration of economic growth over 2016. The recovery of the latter was reflected in the upward trend of inflation during the second half of the year, providing the preconditions for achieving our target within the medium term.

<sup>2</sup> This assessment is based on an optimistic scenario and a conservative one of the transmission of financial market's reference rates fall in the credit service cost.



## BOX 1. FORMULATION, IMPLEMENTATION AND COMMUNICATION OF THE MONETARY POLICY

### **Monetary policy mission and functions**

The Bank of Albania is vested with the legal right and responsibility to formulate and implement the monetary policy. The objective of the monetary policy is to achieve and maintain price stability. The Monetary Policy Document defines and determines in quantitative terms the price stability, as: achieving and maintaining the average inflation at 3% in the medium term. For countries that apply a free-floating exchange rate regime, like Albania, the monetary policy implies the management of the policy rate,<sup>3</sup> through which the Bank of Albania conducts short-term lending and borrowing transactions with commercial banks. The level of the policy rate serves to determine the short-term liquidity price in the interbank market and all the other prices of financial products, with the purpose of achieving the target. In parallel with maintaining price stability, but always conditioned by the primary objective, the Bank of Albania's monetary policy aims at reducing the short-term fluctuations of the business cycle. The accomplishment of these objectives implies an important contribution of the monetary policy in fostering stable economic and welfare growth.

### **Monetary policy decision-making process**

Given that changes in the policy rate need time to be materialised in the economy, the formulation of the monetary policy should be forward-looking. It should be based on a structured analysis and forecast process, which is consistent, efficient and transparent, and takes account of all the available information at the decision making time, as well as the expertise and opinion of the Bank's experts. The outcome of this process is the assessment of the current situation of the economy, expectations of its performance in the medium term and the identification of potential risks. At the end of this process, different alternatives of the monetary policy are studied to select the response, which is consistent with achieving the inflation target in the medium term.

The analysis, forecast and formulation of the monetary policy takes place in eight dedicated meetings of the Supervisory Council of the Bank of Albania. The process begins with the analysis of the new economic, monetary and financial information, aiming at assessing the current economic situation and identifying the deviations from expectations. The process moves toward the preparation of the economic and financial forecasts, which serve to determine the expected development, identify the potential risks, and assess the various options of the monetary policy. This phase coordinates the generation of short-term forecasts, which model the behaviour of economic indicators for four quarters, with the medium-term ones, for a three-year period. In this time horizon the effects of the monetary policy provide the maximum effect in the economy. A portfolio of various econometric models, which vary in structure, aim and use, are employed to generate the forecasts.

### **Main improvements of the process over 2016**

The continuous improvement of the forecast analysis of the monetary policy is at the focus of our work and part of our strategic objectives.

<sup>3</sup> This rate is the interest applied in 7-day repurchase agreements, in the regular weekly auctions of the Bank of Albania.





Throughout this year, additional attention was paid to:

- (i) the expansion of analysing capacities of macroeconomic models, enriching them with contemporary diagnosing and assessing techniques;
- (ii) the updating and enrichment of econometric infrastructure in use, through including new sectors and constructing new models, increasing thus the coverage of the Albanian economy;
- (iii) the better coordination of stages in the forecasting process and better integration of their results. The results of this work are materialised in a more complete and advanced platform for constructing analytical and forecasting information and have helped to better support the formulation and implementation of the monetary policy.

The research work of the Bank's staff, the technical assistance in the framework of collaboration with the International Monetary Fund (IMF) and with the Graduate Institute Geneva and the Swiss State Secretariat for Economic Affairs (SECO), as well as the synergy created from the close collaboration within the Bank have contributed to the improvement of this process.

At the same time, the Bank has worked to increase the knowledge on the monetary policy transmission channels, to enrich the range of indicators and instruments that are used in the process of analysis and forecasts, and to increase the understanding of policy decision-making.

The economic and monetary analysis and the arguments on the monetary policy decision-making are transmitted to the public through the quarterly Monetary Policy Reports and the public statements of the Governor on inflation and economic growth outlook. The work to improve their quality, structure and clarity has aimed at increasing our transparency and accountability, ultimately aiming at strengthening public confidence in the monetary policy and price stability.

To serve transparency and optimisation of operational decisions, the methodology for assessing the foreign exchange reserve was reviewed. In compliance with our monetary policy, and to support the financial stability, the Bank of Albania aims to maintain an adequate foreign exchange reserve. Pursuant to the best international practices, the methodology to assess this level is completed, by considering the criteria to withstand shocks in the external sector of economy and the opportune cost of maintaining the foreign exchange reserve level.

## INFLATION AND MAIN ECONOMIC DEVELOPMENTS

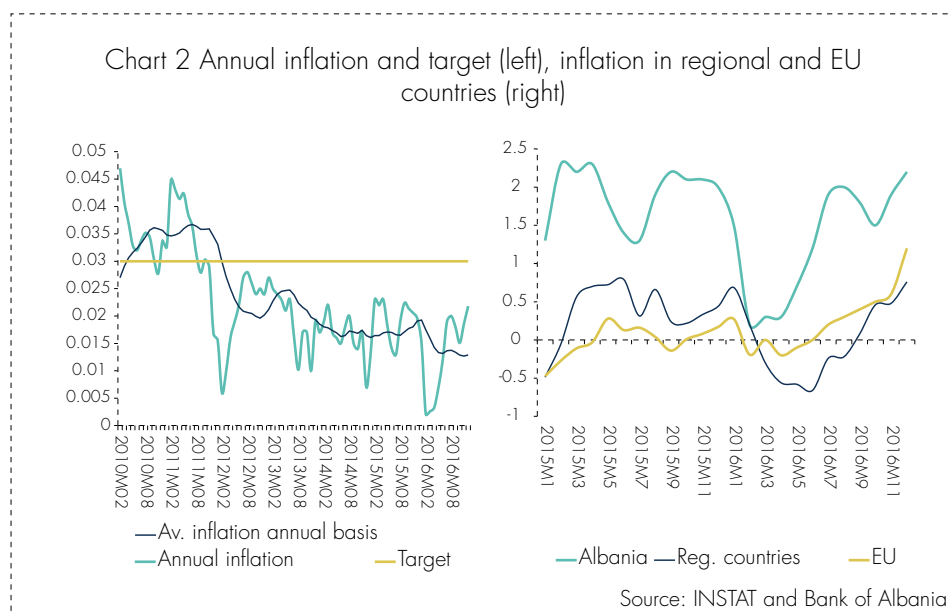
### *Inflation and underlying factors*

Overall, inflationary pressures increased over 2016. Supply-side shocks were reflected in a temporary fall of inflation over the first half of the year; further, as they weakened and economic activity improved, this indicator increased.

In 2016, the annual inflation rate averaged 1.3%. Its profile was characterised by a fast fall in the first quarter, stabilisation at low values over the second quarter and progressive increase in the third and fourth quarters. The inflation rate averaged 0.7% over the first half of year, and stood at 1.9% in the second half of year.



The fall in inflation in the first months was mainly attributable to supply-side shocks, materialised in the fall in the inflation of unprocessed foods, oil and related services. The rapid fall of inflation, at the beginning of the year, was not an isolated phenomenon of the Albanian economy: in the euro area and regional countries it fluctuated also at rather low values, even negative ones, in these months. On the other hand, inflation's increase in the second half of the year reflected the weak supply-side shocks and the strengthening of internal inflationary pressures, due to the narrowing of the negative output gap.



Inflation increased across almost all main items of goods and services.

Inflation of food prices continues to provide the largest contribution to the performance of inflation. Inflation of processed and unprocessed foods fell in 2016 H1, reflecting the overall fall of food prices in global markets. Further, their inflation showed recovery signs during 2016 H2, in response to the fall of disinflationary pressures from foreign prices and high production costs in the food processing industry for the domestic market.

Table 1 Contribution of key items to annual inflation

	Q4:14	Q1:15	Q2:15	Q3:15	Q4:15	Q1:16	Q2:16	Q3:16	Q4:16
Processed foods (p.p.)	0.2	0.3	0.2	0.1	0.0	-0.4	0.1	0.4	0.6
Bread and grains (pp)*	-0.1	0.0	0.0	0.0	-0.1	-0.2	-0.1	0.0	0.1
Alcohol and tobacco (p.p.)	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1
Unprocessed foods (p.p.)	0.8	1.7	1.8	1.8	2.6	1.5	0.9	1.2	0.9
Fruit (p.p.)	0.4	0.5	0.8	0.8	0.9	0.7	0.6	0.4	0.2
Vegetables (p.p.)	0.2	1.1	0.9	0.9	1.7	0.8	0.3	0.8	0.6
Services (p.p.)	0.2	0.1	0.0	0.0	0.0	-0.1	0.0	0.2	0.0
Regulated prices (p.p.)	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0
Fuels and energy (p.p.)	0.0	0.0	0.0	0.0	-0.1	0.0	0.1	0.1	0.1
Housing (p.p.)	0.1	0.1	-0.1	0.0	-0.2	-0.2	0.0	0.0	0.0
Non-food consumer goods	0.0	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.1	0.3
Durable consumer goods (p.p.)	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Consumer Price Index (y-o-y, %)	1.3	1.9	1.8	1.8	2.1	0.7	0.7	1.9	1.9

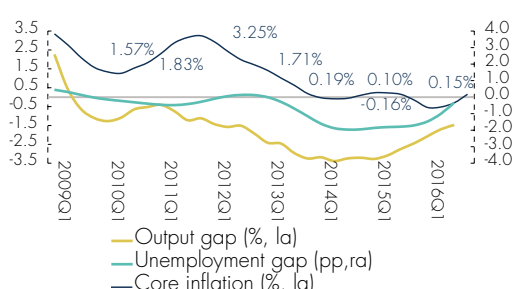
Source: INSTAT and Bank of Albania.

\*The table presents some of the main items.



Inflation of "non-food consumption goods" trended up, mainly driven by the performance of oil prices in Albania. This category shifted the direction toward increasing positive values, after a long period of negative contribution to the headline inflation (December 2014 - August 2016). The increase in prices of other items in this category, also, provided a positive contribution in the last two months of the year<sup>4</sup>. "Housing" prices returned to the slight positive contributions to headline inflation since 2016 Q2. Also, "services" provided upward inflation and contribution in the summer months, mainly driven by the increase of prices in transport services<sup>5</sup>.

Chart 3 Output gap (%), unemployment gap (pp)\*, and core inflation (%)\*\*



Source: INSTAT and Bank of Albania's calculations.

Note: All indicators are flattened by the four-term moving average.

\* Unemployment rate gap is calculated as the difference between the natural rates of unemployment with the actual unemployment rate published by INSTAT, to simplify the interpretation of the equal or unequal direction with the output gap, which is calculated in per cent of the potential output. \*\* Proxy indicators of labour productivity and labour costs per unit of output are calculated by the Bank of Albania using the total series Short-Term Statistics (SHTS, INSTAT, 2016 Q3). Their calculation includes the index of the number of paid employees, of the turnover volume and wage fund for the total activities covered by the survey of SHTS.

The improved cyclical position of the economy was reflected in a gradual narrowing of the negative output gap, by strengthening the inflationary pressures from the domestic demand side over 2016.

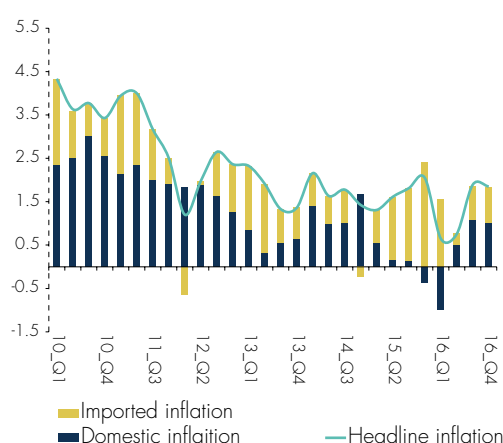
The improved aggregate demand and better utilisation of production capacities conditioned an increasing trajectory of core inflation over 2016. This indicator moved from negative values during the first half of year to positive ones in the second half of year, reflecting the strengthening of mid-term inflationary pressures.

Imported inflation was moderated, against the increase of domestic inflationary impulses.

Imported inflation contributed by around 66.5% to the formation of the average annual inflation. This indicator fluctuated considerably during the first half of the year, while it reflected a more stable behaviour over the second half of 2016. On the other hand, domestic inflation is assessed to have determined around 59% of headline inflation, during April - December 2016, supported by the cyclical improvement of economy.

Inflation expectations continued to generate weak inflationary pressures.

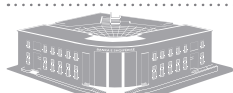
Chart 4 Contribution of imported and domestic inflation to annual headline inflation



Source: INSTAT and Bank of Albania's calculations.

<sup>4</sup> The increase of mandatory insurance price of motor vehicles or the high fluctuations of fuel prices contributed, in particular periods, to the increase of "non-food consumption goods" category.

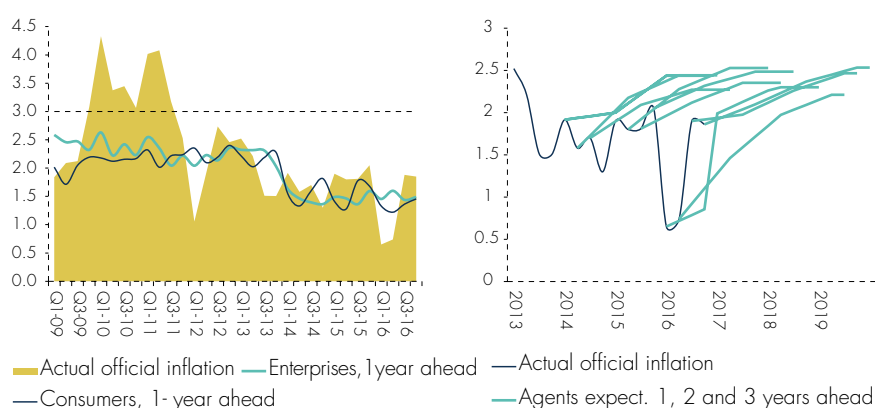
<sup>5</sup> In particular, the increase of air transport prices, with an annual inflation higher than 30% during August, which after that was stabilised at lower values.





Inflation expectations by agents and time horizons<sup>6</sup> reflected an uneven behaviour over 2016. Consumers and financial agents' short-term expectations reacted more against the low values of the actual inflation at the beginning of year, while enterprises' expectations, overall, remain unchanged. Financial agents' short-term expectations were around 1.9%, remaining higher compared to the expectations of enterprises and consumers, 1.5% and 1.3%, respectively. In the medium term, after two and three years, inflation expectations surveyed with financial agents were 2.2% and 2.4%, respectively. The good anchoring of medium-term expectations, close to the target, and the low reaction against the short-term fluctuations of the actual inflation, reflects the credibility of the monetary policy.

Chart 5 Inflation expectations: enterprises and consumers' (left), financial agents' (right)

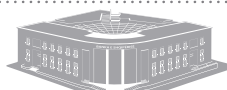


Source: Bank of Albania.

## BOX 2. SUPPLY-SIDE SHOCKS AND MONETARY POLICY RESPONSE

*The rapid fall of inflation in Albania, over 2016 Q1, seems to reflect largely supply-side shocks. The lower inflation rates especially in February and March were mainly due to the decline of food and fuel prices in international markets. The changed prices of these items provided a negative direct and indirect effect on the domestic headline inflation. In response to this development, the Bank of Albania intensified the monetary stimulus, by cutting the policy rate by 0.5 percentage point. This response was assessed to be sufficient to guarantee the achievement of inflation target in the medium term. This Box aims to shed light*

<sup>6</sup> Inflation expectations are not measured by official statistics. Bank of Albania receives qualitative and quantitative information on inflation expectations through periodic surveys conducted with enterprises, consumers and financial agents. The quantitative information on inflation expectations is taken from three groups of agents for short-term horizons (one year ahead) and only from financial agents is received for medium-term horizons (two and three years ahead). Short-term expectations are used to better capture the credibility in the ability of the monetary policy to bring inflation to target within the medium-term horizon. They were more rational than short-term expectations, which are characterised by the domination of the adaptive factor (high adaptability to the previous published inflation).



on theoretical considerations that are taken into account in formulating the monetary policy response.

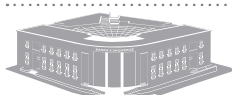
Supply-side inflation (also known as cost inflation) is experienced in case of the increase and decrease of costs. There are several factors that may drive to shocks in production costs, such as: increase/decrease of raw materials cost; increase/decrease in labour costs per unit (due to the increase/decrease of wages or increase/decrease of labour productivity); increase/decrease of taxes; and increase/decrease in transport costs. In small and open economies, where imported products have a relatively large share in the structure of final consumer goods, supply-side shocks can also take the form of consumer price increase in trading partners or the form of exchange rate shocks.

While the monetary policy response to demand-side shocks is relatively clear - a positive or negative shock on aggregate demand tends to produce respectively a tightening or easing of monetary policy - the response to supply-related shocks is conditioned from a wider range of circumstances and objectives.

In a first analysis, the monetary policy tends to ignore the supply-side shocks. This (non) response is associated with at least three reasons. First, supply shocks are generally temporary. So, they leave no medium and long-term trace in the trajectories of economic growth and inflation, and may not be addressed by the monetary policy because of its transmission mechanism time-lags. Second, unlike demand shocks, supply shocks contain a self-correcting mechanism. Thus, a supply shock would lower production costs (and inflation), but it would, on the other hand, increase consumers' purchasing power and aggregate demand, compensating thus a part of its direct effect. The above mechanism operates in the opposite direction in case of increasing shocks in production costs and inflation. Third, the opposing effect of these shocks on inflation and economic growth poses dilemmas on the functioning of the monetary policy response, which typically considers the divergence of both inflation from target and of the economy from equilibrium.

Despite these considerations, supply shocks can generate long-term inflationary pressures and be legitimately subject to the monetary policy response, on at least two occasions. First, these shocks can damage (decrease or increase) inflation expectations. This may occur in case of a prolonged, as well as of adaptive nature (oriented retroactively) inflation expectations (Albania case). The damage (decrease or increase) of inflation expectations is equivalent to a change in monetary conditions in the economy (their tightening or easing). Second, the presence of indexing mechanisms in the economy (mutual indexing of consumer prices and wages) can generate a spill-over effect in prices and costs in the economy. Both these channels can drive to the creation of the so-called "second round" phenomena, which tend to make supply shocks last longer.

Thus, the analysis and the proper understanding of the extent, intensity and secondary effects of supply shocks are of primary importance to the monetary policy. The stronger these elements are, the stronger the monetary policy reaction is. In Albania, second-round effects are not expected to be significant: supply shock prolongation is not expected to last and indexing mechanisms are not present. In such circumstances, the control of inflation expectations is of high importance for the control of supply shocks' secondary effects. Thus, the Bank of Albania increased the monetary stimulus, while communicating clearly and transparently their expected effects.

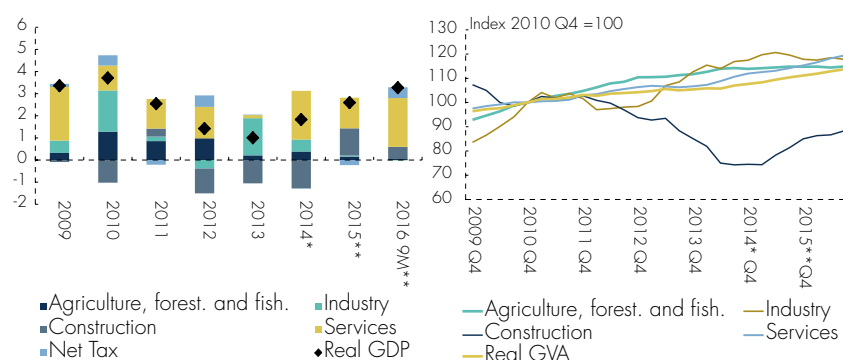


## ECONOMIC ACTIVITY

Economic activity grew over 2016. The economic growth mainly reflected the expansion of consumption and private investments. It was reflected in the expansion of services and construction sectors.

Gross Domestic Product grew by 3.3% during the first nine months of 2016.<sup>7</sup> Economic growth was largely driven by the expansion in services<sup>8</sup>, whose contribution to growth accounted for around 2.2 percentage points in the period under review. All main branches of services supported the performance of the sector. Services related to "Trade, hotels and restaurants, and transport" provided the highest contribution, 0.8 percentage point. Construction, although slowing down the growth pace, continued to provide the main contribution, by 0.5 percentage point, among the producing activities.<sup>9</sup> This contribution remains above the average value for the period 2009 – 2015 supported by the investments in new constructions.<sup>10</sup> Meanwhile, industrial and agricultural activities provided a low contribution to economic growth, around 0.1 percentage point.<sup>11</sup>

Chart 6 Annual growth of real GDP (in %) and contribution of production-side components (pp). Trend of real GVA in economy and sectors<sup>9</sup>



Source: INSTAT and Bank of Albania. \* Preliminary data. \*\* A preliminary assessment.

<sup>9</sup>Indices of the real GVA for the economy and its sectors reflect the trend of the relevant value added, calculated as the moving sum of quarterly values for four quarters, based on 2010 Q4.

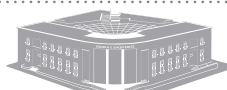
<sup>7</sup> The latest GDP data by output and expenses method for 2016 Q3, published by INSTAT. The annual economic growth in 2016 Q1, Q2 and Q3 was 3.3%, 3.4% and 3.1%, respectively.

<sup>8</sup> Main branches of services are: "Trade, hotels and restaurants, transport", "Information and communication", "Financial and insurance activities", "Real estate activities", "Professional activities and administrative services", "Public administration, education and health", "Arts, entertainment, recreation, goods production activities of families for own use and other services".

<sup>9</sup> It reflects at a considerable degree also the effect of comparison at a higher base from the previous year. In more concrete terms, in the first nine months of 2015, the added value of construction expanded by 14.0%, providing a contribution of around 1.1 percentage points in the economic growth of the period.

<sup>10</sup> Referred to the volume index in construction which is categorised in: new constructions, restructuring and engineering works.

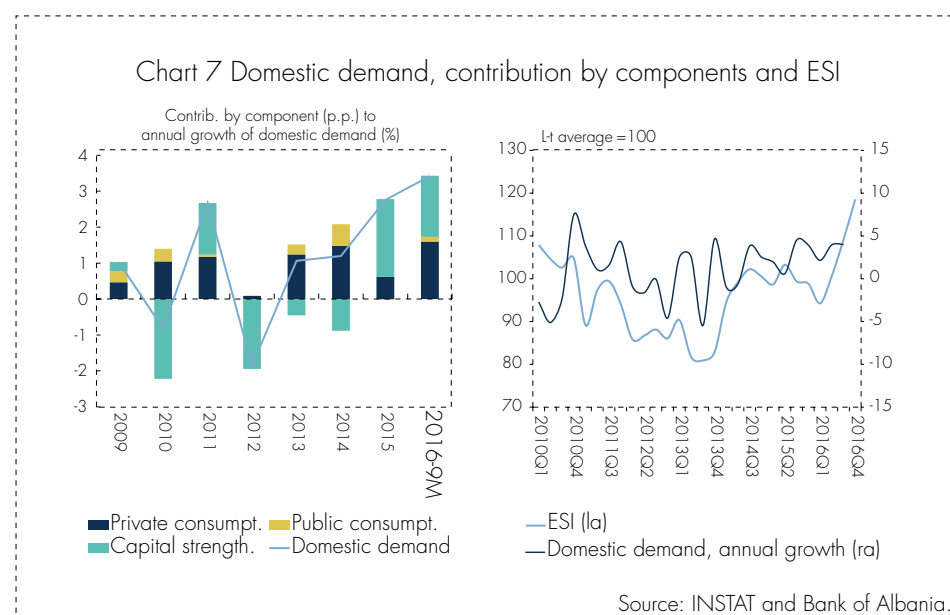
<sup>11</sup> Positive performance of production branch "Electricity, gas, steam and air-conditioning supply" was insufficient to offset the shrinking trend of extracting industry and the slowdown trend of mining and quarrying. Thus, the industry contribution in the annual growth of GDP is estimated around -0.02%. Meanwhile, agriculture, forestry and fishing contributed by 0.08 percentage point in the growth of GDP over the nine months of 2016, after the contribution of 0.26 percentage point in the same period a year earlier.



In line with the growth of economic activity, labour market improved over the first nine months of 2016.<sup>12</sup> Employment increased averagely by 6.8%, against 5.2% in the same period in the previous year.<sup>13</sup> This performance was largely attributable to the expansion of employment in services. The fast growth dynamic of employment determined the continuous reduction of unemployment over the year. The unemployment rate stood at 14.7%, at the end of September, around 2.5 percentage points lower from the same period in the previous year.<sup>14</sup>

**The recovery in investments and private consumption was the determinant factor in the economic growth.**

Domestic demand expanded by 3.4% in the first nine months of 2016.<sup>15</sup> The growth of investments, following the behaviour of the previous year, generated the main support. The respective contribution to the increase of demand is assessed at 1.7 percentage points. Also, the expansion of private consumption contributed to the increase of domestic demand, by expanding the range of underlying factors of economic growth and by strengthening its stability. Public consumption provided a slight positive contribution to the increase of

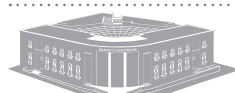


<sup>12</sup> Analysis of employment and unemployment is based on the data of the Labour Force Quarterly Survey, and it refers to the indicators for those 15 of years and older.

<sup>13</sup> Also, the administrative data reflects an increasing employment trend, considerably affected by the formalisation process implemented by the Government, started since 2015 Q3 (particularly reflected in the strong increase of employment in the non-agricultural private sector till 2016 Q2).

<sup>14</sup> The administrative data also show a fall of unemployment level, at more rapid pace, by considerably reflecting the entered into force legal amendments, which aim at the identification of that part of population which is interested and ready to be employed. 146/2015 "For job seekers", dated 12/17/2015 and procedures for its implementation (Decree of the Minister of Social Welfare and Youth no. 4, dated 15.02.2016, published in the Official Journal on 22 February 2016).

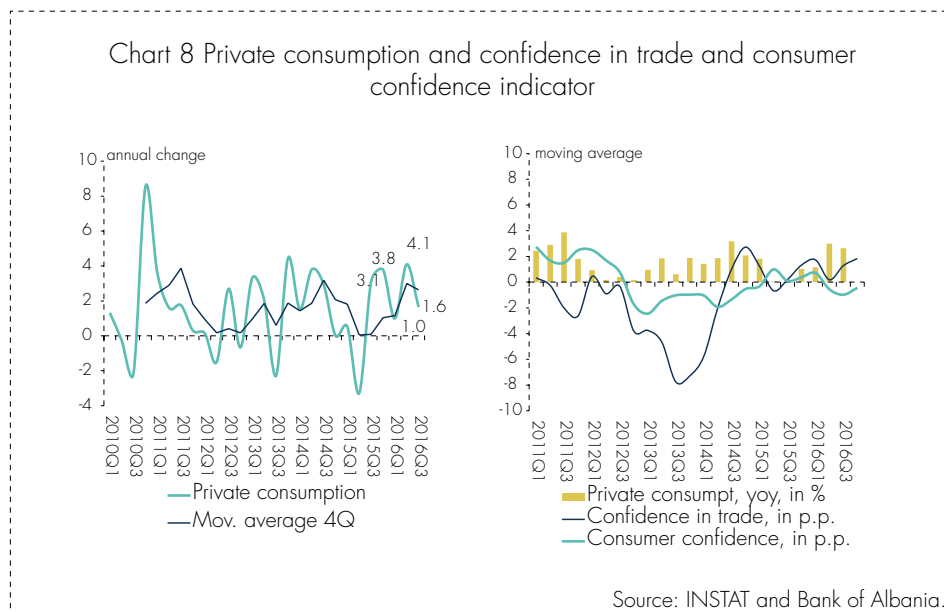
<sup>15</sup> Domestic demand components are final consumption (including final consumption of the population, of the public administration and of not-for-profit institutions) and gross fixed capital formation. In terms of national accounts, private consumption in this report refers to final consumption of the population, whereas investments are equivalent to gross fixed capital formation.



domestic demand. Information from indirect indicators suggests a positive performance of domestic demand, driven by the growth in private investments and consumption, even in the fourth quarter.

**Private consumption provided positive contribution to economic growth in the first nine months.**

Private consumption grew 2.2% over the first nine months of 2016. The acceleration of the consumption growth rate, over 2016,<sup>16</sup> was favoured by the increase of disposable income and downward uncertainties. The positive performance of employment and wages fund mainly affected the increase of disposable income. In parallel, the eased financing standards and credit growth supported the financing sources of private consumption. Preliminary indicators suggest positive growth rates of consumption during the fourth quarter as well.



**Like in the previous year, investments continued to provide the main contribution to the expansion of aggregate demand over the first nine months of 2016.**

Investments recorded an annual growth of 8% over the first nine months of 2016, from 11% in the previous year. By structure of investments, indirect data show that the two main categories, construction and investments in machinery and equipment, provided positive contribution. The growth of investments was supported by the eased financing standards, the improved capacity utilisation rate, and the increase of enterprises' confidence, their improved financial situation and the increase of foreign direct investments.

<sup>16</sup> The growth of private consumption was 1% over 2015.



Chart 9 Annual performances of investments in the economy

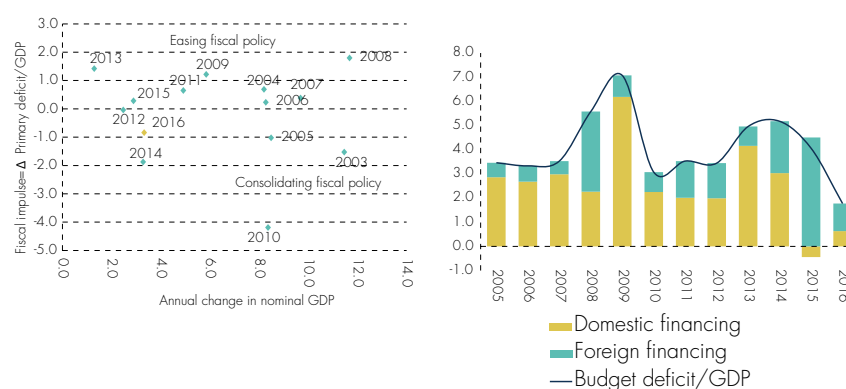


Source: INSTAT and Bank of Albania.

### Fiscal policy maintained a consolidating stance during 2016.

Fiscal policy showed a correcting trend over 2016, being materialised in a primary surplus of 0.7 percentage point to GDP, against the primary deficit of 0.2 percentage point to GDP in 2015<sup>17</sup>. Fiscal consolidation was supported by the increase in revenues, while public expenditure maintained similar levels with the previous year.

Chart 10 Fiscal policy and position, 2003 - 2016\*

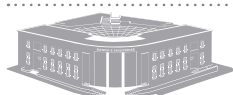


Source: Ministry of Finance, INSTAT and Monetary Policy Department (BoA) calculations.

\*The left-hand chart shows changes in the primary deficit (general deficit – interest payments - effect of one-off measures) depending on changes in nominal GDP. The changes in the primary deficit on a year earlier positioned on the horizontal axis imply the deterioration of the fiscal position, or positive fiscal impulse, and vice versa.

After the positive values of the budget balance in the first eleven months, budget deficit amounted to around ALL 26.2 billion at the end of 2016, shrinking

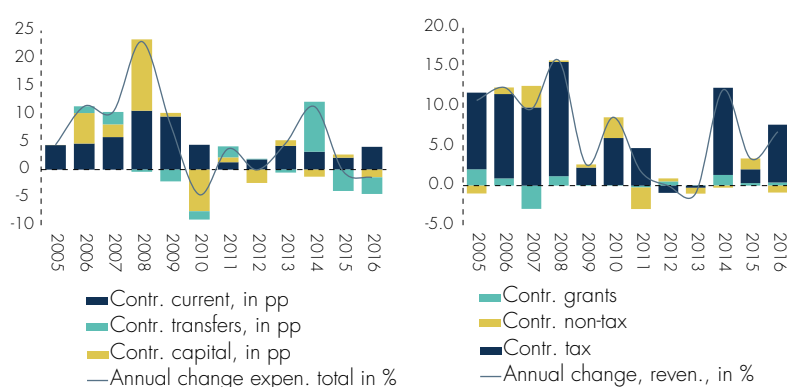
<sup>17</sup> Fiscal data refer to the publication of the Ministry of Finance, 23 February 2017.



by 54.9% in annual terms. This level of deficit accounted for around 1.8% of GDP, from the planned 2.4% according to the normative act of December. The lowest level of deficit was mainly attributable to the under the programmed realisation of programed current expenditure. Borrowing in the domestic market financed around 40% of the deficit. The increase in long-term instruments offset the reduction of the short-term domestic debt. The rest was financed by the borrowing in the external market.

Public expenditure stood at 29.1% of GDP, from 29.3% in the previous year.<sup>18</sup> Budget expenditure was unevenly allocated over 2016 as well. The highest concentration was noted in the last quarter.<sup>19</sup> Primary current expenditure resulted around ALL 330.6 billion, or around 5.9% higher in annual terms. Capital expenditure amounted to ALL 57 billion, from the plan of ALL 58.7 billion, annually down by 9.6%. They were estimated at 3.8% of GDP, from 4.4% in the previous year.

Chart 11 Annual changes in main fiscal items (expenditure, left and revenues, right) by contribution of relevant items, 2005-2016\*



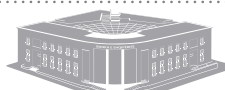
Source: Ministry of Finance.

\*"Transfers" for budget expenditure includes all the other expenditure items, excluding current and capital expenditures. In 2014 and 2015, this category is formed mainly by the payment of arrears.

In 2016, budget revenues amounted to ALL 404.8 billion, or 27.3% of GDP, with the ratio improving by 0.9 percentage point from the previous year. In annual terms, revenues grew by 6.8%. Revenues from social insurance, VAT, profit tax and local taxes provided the main contribution to this growth. The factors that drove to the improved dynamic of revenues compared to the previous year are: the legal amendments on determining the reference wage on the calculation methodology of social contributions for free professions; the increase in local taxes; the formalisation process, and the more favourable

<sup>18</sup> Excluding the effect of the payment of arrears in 2015, by around 1.2 percentage points.

<sup>19</sup> The last quarter accounted for around 33.5% of total expenditure.





economic environment<sup>20</sup>. The last factor is manifested in both, forms, the increased domestic demand and higher profits of public and private companies.

### BOX 3. LEGAL AMENDMENTS ON ENHANCING FISCAL STABILITY

*The global crisis effects drove fiscal authorities to face the dilemma on the use of fiscal spaces, for the recovery of the economy in the short run, and the recreation of these spaces in the long term, through fiscal consolidation. Depending on the financial soundness of the private sector, debt level and access to the financial markets, many countries chose fiscal consolidation, as an instrument to reduce risk premia, to boost confidence in their financial system and to establish the needed space to withstand with possible shocks in the future.*

*In Albania, fiscal policy pursued a consolidation trend over the last three years. Since 2016, the commitment to maintain the soundness of the public finances is stipulated in the respective Law. Hence, the Law No.57/2016, dated 02.06.2016, amends Law No.9936, dated 26.06.2008 "On the Management of the Budget System", aiming at strengthening the fiscal stability.*

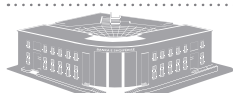
*These amendments stipulate:*

- i) Targeting a downward trajectory of public debt in terms of GDP in every budget year; until this ratio reaches the level of 45%<sup>1</sup>.*
- ii) Prudential forecast of nominal GDP, by not exceeding the latest projections of IMF at the moment of compiling the budget plan.*
- iii) Planning a contingency of 0.7% of total expenditure in every annual budget law to offset the shocks' effect on debt, on the exchange rate or on the interest rates.*
- iv) A golden fiscal rule; according to it the planned budget deficit should not exceed the programmed capital spending.*
- v) Control on the allocation of budget deficit during the electoral years: budget deficit at the end of first quarter, at the end of the six months and at the end of nine months, may not exceed 30%, 55% and 80%, respectively, of the annual planned level.*

*The above legal stipulations are a positive step in guaranteeing the stability of public finances, to improve fiscal discipline and increase fiscal policy credibility. In order for fiscal consolidation to be stable and reliable, it should be supported by the adoption of fiscal rules. Fiscal rules are institutional mechanisms that improve the fiscal discipline and contribute to the increase of fiscal policy credibility. On the other hand, the strengthening of fiscal discipline as perceived*

<sup>20</sup> At the beginning of 2016, the Law on the calculation of health and social insurance contributions entered into force. According to this Law, the sum of contributions for free professions, depending on the city where it is conducted this profession. This amendment of the Law, in addition to the effect of economy formalisation, generated a contribution of 2 percentage points to the growth of total revenues for 2016, from 0.5 percentage points in the previous year.

VAT revenues, an indirect indicator of the consumption and investments' performance at home, contributed by around 1.5 percentage points in the total growth of revenues, from 0.5 in 2015.





by market stakeholders helps to reduce the risk premia in the economy. On the other hand, the new legal specifications pave the way to implement a counter-cyclical fiscal policy in periods when the economy is expected to grow considerably,<sup>1</sup> thus serving to strike a balance between the strengthening of fiscal policy and the stabilising role of fiscal policy.

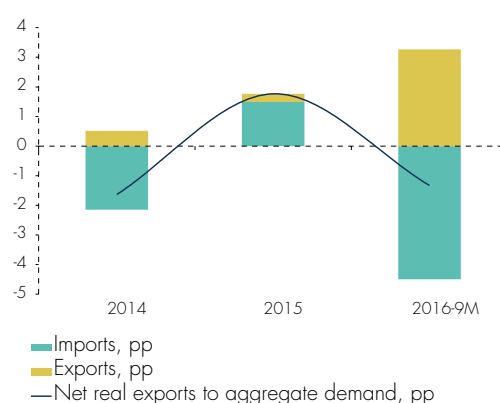
<sup>1</sup> Exception to this rule are only the natural disasters, the financial crises which require the intervention from state budget, the declaration of the war, or the cases when the economic growth as foreseen from IMF < 1%, when the public debt against GDP is lower than 60%.

<sup>2</sup> In more concrete terms, it is foreseen that in years when real economy growth as foreseen by IMF is higher than 5%, the budget deficit is planned at 2% of GDP.

### The worsened balance of trade exchange with abroad provided a negative contribution to economic growth in the first nine months of 2016.

The expansion of net exports' deficit provided a negative contribution to the growth of aggregate demand during the first nine months of 2016, determined by the recovery of imports driven by a higher domestic demand. Total exports expanded by around 11.5% in annual terms, mainly driven by the growth in services exports by around 22.4%. General imports expanded by around 10.4% in annual terms, with the main contribution from the growth in the import of goods by around 11.4%. Financial flows from tourism continued to expand, similarly to the previous year. On the other hand, the unfavourable conditions of the foreign demand and international prices drove to a reduction of goods export by around 15.4% in annual terms. Nevertheless, goods trade statistics show a recovery of exports during 2016 Q4, affected by the increase of commodity prices in international markets.

Chart 12 Contribution of net real exports (in p.p. to GDP)\*



Source: Bank of Albania.

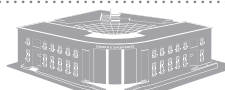
\*For 2016, data belong to the first three quarters.

The higher deficit of net exports has provided the primary contribution to the expansion of the current account deficit in the first nine months of the year. The positive developments in the services account were insufficient to offset the high expansion of goods' deficit. On the other hand, secondary income account<sup>21</sup> did not provide any contribution, due to the relative weak performance of remittances<sup>22</sup>. Related to primary income account<sup>23</sup>, the respective deficit

<sup>21</sup> The secondary income account includes current transfers of the central government, of households and of not-for-profit institutions serving households. Remittances are the main item in this account.

<sup>22</sup> Remittances recovered considerably in the third quarter and the trend is considered positive for the last quarter of 2016, as well.

<sup>23</sup> Primary income account includes all the flows of the profit from the stock of assets invested abroad by residents or in Albania by non-residents. The main item in this account is FDI income.



narrowed, attributable to the higher inflows and lower outflows from direct investments.

**The current account deficit was financed based on non-debt creating foreign currency flows.**

The profile of financing the current account deficit continues to be based on non-debt creating foreign currency flows, in the form of foreign direct investments and capital account inflows. The financing by debt-creating flows resulted somewhat lower compared to the previous year. At the end of 2016, the stock of foreign exchange reserve assets was sufficient to cover 7.2 months of imports of goods and services and 170% of the short-term external debt.

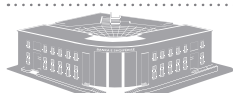
*Table 2 Main balance of payment items (in EUR million, unless otherwise stated)*

	Q2 '15	Q3'15	Q4 '15	Q1 '16	Q2 '16	Q3'16
Current account (in mln euro)	-163.2	-312.7	-397.7	-224.2	-353.8	-207.6
/GDP (%)	-6.0	-12.1	-14.7	-9.4	-12.6	-7.7
Goods and services	-360.6	-476.3	-564.5	-403.3	-555.2	-410.9
Exports, f.o.b.	705.9	785.0	714.7	608.5	716.8	926.9
Imports, f.o.b.	1066.5	1261.4	1279.1	1011.9	1272.0	1337.8
Net Trips	76.4	64.5	51.6	67.3	72.8	153.1
Primary income	-12.9	-12.8	-34.2	10.0	-15.1	-6.5
Loan	34.5	40.0	43.9	50.8	44.9	42.7
Debit	47.4	52.8	78.1	40.7	60.1	49.2
Net FDI income	-26.4	-27.7	-31.7	-3.8	-23.9	-21.7
Secondary income	210.2	176.4	201.0	169.1	216.6	209.8
Loan	243.3	219.1	247.2	205.0	249.7	250.3
Debit	33.0	42.6	46.2	35.9	33.2	40.5
Remittances - net	161.7	139.7	153.9	135.7	153.6	159.1
Capital account	21.3	45.6	32.8	6.6	7.2	3.1
Net borrowing/net lending	-141.9	-267.1	-364.8	-217.7	-346.6	-204.5
Financial account (in EUR million)	-177.1	-126.6	-243.3	-163.7	-253.6	-71.9
/GDP (%)	-6.5	-4.9	-9.0	-6.8	-9.1	-2.7
Direct investments	-196.5	-248.1	-120.0	-143.6	-240.1	-276.4
Portfolio investments	-66.8	-11.2	-172.1	107.5	-8.7	-2.1
Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	70.0	-179.7	-120.3	-77.9	-4.8	262.7
Reserve assets	16.2	312.5	169.1	-49.6	0.0	-56.1
Errors and omissions	-35.2	140.5	121.5	54.0	93.0	132.7

Source: Bank of Albania.

## FINANCIAL MARKETS AND MONETARY INDICATORS

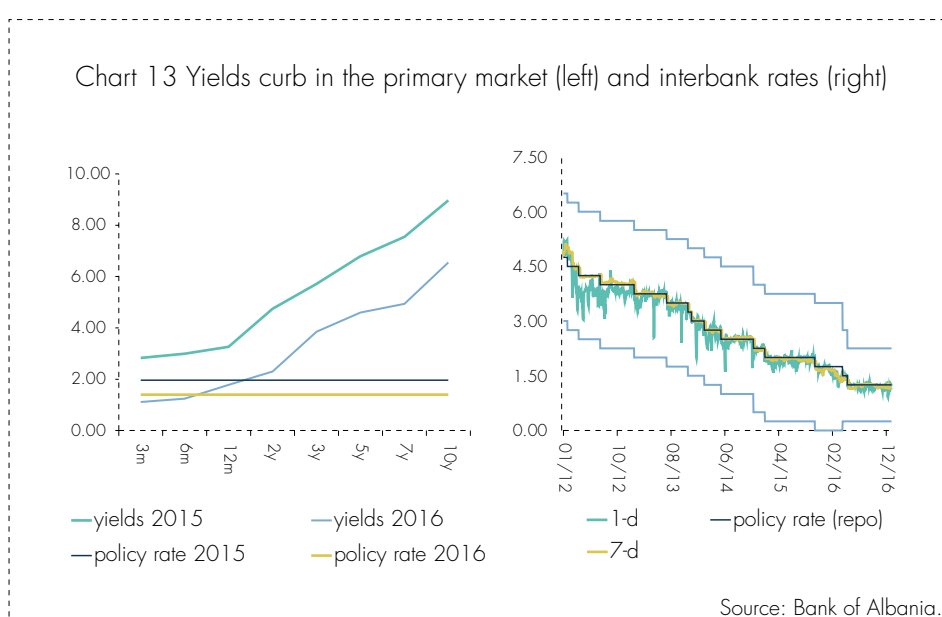
*Developments in financial markets, over 2016, reflected the strengthening of accommodative monetary policy stance, in the presence of high liquidity and low risk premia. The accommodative monetary policy has been transmitted to all financial market segments, and interest rates continued to trend down. In the foreign exchange market, the domestic currency continued to appreciate against the euro, driven by both supply and demand factors.*



*The reduction of financing cost in the financial market was followed by the growth of credit in the Albanian lek. Nevertheless, the overall portfolio dynamic continues to be limited by a slow recovery of credit demand and tight supply for certain segments.*

### The monetary policy was reflected in lower interest rates in the money market.

The interest rates in the interbank market were down over 2016, in line with the monetary policy stance. They ranged close to the policy rate, in accordance with the operational objective of the Bank of Albania<sup>24</sup>. The average overnight interest rate in this market fell to 1.37% in 2016, from 1.92% in 2015, while the one-week rate fell to 1.37%, from 1.93%. Volatility indicators for interbank market interest rates were similar to those in the previous year.<sup>25</sup>



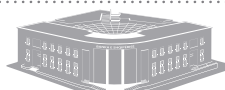
In the primary market of Government' debt securities, yields on bills and bonds in average terms are below the level of the previous year. They had an uneven performance over the year, pursuing a strong downward trend in the first half of the year, and an upward trend in the second half. In addition to the accommodative monetary policy, this performance reflected the dynamics in the demand and supply for funds in the primary market. A similar panorama was reflected in the yields on bonds. The average yield on 12-month T-Bills fell by 1.5 percentage points from the previous year, while the yields on long-term debt instruments fell by 2.3 percentage points. This dynamic is reflected in the downward shift of the yields curve and its flattening compared to the previous year.

### The interest rates on lek credit to enterprises and households continued to fall.

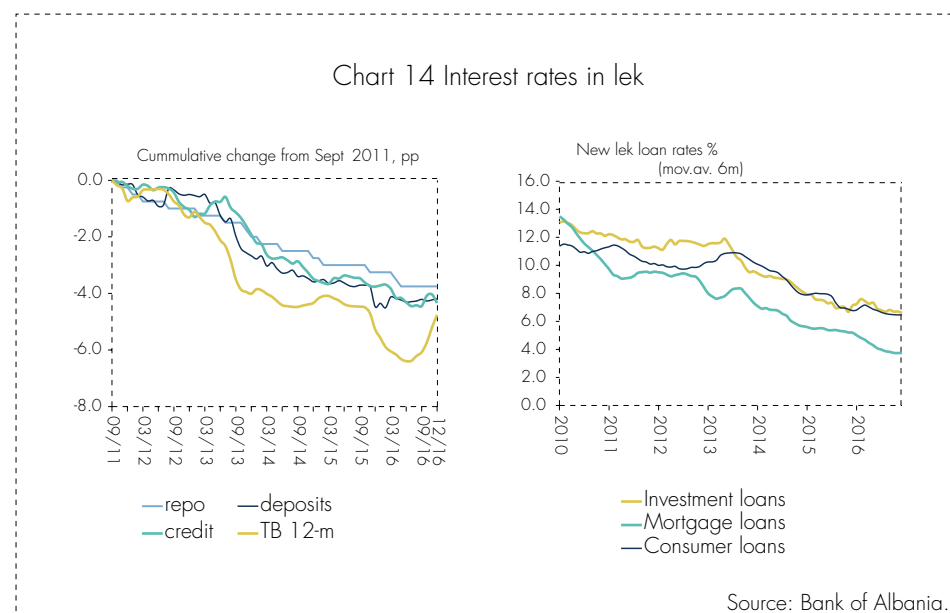
The interest rates on new lek credit and deposits fell further over 2016, seeing a full pass through of the monetary stimulus of the Bank of Albania. The good

<sup>24</sup> The operational objective of the Bank of Albania is addressed in more detail in the chapter on "Financial market operations and foreign exchange reserve management".

<sup>25</sup> The standard deviation of the overnight interbank rate for this year was 0.18, from 0.15 in 2015.



liquidity situation, low risk premia and heightened of competition among banks, provided the favourable conditions for the transmission of the policy rate cut to the interest rates on deposits and loans. The interest rate on new time deposits averaged 0.81% in 2016, from 1.35% in 2015. The interest rates applied on lek credit to non-financial private sector averaged 7.52%, from 8.07% in 2015.



Reduction of interest rates on loans fell across all main segments. Households benefited lower interest rates on mortgage loans, by around 1.37 percentage points, and on consumer loans, by around 0.73 percentage points. Interest rate on loans to enterprises for investments fell by 0.45 percentage points compared to the previous year. The unusual dynamic of yields in the primary market, noted over 2016, did not drive to increased fluctuation of interest rates on loans.

### The Albanian lek pursued an appreciating trend over 2016.

The domestic currency showed an appreciating trend against the currencies of partner countries over 2016. The EUR/ALL exchange rate averaged 137.4 during this year, with an annual appreciation of 1.7%. The increase of foreign currency supply drove to this appreciation. In addition, the EUR/ALL exchange rate in the domestic market also reflected a part of EUR/USD exchange rate dynamic in the international markets. Thus, the appreciation of the US dollar in the international markets was only partially reflected in the USD/ALL exchange rate, by affecting the depreciation of the European currency against the Albanian lek<sup>26</sup>. The USD/ALL exchange rate averaged 124.1 over 2016, appreciating 1.4% in annual terms. In the international market, the US currency appreciated by 0.3% on average against the European currency.

<sup>26</sup> Overall, USD/EUR exchange rate in the international markets is mainly reflected in the USD/ALL exchange rate at home - the annual changes of USD value in ALL in the domestic market are close to those of the USD value in EUR in the international market. In 2013-2015, their spread is 0.1 percentage points. In 2016, this spread increased at 1.7 percentage points.

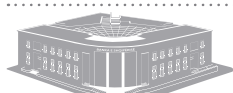
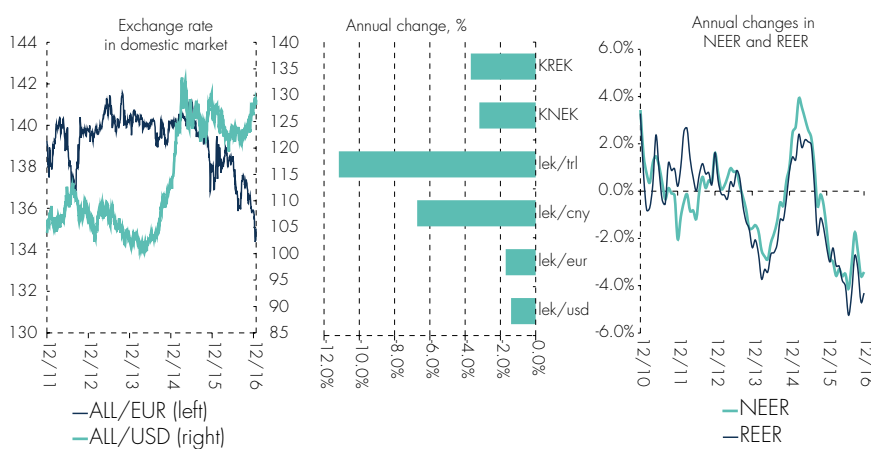


Chart 15 Effective exchange rate and EUR/ALL and USD/ALL exchange rates



Source: Bank of Albania.

Also, the lek appreciated against the currencies of two other trading partners, Chinese renminbi and Turkish lira. This performance mainly reflected the strong depreciation of these two currencies against the US dollar. According to the effective measurements,<sup>27</sup> the lek recorded an average annual appreciation of 3.2% in nominal terms, and 3.7% in real terms.

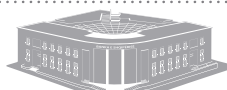
**The lending activity improved somewhat, in line with our expectations and the expansion of economic activity over 2016, although it remains still sluggish.**

Credit to private sector expanded at a contained pace<sup>28</sup>. This portfolio, adjusted for written off loans, recorded an annual increase of 3.2%, faster than a year earlier. At the end of the year, credit to private sector was estimated around 37.3% of GDP, at the same level with the previous year. The expansion of credit reflects the increase of credit in ALL (10.2%) supported by the fall of interest rates, the propensity of banks policies towards crediting in the domestic currency, and the awareness of the economic agents on the exchange rate risk. Credit in foreign currency performed negatively (-1.6%), affected by ALL appreciation against EUR. Excluding this effect, credit portfolio to private sector recorded an annual growth by around 3.9%.

Credit expansion to private sector shows the good performance of credit to households (5.1%), driven by the continuous easing of lending standards, the increase of confidence and the improvements in the labour market. Credit

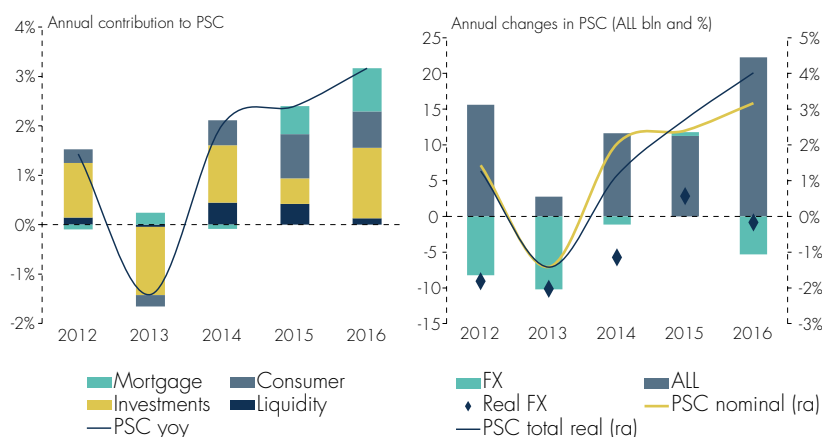
<sup>27</sup> The nominal effective exchange rate (NEER/REER) is calculated against the currencies of the five major trading partners (Italy, Greece, Germany, Turkey and China), using the relevant market weights. For the purpose of calculating the lira/lek and the renminbi/lek rates, the official reference rates remain those of the Turkish lira and the Chinese renminbi against the US dollar. The real effective exchange rate (REER) is calculated similarly to the nominal, but it considers the domestic inflation and those in the trading partners, as well.

<sup>28</sup> Credit data refer to the monetary data and include the credit granted to residents. The written off loans from balance sheet, over 2016, amounted to ALL 14.6 billion.



portfolio to enterprises recovered at a contained pace (2.4%), reflecting the still tight supply and the fragile demand for financing from this segment. By purpose of use, credit to households for consumption and house purchase increased faster, also the credit to enterprises for investment purposes.

Chart 16 Lending to the economy

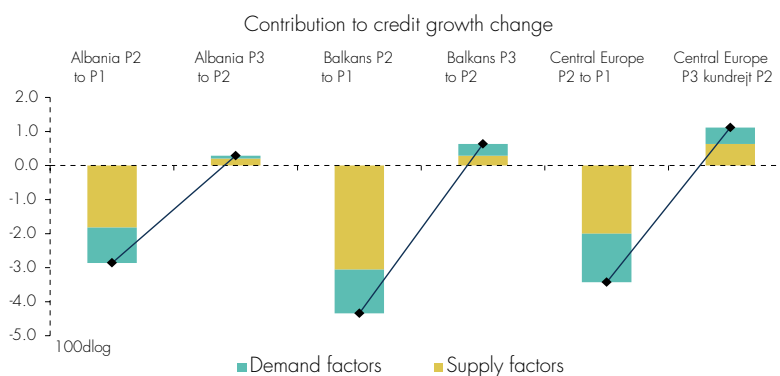


Source: Bank of Albania.

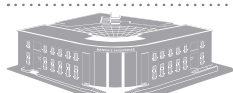
#### BOX 4. LENDING - AN ASSESSMENT OF THE IMPACT OF CREDIT DEMAND AND SUPPLY

Credit growth to private sector in Albania slowed down considerably after the financial crises in 2008, and further after 2011, by showing only signs of sluggish recovery. Similar situation is also noted in other Balkan and Central European countries. This performance simultaneously reflects the tight standards of the supply, driven by the conservative behaviour of the European banks that operate in the regional markets, and the weak demand of the private sector for financing.

Chart 17 Change of credit growth as change in demand and supply's contributions



Source: Central banks and respective institutions of statistics, authors' estimates.  
Note: The Balkan region includes Serbia, FYROM, Croatia, Bulgaria and Romania. Central Europe includes Czech Republic, Poland and Hungary.



To better understand the reasons behind this sluggish lending performance, a model on the determinants of real credit growth in the Balkan and Central European countries<sup>i</sup> was updated, by adding the assessment for the period 2013 - 2016. From the model results, we may filter the contribution provided by the demand factors (economic growth and intermediation level<sup>ii</sup>) and the supply factors (growth of deposits, increase of foreign liabilities of the banking system, interest rate and non-performing loans) on the credit growth<sup>iii</sup>. Chart 17 shows these contributions in the change of credit growth in the period 2009-2012 (P2) against the period 2005-2008 (P1), and in the period 2013-2016 (P3) against the period 2009-2012 (P2).

Econometric results show that the strong deceleration of credit growth pace in Albania immediately after the crisis of 2008 (2009-2012) was due to the simultaneous tightening of both demand and supply's factors, at a higher degree of the latter ones. Related to the demand factors, both, the slowdown of economic growth and the need to reduce the financial leverage (positive intermediation gap) affected almost at the same degree the reduction of credit growth. In terms of supply-side factors, financing sources provided the highest impact, in particular, deposits, followed by the increase of non-performing loans. The reduction of the real interest rate of credit provided a positive impact, by reflecting the easing of the Bank of Albania's monetary policy. Similar situation is also noted in other Balkan and Central European countries.

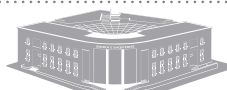
In 2013-2016, demand and supply recovered, compared to 2009-2012. Nevertheless, it should be noted that compared to the tightening of these factors in the period after the crisis, their recovery in the recent years is low for Albania, like in the other Balkan countries. In terms of demand factors, the low level of financial intermediation (negative intermediation gap), mainly explains the growth of credit demand. In terms of supply-side factors, the slower increase and then the reduction of non-performing loans provided positive contribution to lending, while the increase of external financing is balanced by the slowdown of the domestic deposits. The real interest rate provided a positive contribution, similar to the previous period.

The results show that the slow recovery of credit depends on both credit supply and demand, both remaining considerably below the levels of the pre-crisis years. In addition to the expected growth of credit demand, following the further improvement of the economic activity, the recovery of lending pace will be conditioned by the risk appetite of banks and the speed to ease the banking supply.

<sup>i</sup> This model, initially assessed for the periods 2005-2008 and 2009-2012, explains the credit growth to private sector through the economic growth, credit interest rate, deposits, foreign borrowing of banks, non-performing loans ratio, intermediation degree of the banking system and the exchange rate. The model is described in the working paper "Credit growth determinants in the South Eastern Europe countries", prepared by Erjona Suljoti and Sofika Note. A short version of this material is published in the Summary of the Conference "Financial Sector Development: Policies to promote and strengthen local capital markets" page 107.

<sup>ii</sup> Credit to GDP ratio represents the intermediation level.

<sup>iii</sup> Demand and supply factors, according to the applied model, do not explain the complete performance of credit. In addition, a set of factors have their impact (specific risk of the country, institutional development, banking system development, etc.), whose effect is summarised into the specific factor of each country.



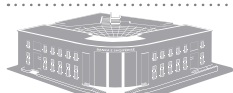
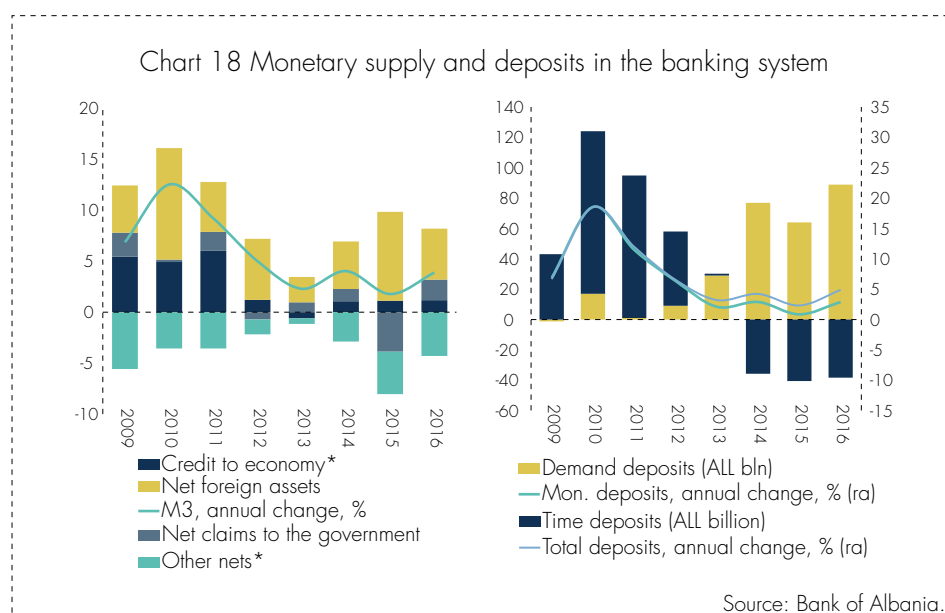


The performance of monetary assets reflected the moderate demand for financing from the private sector, and the consolidated nature of the fiscal policy.

The monetary supply expanded moderately, at a similar pace with the previous year. The growth of monetary supply was driven by the increase of net foreign currency assets of the banking system, but it was conditioned by the slow increase of the internal demand for funds. The broad money indicator, M3 aggregate, accelerated its growth over the year, from an average growth rate of 0.9% in the first half of year, to an annual growth rate of 3.9% at the end of the year. Money structure shifted toward the liquid component, mainly driven by the fast growth of demand deposits.

### Expansion of deposits in the banking system continues to reflect the rapid growth of liquid deposits.

Banking system continued to withdraw the deposits of economic agents, particularly in foreign currency. Deposits stock, as at end of December, was around 4.9% higher in annual terms, accounting for around 73.7% of GDP, or around 1.1 percentage points higher from the previous year. Developments by time structure show a shift toward demand deposits. Such shifts were also noticed in deposits of over two-year maturity, but at a lesser extent. This year was characterised by a good performance of both households and enterprises' deposits, with an average annual growth of 1.9% and 7.6%, respectively.



## 2.2. MONETARY OPERATIONS IS THE 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. The main market operations are the repurchase and the reverse repurchase agreement of seven-day maturity, whose interest rate represents the policy rate.*

### OPEN MARKET OPERATIONS

Open market operations consist in three sub-items: the main operations; fine-tuning operations; and structural operations. They are used for the short-term management of liquidity in the money market, aiming at accomplishing Bank of Albania's operational objective – orienting short-term interbank interest rates close to Bank of Albania's policy rate and limiting their fluctuations.

During 2016, as well as in the previous two years, the overnight interbank rate floated very close to the key rate, deviating by 0.07 percentage point. The one-week interbank rate stood on average around 6 percentage points below the policy rate, but with a higher fluctuation than the previous year. For the second successive year, structural surplus of liquidity in a part of the banking system have driven liquidity trading in the interbank market below the policy rate of the Bank of Albania. Also, interbank trading for maturities longer than one week was very rare over 2016.

During 2016, the average injected liquidity by the Bank of Albania through open market operations amounted to ALL 24 billion, from ALL 29.50 billion in 2015, and ALL 24.50 billion in 2014. The need for liquidity by commercial banks has been increasing throughout the year, from the average level of ALL 10 billion in the first quarter, to ALL 30 billion in the last quarter.

*Table 3 The structure of the liquidity injecting operations by the Bank of Albania*

	2009	2010	2011	2012	2013	2014	2015	2016
Main instrument	55%	58%	74%	55%	60%	64%	55%	80.7%
Long-term injections	45%	42%	26%	45%	40%	36%	45%	19.3%

Source: Bank of Albania.

During 2016, the Bank of Albania has carried out structural operations, by purchasing and selling Treasury bills of the Ministry of Finance, in order to reduce the ownership in some 3- and 6-month issues where the concentration was over 60%. The total amount of T-bills owned by the Bank of Albania has not changed since the end of 2015, when the portfolio decreased.

### STANDING FACILITIES

Standing facilities – overnight deposits and overnight loans at the Bank of Albania are instruments available to commercial banks to manage liquidity on



a daily basis and to define a corridor in which interest rates fluctuate in the interbank market. This corridor narrowed in April 2016, from 3.50 percentage points to 2.50 percentage points and, since the last cut of Bank of Albania's policy rate in May, the overnight deposit stands at 0.25%, and the overnight loan at 2.25%. During 2016, the overnight deposit was used more frequently by banks, but at lower daily average levels than in the previous year (110 cases with an average level at ALL 2.9 billion). The same trend is observed for the use of the overnight loan, which is rarely used by the banks (25 cases with an average level of ALL 1.7 billion over 2016).

### REQUIRED RESERVE

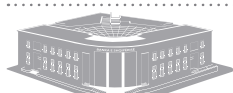
The level of the required reserve is applied to the amount corresponding to 10% on deposits up to two years of the commercial banks, denominated in lek, euro and US dollar. The required reserve in lek is a monetary policy instrument that aims to adjust liquidity in the banking system and stabilize interest rates. The Bank of Albania allows banks to use up to 40% of the required reserve in lek on a daily basis, while observing the obligation to keep the monthly average level of the required reserve not lower than the level specified for it.

The performance of the required reserve has been in line with the performance of the deposits that are subject to this instrument. The remuneration ratio on the lek required reserve reflected the performance of the Bank of Albania's policy rate (70% of the policy rate). Starting from September 2016 the banks pay for the required reserve in euro an interest rate equal to the deposits rate of the European Central Bank.

The remuneration rate on the surplus reserves in lek and US dollars has remained 0% during 2016, whereas the remuneration rate on the surplus reserves in euro has changed: it was determined 0.25 percentage points lower than the deposits' interest rate of the European Central Bank.

## 2.3 FINANCIAL STABILITY AND BANKING SYSTEM PERFORMANCE

*Financial stability is considered fulfilled when the financial system is able to realize an efficient distribution of resources, by assessing and controlling the financial risks. The role of the Bank of Albania for securing and safeguarding financial stability is defined in the Law "On the Bank of Albania". This Law, in addition to the primary objective of achieving and maintaining price stability, lays down as one of the main objective of the Bank of Albania the promoting of the normal functioning of the banking system based on market principles, as well as duties related with the achievement of this objective like, the supervision of the banking activity in order to secure the stability of the banking system, promotion of developments of payment systems, as well as issuing acts that aim to secure the sustainability of the banking system. Also, in compliance with the obligations deriving from this Law, the Bank*



*of Albania publishes twice a year the Financial Stability Report and the relevant financial system statement that prefaces the report. This document contains an analysis of the situation and the performance of the banking sector and the financial system, identifies risks that may affect financial stability, as well as measures and initiatives that may be undertaken to mitigate or prevent these risks and safeguard financial stability.*

## BANK OF ALBANIA'S ACTIVITY FOR SAFEGUARDING THE FINANCIAL STABILITY

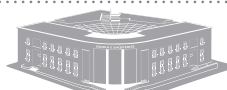
In exercising its critical role to secure and safeguard financial stability, the Bank of Albania identifies the risks, assesses their size and their potential spill over, analyses their causes and the determining factors, and assesses the necessary corrective actions to avoid or mitigate the impact of risks on financial stability. In fulfilling its legal obligation toward financial stability, the Bank of Albania communicates regularly with all public authorities, the financial industry and the public, as important stakeholders in achieving financial stability.

During 2016, in line with the medium-term strategic objectives, the Bank of Albania has been working to enhance and improve the existing indicators, methodologies, analyses and models related with the:

- macro-prudential policy and its instruments, as well as the adaptation from the operational standpoint of these instruments;
- methods that are used for the assessment of the systemic risk and the identification of the regulatory requirements for systemically important banks;
- modelling capacities for the assessment of the impact of various risks on the banking and financial system.

The work on addressing the objectives, the identification of the instruments and indicators related with the macro-prudential policy is based on the recommendations of the European Systemic Risk Board (ESRB) and the standards of the Financial Stability Board. These policies generally focus on identifying warning systems and instruments for the treatment of: preservation of stable/optimal levels of crediting and financial leverage; mitigation and prevention of significant mismatch between assets and liabilities maturities in the balance sheet of the financial institutions and the preservation of liquidity in the market; limitation of direct and indirect exposures concentrations of the financial activities to risk sources; limitation of the systemic impact of negative stimulating factors and the strengthening of the sustainability of the financial system.

In terms of identifying the macro-prudential policy, the Bank of Albania has been working during this year in drafting a general framework of this policy, which in view of possible legal improvements as well, will define the principles and the



methods of its use. In parallel, for the development of macro-prudential policy instruments and the construction of the indicators used in the implementation of the macro-prudential policy, the Bank of Albania has been working in determining the signalling indicators of stress situations in the financial system and the assessment of the financial cycle, in order to develop methodologies that show the operationalization manner of the relevant instruments. Amongst these instruments, which may be used in the future to deal with risks in relevant segments of the financial, are: the implementation of the quantitative limits of the indicators 'credit to collateral value', 'credit (debt) to income value' – this mainly in the case of mortgages<sup>29</sup> and 'debt service ratio'<sup>30</sup>.

During 2016, the Bank of Albania has been working toward enhancing the methods and the indicators used for the identification, assessment and prevention of systemic risks. Specifically, the existing methodology to identify systematically important banks has been improved by adopting the approach of the European Banking Authority (EBA) for the quantitative determination of the critical limit mark of systemic importance, based on which these banks are identified. Also, based on the EBA methodology, the Risk Map is prepared, which is part of the internal analyses on financial stability issues. Bank of Albania has worked to consolidate, strengthen and integrate in periodic analyses the results of surveys or assessments of different indicators, i.e. "Systemic risk by the banking sector perception" or the "systemic financial stress" index.

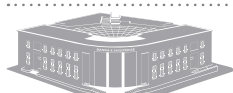
Regarding the objective of strengthening the modelling capacities within the framework of assessing the financial stability risks, the Bank of Albania has been working toward the determination of the financial cycle, the improvement of the methodologies associated with the exercise of top-down and bottom-up stress test, more effective use of financial modelling that assess the interaction between macro-economic developments and the banking sector activity, as well as the method of determining the capital requirement for the systemically important financial institutions. These models and methodologies are improved continuously by reflecting the improvement of the international standards in this regard.

The communication of the Bank of Albania with the public and other actors is realized through the periodic publication of documents like the Financial Stability Report and the Financial Stability Statement, various research papers that deal with the methodology, analyses and assessments for particular aspects or issues related with the banking sector and the financial system activity, as well as other publications of the Bank of Albania, including press releases and the speeches of the administrators. An important forum for decision-making, collaboration and public communication of the analyses and the relevant decisions related with the financial stability is the Financial Stability Advisory Group (FSAG). The FSAG during its meetings in 2016 has analysed regularly

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<sup>29</sup> Quarterly survey with commercial banks.

<sup>30</sup> The indicator is based on the data collected from the survey on "The financial situation and the borrowing of households".



the situation of the banking sector and of the financial system, as well as it has assessed the different risks about sustainability of the system and the progress of its activity. Meeting press releases are published in the internet websites of the participating institutions.

### *Banking sector performance*

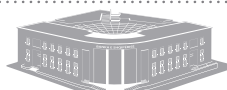
The banking sector remains the main segment of financial intermediation in Albania. As at end of 2016, the share of its assets stood at 95.8% of the Gross Domestic Product (GDP), up by 4.5 percentage points compared with the previous year. The expansion in the securities portfolio provided the main impact in the increase of the sector's assets. Loans and deposits grew by 2.5% and 5.2%, respectively. The banking sector consists of 16 banks. Four large banks share about 70% of the deposits and manage about 65% of loans given by the sector. The banking sector activity during 2016 was stable and supportive to financial stability safeguarding. The main financial indicators of the banking sector activity: capitalisation, liquidity and profitability indicators show that the banking system has the ability to withstand internal and external shocks. These assessments are supported by the results of the stress test exercises on solvency and liquidity risk, which the Bank of Albania performs periodically several times a year.

### *Financial result and profitability indicators*

The average indicators of profitability decreased during 2016. The net financial result of the banking sector was positive, around ALL 9.3 billion, compared to ALL 15.7 billion in 2015. The average trend of banking sector profitability indicators confirm that RoA decreased at 0.7% (from 1.2% in the previous year) while RoE decreased at 7.2% (from 13.2% in the previous year). The main factor that affected the contraction of profitability of the banking system was the increase by around ALL 6 billion of the provisioning expenses on credit risk. On the other hand, despite the re-pricing (declining) of the deposits interest rates and the decrease of the share of time deposits (costlier), net interest income have decreased their contribution in the financial results. The net interest margin decreased at 4.2%, from 4.4% in the previous year.

### *Banking business capitalisation*

During 2016, risk-bearing assets registered a relatively higher increase compared with regulatory capital. Hence, the capital adequacy ratio fell by around 0.3 percentage point, standing at 15.7%, compared with the previous year. However, the capital adequacy ratio remains notably higher than the 12% required minimum, laid down in the regulatory framework. Good capitalisation remains a feature of the banking system and it has been maintained due to the continued positive values in the net financial result. The structure of the regulatory capital appears favourable in terms of the banking system's capacity to cover potential losses, as the core capital continues to account for 87.9% of it.



## RISK ASSESSMENT AND THEIR MANAGEMENT

### Credit risk

During 2016, the Bank of Albania continued to closely monitor the lost loans write off from balance sheets, as part of implementing the regulatory obligations<sup>31</sup>. Throughout the period, the Bank of Albania has gathered data on the execution process of the obligation, as part of the banking sector's effort to collect non-performing loans. Also, the Bank of Albania continued to implement the countercyclical measures undertaken since May 2013, which contain incentives to channel banking surplus sector liquidity toward lending to economy, and support the early restructuring of loans. The impact of these measures, throughout their implementation period, was assessed as positive. In December 2016, the non-performing loans accounted for 18.3% of the loan portfolio, maintaining almost the same ratio of the previous year. The increase of this ratio in the first nine months of the year was offset by the last quarter of the year, where the decrease of non-performing loans brought the decrease of the ratio. At the same time the coverage ratio of non-performing loans loss provisions, registered 70.5%, tightening slightly by 0.3 percentage point against the last level of 2015.

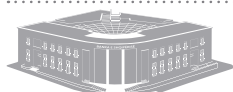
During 2016, banks have been less active in the process of write off of lost loans from their balance sheets, removing from the balance sheets a portfolio of ALL 14.6 billion. There was a significant progress in 2016 toward the implementation of the Action Plan for the reduction of non-performing loans. In addition to the amendments in some regulatory acts of the Bank of Albania, at the end of the year, the Parliament approved some significant legal amendments, in particular the Law "On bankruptcy" and the amendments in the Law "On bailiffs". The Bank of Albania deems that these legal amendments will give banks and other actors involved in the process of problematic borrowing resolution significant instruments to improve the efficiency of the process and accelerate the decrease of non-performing loans in the banking sector.

### Market risk

The Bank of Albania monitors carefully the developments related to the market risk and the direct and indirect impact from possible fluctuations in the exchange rate and the interest rate on the banking sector's activity. Owing to the mismatch between interest rate-sensitive assets and liabilities, the sector is exposed to a fast increase in the interest rate. Although the probability of the fast increase of the rate is actually low, the Bank of Albania recommended banks to include the assessment of this risk in their analyses, and to act to minimise this risk in case it is deemed as important. The level of net open position in foreign currency appears down compared with the previous year, suggesting a limited exposure

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<sup>31</sup> Starting from January 2015, banks are forced by regulatory requirements to undertake the process of cleaning the balance sheets – the write off from balance sheets of the loans that are found in the "lost" category for more than 3 years.





to the exchange rate risk (volatility). In December 2016, at sector level, the open position of foreign currency was "long", at 7.0% of the regulatory capital, from 7.7% in December 2015.

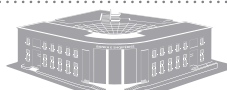
The indirect impact of potential exchange rate volatility on the banking activity indicators is important. In the event of unfavourable exchange rate fluctuations, the most probable impacting channel is the credit quality in foreign currency, when the borrowers' income is in lek. Although, this credit portfolio has been downward during the period, exchange rate volatilities may affect considerably the solvency of borrowers. The unhedged foreign currency credit accounts for 26.6% of credit outstanding, down by 1 percentage point from the end of 2015. The trend noted in recent years, for the expansion of crediting mainly in the Albanian lek, has contributed to the reduction of the above-mentioned exposure; therefore, both, banking industry and economic agents, should provide more support in this regard.

### *Liquidity risk*

Liquidity position of the banking sector stands at good levels. Bank of Albania assesses that banking system exposure to liquidity risk is low. Stress test exercise on liquidity risk shows that banking sector in Albania owns sufficient regulatory capital and liquidity reserves to withstand strong shocks caused by adverse economic and financial developments, domestically or abroad. In December 2016, liquidity indicators, stated as the ratio of liquid assets to total assets and the ratio of liquidity assets to short-term liabilities, were 31.3% and 40.6%, respectively. All banks have maintained liquidity ratios significantly above the required minimum levels laid down in the applicable regulatory framework. The ratio of credit to deposit value was around 52%. Deposits remain the main source of funding the banking sector activity. Overall, deposits have a low concentration, which has been downward since the end of 2014. During the year, commitments undertaken by parent banks in the form of lines of financing expanded. In December 2016, credit lines accounted for 0.9% of total assets of the sector, compared with 0.42% in December 2015. Only 30% of the total credit line was used.

### *Monitoring systemic risk*

The construction of adequate indicators for the identification of systemic risk in the financial system is a significant and persistent challenge for regulators. The Bank of Albania, in the framework of developing macro-prudential policies, monitors the developments in the systemic risk through some indicators and methodologies, which assess its various aspects. For 2016, the accumulation of the systemic risk increased compared to the previous year, reflecting the developments in real estate prices and external debt in foreign currency. In contrast, the materialisation of the systemic risk has declined due to improved credit quality to enterprises and households, the decrease of the unemployment rate and the lower exposure of banks to the exchange rate risk.



## 2.4 BANKING SUPERVISION

*Bank of Albania's supervision is based on three pillars: licencing, regulation and supervision. The latter is carried out through off-site surveillance and on-site inspections. The constant supervision and regulation of financial activities in Albania, mainly of banking activities, are at the focus of this function and represent its main activities<sup>32</sup>.*

The focus of the Bank of Albania in the supervision function has been the meeting of targets for ongoing monitoring, through on-site inspections and off-site analyses of banks' risk level and their management performance. Particular attention has been given to the monitoring of risks to which the financial institutions are more exposed, as well as to financial institutions that constitute a special importance for the proper functioning of the financial system in Albania. There has been enhanced supervision attention not only to particularly important financial institutions, but also to other financial institutions with problems, which have the potential to materialize risks, and therefore losses. Bank of Albania's actions aimed at the prevention of adverse events through an approach aimed at their early identification and the assessment of risks and their impact in view of the future. The work to fulfil these functions is performed in parallel with the development of domestic capacity, review and improvement of the supervision structure, the roles and responsibilities, as well as through the cooperation and coordination with other regulatory authorities, domestically and abroad.

In addition to the regular activity for the supervision of the licenced subjects, resources are focused on the implementation of the medium-term strategy objectives of the Bank of Albania. In this context, actions have been undertaken towards:

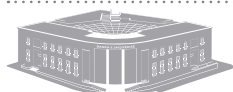
### *Consolidation of risk-based supervision*

In this regard, the final document of the Internal Capital Adequacy Assessment Process (ICAAP) was prepared. This document is drafted in compliance with Pillar II of Basel II and sets out the criteria on internal assessment by banks of the needs for capital based on their perceived risk levels. It is being discussed with banks and is expected to be approved during 2017. Likewise, Recovery and Resolution Plans of systemic banks were also revised, by reassessing the internal processes in place to prevent adverse events as well as to assess the readiness to react.

Also, the supervision organizational structure was revised, allowing its regrouping in function of work processes. Thus, it was provided the possibility for off-site analyses harmonization with on-site control of banks, work-flow processes were revised, an equal approach for entities with similar activities was ensured. New processes were established. These developments also dictated the need for increasing the supervision structure capacities of human resources.

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<sup>32</sup> *The Bank of Albania publishes detailed data on the developments in the banking sector and the banking process in the Supervision Annual Reports.*



### *Alignment of supervision practices with the European standards*

The Bank of Albania, within its objectives for aligning the supervision practices with the applicable practices in the countries of the European Union as well as for drafting the methodologies that reflect the latest developments in this regard, has collaborated with the European Bank for Reconstruction and Development on a project to review risk direction and management issues for the banks. The aim is to revise the structures of governance, Steering Council and established committees structures; their composition, responsibilities and role in promoting an efficient and transparent control environment; governance focused on risk management; assessment and regulation of remuneration policies; assessment and regulation of compatibility and internal control. To analyse the adequacy and the potential needs for review and reassessment of the above mentioned elements, the European Bank for Reconstruction and Development will focus on assessing their implementation in the legal and regulatory framework, as well as internal documents that support this process. The project started in 2016 and is expected to end in 2017.

### *Reconceptualization and development of the Early Warning System methodology and policy*

This system consists in the periodical analysis of several key indicators of financial performance assessment of banks and it early warns about developments that need increased supervisory attention. This methodology serves as a rather good support of off-site analyses, by drawing attention toward risks that should be considered. In this regard, the aim is to increase risk control quality, through staff specialization, indicators' extension and combination of off-site analyses with on-site inspections.

## ADDRESSING NON-PERFORMING LOANS

During 2016, the reinforced horizontal review of non-performing loans trend and the efforts undertaken by the banks to address the phenomenon were fulfilled. The Bank of Albania has communicated with the banks of the system, addressing the issue of portfolio quality in terms of dealing with non-performing borrowers as well as writing off loans categorized as lost in compliance with the relevant regulatory obligation. At the same time, the Bank of Albania has requested each bank to draft and present the Recovery and Resolution Plans on large borrowers, as defined in the relevant regulatory framework on major risk management as well. At the end of 2016, banks were also required to formalize the strategies for the reduction of non-performing loans, their implementation, the forecast of the impact in the budget accompanied by requirements for their periodic monitoring. The progress of these requirements will continue to be monitored more frequently during 2017.

The development of the implementation of the national plan of measures on addressing the non-performing loans also received special attention. Two of the



most important issues of this plan, which constitutes a direct commitment of the Bank of Albania, are the solution for the 35 largest borrowers as well as out-of-court debt restructuring. In collaboration with the World Bank, following the international experience in addressing these problems, it is expected to finalize in the near future two important products: the guideline on loan restructuring, which will completely revise the current guidelines according to the best international principles; and the creation of a formal framework for banks' cooperation on addressing the problematic of common borrowers.

As part of the implementation of the national plan, in 2016, several changes were undertaken on the clarification of the concept of loan writing off from the balance sheet, the review of the supervision treatment of real estate taken into ownership as a consequence of the legal proceedings for the execution of the non-performing loans' collaterals, the review of the regulatory framework to facilitate the sale of non-performing loans, as well as some needed improvements in the credit registry.

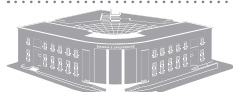
### ENHANCING SUPERVISORY CAPACITIES

With the support of the TAIEX programme of the European Union, in 2016, a cooperation project started with the Bank of Italy, which aims at providing technical assistance for the supervision on several dimensions, such as:

- Starting the work on the implementation of the supervision requirements under Basel III, by reviewing the regulatory framework on liquidity risk.
- Reviewing the Regulation "On capital adequacy ratio" and identifying the needs to amend it, in order to further align it with the requirements of Basel II & III, as well as drafting an action plan for their addressing.
- Capacity building of internal supervision, to ensure a better assessment of the criteria used by banks for lending, by defining the criteria for the financial analysis assessment that banks perform for their borrowers as well as assessing the possibility of defining the limits of the main financial indicators for various sectors of the economy.
- Reviewing the Early Warning System with a view to improving off-site analyses.
- Reviewing the regulatory framework in force for electronic money institutions.

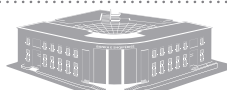
### REVIEW OF THE LEGAL AND REGULATORY FRAMEWORK

The drafting and the review of the supervision regulatory framework was aimed at supplementing and improving it continuously by the supervision authority, in order to ensure compliance with the requirements of the Law on banks and the alignment with the directives and the regulations of the European Union (EU), the standards of the Basel Committee on an effective banking supervision,



the better practices in this area, by also considering the developments and problems of the banking system. The main regulatory changes are provided in the following.

- In response to the encountered problems, the Regulation "On minimum safety requirements on premises where banking and financial activities are carried out and on the transport of monetary values", by redefining the minimum safety requirements in premises where banking and/or financial activities are carried out, as well as the transport of monetary values. This Regulation took also into account the various problems faced by the inspections carried out in banks' branches and agencies, in non-bank financial institutions as well as in foreign exchange bureaus. During the year, this Regulation was revised to include in the criteria of physical safety the activities of savings and loan associations as well, after the legal and regulatory amendments mentioned above.
- The Bank of Albania led the process for the thorough review of the legal and regulatory framework on the functioning and the supervision of the savings and loan associations. In collaboration with the World Bank and with the stakeholders the Law on the functioning of the savings and loan association was drafted and then approved by the Parliament of Albania in May 2016. In compliance with this Law, the entire regulatory framework on the supervision of the savings and loan association was revised, which consists in the regulation of the licencing process, the regulation on the risk management criteria in the activity of these institutions, as well as the reporting system for the periodic information on their financial activity. These amendments brought also profound structural changes in the number and size, as well as in the restructuring of these institutions' activity.
- The Regulation "On licensing and activity of banks and branches of foreign banks in the Republic of Albania" was revised in part, in order to ensure compliance and consistency with the concepts used in the Supervision Policy document.
- The Regulation "On licensing and activity of non-bank financial entities" and the Regulation "On licensing, organization, activity and supervision of foreign exchange bureaus" were revised simultaneously and interdependently. The amendments aimed at ensuring a more effective supervision approach to electronic money and non-bank financial institutions, by increasing the responsibility of the institutions themselves associated with their agents, in accordance with the requirements of EU directives in the payment area. Likewise, in the context of implementing measures to reduce non-performing loans, some easing requirements were stipulated on the capital level of institutions that purchase non-performing loans (non-performing loans managing companies).
- The Regulation "On capital adequacy ratio" and the Regulation "On the management of credit risk by banks and branches of foreign banks" were amended at the same time, in light of the commitments of the Bank



- of Albania in the plan of measures to reduce non-performing loans.
- The Regulation "On licensing and activity of non-bank financial institutions" and the Regulation "On electronic payment instruments", were reviewed at the same time, based largely on the provisions of EU directives on the activity of electronic money institutions, as well as taking into account the development of these institutions in the Albanian market.
- The draft-law "On recovery and resolution of banks in the Republic of Albania" was finalized, and was approved by the Parliament of Albania in December 2016. It was drafted with regard to the respective EU directive and aims to provide the Bank of Albania (the Resolution Authority) with a set of legal instruments for a rather early and rapid intervention in the case of a bank in unfavourable positions.

#### BOX 5 THE LAW ON "BANK RECOVERY AND RESOLUTION"

*The Law on the recovery and resolution in banks in the Republic of Albania sets out a clear legal framework for the recovery and the resolution of banks, when they face financial crises, and it aims to align partially the Albanian legislation with the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (Banking Recovery and Resolution Directive).*

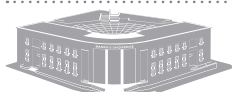
*The provisions laid down in this Law provide the Bank of Albania, as the Resolution Authority, with a set of legal instruments to intervene early and rapidly enough in the case a bank is in an unfavourable position, in order to ensure the continuity of the critically important financial and economic functions of the bank, always by minimizing the effect in the economy and in the financial system.*

*The Law applies on banks licenced by the Bank of Albania that conduct their activity in the territory of the Republic of Albania.*

*The Law provides four main resolution tools: the bridge bank, the sale of business, the asset separation and the bail-in. While the bridge bank is already known in the banking legislation, the other tools are provided for the first time in a particular legislation on recovery and resolution of problematic banks.*

*The implementation of the tools provided in the Law takes into account the principle of proportionality based on the nature of the activity, shareholding structure, legal format, risk profile, size and legal status, relationship with other institutions and the financial system in Albania, scope and complexity of banks' activity, their participation in the shielding schemes or any other common system.*

*In order to implement the instruments laid down in the Law, specific provisions are in place related to the creation, use and management of the resolution fund. This fund is financed mainly by the annual contribution and the extraordinary contributions by the banks, and are managed by the Deposit Insurance Agency. The target level of the fund is projected to be fulfilled within a 10-year transitory period from the entering into force of this Law.*

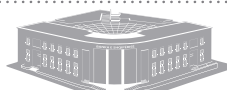


## ON-SITE EXAMINATIONS

Following the risk-based supervision model, the importance of off-site analyses has grown. However, on-site examinations have a primary role in terms of on-site examination of the quality of the internal policies and their implementation, establishment of adequate processes of risk management, implementation of the regulatory supervision framework, of the best international standards, as well as the verification of the accuracy of the reported information. During 2016, ten full-scope and partial examinations were performed in banks and non-bank financial institutions, 14 examinations in savings and loan associations, and 5 examinations in foreign exchange bureaus. Of them, 13 examinations were realized with the collaboration of the Deposit Insurance Agency, 3 examinations were realised in collaboration with the General Directorate for the Prevention of Money Laundering, and 1 examination in collaboration with the Albanian Financial Supervisory Authority.

The main objective of the examinations is to determine a thoroughly comprehensive risk profile for the licenced entities. Banks' examinations have identified the activities' areas which need improvements, while relevant recommendations are provided, as follows:

- Governance and supervision role of the steering bodies. The accountability of these bodies has been intensified by defining their direct responsibility for addressing the problems identified in the bank's management to ensure at all times compliance with the regulatory requirements, maintaining a steady activity and the anticipation of certain situations.
- Strategic planning and setting of objectives. The need was identified and a recommendation was made for a clear definition of the activity objectives, accompanied with the planning and providing of the necessary human, financial, and technological resources, for their realisation.
- Control systems efficiency. It was identified the need for a more adequate separation of responsibilities, delegation, providing independence, increasing professionalism in order to increase the performance of the control systems in the banks.
- Capital adequacy. An assessment was made of the indicator's calculation accuracy by identifying regulatory implementation deficiencies and the material impact in the indicators as well as the responsibilities of the relevant structures.
- Credit risk assessment and the creation of adequate reserves. The need was identified to revise loans classification and the creation of the relevant reserve funds to match the assessed level of risk. A policy review was recommended for a more careful approach to credit risk, ensuring appropriate guarantees, the early identification of deterioration signs to adapt continuously to the conditions of the economic environment.
- The non-performing loans recovery and the treatment of properties





acquired by legal proceedings have attracted the supervision's attention due to the increased share in the recent years, albeit at a modest size against banks' main activity. Based on the conclusion of the audit, it was recommended to maximize the efforts to increase the income from the recovery in order to increase available funds, by fulfilling the primary goal of banking activity, financial intermediation.

- Transparency with customers. Efforts were made and spaces were found to improve the quality of the information provided to customers, in terms of expansion of products and services, technology progress and the combination of financial activities with each other.

The focus on safety and physical protection of banks was expanded during the examinations carried out in 2016. In parallel with regulatory amendments and on-site examinations, the Bank of Albania has also collaborated with the Albanian Association of Banks and other stakeholders to address the issues of funds safety management.

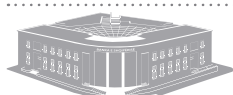
During the examination of other licenced financial institutions, the following main areas were identified that should be addressed further:

- Compliance with regulatory indicators, mainly the capitalization level.
- Completion of the management bodies.
- Regular reporting of financial information to the Bank of Albania.
- Improvement of the identification and analysis processes for the prevention of money laundering and terrorism financing.

At the conclusion of the examinations, the Bank of Albania recommended the necessary improvements and followed rigorously their implementation. Supervisory measures were implemented as well on some entities, for which repeated violations of the regulatory requirements were identified.

### COLLABORATION WITH FOREIGN AUTHORITIES

With the creation of a Single Supervisory Mechanism (SSM) at the European Central Bank in November 2014 and considering the active presence in Albania of branches of large groups of European banks, the Bank of Albania and the European Central Bank are in the process of drafting a complete agreement that will regulate all the cooperation areas and aspects, which is in the approval phase at the European Central Bank. After the prior approval of this document's format, which will be used as a benchmark standard to formalize the cooperation with the regional countries, the agreement will be signed and the method of implementation will be negotiated.



## LICENCING AND APPROVALS

The Albanian banking sector continues to be dominated by EU-based banking group subsidiaries. Currently, there are 16 banks exercising their activity in the Republic of Albania.

*Table 4 Banks' ownership structure (number of banks at period-end)*

	2011	2012	2013	2014	2015	2016
Banks in Albania, of which:	16	16	16	16	16	16
Branches of foreign banks	2	0	0	0	0	0
Banks' ownership structure, by capital origin, of which:						
Majority foreign owned <sup>1</sup>	14	14	14	14	13	13
- EU <sup>2</sup>	10	10	10	10	9	9
- Turkey <sup>3</sup>	1	1	1	1	1	1
- Owned by IFIs (Saudi Arabia) <sup>4</sup>	1	1	1	1	1	1
- Kuwait <sup>5</sup>	1	1	1	1	1	1
- Swiss Confederation <sup>6</sup>	1	1	1	1	1	1
Majority Albanian owned <sup>7</sup>	2	2	2	2	3	3

<sup>1</sup> "Majority" is in any case the simple majority of 50 per cent plus 1 vote.

<sup>2</sup> Banks with capital origin from EU countries are from: Italy (Intesa Sanpaolo Albania, Veneto Banka), Austria (Raiffeisen), Germany (Procredit), France (Societe Generale Albania), Greece (Banka Tirana, Alpha Bank Albania, NBG Albania), Bulgaria (First Investments Bank Albania).

<sup>3</sup> National Commercial Bank.

<sup>4</sup> United Bank of Albania.

<sup>5</sup> Credit Bank of Albania.

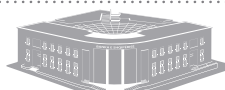
<sup>6</sup> International Commercial Bank.

<sup>7</sup> Majority Albanian owned banks at the end of 2016 are: Union Bank, Credins Bank and American Bank of Investments.

During 2016, the Bank of Albania approved the transfer of the (indirect) qualifying holding of the shareholders' capital of a bank, as well as assessed and approved three applications submitted by banks to increase the financial activities permitted in the licencing annex: exercising the transferable securities trading, factoring and trading transactions financing, insurance and reinsurance intermediation, etc.

Banks submitted applications for their bank network regarding both expansion and reduction (closure, merger/transfer) of branches/agencies in the country. Following these changes, the number of branches/agencies within the country at the end of 2016 was 493, from 500 at the end of 2015.

In this year, the Bank of Albania granted new licences and its approval for financial institutions, subject to its licencing and supervisory framework. In 2016, four non-bank financial institutions were licenced, to conduct lending, factoring, financial leasing, payment services and money transfer activities, and 3 existing licences were revoked. The number of licenced non-bank financial institutions was 28 at the end of year. Also, 3 approvals were granted to conduct additional financial activities, and 3 approvals for the



transfer of qualifying holdings of capital quotes/shares of non-bank financial institutions.

*Table 5. Number of banks and financial institutions licenced by the Bank of Albania (end of period)*

	2011	2012	2013	2014	2015	2016
Banks and branches of foreign banks	16	16	16	16	16	16
Non-bank financial institutions	19	21	21	22	27	28
Foreign exchange bureaus	301	322	333	356	397	428
Unions of savings and loan associations	2	2	2	2	2	2
Savings and loan associations	126	126	121	113	111	13

Source: Bank of Albania.

The licencing of foreign exchange bureaus continued the upward trend during 2016 as well. Thirty-nine new foreign exchange bureaus were licensed. Eight licenced entities that exercised the foreign exchange activity returned their licenses to the Bank of Albania for termination of activities. As a result, the number of foreign exchange bureaus was 428. This year recorded the finalisation of the reorganising process of savings and loan associations, through the merger by absorption of 98 savings and loan associations on the base of the existing savings and loan associations. As at the end of 2016, there were 13 savings and loan associations and 2 unions of savings and loan associations.

## 2.5 CURRENCY ISSUE

*The Bank of Albania has the exclusive right for the issue and circulation of the national currency – the Albanian lek. It determines the form, dimensions, weight, model, and other features of Albanian banknotes and coins of legal tender in Albania, as well as coins and banknotes for numismatic purposes.*

### BANKNOTES IN CIRCULATION<sup>33</sup>

At the end of 2016, there were 131,202,354 banknotes in circulation, worth around ALL 254.722 billion. Compared with 2015, the number of banknotes in circulation increased by around 5.9 million banknotes, while their value increased by 8.2%. The change in these indicators is attributable to the continuing change in the structure in favour of 5000 Lekë and 2000 Lekë banknotes. Also the volume of payment requests by commercial banks increased by 25.9%. The average value of a banknote in circulation at the end of 2016 was ALL 1941, from ALL 1878 at the end of 2015.

<sup>33</sup> It is the number and value of banknotes put in circulation by the Bank of Albania.

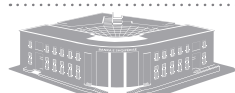
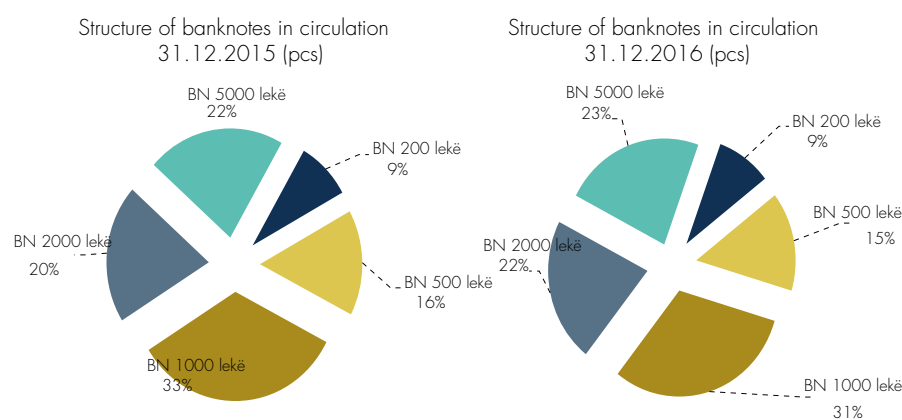


Chart 19 Structure of banknotes in circulation

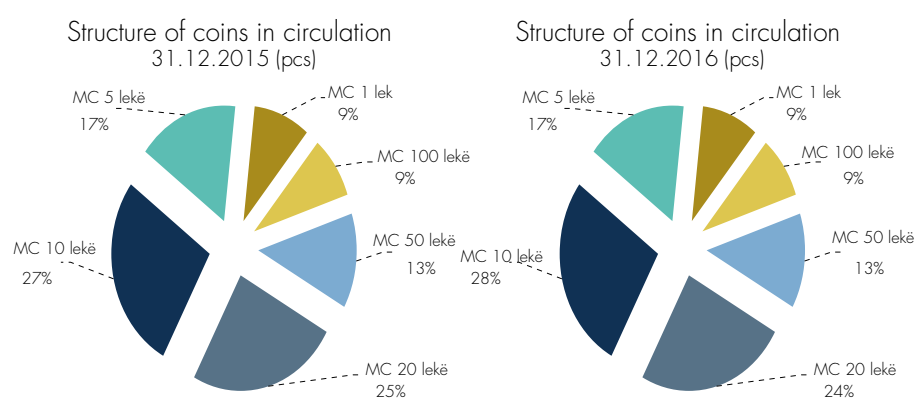


Source: Bank of Albania.

## COINS IN CIRCULATION

At the end of 2016, there were 170,494,419 coins in circulation, worth ALL 4.098 billion. Compared with 2015, the number of coins in circulation increased by 7.6% and their value by 7.9%. At the end of 2016, the overall coin to banknotes ratio was almost unchanged from the previous year.

Chart 20 Structure of coins in circulation



Source: Bank of Albania.



## INDICATORS OF CURRENCY IN CIRCULATION

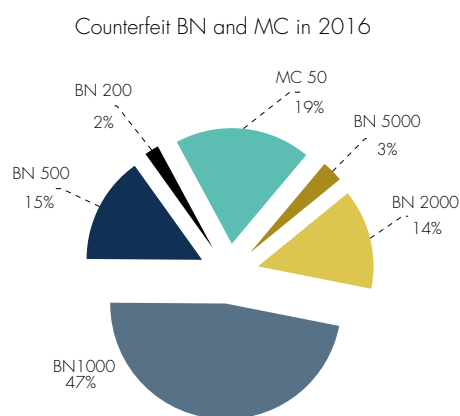
At the end of 2016, the ratio of currency in circulation to the M2 aggregate was 35.13%<sup>34</sup>, from 31.3% of the end of 2015. Meanwhile, the coefficient of currency circulation<sup>35</sup> in the Bank of Albania was 0.412, from 0.409 in 2015.

## RECYCLING OF CASH AND QUALITY OF BANKNOTES IN CIRCULATION

During 2016, around 114 million banknotes were processed, which were checked for authenticity and fitness for recirculation. From the process, around 25.9 million banknotes resulted unfit for use, which were withdrawn from circulation. The sorting rate<sup>36</sup> was 22.6%, from 25% in 2015. Unfit banknotes were replaced case by case with new banknotes fit for circulation. The banknote circulation coefficient<sup>37</sup> for 2016 was 0.95, implying that a banknote is returned at the cash desks of the Bank of Albania, on average around once a year. This rate is higher for 500 Lekë and 1000 Lekë banknotes (around 1.7 and 1.2, respectively) and lower for 5000 Lekë and 2000 Lekë banknotes (around 0.22 and 0.78, respectively), which shows that the latter are returned more rarely at the cash desks of the Bank of Albania.

## PROTECTING BANKNOTES AND COINS AGAINST COUNTERFEITING

Chart 21 Banknotes and coins, counterfeit, by denomination 2016



Source: Bank of Albania.

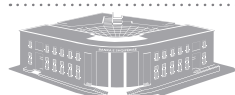
During 2016 work continued for monitoring and full expertise on the counterfeiting of the currency in circulation. In this context, the Bank of Albania conducted on-site inspections and examination of the banking system, for the verification and the necessary help for the implementation and decision of the measures for an effective and real functioning to ensure the integrity of the currency in circulation, in accordance with the regulations approved by the Bank of Albania. Also, in order to increase capacities and expertise in this area, prevention-related activities were organised, such as training in the field of protection of the currency against counterfeiting mainly with groups of cashiers in and outside the banking system, as well as testing and monitoring machines used by staff.

<sup>34</sup> Note: it is the value for aggregate M2 based on preliminary data for 2016.

<sup>35</sup> Ratio of the number of banknotes and coins cashiered at the Bank of Albania cash desks to the average annual number of banknotes and coins in circulation.

<sup>36</sup> Ratio of unfit banknotes and coins to the total number of banknotes and coins sorted in a year.

<sup>37</sup> Ratio of the number of banknotes received at the Bank of Albania cash desks to the average annual number of banknotes in circulation.



Compared with the previous year, the quantity of counterfeited banknotes and coins discovered in circulation decreased by 13.4% during 2016. Overall, compared with the number of banknotes and coins in circulation, they remain insignificant. We observe that the counterfeited banknotes of the 1000 Lekë denomination constitute around 47% of the total counterfeited banknote and coins, followed by the 50 Lekë coin at 19% of the total as well as the denomination 500 Lekë and 2000 Lekë at 15% and 14 % of the total, respectively.

The monitoring of the phenomenon of counterfeit national banknotes shows that it continues to be dominated by the digital colour reproduction, combined with the application of additive methods for the imitation of the security features. Meanwhile, in terms of techniques of banknote falsification, we note that there is no tendency toward professional printing. Mostly, the tendency is to imitate first level - visual and tactile - security features, and less frequently those readable through authentication devices.

## 2.6 PAYMENT SYSTEM

*To accomplish its legal responsibilities, the Bank of Albania promotes and supports the smooth functioning of the domestic payment systems in Albania. The Bank of Albania has taken steps to achieve this objective, by promoting developments, in its role as the systems' operator and overseer. These measures have consisted in the completion and improvement of the regulatory framework of the payment system, the promotion of the inter-institutional cooperation, the expansion of research work and the increase of transparency.*

### PAYMENT SYSTEM OVERSIGHT

The Bank of Albania fulfils its legal obligation on the normal functioning of the payment systems through three approaches: operator, overseer and promoter. In this framework, the Bank of Albania has continued to take concrete steps, by promoting developments in its role as both the operator and the overseer of these systems. More specifically, in addition to the completion of the regulatory framework on payment systems oversight, particular attention has been dedicated to the promotion of the inter-institutional collaboration, the expansion of the research activity, and the increase of transparency.

The payment instruments, as components of the payment systems, have also been in the focus of the payment system oversight. Thus, during 2016, in order to promote the efficiency of electronic money and in accordance with the EU directives, the regulatory framework "On electronic payment instruments" approved by decision of the Supervisory Council No. 11, on 09.11.2016, was revised.

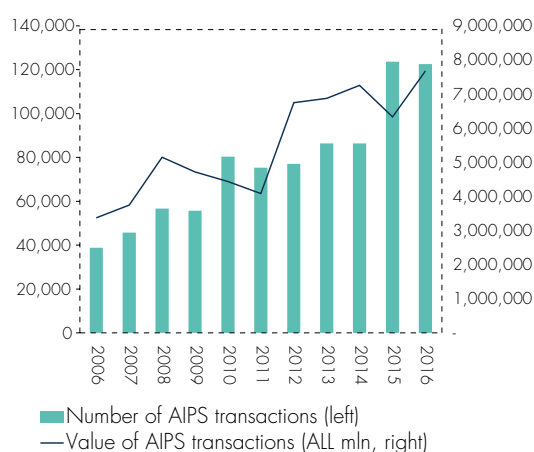


In view of fulfilling the strategic duties of the Bank of Albania in the framework of the European integration, throughout 2016, the Bank of Albania has started the work for the transposition in the Albanian legislation of the Directive 2015/2366 "On payment services in the internal market". For this purpose, the Bank of Albania started a cooperation project with the Bank of Italy, which will contribute to strengthening the rules related to internet payments as well as the implementation of the European practices and regulations on payment system supervision.

## PERFORMANCE OF AIPS AND AECH SYSTEMS

### *Albanian Interbank Payment System for large-value payments (AIPS)*

Chart 22 Transactions in AIPS by number and value



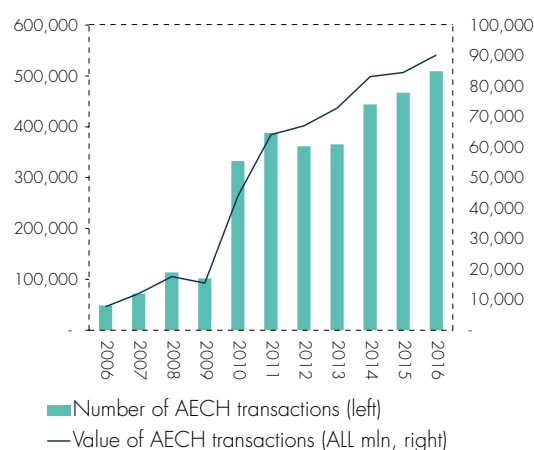
Source: Bank of Albania.

During 2016, the Bank of Albania and 16 commercial banks participated directly and the Ministry of Finance indirectly in the AIPS system. The volume of transactions processed during the year was 122,550 with a total value of ALL 7,676 billion. Compared with the previous year, the volume of processed transactions decreased by around 0.83%, while the value of the processed transaction increased by 21.29%.

The Intraday Loan Facility (ILF) has decreased in terms of both number and value (13.25% and 28.64%, respectively), reflecting the decrease of the exposure of the system to liquidity risk.

### *Albanian Electronic Clearing House for small-value payments (AECH)*

Chart 23 AECH transactions, by number and value

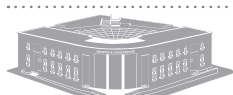


Source: Bank of Albania.

During 2016, the Bank of Albania and 16 commercial banks participated directly and the Ministry of Finance indirectly in the AECH system. The volume of cleared payments during the year was 508,935 with a total value of around ALL 90 billion and an average value of around ALL 180,000. Compared with the previous year, the activity of the AECH system, increased in both volume and value of cleared payments, by 9.05% and 6.79%, respectively.

## PAYMENT INSTRUMENTS

Banks' reporting on payment instruments show that around 11.9 million payment transactions were



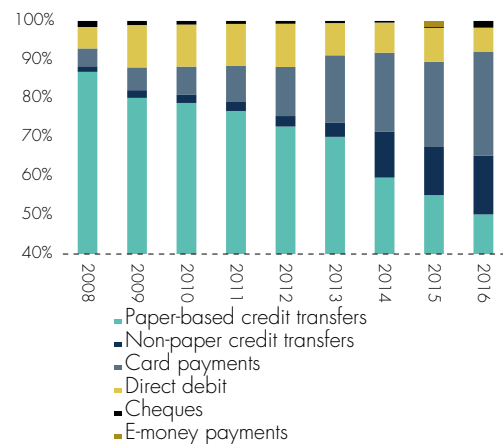


made, totalling ALL 4.512 billion, registering an increase by 8.54% in volume, and a decrease by 1.85% in value, during 2016.

From the total number of clients' payments, we observe for this period a high use of credit transfer (at 65.08%), of which, around 76.94% were payment instructed in paper form. However, it is worth highlighting that, in the last years, we have noted a contraction of paper credit transfers, meanwhile non-paper credit transfers (home banking) and card payments increased.

In terms of use of electronic payment instruments, it is worth highlighting the use of electronic money by both bank and non-bank financial institutions. The increase in the use of such instrument is considered to have a positive impact on the financial inclusion of the population in financial services.

Chart 24 Performance of payment instruments during years



Source: Bank of Albania.

### Bank cards

As at the end of 2016, fourteen banks were licenced as card issuers in the Republic of Albania, 9 of which were also licenced as card accepters, up 1 bank compared with 2015. Also, during 2016, two electronic payment institutions exercised their activities in the market as well. During the year, the issuing of debit cards increased by 5.5% and the issuing of credit cards increased by 5.9%. On the other hand, the introduction of cards with electronic money functions has showed a rapid upward trend during the year.

From the use of bank cards in ATM and POS terminals, we see that the major share of processed transactions with cards has been cash withdrawals from ATMs, an indicator of a largely cash-based economy. However, during 2016, we observe a significant increase in the number and value of card payments in physical and virtual POSs, 28.9% and 21.2%, respectively, continuing the positive trend registered in the last years. In relative terms, payments carried out with prepaid cards reached up to 6.51% of the payments with debit and credit cards.

As at the end of 2016, the number of POS terminals increased by 6.31%, while the number of ATMs slightly decreased by 3.15% compared with the last year. Notwithstanding the positive upward trend in the number of POS terminals, their concentration continues to be high in the region of Tirana,<sup>38</sup> at

<sup>38</sup> Regions are divided according to the branches of the Bank of Albania.



81.76%, while terminals for the use of electronic money cards registered an upward trend of 13.9% compared with the end of 2015<sup>39</sup>.

### Home Banking

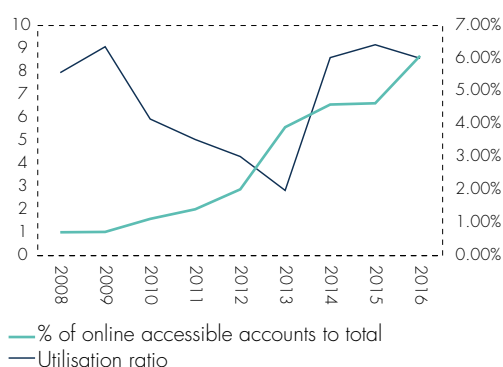
Recently, home banking has been increasingly expanding in the Albanian market. Thus, 14 of the 16 banks were offering different home banking products, as at the end of 2016. These products provide remote access to the bank account, via on-line, telephone or software that the bank makes available to its clients. From banks' reports, we observe a significant increase of 27.63%

of the volume of home banking payments and of 21.51% of the value of the transactions, compared with the previous year. The increase of home banking transaction also dictates to a large extent market's developments in this aspect.

The increasingly upward trend of home banking is closely connected to the presence of infrastructure and the expansion of possibilities to access internet through a smartphone.

Regarding cash transactions conducted by customers at banks' cash desks, during 2016, we observe a decrease of the number and an increase of the value compared with the previous year. This year has registered a slight decrease of cash desk transactions by 0.4% in numbers, and an increase by 10.27% in value, compared with the previous year.

Chart 25 Trend of online accessible accounts against total accounts and trend of online accessible accounts utilisation ratio\*



Source: Bank of Albania.

\*The utilisation ratio shows how much on average an account is used on-line to carry out transactions.

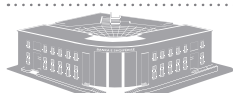
### NATIONAL PAYMENT SYSTEM COMMITTEE

The National Payment System Committee (NPSC) continued its proceedings in this year, in light of fulfilling its operational strategy. Particular attention was paid to fulfilling the NPSC recommendations as well as to the cooperation and collaboration with the institutions participating in it.

In November 2016, the first standardisation process of the payment order format was successfully completed, which is based on SEPA's standards<sup>40</sup>. Another project initiated by the Albanian Association of Banks that requires the collaboration of the Bank of Albania is that of the implementation of the Interbank Direct Debit. Its goal is to increase the use of this instrument by the

<sup>39</sup> Electronic money is a payment instrument, different from the remote payment instruments. E-money is an electronic store of monetary value and provides to the holder the possibility to make payments electronically. This instrument may be reloaded with monetary value whenever necessary, within the limits set out by the Bank of Albania. Electronic money may be stored on a card or a system (i.e. PAYPAL) and is not conditioned by the need to own a bank account.

<sup>40</sup> Single Euro Payments Area – initiative of the European Union for the integration of payment systems through the development of harmonized electronic payments schemes and systems.



clients of all the banks, regardless of the location of the utility companies' bank account thus contributing to reducing the use of cash in the economy.

In view of promoting innovation in banking services, the Albanian Association of Banks, in cooperation with the Bank of Albania and the NPSC, organized a conference on "Digital Banking". In this conference, international experiences were presented not only from the perspective of regulator and overseer of the market, but also from the perspective of the institutions that offer these services. Special attention was also paid to the initiatives of banks and other financial institutions in the Albanian market.

#### **BOX 6 PROJECTS WITH THE WORLD BANK IN THE PAYMENT AREA**

*Throughout 2016, the Bank of Albania continued to cooperate with the World Bank in the framework of implementing a project on measuring payment instruments costs. This project is based on the methodology created by the World Bank and aims to identify and measure all costs carried by the different payment instruments, in order to create a strategy for the efficient reform and development of the payment market.*

*Preliminary results succinctly identify physical currency as the most expensive payment instrument and credit transfers in electronic form as the cheaper. The project will be completed within 2017.*

*Following this cooperation, two other projects started during 2016, which also aim at promoting payment services from the perspective of remittances as well as promoting financial inclusion of the public with in these services. The following is the summarized information on these two projects:*

##### **1) Financial inclusion**

*The purpose of this project is to assess and draft a strategy of financial inclusion from the point of view of payments, which fundamentally will aim to provide to individuals a broader access of the payment offer in the Albanian market. To achieve the goals abovementioned, experts of the World Bank and representatives of the Bank of Albania have analysed the Albanian context from the point of view of infrastructural and institutional developments, as well as the legal and regulatory framework related with the area.*

##### **2) Remittances**

*This project is divided in two activities. The first activity aims to carry out an assessment of remittances in the international market, based on a methodology of the Bank for International Settlements (BIS). The second activity, named Greenback, is an instrument, which, through financial education, is expected to help building a closer relationship between individuals that send remittances and financial institutions.*

*At the current stage, the two projects are in the process of finalisation of the market analysis report, the identification of gaps and need for improvement and the drafting of a programme/strategy to achieve the abovementioned goals.*



## LIST OF LICENCED ENTITIES ACTIVE IN THE PAYMENT AREA

Institution	Licence number and date	Area of activity
Paylink sh.a.	Nr. 1 dt. 04.10.2013	Operator national scheme card payments
Unioni financiar i Tiranës sh.a.	Nr. 1 dt. 08.12.1999	Payment and money transfer services
Posta Shqiptare sh.a.	Nr. 3 dt. 18.04.2001	Payment and money transfer services
Ak - Invest sh.a.	Nr. 7 dt. 03.12.2003	Payment and money transfer services
NOA sh.a.	Nr. 9 dt. 06.06.2007	Payment and money transfer services
M-Pay sh.p.k.	Nr. 22 dt. 31.05.2011	Payment and money transfer services
Vodafone M-Pesa sh.p.k.	Nr. 31 dt. 25.03.2015	E-money institution
EasyPay sh.p.k.	Nr. 35 dt. 16.11.2015	E-money institution
Kastrati sh.p.k.	Nr. 36 dt. 10.03.2016	Payment and money transfer services
Pay and Go sh.p.k.	Nr. 37 dt. 18.03.2016	Payment and money transfer services

## 2.7 FOREIGN-EXCHANGE RESERVE MANAGEMENT

*The Bank of Albania is the national authority responsible 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, which support Albania's financial stability, and is in accordance with the monetary policy.*

The Supervisory Council is responsible for approving the objectives of the foreign exchange reserve management. The primary objectives of this process are liquidity and security, whereas ensuring returns from reserve funds management represents the third objective, as long as it does not infringe the objective for liquidity and security. The Investment Committee approves the names of entities where foreign reserves may be invested. These names include the governments of USA, Japan, Great Britain and those in the euro area, as well as government-related agencies or institutions that are generally rated at least AA- (for euro area governments the accepted minimum rate is BBB-).<sup>41</sup> The names of entities allowed for investment also include multilateral institutions or other institutions rated at least AA-.

## FOREIGN-EXCHANGE RESERVE PORTFOLIO

At the end of December 2016, the stock of foreign exchange reserve was around EUR 2.944 million. The composition of foreign exchange reserves by currency was: USD 22.2%; EUR 62.7%; GBP 2.8%; JPY 2.4%; AUD 1.4%; SDR 6.1%; gold 1.9%; CNY 0.5%.

At the end of 2016, foreign exchange reserve is invested in liquid assets, mainly with maturities of 0-3 years. The share of time debt instruments with maturity over 5 years does not exceed 2.5% of the reserve portfolio. The portfolio managed by the external manager (World Bank), is invested against a reference portfolio of 0-3 years, mainly in debt instruments issued by the government.

<sup>41</sup> Entities/ instruments listed up to BBB- are included in "Investment" category (investment grade).

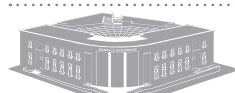
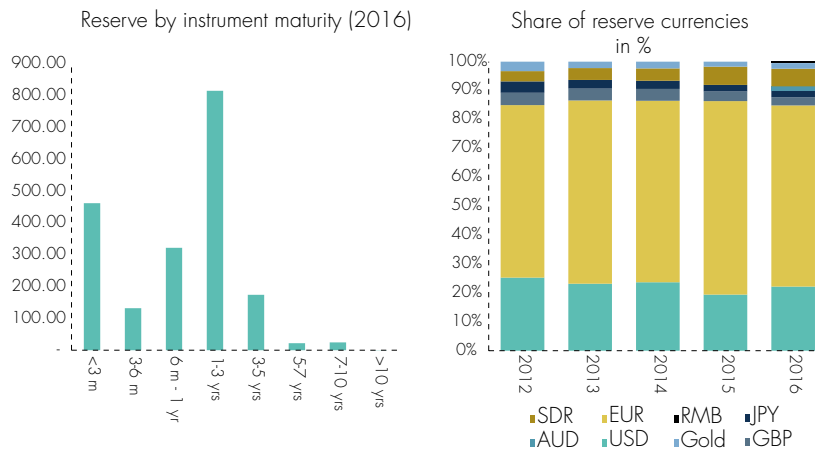
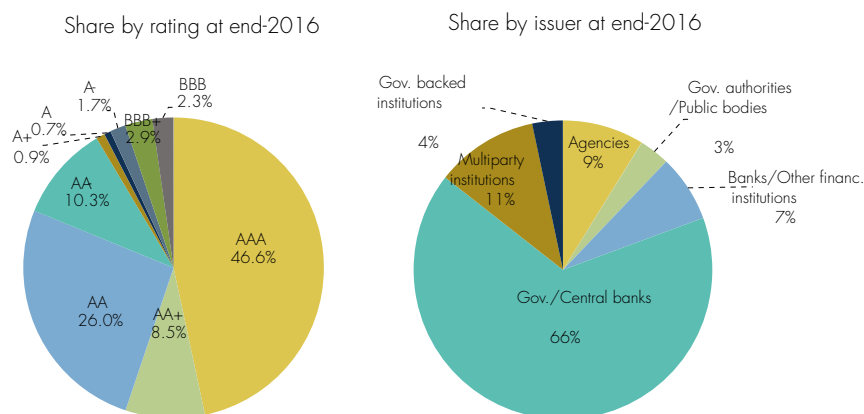


Chart 26 FX reserve indicators by maturity (left) and currency (right)



Source: Bank of Albania.

Chart 27 Composition of the reserve portfolio by rating and issuer



Source: Bank of Albania.

More than 90% of the foreign reserves portfolio is invested in institutions of high quality ratings (classes AAA and AA). The reserve is mostly invested in debt instruments issued by governments / central banks (66%), followed by multiparty institutions (11%), agencies (9%), banks / other financial institutions (7%), government-guaranteed institutions (4%) and government authorities / public bodies (3%).

## OTHER DEVELOPMENTS IN VIEW OF THE FOREIGN RESERVE MANAGEMENT

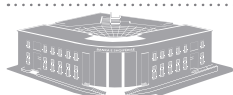
In the framework of the agreement with the World Bank (IBRD), in 2016, this institution provided technical assistance in several significant aspects. First, in



cooperation with World Bank experts, the methodology and criteria applied by the Bank of Albania for the size and composition by currency of foreign exchange tranches were re-evaluated. The World Bank also provided assistance in improving the selection of the strategic portfolio, with a view to enhancing the efficiency during the management of the reserve fund. Furthermore, in an effort to improve the infrastructure of information technology to support foreign exchange reserves management, last year, the Bank of Albania engaged and successfully finalized the project for the implementation of the new version of the Portfolio Management System. This version enabled adjustments to problems encountered in the previous version as well as improvement in the processing and maintenance of static data, automation in processing operations, and reduction of the operational risk level.

Regarding the regulatory framework on foreign exchange reserve management, in September the investment policy for foreign exchange reserve management was amended, driven by the decision of the IMF to include the Chinese currency (CNY) in the SDR basket. This amendment confirmed that the existing criteria will continue to be applied, as the composition of investment tranche is largely determined by the composition of the SDR basket. In particular, the proposal to distribute the weight of the CNY, as part of the SDR basket, onto two currencies, the Chinese currency (CNY) and Australian dollar (AUD), was approved. The new composition of the investment tranche represents a diversified movement towards investment in a new currency of a G10 country, as well as getting an exposure in emerging markets.

Further on, after the consultation with World Bank, and IMF experts, the new project of the regulation "On policy and management of foreign exchange reserve" was finalized. The main amendments in the new draft regulation are related to: a clear definition of the objectives for which the foreign exchange reserve is held; a full formulation of the objectives of the foreign exchange reserve management, taking into consideration a wider framework of several risk sources, reflecting these aspects in the review of the criteria of the size and composition by currency of reserve tranches. The new project proposed the adoption of the criteria for risk budget in the case when, due to the necessity of respecting the primary criteria, a significant part of the reserve fund needs to be invested in an environment with negative interest rates. Content of the proposed project by the new regulation was approved by the Supervisory Council in February 2017.

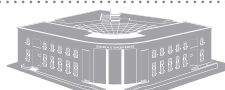


## BOX 7 HIGHLIGHTS IN FOREIGN EXCHANGE RESERVE FLOWS IN 2016

During 2016, the gross foreign-exchange reserve, estimated and reported in euro, increased by about EUR 62.85 million, registering EUR 2,944.13 million as at end-December. The stock of gross reserves increased significantly, at the end of December, as a result of shifting of liquidity to foreign currency by commercial banks from non-residents in the form of surplus reserves at the Bank of Albania.

- A. Transactions with the Ministry of Finance provided a negative impact, estimated at EUR 139.51 million, according to the following items:
  - Net inflows from disbursement of various loans, at EUR 249.18 million;
    - International Monetary Fund (IMF), at EUR 144.75 million;
    - International Development Agency (IDA) etc., at EUR 104.43 million.
  - Inflows from the issue of foreign currency debt, in the domestic market, at EUR 35 million;
  - Outflows (including debt service), at EUR 423.69 million.
- B. Commercial banks and other entities' transactions provided a positive impact, estimated at EUR 135.54 million, according to the following items:
  - Commercial banks' deposits at the Bank of Albania to comply with the required reserve and transactions related to their capital, etc., at EUR 615.39 million;
  - Outflows, at EUR 478.56 million;
  - Net outflows for the account of other entities (IDA, etc.) at EUR 1.29 million.
- C. Bank of Albania's transactions provided a positive impact, estimated at EUR 85.27 million, according to the following items:
  - Buying foreign currency from the Ministry of Finance and other institutions, at EUR 58 million:
    - Ministry of Finance EUR 56.76 million;
    - other institutions EUR 1.24 million;
  - Profit generated from foreign-exchange reserve investments, estimated at about EUR 41.83 million. These receipts represent mostly interests and coupons and are calculated on cash basis;
  - Settlement of Bank of Albania's dues to the IMF and the Government of Greece estimated at EUR 12.45 million;
  - Transfers at around EUR 2.11 million.
- D. Market factors provided a positive impact, estimated at EUR 18.45 million, according to the following items:
  - Foreign-exchange rate volatility of currencies composing the foreign-exchange reserve contributed positively to the gross reserve reported in EUR, registering an effect of about EUR 14.56 million.
  - The portfolio revaluation effect, as a result of interest rate volatility, is estimated at a negative value of EUR 33.01 million<sup>1</sup>.

<sup>1</sup> This value includes the effect from the securities coupons.





## 2.8 STATISTICS

*Undertaking good monetary and supervision policies requires regular monitoring, in-depth analysis and an extensive set of granular, frequent and high quality statistics. In this context, the development of monetary and financial statistics and external sector statistics is a fundamental responsibility of the Bank of Albania and is the basis for monetary policy decision-making and financial stability.*

*The Bank of Albania meets also the reporting obligations to international institutions - the IMF, World Bank and Eurostat and ECB - within the framework of Albania's European integration process. The Bank of Albania is a member of the 'GDDS'<sup>42</sup> and of different reporting systems guided by the IMF.*

During 2016, the activity in the field of statistics was oriented towards the strict implementation of projects serving the realization of medium-term objectives of the Bank of Albania (2016-2018), the National Plan for European Integration (NPEI), the recommendations of the Eurostat mission and IMF missions, and in consideration of the requirements of Eurostat and other international institutions.

The main obligations were: (i) production of timely and qualitative of external sector, monetary and financial, and banking statistics, (ii) production of new statistical indicators, (iii) alignment of methodologies with international standards, and (iv) statistical and methodological reporting to national and international institutions (INSTAT, IMF, Eurostat, VVB).

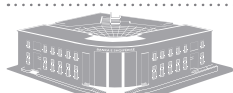
### ALIGNMENT OF METHODOLOGIES WITH INTERNATIONAL STANDARDS

The Bank of Albania has intensified its work on approximating its statistics methodologies to the international standards and aligning them with the *acquis communautaire*. Concrete efforts have been undertaken to collect and build new data and to improve the data processing system. This progress is supported by the cooperation / assistance with the IMF, Eurostat, and included the completion of the reporting obligations to international institutions.

In the area of monetary and financial statistics, in the framework of approximation to international standards of compilation (ECB, IMF) and pursuant to the recommendations of the ECB experts report, the Bank of Albania has worked on implementing ESA 2010 standards for the classification of instruments by institutional sectors (referred to this standard) for reporting by commercial banks and the alignment of drafting interest rate statistics with the standard and reporting requirements by the European Central Bank<sup>43</sup>. This new set of statistics on interest rates further increases the expertise in the analysis and the monetary pass-through mechanism.

<sup>42</sup> General Data Dissemination System - The general data dissemination system.

<sup>43</sup> Approximation of the ECB Directive No. 34/2013



In addition to periodic reporting of existing indicators, new indicators are reported to financial institutions over the year. The Coordinated Portfolio Investment Survey (CPIS) and the relevant methodology through the Integrated Correspondence System (ICS) was reported for the first time to the IMF; four new questionnaires were reported to Eurostat (in accordance with Regulation (EC) 555/2012 on the transmission of data), through SDMX platform (Balance of Payments-Quarterly, Quarterly International Investment Position, Direct Investment by flow-country and Direct Investment by stock-country). For the very first time, in a quarterly frequency the public is provided data on: (i) International Investment Position; (ii) investment flow by country and economic activity; and (iii) direct investment stock by country and economic activity. Also, the time series 2008-2012 of the external sector statistics (balance of payments, international investment position, and gross external debt) is reviewed and published in accordance with the new methodology of the IMF, BMP6, as well as the time series of Direct Investment by nomenclature of economic activities, Nace. Rev. 2.

Following the consolidation of data sources, the drafting of financial accounts by sector was enabled for the first time, based on the methodological standard ESA 2010, for the end of 2015 - at the same time approximating to the time frame that the standard provides.

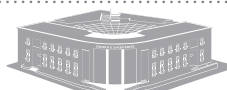
The methodology of compiling external sector statistics is drafted pursuant to the objective provided in the National Plan for European Integration (Regulation (EC) 184/2005).

## ENHANCING THE QUALITY AND INTEGRITY OF STATISTICS

Pursuant to the strategic vision, the Bank of Albania is working towards further increasing the effectiveness and efficiency of the statistical product. In this context, intensive cooperation not only with INSTAT (the official statistics producer and coordinator of the national statistical system in Albania), but also with third parties is addressed. The Memorandum of Understanding between the Bank of Albania, INSTAT and MF was finalized in September 2016. According to this memorandum, technical working groups were set up for the adequate sharing of statistical data collected/compiled by the respective institutions as well as for better methodological harmonization between the three statistical agencies.

The Bank of Albania continues to cooperate with institutions such as the Albanian Financial Supervision Authority (AFSA) and the Albanian Association of Banks (AAB). Cooperation with the AFSA is expected to further strengthen in several areas for the timely and qualitative exchange of information.

The Bank of Albania was represented and has actively participated in the Interinstitutional Working Group for Chapter 18 (statistics) of the Acquis, and in



the Interinstitutional Working Group for the preparation and reporting to Eurostat the Excessive Deficit Procedure (EDP)<sup>44</sup>. EDP reporting involves a harmonized set of tables where important data of the government sector are reported, such as government deficit, debt level, financial accounts and other additional information. Such tables serve for monitoring public finances soundness in member states and candidate countries, and respecting the two criteria set out in the Maastricht Treaty.

Modern statistics cannot be perceived without the powerful support of the IT, regarding their collection, compilation and dissemination. In terms of achieving international standards in the infrastructure of reporting, storage and control of data, during 2016, the automated system of regulatory reporting by the commercial banks was put into operation. Since 2016, the Bank of Albania is connected online with commercial banks for regulatory reporting- through the Electronic Regulatory Reporting system (ERRS). Also, starting from 2017, it has been working on including also non-bank financial institutions in this system. Processes are automated through the new platform of reporting. Before, they were carried out manually by operators and specialists. Automation has contributed to the reporting, control, processing and dissemination of data for the users within the Bank of Albania, aiming to increase the efficiency of reporting, reducing the reporting load and increasing the statistics quality.

During the year, we have been working for developing the International Transactions Reporting System (ITRS). This reporting is a necessity in order to meet the criteria (reporting requirements for the integration), by geographical location, institutional sectors, compilation frequency and publication and dissemination of statistics.

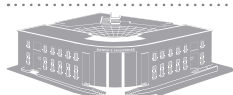
Further on, in the framework of the legal obligation of the Bank of Albania as a statistical agency for reporting to the international institutions, some compendium modules were prepared for the statistics produced by the Bank of Albania in 2016.

- Balance of Payments
- Direct investments
- FATS
- International trade in services
- Monetary and financial statistics
- Financial accounts- data production

Internationally, the Bank of Albania continues to maintain reporting relations with the IMF, Eurostat, ECB; such relationship is expected to be strengthened through collaborations in various projects, such as that of the government finances, e-GDDS and statistics development of other financial corporations, planned for this year.

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<sup>44</sup> Groups are headed by the Institute of Statistics (INSTAT).



## 2.9. RESEARCH

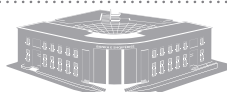
*The Bank of Albania aims to base its decision-making process on the sound foundation of a body of tested knowledge on the Albanian economy. Investment in creating solid research capacities contributes to improving Bank of Albania's reputation and credibility as an institution with advanced methodologies and the required knowledge for guaranteeing the country's macroeconomic equilibriums. Therefore, the active development of research assumes a primary role in Bank of Albania's development strategy.*

The Bank of Albania's research is oriented toward empirical studies and analyses, often offering practical applications in support of its objectives for controlling inflation and maintaining financial stability. Research papers in 2016 aimed to assess the ability of the tools used for generating economic projections, as well as understand the functioning of monetary transmission facing the current challenges in the financial system.

Analyses on the modelling suggest that the forecasting capacities of the used models in the central bank are at satisfactory levels. However, research should continue to improve them with new methodologies and modern techniques. Analyses on evaluating the used structural models show that medium-term projections generated for the economic activity, inflation and exchange rate are at satisfactory levels. This is proven by several indicators on their forecasting capacity. However, the analysis pays attention to the need to complete the model portfolio with new techniques based on the microeconomic methodology, which are widely being used for the preparation of analyses and projections for formulating the monetary policy.

New evaluations on the parallel market (informal) of credit in the economy and national accounts indicators are in line with the conclusions of the past analyses. It should be emphasized that the results obtained from sources of information, wherefrom this activity is thought to originate, show that non-formal funding plays a significant role. On the other hand, information from the users shows that this phenomenon, measured at economy level, is not widespread or disturbing. Given the importance of this phenomenon in terms of financial stability, effectiveness of the transmission and the mechanism on which the policy rate operates, the study will continue during the up-coming period.

Econometric estimates have dispelled the fears that the banking stability may be threatened by sovereign risk. Relevant research highlights that the banking stability is more affected by the financial leverage and operational efficiency, followed by macroeconomic factors and situations. Thus, it is necessary that banking supervisors carefully monitor the credit performance of both individual banks and the entire system. Studies show that rapid lending rates are significantly correlated with exposure to higher risk, causing the expansion of non-performing loans, after four years.



The findings of research are presented in the activities and conferences organized by the Bank of Albania and other activities. The presented papers and comments and remarks have served to further improve studies and comparative analyses, before they are offered for decision-making purposes at the Bank of Albania. One of the most important activities was the 10th SEE Economic Research Workshop "Including monetary policy and financial shocks and trends in modelling and policy analysis", held at the Bank of Albania on 1-2 December 2016. The topics discussed related to assessments of various aspects of the monetary policy, fiscal policy and central banking, financial stability, various aspects of international trade and analysis of macroeconomic models. Twenty five papers were presented this year by various central banks such as Italy, Greece, Turkey, Estonia, Hungary, Bulgaria and Macedonia, as well as by academic institutions such as Paris School of Business and Ovest Nanterre – La Defense in France, Artvin Coruh in Turkey, Johannes Gutenberg , University Mainz in Germany, etc.

A more complete and detailed information on the research works of the Bank of Albania is found at the web page of the Bank of Albania: "Publications/ Researches and Working papers". Other research works are published as articles in the "Economic Review" of the Bank of Albania. A semi-annual brochure "Research Newsletter at the Bank of Albania" informs about the newly completed research or in progress, materials presented in the "Friday Seminars", or in other activities organized by the Bank of Albania throughout the year.

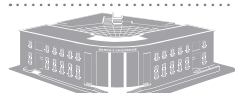
## 2.10 EUROPEAN INTEGRATION AND INTERNATIONAL COLLABORATION

*European integration is a priority objective for Albania. On 24 June 2014, Albania received the EU candidate status. On 9 November 2016, the European Commission recommended the conditional opening of accession negotiations. EC periodical reports have commended the contribution of the Bank of Albania towards maintaining macroeconomic stability, financial stability, improving supervisory practices and promoting market development and payment systems in Albania.*

### EUROPEAN INTEGRATION ISSUES

The Bank of Albania has continued to contribute to fulfilling the obligations arising from the Progress Report and National Plan for European Integration. It coordinates and prepares the reports related to Chapter 4, "Free movement of Capital" and Chapter 17, "Economic and Monetary Policy". On the other hand, it contributes to six other chapters of the Acquis.

On 9 November 2016, the European Commission published the "Progress Report 2016" for Albania. The report highlights the achievements and



obligations that arise in relation to EU integration processes. In its general conclusions, the Report highlights that Albania engaged in EU-related reforms and continued to make progress in meeting the objectives set out in the five key priorities for the opening of accession negotiations. The approval of constitutional amendments which sanctioned the adoption of comprehensive and deep justice system reform while its implementations is a key priority for further success in the negotiations with the EU was mentioned as one of the most prominent achievements.

The contribution of the Bank of Albania on maintaining and further consolidating the macroeconomic balances, is positively assessed in the report. The European Commission considers the monetary policy of the Bank of Albania adequate to ensure inflation's return to target and support economic recovery. The report assesses the banking sector as stable and banks maintained adequate capitalization and liquidity ratios. Non-performing loans continue to be the main risk for the banking system; such risk is being addressed by local authorities.

The Bank of Albania continues to regularly monitor the implementation of the SAA, and the National Plan for European Integration. It participated in the Stabilisation and Association Committee meetings, as well as the meetings of the respective subcommittees.

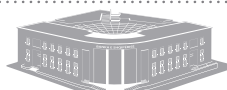
The Bank of Albania has benefited from the EU's short-term assistance instrument TAIEX (Technical Assistance and Information Exchange) to help candidate and potential candidate countries, in terms of familiarisation and enforcement of EU legislation. The TAIEX assistance for 2016 focused on the approximation of legislation of the supervision of the payment systems, human resources management, cash processing and management as well as management of documents and security electronic systems.

## INTERNATIONAL COOPERATION

### *Relations with the International Monetary Fund*

The Republic of Albania has been a member of the International Monetary Fund (IMF) since October 1991. In the framework of the resolution to revise the overall 14th quota and Executive Board reform of 2010, the quota of Albania rose to SDR 139.3 million, after the payment made for its increase in February 2016. Albania has 2857 votes (or 0.06% 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 representative, Mr Carlo Cottarelli, the Executive Director of constituency. This constituency has a total of 207.942 votes (or about 4.13% of total votes of all IMF members).

On 28 February 2014, the Executive Board of the IMF approved the three-year arrangement for SDR 295.42 million (about EUR 330.9 million) under



the Extended-Fund Facility for Albania, supporting the programme of the Government reforms. In a report published at the end of the relevant review, the IMF experts highlighted that monetary policy has been appropriate and that the central bank has contributed to maintaining financial stability in Albania. The arrangement with the IMF is projected to be concluded at the beginning of 2017.

During the year, several IMF missions visited the Bank of Albania, providing technical assistance and consultation. This assistance has targeted some improvement in the performance of the main functions of the Bank of Albania, such as the implementation of monetary policy, the compilation of statistics, banking supervision and safeguarding financial stability. Cooperation with the IMF has been extended beyond the provision of technical assistance. Sharing the same concern with the Bank of Albania, and to emphasize the importance of credit to the economy, in cooperation with the IMF, a forum was organized to discuss measures for credit recovery. This was the fourth financial forum organized in cooperation with the IMF, which aims to address sensitive issues related to the sustainable economic growth of the country.

### *Relations with the World Bank Group*

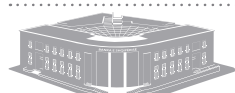
The World Bank Group (WBG) supports Albania through the Partnership Framework, which covers the period 2015-2019, and aims to support Albania's aspirations for an equal growth and integration with the European Union. Since 1991, when the Republic of Albania became a member, the WBG has provided over USD 2.2 billion assistance for Albania. Currently, there are nine projects amounting to USD 544 million, credited by IDA and IBRD<sup>45</sup>.

Cooperation with the WBG in the framework of the Reserves Advisory Management Program (RAMP) continued in 2016. The WBG continued to offer trainings to Bank of Albania staff according to their needs, aiming to maintain, consolidate and further increase the professionalism of the staff engaged in foreign exchange reserve management. The issue of financial inclusion of population received great attention and the WBG is working with the Bank of Albania to assess the use of payments systems and remittances behaviour. The WBG has provided full support for drafting the law on banks recovery and resolution in the Republic of Albania, which was finalized and approved at the end of 2016.

In accordance with the concerns of the Bank of Albania, a workshop was organised on: "Corporate Governance in the Financial Sector", in cooperation with the IFC (International Finance Cooperation) and the Swiss State Secretariat for Economic Affairs (SECO). The workshop discussed the challenges of corporate governance and identified needs for further development of governance practices in the Albanian financial sector aiming to approximate them with international standards.

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<sup>45</sup> For reference, see this link: <http://www.worldbank.org/sq/country/albania/overview#2>.





### *Relations with other international institutions*

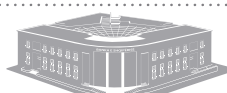
The Bank of Albania continued to cooperate with the **FSVC** particularly on the issue of recovery and resolution of banks and topics related to the budgeting process. The Bank of Albania continued to keep regular contacts with the **European Bank for Reconstruction and Development** (EBRD), with regard to providing information and statistics on the development of the Albanian economy in general, and the financial sector in particular.

Throughout the year, the Bank of Albania has cooperated with the **central banks** of Kosovo, Italy, etc., to exchange experiences and provide assistance exchange for some departments of the Bank.

The implementation of the agreement with the **Graduate Institute Geneva** continued in 2016, in the framework of the cooperation with the Swiss State Secretariat for Economic Affairs. In this framework, various activities were organised, such as the 10th SEE economic research workshop, a workshop on corporate governance in the financial sector, training on further improving the forecasting models, improving research communication in the decision-making process, implementation of macro-prudential policies, etc.

Also, under the **European Commission's** Pericles programme, on 5-7 October 2016, with the support of the Bank of Albania was held the conference of the Mediterranean countries aiming to draft a holistic strategy for the protection of the Euro in the Mediterranean area.

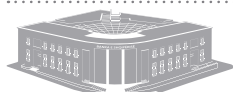
On 27 October 2016, the Bank of Albania in cooperation with the **South East European Studies at Oxford** organised its annual conference on "Aligning monetary policy with financial stability – their objectives, responses and interaction in times of uncertainty." This conference was organised in the framework of the co-operation Agreement signed between the Bank of Albania and the University of Oxford.



## PARTICIPATION IN INTERNATIONAL CONFERENCES, FORUMS AND REGIONAL SEMINARS

During 2016, senior officials of Bank of Albania participated in several international events, such as conferences, forums and regional seminars. Following are some of them:

- **21<sup>st</sup> Central and Eastern European Forum**, organized on 19-20 January 2016 in Vienna (Austria), by Euromoney. This is an annual Forum and brings together prominent international personalities in the fields of politics and economy.
- On 24 February 2016, Governor Sejko paid an official visit to the **Central Bank of the Republic of Kosovo**. Discussions focused on economic and financial developments in both countries as well as on fostering the cooperation between the two central banks.
- **The annual meeting of the EBRD** was held on 11-12 May 2016 in London on "Influencing change - the next 25 years." The Governor of the Bank of Albania informed the interlocutors on the latest developments in the Albanian economy, focusing on the outlook of economic growth, as well as on banking sector developments in Albania.
- On 19-20 May 2017, the Governor of the Bank of Albania participated in the High Level Seminar on "Rethinking Monetary-Fiscal Policy Coordination", jointly organised by the **Bank of Slovenia and the International Monetary Fund**. The seminar served as a discussion platform for exchanging ideas on the co-ordination of monetary and fiscal policies.
- On 26-27 May 2016, the Governor of the Bank of Albania was on a two-day working visit at the **Bank of France**, where he discussed bilateral economic relations, on the performance of the Albanian banking system, promoting the potential of Albania as well as the latest developments in the euro area.
- **Meetings of the Governors' Club of Central Asia, the Black Sea region and Balkan countries**, in the meeting in June in Almaty (Kazakhstan), where the discussions focused on the role of central banks in ensuring the countries' macroeconomic and financial stability. In the meeting in Jerusalem (Israel) on 30 October- 1 November discussions focused on various challenges that central banks face in fulfilling their objective to maintain price stability and macroeconomic stability as well as the security of information and the latest technological developments.
- **Annual and Spring Meetings of the International Monetary Fund (IMF) and World Bank Group (WB)**, held in Washington D.C. on April and October 2016, in which Albania was represented by a joint delegation presided by the Governor of the Bank of Albania, Mr Gent Sejko and the Minister of Finance, Mr Arben Ahmetaj. Governor Sejko held several important meetings with renowned personalities in international finance and senior representatives of these institutions, and informed the participants about the latest developments in the Albanian economy, problems and prospects of economic growth, and developments in the banking sector.



## 2.1.1 TRANSPARENCY AND PUBLIC COMMUNICATION

*Public communication is an important pillar in Bank of Albania's activity. It contributes to fulfilling the responsibility for maximum transparency about decision-making and its effects, and to enhancing public confidence in the central bank. Therefore, the Bank of Albania views interactive communication with the public as a primary issue of strategic importance, to transmit its monetary policy directly and comprehensively to the public.*

### *An open and transparent central bank*

Beyond legal obligations, the Bank of Albania communicates a wide range of information to the public regarding its role and activity, from the decision-making of the Supervisory Council to its daily operational activity. This transparent communication helps increase the effectiveness of policies pursued by the Bank of Albania, prompting the public to understand its decisions in a timely and clearly manner, and be able to properly evaluate them.

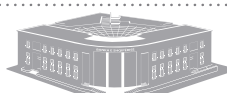
In this regard, the Bank of Albania uses a variety of communication channels, to explain more clearly its role and main objective: maintaining price stability, as well as the way to achieve it.

The Monetary Policy Strategy is based on a decision-making cycle, consisting in eight meetings of the Supervisory Council. After each meeting, the Governor holds a press conference, to explain the decision taken by the Supervisory Council and the underlying analysis to the public. Relevant press conferences were organized in accordance with this cycle, in 2016. In these conferences, the Governor also answered to the media on various issues related to the Bank of Albania. Following the press conferences, the Governor's speeches and the related Q&A were published in Albanian and English.

Each meeting was followed by a publication of a brief summary of the main decisions taken by the Supervisory Council of the Bank of Albania. All public decisions of the Supervisory Council were fully published in the Official Bulletin of the Bank of Albania, on 11 issues.

Besides the monetary policy decision, the Bank of Albania publishes extensive information in the field of banking supervision and financial stability, notably the Annual Supervision Report and the Financial Stability Report. The latter analyses important developments in the financial system during a six-month period and identifies factors that represent systemic risk.

The Bank of Albania's communication is complemented with a number of surveys, analyses, data, evaluations and opinions on the macroeconomic situation of Albania and its role in supporting financial stability. In 2016, its activity was presented primarily through 65 statements, press releases, 20 speeches, and 20 interviews and participation in TV programmes.



Communication with the public is tailored according to the interest, academic level and professional know how of targeted groups of the Bank of Albania, among which, the media has an important role. In this framework, the media is continuously informed and sensitized on issues related to the Bank of Albania and on the performance of the Albanian economy and financial system. In 2016, communication with the media continued with press conferences, speeches, presentations and press releases for activities organized by the Bank of Albania or other national and foreign institutions. There were also interviews or participation in dedicated TV programmes, views on specific issues of interest to the Bank of Albania or other public activities of the Governor and other representatives. Six of its periodic reports were presented "off the records" to the media during this year. These meetings aim to guide the media for a correct understanding of the decision-making of the Bank of Albania and are seen as effective means of communication with the public.

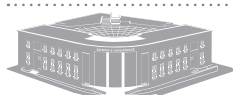
The forums and round tables held with representatives of the banking system, business and academia were part of the communication with the public. During 2016, we highlight the two forums: the meeting "Business Banking Relationship: The prospect of lending 2016" (March 2016) and the Albania Financial Forum IV organized in cooperation with the IMF (June 2016). The discussions focused on credit recovery, reducing non-performing loans and treatment of problems associated with this phenomenon, as a concern of particular importance for the Albanian economy.

A novelty in 2016 was the increased communication with the ambassadors of foreign countries accredited in Albania. Besides bilateral meetings, in May, the Bank of Albania organized a round table with representatives of all the diplomatic corps accredited in Albania. Through the economic diplomacy, the Bank of Albania has contributed to promoting Albania and foreign investments in the Albanian financial system and beyond.

### *A responsible and accountable central bank*

As an independent institution, the Bank of Albania aims to inform citizens, and in particular the Parliament of the Republic of Albania, on all its activities.

Institutional relations with the Parliament take place in several forms. Governor's hearing sessions in the Parliamentary Committee on Economy and Finance are the most significant ones. In March 2016, the Governor introduced the Annual Report of the Bank of Albania to this Committee, responding to its members' interest on specific issues. In November, in a dedicated hearing session, the Governor expressed the opinion of the Bank of Albania regarding key elements of the states' draft-budget for the upcoming year, 2017. During 2016, two separate hearing sessions were also held on the operational activity of the Bank of Albania and the banking system.



The official website [www.bankofalbania.org](http://www.bankofalbania.org) is another tool where the public may find complete and updated information on the economic and financial situation and the general macroeconomic developments in Albania, as well as the role and contribution of the Bank of Albania in this aspect. During 2016, the website had about 720 000 visitors who viewed our page around 2.100.000 times and browsed in total about 4.310.000 rubrics.

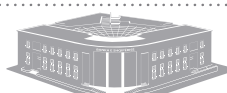
Our website is constantly enriched with a broad set of statistics for many sectors of the Albanian economy, such as: banking sector, fiscal sector, real sector and external sector, published according to a defined schedule that is updated semi-annually. Bank of Albania's statistics are also found in the monthly statistical reports and in quarterly monetary policy reports.

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 and improvement of the banking legislation and its regulatory framework, as well as other relevant issues. Periodic and non-periodic publications, in 2016, consisted of about 2252 pages of analyses, statistics and research, published in both Albanian and English. The set of periodic reports was the same as in the previous year: Annual Report, Quarterly Monetary Policy Report, Financial Stability Report (semi-annual) and Annual Supervision Report. In addition to periodic reports, the following were published: the Official Bulletin, the semi-annual Economic Review of the Bank of Albania, and the semi-annual "Research newsletter".

During 2016, the Bank of Albania continued to freely distribute all its publications, taking into account the social responsibility regarding reducing paper publication. The Bank of Albania informs the public in writing or in electronic form, depending on their preference.

## 2.12 FINANCIAL EDUCATION AND THE MUSEUM OF THE BANK OF ALBANIA

The financial education of the public is not a legal obligation of the Bank of Albania. However, for over a decade now, the Bank of Albania has been committed to expanding and deepening financial literacy, focusing on the younger generation. Two are the main goals of the programmes, activities and special educational publications prepared by the Bank of Albania: presenting the central bank, its functions and role to the public; and cultivating and strengthening financial literacy in the society. In our view, financial literacy is a necessity, taking into consideration not only the pace of economic, banking and technological development, but also the importance and significance of information in today's global world.



In view of the objective of enhancing financial literacy in Albania during 2016, the Bank of Albania continued to its work on public education in several aspects:

**Museum of the Bank of Albania** - The Museum of the Bank of Albania has functioned as a space to provide not only numismatic and historical information, but also financial knowledge to its visitors, through educational publications, audio-visual materials prepared and displayed, as well as through presentations for the visiting pupils and students.

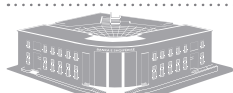
**Educational publications** - the distribution of educational textbooks: "Personal finance in your hands" continued during 2016 for 8 high schools (in total 1 180 textbooks). On the other hand, a brochure was prepared to celebrate the "100th anniversary of the declaration of the Autonomous Province of Korça"; 2 leaflets for 2 commemorative coin series, the brochure "The symbolism of Albanian banknotes" was published in English, and educational leaflets and brochures prepared in previous years were distributed as well.

**Global Money Week** - started on 14 March 2016. It is a global celebration, which aims to sensitize the youth to be responsible and financially capable citizens in the future. It was the third time that Bank of Albania participated in this money celebration week. In cooperation with the Albanian Association of Banks, Ministry of Education and Sport and Ministry of Social Welfare and Youth, several educational and awareness-raising activities for children and youth were organized. The round table discussion on: "The need of a National Strategy for Financial Education" was of particular importance. The discussion aimed at raising the awareness of key public institutions in the country on the importance of financial education and considering the possibility of setting up a Joint Working Group to develop a national strategy for financial education.

**BoA's facebook page** - was created in 2014 to promote and foster financial education. During the last quarter of 2016, the presence of the Bank of Albania was reactivated on social networks, as another way to be closer to the public, mainly the youth. The posts on this web page intend to inform the public through educational materials, numismatic curiosities, activities and publications of the Bank of Albania, reaching a total of about 5000 followers.

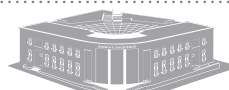
### *Museum of the Bank of Albania*

Inaugurated on 30 October 2015, the Museum of the Bank of Albania officially started to welcome its visitors in April 2016. As it was its first year of operation, it was highly important to provide the regulatory acts for the functioning of the Museum, as well as to standardize the visitors' guide and adapt the information to the interests and knowledge of different age groups of visitors. Initially, the Museum was open to the public for only one day a week; but, given the increasing requests to visit, from December, it is now open to the public for three days a week. In 2016, the Museum of the Bank of Albania was visited by over 2,100 visitors, of whom 1,300 were schoolchildren and students.



An activity that was welcomed by the public was the exhibition marking the "100th anniversary of the declaration of the Autonomous Province of Korça", on 9-10 December in Korça. This historic event was reflected through the exposure of the collection of Korça Province banknotes. The Museum Bank of Albania exhibited them at the National Museum of Education in Korça, aiming to unfold the historical and cultural values of the Albanian banknotes, issued over the years. The exhibition presented the full collection of local banknotes issued by the Autonomous Province of Korça during 1917 and 1918, accompanied by photographic and graphic illustrations, which reflect the historical, economic and numismatic context of that period. In addition to banknotes, visitors had the opportunity to access several educational materials of the Bank of Albania, such as brochures, information panels, etc.

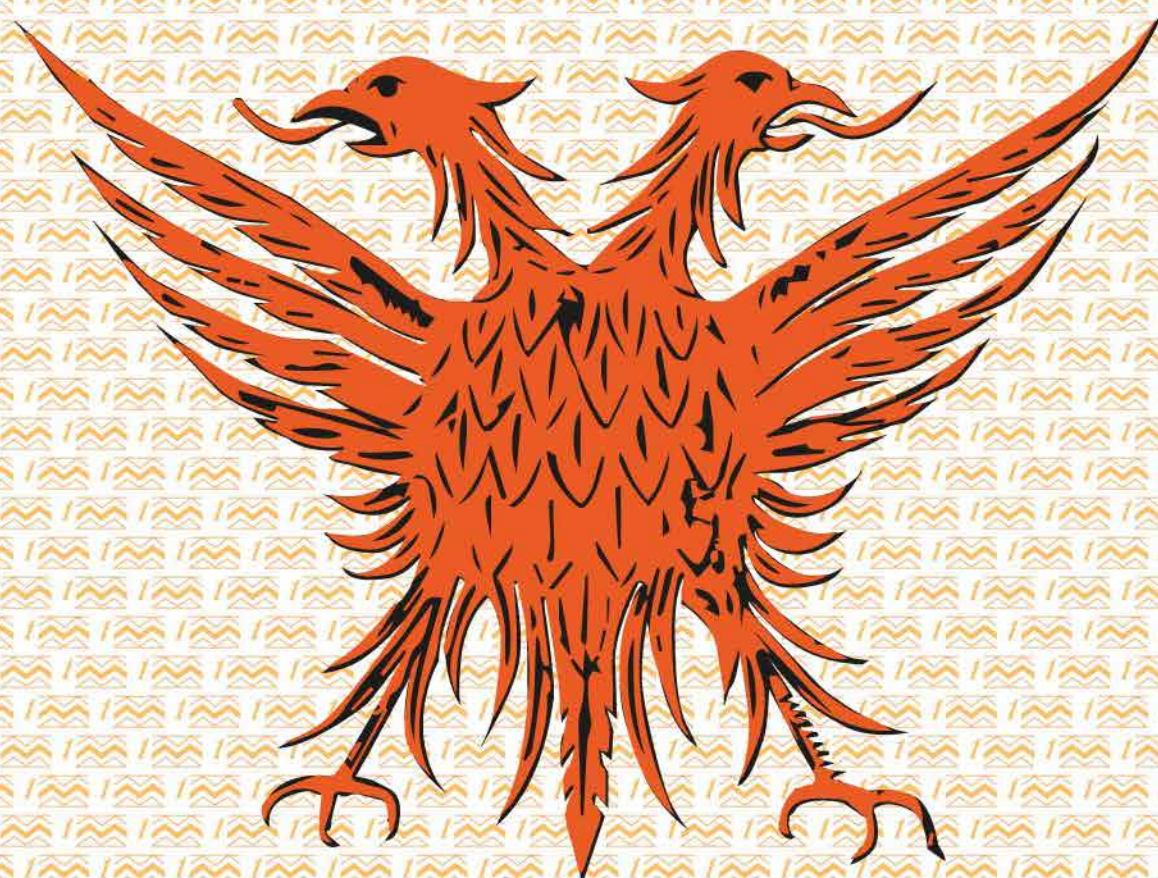
In the up-coming two years, in accordance with the medium-term development strategy, the Bank of Albania will continue to enrich the Museum with new numismatic objects, materials and new programmes regarding financial education, by better adapting them with the visitors' interest. In 2017, we plan to introduce a series of lectures at the Museum of the Bank of Albania, with renowned personalities from various fields, to present their lectures and views and stir the public's interest and add to the list of educational activities organised at the Museum of the Bank of Albania.











# DEVELOPMENT OF INSTITUTIONAL CAPACITIES

*\* Fragments from ornaments featured in the 1 franc regional banknote of Korça, issued in 1917.*



### 3. DEVELOPMENT OF INSTITUTIONAL CAPACITIES

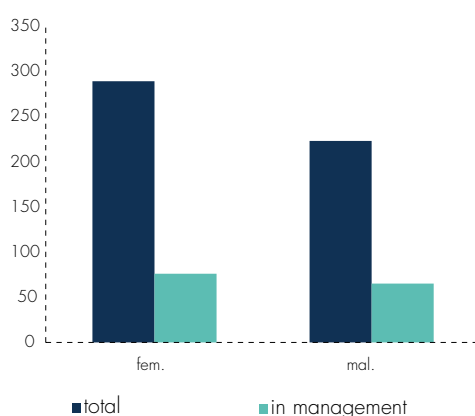
*The activities and policies related to human resources as well as technological developments supporting them, aim to create a motivating working place, which helps the professional growth of employees, adoption of the best standards on central banking and the continuous improvement of administrative processes.*

#### HUMAN RESOURCES

Serving the strategic medium-term objectives of the institution, the management policy of the human resources focuses toward the adoption and implementation of the best practices in managing human resources, which are applied by the central banks of the European Union. These policies mainly aim to rationalize the organizational structure, and improve the effectiveness of the Bank in line with its strategic objectives. Also, proactive employment policies, management and career promotion of human resources for a responsible and flexible organization remains a priority.

Adaptation of the regulatory infrastructure in order to provide the possibility to promote experienced employees has received special attention in the management of human resources. Promotion of the staff aims to increase motivation and serves as an instrument for best incentivisation possible of the human resources capacities. Also, staff retention and continuity, which is one of the main challenges for all central banks, is aimed through policies for professional motivation.

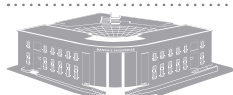
Chart 28 Ratio female/male in management



Source: Bank of Albania.

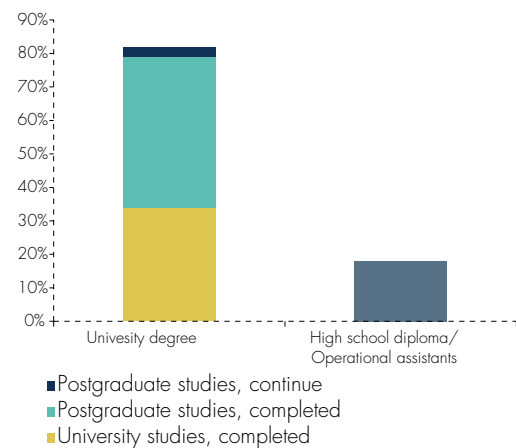
Gender representation at both employees and management level is balanced. The ratio of women to men in total is 56% - 44%, for employees and 54% - 46% for the management level.

Within the framework of human resource management policies, in 2016, the Bank of Albania implemented some changes and improvements in its organizational structure in order to strengthen the communication and coordination of work between different units. These changes were aimed at a better adaptation of the organizational structures of some units with specific duties stemming from the institution's strategic objectives.



The assessment of human capital and the importance of their professional skills is important and one of the key elements for the continuous improvement of incentive policies for the growth of professional qualifications and obtaining professional international certificates by the staff. The Bank of Albania has a relatively young staff, keen on expanding the knowledge and enhancing the professional skills. In 2016, the average age of employees was 42 years old. About 45% of employees have postgraduate qualifications while 3% are attending postgraduate studies. Year 2016 marked the consolidation of the regulatory framework regarding the funding of postgraduate studies and international certifications for the employees of the Bank (Master, Phd or international certifications), at the best universities of the world.

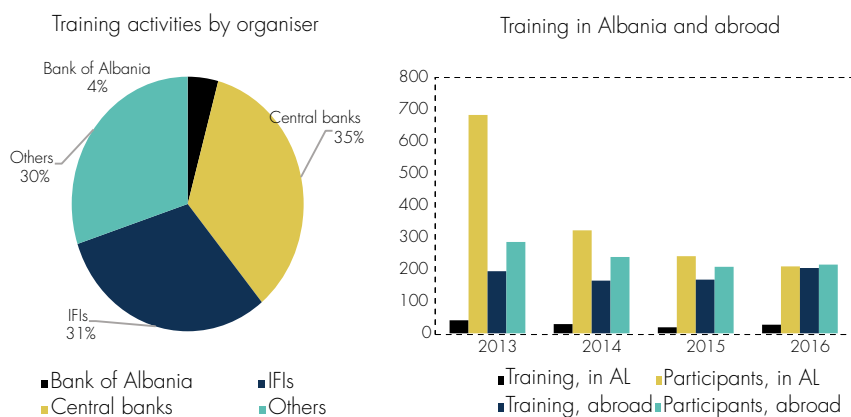
Chart 29 Employees by education



Source: Bank of Albania.

Another important element of human resources policy is the identification of interpersonal and professional skills and their usage for the employees training and development. The Bank of Albania staff has grown professionally because of the professional training courses they have attended in Albania and abroad. Besides earning professional knowledge, participation in these specialized training courses organized by other central banks, international financial institutions (IFIs) or other institutions are beneficial to the staff, because they exchange professional and managerial experiences with representatives of central banks from other countries. The training activities by organizers are shown in chart 30.

Chart 30 Training by organiser (left) and geography (right)



Source: Bank of Albania.



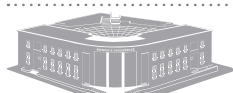
As shown in the chart, the highest participation in the trainings by 35% is in those organised by central banks, receptively: Bundesbank, Bank of Italy, the Czech National Bank, Dutch Bank, Bank of France, Bank of Poland, etc. Trainings conducted by international financial institutions account for 31% offered by: International Monetary Fund, Joint Vienna Institute, EBRD, ECB, BIS, etc. About 30% of the training was conducted in cooperation with other organizers such as the European Commission, EBA, EUROSTAT, IFC, JP Morgan, Balkan Economic Forum, etc.

In comparison with 2013 and 2014, years 2015 and 2016 show a decrease in the number of training courses organized abroad, aiming thus for a more fair and targeted distribution of the activities. Most of the professional trainings in 2016 were conducted on Banking Supervision, (18.72%), Monetary Operations (11.49%), Financial Stability (9.79%), Central Banking (9.36%) and Monetary Policy (7.66%) The rest of training was conducted on fields such as: internal audit; currency issue and management, statistics, accounting and finance, econometrics and modelling etc.

It should be noted that the largest number of professional trainings are focused on building the institutional capacities of the central bank to fulfil its main functions.

### *Agreements and cooperation*

In the framework of the envisaged three-year cooperation agreement with SECO (State Secretariat for Economic Affairs), four workshops were conducted with lecturers from prestigious academic institutions in accordance with planned content in 2016. Fifty eight employees from various departments of the Bank participated in these activities. Also within the framework of this cooperation several employees participated in the fourth annual conference hosted by SECO and GIIDS.



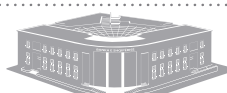
**BOX 8. SOCIAL POLICY AND SOCIAL RESPONSIBILITY**

*The Bank of Albania aims to maintain and further strengthen social values, raise the awareness of its employees in terms of support for vulnerable groups or various social causes. Examples of these efforts are the initiatives to support the financial education, to create a better environment for communities in need and voluntary activities to improve the quality of life for vulnerable groups. Based on the law "On the Bank of Albania", the latter cannot allocate financial aid or make donations; however, in 2016, in the framework of social responsibility and sensitivity, employees have voluntarily contributed with various humanitarian activities as a moral response toward the realization of common community goals.*

*On the occasion of June 1, the International Children's Day, the Bank of Albania staff provided cash contributions and material aid (employee's gifts) on a voluntary basis with the purpose of purchasing sportswear, teaching aids, computers, professional printers, photocopiers, TVs and other items according to the needs presented by the Institute for the hearing-impaired students.*


*In cooperation with "The Albanian Red Cross" and "Blood Donation Centre", on the occasion of the World Blood Donor Day, in June the employees of the Bank expressed their solidarity with the humanitarian initiative for voluntary blood donation as a humanitarian act to assist people in need. The process was administered by employees of "The Albanian Red Cross" according to respective standards.*

*On 2 April 2016, the central building of the Bank of Albania was lighted in blue to mark World Autism Awareness Day, as part of a joint national initiative to raise awareness about it. For the end-of-year celebrations, at the Bank premises was organized a sale of postcards prepared by vulnerable children of the "SOS" village. Proceeds from the sale of postcards prepared by the children will be used to meet their needs.*









# INTERNAL AUDIT



2016

*\*Fragments from ornaments featured in the "20 gold francs" banknote issued in 1926 by the National Bank of Albania.*

## 4. INTERNAL AUDIT

*Internal audit at the Bank of Albania is carried out by the Control Department. The main objective of the Department is to ensure compliance with the laws and by-laws in the activity of the Bank of Albania. The audit function provides for bank administrators, regularly and independently, verification and assessment of internal audit systems, by testing certain control and procedures, without being a substitute for them.*

### 4.1 IMPORTANT DEVELOPMENTS IN THE INTERNAL AUDIT ACTIVITY

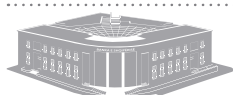
#### A. Implementation of the newly adopted Internal Audit Policy

With the approval of the first Internal Audit Policy and review of the Regulation of the Control Department functioning, the new way of the review and approval process of the annual Internal Audit Plan in the Bank of Albania came into force, in accordance with International Standards on Auditing. The annual plan for 2016 was drafted by the Control Department and the Inspector General and it was submitted for review by the Audit Committee. Moreover, this plan agreed on by the Audit Committee was presented at the meeting of the Supervisory Council on 03.02.2016 and was subsequently approved by decision no. 9.

#### B. Methodology approval for risk assessment for auditing purposes

Since 2013, the Control Department has drafted a new risk assessment methodology for audit purposes, which has been in parallel in a testing phase with the existing methodology of risk assessment. With the implementation of external assessment of the internal audit activity (External Quality Assessment EQA - July 2015), as well as the reviews proposed by the Inspector General during the review of internal audit procedures, this **methodology was completed** with the element: "External environment"- a risk to be evaluated when planning for any function in relation to the impact of the legal/regulatory external environment on the audited function/process. This element constitutes one of the **sources of operational risk**, which was extensively explored during the project for the implementation of the Management Framework of Operational Risk at bank level.

This **methodology was approved by the Inspector General** and was communicated to the administrators and the Audit Committee by the letter no. 5643 dated 07.12.2016. The Action Plan for 2017 is based on risk



assessments of the audit universe based on the new methodology of risk assessment for audit purposes.

### *C. Finalizing the procurement of the application for internal audit and risk management*

From November to December, the Control Department in collaboration with the Administration Department finalized the procurement procedure resumed in April 2016 for purchasing an application for the **automated management of audits and process of operational risk management**. After several years of initiation and failure of procedures for obtaining such software, the Bank of Albania finalized the acquisition process by choosing one of the most serious and valued providers in internal audit, used by many central banks. Year 2017 will start with the implementation of the application, staff training on the use and filling of the application with historical data of Internal Audit and Operational Risk.

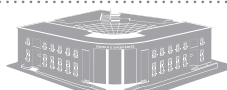
### *D. Establishment and functioning of relations with the newly created ORM unit*

**Reporting and cooperation lines** between the new unit and Control Department for the fulfilment of their own objectives, were established with the creation of the new unit under the Inspector General for the Operational Risk Management (ORM), completion of the structure with 2 specialists as well as the approval of the ORM policy and the regulation on the ORM unit functioning.

### *E. Initiation of the next important project BCM - Sequence of Activities*

On the proposal of the Governor of the Bank of Albania, in the communication dated 10.6.2016 for the Inspector General, pursuant to the Administrators meeting on fulfilling the recommendations addressed by the External Auditor, IMF, ECB etc., the ORM unit was appointed as responsible for initiating and monitoring the process for the implementation of the Programme of Business Continuity Management at the Bank of Albania.

In the framework of **continuing to work** with high added value to the Bank of Albania by the Control Department in 2013, for assessing the current business continuity BoA, where the first engagement of consultation was addressed to assess the level of BCM of BoA against an international standard in BCM, in November - December 2016, we worked on the selection, organization and establishment of the Working Group that will implement **the project for the drafting and implementation of the BCM at the Bank of Albania**. The steering group composed by the Operational Risk Management Unit along with two representatives from the Control Department, simultaneously evaluators of the situation of BCM in 2013, assessed and analysed the current phases of the project and the deadlines necessary for its successful fulfilment.



Now, with the increased risk culture and design/ identification of business processes from all the units of BoA, the project for the business continuity has the necessary basis to develop benchmarks provided in the project plan, which together with the commitment of each unit can guarantee the successful achievement of objectives.

#### *F. Recommendations implementation of the external quality assurance*

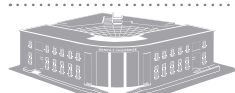
Pursuant to the results and the completeness of the internal audit standards assessed by the De Nederlandsche Bank in May 2015, the Control Department completed relevant changes in the regulatory framework by implementing the action plan for implementing the recommendations of the external quality assurance (EQA). Following this process, **three recommendations are still in process** - one of which relates to the change of the Bank of Albania law to change the name from the Control Department to the Internal Audit Department. Currently, relating to this gap in the law, from which were a number of other recommendations, all the terms in the regulatory basis for the application of the International Internal Audit Standards were reviewed. The following table shows the situation at the end of 2016 regarding the recommendations of the external evaluators (EQA) conducted by the Central Bank of the Netherlands:

Compliance levels according EQA	Standards assessed during EQA, by level of compliance (2015)	The evaluation status in 2016 after the Action Plans
Does not comply	14	0
Partly complies	29	3
Complies	61	101
Total	104	104

According to the above representation, only 3 standards are not fully implemented (in accordance with the best practices provided by IPPF of International Institute of Internal Auditors).

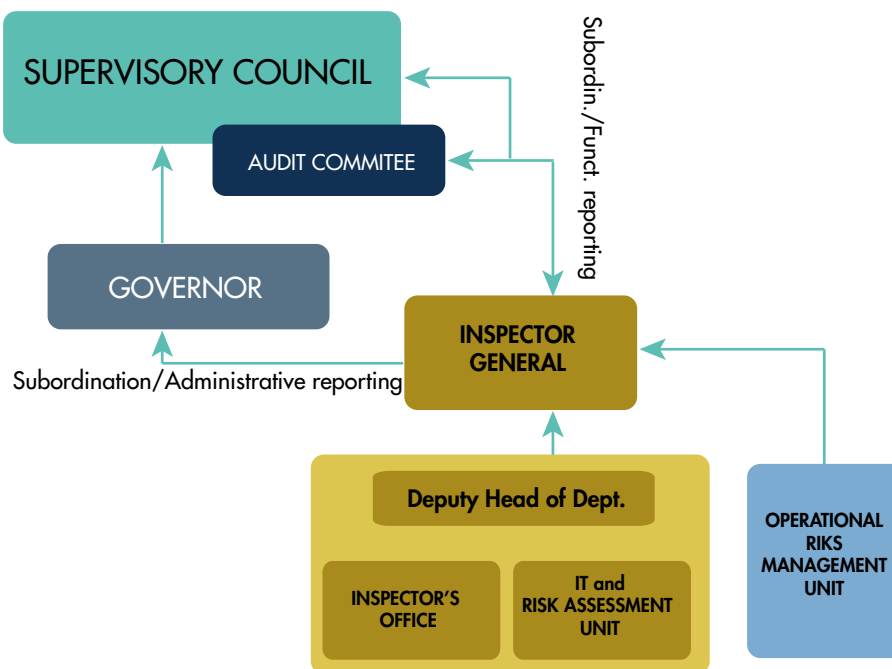
#### ABOUT THE CONTROL DEPARTMENT

In accordance with the Law "On the Bank of Albania", the main objective of the Control Department is to ensure the progress of implementation of laws and by-laws in the Bank of Albania activity, as well as act as a general measure of control and consultancy service for Administrators and the Supervisory Council, contributing towards preserving the integrity of information, efficient use of resources and effectiveness of the internal control systems of the Bank of Albania.



### A. Organizational structure of Control Department

Based on the structural changes of the Bank of Albania approved by decision of the Supervisory Council No. 87, dated 02.12.2015, the Office of Inspector General and Control Department were reorganised (a. addition of the deputy head position, b. creation of the Operational Risk Management unit). Currently the organizational structure managed by the Inspector General is almost complete and with the necessary resources to engage. Year 2016 marked the completion and functioning of almost the whole new structure.



### B. Professional capacity building and continuous training

In view of meeting the strategic objective for professional growth of internal auditors, audit inspectors have been involved in training programs for internal audit and risk management offered by central banks and have attended individual programs for their professional development for membership/ certification at international institutions in the area of accounting, finance and audit. During 2016 audit inspectors started and continued to attend programs for professional certification ACCA, CIA, CISA, and followed the minimum required hours for the maintenance of CIDA, ACCA, KM.

### 2016 ENGAGEMENTS AND THE MAIN ISSUES IDENTIFIED

Audits engagements conducted in 2016 focused on: (i) opinion on the sufficiency of internal audits established by the Management for audited functions/processes, including the supportive applications for conducting the activities; and (ii) opinion on the accuracy and completeness of financial data



in quarterly reports (monetary reporting to the IMF) as well in other audit and non-audit engagements, not planned, with special request by the Administrators or other institutions outside the bank.

A total of 98 recommendations were addressed during 2016, as a result of audit engagements on granting security, not including the suggestions from advisory engagements with special requests by the Administrators. The findings and recommendations for each of the audits carried out during this period are initially addressed at the heads of units for comments and after that to the administrators of the Bank of Albania. A total of 15 audit reports are addressed, 9 of which are engagements on security granting, 4 ongoing engagements for opinion on the accuracy of the data reported to the IMF, and 2 investigation engagements upon the request of the members of the Supervisory Council.

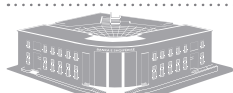
## 4.2 IMPORTANT DEVELOPMENTS OF THE OPERATIONAL RISK MANAGEMENT AT BANK LEVEL

### *A. Implementation of the Framework of Operational Risk Management for the Bank of Albania*

In mid-2015, as part of the repeated recommendations of the international institutions (IMF, ECB, FSVC, WB), the project for the implementation of operational risk at bank level was initiated. The successful practice of identification, evaluation and monitoring of operational risks in the process of foreign exchange reserve management, was intended to extend to all functions and processes of the Bank of Albania in the project which was to last until June 2016.

The working group created for this purpose with four members, in which two are representatives from the Control Department (Deputy Head and an audit inspector) from May 2015 until June 2016 held the implementation of the following phases:

- Phase I - Organizing, informing and preparing the units and coordinators
- Phase II - Identification and drafting of the processes scheme for each department
- Phase III - Compiling a matrix of processes at Bank level
- Phase IV - Guidance on the identification of operational risks for each unit.
- Phase V - Determining the main risks of each unit
- Phase VI - Risk Assessment at Bank level
- Phase VII - Regulatory framework
- The final stage - Final Report of ORM project





Concerning the implementation of the full framework for operational risk management at the bank level, 2016 saw several important developments:

- The finalization of three important phases of the operational risk implementation- the map of processes, risks, and risk assessment; After the finalization of the entire operational side of the project, the working group is prepared the final report together with the aggregated results, implementation proposals, and continuity as well as the drafting of the regulatory framework.
- Completion of the organizational structure of the Operational Risk Management Unit with two specialists for operational risk during March - April 2016. During this period the two specialists were trained by the phases followed by the working group of ORM, used methodology, results by phases and learned about the results of this first evaluation at bank level of operational risk.

### *B. Policy of Operational Risk Management*

At the end of the ORM Project, the Working Group and the Office of operational risk management at the Inspector General, drafted and proposed for adoption the following regulatory acts:

- Approval of the Policy of Operational Risk Management, through the clear expression of the core principles, the object/ field of Operational Risk Management at the Bank, as well as a clear definition of the roles and responsibilities of all governance structures of ORM;
- Approval of the methodology for ORM, Regulation and job descriptions of ORM Unit.

The policy of the operational risk management, aims at establishing and implementing an effective and sustainable framework for the operational risk management at the Bank of Albania, in compliance with the best practices and regulatory acts. This policy will set out the basic principles for the identification, assessment, control, management and monitoring of operational risk on an integrated process at bank level.

**ORM principles** by SIG group Operational Risk subgroup of BIS and IORWG<sup>46</sup> are included in policies. The basic principles of operational risk management deal with: the clarity of responsibilities, culture, motivation, awareness, qualities of the regulatory framework, tracking, reporting, periodic review, transparency and confidentiality.

<sup>46</sup> IORWG- International Operational Risk Working Group for Central Banks.



### Operational Risk Governance - Supervisory Council and Administrators

The Security Council and Administrators shall ensure that there is an effective and integrated framework for managing operational risk. This should include a well-defined organizational structure with clear roles and responsibilities for all aspects of management / monitoring of operational risk and adequate tools which support the identification, evaluation, control and reporting of operational risks.

### Environment of Risk Management - Identification & Assessment, Monitoring & Reporting, Control & Mitigation, Continuity

A process to regularly monitor the operational risk profiles and material exposures to losses and appropriate mechanisms for the reporting to the Supervisory Council, Administrators and units that support proactive management of operational risk should be implemented.

### Responsibility for Reporting and Transparency

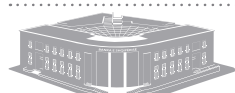
Bank's periodic reports should enable all involved parties to evaluate the Bank's approach to operational risk.

**ORM objectives** focus on: the identification of the problems, functions and processes, enhancement of human resource efficiency. Minimization of losses, loss prevention, assistance in clarifying the distribution of tasks and responsibilities. According to the best practices, the ORM program runs cyclically in several stages:

- o Identification: (a) of the Bank processes (integrated maps of processes); (b) of the inherent operational risks;
- o Assessment: (a) of the risk based on the chosen methodology; (b) of the controls established to address the inherent operational risks; (c) of the residual operational risks (after controls) and the compilation of integrated mapping of risks;
- o Tracking and reporting of the performance of operational risks and of the undertaken measures/action plans;
- o Independent audit and evaluation;
- o Drafting the regulatory framework and governance of ORM process.

### *C. Increase and implementation of operational risk culture at bank level*

As a newly established unit, in addition to functions carried out for monitoring, evaluating and reporting operational risk, one of the main objectives and engagements of ORM Unit was to further implement and increase the awareness of operational risk at bank level. As part of this engagement, several training/





meeting are held, with the heads and coordinators of the organizational units of BoA, as well as the branches of the Bank of Albania.

## Collection and First Results of the Operational Risk

The ORM objectives for 2017 focus on three main aspects:

- Increasing risk awareness culture;
- Objective validation of the assessment of risks and likelihood of occurrence;
- Drafting action plans, after the Supervisory Council determines the risk tolerance.

The ways to report incidents, regardless of their impact, were described more precisely.

In accordance with the methodology, a part of the KRI standards were designed, which will be used to measure and identify risks. Units have started the completion gradually from November onwards.

### D. Maturity of Operational Risk Management

The overall assessment of the maturity of Operational Risk Management at Bank of Albania was based on the model of maturity made available by IORWG, on the guidelines and best practices in operational risk management, as well as the core principles on Operational Risk Management the central Banks and Monetary Supervision Authorities. The document of ORM principles sets out the framework of ORM as a model with five categories.

*Table 6. Categories of the Maturity Model of Operational Risk Management by IORWG*

<b>Category I: RISK AWARENESS</b>
- Engagement level of the Council / Senior Bank Management
- Establishment of risk tolerance
- Integrating risk management with daily activities
- Same language on the Bank's risk
- The added value of ORM in the bank
- Knowledge of Bank's staff on the methodology of ORM
<b>Category II: ORGANIZATION AND GOVERNANCE</b>
- Knowledge of ORM stakeholders on their responsibilities
- Governance structure of ORM
- Responsibility for identifying and managing risks
- Integrating of the ORM process with the functions and processes conducted at units
- Responsibility for risk supervision at the Bank
- Function/ Structure dedicated to ORM at the Bank
- Inclusion of risk management in functions and units and during the development of strategies
- Exchange of information and cooperation of ORM with other control units
- Development and continuous improvement of ORM approach
- Implementation of the three lines of defence (control)
<b>CATEGORY III: REPORTING ON RISK</b>
- Periodic reporting of information (frequency, quality and value added)



- Periodic Reporting on higher risks
- The level of unit involvement for timely reporting of information
- The reporting lines of risk reports
- The content of reports on risk minimization measures
- Matrix / risks map for the aggregation of risks by impact / priority / importance
- The risk taxonomy forecast under the ORM framework

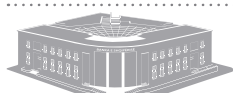
#### CATEGORY IV MANAGEMENT PROCESS OF OPERATIONAL RISK

- Responsibility for monitoring action plans for risk minimization
- ORM process is designed as such so that it provides identification of relevant operational risks
- Process for the Inventory / registration of risk events
- The methods used to identify / assess operational risks
- Strategies to address identified operational risks
- Using Key Risk Indicators (KRI) for periodic monitoring of risk exposure
- Classification and management of different types of risks
- Cost-benefit analysis in risk treatment process
- Development of continuity plans for higher risks
- Inclusion in the register of incidents of almost materialized risks (near misses)
- Risks' priority based on the combined evaluation of the risk types (inherent / residual)

#### CATEGORY V: OBJECTIVE AND RESULTS

- The use of incident management to minimize exposure to operational risks
- Addressing of the ORM results to the Council for decision-making
- Inclusion of ORM results in strategic planning
- Database for incident management
- Involvement of project risks in the process of ORM
- processes Map for interrelated / interdependent risks
- Taking into consideration the indirect risks (transversal / horizontal) by the ORM

According to the methodology developed by the International Working Group on Operational Risk (IOWWG), previously introduced, the performance is in line with the expectations.





# MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA

*\* Fragments from ornaments featured in the "5 gold francs" banknote issued in 1926 by the National Bank of Albania.*

## 5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA

*The main challenges to the institution during 2016-2018, in compliance with its legal mandate are described in the Medium-Term Strategy. Implementation and periodic monitoring of the implementation of the objectives of the medium-term strategy is a process that is monitored regularly by administrators and by the Supervisory Council of the Bank of Albania. Pursuant to this strategy for 2016, progress was made as follows:*

### *a) Maintaining monetary stability.*

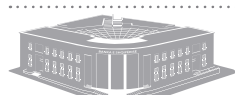
In view of formulating the monetary policy, the focus is on expanding and improving the forecasting, analysing and reporting framework of monetary policy, noting improvements in these key areas:

- Models used in medium-term macroeconomic projections are enriched with contemporary techniques, by expanding the existing infrastructure with new diagnostic functions, and econometric infrastructure is updated, aiming at developing a more inclusive framework of forecasts.
- Surveys of business and consumer confidence published by the Bank of Albania, are included under the European Commission program, aiming their harmonization with the common methodology used by the Commission on these surveys.
- Periodic reports are enriched with new indicators and in-depth analysis of specific economic events.
- Monetary policy communication is improved through increased transparency and use of forward guidance, in order to increase the effectiveness of monetary policy.

The monetary policy decision-making is supported by scientific activity in the field of economic research, where 22 research projects are undertaken for in-depth study of specific topics.

The implementation of monetary policy is based on intervention operations in the open market. In order to improve the operational framework, the projection process of liquidity of the banking system is reviewed, in accordance with international experiences and the regulatory framework is completed, according to the suggestions of the technical assistance mission of the IMF.

The rules for foreign exchange reserve management have changed, expanding the list of risks that are being monitored. The project for the upgrade of the system Portfolio Analytic Tools (PAT) II and the implementation of improved version of Treasury Management System (Inforex-Loro) is underway.



*b) Ensuring a stable and efficient financial system*

A macro prudential policy strategy is drafted for safeguarding financial system stability, according to the European Systemic Risk Board approach; various indicators of systemic risk assessment are aggregated in joint analyses, and indicators of early warning are estimated.

*c) Ensuring a sound banking activity*

In terms the banking system supervision:

- The Law on Recovery and Resolution in banks is approved , and acts which regulate the saving and loan associations and their unions are reviewed, as well as acts affected by the implementation of the action plan for the reduction of non-performing loans.
- Drafting of a cooperation agreement with ECB for the consolidated supervision, financial stability and crises management is still in process. Also a technical assistance project is underway with the EBRD for the review of regulatory/ supervisory aspects of the corporate Governance.

*d) Increasing the quality of statistical data*

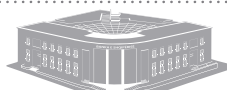
In terms of meeting the quantitative standards of international methodologies and EU legislation:

- The methodology of the interest rates for monetary financial institutions based on the acts of the ECB is drafted, and for the first time financial accounts are compiled by sector, in compliance with the methodological standard ESA 2010 and quarterly published the International Investment Position, Direct investment (flow and stock) by country and economic activity.
- The automated system of regulatory reporting with banks of the system is put into operation.
- The cooperation with INSTAT (the official producer of statistics and coordinator of the national statistical system in Albania) is intensified with the third parties as well. The Memorandum of Understanding between BoA, INSTAT and MF (in consultation with the IMF) was signed in September 2016.

*e) Improving the infrastructure of the payment system*

In terms of promoting payment system:

- Preliminary testing of the small-value payment system (AECH) was successfully completed, for enabling a direct debit interbank instrument.
- The first phase of the project with the World Bank "On measurement of the costs of payment instruments in Albania" ended. Preliminary



results were presented at the meeting of the National Payments System Committee.

### *f) Improving the currency quality*

In order to increase public confidence in the currency and to protect the banknotes and coins from counterfeiting.

- The quantity of banknotes processed with advanced processing systems increased, where 75% of the destroyed banknotes was conducted on line.
- Inspections are carried out in Albanian Banks for the implementing of rules for the integrity of coins in circulation. For the first time, the emission issues are part of the examination of the banks reports.
- The activity of BoA's branches is re-dimensioned and involved in the activity of the currency issue, as well as in the systems of CashBook Registry, and Inforex and Oracle Financial and payment systems. The level of automation increased and the operation of branches optimized.

### *g) Strengthening the governance of the institution*

This objective is accomplished in several dimensions:

Increased independence in accordance with the ESCB standards:

- The working group has drafted up a part of the text of the new organic law and is consulting with the Bank of Italy and the IMF.

Enhancing accountability

- The financial statements for 2015 in accordance with IFRSs were approved in March 2016.

Strengthening internal audit and management of operational risk.

- Efforts for ensuring compliance with international standards of the internal audit continue, based on: (i) the implementation of the plan of measures by the external evaluator to raise the completeness of the standards; (ii) increase of the independence and quality of Internal Audit, through strengthening the reporting lines to senior management and the Audit Committee; (iii) raising the awareness / education of BoA on the operation and the clear division of Line I, II and III of defence, as well as the assessing the completeness of the systems of internal audit.
- The unit is created and the process of operational risk management at BoA is formalized.

Enhancing transparency

- 102 press releases are carried out, including: (i) 8 press conferences on monetary policy decision; (ii) 9 interviews of the Governor and 5



interviews with Heads of Department; (iii) participations in 4 sessions of the Parliamentary Commission of Economy and Finance. 6 presentations "off the records" of periodic reports to the media.

- With 705 000 visitors (50% increase from 2015) and 2 million visits in BoA's website; 5000 followers on Facebook, where educational materials, activities and publications are posted.
- 1900 people have visited BoA's Museum; 1180 textbooks "Personal finance in your hands", are distributed in eight high schools.

#### *h) Bank of Albania resources*

In view of adopting of the best practices of management of human resources of the ESCB and rationalizing organizational structure, the employees were enabled to participate in training activities and regulatory framework for the funding of post-graduate studies and international certifications for employees is consolidated.

The reconstruction of the former Hotel Dajti is in procurement process. Works are expected to start by February 2017.

Financial resources were more efficiently used through a review of the management process of the material values BoA, and the budget regulation.











BANK OF ALBANIA

FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR  
ENDED 31 DECEMBER 2016

(WITH INDEPENDENT  
AUDITORS' REPORT  
THEREON)

*\*Fragments from ornaments featured in  
the "20 gold francs" banknote issued in  
1926 by the National Bank of Albania.*



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## Independent Auditors' Report

To the Supervisory Council of Bank of Albania

### *Opinion*

We have audited the financial statements of Bank of Albania ("the Bank"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and with Institute of Authorized Chartered Auditors of Albania Code of Ethics (IEKA Code), together with the ethical requirements of the Law No. 10091, dated 5 March 2009 "On the statutory audit and the organization of the statutory auditors and chartered accountants professions", amended, that are relevant to our audit of the financial statements in Albania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and IEKA Code.

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





#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Annual Report prepared by management and approved by the Supervisory Council in accordance with Article 69, paragraphs 1 to 3 of the Law. No. 8269, dated 23 December 1997 "On Bank of Albania", amended, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Tzvetelinka Koleva*  
Statutory Auditor  
KPMG Albania Shpk  
"Deshmoret e Kombit" Blvd.  
Twin Towers Building I, floor 13  
Tirana, Albania

*Maria Peneva*  
Partner  
KPMG Bulgaria OOD  
45A Bulgaria Boulevard  
1404 Sofia, Bulgaria

Tirana, 29 March 2017

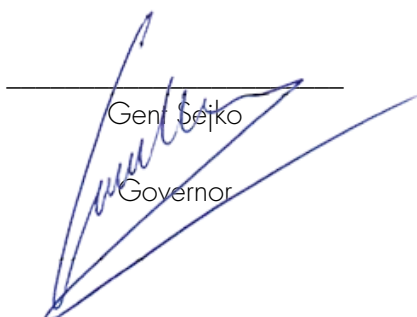
## INDEPENDENT AUDITORS' REPORT


## STATEMENT OF FINANCIAL POSITION

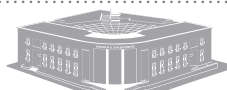
In ALL million	Note	31 December 2016	31 December 2015
<b>ASSETS</b>			
Cash and cash equivalents	8	105,490	93,477
Trading assets	12	16,183	15,870
Monetary gold	9	7,516	6,762
Accounts with the International Monetary Fund	10	43,683	34,403
Loans to banks	11	29,934	12,987
Available-for-sale investment securities	13	298,930	307,939
Property, equipment and intangible assets	14	20,604	20,855
Other assets	15	2,316	2,259
<b>Total assets</b>		<b>524,656</b>	<b>494,552</b>
<b>LIABILITIES</b>			
Currency in circulation	16	258,821	239,191
Trading liabilities	12	2	16
Due to banks	17	152,352	142,967
Deposits and borrowings from third parties	18	3,310	3,361
Due to Government and state institutions	19	19,892	27,451
Due to the International Monetary Fund	10	28,078	18,711
Other liabilities	20	1,263	567
<b>Total liabilities</b>		<b>463,718</b>	<b>432,264</b>
<b>CAPITAL AND RESERVES</b>			
Capital		2,500	2,500
Reserves	21	58,438	59,788
<b>Total capital and reserves</b>		<b>60,938</b>	<b>62,288</b>
<b>Total liabilities, capital and reserves</b>		<b>524,656</b>	<b>494,552</b>

The notes on pages 121 to 159 are an integral part of these financial statements.

The financial statements were authorized for issuance by the Supervisory Council of the Bank of Albania and signed on 29 March 2017 on its behalf by:

  
 Geni Sejko  
 Governor

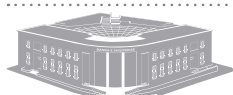
  
 Anjeza Beja (Harizaj)  
 Head of Payment Systems and  
 Accounting and Finance Department



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In ALL million	Note	2016	2015
Interest income	22	2,494	3,613
Interest expense	22	(737)	(644)
Net interest income		1,757	2,969
Fee and commission income		69	66
Fee and commission expense		(56)	(56)
Net income from fees and commissions		13	10
Net trading income	23	1,036	503
Other revenue	24	480	809
Net gain/(loss) from changes in the fair value of monetary gold	9	754	(231)
Net foreign exchange (losses)/gains	21	(1,720)	4,569
Total revenue		2,320	8,629
Employee benefit expenses	25	(1,238)	(1,053)
Depreciation and amortization	14	(488)	(562)
Other general and administrative expenses		(652)	(781)
Net (loss)/profit		(58)	6,233
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Fair value reserve (available-for-sale financial assets)	21	(464)	(310)
Other comprehensive loss for the year		(464)	(310)
Total comprehensive (loss)/income for the year		(522)	5,923

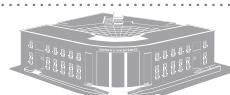
*The notes on pages 121 to 159 are an integral part of these financial statements.*



## STATEMENT OF CHANGES IN EQUITY

In ALL million	Capital	Legal reserve	Revaluation reserve	Fair value reserve	Other reserves	Transition reserve	Retained earnings	Total
Balance at 1 January 2015	2,500	12,500	19,868	1,305	15,748	5,539	-	57,460
Total comprehensive income								
Net profit	-	-	-	-	-	-	6,233	6,233
Other comprehensive income								
Fair value reserve (available-for-sale financial assets)	-	-	-	(310)	-	-	-	(310)
Total other comprehensive income	-	-	-	(310)	-	-	-	(310)
Total comprehensive income	-	-	-	(310)	-	-	6,233	5,923
Contributions and distributions								
Distribution of profit to Government of Albania	-	-	-	-	-	-	(1,095)	(1,095)
Total contributions and distributions	-	-	-	-	-	-	(1,095)	(1,095)
Transfers to reserves	-	-	4,338	-	800	-	(5,138)	-
Balance at 31 December 2015	2,500	12,500	24,206	995	16,548	5,539	-	62,288
Total comprehensive income								
Net loss	-	-	-	-	-	-	(58)	(58)
Other comprehensive income								
Fair value reserve (available-for-sale financial assets)	-	-	-	(464)	-	-	-	(464)
Total other comprehensive loss	-	-	-	(464)	-	-	-	(464)
Total comprehensive loss	-	-	-	(464)	-	-	(58)	(522)
Contributions and distributions								
Distribution of profit to Government of Albania	-	-	-	-	-	-	(908)	(908)
Total contributions and distributions	-	-	-	-	-	-	(908)	(908)
Transfers to reserves	-	-	(966)	-	-	80	966	80
Balance at 31 December 2016	2,500	12,500	23,240	531	16,548	5,619	-	60,938

The notes on pages 121 to 159 are an integral part of these financial statements.

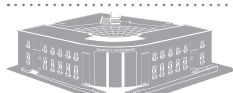




## STATEMENT OF CASH FLOWS

In ALL million	Note	2016	2015
Cash flows from operating activities			
Net (loss)/profit		(58)	6,233
Adjustments for:			
Depreciation and amortization	14	488	562
Net interest income	22	(1,757)	(2,969)
Net trading income	23	(1,036)	(503)
Profit from sale of available-for-sale investment securities	24	(470)	(751)
Net (gain)/loss from changes in the fair value of monetary gold	9	(754)	231
Provisions	20	83	46
		(3,504)	2,849
Changes in:			
Held-for-trading assets		709	(978)
Accounts with the International Monetary Fund		(9,280)	(12,611)
Loans to banks		(16,947)	12,561
Other assets		(57)	286
Currency in circulation		19,630	12,787
Due to banks		9,385	36,656
Deposits and borrowings from third parties		(51)	975
Due to Government and state institutions		(7,372)	9,755
Due to the International Monetary Fund		9,367	779
Other liabilities		613	(441)
		2,493	62,618
Interest received		2,650	3,189
Interest paid		(737)	(646)
Net cash generated from operating activities		4,406	65,161
Cash flows from investing activities			
Acquisition of investment securities		(274,117)	(346,420)
Proceeds from sale of investment securities		282,983	345,715
Acquisition of property, equipment and intangible assets		(164)	(257)
Net cash generated from/(used in) investing activities		8,702	(962)
Cash flows from financing activities			
Profit distributed to Government		(1,095)	(951)
Net cash used in financing activities		(1,095)	(951)
Increase in cash and cash equivalents		12,013	63,248
Cash and cash equivalents at the beginning of the year		93,477	30,229
Cash and cash equivalents at the end of the year	8	105,490	93,477

The notes on pages 121 to 159 are an integral part of these financial statements.





## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016

(amounts in ALL million, unless otherwise stated)

### 1. GENERAL

The Bank of Albania (the 'Bank') is the central bank of the Republic of Albania established pursuant to the Law No. 8269, dated 23 December 1997 'On the Bank of Albania', amended.

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

- 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 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 reserves;
- acting as banker and adviser to, and as fiscal agent of, the Government of the Republic of Albania; and
- promoting an effective operation of payment systems.

The Bank is subject to the regulatory requirements of the Assembly of the Republic of Albania and the Law 'On the Bank of Albania'.

### 2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS').

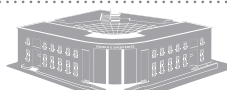
### 3. BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for the following items:

Items	Basis of measurement
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Available-for-sale financial assets	Fair value

### 4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Albanian Lek ('Lek'), which is the Bank's functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.



## 5. USE OF ESTIMATES AND JUDGMENTS

When preparing the financial statements in conformity with IFRSs, the Bank makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities for the following financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under certain circumstances.

These disclosures supplement the commentary on financial instruments (see note 7).

### **(a) Judgments**

Information about critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 17 Currency in circulation: The Bank has classified cash in circulation as a financial liability; and
- Note 9 Monetary gold: The Bank has valued monetary gold at fair value. Changes in the fair value are recognized in profit or loss.

### **(b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is set out below in relation to the impairment of financial instruments and determination of the fair value of financial instruments.

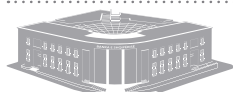
#### **(i) Impairment of financial instruments**

Assets accounted for at amortized cost and available-for-sale assets are evaluated for impairment on a basis described in the accounting policy 6.a.(vii).

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 judgments about the counterparty's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

#### **(ii) Determining fair values**

The 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 other valuation techniques.

For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

#### *Measurement of fair values*

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank recognises transfers between levels of the fair value hierarchy at end of the reporting period, during which the change has occurred.

For more information on the determination of the fair value of financial instruments see Note 7.e. Financial instruments: risk management and fair values.

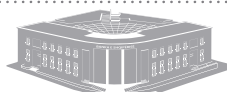
## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **(a) Financial assets and liabilities**

#### *(i) Recognition*

The Bank initially recognises loans and advances on the date on which they



are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) *Classification*

**Financial assets**

The Bank classifies its financial assets into one of the following categories:

- available-for-sale;
- loans and receivables; and
- at fair value through profit or loss.

See c., d., e., f., and g.

**Financial liabilities**

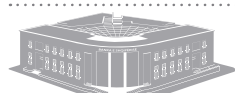
The Bank classifies its financial liabilities as measured at amortised cost. See b. and h.

(iii) *Derecognition*

**Financial assets**

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On the derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income ('OCI') is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.



## *Financial liabilities*

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

### *(iv) Offsetting*

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

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

### *(v) Amortised cost measurement*

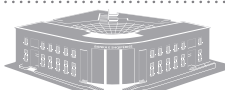
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

### *(vi) 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then



the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period, during which the change has occurred.

*(vii) Identification and measurement of impairment*

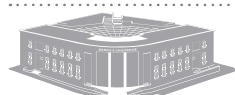
At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- indications that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.





Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through OCI.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when it determines that there is no realistic prospect of recovery.

*(viii) 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 recognised in the Bank's statement of financial position. The Bank receives cash or securities collateral for such lending. Income arising from the securities lending agreements is reported as interest income.

***(b) Currency in circulation***

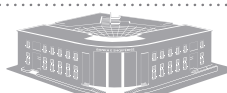
Currency in circulation includes banknotes and coins in circulation and is presented under liabilities by deducting the nominal value of the banknotes and coins on hand from the nominal value of all the banknotes and coins issued.

***(c) Cash and cash equivalent***

Cash and cash equivalents include notes and coins on hand in foreign currency and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

***(d) 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 recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in 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 after their initial recognition.

General information on the derivative instruments, which comprise future and forward contracts, is disclosed in Note 7 (d).

**(e) Available-for-sale investment securities**

Investment securities are initially measured at fair value plus incremental direct transaction costs.

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise debt securities. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss. Impairment losses are recognized in profit or loss (see a.(vii)).

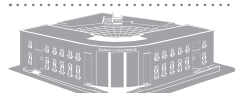
Other fair value changes, other than impairment losses (see a.(vii)), are recognized in OCI and presented in the revaluation (fair value) reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

**(f) Loans and receivables**

Loans and advances 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. Loans and advances to banks and loans to employees are classified as loans and receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

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 recognized in the Bank's financial statements.

**(g) Monetary gold**

Monetary gold is valued at its fair value being the market value based on the official London Bullion Market price at the reporting date. Changes in the fair value are recognized in profit or loss and then transferred from retained earnings to the revaluation reserve in accordance to Article 64 (a) of the Law 'On the Bank of Albania'.

**(h) Deposits and borrowings**

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

**(i) Printing and minting costs**

Freshly printed banknotes and coins, which have not yet been put into circulation, are recognized as assets at acquisition cost. The costs of printing banknotes and minting coins are deferred and amortized over 5 years and 10 years (2015: 2.5 years and 10 years), from the date of recognition, respectively. The effect of the increase in amortization period on profit or loss in current and future years is as follows:

In ALL million	2016	2017	2018	2019
Decrease/(increase) in depreciation expense	61	(28)	(25)	(8)

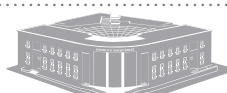
**(j) Intangible assets**

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are comprised of computer software.

Intangible assets acquired by the Bank are 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.

Amortization is recognized 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 a software is two years. Work in progress is not amortized.



**(k) Property and equipment**

*(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

*(ii) Subsequent costs*

The cost of replacing a part of an item of property or equipment is recognized 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, work in progress, and numismatic coins and objects are not depreciated.

The estimated useful lives are as follows:

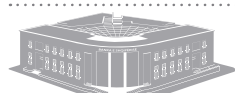
• Buildings	40 - 70 years
• Installations	4 – 20 years
• Vehicles	5 - 10 years
• Furniture and equipment	3 - 20 years

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

**(l) Interest**

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.



Interest income and expense presented in the statement of profit or loss and other comprehensive income ('OCI') include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest 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 (see accounting policy (o)).

#### **(m) Fees and commissions**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, fund transfer fees, placement fees and credit registry fees are recognised as the related services are performed.

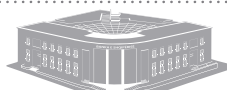
Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

#### **(n) Transactions in foreign currency**

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date that the fair value determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.



According to the Law No. 8269, dated 23 December 1997 'On the Bank of Albania' and the Decision No. 104 dated 27 December 2006 of the Supervisory Council, the net gains/(losses) from foreign exchange that are initially recognised in profit or loss in the period in which they arise, are then transferred from retained earnings to the 'Revaluation reserves' included in Capital and Reserves. According to Article 64 (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.

**(o) Net trading income**

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

**(p) Income from other financial instruments at fair value through profit or loss**

Net income from other financial instruments at fair value through profit or loss relates to financial assets designated at fair value through profit or loss. It includes all realised and unrealised fair value changes and foreign exchange differences.

**(q) Taxation and profit distribution policy of the Bank**

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

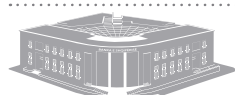
The Bank's policy of distribution of profit from banking operations is defined in the Law 'On the Bank of Albania'. According to Article 10.2 of this Law, the Bank allocates all the realised profit to the State Budget after having fulfilled its requirement for the reserve fund pursuant to the Law and as determined by the Supervisory Council of the Bank.

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.

**(r) Employee benefits**

**(i) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the





related service is provided and recognised as personnel expenses in profit or loss. Defined contribution plans include voluntary and compulsory contribution plans.

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 recognized 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 recognized 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 recognized 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.

*(s) Operating leases*

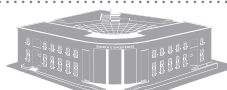
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

*(t) 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 recognized if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the highest 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 recognized 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 amortization, if no impairment loss had been recognized.

**(u) 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. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

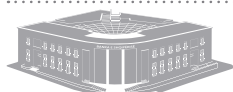
**(v) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Bank has not early adopted the following standards, amendments to standards and interpretations in preparing these financial statements. The new standards listed below are those that could have an impact on the Bank's performance, financial position or disclosures.

**IFRS 9 Financial Instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

During the year 2017, the Bank will draw up an action plan and start assessing the business models that will be compatible with the Bank's business strategy. The Bank will assess its financial assets in order to determine whether the Solely Payments of Principal and Interest (SPPI) criterion is met. As a result, the Bank will evaluate the possible impact on its policies and whether new classification



processes will be required to be applied for the classification of financial assets from 1 January 2018.

The Bank intends to quantify the potential impact of IFRS 9 on the Bank's financial position when preparing the financial statements for the year ending 31 December 2017.

The following new or amended standards and interpretations are not expected to have a significant impact on the Bank's financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Transfers of Investment Property (Amendments to IAS 40)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures).

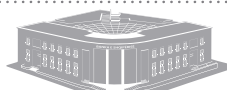
## 7. FINANCIAL INSTRUMENTS: RISK MANAGEMENT AND FAIR VALUES

### (a) *Risk management framework*

The financial instruments of the Bank are mainly used for the purposes of the foreign reserve management. The significance of risk is assessed within the context of the foreign reserve management. The Bank has exposure to the liquidity risk, credit risk, market risk and operational risk from financial instruments and manages such risks in the framework of the foreign reserve management.

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.

Pursuant to the legal requirements, the Bank holds and manages the foreign reserves of the Republic of Albania. The Supervisory Council has the overall responsibility for the establishment of the risk management framework and reserve



management policies. The Supervisory Council has approved the regulation 'On the functions of the management structure in the decision-making process of the management of the reserves'. This regulation defines the responsibilities of the management, the Supervisory Council, the Investment Committee, and the Monetary Operations Department, in managing the foreign reserves. The Supervisory Council is responsible for approving the regulation 'On the policy and management of the foreign reserve t', whilst the Investment Committee is responsible for approving the 'Operational Procedure of Investment' document. The regulation 'On the policy and management of the foreign reserve' defines the objectives of the portfolio management ranked by priority, and the principles and qualitative criteria used as the basis of the financial risk management. The Investment Committee approves the quantitative criteria based on the limits set forth by the Supervisory Council and monitors the compliance with the restrictions for permitted level of risk and foreign reserve investment portfolio performance.

In accordance with the decisions of the Supervisory Council on the eligible instruments, the reserve is invested in fixed or floating income securities, in deposits or certificates of deposit, and in derivative instruments. The remaining foreign reserves are held in SDR and in monetary gold. Monetary gold is managed in accordance with the regulation 'On the policy and the management of gold', approved by the Supervisory Council. Following the review of the accounting policy for monetary gold (see notes 5(a) and 6(g)) in 2016, the Bank concluded that monetary gold is not a financial instrument.

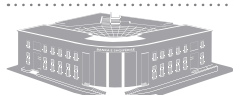
#### **(b) Liquidity risk**

Liquidity risk is the risk that: a) the Bank will encounter difficulty in meeting obligations associated with its financial liabilities in due time; and b) the Bank will not be able to sell a financial instrument within a specific time frame without causing significant loss compared to the market value. Liquidity is amongst the primary objectives of the foreign reserve management and is defined as the goal to insure the availability at all times of sufficient funds to meet the liquidity needs associated with:

- implementing the monetary policy and the exchange rate policy of the Bank; and
- maintaining financial stability and meeting the needs of the country in periods of crisis.

The implementation of these objectives is performed through the breakdown of the foreign reserve in certain tranches that, within the context of a prudent management of the liquidity risk, serve specific purposes and carry specific features.

The foreign currency liability tranche represents investments in assets that are financed by the liabilities in foreign currency, which are mainly composed by



the funds deposited by commercial banks as part of the reserve requirement and by the government.

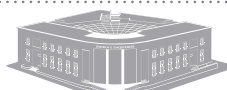
The net reserve is composed of:

1. the working capital tranche: designed to meet the monthly liquidity needs arising within one month;
2. the liquidity tranche: designed to meet the liquidity needs arising within one year;
3. the investment tranche: it represents the remaining balance as surplus and is designed to meet the liquidity needs arising beyond the timeframes described in the first two tranches.

The amount and currency composition of the tranches is determined based on the needs to use such tranches. The selection of the financial instruments in which the majority of each tranche is invested, (the 'benchmark portfolios') and the duration of each benchmark portfolio are determined in line with the use of each tranche to meet the liquidity needs of the Bank. Although the overall reserve is invested in highly liquid instruments, the first and the second tranches described above are invested in highly liquid short-term sovereign issues with high credit rating.

The tables below set out the remaining contractual maturities of the Bank's financial liabilities and financial assets. The Bank's expected cash flows on these instruments may vary from the contractual cash flows.

31 December 2016	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Undefined maturity	Total
<b>Financial assets</b>								
<b>Non-derivative assets</b>								
Cash and cash equivalents	94,459	10,661	370	-	-	-	-	105,490
Trading assets	387	644	790	3,679	10,683	-	-	16,183
Account with the IMF	19,688	-	-	-	-	-	23,995	43,683
Loans to banks	24,155	5,779	-	-	-	-	-	29,934
Available-for-sale investment securities	21,769	38,264	34,237	57,021	139,755	7,884	-	298,930
Other assets (note 15)	-	-	-	-	-	1,718	-	1,718
<b>Total financial assets</b>	<b>160,458</b>	<b>55,348</b>	<b>35,397</b>	<b>60,700</b>	<b>150,438</b>	<b>9,602</b>	<b>23,995</b>	<b>495,938</b>
<b>Financial liabilities</b>								
<b>Non-derivative liabilities</b>								
Currency in circulation	-	-	-	-	-	-	258,821	258,821
Due to banks	152,352	-	-	-	-	-	-	152,352
Deposits and borrowings from third parties	3,310	-	-	-	-	-	-	3,310
Due to Government and state institutions	18,484	-	908	-	-	-	500	19,892
Due to the IMF	19,619	77	21	153	230	-	7,978	28,078
Other liabilities	78	-	-	-	-	-	-	78
	193,843	77	929	153	230	-	267,299	462,531
<b>Derivative liabilities</b>								
Interest rate futures	2	-	-	-	-	-	-	2
<b>Total financial liabilities</b>	<b>193,845</b>	<b>77</b>	<b>929</b>	<b>153</b>	<b>230</b>	<b>-</b>	<b>267,299</b>	<b>462,533</b>
<b>Asset-liability maturity mismatch as at 31 December 2016</b>	<b>(33,387)</b>	<b>55,271</b>	<b>34,468</b>	<b>60,547</b>	<b>150,208</b>	<b>9,602</b>	<b>(243,304)</b>	<b>33,405</b>



31 December 2015	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Undefined maturity	Total
<b>Financial assets</b>								
Non-derivative assets								
Cash and cash equivalents	76,320	17,157	-	-	-	-	-	93,477
Trading assets	252	392	189	1,662	13,245	-	-	15,740
Account with the IMF	23,815	-	-	-	-	-	10,588	34,403
Loans to banks	12,987	-	-	-	-	-	-	12,987
Available-for-sale investment securities	19,976	28,508	43,520	60,743	144,091	11,101	-	307,939
Other assets (note 15)	-	-	-	-	-	1,646	-	1,646
	133,350	46,057	43,709	62,405	157,336	12,747	10,588	466,192
<b>Derivative assets</b>								
Foreign exchange forwards	-	130	-	-	-	-	-	130
<b>Total financial assets</b>	<b>133,350</b>	<b>46,187</b>	<b>43,709</b>	<b>62,405</b>	<b>157,336</b>	<b>12,747</b>	<b>10,588</b>	<b>466,322</b>
<b>Financial liabilities</b>								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	239,191	239,191
Due to banks	142,967	-	-	-	-	-	-	142,967
Deposits and borrowings from third parties	2,147	-	5	-	1,209	-	-	3,361
Due to Government and state institutions	25,856	-	1,095	-	-	-	500	27,451
Due to the IMF	9,629	121	39	234	584	-	8,104	18,711
Other liabilities	72	-	-	-	-	-	-	72
	180,671	121	1,139	234	1,793	-	247,795	431,753
<b>Derivative liabilities</b>								
Interest rate futures	16	-	-	-	-	-	-	16
<b>Total financial liabilities</b>	<b>180,687</b>	<b>121</b>	<b>1,139</b>	<b>234</b>	<b>1,793</b>	<b>-</b>	<b>247,795</b>	<b>431,769</b>
<b>Asset-liability maturity mismatch as at 31 December 2015</b>	<b>(47,337)</b>	<b>46,066</b>	<b>42,570</b>	<b>62,171</b>	<b>155,543</b>	<b>12,747</b>	<b>(237,207)</b>	<b>34,553</b>

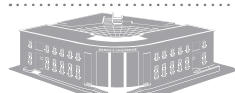
### (c) Credit risk

For the purpose of the foreign reserve management, the credit risk is the risk of financial loss to the Bank, if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The management of this risk is an important objective in the process of the foreign exchange reserve management.

The risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk; for further details, see (d) below.

### (i) Settlement risk

Foreign reserve management activity may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Bank minimizes settlement risk through





implementation of best practices for the recognition and ongoing monitoring of settlement procedures and conditions.

(ii) *Custody risk*

Custody risk is the risk of a loss of assets placed in custody in the case of insolvency, negligence, fraud, mismanagement or inadequate portfolio maintenance practices by the custodian. The Bank minimizes this risk by selecting for securities' custody services reputable international financial institutions with a minimum of USD 1,000 billion in assets under custody.

(iii) *Management of credit risk*

The Supervisory Council has established base criteria of exposure to counterparties, and by type of investment, issuer, credit rating band, market liquidity, with the governments and central banks issues prioritized. The evaluation and monitoring process of the credit rating of the eligible issuers is based on the analysis and the rating determined by the principal rating agencies, including Standard & Poor's, Moody's and Fitch, as well as in the reviewing processes, on a daily basis, of the performance of several market indicators of the quality of the credit rating of the issuer. In accordance with the limits imposed by the Supervisory Council, the Investment Committee is authorized to establish other qualitative and/or quantitative limits on the exposure level for the issuer/financial institution on an individual basis, category, or combined category and instrument basis. Depending on the market environment and conditions, the Bank may decide to adapt even more conservative limits for an issuer/financial institution.

The investment of the foreign exchange reserve is limited to: government/central bank issues with minimum credit ratings of A- and BBB- for governments of the euro area; sovereign agencies, multilateral institutions, public entities with a minimum credit rating of AA-; and banks and other financial institutions with a minimum credit rating of AA-. The credit rating refers to the credit rating of an issuer/financial institution, and if such rating is not provided, the credit rating of the long-term debt of the financial institution is used. For the purpose of the reserve management operations and for payments, the Bank may operate through current accounts opened with banks with a minimum credit rating of BBB (2015: A).

The loans to the local banks are secured/collateralized by treasury bills issued by the Albanian Government.

The following table sets out the carrying amounts of the financial assets that are exposed to credit risk as at 31 December 2016 and 2015:



	2016	2015
<b>Assets</b>		
Accounts and deposits with financial institutions (note 8)	105,466	93,454
Accounts with the IMF (see below)	11,719	15,713
Loans to banks	29,934	12,987
Trading assets	16,183	15,870
Available-for-sale investment securities	298,930	307,939
Other assets (note 15)	1,718	1,646
<b>Total</b>	<b>463,950</b>	<b>447,609</b>

An amount of ALL 7,978 million (2015: ALL 8,104 million) which is included in the SDR Holdings with the IMF (see note 10) does not represent credit risk for the Bank since it represents the counter-account of the amounts acquired through the SDR allocations. Only the amount of holdings above allocations of ALL 11,719 million (2015: ALL 15,713 million) is included in the assets, which represent credit risk.

A segregation of the financial assets by geography is set out below:

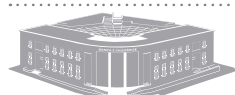
31 December 2016	Germany	France	Other EU countries	Switzerland	United States of America	Republic of Albania	Other	Total
Accounts and deposits with financial institutions (note 8)	416	44,143	11,361	39,594	9,949	3	-	105,466
Trading assets	2,714	1,216	3,039	-	8,959	-	255	16,183
Accounts with the IMF	-	-	-	-	-	-	11,719	11,719
Loans to banks	-	-	-	-	-	29,934	-	29,934
Available-for-sale investment securities	27,426	25,741	131,059	4,833	48,796	53,235	7,840	298,930
Other assets (note 15)	-	-	-	-	-	-	1,718	1,718
<b>Total</b>	<b>30,556</b>	<b>71,100</b>	<b>145,459</b>	<b>44,427</b>	<b>67,704</b>	<b>83,172</b>	<b>21,532</b>	<b>463,950</b>

31 December 2015	Germany	France	Other EU countries	Switzerland	United States of America	Republic of Albania	Other	Total
Accounts and deposits with financial institutions (note 8)	7,261	10,664	27,039	44,883	3,607	-	-	93,454
Trading assets	1,909	718	2,003	-	10,985	130	125	15,870
Accounts with the IMF	-	-	-	-	-	-	15,713	15,713
Loans to banks	-	-	-	-	-	12,987	-	12,987
Available-for-sale investment securities	40,026	35,108	134,099	-	44,643	53,227	836	307,939
Other assets (note 15)	-	-	-	-	-	-	1,646	1,646
<b>Total</b>	<b>49,196</b>	<b>46,490</b>	<b>163,141</b>	<b>44,883</b>	<b>59,235</b>	<b>66,344</b>	<b>18,320</b>	<b>447,609</b>

A segregation of the financial assets by counterparty type is set out below:

31 December 2016	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Available-for-sale investments securities	Other assets	Total
Central Bank	55,696	-	11,719	-	-	-	67,415
Bank for International Settlements ("BIS Basel")	32,841	-	-	-	4,833	-	37,674
Foreign Governments and Agencies	-	16,183	-	-	224,665	-	240,848
Commercial Banks	16,929	-	-	29,934	16,197	-	63,060
Albanian Government	-	-	-	-	53,235	-	53,235
Other	-	-	-	-	-	1,718	1,718
<b>Total</b>	<b>105,466</b>	<b>16,183</b>	<b>11,719</b>	<b>29,934</b>	<b>298,930</b>	<b>1,718</b>	<b>463,950</b>



31 December 2015	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Available-for-sale investment securities	Other assets	Total
Central Bank	22,800	-	15,713	-	-	-	38,513
BIS Basel	44,883	-	-	-	-	-	44,883
Foreign Government and Agencies	-	15,740	-	-	248,459	-	264,199
Commercial Banks	25,771	-	-	12,987	6,255	-	45,013
Albanian Government	-	130	-	-	53,225	-	53,355
Other	-	-	-	-	-	1,646	1,646
<b>Total</b>	<b>93,454</b>	<b>15,870</b>	<b>15,713</b>	<b>12,987</b>	<b>307,939</b>	<b>1,646</b>	<b>447,609</b>

An analysis of concentration of the credit risk by quality of credit rating is shown below:

Credit Risk 31 December 2016	Accounts and deposits with financial institutions	Investment securities	Special Drawing Rights (SDR)**	Loans to banks and other assets	Total
AAA	6,752	65,422	-	-	72,174
AA	58,800	152,968	-	-	211,768
A	6,654	19,179	-	-	25,833
BBB	415	19,476	-	-	19,891
B+*	3	53,235	-	-	53,238
BIS Basel	32,842	4,833	-	-	37,675
Unrated	-	-	11,719	31,652	43,371
<b>Total</b>	<b>105,466</b>	<b>315,113</b>	<b>11,719</b>	<b>31,652</b>	<b>463,950</b>

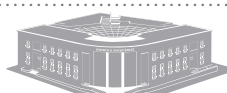
Credit Risk 31 December 2015	Accounts and deposits with financial institutions	Investment securities	Special Drawing Rights (SDR)	Loans to banks and other assets	Total
AAA	13,927	55,638	-	-	69,565
AA	21,512	183,146	-	-	204,658
A	5,870	6,515	-	-	12,385
BBB	7,262	25,155	-	-	32,417
B+*	-	53,355	-	8,441	61,796
BIS Basel	44,883	-	-	-	44,883
Unrated	-	-	15,713	6,192	21,905
<b>Total</b>	<b>93,454</b>	<b>323,809</b>	<b>15,713</b>	<b>14,633</b>	<b>447,609</b>

\* ) The Albanian Government is rated as B+, stable, based on the credit rating of Standard & Poor's and Ba2, stable, based on the credit rating of Moody's. The credit ratings included above show the second best rating amongst Standard & Poor's, Moody's and Fitch.

\*\* ) The currency value of the SDR is determined by summing the values in the US dollar, based on market exchange rates, of a basket of major currencies (the US dollar, euro, Japanese yen, and pound sterling). The SDR currency value is calculated daily and the valuation basket is reviewed and adjusted every five years.

#### (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 of Albania'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 optimizing 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; and
- Currency risk associated with fluctuations in the fair value of financial instruments due to changes in foreign exchange rates.

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 the relevant notes of the financial statements.

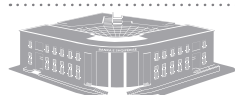
For the purpose of foreign reserve management, the Supervisory Board has established a set of criteria for the currency composition of the foreign reserve, to use in the management of the exchange rate risk. As a result, the Bank is passive in the management of the exchange rate risk. The Investment Committee defines a set of narrow ranges of the currency composition of some of the tranches of the foreign exchange reserve. The limits are monitored by the Monetary Operations Department, which carries out the necessary rebalancing operations in order to preserve the required weights of the currencies' composition.

*i) 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 the 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 the relevant notes to the financial statements.

The interest rate risk management, for the purpose of foreign exchange reserve management, in its core process includes the selection of the portfolio/duration benchmark for each market (currency) in which the foreign reserves are held. The benchmark selection is reviewed annually or whenever changes in market conditions require a reassessment. Besides determining the benchmark portfolio, the Investment Committee, in accordance with the limits imposed by the Supervisory Council, determines limits at the tranche level for the additional risk factors that can be taken by the portfolio manager specialist during the active administration. The limits at portfolio level are established by the Head of the Monetary Operations Department.



The principal tools used to measure interest rate risk for individual portfolios within the foreign exchange reserve are Duration and VaR (Value at Risk).

- Duration measures the sensitivity of the price of a fixed-income security against the volatility of the interest rates in the market.
- The VaR is defined as the estimated maximum loss that will arise on a portfolio over a specified period of time from its exposure to the risk factors with a specified confidence interval.

The Bank uses parametric methods such as the covariance matrix, calculated based on the historical changes of the interest rates, weekly data from the last three years with a confidence interval of 95%, and weighted methods such as Exponentially Weighted Moving Average (EWMA) to calculate the estimated maximum loss from the portfolios for a one-year period. A VaR of 95% (VaR (95%)) can be interpreted as the maximum loss in 95% of the cases in a one-year period.

For the purposes of reserve management, the calculated VaR includes only the exposure to the risk of changes in interest rates for all positions, including benchmark instruments and non-benchmark instruments.

For benchmark instruments, the data used encompasses changes in interest rates for treasury issues for each currency and for non-benchmark instruments the data used encompasses issues rated as AA, given that this rating constitutes the major share of non-benchmark instruments of the reserve portfolios.

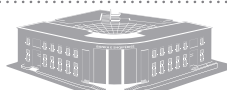
The following is a summary of the VaR (95%) position of the Bank's portfolios at 31 December 2016 and 2015:

	31 December 2016	31 December 2015
VaR (95%) in Lek	(1,832)	(1,954)

Furthermore, an important method to measure market risk is the sensitivity analysis of the value of the reserve to hypothetical changes in market factors. The data used in the sensitivity analysis calculations include the duration of portfolios and weight of each currency. The duration of the portfolio shows the degree of change in the market value of the portfolio, assuming a parallel shift of the yield curve based on interest rates for all the instruments within the portfolio.

Assuming an immediate parallel increase (decrease) in interest rates by 50 basis points and 100 basis points and a correlation equal to 1 between the curves, and based on the duration of the aggregate foreign exchange reserves, the estimated loss (gain) for each scenario is as follows:

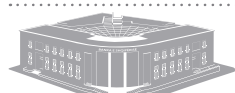
Estimated Profit (loss) effect	2016		2015	
	100 bp	50 bp	100 bp	50 bp
Increase	(4,006)	(2,003)	(4,489)	(2,244)
Decrease	4,006	2,003	4,489	2,244



Assets and liabilities with variable interest rates carry the risk of changing the base that serves to determine interest rates.

The position of the Bank's sensitivity to interest rate by contractual repricing is presented in the following table, showing the carrying amounts of financial instruments classified by contractual repricing or maturity date.

31 December 2016	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
<b>Interest-earning assets</b>						
Cash and cash equivalents	105,490	77,659	15,943	10,667	370	851
Trading assets	16,183	1,234	-	-	14,949	-
Accounts with the IMF	43,683	19,697	-	-	-	23,986
Loans to banks	29,934	-	24,155	5,779	-	-
Available-for-sale investment securities	298,930	1,960	9,622	14,468	272,880	-
Other assets (note 15)	1,718	-	-	-	1,718	-
<b>Total</b>	<b>495,938</b>	<b>100,550</b>	<b>49,720</b>	<b>30,914</b>	<b>289,917</b>	<b>24,837</b>
<b>Interest-bearing liabilities</b>						
Currency in circulation	258,821	-	-	-	-	258,821
Trading liabilities	2	-	-	-	-	2
Due to banks	152,352	-	142,358	-	-	9,994
Deposits and borrowings from third parties	3,310	-	3,119	-	-	191
Due to Government and state institutions	19,892	500	-	-	-	19,392
Due to the IMF	28,078	8,292	-	-	-	19,786
Other liabilities	78	-	-	-	-	78
<b>Total</b>	<b>462,533</b>	<b>8,792</b>	<b>145,477</b>	<b>-</b>	<b>-</b>	<b>308,264</b>
<b>Interest-bearing financial instruments gap</b>	<b>33,405</b>	<b>91,758</b>	<b>(95,757)</b>	<b>30,914</b>	<b>289,917</b>	<b>(283,427)</b>
<b>31 December 2015</b>	<b>Total</b>	<b>Floating rate instruments</b>	<b>Up to 1 month</b>	<b>From 1 to 3 months</b>	<b>Over 3 months</b>	<b>Non-interest bearing instruments</b>
<b>Interest-earning assets</b>						
Cash and cash equivalents	93,477	69,989	6,003	17,160	-	325
Trading assets	15,870	817	-	-	14,923	130
Accounts with the IMF	34,403	23,817	-	-	-	10,586
Loans to banks	12,987	-	12,987	-	-	-
Available-for-sale investment securities	307,939	2,961	-	1,638	303,340	-
Other assets (note 15)	1,646	-	-	-	1,646	-
<b>Total</b>	<b>466,322</b>	<b>97,584</b>	<b>18,990</b>	<b>18,798</b>	<b>319,909</b>	<b>11,041</b>
<b>Interest-bearing liabilities</b>						
Currency in circulation	239,191	-	-	-	-	239,191
Trading liabilities	16	-	-	-	-	16
Due to banks	142,967	-	55,297	-	-	87,670
Deposits and borrowings from third parties	3,361	-	1,603	-	1,215	543
Due to Government and state institutions	27,451	500	-	-	-	26,951
Due to the IMF	18,711	8,698	-	-	-	10,013
Other liabilities	72	-	-	-	-	72
<b>Total</b>	<b>431,769</b>	<b>9,198</b>	<b>56,900</b>	<b>-</b>	<b>1,215</b>	<b>364,456</b>
<b>Interest-bearing financial instruments gap</b>	<b>34,553</b>	<b>88,386</b>	<b>(37,910)</b>	<b>18,798</b>	<b>318,694</b>	<b>(353,415)</b>





**Future contracts**

A future contract is a standardized 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, depending 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 fair value of future contracts at 31 December 2016 is ALL 2 million (2015: ALL 16 million) (see note 12).

The nominal value of these contracts as at 31 December 2016 is composed by the following:

- buy contracts in the amount of ALL million 695 (2015: ALL 1,180 million); and
- sell contracts in the amount of ALL million 1,474 (2015: ALL 6,128 million).

*ii) Exchange rate risk*

Exchange rate risk results from the difference between the currency structure of assets and liabilities. From an accounting point of view, the Bank is exposed to currency risk due to its principal central bank functions.

This risk can affect the size of its capital. In order to manage this type of exposure, over the years, action has been taken to increase capital, inflow funds and, in exceptional cases, when the value of the revaluation of the foreign currencies was negative, debt instruments of the Republic of Albania were issued in compliance with the provisions of the law 'On the Bank of Albania'.

**Forward contracts**

Trading derivatives include forward exchange contracts that are entered into by the Bank with the Albanian Government. These instruments are not usually closed out before contractual maturity.

The fair value of forward contracts at 31 December 2015 is ALL 130 million (see note 12). There were no such contracts at 31 December 2016.

The Bank's exposure to foreign currency risk as at 31 December 2016 and 31 December 2015 is as follows:

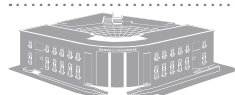


31 December 2016	ALL	USD	EUR	GBP	Other	Total
<b>Assets</b>						
Cash and cash equivalents	-	12,876	78,428	1,778	12,408	105,490
Trading assets	-	16,183	-	-	-	16,183
Accounts with the IMF	-	-	-	-	43,683	43,683
Loans to banks	29,934	-	-	-	-	29,934
Available-for-sale investment securities	53,235	60,339	171,078	9,446	4,832	298,930
Other assets	1,718	-	-	-	-	1,718
<b>Total assets</b>	<b>84,887</b>	<b>89,398</b>	<b>249,506</b>	<b>11,224</b>	<b>60,923</b>	<b>495,938</b>
<b>Liabilities</b>						
Currency in circulation	258,821	-	-	-	-	258,821
Trading liabilities	-	2	-	-	-	2
Due to banks	57,981	14,038	80,333	-	-	152,352
Deposits and borrowings from third parties	3,309	-	1	-	-	3,310
Due to Government and state institutions	9,088	119	7,281	1	3,403	19,892
Due to the IMF	-	-	-	-	28,078	28,078
Other liabilities	-	78	-	-	-	78
<b>Total liabilities</b>	<b>329,199</b>	<b>14,237</b>	<b>87,615</b>	<b>1</b>	<b>31,481</b>	<b>462,533</b>
<b>Net currency position</b>	<b>(244,312)</b>	<b>75,161</b>	<b>161,891</b>	<b>11,223</b>	<b>29,442</b>	<b>33,405</b>

31 December 2015	ALL	USD	EUR	GBP	Other	Total
<b>Assets</b>						
Cash and cash equivalents	-	3,848	78,252	3,103	8,274	93,477
Trading assets	-	15,740	-	-	130	15,870
Accounts with the IMF	-	-	-	-	34,403	34,403
Loans to banks	12,987	-	-	-	-	12,987
Available-for-sale investment securities	53,226	57,448	186,417	10,012	836	307,939
Other assets	1,646	-	-	-	-	1,646
<b>Total assets</b>	<b>67,859</b>	<b>77,036</b>	<b>264,669</b>	<b>13,115</b>	<b>43,643</b>	<b>466,322</b>
<b>Liabilities</b>						
Currency in circulation	239,191	-	-	-	-	239,191
Trading liabilities	-	16	-	-	-	16
Due to banks	66,119	5,876	70,972	-	-	142,967
Deposits and borrowings from third parties	2,147	-	1,214	-	-	3,361
Due to Government and state institutions	14,252	170	12,215	1	813	27,451
Due to the IMF	-	-	-	-	18,711	18,711
Other liabilities	-	72	-	-	-	72
<b>Total liabilities</b>	<b>321,709</b>	<b>6,134</b>	<b>84,401</b>	<b>1</b>	<b>19,524</b>	<b>431,769</b>
<b>Net currency position</b>	<b>(253,850)</b>	<b>70,902</b>	<b>180,268</b>	<b>13,114</b>	<b>24,119</b>	<b>34,553</b>

### (e) Fair value of financial instruments

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.



The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

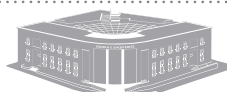
The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining 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.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

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 in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognized 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.

### *Financial instruments measured at fair value – Fair value hierarchy*

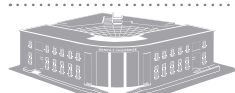
The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

31 December 2016	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	12	16,183	-	-	16,183
Investments in securities	13	232,149	66,781	-	298,930
Total		248,332	66,781	-	315,113
Trading liabilities					
Derivative trading liabilities	12	2	-	-	2
Total		2	-	-	2
31 December 2015	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	12	15,740	-	-	15,740
Derivative trading assets	12	-	-	130	130
Investments in securities	13	249,907	58,032	-	307,939
Total		265,647	58,032	130	323,809
Trading liabilities					
Derivative liabilities	12	16	-	-	16
Total		16	-	-	16

### *Financial instruments not measured at fair value*

The following table sets out the fair values of certain financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised.

		31 December 2016		31 December 2015	
	Note	Fair value Level 2	Carrying amount	Fair value Level 2	Carrying amount
		2016	2016	2015	2015
<b>Assets</b>					
Cash and cash equivalents	8	105,490	105,490	93,477	93,477
Loans to banks	11	29,934	29,934	12,987	12,987
Special Drawing Rights ("SDR") held	10	43,683	43,683	34,403	34,403
Other financial assets	15	1,718	1,718	1,646	1,646
<b>Liabilities</b>					
Due to the IMF	10	28,078	28,078	18,711	18,711
Due to banks	17	152,352	152,352	142,967	142,967
Deposits and borrowings from third parties	18	3,310	3,310	3,361	3,361
Due to Government and state institutions	19	19,892	19,892	27,451	27,451



**(e) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a 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 internal control systems on several activities of the Bank of Albania and standards for the management of operational risk and a wide range of common policies, staff management regulations and obligatory requirements.

**8. CASH AND CASH EQUIVALENTS**

	31 December 2016	31 December 2015
Cash	24	66
Current accounts	78,493	70,252
Short-term deposits	26,973	23,159
Total	105,490	93,477

The annual interest rates for short-term deposits are as follows:

In %	EUR	USD	AUD	CNH
31 December 2016	(0.45) - (0.35)	0.46	1.41 – 1.42	3.35 – 6.45
31 December 2015	(0.30) - 0.00	0.36	n/a	n/a

**9. MONETARY GOLD**

	31 December 2016	31 December 2015
Monetary gold	7,516	6,762
Total	7,516	6,762

The monetary gold is placed in time deposits and current accounts with foreign banks.

The increase of ALL 754 million compared to the previous year (2015: decrease of ALL 231 million compared to 2014) is a result of valuing the monetary gold at the market price at the reporting date, and is initially recognized in profit or loss, and subsequently transferred from retained earnings to the revaluation reserve (see note 21).



## 10. ACCOUNTS WITH/DUE TO THE INTERNATIONAL MONETARY FUND (IMF)

Accounts with the IMF	31 December 2016	31 December 2015
Quotas with IMF	23,986	10,586
Special Drawing Rights ("SDR") held	19,697	23,817
<b>Total assets</b>	<b>43,683</b>	<b>34,403</b>
Due to the IMF	31 December 2016	31 December 2015
SDR allocations	7,978	8,104
IMF securities account	17,258	7,422
IMF account No. 1	2,524	2,587
IMF account No. 2	1	1
Poverty Reduction and Growth Facility ('PRGF')	314	595
Accrued interest	3	2
<b>Total liabilities</b>	<b>28,078</b>	<b>18,711</b>

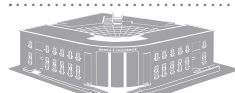
Quotas with the IMF of ALL 23,986 million or SDR 140 million (2015: ALL 10,586 million or SDR 60 million) originate from the membership of the Republic of Albania in the IMF, according to the Law No.8269, dated 23 December 1997 'On the Bank of Albania'.

The SDR holdings of ALL 19,697 million or SDR 115 million (2015: ALL 23,817 million or SDR 137 million) represent deposits with the IMF. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at 31 December 2016 is 0.246% p.a. (2015: 0.05% p.a.).

SDR Allocations of ALL 7,978 million or SDR 46 million (2015: ALL 8,104 million or SDR 46 million) represent amounts borrowed from the IMF with two tranches in August and September 2009, whose purpose is to provide immediate response to the short-term and long-term liquidity needs of the member countries.

The IMF accounts represent liabilities towards Albania's participation in the IMF. The IMF accounts do not have a defined maturity. The IMF securities account includes borrowings that are part of the Extended Fund Facility (EFF) program. EFF borrowing of ALL 261 million or SDR 1.5 million (2015: ALL 496 million or SDR 3 million) were disbursed during the period from 2006 to 2009. The facility is repayable within 10 years, after a grace period of four and a half years. The interest on these borrowings is floating and is paid on quarterly basis. At 31 December 2016, the annual interest rate was 1.247 % (2015: 1.05%).

IMF pays remuneration to members with remunerated reserve tranche positions, at 0.241% p.a. (2015: 0.044% p.a.). The reserve tranche position is calculated as the difference between Quotas in the IMF and the currency holdings in the IMF accounts, excluding holdings acquired as a result of the use of the Fund credit and holdings in the IMF account No.2.





PRGF borrowings of ALL 314 million or SDR 2 million (2015: ALL 595 million or SDR 3 million) include PRGF No. 4 that was granted in 2006 and bears an interest rate of 0.5% p.a. This facility had a grace period of five and a half years and is payable in 10 semi-annual equal instalments.

### *Direct budget support provided by the IMF*

Direct budget support provided by the IMF to the Government of Albania, where the Government assumes the Fund liability, is not recognised as a liability of the Bank to the Fund, even though the funds are initially deposited in the Government accounts at the Bank. During the years 2014 - 2016, the IMF disbursed tranches with a total balance of ALL 41,029 million (2015: ALL 21,743 million), as part of the EFF facility program approved by the IMF in favour of Albania. These tranches are used to provide direct budget financing to the Government of Albania represented by the Ministry of Finance. The borrowing is repayable within 3 years, by the Albanian Government through the accounts of the Bank with the IMF. The Albanian Government will repay all principal, interest and any other expense associated with the above tranches, and those expected to be disbursed in the future. In relation to this borrowing, the Ministry of Finance issued promissory notes in favour of the IMF.

## 11. LOANS TO BANKS

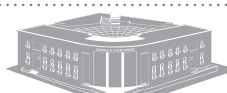
	31 December 2016	31 December 2015
Reverse repurchase agreements	29,934	12,987
Total	29,934	12,987

At 31 December 2016, reverse repurchase agreements between the Bank and commercial banks have original maturities from one week to three months (2015: from one week to one month).

## 12. TRADING ASSETS

Trading assets	31 December 2016	31 December 2015
Non-derivatives:		
Government Treasury Notes	10,755	11,996
Agencies and Corporate Securities	5,428	3,744
Derivatives:		
Foreign exchange forwards	-	130
Total	16,183	15,870

Trading assets are administered by the 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 in this portfolio are denominated in USD.



Trading liabilities	31 December 2016	31 December 2015
Derivatives:		
Interest rate futures	2	16
Total	2	16

The annual interest rates for non-derivative assets at 31 December 2016 and 2015 are as follows:

In %	USD
At 31 December 2016	0.625-2.875
At 31 December 2015	0.38-2.75

### 13. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

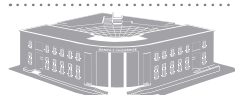
	31 December 2016	31 December 2015
Foreign Governments Treasury Notes	149,299	163,734
Foreign Governments Treasury Bills	3,389	2,905
Agencies and Corporate long-term securities	77,486	81,408
Agencies and Corporate short-term securities	15,521	6,667
Treasury Bills of the Albanian Government	53,235	53,225
Total	298,930	307,939

The annual yields for each currency at 31 December 2016 and 2015 are as follows:

In %	ALL	USD	GBP	AUD	JPY	EUR
31 December 2016	1.23-3.17	0.50-3.65	0.00-0.48	1.73-2.04	n/a	(0.80)-1.73
31 December 2015	1.75-2.56	0.22-3.76	0.32-1.62	n/a	0.006	(0.39)-3.38

Available for sale investments in Allat 31 December 2016, represent Albanian Government treasury bills with a maturity period from 3 months to 12 months (2015: from 3 months to 12 months).

As a result of further relaxing monetary policies of certain central banks during 2016 and 2015, the return rates of some of the instruments in the EUR portfolios, are negative. These instruments represent mainly treasury securities issued by euro area governments with high credit ratings, including those issued by the governments of Germany and France with maturities of 8 years and 6 years, respectively.



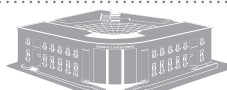
## 14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land, buildings and installations	Furniture and equipment	Vehicles	Work in progress	Numismatic coins and objects	Total property and equipment	Computer software	Work in progress	Total intangible assets	Total
Amortized costs										
At 1 January 2015	9,402	2,520	275	213	10,392	22,802	496	43	539	23,341
Additions	-	87	5	75	60	227	31	-	31	258
Transfers	-	119	-	(119)	-	-	43	(43)	-	-
Disposal	(5)	(90)	-	-	-	(95)	(2)	-	(2)	(97)
At 31 December 2015	9,397	2,636	280	169	10,452	22,934	568	-	568	23,502
Additions	1	58	46	38	80	223	14	7	21	244
Transfers	1	2	-	(3)	-	-	1	(1)	-	-
Disposal	(15)	(78)	(33)	-	-	(126)	(1)	-	(1)	(127)
Adjustments	22	-	-	-	-	22	-	-	-	22
At 31 December 2016	9,406	2,618	293	204	10,532	23,053	582	6	588	23,641
Depreciation/amortization and impairment losses										
At 1 January 2015	-	1,532	188	-	-	1,720	461	-	461	2,181
Change of the year	145	338	15	-	-	498	64	-	64	562
Disposal	(5)	(89)	-	-	-	(94)	(2)	-	(2)	(96)
At 31 December 2015	140	1,781	203	-	-	2,124	523	-	523	2,647
Amortization	145	308	20	-	-	473	15	-	15	488
Disposal	(15)	(71)	(33)	-	-	(119)	(1)	-	(1)	(120)
Adjustments	22	-	-	-	-	22	-	-	-	22
At 31 December 2016	292	2,018	190	-	-	2,500	537	-	537	3,037
Net carrying value										
At 31 December 2015	9,257	855	77	169	10,452	20,810	45	-	45	20,855
At 31 December 2016	9,114	600	103	204	10,532	20,553	45	6	51	20,604

## 15. OTHER ASSETS

	31 December 2016	31 December 2015
Loans to employees	1,718	1,646
Numismatics (banknotes and coins)	304	304
Printing and minting costs	228	230
Inventory	26	43
Other	40	36
Total	2,316	2,259

Loans to employees at 31 December 2016 are net of allowance for impairment of ALL 8 million (2015: ALL 8 million).



## 16. CURRENCY IN CIRCULATION

The exclusive right of issuing Albanian currency is vested with the Bank. Currency in circulation comprises domestic banknotes and coins in circulation issued by the Bank.

The following banknotes and coins were in circulation as at 31 December 2016 and 31 December 2015:

Nominal value ALL	31 December 2016		31 December 2015	
	Number in thousand	Total ALL (million)	Number in thousand	Total ALL (million)
Notes				
100	3,404	340	3,409	341
200	11,399	2,280	10,525	2,105
500	19,343	9,671	19,046	9,523
1,000	39,658	39,658	40,817	40,817
2,000	28,075	56,149	24,994	49,988
5,000	29,325	146,625	26,524	132,618
Coins		4,098		3,799
		258,821		239,191

## 17. DUE TO BANKS

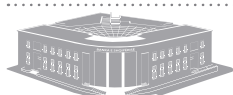
	31 December 2016	31 December 2015
Compulsory reserve and current accounts	135,602	132,145
Compulsory reserve – cash in custody	9,990	10,822
Overnight deposits	6,760	-
Total	152,352	142,967

Based on the Decision of the Supervisory Council, No. 39, dated 25 June 2014, amended by the Decision No. 76, dated 06 July 2016, the compulsory reserve in euro is negatively remunerated at 0.4%, which is the deposit rate defined by ECB (2015: nil), whilst the compulsory reserve in USD is not remunerated. The compulsory reserve in lek is remunerated at 0.875% (2015: 1.225%).

Based on the Decision of the Supervisory Council, No. 29, dated 16 May 2012, 'On the minimum compulsory reserve held at the Bank of Albania by commercial banks', amended by the Decision No. 75, dated 06 July 2016, the Bank allows the commercial banks to maintain the compulsory reserve in the form of cash in custody with the Bank.

## 18. DEPOSITS AND BORROWINGS FROM THIRD PARTIES

	31 December 2016	31 December 2015
Borrowing from the Republic of Greece	-	1,215
Deposits from individuals for participation in Treasury Bills auctions	122	364
Deposits from the pension fund	47	31
Deposits from the Deposit Insurance Agency	3,141	1,751
Total	3,310	3,361



The borrowing from the Republic of Greece, amounting ALL 1,215 million or EUR 8.8 million at 31 December 2015, which was granted for the purpose of funding the balance of payments of the Republic of Albania, was fully repaid in 2016.

Deposits from the pension fund relate to the pension plan scheme, which is based on employee contributions and employer contributions. Based on the Decision No. 17, dated 26 February 2014, of the Supervisory Council, the pension fund reports its financial statements separately from the Bank.

## 19. DUE TO GOVERNMENT AND STATE INSTITUTIONS

	31 December 2016	31 December 2015
Profit to be distributed to the Government	908	1,095
Deposits from the Government	17,975	22,144
Due to state institutions	1,009	4,212
<b>Total</b>	<b>19,892</b>	<b>27,451</b>

The Bank does not pay interest for deposits from the Government, except for a guarantee deposit of ALL 500 million (2015: ALL 500 million), for which based on an agreement between the Bank and the Ministry of Finance, the remuneration rate is 1.25% (2015: 1.75%).

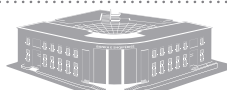
## 20. OTHER LIABILITIES

	31 December 2016	31 December 2015
Due to international financial institutions	871	323
Accrued expenses	253	179
Provisions for claims and litigations	139	65
<b>Total</b>	<b>1,263</b>	<b>567</b>

Balances due to international financial institutions include amounts payable to IBRD of ALL 793 million (2015: ALL 251 million) for the purchase of securities that are managed by the IBRD, and other amounts payable to IBRD, International Development Agency ('IDA'), Multilateral Investment Guarantee Agency ('MIGA'), and Islamic Development Bank ('IDB') totalling ALL 78 million (2015: ALL 72 million).

For the years ended 31 December 2016 and 31 December 2015, the movements in provisions for claims and litigations are presented below:

	2016	2015
Balance at 1 January	65	70
Charge for the year	83	46
Reversals for the year	(9)	(51)
<b>Balance at 31 December</b>	<b>139</b>	<b>65</b>



## 21. RESERVES

	31 December 2016	31 December 2015
Legal reserve	12,500	12,500
Revaluation reserves	23,240	24,206
Fair value reserve (available-for-sale assets)	531	995
Other reserves	16,548	16,548
Transition reserve	5,619	5,539
<b>Total</b>	<b>58,438</b>	<b>59,788</b>

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 with this requirement as at 31 December 2011 with its legal reserve amounting to ALL 12,500 million.

Net gain/(loss) from changes in the fair value of the monetary gold (note 9) and net foreign exchange gains/(losses) are initially recognized in profit or loss and then transferred to the revaluation reserves.

The transition reserve is created as a result of the first-time adoption of International Financial Reporting Standards. The transition date was 1 January 2014.

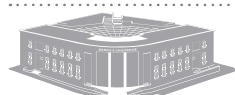
Other reserves include the following:

	31 December 2016	31 December 2015
Reserve for the Balance of Payments	7,209	7,209
Reserve of gold and precious metals	7,042	7,042
Other	2,297	2,297
<b>Total</b>	<b>16,548</b>	<b>16,548</b>

The reserve for the Balance of Payments represents financial assistance provided by the European Community during the years 1992 and 1993. There have been no movements in such reserve since 1995.

The reserve of gold and precious metals represents the reserve created based on Law No. 9862, dated 24 January 2008 'On the transfer of ownership of gold and other precious metals from the Albanian Council of Ministers to the Bank of Albania'.

Other includes reserves of ALL 2,297 million (2015: ALL 2,297 million) created from the allocation of profits for the years 2004 - 2016 based on the Supervisory Council decisions in the respective following years.



## 22. NET INTEREST INCOME

	2016	2015
Interest income		
Available-for-sale investment securities	1,957	2,893
Loans to banks	300	631
Deposits with banks	52	12
Accounts with IMF	21	12
Other	164	65
Total interest income	2,494	3,613
Interest expense		
Compulsory reserves	380	530
Loan from the Republic of Greece	9	15
Due to the International Monetary Fund	10	10
Due to the Albanian Government	62	14
Deposits from third parties	19	19
Negative interest from deposits with financial institutions	257	56
Total interest expense	737	644
Net interest income	1,757	2,969

Negative interest from deposits with financial institutions of ALL 257 million (2015: ALL 56 million) represents charges arising from negative yielding deposits and accounts placed with foreign financial institutions.

Interest income from available-for-sale securities include income received from securities issued by the Albanian Government with a total value of ALL 1,012 million (2015: ALL 2,016 million).

## 23. NET TRADING INCOME

	2016	2015
Interest income from trading assets	176	143
Net loss from the sale of trading assets	(2)	(26)
Unrealized fair value changes	3	(18)
Net profit from forward and future contracts	859	404
Total	1,036	503

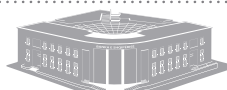
## 24. OTHER REVENUE

	2016	2015
Net profit from sale of available-for-sale investments	470	751
Other	10	58
Total	480	809

## 25. EMPLOYEE BENEFIT EXPENSES

	2016	2015
Employee salaries and compensations	1,040	882
Contributions for health and social security	91	88
Contribution for pension fund (see note 18)	107	83
Total	1,238	1,053

As at 31 December 2016, the Bank had 509 employees (2015: 502 employees).





## 26. CONTINGENCIES AND COMMITMENTS

### (i) *Reverse repurchase agreements*

Reverse repurchase agreements as at 31 December 2016, represented collateralized loans (see note 11). The nominal value of the securities used as collateral as at 31 December 2016, was ALL 31,860 million (2015: ALL 14,380 million).

### (ii) *Rent agreements*

The Bank has entered into rent agreements for its premises. Rent agreements in force at 31 December 2016, expire on 31 December 2018. Rent commitments payable within one year are ALL 36 million, whilst rent commitment payable within one and five years are ALL 36 million (2015: ALL 73 million).

### (iii) *Capital commitments*

As at 31 December 2016 and 2015, the Bank has not entered into capital commitments.

### (iv) *Credit commitments and collaterals received from employees*

The total value of registered collateral for long-term loans extended to employees (see note 15) at 31 December 2016, is ALL 2,414 million (2015: ALL 2,233 million). At 31 December 2016, unused credit commitments for employees amount to ALL 171 million (2015: ALL 58 million).

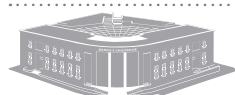
## 27. MANAGED ASSETS

At 31 December 2016, the Bank acts as custodian for short-term treasury bills with maturities from 3 to 12 months, with total nominal value of ALL 213 billion (2015: ALL 227 billion and EUR 24 million) and for long-term securities with maturities varying between 2 and 10 years, with nominal value of ALL 311 billion (2015: ALL 286 billion) and EUR 78 million (2015: EUR 81 million). These securities are issued by the Albanian Government.

## 28. 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 related parties of Bank of Albania include the directors and members of the Supervisory Council. As at 31 December 2016 and 2015, balances with related parties comprised:

	2016	2015
Loans to directors		
Directors	91	56
Total	91	56

Loans to directors have an interest rate of 0.5% p.a. and a grace period of two years, and are repayable within maximum of 30 years in equal monthly instalments. The mortgage loans are collateralized.

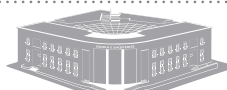
The increase of loans to directors of ALL 35 million (2015: decrease of ALL 67 million) in 2016, represents new granted loans of ALL 35 million (2015: nil), repayments of ALL 3 million (2015: ALL 3 million) and reclassifications of the loans after changes in the hierarchy structure of ALL 3 million (2015: ALL 64 million reclassified as not related).

	2016	2015
Administrative expenses		
Directors and Supervisory Council members:		
Telephone expenses	4	4
Salaries and bonuses	125	98
Per diems	6	6
Directors:		
Fuel compensation	3	3
Contribution to pension plan scheme	12	9
Total of administrative expenses for related parties	150	120

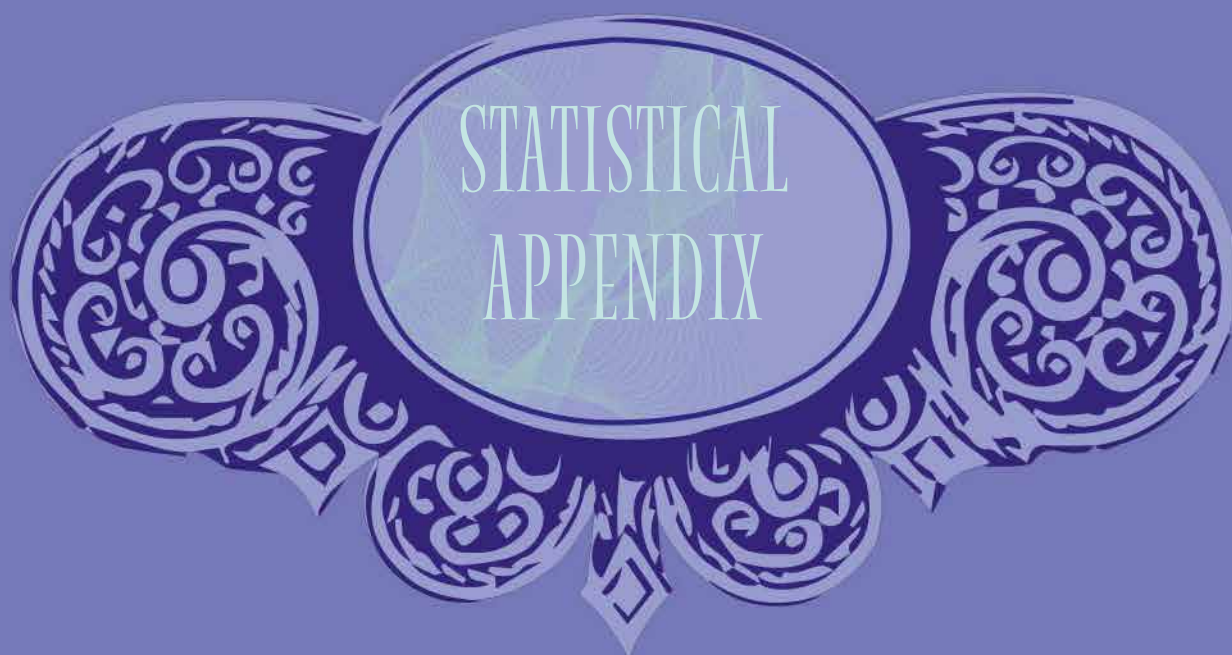
Balances with/(due to) the Albanian Government and state institutions are disclosed in Notes 13 and 19, and related interest income from securities and interest expenses are included in Note 22. Promissory notes issued by the Albanian Government in favour of the IMF are detailed in Note 10, whilst securities issued by the Albanian Government and managed by the Bank are detailed in Note 27.

## 29. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.







*\*Fragments from ornaments featured in the "20 gold francs" banknote issued in 1926 by the National Bank of Albania.*



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## TREGUES TË PËRGJITHSHËM MAKROEKONOMIKË

## 1. ZHVILLIMET MONETARE DHE NORMAT E INTERESIT

Në miliardë lekë, përveç rasteve kur shënohet ndryshe, fund periudhe

	Agregatët monetarë / Monetary aggregates			Depozitat <sup>2</sup> / Deposits <sup>2</sup>	Kredita <sup>3</sup> / Credit <sup>3</sup>	Normat e interesit 12m / 12m interest rates (%)			Norma e marrëveshjes së riblejtes nëjavore <sup>5</sup> / Weekly repurchase agreement rate <sup>5</sup>
	M1	M2	M3			Depozita <sup>4</sup> / Deposits <sup>4</sup>	Hua <sup>4</sup> / Loans <sup>4</sup>	Bono Tësar <sup>4</sup> / T. Bills	
	1	2	3	4	5	6	7	8	9
2013	295.9	693.2	1,149.0	950.1	547.9	4.17	9.52	3.66	3.00
2014	353.3	722.4	1,195.1	977.4	560.0	1.92	7.66	3.33	2.25
2015 <sup>1</sup>	384.1	723.0	1,216.2	985.6	546.8	1.35	7.79	2.40	1.75
2016	435.4	736.9	1,263.5	1,014.2	547.6	0.80	5.89	2.92	1.25

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

## MAIN MACROECONOMIC INDICATORS

## MONETARY DEVELOPMENTS AND INTEREST RATES 1.

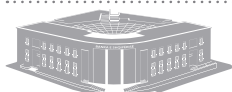
In billions ALL, unless otherwise indicated, end of period

2. PRODHIMI I BRENDSHËM BRUTO<sup>6</sup>, INDEKSET E ÇMIMEVE DHE TREGU I PUNËSGROSS DOMESTIC PRODUCT<sup>6</sup>, PRICE INDEXES AND LABOR MARKET 2.

	Me çmime korrente, në milionë lekë <sup>7</sup> / At current prices, in million ALL <sup>7</sup>			Të Ardhura nga pronat / Property income, net	Të Ardhurat Kombëtare Bruto / Gross National Income	Ndryshimet vjetore të Indeksit të Çmimeve të konsumit (%) / Yearly changes in CPI (%)	Ndryshimet Mesatare Vjetore të Indeksit të Çmimeve të Prodhimit (NVE Rev.2) % / Average Annual Changes of Producer Price Index (NACE Rev.2) %	Tregu i punës <sup>7</sup> / Labor market <sup>7</sup>	
	1	2	3					Shkalla e punësimit / Employment rate (%)	Shkalla e papunësisë / Unemployment rate (%)
	1	2	3	4	5=2+3+4	6	7	8	9
2012	1.4	1,332,811.0	12,441.5	-22,369.0	1,322,883.5	2.4	1.1	55.9	13.8
2013	1.0	1,350,052.6	1,793.9	1,648.9	1,353,495.5	1.9	-0.4	49.9	16.4
2014	1.8	1,394,419.3	1,224.9	-17,930.9	1,377,713.3	0.7	-0.5	50.5	17.9
2015	2.6	1,434,739.5	3,405.4	-24,206.4	1,413,938.5	2.0		52.9	17.5
2016									

Burimi: INSTAT.

Source: INSTAT.





### 3. BILANCI I PAGESAVE, REZERVA DHE KURSI I KËMBIMIT

Në milionë euro, përveç rasteve kur shënohet ndryshe

	Bilanci i llogarisë korrente / Current account	Nga të cilat: Bilanci tregtar / Of which: Trade balance (3.4)	Eksporti / Export		Importi / Import		Nga të cilat: Remitancat / Of which: Remittances	Investimet direkte neto / Direct invest- ments, net	Rezervat valutorë (stok) / Reserves (stock)	Rezervat në muaj Importe / Reserves in months of import	Kursi i këmbimit / Exchange rate	
			3	4	5	6					ALL / EUR	ALL / USD
2011	-1,197.2	-2,511.3	693.7	3,205.0	664.5	-608.9	7	8	9	10		
2012	-978.0	-2,226.2	875.9	3,102.1	675.3	-647.9	7	8	140.3	100.9		
2013	-1,049.1	-1,979.3	1,050.6	3,029.9	543.8	-923.2	7	8	139.0	108.2		
2014	-1,287.2	-2,215.6	931.7	3,147.3	591.9	-811.5	7	8	140.3	105.7		
2015	-1,104.6	-2,298.9	771.1	3,070.1	597.1	-818.4	7	8	140.0	105.5		
							7	8	139.7	126.0		

Burimi: Banka e Shqipërisë.

### BALANCE OF PAYMENTS, RESERVES AND EXCHANGE RATE 3.

In millions EUR, unless otherwise indicated

### 4. BILANCI FISKAL, STOKU I BORXHIT TË BRENDSHËM DHE BORXHI I JASHTËM

Në miliardë lekë

	Të Ardhura / Revenue	Nga të cilat: Të ardhura tatim- ore / Of which: Tax revenue	Shpenzime / Expenditure		Shpenzime kapitale / Capital expenditure		Deficiti / Deficit		Financim i brendshëm / Domestic financing		Financim i huaj / Foreign financing		Stoku i borxhit të Qeverisë Qëndrore / Central government debt stock	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2012	330.4	300.9	376.2	61.7	45.9	26.5	19.4	470.4	357.6	9	10	11	12	13
2013	327.2	299.9	394.1	65.5	66.9	56.1	10.8	520.8	363.9	9	10	11	12	13
2014	366.7	335.9	438.8	60.7	72.1	42.2	29.9	564.7	412.4	9	10	11	12	13
2015	379.2	342.3	437.4	63.1	58.2	54.4	64.6	551.4	490.9	9	10	11	12	13
2016	405.0	369.9	431.2	57.0	26.2	9.3	16.9	561.1	504.5	9	10	11	12	13

Burimi: Ministria e Financave, sipas publikimeve "Statistikat fiskale mujore, viti 2016" dhe Treguesit e Borxhit, viti 2016".

Publikimi :

excel paraqitje

Treguesit fiskale sipas buxheut të konsoliduar (Vjetor).

Shënime:

1) Përditësuar të dhënat për Dhjetor, 2015 sipas ESA 2010.

2) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parash së gjerë.

3) Përfshihen kreditë për ekonominë.

4) Norma mesatare e pondeur vjetore e depozitave dhe huave të reja 12 mujore në lekë për sistemin bankar.

5) Të dhënat i referohen normës në fund të periudhës.

6) Të dhënat sipas INSTAT: Llogaritë Kombëtare Vjetore (Metoda e Shpenzimeve) (tabelat GNI), 2014 gjysmë - finale; 2015 të dhëna paraqitje.

Llogaritë Kombëtare Vjetore (Metoda e Shpenzimeve) (tabelat GNI), 2014 gjysmë - finale; 2015 të dhëna paraqitje.

7) Të dhënat sipas informacionit në faqen e internetit të INSTAT datë 10.03.2017:

Temat / Tregu / punës / Anketat e Forcave të Punës / Vjetore / Shkalla e punësimit 2007-2015 (grupmosha 15-64 vjeç); Shkalla e

popullsisë 2007-2015 (grupmosha 15-64 vjeç).

### FISCAL BALANCE, DOMESTIC DEBT STOCK AND EXTERNAL DEBT 4.

In billions ALL

Source: Ministry of Finance, according to "Fiscal statistics monthly, year 2016 and "Debt Indicators, as of December 31, 2016"

Publications:

Publication :

excel paraqitje

Consolidated general budget (Annual).

Footnote:

1) Revised the data of December 2015 according to ESA 2010.

2) Deposits included in broad money.

3) Credit to economy.

4) The annual weighted average rate of the 12 months new deposits and loans in ALL for the banking system.

5) End of period data.

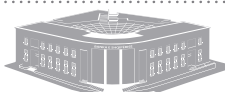
6) The data as of INSTAT: Annual National Accounts (Expenditure Method) (GNI table); 2014 Semi final;

(Production Method), by NACE Rev 2 (table 1); Annual National Accounts (Expenditure Method) (GNI table); 2015 Preliminary data

7) Data as of INSTAT web page tables, date 10.03.2017:

Figures/ Figures by theme/ Labour market/ Labour Force Survey/ Yearly/ Employment rate 2007-2015 (age group 15-64

years); Unemployment rate 2007-2015 (age group 15-64 years).



**FINANCIAL SECTOR 1.**  
**SECTORAL BALANCE SHEET OF BANK OF ALBANIA 1-1**  
**IN MILLIONS ALL, END OF PERIOD**

**1. SEKTORI FINANCIAR**  
**1-1 BILANCI SEKTORIAL I BANKËS SË SHQIPËRISË**  
**Në milionë lekë, fund periudhë**

	Totali i mjeteve/ Total assets (2+ 3+ 4+ 5+ 8+ 12+ 13+ 14)	Ari monetar dhe mbajtjet e SDR* / Monetary gold / SDR holdings*	Alba në valutë/ Foreign currency	Depozita** Deposits**	Lëtrat me vlerë të ndryshme nga akt- stetet / Securities other than shares (6+7)	Qeveria Qëndrore/ Central Government		Huatë/ Loans (9+ 10+ 11)	Qeveria Qëndrore/ Central Government	Korporata të tjera depozituese/ Other depository corporations	Sektore të tjerë rezidentë/ Other resident sectors	Derivatet financiare/ Financial derivatives	Llogari të ardhshme/ Receivable accounts	Mjetet jo financiare/ Nonfinancial assets
						Jorezidentët/ Nonresidents	Qeveria Qëndrore/ Central Government							
2014/12	433,878.0	19,299.7	56.2	32,524.0	320,744.6	256,796.7	63,947.9	27,286.3	-	25,547.8	1,738.5	17.4	18,197.8	15,752.1
2015/12	516,357.9	30,578.8	84.9	93,147.1	323,679.0	270,453.6	53,225.5	14,641.1	-	12,987.1	1,654.0	27.7	32,741.6	21,457.8
2016/12	524,730.8	27,211.8	52.0	104,622.9	315,112.7	261,877.5	53,235.2	31,660.3	-	29,934.4	1,725.9	15.8	25,094.1	20,961.2
2016/01	516,795.0	31,022.2	24.9	87,139.9	330,929.7	277,673.6	53,256.1	13,884.5	-	12,237.0	1,647.5	17.0	32,812.4	20,964.5
02	535,438.7	28,058.6	24.6	88,505.0	330,093.3	276,817.2	53,276.1	10,697.3	-	9,057.2	1,640.1	25.0	57,096.2	20,938.8
03	524,632.4	27,350.0	24.2	76,564.5	331,814.3	280,665.7	51,148.7	10,248.2	-	8,624.8	1,623.5	18.4	57,705.6	20,907.1
04	516,371.1	27,502.9	49.3	71,702.5	323,200.8	272,010.3	51,190.5	15,791.8	-	14,161.8	1,630.0	20.4	57,051.1	21,052.3
05	527,523.0	32,483.6	18.8	72,927.1	324,334.1	273,164.0	51,170.1	21,047.7	-	19,410.7	1,637.1	23.6	55,828.3	20,859.8
06	505,436.6	32,805.6	48.4	81,457.5	320,689.8	269,492.2	51,197.7	24,782.6	-	23,124.2	1,658.3	12.1	24,663.7	20,977.0
07	509,550.5	32,455.7	113.1	82,092.1	315,170.6	263,165.0	52,005.6	34,330.5	-	32,614.3	1,716.2	14.8	24,397.5	20,976.3
08	509,280.8	37,378.1	30.5	68,744.0	319,878.0	267,065.6	52,812.5	37,914.3	-	36,204.9	1,709.4	17.5	24,343.3	20,975.1
09	501,411.4	29,592.5	12.2	83,819.0	314,907.7	261,695.8	53,211.9	27,724.0	-	26,004.8	1,719.2	16.7	24,315.7	21,023.6
10	502,632.1	29,282.7	21.7	75,800.4	321,099.2	267,164.0	53,935.3	30,892.2	-	29,171.7	1,720.5	16.6	24,535.4	20,983.8
11	504,121.5	27,433.3	78.0	80,068.6	315,656.1	262,344.7	53,311.4	35,149.3	-	33,433.6	1,715.7	18.0	24,776.2	20,941.9
12	524,730.8	27,211.8	52.0	104,622.9	315,112.7	261,877.5	53,235.2	31,660.3	-	29,934.4	1,725.9	15.8	25,094.1	20,961.2

	Detyrimet totale/ Total liabilities (2+ 3+ 4+ 10+ 14+ 15+ 16)	Paratë në qarkullim/ Currency in circulation	Depozita të përfshira në paratë e gjera/ Depos- its included in broad money	Depozita të papërfshira në paratë e gjera/ Deposits exclud- ed from broad money (5+ 6+ 7+ 8+ 9)	Jorezidentët/ Nonresidents		Qeveria Qëndrore/ Central Government	Korporata të depozituese/ Other deposito- ry corporations	Korporata të tjera financia- re/ Other non- financial corporations	Sektore të tjerë rezidentë/ Other resi- dent sectors	Huatë / Loans (11 + 12 + 13)		Jorezidentët/ Nonresidents	Qeveria Qëndrore/ Central Government	Korporata të tjera depozituese/ Other depository corporations	Llogari të pagueshme/ Other accounts payable	Aktimi i SDR/ SDR allo- cation	Aksione dhe instrumente të kapitalit/ Shares and other equity
					5	6	7	8	9	10	11	12	13	14	15	16		
2014/12	433,878.0	226,434.1	154.2	140,569.3	16,564.1	16,600.5	106,310.9	85.0	1,008.8	2,294.2	2,294.2	-	-	889.8	7,753.2	55,783.2		
2015/12	516,357.9	239,218.1	1,787.9	201,585.6	31,826.2	26,340.8	142,966.8	87.4	364.4	1,809.6	1,809.6	-	-	461.3	8,104.4	63,391.1		
2016/12	524,730.8	258,848.0	3,183.2	191,379.7	19,860.9	18,975.1	152,349.7	72.1	121.9	314.2	314.2	-	-	1,164.6	7,981.2	61,859.9		
2016/01	516,795.0	235,588.8	1,442.4	202,351.3	31,754.5	26,769.0	143,652.1	88.0	87.7	1,784.9	1,784.9	-	-	407.6	8,159.9	67,060.2		
02	535,438.7	234,131.6	314.9	222,832.6	52,414.9	40,647.9	129,598.7	87.6	83.5	1,688.7	1,688.7	-	-	677.9	8,164.9	67,628.1		
03	524,632.4	233,537.2	1,547.6	213,918.8	52,444.3	37,272.9	124,040.8	79.3	81.5	1,684.8	1,684.8	-	-	877.6	7,988.8	65,077.7		
04	516,371.1	233,794.7	265.7	208,436.1	52,412.8	39,851.7	115,839.8	79.0	252.7	1,660.7	1,660.7	-	-	462.4	7,982.1	63,769.3		
05	527,523.0	236,717.5	373.2	214,475.5	51,104.7	54,481.4	108,742.3	74.8	72.3	1,668.2	1,668.2	-	-	628.5	8,107.3	65,552.7		
06	505,436.6	239,141.9	1,137.8	190,224.6	19,951.1	54,436.6	115,542.2	74.4	220.2	1,655.7	1,655.7	-	-	553.2	8,008.2	64,715.2		
07	509,550.5	243,313.9	2,297.1	191,549.4	19,880.0	53,137.5	118,260.4	72.1	199.4	1,600.6	1,600.6	-	-	460.3	7,918.4	62,410.8		
08	509,280.8	245,911.8	3,155.4	187,082.0	19,888.4	55,070.9	111,876.5	73.9	172.4	335.6	335.6	-	-	197.0	7,997.2	64,601.8		
09	501,411.4	246,691.6	3,467.2	178,478.3	19,870.3	49,501.2	108,886.4	73.7	146.6	335.5	335.5	-	-	582.9	7,972.3	63,883.7		
10	502,632.1	246,793.7	4,415.4	179,946.2	19,875.5	42,130.5	117,732.0	73.2	135.1	313.0	313.0	-	-	451.6	7,944.4	62,627.9		
11	504,121.5	249,260.7	3,768.8	179,211.7	19,876.0	36,157.7	122,979.7	72.3	126.0	315.2	315.2	-	-	701.6	8,012.0	62,851.5		
12	524,730.8	258,848.0	3,183.2	191,379.7	19,860.9	18,975.1	152,349.7	72.1	121.9	314.2	314.2	-	-	1,164.6	7,981.2	61,859.9		

Burimi: Banka e Shqipërisë

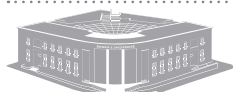
\* Për periudhën Dhjetor 2002-Pill 2014 është bërë riklasifikimi i arit monetar nga zëri "Depozita" në zërin "Ari monetar dhe mbajtjet e SDR".

\*\*Për periudhën Dhjetor 2015-Pill 2016 është bërë riklasifikimi i arit jo monetar nga zëri "Depozita" në zërin "Mjetet jo financiare".

Source: Bank of Albania.

\* The data of December 2002-April 2014 reflect a reclassification of monetary gold from "Deposits" to "Monetary gold and SDR holdings".

\*\*The data of December 2015-April 2016 reflect a reclassification of nonmonetary gold from "Deposits" to "Non-financial assets".



## 1-2.A BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ MUJETET

Në milionë lekë, fund periudhe

## SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ ASSETS 1-2.A

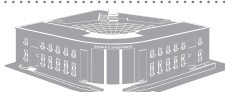
In millions ALL, end of period

	Totali i mjeteve / Total assets (2+3+4+8+11+21+24+25+26)				Aka në lekë / National currency		Aka në valutë / Foreign currency		Depozita / De- positos (5+6+7)		Jezidentët / Nonresidents		Banka Qëndrore / Central Bank		Bankat para-de- pozituese / Deposit money banks		Letra me vlerë të ndalshme nga aksio- net / Securities others than shares		Nga të cilat / of which:		Jezidentët / Nonresidents		Qeveria Qëndrore / Central Government		Korporata të tjera jo financiare	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
2014/12	1,354,708.0	8,765.4	11,055.4	245,965.9	130,183.8	106,632.0	9,150.1	424,283.6	87,349.5	336,934.2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2015/12	1,365,627.6	8,610.0	10,650.1	301,970.9	147,563.2	144,219.2	10,188.5	378,356.7	64,927.3	313,429.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2016/12	1,446,660.1	9,583.5	13,685.4	302,574.9	140,174.1	151,987.3	10,413.5	426,184.9	92,042.2	334,002.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2016/01	1,380,260.4	10,160.4	10,043.5	303,562.7	150,445.8	143,407.9	9,709.0	385,563.1	67,275.1	318,288.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
02	1,373,553.9	10,388.0	11,273.3	283,357.3	145,024.7	130,670.9	7,661.6	394,826.3	78,330.3	316,496.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
03	1,375,983.8	10,060.9	11,753.9	282,248.4	147,569.4	127,396.5	7,282.5	398,444.0	77,669.7	320,774.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
04	1,375,810.7	9,302.9	11,185.8	280,263.5	155,377.9	116,176.9	8,708.8	400,506.2	77,522.7	322,983.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
05	1,377,523.1	10,087.9	12,517.6	275,207.7	155,556.5	111,622.0	8,029.2	407,588.4	80,216.4	327,372.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
06	1,378,413.9	9,904.5	13,179.7	269,608.9	144,481.8	115,918.7	9,208.4	404,711.4	76,778.3	327,862.9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
07	1,380,506.1	9,396.1	14,263.7	275,990.8	151,538.7	118,394.4	6,057.7	396,832.7	67,538.5	329,153.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
08	1,415,999.8	9,766.0	19,454.8	294,754.2	173,768.7	113,033.8	7,951.7	409,503.4	77,858.4	331,504.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
09	1,420,003.6	10,531.2	15,147.0	292,088.0	168,473.4	113,357.8	10,256.8	408,086.6	77,916.2	330,029.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	1,422,891.4	10,754.5	14,725.0	302,486.5	174,259.9	119,867.1	8,359.5	405,804.2	75,664.7	330,048.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	1,436,644.1	12,430.6	13,310.6	309,343.2	174,478.7	123,973.5	10,891.0	404,339.4	75,120.3	329,078.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	1,446,660.1	9,583.5	13,685.4	302,574.9	140,174.1	151,987.3	10,413.5	426,184.9	92,042.2	334,002.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

	Huajtë / Loans 14+ 15+ 16+ 17+ 18+ 20)	Jezidentët/ Nonresidents	Banka Qëndrore/ Central Bank	Bankat para-de- pozituese/ Deposit money banks	Korporata të tjera financiare/ Other financial corporations	Qeveria Qendrore/ Central Government	Qeveria lokale / Local government	Korporata jo-financiare publike / Public nonfinancial corporations	Korporata të tjera jo-financiare nonfinancial corporations	Sektorë të tjerë rezidentë/ Other resident sectors	Aksione dhe instrumente të tjera të kapitalit / Shares and other equity [22+23]			Derivatet financiare/ Financial derivatives	Llogaritë të Arkëshime/ Other accounts receivable	Mjetet jo-financiare/ Nonfinancial assets	
												Jezidentët/ Nonresidents	Rezidentët/ Residents				
2014/12	614,230.0	53,447.7	—	6,011.6	8,270.3	1,263.2	777.7	27,328.2	372,166.6	144,964.8	5,858.9	5,020.0	838.9	—	7,551.9	36,997.0	26
2015/12	613,283.4	68,177.5	—	3,700.1	9,537.7	1,099.5	887.7	27,500.5	346,210.1	156,170.4	7,223.3	6,529.9	693.4	—	8,114.2	37,418.9	
2016/12	638,296.5	94,431.0	—	2,561.2	8,687.6	947.5	845.5	26,863.9	343,483.1	160,476.8	8,023.0	7,192.2	830.8	—	8,949.2	39,362.6	
2016/01	617,754.1	70,731.9	—	9,108.8	8,434.0	1,111.8	880.2	27,497.9	343,804.2	156,185.4	7,211.5	6,506.2	705.4	—	8,938.8	37,026.4	
02	620,927.8	72,890.1	—	8,980.3	8,763.2	1,106.1	878.5	27,690.2	344,486.5	156,133.0	7,437.1	6,732.3	704.8	—	8,655.1	36,689.0	
03	620,861.4	72,809.8	—	6,251.9	9,040.4	1,111.3	872.0	27,510.1	346,062.8	157,203.1	7,243.5	6,544.9	698.5	—	8,604.0	36,768.0	
04	620,815.1	72,756.1	—	6,118.2	8,832.8	969.9	866.1	27,490.3	346,880.7	156,901.2	7,702.3	7,004.3	698.0	—	9,182.7	36,852.2	
05	618,927.5	69,525.2	—	3,809.9	8,742.5	968.2	884.1	27,005.8	350,008.4	157,983.5	7,506.0	6,808.1	698.0	—	8,972.6	36,715.2	
06	627,181.6	77,538.3	—	3,059.0	9,051.9	962.3	879.9	26,350.7	350,669.9	158,669.8	8,012.9	7,306.9	706.0	—	8,774.0	37,040.9	
07	629,184.0	83,962.1	—	1,415.0	9,351.2	955.0	873.4	27,102.6	346,727.2	158,797.5	8,096.5	7,391.9	704.7	—	9,155.8	37,586.4	
08	627,706.0	80,945.4	—	2,094.7	9,223.4	962.8	870.0	27,046.3	346,453.8	160,109.6	8,129.2	7,423.0	706.3	—	8,869.4	37,817.0	
09	640,059.2	93,773.6	—	2,663.6	9,019.1	962.5	862.4	26,871.2	345,524.3	160,382.5	7,918.8	7,212.8	706.0	—	8,597.1	37,575.7	
10	634,904.1	86,755.7	—	3,503.3	8,879.4	957.8	855.0	26,998.1	346,276.9	160,678.0	7,828.4	6,996.1	832.4	—	9,030.5	37,358.2	
11	642,977.2	94,177.1	—	1,599.7	8,857.0	951.5	852.7	27,027.0	348,433.6	161,078.7	7,852.9	7,021.3	831.6	—	8,816.7	37,573.5	
12	638,296.5	94,431.0	—	2,561.2	8,687.6	947.5	845.5	26,863.9	343,483.1	160,476.8	8,023.0	7,192.2	830.8	—	8,949.2	39,362.6	

Burimi: Banka e Shqipërisë

Source: Bank of Albania.



	Leirat mës vlerës të ndryshme nga aksionet/ Securities others than shares	Korporata të tjera plotësnarie	Sektore të tjerë rezidentë	Huajt/ loans (19+ 20+ 21+ 22+ 23+ 24+ 25+ 26)	Joresident/ Nonresidents	Banka Qendrore/ Central Bank	Korporata të tjera depozituese/ Other depository corporations	Qeveria Qendrore/ Central Government	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jo-financiare/ Other nonfinancial corporations	Sektore të tjerë rezidentë/ Other resident sectors	Derivatet financiare/ Financial derivatives	Ulogari të pagueshme/ Other accounts payable	Aksione dhe instrumente kapitall/ Shares and other equity
	17	18	19	18	19	20	21	22	23	24	25	26	27	28
2014/12	-	-	-	59,855.4	25,672.3	25,549.4	4,114.3	730.6	661.9	-	3,126.9	-	106,273.4	117,653.2
2015/12	4,284.9	108.8	4,176.1	41,248.7	21,589.7	12,987.7	4,096.5	750.0	1,797.3	-	27.5	-	92,758.2	135,092.4
2016/12	5,224.5	108.6	5,115.9	59,400.8	23,590.4	29,936.3	3,450.5	635.6	1,760.8	-	27.1	-	92,617.0	144,877.9
2016/01	4,294.2	99.7	4,194.4	43,501.1	21,852.6	12,238.7	6,822.3	757.9	1,801.8	-	27.7	-	94,593.4	137,094.2
02	4,305.7	99.9	4,205.8	40,506.3	21,860.2	9,057.6	7,008.6	755.8	1,796.4	-	27.7	-	95,541.9	137,360.5
03	4,297.1	109.0	4,188.1	38,001.6	21,247.5	8,625.2	5,522.3	782.1	1,810.6	-	13.9	-	99,780.3	134,144.3
04	4,290.0	109.8	4,180.2	44,941.3	21,159.0	14,162.9	7,002.0	779.7	1,797.6	0.0	40.2	-	101,757.1	134,816.9
05	4,327.6	108.1	4,219.5	47,665.2	21,362.5	19,411.3	4,282.4	780.0	1,801.4	-	27.5	-	96,250.3	137,945.2
06	4,701.6	108.8	4,592.8	51,035.5	20,687.9	23,124.9	4,661.8	742.1	1,791.3	-	27.7	-	94,752.4	137,401.6
07	4,672.4	109.5	4,562.9	58,406.6	19,061.5	32,617.6	4,195.6	729.5	1,775.2	-	27.3	-	97,497.6	139,647.8
08	4,716.0	109.9	4,606.0	65,905.3	23,115.7	36,205.8	4,709.0	736.9	1,110.3	-	27.6	-	98,771.9	141,251.6
09	4,701.9	108.9	4,593.0	55,362.3	22,678.4	26,005.6	3,645.2	690.4	1,789.6	-	53.1	-	99,773.4	142,108.7
10	5,259.9	109.6	5,150.3	57,888.2	22,631.2	29,172.6	3,593.5	686.7	1,776.8	-	27.4	-	95,732.3	143,448.1
11	5,281.2	107.8	5,173.4	63,502.3	23,871.9	33,434.6	3,715.3	683.5	1,769.7	0.0	27.2	-	99,169.3	142,619.9
12	5,224.5	108.6	5,115.9	59,400.8	23,590.4	29,936.3	3,450.5	635.6	1,760.8	-	27.1	-	92,617.0	144,877.9

Source: Bank of Albania.

## 1-3 AGREGATËT MONETARË DHE PËRBËRËSIT E TYRE

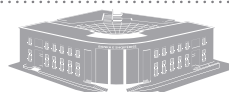
## MONETARY AGGREGATES AND THEIR COMPONENTS 1-3

	M3 (2+7)			M2 (3+6)		M1 (4+5)		Paraqitja jashtë korporative depozituesë/ Currency outside depository corporations		Llogaritë rritëdhëse dhe depozitit 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	Llogaritë rritëdhëse dhe depozitit 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		Depozitat me afat në lekë/ Time deposits in national currency		Depozitat në valutë/ Deposits in foreign currency	
	1	2	3	4	5	Llogaritë rritëdhëse dhe depozitit 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		Depozitat me afat në lekë/ Time deposits in national currency		Depozitat në valutë/ Deposits in foreign currency	
						Gjerësisht në fund të periudhës (në milionë lekë)/ Stock at end of period (in millions ALL)									
2014/12	1,195,086.3	722,356.7	353,321.7	217,665.6	135,656.1										
2015/12	1,216,175.3	722,954.1	384,106.9	230,601.5	153,505.5										
2016/12	1,263,453.8	736,944.1	435,432.3	249,256.5	186,175.9										
2016/01	1,209,738.4	711,478.7	374,876.5	225,421.8	149,454.7										
02	1,204,233.5	707,257.6	375,147.8	223,737.0	151,410.8										
03	1,205,298.5	707,669.0	377,336.0	223,466.1	153,869.9										
04	1,200,217.6	708,157.1	382,986.9	224,481.7	158,505.2										
05	1,199,946.8	710,574.0	385,035.3	226,619.5	158,415.8										
06	1,203,622.8	712,779.9	389,630.1	229,229.0	160,401.0										
07	1,212,077.2	717,659.1	397,861.5	233,909.5	163,952.0										
08	1,229,461.8	713,316.4	402,936.7	236,137.4	166,799.3										
09	1,231,357.1	716,024.5	405,886.5	236,152.0	169,734.5										
10	1,228,605.5	712,109.6	407,921.2	236,030.8	171,890.3										
11	1,233,790.8	711,789.5	409,880.0	236,821.8	173,058.1										
12	1,263,453.8	736,944.1	435,432.3	249,256.5	186,175.9										

	Ndryshimi vjetor në përqindje/ Annual percentage changes											
	1	2	3	4	5	6	7	8	9	10	11	12
	1	2	3	4	5	6	7	8	9	10	11	12
2014/12		4.0	4.2	19.4	9.4	39.9	-7.1					3.7
2015/12		1.8	0.1	8.7	5.9	13.2	-8.2					4.3
2016/12		3.9	1.9	13.4	8.1	21.3	-11.0					6.7
2016/01		1.8	-0.4	8.3	4.8	13.9	-8.5					5.2
02		1.0	-1.5	7.3	3.0	14.4	-9.8					4.8
03		1.2	-1.2	8.4	3.3	17.0	-10.2					4.8
04		0.6	-1.3	9.2	3.3	18.8	-11.4					3.5
05		0.1	-1.9	7.3	1.8	16.3	-11.0					3.2
06		0.5	-1.7	7.2	1.2	17.2	-10.7					3.9
07		1.1	-1.1	8.1	1.5	19.0	-10.5					4.4
08		2.2	-1.2	9.1	3.3	18.5	-11.9					7.2
09		2.7	-0.1	10.2	4.6	19.2	-11.1					6.9
10		2.6	-0.2	11.1	4.9	20.8	-12.1					6.8
11		3.0	0.1	11.6	5.8	20.7	-12.2					7.2
12		3.9	1.9	13.4	8.1	21.3	-11.0					6.7

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.



## 1-4 KUNDËRPARTITË E AGREGATËVE MONETARË

## COUNTERPARTS OF MONETARY AGGREGATES 1-4

	Mjetet e 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 (milione Lekë) / Stock at end of period (in millions ALL)			
2014/12	524,997.0	948,442.2	386,037.3	562,404.9	42,353.5				
2015/12	614,571.7	902,968.4	354,036.8	548,931.6	18,191.3				
2016/12	696,884.6	905,535.7	356,680.4	548,855.3	22,866.1				
2016/01	623,573.1	898,286.0	352,853.4	545,432.6	21,984.9				
02	623,501.0	895,631.3	349,056.7	546,574.6	22,743.9				
03	616,710.0	896,807.7	348,459.2	548,348.5	23,606.8				
04	611,203.5	899,159.0	350,520.6	548,638.4	26,152.4				
05	619,604.7	893,174.7	340,876.1	552,298.5	22,894.0				
06	651,718.8	863,175.3	309,780.8	553,394.5	21,874.9				
07	654,640.3	867,130.0	316,378.7	550,751.3	22,765.8				
08	683,237.6	869,690.6	318,092.9	551,597.7	25,574.6				
09	686,477.9	872,268.7	321,491.8	550,776.9	24,803.4				
10	687,089.6	879,734.2	327,851.9	551,882.3	27,494.0				
11	689,712.2	886,776.9	332,288.4	554,488.5	30,776.7				
12	696,884.6	905,535.7	356,680.4	548,855.3	22,866.1				

	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*	
2014/12	9.6	3.8	5.8	2.5	
2015/12	17.1	4.8	-8.3	-2.4	
2016/12	13.4	0.3	0.7	0.0	
2016/01	14.7	4.4	-6.9	-2.6	
02	13.8	-5.1	-9.3	-2.2	
03	9.4	-4.2	-7.4	-2.0	
04	9.6	-4.4	-8.1	-1.8	
05	11.2	-6.0	-12.3	-1.7	
06	17.0	-8.5	-20.3	-0.2	
07	10.4	-4.4	-10.5	-0.5	
08	12.7	-3.6	-9.1	-0.1	
09	12.8	-3.0	-8.3	0.4	
10	11.7	-2.1	-5.9	0.3	
11	9.7	-0.3	-1.7	0.6	
12	13.4	0.3	0.7	0.0	

Burimi: Banka e Shqipërisë

\* Përfshin kredinë për ekonominë dhe pretendime të tjera ndaj sektorëve mbajtës së parasë së gjerë.

Source: Bank of Albania.  
\* Include credit to economy and other claims on broad money holding sectors.



**1-5 LLOGARITË RRJEDHËSE DHE DEPOZITAT PA AFAT NË LEKË SIPAS SEKTORIT\*** LEK DENOMINATED CURRENT ACCOUNT AND SIGHT DEPOSITS BY SECTOR\* 1-5  
Në milionë lekë, fund periudhe In millions ALL, end of period

	Llogaritë rrjedhëse dhe depozita pa afat/ Current account and sight deposits (2+3+4+5+6)		Qeveria lokale/ Local government		Korporatat pafinanciare publike/ Public nonfinancial corporations		Korporatat të tjerë financiare/ Other financial corporations		Korporatat të tjerë pafinanciare/ Other nonfinancial corporations		Sektorë të tjerë rezidentë/ Other resident sectors	
	1	2	3	4	5	6						
2014/12	135,656.1	2,047.5	9,799.5	1,919.8	38,198.6	83,690.6						
2015/12	153,505.5	1,473.8	8,329.0	1,979.5	39,848.3	101,874.9						
2016/12	186,175.9	1,907.5	6,786.0	2,071.0	46,051.0	129,360.4						
2016/01	149,454.7	1,530.5	7,552.4	2,034.3	34,555.7	103,781.8						
02	151,410.8	1,488.6	8,373.1	2,033.1	33,891.3	105,624.7						
03	153,869.9	1,556.4	8,302.2	3,000.5	34,289.6	106,721.1						
04	158,505.2	1,585.9	8,710.4	1,817.1	36,377.2	110,014.7						
05	158,415.8	1,615.6	8,701.6	1,870.6	34,895.9	111,332.1						
06	160,401.0	1,580.1	8,283.4	1,892.1	34,391.1	114,254.4						
07	163,952.0	1,652.2	8,021.3	1,843.9	35,842.6	116,592.0						
08	166,799.3	1,781.8	8,327.8	1,878.2	38,095.7	116,715.8						
09	169,734.5	1,717.3	7,891.1	1,830.7	39,001.9	119,293.4						
10	171,890.3	1,749.2	7,792.7	1,723.1	39,862.0	120,763.3						
11	173,058.1	1,989.4	8,429.5	2,115.4	38,922.2	121,601.8						
12	186,175.9	1,907.5	6,786.0	2,071.0	46,051.0	129,360.4						

Burimi: Banka e Shqipërisë

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parësë së gjerë.

Source: Bank of Albania.  
\* Deposits included in broad money.

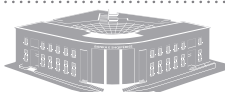
**1-6 DEPOZITAT ME AFAT NË LEKË SIPAS SEKTORIT\*** LEK DENOMINATED TIME DEPOSITS BY SECTOR\* 1-6  
Në milionë lekë, fund periudhe In millions ALL, end of period

	Depozitat me afat/ Time deposits (2+3+4 +5 +6)		Qeveria lokale/ local government		Korporatat pifinanciare publike/ Public nonfinancial corporations		Korporatat të tjera financiare/ Other financial corporations		Korporatat të tjera pifinanciare/ Other nonfinancial corporations		Sektorë të tjerë rezidentësh/ Other resident sectors	
	1	2	3	4	5	6						
2014/12	369,035.0	7.8	1,167.9	1,730.1	11,772.0	354,357.3						
2015/12	338,847.2	29.9	793.0	5,575.9	8,723.4	323,725.0						
2016/12	301,511.7	18.9	976.8	7,553.4	6,502.2	286,460.4						
2016/01	336,602.2	19.3	829.1	4,913.2	10,060.2	320,780.5						
02	332,109.9	19.4	890.2	3,810.2	9,812.2	317,577.9						
03	330,333.0	19.7	735.3	3,977.7	10,497.8	315,102.5						
04	325,170.1	14.8	766.0	3,541.0	8,246.1	312,602.3						
05	325,538.7	19.8	868.3	3,639.3	9,177.2	311,834.1						
06	323,149.8	33.8	973.2	4,509.7	7,576.1	310,057.1						
07	319,797.6	33.8	892.8	5,696.8	6,932.1	306,242.2						
08	310,379.7	33.9	917.8	4,543.8	7,036.4	297,847.8						
09	310,138.0	33.9	1,014.0	5,817.4	7,417.7	295,855.1						
10	304,188.4	33.9	1,140.9	7,206.6	5,781.2	290,025.9						
11	301,909.5	18.9	1,046.0	6,575.6	5,571.4	288,697.6						
12	301,511.7	18.9	976.8	7,553.4	6,502.2	286,460.4						

Burimi: Banka e Shqipërisë

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parësë së gjerë.

Source: Bank of Albania.  
\* Deposits included in broad money.





## 1-7 LLOGARI RIJEDHËSE DHE DEPOZITA PA AFAT NË VALUTË SIPAS SEKTORIT\*

Në milionë lekë, fund periudhe

FOREIGN CURRENCY DENOMINATED CURRENT ACCOUNT AND SIGHT DEPOSITS BY SECTOR\* 1-7  
In millions ALL, end of period

	Llogari rriedhëse dhe depozita pa afat/ Current account and sight deposits (2+3+4+5+6)					
	1	2	3	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jo-financiare/ Other non-financial corporations	Sektore të tjerë rezidentë/ Other resident sectors
2014/12	147,856.9	231.3	4,104.4	1,733.2	44,806.0	96,982.0
2015/12	193,918.3	209.5	3,444.2	2,797.1	52,976.4	134,491.1
2016/12	250,120.5	366.1	2,999.4	1,815.4	73,325.0	171,614.8
2016/01	195,881.0	249.0	2,436.5	1,477.2	51,830.9	139,887.5
02	197,702.2	274.1	2,451.5	1,888.9	52,038.6	141,049.0
03	200,807.9	237.8	2,826.6	2,133.7	52,426.5	143,183.3
04	199,711.3	266.7	2,214.5	1,823.6	53,905.8	141,500.8
05	198,238.0	285.5	2,200.8	1,539.5	50,934.1	143,278.1
06	204,055.0	317.5	2,489.2	1,648.4	53,460.3	146,139.7
07	211,688.2	346.9	2,171.4	1,807.9	56,454.6	150,907.4
08	231,091.6	391.4	3,011.9	2,101.5	63,314.3	162,272.5
09	231,321.0	365.4	3,169.1	1,847.9	63,297.4	162,641.3
10	234,712.7	316.8	3,177.1	1,976.1	64,979.3	164,263.4
11	242,544.4	336.2	3,210.1	2,177.6	68,704.0	168,116.5
12	250,120.5	366.1	2,999.4	1,815.4	73,325.0	171,614.8

Burimi: Banka e Shqipërisë

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parës së gjerë.

Source: Bank of Albania

\* Deposits included in broad money.

1-8 DEPOZITAT NË VALUTË SIPAS SEKTORIT\*  
NË MILIONË LEKË, FUND PERIUDHEFOREIGN CURRENCY DENOMINATED DEPOSITS BY SECTOR\* 1-8  
In millions ALL, end of period

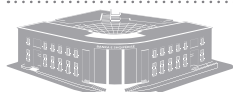
	Depozitat me afat/ Time deposits (2+3+4+5+6)					
	1	2	Korporata jo-financiare publike/ Public non-financial corporations	Korporata të tjera financiare/ Other financial corporations	Korporata të tjera jo-financiare/ Other non-financial corporations	Sektore të tjerë rezidentë/ Other resident sectors
2014/12	324,872.7	-	2,995.2	3,139.7	11,028.2	307,709.6
2015/12	299,302.9	-	1,971.5	4,260.2	11,697.2	281,374.0
2016/12	276,389.2	-	2,391.9	3,698.7	11,005.7	259,292.9
2016/01	302,378.7	-	1,993.1	3,986.3	12,616.7	283,782.5
02	299,273.8	-	1,945.9	3,816.8	13,041.8	280,469.2
03	296,821.6	-	1,981.6	3,708.6	13,085.8	278,045.7
04	292,349.2	-	1,908.3	3,607.0	11,903.5	274,930.5
05	291,134.9	-	1,933.2	3,707.9	11,397.8	274,096.1
06	286,787.9	-	1,921.1	3,770.0	11,282.5	269,814.4
07	282,729.9	-	1,947.2	3,724.8	11,153.3	265,904.7
08	285,053.8	-	1,770.6	5,151.5	11,172.2	266,959.6
09	284,011.5	-	1,870.5	5,210.9	11,339.9	265,590.2
10	281,783.2	-	2,258.0	5,263.4	10,688.2	263,573.7
11	279,457.0	-	2,257.9	4,949.2	11,039.2	261,210.6
12	276,389.2	-	2,391.9	3,698.7	11,005.7	259,292.9

Burimi: Banka e Shqipërisë

\* Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parës së gjerë.

Source: Bank of Albania

\* Deposits included in broad money.



# 1-9.A HUATË E KORPORATAVE JOFINANCIARE SIPAS AKTIVITETIT EKONOMIK (NVE - LOANS OF NON-FINANCIAL CORPORATIONS BY ECONOMIC ACTIVITY (NACE - REV.1) \* 1-9.A

*In millions ALL, end of period*

*Në milionë lekë, fund periudhe*

	Totali i huave për korporatat jo-financiare / Total loans to non-financial corporations (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10+ 11+ 12+ 13+ 14+ 15+ 16+ 17)																	Shërbime kolektive, sociale dhe individuale / Other community, social and personal service activities		Të tjera / Other	
	1	2	3	4	5	6	7	8	9	10	Ndërmjetësimi financiar / Financial intermediation	Pasuritë e përbashkëta / Real estate, etc.	Administrimi publik / Public administration	Asimi / Education	14	15	16	17			
2015/12	373,710.6	5,835.2	531.3	9,892.4	54,887.5	49,953.0	49,433.1	130,271.2	12,729.7	10,889.0	4,315.0	4,369.9	586.6	5,449.6	3,401.6	20,840.3	10,325.3				
2016/03	373,572.9	5,127.0	530.9	10,106.1	55,232.7	49,424.9	50,164.6	128,855.2	13,153.6	10,916.4	4,252.9	4,341.0	729.8	5,374.0	3,603.3	21,238.1	10,522.3				
04	374,370.9	5,091.0	539.3	10,294.7	55,364.1	49,606.4	49,851.7	129,012.4	13,136.7	10,845.7	4,368.7	4,301.7	728.9	5,342.0	3,675.1	21,515.3	10,697.2				
05	377,014.2	5,101.3	537.5	9,301.6	54,178.2	50,212.2	50,082.3	132,364.7	13,188.9	11,329.6	4,273.9	4,399.7	921.6	5,899.4	3,418.7	20,661.2	11,143.4				
06	377,020.6	5,295.0	537.8	9,189.4	51,916.3	50,192.3	49,368.8	135,161.6	13,093.4	11,315.7	4,310.6	4,427.5	919.3	6,083.8	3,494.4	20,710.1	11,004.6				
07	373,829.9	5,007.9	551.4	9,112.2	51,181.1	52,043.1	48,837.8	133,283.9	13,015.1	11,179.1	3,820.7	4,344.3	845.2	6,072.5	3,441.4	21,343.6	9,750.5				
08	373,500.0	5,246.3	528.6	9,763.9	51,892.6	50,264.9	48,652.1	131,530.3	13,066.6	11,082.0	2,787.3	6,549.2	951.1	6,118.9	3,485.2	21,516.7	10,064.5				

Burimi: Banka e Shqipërisë

\* Të dhënat e huave përfshijnë interesat e përlogaritur.

Source: Bank of Albania

\* Data on loans include accrued interests.

# 1-9.B HUATË E KORPORATAVE JOFINANCIARE SIPAS AKTIVITETIT EKONOMIK (NVE - LOANS OF NON-FINANCIAL CORPORATIONS BY ECONOMIC ACTIVITY (NACE - REV.2) \* 1-9.B

*In millions ALL, end of period*

*Në milionë lekë, fund periudhe*

	Totali i huave për korporatat joфинанциаре / Total loans to non-financial corporations (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10+ 11+ 12+ 13+ 14+ 15+ 16+ 17+ 18+ 19+ 20+ 21+ 22)											Aktiviteti i punësimit / Employment		Aktiviteti i punësimit / Employment		Aktiviteti i punësimit / Employment	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2016/12	370,346.9	5,192.1	7,201.7	59,625.0	48,950.3	179.1	46,975.4	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8
2016/09**	372,395.5	4,923.6	6,730.3	63,604.5	49,843.5	187.4	48,404.3	122,674.2	6,930.2	13,928.1	4,495.1	122,674.2	6,930.2	13,928.1	4,495.1	122,674.2	6,930.2
2016/10	373,274.9	5,424.0	6,651.7	63,176.3	49,531.1	185.7	48,765.9	123,535.5	6,974.7	13,847.1	4,151.7	123,535.5	6,974.7	13,847.1	4,151.7	123,535.5	6,974.7
2016/11	375,460.6	5,336.2	7,342.3	61,499.5	49,700.6	182.5	48,280.0	126,825.4	7,051.1	13,708.3	3,985.5	126,825.4	7,051.1	13,708.3	3,985.5	126,825.4	7,051.1
2016/12	370,346.9	5,192.1	7,201.7	59,625.0	48,950.3	179.1	46,975.4	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8

	Totali i huave për korporatat joфинанциаре / Total loans to non-financial corporations (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10+ 11+ 12+ 13+ 14+ 15+ 16+ 17+ 18+ 19+ 20+ 21+ 22)											Aktiviteti i punësimit / Employment		Aktiviteti i punësimit / Employment		Aktiviteti i punësimit / Employment	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2016/12	370,346.9	5,192.1	7,201.7	59,625.0	48,950.3	179.1	46,975.4	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8
2016/09**	372,395.5	4,923.6	6,730.3	63,604.5	49,843.5	187.4	48,404.3	122,674.2	6,930.2	13,928.1	4,495.1	122,674.2	6,930.2	13,928.1	4,495.1	122,674.2	6,930.2
2016/10	373,274.9	5,424.0	6,651.7	63,176.3	49,531.1	185.7	48,765.9	123,535.5	6,974.7	13,847.1	4,151.7	123,535.5	6,974.7	13,847.1	4,151.7	123,535.5	6,974.7
2016/11	375,460.6	5,336.2	7,342.3	61,499.5	49,700.6	182.5	48,280.0	126,825.4	7,051.1	13,708.3	3,985.5	126,825.4	7,051.1	13,708.3	3,985.5	126,825.4	7,051.1
2016/12	370,346.9	5,192.1	7,201.7	59,625.0	48,950.3	179.1	46,975.4	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8	13,688.1	4,523.6	125,806.3	6,999.8

Burimi: Banka e Shqipërisë

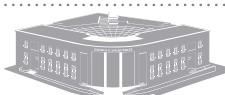
\* Të dhënat e huave përfshijnë interesat e përlogaritur.

\*\* Të dhënat fillojnë nga muaji Shkator 2016.

Source: Bank of Albania

\* Data on loans include accrued interests.

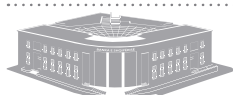
\*\* The data start from September 2016.



**1-10A HUATË E KORPORATAVE JOFINANCIARE PRIVATE SIPAS QËLIMIT TË PËRDORIMIT PRIVATE NON-FINANCIAL CORPORATIONS LOANS BY PURPOSE AND DHE MONEDHËS\***  
**Në milionë lekë, fund periudhe**  
*In millions ALL, end of period*

	Huatë për korporatat jo financiare private / Private nonfinancial corporations loans (2+ 9+ 10+ 23)	Në lekë / In ALL (3+ 4+ 5+ 6+ 7+ 8)													Hua për investime në instrumente financiare / Loans for invest- ments in financial instruments
		1	2	3	Kapital qarkullues / Work- ing capital	Hua për çelle biznesi / Loans for starting up a business	Blerje pajisjesh / Machinery- es and appliances	Pasuri të paluajtshme / Real estate	7	8					
2015/12	346,210.1	122,166.0	33,175.9	29,980.8	2,264.1	27,067.2	29,538.4	6	7	8					
2016/12	343,483.0	131,743.5	35,650.4	30,592.0	3,730.4	32,431.8	29,220.0	32,431.8	29,220.0	119.1					
2016/01	343,804.2	120,628.4	30,758.5	31,308.0	2,289.6	26,769.6	29,369.2	26,769.6	29,369.2	133.5					
02	344,486.5	120,811.8	32,843.3	29,406.3	2,372.3	26,699.1	29,468.8	26,699.1	29,468.8	22.1					
03	346,062.8	123,338.1	32,069.1	32,104.0	2,486.1	26,874.4	29,675.0	26,874.4	29,675.0	129.6					
04	346,880.7	125,292.7	34,944.4	30,144.1	2,782.4	26,965.8	30,328.5	26,965.8	30,328.5	127.6					
05	350,008.4	126,136.6	33,165.9	32,413.6	3,007.6	27,200.1	30,223.9	27,200.1	30,223.9	125.6					
06	350,669.9	126,617.0	33,551.5	32,283.8	3,262.6	27,237.5	30,146.1	27,237.5	30,146.1	135.4					
07	346,727.3	125,907.3	35,700.1	30,529.3	3,343.8	27,044.2	29,168.4	27,044.2	29,168.4	121.5					
08	346,453.8	126,462.2	33,582.4	32,238.2	3,462.7	27,125.4	29,924.6	27,125.4	29,924.6	128.9					
09	345,524.2	128,596.0	34,922.0	32,370.7	4,163.3	28,158.7	28,860.6	28,158.7	28,860.6	120.6					
10	346,276.9	128,864.9	35,290.8	32,051.5	3,505.8	28,668.7	29,228.0	28,668.7	29,228.0	120.1					
11	348,433.6	131,471.9	35,494.3	30,808.5	3,640.9	31,844.4	29,670.1	31,844.4	29,670.1	13.6					
12	343,483.0	131,743.5	35,650.4	30,592.0	3,730.4	32,431.8	29,220.0	32,431.8	29,220.0	119.1					
	Në dollarë amerikanë / In USD (10+ 11+ 12+ 13+ 14+ 15)													Hua për investime në instrumente financiare / Loans for investments in financial instruments	
	9	10	11	12	13	14	15								
2015/12	38,407.9	19,760.0	7,359.7	1,171.3	7,135.9	2,981.1	—	—							
2016/12	32,738.4	16,542.3	6,196.1	597.7	6,846.0	2,556.2	—	—							
2016/01	35,265.3	16,673.1	8,328.3	636.2	6,637.3	2,990.4	—	—							
02	35,317.4	18,049.8	7,405.7	627.0	6,314.6	2,920.4	—	—							
03	34,318.0	17,048.9	7,816.4	595.0	6,071.7	2,786.0	—	—							
04	33,535.1	16,959.8	7,228.4	586.5	6,330.0	2,430.4	—	—							
05	32,286.1	14,965.4	7,740.2	705.1	6,431.8	2,443.7	—	—							
06	33,767.8	16,270.1	7,659.9	653.7	6,709.4	2,474.7	—	—							
07	33,232.4	16,291.9	7,292.5	641.4	6,607.8	2,398.8	—	—							
08	33,416.2	15,973.8	7,712.7	631.2	6,695.1	2,403.5	—	—							
09	31,319.0	14,176.8	7,709.2	624.9	6,634.6	2,173.5	—	—							
10	32,100.9	14,486.2	8,150.8	624.8	6,685.3	2,153.8	—	—							
11	34,531.0	17,819.1	7,049.2	626.3	6,822.3	2,214.1	—	—							
12	32,738.4	16,542.3	6,196.1	597.7	6,846.0	2,556.2	—	—							
	Në euro / In EUR (17+ 18+ 19+ 20+ 21+ 22)													Hua në monedha të tjera / In other currencies	
	16	17	18	19	20	21	22	23							
2015/12	185,611.0	43,026.9	25,260.3	130.8	61,081.4	56,111.7	—	25.2							
2016/12	178,980.3	40,640.9	24,732.7	475.2	60,186.1	52,945.6	—	20.8							
2016/01	187,886.0	42,189.1	28,078.2	131.2	60,242.5	57,245.1	—	24.5							
02	188,332.8	43,568.3	25,817.4	130.2	60,161.3	58,655.5	—	24.4							
03	188,382.5	41,330.1	28,663.5	130.3	61,174.0	57,084.6	—	24.1							
04	188,029.2	44,512.4	25,978.2	159.9	61,863.5	55,515.2	—	23.7							
05	191,362.5	44,440.0	27,409.1	197.7	62,871.4	56,644.3	—	23.2							
06	190,262.1	44,698.3	27,089.8	250.5	62,098.8	56,110.3	14.4	23.0							
07	187,565.0	46,019.5	24,500.9	250.4	60,830.8	55,963.5	—	22.5							
08	186,553.3	43,018.2	26,880.1	258.5	61,609.7	54,786.8	—	22.1							
09	185,587.4	43,815.9	26,205.9	318.2	62,275.0	50,039.2	—	21.9							
10	185,289.6	43,220.9	25,820.2	341.6	61,685.5	54,153.0	68.4	21.5							
11	182,409.5	41,735.8	25,636.4	415.7	61,965.8	52,655.9	—	21.2							
12	178,980.3	40,640.9	24,732.7	475.2	60,186.1	52,945.6	—	20.8							

Source: Bank of Albania.  
 \*Data on loans include accrued interests.



# 1-10B HUATË E KORPORATAVE JOFINANCIARE PUBLIKE SIPAS QËLIMIT TË PËRDORIMIT DHE MONEDHËS\*

Në milionë lekë, fund periudhe

## PUBLIC NON-FINANCIAL CORPORATIONS LOANS BY PURPOSE AND CURRENCY\* 1-10B

In millions ALL, end of period

	Huatë për korporatat jo-financiare publike / Public non-financial corporations loans (2+ 9+ 15+ 21)							
	1	2	3	4	5	6	7	8
Në lekë / In ALL (3+ 4+ 5+ 6+ 7+ 8)	1	2	3	4	5	6	7	8
2015/12	27,500.5	22,406.9	21,028.1	11.0	1,313.5	54.3	704.0	0.0
2016/12	26,863.9	23,993.9	21,895.9	286.4	1,107.5	54.3	704.0	0.0
2016/01	27,497.9	22,336.3	20,694.8	292.9	1,294.3	54.3	704.0	0.0
02	27,690.2	22,547.6	20,921.3	293.8	1,278.2	54.3	704.0	0.0
03	27,510.1	22,989.1	21,383.2	290.2	1,261.5	54.3	704.0	0.0
04	27,490.3	22,639.8	21,332.0	10.6	1,242.9	54.3	704.0	0.0
05	27,005.7	22,765.5	21,192.0	292.1	1,227.1	54.3	704.0	0.0
06	26,350.7	22,844.4	21,168.1	288.4	1,210.2	177.6	704.0	0.0
07	27,102.6	22,940.0	21,166.0	289.7	1,191.7	292.7	704.0	0.0
08	27,046.3	23,058.4	21,094.3	290.4	1,175.7	497.9	704.0	0.0
09	26,871.2	23,336.9	21,254.1	287.5	1,158.8	656.4	704.0	0.0
10	26,998.1	23,630.7	21,496.8	288.7	1,140.2	705.0	704.0	0.0
11	27,027.0	23,545.8	21,428.2	289.4	1,123.8	704.3	704.0	0.0
12	26,863.9	23,993.9	21,895.9	286.4	1,107.5	704.0	704.0	0.0

	Në dollarë amerikanë / In USD (9+ 10+ 11+ 12+ 13+ 14)							
	9	10	11	12	13	14	15	16
2015/12	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
2016/12	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
2016/01	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
02	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
03	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
04	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
05	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
06	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
07	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
08	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
09	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
10	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
11	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
12	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

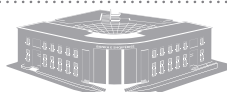
  

	Në euro / In EUR (16+ 17+ 18+ 19+ 20)							
	16	17	18	19	20	21	22	23
2015/12	5,093.5	5,093.5	5,093.5	5,093.5	5,093.5	5,093.5	5,093.5	5,093.5
2016/12	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9
2016/01	5,161.5	5,161.5	5,161.5	5,161.5	5,161.5	5,161.5	5,161.5	5,161.5
02	5,142.5	5,142.5	5,142.5	5,142.5	5,142.5	5,142.5	5,142.5	5,142.5
03	4,520.9	4,520.9	4,520.9	4,520.9	4,520.9	4,520.9	4,520.9	4,520.9
04	4,850.4	4,850.4	4,850.4	4,850.4	4,850.4	4,850.4	4,850.4	4,850.4
05	4,240.1	4,240.1	4,240.1	4,240.1	4,240.1	4,240.1	4,240.1	4,240.1
06	3,506.2	3,506.2	3,506.2	3,506.2	3,506.2	3,506.2	3,506.2	3,506.2
07	4,162.4	4,162.4	4,162.4	4,162.4	4,162.4	4,162.4	4,162.4	4,162.4
08	3,987.8	3,987.8	3,987.8	3,987.8	3,987.8	3,987.8	3,987.8	3,987.8
09	3,514.3	3,514.3	3,514.3	3,514.3	3,514.3	3,514.3	3,514.3	3,514.3
10	3,367.3	3,367.3	3,367.3	3,367.3	3,367.3	3,367.3	3,367.3	3,367.3
11	3,481.1	3,481.1	3,481.1	3,481.1	3,481.1	3,481.1	3,481.1	3,481.1
12	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9	2,869.9

Burimi: Banka e Shqipërisë

\*Të dhënat e huave përfaqësojnë interesat e përfituarit.

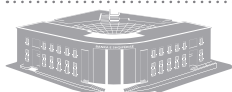
Source: Bank of Albania.  
\*Data on loans include accrued interests.



**1-11 HUATË E INDIVIDËVE DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS\***  
**Në milionë lekë, fund periudhe**

**HOUSEHOLDS + NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS LOANS**  
**BY PURPOSE AND CURRENCY\* 1-11**  
**In millions ALL, end of period**

	Huatë për individët dhe institucionet jo me qëllim fitimi që u shërbejnë individëve/ Households + Nonprofit institutions serving households loans (2+ 9+ 10+ 23)								nga të cilat: për të vetëpunësuarit / of which: sole proprietorships; partnerships without legal status																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	1	2	3	4	5	6	7	8	Mallra jo të qëndrueshëm / Nondurable goods				Mallra të qëndrueshëm / Durable goods				Hua për blerje banesash / Loans for house purchase				Hua për qëllime të tjera/Loans for other purposes																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
		Në lekë / In ALL (3+ 4+ 5+ 6+ 7)	Overdraft / Overdraft																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														



	Në euro / In EUR (17+18+19+20+21)	Overdraft / Overdraft	Mallra jo të qëndrueshëm / Nondurable goods	Mallra të qëndrueshëm / Durable goods	Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera / Loans for other purposes	nga të cilat: për të vetëpunësuarit / of which: sole proprietorships, partnerships without legal status	Hua në monedha të tjera / In other currencies
	16	17	18	19	20	21	22	23
2015/12	70,578.5	1,992.4	1,699.4	4,417.0	58,888.4	3,581.3	802.6	326.1
2016/12	67,550.6	1,146.8	1,574.7	4,563.1	56,356.4	3,909.7	574.1	275.1
2016/01	70,979.6	1,941.2	1,679.3	4,222.7	59,471.3	3,665.2	879.0	318.8
02	70,765.8	1,933.7	1,647.9	4,167.1	59,396.0	3,620.9	884.9	319.1
03	71,041.3	2,036.8	1,703.3	4,155.7	59,536.9	3,608.7	580.6	319.3
04	69,861.4	1,060.6	1,657.8	4,228.4	59,282.2	3,632.5	575.8	312.9
05	70,094.9	1,077.7	1,634.2	4,496.5	59,109.1	3,777.4	865.0	304.6
06	69,217.1	1,064.8	1,631.9	4,490.6	58,319.7	3,710.0	561.0	303.0
07	68,520.9	1,069.6	1,657.6	4,485.1	57,649.4	3,659.3	534.5	295.7
08	68,981.8	1,072.5	1,641.0	4,523.1	58,070.2	3,675.1	529.8	290.0
09	68,641.0	1,049.0	1,576.4	4,442.2	57,900.9	3,672.4	438.8	287.6
10	68,287.7	1,103.7	1,559.7	4,510.9	57,480.4	3,653.1	507.7	281.4
11	67,792.7	1,110.2	1,561.5	4,515.2	56,854.2	3,751.8	537.3	277.5
12	67,550.6	1,146.8	1,574.7	4,563.1	56,356.4	3,909.7	574.1	275.1

Burimi: Banka e Shqipërisë

\*Të dhënat e huave përfaqësojnë interesat e përillogaritur.

Source: Bank of Albania.

\*Data on loans include accrued interests.

### 1-12 HUATË SIPAS RRETHEVE\*

#### Në milionë lekë, fund periudhe

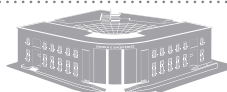
	Total i krediesë / Total loans (2+ 3+ 4+ 5+ 6+ 7+ 8+ 9+ 10)	Tiranë / Tirana	Durrës / Durrës	Elbasan / Elbasan	Shkodër / Shkodra	Korçë / Korça	Vlorë / Vloa	Fier / Fier	Lezhë / Lezha	Të tjera / Other
	1	2	3	4	5	6	7	8	9	10
2015/IV	545,106.0	401,551.2	37,405.3	15,647.9	11,417.2	7,357.5	12,619.8	13,283.5	6,524.4	39,299.3
2016/IV	543,865.6	398,858.9	38,702.4	14,846.5	11,097.3	7,536.9	12,362.0	13,753.0	6,178.6	40,530.1
2016/I	548,051.4	404,526.0	37,125.1	15,400.6	11,076.3	7,351.5	12,735.6	13,574.2	6,460.4	39,801.6
2016/II	549,643.4	404,017.4	38,120.2	15,466.7	11,210.4	7,535.4	13,031.8	13,849.8	6,319.1	40,092.5
2016/III	546,285.6	402,513.6	36,796.9	15,521.6	10,921.2	7,630.2	12,840.8	13,745.2	6,223.6	40,092.5
2016/IV	543,865.6	398,858.9	38,702.4	14,846.5	11,097.3	7,536.9	12,362.0	13,753.0	6,178.6	40,530.1

Burimi: Banka e Shqipërisë

\*Të dhënat e huasë përfaqësojnë interesat e përillogaritur.

Source: Bank of Albania

\*Data on loans include accrued interests.



**1-13 NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATIVE JO-FINANCIARE, INDIVIDIVË DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDIVË SIPAS MONEDHAVE\* CORPORATION, HOUSEHOLDS AND NPISH BY CURRENCY\* 1-13**  
**Në përqindje** In percentage

	Në lekë / In ALL		Në dollarë amerikanë / In USD		Në Euro / In EUR		Mbi 5 vjet / Over 5 years	
	Deri në 6 muajt / Up to 6 months	6 muajt - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	5 vjet / 5 years	5 vjet / 5 years	5 vjet / 5 years	5 vjet / 5 years
2015/12	8.91	7.77	9.24	8.83	8.83	8.83	8.83	8.83
2016/12	9.52	5.89	8.29	8.04	8.04	8.04	8.04	8.04
2016/01	9.24	8.51	9.42	9.40	9.40	9.40	9.40	9.40
02	9.46	7.45	8.56	8.91	8.91	8.91	8.91	8.91
03	9.29	7.68	9.05	8.07	8.07	8.07	8.07	8.07
04	9.67	4.27	7.73	7.51	7.51	7.51	7.51	7.51
05	9.79	8.41	7.53	7.89	7.89	7.89	7.89	7.89
06	10.08	7.32	7.88	7.92	7.92	7.92	7.92	7.92
07	9.30	7.19	8.28	8.00	8.00	8.00	8.00	8.00
08	11.04	7.72	9.47	8.13	8.13	8.13	8.13	8.13
09	9.54	4.67	8.71	7.67	7.67	7.67	7.67	7.67
10	10.82	6.79	7.71	7.97	7.97	7.97	7.97	7.97
11	12.09	6.26	8.37	7.81	7.81	7.81	7.81	7.81
12	7.01	4.54	8.41	7.81	7.81	7.81	7.81	7.81
Në dollarë amerikanë / In USD								
2015/12	4.84	5.18	5.66	6.07	6.07	6.07	6.07	6.07
2016/12	4.89	5.43	6.25	7.07	7.07	7.07	7.07	7.07
2016/01	3.31	7.30	4.37	7.00	7.00	7.00	7.00	7.00
02	5.73	5.68	5.28	7.24	7.24	7.24	7.24	7.24
03	4.50	6.47	15.53	6.99	6.99	6.99	6.99	6.99
04	4.55	5.71	6.68	-	-	-	-	-
05	3.39	4.05	5.68	5.00	5.00	5.00	5.00	5.00
06	5.46	5.35	5.78	8.02	8.02	8.02	8.02	8.02
07	4.32	6.90	7.44	-	-	-	-	-
08	5.26	5.19	4.55	6.05	6.05	6.05	6.05	6.05
09	5.47	3.86	6.05	-	-	-	-	-
10	8.52	6.33	7.72	-	-	-	-	-
11	4.77	3.75	6.97	-	-	-	-	-
12	6.04	5.38	9.96	-	-	-	-	-
Në Euro / In EUR								
2015/12	6.64	5.71	6.52	5.79	5.79	5.79	5.79	5.79
2016/12	6.09	4.75	4.83	5.09	5.09	5.09	5.09	5.09
2016/01	7.29	6.29	6.22	6.32	6.32	6.32	6.32	6.32
02	5.44	6.28	5.07	4.70	4.70	4.70	4.70	4.70
03	5.51	5.58	5.11	5.56	5.56	5.56	5.56	5.56
04	7.27	5.02	5.37	6.05	6.05	6.05	6.05	6.05
05	7.02	2.83	4.97	4.80	4.80	4.80	4.80	4.80
06	6.73	5.35	5.28	5.02	5.02	5.02	5.02	5.02
07	6.47	3.91	4.36	5.09	5.09	5.09	5.09	5.09
08	5.92	6.61	4.93	5.38	5.38	5.38	5.38	5.38
09	5.59	3.42	4.37	5.00	5.00	5.00	5.00	5.00
10	5.54	4.73	4.74	5.79	5.79	5.79	5.79	5.79
11	5.80	5.23	4.19	4.12	4.12	4.12	4.12	4.12
12	5.62	5.15	4.49	5.03	5.03	5.03	5.03	5.03

Burimi: Banka e Shqipërisë

\*Normat vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

\*Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.





**1-13A NORMAT E INTERESIT PËR HUATË E REJA TË E KORPORATIVE**  
**JOFINANCIARE PRIVATE SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS \***  
**Në përqindje**

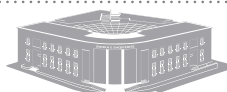
**AVERAGE MONTHLY INTEREST RATES FOR NEW LOANS TO PRIVATE NON-FINANCIAL CORPORATIONS BY PURPOSE AND CURRENCY \* 1-13A**  
**In percentage**

	Norma e interesit e huave të reja për korporata jo financiare private / Average monthly interest rates of new loans to private nonfinancial corporations	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për çelje biznesi / Loans for starting up a business	Blerje pajisjesh / Machines and appliances	Posuri të paluajtshme / Real estate	Hua për investime në instrumenta financiare/ Loans for investments in financial instruments
				Në lekë / In ALL			
2015/12**	8.17	8.30	7.22	7.99	9.98	6.98	-
2016/12	7.67	8.41	7.20	7.76	7.01	6.68	-
2016/01	8.07	8.01	7.97	6.11	10.49	7.93	-
02	7.96	7.09	7.09	7.62	8.01	7.36	-
03	7.35	8.95	7.51	7.69	6.92	5.77	-
04	5.64	5.26	7.09	7.91	6.70	6.75	-
05	7.51	8.94	7.12	7.90	5.51	5.78	-
06	7.65	8.06	7.21	7.99	6.98	6.73	-
07	7.50	7.69	7.06	8.03	7.54	7.57	-
08	8.86	9.63	8.08	8.01	6.86	8.84	-
09	7.38	7.49	7.50	7.82	7.29	6.06	-
10	8.85	9.56	7.32	7.88	6.20	5.76	-
11	7.84	9.93	6.24	8.08	5.57	5.53	-
12	7.41	8.77	6.05	7.47	6.52	6.04	-
2015/12**	5.51	4.94	6.99	Në dollarë amerikanë / In USD	7.20	6.75	-
2016/12	5.36	4.88	6.21	2.50	5.26	2.96	-
2016/01	5.36	3.48	7.35	1.38	7.00	-	-
02	5.77	5.52	7.51	-	7.00	-	-
03	5.67	4.54	6.92	1.61	6.71	-	-
04	4.56	4.50	5.84	-	5.13	-	-
05	3.86	3.47	6.14	7.00	4.92	6.00	-
06	5.55	5.21	6.14	-	7.00	6.25	-
07	5.53	4.42	6.95	7.00	-	-	-
08	5.32	5.27	4.99	-	6.02	6.25	-
09	5.02	4.63	5.10	-	6.51	6.25	-
10	7.32	7.39	7.06	-	-	-	-
11	4.73	4.72	4.49	-	6.25	6.25	-
12	5.69	5.59	5.73	-	6.72	6.25	-
2015/12**	6.33	6.06	6.54	Në Euro / In EUR	6.43	6.40	-
2016/12	5.14	5.09	5.70	7.50	4.88	5.02	-
2016/01	5.88	6.01	6.92	5.16	4.42	5.10	-
02	5.53	5.37	6.68	-	4.98	5.71	-
03	5.47	5.25	5.84	-	5.46	6.01	-
04	5.75	5.75	5.44	6.00	6.14	5.75	-
05	4.17	3.15	4.79	5.50	4.68	4.84	-
06	5.55	5.81	5.36	5.50	5.32	4.93	-
07	5.61	4.91	4.37	6.00	4.78	7.07	-
08	4.76	5.77	6.89	5.00	4.51	3.06	-
09	4.23	4.13	5.16	5.47	4.03	4.25	-
10	5.09	4.80	6.13	5.55	5.35	4.46	-
11	4.61	5.35	4.76	6.14	4.14	3.92	-
12	5.00	4.86	5.96	5.21	4.81	4.90	-

Burimi: Banka e Shqipërisë

\* Normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

\*\* Të dhënat fillojnë nga muaji dhjetor 2015.

Source: Bank of Albania.  
\* Monthly data present the monthly weighted average rate.  
\*\* The data start from December 2015.

**1-13B NORMAT E INTERESIT PËR HUATË E REJA TË INDIVIDËVE DHE INSTITUCIONEVE JO ME QËLIM FITIMI QË U SHËRBEJNË INDIVIDËVE, SIPAS QËLIMIT TË PËRDORIMIT DHE MONEDHËS \***  
Në përqindje

	Norma e interesit e huave të reja për individët dhe institucionet jo me qëllim fitimi që u shërbejnë individëve/ Average monthly interest rates of new loans to households and NPISH	Overdraft / Overdraft	Mallra jo të qëndrueshme / Consuming of non durable goods	Mallra të qëndrueshme / Consuming of durable goods	Në lekë / In ALL	Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera/ Loans for other purposes	nga të cilat: për të vetëpunësuarit / of which: sole proprietorships/partnerships without legal status
2015/12**	8.63	14.15	9.05	9.61	5.07		9.08	
2016/12	7.21	10.63	8.16	8.13	3.91		8.79	8.05
2016/01	8.23	11.72	8.96	9.95	4.21		8.86	7.58
02	7.76	11.89	8.44	8.92	4.34		9.55	8.20
03	7.31	11.38	8.23	7.69	4.18		8.75	7.48
04	7.23	11.10	7.82	8.16	4.06		8.93	8.46
05	7.04	11.72	7.91	7.89	3.96		8.90	7.09
06	6.93	10.58	8.16	8.25	3.73		9.00	6.95
07	7.06	10.87	7.97	7.93	3.69		9.05	8.21
08	6.89	10.13	7.94	7.51	3.60		8.60	7.86
09	6.98	8.67	8.06	7.94	3.95		8.58	7.29
10	6.89	8.75	8.07	7.33	3.58		8.71	7.00
11	6.98	9.64	8.12	8.00	3.90		8.32	7.59
12	7.30	11.05	8.29	8.21	3.84		8.26	7.50
								7.34
2015/12**	6.93	7.27	6.80	Në dollarë amerikanë / In USD				
2016/12	5.42	7.56	3.72	7.15	6.50		-	-
2016/01	5.33	5.65	2.91	2.59	2.73		0.56	-
02	4.29	5.16	3.64	-	-		5.50	-
03	8.16	9.26	3.10	4.20	-		-	-
04	5.67	8.06	4.74	-	7.60		-	-
05	5.58	7.58	4.46	3.00	5.40		-	-
06	4.60	8.72	4.34	4.00	5.00		-	-
07	5.54	11.87	-	3.00	5.06		-	-
08	6.26	8.79	2.71	4.00	4.80		-	-
09	3.64	4.31	5.70	3.00	-		-	-
10	3.11	3.11	5.15	-	-		-	-
11	5.49	8.20	3.34	3.97	-		-	-
12	7.40	10.90	4.94	3.00	-		-	-
				Në Euro / In EUR				
2015/12**	5.34	6.07	6.00	5.99	4.59		5.73	-
2016/12	4.29	7.47	4.82	4.69	3.54		5.62	3.45
2016/01	4.60	6.57	6.23	5.47	3.68		4.97	5.02
02	4.10	7.32	5.20	5.54	3.62		3.93	4.40
03	4.76	11.19	5.15	4.50	3.61		6.62	5.50
04	4.55	9.21	5.16	4.62	3.82		5.94	5.47
05	4.43	5.98	5.65	4.82	3.52		5.83	5.32
06	4.49	8.14	5.17	4.99	3.78		5.79	-
07	4.08	5.28	4.51	4.39	3.52		6.89	-
08	4.36	8.45	3.72	4.23	3.78		4.37	-
09	3.81	7.17	3.45	4.77	3.19		6.04	-
10	4.20	5.82	4.32	4.58	3.60		5.33	-
11	4.52	6.52	4.92	4.24	3.39		7.21	6.74
12	3.50	5.71	4.21	4.22	2.98		4.58	5.04

Burimi: Banka e Shqipërisë

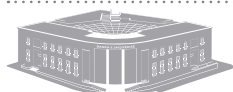
\*Normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

\*\* Të dhënat fillojnë nga muaji dhjetor 2015.

Source: Bank of Albania

\*Monthly data present the monthly weighted average rate.

\*\* The data start from December 2015.



## 2. NORMAT E INTERESIT TË INSTRUMENTEVE TË POLITIKËS MONETARE

### 2-1 NORMAT E INTERESIT TË BANKËS SË SHQIPËRISË \*

Në përqindje

## INTEREST RATES OF MONETARY POLICY INSTRUMENTS 2.

### BANK OF ALBANIA INTEREST RATES\* 2-1

In percentage

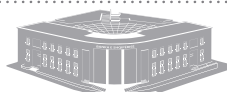
	Depozita njëditore / Overnight deposit		Marrëveshje riblereje njëjavore / Weekly repurchase agreement		Kredita njëditore / Overnight credit		Kredita për mbështetje me likuiditet** / Liquidity supporting loan**	
	Vlera / Level	Ndryshimi / Change	Vlera / Level	Ndryshimi / Change	Vlera / Level	Ndryshimi / Change	Vlera / Level	Ndryshimi / Change
2004	29/04	3.25	-	6.25	-	8.75	12.25	-
	12/05	3.00	-0.25	6.00	-0.25	8.50	12.00	-0.25
	24/06	2.75	-0.25	5.75	-0.25	8.25	11.75	-0.25
	28/07	2.50	-0.25	5.50	-0.25	8.00	11.50	-0.25
2005	04/11	2.25	-0.25	5.25	-0.25	7.75	11.25	-0.25
	31/03	2.00	-0.25	5.00	-0.25	7.50	11.00	-0.25
	27/07	3.25	1.25	5.00	-	6.75	11.00	-
	12/07	3.50	0.25	5.25	0.25	7.00	11.25	0.25
2006	30/11	3.75	0.25	5.50	0.25	7.25	11.50	0.25
	28/06	4.00	0.25	5.75	0.25	7.50	11.75	0.25
	27/09	4.25	0.25	6.00	0.25	7.75	12.00	0.25
	30/11	4.50	0.25	6.25	0.25	8.00	12.25	0.25
2008	24/12	4.50	-	6.25	-	7.00	12.25	-
	28/01	4.50	-	6.25	-	7.00	12.25	-
	29/01	4.00	-0.50	5.75	-0.50	6.50	11.75	-0.50
	28/10	3.50	-0.50	5.25	-0.50	6.00	11.25	-0.50
2010	29/07	3.25	-0.25	5.00	-0.25	5.75	11.00	-0.25
	03/01	3.25	-	5.00	-	6.75	11.00	-
	24/03	3.50	0.25	5.25	0.25	7.00	11.25	0.25
	30/09	3.25	-0.25	5.00	-0.25	6.75	11.00	-0.25
2012	01/12	3.00	-0.25	4.75	-0.25	6.50	10.75	-0.25
	26/01	2.75	-0.25	4.50	-0.25	6.25	10.50	-0.25
	29/03	2.50	-0.25	4.25	-0.25	6.00	10.25	-0.25
	10/05	2.50	-	4.25	-	6.00	8.25	-0.20
2013	25/07	2.25	-0.25	4.00	-0.25	5.75	8.00	-0.25
	31/01	2.00	-0.25	3.75	-0.25	5.50	7.75	-0.25
	01/08	1.75	-0.25	3.50	-0.25	5.25	7.50	-0.25
	02/12	1.50	-0.25	3.25	-0.25	5.00	7.25	-0.25
2014	16/12	1.25	-0.25	3.00	-0.25	4.75	7.00	-0.25
	27/02	1.00	-0.25	2.75	-0.25	4.50	6.75	-0.25
	02/06	0.75	-0.25	2.50	-0.25	4.25	6.50	-0.25
	27/11	0.50	-0.25	2.25	-0.25	4.00	6.25	-0.25
2015	29/01	0.25	-0.25	2.00	-0.25	3.75	6.00	-0.25
	05/11	0.00	-0.25	1.75	-0.25	3.50	5.75	-0.25
	06/04	0.25	0.25	1.50	-0.25	2.75	5.50	-0.25
	05/05	0.25	-	1.25	-0.25	2.25	5.25	-0.25

Burimi: Banka e Shqipërisë

\*Tabela paraqet ndryshimin e normave bazë të interesit sipas vendimit të politikës monetare.

\*\* Me hyrjen në fuqi të vendimit nr. 10 datë 13.03.2012, për miratimin e rregulorës "Për kredinë për mbështetje me likuiditet", instrumenti "Kredita Lombard" do të pasqyrohet nga "Kredita për mbështetje me likuiditet".

Source: Bank of Albania  
\*The table presents the change of key interest rates according to the monetary policy decisions on interest rates.  
\*\* Upon the entry into force of Decision No. 10, dated 13 March 2012, on the approval of the Regulation "On the liquidity supporting loan", the instrument "Lombard loan" will be followed by the "Liquidity supporting loan".



**3. TREGJET FINANCIARE**  
**3-1 NORMAT E INTERESIT PËR DEPOZITAT E REJA TË KORPORATAVE JO-FINANCIARE, INDIVIDIVË DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDIVË SIPAS MONEDHAVE \***  
**Në përqindje**

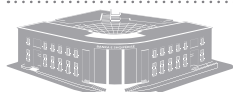
**FINANCIAL MARKETS 3.1**  
**INTEREST RATES ON NEW DEPOSITS OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY \* 3-1**  
**In percentage**

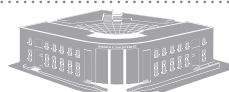
	Llogarit rrethëse/ Current accounts	Depozita pa afat/ Demand deposits	Në lekë / In ALL				
			1 mujore/ 1 month	3 mujore/ 3 months	6 mujore/ 6 months	12 mujore/ 12 months	24 mujore/ 24 months
2014/12	0.05		2.04	1.11	1.53	1.92	3.27
2015/12	0.05	-	1.44	0.74	1.12	1.35	2.38
2016/12	0.04	0.36	0.40	0.35	0.68	0.80	1.76
2016/01	0.03	0.45	0.22	0.50	0.90	1.18	2.41
02	0.03	0.47	0.13	0.51	0.74	1.14	2.01
03	0.03	0.41	0.50	0.39	0.76	1.07	2.07
04	0.04	0.35	0.72	0.33	0.65	0.93	1.83
05	0.04	0.36	0.67	0.29	0.67	0.83	1.68
06	0.04	0.29	0.72	0.28	0.53	0.71	1.46
07	0.04	0.33	0.71	0.28	0.59	0.69	1.36
08	0.04	0.39	0.57	0.29	0.67	0.54	1.41
09	0.03	0.20	0.79	0.27	0.54	0.72	1.43
10	0.03	0.29	0.62	0.38	0.47	0.69	1.46
11	0.03	0.31	0.91	0.33	0.74	0.69	1.34
12	0.10	0.52	0.87	0.27	0.78	0.78	1.23
Në dollarë amerikanë / In USD							
2014/12	0.04		0.63	0.47	0.71	0.96	1.19
2015/12	0.04	-	0.24	0.20	0.33	0.46	1.06
2016/12	0.02	0.13	0.23	0.15	0.31	0.45	0.73
2016/01	0.03	0.27	0.23	0.13	0.61	0.45	0.56
02	0.02	0.17	0.27	0.13	0.18	0.35	1.12
03	0.02	0.18	0.24	0.13	0.20	0.62	1.10
04	0.02	0.20	0.29	0.23	0.22	0.51	0.88
05	0.02	0.19	0.17	0.11	0.26	0.44	0.63
06	0.03	0.19	0.21	0.16	0.20	0.42	0.72
07	0.02	0.08	0.18	0.12	0.39	0.43	0.89
08	0.02	0.12	0.22	0.16	0.22	0.43	1.03
09	0.02	0.07	0.23	0.16	0.22	0.36	0.70
10	0.02	0.12	0.27	0.17	0.27	0.42	1.20
11	0.02	0.06	0.18	0.12	0.26	0.50	0.78
12	0.01	0.06	0.20	0.11	0.21	0.54	0.77
Në Euro / In EUR							
2014/12	0.05		0.60	0.44	0.65	0.86	1.63
2015/12	0.05	-	0.16	0.13	0.22	0.35	0.77
2016/12	0.04	0.11	0.09	0.06	0.12	0.19	0.56
2016/01	0.04	0.20	0.11	0.09	0.14	0.29	0.84
02	0.04	0.16	0.11	0.09	0.11	0.33	0.71
03	0.04	0.15	0.08	0.07	0.13	0.25	0.76
04	0.04	0.12	0.07	0.05	0.15	0.24	0.60
05	0.04	0.14	0.07	0.04	0.19	0.21	0.47
06	0.04	0.12	0.10	0.03	0.11	0.17	0.42
07	0.04	0.09	0.07	0.04	0.11	0.17	0.45
08	0.03	0.12	0.07	0.05	0.07	0.14	0.48
09	0.04	0.07	0.07	0.06	0.07	0.14	0.50
10	0.04	0.10	0.09	0.04	0.13	0.17	0.41
11	0.04	0.08	0.16	0.04	0.13	0.14	0.76
12	0.04	0.09	0.07	0.04	0.09	0.19	0.25

Burimi: Banka e Shqipërisë

\* NORMAT VJETORE PËRQËNDËSORE NORMAT MESATORE TË PONDEUAR VJETORE, NDËSA NORMAT MUJORE PËRQËNDËSORE NORMAT MESATORE TË PONDEUAR MUJORE.

\*Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.





3-2 NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATAVE JO-FINANCIARE, INDIVIDËVE  
DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS MONEDHAVE\*  
Në përqindje

INTEREST RATES ON NEW LOANS OF NON-FINANCIAL  
CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY\* 3-2  
In percentage

	Në lekë / In ALL					Në dollarë amerikanë / In USD					Në Euro / In EUR				
	Deri në 6 muaj / Up to 6 months	6 muaj - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	Mbi 5 vjet / Over 5 years	Deri në 6 muaj / Up to 6 months	6 muaj - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	Mbi 5 vjet / Over 5 years	Deri në 6 muaj / Up to 6 months	6 muaj - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	Mbi 5 vjet / Over 5 years
2014/12	8.55	7.66	11.86	10.35	8.09	6.50	6.14	5.47	6.89	6.94	7.11	6.61	7.17	6.88	6.25
2015/12	8.91	7.77	9.24	8.83	6.92	4.84	5.18	5.66	6.07	4.58	6.64	5.71	6.52	5.79	5.21
2016/12	9.52	5.89	8.29	8.04	5.90	4.89	5.43	6.25	7.07	5.45	6.09	6.09	4.83	5.09	4.58
2016/01	9.24	8.51	9.42	9.40	6.74	3.31	7.30	4.37	7.00	4.25	7.29	6.29	6.22	6.32	4.33
02	9.46	7.45	8.56	8.91	6.34	4.50	5.73	5.28	7.24	5.72	5.44	6.28	5.07	4.70	4.88
03	9.29	7.68	9.05	8.07	6.00	4.55	6.47	15.53	6.99	4.85	5.51	5.58	5.11	5.56	5.05
04	9.67	4.27	7.73	8.18	6.12	4.77	5.71	6.68	-	4.36	7.27	5.02	5.37	6.05	5.02
05	9.79	8.41	7.53	7.51	5.58	5.46	5.35	5.78	8.02	5.08	7.02	2.83	4.97	4.80	4.64
06	10.08	7.32	7.88	7.89	5.92	5.26	5.19	4.55	-	6.64	6.73	5.35	5.28	5.02	4.65
07	9.30	7.19	8.28	7.92	6.06	5.47	3.86	6.05	-	6.05	6.47	3.91	4.36	5.09	6.13
08	11.04	7.72	9.47	8.00	5.86	8.52	6.33	7.72	-	6.08	5.92	6.61	4.93	5.38	3.34
09	9.54	4.67	8.71	8.13	5.64	4.77	3.75	6.97	-	-	5.59	5.59	4.37	5.00	3.67
10	10.82	6.79	7.71	7.67	5.70	5.80	5.80	7.97	-	-	5.54	4.73	4.74	5.79	4.57
11	12.09	6.26	8.37	7.97	5.61	5.80	5.23	4.19	-	-	5.80	5.23	4.19	4.12	4.08
12	7.01	4.54	8.41	7.81	6.01	5.62	5.15	4.49	-	-	5.62	5.15	4.49	5.03	3.89
2014/12	6.50	6.14	5.47	6.89	6.94	7.11	6.61	7.17	6.88	6.25	7.11	6.61	7.17	6.88	6.25
2015/12	4.84	5.18	5.66	6.07	4.58	6.64	5.71	6.52	5.79	5.21	6.64	5.71	6.52	5.79	5.21
2016/12	4.89	5.43	6.25	7.07	5.45	6.09	6.09	4.83	5.09	4.58	6.09	6.09	4.83	5.09	4.58
2016/01	3.31	7.30	4.37	7.00	4.25	7.29	6.29	6.22	6.32	4.33	7.29	6.29	6.22	6.32	4.33
02	5.73	5.68	5.28	7.24	5.72	5.44	6.28	5.07	4.70	4.88	5.44	6.28	5.07	4.70	4.88
03	4.50	6.47	15.53	6.99	4.85	5.51	5.58	5.11	5.56	5.05	5.51	5.58	5.11	5.56	5.05
04	4.55	5.71	6.68	-	4.36	4.77	5.02	5.37	6.05	5.02	7.02	2.83	4.97	4.80	4.64
05	3.39	4.05	5.68	5.00	6.68	5.26	5.19	4.55	-	6.05	6.73	5.35	5.28	5.02	4.65
06	5.46	5.35	5.78	8.02	5.08	5.47	3.86	6.05	-	6.08	5.92	6.61	4.93	5.38	3.34
07	4.32	6.90	7.44	-	6.64	8.52	6.33	7.72	-	-	5.59	5.59	4.37	5.00	3.67
08	5.26	5.19	4.55	-	6.05	4.77	3.75	6.97	-	-	5.80	5.23	4.19	4.12	4.08
09	5.47	3.86	6.05	-	6.08	6.04	5.38	9.96	-	5.94	6.04	5.38	9.96	-	5.94
10	8.52	6.33	7.72	-	-	7.11	6.61	7.17	6.88	6.25	7.11	6.61	7.17	6.88	6.25
11	4.77	3.75	6.97	-	6.25	6.64	5.71	6.52	5.79	5.21	6.64	5.71	6.52	5.79	5.21
12	6.04	5.38	9.96	-	5.94	6.09	6.09	4.83	5.09	4.58	6.09	6.09	4.83	5.09	4.58
2014/12	7.11	6.61	7.17	6.88	6.25	7.11	6.61	7.17	6.88	6.25	7.11	6.61	7.17	6.88	6.25
2015/12	6.64	5.71	6.52	5.79	5.21	6.64	5.71	6.52	5.79	5.21	6.64	5.71	6.52	5.79	5.21
2016/12	6.09	6.09	4.83	5.09	4.58	6.09	6.09	4.83	5.09	4.58	6.09	6.09	4.83	5.09	4.58
2016/01	7.29	6.29	6.22	6.32	4.33	7.29	6.29	6.22	6.32	4.33	7.29	6.29	6.22	6.32	4.33
02	5.44	6.28	5.07	4.70	4.88	5.44	6.28	5.07	4.70	4.88	5.44	6.28	5.07	4.70	4.88
03	5.51	5.58	5.11	5.56	5.05	5.51	5.58	5.11	5.56	5.05	5.51	5.58	5.11	5.56	5.05
04	7.27	5.02	5.37	6.05	5.02	7.27	5.02	5.37	6.05	5.02	7.27	5.02	5.37	6.05	5.02
05	7.02	2.83	4.97	4.80	4.64	7.02	2.83	4.97	4.80	4.64	7.02	2.83	4.97	4.80	4.64
06	6.73	5.35	5.28	5.02	4.65	6.73	5.35	5.28	5.02	4.65	6.73	5.35	5.28	5.02	4.65
07	6.47	3.91	4.36	5.09	6.13	6.47	3.91	4.36	5.09	6.13	6.47	3.91	4.36	5.09	6.13
08	5.92	6.61	4.93	5.38	3.34	5.92	6.61	4.93	5.38	3.34	5.92	6.61	4.93	5.38	3.34
09	5.59	5.59	4.37	5.00	3.67	5.59	5.59	4.37	5.00	3.67	5.59	5.59	4.37	5.00	3.67
10	5.54	4.73	4.74	5.79	4.57	5.54	4.73	4.74	5.79	4.57	5.54	4.73	4.74	5.79	4.57
11	5.80	5.23	4.19	4.12	4.08	5.80	5.23	4.19	4.12	4.08	5.80	5.23	4.19	4.12	4.08
12	5.62	5.15	4.49	5.03	3.89	5.62	5.15	4.49	5.03	3.89	5.62	5.15	4.49	5.03	3.89

Burimi: Banka e Shqipërisë

\*Normat vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore.

\*Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.

Source: Bank of Albania.

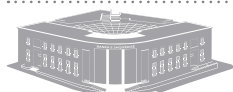
### 3-3 NORMAT E INTERESIT PËR BONOT E THESARIT SIPAS AFATIT\* Në përqindje

### MATURITY BREAKDOWN OF TREASURY BILLS YIELDS\* 3-3 In percentage

	3 muajt/ 3 months	6 muajt/ 6 months	12 muajt/ 12 months
2009/12	6.30	7.52	9.14
2010/12	5.29	6.41	7.09
2011/12	5.31	6.23	6.95
2012/12	5.03	5.65	6.37
2013/12	3.40	3.54	3.66
2014/01	3.36	3.71	3.82
02	3.24	3.52	3.79
03	3.14	3.40	3.66
04	–	3.32	3.56
05	3.05	3.27	3.40
06	3.02	3.14	3.26
07	2.95	3.16	3.23
08	3.05	3.14	3.20
09	3.08	3.13	3.20
10	3.08	3.13	3.25
11	3.11	3.15	3.29
12	3.15	3.16	3.33
2015/01	3.23	3.23	3.50
02	3.19	3.23	3.58
03	3.11	3.25	3.59
04	3.00	3.14	3.50
05	2.90	3.11	3.42
06	2.79	3.04	3.29
07	2.71	2.97	3.24
08	2.66	2.90	3.22
09	2.61	2.87	3.21
10	2.57	2.82	3.18
11	–	2.82	2.97
12	–	2.46	2.40
2016/01	1.45	1.99	2.10
02	–	1.36	1.78
03	–	1.26	1.63
04	0.90	1.15	1.52
05	–	0.99	1.35
06	–	0.95	1.28
07	0.88	0.94	1.29
08	–	0.86	1.46
09	–	0.90	1.60
10	1.22	0.90	1.94
11	–	1.57	2.47
12	–	2.00	2.92

Burimi: Banka e Shqipërisë

\* Përfqesojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania.  
\* Weighted average interest rates.

#### 4. KURSI I KËMBIMIT

##### 4-1 KURSI I KËMBIMIT TË LËKUT KUNDREJT MONEDHAVE KRYESORE

Lekë për njësi të monedhës së huaj

#### EXCHANGE RATE 4.

##### EXCHANGE RATE 4-1

ALL per unit of foreign currencies

Monedhat kryesore/ Main foreign currencies	Mesatarja e periudhës / Average of period						Fundi i periudhës / End of period					
	Dollari amerikan/ US dollar (USD)	Monedha evropiane/ Euro (EUR)	Poundi britanik/ British pound sterling (GBP)	Franga zvicerane/ Swiss franc (CHF)	Jeni japonez/ Japanese yen (JPY)	Dollari Kanadez/ Canadian dollar (CAD)	Dollari amerikan/ US Dollar (USD)	Monedha evropiane/ Euro (EUR)	Poundi britanik/ British pound sterling (GBP)	Franga zvicerane/ Swiss franc (CHF)	Jeni japonez/ Japanese yen (JPY)	Dollari Kanadez/ Canadian dollar (CAD)
2014	105.48	139.97	173.62	115.26	99.78	95.49	115.23	140.14	179.48	116.52	96.49	99.55
2015	125.96	139.74	192.54	131.09	104.12	98.72	125.79	137.28	186.59	126.74	104.50	90.53
2016	124.14	137.36	168.17	126.02	114.41	93.68	128.17	135.23	157.56	126.05	109.75	95.09
2016/I	127.37	138.35	183.14	126.48	107.88	89.42	127.06	138.68	181.61	125.01	105.32	90.27
02	124.70	138.33	178.48	125.55	108.69	90.34	126.59	138.24	175.48	126.56	112.11	93.40
03	124.56	138.22	176.98	126.63	110.31	94.03	122.26	138.77	175.88	126.94	108.80	94.45
04	122.21	138.51	174.80	126.78	111.54	95.22	121.56	138.29	177.19	126.19	113.53	97.12
05	122.35	138.32	177.74	125.10	112.23	94.49	124.15	138.29	181.25	125.20	111.76	95.04
06	122.76	137.92	174.49	126.57	116.47	95.25	123.50	137.33	166.00	126.38	120.11	95.43
07	123.37	136.57	162.23	125.65	118.57	94.67	122.60	136.18	161.40	125.76	118.37	93.20
08	121.79	136.51	159.73	125.54	120.30	93.78	123.34	137.52	162.04	125.50	119.63	94.29
09	122.50	137.34	161.03	125.81	120.29	93.63	122.74	137.33	159.14	126.59	121.42	93.32
10	124.04	136.85	153.14	125.72	119.51	93.67	124.66	136.54	151.75	126.11	118.78	93.10
11	125.77	136.18	156.23	126.56	116.75	93.56	127.55	135.86	158.63	125.91	112.88	95.11
12	128.29	135.27	160.04	125.80	110.42	96.11	128.17	135.23	157.56	126.05	109.75	95.09

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

#### 2 SEKTORI I JASHTËM

##### 5-1 BILANCI I PAGESAVE

Në milionë euro

#### EXTERNAL SECTOR 2

##### BALANCE OF PAYMENTS 5-1

In millions EUR

	Llogaritja korrente / Current account (2+ 5+ 8+ 11)	Mallrat / Goods (3+4)	Kredi / Credit	Debi / Debit	Shërbimet / Services (6+7)	Kredi / Credit	Debi / Debit	Të ardhura primare / Primary income (9+10)	Kredi / Credit	Debi / Debit	Të ardhura dytësore / Secondary income (11+13)	Kredi / Credit	Debi / Debit	Llogaritja kapitale / Capital account
2013	-1049.1	-1979.3	1050.6	3029.9	225.7	1714.9	1489.1	24.5	137.8	113.3	679.9	810.4	130.5	47.8
2014	-1287.2	-2215.6	931.7	3147.3	323.2	1881.4	1558.2	-119.4	125.6	245.0	724.6	851.7	127.1	86.7
2015	-1104.6	-2298.9	771.1	3070.1	524.7	2028.0	1503.3	-98.7	134.8	253.5	768.4	921.5	133.1	125.7
2015/IV	-397.7	-705.5	171.4	876.9	141.1	543.3	402.2	-34.2	43.9	78.1	201.0	247.2	46.2	32.8
2016/I	-224.2	-579.3	125.5	704.8	176.0	483.0	307.0	10.0	50.8	40.7	169.1	205.0	35.9	6.6
2016/II	-353.8	-677.0	194.3	871.3	121.8	522.5	400.7	-15.1	44.9	60.1	216.6	249.7	33.2	7.2
2016/III	-207.6	-680.0	172.8	852.7	269.1	754.1	485.1	-6.5	42.7	49.2	209.8	250.3	40.5	3.1

	Llogaritja financiare / Financial account (16+19+22+28)	Investimet direkte / Direct investment (17-18)	Mjete / Assets	Detyrime / Liabilities	Investime portofoli / Portfolio investment (20-21)	Mjete / Assets	Detyrime / Liabilities	Investime të tjera / Other investment (23-24)	Mjete / Assets	Detyrime / Liabilities	Gabime dhe harrësira neto / Net errors and omissions	Mjete e rezervës dhe të lidhura me të / Reserve assets and related items (27+28)	Mjete e rezervës / Reserve assets	Kredi dhe huat nga FMN / Credit and loans from the IMF
2013	-911.8	-923.2	21.6	944.8	115.4	127.4	12.0	-111.9	210.5	322.4	193.8	112.2	104.4	-7.8
2014	-1031.7	-811.5	57.7	869.2	122.1	130.2	8.1	-295.8	-35.3	260.5	265.9	50.7	97.2	46.5
2015	-1320.0	-818.4	71.9	890.4	-324.8	-180.6	144.2	-86.8	216.2	303.0	268.4	519.6	609.5	89.9
2015/IV	-412.4	-120.0	42.4	162.4	-172.1	-41.9	130.2	-120.6	-77.3	43.3	121.5	169.3	169.1	-0.3
2016/I	-114.1	-143.6	13.6	157.3	107.5	93.0	-14.5	-7.0	44.9	51.9	54.0	-120.5	-49.6	70.9
2016/II	-253.6	-240.1	20.9	261.0	-8.7	-3.9	4.9	30.7	36.7	6.0	93.0	-35.5	0.0	35.5
2016/III	-15.8	-276.4	11.7	288.1	-2.1	4.2	6.3	296.9	306.4	9.5	132.7	-90.3	-56.1	34.2

Burimi: Banka e Shqipërisë.

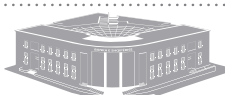
Source: Bank of Albania.

\* Në kategorinë 22 përfshihen edhe derivatit financiarë.

\* Other investment (22) include financial derivatives.

\*\* Nuk përfshihen zeri 28.

\*\* Excluding Credit and loans from the IMF 28.





## 5-2 EKSPORTI SIPAS GRUP MALLRAVE\* Në milionë lekë

## EXPORT BY COMMODITY GROUPS\* 5-2 In millions ALL

	Gjithsej/ Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije duhan/ Food, beverages, tobacco	Mineralë, lëndë djegëse, ener. elek./ Minerals, fuels, electricity	Produkte kimike dhe plastike/ Chemical and plastic products	Lëkurë dhe artikuj prej lëkure/ Leather and leather manufactures	Prodime druri dhe letrë/ 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
2014/12	255,759.0	16,746.6	85,884.5	3,393.6	3,076.3	9,180.9	85,935.9	37,102.5	9,235.0	5,203.7
2015/12	243,183.0	21,066.3	64,505.1	3,961.3	2,897.3	8,336.4	90,091.0	35,279.5	10,789.0	6,256.9
2016/12	243,496.9	25,347.0	46,562.9	4,358.0	2,596.5	7,764.2	106,607.7	31,890.8	11,272.3	7,097.5
2016/01	16,379.7	1,462.5	2,047.8	247.4	274.7	591.4	8,439.4	2,023.0	819.0	474.5
02	17,592.0	1,661.6	2,331.5	289.5	243.0	629.5	8,889.4	2,111.2	892.2	544.0
03	19,360.8	1,583.1	3,602.8	458.8	253.7	629.9	8,883.3	2,422.4	966.6	560.2
04	21,136.2	2,172.4	4,226.0	385.0	204.6	665.8	8,840.7	3,162.4	877.6	601.8
05	20,525.6	2,659.0	3,069.1	349.1	221.3	665.0	9,236.1	2,598.6	1,115.6	611.8
06	22,603.1	2,485.1	5,325.9	366.9	279.1	640.2	9,375.5	2,546.6	934.7	649.1
07	22,504.8	1,786.1	4,413.7	372.4	246.3	593.1	10,606.0	2,829.8	955.4	702.0
08	16,431.3	1,644.4	3,828.7	354.6	58.7	491.2	6,619.1	2,307.3	642.3	485.1
09	20,576.9	1,529.6	3,925.4	376.0	216.7	653.6	9,442.2	2,777.9	1,042.0	613.5
10	21,681.0	3,443.2	3,197.3	435.6	216.3	699.0	8,920.4	3,069.5	1,094.9	604.9
11	22,869.6	2,775.2	5,144.1	414.6	238.0	797.4	9,049.6	2,743.6	1,068.3	638.5
12	21,835.8	2,144.7	5,450.8	308.1	143.9	708.0	8,306.1	3,298.5	863.6	612.1

Burimi: INSTAT.

\* Eksportet janë në vlerën F.O.B.

Të dhënat vjetore sipas tabelës "Tregtia e jashtme sipas produkteve (1993-2016)" në faqen e internetit të INSTAT.

Të dhënat mujore sipas "Database Statistike" tabela "Eksporti sipas grupmallrave 2005-01 - 2016-12" dhe "Tregtia e jashtme sipas grup mallrave" në faqen e internetit të INSTAT, datë 12.03.2017.

Monthly data as of "Statistical Database", table "Export by group of commodities 2005-01 - 2016-12" and "Foreign Trade by group commodities", INSTAT web page on 12.03.2017.

Annual data as of table "Foreign trade according to the products (1993-2016), INSTAT web page.

\* Exports are valued in F.O.B.

Annual data as of table "Foreign trade according to the products (1993-2016), INSTAT web page.

Monthly data as of "Statistical Database", table "Export by group of commodities 2005-01 - 2016-12" and "Foreign Trade by group commodities", INSTAT web page on 12.03.2017.

Source: INSTAT.



### 5-3 IMPORTI SIPAS GRUP MALLRAVE\* Në milionë lekë

### IMPORT BY COMMODITY GROUPS\* 5-3 In millions ALL

	1	2	3	4	5	6	7	8	9	10
	Gjithsej/ Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije duhan/ Food, beverages, tobacco	Mineralë, lëndë djegëse, ener. elek./ Minerals, fuels, electricity	Produkte kimike dhe plastike/ Chemical and plastic products	Lëkurë dhe artikuj lëkurash/ Leather and leather manufactures	Prodhimë druri dhe lere/ 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
2014/12	552,281.1	93,971.4	90,225.1	72,920.7	14,319.8	22,921.7	63,003.8	70,805.1	105,692.4	18,421.2
2015/12	544,605.5	96,896.6	60,164.5	74,925.9	15,915.7	21,736.1	69,299.6	67,540.8	117,280.3	20,846.0
2016/12	579,247.6	100,364.9	49,841.6	80,008.0	17,378.4	23,356.7	79,970.6	76,002.0	130,953.5	21,372.0
2016/01	34,878.6	6,428.6	4,541.9	3,929.3	1,018.1	1,323.2	4,874.6	3,753.5	8,055.8	933.6
02	41,841.3	7,157.9	3,480.7	6,516.8	1,163.9	1,669.0	6,127.2	5,053.6	9,206.7	1,465.7
03	46,937.6	8,386.0	3,969.6	6,858.4	1,217.4	2,083.3	6,433.9	6,265.4	10,037.1	1,686.6
04	51,978.7	8,877.1	3,244.9	7,462.2	1,681.0	1,888.9	7,036.1	10,394.2	9,719.4	1,675.0
05	51,804.9	8,434.3	3,848.4	7,237.2	1,935.3	1,876.4	7,611.1	8,194.6	10,453.4	2,214.2
06	52,000.6	8,404.7	3,967.0	7,133.1	1,951.2	2,060.2	7,319.8	5,804.7	13,168.2	2,191.7
07	50,067.4	9,537.7	3,949.7	7,244.1	1,652.6	2,138.8	6,892.9	5,048.6	11,746.9	1,856.2
08	46,515.2	9,379.2	4,897.9	6,541.6	920.5	2,057.4	4,294.5	5,382.3	11,527.5	1,514.2
09	48,115.6	8,271.6	4,393.0	6,529.2	1,187.0	1,847.4	6,520.0	8,023.7	9,751.2	1,592.4
10	49,824.7	7,863.0	4,743.9	6,948.6	1,579.2	2,215.6	8,074.8	5,169.6	11,244.4	1,985.6
11	49,500.7	8,402.7	4,493.0	6,101.8	1,539.9	2,205.1	7,266.8	5,554.7	11,862.2	2,074.3
12	55,782.3	9,222.0	4,311.6	7,505.6	1,532.4	1,991.4	7,519.0	7,356.9	14,180.8	2,162.5

Burimi: INSTAT.

\* Importet janë në vlerën C.I.F.

Të dhënat vjetore sipas tabelës "Tregtia e jashtme sipas produkteve (1993:2016)" në faqen e internetit të INSTAT.

Të dhënat mujore sipas "Database Statistike" tabela "Importi sipas grupmallrave 2005:01 - 2016:12" dhe "Tregtia e jashtme sipas grup mallrave" në faqen e internetit të INSTAT; datë 12.03.2017.

Monthly data as of "Statistical Database", table "Importi sipas grupmallrave 2005:01 - 2016:12" and "Foreign Trade by group commodities", INSTAT web page on 12.03.2017.

Annual data as of table "Foreign Trade according to the products (1993:2016)", INSTAT web page by group commodities 2005:01 - 2016:12 and "Foreign Trade by group commodities", INSTAT web page on 12.03.2017.

Source: INSTAT.

\* Imports are valued in C.I.F.

Annual data as of table "Foreign Trade according to the products (1993:2016)", INSTAT web page by group commodities 2005:01 - 2016:12 and "Foreign Trade by group commodities", INSTAT web page on 12.03.2017.



# INTERNATIONAL INVESTMENT POSITION\* 5-4 In millions EUR

## 5-4 POZICIONI I INVESTIMEVE NDËRKOMBËTARE\* Në milionë euro

	Pozicioni i investimeve ndërkombëtare / International investment position (2-16)									
	Mjetet/ Assets (3+ 6+ 9+ 10+ 15)		Investime direkte jashtë/ Direct investment abroad			Investime portfoli / Portfolio investment			Derivativa financiare/ Financial derivatives	
	1	2	3	4	5	6	7	8	(11+ 12+ 13+ 14)	(15)
2010	-2,979.47	2,919.57	115.19	109.63	5.56	180.99	0.46	180.53	9	15
2011	-4,240.32	3,323.73	133.15	112.18	20.97	254.82	9.10	245.72	-	1,904.75
2012	-4,031.14	3,835.42	147.17	123.31	23.86	389.17	23.06	366.10	-	1,912.49
2013	-3,425.03	4,249.43	173.99	147.82	26.17	496.18	24.30	471.88	-	1,972.45
									1,563.98	2,015.27

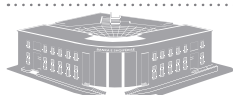
	Investime direkte në Shqipëri/ Direct investment in the reporting economy									
	Detyrimet/ Liabilities (17+ 20+ 23+ 24)		Investime direkte në Shqipëri/ Direct investment in the reporting economy			Investime portfoli / Portfolio investment			Derivativa financiare/ Financial derivatives	
	16	17	18	19	20	21	22	23	(25+ 26+ 27+ 28)	(29)
2010	5,899.0	2,436.0	2,290.3	145.6	441.1	73.7	367.3	-	3,022.0	28
2011	7,564.1	3,399.9	3,149.7	250.2	595.8	87.1	508.7	-	3,568.4	67.7
2012	7,866.6	3,261.5	2,844.6	416.9	650.2	101.4	548.8	2.4	3,952.4	71.9
2013	7,674.5	2,850.2	2,466.9	383.3	657.2	102.6	554.6	-	4,167.1	74.7
									2,802.4	69.2

Burimi: Banka e Shqipërisë.

\* Të dhënat janë hartuar sipas manualit BPM5 të bilancit të pagesave.

\* Data presented in the table are compiled according to BPM5 IMF Manual.

Source: Bank of Albania.



## 5-4 POZICIONI I INVESTIMEVE NDËRKOMBËTARE\*

Në milionë euro

## INTERNATIONAL INVESTMENT POSITION\* 5-4

In millions EUR

	Pozicioni i investimeve ndërkombëtare/ International investment position (2-17)	Investime direkte jashtë / Direct investment abroad										Investime portofoli / Portfolio investment				Investime të tjera / Other investments				Mjetet e rezervës/ Reserve assets (18+21+24+25)										
		Mjetet/Assets (3+ 6+ 9+ 10+ 16)		Kapitali dhe aksionet në fondet e investimeve / Equity and investment fund shares		Instrumentet e borxhit / Debt instruments		Kapitali dhe aksionet në fondet e investimeve / Equity and investment fund shares		Tituj borxhi / Debt securities		Derivata financiare/ Financial derivatives		(11+ 12+ 13+ 14+ 15)		Monedha dhe depozita/ Currency and deposits		Hua/ Loans			Kredi tërëgjatë dhe parashime/ Trade credit and advances		Llogari të tjera të akkumuluara/ Other receivables							
		(4+5)		(3)		4		5		6		7		8		9		10			11		12		13		14		15	
										(7+8)		Kapshtimi i aksionit dhe investimeve / Equity and investment fund shares		Tituj borxhi / Debt securities		Derivata financiare/ Financial derivatives					Kapitali të tjera/ Other equity		Hua/ Loans		Kredi tërëgjatë dhe parashime/ Trade credit and advances		Llogari të tjera të akkumuluara/ Other receivables			
2014/IV	(4.466.2)	5.630.1	1.229.7	1.057.0	646.7	23.4	623.3	-	1.562.0	4.0	1.031.0	395.8	112.8	18.4	2.191.7															
2015/IV	(4.656.1)	6.567.4	1.414.2	1.111.6	497.3	25.6	471.7	-	1.775.9	-	1.144.8	510.6	103.3	17.2	2.880.0															
2015/IV	(4.656.1)	6.567.4	1.414.2	1.111.6	497.3	25.6	471.7	-	1.775.9	-	1.144.8	510.6	103.3	17.2	2.880.0															
2016/I	(4.723.5)	6.616.0	1.423.2	1.105.1	584.5	24.8	559.7	-	1.804.4	-	1.140.8	538.4	109.6	15.6	2.803.8															
2016/II	(4.852.9)	6.710.4	1.448.4	1.106.0	589.2	30.1	559.1	-	1.845.4	-	1.142.7	578.3	111.1	13.3	2.827.4															
2016/III	(4.762.6)	6.892.3	1.383.5	1.045.7	595.5	28.1	567.4	-	2.149.2	-	1.343.2	696.3	104.7	5.0	2.764.1															

	Detyrimet/ Liabilities (18+21+24+25)	Investime direkte në Shqipëri/ Direct investment in the reporting economy				Investime portofoli/ Portfolio investment				Investime të tjera/ Other investments				SDR/ SDRs				
		Kapitali dhe aksionet në fondet e investimeve / Equity and investment fund shares		Instrumentet e borxhit/ Debt instruments		(22+23)		Tituj borxhi / Debt securities		Derivata financiare/ Financial derivatives		Kapitali të tjera/ Other equity			Monedha dhe depozita/ Currency and deposits	Hua/ Loans	Kredi tërëgjatë dhe parashime/ Trade credit and advances	Llogari të tjera të akkumuluara/ Other payables
		(19+20)																
		17	18	19	20	21	22	23	24	25	26	27	28		29	30	31	
2014/IV	10.096.3	4.563.5	2.936.5	1.627.0	801.2	232.3	568.9	-	4.731.6	-	1.017.3	3.299.8	304.8	54.3	55.32			
2015/IV	11.223.5	5.005.2	3.235.7	1.769.5	922.7	301.9	620.8	-	5.295.7	-	1.055.9	3.802.6	308.2	70.0	59.04			
2015/IV	11.223.5	5.005.2	3.235.7	1.769.5	922.7	301.9	620.8	-	5.295.7	-	1.055.9	3.802.6	308.2	70.0	59.04			
2016/I	11.339.4	5.072.3	3.251.1	1.821.2	895.9	298.8	597.0	-	5.371.3	-	1.064.8	3.852.7	320.1	76.1	57.6			
2016/II	11.563.3	5.228.7	3.379.2	1.849.4	901.4	303.4	598.1	-	5.433.2	-	1.090.3	3.891.8	331.1	61.7	58.3			
2016/III	11.654.9	5.247.1	3.426.0	1.821.2	890.8	304.8	586.0	-	5.517.0	-	1.129.2	3.939.2	314.2	76.4	58.1			

Burimi: Banka e Shqipërisë.

\* Të dhënat janë hartuar sipas manualit BPM6 të bilancit të pagesave.

Source: Bank of Albania.

\* Data presented in the table are compiled according to BPM6 IMF Manual.

## 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)	Gjeneria e përgjithshme / General Government (3+4)		Ataigjatë / Longterm		Banka Qendrore / Central Bank (6+7)		Ataigjatë / Longterm		Ataigjatë / Shortterm		Korporata Depozituese, me përjashtim të Bankës Qendrore / Depositing corporations, except Central Bank (9+10)		Ataigjatë / Longterm		Ataigjatë / Shortterm		Sektore të Tjerë / Other Sectors (12+13)		Ataigjatë / Longterm		Ataigjatë / Shortterm		Investimi Direkt: Huatë Ndërkombëtare / Direct Investment: Intercompany Lending	
	Ataigjatë / Shortterm		Ataigjatë / Longterm		Ataigjatë / Shortterm		Ataigjatë / Longterm		Ataigjatë / Shortterm		Ataigjatë / Longterm		Ataigjatë / Shortterm		Ataigjatë / Longterm		Ataigjatë / Shortterm		Ataigjatë / Longterm		Ataigjatë / Shortterm		Ataigjatë / Longterm	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
2013/IV	6,368.2	2,289.5	-	2,289.5	79.1	-	79.1	1,075.4	1,001.8	73.6	1,277.6	342.8	934.7	1,646.6										
2014/IV	6,927.5	2,647.6	-	2,647.6	76.7	-	76.7	1,250.7	1,101.5	149.2	1,325.4	335.8	989.6	1,627.0										
2015/IV*	7,686.0	3,292.6	-	3,292.6	75.8	-	75.8	1,281.5	1,126.8	154.7	1,266.6	326.7	939.9	1,769.5										
2015/IV*	7,686.0	3,292.6	-	3,292.6	75.8	-	75.8	1,281.5	1,126.8	154.7	1,266.6	326.7	939.9	1,769.5										
2016/I*	7,789.5	3,317.9	-	3,317.9	72.5	-	72.5	1,289.0	1,138.4	150.6	1,288.9	343.1	945.8	1,821.2										
2016/II	7,880.7	3,360.8	-	3,360.8	73.0	-	73.0	1,297.2	1,149.1	148.0	1,300.3	355.6	944.7	1,849.4										
2016/III	7,924.2	3,372.9	-	3,372.9	62.4	-	62.4	1,367.2	1,230.3	136.9	1,300.6	334.6	966.0	1,821.2										

Burimi: Banka e Shqipërisë.

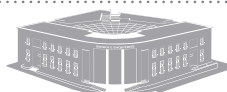
Për detaje referohuni tek "Shpjeguesi për ndryshimet në statistikat e sektorit të jashtëm sipas BPM6 (Qershor 2014)".

\* Janë rishikuar të dhënat për vitin 2015 dhe tremujorin e parë 2016.

Source: Bank of Albania.

For details refer to: "Commentary for changes in the publication of external sector statistics according to BPM6 (June 2014)".

\* Data are revised for the year 2015 and the first quarter 2016.



**6. FINANCAT E QEVERISË**  
**6-1 TË ARDHURAT E BUXHETIT TË QEVERISË<sup>1</sup>**  
*(Të dhëna progresive, në milionë lekë, fundi i periudhës)*

**GOVERNMENT FINANCE 6.**  
**GOVERNMENT BUDGET REVENUE<sup>1</sup> 6-1**  
*(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 sociale/ Social Inst. Contributions		Të ardhura jo tatimore/ Non tax revenue	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2014	366,721	10,186	335,868	253,413	12,447	70,008	20,667							
2015	379,206	11,215	342,308	258,882	11,700	71,726	25,683							
2016	404,972	12,719	369,897	275,776	14,951	79,170	22,356							
2016 / 01	32,829	335	29,799	21,355	643	7,801	2,695							
02	61,725	1,655	55,728	40,944	1,202	13,582	4,342							
03	96,638	2,542	88,165	66,559	2,217	19,389	5,931							
04	131,302	3,303	119,583	88,241	4,193	27,149	8,416							
05	164,323	3,895	150,151	110,315	6,784	33,052	10,277							
06	198,315	4,149	180,716	133,627	8,125	38,964	13,450							
07	233,202	5,189	213,226	157,489	9,139	46,598	14,787							
08	266,453	5,989	244,517	181,643	10,234	52,640	15,947							
09	298,476	6,575	274,316	203,977	11,625	58,714	17,585							
10	334,721	8,944	306,567	226,980	13,070	66,517	19,210							
11	368,305	10,573	336,984	250,394	13,953	72,637	20,748							
12	404,972	12,719	369,897	275,776	14,951	79,170	22,356							

Burimi: Ministria e Financave.

<sup>1</sup> Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave në datën 07.03.2017:

Raportime/ Programimi ekonomik-fiskal, Raporte dhe Statistika/ Raporte dhe statistika fiskale mujore;

Publikimi:

excel paraprake

Treguesit fiskalë sipas buxhetit të konsoliduar 2016 (progresiv për çdo muaj)

Treguesit fiskalë sipas buxhetit të konsoliduar (Vjetor) në miliard lek.

Janar - Dhjetor 2015, Të dhëna paraprake

Janar - Dhjetor 2016, Të dhëna paraprake.

Source: Ministry of Finance.

<sup>1</sup> Data as of Ministry of Finance web page publications on 07.03.2017:

Reports/ Fiscal and economic programming, reports and statistics/ Fiscal and statistical reports;

Publication:

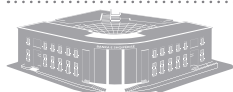
excel paraprake

\*Consolidated general budget 2016 (cumulative data)

\*Consolidated general budget (Annual)\* in billion lek.

January - December 2015, Preliminary data.

January - December 2016, 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

	Total i shpenzimeve/ Total expenditure (2+ 10+ 11)	Shpenzime korente/ 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 fondet speciale/ Social insurance outlays	Shpenzime për buxhetin vendor/ Local budget expenditure	Shpenzime korente 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
2014	438,849	341,012	71,373	40,075	33,124	1,599	136,336	32,985	25,520	60,749	37,088
2015	437,408	380,752	72,489	38,643	42,409	1,735	141,166	34,066	20,244	63,597	23,597
2016	431,209	368,711	67,540	36,259	44,343	1,725	152,590	43,558	22,696	56,999	5,499
2016/01	23,803	22,489	5,430	3,305	1,212	54	10,264	1,399	825	976	338
02	51,518	48,532	10,917	6,576	3,483	100	21,510	3,366	2,580	2,439	547
03	83,277	75,313	16,464	9,282	6,260	273	32,856	5,729	4,449	7,265	699
04	115,508	103,953	22,062	12,174	9,080	339	44,843	9,122	6,333	10,600	955
05	145,990	131,646	27,623	14,776	11,879	417	56,958	11,761	8,232	12,906	1,438
06	181,064	162,020	33,221	17,451	15,246	631	70,128	15,366	9,977	16,939	2,105
07	214,768	192,305	38,908	20,561	18,584	811	82,517	19,002	11,922	19,916	2,547
08	252,854	223,508	44,547	23,474	21,749	972	96,338	22,694	13,734	26,322	3,024
09	286,642	252,873	50,096	25,745	25,589	1,120	108,788	26,047	15,488	30,602	3,167
10	320,168	282,933	55,596	28,494	29,088	1,247	120,624	30,234	17,650	33,657	3,578
11	359,672	316,435	61,336	34,070	32,934	1,441	132,710	34,428	19,516	39,390	3,847
12	431,209	368,711	67,540	36,259	44,343	1,725	152,590	43,558	22,696	56,999	5,499

Burimi: Ministria e Financave.

1 Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave në datën 07.03.2017: Raportime/ Programimi ekonomik-fiskal, Raporte dhe statistika/ Raporte dhe statistika fiskale mujore;

Publikimi : excel paraprake

\*Treguesit fiskalë sipas buxhetit të konsoliduar 2016 (progresiv për çdo muaj)"

"Treguesit fiskalë sipas buxhetit të konsoliduar (vjetor) në miliard lek".

Shënime:

\* Në kolonën "Shpenzime të tjera" janë përfshirë zërat:

Fondi Rezervë, Kontigjenca/ Detyrimet e Prapambetura/ Transferata (të tjera/ të ndryshme)/

Fondi Shpërblimesh/Huadhenie Nelo .

Janar - Dhjetor 2015, Të dhëna paraprake

Janar - Dhjetor 2016, Të dhëna paraprake.

Source: Ministry of Finance.

1 Data as of Ministry of Finance web page publications on 07.03.2017: Reports/ Fiscal and economic programming, reports and statistics/ Fiscal and statistical reports;

Publication : excel paraprake

\*Consolidated general budget 2016 (cumulative data)"

"Consolidated general budget (Annual)" in billion lek.

Notes:

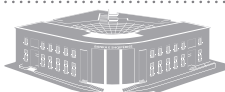
\*In the column "Other expenses" are included voices:

Reserve Fund, Contingency/ Areas/ Other/Different/Transfers/

Expropriation Fund/ Net Lending.

January - December 2015, Preliminary data.

January - December 2016, 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> 6-3 Progressive data, in millions ALL, end of period

	Deficit/ Deficit	Financimi i deficitit / Deficit financing (3+8)	Financimi i brend- shëm/ Domestic financing (4+5+6+7)	Të ardhura nga privatizimi/ Privat- ization receipts	Huamarije e brendshme/ Do- mestic borrowing	Pagësa e parapambluar e TVSh së rimbursueshme/ Payments of arrears on Vat Return	Të tjera / Other	Financim i huaj/ Foreign financing (9+10+11+12)	Hua datigjate (marrë)/ long term loan (drawings)	Ndëryshimi i gjendjes së arkës/ Change of statement accounts	Ripagësa/ Repayments	Mbështetje Buxhetare/Bud- getary support
	1	2	3	4	5	6	7	8	9	10	11	12
2014	-72,128	72,128	42,237	35	38,212	-	3,990	29,891	19,130	-1,854	-17,845	30,460
2015	-58,202	58,202	-6,403	877	-17,268	-	9,988	64,605	17,832	-2,992	-61,693	111,458
2016	-26,237	26,237	9,316	2,750	10,602	-	-4,036	16,921	18,629	-836	-21,998	21,126
2016 / 01	9,026	-9,026	-9,249	204,0	2,503	-	-11,956	223	4,210	-3,182	-805	-
02	10,207	-10,207	-19,685	207	3,818	-	-23,710	9,478	3,040	-2,020	-1,584	10,042
03	13,361	-13,361	-22,423	358	5,249	-	-28,030	9,062	3,879	-1,983	-2,876	10,042
04	15,794	-15,794	-20,448	364	9,435	-	-30,247	4,654	4,992	-1,860	-8,520	10,042
05	18,333	-18,333	-27,192	385	13,920	-	-41,497	8,859	5,903	-2,049	-10,021	15,026
06	17,251	-17,251	-27,011	2,609	14,017	-	-43,637	9,760	8,345	-2,496	-12,283	16,194
07	18,434	-18,434	-27,989	2,611	13,703	-	-44,303	9,555	9,387	-2,832	-13,194	16,194
08	13,599	-13,599	-29,686	2,612	12,456	-	-44,754	16,087	11,344	-2,352	-14,031	21,126
09	11,834	-11,834	-29,842	2,614	8,474	-	-40,930	18,008	12,512	-2,303	-15,142	22,941
10	14,553	-14,553	-29,032	2,629	5,424	-	-37,085	14,479	13,590	-1,960	-18,277	21,126
11	8,633	-8,633	-23,283	2,724	5,621	-	-31,628	14,650	14,890	-1,730	-19,636	21,126
12	-26,237	26,237	9,316	2,750	10,602	-	-4,036	16,921	18,629	-836	-21,998	21,126

Burimi: Ministria e Financave.

<sup>1</sup> Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave në datën 10.03.2017;

Raportime/ Programimi ekonomik-fiskal, Raporte dhe statistika/ Raporte dhe statistika fiskale mujore;

Publikimi :

excel paraprake

\*Treguesit fiskale sipas buxhetit të konsoliduar 2016 (progresiv për çdo muaj)

\*Treguesit fiskale sipas buxhetit të konsoliduar (Vjeor) në miliard Lek.

Janar - Dhjetor 2015, Të dhëna paraprake

Janar - Dhjetor 2016, Të dhëna paraprake.

Source: Ministry of Finance.

<sup>1</sup> Data as of Ministry of Finance web page publications on 10.03.2017;

Reports/ Fiscal and economic programming, reports and statistics/

Fiscal and statistical reports;

Publication :

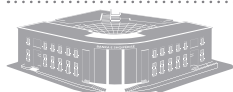
excel paraprake

\*Consolidated general budget 2016 (cumulative data)

\*Consolidated general budget (Annual) in billion lek.

January - December 2015, Preliminary data.

January - December 2016, Preliminary data.





#### 6-4 STOKU I BORXHIT TË BRENDSHËM SIPAS INSTRUMENTEVE <sup>1</sup>

Në milionë lekë, fund periudhe, të dhëna progresive

#### DOMESTIC DEBT STOCK BY INSTRUMENTS 6-4 <sup>1</sup>

In millions ALL, end of period, progressive data

	Skuq i borxhit të brend- shëm / Domestic debt stock (2+9)	Borxhi shtetëror / Public debt (3+ 4+ 5+ 6+ 7+ 8)	Bono Thesari / Treasury bills										Obligacione të re vjeçare / 3 years Note			Obligacione për vjeçare / 5 years Note		Obligacione shtetë vjeçare / 7 years Note		Obligacione dhejtë vjeçare / 10 years Note		Borxhi i garantuar / Publicly guaranteed debt	
			Bono Thesari / Treasury bills										Obligacione të re vjeçare / 3 years Note			Obligacione për vjeçare / 5 years Note		Obligacione shtetë vjeçare / 7 years Note		Obligacione dhejtë vjeçare / 10 years Note		Borxhi i garantuar / Publicly guaranteed debt	
			1	2	3	4	5	6	7	8	9												
2014	564,673	538,641	260,599	85,358	34,278	93,760	43,544	21,102												26,033			
2015	551,374	520,935	223,824	80,983	36,677	90,851	54,927	33,673												30,439			
2016	561,120	530,834	209,409	83,674	28,920	98,428	63,232	47,173												30,286			
2016/I	556,913	526,364	217,702	84,129	36,485	93,448	57,927	36,673												30,549			
2016/II	564,734	534,292	218,871	85,750	33,627	95,445	59,927	40,673												30,442			
2016/III	559,172	528,731	210,285	77,990	33,305	100,242	62,236	44,673												30,441			
2016/IV	561,120	530,834	209,409	83,674	28,920	98,428	63,232	47,173												30,286			

Burimi: Ministria e Financave.

Të dhënat janë sipas informacionit të publikuar në faqen e internetit të MF në 07.03.2017.

Raportime/ Borxhi/Treguesit e borxhit:

-Treguesit e borxhit 3/M të 2016

-Treguesit e borxhit 6/M të 2016

-Treguesit e borxhit 9/M të 2016

Shtime:

-Borat e thesarit janë raportuar me çmim blerje

1) Nuk përfshihen riveksirimi i valutës dhe garancitë e brendshme

Source: Ministry of Finance.

Data are as of MoF web page information on 07.03.2017.

Reports/ Debt/ Debt indicators:

-Debt indicators as of March 31, 2016

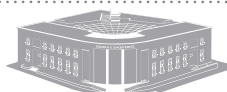
-Debt indicators as of June 30, 2016

-Debt indicators as of Sept. 30, 2016

-Debt indicators as of Dec 31, 2016

Notes:

1) Foreign Exchange Reserve Evaluation and domestic guarantees are not included



## 7 SEKTORI REAL

7-1 PRODHIMI I BRENDSHËM BRUTO SIPAS KLASIFIKIMIT TË AKTIVITETIT EKONOMIK,  
(METODA E PRODHIMIT NIVE REV 2)  
2012 - 2015, me çmime korrente, në milionë lekë

Kodi	NVE Rev.2	Aktiviteti ekonomik	Vitet/Years			Economic activities	
Code	Nace Rev.2		2012	2013	2014*	2015**	
A1	01-03	Bujqësia, pyjet dhe peshkimi	250,126	264,140	278,924	291,601	Agriculture, forestry and fishing
A2	05-09	Industria nxjerrëse	60,195	66,516	69,085	43,106	Mining and quarrying
A3	10-33	Industria përpunuese	61,502	68,310	73,603	77,396	Manufacturing
A4	35	Energjia elektrike, gaz, uullë dhe furnizimi me ajër të kondicionuar	22,298	27,795	25,850	36,853	Electricity, gas, steam and air conditioning supply
A5	36-39	Furnizimi me ujë, aktivitetet e trajtimit dhe menaxhimit të mbeturinave, mbetjeve	9,673	9,841	10,005	10,920	Water supply; sewerage, waste management and remediation activities
A6	41-43	Ndërtimi	151,793	138,878	121,402	138,658	Construction
A7	45-47	Tregtia me shumicë dhe me pakicë; riparimi i automjeteve dhe motorcikleve	143,570	147,932	154,294	151,276	Wholesale and retail trade; repair of motor vehicles and motorcycles
A8	49-53	Transporti dhe magazinimi	56,169	42,569	41,594	43,890	Transportation and storage
A9	55-56	Akomodimi dhe shërbimi ushqimor	24,533	23,214	24,342	25,168	Accommodation and food service activities
A10	58-63	Informacioni dhe komunikacioni	41,735	37,807	38,849	41,237	Information and communication
A11	64-66	Aktivitetet financiare dhe të sigurimit	32,133	30,359	35,160	38,975	Financial and insurance activities
A12	68	Aktivitetet të pasurive të paluajtshme	79,883	85,843	85,816	85,905	Real estate activities
A13	69-75	Aktivitetet profesionale, shkencore dhe teknike	28,268	29,453	35,098	41,206	Professional, scientific and technical activities
A14	77-82	Shërbime administrative dhe mbështetëse	23,578	29,000	35,292	40,024	Administrative and support service activities
A15	84	Administrim publik dhe mbrojtja: sigurimi social i detyrueshëm	53,716	54,086	57,149	59,266	Public administration and defence; compulsory social security
A16	85	Asimimi	57,694	60,873	59,797	61,179	Education
A17	86-88	Shëndetësia dhe aktivitetet të punës sociale	33,255	34,984	38,114	41,158	Human health and social work activities
A18	90-93	Artet, argëtimi dhe lojërat	11,809	11,331	17,121	16,761	Arts, entertainment and recreation
A19	94-98	Aktivitetet të tjera shërbimi;	12,818	14,767	15,439	18,165	Other service activities
		Vlera e Shuar Bruto me çmime bazë	1,154,747	1,177,698	1,216,933	1,262,744	GVA at basic prices
		Taksa nëlo mbi produktet	178,064	172,354	177,487	171,996	Net taxes on products
		PBB ME ÇMIMET E TREGUT	1,332,811	1,350,053	1,394,419	1,434,740	GDP at market prices

Burimi: INSTAT.

Të dhënat janë sipas tabelave në faqen e internetit të INSTAT në datën 07.03.2017.

Temat/ Llogaritë Kombëtare/ Shifrat/ Llogaritë Kombëtare Vjetore:

- Llogaritë Kombëtare Vjetore (Metoda e prodhimit) Rezultatet sipas klasifikimit NVE Rev.2, në nivel A 19 (INSTAT).

- Tabela 5: Prodhimi i brendshëm bruto sipas aktivitetit ekonomik (1996-2015 me çmime korrente).

Shënime:

- \*\*2014 Gjysëm-finale

- \*\*2015 Të dhëna paraprake

Source: INSTAT.

Data as of INSTAT web page tables on 07.03.2017.

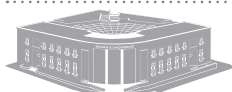
Themes/ National account/ Figures/Annual National Account:

- Table 5: Gross domestic product by economic activities (1996-2015 at current prices).

Notes:

- \*\*2014 Semi-final.

- \*\*2015 Preliminary data.



## 7-2 INDEKSI I ÇMIMEVE TË PRODHIMIT DHE INDEKSI I KUSHTIMIT NË NDËRTIM (PËR BANESA) PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX 7-2 (FOR DWELLINGS) Index

	Indeksi i Çmimeve të Prodhimit dhe Indeksit të Kështimit në Ndërtim (Për Banesa)		Indeksi i Kështimit në Ndërtim (Për Banesa)	
	ICP Index Total / PPI Total Index 2010=100	Indeksi i Kështimit në Ndërtim (Për Banesa)	Indeksi i Kështimit në Ndërtim (Për Banesa)	Indeksi i Kështimit në Ndërtim (Për Banesa)
2013	103.3	103.7	103.3	101.8
2014	102.9	101.6	103.8	102.0
2015				102.3
2016 / I	97.4	82.3	100.3	101.9
2016 / II	99.7	90.2	99.0	102.2
2016 / III	99.1	89.0	98.2	102.6
2016 / IV	100.5	92.8	98.9	102.7

## NDRYSHIMET NË % TË INDEKSIT TË ÇMIMEVE TË PRODHIMIT DHE TË INDEKSIT TË KUSHTIMIT NË NDËRTIM (PËR BANESA) 3)

Në përqindje

	Indeksi i Kështimit në Ndërtim (Për Banesa)		Indeksi i Kështimit në Ndërtim (Për Banesa)	
	ICP Index Total / PPI Total Index	Indeksi i Kështimit në Ndërtim (Për Banesa)	Indeksi i Kështimit në Ndërtim (Për Banesa)	Indeksi i Kështimit në Ndërtim (Për Banesa)
2013	-0.4	-0.9	-0.3	0.98
2014	-0.5	-2.1	-0.5	0.23
2015 4		-9.8	-0.3	0.31
2016 / I	-4.1	-12.6	-2.1	-0.18
2016 / II	-2.0	-5.7	-5.4	-0.20
2016 / III	-0.8	0.4	-6.3	0.10
2016 / IV	0.9	5.5	-2.4	0.40

Burimi: INSTAT.

\* Indeksi i Çmimeve të Prodhimit, llogaritur nga INSTAT, është mbështetur në Nomenklaturën e Aktiviteteve Ekonomike, NVE Rev. 2, me periudhë referuese 2010=100.

-Të dhënat tremujore të ICP sipas publikimit "Indeksi i Çmimeve të Prodhimit", INSTAT.

-INSTAT publikon indeksin e çmimeve të prodhimit (ICP) mbështetur në NVE Rev. 2. ICP është indeks me periudhë bazë vitin 2010 (2010=100). Metoda e llogaritjes së Indeksit është metoda zinxhir (INSTAT).

1) Të dhënat vjetore të ICP përfaqësojnë indekse mesatare vjetore.

2) Duke filluar nga T1 2011, INSTAT llogarit IKN (për banesa) me shpërndarje të re të materialeve dhe shpenzimeve dhe me periudhë bazë T1 2011=100.

3) Ndryshimi për të dhënat vjetore përfaqëson ndryshimin e çmimit të indekseve mesatare vjetore 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) INSTAT - Vjetari statistikor 2011-2015

\* Production Price Index by INSTAT, is based on the Nomenclature of Economic Activities, NACE Rev. 2, with the reference period 2010=100.

- Quarterly data of PPI according to "Producer Price Index", publication, INSTAT.

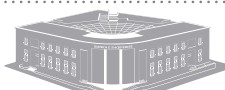
-INSTAT, publish the Producer Price Index (PPI), based on the NACE Rev. 2. PPI base year index is the year 2010 (2010=100). Calculation's method used in compiling of this index is chain - index (INSTAT).

1) PPI annual data represent yearly average indexes.

2) Starting from Q1 2011, INSTAT calculates CCI (for dwellings) referring to the new basket of materials and expenditures, with base period Q1 2011=100.

3) Annual data change represents price changes of annual average indexes 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) INSTAT - Statistical Yearbook 2011-2015



## CONSUMER PRICE INDEX 7-3

## 7-3 INDEKSI I ÇMIMEVE TË KONSUMIT

	IKK 1												
	Totali dhjetor 2015=100	Ushqime dhe pije joalkoolike / Food and nonalcoholic beverages	Pije alkoolike dhe duhan / Alcoholic beverages and tobacco	Veshje dhe këpucë / Clothing and footwear	Qira, ujë lëndë dhe energji / Rent, water, fuel and power	Mobilim, pajisje shtëpie dhe mirëmbajtje e shtëpisë / Furniture house- hold and maintenance	Shëndeti / Medical care	Transporti / Transport	Komunikimi / Communication	Argëtim dhe kulturë / Recreation and culture	Shërbimi arsimor / Education service	Hotele, kafene dhe restorante / Hotels, coffee-house and restaurants	Mallra dhe shërbime të ndryshme / Goods and various services
2014	98.18	95.91	93.64	101.89	101.11	99.63	103.00	103.11	99.11	98.61	88.84	98.60	100.61
2015	100.04	100.02	99.12	100.15	100.57	99.49	101.05	101.06	100.61	99.52	96.67	99.34	100.15
2016	101.32	103.27	100.94	99.07	100.62	100.23	100.10	98.14	100.18	100.91	100.16	100.04	101.18
2016/01	100.88	102.52	100.47	99.35	100.73	100.35	100.00	96.69	100.00	100.19	100.01	100.00	100.03
02	102.01	105.91	100.81	98.05	100.72	100.31	100.09	95.79	100.02	100.12	100.03	99.99	100.13
03	102.47	107.05	101.22	98.41	100.69	100.02	100.15	96.26	100.29	100.15	100.03	99.96	100.07
04	102.03	105.92	100.82	98.33	100.58	100.26	100.21	96.28	99.91	100.19	100.03	100.06	100.18
05	100.80	102.36	100.90	98.43	100.51	100.28	99.97	97.17	99.87	100.20	100.03	100.06	100.29
06	100.19	100.39	100.96	98.33	100.43	100.28	100.16	98.61	100.03	100.85	100.03	100.06	100.24
07	100.24	100.45	100.95	98.07	100.29	100.50	100.14	99.36	99.90	101.68	100.03	100.06	100.04
08	101.10	102.79	100.89	98.11	100.25	100.46	99.99	99.77	99.88	101.42	100.03	100.06	100.39
09	101.45	103.08	100.92	99.90	100.44	100.24	100.13	99.47	100.51	101.72	99.88	100.06	100.27
10	101.20	102.40	101.12	100.32	100.50	99.64	99.96	99.60	100.48	101.20	100.38	100.10	103.15
11	101.25	101.87	100.86	100.62	101.46	100.21	100.24	99.46	100.67	100.93	100.71	100.01	103.07
12	102.18	104.57	101.31	100.91	100.89	100.19	100.18	99.19	100.62	102.33	100.70	100.05	103.28
Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore 2/ (në % / Year on year consumer price index, main groups (in %)													
IKK Totali / CPI total	Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore 2/ (në % / Year on year consumer price index, main groups (in %)												
	1	2	3	4	5	6	7	8	9	Argëtim dhe kulturë / Recreation and culture	Shërbimi arsimor / Education service	Hotele, kafene dhe restorante / Hotels, coffee-house and restaurants	Mallra dhe shërbime të ndryshme / Goods and various services
2014	0.66	0.37	7.06	0.06	0.46	-0.32	-5.59	-1.07	3.85	0.12	11.18	1.49	3.15
2015	1.96	5.09	3.28	-3.23	-1.96	0.58	-0.93	-0.64	-1.05	1.13	4.79	1.06	-0.24
2016	2.18	4.57	1.31	0.91	0.89	0.19	0.18	-0.81	0.62	2.33	0.70	0.05	3.28
2016/01	1.47	4.28	3.26	-3.73	-1.34	0.94	-1.60	-2.49	-1.11	1.15	4.80	1.03	-0.12
02	0.22	2.16	2.59	-3.38	-1.33	1.07	-2.24	-4.07	-0.97	0.67	4.82	1.02	0.18
03	0.26	2.24	2.65	-2.32	-0.89	0.72	-2.19	-4.51	-0.70	0.76	4.82	1.00	0.22
04	0.32	2.01	1.72	-2.29	0.48	0.83	-2.53	-5.25	-1.12	0.85	4.82	1.09	0.13
05	0.71	2.30	1.58	-1.94	0.49	0.71	-2.78	-4.66	-1.18	0.81	4.82	1.09	0.12
06	1.18	2.69	1.37	-1.51	0.22	0.86	0.53	-3.62	-1.03	1.57	4.82	1.01	-0.09
07	1.92	4.34	1.67	-1.26	0.04	1.00	0.08	-3.27	-1.15	2.84	4.82	1.01	0.12
08	2.01	4.71	1.43	-0.36	-0.01	0.82	-0.08	-2.16	-0.10	2.36	4.45	0.84	0.69
09	1.76	3.73	1.44	1.39	0.15	0.78	-0.18	-1.67	0.52	1.72	3.81	0.06	2.63
10	1.50	3.10	1.55	1.02	0.49	0.26	-0.51	-1.54	0.49	0.98	0.38	0.10	2.96
11	1.88	3.16	1.51	0.77	1.49	0.75	0.24	-0.54	0.67	0.81	0.71	0.09	2.68
12	2.18	4.57	1.31	0.91	0.89	0.19	0.18	-0.81	0.62	2.33	0.70	0.05	3.28
Burimi: 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.													
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.													
3) Eshë mesatarja aritmetike e thjeshtë e inflacioneve vjetore të dymbëdhjetë muajve të fundit (logaritme e B.5h).													
Source: INSTAT.													
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) 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) Simple arithmetic average of annual inflation of latest twelve months (calculation of B.5h).													



## 7.4 PUNËSIMI, PAPUNËSIA DHE PAGAT<sup>1</sup>

### Në mijë, ose në rast të kundërt, sikurse përcaktohet

## EMPLOYMENT, UNEMPLOYMENT AND WAGES<sup>1</sup> 7.4

### In thousands, unless otherwise indicated

	Të punësuar sipas sektorëve <sup>2,3</sup> / Employed by sectors <sup>2,3</sup>		Punëkërkuar të papunë të regjistruar <sup>4</sup> / Registered jobseekers <sup>4</sup>	Paga <sup>3</sup> (në Lekë) / Wages <sup>3</sup> (in ALL)	
	Në sektorin shtetëror / In public sector	Në sektorin privat (bujqësor / In non agricultural private sector		Paga mesatare mujore në sektorin shtetëror / Average monthly wage in public sector	Paga minimale e miratuar / Approved minimum monthly wage
2014	164	291	462	52,150	22,000
2015	164	319	443	53,025	22,000
2016	164	360	448	54,000	22,000
2016/I	164	400	460	54,300	22,000
2016/II	164	410	464	54,500	22,000
2016/III	165	417	475	54,550	22,000
2016/IV	165	423	464	54,600	22,000

Burimi: INSTAT.

<sup>1</sup> Të dhënat janë sipas informacionit të publikuar në faqen e internetit të INSTAT në datën 10.03.2017.

-Tema/ Tema/ Tëgu i Punës/ Shifra/ Të dhëna administrative të regut të punës/ Vjetore.

-Tema/ Tema/ Tëgu i Punës/ Shifra/ Të dhëna administrative të regut të punës/ Tëmujoje.

-Tema/ Tema/ Tëgu i Punës/ Shifra/ Të dhëna administrative të regut të punës/ Tëmujoje.

<sup>2</sup> Mesatare vjetore (të dhënat vjetore)

<sup>3</sup> Të dhëna administrative (të dhënat vjetore)

<sup>4</sup> Punësimi në sektorin privat bujqësor është vlerësuar i marrë nga Anketat e Forcave të Punës (INSTAT)

Source: INSTAT

<sup>1</sup> The data are after the informations published in INSTAT web page on 10.03.2017.

-Themes/ Labour Market/ Figures/ Administrative data for Labour Market/ Yearly.

-Themes/ Labour Market/ Figures/ Administrative data for Labour Market/ Quarterly.

-Themes/ Labour Market/ Figures/ Administrative data for Labour Market/ Quarterly.

<sup>2</sup> Annual average (annual data)

<sup>3</sup> Administrative data (annual data)

<sup>4</sup> The employment in agricultural private sector was estimated from revised labour force survey

