

ANNUAL REPORT 2018

The Annual Report was approved by Bank of Albania's Supervisory Council Decision No 18, dated 13.03.2019; the Financial Statements of the Bank of Albania were approved by the Supervisory Council Decision No 25, dated 28.03.2019.

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

Published by:

Bank of Albania, Sheshi "Skënderbej", Nr.1, Tirana, Albania

Tel.: + 355 4 2419301/2/3; + 355 4 2419401/2/3

Fax: + 355 4 2419408

E-mail: public@bankofalbania.org

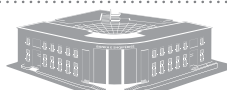
www.bankofalbania.org

Printed in: 240 copies



C O N T E N T S

FOREWORD BY THE GOVERNOR	9
2018 YEAR IN BRIEF	11
1. ACTIVITY OF THE SUPERVISORY COUNCIL OF THE BANK OF ALBANIA	17
1.1. The Supervisory Council - the highest decision-making body of the Bank of Albania	17
1.2. The Supervisory Council - the highest supervisory body of the Bank of Albania	19
1.3. Accountability and transparency	21
2. THE ACTIVITY OF THE BANK OF ALBANIA	23
2.1. Monetary Policy	23
2.2. Monetary Operations	53
2.3. Financial stability and macro-prudential policies	56
2.4. Supervision	63
2.5. Resolution	73
2.6. Currency issue	78
2.7. Payment systems	80
2.8. International Reserve Management	90
2.9. Statistics	95
2.10. Research	98
2.11. European integration	101
2.12. International cooperation	103
2.13. Transparency and Public communication	106
2.14. Public education and the museum of the Bank of Albania	110
3. INTERNAL AUDIT AND INSPECTOR GENERAL'S OPINION	113
3.1. Highlights in internal audit over 2018	113
3.2. Operational Risk management	116
4. HUMAN RESOURCES	120
5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2019-2021	123
FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018 (WITH INDEPENDENT AUDITORS' REPORT THEREON) STATEMENT OF FINANCIAL POSITION	127
STATISTICAL APPENDIX	197



BOXES

Box 1	<i>Lek appreciation in 2018: factors, implications and Bank of Albania's reaction</i>	26
Box 2	<i>Monetary policy decision-making process</i>	31
Box 3	<i>Determinants of public debt dynamics in Albania</i>	40
Box 4	<i>Innovations in the financial market during 2018</i>	47
Box 5	<i>Performance of supply and demand factors for loans</i>	50
Box 6	<i>Measures of the Bank of Albania to strengthen the use of domestic currency in banking activity</i>	62
Box 7	<i>Critical Functions</i>	76
Box 8	<i>The National Retail Payments Strategy in Albania (2018-2023)</i>	83
Box 9	<i>Impact of external environment in the investment of international reserve</i>	92
Box 10	<i>Flows affecting international reserve in 2018</i>	94
Box 11	<i>Main topics of research during 2018</i>	100
Box 12	<i>Activities of Bank of Albania's Administrators</i>	108
Box 13	<i>Social policies and social responsibility</i>	120

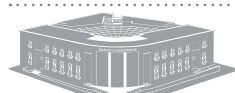
TABLES

2. The activity of the Bank of Albania

Table 1	<i>Contribution of key items to annual inflation</i>	33
Table 2	<i>Quantitative labour market figures</i>	45
Table 3	<i>Main macroeconomic and financial indicators</i>	53
Table 4	<i>Structure of liquidity injection operations by the Bank of Albania</i>	54
Table 5	<i>Intermediate objectives and the expected effects from the implementation of macro-prudential capital buffers</i>	58
Table 6	<i>Number of inspections by entities and subject</i>	68
Table 7	<i>Banks' ownership structure</i>	72
Table 8	<i>Number of banks, NBFIs, SLAs and foreign exchange bureaus licensed by the Bank of Albania</i>	73

3. Internal audit and Inspector General's opinion

Table 9	<i>The qualification status of Internal Audit staff</i>	113
---------	---	-----



CHARTS

2. The activity of the Bank of Albania

Chart 1	Key interest rates in lek and Liquidity injections	26
Chart 2	Impact of real exchange rate appreciation on economic growth and on inflation	28
Chart 3	Interest rates in lek and exchange rate	29
Chart 4	Loan performance over the years and by customers	30
Chart 5	Annual inflation and target. Inflation in regional and EU countries	32
Chart 6	Indicators of the cyclical situation of the economy	34
Chart 7	IIPI and its components' contributions. Contribution of imported and domestic inflation	34
Chart 8	Annual growth of the real GDP and contribution of production-side components. Trend of real GVA in the economy and sectors	35
Chart 9	Domestic demand, contribution by components and ESI	36
Chart 10	Private consumption and consumer confidence and employment rate	37
Chart 11	Investments and capacity utilisation rate	37
Chart 12	Nature of fiscal policy	38
Chart 13	Budget deficit and financing and public debt to GDP	38
Chart 14	Revenues and expenditures	39
Chart 15	Change in public debt, broken down by determining factors, 2007 - 2018	40
Chart 16	Contribution of real economic growth to public debt dynamics, as well as the output gap in the economy	41
Chart 17	Public Debt Profile, 2010 - 2018	41
Chart 18	Domestic debt holders	42
Chart 19	Structure of exports and imports for 2018, goods	43
Chart 20	Structure of exporting destinations and origins of imported goods in 2018	43
Chart 21	Sector structure and import origin for FDI in 2018	44
Chart 22	Interbank market and primary market	46
Chart 23	Interest rates in lek	46
Chart 24	Developments in the secondary market of securities and non-bank institutions	48
Chart 25	Developments in the exchange rate	49
Chart 26	Credit to the private sector	49
Chart 27	Contribution of supply-demand factors on credit growth	50
Chart 28	Monetary supply components and deposits in the banking system	52
Chart 29	Structure of banknotes in circulation	78
Chart 30	Structure of coins in circulation	79
Chart 31	Trend of counterfeit banknotes, over the years	80
Chart 32	AIPS performance by number and value of transactions processed in AIPS	84
Chart 33	Intraday Loan Facility (ILF) ratio to total AIPS	85
Chart 34	Number of AECH transactions in years; the ratio of transactions processed in AECH to population over 15 years old	86
Chart 35	Volume of payment instruments in years and use volume of payment instruments by households and enterprises during 2018	87
Chart 36	Trend of online accessible accounts against total accounts and trend of online accessible accounts utilisation ratio	88
Chart 37	Developments in ATM and POS terminals; developments in debit and credit cards	88
Chart 38	Number and value of cash transactions at banks' cash desks	89
Chart 39	FX reserve performance at the Bank of Albania	90
Chart 40	Reserve allocation by investment maturity	91
Chart 41	Share of composing currencies of the international reserve	91
Chart 42	Shares by type of issuer/counterparty and rating classes at end-year	91
Chart 43	Interest rate performance and return from interest rates in US and euro area markets	93

3. Internal audit and Inspector General's opinion

Chart 44	Internal audit assessment (EQA, 2015) and self-assessment of quality (2017) and that of actual assessment	112
Chart 45	Measure of Maturity Velocity Level of Operational Risk Management	116

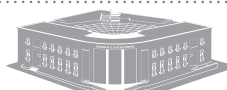


Chart 46 *Female/male ratio in management* 118

4. *Human resources*

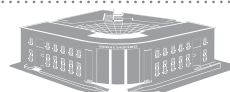
Chart 47 *Combination of experienced staff with new staff* 119



LEGAL FRAMEWORK

THE BANK OF ALBANIA OPERATES IN ACCORDANCE WITH THE FOLLOWING LEGISLATION:

- Law No 8269, dated 23.12.1997, "On the Bank of Albania", amended;
- Law No 9662, dated 18.12.2006, "On banks in the Republic of Albania", amended;
- Law No 133, dated 29.04.2013, "On payment systems";
- Law No 52, dated 19.05.2016, "On savings and loan associations and their unions";
- Law No 133, dated 22.12.2016, "On bank recovery and resolution in the Republic of Albania".





GENT SEJKO, GOVERNOR OF THE BANK OF ALBANIA



Bank of Albania

FOREWORD BY THE GOVERNOR

Dear reader,

The Annual Report of the Bank of Albania is a comprehensive communication platform, aiming at presenting, integrally and transparently, the work and achievements of the Bank of Albania over one calendar year. As such, the Annual Report and the accompanying financial statements are an important instrument of accountability and transparency. They complement our institutional independence and serve to maintain and boost public confidence in our institution.

Prefacing this Report, as always, is a special obligation and privilege for me.

Allow me to emphasise, at the start of this communication, that the Bank of Albania has worked with devotion and professionalism to fulfil its mission and legal obligations throughout 2018. Albeit we faced challenges, I have the pleasure to say that the positive trend of the economic and monetary developments in Albania reflects also the results of our work.

Our accommodative monetary policy stance has provided for a liquid financial environment, with low interest rates and low fluctuations in the financial markets. Our monetary stimulus, through the reduction of financing costs, has helped in balance sheet improvement across all sectors of the economy, has encouraged lending in the domestic currency, and has contributed to strengthening financial stability, by establishing the necessary premises to boost aggregate demand and economic growth.

The Albanian economy, in response, accelerated the growth pace over 2018, employment expanded, and unemployment rate trended down, while wages started an upward cycle. In parallel, in 2018, current account deficit narrowed, stability of the external position of Albania improved, and public debt fell further.

The improvement of the economic activity drove to the build-up of domestic inflationary pressures. Nevertheless, in 2018 inflation averaged 2%, largely unchanged from the previous year, due to the curbing effect from the exchange rate rapid appreciation. Our analyses and forecasts suggest that both stabilisation of the exchange rate and further increase of employment, wages and production costs will provide the ground for the convergence of inflation toward the target within 2020.

The continuous investment in improving the professional capacities; the development of contemporary platforms, and analysis as well as forecasts have enabled us to implement an increasing active role of the monetary policy. The successful absorption of shocks to both the foreign exchange market and the exchange rate clearly affirmed the strengthening of the stabilising role of the monetary policy.

In full coherence with the monetary stimulus, the supervision and prudential regulation of the banking sector and the segments related to it, and the on-going investment in establishing and developing the payment systems, created the premises for strengthening financial stability. Our main instruments in this regard, macro and micro prudential policies, safety nets and financial infrastructure of Albania marked a qualitative leap over 2018.



The main indicators of the banking sector soundness: liquidity, capitalisation and profitability remain at adequate levels. I would like to emphasise that the non-performing loans ratio reduced further, while banking sector appears resilient to potential shocks.

In particular, I would like to highlight the important step towards consolidation in the banking sector over 2018. This consolidation, still under way, is a premise for a more sound and effective banking sector in fulfilling the financial intermediation role.

A thorough listing of our work over 2018 would require much time and space. I would like to assure you that the next sections of this Report provide comprehensive information on the financial market developments and functioning, the foreign reserve management, the support to the European integration processes, advancements in the field of statistics, payment systems, scientific research, financial education and public education, etc.

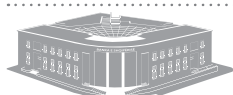
Dear reader,

I hope this Report fulfils its mission to inform the public and helps to boost public confidence in the Bank of Albania.

Let me assure you that the Bank of Albania has been and will continue to be committed to thoroughly improve its performance and adopt the best central banking standards. Investment and devotion in this regard are a guarantee toward fulfilling our mission and obligations.

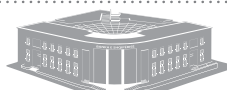
Gent SEJKO

Governor



2018 YEAR IN BRIEF

- The economic activity in Albania continued to improve. The Albanian economy grew by 4.3% during the first nine months of 2018, improving from the previous year. Economic growth reflected the expansion in consumption, investments and exports. Growth in electricity production also bolstered economic growth. Fiscal policy continued to be consolidated, supporting the reduction of both fiscal vulnerabilities and risk premia.
- Annual inflation averaged 2.0%, unchanged from 2017. Domestic factors, such as the expansion of aggregate demand, decrease of unemployment and increased production capacities contributed to the rise of inflation. On the other hand, the exchange rate appreciation and fluctuations in international prices contributed to the decrease of imported inflation.
- The rapid appreciation of the exchange rate, beyond the pace suggested by macroeconomic factors, characterised the first half of 2018. The continuation of this appreciation jeopardised the achievement of the medium-term objective. The exchange rate stabilised after interventions by the Bank of Albania. These interventions were considered extraordinary, and the exchange rate regime remains a free-floating one.
- The monetary policy enhanced the accommodative stance over 2018. The Bank of Albania reduced the policy rate by 0.25 percentage point to 1.00%, in June 2018. At the same time, for the purpose of achieving the price stability objective, the Bank of Albania decided to intervene in the domestic foreign exchange market to decelerate the rapid appreciation of the exchange rate.
- The monetary policy pass-through to the financial markets has been complete and the interest rates stand at low levels. Factorising the continuous positive contribution of the monetary policy to economic growth, the Bank of Albania expects a sustainable economic growth and the return of inflation to target within the medium-term horizon.
- The activity of both the banking sector and the financial system was stable. The ability of the financial system to withstand its activity risks remains good. Credit risk represents the main risk, but it has been downward. At end-2018, the non-performing loans ratio was down, at 11.1%, from 13.2% in the previous year.
- In February 2018, regulatory amendments were approved as measures to further strengthen the use of the national currency in both the financial system and the Albanian economy. A wider use of the national currency prioritises the effectiveness of the economic policies and reduces the financial risks.
- In September 2018, approval for the merger by absorption between Intesa Sanpaolo Albania and Veneto Banka, and between American Bank of Investments and NBG Albania was granted. The structural changes in the ownership in the banking system lowered the number of banks in the system to 14 (from 16 banks).
- The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) concluded the Fifth Round of AML/CFT Mutual Evaluation for measures in place in Albania, where the Bank of Albania participated actively. The effectiveness of financial institutions was rated as "substantial/considerable". In particular, banks have a good knowledge on money laundering and financing of terrorism risk, as well as on the relevant legal obligations.
- The regulatory framework on supervision has been amended for alignment with the Basel Committee principles and EU directives. In the framework of the national plan for reducing the non-performing loans, the Regulation "On addressing out-of-court settlement for non-performing borrowers that are exposed to more than one bank", has been drafted. In addition, improvements



to the Credit Registry are also under way.

- The resolution fund was established in January, in compliance with the legal requirement. The Resolution Fund is administrated by the Deposit Insurance Agency and is monitored by the Bank of Albania.
- In the framework of oversight and reformation of payment system, the regulatory framework on of electronic payment instruments was revised. The European Union Directive 2015/2366 (PSD2) was transposed into the draft-law "On payment services", which will be subject to formal adoption.
- In June, the National Payment System Committee (NPSC) approved the Albanian National Retail Payments Strategy (2018-2023).
- In the field of statistics, the Bank of Albania intensified its work for aligning the methodology of statistics with the international standards and their harmonization with the *acquis communautaire*. The financial accounts statistics of all institutional sectors were published for the first time in December, in compliance with the European System of National and Regional Accounts (ESA 2010). In November, the Bank of Albania was accepted as full institutional member of the Irving Fisher Committee on Central Bank Statistics.
- Over 2018, important Memorandums of Cooperation were signed: among others, with the ECB on banking supervision; with the Single Resolution Board (SRB) on the exchange of information and cooperation in relation with the Resolution planning; and with the EBRD on boosting lending in lek and the development of the capital market.

Two agreements: "On the establishment of a credit line in foreign currency with the Bank for International Settlements (BIS)"; and "On conducting SWAP transactions with the People's Bank of China", were signed.

- With the purpose to foster collaboration and discussion of central banking issues at regional level, a number of activities and events took place over 2018:
 - Launching of Project Greenback 2.0. One of the main components of the SECO-funded Remittances and Payments Program (RPP) in Albania, this project is a World Bank initiative for promoting accessible channels and cost-effective payment instruments for sending and receiving remittances.
 - Regional statistical seminar co-organized by the Bank of Albania and the European Central Bank (ECB). It provided an important forum for exchanging views on statistical requirements, formulating policies and discussing most recent developments on central bank statistics-related issues.
 - Conference on "Modernisation of retail payment systems in Albania". This conference was attended by representatives of international and national financial institutions as well as representatives from the business community. Its purpose was to introduce the market stakeholders with the objectives for reforming the market of retail payment systems.
 - Workshop on "Finances for Economic Growth". The experts of the World Bank have compiled a detailed diagnosis and a report with recommendations on the economic environment in which micro, small and medium-sized enterprises operate in Albania
 - Annual Conference: "Monetary Policy, Economic Integration and the "New Normal" of the Bank of Albania co-organised with the London School of Economics and Political Science (LSE). This Conference addressed experiences of emerging economies, which are part of the European Union, and those aspiring to become part of this Union in the light of the new economic and financial context.
 - Regional Conference on "Recovery and Resolution planning", co-organised with the Financial Sector Advisory Centre (FinSAC) of the

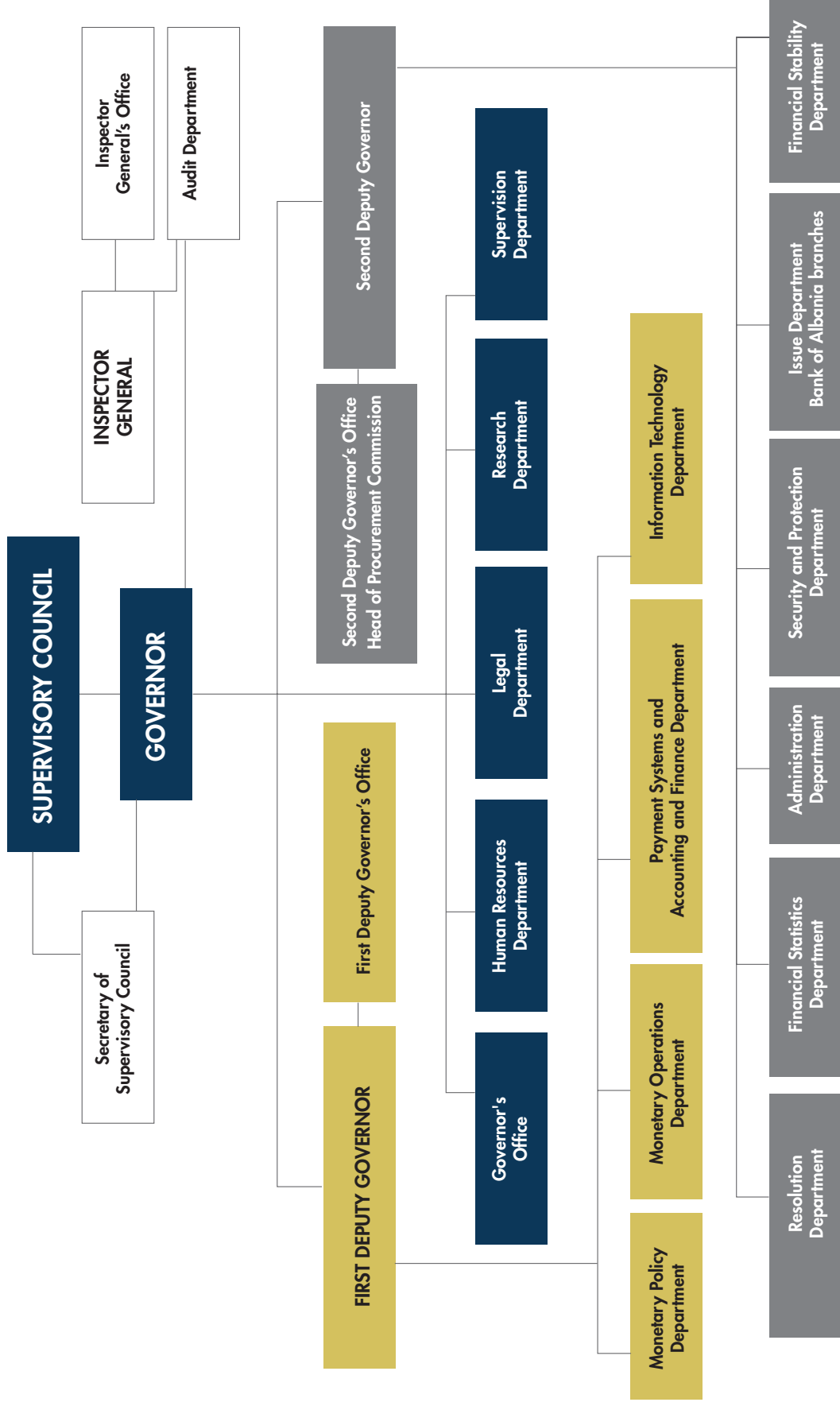


World Bank. This Conference pointed out the work of the Bank of Albania for developing a complete framework for bank recovery and resolution.

- *Second high-level meeting of the Bank of Albania with the Minister of State for the Diaspora, commercial banks, and non-bank financial institutions engaged in the field of money transfers. This meeting was held in the framework of the Memorandum of Understanding "On Remittances" signed last year by the Bank of Albania, the Minister of State for the Diaspora and the Ministry of Finance and Economy.*
- *12th SEE Economic Research Workshop. This workshop aims to provide a discussion forum on innovative research for issues related to central banking.*
- *On 3 November, six members of the Supervisory Council completed their term. The Assembly of the Republic of Albania voted and appointed the new Supervisory Council members in December.*
- *In December, the Supervisory Council approved the Medium-term Development Strategy of the Bank of Albania for 2019-2021. In accordance with the objectives of this strategy, the Supervisory Council approved the planned medium-term budget.*



ORGANIZATIONAL STRUCTURE OF THE BANK OF ALBANIA





SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

(left to right)

Mr. Tonin Kola, Member
Ms. Suela Popa, Member
Mr. Arben Malaj, Member
Ms. Luljeta Minxhozi, Deputy Chair
Mr. Gent Sejko, Chair
Ms. Natasha Ahmetaj, Member
Mr. Ridvan Bode, Member
Ms. Edlira Luçi, Member
Mr. Artan Hoxha, Member





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

The Supervisory Council is the highest decision-making and supervisory body of the Bank of Albania. It is composed of nine members voted and appointed by the Assembly of the Republic of Albania.

The Supervisory Council has the ultimate responsibility to decide on the strategy of the Bank of Albania, the appointment of heads of departments, the approval of the organisational structure, as well as the fulfilment of obligations related with risk management and compliance.

In order to increase efficiency, the internal audit functions are delegated to the Audit Committee, which is responsible for the financial reporting process and the internal audit system.

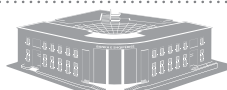
The Supervisory Council has performed its activity in line with the provisions of the organic law and the procedures established in the regulation on the organisation and functioning of this body.

Highlights in the activity of the Council for 2018, include: (i) approval of the Policy "On increasing the use of the national currency (ALL) in the activity of banks and non-bank financial institutions" (De-euroization package); (ii) approval of the policy for the oversight of payment and settlement systems; (iii) approval of the accounting policy in accordance with the International Financial Reporting Standards (IFRS); and approval of the Medium-term Development Strategy of the Bank of Albania for 2019-2021.

On 3 November 2019, six members of the Supervisory Council completed their term. In December, the Assembly of the Republic of Albania voted and appointed the new Supervisory Council's members: Ms Luljeta Minxhozi, Ms Edlira Luçi, Ms Suela Popa, Mr Artan Hoxha, Mr Ridvan Bode and Mr Arben Malaj.

1.1. THE SUPERVISORY COUNCIL - THE HIGHEST DECISION-MAKING BODY OF THE BANK OF ALBANIA

The Council held 15 meetings in 2018. Eight of these meetings focused on the review and approval of the monetary policy, divided in 4 quarterly and 4 intermediate ones. In these meetings the Council took decisions on the key interest rates and used the forward guidance tool to inform the markets about the likely path of the monetary policy in the future.



For three consecutive meetings, the key interest rates were kept unchanged. In June, the Council decided to lower the key interest rates, namely: (i) the policy rate to 1.00%; (ii) the overnight deposit facility rate to 0.1%; and (iii) the overnight lending facility rate to 1.9%. The rates were kept unchanged till the end of 2018.

Four meetings were dedicated to the analysis of the developments in the banking sector and in non-bank financial institutions. The other meetings addressed: (i) the annual programme of the Supervisory Council; (ii) the Annual Report of the Bank of Albania; and, (iii) the medium-term strategy, and the annual and medium-term budget.

a) Decision-making

The Supervisory Council has the power to approve all the decisions, regulations and guidelines of general application, issued by the Bank of Albania. During 2018, the Council approved 76 decisions, of which 55 were acts approved for the first time, and 21 were amendments to existing acts. These acts were issued in accordance with the duties of the Supervisory Council, as set out in the organic law.

b) Management and internal organisation

In December, the Supervisory Council approved the Medium-term Development Strategy of the Bank of Albania for 2019-2021. The mission, vision and values of the Bank of Albania, were kept unchanged, as set out in 2015.

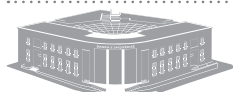
The strategic objectives set out the general directions and priorities in the activity of the Bank of Albania to achieve its mission and vision. In October, a set of changes in the structure of some organisational units took place: Resolution Department, Supervision Department, Governor's Office and Administration Department. The changes aim to promote the work improvement in these units.

c) Budget

The Supervisory Council decides on the budget of the Bank of Albania, the management policies and the procedures on using financial assets to carry out the operational activity of the institution.

In December, the Supervisory Council approved the budget of the Bank of Albania for 2019 and the planned medium-term budget for 2020-2021. The budget was drafted in accordance with the Medium-term Development Strategy of the Bank of Albania and departmental projections on medium-term incomes and expenditures

The main objectives of the Budget are: (i) the normal conduct of the activity of the Bank of Albania to fulfil its legal duties; (ii) retention of human resources capacities and rationalising the organisational structures; (iii) improvement of security and quality of the currency in circulation; (iv) reconstruction of the



building No 2 of the Bank of Albania; and (v) improvement of work conditions, security and information technology infrastructure.

The capital expenditures and the projections included in the budget were preliminarily approved by the Capital Expenditures Committee.

1.2. THE SUPERVISORY COUNCIL - THE HIGHEST SUPERVISORY BODY OF THE BANK OF ALBANIA

To ensure compliance with the law and other acts regulating the daily activity of the Bank of Albania, the Supervisory Council has been regularly informed by the internal and external auditors.

a) Internal audit

The internal audit is an activity independent of the management, which provides evaluation, reporting and objective certainty, as well as includes the compliance, internal auditing and risk management functions.

Control over management

According to the organic law, the Governor is accountable to the Supervisory Council for the implementation of the approved decisions, as well as for the guidance, control and oversight on the management and operations of the Bank of Albania.

The administrators (the Governor and the two Deputy Governors) inform the Supervisory Council on monthly basis about the economic, financial and monetary developments, in accordance with the legal obligations.

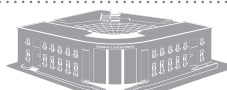
The Supervisory Council has been also informed about the institution's management policies and the use of financial assets for the realisation of the operational activity of the Bank of Albania. Information was also presented regularly on the financial position and financial result of the Bank of Albania and the international reserve management.

Activity of the Audit Committee

In order to improve the decision-making of the Council and the management of the institution, the Audit Committee exercises its duties to support the strengthening of internal and external control lines.

This Committee is responsible for: (i) the financial reporting process; (ii) the internal control system; (iii) the internal and external audit; and, (iv) compliance with the legal and sub-legal acts in force.

The Committee is composed of three members of the Council, appointed by the Council, for a three year term. The members of the Committee were: Mr Petraq



Milo (Chair), Ms Ela Golemi and Ms Denada Prifti, till the completion of their term as members of the Supervisory Council.

In 2018, the Audit Committee met four times and discussed issues such as: (i) the annual work plan and the commitments of internal audit for the year; (ii) the regular reporting by the Inspector General on audit activity; (iii) the financial statements; (iv) letter addressed to the management and the opinion of the external auditor; and, (v) the performance of operational risk management at the Bank of Albania.

The Committee meets regularly with the Inspector General, without the presence of the administrators, and discusses the organisation of the Control Department, the auditing annual plan and the engagements' performance. In these meetings, members of the Committee were informed on the internal control systems and risk management.

The Inspector General has regularly informed the Committee, and in turn the Council, on the findings and recommendations by the Control Department, which provide an independent guarantee on the effectiveness and quality of the systems mentioned above.

In March, the Audit Committee held a meeting with the external auditor (KPMG) to discuss on the audit for 2018 and the certification of the financial statements. During the meeting, the external auditor communicated to the members of the Committee: (i) its assessment on the accounting principles at the Bank of Albania implemented in financial reporting; (ii) the main issues discussed with the management during the auditing process, particularly those significant on financial statements and the audit report; and, (iii) the main difficulties encountered during the auditing process.

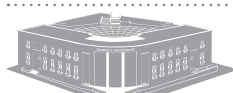
The Committee has informed the Council regularly on its activity and the implementation of its responsibilities.

Internal audit

The Inspector General and the Control Department, periodically and independently: (i) assess the accounts and the accounting records, the management and operational procedures of the Bank of Albania, in order to ensure the implementation of the legal and sub-legal acts; and (ii) offer reasonable assurance on the efficiency of the control system, risk and processes managements, for the fulfilment of the institutional objectives.

Based on the Internal Audit Policy, the Council approved the work plan of the Control Department for 2018, which had the preliminary approval of 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.

The Inspector General has reported regularly to the Council on the realisation of this plan and the result of the auditing engagements.

b) External audit

The organic law provides that the Bank of Albania's accounts and records may be checked by external auditors of internationally-recognised auditing institutions appointed by the Council. The external auditor expresses his opinion if the reports prepared by the Bank of Albania represent fully and fairly the financial situation of the institution, in accordance with generally-accepted international accounting standards.

The financial statements of the Bank of Albania are audited so as to offer a reasonable reassurance that they are not inaccurate, as a result of errors or fraud. This provides the external auditor with a key role in maintaining the trust of financial markets and of the public in the financial statements of the Bank of Albania.

The Audit Committee reviews the effectiveness and appropriateness of the external audit function. Prior to submitting the opinion on the financial statements, the Committee meets with the external auditor, without the presence of the administrators, where the progress of the audit process is discussed.

1.3. ACCOUNTABILITY AND TRANSPARENCY

The Supervisory Council has regularly complied with Bank of Albania's accountability obligations to the Assembly and its transparency obligations to the public, the financial system and the media. The Supervisory Council approves all the reports and recommendations that are presented to the Assembly or the Council of Ministers, as well as the annual and financial reports of the Bank of Albania. 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

In March, the Supervisory Council approved the Annual Report 2017 and sent it to the Assembly and the Council of Ministers. The report describes the economy and financial situation in Albania and the activity of the Bank of Albania over the reporting period. Information on the annual activity and results of the Control Department was attached to the Annual Report. This document constitutes an additional instrument towards the accountability of the institution.



b) Approval of financial statements

The financial statements, an integral part of the annual report, are verified and certified by the external auditor and his opinion.

The financial statements were audited by KPMG Albania. In the opinion of KPMG Albania, the financial statements give a true and fair view of the Bank of Albania's financial position, its financial performance and cash flows in accordance with the International Financial Reporting Standards.

c) Distribution of profit

In March 2018, the Supervisory Council approved the distribution of profit of the Bank of Albania for 2017. The value of net profit realised during 2017 was ALL 886,436,572.64 (calculated as difference between net income from the activity of the Bank of Albania, ALL 929,794,268.80, on one hand and net provisions, ALL 15,357,696,16, and the reserve of ALL 28,000,000 for the expected effect from the application of IFRS 9, on the other hand).

The net profit realised in 2017 was around ALL 6.2 million higher from the net profit realised in 2016.

The profit is approved by a separate decision from the one approving financial statements, which represent the value of the profit to be distributed. The value of profit is set in advance, in accordance with the organic law that provides for all possible deductions, subject to approval by the Supervisory Council, before distribution.

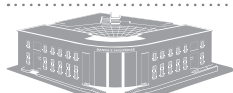
d) Reporting to the Assembly and Council of Ministers

In accordance with the organic law, the Bank of Albania has to publish: (i) a detailed opinion on the situation of the economy, quarterly; and (ii) a statement of the threats to the financial system stability, half yearly.

Monetary policy decisions in February, May, August and December are accompanied by the publication of the quarterly report of the monetary policy, constituting the main instrument of accountability and transparency in this regard. These reports present a comprehensive description of the latest macroeconomic developments and factors that affect the performance of consumer prices in Albania.

In March and September, the Supervisory Council discussed and approved the half-yearly financial stability reports. These reports present Bank of Albania's assessment on the 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.



2. THE ACTIVITY OF THE BANK OF ALBANIA

2.1. MONETARY POLICY

According to the Law “On the Bank of Albania”, the main objective of the Bank of Albania is to achieve and maintain price stability. In quantitative terms, price stability is defined as maintaining an annual inflation rate, measured by the annual change in the Consumer Price Index, around 3% in the medium term.

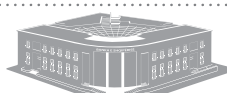
The Bank of Albania aims to fulfil this objective through the implementation of an inflation targeting regime and a floating exchange rate regime.

The monetary policy framework, the principles for drafting and the instruments for its implementation are defined and explained in the Monetary Policy Document. In accordance with the principles set out in this Document, the Bank of Albania implements a consistent, balanced, prudent, transparent and forward-looking monetary policy.

For several years now, the Bank of Albania continues to implement an accommodative monetary policy amid undershooting inflation values and in the presence of aggregate demand levels that is still insufficient to ensure full use of productive capacities both in the labour and capital market. The monetary stimulus is transmitted through low policy rates, liquidity supply of the banking sector, and forward guidance on the monetary policy stance. This stimulus has aimed and managed to create favourable financing conditions, to reduce the uncertainty of financial market agents and fluctuations of this market indicators, and to promote expansion of consumption and investment. Through these channels, the monetary policy has helped strengthen the country's economic growth and has created the necessary premises for the return of inflation to target.

2.1.1 MONETARY POLICY THROUGHOUT 2018

The Albanian economy performed positively throughout 2018. Aggregate demand expanded, enabling further growth of output, employment and wages as well enabling to improve the country's main economic and financial balances. In parallel with these developments, domestic inflationary pressures increased, but their effect on inflation increase was offset by exchange rate appreciation.



This dynamics reflected the maintenance and the strengthening of the stimulus of the monetary policy during 2018.

According to INSTAT data, in the first nine months of 2018, the economy grew 4.3%, following the accelerating trend noticed over the previous three years.¹ Economic growth had a broad base; it reflected positive contributions from the expansion of household consumption, business investments, and expansion of exports. Coupled with the above demand-side factors, the rapid expansion of electricity production contributed significantly to growth.

The expansion of aggregate demand contributed to increase in employment and further decline in the unemployment rate. According to the available information, the number of employees recorded 3.5% annual growth during the first nine months of the year, while the unemployment rate fell to 12.2%. Also, survey data suggest that enterprises increased the capacity utilization rate. This trend shows that the Albanian economy is gradually moving towards its potential.

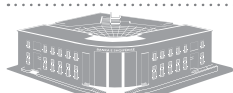
Economic growth contributed to the overall improvement of Albania's economic and financial balances. In particular,

- The country's external position improved, reflected both in the narrowing of the current account deficit and in the improvement of foreign debt sustainability indicators. The current account deficit decreased at an average of 5.2% of GDP during the first nine months of the year, against the 7.5% registered the previous year.
- Budget deficits and public debt continued to show a downward trend, reflecting both the consolidating trend of fiscal policy and the economic growth and the strengthening of the exchange rate.
- The main soundness indicators of the banking sector - in particular liquidity, profitability and capitalization - remained at adequate levels. In particular, significant improvement was noted in the non-performing loans ratio, which decreased to 11.1% at the end of the year.

The improving trend of economic activity was also reflected in the performance of inflation, but its rise towards the target was offset by the exchange rate appreciation. Increase of wages and production costs led to an increase in the inflation of domestic consumer basket items. On the other hand, the appreciation of the lek's exchange rate against the euro led to the reduction of imported inflation. Consequently, annual inflation averaged 2.0%, unchanged from 2017.

The lek exchange rate appreciated rapidly during 2018, following a gradual appreciation trend that had started in 2015. This trend reflects the improvement of the external position of the economy, the reduction of risk premiums in financial

¹ The available indirect data suggests that the fourth quarter will not lead to significant shifts in the annual growth dynamics.



markets, and the increased preference of agents to keep and invest their savings financial instruments denominated in the national currency. Although these trends were present in 2018 as well, the appreciation of the exchange rate during this period was also driven by specific foreign exchange market factors such as the temporary imbalance of supply and demand for foreign currency in the second quarter and the creation of expectations for further appreciation of the rate.² These factors triggered a rapid appreciation of the exchange rate in the second quarter and were accompanied by a disruption of the functioning of the domestic foreign exchange market. The results of our analysis suggest that the exchange rate in 2018 appreciated beyond its medium and long-term trend.

The Supervisory Council of the Bank of Albania deemed that the rapid appreciation of the exchange rate jeopardized the fulfilment of the inflation target in the medium term. Consequently, in its meeting on 6 June 2018,³ it decided on:

- lowering the policy rate from 1.25% to 1.00%. In parallel, interest rates on deposit and overnight loans were reduced, from 0.25% and 2.25%, to 0.1% and 1.9% respectively. The reduction of the policy rate aimed at further reducing the financing costs in lek and mitigating the appreciation pressures on the exchange rate;
- launching a foreign currency purchase program in the domestic market, with the aim of curbing the exchange rate appreciation and creating the premises for a normal trading activity in the domestic foreign exchange market. The use of the exchange rate as a temporary and extraordinary instrument of monetary policy was necessary, as the room for further reduction of the policy rate was limited.

The intervention of the Bank of Albania curbed the exchange rate appreciation and helped for the return of trading to normality in the foreign exchange market. At the end of the tourist season, the foreign currency demand and supply appeared as balanced, even in the absence of Bank of Albania interventions. Also, the exchange rate risk to meeting the inflation target dropped.

In line with these developments, the Bank of Albania kept the strength and intensity of the monetary stimulus unchanged during the second half of the year. The policy rate remained unchanged at 1.0%, while the financial market was supplied with the necessary liquidity and focused on forward guidance.

² For more information, see Information Box 1 “Lek appreciation in 2018: a synthesis of factors, implications and reaction of the Bank of Albania”.

³ During 2018, there were 8 meetings on monetary policy decisions; In 7 of them, the policy rate and overnight loan interest rates were kept unchanged.

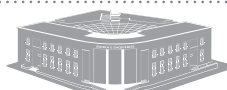
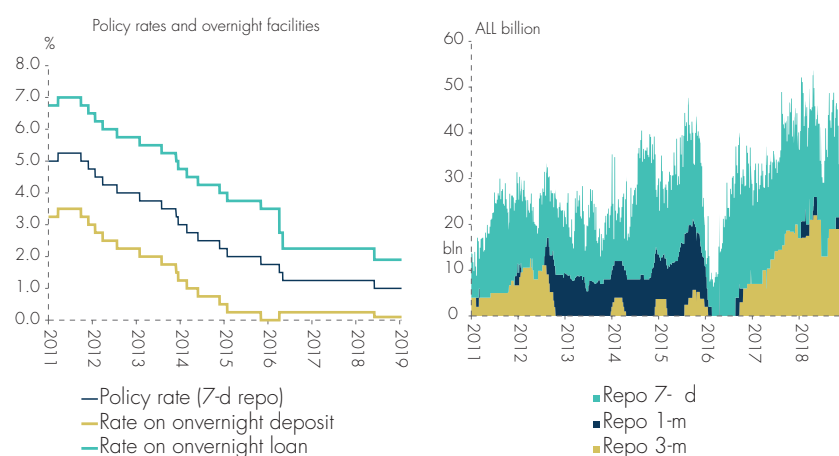


Chart 1 Key interest rates in lek and liquidity injections



Source: Bank of Albania.

BOX 1: LEK APPRECIATION IN 2018: FACTORS, IMPLICATIONS AND BANK OF ALBANIA'S REACTION

The lek's exchange rate against the euro followed a gradual appreciation trend until the end of 2017. This trend accelerated significantly in 2018 and the appreciation rate reached 4.9% from 2% a year compared to the previous years.

The appreciation of the exchange rate in 2018 was largely analysed by the Bank of Albania. In accordance with the free exchange rate regime applied in Albania, its level is neither an explicit nor an implicit objective of the Bank of Albania. However, significant and prolonged deviations of the exchange rate from levels dictated by fundamental factors have implications for the performance of the economy and inflation and, consequently, for the monetary policy stance. Based on these considerations, our analyses have continuously aimed at determining the factors of this appreciation and assessing its impact on the economy, in order to inform the Bank of Albania's response.

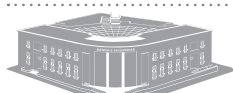
Box 1 briefly summarizes the conclusions of our analysis, which are communicated on a continuous basis in the periodic reports of the monetary policy.

(i) Factors explaining exchange rate appreciation

The determinants of the exchange rate performance are studied through empirical models and studies, which are consistent with economic theory and best practices.¹ These studies enable the identification of the medium and long-term exchange rate trends and the impact of the various shocks that affect it.

Based on these results, the medium and long-term exchange rate appreciation trend is explained by the improvement of the external position of the Albanian economy and the increase of the interest to invest in financial instruments in lek^{II}. These tendencies are described in greater detail below.

- The current account deficit narrowed from 8.6% of GDP in 2015 to 5.2% of GDP for the first nine months of 2018. This development was, to a large extent, a result of export growth.
- FDI inflows have increased, standing at 8.0% of GDP. The balance of



payments resulted in surplus, implying that foreign currency inflows in the country were higher than outflows.

- Interest rates on lek financial instruments, albeit low, provide positive yields, when the interest rates on deposits in euro are close to zero.

Likewise, studies show that the appreciation of the lek against the euro in 2018 went beyond the improvement rate of fundamental factors^{III}. It reflected specific developments in the domestic foreign exchange market. Such as:

- Conversion of the capital of some banks in our system, reflecting of their internal policies;
- Information circulating in the market regarding EBRD loan access for the Albanian Power Cooperation (KESH); and
- Creating one-sided expectations for further appreciation of the exchange rate, which was associated with the change in the behaviour of economic agents and increase of the foreign currency supply in the market.

These factors led to increase in the foreign currency supply and dissarayd the foreign exchange market in April and May. The fast acceleration of the exchange rate pushed it out of the levels suggested by the fundamental factors. The timely extension of this phenomenon was estimated to produce negative effects on inflation over the medium term.

(ii) **Response of the Bank of Albania**

The finding that rapid exchange rate appreciation jeopardized the fulfilment of the inflation target led to the reaction of the monetary policy. This reaction consisted of:

- lowering the policy rate in June to 1.00%, from 1.25%;
- launching a temporary programme for foreign currency purchases. This program was intended to monitor the pace of exchange rate appreciation and avoiding risks affecting the fulfilment of the inflation target. Bank of Albania's decision to intervene in the foreign exchange market became necessary in the conditions when there was limited room for lowering the interest rate.

The intervention of the Bank of Albania was more intensive in the summer period, which corresponds to high currency inflows as a result of the tourist season. Moreover, the Bank of Albania was not present in the foreign exchange market in the framework of this program.

(iii) **Impact of the exchange rate appreciation on the Albanian economy**

To evaluate the exchange rate effect on the Albanian economy, structural models were used, which break down its impact according to the following channels:

- **Competition**, which captures the negative impact on the performance of exports and economic growth from the appreciation beyond the fundamentals of the exchange rate. Given the high importing intensity of the Albanian economy, this impact was somewhat mitigated by the increase in the purchasing power of importers and consumers;
- **Financial balance** sheets of financial agents, which captures the positive impact from exchange rate appreciation on balance sheets of foreign currency borrowers' through lower euro loan instalments. This is an important channel in a high euroization-level economy.
- **Interest rate**, which captures the positive impact from the exchange rate appreciation on the reduction of risk premiums for foreign currency loans, reducing financing costs for the economy;

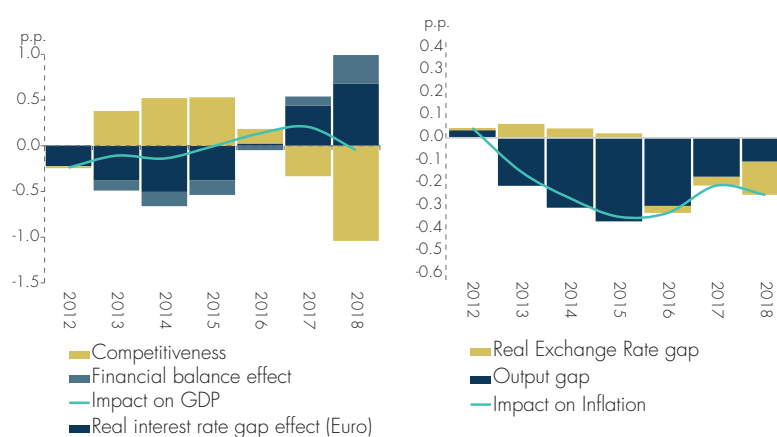


- **Price**, which captures the impact of the exchange rate on inflation. This channel is twofold: the course affects prices directly, through the basket of imported goods, and, indirectly, through aggregate demand (the above channels).

Estimations on the exchange rate effect are shown in the charts below.^{IV} The effect of the exchange rate appreciation beyond the fundamentals on economic growth is marginally negative. This impact reflects the reduction in the competitiveness of Albanian exports; however, it was partially offset by the increase of the purchasing power of creditors in euro and, in part, by the reduction of credit risk premiums in euro.

The exchange rate appreciation reduced inflation by an average of 0.2 percentage point in 2018. This effect increased over the quarters and, in the last quarter, it is estimated at 0.3 percentage point. In line with the time-lag in the transmission of exchange rate fluctuations of prices, this impact is expected to be present even during 2019 H1 and come to a standstill in the following quarters.

Chart 2. Impact of real exchange rate appreciation on economic growth (left) and on inflation (in p.p.)



Source: Bank of Albania.

The estimations of these effects reflect, *inter alia*, the measures taken by the Bank of Albania. The results so far show that Bank of Albania's interventions in the foreign exchange market have met the objectives of this programme^V. The exchange rate appreciation reduced and foreign exchange market activity returned to normal parameters. Also, our forecasts and communications confirm that inflation will return to target in 2020.

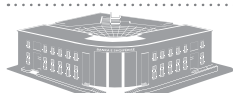
^I The results of some of the Bank of Albania studies were published and discussed as materials dedicated to the exchange rate, or as part of the materials that treat the exchange rate as an integral element of modelling.

^{II} A more detailed analysis is found in the information box "Exchange Rate Appreciation: Determining factors and implications", part of the Bank of Albania's Annual Report for 2017.

^{III} A more detailed analysis is found in the information box "On the exchange rate performance during 2018 H1", part of the Quarterly Monetary Policy Report 2018 / III.

^{IV} A more detailed analysis is found in the box "Exchange Rate and its impact in the economy", part of the Quarterly Monetary Policy Report 2019 / I.

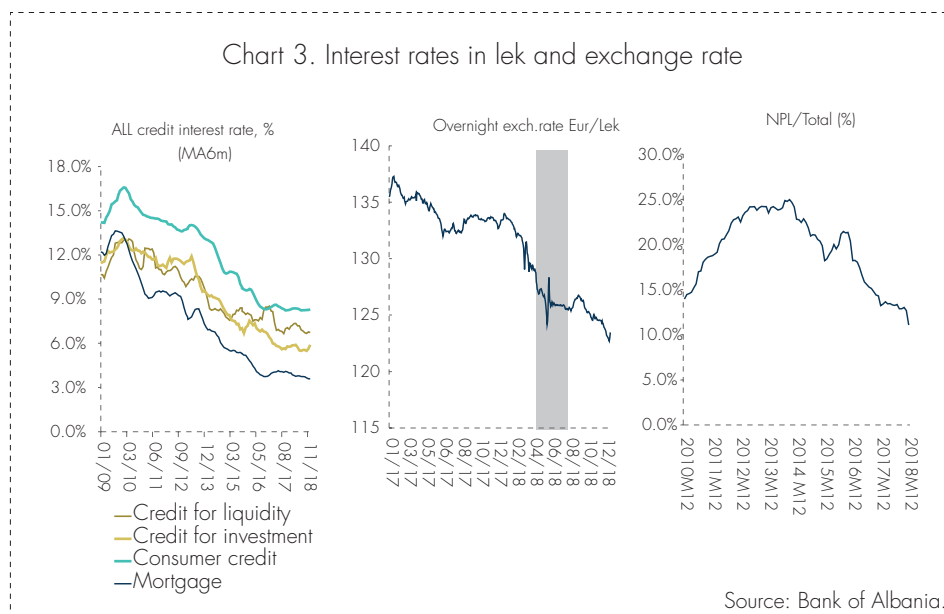
^V A more detailed analysis of the progress of the intervention programme is available in the box: "Effects of interventions in the foreign exchange market", in the Quarterly Monetary Policy Report 2018 IV.



Similar to the previous years, the monetary policy of the Bank of Albania contributed to the positive performance of the economy, its approach to the potential and the build-up of inflationary pressures in the economy. The transmission of the monetary stimulus is noted in several aspects.

First, the accommodative monetary policy generated favourable financing conditions for Albanian households and enterprises. Interest rates continued to stay close to the historical minimum, across all financial instruments in lek. The financial markets are characterized by satisfactory levels of liquidity and low risk premiums. The average liquidity injection by the Bank of Albania was about ALL 39 billion, up from ALL 34 billion injected a year earlier. The forward guidance on the monetary policy stance helped flatten the interest rate curve and it extended its effect over a longer period of time. Also, the implementation of the programme of measures for the reduction of non-performing loans helped to reduce credit risk.

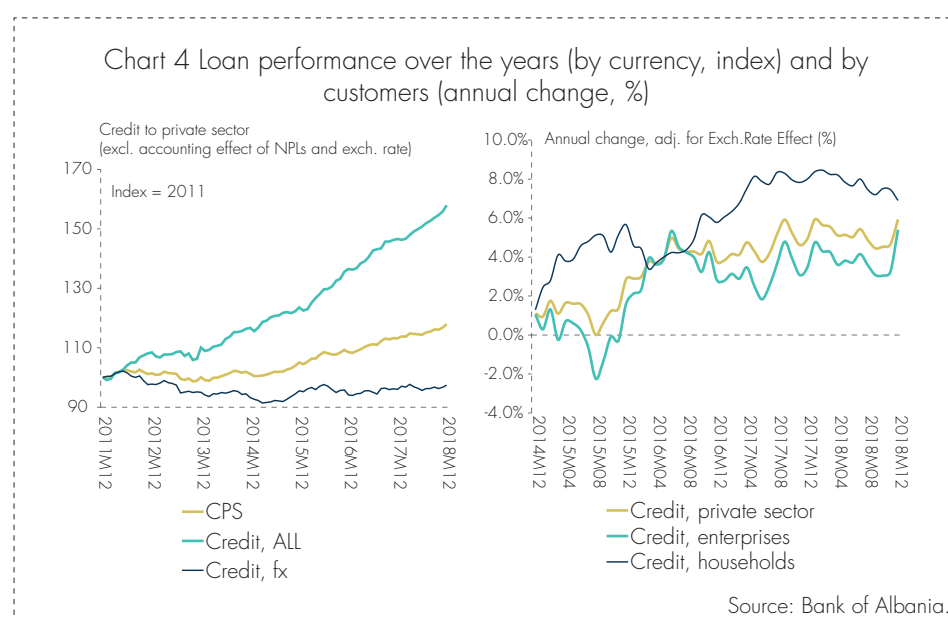
Together, these instruments have dictated the reduction of interest rates on loans, yields of 12-month treasury bills and on deposits in lek, respectively by 1.5, 1.2 and 0.5 percentage points from 2015.



Second, the accommodative monetary policy led to increased financing in lek and lowered the cost of existing debt servicing. Continuous improvements of financing conditions were reflected not only in the fall of interest rates but also in the increase of the volume of credit to the private sector. Thus, credit in lek increased on average by 6.7% in 2018, while the share of this portfolio against total loans grew 47.2%, or 2.5 percentage points higher than in the previous year.

Reducing interest rates lowers the cost of financing with bank loans and the cost of servicing existing loans, thus creating a financial saving that helps increase consumption and investment.



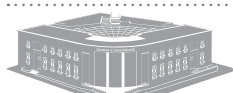


Third, the accommodative monetary policy supported the strengthening of Albania's financial stability. Low interest rates and favourable financing conditions have helped improve borrowers' financial position, by lowering debt servicing costs and encouraging restructuring of existing loans. The orientation of lending in the domestic currency increased its share in total lending and reduced the exposure of the financial system to the risks of exchange rate fluctuations.

The monetary policy measures undertaken by the Bank of Albania contributed to the growth of household consumption and business investment, thus supporting economic growth. Our assessments suggest that accommodative monetary policy has contributed positively, on average by 0.5 percentage point, to the economic growth of the last two years.

While boosting aggregate demand, the accommodative monetary policy has contributed to the increase of employment and better utilization of production capacities. In parallel, economic agents' expectations for inflation have been rising compared to the previous year. In response, wages and core inflation have shown a slight upward trend, creating premises for the return of inflation to target in the medium term.

The Bank of Albania will continue to implement a prudent monetary policy in the future in line with its price stability objective and with a view to supporting the overall economic and financial stability of the country. In parallel, the Bank of Albania deems that the country must continue forward with the structural reforms agenda. These reforms should aim to accelerate the pace of economic growth over the long term, and to increase sustainability and distribute its benefits in wider social groups.



BOX 2: MONETARY POLICY DECISION-MAKING PROCESS

In 2018, the Supervisory Council reviewed and re-evaluated the appropriateness of the monetary policy stance in eight cases. Within these discussions, it approved eight monetary policy reports (four quarterly and four interim reports), as well as one set of periodic analyses.

Monetary policy decisions are based on a contemporary analysis and forecasting framework, which enables the formulation of the monetary policy in view of achieving the inflation target. This framework is filled with all available information, and is based on tested econometric models and on the best practices of central banking.

In 2018, we continued our work:

- **To improve and update the forecasting models and monetary policy analyses, apply contemporary modelling techniques, and update the staff with the latest information.** This work was supported by the technical assistance in the framework of the cooperation agreements with the IMF, the Swiss State Secretariat for Economic Affairs (SECO), and the Geneva Institute.
- **Regarding scientific research and ongoing research of the monetary policy transmission mechanism and its effectiveness.** A particular focus in research in 2018 was drawn by the appreciation of the exchange rate. The objective of our studies was to find the reasons behind the appreciation of the exchange rate, assessing its expected impact, as well as to identify the Bank of Albania's response in accordance with our legal mandate. In parallel, structural factors and cycles of inflation performance were studied, as well as its formation according to the domestic and foreign component. The Bank of Albania continued to monitor developments in the banking system, to assess the strength of the monetary policy transmission mechanism and to identify the effects of monetary policy measures on these indicators.
- **On intensive monetary policy communication to increase its understanding, predictability and effectiveness.** The Bank of Albania continued to use monetary policy forward guidance as a monetary policy instrument. It aims to reduce uncertainty in the market by informing the public on the period when the target is foreseen to be achieved and the future path of the monetary policy. Also, in 2018, the monetary policy communication intensified to explain the Bank of Albania's position on exchange rate developments. For this purpose, monetary policy statements interviews, and articles in the media were used. For informing the general public, periodic reports include specific boxes.
- **Active co-operation with domestic and foreign partners, aiming at increasing the synergies of economic policies in Albania and supporting the European integration process.** The current policy mix, characterized by monetary stimulus and fiscal consolidation, continues to remain a convenient combination. This combination addresses the need for boosting aggregate demand and reduces the vulnerabilities of public finances. The Bank of Albania has continued the dialogue with the International Monetary Fund in the framework of Article IV Consultations and with European partners in terms of: (i) recognition and implementation of relevant directives in the field of monetary policy and financial markets; and (ii) periodic reporting in the integration process.



For the upcoming year, job priorities aim to increase the effectiveness, flexibility and transparency of monetary policy, helping to adapt it to a dynamic and complex financial and economic environment.

* For more information see:

Box 1: "Supporting processes of monetary policy decision-making at the Bank of Albania", Annual Report 2015;

Box 2: "Monetary policy drafting, implementation and communication process", Annual Report 2016.

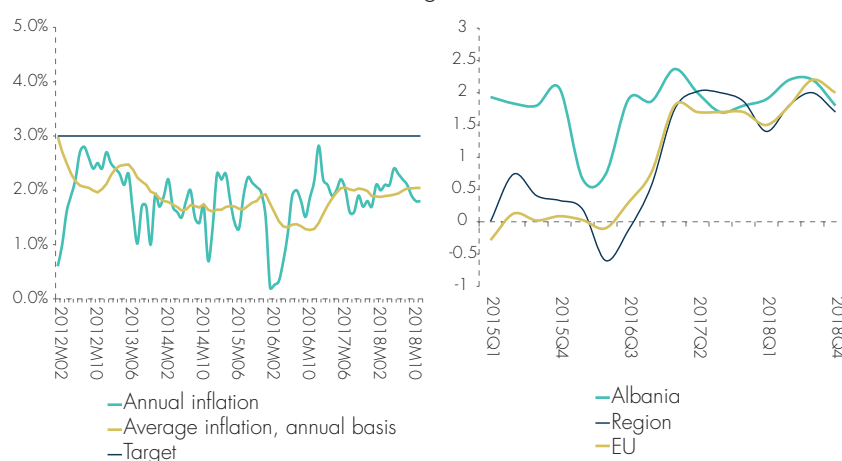
2.1.2 INFLATION AND ITS DETERMINANTS

Domestic inflationary pressures increased over 2018. The improvement of the cyclical position, expressed in the increase of aggregate demand and in the better utilization of production capacities, has enabled the increase of wages and production costs. On the other hand, the appreciation of the exchange rate led to lower imported inflation, offsetting the improvement of the cyclical position of the economy.

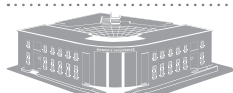
Annual inflation averaged 2.0% in 2018, remaining almost at the same level as in the previous year. By quarter, inflation averaged 1.9% in the first quarter; rose to 2.2% in the second and third quarters; and decreased to 1.8% in the last quarter.

From the macroeconomic point of view, inflation reflected the opposite impact of the two factors: improvement of the cyclical position of the Albanian economy and the rapid appreciation of the exchange rate. The first factor, improvement of the country's cyclical position - in other words, higher utilization of production capacities - is accompanied by increased employment and wages, which led to increased production costs and increased domestic prices. On the other

Chart 5 Annual inflation and target (left). Inflation in regional and EU countries (right)



Source: INSTAT and Bank of Albania.



hand, the appreciation of the exchange rate during 2018 curbed the price rise of imported items, offsetting the effect of the domestic factor. Other effects are generated by transitional factors, including oil price fluctuations and food inflation.

Food items remain the main contributors to the formation of headline inflation

Consumer prices reflected, in 2018, to a large extent, the impact of "Unprocessed Foods". Inflation of this category declined compared to the previous year, mainly as a result of domestic supply growth, but it continued to be the main inflation generator. The prices of "Processed foods" declined during the year, showing a completely different performance compared to the previous year. Prices in this category were driven by the appreciation of the lek and the fall in prices in international markets, especially grain prices.

Other categories increased their contributions to headline inflation

The "Housing-Rent", "Regulated prices" and "Non-Food goods" accounted for 40% of headline inflation, compared to 20% in the previous year. The rental price maintained an upward trend in 2018. Such trend had begun at the end of 2017. The maximum of the "Housing-Rent" contribution was reached in October, with 0.5 percentage point. The category of "Regulated prices" contributed positively to headline inflation (0.2 percentage point), due to the increase of water price. Oil prices fluctuated significantly over the course of the year, trending downward at the end of the year, in comparison with the upward trend during the summer. This performance reflected the fall in oil prices in foreign markets.

*Table 1 Contribution of key items to annual inflation (p.p.)**

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
Processed food	0.6	0.5	0.2	0.0	0.1	0.2	0.2	0.1
Bread and grains	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Alcohol and tobacco	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Unprocessed foods	1.3	1.1	1.2	1.3	0.9	1.1	1.0	0.9
Fruits	0.3	0.3	0.5	0.6	0.6	0.1	0.0	-0.1
Vegetables	0.9	0.7	0.7	0.6	0.2	0.9	0.9	0.9
Services	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Goods with regulated prices	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Water supply	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Housing rent	0.0	0.1	0.1	0.2	0.3	0.4	0.4	0.3
Non-food consumer goods	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.2
Oil	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2
Long-term consumer goods	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Annual inflation	2.4	2.0	1.7	1.8	1.9	2.2	2.2	1.8

Source: INSTAT and Bank of Albania.

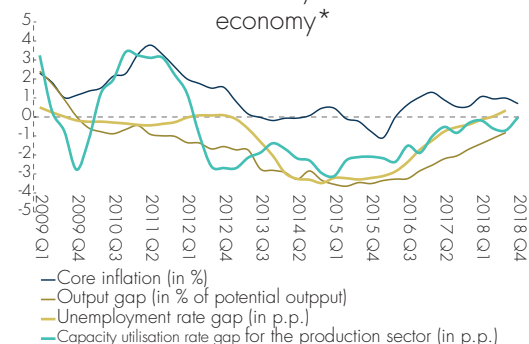
*The table shows some of the main groups of items.

The improvement of the cyclical position of the economy is reflected in the increase of domestic inflationary pressures.

The expansion of aggregate demand in 2018 is reflected in the improvements of the country's cyclical position, observed in the narrowing of the negative



Chart 6 Indicators of the cyclical situation of the economy*



*The output gap is the average of several measurements. The capacity utilisation rate gap is assessed as a deviation of the current value from the relevant historical average, for each of the Business Confidence Survey sectors. After, the gaps of the sectors are weighted as in the economic sentiment indicator, also the method of the four terms moving average is applied. The chart shows the resulted gap for the production sector. Services sectors are excluded due to the presence of many short-term fluctuations. The unemployment rate gap is assessed as an average of unemployment gaps according to three methods, which assess the equilibrium or structural level of unemployment (NAIRU or NAWRU). The unemployment rate gap is stated as the difference of equilibrium unemployment rate to actual unemployment rate and then the method of the four terms moving average is applied.

Source: INSTAT and estimations of the Bank of Albania.

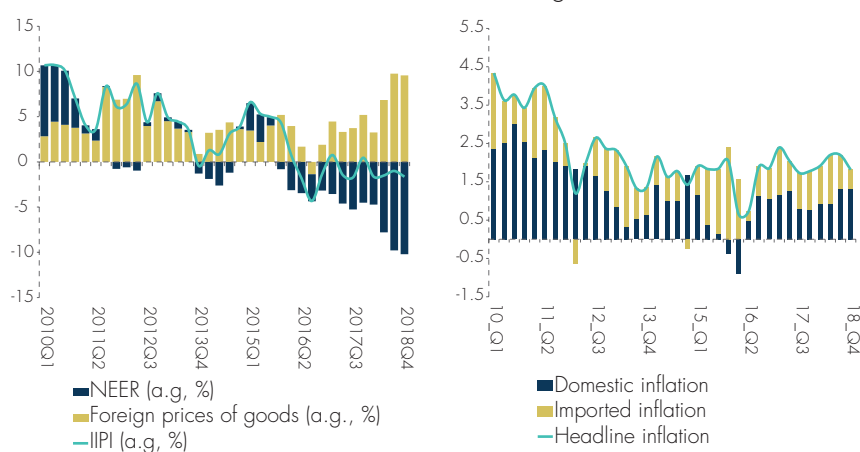
output gap. The labour market was characterized by rising employment and the continued decline in the unemployment rate, which was further reflected in wage growth in the economy. Also, the capacity utilization rate followed a slow upward trend, though it remains below its historical average.

Domestic inflationary pressures increased in 2018. Core inflation and non-tradable net inflation were 0.9% and 1.4%, in annual terms, respectively. Consequently, the contribution of domestic inflation increased by 0.9 percentage point in the first half of the year, and 1.3 percentage point in the second.

Exchange rate appreciation reduced imported inflation

The appreciation of the exchange rate in 2018 prevented the full improvement transmission of the country's cyclical position in inflation. Appreciation by 8.1% of the nominal effective exchange rate (NEER) led to the reduction of foreign inflationary pressures, although "Foreign prices" index increased 7.4% during the year.

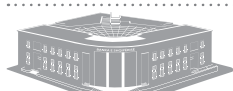
Chart 7 IIPI and its components' contributions (left). Contribution of imported and domestic inflation (right)



Source: INSTAT and Bank of Albania's calculations.

As a result, the Imported Inflationary Pressures Index IIPI⁴ fell by 0.7% in annual average terms. This performance materialized in the reduction of the contribution of imported inflation, from 1.1 percentage points in the first half of the year to 0.7 percentage point in the second.

⁴ IIPI is calculated as the annual increase in Import Price Index and NEER index for the respective month.



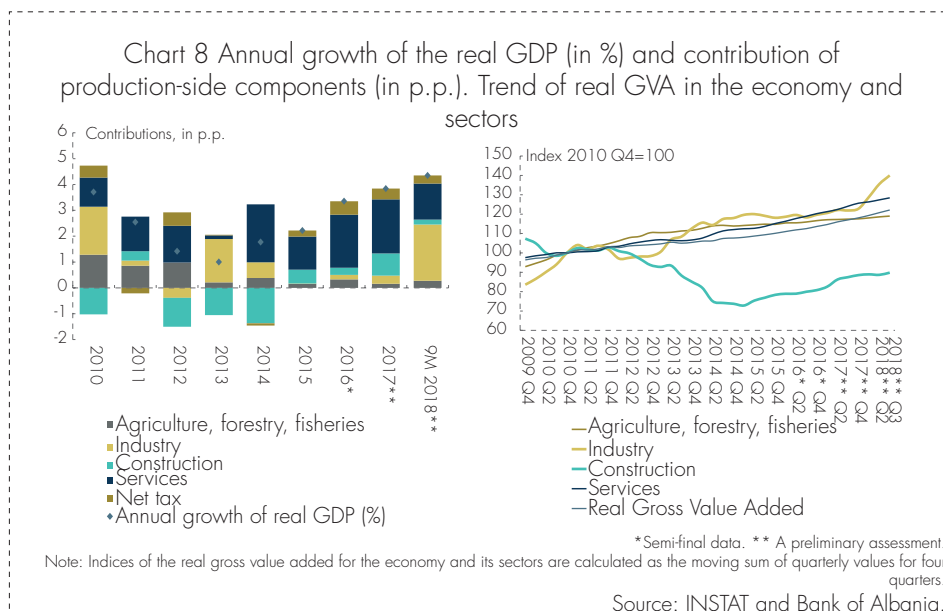
2.1.3 ECONOMIC ACTIVITY

The Albanian economy increased in 2018, reflecting the expansion of consumption, private investments, and exports. Economic growth materialized in the rapid growth of the industry and services sector, while other sectors of the economy marked a slower expansion.

Domestic demand growth created grounds for higher employment and lower unemployment rates, suggesting that the Albanian economy is gradually moving towards its potential. Also, economic growth was associated with the reduction of the current account deficit and helped reduce public debt.

According to INSTAT data, economic growth in the first nine months of the year was 4.3%, accelerating compared to growth rates recorded in the previous year.⁵ These data suggest that growth continued in the fourth quarter as well.

The expansion of GDP reflected mainly the positive performance of the manufacturing sector, which contributed upward by 2.6 percentage points. Developments in the manufacturing sector reflected the increased activity in industry, translated into a contribution of about 2.2 percentage points to annual GDP growth. Activity in industry was mainly driven by increased electricity production. Meanwhile, the agricultural sector contributed by about 0.3 percentage point to economic growth, while contribution from the construction sector fell to 0.2 percentage point.⁶



⁵ Up to 28 December 2018, the data published by INSTAT on the gross domestic production by production and expenditures method cover developments until 2018 Q3. According to the INSTAT publication calendar, data on gross domestic product in the fourth quarter of 2018 will be published on 29 March 2019.

⁶ This dynamic was also influenced to some extent by the comparison with a higher base a year ago, when the construction sector also recorded the highest annual growth by about 9.6% for the period 2010-2017.

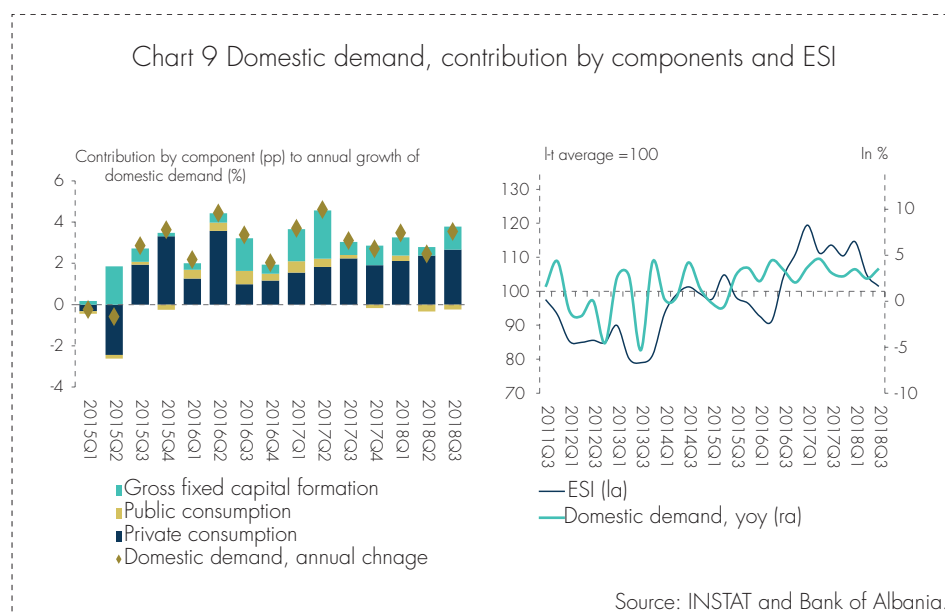


Services sector⁷ contributed positively by 1.4 percentage points to economic growth. Mainly driven by growth of tourism, the "Trade, Transport, Accommodation and Food Service" branch had the highest contribution, by about 0.8 percentage point, to annual GDP growth.

Also, "Professional Activities and Administrative Services" added 0.4 percentage point to its impact on economic growth, while contributions from other service activities are low.

Domestic demand has been the main contributor to economic growth during the first three quarters of 2018, supported by increased consumption and private investments

Domestic demand increased by 3.1% during the first nine months of 2018.⁸ The main contribution came from the consumption of the population, but the positive contribution came also from the growth of private investments. Meanwhile, public expenditures have been declining during the year, in terms of both current and capital spending.

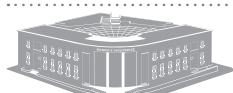


Private consumption was the main contributor to growth in 2018

Gross Domestic Product grew by 3.4% during the first nine months of 2018. This constitutes the highest growth rate since 2008. Growth in consumption was supported by increase of employment and wages, accommodative

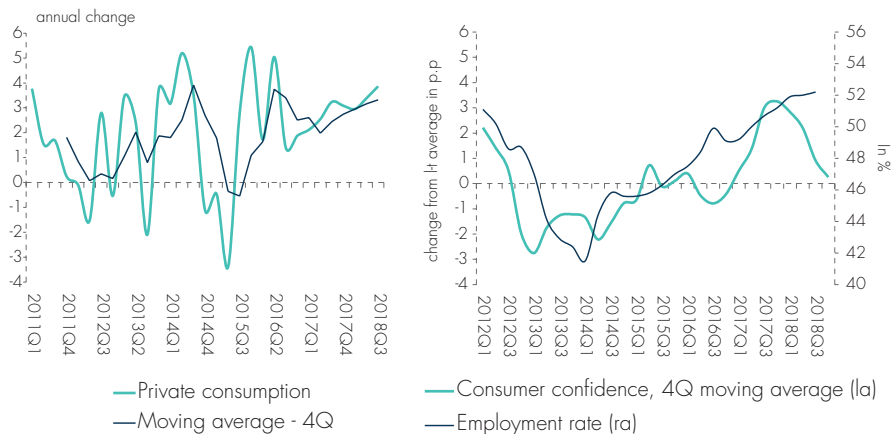
⁷ The main branches of services are: "Trade and transportation, accommodation and food service", "Information and communication", "Financial and insurance activities", "Real estate activities", "Professional activities and administrative services", "Public administration, education and health" "Arts, Entertainment and Recreation and other service activities".

⁸ Domestic demand consists of final consumption 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.



monetary policy, and eased lending conditions. Indirect indicators suggest that, in 2018, private consumption increased mainly in the categories of non-durable consumer goods and less in the category of durable consumer goods and services.⁹

Chart 10 Private consumption (left) and consumer confidence and employment rate (right)



Source: INSTAT and Bank of Albania.

Investment growth continued in 2018, although it showed lower growth rates

Investments increased by 4.2% over the first nine months of 2018, compared to a 6.5% in 2017. According to our estimates, the expansion of private sector investments provided the main contribution to the increase, while the public investment provided significantly lower contribution. Indirect data show that private investments expanded into two main categories: investment in construction and investment in new machinery and equipment.¹⁰ Investment

Chart 11 Investments (left) and capacity utilisation rate (right)



Source: INSTAT and Bank of Albania.

⁹ Based on the disaggregated index of retail trade and GDP by production.

¹⁰ Based on import indicators by items, as well as on GDP measurement by production

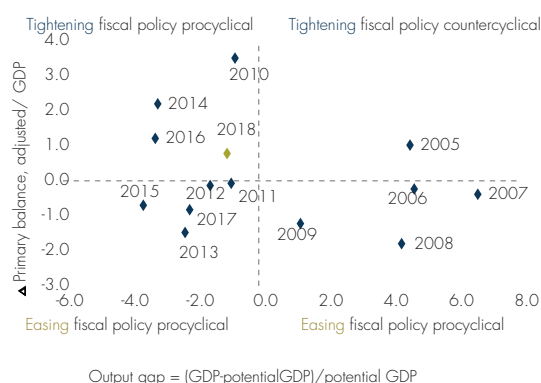


growth reflected the increase in the capacity utilization rate and was supported by favourable financing conditions.

Fiscal policy was consolidating during 2018.

Fiscal policy showed a consolidating trend during 2018, though the budget plan foresaw an almost neutral approach during the year. Thus, the primary surplus was about 0.6 percentage point of GDP higher than in the previous year. Although pro-cyclical, fiscal consolidation is reflected in the reduction of public debt and expanded fiscal space to cope with potential future shocks.

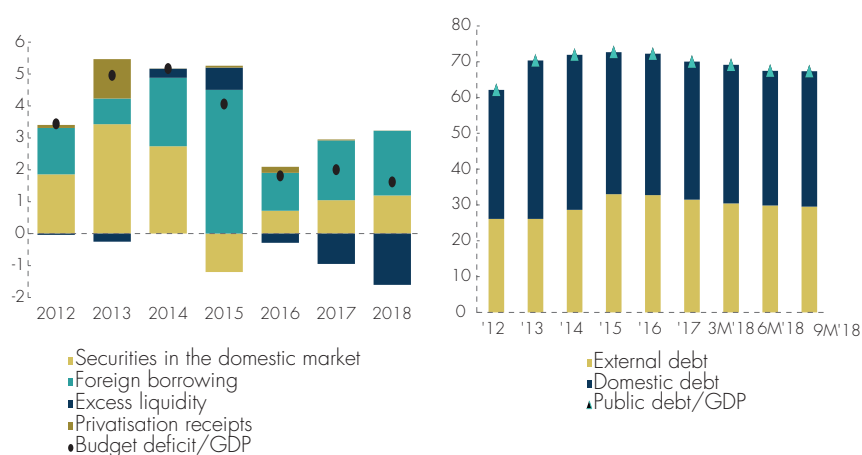
Chart 12 Nature of fiscal policy*



*For the methodological details, refer to the 'Fiscal policy and business cycles' box in the Bank of Albania's Annual Report for 2017.
Source: Ministry of Finance and Economy, INSTAT, and Bank of Albania calculations.

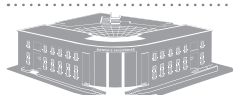
For 2018, **budget deficit** amounted to about ALL 26.5 billion, accounting for about 1.6% of GDP. Similar to the previous three years, deficit was dominantly financed by foreign sources. The main instrument of foreign financing during 2018 was the issuance of the 7-year Eurobond for EUR 500 million. This instrument, in line with the revised government borrowing schedule for 2018, was partially used to reduce the existing foreign debt (about EUR 200 million) and domestic debt (about ALL10 billion)¹¹. The increased borrowing in the domestic market consisted only in long-term debt instruments, which also offset the decrease of short-term issues.

Chart 13 Budget deficit and financing (left) and public debt (right) to GDP



Source: INSTAT, MFE and BoA's staff estimates.

¹¹ At the beginning of the year, the government had planned to increase domestic borrowing by about ALL 30 billion throughout the year, while foreign borrowing would be reduced by ALL 9 billion. However, given the favourable conditions in the international markets, through a normative act, the foreign borrowing plan was revised to ALL 32.6 billion through the issuance of the 7-year Eurobond, and the domestic borrowing plan was reduced to ALL 20 billion.

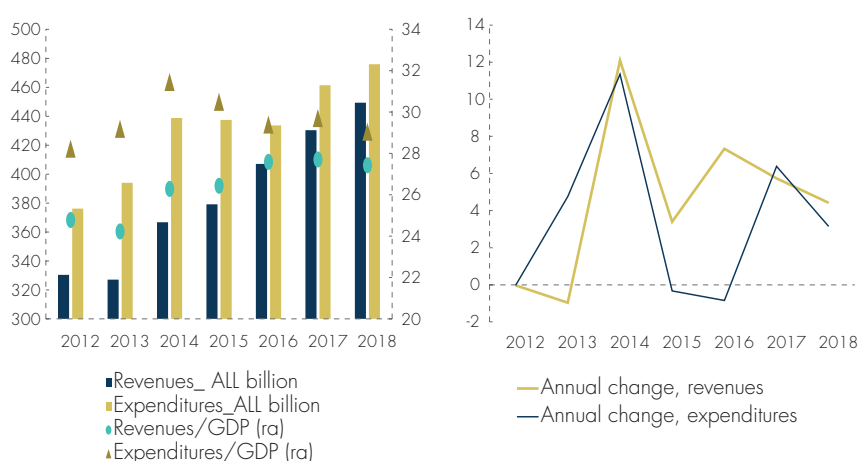


According to data by the Ministry of Finance and Economy, the public stock is assessed to have decreased at 67.1% of GDP in 2018, from 70.1% in 2017.¹² The decline in debt is attributed to the consolidating nature of fiscal policy, appreciation of domestic currency, and the continuation of economic growth.

Budget expenditures in 2018 resulted around ALL 475.9 billion, or around 3.1% higher in annual terms. Expenditure growth profile was determined by capital expenditures, those for social security, as well as interest payments on existing debt received in previous years. By contrast, the lack of various transfers during 2018 affected them.¹³ The size of the public sector expressed as a ratio of total expenditures to GDP, was estimated at around 29.1%, the lowest of the last five years. In terms of composition, the structure of budget expenditures marked improvement during 2018, increasing the relative weight of investment expenditures against total expenditures.

Budget revenues for 2018 amounted ALL 449.4 billion or around 4.4% higher than in the previous year. Tax revenues were estimated at about 25.6% of GDP, similar to the previous year. Tax policy was almost the same as last year. For this reason, the profile of the increase of tax revenues during 2018 has reflected the pervasiveness of private consumption, increased economic activity as well as the improved dynamics of labour market indicators. On the other hand, the increase in tax revenues this year was curbed by exchange rate appreciation.

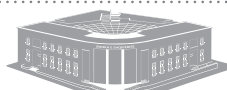
Chart 14 Revenues and expenditures



Source: INSTAT, MFE and Bank of Albania's staff calculations.

¹² The data of debt stock is referred to the publication of MoFE for 2018 Q3.

¹³ In 2017, these transfers were in the form of lending to KESh. During 2018, no such transactions were carried out.



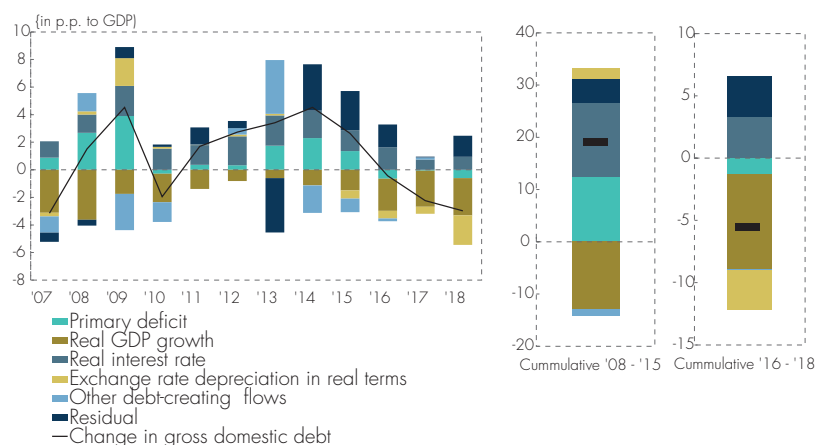
BOX 3 DETERMINANTS OF PUBLIC DEBT DYNAMICS IN ALBANIA

This box aims to present the macroeconomic and fiscal factors that have determined the timely dynamics of public debt.¹ The analysis relies on the approach applied by the International Monetary Fund (2013) to assess the sustainability of public debt for countries that have access to international markets. One of the analysis tools proposed by the IMF is the review of the dynamics of timely public debt, broken down by its determinant factors: primary balance, real economic growth, real interest rate, real exchange rate, other debt-creating flows and one residual component.

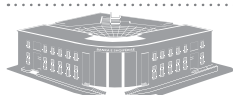
According to data from the Ministry of Finance and Economy, public debt in Albania has grown in the post-crisis years, peaking at 72.7% of GDP in 2015. After this period, the debt is positioned on a downward trajectory, falling to 67.1% of GDP by the end of 2018. In greater detail:

- Public debt to GDP ratio increased by 19.1 percentage points in the period 2008-2015 (Chart 15). The main reason for such increase is attributed to real interest rates paid on debt and primary deficits that characterized fiscal policy during this period. On the other hand, economic growth has acted in the opposite direction, leading to the decrease of the public debt to GDP ratio.
- Public debt to GDP ratio fell by about 5.6 percentage points in the period 2016 - 2018. Its fall continued to be supported by economic growth rates, but it was also favoured by exchange rate appreciation and fiscal consolidation, expressed in primary surpluses, undertaken during this period.

Chart 15 Change in public debt, broken down by determining factors, 2007 - 2018



Decomposition of the public debt dynamics highlights the importance of economic growth in improving the debt trajectory. As illustrated in Chart 16, the ability of the economy to improve public finances soundness depends on its position in the business cycle. During economic boom periods, when output is above its potential (as in 2007 and 2008), real economic growth has a higher contribution to the decline in the public debt ratio. By contrast, when the output gap is negative towards expansion, the contribution of economic growth to debt reduction is lower. The impact of business cycles on the dynamics of public debt



underlines that systematic follow-up of counter-cyclical fiscal policies helps monitor the debt level and creates fiscal space to cope with potential future shocks.

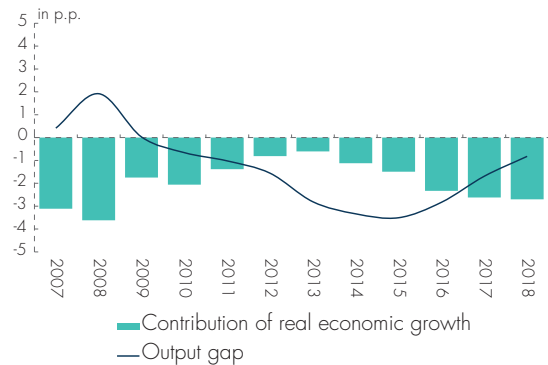
Beyond the level, the profile of its financing structure carries particular importance in the analysis of the sustainability of public debt. The main dimensions of this structure are: (i) maturity; (ii) currency; and, (iii) the holders. An optimal financing structure ought to minimize the overall cost of public debt, while, at the same time, keeping in check the risks arising from the above dimensions.

Regarding the debt financing structure in Albania we can conclude that:

- *Public debt maturity has extended in recent years, reducing the risk of its re-financing. (Chart 17, left). This target was achieved through the issuance of Eurobonds (5-year Eurobond in 2015 and 7-year-Eurobond in 2018) and through the increase in the share of long-term instruments in the domestic market.*
- *Debt structure by currency shows an increase in the share of foreign currency debt, increasing its exposure to exchange rate fluctuations. In 2018, foreign debt accounted for about 49% of total debt, or 32.8% of GDP (Chart 17, right).*
- *Debt structure according to the holders shows a more diversified base of investors (Chart 18). Measures to promote the development of the primary and secondary markets of government securities - the expansion of the range of debt instruments, or legal arrangements that encourage the participation of individuals and other institutions - has reduced the government's exposure to the banking system, from around 68% of domestic debt in 2008 to 58% in 2018.*

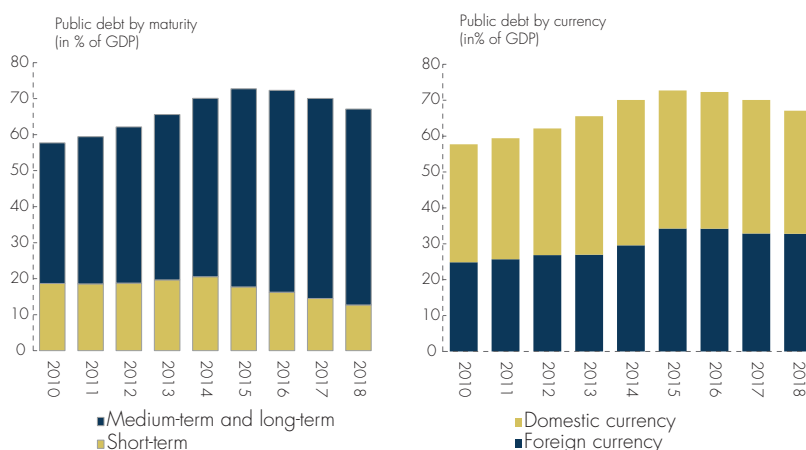
Despite positive trends, further improvement of the public debt sustainability requires further attention to improving its financing structure.

Chart 16. Contribution of real economic growth to public debt dynamics, as well as the output gap in the economy*



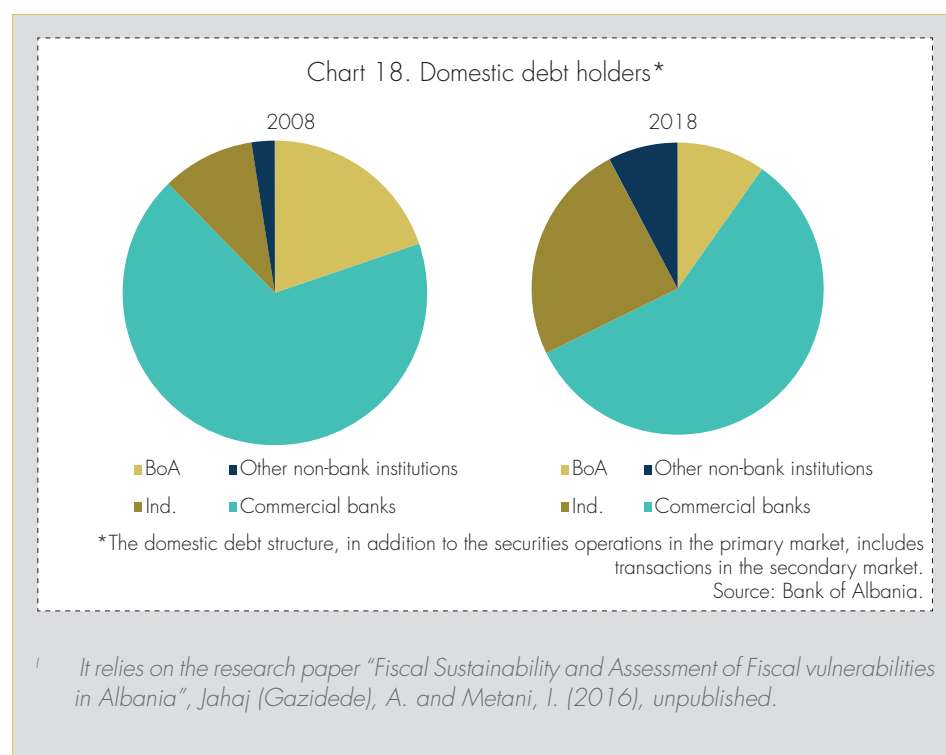
*The output gap is the average of several measurements on which the method of moving average is applied.
Source: Ministry of Finance and Economy, INSTAT, and Bank of Albania's staff calculations.

Chart 17. Public Debt Profile, 2010 - 2018



Source: Ministry of Finance and Economy, INSTAT, and Bank of Albania's staff calculations.





The current account deficit has shown a narrowing trend during the first nine months of 2018

Current account deficit narrowed to 5.2% of GDP during the first nine months of 2018, significantly reducing compared to 7.5% in the previous year. In nominal terms, the deficit narrowed annually by about 11.3%.

The narrowing reflects mainly the increase by 8% of net remittances, as well as the expansion by about 3.0% of the surplus of trade balance in services, including tourism revenues. On the other hand, the trade deficit narrowed by only 0.2% in annual terms over the first three quarters of the year. Growth of exports by about 25.7%, largely driven by the increase in the export of electricity, was offset by an increase of imports by about 5.8%.

The overall trade deficit (in goods and services) narrowed by 1.9% for the first nine months of 2018, mainly as a result of improved balance of trade exchanges.

This narrowing reflects the improvement of the savings-investment gap, particularly as a result of increased public sector savings. At the same time, the private sector's savings-investment gap narrowed, though this narrowing reflects the faster growth of savings in relation to investments in this sector.

Despite the overall volume growth, the structure of Albanian exports remains relatively little diversified, especially in terms of high added value products. On the other hand, the structure of imports is more diverse.

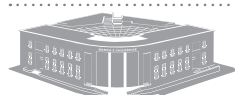
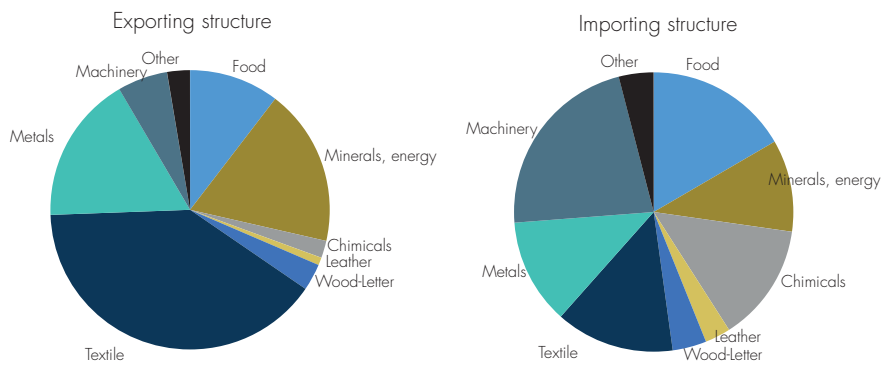


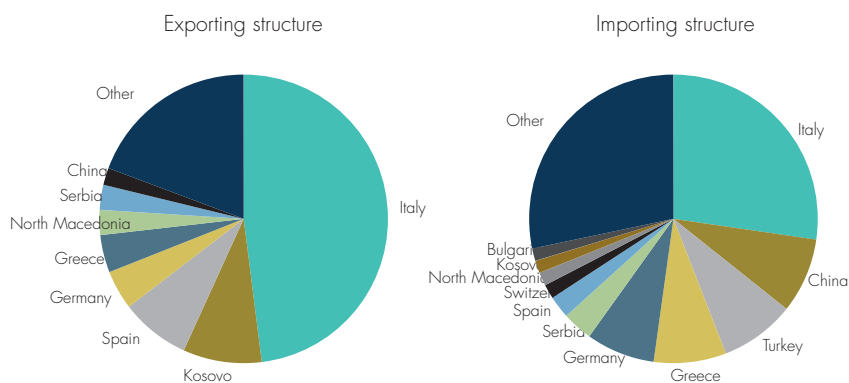
Chart 19. Structure of exports (left) and imports (right) for 2018, goods



Source: INSTAT.

The countries of the European Union, mainly Italy, remain our main trading partners. In 2018, a relative increase was noted in the share of some destination countries, where fuel and electricity are exported, such as Switzerland and Spain. In parallel, an increase in Kosovo's share was noted, mainly as a result of the higher exports of "Construction Materials and Metals" toward this destination. Regarding the countries of origin, Italy remains the main partner with a wide variety of imported products.

Chart 20. Structure of exporting destinations (left) and origins of imported goods in 2018 (%)



Source: INSTAT.

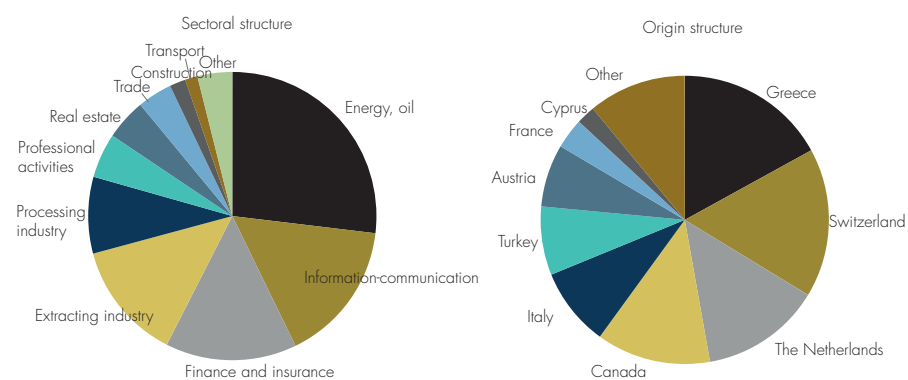
Current account deficit is financed based on non-debt creating flows

Foreign Direct Investment Flows have played the main role in financing the current account deficit. FDI inflows expanded by about 11.6% over the first nine months of the year, with investments in the energy sector as the main



source. Consequently, the energy sector is ranked first in FDI, accounting for about 26.9% of the total at the end of the first nine months of 2018. Also, as a result of these developments, Switzerland is ranked in the second place in terms of countries of origin.

Chart 21. Sector structure (left) and import origin for FDI in 2018 (% of total)



Source: Bank of Albania.

High inflows also generated high rates of current financing deficit financing. Consequently, at the end of 2018, the stock of foreign reserve assets amounted to EUR 3.4 billion. This is sufficient to cover 7.2 months of import in goods and services and 170% of the short-term gross external debt.

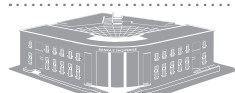
External debt sustainability indicators continued to improve in 2018

Foreign debt stock registered EUR 8.04 billion in 2018 Q3, up by 2.7% compared with the previous year. The stock was assessed at 64.5% of the nominal GDP. In structural terms, government debt dominates with around 43.8% of the total, followed by debt related to commercial banks (17.6%). In maturity terms, long-term debt dominates at around 79.6%. Regarding instruments, loans and currency and deposits investments constitute around 71.7%. The share of portfolio investments is somewhat low.

In terms of stability, the long-term repayment ability indicators improved during 2018. The ratio of debt stock to the exports of goods and services was around 161.3% at the end of 2018 Q3, from 174.0% in the previous year. At the same time, the ratio of debt stock to fiscal revenue marked 237.5%, from 246.3% registered in the previous year.

2.1.4 LABOUR MARKET

Growth in aggregate demand and expansion of production are accompanied by increased employment. Employment increased on average by 3.5%



during the first nine months of 2018.¹⁴ This growth is higher than the 2.9% increase recorded in the same period a year earlier. Employment performance in the economy reflected the increase in the number of employees both in the manufacturing sector and in the services sector. Employment growth was associated with the continuous fall of the unemployment rate, which stood at 12.2% in 2018 Q3, or about 1.4 percentage points lower than in the same quarter a year earlier. Lastly, the fall in the unemployment rate created premises for a 3% increase of the average wage during the first three quarters of 2018.

Table 2. Quantitative labour market figures (%)

	2014	2015	2016	2017	2018		
					Q1	Q2	Q3
Employment (15 years and older, annual changes)	1.6	4.9	6.5	3.3	4.9	3.3	2.3
- In agriculture	-3.4	1.4	3.9	-2.0	1.2	1.2	1.2
- In industry (including construction)	7.4	11.5	11.0	3.4	8.6	7.1	3.9
- In services	5.1	6.2	7.8	8.4	6.7	3.4	2.5
Employment rate (15 - 64 years old)	50.5	52.9	55.9	57.4	59.2	59.2	59.7
Labour Force Participation Rate (15-64 years old)	61.5	64.2	66.2	66.8	68.0	68.0	68.3
Unemployment rate (15 years and older)	17.5	17.1	15.2	13.8	12.5	12.4	12.2
The average monthly wage for an employee (nominal annual changes)		5.2	-0.8	3.0	4.2	2.5	2.4
The average monthly wage in the public sector (nominal annual changes)	1.7	1.8	0.9	9.8	5.7	0.2	-0.3

Source: INSTAT (Labour Force Survey, Data of the General Directorate of Tax) and Bank of Albania calculations.

Note: The values presented are the average of the annual changes or the values of the indicators for the four quarters of the respective years.

* Annual changes of wages in real terms are calculated taking into account annual inflation.

2.1.5 FINANCIAL MARKETS AND MONETARY INDICATORS

Financial markets were generally calm during 2018, characterized by low interest rates and declining risk premiums. With the exception of the foreign exchange market. In the first half of the year, this market was characterized by shocks, which affected the parameters of its functioning and triggered strong appreciation of the exchange rate. The Bank of Albania's response through the reduction of the policy rate and temporary market interventions calmed down the functioning and contained the pace of exchange rate appreciation.

Credit to the private sector continued to show moderate growth rates in 2018. This performance reflected both the still low demand for loans and the conservative lending policies implemented by the banking sector. In terms of structure, lending shows faster growth rates in the segment of loans granted in lek as well as in the segment of loans granted to households and individuals.

From the perspective of the liability, the savings and investment instruments continue to be characterized by the tendency of shifting towards the extremes of the spectrum: short or long maturities.

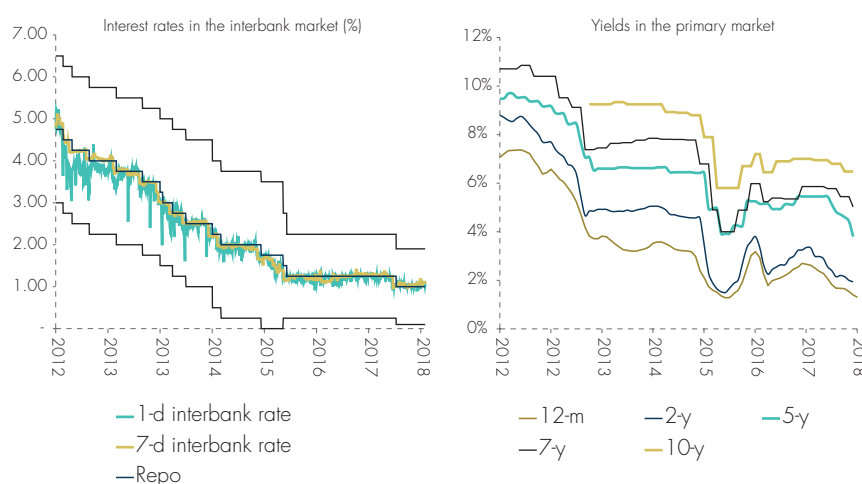
¹⁴ Analysis of employment and unemployment is based on the data of the Quarterly Labour Force Survey, and refers to the indicators for those 15 years and older.



Interbank rates ranged close to the policy rate, in accordance with the operational target of the monetary policy

The Bank of Albania continued to supply liquidity to commercial banks through its main instrument, the one-week repo. The injected liquidity was slightly higher than in the previous year, as a result of higher demand for financing from the banking sector. Interest rates in the interbank market remained close to the policy rate and showed lower fluctuations, while trading volumes remained similar to 2017.

Chart 22. interbank market (left) and primary market (right)

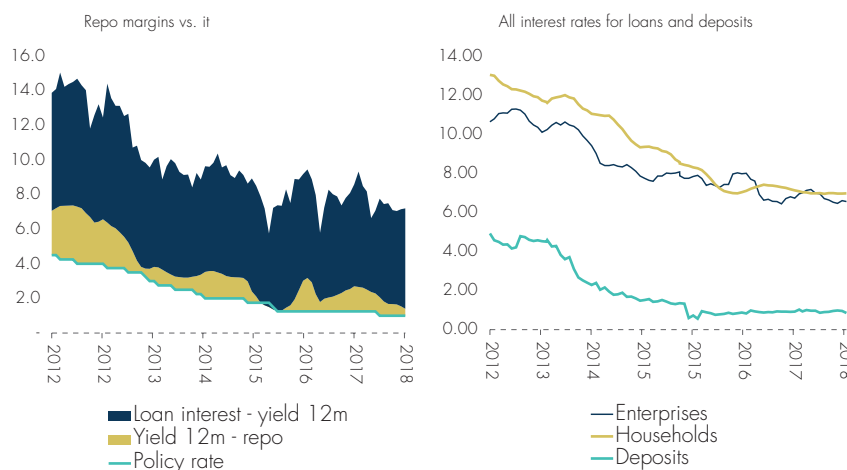


Source: Bank of Albania.

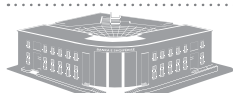
Government securities yields decreased slightly during 2018

Yields on Government securities were downward, driven by both easing monetary policy and reduction of borrowing in the domestic market. After the decrease of marginal rates in the first months of the year, the fall in yields accelerated in the next quarters. Following the issuance of the Eurobond in October, the government's financing demand in the domestic market declined,

Chart 23. Interest rates in lek



Source: Bank of Albania.



reinforcing the downward trend of yields. The 12-month yield resulted 2.0% in average during the year, from 2.4% registered in the previous year. During 2018, the implementation of a pilot project for issuing 5-year benchmark bonds through development banks of the market. Daily trading and quotation of this bond has contributed to the reduction of premiums in long-term maturities and the smoothing of differences between the yields of these maturities. The yield curve at the end of the year is presented with a moderate slope, mainly in the medium and long-term spectrum.

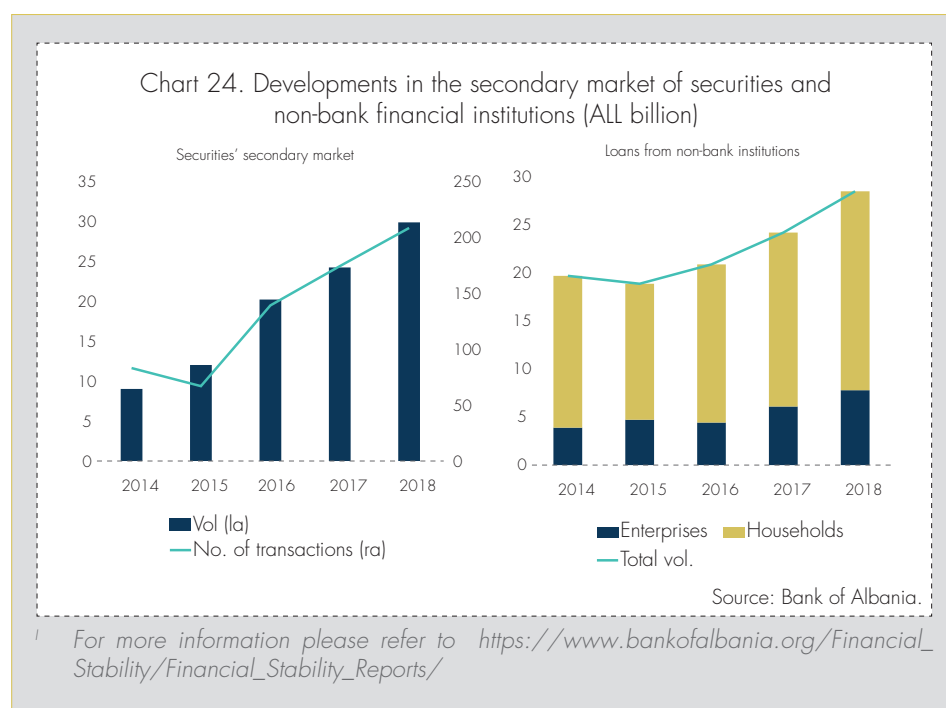
BOX 4 INNOVATIONS IN THE FINANCIAL MARKET DURING 2018

The financial system in Albania is dominated by the banking sector, while non-bank financial institutions have a modest share, albeit with an upward trend in the last five years.¹ The spectrum of saving instruments in the Albanian economy is limited, while the financing needs of businesses are met mainly by banks.

During 2018, the financial market in Albania progressed in some respects.

- *The volume traded on the secondary market of government securities increased (see Chart 24, left). In the framework of the joint initiative of the Government and the Bank of Albania to develop the financial markets, the issue of the 5-year benchmark bond started since July. This bond is continuously quoted, increasing the liquidity of this instrument and establishing a reference rate for the interests of government debt securities and the interests of other financial market products. This practice is also intended to be followed by other maturities in order to add reference points along the yield curve.*
- *Lending by non-bank institutions increased in the last two years, both in terms of the loan portfolio (see Chart 24, right) and in terms of the number of borrowers. The financial records of these institutions show that the loan portfolio increased by ALL 4.3 billion in 2018, or 18% compared to the previous year. (However, the loan portfolio of these institutions accounts for about 6% of the total bank financing for the private sector, indicating their small share in business financing.)*
- *In February 2018, the Albanian Securities Exchange ALSE sh.a. started its activity with the aim of creating an electronic trading platform that would enable the compliance of supply and demand for securities in Albania. This electronic platform aims to complement the lack of an organized stock market, where local businesses can raise funds as an alternative to banking sector financing. In its first year, this platform was used to trade government securities.*
- *A positive development in the capital market is the issuance of bonds from the private business. These issuances started in 2012 but there were mainly issuing financial institutions (banks, funds). In 2018, the first bond was issued by a business in the form of a private offer. Increasing the number of companies that use these instruments increases liquidity in this market. This will bring the development of capital market and its use as an investment opportunity and capital growth from businesses.*





Interest rates on loans and deposits in lek remained low

The average interest rate on new loans in lek was 7.0% in 2018, remaining close to the average rates of the previous year (7.1%). Credit interest rates for households decreased during 2018, while interest rates on loans to enterprises were approximately the same as in the previous year. Reduction of loan interest rates for households fell mainly in the financing of housing purchases¹⁵. Deposit interest rates fluctuate at minimal levels, while maintaining banks' financing costs low.

Lek appreciated further during 2018

The foreign exchange market is characterized by a strong appreciation of the lek during 2018. Following a gradual appreciation trend during 2016 and 2017, the lek exchange rate against the euro appreciated by about 4.9% this year. The appreciation of the lek peaked in the second quarter, reflecting the shocks this market experienced during this period (for more information, see Box 1).

Bank of Albania's intervention in the foreign exchange market curbed the rapid pace of exchange rate appreciation and restored the activity in the foreign exchange market within normal parameters. This intervention was mainly focused on the third quarter, which is characterized by increased foreign currency inflows due to the tourist season. In the following months, the lek exchange rate continued to appreciate, but at a moderate pace, in line with its seasonal behaviour. Demand and supply for foreign currency was more balanced and daily fluctuations of the exchange rate were bilateral. The appreciation of the lek was also observed against the US dollar. One US dollar was traded at ALL 108 on average, or 9.3% less compared to the previous year.

¹⁵ The average interest rate for households in 2018 decreased to 7% from 7.3% in 2017. The loan interest rate for housing purchase was 3.7% this year from 4.1% in the previous year.

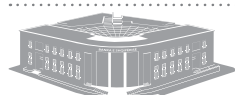
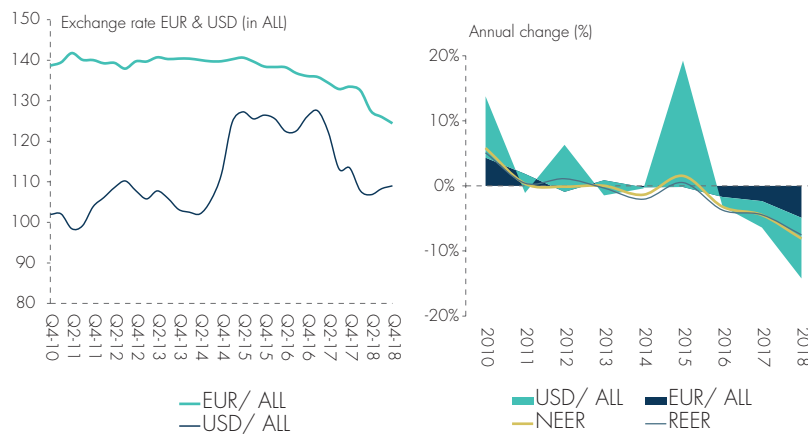


Chart 25. Developments in the exchange rate*



*In the annual change chart, the negative values indicate the appreciation of the lek against foreign currencies.

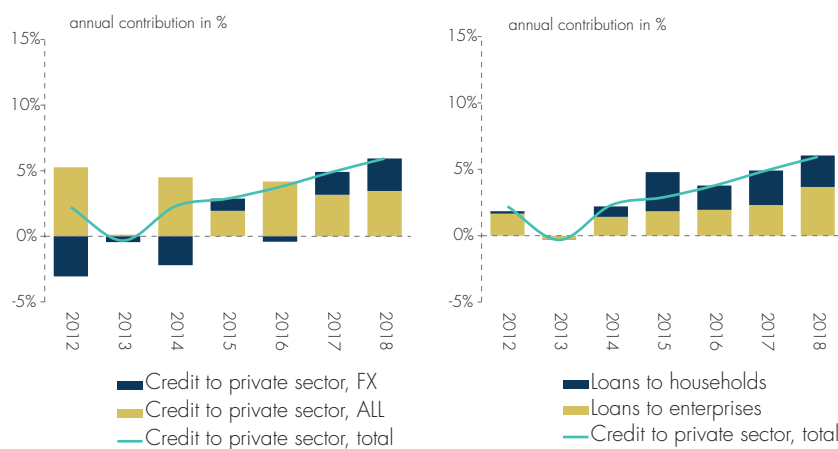
Source: Bank of Albania.

Lending activity appears to be slightly improved, supported by the steady growth of loans in lek

Credit to the private sector grew by 2% on average, reaching 35.2% of GDP¹⁶. The credit growth rate continues to be moderate, driven by the weak demand for loans by the private sector, conservative lending policies applied by banks, and the exchange rate appreciation effect. Excluding the latter effect, the average annual expansion for credit to the private sector stood around 5%.¹⁷

The accommodative monetary policy stance continued to maintain low interest rates and favourable lending conditions. Credit portfolio in lek continued to

Chart 26. Credit to the private sector (annual change in %)



Source: Bank of Albania.

¹⁶ The data of loans are adjusted for written off loans.

¹⁷ The following credit records are also adjusted for this effect.



contribute the most to the expansion of credit to the private sector. The average annual growth rate of this portfolio was at 6.6%. Credit in lek is channelled mainly to the segment of households. This portfolio grew steadily over the year, marking 8% average annual rate. Credit to households expanded, supported by the increase in both mortgage loans, and consumer credit. Sustainable demand and eased lending conditions in the segment of households remain factors with a positive impact on the growth of this portfolio.

Foreign currency loans showed an upward improvement, marking an average annual growth of 4%. The expansion of foreign currency loans mainly supports the financing of enterprises. This portfolio recorded an annual average increase of around 4%, showing greater sustainability in the segment of loans for investments and fluctuating performance in the segment of loans for liquidity purposes. Business credit continues to reflect the still unsustainable demand and relatively tight conditions of the banking offer for this segment.

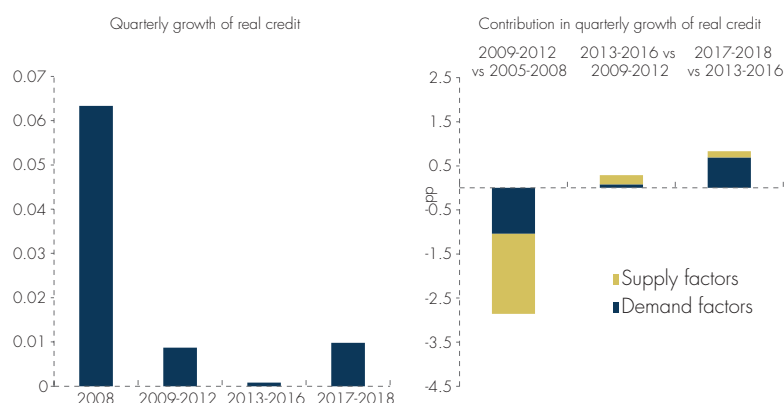
BOX 5 PERFORMANCE OF SUPPLY AND DEMAND FACTORS FOR LOANS

Credit performance is subject to ongoing analysis by the Bank of Albania, for its role in the monetary policy transmission mechanism, economic growth and inflation.

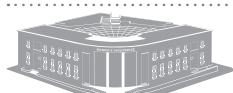
Over the last two years, lending activity has improved moderately, although the credit growth rate has not fully reflected the growth of economic activity and the reduction of risk premiums in the financial markets. Empirical studies¹ suggest that the recovery of lending activity is slow and its recovery lasts longer in time, especially after the financial crises that have originated as a result of rapid credit growth.

In this box, we will reflect the performance of supply and demand factors that have affected lending activity in Albania during 2017 - 2018. In order to evaluate the performance of supply and demand for loans during this period,

Chart 27. Contribution of supply-demand factors on credit growth



Source: Bank of Albania.



we have updated the empirical model of the study on lending determinants in the countries of the region.ⁱ Based on the relationship found between demand and supply factors and loans, the relative impact of these factors on the real growth of the loan was calculated. The chart below reflects the aggregate performance of demand and supply factors over three time-periods: the first period, immediately after the crisis, refers to the years 2009-2012; the second period refers to the years 2013-2016, and the third period is the one with most recent data, for 2017-2018.

The model results show that supply and demand factors have improved over the last two years. However, the relative improvement in loan demand is far faster than in loan supply.

- The improvement of demand was supported by the recovery of economic activity in the country, which has shown an acceleration of growth rates, contributing positively to the performance of loans.
- On the other hand, the marginal improvement in loan supply reflected the positive impact of the decline in the ratio of non-performing loans to the total as a credit risk proxy.

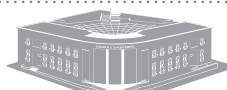
The analysis of the results of this exercise show that the recovery of credit demand factors is faster than that of supply-side factors. This performance is also confirmed by the results gathered from the bank lending survey. Banks report that they have tightened loan standards for enterprises and have eased standards for households, while credit demand is growing in both segments for the period 2017-2018.

According to banks, the factors that affect the tightening of standards for enterprises are: risk perception for this segment, limitations from the balance sheet, and banks' risk tolerance.ⁱⁱⁱ A different situation is observed in the performance of lending standards for households. Lending activity surveys show that since 2012, banks have steadily eased lending standards. Banks claim that almost all of the factors have positively impacted the easing of standards to households.

ⁱ For example, Antoshin S. et al 2017: "Credit Growth and Economic Recovery in Europe after the Global Financial Crisis" - IMF Working Paper WVP / 17/256.

ⁱⁱ This model is estimated for the period 2004-2016 and it explains the growth of credit to the private sector through demand factors (economic growth, banking system intermediation rate) and supply factors (the ratio of non-performing loans, deposits, foreign borrowing of banks, credit interest rate) and the exchange rate. The model is described in the working paper "Determinants of the credit growth in CESEE countries", prepared by E. Suljoti and S. Note Working paper- Bank of Albania 2017

ⁱⁱⁱ This factor was introduced for the first time in June 2018, in the framework of the review of the lending activity survey. For more information, see: https://www.bankofalbania.org/Monetary_Policy/Surveys_11282/Bank_Lending_Survey/

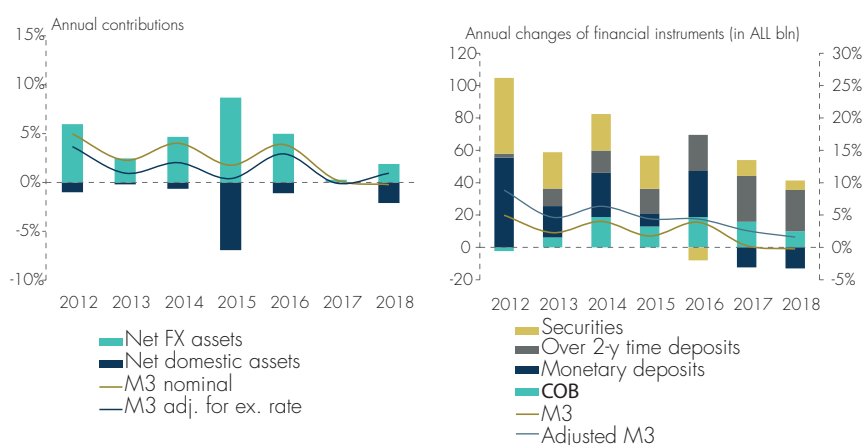


Monetary supply expanded at moderate pace over the year, reflecting the low monetary financing of the economy as well as the structural changes in money holdings

Broad money during 2018 reflected the low level of money creation in the economy, structural changes due to the shift of economic agents' deposits to maturities over two years¹⁸, as well as the effect of exchange rate appreciation. The broad money indicator, the M3 aggregate, recorded an average annual reduction of 0.4% during 2018. Structural changes in money reflect not only the shift towards long-term maturities, but also toward the liquid component, in the form of demand deposits and money outside banks. The latter ratio to the money indicator in lek, M2 aggregate, resulted in an average of about 36.3% over the year, or 1.6 percentage points higher than the previous year.

Deposits stock in the banking system expanded by around 1.1% in annual average terms during the year. At the end of the period, total residents' deposits are assessed at 68.4% of GDP. The largest contribution to deposit growth was given by foreign currency deposits, supported by high foreign exchange rates during the year. Deposits in lek have contributed to a lower extent, since a part of the domestic currency savings are channelled into government securities. In parallel, the shift from deposits with maturity under two years toward demand deposits and time deposits of over two years has continued. These categories account for 44% and 12% respectively of the total stock of deposits. Performance by economic agents confirms both household and enterprises deposit growth.

Chart 28. Monetary supply components and deposits in the banking system



¹⁸ Based on the Monetary Statistics compilation methodology, the broad money indicator includes currency outside banks and deposits (in all currencies) with a maturity of up to two years.

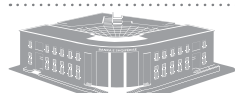


Table 3. Main macroeconomic and financial indicators

	2014	2015	2016	2017	2018*
Inflation (Average)					
Headline inflation (in %)	1.6	1.9	1.3	2.0	2.0
Core inflation (in %)	0.1	-0.2	0.2	0.8	0.9
Economic growth					
Real GDP growth (annual, in %)	1.8	2.2	3.4	3.9	4.3
GDP per capita (EUR)	3,443	3,556	4,043		
Labour Market ¹					
Participation rate in the labour force (15-64 years of age)	61.5	64.2	66.2	66.6	68.1
Unemployment rate (15-64 years of age)	17.5	17.1	15.2	13.9	12.4
Fiscal sector					
Budget Balance (including grants, % of GDP)	-5.2	-4.1	-1.8	-2.0	-1.6
Budget revenues (% of GDP)	26.3	26.4	27.6	27.7	27.4
Budget expenditure (% of GDP)	31.5	30.5	29.4	29.7	29.0
Public debt (% of GDP)	70.0	72.7	72.2	70.0	67.2
External sector					
Current account (excluding official transfers, in % of GDP)	-10.9	-8.7	-8.0	-8.1	-5.7
Imports of goods (fob, as a percentage of GDP)	31.6	29.9	30.9	31.3	29.4
Exports of goods (fob, as a percentage of GDP)	9.3	7.5	6.7	6.9	7.7
Foreign Direct Investments (% of GDP)	8.7	8.7	8.8	7.7	8.0
International reserve (in EUR million, end of period)	2,192	2,880	2,945	2,996	3,399
Monetary and financial sector					
Repo rate (end of period)	2.25	1.75	1.25	1.25	1.00
M3 aggregate (annual growth, end of period)	4.0	1.8	3.9	0.3	-0.2
Credit to the private sector (annual growth, end of period) ²	2.0	2.4	3.1	3.3	2.0
Deposit/GDP ³	73.0	72.6	74.1	71.3	69.0
Credit/GDP ³	37.1	37.0	37.1	36.4	35.2
12-month average yield	3.4	3.3	1.8	2.4	2.0
ALL/USD average exchange rate	105.5	126	126.0	119.1	108.0
ALL/EUR average exchange rate	140.0	139.7	136.1	134.2	127.6
NEER	112.1	113.8	110.2	105.2	96.8
Banking Sector					
Non-performing loans ratio/total loans (%)	22.8	18.2	18.2	13.2	11.1

Source: INSTAT, Bank of Albania, Ministry of Finance and Economy.

* Data on economic growth for labour market and the external sector are from the first 9 months of 2018.

** MFE Bulletin, 2018 Q4. ¹ / "Labour force survey results", published by INSTAT. ² / The data is adjusted for written off loans. ³ / GDP assessment for 2018.

2.2. MONETARY OPERATIONS

Open market operations are used for short and long-term liquidity management in the money market, with the main purpose of meeting the Bank of Albania's operational objective. This objective is defined in the Monetary Policy Document and aims at the orientation of short-term interest rates of the interbank market toward and close to the Bank of Albania's key interest rate and minimizing their fluctuations.

Interbank rates stood close to the key interest rate and showed low volatility during 2018. Overnight and one-week interest rates traded on the interbank market averaged 0.02 percentage points above the key interest rate. In contrast to previous years, the pressure to avoid the upper interest rate target were higher, as a result of the increased liquidity shortage in the banking system.



This deficit reached a maximum of ALL 50 billion in the second quarter and fluctuated ALL 28-46 billion in the third and fourth quarters of the year and was present in a considerable number of banks. Also, the concentration of excess liquidity in 1-2 banks of the system, lowered trading pressures below the key interest rate although this is less noticeable compared to the previous years.

Another feature of 2018 was the tendency for a relative increase of collateralized lending in comparison to non-collateralized lending. Trading in the interbank market for longer-than-one -week maturities are still not common this year.

In response to the banking system's need for liquidity, the Bank of Albania increased the average liquidity injected through open market operations about ALL 39 billion in 2018, from ALL 24 -34 billion over the past two years. In response to the increase of liquidity shortage, the Bank of Albania increased the share of injections up to 46%, from 19.3% and 39.4% in 2016 and 2017, respectively.

Table 4 Structure of liquidity injection operations by the Bank of Albania

	2011	2012	2013	2014	2015	2016	2017	2018
Annual average liquidity shortage (in ALL bln)	-14.2	-11.5	-17.3	-23.5	-27.1	-21.0	-32.5	-36.3
Main instrument	74%	55%	60%	64%	55%	80.7%	61.6%	54%
Long-term liquidity	26%	45%	40%	36%	45%	19.3%	39.4%	46%

Source: Bank of Albania.

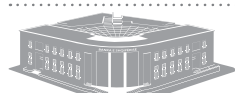
In 2018, the Bank of Albania carried out structural operations by purchasing and selling treasury bills of the Ministry of Finance and Economy, with the aim of reducing the concentration of 6-month issues.

In the activity of the securities portfolio management-through structural operations-and liquidity management of the banking system, the Bank of Albania aimed and managed to increase operations in the secondary market in contrast with operations in the primary market. During the 2018, about ALL 11.5 billion in treasury bills or about 20% of the securities portfolio were purchased in the secondary market. This figure increased, from ALL 9.3 billion in 2017.

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 2018 to 1.8 percentage points from 2.0 percentage points in 2017. Currently, the overnight deposit rate stands at 0.1% and the overnight loan rate at 1.9%.

The overnight deposit instrument was used every day during the second half of the year, meanwhile the average volume this year was ALL 4.55 billion. The use of overnight loan almost doubled during 2018, in 42 cases versus 20 cases in the previous year. The increase in the number of overnight loans



is mainly related to structural deficiencies in the interbank market, where the liquidity exchange is limited by the trading limits that banks have among each other. Despite the most numerous cases, the average amount used decreased to ALL 450 million compared to an average of ALL 1.1 billion in 2017.

REQUIRED RESERVE

The required reserve in lek is a monetary policy instrument that aims to adjust liquidity in the banking system and stabilise the interest rates around the key interest rates at the Bank of Albania.

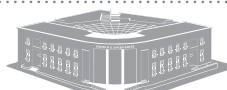
Under the de-euroization measures, the Bank of Albania changed the required reserve rate during 2018. The changes aimed at easing the reserve burden for the domestic currency. The reserve ratio for the domestic currency decreased by 10% uniformly for all types of liabilities, to 5.0% for accounts with a maturity of up to 12 months and 7.5% for accounts with a maturity of 12 months to 2 years. For foreign currencies, the rate rose to 12.5% and 20% depending on the exposure level of banks against foreign currency liabilities, applying a higher rate for banks with a higher exposure. The Bank of Albania decided that the additional funds that commercial banks had to block in foreign currency ought to be kept in ALL countervalue until June 2019.

Also, the Bank of Albania increased the daily use rate of the required reserve in lek to 70% by 40%, thus increasing the banks' possibilities to manage Lek liquidity. This new limit has been used on average by 4 banks, since the decision came into force in February 2018.

In order to increase the rate of monetary policy transmission, and in line with the European Central Bank standard, the remuneration rate of the required reserve in lek increased to 100% of the base rate, from 70%.

The remuneration of required reserves in foreign currency and remuneration of bank surpluses at the Bank of Albania has not affected regulatory changes. Starting from September 2016, the banks pay for the required reserve in euro an interest rate equal to the overnight deposit rate of the European Central Bank. This interest rate remained unchanged during 2018, and was negative at -0.40%. The remuneration rate on the required reserves in US dollars has been 0% since 2011.

The remuneration rate on the surplus reserves in lek and US dollars has remained 0% during 2018, like in the previous year. On the other hand, the interest rate remuneration of the euro surplus remained at the level set in 2016, at 0.25 percentage point lower than the ECB's deposit interest rate.



2.3. FINANCIAL STABILITY AND MACRO-PRUDENTIAL POLICIES

The Bank of Albania plays a primary role in achieving and maintaining the stability of the financial system in the country. The Bank of Albania fulfils this objective through the parallel execution of three important functions: the supervisory function that includes licensing, regulation and supervision of banks and other non-bank financial institutions¹⁹, the formulation and implementation of the macro-prudential policies, and the resolution in banks.

The supervisory function shall ensure that particular institutions are well-regulated, adequately manage the risk and carry out their activity in accordance with the legislation in force; while the resolution function aims at ensuring the continuity of the critical functions of banks in financial difficulties with the lowest costs for financial stability and public finances.

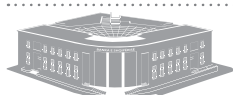
As the main authority for the implementation of the macro-prudential policy, through the use of macro-prudential instruments, the Bank of Albania tends to prevent systemic risks to the financial system and to increase the banking sector's resilience to these risks. This way, the financial system remains stable and capable of performing its role as a financial intermediary among economic agents, thus supporting the economic growth of the country.

2.3.1. BANK OF ALBANIA ACTIONS IN THE FRAMEWORK OF THE IMPLEMENTATION OF MACRO-PRUDENTIAL POLICY

In August 2017, the Bank of Albania approved the Macro-prudential Policy Strategy, which aims to take actions to prevent and mitigate systemic risk in order to guarantee a stable and efficient financial system. This document sets out the main and intermediate objectives of macro-prudential policy, macro-prudential policy instruments, and the most important indicators that can be used to monitor each of the objectives. The Strategy Document defines the cycle of macro-prudential policy and the role of certain structures of the Bank of Albania for its pursuit. This document recognizes the Bank of Albania as an authority with a primary, but not exclusive, authority in terms of formulating and implementing macro-prudential policy. In view of the implementation of the Strategy, during 2018, the Bank of Albania has focused on: a) the development of macro-prudential policy instruments; b) building early warning systems for systemic risks; and c) improving transparency and communication with the banking industry and the public.

a) *Development of macro-prudential policy instruments*

¹⁹ Pursuant to the definition of Law "On banks in the Republic of Albania".



Package of measures to strengthen the use of the domestic currency

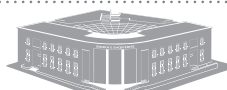
During 2018, the Bank of Albania worked to review the regulatory framework and to implement the institution's obligations under the Memorandum of Understanding with the Ministry of Finance and Economy and the Financial Supervisory Authority (April 2017), to strengthen the use of the domestic currency within the financial system and the Albanian economy (also known as the de-euroization package). A higher use of the domestic currency in the Albanian economy prioritises the effectiveness of the economic policies and reduces the financial risks. In line with these conclusions and in accordance with the policy "On increasing the use of the national currency (ALL) in the activity of banks and financial institutions," approved by the Supervisory Council of the Bank of Albania²⁰, during 2018, the Bank of Albania²¹ approved some regulatory changes. These changes include (i) lowering the required reserve ratio for deposits in lek and increasing the required reserve ratio for foreign currency deposits, (ii) raising the required minimum level of the ratio of liquid assets to short-term foreign currency liabilities, and (iii) setting out requirements to increase transparency on foreign currency loans related to the risks attributed to the borrower. The measures came into force at a differentiated time during 2018 H1. Euroization is present across the entire Albanian economy thus its treatment requires coordinated and multi-dimensional efforts at inter-institutional level.

Macroprudential capital buffers

In formulating and implementing the macro-prudential policy, the Bank of Albania is guided by the best international standards and practices. One of the most important blocks of macro-prudential instruments that has been implemented in many countries, including countries of the European Union and the Balkan region, is the one that creates macro-prudential capital reserves / buffers. These capital buffers aim to mitigate the systemic cyclical and structural risks of banking activity and include the conservative capital buffer, countercyclical capital buffer, capital buffer for systemically important banks, and capital buffer for systemic structural risk. During 2018, the Bank of Albania has prepared a draft regulation for the implementation of macro-prudential capital buffers; it has prepared methodologies that detail the implementation of some of them; it has consulted these documents extensively with the banks and has published them on its website for a wider public opinion. The draft regulation is expected to be reviewed by the Supervisory Council of the Bank of Albania within the first half of 2019.

²⁰ Decision of the Supervisory Council dated 07.02.2018, No. 9, "On the Approval of the Policy" On Expanding the Use of National Currency in the Activities of Banks and Financial Institutions".

²¹ Decisions of the Supervisory Council, dated 07.02.2018 with no.10, no.14 and no.15: "On the approval of some amendments to the regulation" On the minimum required reserve held at the Bank of Albania by banks"; "For an amendment to the regulation" On liquidity risk management "; "On Amendments to the Regulation" On Transparency of Banking and Financial Products" and the Decision dated 04.04.2018, No. 27 "On Amendments to the Regulation on Consumer Credit and Mortgage Lending".



By adopting the regulatory and methodological package for macroprudential capital buffers, the Bank of Albania simultaneously addresses three of the intermediate objectives of the macroprudential policy presented in the Macroprudential Policy Strategy: mitigation and prevention of rapid growth of lending and debt, limitation of direct and indirect concentrations of exposure and the restriction of excessive risk undertaking by systemically important financial institutions.

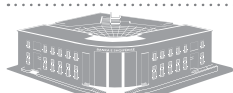
Table 5. Intermediate objectives and the expected effects from the implementation of macro-prudential capital buffers

Intermediate objective	Instruments	Transmission channels/ Expected effect from the instrument/measure
Mitigation and prevention of fast expansion of lending and borrowing	Establishment of countercyclical capital reserves (countercyclical capital buffers)	Increases the resilience of banks; it may decrease the credit growth rate, because of the higher funding costs;
Limitation of direct and indirect exposure concentrations	Establishment of capital reserves for systemic risk (capital buffers for systemic risk)	Increases banks capability to absorb losses; increases the funding costs and limits concentrations
Limitation of excessive carried on risk by financial institutions with systemic importance.	Establishment of capital reserves for systemic risk (capital buffers for systemic risk)	Decreases the probability and size of the impact of the failure of systemically- important banks ; strengthens the resilience of banks

The simultaneous application of these requirements to banks is expected to result in increased banks' resilience to potential shocks, increased banks' capacity to absorb losses and reduce probability of failure and the size of systemically-important banks. Macroprudential capital buffers represent a fundamental step towards approximation with the relevant European Union standard, such as the Directive 2013/36 / EU "On capital requirements", the relevant technical standards published by the European Banking Authority and the recommendations of the European Systemic Risk Board.

b) Building Early Warning Systems

An important condition for the success of macroprudential policies is the use of early warning systems for systemic risks in the financial system and the banking sector. This process implies building and using a number of significant indicators of macroeconomic and financial activity classified according to the intermediate objectives of the macroprudential policy and the monitoring of the performance of these indicators to critical values, whose exceedance signals accumulation of systemic risks. This analytical package is known as the Macroprudential Map. While the Bank of Albania has consistently used Financial Health Indicators developed according to international methodologies to monitor various aspects of the banking and financial activity and to identify systemic risks, the Macroprudential Map represents an added value for the analysis of financial stability, for identifying systemic risks and for monitoring the



effect of macroprudential measures. The monitoring of macroprudential map indicators started in the first quarter of 2018, while the presentation of the Map and the preliminary analysis model were carried out during the second half of the year. After testing the indicator signalling capacity we will consider the possibility of publishing the Macroprudential Analysis and the accompanying analysis in an adequate form. Building and analysing the Macroprudential Map serves to the first step of the macro-prudential policy cycle: identifying risk and assessing it.

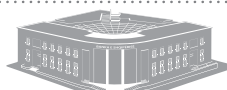
c) Transparency and communication

The Bank of Albania, in compliance with its legal obligations, vision, values and principles aims to provide the highest level of transparency and communication in terms of formulating and implementing macroprudential policy. During 2018, the Bank of Albania worked to improve the communication with the public regarding the methods and instruments used by the Bank of Albania for the evaluation and addressing of systemic risks. One of the information blocks used by the Bank of Albania for the analysis of financial stability and monitoring of systemic risk is the database from the surveys on financial situation and debt burden of households and enterprises. In the Financial Stability Report for 2018 H1, these surveys' analysis and data were published for the first time.

2.3.2. HIGHLIGHTS IN THE BANKING SECTOR AND THE FINANCIAL SYSTEM

The activity of the banking and financial sectors during 2018 was stable and was conducted under favourable macroeconomic conditions. Monetary policy continued its accommodative trend in 2018, supporting the further fall of interest rates on deposits, loans and government securities. Public sector supported by the external borrowing has created conditions for the expansion of credit from domestic banks to the private sector.

At the end of 2018 Q3, due to the faster growth of the economy compared to the growth of financial activity, the share of financial system assets to GDP fell to about 97% from 99.5% at the end of 2017. The aggregate balance of non-bank financial institutions, insurance companies, savings and loan associations and supplementary private pension funds expanded in annual terms; the balance of the banking sector slightly increased, while the balance of investment funds decreased due to the decline in the volume of investments of these funds in government securities. The banking sector, which has over 90% of the financial system's assets, ended 2018, with a positive financial result, with a good capitalization level, with excessive liquidity, at levels higher than those required by the relevant regulation, and with a better credit quality compared to the previous year.

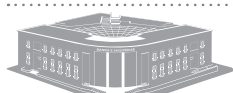


During 2018, domestic banks expanded their activity in security transactions, while customer transactions (credit) and treasury and interbank transactions shrank. Despite slow credit growth, the banking ended 2018, with a positive financial result of about ALL 18 billion, which is somewhat lower compared to the previous year. Net interest income continued to represent the main source (about 70%) of the banking sector's income. These revenues were almost the same as those of 2017, as income and interest expenditures remained at the same level of the previous year. Other sources of income included fees and commissions, as well as reversals of provisions for investments in other financial assets. Profitability indicators dropped slightly, but continue to remain at satisfactory levels.

The banking sector's capital adequacy ratio increased to 18.2%, from 17% in the previous year. The majority of banks' adequacy ratio is higher than 15%. The increase of capitalization came mainly from the decline in the volume of risk-weighted assets as a result of regulatory changes undertaken during the year, while the regulatory capital of banks slightly declined. The liquidity situation of the banking sector continued to be stable and the liquidity ratios in both lek and foreign currency are higher than the minimum set in the regulation. By the end of 2018, the outstanding deposits held by the banking sector was about two times higher than the credit provided by the banking sector to households and to public and private non-financial corporations.

As at end-2018, the overall outstanding loan was about 3% lower than in the previous year. Credit stock fell due to the withdrawal from the balance sheet (as a result of write off and sales) and the repayment of a part of non-performing loans (as a result of the moderate performance of the new loan) and the appreciation of the domestic currency which gave a statistically significant effect on the contraction of the reported value of the foreign currency loan. The latter, fell by 4%, while credit in the original currency euro (which accounts for over 90% of foreign currency credit) grew by about 5%. Excluding the value of write off loans and the exchange rate effect, the annual growth of outstanding loans would be about 2%. The amount of new credit to households during 2018 was comparable to that of the previous year, while the new credit to enterprises was about 5% lower.

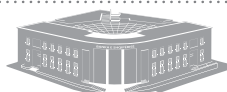
Credit risk continues to represent the main risk of banking and financial activity, but this risk decreased during 2018 as a result of the measures taken by banks to write off and restructure the non-performing loans and as a result of stronger risk monitoring for lending to enterprises over the past few years. The coverage of non-performing loans with provisions and capital and the coverage of outstanding loan with collateral remained at adequate levels. By the end of 2018, the ratio of non-performing loans (NPLs) was 11.1% from 13.2% in the previous year, while the non-performing loans ratio reduced by 20%. The greatest improvement in credit quality was recorded for loans in lek, loans to enterprises, long-term loans and loans to the trade sector. Loans to enterprises and foreign currency loans continue to have a weaker quality



compared to loans to households and loans in the domestic currency. The agricultural sector has the lowest level of NPLs, whilst the industry sector has the highest level of NPLs. The weight of unhedged foreign currency credit to foreign currency credit and total credit remained almost unchanged, but the quality of this loan improved considerably during 2018. This improvement was a result of write offs and restructuring, while the strengthening of the domestic currency may have had a positive impact on the solvency of foreign currency borrowers whose revenues are in lek.

The liquidity risk continues to be low and under control. The minimum liquidity rates by currency are regulated by regulatory acts of the Bank of Albania. Moreover, the liquidity ratios by currency, both for the sector and for individual banks, continued to remain significantly above the minimum levels set by the relevant regulation. The liquidity stress test, which is conducted once a year shows that the banking sector and individual banks have sufficient reserves in total and in each of the three major currencies (lek, euro, US dollar) to cope with extreme liquidity shocks over a two-year time horizon. The main source of financing lending activity is public deposits, which are about two times higher than outstanding loans, both in the domestic and in the foreign currency. Over the last two years, the share of demand deposits and current accounts to total deposits increased from 40% to 44%. The weight and volume of time deposits continued to fall, in response to low interest rates. On the one hand, a significant share of current accounts and demand deposits impels banks to maintain high levels of liquid assets and, on the other hand, to encourage long-term or high-risk investments in order to provide higher returns. Data in this regard show that the growth of risk-weighted assets was significant in the period 2008-2016, but decreased over the last two years. On the other hand, although the share of long-term loans to outstanding loans increased by 4 percentage points, to 44%, the residual maturity for the banking sector's financial assets did not show significant changes over the last two years.

Market risks represented by the risk arising from the change in the interest rates and the direct and indirect risk arising from movements in the exchange rate continue to remain low but present. Throughout 2018, the banking sector held more assets than rate-sensitive liabilities. Keeping a positive spread between assets and liabilities with variable interest rates exposes banks to interest rate risk if the rates fall abruptly. When the net position to regulatory capital ratio is low, and has decreased in 2018 H2, and when interest rates continue to remain at low historical levels, exposure to possible shocks from interest rates is estimated to be limited. The direct risk from exchange rate fluctuations in the banking sector's balance sheet remains low, as the ratio of net open foreign exchange position (purchase) to regulatory capital remains low and significantly below the upper regulatory limit of 30% for all currencies and 20% for specific currencies. But, the indirect foreign exchange rate risk is significant. The transmission channel of this risk remains the high presence of foreign currency credit to unhedged borrowers. At the end of 2018, the outstanding loan did not change and remained close to the lowest historical levels, accounting for



24.3% of the total outstanding loans. Maintaining incentives for higher use of the domestic currency in the financial system and the real sector of the economy is necessary to reduce this risk.

Concentration risk by activities and products offered by the banking sector continues to be low. At the end 2018 Q3²², the Bank of Albania approved the merger by absorption of Intesa Sanpaolo Albania sh.a. with Veneto Banka sh.a. and the American Bank of Investments sh.a. with NBB Bank Albania sh.a. Both Veneto Bank and NBB Bank belonged to the group of small banks and accounted for 1.7% and 2.4% of total banking sector assets. Their absorption by a large bank and a medium-sized bank, respectively, consolidates the banking activity and is expected to be accompanied by improved efficiency. The decline in the number of banks from 16 to 14 did not lead to changes in the concentration indicators of the banking sector according to the main balance sheet items and bank activity, as none of the banks involved in the absorption had a dominant position on indicators or specific activities.

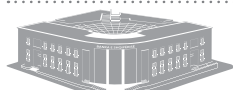
BOX 6 MEASURES OF THE BANK OF ALBANIA TO STRENGTHEN THE USE OF DOMESTIC CURRENCY IN BANKING ACTIVITY

In the framework of the Memorandum of Cooperation with the Ministry of Finance and the Financial Supervisory Authority, signed on 18 April 2017, the Bank of Albania undertook a package of concrete measures to stimulate the use of lek. The package of measures, which was adopted by the decision of the Supervisory Council of the Bank of Albania in February 2018, consists of the following main elements: i) the adoption of a policy document on the expansion of the use of the domestic currency in the bank and non-bank activity supervised by the Bank of Albania, ii) the differentiation of the required reserve for foreign currency liabilities; iii) a higher level required for foreign currency liquidity indicators; iv) raising the awareness of borrowers about the risk posed by foreign currency credit.

Thus:

- i. Approval of Policy "On increasing the use of the national currency (ALL) in the activity of banks and non-financial institutions, subject to the Bank of Albania regulation and supervision."*
- ii. In order to increase the share of the use of the domestic currency and, at the same time, extend the maturity in the structure of liabilities of the banking sector, the Bank of Albania decided to differentiate the required reserve rateⁱ for the categories of liabilities included in the reserve requirement base as follows:*
 - 7.5% (from 10% previously) for liabilities in lek with a maturity not longer than 12 months;*

²² Decisions are published in the Official Bulletin, Volume 20, Issue 5, October 2018. Approved with Decision of the Supervisory Council No. 60, dated 6.09.2018 "The preliminary approval for merger by absorption of the Intesa Sanpaolo Albania sh.a. with Veneto Banka sh.a."; Decision of the Supervisory Council No 61, dated 6.09.2018 "The preliminary approval for merger by absorption of the American Bank of Investments sh.a. with NBB Bank Albania sh.a.".



- 5% (from 10% previously) for ALL liabilities with an initial term of more than 12 months to 2 years;
 - 12.5% (from 10% previously) for foreign currency liabilities when these account for less than 50% of total liabilities;
 - 20% (from 10% previously) for the foreign currency liabilities of over 50% of total liabilities.
- iii. For a more cautious management of liquidity risk, the Bank of Albania decided to increase the minimum regulatory requirement for the ratio of liquid assets in foreign currencyⁱ to short-term foreign currency liabilities at 20%. The minimum required ratio level for lek remained at 15%.
- iv. To raise borrowers' awareness regarding credit risk due to unhedged borrowing in foreign currency, the Bank of Albania required by other commercial banksⁱⁱⁱ to:
- Make a proposal to the borrower, when the client applies for loans in a currency other than that of his income, for an alternative loan in the same currency of his income, and provide him a concrete example on how the loan installment changes in the case of lek depreciation and / or increase of interest rate (with defined values);
 - Include in the new contracts of foreign currency loans (or newly restructured) the option to use mechanisms that mitigate market risk for the borrower when the conditions agreed between the bank and the borrower are met.

The measures entered into force gradually until June 2018. Since that period, in order to assess the impact of the measures, the Bank of Albania has published a special report every six months.

ⁱ Bank of Albania's Supervisory Council Decision No. 13, dated 07.02.2018 "On the approval of the reserve requirements rate held by banks with the Bank of Albania".

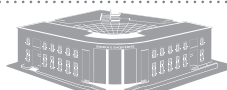
ⁱⁱ Bank of Albania's Supervisory Council Decision No. 14, dated 07.02.2018, "On an amendment to the regulation on liquidity risk management".

ⁱⁱⁱ Bank of Albania's Supervisory Council Decision No. 15, dated 07.02.2018, "On amendments to the Regulation "On transparency of banking and financial products and services".

2.4. SUPERVISION

The supervision function remains an important instrument of the Bank of Albania in fulfilling its legal and institutional mission. A main pillar of the institution, this function keeps under control the developments of the financial system and its operators. Safeguarding the financial health of financial institutions - bank and non-bank financial institutions- is of primary importance, taking into account the high share of these actors in the financial stability of the country. This goal is aimed to be achieved by expanding their controlling from licensing to the creation of regulatory infrastructure and on site supervision.

The Bank of Albania remains committed to exercise this function by taking into account all developments at micro and macro level, both domestically and internationally, to assess the impact on the health of domestic stakeholders and timely intervention to address the issues.



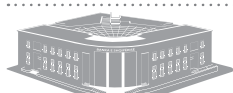
2.4.1. MAIN DEVELOPMENTS

The Bank of Albania signed a Memorandum of Understanding with the European Central Bank (ECB) in the field of banking supervision. Its signing enables the Bank of Albania to establish a more structured and formalized cooperation relationship with the most important financial institution of the European Union. It establishes the way the two institutions will cooperate, by providing exchange of information and conducting effective supervision, and paves the way for full participation in the supervisory colleges for relevant European banks in Albania.

In the framework of cooperation with counterpart authorities, the Bank of Albania has participated in three supervisory colleges organized for European banking groups that operate in Albania. Even though the Bank of Albania participated in the collage under the observer status, the estimations regarding the activity of subsidiaries in Albania are considered and conveyed in the framework of risk management at the group level. Also, during 2018, there was a regular flow of information on the assessment of the group recovery plan, as well as on the definition of capital requirements. In the framework of co-ordination of supervisory activities, this year, a joint (targeted) inspection was carried out with the ECB supervisors in one of the banks from EU-based groups.

During 2018, we can mention some developments in the ownership structure in the banking system, related to consolidation in the banking market, bringing the number of banks of the system to 14 and, with the eventual materialization of the changes under way, potentially to 12. In this context, the following events were materialized:

- The process of merging by absorption for two of the banks of the system. More than an internal market need, the process was dictated by developments in the country of origin of two banks. Thus, Intesa SanPaolo Bank sh.a. acquired and merged with Veneto Bank sh.a. in Albania, after Veneto Bank declared bankruptcy and was acquired by Intesa Sanpaolo Bank in Italy.
- The American Bank of Investments acquired and merged with NBG Bank Albania. This event was supported by the banking system restructuring plan in Greece for the reduction of exposure outside Greece, agreed between Greek authorities and international partners as part of Greece's economic crisis bailout package.
- The Union Bank has concluded an agreement to purchase the shares of the International Commercial Bank. This event was determined by the decision of ICB's shareholders to leave the Albanian market as well as from the Union Bank's early ambitions to expand in the domestic market through the absorption of an existing bank.
- Tirana Bank, formerly part of the Piraeus Group, for the same reasons as in the case of NBG Bank, concluded its sale of shares to Balfin Group shpk and Banka Komercijalna A.D. Skopje. This transaction



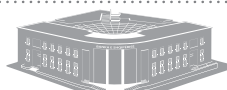
was approved by the Supervisory Council of the Bank of Albania in February 2019 and will come into force after receiving approval from the Hellenic Financial Stability Fund.

- Societe Generale Albania Bank realized the sale to OTP Bank Nyrt bank from Hungary, as part of Societe Generale parent bank's strategy to withdraw from the Balkan region in general.
- Lastly, the Credit Bank of Albania shareholders have decided on the voluntary liquidation of the bank, a process that is expected to be finalized during the first half of 2019.

The above-mentioned events are the materialization of emerging trends in recent years for the consolidation of the banking market and the majority of expected changes has already taken place. These changes raise the share of domestic capital in the market. This is expected to give an impetus to the banking activity, but, at the same time, it may bring a higher risk, requiring supervisory attention to be focused on safeguarding the quality of risk management and financial health indicators.

Exposure to credit risk, identified as the main risk on the basis of the volume and weight of the activity, the impact on banks' financial position and the dominant capital demand, declined significantly. The main indicator of non-performing loans to total loan portfolio was 11.1% at the end of 2018, thus being approximated to the same period of a decade ago. The indicator decreased by 2.15 percentage points when the non-performing loan portfolio reduced by about ALL 15.2 billion, or about 20%, as a result of events related mostly to the sale of non-performing loan portfolios and their write off from the bank balance sheets. Aside from what the non-performing loans indicator presents, in the last two years, the absolute value of non-performing loans declined significantly. In 2017, non-performing loans decreased by about ALL 30 billion and in 2018 by ALL 15 billion, a total of ALL 45 billion for 2 years or 41.3%.

Another supervisory measure is being considered to be undertaken in 2019, to reduce the regulatory requirement for the forced write off of loss loans, from three years that it is currently to two years. Despite the continued reduction of the risk to this exposure, the Bank of Albania, as part of its approach to address the issues in a stable and inclusive manner, remains committed to fulfilling all its commitments under the Action plan for reducing non-performing loans. For this purpose, it has also compiled a draft-regulation on the out-of-court addressing of borrowers, which the Bank of Albania has been discussing with other banks in several meetings and through written communication. The exchange of opinions and their reflection on the draft regulation has taken time from all parties due to the complex nature of establishing a stable and regulated co-operation form among banks. Meanwhile, in the meetings organized with banks, important issues have been discussed in view of credit risk management, such as the use of borrowers' official financial statements to support their loan application and the study of Deloitte on the financial sustainability of the largest enterprises in the country, funded by the FinSAC project of the World Bank.



An important matter of the national plan of measures for reducing non-performing loans was the use of official financial statements in assessing the credit risk of borrowers. While this matter was addressed for large exposures of banks by the regulation "On the risk management for large exposures of banks", in 2018, this requirement was extended to all types of borrowers. Since banks were already aware of this measure, through written form by the Governor of the Bank of Albania, it was brought to attention this request and its implementation was monitored continuously by our Supervision Department during on-site supervision.

In the framework of the national plan for the reduction of non-performing loans, another task of the Bank of Albania was the improvements in the Credit Registry. In addition to the improvements realized in 2016 within the institution, a working group has been set up to expand the database in order to harmonize credit reporting in accordance with international standards. Meanwhile, the Bank of Albania is part of the discussion process for the establishment of the Credit Bureau, with representatives from the European Bank for Reconstruction and Development and the Albanian Banking Association.

There is still room for review and discussion of the "Internal Capital Adequacy Assessment" document, as well as of the "Recovery Plan", presented by each of the banks. These two documents represent a complete self-evaluation of the capabilities of the bank to monitor and cope with the risks levels that arise during casual activity, and to recover from a difficult financial situation.

- The process of internal capital adequacy assessment is a novelty for both banks and supervisors and as such it requires a long-term commitment. The first assessment of this document pointed out the quantitative effects calculated by banks, compliance with regulatory requirements and some shortcomings for a wider and more qualitative inclusion of risks with potential effects on capital requirements.
- In 2018, recovery plans were subject to enhanced regulatory requirements, whilst their assessment is conducted in close communication with banks, as well as with the World Bank's valuable assistance. Plans drafted by Banks had a qualitative increase, though there are still elements that need to be improved for a better integration with the internal risk management framework, and with strategies and objectives at individual and group level.

In terms of improving supervisory processes, the Bank of Albania remains committed to finalizing two projects assisted by EBRD and VWB. More specifically, with the assistance of the European Bank for Reconstruction and Development, an assessment was conducted on the internal supervisory procedures on risk assessment, mainly organizational and credit risk, as well as of the regulatory framework for this purpose, accompanied by concrete proposals for change. A plan was drafted for their implementation based on the assessments on the proposed changes. The other documents is on the communication and



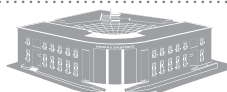
exchange of information and evaluation of external auditors in order to improve the monitoring of banks and auditors. This document is drafted with the assistance of World Bank and Grant Thornton.

During 2018, based on the already known regulatory changes regarding the additional requirements for reporting by financial entities of quantitative and qualitative data, in accordance with international standards and the recommendations by the Moneyval experts' during the fourth round of assessment on Albania, the Bank of Albania continued with an assessment of the entities' exposure to money laundering and terrorism financing risk. The external assessment presents a generally average exposure of the banking system, while for other entities this risk is high. The results of this assessment are taken into consideration for the drafting of supervisory plans for the most exposed entities such as Foreign Exchange Bureaus. During 2018, 23 of such were inspected for PPP / CFT. For seventeen of them, supervisory and administrative measures were taken for the identified shortcomings.

In the first part of the year, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) completed the fifth round of the assessment of Anti-Money Laundering and Terrorism Financing Measures, a process that was initiated and reported since 2017. The assessment, where the Bank of Albania has played a special supporting role in the position of the supervisory institution for the majority of the financial market, ended in July 2018, with the passing of the evaluation report at Moneyval's plenary meeting. According to this report, financial entities were assessed with a "substantial / significant" level of effectiveness, in particular when banks present a good understanding of the risks of money laundering and terrorism financing and of legal obligations, and have generally taken appropriate measures, in proportion to the estimated level of risk, regarding the prevention of money laundering and terrorism financing. The evaluation process included also a plan of measures aimed at addressing the main problems identified in the report, whose fulfilment will continue during 2019.

Cooperation with General Directorate for the Prevention of Money Laundering during the year continued more intensively. This cooperation materialized in the framework of Moneyval's assessment process, joint inspections as well as contribution towards revising the legal framework for money laundering prevention issues.

Finally, in support of its mission, the Bank of Albania continued its normal activity: monitoring the financial system, mainly banks through on-site inspections and of-site examination, assessment of the level of exposure to individual risks and monitoring their administration as well as reviewing / improving the regulatory framework, licensing of subjects, or additional activities.



2.4.2. ON-SITE INSPECTIONS

Full and partial inspections were conducted during 2018; in 7 banks, 10 non-bank financial entities, and 31 Foreign Exchange Bureaus. The main focus and sources are focused on bank inspections, which play a significant role in the financial market activity. Special attention was paid on banks in purchasing / merging processes, or banks with high growing rates. Meanwhile, the above-mentioned inspections, for 5 banks, for 7 non-bank financial entities and for 8 Foreign Exchange bureaus were conducted in cooperation with the General Directorate for the Prevention of Money Laundering and inspection in a bank was conducted in cooperation with the Financial Supervisory Authority.

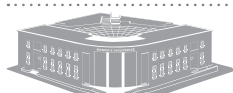
Table 6 Number of inspections by entities and topic

Inspections of entities	Strategic risk	Organisational risk	Credit risk	Liquidity risk	Interest rate risk	Market risk	Information and Communication Technology	Operational risk	Reputational risk	Profitability	Capital
2016*	6	7	8	6	7	7	7	7	8	6	8
2017	9	12	13	10	10	9	11	8	11	10	11
2018	8	10	9	8	8	8	9	8	48	9	8

* In 2016, 14 joint inspections were carried out with the Deposit Insurance Agency (ASD) in the Loan and Savings Association, where the Bank of Albania's presence reflected the support towards ASD.

The recommendations from inspections, focused on the following main areas:

- Increase of the importance of the steering council in drafting strategic plans (including planning of needs for capital), as well as the oversight of their implementation.
- Assurance of a proper relationship between dependent and independent members of the Steering Council.
- Adaptation and completion of the organizational structure in accordance with the growth pace of the activity and provision of appropriate incentive and reward systems.
- Strengthening internal audit systems, increasing the quality of work and independence of audit structures.
- Careful implementation of investment policies, by avoiding complex instruments with no known ranking.
- Careful handling of related borrower groups, as well as strengthening eligibility criteria during financial analysis of loans; reclassification of borrowers and creation of additional reserve funds.
- Deepening the analyses related to liquidity risk and interest rate risk.
- Increasing support from Information and Communication Technology,



- strengthening the safety programs, regular risk assessment, review of the continuity plan, staff increase, etc.
- Accurate application of regulatory requirements for calculating capital indicators.
- Increase of attention in terms of PPP measures, application of automated monitoring systems, staff training, etc.

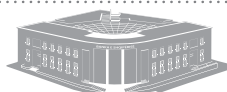
Banks generally reacted in due time regarding all recommendations, taking appropriate measures to ensure compliance with regulatory requirements at all times.

With regard to non-bank financial entities, the focus of 2018 has been on entities that are part of banking groups, in order to comprehensively assess these groups. Overall, the results were positive, evidencing a careful management of risks across the group, in line with regulatory restrictions for related parties. Micro-credit and payment services institutions were also at the focus of supervision in this year. Issues identified during the inspections are related to the re-classification of the loan portfolio and their relevant effects in the financial statements, risk management from open foreign exchange positions, improvement of the internal governance framework, internal audit systems, etc. The on-site supervisory process for these subjects is also focused on assessing the level of transparency with customers, where it has been stated that the entities with consolidated experience in the market generally present a higher level of transparency and attention to customer complaints. Newer entities, in spite of respecting the legal and regulatory requirements, still need some improvement regarding their level of transparency. At the end of the inspections, recommendations were left for making necessary improvements.

Part of the supervisory process is also the follow-up of the implementation of the recommendations, as well as the quick reaction in cases of potential risks or violations of indicators reported by bank and non-bank institutions. In 2018, besides on-site inspections, there were frequent correspondence and contacts with all subjects in response to events or developments with potential impact on their financial situation, coupled with specific supervisory measures and requirements. The Bank of Albania has also been attentive to international developments, notably the Turkish Crisis, during the past year, regarding which restrictive and preventive measures were taken for banks with exposures in this country.

2.4.3. REVIEW OF THE LEGAL AND METHODOLOGY FRAMEWORK

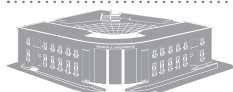
Through the review of the supervisory and regulatory framework, during 2018, the Bank of Albania aimed at completing and further improving it, in order to ensure more effective supervision in compliance with the legal requirements. The review of the regulatory framework was based on the approximation of the most recent developments in the legal and regulatory acts of the European



Union (EU) and Basel documents, and by considering the issues identified by supervisors during the oversight of entities and suggestions made by the latter, in the context of an ongoing communication with them.

Below are some of the major regulatory changes during 2018, namely:

- Amendments to the regulation “On consumer credit and mortgage credit” were adopted, in order to further align with the requirements of the EU Directive 2014/17, which aimed at the continuous strengthening of supervisory requirements for consumer protection. The amendments set additional requirements for the existence of the consumer’s right, to replace the collateral with another collateral, upon the meeting of certain conditions; for the bank to offer some options / alternatives (if any) to mitigate the exchange rate risk for the consumer; for the provision of the consumer’s right to demand conversion of the credit in the currency in which his income is, if the conditions are met, based on the bank’s analysis or estimates; for the presentation of an illustrative example for the consumer, as part of the pre-contractual information, to raise awareness of the exchange rate risk, etc.
- In the framework of the Bank of Albania’s initiative to increase the use of the national currency and to reduce the use of foreign currencies (de-euroization) in the Albanian financial system, some amendments to the supervisory regulations were adopted:
 - In the regulation “On Liquidity Risk Management”, the change consisted in the increase of the minimum required level, for the indicator of liquid assets to short-term foreign currency liabilities, from 15% to 20%, while the minimum level of this indicator remained unchanged, for the national currency (15%) and for the total (20%); and
 - In the regulation “On transparency of banking and financial products and services”, the changes consisted in the increase in the demand for the bank to provide an alternative and comparable credit in the currency in which the client generates his income, for the client applying for a loan in a different currency, based on the Bank’s assessment of the insufficiency of its capacity to hedge against exchange rate risk, as well as the presentation of an illustrative example for the borrower (at the time of applying for a loan). The latter raises the awareness of the customer on the risk of borrowing in foreign currency.
- Amendments were adopted in the regulation “On the capital adequacy ratio”, which relates to the abrogation of the remaining part of the countercyclical package of measures imposed on banks in 2013.
- The Supervision Department, in order to continuously align with the European directive and regulation on the activity of credit institutions and with the standards of the Basel Committee for effective supervision, has completed the drafting of the new draft regulation “On the liquidity coverage ratio”, which aims at introducing a new liquidity indicator in



the regulatory framework of the Bank of Albania. The draft regulation was also consulted with the banking system and is expected to be adopted in early 2019.

- In the framework of regulatory initiatives aiming at reducing non-performing loans, a draft regulation was drafted on “Out of court treatment from banks of borrowers in financial difficulties” together with some amendments to the regulation “On Credit Risk Management by banks and foreign bank branches”. These documents were also discussed with the banking industry and the Bank of Albania remains committed to further proceed with their approval in 2019.
- During the year, the Bank of Albania worked toward the approval of the guideline “On Stress Testing in Banks”. The first draft of the document, concluded at the end of 2018, is currently in the consolidation and submission for opinion phase to the banking system within 2019 Q1. This document defines the requirements and methodologies for carrying out stress tests from banks as an important part of the risk management process and in the framework of the internal assessment process of capital adequacy. This guideline is drafted based on the provisions of the European Banking Authority (EBA) guidelines on the preparation of stress tests by banks.
- During 2018, some regulatory changes were made in the regulation “On bank regulatory capital”, which aimed at approximating the requirements of the Bank of Albania with Basel III requirements for capital ratios, which will precede the establishment of the requirements for capital buffers banks, in the future from the authority. In addition, in order to proceed with the fulfilment of the by-laws for early intervention in the implementation of the Law on recovery and resolution in banks, final drafts of regulatory acts which provide for the requirements of the supervisory authority “For the determination of the conditions for granting prior approval for the financial support agreement within the banking group have been finalized” and “On the determination of the conditions when the early intervention measures, the conditions and the way of performing temporary management “are being consulted with the World Bank experts (FINSAC project) , while regulatory requirements for the bridge bank are under review.

2.4.4. LICENSING FRAMEWORK AND APPROVALS

Even during 2018, the Albanian banking sector continued to be dominated by subsidiaries of foreign EU-based banking groups. Compared to 2017, the number of banks was reduced to 14 from 16 banks. This is due to the revocation of the two banks’ licenses as a result of the completion of their merger by absorption from two existing system banks.

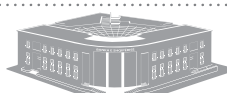


Table 7. Banks' ownership structure (number of banks at period-end)

	2013	2014	2015	2016	2017	2018
Banks in Albania, of which:	16	16	16	16	16	14
Branches of foreign banks	-	-	-	-	-	-
Banks' ownership structure, by capital origin, of which:						
With foreign capital with Majority foreign owned ¹	14	14	13	13	13	11
- From the countries of the European Union	10	10	9	9	9	7 ²
- From Turkey	1	1	1	1	1	1 ³
- by an international financial institution (Saudi Arabia)	1	1	1	1	1	1 ⁴
- from Kuwait	1	1	1	1	1	1 ⁵
- From the Swiss Confederation	1	1	1	1	1	1 ⁶
With private capital with majority of domestic ownership	2	2	3	3	3	3 ⁷

¹ "Majority" is in any case the simple majority of 50 percent of the votes plus 1 vote.

² Banks with capital originating from EU countries are from: Italy (Intesa Sanpaolo Bank Albania), Austria (Raiffeisen Bank), Germany (Procredit Bank), France (Societe Generale Albania Bank), Greece (Tirana Bank, Alpha Bank Albania), Bulgaria (First Investment Bank, Albania).

³ National Commercial Bank.

⁴ United Bank of Albania.

⁵ Credit Bank of Albania

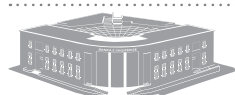
⁶ International Commercial Bank

⁷ Banks with domestic capital, as at the end of 2017 are: Union Bank, Credins Bank and American Bank of Investments.

The Bank of Albania issued preliminary approvals for: the transfer of 100 per cent of NBG Albania Bank's ownership of the shares to the American Bank of Investments sh.a.; legal reorganization of the two banks with merger by absorption; the opening of the Credins Bank sha.a subsidiary in Kosovo; increasing the financial activity of a bank, to trade transferable securities for its account; amendments to the statutes of nine banks; appointments of legal auditors of all banks; and the issuance or settlement of the subordinated debt of three banks, etc.

In line with the amendments to the regulation of bank administrators, related inter alia, with the approval of bank administrators, including cases of extending the term in the same position during the year under review, there was an increase in the number of bank applications for approvals by administrators. The Bank of Albania approved 59 bank administrators, specifically; 31 members' part of the steering council, 13 members, part of audit committees and 15 executive directors and managers of the bank's internal audit.

During 2018, the network of banks within the territory of the Republic of Albania was expanded with 5 new branches, while banks have reported reduction of the number of branches / agencies within the country (through closure, merger) for 30 branches / agencies within the country, and the transformation into a subsidiary of a branch of the National Commercial Bank. By the end of 2018, banks operated through 447 branches / agencies from 473 branches / agencies that operated at the end of 2017.



Based on the submitted applications, the Bank of Albania licensed an electronic money institution (Financial Union Tirana), revoked the license of two non-bank financial institutions respectively Vodafone M-Pesa at the request of the entity, and the Financial Union of Tirana after the licensing as an Electronic Money Institution and provided preliminary approvals to non-bank financial entities. As at the end of 2018, there are 30 licensed non-bank financial institutions. Meanwhile, some approvals for non-bank financial institutions were preliminary approvals for 10 administrators, approvals for exercising additional financial activities for three institutions and approval for the transfer of qualified holding of a non-bank financial institution.

As at end of 2018, there are 13 savings and loan associations and one union of savings and loan associations.

Licensing of foreign exchange bureaus continued in 2018, during which 58 new licenses were issued, while licences were revoked for 21 foreign exchange bureaus for reasons of their inactive status at the National Business Center, suspending the activity for more than two months and failure to execute reporting requirements at the Bank of Albania, or at the request of the bureaus for termination of activity. As at the end of 2018, 463 foreign exchange bureaus operate in the foreign exchange market.

Table 8. Number of banks, NBFIs, SLAs and foreign exchange bureaus licensed by the Bank of Albania (end of period)

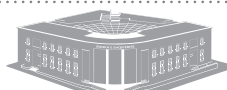
	2013	2014	2015	2016	2017	2018
Banks and Branches of foreign banks	16	16	16	16	16	14
Non-bank financial institutions	21	22	27	28	31	30
Foreign exchange bureaus	333	356	397	428	426	463
Unions of Savings and Loan Associations	2	2	2	2	1	1
Savings and Loan Associations	121	113	111	13	13	13

Source: Bank of Albania.

2.5. RESOLUTION

In accordance with the Law No. 133/2016 "On recovery and resolution of banks in the Republic of Albania", the Bank of Albania is the Resolution Authority for banks and branches of foreign banks operating in Albania.

In its capacity as Resolution Authority, during 2018, the Bank of Albania has fulfilled its mandate for this function, achieving the targets defined in accordance with legal requirements. In this regard, the resolution regulatory and procedural framework has been drafted, aiming at the harmonisation with the international technical standards. The first phase of the draft of the resolution plans has started, defining the resolution strategy that allows the continuity of the critical functions of banks and maintaining financial stability. In terms of achieving the operational objectives set as priorities for the functioning of the resolution, the regulatory framework has been supplemented with two



new regulations approved by the Supervisory Council of the Bank of Albania. Also, during 2018 the Resolution Fund was established and the procedures for monitoring its management were built up, thus by enhancing the cooperation relationships with the Deposit Insurance Agency (DIA). The Bank of Albania has also expanded the cooperation relationships with the European institutions by signing a cooperation agreement with the Single Resolution Board (SRB).

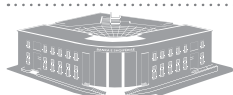
2.5.1. COMPLETION OF THE REGULATORY AND METHODOLOGICAL FRAMEWORK

In compliance with the obligations deriving by the Law No. 133/2016 "On recovery and resolution of banks in the Republic of Albania" during 2018 the following were approved:

- a. Regulation No. 31/2018 "On resolution plans". The Regulation specifies the content of resolution plans drawn up by the Bank of Albania as Resolution Authority, for individual banks or group of banks that operate in Albania. Also, the Regulation identifies the entirety of information and data necessary that banks should submit to the Bank of Albania, for the purposes of resolution planning. In this regard, the Bank of Albania has developed several standardised forms to collect data as well as a detailed guideline to facilitate the process of data collection.
- b. Regulation No. 43/2018 "On the cooperation between the Supervision Department and the Resolution Department". The Bank of Albania is the Resolution Authority as well as the Supervision Authority for banks that exercise their activity in Albania. In this regard, the Bank of Albania exercises the supervision function and the resolution function through two different organisational units within itself, which have separate reporting and dependency lines, ensuring their independence in the respective decision-making. The employees of the organisational units that are responsible for exercising the supervision and the resolution functions cooperate effectively in drafting, planning and implementing the resolution decisions. The cooperation Regulations defines the ways these two units cooperate, the sharing of information; as well the relevant duties and responsibilities in fulfilling the recovery and resolution objectives in banks.
- c. During 2018, the Regulation "On valuation for purposes of resolution" was drafted and is in the consultation process. There are defined the requirements and manner of selection of the independent valuer for resolution purposes as well as the relevant valuation and determination methodologies of the value of liabilities deriving from derivative products.

In the framework of meeting resolution objectives, during 2018 were drafted:

- a. The Guideline "On the identification of critical functions with and main activities of the banking sector". The identification of critical functions



main activities of the bank is very important in the process of recovery and resolution plans' drafting. The recovery plan (drafted by the bank) includes the identification of critical functions and main activities through self-assessment process by the bank, while the resolution plan (drafted by the Bank of Albania) describes how the critical functions and main activities may be separated legally and economically from the other functions, in order to ensure their continuity after the resolution as well. This Guideline aims to specify the criteria defining and identifying the critical functions through self-valuation by banks, as well as the criteria defining the main activities and related services in accordance with the same approach.

- b. "Guidelines on meeting the requirement to collect the necessary information for drafting resolution plans". Requirements to collect information as well as the guidelines addressed in this document are drafted in accordance with the Regulation "On resolution plans". By using forms drafted for this purpose, the aim is to collect information related with the governance and management of the bank, its main activities, the structure of liabilities, the placed collaterals, off balance-sheet items, payment, clearing, and settlement systems used by banks, the information systems, financial and other interconnectedness and dependencies, as well as contractual agreements that may either affect or be affected by the resolution actions.

2.5.2. ESTABLISHMENT AND MONITORING OF THE RESOLUTION FUND

Pursuant to the legal requirement and provisions set out in the Regulation No. 56/2017 "On the Resolution Fund and the procedures for its management", the Bank of Albania calculates the targeted level of the Fund and the annual contribution of each bank, based on the financial statements of 2016.

- The fund's targeted level of the "Resolution Fund" calculated with the audited balance sheet data of the banking sector in December 2016 is ALL 6 billion.
- The annual level of the "Resolution Fund" for the first year of contribution is ALL 632 million and is calculated proportionally according to the share of each bank in the liabilities of the banking sector, defined as the difference between assets and regulatory capital.

The Resolution Fund was established in January 2018 through the transfer of the first part of the annual contribution by the banking sector. In April 2018 was finalized the transfer of the contribution's second instalment as well. The Fund is managed by the Deposit Insurance Agency in accordance with the document "Management Policy of the Resolution Fund". It is monitored on a quarterly basis against the limits established in the above-mentioned document on liquidity, instruments' maturity, issuing agencies and investment currencies to insure the necessary liquidity and security of the Fund in accordance with the legal requirement.



2.5.3. PLANNING THE RESOLUTION

As one of the main pillars of the resolution, the resolution plans aim to facilitate the efficient use of resolution tools by the Bank of Albania. The Bank of Albania has begun the process of drafting the individual resolution plans and defining the resolution strategies for each bank and banking groups that operate in Albania. In this framework, through the identification of the critical functions was realized the first step of resolution planning. The identification of critical functions for each bank is an important obligation/task in the resolution planning process since preserving the continuity of critical function constitutes one of the main objectives of the resolution.

BOX 7 CRITICAL FUNCTIONS

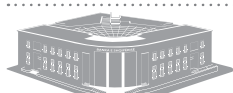
The banks offer a series of economic functions that are important for financial markets and the real economy overall. Here we can mention: accepting deposits; granting loans; payment settlements etc. The identification of the economic functions that are essential to maintain financial stability is one of the main objectives of resolution. According to the definition given in the Law No. 133/2016 "critical functions shall be the activities, services or operations of a bank, the discontinuance of which can bring the disruption of services that are essential to the real economy or disrupt financial stability due to the size and share of market it represents, its internal or external interconnections, complexity or cross-border activities, with particular regard to the inability of substitution of those activities, services or operations in the market."

According to this definition, an economic function is considered critical, if it fulfils the following two elements:

- a. *the function is provided by a bank or a banking group for third parties that are not linked with the bank or the banking group itself;*
- b. *the sudden disruption of the function may have an important impact on the third parties, may create a negative chain effect or may impair the overall confidence of participants in the market due to the systemic importance that the economic function has for the parties that use it or due to the systemic importance that the bank or banking group that provides the function has.*

For the valuation of these two element, the Bank of Albania has developed a methodology for identifying critical functions, which includes two steps:

- 1) *The impact analysis of the sudden disruption of the function aims at assessing the impact on the financial market or the real economy from this event as follows:*
 - a. *Impact on third parties relying on that function: if the disruption of the function has a direct negative impact on a small number of third parties that are not systemic, then the function is not considered critical.*
 - b. *Systemic impacts and interconnection: if the disruption of the function has important negative effects on the real economy and financial markets, in terms of chain effect and impact on market confidence, respectively, then the analysis is oriented as follows:*



- if the disruption of the economic function by the bank impairs the relevant market or other participants that are exposed in that market or interconnected with the bank, the function is critical.
 - if the disruption of the economic function has a broad range and a high number of market participants and the market itself is important for the functioning of another market, the function is critical. In this case it is also important to assess how much the market may be affected by the overall loss of confidence of its participants due to the disruption of the function. Market loss of confidence is more probable in the case of functions that are more “visible” or publicly known by the clients or the public (e.g. payments services for households), increasing in this case the criticality of this function.
- 2) The supply analysis aims to assess if there are similar providers in the market who can substitute the critical function disrupted by the bank. If the economic function and its role may be easily substituted by other market participants (including those that may enter in the market), in comparable size and quality, with acceptable costs and within a reasonable timeline, then it is not considered critical. The basic criteria to assess the “substitutability” are the market structure for the economic function as well as the availability of providers which includes:
- The concentration structure of the market, i.e. how many participant there are in the market (including the market share, the number of competitors or similar participants that are able to undertake providing the critical functions);
 - The valuation if there are other functions and markets that provide an equivalent economic function with the activity or economic function disrupted by the bank.

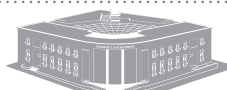
Based on the business model of the banking sector in Albania, banks provide five economic functions that serve as a starting point for assessing their criticality. These economic functions are:

- a) Acceptance of deposits;
- b) Lending and loan services;
- c) Payments, settlements and custody;
- d) Assets of wholesale funding markets;
- e) Capital markets and investment in public debt instruments

During 2018, the Bank of Albania has identified the critical functions for each bank, thus also defining the resolution strategy, which support the continuity of these critical functions and maintains financial stability.

2.5.4. COOPERATION WITH OTHER INTERNATIONAL INSTITUTIONS

In its capacity as Resolution Authority, the Bank of Albania enters into cooperation agreements with other resolution authorities that are responsible for the resolution of cross-border banking groups that operate in Albania. Considering the important share of European banks in the activities of the Albanian banking sector, in October 2018 was signed the Cooperation Agreement between the Bank of Albania and the Single Resolution Board - SRB. The Single Resolution Board is the Resolution Authority for European Union banks and banking groups.



This agreement provides the exchange of information and cooperation in connection with the Resolution planning and the implementation of such planning with respect to entities with cross-border operations. The Cooperation Agreement will also support drafting coordinated resolution plans for European banks' subsidiaries that operate in Albania.

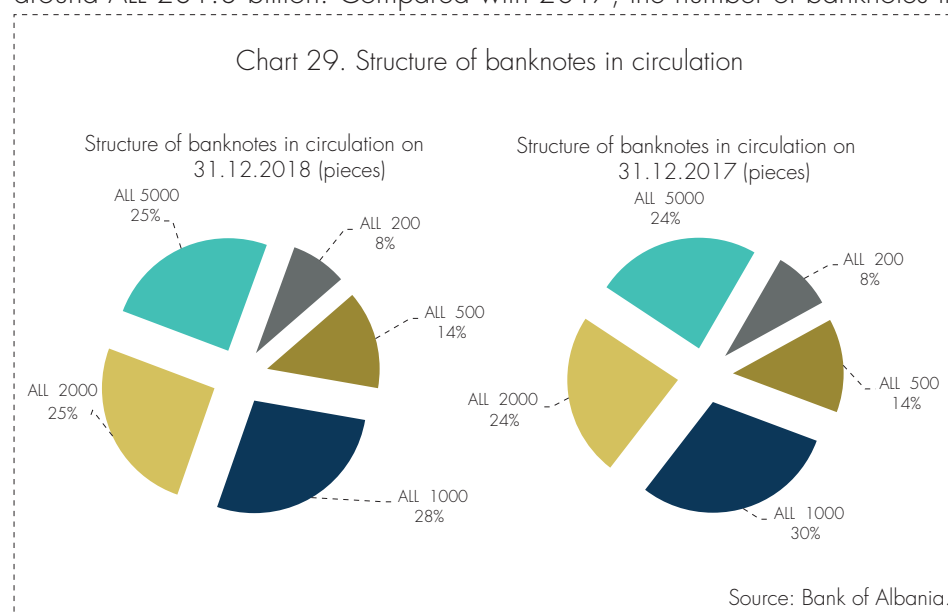
Also, in November, the Bank of Albania, in cooperation with the Financial Sector Advisory Center (FinSAC²³) of the World Bank, organised the Regional Conference on "Recovery and resolution planning". This conference was attended by senior representatives of the supervisory and resolution authorities of the European Union, of the countries in the region and of commercial banks operating in Albania. The issues addressed at the conference focused on recent developments in recovery and resolution planning in the EU, the challenges ahead for their implementation in our region, the experiences of central banks and resolution authorities in the design and evaluation of recovery and resolution plans, on the cooperation and coordination between the responsible authorities.

2.6. CURRENCY ISSUE

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

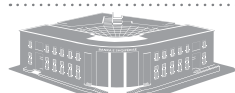
BANKNOTES IN CIRCULATION²⁴

At the end of 2018, there were 136,447,888 banknotes in circulation, worth around ALL 281.3 billion. Compared with 2017, the number of banknotes in



²³ FinSAC - Financial Sector Advisory Center

²⁴ It is the number and value of banknotes put in circulation by the Bank of Albania.

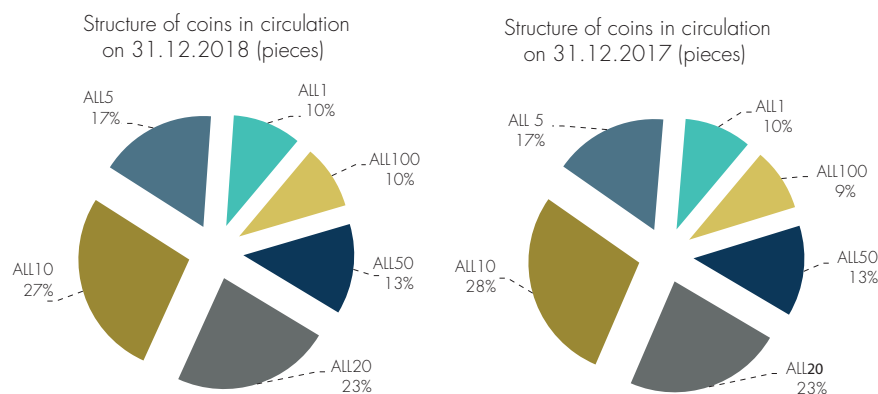


circulation increased by around 1.6%, while their value increased by 4.1%. The change in these indicators is attributable to the continuing change in structure in favour of 5000 lek and 2000 lek banknotes. The average value of a banknote in circulation was ALL 2.062 at end-2018, from ALL 2.012 at end- 2017.

COINS IN CIRCULATION

At end-2018, there were 198,670,092 coins were in circulation, worth ALL 4.8 billion. Compared with 2017, the number of coins increased by 7.9% and their value increased by 8.6%.

Chart 30. Structure of coins in circulation



Source: Bank of Albania.

Indicators of currency in circulation

At the end of 2018, the ratio of currency in circulation to the M2 aggregate was 39,741%²⁵, from 37,173% at end-2017. The circulation coefficient of the currency²⁶ was 0,404 in 2018, from 0,432 in 2017.

Recirculation and quality of banknotes in circulation

In 2018, around 106.9 million banknotes were processed, and were checked for their authenticity and fitness for circulation. From the process, around 25.9 million banknotes resulted unfit for use, and were withdrawn from circulation. The sorting rate²⁷ was 24.3%. Unfit banknotes were replaced with new banknotes fit for circulation.

The banknote circulation coefficient²⁸ for 2018 was 0.80, implying that a banknote is returned to the cash desks of the Bank of Albania, on average less than once a year,. This coefficient is higher for 500 Lekë and 1000 Lekë

²⁵ Note: the value for aggregate M2 used is based on preliminary official data as at end2018.

²⁶ Ratio of the number of banknotes and coins returned to the Bank of Albania cash desks to the average annual number of banknotes and coins in circulation.

²⁷ Ratio of unfit banknotes and coins to the total number of banknotes and coins sorted in a year.

²⁸ Ratio of the number of banknotes returned to the Bank of Albania cash desks to the average annual number of banknotes in circulation.



banknotes (around 1.51 and 1.17, respectively), and lower for 5000 Lekë and 2000 Lekë banknotes (around 0,164 and 0,728, respectively).

Analysing the structure and themes of currency in circulation

Bank of Albania objectives for banknotes and coins relate to improving the quality of banknotes in circulation, higher engagement with regard to protection against counterfeiting, and reviewing themes, design and security features in legal tender series of Albanian banknotes. In 2018, the work to materialize the definition of design and security features of the banknotes continued.

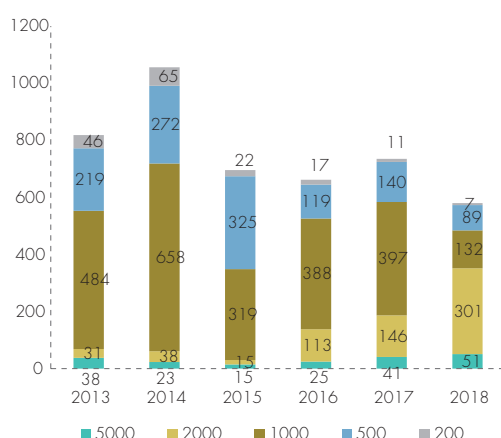
Protecting banknotes and coins against counterfeiting

In view of safeguarding the currency from counterfeiting, during 2018 as well, the Bank of Albania has assessed as necessary to further improve and strengthen the technological and administrative capacities of its structure dedicated to implement its functions in this field. In addition, a variety of preventive actions were continuously developed and organized, focused mainly on the continuous training of cash professional staff, inspections, testing and monitoring the process of authenticating and sorting machines/equipment used by the staff, etc.

The quantity of counterfeited banknotes and coins discovered in circulation during 2018 has decreased considerably, compared with 2017, by 21%. The counterfeited amount remains insignificant compared with the amount of genuine banknotes and coins in circulation. By structure the 2000 Lekë denomination has the main share in the total counterfeit banknotes, followed

by the 1000 Lekë and the 500 Lekë denominations, differently from other years. Amongst counterfeit coins, it is identified the 50 Lekë denomination (113 coins), with a falling trend compared with the previous years.

Chart 31. Trend of counterfeit banknotes, over the years (pieces)

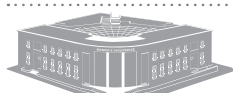


Source: Bank of Albania.

From the technical and/or technological aspect of counterfeiting the Albanian banknotes, colour digital printings dominate, mainly ink-jet, accompanied by the use of additive artisanal methods to imitate security elements and/or features mainly of visual and tactile nature. The index of the similarity assessment with real legal tender banknotes is low, which means that the counterfeit banknotes have a low risk to be accepted as true. Imitations of security features of counterfeiting banknotes readable by authenticating/sorting equipment are encountered only in few cases.

2.7. PAYMENT SYSTEMS

In fulfilment of its responsibility in the field of payment systems, the Bank of Albania has paid particular attention to guaranteeing the security and efficiency



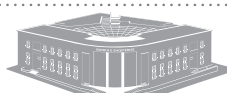
of the basic infrastructure of payments in lek, both through its role as system operator and through its role as supervisor and catalyst. Beyond consolidation of the oversight role of payment systems and services and the expansion of the oversight processes and securities' settlement systems, during 2018, special efforts have been dedicated to the reformatory role. In this framework, the Bank of Albania through the National Payment System Committee has approved the National Retail Payments Strategy in Albania (2018-2023).

2.7.1. PAYMENT SYSTEM OVERSIGHT

The Bank of Albania, in the framework of the oversight role of payment systems and payment instruments as an integral part of these systems, has undertaken a series of measures to further improve the legal and regulatory framework throughout 2018. In more detail, in order to align with the European practices in the market, the Regulation "On electronic payment instruments" has been revised. This revision aims to accommodate the innovation in the field of card payments and mainly the manner of PIN distribution through electronic means of communication. Moreover, the approval of the Regulation "On oversight policy of payment and settlement systems" aims to implement the European practices on system classification, thus creating spaces for private initiatives and avoiding oversight requirement too strict for systems that do not have a systemic importance for the Albanian market.

Also, in the framework of the developments in the securities' market throughout 2018, the Bank of Albania has drafted and signed a cooperation agreement with the Albanian Financial Supervision Authority (AFTA) for the purposes of licensing, regulating and oversight the infrastructures of clearing and securities' settlements. This agreement has created the preconditions for a draft-regulation "On regulating, licensing and oversight of securities settlement systems", which is expected to be approved within 2019 H1.

In terms of improving the legal framework, as one of the objectives pillars of the Bank of Albania strategy and the National Retail Payments Strategy (2018-2023), the Bank of Albania has worked on the transposition of the revised EU Directive 2015/2366 in the draft-law "On payment systems" (PSD2). The adoption and implementation of this draft-law is expected to have a direct impact in promoting competition and innovation in the field of retail payments, thus promoting their efficiency and reducing the costs of their use. This draft-law aims to balance the spaces for payment services providing between banks and non-bank financial institutions, by allowing the latter to open payment accounts and issue electronic payment instruments. The draft-law is expected to increase the transparency of the services provided by the market and establish a consolidated framework for consumer protection. The Bank of Albania has finalised the drafting of this law and the consultation process with market stakeholders throughout 2018 and now is continuing with the other procedural steps until its approval by the Assembly.



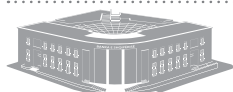
2.7.2. THE REFORMATORY ROLE - THE NATIONAL PAYMENT SYSTEM COMMITTEE

In order to promote the developments in the field of payment systems, the Bank of Albania, during 2018 as well, has played a very active role in the development of activities that promote deepening the knowledge and the actions of the various market stakeholders in this regard. The main activities on this regard are:

1. Project Greenback - the World Bank in cooperation with the Bank of Albania has organised two activities in the framework of the presentation (March 2018) and implementation (December 2018) of the Project Greenback in Berat, financed by the Swiss State Secretariat for Economic Affairs (SECO) as part of the programme for Remittances and Payments.
2. The participation on 4 May 2018 in the Card Forum on "Transforming Cards and Payments toward a Cashless Economy", organised by the Albanian Association of Banks (AAB). The purpose of this Forum was to orient market stakeholders on the foreseeable developments by the Bank of Albania in this market.
3. The organisation of the Fourth Meeting of the National Payment System Committee on 20 June 2018 (more information available in the following section).
4. The organisation of the Conference on "Modernisation of retail payment systems in Albania" on 21 June 2018 in order to promote the vision and measures of the National Retail Payments Strategy (2018-2023). The participants in this Conference were from relevant institutions, mainly other homologue central banks like the European Central Bank (ECB), the Bank of Italy (BI), the World Bank (WB), the Central Bank of the Republic of Kosovo (CBRK), the Central Bank of Serbia (CBS). Also, in this Conference participated the Ministry of Finance and Economy (MFE), the Albanian Association of Banks (AAB), national companies licensed by the Bank of Albania in the field of payments, as well as other international companies.
5. In cooperation with the World Bank, the organisation of the Workshop "BIS Oversight Principles for the financial markets infrastructure" (June 2018), attended by representatives of the Central Bank of Kosovo as well by the Financial Supervision Authority of Albania and Kosovo.
6. Western Balkans regional workshop on "Promoting the harmonisation of the legal and regulatory framework with EU legislation on retail payments".

Fourth Meeting of the National Payment Systems Committee

The National Payment Systems Committee was very active throughout 2018. On 20 June 2018, NPSC held the fourth meeting of the National Payment Systems Committee where were finalized and published a range of projects undertaken by this Committee, amongst which:



- The expansion of the participation in the Committee with non-bank financial institutions in the field of payments and payment systems' operators in accordance with the recommendations of the World Bank.
- The Assessment Report "Review of the Market for remittances in Albania" on the basis of the CPMI – World Bank General Principles for International Remittance Services, in order to identify the needs for intervention addressed in the action plan of the strategy's;
- The analysis "Achieving effective financial inclusion in Albania: a payments perspective", clearly identifying the need to increase the percentage of population that has a bank account as well as the need to promote the use of these accounts;
- The study "The Retail Payment Costs and Savings in Albania". Beyond identifying the high costs of using cash in the economic (around 1% of GDP), were also identified the costs borne by each economic stakeholder with a particular interest on costs for payment services providers (banks and non-banks).
- Approval of the National Retail Payments Strategy in Albania (2018-2023).

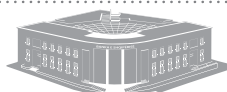
BOX 8 THE NATIONAL RETAIL PAYMENTS STRATEGY IN ALBANIA (2018-2023)

The Strategy approved by the National Payment Systems Committee in its fourth meeting is the result of several years of work by the Bank of Albania and the institutions member of NPSC with the assistance of the World Bank to identify the needs of the market and the intervention measures.

The strategy sets for the a clear medium-term vision for the retail payments market which consists in "To create a modern and inclusive retail payments market in Albania, supported by safe and efficient payment infrastructures, and a wide range of instruments and services that meet the needs of financially capable payment service users throughout the country."

The Strategy aims to improve the retail payments market by providing Albanian citizens with more choices across more places for conducting their day-to-day transactions in a convenient and cost-effective manner, also supporting the objective of broader financial inclusion. More concretely, the strategy aims to double the population that owns an account (from 38% in 2014, to 70% in 2022) and increase the number of electronic payments per capita from 4.3 in 2016, to 10 in 2022.

The strategy also includes a detailed action plan to reach the objectives, where the main measures consist in the: a) improvement of the applicable legal and regulatory framework; b) development and improvement of financial services infrastructure; c) expansion of a bank account ownership and of the use of their services; d) expansion of access points of these services; e) enhance of financial literacy and awareness; f) increase of the volume of transactions processed in the payment systems; and g) inter-institutional commitment of both private and public sectors, which is very important for the implementation of the recommendations.



It is worth pointing out that the implementation of the strategy and the materialisation of its effects requires a commitment by all market stakeholders. For this purpose, the strategy foresees concrete roles and objectives for each involved institution.

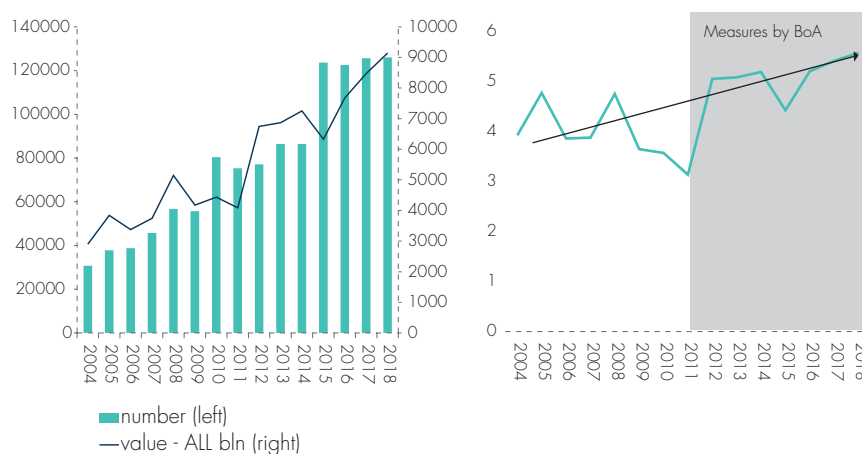
2.7.3. PERFORMANCE OF AIPS AND AECH SYSTEMS

AIPS system, which is considered the core infrastructure for the settlement of payments in the national currency and of financial markets, has functioned securely and efficiently during 2018, reflecting a high availability (over 99.9%)²⁹. In the same line, the AECH system, which accommodates the clearing of interbank transactions by banks' clients (households and enterprises) has also operated in full compliance with the rules of the system, guaranteeing a maximum availability (99.4%) for the market, avoiding incidents and delays. The participation of banks in AIPS and AECH systems resulted in a decrease from 16 banks to 14 banks at end-2018, due to the absorption of two banks by other banks of the system. The implementation of the exit from the AIPS and AECH systems of the two participants was managed successfully, reflecting no problems in the operation of these systems.

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

In 2018, the activity of the AIPS system registered a slight increase by 0.3% in annual terms, reaching a volume of 126.038 transactions. The increase is accompanied by a growth of the processed value (8% in annual terms reaching ALL 9.141 billion), reflecting an increase of the ration of processed transaction

Chart 32. AIPS performance by number and value of transactions processed in AIPS



Source: Bank of Albania.

²⁹ The availability of the system indicates how much the system was functional during the working hours announced in the system functioning regulations.

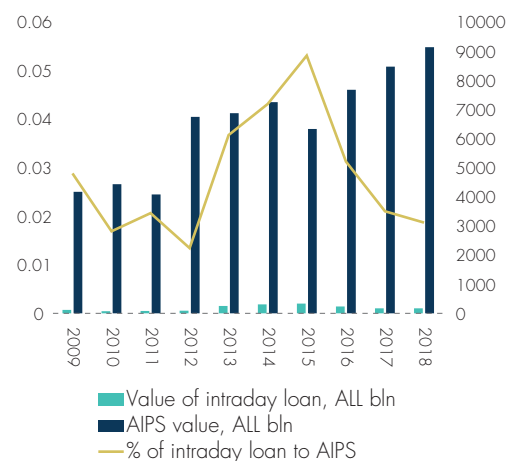


value in AIPS against GDP. This ratio resulted 5.6 times from 5.4 times in 2017 and indicated an ever-increasing use of this system by market stakeholders. The upward trend of use of the AIPS is assessed to multiply with the development and deepening of financial markets in Albania as well as the financial inclusion of the Albanian population, targeting the levels of advanced markets³⁰.

A breakdown of the analysis of the use of this system by different transaction typologies indicates that the item "Payments for Clients (with main share of payments in terms of figures, 55.93%) continues to register increasing rates in both figures and value, by 4.95% and 6.48%, respectively, compared with the previous year. On the other end, the main item in terms of value: "Settlements in the AFISaR system" (41.05%) registered a decrease of almost 3.94% in number of transactions, and an increase in value of 9.74% compared with the previous year.

In 2018, in the AIPS system were disbursed around 17.41% more Intraday Loans Facilities (ILF)³¹. However, the value of IL registered a fall by 3.71% mainly due to the decrease of the average value per transaction. This trend indicates that the exposure of the system to liquidity risk is at very low levels.

Chart 33. Intraday Loan Facility (ILF) ratio to total AIPS in ALL billion



Source: Bank of Albania.

Albanian Electronic Clearing House for retail payments (AECH)

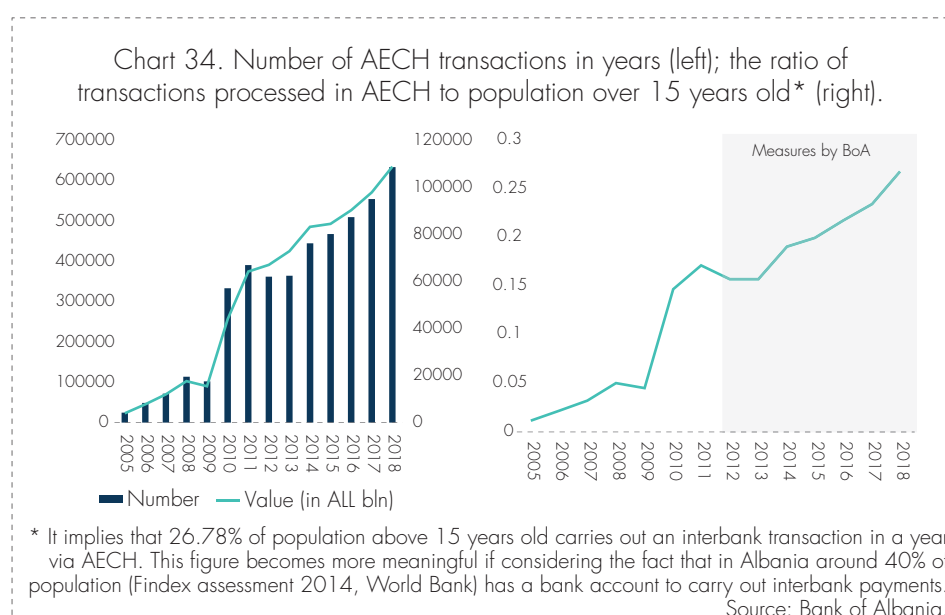
In 2018, AECH has continued to register an increase of figures and values by 14.36% and 11.15%, respectively, in annual terms. In more details, 632.923 payments were processed in AECH, with an average value per transaction around ALL 172.000, in 2018. The increase of the use of AECH indicates the familiarization of the public with payment instruments and their use at the interbank level. Also, this increase confirm the efficiency of the measures taken by the Bank of Albania, since 2011, on commissions applied by banks on the final user in order to expand the use of this system.

In order to expand the use of this system, the Bank of Albania, in medium and long-terms, has foreseen a series of measures from the point of view of infrastructural developments as well as legal and regulatory ones. The implementation of the draft-law "On payment services" is assessed to give a considerable support in this regard, as well as the implementation of the project

³⁰ Target 2 - within a week is settled an equal amount to the GDP of the European Union dictating the importance that this system has for the European markets.

³¹ ILF - the facility granted to a participant of the payments system by the central bank/operator of the system to carry out payments/settlements based on applicable laws and bylaws. The Central Bank provides liquidity within the day (ILF) to banks participating in the system, which is treated in the form of collateralized loan with zero interest. The financial instruments acceptable for granting the intraday loan are defined and monitored by the Monetary Operations Department.





of interbank Direct Debit and the expansion of the participants in the system beyond traditional ones, the commercial banks

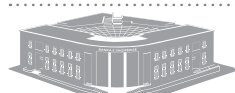
In terms of avoiding risks in the system, the allocation of transactions cleared in AECH by sessions, shows a higher concentration in the first clearing session. This development avoids the overload in the payment flows in the last clearing session by minimising the risks from these overloads and promoting the security and efficiency of this system³².

2.7.4. PAYMENT INSTRUMENTS

The Bank of Albania, in cooperation with market stakeholders, is undertaking reforms that aim toward the modernisation of this market to provide citizens and businesses with services as efficient and at a low cost as possible. The promotion of the use of electronic payment instruments aims toward the financial inclusion of the population from the point of view of payments, which serves as a first step in the financial inclusion of the more sophisticated banking and financial products as well. The targeted objectives, the increase of the percentage of population that own an account from 40% in 2017 to 70% in 2022, as well as doubling the use of these accounts (from 4.3 payments per capita to 10 payments per capita) is assessed to materialize through the improvement of the regulatory and legal framework, infrastructural improvement, and through financial education.

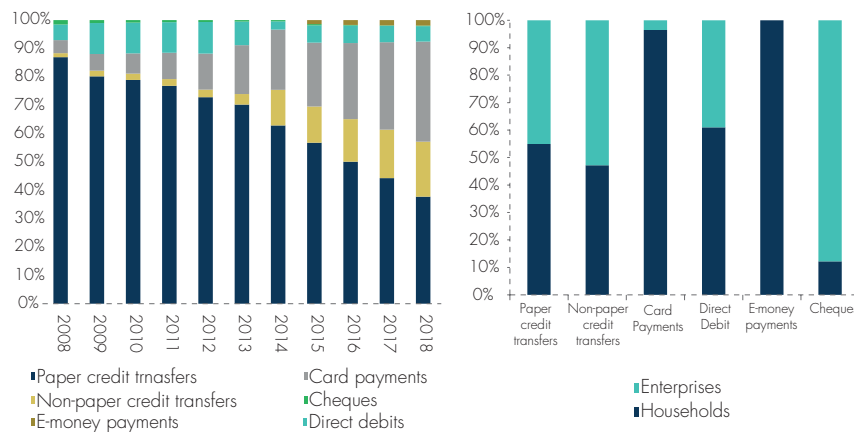
The use of payment instruments in the Albanian economy continued to increase throughout 2018, reflecting an annual growth of the number of payments by 13.23%, reaching around 15 million payments for households and enterprises.

³² This behaviour reflects the measures taken by the Bank of Albania in 2011 to differentiate sessions' tariffs thus favouring the use of the first session.



By instruments used, the payments analysis indicates a continuous expansion of electronic payments, where we may mention bank cards, credit transfers in electronic form (home banking), as well as recently the introduction of electronic money - pre-paid cards. The increase of the share of electronic payments is reflected in a continuous contraction of credit transfers in paper form, which in 2018 accounted for around 38% from around 90% in 2008.

Chart 35. Volume of payment instruments in years (left) and use volume of payment instruments by households and enterprises during 2018 (right)



Source: Bank of Albania.

HOME BANKING

The initiation of credit transfer in electronic form is realized through "home banking"³³ services, which are provided by 12³⁴ of overall 14 banks. These services are both increasingly widespread in the Albanian market, and used to carry out payments, beyond basic information services for the account. More concretely, in 2018 we observe a significant increase of the volume of home banking payments by 28.64% and of the value of these transactions by 61.02%, compared with the previous year. A contribution to the upward trend of home banking is assessed to be the development of infrastructure and the expansion of possibilities to access internet through a smartphone as well. Also, the policies of banks, in the framework of promoting these alternative payment ways, were assessed to have provided a positive role, being reflected in the increase of the remote accessible accounts, from 1% in 2008, to around 12.81% in 2018 against the total accounts. From the point of view of the use of these accounts, despite positive development (around 13 transactions per year per account) the potential for growth remains high.

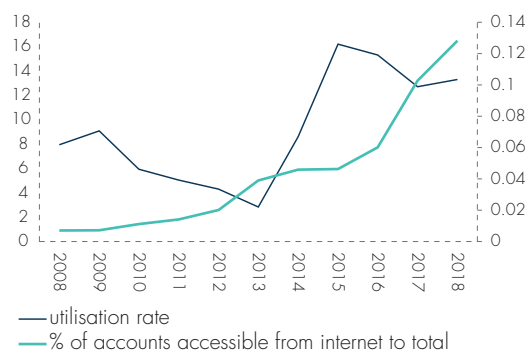
Credit transfers in electronic form are the more efficient instrument and with the lowest cost in the Albanian economy. In these regard, the reforms aimed by

³³ These products provide remote access to the bank account, via on-line, telephone or software that the bank makes available to its clients.

³⁴ At end-2018 there were overall 14 banks in the banking system (from 16 at end-2017).



Chart 36. Trend of online accessible accounts against total accounts and trend of online accessible accounts utilisation ratio*



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

Source: Bank of Albania.

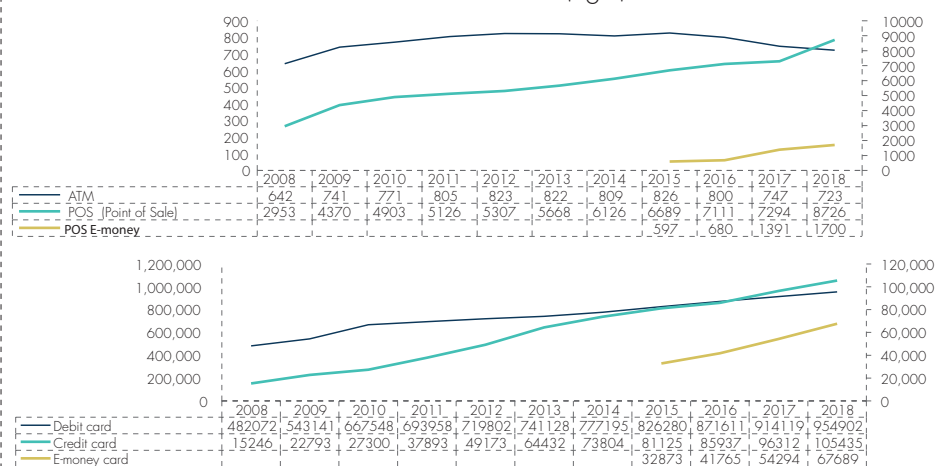
the Bank of Albania through legal (the draft-law "On payment services") and infrastructural interventions (instant payment) are expected to have a direct impact on the further use of these services to carry out the daily payments from the citizens.

BANK CARDS

At end-2018, thirteen banks were licensed as card issuers in the Republic of Albania, of which seven were also licensed as card accepters. The infrastructure provided by these banks has trended upwards. The number of POS terminals, calculated as the ratio of POS per 1.000.000 citizens was 3.692, from 2.541 in 2017. Despite the positive trend of the increase of the number of POS terminals, their concentration continues to remain high in urban areas and mainly the region of Tirana³⁵ (83.19%).

Meanwhile, the number of ATMs has decreased by 3.21%, compared with 2017³⁶. However, it is worth pointing out that in the Albanian market ATMs are used mainly for cash withdrawal rather than for initiating payments. In these conditions, the existence of ATMs may not be directly related with the expansion of possibilities for carrying out electronic payments.

Chart 37. Developments in ATM and POS terminals (left); developments in debit and credit cards (right)

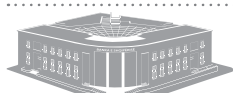


Source: Bank of Albania.

Terminals for the use of electronic money cards also recorded positive developments. They continue to show an upward pace at 22.21% compared with end-2017. The encouragement to use the electronic money instruments is

³⁵ Regions are divided according to the branches of the Bank of Albania.

³⁶ It is also worth mentioning the consolidation of banks from 16 at end-2017 to 14 at end-2018.



assessed to have affected the financial inclusion of the population, by providing access to bank services (opening of an electronic money account and the owning of a pre-paid card) to categories of population who may not access other services, for example they do not take a wage.

During 2018, the issue of debit and credit cards increased by 4.46% and 9.47%, respectively. Also, the functioning of electronic-money cards in the market showed a fast increasing pace during the year, by 24.67%.

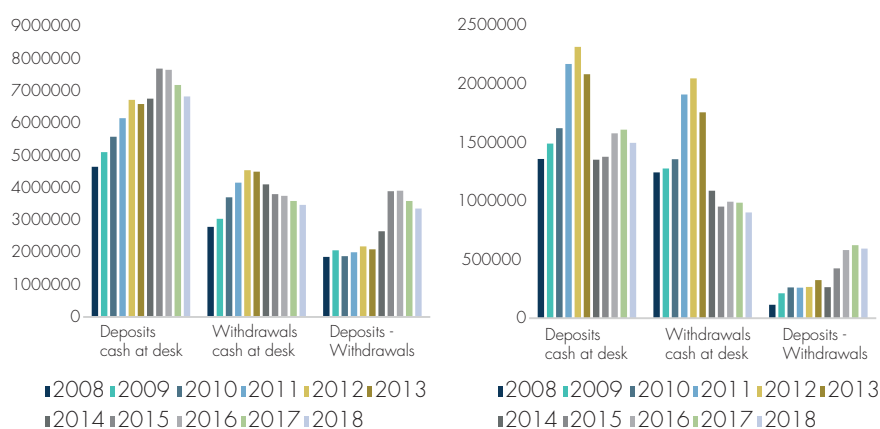
The use of bank cards in ATM and POS terminals shows that cash withdrawals from ATM terminals have the main share in transactions with cards, an indicator of a largely cash-based economy. In 2018, differently from the previous year, the number and value of card payments in physical and virtual POSs increased by 22.40% and 15.82%, respectively. In relative terms, payments carried out with prepaid cards reached up to 5.60% of the payments with debit and credit cards, up 20.57% from the previous year. The low use of cards as a payment instrument in terminals shows the familiarity level of public, the low level financial education, and the limited infrastructure of POS terminals from enterprises.

The electronic money products, based on the legal and regulatory framework of the Bank of Albania, are also provided by non-bank financial institutions licensed as Electronic Money Institutions. Currently, in the Albanian market operate two electronic money institutions. During March³⁷-December 2018 these institutions together have conducted a volume of around 1.78 million electronic money payments, with a value of ALL 4.578 million.

CASH TRANSACTIONS

Regarding cash transactions conducted by customers at banks' cash desks, in 2018, we observe a decrease of the number compared with the previous

Chart 38. Number (left) and value (right) of cash transactions at banks' cash desks



Source: Reports submitted by banks according to the "Methodology for reporting payment instruments".

³⁷ Since the second electronic money institution was licensed in February 2018, the aggregate report of these institutions began in March 2018.



year. This year has registered a slight decrease of cash desk transactions by 5.48% in terms of numbers and a slight increase by 0.82% in terms of value, compared with the previous year.

Notwithstanding the decrease in using cash, from the perspective of withdrawals and deposits at banks' cash desks in 2018, the use of cash in the Albanian economy is dominant and has high costs for the various actors and the overall economy. Hence, the coordination of efforts at market level to encourage the use of efficient instruments at low costs is of special importance and one of the priorities of the Bank of Albania.

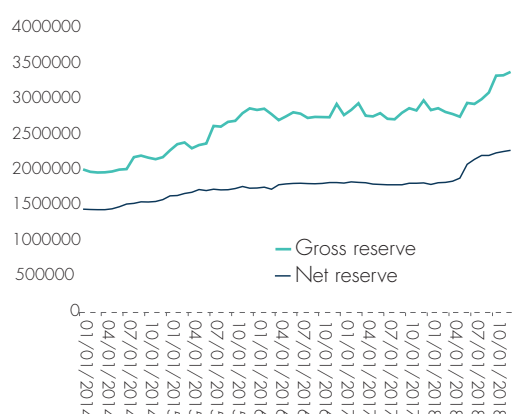
2.8. INTERNATIONAL RESERVE MANAGEMENT

The Bank of Albania is the authority responsible for maintaining and managing the international reserve of the Republic of Albania. It uses its best opportunities to achieve and maintain a certain level of international reserve, conducive to Albania's financial stability, and in accordance with the monetary policy.

The Regulation "On the policy and management of the international reserve", approved by the Supervisory Council, lays down the purposes of maintaining the international reserve. In compliance with the best international practices, for the purposes of maintaining the international reserve, in addition to the implementation and support to monetary policy, includes safeguarding of financial stability. The objectives of the international

reserve management are subject to the approval by the Supervisory Council. 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 the USA, Japan, United Kingdom and those in the euro area, which overall are rated at least A- (for euro area governments the accepted minimum rate is BBB³⁸). The names of entities allowed for investment also include agencies or institutions related to governments, multilateral institutions or other institutions rated at least AA-.

Chart 39. FX reserve performance at the Bank of Albania (in EUR million)

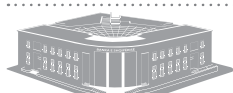


Note: At end December-2018, the stock of foreign reserve was EUR 3,395.92 million, including the monetary gold, amounting at EUR 56.58 million, 1.7% of the total.
Source: Bank of Albania.

COMPOSITION OF INTERNATIONAL RESERVE PORTFOLIO BY MATURITY

At end-2018, the international reserve managed by the Monetary Operations Department is invested into liquid assets, mainly with maturities of 0-3 months.

³⁸ Entities/ instruments listed up to BBB- are included in "Investment" category (investment grade).



The share of debt instrument with maturity over 5 years does not exceed 2.1% of the reserve portfolio. The portfolio managed by the external manager (World Bank) is invested against a reference portfolio of 1-3 years, mainly in debt instruments issued by governments or government agencies.

COMPOSITION OF FOREIGN RESERVE PORTFOLIO BY CURRENCY

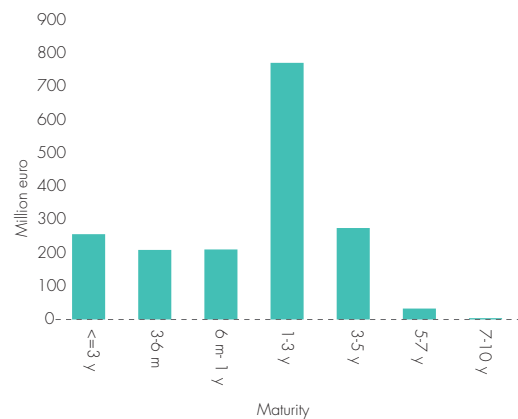
The composition by currency of the gross international reserve at end-2018 is presented in Chart 41.

The exposure in AUD (Australian dollar) and RMB (Chinese renminbi) reflects the decision of the Supervisory Council to invest part of the reserve according to the SDR basket. The share of renminbi (RMB) is distributed onto two currencies, the Chinese currency (RMB) and Australian dollar (AUD), according to a ratio that is subject to the Investment Committee's approval.

COMPOSITION OF THE RESERVE PORTFOLIO BY RATING AND TYPE OF ISSUER/ COUNTERPARTY

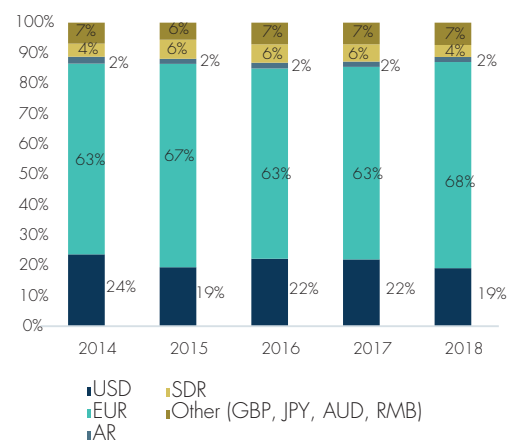
Around 84% of the international reserve portfolio resulted invested in names of high quality rating (class AAA and AA including exposures in current accounts). By type, exposures of issuers/counterparties are represented by governments/central banks (76.3%), followed by multiparty institutions (8.1%), banks/other financial institutions (10.1%), agencies (4.5%),

Chart 40. Reserve allocation by investment maturity



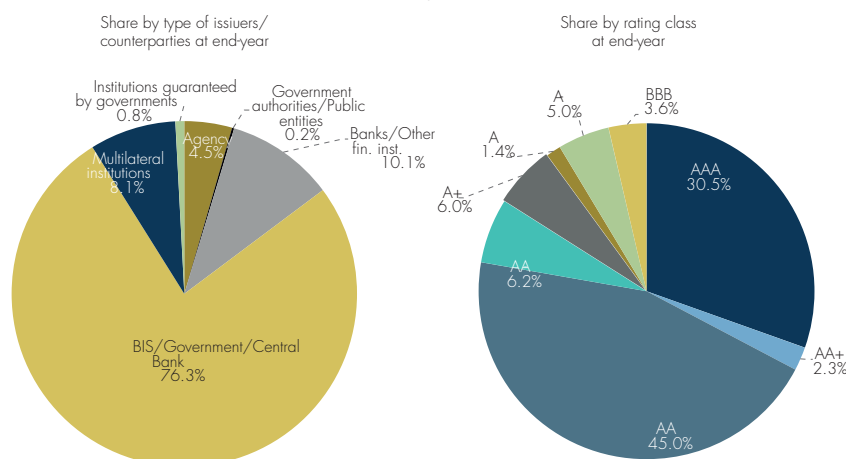
*Excluding funds kept in current accounts.
Source: Bank of Albania.

Chart 41. Share of composing currencies of the international reserve in %



Source: Bank of Albania.

Chart 42. Shares by type of issuer/counterparty and rating classes at end-year



Source: Bank of Albania.



government-guaranteed institutions (0.8%) and government authorities/public bodies (0.2%).

RETURN ON THE INVESTMENT OF RESERVE PORTFOLIO

The absolute return of reserve in total (excluding the fund managed by the World Bank as external administrator), was around 0.218% in 2018, compared with -0.029% in the previous year. The low return rate reflects the challenging international environment, where the interest rates of treasury issues in euro continue to remain in a negative territory due to monetary policy pursued by the ECB (the ECB deposit rate continues to be -0.40%). Hence, the investment possibilities with a positive return rate for the part of portfolio in euro, maintaining the accepted credit risk level, still continue to be low. This situation was also reflected in the establishment of strategic portfolios in euro where during 2018 the share of cash has increased compared with the previous year. At end-2018, the situation in the current account was around 52% of the total reserve portfolio, reflecting the efforts to minimize investment costs, in the conditions of the continuation of negative interest rate in euro. Investments in securities in the euro denominated portfolio resulted with a negative interest rate that varies from -4 basis point to -69 basis point.

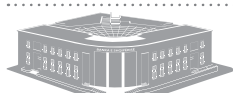
BOX 9 IMPACT OF EXTERNAL ENVIRONMENT IN THE INVESTMENT OF INTERNATIONAL RESERVE

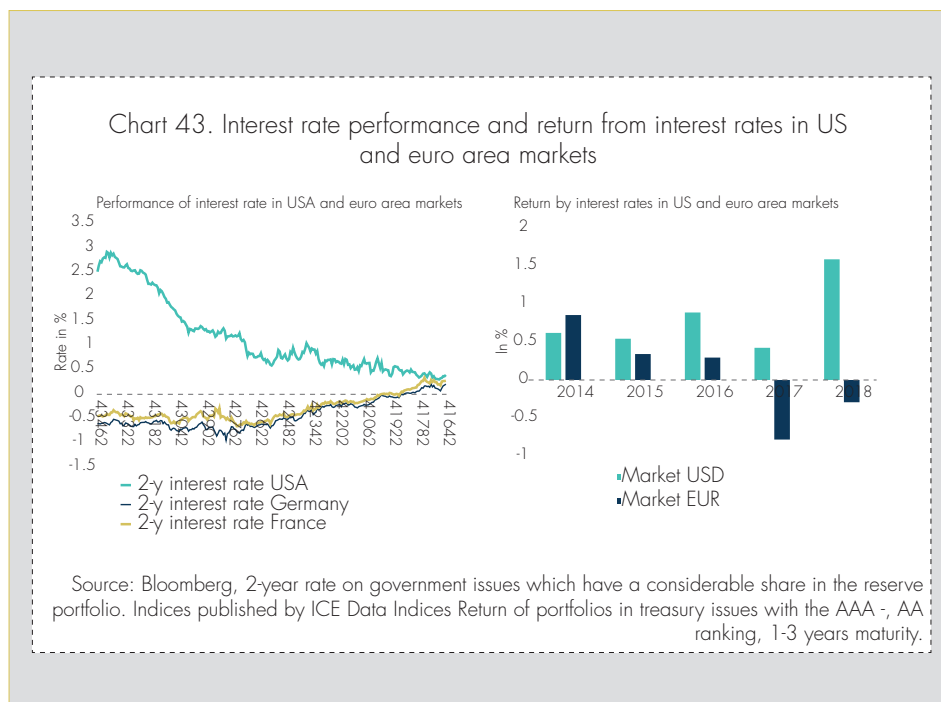
In 2018 were registered divergences in the development of the main economies and an increase of the protectionist attitude. During most of the year, the USA was characterized by a real economic growth above average (around 2.9%), mainly driven by White House fiscal policies, while the euro area, Japan and the United Kingdom had a more moderated growth (1.9%, 0.8% and 1.4%, respectively). Events like the political crisis in Italy, the USA-China trade war as well as the exit of the United Kingdom from the EU dominated the news, bringing volatility and a shift towards more safe investments. Interest rates increased in the USA, slightly increased in the UK, while remained in negative territory and almost at the same levels as the beginning of the year in the euro area and Japan.

The absolute return on the international reserve again at low levels reflects the continuation of an environment with still low interest rates, in the main currencies/markets where the reserve portfolio is invested (left); and the performance of markets in the main two currencies where the international reserve is invested, euro and US dollar (right).

The contribution to the return from of the euro, which shares higher than 60% of reserve portfolio, was negative thus reflecting the negative interest rates in the euro area. The contribution to the return from the US dollar and other currencies of the reserve was positive, due to the higher base of the average interest rates in these currencies during 2018.

The return generated from the active management of the reserve portfolio over 2018 was positive. By currency, the euro had the highest share of the contribution on this return.





OTHER DEVELOPMENTS RELATED TO THE INTERNATIONAL RESERVE MANAGEMENT FUNCTION

Cooperation with the World Bank in the framework of Reserves Advisory Management Program (RAMP) continued in 2018. The World Bank continued to provide specialized training and educational programs. These qualifications aimed at further consolidating and increasing the expertise level of the employees engaged in the process of international reserve management, the staff that supports or monitors the performance of this process and of the Bank's staff in general. Also, the World Bank provided assistance towards the integration of credit risk in the process choosing the strategic portfolio, in order to establish a more consolidated methodology for portfolios that are exposed to credit risk.

Regarding the main developments in the framework of the relationships of enterprises with counterparties, in 2018 was finalized the agreement with the Bank for International Settlements (BIS) for a credit line of EUR 500 million with this institution. The agreement serves to manage the needs for significant amount of foreign currency liquidity, by using as collateral investment securities from the international reserve portfolio. In complete accordance with the purposes of keeping an international reserve, the agreement is an important mechanism available to the Bank of Albania in addition to the Swap agreement signed with the People's Bank of China, to act in emergency needs for foreign currency liquidity. The existence of this agreement created more flexibility for a more efficient management of the international reserve over time, particularly in the conditions where its main share in euro is invested with negative interest rates.

Within the diversification of the instruments of reserve portfolio investment, we may mention the beginning of the implementation for the first time of investments



in covered bonds as well as the analysis of new potential investment instruments, mortgage backed securities.

BOX 10 FLOWS AFFECTING INTERNATIONAL RESERVE IN 2018.

Gross international reserve, estimated and reported in euro, grew by around EUR 401.64 million, in 2018, standing at EUR 3,395.92 million as at end-December. Year 2018 is characterised again by a high fluctuation of excess reserves of commercial banks at the Bank of Albania.

A. Transactions with the Ministry of Finance and Economy provided a negative impact, estimated at EUR 15.21 million, according to the following items:

- net inflows from extension of various loans, at EUR 123.2 million;
- inflows from the issue of foreign currency debt in the foreign market, at EUR 268.09 million;
- Transfers, including debt service, at EUR 406.50 million.

B. Commercial banks and other entities' transactions provided a negative impact, estimated at EUR 48.82 million, according to the following items:

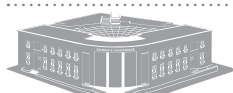
- deposits by commercial banks in their account at the Bank of Albania, at EUR 1,829.23 million;
- transfers, at EUR 1,890.10 million;
- net inflows for the account of other entities (DIA, etc.), at EUR 12.05 million.

C. Bank of Albania's transactions provided a positive impact, estimated at EUR 454.13 million, according to the following items:

- purchasing foreign currency from Ministry of Finance and Economy, banks and other institutions, at EUR 427.24 million:
 - from commercial banks, at EUR 307.85 million;
 - from institutions, at EUR 117.96 million;
 - from the Ministry of Finance and Economy, at EUR 1.42 million¹⁶.
- receipts from interests, coupons, etc. (calculated on cash basis) generated from international reserve investments, at around EUR 31.34 million;
- settlement of the Bank of Albania's dues to the IMF, at EUR 1.32 million;
- transfers, at around EUR 3.12 million;

D. Market factors provided a positive impact, estimated at EUR 11.54 million, according to the following items:

- foreign-exchange rate volatility of currencies composing the international reserve contributed positively to the gross reserve reported in EUR, registering an effect of around EUR 30.70 million;
- the portfolio revaluation effect, as a result of interest rate volatility, is estimated at a negative value of around EUR 19.16 million.



2.9. STATISTICS

In accordance with the provisions of the Law “On the Bank of Albania”, the Official Statistics Program and the Law on Official Statistics, the statistics of the Bank of Albania aim at compiling impartial, objective and reliable statistics in compliance with the legal objectives of the Bank of Albania as the central bank of the Republic of Albania and a statistical agency within the National Statistical System.

The Bank of Albania compiles and publishes statistics necessary for monetary policy, supervision of the financial market, financial stability and other tasks of the Bank of Albania. These statistics are available to the public in the Statistics section at the official website of the Bank of Albania.

In view of its strategic vision, the Bank of Albania has intensified its work towards fulfilling quantitative standards of international methodologies and EU legislation, related to the content and reporting of statistics to European and international institutions. At the same time, attention has been dedicated to building databases with detailed data so as to enhance the micro-macro consistency of and to provide the establishment of new indicators in response to the evolution of analytical needs. Fostering and deepening the dialogue with data users, to better identify their needs, remains our focus.

The Bank of Albania also complies with the reporting obligations to international institutions, the IMF, the World Bank, Eurostat and the ECB, within the framework of the European integration process of Albania. The Bank of Albania is a member of the General Data Dissemination System (e-GDDS) and various reporting systems ran by the IMF.

Since 1 November 2018, the Bank of Albania was accepted as full institutional member of the Irving Fisher Committee (IFC) on Central Bank Statistics. The IFC promotes the exchange of ideas among economists, statisticians, policy-makers as well as other participants in the discussion of statistical issues related with financial and monetary stability. In particular, the IFC aims to strengthen the relations between statistical compilers, the users' community and statistical data analysts within and outside the central bank institution.

APPROXIMATION OF METHODOLOGIES WITH INTERNATIONAL STANDARDS

The Bank of Albania intensified its work for aligning the methodology of statistics with the international standards and their harmonization in accordance with the *acquis communautaire*. Concrete efforts have been undertaken to create new indicators, as well as to improve the data processing system in order to meet the obligations arising from the “Action plan on economic, monetary and financial statistics for candidate and potential candidate countries” at the European Union.

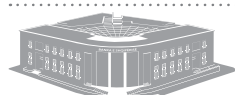


In the field of monetary and financial statistics, in the framework of alignment with international compilation standards (ECB, IMF), and in line with the recommendations of the ECB's experts report, progress has been made in the following aspects:

- The National Financial Accounts³⁹ statistics were published for the first time in December 2018, in compliance with the compilation standards of the European System of National and Regional Accounts (ESA 2010). Financial accounts constitute an important statistical pillar for monetary policy and financial stability analyses.
- Particular attention was dedicated to the series' timeframe, requirements arising from the obligations in the framework of the calculation and reporting of MIP indicators (Macroeconomic imbalances procedure)⁴⁰. The drafting of this new statistical block at the Bank of Albania was supported and assessed by several missions led by IMF and Eurostat experts.
- The government financial statistics project - the Excessive Deficit Procedure (EDP) and government's financial accounts in accordance with the best international methodological standards and practices have been a priority in 2018. The the Excessive Deficit Procedure (EDP) represents an important statistical block for monitoring the soundness of public finances in member and candidate countries towards respecting the two criteria of Maastricht.
- The development and drafting of interest rate statistics in accordance with the Regulation (EU) No. 1072/2013 of ECB, dated 24.9.2013 (ECB/2013/33). Interest rates statistics are the basis of the analysis of the monetary transmission mechanism. They also allow the monitoring of structural developments in the banking and financial systems as well as the analysis of financial stability aspects, such as banks' interest rate margin, their changes in profitability, etc.
- In September 2017, the Supervisory Council of the Bank of Albania approved the Regulation "On interest rate statistics reporting at the Bank of Albania", which fully aligns with the Regulation (EU) No 1072/2013 of ECB.
- Completion of the Financial Soundness Indicators framework. Since end-2017, the Bank of Albania publishes at Albania's web page of IMF (<http://fsi.imf.org>) the Financial Soundness Indicators. FSIs include aggregate data on financial institutions as well as indicators representative of the markets in which these institutions operate.
- In the field of external statistics, the methodological alignment has affected mainly the balance of payments current account. The progress has been supported by cooperation/assistance projects with Eurostat.

³⁹ In accordance with the Official Statistics Programme 2017-2021 and the Statistics Publishing Calendar of the Bank of Albania.

⁴⁰ For Albania, the completion of MIP is a project supported by ECB and Eurostat and coordinated by the Bank of Albania. The majority of the included indicators are compiled by BoA and have to be reported in a 10 year timeframe.



The time of publication and transmission of the indicators of International Investment Position has reduced in accordance with the timeline on data transmitting of Eurostat.

- Under project IPA 2015 MB PP1.2: On International Trade in Services, the aim is to improve and harmonize the statistical methodologies related with international trade in services statistics (ITSS) in order to gradually align with the acquis and improve the transmission of data to Eurostat in accordance with the requirements proposed by BoP Vademecum and the regulations of the European Parliament and the European Council.
- The Bank of Albania has coordinated with success the work on the development of macroeconomic imbalance indicators (MIP indicators) for Albania, in cooperation with INSTAT and with expertise from the European Union. The Macroeconomic Imbalance Procedure (MIP) is a system for monitoring economic policies and duly discovering potential risks in the normal functioning of the European Union economy. The MIP is part of the EU acquis to be adapted by candidate countries by the date of accession.
- During 2018, we worked on the realisation of the objectives of the project “Necessary data sources for calculating the indicator of the Macroeconomic Imbalance Procedure” (September 2017 - August 2019). Each quarter, the latest updates and progress on each of the indicators included in the Macroeconomic Imbalance Procedure are reported to Eurostat. The project is scheduled to be concluded in August 2019 and also includes the preparation and reporting at Eurostat of the Data Quality Report and the project’s Final Report in 2019.
- In 2018 H2, the project “Improving the Credit Registry in order to increase its level of use and harmonization with the ECB methodological standards” was initiated. The Bank of Albania is working on the implementation of the Regulation No 2016/867 of the European Central Bank on the collection of detailed data related with credit and credit risk. This will allow the implementation of the new reporting requirements by the banking system in the framework of the Credit Registry and establishing an harmonized database with detailed information on loans granted to natural and legal persons.

ENHANCING THE QUALITY AND INTEGRITY OF STATISTICS

The fulfilment of the quality criteria of statistics, in accordance with the requirements of the codes of practices and international standards on data quality has been the focus of the statistics function. During 2018, a group of experts from Eurostat conducted an evaluation mission on the Statistical System in Albania (Peer Review). This mission evaluates the compliance with the Principle of the European Statistics Code of Practice (CoP). It assessed that Bank of Albania statistics are in compliance with the principles set forth in the Code.



COOPERATION AT THE INSTITUTIONAL LEVEL

Following the signing of the Memorandum of Cooperation with INSTAT and the Ministry of Finance and Economy in September 2016, the cooperation with these two institutions extended in several aspects, most importantly the establishment of two inter-institutional working groups, respectively focusing on (i) national accounts; monetary and balance of payments statistics; and (ii) excessive deficit procedure (EDP) and government financial accounts.

The Bank of Albania and INSTAT have intensified the cooperation towards the harmonisation of financial accounts statistics with annual national accounts statistics and the international investments position.

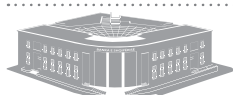
The cooperation with the Albanian Financial Supervisory Authority (AFSA) on providing statistical information on the non-bank financial system, under AFSA jurisdiction, has been strengthened. In the framework of increasing the quality of statistics produced for the sub-sectors of insurance companies, investment funds and voluntary pension funds, during 2018 has started the reporting of new forms of pension and investment funds. In December 2018, the insurance companies reported for the first time within the standards necessary to draft the flow data for this sub-sector. The benefits resulting from this cooperation will be used to close and address several gaps in information for policy decision-making and to improve timeframes and coverage with significant information, while enhancing market transparency.

In the international aspect, the Bank of Albania continues to maintain correct and timely reporting of statistics, in accordance with the methodological and transmitting (platforms) standards of the IMF, Eurostat, ECB, and CEFTA. These relationships are expected to intensify through cooperation with several projects, financed by the IPA 2015 programme and the IMF.

2.10. RESEARCH

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

In 2018, research at the Bank of Albania focused mainly on the monetary policy objective, issues related to the preservation of financial stability and banking supervision, and the interaction between these objectives and less on monetary operations or other fields. In line with its medium-term strategy, scientific research continued to support the decision-making process for drafting

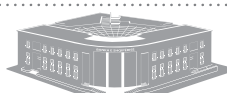


and implementing the policies of the Bank of Albania, developing new empirical analysis methodologies and enriching the portfolio of econometric models on which decision-making is based.

In particular, research projects in 2018 were micro data studies covering various aspects of enterprises, households, labour markets and other social sectors.

These and other studies have become the subject of discussion in the activities and conferences organized by the Bank of Albania or other institutions, where comments and observations have been provided for their further improvement before being offered for decision-making at the Bank of Albania. In this context, on 6-7 December 2018, the Bank of Albania organized the 12th SEE Economic Research Workshop. This workshop aimed to provide a discussion forum on innovative research for issues related to central banking and to promote the exchange of views among researchers, academia and policy makers, other research institutions contributing towards deepening economic research as well as to expand knowledge on certain features of economic developments and scientific research methodologies. This year 34 research works were presented by experts from the central banks of Austria, Bulgaria, Greece, Hungary, Italy, Lithuania, Romania, Turkey and the European Central Bank, as well as by academic institutions such as the Agricultural University of Tirana, Luigi Gurakuqi University of Shkodra, Chieti-Pescara University in Italy, Chile University in Germany, Staffordshire University and LSE University in the UK, Halmstad University in Sweden, Poznan University in Poland, Pennsylvania State University and Drexel University in the USA. The topics were related to euroization and its implications for inflation and financial stability; coordination of monetary and macro-prudential policies; implications of financial innovations for the implementation of monetary policy and banking supervision; capital flows, productivity and labour market after the global crisis; risk assessment in the financial sector; and building up macroeconomic models.

A more complete and detailed information on the research papers of the Bank of Albania is found at the official website of the Bank of Albania in the section "Publications/Researches". Other researches are published as articles in the "Economic Review" of the Bank of Albania. The Research Newsletter, published half-yearly, features information of recently concluded and in-progress research papers at the Bank of Albania, researches presented in the "Friday Seminars", or in other activities organized by the Bank of Albania throughout the year.



BOX 11 MAIN TOPICS OF RESEARCH DURING 2018

The performance of the exchange rate of lek was one of the most discussed topics during 2018. The rapid appreciation of lek against euro, particularly in 2018 H1, drove to a number of analyses and research efforts. Their common conclusion was that the exchange rate generally plays the role of “shock absorber” in the economy, stabilising the deviations of indicators from equilibrium, while it does not result to be the main cause of disturbances in the economy.

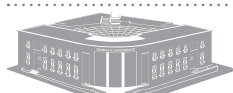
The government’s commitment to continue budget consolidation in the medium-term stimulated the assessment of the sensitivity of economic growth to the fiscal stimulus. Empirical findings suggest that tax revenues have a higher effect on the economic activity than government spending. They are more relevant in the short-run, while its effects fade out over longer horizons. Consumption and public investments showed similar effects on economic growth, but the impacts of investments remain significant for longer.

The monetary quantitative easing programmes by central banks have been a research object not only for the assessment of the impact in their home countries, but also due to their implications in other countries. The Quantitative Easing (QE) policies of the European Central Bank (ECB) are assessed to have affected significantly the financial conditions in Albania. However, the real sector of the economy does not indicate to have profited significantly by external easing policies. Their positive transmission through the financial channel seems to have been offset by the negative impacts transmitted through the re-balancing portfolio channel. The gap between 1-year maturity interest rate in Albania against rates in the euro area affects investments and economic growth in the country, acting through the re-balancing portfolio channel, remittances and bank lending channel.

Regarding financial stability, empirical assessments support the relationship between prudential banking behaviour and the need for their capitalisation in order to maintain financial stability, focusing more on risk-weighted assets. However, it seems that this relationship is non-linear. So being prudential at a certain level may harm banks’ capitalisation. Finally, the adjustment and capitalisation of banks in accordance with regulatory requirements appears more significant in banks with low capital.

A new alternative method to measure the prudential behaviour of banks by the analysis of the main component indicates the changes of banks’ behaviours have been overall moderated. The more significant changes in their prudential behaviour relate to the confidence (or lack thereof) in the economic environment. During the period before the financial crisis, larger banks have dedicated more attention to issues related with concentration in the system, as well as with net open position liquidity, while small banks appear more focused on credit provisioning, as well as capital concentration reports. After the global financial crisis, the characteristic of this behaviour appear more homogeneous, where banks seem to have dedicated more attention to provision and maturity gap. Finally, banks are more aware of the need to be more cautious after the financial crisis, particularly after the Greek debt crisis.

The survey conducted on the assessment of the financial and borrowing situation of microeconomic enterprises in agriculture indicates the low level of financial inclusion of this sector, where less than 20% of enterprises declare to rely on loans as a source of funding.



A study focusing on changes of households' consumption basket suggests that with the increase of income, households tend to increase the share of spending on entertainment, transport and luxury items, and reduce the share of spending on food and other necessities. Meanwhile, the rise in administered prices does not significantly affect the composition of the household basket.

Another study with micro data from LSMS¹ indicates that the consumption of households is sensitive to the performance of income and wealth measured by housing prices. These conclusions are drawn for four different percentiles of household income. In line with the theoretical microeconomic expectations, assessments show that changes in consumption are more sensitive for lower-income households than those in the fourth-tier percentile of income. Meanwhile, we are working on the realization for the first time of the survey on income, real and financial wealth, credit, employment, consumption and family composition, which will ensure standardization and harmonization of the questionnaire and its methodology with the questionnaire developed by the ECB for European Union countries.

The survey on measuring the level of financial literacy of the population, organised for the second time by the Bank of Albania, suggests for continuous attention and efforts for public financial education. The research analyses 2015 data at country level, as well as compares the data with the results of the 2011 survey, focusing on issues that address financial inclusion, knowledge, behaviours and attitudes of households.

The use of Gini and Rawlsian indices to measure the inequality of Albanian households with LSMS data from 2002 to 2012 concludes that inequality has decreased as a result of the redistributive effect among higher income households, while the magnitude of inequality has remained almost constant.

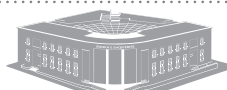
Higher education employees seem to be paid, on average, better than those with secondary and lower education. Meanwhile, according to the analysis, professions paid below average appear to be skilled workers in agriculture, forestry and fisheries; sales and service employees, as well as those in unskilled occupations.

¹ Living Standard Measurement Survey, published by INSTAT.

2.11. EUROPEAN INTEGRATION

Albania has continued to implement the obligations stemming from the Stabilization and Association Agreement (SAA) as well as from bilateral EU-Albania meetings. In November 2016 the European Commission recommended the conditional opening of negotiations based on developments on the implementation of the justice reform.

The Bank of Albania continued to contribute to the fulfilment of the obligations stemming from the Stabilization and Association Agreement, the Progress Reports of the European Commission, joint EU-Albania subcommittees and the 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". In addition, it contributes also to six other chapters of the European Union acquis.

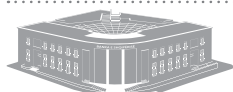
It took part in the Stabilization and Association Committee meeting and in the regular meetings of the subcommittee on the domestic market and competition as well as for economic, financial and statistical issues.

On 17 April 2018, the European Commission published the Progress Report for Albania. This document assesses the progress made during October 2016 - February 2018, with a particular focus towards fulfilling the five key priorities and the other chapters of the acquis.

This report commends the work of the Bank of Albania toward reaching price and financial stability. The report underlines in particular, the progress made in the payment system fields, through the change of regulations and the implementation of the medium-term strategy of the National Payment System Committee. Also, the report underlines the improvement of internal procedures for strengthening banks and non-bank financial institutions, by applying a risk-based supervision policy. The Bank of Albania has continued to further harmonize the banking regulation and the supervision manual with Basel II and Basel III and the relevant EU acquis. In Albania the identification system of systemically-important banks is similar to the EU practice. Regarding monetary policy, the Bank of Albania has continued to align the 1997 Law on the Bank of Albania with the European System of Central Banks (ESCB) in accordance with the requirements of the acquis.

In the statement of common conclusions on the economic and financial dialogue (May 2018), the European Commission recommended the Bank of Albania to increase the transparency of monetary policy, through publishing the series of core inflation and inflationary expectations, continuing the implementation of the national plan measures to decrease non-performing loans and implementing the measures in accordance with the Memorandum of Cooperation for the increase of the use of the national currency in the Albanian financial system and economy.

In compliance with the first recommendation, the Bank of Albania published the policy inflation and inflationary expectation series in its website in January 2019. In fulfilling the inter-institutional plan to decrease non-performing loans, it has worked to draft a regulation for out-of-court addressing of borrowers, the use of official financial statements in the credit risk assessment of borrowers and the improvement of the Credit Registry (for more refer to sub-chapter "Supervision"). Also, it has adopted the package of regulatory measures envisaged in the initiative to increase the use of national currency (sub-chapter "Financial Stability").



2.12. INTERNATIONAL COOPERATION

RELATIONS WITH THE INTERNATIONAL MONETARY FUND

The Republic of Albania continues to have SDR 139.3 million quotas and owns 2,858 votes or 0.06% of the total sum of the votes of all members of the IMF. It is in the same constituency with Italy, Greece, Portugal, Malta, and San Marino. This constituency has a total of 207,948 votes or about 4.13% of the total amount of votes of all members of the IMF. The total amount allocated and disbursed to date is SDR 295.42 million (around EUR 377.3 million).

Albania's relations with the International Monetary Fund continue to focus on the Article IV consultations, which were concluded on 20 November by the IMF Executive Board.

During 2018, the Bank of Albania has been visited by several IMF missions to provide technical assistance and expertise in various fields such as the payment system, financial stability, statistics, monetary policy, supervision and accounting.

RELATIONS WITH THE WORLD BANK GROUP

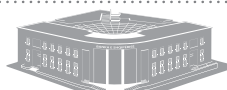
The World Bank Group (WBG) supports Albania through the Partnership Framework covering the period 2015-2019, which aims to support Albania's aspirations for equal growth and integration into the European Union. Over the years, the World Bank Group has provided over USD 2.2 billion in assistance to the country. Currently there are 11 projects amount to a total of USD 718 million, under IDA (USD 35 million) and IBRD (USD 683 million) loans.

Albania is part of the constituency composed by Greece, Italy, Portugal, Malta and Timor-Leste.

In the framework of the "Reserve Advisory and Management Program" (RAMP), cooperation with the World Bank has continued toward providing technical assistance for the implementation of an integrated credit risk and interest rate model.

Throughout 2018, the Bank of Albania with the assistance of the World Bank has finalised a series of projects, such as the study "On measuring the cost of payment instruments", an analysis of the Albanian market regarding financial inclusion of the population from the point of view of payments, as well as the remittance market analysis. Based on the findings of these studies and analyses, the Bank of Albania supported by the World Bank has drafted and adopted the "National Retail Payments Strategy (2018-2023)" at the fourth National Payments Committee meeting held in May 2018.

Also, cooperation with the World Bank has continued in the areas of remittances and payments including financial awareness and education,



payment systems, securities clearing systems, central securities depositors and central counterparties.

Regarding recovery and resolution, the Bank of Albania has continued to benefit from World Bank assistance in drafting regulatory acts as well as in identifying and evaluating the critical functions.

RELATIONS WITH OTHER INTERNATIONAL INSTITUTIONS

Throughout 2018, the Bank of Albania has devoted a special place to the cooperation with the central banks of the European Union. More concretely, this cooperation was channelled through the participation in the Task Force of the European System of Central Banks on the Cooperation of Central Banks. This forum, among other things, is devoted to technical cooperation with the Western Balkan countries, including Albania.

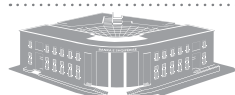
More specifically, the banks of the region were informed on the two-year project "Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the integration to the European System of Central Banks". The programme consists of two pillars. The first component includes a series of trainings by experts of central banks from the ESCB and the ECB, while the second component consists of bilateral cooperation. The areas covered by this project are those of banking supervision, financial stability, recovery and resolution, monetary policy, payment systems, statistics, compliance and EU integration, governance, accountability and internal auditing policies.

Over the past year, cooperation with the London School of Economics and Political Science has continued. In November, the Annual Conference on: "Monetary Policy, Economic Integration and the New Normal" was organized.

The Bank of Albania continued to cooperate with the FSVC. Among others, we may mention the engagement of experts from the Board of Directors of FED in training the Bank of Albania's staff members in order to improve and update the executive skills of the BoA's officials.

Also, in 2018, cooperation in the framework of the support of the Swiss State Secretariat for Economic Affairs (SECO) continued. This cooperation focused on various areas such as the payment system, financial stability, monetary policy and research.

The Bank of Albania continued to maintain contacts with the European Bank for Reconstruction and Development (EBRD). What is worth mentioning is the discussion on potential projects on Central Bank Technical Cooperation in the framework of the new EBRD reforms.



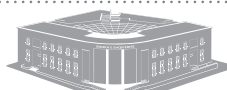
PARTICIPATION IN INTERNATIONAL CONFERENCES, FORUMS AND SEMINARS

Following is a summary of international activities, attended by the Administrators of the Bank of Albania:

- On 16-17 January 2018, the Governor of the Bank of Albania, Mr Gent Sejko attended the annual Central and Eastern European Forum organised by Euromoney in Vienna, Austria. This annual Forum brings together prominent international personalities in the fields of politics and economy from the CEE countries.
- On 13 April 2018, the Governor of the Bank of Albania, Mr Gent Sejko participated at the 7th Annual Research Conference organized by the National Bank of the Republic of Macedonia on “Around a Decade After the Crisis: Heading to the New Global Cycle and Monetary Policy Normalization”, in Ohrid, Macedonia.
- On 20-22 April 2018, the Governor of the Bank of Albania, Mr Gent Sejko, and the First Deputy Governor, Ms Elisabeta Gjoni, attended the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) in Washington D.C., USA
- In May 2018, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 39th Meeting of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries.
- In June 2018, the Governor of the Bank of Albania, Mr Gent Sejko, attended the regional summit on “Region’s Financial and Monetary Stability Ten Years since the Crisis Outbreak”, in Bečići, Montenegro.
- On 20-21 September 2018, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 40th Meeting of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries. The meeting was held in Bucharest, Romania, and was attended by governors of central banks of Club member countries.
- On 12-14 October 2018, the Governor of the Bank of Albania, Mr Gent Sejko, in the capacity of the Governor of the Republic of Albania at the IMF, attended the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG), in Bali, Indonesia. These meetings represent a high level forum which brings together the most senior decision-makers of IMF and the WBG, and governors and ministers of finance of the member countries in these international financial institutions, to discuss about the latest developments in the global economy.

MEMORANDUM OF COOPERATION

- Albania and the EBRD signed a memorandum to enhance lending in lek and the development of the capital market. On 26 February 2018, the Governor of the Bank of Albania, Mr Gent Sejko, signed, on behalf of the Bank of Albania, a Memorandum of Understanding on fostering cooperation on the use of the Albanian lek and the development of



the local capital market in Albania, between the European Bank for Reconstruction and Development (EBRD), the Bank of Albania and the Ministry of Finance and Economy.

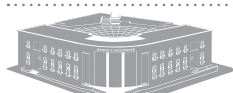
- Bank of Albania and the People's Bank of China renewed the SWAP agreement. On 3 April 2018, the Governor of the Bank of Albania, Mr Gent Sejko, and the Governor of the People's Bank of China, Mr Yi Gang signed the renewal of the bilateral currency SWAP agreement, for the maximum amount at RMB 2 billion/ALL 34.2 billion. The new agreement, like the previous one, is valid for 3 years, from the date of its signing.
- Second Deputy Governor of the Bank of Albania, Ms Natasha Ahmetaj and the Chair of the Single Resolution Board (SRB), Ms. Elke König, signed a bilateral agreement on the exchange of information and cooperation in the field of drafting Resolution Plans, as well as the implementation of this planning in relation with cross-border banking entities, that exercise their activity in the Republic of Albania and vice versa.
- On 23 November 2018, the Memorandum of Cooperation between the Bank of Albania (BoA) and the European Central Bank (ECB) was signed. On behalf of the ECB the Memorandum was signed by the President of the Supervisory Board, Mr Danièle Nouy and the Deputy President of the Supervisory Board, Ms Sabine Alice Lautenschläger. On behalf of the Bank of Albania the Memorandum was signed by the Governor, Mr Gent Sejko, and by the Head of the Supervision Department, Mr Deniz Deralla. The signing of this Memorandum formalizes the mechanisms of cooperation and information sharing between the ECB and the Bank of Albania. This cooperation is essential to ensure an effective and comprehensive supervision of the entities under the jurisdiction of each of the above authorities.

2.13. TRANSPARENCY AND PUBLIC COMMUNICATION

Public communication is an important aspect in the Bank of Albania's activity, for fulfilling the obligation to provide maximum transparency of its decision-making and effectiveness, as well for achieving the permanent objective of increasing the confidence in it. In this framework, interactive communication with the public is a primary issue of strategic importance to the Bank of Albania, to transmit its monetary policy directly and comprehensively to the public.

AN OPEN AND TRANSPARENT CENTRAL BANK

Beyond the legal obligations, the Bank of Albania communicates to the public a variety of information regarding its role and activity, from the decision-making of the Supervisory Council to its daily operational activity. This transparent communication helps to increase the effectiveness of the policies pursued by the Bank of Albania, enabling the public to understand timely and properly the decisions taken by the Bank in order to evaluate them fairly.



The Bank of Albania uses a variety of communication channels, in order to explain the role and its main objective more clearly – to maintain price stability as well as the way of its realisation.

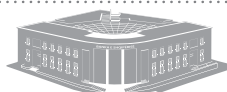
The monetary policy strategy is based on a defined decision-making cycle in an annual calendar of 8 meetings of the Supervisory Council. A press conference with the Governor is held after each meeting. Its aim is to explain the decision taken by the Supervisory Council and the analysis used to corroborate this decision, to the public. Relevant press conferences were organized in response to this cycle, in 2018, during which the Governor has responded to the media interest on various issues related to the Bank of Albania. Press conferences were followed by the publication of the Governor's speeches, and the related Q&A in Albanian and in English.

Also during 2018, after each meeting, a brief summary of key decisions taken by the Supervisory Council of the Bank of Albania was published. All public decisions of the Supervisory Council, as well as orders or acts of the administrators, applicable by entities licensed by the Bank of Albania, were fully published in the Official Bulletin of the Bank of Albania, in 6 editions of this publication.

Bank of Albania's communication is further complemented continuously and in real time with a series of periodic reports, surveys, analyses, data, assessments and opinions of the Bank of Albania on the macroeconomic situation of Albania and the role of the Bank in supporting financial stability.

Communication with the public is tailored according to the interest, academic level and professional level of targeted groups by the Bank of Albania, among which, media has an important role. In this framework, the media is continuously informed and sensitized on issues related to BoA and on economic and financial performance of Albania. Media communication has continued through press conferences, speeches, presentations and lectures in activities organized by the Bank of Albania or other domestic and foreign institutions, dedicated interviews or participation in TV shows, expression of views on specific issues of interest to the Bank of Albania or other public activities of the Governor and other representatives of the Bank. During 2018, the activity of the Bank of Albania was communicated to the public mainly through 130 public announcements, press releases, speeches, interviews and participations in TV shows. During the year, seven of its periodic reports were presented "off-the-records" to the media. 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.

In order to increase interaction with the public, in 2018, we have continued the digital communication through the social networks such as Twitter (information), Facebook (financial education), YouTube (video) and Flickr (photo), transmitting the general activities of the Bank of Albania to the public, in a timely and comprehensive manner.



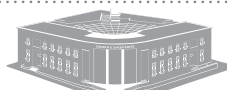
BOX 12 ACTIVITIES OF BANK OF ALBANIA'S ADMINISTRATORS

- On 13 February 2018, the Governor of the Bank of Albania, Mr Gent Sejko received the Deputy Managing Director of the International Monetary Fund (IMF), Mr Tao Zhang in an official visit at the Bank of Albania. During the meeting, Governor Sejko highlighted the very good cooperation with the IMF, which has supported Albania's economic and financial reforms. The IMF's DMD Zhang emphasised that the policies undertaken by the Bank of Albania have contributed to maintaining macroeconomic stability and consolidating financial system in Albania.
- On 21 March 2018, at the Bank of Albania, the Project Greenback 2.0 was officially launched for Albania, as recipient country for remittances. This project, which is one of the main components of the SECO-funded Remittances and Payments Program (RPP) in Albania, is a World Bank initiative for promoting accessible channels and cost-effective payment instruments for sending and receiving remittances. The World Bank, in partnership with the Bank of Albania has chosen Berat as a Champion City for the implementation of the Project Greenback 2.0.
- On 20 June 2018, the National Payment Systems Committee (NPSC) held its fourth meeting, chaired by Ms Elisabeta Gjoni, First Deputy Governor of the Bank of Albania, who also chairs this Committee. The purpose of this Committee is to support and contribute to enhancing the security, stability and efficiency of the national payment system in Albania. Beyond the advisory role, the Committee aims to facilitate the implementation of measures of the relevant authorities by fostering cooperation. In this meeting, the Committee approved the "National Retail Payments Strategy" and presented the projects realised in the framework of modernising the retail payment systems.
- On 13-14 June 2018, the Bank of Albania and the European Central Bank (ECB) co-organized the regional statistical seminar. This seminar is organized regularly by the ECB with a central bank and provides an important forum for exchanging views on statistical requirements, formulating policies and discussing most recent developments on central bank statistics-related issues. The purpose is to provide a platform for discussions and exchanging views on statistics, as one of the most challenging and fundamental issues for central bankers and policy-makers in general.
- On 21 June 2018, the Bank of Albania held the conference on "Modernisation of retail payment systems in Albania". This conference was chaired by the First Deputy Governor, Ms Elisabeta Gjoni and was attended by representatives of the World Bank, the European Central Bank, the central banks of the region, the Ministry of Finance and Economy, the Albanian Association of Banks and representatives from the business community. The purpose of this conference was the clear transmission of the objectives pursued in the context of retail system market reform, to all market stakeholders who are partners in achieving these objectives.
- On 10 July 2018, the Bank of Albania organised the Workshop on "Finances for economic growth", in cooperation with the World Bank. The workshop focused on the presentation of the World Bank study "Access



to financing for micro, small and medium enterprises." Based on this, the World Bank has compiled a detailed diagnosis and recommendations report on the economic environment in which micro, small and medium-sized enterprises operate in Albania

- On 1 November 2018, under the auspices of the Governor, Mr Gent Sejko, the Bank of Albania, co-organised with the London School of Economics and Political Science (LSE), the Annual Conference on "Monetary Policy, Economic Integration and the "New Normal"". The Conference proceedings were opened by the Governor of the Bank of Albania, Mr Gent Sejko; the Director of the LSE's Institute of Global Affairs (IGA), Mr Erik Berglof; the Minister of Finance and Economy, Mr Arben Ahmetaj; and the Prime Minister of the Republic of Albania, H.E. Mr. Edi Rama. The Closing Panel with the Governors' Roundtable brought together in a discussion panel the governors and deputy governors of the Bank of Albania, Iceland, Kosovo, Bosnia & Herzegovina and Croatia.
- On 15 November 2018, chaired by the Second Deputy Governor, Ms Natasha Ahmetaj, the Bank of Albania in cooperation with the Financial Sector Advisory Centre (FinSAC) of the World Bank, organized the Regional Conference on "Recovery and Resolution Planning", attended by senior representatives of the supervision and resolution authorities of the European Union, the countries of the region and of commercial banks operating in Albania. This Conference culminated the work of the Bank of Albania in the past 18 months for developing a complete framework for bank recovery and resolution.
- On 6-7 December 2016, the Bank of Albania organized the 12th SEE Economic Research Workshop. This workshop aims to provide a discussion forum on innovative research work for issues related to central banking and to promote the exchange of views among researchers of the Bank of Albania, other central banks, academia and other research institutions.
- On 14 December 2018, at the premises of the Bank of Albania the second high-level meeting was held between the Bank of Albania, the Minister of State for the Diaspora, commercial banks and non-bank financial institutions engaged in the field of monetary transfers that operate in Albania. This meeting was held in the framework of the Memorandum of Understanding "On Remittances" signed last year by the Bank of Albania, The Minister of State for the Diaspora and the Ministry of Finance and Economy.
- On 20 December 2018, the Governor of the Bank of Albania, Mr Gent Sejko, met with renowned publicists, experts of politics and economy, journalists and representatives of the print and electronic media on the occasion of the traditional end-of-year event. During the end-of-year event, the three winners of the "Governor's Award for the Best Diploma Thesis 2018" were announced: the first prize was awarded to Ms Migena Musli, a student at the Mediterranean University of Albania; the second prize was awarded to Mr Donald Vullnetari, a student at the University of Tirana; and the third prize was awarded to Mr Klisman Ndoje, a student at the Université Libre de Bruxelles. This annual event is dedicated to Albanian students graduated this year in Albania and abroad, for scientific research on issues related to international monetary economics, price and financial stability, economic integration, etc.



A RESPONSIBLE AND ACCOUNTABLE CENTRAL BANK

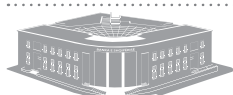
The Bank of Albania considers transparency as an obligation and instrument for enhancing independence.

Institutional relations with the Parliament are held in several directions. The hearing sessions of the Governor in the Parliamentary Commission of Economy and Finance (CEF) are the most significant ones. In May 2018, the Governor presented the Annual Report of the Bank of Albania to CEF and later to the Parliament of Albania, responding to the MP's interest in specific issues related to it matters. As every year, the Governor presented in November, in a special hearing to CEF, the Bank of Albania's opinion on the draft state budget for the following year 2019.

2.14. PUBLIC EDUCATION AND THE MUSEUM OF THE BANK OF ALBANIA

Central banks pay special attention and resources to the financial and economic education of the public. This is because an informed public is more likely to understand and accept the complex decisions of the central bank. For nearly a decade, the Bank of Albania has been committed to expand and deepen financial literacy in the country, in particular targeting the younger generation. The programmes, activities and special educational publications prepared by the Bank of Albania focus on two main goals: presenting the central bank, its functions and role to the public; and cultivating and enhancing financial literacy in the society. With a view to increasing financial literacy in Albania, during 2018, educational efforts continued in several aspects:

- **Educational publications.** The distribution of educational textbooks: "Personal finance in your hands" continued during 2018 for six high schools (in total 820 pupils), in addition to the distribution of brochures and educational materials prepared in previous years.
- **Money Week.** On 12 March 2018, at the premises of the Bank of Albania, the Money Week for 2018 was launched under the motto: "Money: You reap what you sow". The Bank of Albania participated for the fifth time in this celebration, in cooperation with the Albanian Association of Banks, and the support of the Ministry of Education, Sport and Youth, and the Deposit Insurance Agency (ASD). Throughout the week, numerous educational and awareness activities were organized, including directly around 5000 children and young people, representing about 55 middle schools, 14 high schools, 8 universities in 14 cities. Educational activities include: school competitions, lectures at university auditoriums and youth centres, visits to the Museum of the Bank of Albania and to commercial banks.
- **The Bank of Albania on Facebook.** The Facebook page of the Bank of Albania was created in 2014 to promote and cultivate financial



literacy. The Bank of Albania's Facebook page has served as another channel to reach out the public, mainly the younger generation. During 2018, about 70 posts were published to inform and provide the public with educational materials, numismatic curiosities, activities and publications of the Bank.

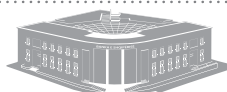
- **Analysis of financial literacy in Albania.** During 2018, the Bank of Albania presented the Survey results on "Measuring Financial Literacy: for Albania, 2015" at the 12th South-Eastern European Economic Research Workshop. This overall analysis of the survey results is an important tool in identifying issues that need attention and formulation of the public education strategy and policies.

THE MUSEUM OF THE BANK OF ALBANIA

Since October 2015, the Museum of the Bank of Albania has served as a bridge between the Bank and the public. Its exhibitions and information provide the public with numismatic and historical information and knowledge related to banking and financial education. During 2018, the Museum of the Bank of Albania was visited by 3100 visitors, of which, 1,700 were children and students and 1,400 adults older than 18 years old.

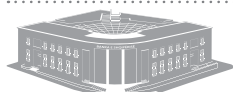
Each year, the Museum of the Bank of Albania organizes activities to attract new visitors and increase cooperation with scholars, academics, museums and other institutions, as well as specialized institutions in economic, historical and cultural heritage research. For 2018, the Museum organised a series of activities of historical and educational character, listed below:

- **Temporary exhibition "Gjergj Kastriot Skanderbeg featured in Albanian coins and banknotes", 17 January 2018.** The Museum of the Bank of Albania presented "Gjergj Kastriot Skanderbeg on the Albanian coins and banknotes" a temporary exhibition in memoriam of the 550th anniversary of the death of the National Hero. The Museum of the Bank of Albania dedicated the exhibition to the figure of Skanderbeg, featured in the Albanian coins and banknotes from 1921 to 1996. It also highlights various features in these banknotes and coins. The temporary exhibition was open for the public throughout 2018.
- **"Museum Nights" lectures.** The "Museum nights" lectures co-ordinate and integrate knowledge about the currency with information found in archives, libraries, private collections or exhibited through architecture, sculpture, visual arts and pictures across other museums in the country. Lectures are followed by visits to the Museum. Two lectures were held in 2018. On 17 April, Dr Dorian Koci, Director of the National Historical Museum, held the lecture, on "Ali Pasha Tepelena's financial relations". On 2 March 2018, Prof. Dr. Jovan Basho, a philatelist, delivered a lecture on "Gjergj Kastrioti Scanderbeg on Albanian Stamps".
- **One-week seminar: "Ancient coins from the beginning of the VII cent.**



BC, until the fall of the Roman Empire at the end of the V cent. AD", 30 April and 2, 3, 4, 7 May 2018. This lecture was delivered by Dr. Albana Meta, a numismatist at the Institute of Archaeology. Around 30 people attended the seminar, including scholars, collectors and students of the University of Tirana. At the end, participants were certificates of attendance.

- **International Museum Day, 18 May 2018.** On the occasion of the International Museum Day, the Museum of the Bank of Albania stayed open on 18 May, from 9:00 a.m. to 8:00 p.m.
- **Temporary exhibition "Gjergj Kastriot Skanderbeg featured in Albanian coins and banknotes", in Prizren, Kosovo.** The Bank of Albania, organized this exhibition in cooperation with the Central Bank of the Republic of Kosovo, in the framework of the pan-national Year of Gjergj Kastrioti Skanderbeg. This exhibition was opened on 10 June 2018 - a date that coincides with the 140th anniversary of the Albanian League of Prizren. It was organized at the House of the League of Prizren, in the city of Prizren in Kosovo, and it remained open until 12 June 2018.
- **The Second Conference of the Museum of the Bank of Albania: on "The Role of Money in Wartime", 20 September 2018.** The Conference brought together historians, numismatists, archaeologists, scholars of the history of money, experienced and young researchers, to share their findings and discuss on the role of money throughout the centuries in wartime. The conference was organised in sessions starting from antiquity to modern times.
- **The temporary exhibition "80th anniversary of the Bank of Albania building", 30 October 2018.** On 30 October 2018, the temporary exhibition was opened on: "80th anniversary of the Bank of Albania building, 1938-2018" The exhibition presented photographs and building sketches of the central Bank of Albania in Tirana and its former branches in Durrës, Shkodra, Korça, Vlora, Saranda and Elbasan.



3. INTERNAL AUDIT AND INSPECTOR GENERAL'S OPINION

The Control Department carries out the internal audit at the Bank of Albania. The main objective of the Control Department is to ensure compliance with the laws and by-laws in the activity of the Bank of Albania. The internal audit function ensures periodically and independently to the Bank's Administrators and the Supervisory Council the verification and evaluation of internal audit systems by testing certain controls and procedures but not being their substitute.

3.1. HIGHLIGHTS IN INTERNAL AUDIT OVER 2018

A. Implementation of the Internal Audit Policy

The Annual Internal Audit Plan at the Bank of Albania was reviewed and approved in accordance with the International Standards on Auditing. The annual plan for 2018 was drafted by the Control Department and the Inspector General, and was submitted for review by the Audit Committee. Once agreed by the Audit Committee, the plan was presented to the Supervisory Council, and was approved by its Decision No. 16 of 07.02.2018.

B. Drafting of the Annual Audit plan in the automated Pentana system, based on the approved risk assessment methodology

The proposed 2019 plan was based on Risk Assessment process for audit purposes through the application of the Pentana system. Risk-based planning through this system enhances the quality of planning based on the risks identified during the audit and updating of the audit universe with risks from the external environment, based on the external auditors' requirements.

Starting from 2017, the Department has drafted the complete risk-based audit plan in compliance with the International Standards in Internal Audit.

C. Relations with the Operational Risk Management Unit

Collaboration with the ORM Unit continues on regular basis. The ORM Unit makes available to audit teams (inspectors) the list of operational risks that have been identified and reported by the departments of the Bank, and monitored by the ORM. Meanwhile, the Control Department makes available to the ORM Unit, at the end of each engagement, the audit report, risk assessment of the function and findings, format of risk-check processes, and any other information that may apply to the continuous operational risk management.

In addition, the Control Department, reports regularly on the operational risks related to the internal audit itself.



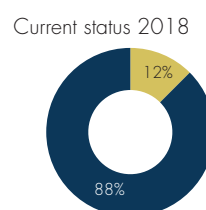
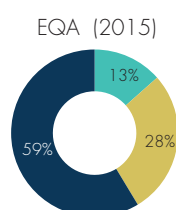
D. Implementation of Recommendations from the External Quality Assurance and Results of Internal Assessment

Following the external assessment of the Internal Audit quality (External Quality Assessment), conducted by the Central Bank of the Netherlands (DNB) in May 2015, the Control Department, at the end of 2017, accomplished the engagement of the Internal Audit quality self-assessment (Internal Quality Assessment).

The table below shows the situation at the end of 2018 regarding EQA recommendations left by the DNB and the results of the engagement of the Internal Audit Self-Assessment.

Chart 44 Internal audit assessment (EQA, 2015), self-assessment of quality (2017), actual assessment

Compliance levels according to EQA	Standards assessed during EQA by levels of compliance (2015)	Commitment status of Self-assessment of IA quality in AB në 2017	Current status after last assessment 2018
Do not comply	14	0	0
Partially complies	29	16	13
Complies	61	88	91
TOTAL	104	104	104



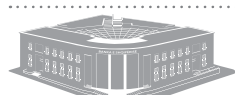
According to the chart above, only 12.5% of the standards (13 Standards) are not fully implemented (in accordance with the best practices provided by the IPPF of the International Institute of Internal Auditors).

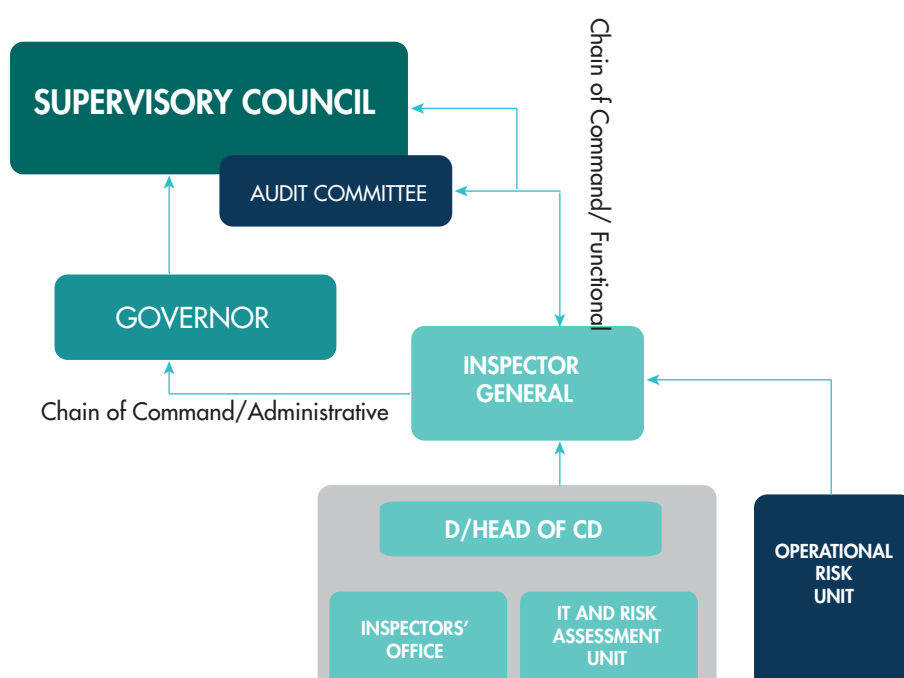
3.1.1 ABOUT THE CONTROL DEPARTMENT

In accordance with the Law "On the Bank of Albania", the statute of the Bank of Albania, the policy and regulation of the Internal Audit and the regulation of the Audit Committee, the structure of the Control Department is presented in the following chart. Its purpose is to preserve the objectivity, independence, integrity of information, the efficient use of resources and the effectiveness of internal control systems at the Bank of Albania.

A. Organizational structure of Control Department

The organizational structures under the responsibility of the Inspector General:





B. Professional capacity building and continuous training

In order to meet the strategic objective regarding the capacity building of internal audit staff members, the audit inspectors have participated in training programs for internal audit and risk management provided by central banks; they have attended individual programs for their professional development; and have taken professional membership / certification exams from international institutions in the field of finance and audit. The audit inspectors continued attending the ACCA, CIA, CISA certification programs and minimum mandatory classes for upholding CIDA, ACCA, CA titles.

Table 9. The qualification status of Internal Audit staff is provided following:

Qualification and professional capacity building of staff	
Qualified inspector for CIA audit	1 inspector (1 in process)
Qualified inspector for specific audits of investments CIDA	2 inspectors
Qualified inspector for financial reporting ACCA	2 inspectors (2 in process)
Inspectors in qualification process for IT CISA audit	1 inspector

3.1.2 ENGAGEMENTS AND MAIN FINDINGS IN 2018

Audit engagements in 2018 focused on: (i) giving an opinion on the adequacy of internal audits set by the Management for the audited functions / processes, including applications supporting activities; and (ii) other unplanned audit and non-audit engagements with a special request by Administrators or other institutions.



During 2018, in total, 37 recommendations resulted from 10 audit engagements for security. The recommendations mainly addressed the need for improving the processes (49%); the review of the regulatory base (26%); and others on the implementation of the regulatory base.

The findings and recommendations for each of the audits carried out during this period were first addressed to the heads of the units and then to the Bank of Albania's Administrators.

3.2. OPERATIONAL RISK MANAGEMENT

The operational risk management is one of the newest functions at the Bank of Albania. In mid-2015, started the project for the establishment of this function, based on the Risk Management international standards and on best practices of central banks. The operational risk management function at the bank of Albania was finalised in 2016.

The main objective of the Operational Risk Management is to: manage uncertainties and possible risk to the activity of the Bank; inform at any time the Administrators; assist the decision-making process on risks that may hinder the achievement of Bank of Albania's objectives or have adverse financial and / or reputational impacts.

A. Operational risk management in 2018

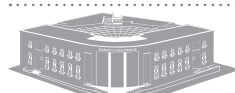
In 2018, the Operational Risk Management Unit continued to monitor and review the identified risks within the Bank units, and compiled regular reports for the Administrators, the Audit Committee and the Supervisory Council, on the results and analyses of the Banks' exposure to operational risk.

In 2018, priority was given to the evidence and regular reporting of events/ risks categorised as "FRAUD" for all processes of the Bank, based on the practices evidenced by Central Banks (IORËG). For all units of the bank, 34 risks classified in the "FRAUD" category are evidenced.

The operational risk management function was consolidated and matured in 2018.

In 2018, the following were realised:

- Upon the approval of tolerance level to the operational risk, by Decision No. 18, dated 29.3.2017, of the Supervisory Council, on addressing all the residual risks, which were classified as "High" and "Medium", the ORM Unit conducted the periodic re-assessment processes of Operational Risks based on the periodic reports of units, and reviewed all processes realised at Bank level. The periodic assessment helps to identify and address the occurred risks, particularly for the processes



- assessed with 'medium' and 'high' risk.
- Approval of the action plans by the Administrators. These plans were drafted by the ORM Unit in collaboration with all the involved units. In total, 27 action plans and 5 key indicators were drafted, for minimising 59 operational risks classified as "high" and "medium";
 - Periodic review and reassessment of the Operational Risk Database. The ORM Unit held meetings with all units to review the operational risk database. This stage was supported also by the data found in the latest operational risk database submitted by the International Operational Risk Working Group (IORWG). At the end, the Operational Risk Database identified 313 operational risks in total, of which 304 are specific risks and 9 comprehensive risks.
 - Review of the realised processes database. During this stage, 409 processes/sub-processes, in total, were identified for 23 functions allocated by responsibility level for the units and committees of the Bank of Albania.

B. Assessment of Operational Risk Management by international experts

The Operational Risk Management is assessed based on the methodology employed by the International Operational Risk Working Group (IORWG) for central banks, part of which is also the Bank of Albania.

This organization, which develops and directs the Operational Risk Management for Central Banks, has been active since October 2005, and currently consists of 96 central banks and Supervision and Monetary Authorities. The Bank of Albania joined it in July 2015. Following this process, the progress of the maturity level of the Operational Risk Management has shifted from 'ad-hoc' to 'managed'. This assessment exceeds the Bank of Albania's expectations, thus overcoming the "basic" level.

The major part of Central Banks that have been consolidating the Risk Management function for more than 5 years, are currently rated in this level.

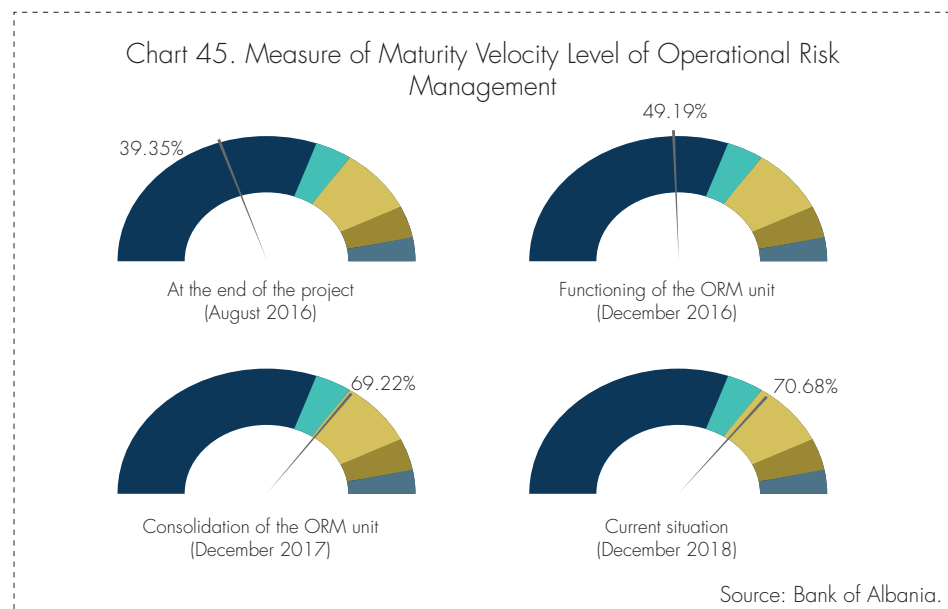
AD-HOC	BASIC	MANAGED	ADVANCED	MATURED
<61%	≥61%	≥69%	≥86%	≥94%

The maturity level, during 2017, increased considerably at 69.22% (from 49.19% at the end of 2016), upon the expression of Operational Risk Tolerance by the Supervisory Council, the drafting and approval of action plans at the Administrators, the periodic review and reassessment of operational risk database. The current maturity level assessed for 2018 is 70.68%, based on the performance of the process on the implementation of action plans and the assessment of risks periodically reported by units. This level fully complies with the medium-term objectives of ORM function at the Bank of Albania.

The assessment is conducted periodically based on IORWG matrix, which set out the designing of the processes and control systems on these processes,



organisation way and structure, reporting results after the risk management and risk culture, which is a challenge that needs continuous monitoring, coherence and awareness-raising.



C. Whistleblowing function at the Bank of Albania

The consolidation of the whistleblowing function has helped the Operational Risk Management as well. In compliance with the Law No.60/2016 "On Signalling (whistleblowing) and Protection of Whistle-blowers", this unit aims to:

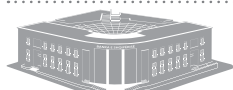
- prevent and suppress corruption at the Bank of Albania;
- promote alerts on suspected corruption actions or practices;
- protect whistleblowers who signal suspected corruption actions or practices at their workplace.

Upon the approval of the Regulation in December 2017 "On the Administrative Investigation of Signalling, Protection of Confidentiality and Protection from Retaliation at the Bank of Albania", all the units at the Bank were informed on the Regulation, which is made public for all the staff members of the Bank and is accessible to each employee.

The regulatory base was completed during 2018, in addition to all the guidelines (annexes) and necessary tools to provide the staff with the possibility to signal doubtful cases.

D. Business Continuity Management (BCM) at the Bank of Albania

The Bank of Albania established a working group for the Project "Drafting and implementation of the Business Continuity Management program at the Bank of Albania". The project is in the final stage of the engagement completion.



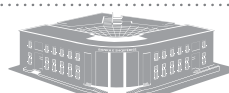
This process was realised based on the most updated infrastructure of the Bank and is drafted in such a way to be updated and maintained with all changes periodically.

The purpose of this project is, through the drafting of the necessary regulatory framework, in case of operational interruptions during a Crisis/Emergency, to support the Bank in its efforts to improve the response capacity, ensure the continuation of critical processes and recover the normal business of the Bank as fast as possible.

The drafted regulatory acts are based on BS 25999 Standard and best practices in the field of Business Continuity Management (BCM). BS25999 Standard is broadly accepted as the base standard for drafting and implementing and effective BCM Program and is applicable to all institutions (including industry and relevant sectors).

The standard provides a framework of the best practices with the aim for minimising the negative consequences in case of undesirable events that may drive to disruption of business. Based on this Standard, "Business Continuity Management" is a process oriented to business, which set forth a strategic and operational framework adapted to the needs, to:

- improve pro-actively the recovering capacity of the organisation against the operational disruptions, which render it unable to accomplish the main objectives;
- ensure a recovery method of the organisation's capacity to provide products and services in the agreed time and quality after the disruption of the business.
- provide a proven ability to manage the disruption of the business and to protect the reputation of the organisation.



4. HUMAN RESOURCES

Development of human resources of the Bank, in compliance with the objectives, strategy and implementation of the relevant policies of the Bank, aims at establishing an adequate and motivating environment, which not only serves to increase employees' professionalism, but also improves continuously the administrative processes of the institution.

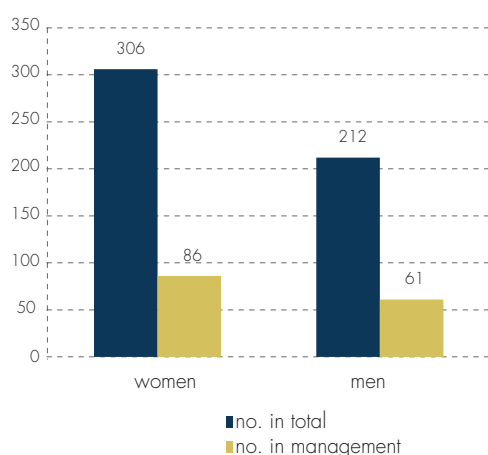
Pursuant to the medium-term strategic objectives of the institution, the human resources management policy is focused on the acquisition and implementation of the best human resources management practices applied in similar institutions in the European Union. The pursuit of proactive policies on employment, management and career promotion of human capacities for a structured professional and flexible organization remains a priority of the Bank. Rationalising the organizational structure and improving the Bank's effectiveness, in line with its strategic objectives and the relevant regulatory framework, are the main goals of these policies.

Effective human resources management requires adapting the institution's regulatory infrastructure to the best standards, by providing promotion opportunities for professional employees, aiming at increasing employee motivation and work effectiveness. Through policies for professional motivation, the goal is to retain the staff, one of the main challenges faced by central banks.

Gender representation at the level of specialists and managers is balanced.

The ratio of women to men in total employees is 59% - 41%, while at the management level this ratio is 58% - 42%.

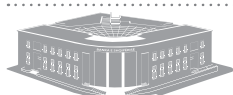
Chart 46. Female/male ratio in management



Source: Bank of Albania.

In 2018, in the framework of redesigning and role of some units of the Bank, some changes were made to the organizational structure of the Bank. These changes aimed to improve and strengthen some important processes, like better adaptation of the structures of some of the Bank's units with specific tasks stemming from the objectives and activity of the institution.

Special attention is paid to combining the professional staff with the new one. The average age of the staff is 43 years old. About 88% of employees in the Bank have higher education. It is worth noting that 57%



of employees have completed postgraduate studies at the Masters / PHD level, and have obtained internationally-recognised professional certificates. About 37% have completed postgraduate studies in the country and 20% in prestigious universities abroad.

An important element of human resources policy is the identification of interpersonal and professional skills and their usage to train and build professional capacities of the employees, through professional trainings they have attended in Albania and abroad. Participation in these specialized training, organized by central banks, international financial institutions (IFIs) or other institutions, besides increasing the professional knowledge, serves the staff of the Bank also to share professional and managerial experiences with representatives of these institutions.

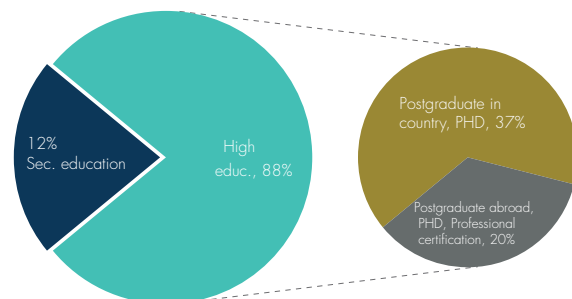
The highest participation in training, 46% was respectively in European central banks of Germany, Italy, the Czech Republic, the Netherlands, France, the European Central Bank, etc. The trainings conducted by International Financial Institutions account for 23% of the training courses attended, namely: the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD), Bank for International Settlements (BIS); and 28% participating in trainings carried out in collaboration with other organisers, namely: European Commission, European Banking Authority (EBA), EUROSTAT, International Finance Corporation (IFC), JP Morgan, Center of Excellence in Finance (CEF), etc.

Compared with the previous years, in 2018, the number of training courses organised in Albania doubled, driven by the initiatives of the Bank of Albania to train the management staff (an activity with the Federal Reserve (Fed), and a slight increase of training participations in courses organised abroad. Most of the professional trainings in 2018 were carried out in the field of Banking Supervision (10.9%), Monetary Policy (10.0%), Central Banking (10.0%) and Monetary Operations (9.2%). The rest of the training was organised in areas such as: internal auditing, currency issuance and money management, statistics, accounting and finance, economics and models, etc. It should be noted that the largest number of professional training is focused on building the central bank's institutional capacity to fulfil its core functions.

AGREEMENTS AND COLLABORATION

In 2018, a part of activities in Albania and abroad, were realised in the framework of the collaboration agreements of the Bank with partner institutions, such as the Central Bank of the Republic of Turkey, the Central Bank of the

Chart 47. Level of education



Source: Bank of Albania.



Republic of Kosovo, the European Banking Authority (EBA), the Swiss State Secretariat for Economic Affairs (SECO). Thirteen different activities with the participation of 53 employees were realised in the framework of these agreements, aiming at acquiring the targeted and specific information.

BOX 13 SOCIAL POLICIES AND SOCIAL RESPONSIBILITY

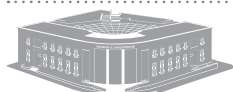
The Bank of Albania aims to maintain and to further strengthen social values, increase the awareness of its employees in terms of support for vulnerable groups or various social causes. Examples of these efforts are initiatives to support financial education, create a better environment for vulnerable communities, and volunteer activities to contribute to improving the quality of life for the marginalized segments of the society. Based on the Law "On the Bank of Albania", the latter cannot allocate financial aid or donations. Yet, within social responsibility and civic sensitivity, during 2018, employees have voluntarily contributed to various humanitarian activities as a moral response to the achievement of common community goals.

On 1 June, on the "International Children's Day", Bank employees provided monetary and material support (gifts from employees), on a voluntary basis, for the purchase of clothing, equipment for kids, toys, teaching aids, and others items, according to the needs presented by the Orphanage "Lulet e Vogla", Korça and "Special School", Korça.

In cooperation with the "Albanian Red Cross" and the "Blood Donor Centre", on the occasion of World Blood Donor Day, in May, the Bank's employees expressed solidarity with the humanitarian initiative for voluntary blood donation as an act of humanity to help the sick people in need. The process was managed by employees of "The Albanian Red Cross" according to respective standards.

On 2 April 2018, the Bank of Albania's central building was decked in blue to mark the World Autism Day as part of a common national awareness raising initiative for it.

On the occasion of the end of the year, a sale of postcards prepared by the children of the village "SOS" and the children of the "Down Syndrome Foundation" was organized, at the premises of the Bank. Profits from the sale of cards will be used to meet their needs.



5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2019-2021

The medium-term development strategy sets out the ambition of the Bank of Albania for the following three-year period. This document is a follow-up of the implemented strategy 2016-2018, which was updated in November 2017.

The mission, vision and values of the Bank of Albania in this strategy were kept unchanged, as set out in 2016. They are detailed in the text of the Strategy, in order the strategic objectives comply with them.

The strategic objectives set out the general directions and priorities in the activity of the Bank of Albania to achieve its mission and vision. The objectives are set out in the organic law and are related to: (i) price stability (the main objective); (ii) foreign exchange system; (iii) internal financial market; (iv) payment systems; and (v) improvement of monetary and lending conditions in support of the country's stability and economic developments.

Other objectives are conditioned by the primary objective of the Bank of Albania, are promote maintaining the liquidity level, solvency, and the smooth functioning of a banking system based on market principles.

The duties left in the Resolution of the Parliament on the assessment of the Bank of Albania activity are automatically included in the strategic objectives, according to the respective fields.

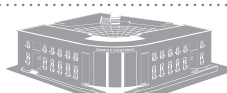
The strategy is composed of three main parts addressing the implementation of the Mission, Vision and Values of the Bank of Albania. Each part is divided into chapters according to the main fields or responsibility.

The objectives of the strategy aim to be: (i) clear and understandable; (ii) feasible considering the human and financial resources, staff experience and qualification, and the external factors; and (iii) achievable within the medium-term period. Such organisation provides a rather detailed information regarding the strategic objectives, activities and the responsible unit for their realisation. On the other hand, it serves to better monitor the implementation of the activities set out in the Strategy.

The main challenges to the Bank of Albania during the three-year period are:

a) Maintaining monetary stability

The goal for 2019-2021 is to enhance effectiveness, flexibility and transparency of the monetary policy. The development strategy for the monetary policy is



based on the trends of internal and external developments, the identification of future challenges and the utilisation of relevant best international practices.

The Bank of Albania shall develop professional capacities to implement the increased flexibility of the monetary policy instruments and the mechanisms for monitoring the domestic foreign exchange market.

Objectives of the Bank of Albania, in the field of statistics, are oriented toward fulfilling quantitative standards of international methodologies and EU legislation, related to the content and reporting of statistics to European and international institutions.

b) Fulfilling the needs of the economy for cash and improving the quality of banknotes

Fulfilling the increasing needs of the economy for cash, fit for circulation, will be realised through putting into circulation banknotes with improved design, and the production of the new issue 10.000 LEKË.

Guaranteeing the quality of banknotes is aimed firstly at preserving their integrity, in relation with the public that uses them, and upholding a dignified image of the Bank of Albania and the Albanian state. Also, work will be done on improving the security features of the Albanian banknotes and increasing cooperation in the field of fight against counterfeiting, by formalising agreements with relevant authorities at national and European level.

c) Promoting the smooth operation of payment systems

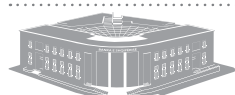
The Bank of Albania aims at regulating the operation of securities' clearing and settlement infrastructure, as well as expanding the institutional capacities for their licensing and oversight. In addition, efforts will be made towards consolidating the facilitating regulatory environment for retail payments.

The Bank of Albania will promote the use of electronic payments instruments, through infrastructural developments to guarantee safe, fast and low-cost circulation of money in the economy. In the medium-term period, work will be devoted to the creation of a national platform for processing SWITCH electronic payments and Instant Payments.

d) Promoting financial system stability

The Bank of Albania will engage in the assessment, monitoring and identification of the actions for addressing financial system risks, focusing in particular on systemic risk and the banking sector. This activity will be carried out in collaboration with other public authorities.

The focus will be on: (i) aligning the regulatory framework with the legislation of the European Union, and with the Basel Committee principles; (ii) further consolidating the risk-based supervision; and (iii) further reducing the non-



performing loans stock for the implementation of the National Plan for the Reduction of Non-performing Loans.

The Bank of Albania, as the resolution authority, will work on drafting the resolution plans for each bank within the legal term.

e) *Strengthening the good governance of the institution*

The Bank of Albania aims at fully aligning its own organic Law to the Statute of the European System of Central Bank. Special attention will be paid to the increase of the internal audit quality and the transformation of the Operational Risk Management (ORM) framework to an effective and qualitative instrument to prevent and minimise the operational risk the institution is exposed to.

The Bank of Albania aims at enhancing the effectiveness of procurement procedures, ensuring the proper use of funds and reducing its own expenditures.





FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

(WITH INDEPENDENT AUDITORS' REPORT THEREON)





KPMG Albania Shpk
Deshmoret e Kombit Blvd
Twin Towers Building 1, floor 13
Tirana, Albania
+355 (4) 2274 524
al-office@kpmg.com
kpmg.com/al

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 2018, 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 2018, 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.

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.

Fatos Beqja
Statutory Auditor
KPMG Albania Shpk
Deshmoret e Kombit Blvd.
Twin Towers Building I, floor 13
Tirana, Albania

Gordana Nikushevska
Partner, Audit
KPMG DOOEL Skopje
Filip Vtori Makedonski 3
Soravia Center, floor 7, Skopje
Republic of North Macedonia


Tirana, 28 March 2019


STATEMENT OF FINANCIAL POSITION

In ALL million	Note	31 December 2018	31 December 2017
ASSETS			
Cash and balances with banks	9	189,967	161,765
Trading assets	13	13,985	14,240
Monetary gold	10	6,992	7,291
Accounts with the International Monetary Fund	11	33,512	41,733
Loans to banks	12	32,318	39,871
Investment securities	14	247,604	245,375
Property, equipment and intangible assets	15	20,195	20,226
Other assets	16	2,474	2,351
TOTAL ASSETS		547,047	532,852
LIABILITIES			
Currency in circulation	17	286,132	274,685
Due to banks	18	137,223	146,635
Deposits and borrowings from third parties	19	5,735	4,033
Due to Government and state institutions	20	63,111	35,295
Due to the International Monetary Fund	11	23,990	26,751
Other liabilities	21	365	484
TOTAL LIABILITIES		516,556	487,883
CAPITAL AND RESERVES			
Capital		2,500	2,500
Reserves	22	27,991	42,469
TOTAL CAPITAL AND RESERVES		30,491	44,969
TOTAL LIABILITIES, CAPITAL AND RESERVES		547,047	532,852

The notes on pages 135 to 196 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 28 March 2019 on its behalf by:


 Gent Sejko
 Governor

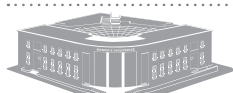

 Ledia Bregu
 Director, Payment Systems, Accounting
 and Finance Department



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In ALL million	Note	2018	2017
Interest income calculated using the effective interest method	23	3,421	2,731
Interest expense	23	(1,064)	(806)
Net interest income		2,357	1,925
Fee and commission income		84	75
Fee and commission expense		(40)	(48)
Net income from fees and commissions		44	27
Net trading income/(losses)	24	177	(1,400)
Net other (losses)/income	25	(140)	568
Net loss from changes in the fair value of monetary gold	10	(299)	(225)
Net foreign exchange losses	22	(14,106)	(12,855)
Total revenue		(11,967)	(11,960)
Impairment losses on financial instruments	8(C)(vi)(b)	(1)	-
Employee benefit expenses	26	(1,363)	(1,306)
Depreciation and amortization	15	(377)	(455)
Other general and administrative expenses		(613)	(611)
Net result for the period	27	(14,321)	(14,332)
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Debt instruments at FVOCI – net change in fair value	22	432	-
Available-for-sale financial assets – net change in fair value	22	-	(736)
Other comprehensive loss for the year, net of tax		432	(736)
Total comprehensive loss for the year		(13,889)	(15,068)

The notes on pages 135 to 196 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 2017	2,500	12,500	23,240	531	16,548	5,619	-	60,938
Total comprehensive income								
Net result for the period	-	-	-	-	-	-	(14,332)	(14,332)
Other comprehensive income								
Fair value reserve (available-for-sale financial assets)	-	-	-	(736)	-	-	-	(736)
Other comprehensive income, net of tax	-	-	-	(736)	-	-	-	(736)
Total comprehensive income	-	-	-	(736)	-	-	(14,332)	(15,068)
Contributions and distributions								
Distribution to Government of Albania (Note 20)	-	-	-	-	(14)	-	(887)	(901)
Total contributions and distributions	-	-	-	-	(14)	-	(887)	(901)
Reallocation of transition reserve and other reserves (Note 22)	-	-	-	-	5,619	(5,619)	-	-
Transfers to reserves (Note 22)	-	-	(15,247)	-	28	-	15,219	-
Balance at 31 December 2017	2,500	12,500	7,993	(205)	22,181	-	-	44,969
Adjustments on initial application of IFRS 9, net of tax (Note 8(B))	-	-	-	14	(27)	-	-	(13)
Restated balance at 1 January 2018	2,500	12,500	7,993	(191)	22,154	-	-	44,956
Total comprehensive income								
Net result for the period	-	-	-	-	-	-	(14,321)	(14,321)
Other comprehensive income								
Fair value reserve (debt instruments)	-	-	-	432	-	-	-	432
Other comprehensive income, net of tax	-	-	-	432	-	-	-	432
Total comprehensive income	-	-	-	432	-	-	(14,321)	(13,889)
Contributions and distributions								
Distribution to Government of Albania (Note 20)	-	-	-	-	(54)	-	(522)	(576)
Total contributions and distributions	-	-	-	-	(54)	-	(522)	(576)
Transfers to reserves (Note 22)	-	-	(14,843)	-	-	-	14,843	-
Balance at 31 December 2018	2,500	12,500	(6,850)	241	22,100	-	-	30,491

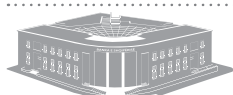
The notes on pages 135 to 196 are an integral part of these financial statements.



STATEMENT OF CASH FLOWS

In ALL million	Note	2018	2017
Cash flows from operating activities			
Net result for the period		(14,321)	(14,332)
Adjustments for:			
Depreciation and amortization	15	377	455
Net impairment loss on financial instruments	7(A)	1	-
Net interest income	23	(2,357)	(1,925)
Net trading income	24	(177)	1,400
Loss/(profit) from sale of investment securities	25	169	(533)
Net loss from changes in the fair value of monetary gold	10	299	225
Net foreign exchange losses	22	14,106	12,855
Provisions	21	11	25
		(1,892)	(1,830)
Changes in:			
Trading assets		432	541
Accounts with the International Monetary Fund		7,210	(319)
Loans to and deposits with banks		3,234	(9,937)
Other assets		(123)	(4,235)
Currency in circulation		11,447	15,864
Due to banks		(4,804)	(3,930)
Deposits and borrowings from third parties		1,715	726
Due to Government and state institutions		29,595	16,511
Due to the International Monetary Fund		(2,391)	(665)
Other liabilities		(104)	2,686
		44,319	15,412
Interest received		3,943	3,287
Interest paid		(1,042)	(770)
Net cash generated from operating activities		47,220	17,929
Cash flows from investing activities			
Acquisition of investment securities		(338,331)	(279,324)
Proceeds from sold and matured investment securities		324,632	320,158
Acquisition of property, equipment and intangible assets		(347)	(76)
Net cash generated from investing activities		(14,046)	40,758
Cash flows from financing activities			
Distributions to Government	20	(901)	(908)
Net cash used in financing activities		(901)	(908)
Increase in cash and cash equivalents		32,273	57,779
Cash and cash equivalents at the beginning of the year		161,765	105,490
Effect of movements in exchange rates on cash held		(8,390)	(1,504)
Cash and cash equivalents at the end of the year	9	185,648	161,765

The notes on pages 135 to 196 are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

(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').

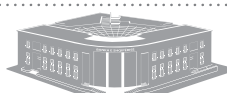
This is the first set of the Bank's annual financial statements in which IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied. Changes to significant accounting policies are described in Note 6.

3. 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.

4. BASIS OF MEASUREMENT

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



Items	Basis of measurement
Monetary gold	Fair value
Financial instruments at FVTPL	Fair value
Financial assets at FVOCI (applicable from 1 January 2018)	Fair value
Available-for-sale financial assets (applicable before 1 January 2018)	Fair value

5. USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgments

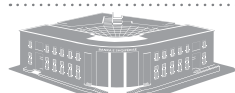
Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Applicable to 2018 only:
- Note 7(A)(ii) and Note 8(A) – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding;
- Note 8(E)(vi)(a): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Applicable to 2018 and 2017:
- Note 7(B) – currency in circulation: classification of cash in circulation as a financial liability; and
- Note 7(G) – monetary gold: measurement of monetary gold at fair value with changes in fair value 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 year ended 31 December 2018 is included in the following notes:

- Applicable to 2018 only:
- Note 8(E)(vi)(a) – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-



looking information.

- Applicable to 2018 and 2017:
- Note 7(A)(vi) – determination of the fair value of financial instruments with significant unobservable inputs; and
- Note 7(A)(vii) – impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

6. CHANGES IN ACCOUNTING POLICIES

The Bank has initially adopted IFRS 9 (see (A)) and IFRS 15 (see (B)) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements.

The effect of initially applying these standards is limited to IFRS 9 and mainly attributed to the following:

- changes in classification and measurement categories of financial assets and liabilities (see Note 8(A));
- increase in impairment losses recognised on financial assets (see Note 8(B)); and
- additional disclosures related to IFRS 9 (see Notes 7(A), 8(A), 8(B) and 8(E)(vi)(a))

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 7 to all periods presented in these financial statements.

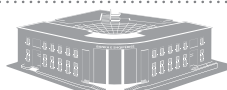
A. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Notes 8(A) and (B).



Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Bank classifies financial assets under IFRS 9, see Note 7(A)(ii).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. For an explanation of how the Bank classifies financial liabilities under IFRS 9, see Note 7(A)(ii).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 7(A)(vii).

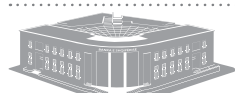
Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The Bank used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of profit or loss and OCI, the Bank has changed the description of the line item from 'interest income' reported in 2017 to 'interest income calculated using the effective interest method'

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.



- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Notes 7(A), 8(A), 8(B) and 8(E).

B. IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income was not impacted by the adoption of IFRS 15.

7. SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Certain comparative amounts in the statement of profit or loss and OCI have been reclassified as a result of a representation of certain items in profit or loss (see Note 24).

A. Financial instruments

(i) Recognition and initial measurement

The Bank initially recognises loans and advances and deposits 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 – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).



A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.



Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms; and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial assets – Policy applicable before 1 January 2018

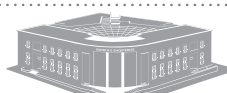
The Bank classified its financial assets into one of the following categories:

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

See (C), (D), (E), (F).

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost or FVTPL. See (B), (D) 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 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.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

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

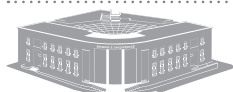
(iv) Modifications of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash



flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see 7(L)).

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

(v) Offsetting

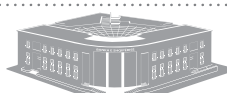
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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.

(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 neither evidenced 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 of a financial liability with a demand feature (e.g. 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.

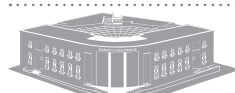
(vii) Impairment

Policy applicable from 1 January 2018

The Bank recognizes loss allowances for expected credit losses “ECL” for financial assets that are debt instruments and are not measured at FVTPL.

The Bank measures loss allowances at an amount equal to lifetime ECL except for the following for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.



The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

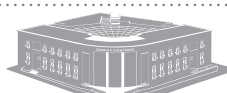
See also Note 8(E)(vi)(a).

Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:



- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

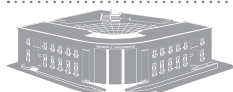
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

At each reporting date, the Bank assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the



asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets are impaired included:

- 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 were 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 were 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 continued to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

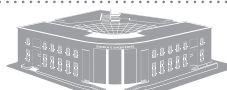
Impairment losses on available-for-sale investment securities were recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of 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 were reflected as a component of interest income.

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

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

B. Currency in circulation

Currency in circulation includes banknotes and coins in circulation and is presented under liabilities as a net of nominal value of all the banknotes and coins issued and the nominal value of the banknotes and coins on hand as at the reporting date.



C. Cash and cash equivalent

Cash and cash equivalents include banknotes 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.

E. Investment securities

Policy applicable from 1 January 2018

Investment securities include debt securities measured at FVOCI; gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Policy applicable before 1 January 2018.

Investment securities included available-for-sale debt securities and were initially measured at fair value plus incremental direct transaction costs. Available-for-sale investments were non-derivative investments that were designated as available-for-sale or were not classified as another category of financial assets; they were measured at fair value after initial recognition.



Interest income was recognized in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments were recognized in profit or loss. Impairment losses were recognized in profit or loss (see 7(A)(vii)).

Other fair value changes, other than impairment losses (see 7(A)(vii)), were recognized in OCI and presented in the revaluation (fair value) reserve within equity. When the investment was sold, the gain or loss accumulated in equity was reclassified to profit or loss.

F. Loans and receivables

Policy applicable from 1 January 2018

Loans and advances include loans and advances measured at amortised cost (see Note 7(A)(ii)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised 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 recognised in the Banks's financial statements.

Policy applicable before 1 January 2018

Loans and advances were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Bank did not intend to sell immediately or in the near term. Loans and advances included loans and advances to banks and loans to employees; they were 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 purchased a financial asset and simultaneously entered into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo), the arrangement was accounted for as a loan or advance, and the underlying asset was 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 accumulated in the "Revaluation Reserve" in Capital and Reserves in accordance with 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

The costs of printing banknotes and minting coins, which have not yet been put into circulation, are initially recognized as assets at acquisition cost and subsequently amortized on a straight-line basis over 5 years and 10 years, respectively.

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 product is four years. Work in progress is not amortized.

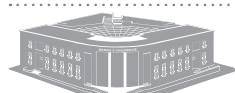
K. Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property and equipment was determined by reference to fair value at 31 December 2014, which the Bank elected to apply as deemed cost as part of the transition to IFRS.

(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

Policy applicable from 1 January 2018

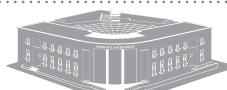
Effective interest rate

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 instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected 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.



Amortised cost and gross carrying amount

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 that initial amount recognized and the maturity amount and for, financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

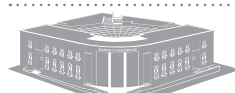
For information on when financial assets are credit-impaired, see Note 7(A)(vii). Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt instruments measured at FVOCI 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 Note 7(O)).

Policy applicable before 1 January 2018



Interest income and expense were recognized in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted 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 estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were 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 OCI included:

- 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 were considered to be incidental to the Bank's trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see accounting policy 7(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.

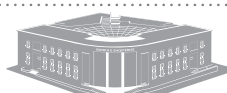
Other fees and commission income, including account servicing fees, fund transfer fees, placement fees and credit registry fees are recognised as the related services are performed.

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 when the fair value is 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 recognised in profit or loss in the period in which they arise and accumulated in the same period in the 'Revaluation reserve' included in Capital and Reserves. According to Article 64 (b) the above mentioned law, 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

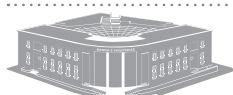
Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

P. 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 Article 7 of the Law 'On the Bank of Albania', the Ministry of Finance shall transfer interest bearing negotiable government securities to the Bank, in such amount as would be necessary to remedy the deficiency.



Q. Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized in profit or loss as the related service is provided and included in personnel expenses.

(ii) Social and health contributions

The Bank makes compulsory social security and health contributions in a fund operated by the Albanian state that provide pension, health and other social benefits for employees. Obligations for such contributions are recognized in profit or loss when they are due and included in personnel expenses. The Albanian state provides the legally set minimum threshold for such contributions.

(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.

R. 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.

S. 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 the 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 a change has occurred 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.

T. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is measured as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

U. Grants

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

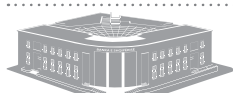
V. Standards issued and not yet adopted

A number of new Standards and amendments to Standards are effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted; however the Bank has not early adopted them in preparing these financial statements.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires entities to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability



accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The new Standard, when initially applied, will require the Bank to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Bank acts as a lessee.

The Bank will recognise new assets and liabilities for its operating leases of office premises. The nature and expenses related to those leases will change because the Bank will recognise a depreciation charge for right-of-use assets and interest expense on the lease liabilities. Previously, the Bank recognised operating lease expenses on a straight-line basis over the time of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expense recognised. Based on the information currently available, the Bank estimates that it will recognise a right of use asset and a lease liability of ALL 93 million as at 1 January 2019.

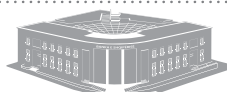
The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Bank presents its first financial statements that include the date of initial application. The Bank plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Bank plans to apply the practical expedient to grandfather the definition of lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards and interpretations

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

- IFRIC 23 Uncertainty over Income Tax Treatments;



- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual Improvements to IFRS 2015-2017 Cycle – various standards;
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 17 Insurance Contracts.;

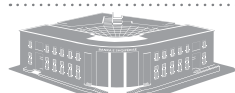
8. FINANCIAL INSTRUMENTS: CLASSIFICATION, RISK MANAGEMENT AND FAIR VALUES

A. Classification of financial assets and financial liabilities

See accounting policies in Note 7(A)(ii).

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2018	FVTPL	FVOCI – debt instruments	Amortised cost	Total carrying amount
ASSETS				
Cash and balances with banks	-		189,967	189,967
Trading assets	13,985	-	-	13,985
Accounts with the International Monetary Fund	-	-	33,512	33,512
Loans to banks	-	-	32,318	32,318
Investment securities measured at fair value	-	247,604	-	247,604
Other assets	-	-	1,821	1,821
Total financial assets	13,985	247,604	257,618	519,207
LIABILITIES				
Currency in circulation	-	-	286,132	286,132
Due to banks	-	-	137,223	137,223
Deposits and borrowings from third parties	-	-	5,735	5,735
Due to Government and state institutions	-	-	63,111	63,111
Due to the International Monetary Fund	-	-	23,990	23,990
Other liabilities	-	-	212	212
Total financial liabilities	-	-	516,403	516,403



31 December 2017	Trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount
ASSETS					
Cash and balances with banks	-	161,765	-	-	161,765
Trading assets	14,240	-	-	-	14,240
Accounts with the International Monetary Fund	-	41,733	-	-	41,733
Loans to banks	-	39,871	-	-	39,871
Investment securities: Measured at fair value	-	-	245,375	-	245,375
Other assets	-	1,712	-	-	1,712
Total financial assets	14,240	245,081	245,375	-	504,696
LIABILITIES					
Currency in circulation	-	-	-	274,685	274,685
Due to banks	-	-	-	146,635	146,635
Deposits and borrowings from third parties	-	-	-	4,033	4,033
Due to Government and state institutions	-	-	-	35,295	35,295
Due to the International Monetary Fund	-	-	-	26,751	26,751
Other liabilities	-	-	-	328	328
Total financial liabilities	-	-	-	487,727	487,727

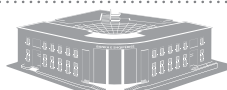
B. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
FINANCIAL ASSETS				
Cash and balances with banks	Loans and receivables	Amortised cost	161,765	161,752
Trading assets	FVTPL	FVTPL	14,240	14,240
Accounts with the International Monetary Fund (a)	Loans and receivables	Amortised cost	41,733	41,733
Loans to banks	Loans and receivables	Amortised cost	39,871	39,871
Investment securities (b)	Available for sale	FVOCI	245,375	245,375
Other assets – loans to employees	Loans and receivables	Amortised cost	1,712	1,712
Total financial assets			504,696	504,683
FINANCIAL LIABILITIES				
Currency in circulation	Amortised cost	Amortised cost	274,685	274,685
Due to banks	Amortised cost	Amortised cost	146,635	146,635
Deposits and borrowings from third parties	Amortised cost	Amortised cost	4,033	4,033
Due to Government and state institutions	Amortised cost	Amortised cost	35,295	35,295
Due to the International Monetary Fund	Amortised cost	Amortised cost	26,751	26,751
Other liabilities	Amortised cost	Amortised cost	328	328
Total financial liabilities			487,727	487,727

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 7(A)(ii). The application of these policies resulted in the reclassifications set out in the table above and explained below:

(a) On the adoption of IFRS 9, the Bank has classified the exposures with IMF



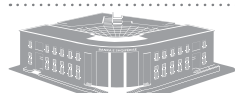
as debt instruments measured at amortised cost, given the long-term strategic objective of the Bank to hold these instruments and their contractual cash flows meeting the SPPI criteria.

(b) Investment debt securities are held by the Bank in separate portfolios to meet everyday liquidity needs. The Bank seeks to minimise the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount 31 December 2017	Reclassifica- tion	Re-measure- ment	IFRS 9 carrying amount 1 January 2018
FINANCIAL ASSETS				
Amortised cost				
Cash and balances with banks	161,765	-	(13)	161,752
Accounts with the IMF	41,733	-	-	41,733
Loans to banks	39,871	-	-	39,871
Other assets – loans to employees	1,712	-	-	1,712
Total amortised cost	245,081	-	(13)	245,068
Available-for-sale				
Investment securities:	245,375		-	-
To FVOCI – debt	-	(245,375)	-	-
FVOCI – debt	-		-	245,375
From available-for-sale	-	245,375		
Total FVOCI	245,375	-	-	245,375
FVTPL				
Trading assets	14,240	-	-	14,240
Total FVTPL	14,240	-	-	14,240
	IAS 39 carrying amount 31 December 2017	Reclassifica- tion	Re-measure- ment	IFRS 9 carrying amount 1 January 2018
FINANCIAL LIABILITIES				
Amortised cost				
Currency in circulation	274,685	-	-	274,685
Due to banks	146,635	-	-	146,635
Deposits and borrowings from third parties	4,033	-	-	4,033
Due to Government and state institutions	35,295	-	-	35,295
Due to the International Monetary Fund	26,751	-	-	26,751
Other liabilities	328	-	-	328
Total amortised cost	487,727	-	-	487,727

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. The impact relates to the fair value reserve and retained earnings. There is no impact on other components of equity.



	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	(205)
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	14
Opening balance under IFRS 9 (1 January 2018)	(191)
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	-
Recognition of expected credit losses under IFRS 9	(27)
Opening balance under IFRS 9 (1 January 2018)	(27)

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

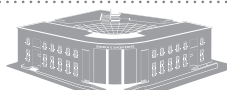
	31 December 2017 (IAS39)	Reclassifi- cation	Remea- surement	1 January 2018 (IFRS 9)
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9 (includes Cash and balances with banks, loans to banks and other financial assets)	8	-	13	21
Available-for-sale debt investment securities under IAS 39/debt financial assets at FVOCI under IFRS	-	-	14	14
Total	8	-	27	35

C. Risk management framework

The financial instruments of the Bank are mainly used for the purposes of the foreign reserve management and monetary policy implementation. The Bank has exposure to the liquidity risk, credit risk, market risk, legal risk and operational risk from investments in financial instruments.

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 Governor, 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', the Investment Committee is responsible for approving the 'Operational Procedure of Investment' document, while the Governor approves other guidelines to ensure a more comprehensive regulation of the reserve management function. 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 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 related with these 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 7(G)) in 2016, the Bank concluded that monetary gold is not a financial instrument.

D. 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:

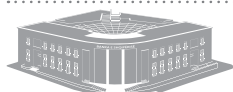
- implementing the monetary policy and the exchange rate policy of the Bank; and
- maintaining financial stability and meeting the needs of the country in periods of crisis.

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 and with the objectives determined by the Supervisory Council. 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 2018	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity	Total
Financial assets								
Non-derivative assets								
Cash and balances with banks	175,243	10,406	4,318	-	-	-	-	189,967
Trading assets	380	456	584	1,009	11,544	-	-	13,973
Account with the IMF	12,634	-	-	-	-	-	20,878	33,512
Loans to banks	21,676	10,642	-	-	-	-	-	32,318
Investment securities	3,227	4,001	23,041	80,956	131,157	5,222	-	247,604
Other assets (note 16)	-	-	-	-	-	1,821	-	1,821
	213,160	25,505	27,943	81,965	142,701	7,043	20,878	519,195
Derivative assets								
Interest rate future contracts	-	12	-	-	-	-	-	12
Total financial assets	213,160	25,517	27,943	81,965	142,701	7,043	20,878	519,207
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	286,132	286,132
Due to banks	137,223	-	-	-	-	-	-	137,223
Deposits and borrowings from third parties	5,735	-	-	-	-	-	-	5,735
Due to Government and state institutions	62,035	-	576	-	-	-	500	63,111
Due to the IMF	17,025	-	-	-	-	-	6,965	23,990
Other liabilities	212	-	-	-	-	-	-	212
Total financial liabilities	222,230	-	576	-	-	-	293,597	516,403
Asset-liability maturity mismatch as at 31 December 2018	(9,070)	25,517	27,367	81,965	142,701	7,043	(272,719)	2,804



31 December 2017	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity	Total
Financial assets								
Non-derivative assets								
Cash and balances with banks	159,375	2,390	-	-	-	-	-	161,765
Trading assets	112	557	914	2,630	9,950	-	-	14,163
Account with the IMF	18,437	-	-	-	-	-	23,296	41,733
Loans to banks	30,519	9,352	-	-	-	-	-	39,871
Investment securities	16,777	30,039	47,465	51,636	96,515	2,943	-	245,375
Other assets (note 16)	-	-	-	-	-	1,712	-	1,712
	225,220	42,338	48,379	54,266	106,465	4,655	23,296	504,619
Derivative assets								
Foreign exchange forwards	-	77	-	-	-	-	-	77
Total financial assets	225,220	42,415	48,379	54,266	106,465	4,655	23,296	504,696
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	274,685	274,685
Due to banks	146,635	-	-	-	-	-	-	146,635
Deposits and borrowings from third parties	4,033	-	-	-	-	-	-	4,033
Due to Government and state institutions	33,894	-	901	-	-	-	500	35,295
Due to the IMF	19,260	35	19	70	35	-	7,332	26,751
Other liabilities	328	-	-	-	-	-	-	328
Total financial liabilities	204,150	35	920	70	35	-	282,517	487,727
Asset-liability maturity mismatch as at 31 December 2017	21,070	42,380	47,459	54,196	106,430	4,655	(259,221)	16,969

E. Credit risk

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).

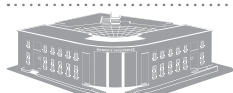
The risk in respect of changes in value in trading assets arising from changes in market spreads applied to debt securities and derivatives is managed as a component of market risk (see (D) below).

(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

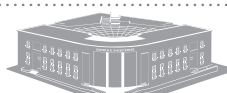
The following table sets out the carrying amounts of the financial assets that are exposed to credit risk as at 31 December 2018 and 31 December 2017:

	31 December 2018	31 December 2017
Assets		
Cash and balances with banks (excluding cash on hand -Note 9)	189,949	161,747
Accounts with the IMF (Note 11)	33,512	41,733
Loans to banks (Note 12)	32,318	39,871
Trading assets (Note 13)	13,985	14,240
Investment securities (Note 14)	247,604	245,375
Other financial assets (loans to employees) (Note 16)	1,821	1,712
Total	519,189	504,678

For the management of credit risk related to foreign exchange reserve exposures 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.

Assets denominated in foreign currency that are part of the foreign exchange reserve, include cash and balances with banks (excluding cash on hand), trading assets, account with the IMF and investment securities denominated in foreign currency. 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 and 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 implementation operations and for payments, the Bank may operate through current accounts opened with banks with a minimum credit rating of BBB.



For the purpose of the administration of foreign reserves portfolio, as a first step the Bank monitors economic developments in the economies in which Bank is exposed through investments in securities. The extent of monitoring and the level of management input varies. For the major currencies, the Bank considers that the rating agencies' credit ratings and other public information is reflected in the prices and data for Expected Credit Loss (ECL). In addition, the portfolio manager and the risk unit monitors the creditworthiness of each borrower using market research and other sources such as public financial statements. The PDs associated with each grade are determined based on long time historical realized default rates updated on an annual basis, as published by the rating agency.

Assets denominated in domestic currency

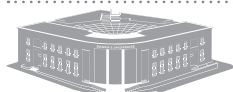
Assets denominated in domestic currency include loans to banks, investment debt securities issued by the Albanian Government and loans to employees included in other financial assets. The Bank does not actively manage the credit risk for assets denominated in domestic currency, as they are largely originated for the purposes of the monetary policy implementation operations. For the monitoring of credit risk for these assets the Bank uses both external and internally developed analysis and information, which includes also information available to the Bank due to its role as regulator and Central Bank.

For loans to domestic commercial banks (overnight loans and reverse repo transactions), the Bank mitigates the credit risk through the collateral, which consists of debt securities issued by the Albanian Government. The collateral value for each transaction is not lower than the value of the granted loan plus a certain margin. If the value of the security placed as collateral drops under a defined level, Bank of Albania asks commercial banks to place additional collateral, based on the revaluation of the securities.

The risk grading model used by the Bank for the assessment of ECLs for loans to domestic commercial banks is based on criteria that are similar to those used for supervisory purposes, such as the capital adequacy, credit growth, liquidity and profitability of the counterparties. The risk grades and the methodology is subject to regular reviews by the Bank. Investment securities denominated in domestic currency consist of Treasury Bills issued by the Albanian Government, with maturity of up to one year. This portfolio is originated as the Bank of Albania intervenes in the money market through outright transactions, intended to manage the liquidity structure of the banking system with potential impact in the short-term interest rates in this market.

The credit risk of the portfolio of investment securities denominated in domestic currency is assessed based on historical data and assessment of the ability of the Albanian Government to meet its contractual cash flows obligations in domestic currency in the near term.

For loans to employees the Bank assesses ECLs based on historic loss ratios, adjusted for forward-looking macroeconomic information.



(iv) Credit quality analysis

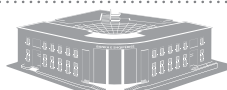
The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments (2018) and available-for-sale debt assets (2017). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: 'Stage 1', 'Stage 2' and 'Stage 3' are included in Note 7(A)(vii). The credit ratings show the second best rating amongst Standard & Poor's, Moody's and Fitch.

	2018			2017
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with banks at amortised cost				
Rated AAA	8,867	-	-	8,867
Rated AA- to AA+	146,502	-	-	146,502
Rated A- to A+	18,106	-	-	18,106
Rated BBB+ and below	11	-	-	11
Albanian Government B+*	4	-	-	4
BIS Basel	16,473	-	-	16,473
	189,963	-	-	189,963
Loss allowance	(14)	-	-	(14)
Carrying amount	189,949	-	-	189,949
Accounts with IMF**				
Unrated	33,512	-	-	33,512
	33,512	-	-	33,512
Loss allowance	-	-	-	-
Carrying amount	33,512	-	-	33,512
Loans to banks at amortised cost				
Grade: Low-fair risk	-	-	-	-
Grade: Low risk	32,318	-	-	32,318
Grade: Average risk	-	-	-	-
Grade: Moderately high risk	-	-	-	-
Grade: High risk	-	-	-	-
	32,318	-	-	32,318
Loss allowance	-	-	-	-
Carrying amount	32,318	-	-	32,318
Debt investment securities at FVOCI (2017: available-for-sale)				
Rated AAA	72,619	-	-	72,619
Rated AA- to AA+	79,090	-	-	79,090
Rated A- to A+	23,375	-	-	23,375
Rated BBB+ and below	14,812	-	-	14,812
Albanian Government (B+)*	55,587	-	-	55,587
BIS Basel	2,121	-	-	2,121
	247,604	-	-	247,604
Loss allowance	(16)	-	-	(16)
Carrying amount – fair value	247,604	-	-	247,604
Other financial assets at amortised cost				
Unrated	1,827	-	-	1,827
	1,827	-	-	1,827
Loss allowance	(6)	-	-	(6)
Carrying amount	1,821	-	-	1,821

* The Albanian Government is rated as B+, stable, based on the credit rating of Standard & Poor's and B1, stable, based on the credit rating of Moody's.

** 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 (US dollar, Euro, Pound sterling, Chinese yuan and Japanese yen). The SDR currency value is calculated daily and the valuation basket is reviewed and adjusted every five years.



The following table sets out the credit quality of trading debt securities. The analysis has been based on the second best rating amongst Standard & Poor's, Moody's and Fitch ratings.

	2018	2017
Bonds of foreign agencies		
Rated AAA	2,446	3,585
Rated AA- to AA+	2,419	2,453
	4,865	6,038
Bonds of foreign governments and multilateral institutions		
Rated AAA	7,520	7,546
Rated AA- to AA+	1,588	578
	9,108	8,125
Total trading debt securities	13,973	14,163

(v) Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Note	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
		31 December 2018	31 December 2017	
Loans to banks Reverse repurchase agreements and over-night loans	12	100	100	Albanian Government debt securities
Other financial assets Loans to employees	16	100	100	Mortgage or contract guarantees

At 31 December 2018, the Bank held loans to banks of ALL 32,318 million (1 January 2018: ALL 39,871 million), for which no loss allowance is recognised because of full collateral coverage.

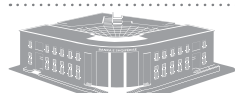
(vi) Amounts arising from ECL

(a) Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 7(A)(vii)

Significant increase in credit risk

When determining whether the risk of default of the invested amount on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and credit risk specialists assessment and including forward-looking information.



The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades/ratings

For assessing the risk of default, at initial recognition, the Bank assigns to each exposure in foreign currency the second best rating amongst Standard & Poor's, Moody's and Fitch for that particular counterparty.

The Bank, at initial recognition, allocates each exposure to banks to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade/rating. The monitoring typically involves use of the following data.

Foreign currency exposures	Domestic currency exposures	Other assets
<ul style="list-style-type: none"> – Data from credit rating agencies, press articles, changes in external credit ratings 	<ul style="list-style-type: none"> – Internally collected data on banks and supervisory indicators 	<ul style="list-style-type: none"> – Repayment history – this includes overdue status and financial situation of the borrower.
<ul style="list-style-type: none"> – Quoted bond prices for the counterparty, where available 	<ul style="list-style-type: none"> – Existing and forecast changes in business, financial and economic conditions 	<ul style="list-style-type: none"> – Existing and forecast changes in financial and economic conditions
<ul style="list-style-type: none"> – Actual and expected significant changes in the political, regulatory and technological environment of the counterparty or in its business activities 	<ul style="list-style-type: none"> – Affordability metrics 	

Generating the term structure of probability of default "PD"

Credit risk grades/ratings are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by counterparty as well as by credit risk grading/ratings. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures



and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. Key macro-economic indicators include: GDP growth, exchange rates, benchmark interest rates and credit growth.

The methodology for determining PDs for domestic commercial banks is based on the Risk Assessment System (RAS) used for supervisory purposes. Factors considered by this system include the capital adequacy, credit risk, liquidity and profitability of the counterparty. The PDs are calculated as the average weighted PDs for each factor, where the weights are determined based on the importance of the factor.

For the assets denominated in foreign currency, Bank uses 12-month PDs for sovereign and non-sovereign issuances, estimated based on transition matrices published by S&P which indicate a possibility of bankruptcy over 12 months for issuers per each respective rating category. For the sovereign issuance, a long-term transition matrix is used. For non-sovereign issuance, two matrices are used, a long-term transition matrix of financial institutions (normal scenario) and the transition matrix of a financial crisis year (alternative recession scenario), weighted against respective probabilities.

For exposures to the Albanian Government in domestic currency, the estimated PD considers the short-term maturity of such exposures, the absence of historical defaults and detailed assessments of the ability of the Albanian Government to fulfill its contractual cash flow obligations in the short-term which consider also the macroeconomic indicators over the assessment period.

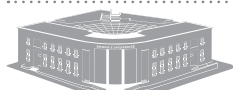
Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure in foreign currency is deemed to have increased significantly since initial recognition if:

- the credit rating from all the three rating agencies (Standard & Poor's, Moody's and Fitch) falls below BBB- (or its' equivalent); or
- the credit rating from one of the above agencies is downgraded to BB-; or
- there is a delay in the repayment of an obligation to the Bank by more than or equal to 30 days. In this case the credit risk will be deemed to have significantly increased for all exposures to that issuer.

The credit risk of a particular exposure in domestic currency for commercial banks is deemed to have increased significantly since initial recognition if one of the following criteria is met:



- a commercial bank receives Emergency Liquidity Assistance (ELA) loan and the PD is over 30%;
- the PD is higher than 40% in the reporting period;
- the PD is higher than 25%, and it has increased by more than 5 percentage points in the reporting period compared to the initial recognition period; or
- there is a delay in the repayment of an obligation (excluding ELA) to the Bank by more than or equal to 30 days. In this case the credit risk will be deemed to have significantly increased for all exposures to that counterparty.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower

For exposures toward Albanian government the credit risk is considered to be increased significantly since initial recognition if there is delay of 30 days or more in the repayment of an obligation to the Bank.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before an exposure is in default.

Definition of default

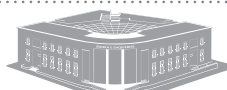
The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.



Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

For exposures in domestic currency, the Bank formulates a 'base scenario' view of the future direction of relevant economic variables (GDP growth, exchange rates, benchmark interest rates and credit growth) as well as a representative range of other possible forecast scenarios "moderate scenario", considering the relative probabilities of each outcome by comparing the results of previous stress tests with financial agents' economic indicators during the reference period. The base scenario represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and forecasting. The other scenarios "moderate scenario" represent more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

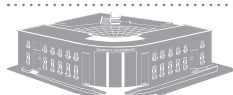
For non-sovereign issuances in foreign currency, forward-looking information is incorporated in the assessment of the probability of defaults, as the probability of the normal scenario and alternative scenario is calculated based on the probability of recession of major economies (as one of the main indicators of increased probability of default for non-sovereign issuers), to which additional quality factors may be applied. For sovereign issuances in foreign currency forward-looking economic variable are incorporated in the determination of the PD through respective rating in transition matrices published by external rating agencies. These variables are reviewed periodically and in case of significant market changes by the credit rating agencies.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, and other factors not related to a current or potential credit deterioration of the counterparty. An existing asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new one at fair value in accordance with the accounting policy set out in Note 7(A)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.



Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are derived from internally developed statistical models, globally recognized external developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

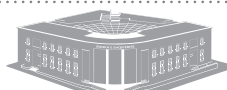
PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Transition matrixes data are used to derive the PD for foreign counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates, or parameters calculated by rating agencies and regulatory institutions such as BIS Basel, of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. EAD estimates are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:



- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

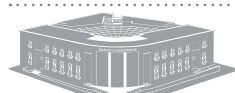
For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL comprise financial assets in foreign currency as follows:

	Exposure	External benchmarks used	
		PD	LGD
Cash and balances with banks (current accounts and deposits)	189,949	2nd Best Rating (from: S&P, Moody's and Fitch)	Moody's recovery studies
Investment securities in foreign currency	192,017	2nd Best Rating (from: S&P, Moody's and Fitch)	Moody's recovery studies

(b) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 'Stage 1', 'Stage 2' and 'Stage 3' and credit-impaired are included in Note 7(A)(vii).

				2018	2017
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and balances with banks					
Balance at 1 January	13	-	-	13	-
Net remeasurement of loss allowance	1	-	-	1	-
Balance at end of the period	14	-	-	14	-
Other assets at amortised cost					
Balance at 1 January	8	-	-	8	8
Net remeasurement of loss allowance	(2)	-	-	(2)	-
Balance at end of the period	6	-	-	6	8
Investment debt securities at FVOCI					
Balance at the beginning of the period	14	-	-	14	-
Net remeasurement of loss allowance	2	-	-	2	-
Balance at end of the period	16	-	-	16	-
Total					
Balance at the beginning of the period	35	-	-	35	8
Net remeasurement of loss allowance	1	-	-	1	-
Balance at end of the period	36	-	-	36	8



The above loss allowance for debt investment securities at FVOCI is not recognized in the statement of financial position because the carrying amount of these assets is their fair value.

(c) Credit-impaired financial assets

See accounting policy in Note 7(A)(vii).

As at 31 December 2018 and 31 December 2017, the Bank had no credit-impaired financial assets.

(vii) Concentrations of credit risk

The Bank monitors concentrations of credit risk by geographic location and by counterparty type. An analysis of concentrations of credit risk is shown below. Concentration by location for investment securities is based on the country of domicile of the issuer of the security. Concentration by counterparty type is based on the customer's country of domicile

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

31 December 2018	Germany	France	Other EU countries	Switzerland	United States of America	Republic of Albania	Other	Total
Accounts and deposits with financial institutions (Note 9)	4,473	128,402	21,269	20,792	6,112	4	8,897	189,949
Trading assets	2,339	1,218	2,894	108	6,701	-	725	13,985
Accounts with the IMF	-	-	-	-	-	-	33,512	33,512
Loans to banks	-	-	-	-	-	32,318	-	32,318
Investment securities	17,860	16,944	106,027	2,122	42,581	55,587	6,483	247,604
Other assets (Note 16)	-	-	-	-	-	1,821	-	1,821
Total	24,672	146,564	130,190	23,022	55,394	89,730	49,617	519,189

31 December 2017	Germany	France	Other EU countries	Switzerland	United States of America	Republic of Albania	Other	Total
Accounts and deposits with financial institutions (Note 9)	5,632	122,246	6,372	8,657	10,106	3	8,731	161,747
Trading assets	3,307	967	2,441	-	7,227	77	221	14,240
Accounts with the IMF	-	-	-	-	-	-	41,733	41,733
Loans to banks	-	-	-	-	-	39,871	-	39,871
Investment securities	13,271	25,516	91,351	269	53,009	52,719	9,240	245,375
Other assets (Note 16)	-	-	-	-	-	1,712	-	1,712
Total	22,210	148,729	100,164	8,926	70,342	94,382	59,925	504,678

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



31 December 2018	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Investment securities	Other assets	Total
Central Bank	160,291	-	33,512	-	-	-	193,803
Bank for International Settlements ("BIS Basel")	16,472	-	-	-	2,121	-	18,593
Foreign governments and multilateral institutions	3,084	9,108	-	-	139,605	-	151,797
Foreign agencies	4,319	4,865	-	-	18,039	-	27,223
Commercial Banks	5,783	-	-	32,318	32,252	-	70,353
Albanian Government	-	-	-	-	55,587	-	55,587
Other	-	12	-	-	-	1,821	1,833
Total	189,949	13,985	33,512	32,318	247,604	1,821	519,189

31 December 2017	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Investment securities	Other assets	Total
Central Bank	146,869	-	41,733	-	-	-	188,602
Bank for International Settlements ("BIS Basel")	7,330	-	-	-	269	-	7,599
Foreign governments and multilateral institutions	111	8,125	-	-	150,552	-	158,788
Foreign agencies	-	6,038	-	-	25,303	-	31,341
Commercial Banks	7,437	-	-	39,871	16,532	-	63,840
Albanian Government	-	77	-	-	52,719	-	52,796
Other	-	-	-	-	-	1,712	1,712
Total	161,747	14,240	41,733	39,871	245,375	1,712	504,678

F. Market risk

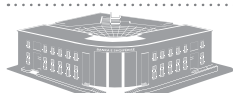
Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank of Albania's income or the value of its holdings of financial instruments. 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. 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, function performed by the Monetary Operations Department, Supervisory Council has established a set of criteria for the currency composition of the foreign reserve, in accordance with the objectives of holding the reserves. This serves as a reference for 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.

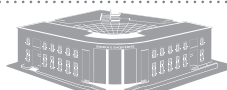
The Monetary Operations Department of the Bank monitors the interest rate risk. The Bank mitigates such risks by maintaining a significant excess of interest-bearing assets over liabilities. The Bank maintains a portfolio of interest-bearing financial assets and liabilities such that the net interest 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 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 the 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 2018 and 2017:

	31 December 2018	31 December 2017
VaR (95%) in Lek	(1,459)	(1,118)

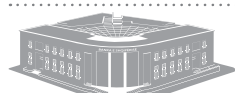
Furthermore, an important method to measure market risk is the sensitivity analysis of the value of the reserve to hypothetical changes in market factors. The data used in the sensitivity analysis calculations include the duration of portfolios and weight of each currency. The duration of the portfolio 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 effect on Profit (loss) ALL million	2018		2017	
	100 bp	50 bp	100 bp	50 bp
Increase	(3,921)	(1,961)	(3,085)	(2,003)
Decrease	3,921	1,961	3,085	2,003

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 2018	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and balances with banks	189,967	161,062	14,106	10,406	4,319	74
Trading assets	13,985	1,429	380	273	11,903	-
Accounts with the IMF	33,512	12,634	-	-	-	20,878
Loans to banks	32,318	-	21,677	10,641	-	-
Investment securities (2017: available-for-sale investment securities)	247,604	124	3,227	3,877	240,376	-
Other assets (Note 16)	1,821	-	-	-	1,821	-
Total	519,207	175,249	39,390	25,197	258,419	20,952
Interest-bearing liabilities						
Currency in circulation	286,132	-	-	-	-	286,132
Due to banks	137,223	-	137,223	-	-	-
Deposits and borrowings from third parties	5,735	-	3,886	-	-	1,849
Due to Government and state institutions	63,111	500	-	-	-	62,611
Due to the IMF	23,990	6,983	-	-	-	17,007
Other liabilities	212	-	-	-	-	212
Total	516,403	7,483	141,109	-	-	367,811
Interest-bearing financial instruments gap	2,804	167,766	(101,719)	25,197	258,419	(346,859))

31 December 2017	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and balances with banks	161,765	147,175	12,050	2,393	-	147
Trading assets	14,240	1,616	-	77	12,547	-
Accounts with the IMF	41,733	18,437	-	-	-	23,296
Loans to banks	39,871	-	30,519	9,352	-	-
Available-for-sale investment securities	245,375	557	16,777	30,039	198,002	-
Other assets (Note 16)	1,712	-	-	-	1,712	-
Total	504,696	167,785	59,346	41,861	212,261	23,443
Interest-bearing liabilities						
Currency in circulation	274,685	-	-	-	-	274,685
Due to banks	146,635	-	146,635	-	-	-
Deposits and borrowings from third parties	4,033	-	3,848	-	-	185
Due to Government and state institutions	35,295	500	-	-	-	34,795
Due to the IMF	26,751	7,447	-	-	-	19,304
Other liabilities	328	-	-	-	-	328
Total	487,727	7,947	150,483	-	-	329,297
Interest-bearing financial instruments gap	16,969	159,838	(91,137)	41,861	212,261	(305,854)



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 (mark 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 2018 is ALL 12 million (2017: nil) (see Note 13).

The nominal value of these contracts as at 31 December 2018 is composed by the following:

- buy contracts in the amount of ALL million 4,127 (2017: ALL 1,668 million); and
- sell contracts in the amount of ALL million 1,426 (2017: ALL 2,096 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.

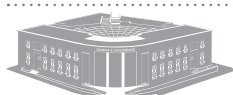
This risk can affect the size of its capital. In order to manage this type of exposure, over the years, action is taken to increase capital, inflow of funds and, in exceptional cases, when the balance of the revaluation reserve is negative, debt instruments of the Republic of Albania were issued in compliance with the provisions of the law 'On the Bank of Albania' (Note 7(N) and 22).

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 foreign exchange forward contracts at 31 December 2018 is nil (2017: ALL 77 million) (see Note 13).

The following significant exchange rates have been applied.



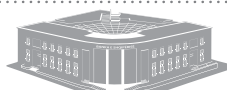
	Average		Year-end spot rate	
	2018	2017	2018	2017
ALL				
United States Dollar (USD)	107.99	119.10	107.82	111.10
European Union Currency Unit (EUR)	127.59	134.15	123.42	132.95
British Pound (GBP)	144.21	153.20	137.42	149.95
Special Drawing Rights (SDR)	152.92	164.96	149.95	157.84
Japanese Yen (JPY)	0.98	1.06	0.98	0.99
Chinese Yuan (offshore) (CNH)	16.34	17.62	15.68	17.06

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR, USD, GBP or other currencies by 10% against ALL at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

The Bank's exposure to foreign currency risk as at 31 December 2018 and 31 December 2017 is as follows:

31 December 2018	ALL	USD	EUR	GBP	SDR	Other	Total
Assets							
Cash and balances with banks	4	6,731	169,150	116	-	13,966	189,967
Trading assets	-	13,985	-	-	-	-	13,985
Accounts with the IMF	-	-	-	-	33,512	-	33,512
Loans to banks	32,318	-	-	-	-	-	32,318
Investment securities	55,587	59,549	115,627	9,226	-	7,615	247,604
Other assets	1,821	-	-	-	-	-	1,821
Total assets	89,730	80,265	284,777	9,342	33,512	21,581	519,207
Liabilities							
Currency in circulation	286,132	-	-	-	-	-	286,132
Due to banks	55,535	11,049	70,639	-	-	-	137,223
Deposits and borrowings from third parties	4,204	-	1,532	-	-	-	5,735
Due to Government and state institutions	21,314	39	41,060	-	698	-	63,111
Due to the IMF	-	-	-	-	23,990	-	23,990
Other liabilities	114	96	2	-	-	-	212
Total liabilities	367,299	11,184	113,232	-	24,688	-	516,403
Net statement of financial position exposure	(277,569)	69,081	171,545	9,342	8,824	21,581	2,804
Sensitivity analysis							
Profit/(loss) effect: Strengthening (10%)	-	6,908	17,155	934	882	2,158	-
Weakening (10%)	-	(6,908)	(17,155)	(934)	(882)	(2,158)	-



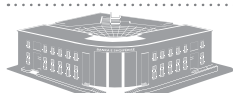
31 December 2017	ALL	USD	EUR	GBP	SDR	Other	Total
Assets							
Cash and balances with banks	-	10,515	137,541	1,528	-	12,181	161,765
Trading assets	-	14,163	75	-	-	2	14,240
Accounts with the IMF	-	-	-	-	41,733	-	41,733
Loans to banks	39,871	-	-	-	-	-	39,871
Investment securities	52,718	63,218	114,821	8,708	-	5,910	245,375
Other assets	1,712	-	-	-	-	-	1,712
Total assets	94,301	87,896	252,437	10,236	41,733	18,093	504,696
Liabilities							
Currency in circulation	274,685	-	-	-	-	-	274,685
Due to banks	50,838	14,936	80,861	-	-	-	146,635
Deposits and borrowings from third parties	4,027	-	6	-	-	-	4,033
Due to Government and state institutions	22,390	250	11,894	-	761	-	35,295
Due to the IMF	-	-	-	-	26,751	-	26,751
Other liabilities	148	178	2	-	-	-	328
Total liabilities	352,088	15,364	92,763	-	27,512	-	487,727
Net currency position	(257,787)	72,532	159,674	10,236	14,221	18,093	16,969
Sensitivity analysis							
Profit/(loss) effect: Strengthening (10%)	-	7,253	15,967	1,024	1,422	1,809	-
Weakening (10%)	-	(7,253)	(15,967)	(1,024)	(1,422)	(1,809)	-

G. 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.

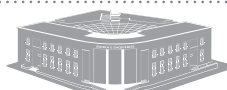
Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and yields ranges of possible inputs and estimates 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 2018	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	13	13,973	-	-	13,973
Derivative trading assets	13	12	-	-	12
Investments in securities	14	169,272	78,332	-	247,604
Total		183,257	78,332	-	261,589
31 December 2017	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	13	14,163	-	-	14,163
Derivative trading assets	13	-	-	77	77
Investments in securities	14	180,008	65,367	-	245,375
Total		194,171	65,367	77	259,615

Financial instruments not measured at fair value

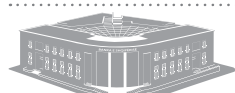
The following table sets out the fair values of certain financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised.

		31 December 2018		31 December 2017	
	Note	Fair value Level 2	Carrying amount	Fair value Level 2	Carrying amount
		2018	2018	2017	2017
Assets					
Cash and balances with banks	9	189,967	189,967	161,765	161,765
Loans to banks	12	32,318	32,318	39,871	39,871
Accounts with IMF	11	33,512	33,512	41,733	41,733
Other financial assets	16	1,821	1,821	1,712	1,712
Liabilities					
Due to the IMF	11	23,990	23,990	26,751	26,751
Due to banks	18	137,223	137,223	146,635	146,635
Deposits and borrowings from third parties	19	5,735	5,735	4,033	4,033
Due to Government and state institutions	20	63,111	63,111	35,295	35,295
Other liabilities	21	212	212	328	328

H. 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.



9. CASH AND BALANCES WITH BANKS

	31 December 2018	31 December 2017
Cash	18	18
Current accounts	161,131	147,306
Deposits maturing within three months	24,513	14,441
Less impairment loss allowance	(14)	-
Cash and cash equivalent	185,648	161,765
Deposits maturing after more than three months	4,319	-
Total	189,967	161,765

The interest rates for current accounts are as follows:

In %	EUR	USD	GBP	AUD	JPY	CNY	CNH
31 December 2018	(0.67)- (0.4)	2.09- 2.40	0.00- 0.62	0.05- 1.40	(0.35)- 0.00	0.00- 2.00	0.00- 2.00
31 December 2017	(0.72)- (0.05)	0.00- 1.41	0.00- 0.25	0.05- 1.25	(0.35)- 0.00	0.00- 2.20	0.09

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

In %	EUR	USD	CNH
31 December 2018	(0.405)-(0.37)	3.04	2.6 – 3.24
31 December 2017	(0.40)	1.46	3.26 – 3.95

10. MONETARY GOLD

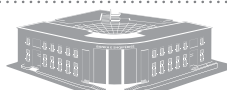
	31 December 2018	31 December 2017
Monetary gold	6,992	7,291
Total	6,992	7,291

The monetary gold is placed in time deposits and current account (2017: time deposits) with foreign banks.

The decrease of ALL 299 million compared to the previous year (2017: decrease of ALL 225 million compared to 2016) is a result of valuing the monetary gold at the market price at the reporting date, and is recognized in profit or loss, and accumulated to the revaluation reserve (see Note 22).

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

Accounts with the IMF	31 December 2018	31 December 2017
Quotas with IMF	20,878	23,296
Special Drawing Rights ("SDR") held	12,634	18,437
Total assets	33,512	41,733
Due to the IMF	31 December 2018	31 December 2017
SDR allocations	6,965	7,332
IMF securities account	14,798	16,813
IMF account No.1	2,195	2,481
IMF account No.2	1	1
Poverty Reduction and Growth Facility ("PRGF")	18	115
Accrued interest	13	9
Total liabilities	23,990	26,751



Quotas with the IMF of ALL 20,878 million or SDR 139 million (2017: ALL 23,296 million or SDR 139 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 12,634 million or SDR 84 million (2017: ALL 18,437 million or SDR 117 million) represent deposits with the IMF. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at 31 December 2018 is 1.103% p.a. (2017: 0.743% p.a.).

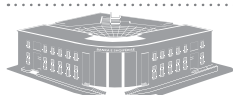
SDR Allocations of ALL 6,965 million or SDR 46 million (2017: ALL 7,332 million or SDR 46 million) represent amounts borrowed from the IMF with two tranches in August and September 2009, whose purpose is to provide immediate response to the short-term and long-term liquidity needs of the member countries. The SDR Allocations bear interest, which is determined on a weekly basis and is payable on a quarterly basis. The interest rate at 31 December 2018 is 1.103% p.a. (2017: 0.743% p.a.).

The IMF accounts represent liabilities of the Bank towards Albania's participation in the IMF. The IMF accounts do not have a defined maturity. The IMF securities account includes certain borrowings that are part of the Extended Fund Facility (EFF) program originally disbursed during the period from 2006 to 2009. At 31 December 2018, outstanding balance of EFF borrowings amount to ALL 15 million or SDR 0.1 million (2017: ALL 96 million or SDR 0.6 million). The facility matured on 28 January 2019. The interest on these borrowings is floating and is paid on quarterly basis. The annual interest rate at 31 December 2018 is 2.108% p.a. (2017: 1.747% p.a.). IMF pays remuneration to members with remunerated reserve tranche positions, at 1.098% p.a. (2017: 0.738% 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 18 million or SDR 0.12 million outstanding balance (2016: ALL 115 million or SDR 0.7 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. The facility matured on 30 January 2019.

Direct budget support provided by the IMF

Funds provided for direct budget support by the IMF to the Government of Albania which are initially deposited in the Government accounts at the Bank, are not recognised as a liability of the Bank to the IMF. The Government assumes the obligation to repay the funds to IMF whereas the Bank processes such repayments on behalf of the Government. The IMF disbursed such funds in tranches during the years 2014 - 2017, 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 shall deposit in its accounts at the Bank sufficient funds to repay all principal, interest and any other expenses associated with the above tranches as such repayments fall due. In relation to this borrowing, the Ministry of Finance issued promissory notes in favour of the IMF. The Government started to repay the facility in October 2018. As at 31 December 2018 the facility amounted to ALL 43,683 million (2017: ALL 50,041 million).

12. LOANS TO BANKS

	31 December 2018	31 December 2017
Reverse repurchase agreements	32,318	39,461
Overnight loans to banks	-	410
Total	32,318	39,871

At 31 December 2018, reverse repurchase agreements between the Bank and commercial banks have original maturities from one week to three months (2017: from one week to three months).

13. TRADING ASSETS

Trading assets	31 December 2018	31 December 2017
Non-derivatives:		
Bonds of foreign agencies	4,865	6,038
Bonds of foreign governments and multilateral institutions	9,108	8,125
Derivatives:		
Interest rate future contracts	12	-
Foreign exchange forwards	-	77
Total	13,985	14,240

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. The annual interest rates for non-derivative assets at 31 December 2018 and 2017 are as follows:

In %	31 December 2018	31 December 2017
USD	1.250 - 3.125	0.750 - 2.375

14. INVESTMENT SECURITIES

	31 December 2018	31 December 2017
Investment securities measured at FVOCI	247,604	-
Available-for-sale investment securities	-	245,375
Total	247,604	245,375



Investment securities by type of issuer and security are presented as follows:

	31 December 2018	31 December 2017
Treasury Bills of foreign governments and multilateral institutions	3,709	5,813
Bonds of banks and other institutions	32,252	16,532
Bonds of foreign agencies	18,039	25,303
Bonds of foreign governments and multilateral institutions	138,017	145,008
Treasury Bills of the Albanian Government	55,587	52,719
Total	247,604	245,375

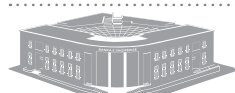
The annual yields for each currency at 31 December 2018 and 2017 are as follows:

In %	LEK	USD	GBP	AUD	CNH	EUR
31 December 2018	1.03-1.54	2.46-4.01	0.70-1.29	1.85-2.46	2.56-2.64	(0.69) - 1.00
31 December 2017	1.25-2.68	1.33-2.64	0.34-0.76	1.88-2.14	N/A	(0.85) - 1.82

Investment securities in ALL at 31 December 2018, represent Albanian Government treasury bills with a maturity period from 6 months to 12 months (2017: from 3 months to 12 months). As a result of further relaxing monetary policies of certain central banks during 2015 and onward, the return rates of the main part of foreign reserve portfolio in EUR, are negative.

15. 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
Cost or deemed cost										
At 1 January 2017	9,406	2,618	293	204	10,532	23,053	582	6	588	23,641
Additions	-	65	-	-	-	65	10	1	11	76
Transfers	-	-	-	-	-	-	7	(7)	-	-
Disposal	-	(151)	(13)	-	-	(164)	-	-	-	(164)
Reclassification	-	3	1	-	-	4	(4)	-	(4)	-
At 31 December 2017	9,406	2,535	281	204	10,532	22,958	595	-	595	23,553
Additions	-	108	2	99	-	209	112	26	138	347
Disposal	-	(219)	(1)	-	-	(220)	-	-	-	(220)
At 31 December 2018	9,406	2,424	282	303	10,532	22,947	707	26	733	23,680
Accumulated depreciation/amortization										
At 1 January 2017	292	2,018	190	-	-	2,500	537	-	537	3,037
Depreciation/amortization	145	268	21	-	-	434	21	-	21	455
Disposal	-	(147)	(14)	-	-	(161)	(4)	-	(4)	(165)
At 31 December 2017	437	2,139	197	-	-	2,773	554	-	554	3,327
Depreciation/amortization	145	174	19	-	-	338	39	-	39	377
Disposal	-	(219)	-	-	-	(219)	-	-	-	(219)
At 31 December 2018	582	2,094	216	-	-	2,892	593	-	593	3,485
Carrying amounts										
At 31 December 2017	8,969	396	84	204	10,532	20,185	41	-	41	20,226
At 31 December 2018	8,824	330	66	303	10,532	20,057	112	26	138	20,195



16. OTHER ASSETS

	31 December 2018	31 December 2017
Financial assets		
Loans to employees, net	1,821	1,712
	1,821	1,712
Non-financial assets		
Numismatics (banknotes and coins)	300	302
Printing and minting costs	249	291
Inventory	21	21
Other	83	25
	653	639
Total	2,474	2,351

Loans to employees at 31 December 2018 are net of allowance for impairment of ALL 6 million (2017: ALL 8 million) (see Note 8(E)(vi)(b)).

17. CURRENCY IN CIRCULATION

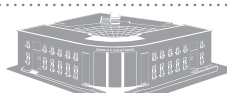
The exclusive right of issuing Albanian currency is vested with the Bank. Currency in circulation comprises domestic banknotes and coins in circulation issued by the Bank. The following banknotes and coins were in circulation as at 31 December 2018 and 2017:

	31 December 2018		31 December 2017	
Nominal value ALL	Number in thousand	Total ALL (million)	Number in thousand	Total ALL (million)
Notes:				
100	3,401	340	3,402	340
200	10,730	2,146	11,333	2,267
500	18,795	9,397	17,921	8,961
1,000	36,708	36,708	39,006	39,006
2,000	33,782	67,564	31,203	62,405
5,000	33,032	165,160	31,454	157,269
Coins (1-100)		4,817		4,437
		286,132		274,685

18. DUE TO BANKS

	31 December 2018	31 December 2017
Reserve requirement and current accounts	131,123	146,635
Deposits	6,100	-
Total	137,223	146,635

In accordance with decision of the Supervisory Council no. 39, date 25.06.2014, amended with decision no. 11, date 07.02.2018, the remuneration rate for the reserve requirement in ALL is 100% of the rate of the repurchase and reverse repurchase agreements, approved by the Supervisory Council as on the last day of the base period. As at 31 December 2018, the interest rate is 1% (2017: 70% of the base rate or 0.875%).



Based on the decision no. 11, date 07.02.2018 the remuneration rate for the reserve requirement in EUR held in EUR is equal to the deposit rate defined by the European Central Bank (ECB). As at 31 December 2018 the remuneration rate is negative at 0.4% (2017: negative at 0.4%). The reserve requirement in EUR held in ALL is not remunerated.

As at 31 December 2018 the reserve requirement in USD held in USD and in ALL are not remunerated (2017: not remunerated).

Based on the Decision of the Supervisory Council, No. 29, dated 16 May 2012, 'On the minimum reserve requirement 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 reserve requirement in the form of cash in custody with the Bank.

19. DEPOSITS AND BORROWINGS FROM THIRD PARTIES

	31 December 2018	31 December 2017
Deposits from the Deposit Insurance Agency	5,420	3,856
Deposits from the pension fund	284	97
Deposits from individuals for participation in Treasury Bills auctions	31	80
Total	5,735	4,033

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.

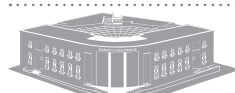
20. DUE TO GOVERNMENT AND STATE INSTITUTIONS

	31 December 2018	31 December 2017
Profit to be distributed to the Government	576	901
Accounts and deposits with the Government	57,201	29,821
Due to state institutions	5,334	4,573
Total	63,111	35,295

Based on the agreement between the Bank and the Ministry of Finance, the Bank of Albania pays interest only for the time deposits placed by the Government of Albania, as well as for a guarantee deposit of ALL 500 million (2017: ALL 500 million) for which the interest rate is based on the decisions of the Supervisory Council. For these deposits the remuneration rate on 31 December 2018 is 1% (2017: 1.25%).

Profit to be distributed to the Government of Albania is detailed as follows:

	Note	31 December 2018	31 December 2017
Net result for the period		(14,321)	(14,332)
Transfer to reserves	22	14,843	15,219
Distribution from profit for the period		522	887
Distribution from other reserves	22	54	14
Total to be distributed to the Government		576	901



The profit to be distributed at 31 December 2018 will be distributed to the Government next year, whereas the profit to be distributed at 31 December 2017 was distributed to the Government in 2018.

21. OTHER LIABILITIES

	31 December 2018	31 December 2017
Financial liabilities		
Due to international financial institutions	53	168
Due to third parties	101	105
Accrued expenses	58	55
	212	328
Non-financial liabilities		
Provisions for claims and litigations	152	150
Grants	1	6
	153	156
Total	365	484

Balances due to international financial institutions include amounts payable to IBRD, International Development Agency ('IDA'), Multilateral Investment Guarantee Agency ('MIGA'), and Islamic Development Bank ('IDB').

The comparative figures for due to third parties and grants, previously classified as accrued expenses have been reclassified to conform with the current year presentation

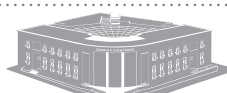
The movements in provisions for claims and litigations are set out below:

	31 December 2018	31 December 2017
Balance at 1 January	150	139
Provisions made during the year	11	25
Provisions used during the year	-	(5)
Provisions reversed during the year	(9)	(9)
Balance at 31 December	152	150

22. RESERVES

	31 December 2018	31 December 2017
Legal reserve	12,500	12,500
Revaluation reserve	(6,850)	7,993
Fair value reserve (investment securities)	241	(205)
Other reserves	22,100	22,181
Total	27,991	42,469

The legal reserve is created based on the requirements of Article 9 of the Law 'On the Bank of Albania', according to which, the Bank sets aside 25% of the net profit for the year into a Legal Reserve until the reserve amounts to 500% of the capital. The Bank achieved compliance with this requirement as at 31 December 2011 with its legal reserve amounting to ALL 12,500 million.



Based on the point "a" and "c", article 64 of the Law "On the Bank of Albania", the movement in revaluation reserve results from the following items, which are initially recognized in profit or loss and then transferred to revaluation reserves:

	2018	2017
Net foreign exchange losses, other than from trading assets and liabilities	14,106	12,855
Net foreign exchange losses from trading assets and liabilities (Note 24)	438	2,167
Net loss from changes in the fair value of monetary gold (Note 10)	299	225
Total	14,843	15,247

The decrease of ALL 14,843 million (2017: ALL 15,247 million) in revaluation reserve is a result of the depreciation of foreign currencies, and in particular of USD and EUR versus ALL (see Note 8(F)(ii)).

Negative revaluation reserve

Given the negative balance of the revaluation reserve at 31 December 2018 and, pursuant to the requirements of clause "b", article 64 of the Law 'On Bank of Albania' (Note 7(N)) and a bilateral agreement with the Government of Albania, the latter shall issue debt securities to cover the negative balance of the revaluation reserve within April 2019 and upon issuance of the external auditors' report on these financial statements.

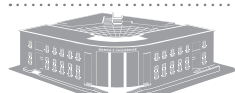
Other reserves include the following:

	31 December 2018	31 December 2017
Reserve for the Balance of Payments	7,209	7,209
Reserve of gold and precious metals	7,042	7,042
Reserve for property and equipment	7,849	7,902
Reserve for the estimated effect from financial instruments	-	28
Total	22,100	22,181

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'.

The reserve for property and equipment of ALL 7,849 million (2017: 7,902 million) was originally created based on the Decisions of the Supervisory Council of the Bank of Albania No. 19 and No. 20, dated 15 March 2018, as a result of the reallocation of the transition reserve of ALL 5,619 million, created as a result of the first-time adoption of IFRSs, and other reserves of ALL 2,297 million created through the years, less net distributions to the Government of



Albania of ALL 14 million. For the year 2018, the amount distributed to the Government of Albania is ALL 53 million. From the total reserve for property and equipment, an amount of ALL 2,400 million (2017: 2,453 million) is distributable in the future and such distributions are subject to decisions of the Supervisory Council of the Bank of Albania. The remaining part of the reserve for property and equipment is not distributable.

The reserve for the estimated effect from financial instruments was created based on the Decision of the Supervisory Council of Bank of Albania No. 20, dated 15 March 2018, to cover the estimated effect of expected credit losses from the initial adoption of the IFRS 9 on 1 January 2018, amounting to ALL 27 million (Note 8(B)). The remaining amount of such reserve, of ALL 1 million will be distributed to the Government of Albania in 2018 (Note 20).

23. NET INTEREST INCOME

	2018	2017
Interest income calculated using the effective interest method		
Investment securities	2,280	1,702
Loans to banks	482	444
Deposits and current accounts with banks	232	161
Accounts with IMF	173	130
Negative remuneration for reserve requirement	54	95
Other	200	199
Total interest income	3,421	2,731
Interest expense		
Reserve requirements	361	316
Due to the International Monetary Fund	67	42
Due to the Albanian Government	27	10
Deposits from third parties	42	46
Negative interest from deposits and current accounts with banks	567	392
Total interest expense	1,064	806
Net interest income	2,357	1,925

Negative interest from deposits and current accounts with banks of ALL 567 million (2017: ALL 392 million) represents charges arising from negative yielding deposits and accounts placed with foreign banks. Interest income from investment securities includes ALL 1,190 million (2017: ALL 1,091 million) of income from treasury bills issued by the Albanian Government and ALL 1,090 million (2017: ALL 611 million) of income from security lending and foreign reserve investment securities after accounting for the amortization of premium/discount.

24. NET TRADING INCOME

	2018	2017
Interest income from trading assets	257	200
Net loss from the sale of trading assets	(68)	(37)
Unrealized fair value changes	88	(36)
Net profit from forward and future contracts	338	640
Net foreign exchange losses from trading assets and liabilities	(438)	(2,167)
Total	177	(1,400)



The comparative amount for net foreign exchange losses included in net trading income of ALL 2,167 million, previously classified as net foreign exchange losses in the statement of profit or loss and OCI, has been represented to conform to the current year presentation.

25. OTHER REVENUE

See accounting policies in Notes 7(A)(iii) and 7(E).

	2018	2017
Net (loss)/gain on sale of debt investment securities	(169)	533
Other	29	35
Total	(140)	568

26. EMPLOYEE BENEFIT EXPENSES

	2018	2017
Employee salaries and compensations	1,147	1,094
Contributions for health and social security	101	98
Contribution for pension fund (see Note 19)	115	114
Total	1,363	1,306

As at 31 December 2018, the Bank had 516 employees (2017: 496 employees).

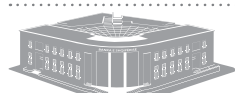
27. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Repair and maintenance expenses	154	148
Fees for third-party services	103	106
Information expenses	97	111
Amortization of currency printing and minting costs	75	60
Other staff expenses	62	59
Transportation fees	35	33
Operating lease expenses for office premises	34	36
Publication and membership expenses	13	10
Other expenses	39	48
Total	613	611

28. CONTINGENCIES AND COMMITMENTS

(i) Reverse repurchase agreements

Reverse repurchase agreements, as at 31 December 2018, represented collateralized loans (see Note 11). The nominal value of the securities used as collateral as at 31 December 2018, was ALL 33,350 million (2017: ALL 42,200 million).



(ii) Operating leases

The Bank has entered into operating lease agreements for its office premises for a three year period. At 31 December 2018, operating lease commitments payable within one year are ALL 33 million (2017: 34 million) and, between one and five years are ALL 67 million (2017: nil). There are no operating lease commitments payable after five years.

(iii) Capital commitments

As at 31 December 2018, the Bank has entered into capital commitments of ALL 2,108 million (2017: ALL 2,148 million) for the reconstruction of one of its buildings.

(iv) Credit commitments and collaterals received from employees

The total value of registered collateral for long-term loans extended to employees (see note 16) at 31 December 2018, is ALL 2,492 million (2017: ALL 2,372 million). At 31 December 2018, unused credit commitments for employees amount to ALL 69 million (2017: ALL 77 million).

(v) Legal proceedings

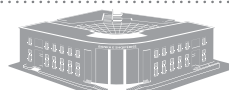
Claims against the Bank may be raised in the normal course of business. In two cases brought by third parties, although liability is not admitted, if the defense is unsuccessful, then certain amounts and legal costs would be paid by the Bank. The outcome of these actions and the amounts claimed by third parties have not yet been determined. The Bank estimates that no material losses will be incurred in respect of claims, in excess of provisions that have been made in these financial statements (see Note 21).

29. MANAGED ASSETS

At 31 December 2018, the Bank acts as custodian for short-term treasury bills with maturities from 3 to 12 months, with total nominal value of ALL 199 billion (2017: ALL 199 billion) and for long-term securities with maturities varying between 2 and 10 years, with nominal value of ALL 362 billion (2017: ALL 337 billion) and EUR 79 million (2017: EUR 114 million). These securities are issued by the Albanian Government.

30. 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 2018 and 2017, balances with related parties comprised:

	2018	2017
Loans to directors		
Directors	132	126
Total	132	126

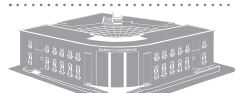
Loans to directors have an interest rate of 0.5% p.a. and a grace period of two years, and are repayable within maximum of 30 years in equal monthly instalments. The mortgage loans are collateralized.

	2018	2017
Administrative expenses		
<i>Directors and Supervisory Council members:</i>		
Telephone expenses	5	4
Salaries and bonuses	142	136
Per diems	6	6
<i>Directors:</i>		
Fuel compensation	3	3
Contribution to pension plan scheme	14	13
Total of administrative expenses for related parties	170	162

Balances with/(due to) the Albanian Government and state institutions are disclosed in Notes 14 and 20, and related interest income from securities and interest expenses are included in Note 23. Promissory notes issued by the Albanian Government in favour of the IMF are detailed in Note 11, whilst securities issued by the Albanian Government and managed by the Bank are detailed in Note 28.

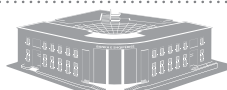
31. SUBSEQUENT EVENTS

There are no significant events after the reporting date that may require adjustment or disclosure in the financial statements.



STATISTICAL APPENDIX

DECEMBER 2018



**1. ZHVILLIMET MONETARE DHE NORMAT E INTERESIT
LEKË, PËRVEÇ RASTEVE KUR SHËNOHET NDRYSHJE, FUND PERIUDHE**

**MONETARY DEVELOPMENTS AND INTEREST RATES 1.NË MILIARDE
IN BILLIONS ALL, UNLESS OTHERWISE INDICATED, END OF PERIOD**

	Agregatet monetare / Monetary aggregates			Depozitat ² / Deposits ²	Kredita ³ / Credits ³	Normal e interesit / Hua ⁴ / Loans ⁴		Norma e rritjes vjetore të pajisjeve ⁵ / Weekly repurchase agree- ment rate ⁵
	M1	M2	M3			Depozita ¹ / Deposits ¹	12m / 12m interest rates (%) Bono Thesori ⁵ / T. Bills ⁵	
2015 ¹	384.1	723.0	1,216.2	985.6	546.8	1.35	7.77	2.40
2016	435.4	736.9	1,263.5	1,014.0	547.2	0.80	5.89	2.92
2017	461.6	738.9	1,266.9	1,001.7	550.3	0.75	5.98	2.63
2018	478.7	731.4	1,263.9	988.6	532.6	0.73	5.65	1.43

Source: Bank of Albania.

2. PRODHIMI I BRENDSHËM BRUTO, INDEKSET E ÇMIMEVE DHE TREGU I PUNËS

GROSS DOMESTIC PRODUCT, PRICE INDEXES AND LABOR MARKET

	Rritja reale vjetore e PBB me çmime konstante ¹ / Annual real growth of GDP at constant prices ¹ (%)	Me çmime korrente, në milionë lekë ² / At current prices, in million ALL ²			Të Ardhura nga pronat, neto / Property income, net	Ndryshimet vjetore të Indeksit të Çmimeve të konsumit / Yearly changes in CPI (%)	Tregu i punës ³ / Labor market ³	
		Produkti Brendshëm Bruto (PBB) / Gross domestic product (GDP)	Pagat e të punësuarve, neto / Compensation of employees, net	Të Ardhura nga pronat, neto / Property income, net			Shkalla e punësimit / Employment rate (%)	Shkalla e papunësisë / Unemployment rate (%)
2014	1.8	1,395,304.6	30,723.0	-17,930.9	4	0.7	50.5	17.9
2015	2.2	1,434,306.5	34,189.7	-17,189.6	4	2.0	52.9	17.5
2016	3.4	1,475,250.8	35,750.8	-11,837.0	4	2.2	55.9	15.6
2017						1.8	57.4	14.1
2018						1.8		

Source: INSTAT.



3. BILANCI I PAGESAVE², REZERVA DHE KURSI I KËMBIMIT NË MILIONË EURO, PËRVEÇ RASTEVE KUR SHËNOHET NDRYSH

BALANCE OF PAYMENTS², RESERVES AND EXCHANGE RATE 3. IN MILLIONS EUR, UNLESS OTHERWISE INDICATED

	Bilanci i llogaritës korrente / Current account	Nga të cilat: Bilanci i tregtar, Of which: Trade balance (3-4)		Nga të cilat: Remitancat / Of which: Remittances		Investimet direkte neto / Direct investments, net	Rezervat valutorë (stock) / Reserves (stock)	Rezervat në muaj importe / Re- serves in months of import	Kursi i këmbimit / Exchange rate		
		1	2	3	4				5	6	7
						ALL / EUR	ALL / USD				
2014	-1,076.3		-2,215.6	931.7	3,147.3	591.9	-811.5	2,191.7	5.6	140.0	105.5
2015	-883.6		-2,298.9	771.1	3,070.1	597.1	-818.4	2,880.0	7.6	139.7	126.0
2016	-811.7		-2,602.8	713.7	3,316.5	614.5	-936.5	2,945.0	7.2	137.4	124.1
2017	-866.0		-2,824.2	797.1	3,621.2	635.7	-993.8	2,995.9	6.7	134.2	119.1
2018										127.6	108.0

Source: Banka e Shqipërisë.

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

4. BILANCI FISKAL, STOKU I BORXHIT TË BRENDSHËM DHE BORXHI I JASHTËM NË MILIARDE LEKË

FISCAL BALANCE, DOMESTIC DEBT STOCK AND EXTERNAL DEBT 4. IN BILLIONS ALL

	Të Ardhuara / Revenue		Nga të cilat: Të ardhura tatimore / Of which: Tax revenue	Shpenzime / Expenditure	Shpenzime kapitale / Capital expenditure		Deficiti / Deficit	Financim i huaj / Foreign financing		Financim i brendshëm / Domestic financing		Stoku i borxhit të jashtëm / External debt stock	
	1	2			3	4		5	6	7	8	9	
2015	379.2	342.3	437.4	63.1	-58.2	-6.4	64.6	551.4	490.9				
2016	407.0	369.9	433.7	59.5	-26.7	9.2	17.5	561.1	504.6				
2017	430.4	398.6	461.4	68.5	-31.0	1.9	29.1	577.1	510.3				
2018	449.4	419.3	475.9	78.4	-26.5	-6.6	33.1						

Ministri i Financave dhe Ekonomisë, sipas publikimeve "Statistikat fiskale mujore, viti 2018" dhe "Ministri i Financave dhe Ekonomisë, sipas publikimeve "Statistikat mujore, vitet 2018 dhe 2019"

Source: Ministry of Finance and Economy, according to "Fiscal statistics monthly, year 2018 and 2019"

Burimi: Ministria e Financave dhe Ekonomisë, sipas publikimeve "Statistika fiskale mujore, viti 2018" dhe "Buletini statistikor i borxhit, Shtator 30, 2018".

Publikimi "Statistika fiskale janar - Dhjetor 2018" tabelat:

Treguesit fiskale sipas buxhefit të konsoliduar (Vjetor).

Shënime:

1) Përditësuar të dhënat për Dhjetor 2015 sipas ESA 2010.

2) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjatë.

3) Përfshihen kreditë për ekonominë.

4) Norma mesatare e ponderuar vjetore e depozitave dhe huave të reja 12 mujore në lekë për sistemin bankar.

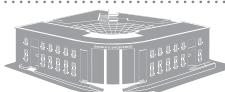
5) Të dhënat e referencës në fund të periudhës.

6) Burimi: INSTAT faqja web dt. 09.02.2019; Temat / Ekonomi dhe Financë / Llogaritë Kombëtare (GDP) / Llogaritë Kombëtare Vjetore / Prodhimi i brendshëm budo sipas metodës së prodhimit, 2010-2016 (2016 Gjysëm final).

7) Burimi: INSTAT faqja web dt. 09.02.2019; Temat / Ekonomi dhe Financë / Llogaritë Kombëtare (GDP) / Llogaritë Kombëtare Vjetore / Kalimi nga PBB në të ardhurat kombëtare budo, 2010-2016 (2016 Gjysëm final).

8) Burimi: INSTAT faqja web dt. 09.02.2019; Temat / Tregu i Punës dhe Asimi / Punësimi dhe papunësia / Shkalla e punësimit 2017 (grupmosha 15-64 vjeç), Shkalla e papunësisë 2017 (grupmosha 15-64 vjeç).

9) Janë rishikuar të dhënat për vitin 2017.



SEKTORI FINANCIAR FINANCIAL SECTOR 1.
1-1 BILANCI SEKTORIAL I BANKËS SË SHQIPËRISË SECTORAL BALANCE SHEET OF BANK OF ALBANIA 1-1
NË MILIONË LEKË, FUND PERIUDHE IN MILLIONS ALL, END OF PERIOD

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Totali i mjeteve / Total assets (2+3+4+5+8+12+13+14)	Ari monetar dhe mbajtjet e SDR* / Monetary gold and SDR holdings	Ari në valutë / Foreign currency	Depozita* / Deposits	Lejtar me vlerë të ndryshme nga aksionet / Securities other than shares (6+7)	Jezidentët / Nonresidents	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	Llogaritë pritëse / Receivable accounts	Mjete jo-financiare* / Nonfinancial assets
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
2017 / 12	532,927.0	25,725.3	24.3	161,617.3	259,537.8	206,818.9	52,718.8	41,591.0	-	39,871.3	1,719.8	11.7	23,844.9	20,574.7
2018 / 12	547,104.2	19,625.0	67.1	189,904.2	261,577.2	205,990.4	55,586.8	34,144.7	-	32,317.6	1,827.1	19.3	21,224.9	20,542.0
2018 / 07	504,421.7	21,866.7	28.0	173,663.1	226,020.3	171,079.2	54,941.1	40,684.6	-	39,007.1	1,677.4	14.4	21,597.8	20,546.9
2018 / 08	516,553.2	21,708.4	27.5	180,759.5	229,415.3	173,879.6	55,535.7	42,145.7	-	40,476.1	1,669.7	17.4	21,962.6	20,516.8
2018 / 09	534,166.0	20,180.3	26.3	189,531.9	234,176.2	178,703.2	55,473.0	48,034.5	-	46,372.7	1,661.8	55.0	21,656.2	20,505.7
2018 / 10	556,461.6	20,168.1	49.9	190,225.1	259,205.4	203,550.4	55,654.9	44,510.6	-	42,861.4	1,649.2	18.1	21,790.6	20,494.0
2018 / 11	545,816.9	19,904.4	78.4	185,108.6	262,636.3	207,705.6	54,930.8	35,661.1	-	33,957.8	1,703.3	20.2	21,893.0	20,514.8
2018 / 12	547,104.2	19,625.0	67.1	189,904.2	261,577.2	205,990.4	55,586.8	34,144.7	-	32,317.6	1,827.1	19.3	21,224.9	20,542.0

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Detyrimet totale / Total liabilities (2+3+4+10+14+15+16)	Paratë në qarkullim / Currency in circulation	Depozita të përfshira në paratë e gjerë / Deposits included in broad money	Depozita të papërfshira në paratë e gjerë / Deposits excluded from broad money (5+6+7+8+9)	Jezidentët / Nonresidents	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other depository corporations	Korporata të tjera jo-financiare / Other nonfinancial corporations	Sektore të tjerë rezidentë / Other resident sectors	Huatë / Loans (11+12+13)	Jezidentët / Nonresidents	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other depository corporations	Llogaritë pritëse / Other receivable accounts payable	Albimet / SDR allocation	Aksione dhe instrumente të tjerë / Shares and other equity
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
2017 / 12	532,927.0	274,711.8	3,899.2	200,513.9	19,350.9	34,384.3	146,632.1	66.7	79.9	115.6	115.6	-	-	463.8	7,340.5	45,882.2
2018 / 12	547,104.2	286,158.4	50.6	222,291.9	17,047.3	67,945.2	137,218.8	49.6	31.0	18.3	18.3	-	-	518.7	6,977.7	31,088.6
2018 / 07	504,421.7	273,999.2	57.8	189,821.5	17,409.9	55,301.2	116,999.2	62.1	49.0	36.9	36.9	-	-	453.6	7,008.8	33,044.0
2018 / 08	516,553.2	280,924.2	57.2	193,238.7	17,396.4	56,315.2	119,418.6	62.1	46.4	18.5	18.5	-	-	623.9	7,052.6	34,638.1
2018 / 09	534,166.0	279,553.5	57.4	211,928.1	17,396.3	61,017.9	133,418.9	62.5	32.6	18.6	18.6	-	-	881.0	7,093.7	34,633.7
2018 / 10	556,461.6	276,188.7	102.7	238,571.6	17,386.4	93,699.3	127,405.8	48.6	31.5	18.6	18.6	-	-	422.4	7,095.5	34,062.2
2018 / 11	545,816.9	279,251.2	83.0	225,572.7	17,390.5	83,370.0	124,732.3	48.9	31.0	18.5	18.5	-	-	500.1	7,070.2	33,321.1
2018 / 12	547,104.2	286,158.4	50.6	222,291.9	17,047.3	67,945.2	137,218.8	49.6	31.0	18.3	18.3	-	-	518.7	6,977.7	31,088.6

Burimi: Banka e Shqipërisë

*Për periudhën Dhjetor 2015-Pirll 2016 është bërë riklasifikim i artit jo monetar nga zëri "Depozita" në zërin "Mjete jo financiare".

*The data of December 2015-April 2016 reflect a reclassification of nonmonetary gold from "Deposits" to "Non-financial assets".

Source: Bank of Albania.



MONETARY SURVEY OF BANK OF ALBANIA 1-2
IN MILLIONS ALL, END OF PERIOD

[illegible]

	Baza monetare / Monetary base (14+15+16)	Depozita të përfshira në paratë e gjërë / Deposits included in broad money				Huatë / Loans	Llogari të pagueshme / Other accounts payable	Të tjera neto / Other items net	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
		Paraja në qarkullim / Currency in circulation	Detyrime ndaj korporatave të tjera depozituese / Liabilities to other depositary corporations	Depozita të përfshira në paratë e gjërë / Deposits included in broad money	Depozita të papërfshira në paratë e gjërë / Deposits excluded from broad money				
	13	14	15	16	17	18	19	20	21
2016 / 12	414,380.9	258,848.0	152,349.7	3,183.2	194.0	-	47.2	-20,953.6	61,859.9
2017 / 12	425,243.1	274,711.8	146,632.1	3,899.2	146.6	-	96.8	-20,683.2	45,882.2
2018 / 12	423,427.9	286,158.4	137,218.8	50.6	80.6	-	285.4	-20,659.0	31,088.6
2018 / 07	391,056.2	273,999.2	116,999.2	57.8	111.1	-	55.6	-20,718.6	33,044.0
2018 / 08	400,399.9	280,924.2	119,418.6	57.2	108.5	-	110.6	-20,681.8	34,638.1
2018 / 09	413,029.8	279,553.5	133,418.9	57.4	95.0	-	126.9	-20,662.2	34,633.7
2018 / 10	403,697.1	276,188.7	127,405.8	102.7	80.1	-	53.8	-20,638.6	34,062.2
2018 / 11	404,066.5	279,251.2	124,732.3	83.0	80.0	-	69.1	-20,699.7	33,321.1
2018 / 12	423,427.9	286,158.4	137,218.8	50.6	80.6	-	285.4	-20,659.0	31,088.6

2017/12/2006, 1300-4
420,427-7

*The data of December 2015-April 2016 reflect a reclassification of non-monetary gold from "Deposits to Non-financial assets".

1-3A BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ MUJETET NË MILIONË LEKË, FUND PERIUDHE

SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ ASSETS 1-3A IN MILLIONS ALL, END OF PERIOD

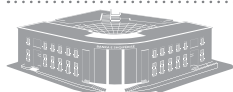
	Totali i mjeteve / Total assets (2+3+4+8+12+22+25+26+27)											
	1	2	3	4	5	6	7	8	Leta me vlerë të ndryshme nga ak- sionet / Securities others than shares (9+10+11)			
									Nga të cilat / of which:	Jezidentët / Nonresidents	Qendra /Central Government	Korporata të tjera jofinanciare / Other nonfinancial corporations
									9	10	11	
2016 / 12	1,446,048.9	9,424.8	13,685.4	302,582.2	140,174.5	151,994.3	10,413.5	426,178.2	92,042.1	333,995.3	140.7	
2017 / 12	1,462,990.6	9,441.1	12,715.8	328,020.9	171,799.1	146,853.3	9,368.5	416,707.4	74,240.4	342,467.1	—	
2018 / 12	1,452,712.8	10,866.9	14,659.8	336,111.8	186,533.3	142,821.7	6,756.8	444,459.7	87,379.3	357,049.5	30.91	
2018 / 07	1,451,393.4	10,512.0	18,630.4	315,909.5	185,651.4	122,926.2	7,331.9	434,496.8	83,172.1	351,324.7	—	
2018 / 08	1,460,515.5	11,031.6	16,606.5	328,189.2	198,814.0	124,761.0	4,614.1	432,600.6	80,628.9	351,971.7	—	
2018 / 09	1,476,639.0	10,757.9	14,014.3	345,860.3	197,805.5	140,159.7	7,895.0	440,950.4	81,185.8	359,732.6	31.9	
2018 / 10	1,459,760.3	10,745.2	12,136.6	334,036.1	201,039.2	127,540.4	5,456.5	443,973.4	81,567.6	362,373.9	31.9	
2018 / 11	1,458,231.3	11,743.8	11,748.0	337,603.9	203,567.4	128,399.0	5,637.5	437,788.0	77,252.0	360,504.4	31.6	
2018 / 12	1,452,712.8	10,866.9	14,659.8	336,111.8	186,533.3	142,821.7	6,756.8	444,459.7	87,379.3	357,049.5	30.9	

	Huajtë / Loans (13+14+15+16+ 17+18+19+20+21)	Jezidentët / Nonresidents	Banka Qendrore / Central Bank	Bankat para- depozituese / Deposit money banks	Korporata të tjera financiare / Other financial corporations	Qeveria Qendrore / Central Government	Qeveria lokale / Local government	Korporata jofinanciare publike / Public nonfinancial corporations	Korporata të tjera jofinanciare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Aksione dhe tjerë të kapitalit / Shares and other equity (23+24)	Jezidentët / Nonresidents	Rezidentë / Residents	Derivatet financiare / Financial derivatives	Llogaritë të Akontueshme / Other accounts receivable	Mjetet jofinanciare / Nonfinancial assets
	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
2016 / 12	637,885.3	94,431.0	-	2,561.2	8,687.6	947.5	845.5	26,863.9	343,070.3	160,478.3	8,023.0	7,192.2	830.8	-	8,886.8	39,383.1
2017 / 12	631,258.4	84,104.3	-	2,770.3	7,944.7	2,129.2	787.7	34,901.3	329,377.0	169,244.0	7,970.0	7,093.4	876.7	84.99	11,643.0	45,149.0
2018 / 12	586,280.4	54,657.4	-	713.3	10,164.0	7,119.7	539.0	20,270.1	317,721.9	175,095.1	8,089.8	7,189.6	900.2	-	7,764.9	44,479.4
2018 / 07	606,700.2	66,151.5	-	8,845.7	9,073.1	7,238.9	726.2	19,801.8	321,618.4	173,244.6	11,017.7	7,019.9	3,997.8	81.2	9,067.4	44,978.3
2018 / 08	606,799.4	67,126.3	-	7,741.0	8,726.4	7,261.1	721.8	19,742.7	321,167.5	174,312.8	10,959.3	6,948.3	4,011.0	81.7	9,451.2	44,796.1
2018 / 09	600,724.8	60,878.2	-	5,996.8	9,169.1	7,268.4	716.2	19,615.7	322,399.3	174,681.1	10,895.0	6,883.5	4,011.5	81.9	8,644.4	44,710.0
2018 / 10	597,280.0	61,963.7	-	4,258.01	9,617.2	7,196.0	646.3	19,291.8	319,514.4	174,792.6	7,845.7	6,947.2	898.6	82.1	9,283.3	44,377.8
2018 / 11	597,616.3	61,129.4	-	3,220.6	9,921.9	7,182.9	691.4	20,121.8	320,317.4	175,030.8	8,004.1	7,103.3	900.8	0.8	9,244.4	44,482.1
2018 / 12	586,280.4	54,657.4	-	713.3	10,164.0	7,119.7	539.0	20,270.1	317,721.9	175,095.1	8,089.8	7,189.6	900.2	-	7,764.9	44,479.4

Qëllimi: Banka e Shqipërisë
Source: Bank of Albania

Burimi: Banka e Shqipërisë

Source: Bank of Albania.



1-3B BILANCI SEKTORIAL I BANKAVE PARADEPOZITITUESE/ DETYRIMET NË MILIONË LEKË, FUND PERIUDHE

SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ LIABILITIES 1-3B IN MILLIONS ALL, END OF PERIOD

	Depozita të përfshira në parantë e gjërë / Deposits included in broad money (3+4+5+6+7)										Depozita të përfshira në parantë e gjërë / Deposits included in broad money (9+10+11+12+13+14+15+16)					Sektori i tjerë / Other resident sectors	Korporata tjera financiare / Other nonfinancial corporations	Korporata tjera financiare publike / Public nonfinancial corporations	Korporata tjera financiare / Other financial corporations	Korporata tjera financiare / Other nonfinancial corporations	Sektori i tjerë / Other resident sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16					
2016 / 12	1,446,048.9	1,005,978.9	11,997.6	2,292.5	13,154.1	136,885.4	841,649.4	138,410.1	14,902.5	356.2	13,771.4	9,277.4	938.9	338.3	8,106.7	90,718.7					
2017 / 12	1,462,990.6	991,609.0	15,044.3	1,499.4	12,992.0	142,526.8	819,546.5	164,697.4	15,772.9	1,062.2	13,009.9	8,255.4	1,722.5	318.4	7,396.3	117,159.8					
2018 / 12	1,452,712.8	981,771.9	14,850.6	1,608.5	13,599.7	148,777.5	802,935.5	188,146.8	15,813.7	6,004.2	9,478.7	8,155.9	2,092.0	376.2	7,349.1	138,877.1					
2018 / 07	1,451,393.4	969,691.0	14,540.8	1,312.7	14,076.6	144,474.0	795,287.0	174,328.0	14,012.5	6,374.3	12,105.4	6,978.4	1,691.0	316.4	8,203.5	124,646.5					
2018 / 08	1,460,515.5	975,036.6	14,605.1	1,528.6	14,168.2	146,767.6	797,967.2	180,287.9	14,915.2	5,961.9	9,875.3	7,832.9	1,850.4	313.4	7,779.2	131,759.6					
2018 / 09	1,476,639.0	978,996.8	14,950.8	1,697.4	14,111.0	147,124.4	801,113.2	190,965.5	14,920.6	6,648.5	15,903.2	7,414.0	1,890.0	314.7	7,679.6	136,194.9					
2018 / 10	1,459,760.3	976,328.7	14,824.9	1,677.9	14,570.0	148,572.0	796,683.8	181,142.6	13,616.6	4,950.0	10,743.4	10,101.9	1,952.5	315.3	7,171.4	136,746.7					
2018 / 11	1,458,231.3	972,375.3	13,995.4	1,591.4	15,222.1	146,231.6	795,334.8	187,799.4	14,243.8	4,231.5	9,667.0	10,993.5	1,973.7	380.2	7,435.3	138,874.4					
2018 / 12	1,452,712.8	981,771.9	14,850.6	1,608.5	13,599.7	148,777.5	802,935.5	188,146.8	15,813.7	6,004.2	9,478.7	8,155.9	2,092.0	376.2	7,349.1	138,877.1					

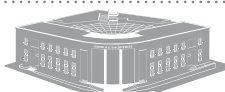
	Llogaritë me vlerë të ndryshme nga aksionet (18+19)			Korporata të tjera / Other nonfinancial corporations	Sektorë të tjerë / Other resident sectors	Huatë / Loans (21+22+23+24+25+26+27)										Brendësitë / Nonresidents		Banka Qendrore / Central Bank	Korporata të tjera deponituese / Other depository corporations	Qeveria / Central Government	Korporata të tjera financiare / Other financial corporations	Korporata të tjera jo-financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Derivatet financiare / Financial derivatives	Llogaritë pagueshme / Other accounts payable	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
	17	18	19	20	21	22	23	24	25	26	27	28	29	30												
2016 / 12	5,224.5	108.6	5,115.9	59,407.6	23,590.4	29,943.2	3,450.5	635.6	1,760.8	-	27.1	-	92,512.8	144,514.9												
2017 / 12	6,258.0	160.3	6,097.7	69,800.1	23,962.5	39,875.5	2,774.7	524.6	2,636.1	-	26.7	-	74,047.9	156,578.0												
2018 / 12	6,183.1	164.4	6,018.7	59,518.4	21,105.8	32,318.6	2,882.4	373.7	2,837.8	-	-	1.80	61,299.1	155,791.7												
2018 / 07	6,333.1	163.9	6,169.2	76,142.4	28,212.5	39,008.4	5,172.8	468.8	3,279.9	-	-	-	66,203.3	158,695.7												
2018 / 08	6,347.6	164.4	6,183.2	70,477.2	21,485.7	40,477.3	3,246.2	447.7	4,820.3	-	-	-	72,789.7	155,576.5												
2018 / 09	6,359.0	163.7	6,195.3	73,209.5	21,121.3	46,806.2	2,155.3	447.0	2,679.6	-	-	12.0	70,344.6	156,751.5												
2018 / 10	6,372.0	164.7	6,207.2	70,354.4	21,371.8	42,912.6	2,591.2	459.1	3,019.8	-	-	8.4	69,946.1	155,608.1												
2018 / 11	6,226.2	163.3	6,062.9	63,726.3	22,332.1	33,961.9	2,895.0	399.0	4,138.5	-	-	0.4	71,952.6	156,151.1												
2018 / 12	6,183.1	164.4	6,018.7	59,518.4	21,105.8	32,318.6	2,882.4	373.7	2,837.8	-	-	1.8	61,299.1	155,791.7												

Source: Banka e Shqipërisë

Limiti: Banka e Shqipërisë

Burimi: Banka e Shqipërisë

Source: Bank of Albania.



MONETARY SURVEY OF DEPOSIT MONEY BANKS 1-4 IN MILLIONS ALL, END OF PERIOD

1-4 PARAQITJA MONETARE E BANKAVE PARADEPOZITUETSE NË MILIONË LEKË, FUND PERIUDHE

	Mjetet vlerore nëto / Net foreign assets (2.3)		Minus: Detyrime ndaj jerezidentëve / Less: Liabilities to nonresidents		Mjetet e brendshme / Domestic assets (5+6+9+10+11+12+13)		Pretendimet nëto ndaj Qeverisë Qendrore / Net claims on Central Government (7+8)		Minus: Detyrime ndaj Qeverisë Qendrore / Less: Liabilities to Central Government		Pretendime ndaj korporatave të tjera financiare / Claims on other financial corporations		Pretendimet ndaj qeverisë lokale / Claims on local govern- ments		Pretendimet ndaj korporatave publike / Claims on pub- lic nonfinancial corporations		Pretendimet ndaj korporatave të tjera jo-financiare / Claims on other nonfinancial corporations		Pretendime ndaj sektorëve të tjerë / Claims on other resident sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13							
2016 / 12	307,272.2	347,525.2	40,253.0	1,024,608.8	161,419.1	322,272.7	334,942.9	12,670.2	9,518.4	845.5	26,863.9	343,211.0	160,478.3							
2017 / 12	309,764.3	350,037.8	40,273.5	1,031,998.1	156,294.4	332,572.5	344,596.3	12,023.9	8,821.3	787.7	34,901.3	329,377.0	169,244.0							
2018 / 12	311,918.6	350,419.3	38,500.7	1,031,419.3	153,688.6	353,009.4	364,169.2	11,159.8	11,064.2	539.0	20,270.1	317,752.8	175,095.1							
2018 / 07	317,348.0	360,706.5	43,358.5	1,010,753.6	133,438.2	348,853.6	358,563.6	9,710.0	13,070.9	726.2	19,801.8	321,618.4	173,244.6							
2018 / 08	330,592.9	370,205.7	39,612.8	1,013,230.0	135,792.6	348,755.3	359,232.8	10,477.5	12,737.4	721.8	19,742.7	321,167.5	174,312.8							
2018 / 09	321,921.8	360,849.2	38,927.5	1,038,122.1	150,917.7	356,579.5	367,001.1	10,421.6	13,180.6	716.2	19,615.7	322,431.3	174,681.1							
2018 / 10	327,001.2	363,736.3	36,735.2	1,019,454.1	138,285.6	356,375.7	369,569.9	13,194.1	10,515.8	646.3	19,291.8	319,546.3	174,792.6							
2018 / 11	322,781.6	360,800.8	38,019.3	1,019,069.4	140,142.7	351,910.8	367,687.3	15,776.5	10,822.8	691.4	20,121.8	320,349.0	175,030.8							
2018 / 12	311,918.6	350,419.3	38,500.7	1,031,419.3	153,688.6	353,009.4	364,169.2	11,159.8	11,064.2	539.0	20,270.1	317,752.8	175,095.1							

	Detyrime ndaj Bankës Qendrore / Liabilities to Central Bank	Depozita të përfshira në parantë e gjerë / Deposits included in broad money (16+17)		Depozita të tjera / Other deposits	Depozita të pa përfshira në parantë e gjerë / Deposits not included in broad money	Letra me vlerë të ndryshme nga aksionet / Securities others than shares		Huatë / Loans	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity	Nga të cilat: Rezerva rëmbles- imi / Of which: Valuation adjustment		Detyrime të tjera nëto / Other net liabilities	Axhustimi i konsolidimit / Consolidation adjustment
		Depozita të transferueshme / Transferable deposits	15			16	17			18	19		
2016 / 12	30,299.4	1,005,978.9	351,219.8	654,759.1	100,102.6	5,224.5	1,787.9	144,514.9	4,937.4	39,725.5	4,247.2		
2017 / 12	40,937.7	991,609.0	363,710.2	627,898.8	126,597.0	6,258.0	2,662.8	156,578.0	-1,907.5	13,473.9	3,645.8		
2018 / 12	38,322.8	981,771.9	374,996.6	606,775.2	148,694.4	6,183.1	2,837.8	155,791.7	-7,803.0	4,845.3	4,891.0		
2018 / 07	45,382.8	969,691.0	364,317.3	605,373.7	134,857.4	6,333.1	3,279.9	158,695.7	-6,734.6	8,761.3	1,100.5		
2018 / 08	46,439.2	975,036.6	368,723.9	606,312.8	141,702.6	6,347.6	4,820.3	155,576.5	-7,549.1	13,133.6	766.4		
2018 / 09	53,454.7	978,996.8	369,527.3	609,469.5	146,079.2	6,359.0	2,679.6	156,751.5	-7,619.2	11,556.2	4,166.7		
2018 / 10	43,407.6	976,328.7	369,532.5	606,796.1	146,185.8	6,372.0	3,019.8	155,608.1	-6,501.8	11,913.4	3,620.0		
2018 / 11	38,193.4	972,375.3	366,731.7	605,643.6	148,663.6	6,226.2	4,138.5	156,151.1	-7,589.1	12,399.1	3,703.8		
2018 / 12	38,322.8	981,771.9	374,996.6	606,775.2	148,694.4	6,183.1	2,837.8	155,791.7	-7,803.0	4,845.3	4,891.0		

Qëllimi: Banka e Shqipërisë
Source: Bank of Albania

Source: Bank of Albania.

Burimi: Banka e Shqipërisë



1-5 BILANCI SEKTORIAL I SHOQËRIVE TË KURSIM-KREDITIT
NË MILIONË LEKË, FUND PERIUDHE

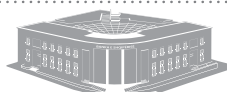
SECTORAL BALANCE SHEET OF SAVINGS AND LOAN ASSOCIATIONS 1-5
IN MILLIONS ALL, END OF PERIOD

	Totali i mjeteve (2+3+4+7+8+11+12)	Monedha dhe kartemonedha në lekë / Notes and coins in national currency	Monedha dhe kartemonedha në valutë / Notes and coins in foreign currency	Depozita / Deposits (5+6)	Bankat para-de- pozituese / Deposit money banks	Korporatat e tjera financiare / Other financial corporations	Letra me vlerë / Securities	Huatë / Loans (9+10)	Sektorë të tjerë rezidentë / Other resident sectors	Korporatat e tjera jo-financiare / Other nonfinancial corpo- rations	Mjetet e tjera / Other financial assets	Mjetet jo-financiare / Nonfinancial assets
	1	2	3	4	5	6	7	8	9	10	11	12
2015 / IV	6,673.1	6.6	0.0	1,726.3	283.1	1,443.2	9.9	4,833.5	4,833.5	-	72.4	24.4
2016 / IV	6,830.2	8.1	0.0	938.2	656.8	281.4	152.3	5,519.8	5,519.8	-	136.7	75.1
2017 / IV	8,445.2	6.6	0.1	1,715.4	1,216.6	498.8	159.9	6,306.1	6,306.1	-	28.7	228.3
2017 / IV	8,445.2	6.6	0.1	1,715.4	1,216.6	498.8	159.9	6,306.1	6,306.1	-	28.7	228.3
2018 / I	8,802.9	7.5	0.7	1,789.6	1,253.4	536.1	159.5	6,567.8	6,567.8	-	34.8	242.9
2018 / II	9,044.8	8.4	0.0	1,744.2	1,208.5	535.7	181.9	6,833.9	6,833.9	-	31.4	244.9
2018 / III	9,373.4	10.2	0.1	1,891.2	1,346.6	544.6	184.2	7,010.9	7,010.9	-	33.9	243.0

	Detyrimet totale / Total liabilities (2+5+8+12+13)	Depozita të përfshira në parantë e gjerë / Deposits included in broad money (3+4)	Sektorë të tjerë rezidentë / Other resident sectors	Korporatat e tjera jo-financiare / Other nonfinancial corporations	Depozita të parantë e gjerë / Deposits excluded from broad money (6+7)	Sektorë të tjerë rezidentë / Other resident sectors	Korporatat e tjera jo-financiare / Other nonfinancial corporations	Huatë / Loans (9+10+11)	Korporatat e tjera financiare / Other financial corporations	Bankat para-de- pozituese / Deposit money banks	Qeveria gënjërore / Central Government	Detyrimet e tjera / Other liabilities	Aksione dhe instur- mente të tjerë të kapitalit / Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13
2015 / IV	6,673.1	3,758.3	3,758.3	-	152.6	152.6	-	1,595.1	1,317.7	277.4	-	148.7	1,018.4
2016 / IV	6,830.2	4,884.4	4,884.4	-	123.7	123.7	-	557.6	182.4	375.2	-	284.9	979.6
2017 / IV	8,445.2	6,162.5	6,162.5	-	114.9	114.9	-	761.3	-	761.3	-	141.5	1,264.9
2017 / IV	8,445.2	6,162.5	6,162.5	-	114.9	114.9	-	761.3	-	761.3	-	141.5	1,264.9
2018 / I	8,802.9	6,321.1	6,321.1	-	134.6	134.6	-	900.5	-	900.5	-	138.8	1,307.8
2018 / II	9,044.8	6,450.3	6,450.3	-	141.6	141.6	-	940.7	-	940.7	-	150.6	1,361.5
2018 / III	9,373.4	6,824.3	6,824.3	-	144.3	144.3	-	867.3	-	867.3	-	130.7	1,406.8

Burimi: Banka e Shqipërisë

Source: Bank of Albania.



MONETARY SURVEY OF OTHER DEPOSITORY CORPORATIONS 1-6
IN MILLIONS ALL, END OF PERIOD

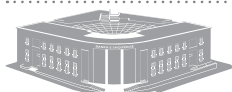
1-6 PARAQITJA MONETARE E KORPORATAVE TË TJERA DEPOZITUESE
NË MILIONË LEKË, FUND PERIUDHE

	Mjetet valutorë neto / Net foreign assets (2-3)		Minus: Detyrime ndaj qërdarëve të jashtëm / Less: Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+6+9+10+11+12+13)	Pretendimet ndaj Bankës Qendrore / Claims on Central Bank	Pretendimet neto ndaj qërdarëve të qendrës / Net claims on Central Government (7-8)	Pretendimet ndaj qërdarëve të qendrës / Claims on Central Government	Minus: Detyrime ndaj Qërdarëve të jashtëm / Liabilities to Central Government	Pretendime ndaj korporatave të tjera financiare të tjerë / Claims on other financial corporations	Pretendimet ndaj qërdarëve lokale / Claims on local government	Pretendimet ndaj korporatave të nacionare publike / Claims on pub- lic nonfinancial corporations	Pretendimet ndaj korporatave të tjera jo financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektorëve të tjerë qërdarës / Claims on other resident sectors
	1	2											
2016 / 12	307,272.2	347,525.2	40,253.0	1,030,570.3	161,427.2	322,424.9	335,095.1	12,670.2	9,799.8	845.5	26,863.9	343,211.0	165,998.0
2017 / 12	309,764.4	350,037.9	40,273.5	1,038,969.5	156,301.1	332,732.3	344,756.2	12,023.9	9,320.1	787.7	34,901.3	329,377.0	175,550.1
2018 / 12	311,918.7	350,419.4	38,500.7	1,039,169.2	153,698.8	353,193.7	364,353.4	11,159.8	11,608.8	539.0	20,270.1	317,752.8	182,106.0
2018 / 07	317,348.1	360,706.6	43,358.5	1,018,313.5	133,446.6	349,035.4	358,745.5	9,710.0	13,606.6	726.2	19,801.8	321,618.4	180,078.5
2018 / 08	330,592.9	370,205.7	39,612.8	1,020,789.8	135,801.0	348,937.2	359,414.7	10,477.5	13,273.0	721.8	19,742.7	321,167.5	181,146.7
2018 / 09	321,921.8	360,849.3	38,927.5	1,045,872.0	150,927.9	356,763.7	367,185.3	10,421.6	13,725.2	716.2	19,615.7	322,431.3	181,692.1
2018 / 10	327,001.2	363,736.4	36,735.2	1,027,204.0	138,295.8	356,560.0	369,754.1	13,194.1	11,060.4	646.3	19,291.8	319,546.3	181,803.5
2018 / 11	322,781.6	360,800.9	38,019.3	1,026,819.3	140,152.9	352,095.0	367,871.5	15,776.5	11,367.3	691.4	20,121.8	320,349.0	182,041.7
2018 / 12	311,918.7	350,419.4	38,500.7	1,039,169.2	153,698.8	353,193.7	364,353.4	11,159.8	11,608.8	539.0	20,270.1	317,752.8	182,106.0

	Detyrime ndaj Bankës Qendrore / Liabilities to Central Bank	Depozita të përfshira në paratë e gjetë / De- posits included in broad money (16+17)	Depozita të transferueshme / Transferable deposits	Depozita të tjera / Other deposits	Depozita të pa përfshira në paratë e gjetë / Deposits not included in broad money	Letra me vlerë të ndryshme nga aksionet / Securities other than shares	Huatë / Loans	Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity	Nga të cilat: Rezerva në vlerësim / Of which: Valuation adjustment	Detyrime të tjera neto / Other net liabilities	Axhualimi i konsoli- dimit / Consolida- tion adjustment
	14	15	16	17	18	19	20	21	22	23	24
2016 / 12	30,299.4	1,010,863.3	351,219.8	659,643.5	100,226.3	5,224.5	1,970.4	145,494.5	4,937.4	39,798.6	3,965.6
2017 / 12	40,937.7	997,771.4	363,710.2	634,061.3	126,711.9	6,258.0	2,662.8	157,843.0	-1,907.5	13,358.4	3,190.5
2018 / 12	38,322.8	988,596.1	374,996.6	613,599.5	148,838.7	6,183.1	2,837.8	157,198.6	-7,803.0	4,699.1	4,411.8
2018 / 07	45,382.8	976,141.3	364,317.3	611,824.0	134,999.0	6,333.1	3,279.9	160,037.2	-6,734.6	8,635.6	832.6
2018 / 08	46,439.2	981,487.0	368,723.9	612,763.1	141,844.2	6,347.6	4,820.3	156,938.1	-7,549.1	13,007.9	498.5
2018 / 09	53,454.7	985,821.1	369,527.3	616,293.8	146,223.5	6,359.0	2,679.6	158,158.3	-7,619.2	11,410.1	3,687.5
2018 / 10	43,407.6	983,152.9	369,532.5	613,620.4	146,330.1	6,372.0	3,019.8	157,014.9	-6,501.8	11,767.2	3,140.8
2018 / 11	38,193.4	979,199.5	366,731.7	612,467.8	148,807.9	6,226.2	4,138.5	157,557.9	-7,589.1	12,252.9	3,224.6
2018 / 12	38,322.8	988,596.1	374,996.6	613,599.5	148,838.7	6,183.1	2,837.8	157,198.6	-7,803.0	4,699.1	4,411.8

Burimi: Banka e Shqipërisë

Source: Bank of Albania.



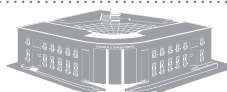
1-7 PARAQITJA MONETARE E KORPORATAVE DEPOZITUESE
NË MILIONË LEKË, FUND PERIUDHEMONETARY SURVEY OF DEPOSITORY CORPORATIONS 1-7
IN MILLIONS ALL, END OF PERIOD

	Mjetet e neto / Net foreign assets (2.3)			Mjetet e brendshme / Domestic assets (5+8)	Pretendimet neto ndaj qeverisë / Net claims on Central Government (6.7)	Pretendimet ndaj qeverisë / Claims on Central Government	Minus: Detyrime ndaj qeverisë / Less: liabilities to Central Government	Pretendime ndaj sektorëve të tjerë / Claims on other sectors (9+10+11+12+13)	Pretendime ndaj korporatave të tjerë financiare / Claims on other financial corporations	Pretendime ndaj qeverisë lokale / Claims on local government	Pretendime ndaj korporatave publike financiare / Claims on public nonfinancial corporations	Pretendime ndaj korporatave të tjerë financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektorëve të tjerë rezidentë / Claims on other resident sectors
	1	2	3										
2016 / 12	696,885.0	766,087.4	69,202.4	905,124.5	356,680.5	388,375.0	31,694.5	548,444.0	9,799.8	845.5	26,863.9	343,211.0	167,723.8
2017 / 12	700,451.9	767,643.3	67,191.4	902,795.2	351,139.1	397,595.7	46,456.7	551,656.2	9,320.1	787.7	34,901.3	329,377.0	177,270.1
2018 / 12	724,363.1	786,907.1	62,544.0	874,931.8	340,827.8	419,982.3	79,154.5	534,104.0	11,608.8	539.0	20,270.1	317,752.8	183,933.2
2018 / 07	680,559.7	748,588.2	68,028.5	886,196.5	348,687.3	413,731.8	65,044.5	537,509.2	13,606.6	726.2	19,801.8	321,618.4	181,756.2
2018 / 08	703,782.0	768,187.9	64,405.9	885,899.0	348,177.4	415,007.1	66,829.7	537,721.6	13,273.0	721.8	19,742.7	321,167.5	182,816.7
2018 / 09	706,627.2	770,626.6	63,999.4	891,089.2	351,245.6	422,725.2	71,479.6	539,843.6	13,725.2	716.2	19,615.7	322,431.3	183,355.2
2018 / 10	737,791.0	799,191.9	61,400.9	852,511.7	318,513.2	425,459.5	106,946.3	533,998.4	11,060.4	646.3	19,291.8	319,546.3	183,453.7
2018 / 11	732,375.1	795,149.6	62,774.5	859,952.1	323,676.4	422,855.0	99,178.6	536,275.7	11,367.3	691.4	20,121.8	320,349.0	183,746.1
2018 / 12	724,363.1	786,907.1	62,544.0	874,931.8	340,827.8	419,982.3	79,154.5	534,104.0	11,608.8	539.0	20,270.1	317,752.8	183,933.2

	Detyrimet e parës së gjërë / Broad money liabilities (1.5+1.6)	Paraja jashtë korporat- ave depozituese / Mon- ey outside depository corporations	Detyrimet e parës së gjërë / Deposits included in broad money (1.7+1.8)	Depozita të transferueshme / Transferable deposits	Depozita të tjera / Other deposits	Depozita të pa- përfshira në parën e gjërë / Deposits excluded from broad money	Leira me vlerë të ndryshme rap aksionet / Securities others than shares	Huajtë / loans	Logaritë pagueshë / Other accounts payable	Aksione dhe instrumente të tjerë të kapitullit / Shares and other equity	Nga të cilat: rezerva rëmbërimi / Of which: valua- tion adjustment	Detyrime të tjerë neto / Other liabilities net	Axhizimi i konsolidimit / Consolidation adjustment
	14	15	16	17	18	19	20	21	22	23	24	25	26
2016 / 12	1,263,461.6	249,415.1	1,014,046.5	351,283.5	662,763.1	100,420.3	5,224.5	1,970.4	47.2	207,354.4	34,325.9	22,810.6	720.4
2017 / 12	1,266,934.7	265,264.1	1,001,670.6	363,754.4	637,916.2	126,858.6	6,258.0	2,662.8	96.8	203,725.1	11,497.4	-4,134.3	845.2
2018 / 12	1,263,928.1	275,281.4	988,646.7	375,047.3	613,599.5	148,919.3	6,183.1	2,837.8	285.4	188,287.1	-6,559.1	-1,548.2	402.3
2018 / 07	1,239,678.0	263,478.9	976,199.1	364,375.1	611,824.0	135,110.1	6,333.1	3,279.9	55.6	193,101.3	-3,359.0	-1,250.4	448.6
2018 / 08	1,251,428.4	269,884.2	981,544.2	368,781.1	612,763.1	141,952.7	6,347.6	4,820.3	110.6	191,576.2	-2,687.9	-7,175.4	620.7
2018 / 09	1,254,663.8	268,785.4	985,878.4	369,584.6	616,293.8	146,318.5	6,359.0	2,679.6	126.9	192,792.0	-2,783.5	-5,564.7	341.1
2018 / 10	1,248,688.8	265,433.3	983,255.6	369,635.2	613,620.4	146,410.2	6,372.0	3,019.8	53.8	191,077.1	-2,181.4	-5,730.6	411.6
2018 / 11	1,246,779.8	267,497.2	979,282.6	366,814.8	612,467.8	148,887.9	6,226.2	4,138.5	69.1	190,879.0	-4,023.4	-5,222.3	568.9
2018 / 12	1,263,928.1	275,281.4	988,646.7	375,047.3	613,599.5	148,919.3	6,183.1	2,837.8	285.4	188,287.1	-6,559.1	-1,548.2	402.3

Source: Bank of Albania.

Burimi: Banka e Shqipërisë



1-8A AGREGATËT MONETARË DHE PËRBËRËSIT E TYRE MONETARY

AGGREGATES AND THEIR COMPONENTS 1-8A

	M3 (2+7)	M2 (3+6)	M1 (4+5)			Depozitat me afat në lekë / Time deposits in national currency	Depozitat në valutë / Deposits in foreign currency
				Paraja jashtë korporatave depozituese / Currency outside depository corporations	Llogari rrjedhëse dhe depozitat pa afat në lekë / Current accounts and non-term deposits in national currency		
	1	2	3	4	5	6	7
	Gjendja në fund të periudhës (në milionë Lekë) / Stock at end of period (in millions ALL)						
2016 / 12	1,263,461.6	736,950.4	435,438.7	249,415.1	186,023.6	301,511.7	526,511.2
2017 / 12	1,266,934.7	738,927.9	461,577.9	265,264.1	196,313.9	277,349.9	528,006.9
2018 / 12	1,263,928.1	731,352.3	478,717.6	275,281.4	203,436.3	252,634.7	532,575.8
2018 / 07	1,239,678.0	725,399.7	464,023.0	263,478.9	200,544.1	261,376.8	514,278.2
2018 / 08	1,251,428.4	724,350.2	468,761.6	269,884.2	198,877.4	255,588.5	527,078.2
2018 / 09	1,254,663.8	723,199.5	469,044.9	268,785.4	200,259.5	254,154.6	531,464.3
2018 / 10	1,248,688.8	717,486.7	464,643.0	265,433.3	199,209.8	252,843.7	531,202.1
2018 / 11	1,246,779.8	719,996.6	466,635.8	267,497.2	199,138.6	253,360.8	526,783.2
2018 / 12	1,263,928.1	731,352.3	478,717.6	275,281.4	203,436.3	252,634.7	532,575.8
	Ndryshimi vjetor në përqindje / Annual percentage changes						
2016 / 12	3.9	1.9	13.4	8.2	21.2	-11.0	6.7
2017 / 12	0.3	0.3	6.0	6.4	5.5	-8.0	0.3
2018 / 12	-0.2	-1.0	3.7	3.8	3.6	-8.9	0.9
2018 / 07	-0.6	-0.2	5.9	4.1	8.2	-9.3	-1.2
2018 / 08	0.1	0.5	7.0	5.6	8.8	-9.5	-0.5
2018 / 09	0.2	0.3	6.9	5.6	8.8	-10.1	0.2
2018 / 10	-0.1	-0.5	5.3	4.2	6.7	-9.5	0.4
2018 / 11	-0.5	-0.4	5.0	4.9	5.1	-9.0	-0.6
2018 / 12	-0.2	-1.0	3.7	3.8	3.6	-8.9	0.9

Burimi: Banka e Shqipërisë

Source: Bank of Albania.

1-8B KUNDËRPARTITË E AGREGATËVE MONETARË

COUNTERPARTS OF MONETARY AGGREGATES 1-8B

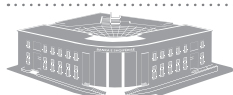
	Mjetet valutore neto / Net Foreign Assets	Mjetet e brendshme / Domestic assets (3+4)	Pretendimet ndaj Qeverisë Qendrore neto / Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *	Të tjera neto / Other items net
	1	2	3	4	5
	Gjendja në fund të periudhës (milionë Lekë) / Stock at end of period (in millions ALL)				
2016 / 12	696,885.0	905,124.5	356,680.5	548,444.0	22,810.6
2017 / 12	700,451.9	902,795.2	351,139.1	551,656.2	(4,134.3)
2018 / 12	724,363.1	874,931.8	340,827.8	534,104.0	(11,548.2)
2018 / 07	680,559.7	886,196.5	348,687.3	537,509.2	(11,250.4)
2018 / 08	703,782.0	885,899.0	348,177.4	537,721.6	(7,175.4)
2018 / 09	706,627.2	891,089.2	351,245.6	539,843.6	(5,564.7)
2018 / 10	737,791.0	852,511.7	318,513.2	533,998.4	(5,730.6)
2018 / 11	732,375.1	859,952.1	323,676.4	536,275.7	(5,222.3)
2018 / 12	724,363.1	874,931.8	340,827.8	534,104.0	(11,548.2)
	Ndryshimi vjetor në përqindje / Annual percentage changes				
	Mjetet valutore neto / Net foreign assets	Mjetet e brendshme / Domestic assets	Pretendimet ndaj Qeverisë Qendrore neto / Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *	
	1	2	3	4	
2016 / 12	13.4	0.2	0.7		-0.1
2017 / 12	0.5	-0.3	-1.6		0.6
2018 / 12	3.4	-3.1	-2.9		-3.2
2018 / 07	0.6	-1.2	-0.3		-1.7
2018 / 08	2.2	-1.4	0.1		-2.4
2018 / 09	1.4	-0.7	2.5		-2.7
2018 / 10	3.6	-3.5	-3.5		-3.5
2018 / 11	3.8	-3.7	-4.1		-3.5
2018 / 12	3.4	-3.1	-2.9		-3.2

Burimi: Banka e Shqipërisë

Source: Bank of Albania.

*Përfshin kredinë për ekonominë dhe pretendime të tjera ndaj sektorëve mbajtës së parasë së gjerë.

*Include credit to economy and other claims on broad money holding sectors.



1-9 DEPOZITAT NË LEKË SIPAS SEKTORËVE¹ NË MILIONË LEKË, FUND PERIUDHE

DENOMINATED DEPOSITS BY SECTORS¹ 1-9 IN MILLIONS ALL, END OF PERIOD

	Llogaritjet e depozitave / Total deposits (2+8)							Llogaritjet e depozitave pa afat / Current account and sight deposits (3+4+5+6+7)							Depozitat me afat / Time deposits (9+10+11+12+13)			
	1	2	3	4	5	6	7	Qeveria lokale / Local government	Korporatat publike / Public nonfinancial corporations	Korporatat tjera financiare / Other financial corporations	Korporatat tjera financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	8	9	10	11	12	13
2016 / 12	487,535.3	186,023.6	1,907.5	6,786.0	2,071.0	46,051.0	129,208.1	301,511.7	18.9	976.8	7,553.4	6,502.2	286,460.4					
2017 / 12	473,663.8	196,313.9	1,344.4	8,656.7	2,524.8	48,979.3	134,808.7	277,349.9	15.2	705.2	9,282.1	9,062.4	258,285.1					
2018 / 12	456,070.9	203,436.3	1,482.1	8,861.1	2,586.8	49,221.4	141,284.9	252,634.7	13.1	1,634.7	5,050.5	9,687.0	236,249.4					
2018 / 07	461,920.9	200,544.1	1,211.7	9,319.4	3,584.5	51,419.5	135,009.2	261,376.8	13.0	1,506.9	4,833.7	8,652.2	246,370.9					
2018 / 08	454,465.9	198,877.4	1,418.3	9,628.7	3,172.0	50,520.9	134,137.5	255,588.5	13.0	1,509.6	4,793.9	7,862.4	241,409.6					
2018 / 09	454,414.1	200,259.5	1,614.8	9,530.4	2,968.8	49,771.1	136,374.3	254,154.6	13.0	1,502.0	5,119.5	7,842.0	239,678.1					
2018 / 10	452,053.5	199,209.8	1,580.6	9,984.5	2,880.6	48,173.0	136,591.2	252,843.7	13.0	1,388.5	5,083.2	8,509.4	237,849.6					
2018 / 11	452,499.3	199,138.6	1,489.0	9,669.9	2,998.4	47,029.4	137,951.8	253,360.8	13.1	2,232.1	4,821.6	9,202.1	237,091.9					
2018 / 12	456,070.9	203,436.3	1,482.1	8,861.1	2,586.8	49,221.4	141,284.9	252,634.7	13.1	1,634.7	5,050.5	9,687.0	236,249.4					

Burimi: Banka e Shqipërisë

Source: Bank of Albania

1-10 DEPOZITAT NË VALUTË SIPAS SEKTORËVE * NË MILIONË LEKË, FUND PERIUDHE

FOREIGN CURRENCY DENOMINATED DEPOSITS BY SECTORS* 1-10 IN MILLIONS ALL, END OF PERIOD

	Llogaritjet e depozitave / Total deposits (2+8)							Llogaritjet e depozitave pa afat / Current account and sight deposits (3+4+5+6+7)							Depozitat me afat / Time deposits (9+10+11+12+13)			
	1	2	3	4	5	6	7	Qeveria lokale / Local government	Korporatat publike / Public nonfinancial corporations	Korporatat tjera financiare / Other financial corporations	Korporatat tjera financiare / Other nonfinancial corporations	Sektorë të tjerë rezidentë / Other resident sectors	8	9	10	11	12	13
2016 / 12	526,511.2	250,122.0	366.1	2,999.4	1,815.4	73,326.4	171,614.8	276,389.2	-	2,391.9	3,698.7	11,005.7	259,292.9					
2017 / 12	528,006.9	267,413.0	139.8	2,086.3	3,756.9	74,187.3	187,242.7	260,593.8	-	1,543.8	3,336.9	10,297.9	245,415.2					
2018 / 12	532,575.8	289,232.7	113.4	1,407.7	3,616.6	78,055.3	206,039.8	243,343.1	-	1,696.3	3,598.1	11,813.8	226,234.9					
2018 / 07	514,278.2	269,526.6	88.1	1,486.1	3,246.5	73,450.1	191,255.9	244,751.6	-	1,764.2	2,877.4	10,952.2	229,157.8					
2018 / 08	527,078.2	279,899.0	97.4	1,257.1	3,866.4	76,738.0	197,940.2	247,179.2	-	1,772.8	2,774.1	11,646.3	230,986.1					
2018 / 09	531,464.3	282,794.5	69.5	1,304.0	3,376.9	77,612.8	200,431.3	248,669.9	-	1,774.6	3,486.9	11,898.6	231,509.8					
2018 / 10	531,202.1	285,512.8	84.3	1,483.6	3,633.2	79,532.2	200,779.6	245,689.3	-	1,713.5	3,229.3	12,357.5	228,389.0					
2018 / 11	526,783.2	283,119.7	89.3	1,608.9	3,414.9	77,604.0	200,402.6	243,663.6	-	1,711.2	2,787.6	12,396.2	226,768.6					
2018 / 12	532,575.8	289,232.7	113.4	1,407.7	3,616.6	78,055.3	206,039.8	243,343.1	-	1,696.3	3,598.1	11,813.8	226,234.9					

Burimi: Banka e Shqipërisë

Source: Bank of Albania

* Përfshihen vetëm llogaritjet dhe depozitat që janë pjesë e parës së gjërë.

* Deposits included in broad money.



1-11 KREDIA PËR EKONOMINË SIPAS SEKTORIT *
NË MILIONË LEKË, FUND PERIUDHE

CREDIT TO ECONOMY BY SECTOR* 1-11
IN MILLIONS ALL, END OF PERIOD

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Totali i kredise / Total credit (2+8)	Kredita në lekë / Credit in national currency (3+4+5+6+7)	Qeveria lokale / Local government	Korporatat jo-financiare publike / Public nonfinancial corporations	Korporatat jo-financiare / Other nonfinancial corporations	Korporatat jo-financiare / Other financial corporations	Sektorë të tjerë rezidentë / Other resident sectors	Kredita në valutë / Credit in foreign currency (9+10+11+12+13)	Qeveria lokale / Local government	Korporatat jo-financiare publike / Public nonfinancial corporations	Korporatat jo-financiare / Other nonfinancial corporations	Korporatat jo-financiare / Other financial corporations	Sektorë të tjerë rezidentë / Other resident sectors
2016 / 12	547,191.2	259,547.5	845.5	23,993.9	131,743.5	4,242.3	98,722.3	287,643.7	-	2,870.0	211,326.7	4,445.3	69,001.6
2017 / 12	550,280.5	273,261.9	787.7	29,680.0	130,851.8	3,522.3	108,420.1	277,018.6	-	5,221.4	198,525.2	4,422.3	68,849.7
2018 / 12	532,628.1	268,679.1	539.0	16,594.2	127,999.7	4,802.1	118,744.1	263,949.1	-	3,675.9	189,722.3	5,361.9	65,189.0
2018 / 07	532,975.3	267,302.8	726.2	16,883.0	129,850.9	4,464.7	115,378.1	265,672.5	-	2,918.8	191,767.5	4,608.4	66,377.8
2018 / 08	533,174.6	266,578.1	721.8	16,550.3	129,209.7	4,103.8	115,992.6	266,596.5	-	3,192.4	191,957.8	4,622.5	66,823.8
2018 / 09	535,254.2	268,148.3	716.2	16,650.3	129,849.0	4,260.1	116,672.6	267,105.9	-	2,965.3	192,550.3	4,909.0	66,681.2
2018 / 10	532,522.4	269,107.0	646.3	16,223.4	130,190.5	4,407.7	117,639.1	263,415.4	-	3,068.4	189,323.9	5,209.5	65,813.7
2018 / 11	534,797.6	271,374.7	691.4	16,674.7	131,379.3	4,422.4	118,206.9	263,422.9	-	3,447.1	188,938.1	5,499.6	65,538.1
2018 / 12	532,628.1	268,679.1	539.0	16,594.2	127,999.7	4,802.1	118,744.1	263,949.1	-	3,675.9	189,722.3	5,361.9	65,189.0

* Kredita dhënë nga korporatat depozituese (Banka Qendrore, bankat paradepozituese dhe shoqëritë e kusimkreditit).

- Janë rishikuar të dhënat e periudhës Dhjetor 2017- Prill 2018, për shkak të një riklasifikimi institucional nga korporatat

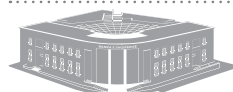
jo-financiare private në korporatat jo-financiare publike.

*Credit granted by depository corporations (Central bank, deposit money banks and savings and loan associations).

- Data for period December 2017- April 2018, are revised due to an institutional reclassification from

private nonfinancial corporations to public nonfinancial corporations.

Source: Bank of Albania



"1-12 HUATË E KORPORATAVE JOFINANCIARE SIPAS AKTIVITETIT EKONOMIK (NVE - REV.2)*"

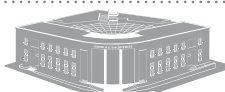
NË MILIONË LEKË, FUND PERIUDHE

"LOANS OF NONFINANCIAL CORPORATIONS BY ECONOMIC ACTIVITY (NACE - REV.2)* 1-12"

IN MILLIONS ALL, END OF PERIOD

	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+18+19+20+21+22)	Bujësi, Pyje, Peshqimi / Agriculture, forestry and fishing	Industria nxjerrëse / Mining and quarrying	Industria përpunuese / Manufacturing	Energjia elektrike, furnizimi me gaz, uull dhe oqir / kondicionuar / Electricity, gas, steam and air conditioning supply	Furnizimi me ujë, aktivitetet të riparimit dhe menaxhimit të mbeturnameve, mbebelve / Water supply; sewerage; waste management and remediation activities	Ndërtimi / Construction	Tregtia me shumicë dhe me pakicë: Ripatimi i automjeteve dhe motocikleve / Wholesale and retail trade; repair of motor vehicles and motorcycles	Transporti dhe magazinimi / Transportation and storage	Akomodimi dhe shërbimi ushqimor / Accommodation and food service activities	Informacioni dhe komunikimi / Information and communication
	1	2	3	4	5	6	7	8	9	10	11
2016 / 12	369,934.2	5,192.1	7,201.7	59,213.8	48,950.3	179.1	46,975.4	125,804.8	7,373.1	13,314.7	4,523.6
2017 / 12	364,278.3	5,360.0	7,725.9	54,119.6	52,664.8	234.6	46,368.6	119,800.1	7,806.3	13,550.5	3,872.0
2018 / 12	337,992.0	4,750.5	8,144.6	49,140.5	32,743.8	229.9	47,808.2	117,663.0	6,685.9	13,265.3	2,795.1
2018 / 07	341,420.1	5,762.4	7,706.2	52,017.4	32,743.8	229.9	47,808.2	117,663.0	6,685.9	13,265.3	2,795.1
2018 / 08	340,910.3	5,510.0	7,956.8	51,566.6	33,559.3	245.5	46,263.3	120,437.0	7,226.7	13,559.8	3,429.3
2018 / 09	342,015.0	5,400.0	8,220.2	51,439.6	32,848.7	250.7	47,116.7	119,988.2	7,152.1	13,553.3	3,245.3
2018 / 10	338,806.2	5,247.3	8,079.6	51,562.4	32,848.7	250.7	47,116.7	120,244.1	7,198.1	13,920.5	3,108.4
2018 / 11	340,439.2	4,965.8	7,890.6	50,322.8	32,805.9	241.5	46,979.3	119,423.8	6,993.8	13,567.2	2,855.8
2018 / 12	337,992.0	4,750.5	8,144.6	49,140.5	32,805.9	236.3	48,042.3	119,933.4	6,786.5	13,630.4	2,862.6
					32,743.8	229.9	47,808.2	117,663.0	6,685.9	13,265.3	2,795.1
	Aktivitetet financiare dhe sigurimi / Financial and insurance activities	Aktivitetet profesionale, shkencore dhe teknike / Professional, scientific and technical activities	Shërbime administrative dhe mbështetëse / Administrative and support service activities	Administrimi publik dhe mbrojtja / Social defence, compulsory social security	Arsimi / Education	Shëndetësia dhe aktivitetet sociale / Human health and social work activities	Artet, argëtim dhe lojë / Arts, entertainment and recreation	Aktivitetet tjera shërbimi / Other service activities	Aktivitetet të familjeve si punëdhënës; shërbimeve të familjeve për përdoruesit e ndryshëm / Activities of households as employers; undifferentiated goods and services provided during activities of HH for own use	Aktivitetet të organizatave dhe organizatave ndërkombëtare / Activities of extrateritorial organisations and bodies	
2016 / 12	1,661.2	879.8	444.8	1,622.4	5,582.7	2,844.6	5,170.5	24,275.7	3,665.7	138.5	
2017 / 12	2,779.0	823.5	390.9	1,659.6	5,685.1	3,765.9	2,992.4	28,133.6	2,118.1	249.7	
2018 / 12	2,888.3	983.6	689.5	4,328.4	5,524.9	4,047.0	2,333.0	27,099.1	1,274.1	153.1	
2018 / 07	2,831.5	840.7	550.4	4,235.0	5,971.4	3,126.9	2,632.4	25,150.9	2,089.3	148.5	
2018 / 08	2,806.9	1,024.4	590.1	3,959.2	6,011.5	3,787.1	2,591.6	24,908.8	1,912.9	155.4	
2018 / 09	2,770.2	1,025.7	524.0	4,210.6	5,973.5	3,872.0	2,554.1	25,127.7	1,876.2	158.6	
2018 / 10	2,595.0	991.8	685.3	3,958.0	5,836.8	3,845.8	2,304.5	25,531.1	1,394.7	153.7	
2018 / 11	2,542.9	981.2	744.9	4,212.3	5,800.4	3,981.7	2,298.4	25,671.0	1,322.2	155.3	
2018 / 12	2,888.3	983.6	689.5	4,328.4	5,524.9	4,047.0	2,333.0	27,099.1	1,274.1	153.1	

Source: Bank of Albania
 * Data on loans include accrued interests.
 - Data for period December 2017- April 2018, are revised due to an institutional reclassification from private nonfinancial corporations to public nonfinancial corporations.



**1-13A HUATË E KORPORATAVE JOFINANCIARE PRIVATE SIPAS QËLLIMIT
TË PËRDORIMIT DHE MONEDHËS*
NË MILIONË LEKË, FUND PERIUDHE**

**"PRIVATE NON-FINANCIAL CORPORATIONS LOANS BY
PURPOSE AND CURRENCY* 1-13A"
IN MILLIONS ALL, END OF PERIOD**

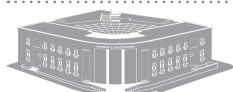
Huatë për korporatat jo financiare private / Private non-financial corporations loans (2+9+16+23)																								
Në lekë / In ALL (3+4+5+6+7+8)				Kapital qarkullues / Working capital				Hua për çelle biznesi / Loans for starting up a business				Blerje pajisjesh / Machines and appliances				Pasuri të paluajtshme / Real estate				Hua për investime në instrumenta financiare / Loans for investments in financial instruments				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23		
Në dollarë amerikanë / In USD (10+11+12+13+14+15)																								
2016 / 12	32,738.4	16,542.3	6,196.1	597.7	6,846.0	2,556.2	—	32,738.4	16,542.3	6,196.1	597.7	6,846.0	2,556.2	—	2017 / 12	20,429.0	10,200.7	3,283.5	—	3,408.0	—	—	—	
2017 / 12	20,429.0	10,200.7	3,283.5	—	3,408.0	—	—	20,429.0	10,200.7	3,283.5	—	3,408.0	—	—	2018 / 12	19,993.7	9,961.4	3,485.1	—	3,568.2	2,979.0	—	—	
2018 / 07	20,889.3	10,852.6	3,198.6	—	3,851.4	2,986.7	—	20,889.3	10,852.6	3,198.6	—	3,851.4	2,986.7	—	2018 / 07	20,889.3	10,852.6	3,198.6	—	3,851.4	2,986.7	—	—	
2018 / 08	20,772.0	10,688.1	3,212.5	—	3,868.6	3,002.8	—	20,772.0	10,688.1	3,212.5	—	3,868.6	3,002.8	—	2018 / 08	20,772.0	10,688.1	3,212.5	—	3,868.6	3,002.8	—	—	
2018 / 09	20,990.3	10,860.6	3,252.9	—	3,864.6	3,012.2	—	20,990.3	10,860.6	3,252.9	—	3,864.6	3,012.2	—	2018 / 09	20,990.3	10,860.6	3,252.9	—	3,864.6	3,012.2	—	—	
2018 / 10	21,339.2	10,907.3	3,588.3	—	3,822.1	3,021.5	—	21,339.2	10,907.3	3,588.3	—	3,822.1	3,021.5	—	2018 / 10	21,339.2	10,907.3	3,588.3	—	3,822.1	3,021.5	—	—	
2018 / 11	20,691.7	10,464.6	3,532.4	—	3,724.7	2,970.0	—	20,691.7	10,464.6	3,532.4	—	3,724.7	2,970.0	—	2018 / 11	20,691.7	10,464.6	3,532.4	—	3,724.7	2,970.0	—	—	
2018 / 12	19,993.7	9,961.4	3,485.1	—	3,568.2	2,979.0	—	19,993.7	9,961.4	3,485.1	—	3,568.2	2,979.0	—	2018 / 12	19,993.7	9,961.4	3,485.1	—	3,568.2	2,979.0	—	—	
Hua në monedha të tjera / In other currencies																								
Në euro / In EUR (17+18+19+20+21+22)				Hua për çelle biznesi / Loans for starting up a business				Blerje pajisjesh / Machines and appliances				Pasuri të paluajtshme / Real estate				Hua për investime në instrumenta financiare / Loans for investments in financial instruments								
2016 / 12	178,567.6	40,229.6	24,731.1	475.2	60,186.1	52,945.6	—	178,567.6	40,229.6	24,731.1	475.2	60,186.1	52,945.6	—	2017 / 12	178,095.0	46,703.0	19,315.9	1,462.1	59,303.8	51,154.9	155.21	20.8	
2017 / 12	178,095.0	46,703.0	19,315.9	1,462.1	59,303.8	51,154.9	1.2	178,095.0	46,703.0	19,315.9	1,462.1	59,303.8	51,154.9	1.2	2018 / 12	169,728.4	42,161.5	17,740.5	2,328.4	56,303.0	51,018.4	176.5	0.2	
2018 / 07	170,877.1	41,435.3	19,254.5	2,163.7	53,602.5	54,203.5	1.2	170,877.1	41,435.3	19,254.5	2,163.7	53,602.5	54,203.5	1.2	2018 / 07	170,877.1	41,435.3	19,254.5	2,163.7	53,602.5	54,203.5	217.5	1.2	
2018 / 08	171,184.6	40,236.0	19,626.6	2,157.5	54,471.2	54,478.8	1.3	171,184.6	40,236.0	19,626.6	2,157.5	54,471.2	54,478.8	1.3	2018 / 08	171,184.6	40,236.0	19,626.6	2,157.5	54,471.2	54,478.8	214.6	1.3	
2018 / 09	171,559.8	40,228.3	19,662.6	2,153.5	54,474.1	54,830.6	0.2	171,559.8	40,228.3	19,662.6	2,153.5	54,474.1	54,830.6	0.2	2018 / 09	171,559.8	40,228.3	19,662.6	2,153.5	54,474.1	54,830.6	210.7	0.2	
2018 / 10	167,984.4	40,658.2	18,002.6	2,365.0	54,122.8	52,650.1	0.2	167,984.4	40,658.2	18,002.6	2,365.0	54,122.8	52,650.1	0.2	2018 / 10	167,984.4	40,658.2	18,002.6	2,365.0	54,122.8	52,650.1	185.8	0.2	
2018 / 11	168,246.2	40,795.5	18,082.4	2,346.9	56,050.1	50,789.9	0.3	168,246.2	40,795.5	18,082.4	2,346.9	56,050.1	50,789.9	0.3	2018 / 11	168,246.2	40,795.5	18,082.4	2,346.9	56,050.1	50,789.9	181.4	0.3	
2018 / 12	169,728.4	42,161.5	17,740.5	2,328.4	56,303.0	51,018.4	0.2	169,728.4	42,161.5	17,740.5	2,328.4	56,303.0	51,018.4	0.2	2018 / 12	169,728.4	42,161.5	17,740.5	2,328.4	56,303.0	51,018.4	176.5	0.2	

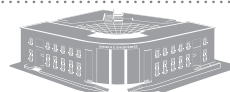
* Data on loans include accrued interests, - corporations to public nonfinancial corporations to public nonfinancial corporations.

* Te dhënat e huave përfshijnë interesat e përfituarit. - Janë revizionuar të dhënat e periudhës Dhjetor 2017- Prill 2018, për shkak të një riklasifikimi institucional nga korporatat jo financiare private në korporatat jo financiare publike.

Source: Bank of Albania.

Data for period December 2017- April 2018, are revised due to an institutional reclassification from private nonfinancial corporations to public nonfinancial corporations.





**1-13B HUATË E KORPORATAVE JOFINANCIARE PUBLIKE SIPAS GËLLIMIT
TË PËRDORIMIT DHE MONEDHËS*
NË MILIONË LЕК, FUND PERIUDHE**

**“PUBLIC NON-FINANCIAL CORPORATIONS LOANS
BY PURPOSE AND CURRENCY * 1-13B”
IN MILLIONS ALL, END OF PERIOD**

	Huatë për korporatat joфинанciare publike / Public nonfinancial corporations loans (2+8+14+20)	Në lekë / In ALL (3+4+5+6+7)	Overdraft / Overdraft	Kapital qarkullues / Working capital	Blerje pajisjesh / Machines and appliances	Pasuri të paluajtshme / Real estate	Hua të tjera / Other loans
	1	2	3	4	5	6	7
2016 / 12	26,863.9	23,993.9	21,895.9	286.4	1,107.5	704.0	0.0
2017 / 12	34,901.3	29,680.0	27,229.8	287.7	901.8	1,260.6	0.0
2018 / 12	20,270.1	16,594.2	14,521.4	236.9	694.9	1,141.1	-
2018 / 07	19,801.8	16,883.0	14,631.6	277.0	778.3	1,196.2	-
2018 / 08	19,742.7	16,550.3	14,334.1	265.5	763.3	1,187.3	-
2018 / 09	19,615.7	16,650.3	14,470.5	256.5	746.5	1,176.9	-
2018 / 10	19,291.8	16,223.4	14,078.2	252.5	727.7	1,165.1	-
2018 / 11	20,121.9	16,674.7	14,557.3	252.9	711.6	1,152.9	-
2018 / 12	20,270.1	16,594.2	14,521.4	236.9	694.9	1,141.1	-
	Në dollarë amerikanë / In USD (9+10+11+12+13)						
	8	9	10	11	12	13	13
2016 / 12	0.1	0.1	-	-	-	0.0	0.0
2017 / 12	0.1	0.1	-	-	-	0.0	0.0
2018 / 12	0.1	0.1	-	-	-	-	-
2018 / 07	0.1	0.1	-	-	-	-	-
2018 / 08	0.1	0.1	-	-	-	-	-
2018 / 09	0.1	0.1	-	-	-	-	-
2018 / 10	0.1	0.1	-	-	-	-	-
2018 / 11	0.1	0.1	-	-	-	-	-
2018 / 12	0.1	0.1	-	-	-	-	-
	Në euro / In EUR (15+16+17+18+19)						
	14	15	16	17	18	19	20
2016 / 12	2,869.9	2,869.9	-	-	-	0.0	0.0
2017 / 12	5,221.3	5,221.2	-	-	-	0.0	0.0
2018 / 12	3,675.9	3,675.9	-	-	-	-	-
2018 / 07	2,918.7	2,918.7	-	-	-	-	-
2018 / 08	3,192.4	3,192.4	-	-	-	-	-
2018 / 09	2,965.3	2,965.3	-	-	-	-	-
2018 / 10	3,068.3	3,068.3	-	-	-	-	-
2018 / 11	3,447.1	3,447.1	-	-	-	-	-
2018 / 12	3,675.9	3,675.9	-	-	-	-	-

Burimi: Banka e Shqipërisë

* Të dhënat e huave përshihetë interesat e përllogaritur.

-Janë revizionuar të dhënat e periudhës Dhjetor 2017-Prill 2018, për shkak të një rklasifikimi institucional nga korporatat joфинанciare private në korporatat joфинанciare publike.

-Data for period December 2017-April 2018, are revised due to an institutional reclassification from private nonfinancial corporations to public nonfinancial corporations.

Source: Bank of Albania;

* Data on loans include accrued interests.

1-14 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* 1-14
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+16+23)								
	1	2	3	4	5	6	Hua për qëllime të tjera / Loans for other purposes nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status	8
2016 / 12	160,478.4	91,476.6	6,649.9	19,511.2	12,735.5	46,701.9	5,878.1	1,787.3
2017 / 12	169,243.9	100,394.2	6,417.5	22,955.8	14,322.4	50,554.6	6,143.9	2,481.3
2018 / 12	175,095.1	109,906.1	6,809.1	26,010.1	15,088.7	56,105.5	5,892.8	2,403.7
2018 / 07	173,244.6	106,866.8	6,861.4	24,992.8	14,939.1	54,063.3	6,010.2	2,500.4
2018 / 08	174,312.8	107,489.1	6,832.3	25,294.5	14,902.5	54,483.6	5,976.2	2,479.4
2018 / 09	174,681.2	108,000.0	6,847.0	25,480.4	14,893.6	54,789.9	5,989.1	2,495.8
2018 / 10	174,792.6	108,978.9	7,015.6	25,795.6	14,977.6	55,252.4	5,937.8	2,502.5
2018 / 11	175,030.8	109,492.7	7,035.1	25,974.3	15,048.6	55,565.4	5,869.3	2,387.0
2018 / 12	175,095.1	109,906.1	6,809.1	26,010.1	15,088.7	56,105.5	5,892.8	2,403.7
Në dollarë amerikanë / In USD (10+11+12+13+14)								
	9	10	11	12	13	14	Hua për qëllime të tjera / Loans for other purposes nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status	15
2016 / 12	1,174.5	134.0	102.2	167.4	611.9	159.1		136.1
2017 / 12	741.8	162.7	74.9	103.4	342.7	58.1		38.1
2018 / 12	484.6	83.0	50.2	18.3	285.4	47.7		32.4
2018 / 07	569.5	132.8	57.5	19.8	308.5	50.8		33.8
2018 / 08	566.6	131.4	57.4	19.7	307.6	50.6		33.8
2018 / 09	541.1	137.7	56.1	19.1	278.1	50.1		33.6
2018 / 10	498.8	95.9	54.3	19.2	279.4	50.1		33.8
2018 / 11	504.3	95.4	51.5	18.9	289.2	49.3		33.3
2018 / 12	484.6	83.0	50.2	18.3	285.4	47.7		32.4
Në euro / In EUR (17+18+19+20+21)								
	16	17	18	19	20	21	Hua për qëllime të tjera / Loans for other purposes nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status	22
2016 / 12	67,552.2	1,146.8	1,574.7	4,564.6	56,356.4	3,909.7		574.1
2017 / 12	67,893.0	797.2	1,854.3	4,539.2	56,869.5	3,832.8		608.7
2018 / 12	64,533.5	707.1	1,721.9	4,528.1	53,406.1	4,170.3		649.0
2018 / 07	65,626.6	878.9	1,700.4	4,734.2	54,434.9	3,878.2		624.7
2018 / 08	66,072.4	877.3	1,798.0	4,530.5	54,843.2	4,023.3		619.6
2018 / 09	65,957.6	866.5	1,723.8	4,531.9	54,705.2	4,130.1		668.8
2018 / 10	65,137.5	751.9	1,742.1	4,522.0	54,112.1	4,009.3		679.4
2018 / 11	64,857.6	714.6	1,766.4	4,464.3	53,824.4	4,087.9		646.5
2018 / 12	64,533.5	707.1	1,721.9	4,528.1	53,406.1	4,170.3		649.0

Burimi: Banka e Shqipërisë
* Të dhënat e huave përfshijnë interesat e përllogaritur.
Source: Bank of Albania.
* Data on loans include accrued interests.



1-15 HUATË SIPAS RRETHEVE
NË MILIONË LEKË, FUND PERIUDHE

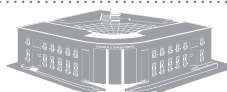
LOANS BY DISTRICTS 1-15
IN MILLIONS ALL, END OF PERIOD

	Totali i kredisë / Total loans (2+3+4+5+6+7+8+9+10)	Të tjera / Other								
		Tiranë / Tirana	Durrës / Durrës	Elbasan / Elbasan	Shkodër / Shkodra	Korçë / Korça	Vlorë / Vloia	Fier / Fier	Lezhë / Lezha	Të tjera / Other
	1	2	3	4	5	6	7	8	9	10
2016 / IV	543,454.3	398,447.6	38,702.4	14,846.5	11,097.3	7,589.7	12,362.0	13,753.0	6,178.6	40,477.3
2017 / IV	547,154.1	406,412.0	37,159.1	14,280.8	11,308.1	8,168.5	11,869.5	12,027.4	5,898.8	40,029.9
2018 / IV	531,084.8	390,852.0	39,349.1	13,659.7	10,551.1	8,101.0	11,478.7	10,210.5	5,831.7	41,051.0
2018 / I	544,085.6	402,053.1	38,668.3	14,817.7	10,967.5	8,083.1	11,839.1	11,740.4	5,905.0	40,011.3
2018 / II	538,710.0	394,630.3	39,935.8	14,550.8	10,991.5	8,275.7	11,846.5	12,090.3	5,866.9	40,522.3
2018 / III	539,310.2	396,723.3	39,762.3	13,939.7	10,541.2	8,309.6	11,865.4	11,568.5	5,990.4	40,609.9
2018 / IV	531,084.8	390,852.0	39,349.1	13,659.7	10,551.1	8,101.0	11,478.7	10,210.5	5,831.7	41,051.0

Burimi: Banka e Shqipërisë

1) Të dhënat e kredisë nuk përfshijnë interesat e përilogarit.

Source: Bank of Albania.
1) Data on loans do not include accrued interests.



BANK OF ALBANIA KEY INTEREST RATES* 1-16
IN PERCENTAGE1-16 NORMAT BAZË TË INTERESIT TË BANKËS SË SHQIPËRISË*
NË PËRQINDJE

	Depozita njëditore / Overnight deposit		Marrëveshje riblerieje njëditore / 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	0.00	6.25	8.75	0.00	12.25	0.00
	12/05	3.00	-0.25	6.00	8.50	-0.25	12.00	-0.25
	24/06	2.75	-0.25	5.75	8.25	-0.25	11.75	-0.25
	28/07	2.50	-0.25	5.50	8.00	-0.25	11.50	-0.25
	04/11	2.25	-0.25	5.25	7.75	-0.25	11.25	-0.25
2005	31/03	2.00	-0.25	5.00	7.50	-0.25	11.00	-0.25
	27/07	3.25	1.25	5.00	6.75	0.75	11.00	0.00
2006	12/07	3.50	0.25	5.25	7.00	0.25	11.25	0.25
	30/11	3.75	0.25	5.50	7.25	0.25	11.50	0.25
2007	28/06	4.00	0.25	5.75	7.50	0.25	11.75	0.25
	27/09	4.25	0.25	6.00	7.75	0.25	12.00	0.25
	30/11	4.50	0.25	6.25	8.00	0.25	12.25	0.25
2008	24/12	4.50	0.00	6.25	7.00	-1.00	12.25	0.00
2009	28/01	4.50	0.00	6.25	7.00	0.00	12.25	0.00
	29/01	4.00	-0.50	5.75	6.50	-0.50	11.75	-0.50
	28/10	3.50	-0.50	5.25	6.00	-0.50	11.25	-0.50
2010	29/07	3.25	-0.25	5.00	5.75	-0.25	11.00	-0.25
2011	03/01	3.25	0.00	5.00	6.75	1.00	11.00	0.00
	24/03	3.50	0.25	5.25	7.00	0.25	11.25	0.25
	30/09	3.25	-0.25	5.00	6.75	-0.25	11.00	-0.25
	01/12	3.00	-0.25	4.75	6.50	-0.25	10.75	-0.25
2012	26/01	2.75	-0.25	4.50	6.25	-0.25	10.50	-0.25
	29/03	2.50	-0.25	4.25	6.00	-0.25	10.25	-0.25
	10/05	2.50	0.00	4.25	6.00	0.00	8.25	-0.20
	25/07	2.25	-0.25	4.00	5.75	-0.25	8.00	-0.25
2013	31/01	2.00	-0.25	3.75	5.50	-0.25	7.75	-0.25
	01/08	1.75	-0.25	3.50	5.25	-0.25	7.50	-0.25
	02/12	1.50	-0.25	3.25	5.00	-0.25	7.25	-0.25
	16/12	1.25	-0.25	3.00	4.75	-0.25	7.00	-0.25
2014	27/02	1.00	-0.25	2.75	4.50	-0.25	6.75	-0.25
	02/06	0.75	-0.25	2.50	4.25	-0.25	6.50	-0.25
	27/11	0.50	-0.25	2.25	4.00	-0.25	6.25	-0.25
2015	29/01	0.25	-0.25	2.00	3.75	-0.25	6.00	-0.25
	05/11	0.00	-0.25	1.75	3.50	-0.25	5.75	-0.25
2016	06/04	0.25	0.25	1.50	2.75	-0.75	5.50	-0.25
	05/05	0.25	0.00	1.25	2.25	-0.50	5.25	-0.25
2018	06/06	0.10	-0.15	1.00	1.90	-0.35	5.00	-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. 16 datë 13.03.2012, për miratimin e rregulloreve "Për kredinë për mbështetje me likuiditet", instrumenti "Kredita lombard" do të pasohet nga "Kredita për mbështetje me likuiditet".

* 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. 16, 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".

Source: Bank of Albania





1-17 NORMAT E INTERESIT PËR DEPOZITAT E REJA TË KORPORATAVE JOFINANCIARE, INDIVIDËVE
DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS MONEDHAVE
NË PËRQINDJE

"INTEREST RATES ON NEW DEPOSITS OF NON-FINANCIAL
CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY * 1-17"
IN PERCENTAGE

	Në lekë / In ALL				
	Depozita pa afat / Demand deposits	1 mujore / 1 months	3 mujore / 3 months	6 mujore / 6 months	12 mujore / 12 months
2016	0.04	0.36	0.40	0.35	0.68
2017	0.10	0.28	0.86	0.28	0.65
2018	0.09	0.26	0.76	0.28	0.59
2018 / 07	0.08	0.26	0.80	0.30	0.49
2018 / 08	0.08	0.23	0.59	0.28	0.60
2018 / 09	0.09	0.29	0.67	0.29	0.49
2018 / 10	0.09	0.30	0.77	0.28	0.45
2018 / 11	0.09	0.23	0.83	0.32	0.70
2018 / 12	0.10	0.29	0.62	0.30	0.56
Në dollarë amerikanë / In USD					
2016	0.02	0.13	0.23	0.15	0.31
2017	0.01	0.13	0.23	0.12	0.29
2018	0.01	0.15	0.44	0.18	0.31
2018 / 07	0.01	0.08	0.54	0.10	0.26
2018 / 08	0.01	0.17	0.50	0.20	0.32
2018 / 09	0.01	0.18	0.51	0.23	0.55
2018 / 10	0.01	0.18	0.53	0.10	0.26
2018 / 11	0.01	0.12	0.43	0.13	0.21
2018 / 12	0.01	0.14	0.46	0.13	0.20
Në Euro / In EUR					
2016	0.04	0.11	0.09	0.06	0.12
2017	0.04	0.07	0.13	0.05	0.09
2018	0.02	0.06	0.06	0.05	0.07
2018 / 07	0.02	0.06	0.05	0.06	0.05
2018 / 08	0.02	0.06	0.07	0.06	0.05
2018 / 09	0.02	0.05	0.06	0.04	0.07
2018 / 10	0.02	0.07	0.05	0.03	0.06
2018 / 11	0.02	0.05	0.05	0.03	0.05
2018 / 12	0.01	0.06	0.05	0.05	0.07

Burimi: Banka e Shqipërisë

*NORMAT VJETORE PËRFAQSJOJNË NORMAT MESATARE TË PONDEHUARA VJETORE, NDËSKA NORMAT MUJORE PËRFAQSJOJNË NORMAT MESATARE TË PONDEHUARA MUJORE. *Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.

Source: Bank of Albania.

1-18 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

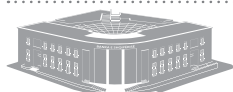
INTEREST RATES ON NEW LOANS OF NON-FINANCIAL CORPORATIONS,
HOUSEHOLDS AND NPISH BY CURRENCY* 1-18
IN PERCENTAGE

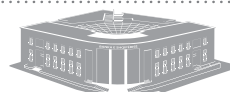
	Në lekë / In ALL				
	Deti në 6 muajt / Up to 6 months	6 muajt - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	Mbi 5 vjet / Over 5 years
2016	9.52	5.89	8.29	8.04	5.90
2017	8.18	5.98	7.77	7.64	5.90
2018	8.11	5.65	7.42	7.28	5.67
2018 / 07	7.89	6.41	6.64	6.72	5.39
2018 / 08	8.89	6.15	7.50	6.99	5.96
2018 / 09	7.16	6.17	7.64	7.59	5.79
2018 / 10	8.23	4.70	7.35	7.24	5.45
2018 / 11	7.27	6.20	6.85	7.70	5.83
2018 / 12	8.16	6.34	6.60	6.97	6.04
	Në dollarë amerikanë / In USD				
2016	4.89	5.43	6.25	7.07	5.45
2017	5.09	5.92	5.04	4.91	6.59
2018	5.51	5.30	5.03	5.56	4.42
2018 / 07	6.10	5.96	15.44	4.50	4.27
2018 / 08	5.08	5.38	3.75	-	5.00
2018 / 09	6.60	7.44	3.08	-	6.00
2018 / 10	4.34	5.09	4.09	6.53	5.00
2018 / 11	4.20	5.52	5.52	4.50	-
2018 / 12	3.85	6.20	4.20	5.00	5.45
	Në Euro / In EUR				
2016	6.09	4.75	4.83	5.09	4.58
2017	4.54	4.28	4.25	4.53	4.40
2018	3.92	4.01	4.36	4.58	4.11
2018 / 07	3.82	4.35	4.35	4.89	4.20
2018 / 08	2.17	4.19	4.43	5.28	4.40
2018 / 09	4.05	4.12	5.64	4.46	4.39
2018 / 10	4.90	3.03	4.12	4.79	4.10
2018 / 11	4.34	4.61	4.58	3.65	4.24
2018 / 12	3.50	3.70	4.58	5.11	4.85

Burimi: Banka e Shqipërisë

*Normat vjetore përfaqësojnë normat mesatare të pondezuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të pondezuara mujore.

*Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.





1-18A NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATIVE JOFINANCIARE
PRIVATE SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS *
NË PËRQINDJE

INTEREST RATES ON NEW LOANS OF PRIVATE NON-FINANCIAL
CORPORATIONS BY PURPOSE AND CURRENCY * 1-18A
IN PERCENTAGE

	Norma e interesit e huave të reja për korporata financiare private / Average monthly interest rates of new loans to private non-financial corporations	Overdraft / Overdraft	Kapital qarkullues / Working capital	Hua për çelje biznesi / Loans for starting up a business	Blerje pajisjesh / Machines and appliances	Pasuri të paluajtshme / Real estate	Hua për investime në instrumenta financiare / Loans for investments in financial instruments
	Në lekë / In ALL						
2016	7.53	8.18	7.02	7.86	6.35	6.48	-
2017	6.63	6.99	6.50	6.87	5.77	5.55	5.80
2018	6.70	7.19	6.17	6.99	5.67	4.98	-
2018 / 07	6.91	7.37	6.34	7.02	5.58	4.73	-
2018 / 08	6.77	7.12	6.21	7.01	6.32	5.56	-
2018 / 09	6.14	6.26	6.63	7.00	5.32	4.85	-
2018 / 10	6.27	6.44	6.40	9.50	5.49	5.09	-
2018 / 11	6.43	6.78	5.96	7.01	5.33	4.55	-
2018 / 12	6.77	7.27	6.22	7.00	6.42	4.78	-
	Në dollarë amerikanë / In USD						
2016	5.28	4.87	6.45	6.93	6.79	6.23	-
2017	5.36	5.04	7.08	-	5.56	5.94	-
2018	5.38	5.37	5.79	-	4.76	5.64	-
2018 / 07	6.00	6.12	5.44	-	4.50	-	-
2018 / 08	5.10	5.11	4.23	-	5.00	-	-
2018 / 09	6.81	6.97	3.59	-	6.00	-	-
2018 / 10	4.42	4.40	4.76	-	6.53	-	-
2018 / 11	4.83	4.82	5.50	-	-	-	-
2018 / 12	5.46	4.34	6.82	-	5.00	5.50	-
	Në Euro / In EUR						
2016	5.07	4.92	5.72	5.63	4.87	5.08	-
2017	4.50	4.27	4.46	5.36	4.89	4.49	5.90
2018	4.20	3.90	4.77	5.04	4.55	4.11	4.93
2018 / 07	4.36	4.24	4.15	5.00	4.71	4.26	-
2018 / 08	4.11	3.28	5.97	-	4.80	3.98	-
2018 / 09	4.46	3.98	5.18	-	4.19	5.30	-
2018 / 10	3.67	3.11	4.20	5.00	4.50	3.99	-
2018 / 11	4.15	4.35	4.71	-	3.85	4.29	-
2018 / 12	4.41	3.69	4.27	-	5.09	4.63	-

Burimi: Banka e Shqipërisë
*Normat vjetore përfaqësojnë normal mesatare të pondeuara vjetore, ndërsa normal mujore përfaqësojnë normal mesatare të pondeuara mujore.

*Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.

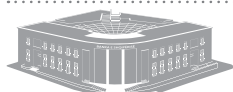
1-18B NORMAT E INTERESIT PËR HUATË E REJA TË INDIVIDIVË DHE INSTITUCIONEVE
JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDIVË, SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS
NË PËRQINDJE

INTEREST RATES ON NEW LOANS OF HOUSEHOLDS AND
NPISH BY PURPOSE AND CURRENCY * 1-18B
IN PERCENTAGE

	Norma e interesit e huatë 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 qëndrueshëm / Consuming of non durable goods	Mallra të qëndrueshëm / Consuming of durable goods	Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera / Loans for other purposes	nga të cilat: për të vetëpunësuar / of which: sole proprietorships/partnerships without legal status
			Në lekë / In ALL				
2016	7.16	10.50	8.13	8.06	3.90	8.76	7.56
2017	7.24	11.02	7.98	7.69	4.06	8.96	8.38
2018	6.97	11.85	7.69	7.72	3.70	9.08	8.68
2018 / 07	6.97	12.16	7.83	7.15	3.63	10.15	9.87
2018 / 08	7.15	12.16	7.91	8.08	3.58	8.50	7.80
2018 / 09	7.07	12.16	7.63	7.82	3.68	8.47	7.65
2018 / 10	6.70	11.38	7.65	7.23	3.33	9.05	7.80
2018 / 11	7.05	11.91	7.84	7.48	3.57	9.74	8.82
2018 / 12	6.88	11.82	7.72	7.56	3.77	7.80	7.39
			Në dollarë amerikanë / In USD				
2016	4.93	5.69	4.21	3.48	5.33	5.50	-
2017	5.28	7.19	4.07	3.14	4.59	7.00	-
2018	6.05	6.62	3.29	2.75	4.78	-	-
2018 / 07	6.05	6.37	4.43	-	-	-	-
2018 / 08	6.25	6.29	5.15	-	-	-	-
2018 / 09	6.08	6.08	5.54	-	-	-	-
2018 / 10	6.54	6.99	3.00	-	-	-	-
2018 / 11	5.92	6.61	4.85	-	4.50	-	-
2018 / 12	6.40	6.45	4.82	-	-	-	-
			Në Euro / In EUR				
2016	4.23	7.14	4.82	4.66	3.49	5.41	5.36
2017	3.83	6.94	3.96	4.74	3.18	5.52	5.09
2018	3.78	9.27	2.84	4.21	3.10	5.44	5.17
2018 / 07	3.75	6.90	2.93	4.00	3.18	4.37	3.20
2018 / 08	3.89	12.64	3.95	3.82	2.88	6.76	6.89
2018 / 09	3.79	9.43	2.16	3.60	2.99	5.15	5.88
2018 / 10	4.27	10.92	2.84	4.38	3.73	6.02	-
2018 / 11	4.12	7.77	2.67	4.81	3.43	5.39	6.00
2018 / 12	4.03	9.68	2.98	4.63	3.28	5.30	3.94

Burimi: Banka e Shqipërisë

* Normat vjetore përfaqësojnë normal mesatare të pondeuara vjetore, ndërsa normal mujore përfaqësojnë normal mesatare të pondeuara mujore. * Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate. Source: Bank of Albania.



**1-19 NORMAT E INTERESIT PËR BONOT E
THESARIT SIPAS AFATIT'
NË PËRQINDJE**

**MATURITY BREAKDOWN OF TREASURY
BILLS YIELDS' 1-19
IN PERCENTAGE**

	Normat e interesit për bonot e thesarit / Maturity breakdown of Treasury bill yields		
	3 mujor / 3 months	6 mujor / 6 months	12 mujor / 12 months
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 / 12	3.15	3.16	3.33
2015 / 01	3.23	3.23	3.50
2015 / 02	3.19	3.23	3.58
2015 / 03	3.11	3.25	3.59
2015 / 04	3.00	3.14	3.50
2015 / 05	2.90	3.11	3.42
2015 / 06	2.79	3.04	3.29
2015 / 07	2.71	2.97	3.24
2015 / 08	2.66	2.90	3.22
2015 / 09	2.61	2.87	3.21
2015 / 10	2.57	2.82	3.18
2015 / 11	–	2.82	2.97
2015 / 12	–	2.46	2.40
2016 / 01	1.45	1.99	2.10
2016 / 02	–	1.36	1.78
2016 / 03	–	1.26	1.63
2016 / 04	0.90	1.15	1.52
2016 / 05	–	0.99	1.35
2016 / 06	–	0.95	1.28
2016 / 07	0.88	0.94	1.29
2016 / 08	–	0.86	1.46
2016 / 09	–	0.90	1.60
2016 / 10	1.22	0.90	1.94
2016 / 11	–	1.57	2.47
2016 / 12	–	2.00	2.92
2017 / 01	1.22	2.25	3.20
2017 / 02	–	2.01	2.93
2017 / 03	–	1.70	2.25
2017 / 04	–	1.52	1.79
2017 / 05	–	1.54	1.98
2017 / 06	–	–	2.04
2017 / 07	–	1.54	2.12
2017 / 08	–	1.65	2.20
2017 / 09	–	–	2.31
2017 / 10	–	1.82	2.46
2017 / 11	–	2.04	2.54
2017 / 12	–	–	2.63
2018 / 01	1.31	–	2.71
2018 / 02	–	2.04	2.62
2018 / 03	–	–	2.51
2018 / 04	–	1.84	2.36
2018 / 05	–	1.92	2.26
2018 / 06	–	–	2.07
2018 / 07	–	–	1.82
2018 / 08	–	1.36	1.68
2018 / 09	–	–	1.67
2018 / 10	–	1.34	1.65
2018 / 11	–	–	1.54
2018 / 12	–	–	1.43

Burimi: Banka e Shqipërisë

*) Përfaqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania.

*) Weighted average interest rates.



1-20 STATISTIKA TË SISTEMIT TË PAGESAVE

PAYMENT SYSTEMS STATISTICS 1-20

	Volumi i transaksioneve / Volume of transactions		Vlera e transaksioneve (në milionë lekë) / Value of transactions (in millions ALL)	
	AIPS	AECH	AIPS	AECH
	1	2	3	4
Totali i periudhës / Total of period				
2016	122,550	508,935	7,676,910	90,137
2017	125,641	553,433	8,472,615	97,779
2018	126,038	632,923	9,141,173	108,682
Flukse mujore / Monthly flows				
2018 / 07	10,795	54,664	1,041,067	9,390
2018 / 08	11,267	48,623	948,668	8,754
2018 / 09	10,264	49,923	818,324	8,538
2018 / 10	11,470	60,224	881,824	10,125
2018 / 11	8,808	52,746	791,311	9,097
2018 / 12	10,965	74,669	926,844	12,783

1-21 SHPËRNDARJA RAJONALE E TERMINALEVE TË
BANKAVE ATM & POS *
FUND PERIUDHEATM & POS BANK TERMINALS' DISTRIBUTION
OF BY REGIONS* 1-21
END OF PERIOD

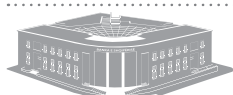
	Shpërndarja rajonale e ATM / Number of ATM by regions						
	Total (2+3+4+5+6+7)	Tirana	Shkodra	Korça	Gjirokastra	Elbasani	Lushnja
	1	2	3	4	5	6	7
2015	826	469	93	54	53	44	113
2016	800	472	78	68	45	36	101
2017	747	456	75	59	42	32	83
Shpërndarja rajonale e terminaleve POS / Number of POS terminals by regions							
2015	6,689	5,331	320	146	211	222	459
2016	7,111	5,823	343	180	241	164	360
2017	7,294	6,269	320	138	173	137	257

1-22 NUMRI I LLOGARIVE TË KLIENTËVE NË BANKA *
FUND PERIUDHENUMBER OF CUSTOMERS ACCOUNTS WITH BANKS* 1-22
END OF PERIOD

	Llogaritë totale / Total accounts (2+5)		Llogari rezidente / Resident accounts		Llogari jo rezidente / Non resident accounts (6+7)		
	1	2	Individe / Individuals (3+4)	Kompani / Companies		Individe / Individuals	Kompani / Companies
			3	4	5	6	7
2016	3,477,985	3,449,267	3,238,440	210,827	28,718	26,154	2,564
2017	3,141,739	3,109,886	2,922,314	187,572	31,853	30,045	1,808
2018	3,115,421	3,081,286	2,892,461	188,825	34,135	32,377	1,758

Burimi: Banka e Shqipërisë
 ** Raportimet e bankave sipas "Metodologjisë për raportimin e instrumenteve të pagesave(2008)" e rishikuar në janar të vitit 2014"
 Të dhënat nuk janë audituar nga Banka e Shqipërisë

Source: Bank of Albania.
 ** Banks reports according to "Methodology for reporting payments instruments (2008) " revised in January 2014"
 * Data are not audited by the Bank of Albania



2. SEKTORI I JASHEM

2-1 BILANCI / PAGESAVE *

NË MILIONË EURO

EXTERNAL SECTOR 2.

2-1 BALANCE OF PAYMENTS 2-1 *

IN MILLIONSEUR

	1	2	Kredi / Credit	Debi / Debit	Shërbimet / Services (6-7)	Kredi / Credit	Debi / Debit	Të ardhura parësore / Primary income (9-10)	Kredi / Credit	Debi / Debit	Të ardhura dytësore / Secondary income (12-13)	Kredi / Credit	Debi / Debit	14
Ilogjaria korrente / Current account (2+5+8+11)														
2015	-883.6	-2298.9	771.1	3070.1	524.7	2028.0	1503.3	122.2	375.7	253.5	768.4	921.5	153.1	125.7
2016	-811.7	-2602.8	713.7	3316.5	796.6	2395.7	1599.1	174.1	408.7	234.6	820.5	961.2	140.7	66.2
2017	-866.0	-2824.2	797.1	3621.2	1081.8	2856.2	1774.3	28.7	407.4	378.8	847.7	961.8	114.1	122.3
2017 / IV	-309.9	-787.7	215.6	1003.3	217.5	660.0	442.5	7.1	98.4	91.2	253.1	284.7	31.6	42.9
2018 / I	-170.7	-614.7	218.4	833.0	254.5	621.7	367.1	-13.4	73.5	86.8	202.8	224.4	21.6	18.3
2018 / II	-176.3	-684.3	277.8	962.1	255.4	744.3	488.9	13.7	125.4	111.7	238.9	260.5	21.6	21.2
2018 / III	-146.4	-740.6	234.9	975.5	379.9	1004.0	624.1	-18.4	96.1	114.6	232.8	253.9	21.2	22.9

	Gjithëseori / Total										Mjetet e rezervës me lo / Reserve assets and related items (27-28)			Kredi dhe huatë nga FNMN / Credit and loans from the IMF	
	Ilogjaria financiare / Financial account (10+19+22-28)	Investimet direkte / Direct investment (17-18)	Mjete / Assets	Detyrime / Liabilities	Investime portofoli / Portfolio investments (20-21)	Mjete / Assets	Detyrime / Liabilities	Investime të tjera* / Other investments* (23-24)	Mjete / Assets	Detyrime** / Liabilities**					
	15	16	17	18	19	20	21	22	23	24	25	26	27		
2015	-1225.3	-818.4	71.9	890.4	-230.1	-180.6	49.5	-86.8	216.2	303.0	142.2	519.6	609.5	89.9	28
2016	-664.2	-936.5	6.1	942.5	225.2	206.5	-18.8	187.4	201.5	14.0	128.9	-92.8	47.7	140.4	
2017	-1115.3	-993.8	-94.0	899.9	-100.0	-99.4	0.6	49.0	239.4	190.4	-186.3	114.9	185.4	70.5	
2017 / IV	-420.7	-221.3	-0.3	221.0	27.9	31.5	3.6	-227.4	-104.4	123.0	61.7	215.5	215.4	-0.1	
2018 / I	-145.5	-291.0	-10.0	281.0	3.5	5.3	1.8	141.4	154.6	13.2	-135.5	-141.8	-142.4	-0.6	
2018 / II	-285.2	-222.6	-11.8	210.8	110.6	111.9	1.3	-173.3	-79.2	94.2	-45.0	85.3	85.1	-0.1	
2018 / III	-165.9	-268.5	-2.5	266.0	13.1	2.9	-10.2	89.0	49.5	-39.4	112.4	155.4	154.8	-0.5	

Burimi: Banka e Shqipërisë.

* Në kategorinë 22 përfshihen edhe derivatit financiarë.

** Nuk përfshihen zëri 28.

1) Janë rishikuar të dhënat e gjatshëmjuar të parë 2018.

* Other investment (22) include financial derivatives.

** Excluding Credit and loans from the IMF 28.

1) Data are revised for the first half year 2018.



2-2 KURSET E KËMBIMIT TË LEKUT KUNDREJT MONEDHAVE KRYESORE LEKË PËR NJËSI TË MONEDHËS SË HUAJ

EXCHANGE RATE 2-2 ALL PER UNIT OF FOREIGN CURRENCIES

Monedhat kryesore / Main foreign currencies	Mesataria e periudhës / Average of period						Fundi i periudhës / End of period					
	Dollari amerikan / US dollar (USD)	Monedha evropiane / European currency (EUR)	Poundi britanik / British pound sterling (GBP)	Franga zvicerane / Swiss franc (CHF)	Jeni Japoniez / Japanese yen (per 100 JPY)	Dollari Kanadez / Canadian dollar (CAD)	Dollari amerikan / US Dollar (USD)	Monedha evropiane / European currency (EUR)	Poundi britanik / British pound sterling (GBP)	Franga zvicerane / Swiss franc (CHF)	Jeni Japoniez / Japanese yen (per 100 JPY)	Dollari Kanadez / Canadian dollar (CAD)
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
2017	119.10	134.15	153.20	120.91	106.18	91.74	111.10	132.95	149.95	113.94	98.74	88.64
2018	107.99	127.59	144.21	110.48	97.83	83.40	107.82	123.42	137.42	109.60	98.00	79.22
2018 / 07	107.73	125.86	141.85	108.31	96.65	81.96	107.27	125.76	141.15	108.59	96.22	82.26
2018 / 08	108.83	125.66	140.13	110.10	97.98	83.46	108.19	126.27	140.67	111.91	97.66	83.15
2018 / 09	108.42	126.47	141.61	112.07	96.84	83.19	108.75	126.29	141.98	111.44	95.83	83.57
2018 / 10	108.99	125.21	141.81	109.72	96.61	83.82	110.25	124.94	140.43	109.64	97.45	83.94
2018 / 11	109.64	124.62	141.61	109.46	96.80	83.21	109.85	124.33	140.12	109.92	96.71	82.89
2018 / 12	108.43	123.45	137.42	109.31	96.64	80.73	107.82	123.42	137.42	109.60	98.00	79.22

Burimi: Banka e Shqipërisë

Source: Bank of Albania

2-3 EKSPORTI SIPAS GRUP MALLRAVE* NË MILIONË LEKË

EXPORT BY COMMODITY GROUPS* 2-3 IN MILLIONS ALL

	Prodhimet kryesore / Main products										Të tjera / Others
	1	2	3	4	5	6	7	8	9	10	
2016	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	
2017	272,987.9	30,080.5	43,087.9	4,731.7	2,966.0	8,308.6	117,388.7	43,802.4	15,078.9	7,543.3	
2018	310,397.2	32,320.4	56,397.5	6,190.8	2,727.4	9,627.0	123,719.8	53,191.3	18,001.2	8,221.7	
2018 / 07	26,772.8	2,337.4	3,793.6	457.7	280.1	779.6	12,075.8	4,697.5	1,614.0	737.2	
2018 / 08	20,448.9	1,762.6	5,405.4	444.0	118.8	544.7	6,732.2	3,736.7	1,118.8	585.5	
2018 / 09	26,212.7	2,552.8	4,092.5	901.1	228.9	851.1	10,879.0	4,628.4	1,441.8	637.2	
2018 / 10	30,111.4	3,933.7	5,515.8	584.5	204.2	994.2	10,820.9	4,915.0	2,413.7	729.3	
2018 / 11	27,179.3	3,470.4	3,676.1	564.0	178.7	1,440.5	11,019.2	4,517.6	1,601.2	711.8	
2018 / 12	21,640.7	2,594.7	3,140.8	459.2	199.1	728.0	8,878.9	3,594.6	1,390.4	655.0	

Burimi: INSTAT.

* Eksportet janë në vlerën F.O.B.

-Të dhënat vjetore sipas tabelës "Tregtia e jashtme sipas produkteve (2014-2018)" në faqen e internetit të INSTAT.

-Të dhënat mujore sipas "Database Statistike" tabela "Import / Eksport sipas grupmallrave 2005-01 - 2019-01"

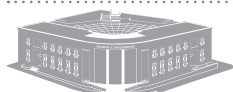
në faqen e internetit të INSTAT, datë 18.02.2019.

* Exports are valued in F.O.B.

-Annual data as of table "Foreign trade according to the products (2014-2018). INSTAT web page.

-Monthly data as of "Statistical Database", table "Import / Export by group of commodities 2005-01 - 2019-01".

INSTAT web page on 18.02.2019.



2-4 IMPORTI SIPAS GRUP MALLRAVE* NË MILIONË LEKË

IMPORT BY COMMODITY GROUPS* 2-4 IN MILLIONS ALL

	1	2	3	4	5	6	7	8	9	10
	Gjithësej / Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije dhe tobacco / Food, beverages, tobacco	Minerale, lëndë djegëse, ener. elek./ Minerals, fuels, electricity	Produkte kimike dhe plastike / Chemical and plastic products	Lëkurë dhe artikuj prej lëkure / Leather and oth- er leather manufactures	Prodime diuri dhe letrë / Wood manufactures and articles of paper	Tëpërle 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
2016	579,247.8	100,364.9	49,841.6	80,008.0	17,378.4	23,356.7	79,970.8	76,002.0	130,953.5	21,372.0
2017	626,185.8	106,737.8	65,962.6	86,887.2	18,982.9	23,691.6	87,122.9	76,624.2	134,060.1	26,116.6
2018	641,405.3	106,493.9	68,383.4	87,736.4	18,895.3	25,153.5	88,218.8	78,387.1	142,318.3	25,818.6
2018 / 07	58,205.6	9,700.3	5,556.0	8,067.3	1,622.3	2,424.4	7,528.3	7,833.8	13,164.9	2,308.2
2018 / 08	48,249.0	10,066.9	5,523.2	6,806.2	809.2	2,263.7	4,819.2	5,739.5	9,957.3	2,263.9
2018 / 09	51,015.4	8,819.9	5,249.4	6,753.9	1,504.6	1,972.1	7,525.6	6,586.0	10,861.7	1,742.2
2018 / 10	58,233.0	8,762.3	5,947.6	7,784.4	1,801.6	2,544.7	8,684.5	7,280.9	12,976.8	2,450.4
2018 / 11	56,145.7	7,890.8	7,401.5	6,819.0	1,614.0	2,144.2	8,097.0	6,367.3	13,484.2	2,327.7
2018 / 12	60,071.3	9,572.5	7,762.0	8,130.2	1,488.0	2,053.2	7,515.7	7,087.8	13,657.0	2,804.8

* Importet janë në vlerën C.I.F.

*Të dhënat vjetore sipas tabelës "Tregtia e jashtme sipas produkteve (2014-2018)" në faqen e internetit të INSTAT.

*Të dhënat mujore sipas "Database Statistikore" tabela "Import / Export sipas grupmallrave 2005-01 - 2019-01" në faqen e internetit të INSTAT, datë 18.02.2019.

* Imports are valued in C.I.F.

*Annual data as of table "Foreign trade according to the products (2014-2018)", INSTAT web page.

*Monthly data as of "Statistical Database", table "Import / Export by group of commodities 2005-01 - 2019-01", INSTAT web page on 18.02.2019.

2-5 BORXHI I JASHTËM BRUTO NË MILIONË EURO

GROSS EXTERNAL DEBT 2-5 IN MILLIONSEUR

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Borxhi i jashtëm bruto / Gross external debt (2+5+8+11+14)	Qeveria e përgjithshme / General Government (3+4)	Atagjshkurtyrë / Shortterm	Atagjshkurtyrë / Long- term	Banka Qendr- dore / Central Bank (6+7)	Atagjshkurtyrë / Shortterm	Atagjshkurtyrë / Longterm	Korporata Depozituese, me përjashtim të Bankës Qendrore / Deposit-hold- ing corporations, except Central Bank (9+10)	Atagjshkurtyrë / Shortterm	Atagjshkurtyrë / Longterm	Sektore të tjera / Other sec- tors (12+13)	Atagjshkurtyrë / Shortterm	Atagjshkurtyrë / Longterm	Investimi Direkti Huajtë Ndërkombëtar / Direct Investment Inter- company lending
2015	7,634.3	3,260.4	-	3,260.4	75.8	-	75.8	1,281.5	1,126.8	154.7	1,275.7	328.3	947.4	1,741.0
2016	7,881.5	3,401.0	-	3,401.0	63.3	-	63.3	1,349.9	1,220.3	129.6	1,276.9	340.5	936.4	1,790.5
2017*	7,949.4	3,529.1	-	3,529.1	56.8	-	56.8	1,386.2	1,230.5	155.7	1,241.2	350.4	890.8	1,736.2
2017 / IV	7,949.4	3,529.1	-	3,529.1	56.8	-	56.8	1,386.2	1,230.5	155.7	1,241.2	350.4	890.8	1,736.2
2018 / I	7,948.5	3,528.1	-	3,528.1	55.8	-	55.8	1,381.0	1,239.2	141.9	1,275.7	375.5	900.1	1,707.9
2018 / II	8,112.0	3,521.8	-	3,521.8	56.9	-	56.9	1,422.9	1,241.2	181.7	1,400.7	378.2	1,022.4	1,709.7
2018 / III	8,041.3	3,526.2	-	3,526.2	56.4	-	56.4	1,418.7	1,282.2	136.5	1,346.1	355.7	990.4	1,693.9

Burimi: Banka e Shqipërisë.

Për detaje referohuni tek "Shpjegues për ndryshimet në statistikat e sektorit të jashtëm sipas BPM6 (Qershor 2014)".

* janë rishikuar të dhënat për vitin 2017.

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 2017.



3. SEKTORI FISKAL
3-1 TREGUESIT FISKALË SIPAS BUXHETIT TË KONSOLIDUAR *
NË MILIONË LEKË, FUND PERIUDHE, TË DHËNA PROGRESSIVE

FISCAL INDICATORS REGARDING CONSOLIDATED BUDGET* 3-1
IN MILLIONS ALL, END OF PERIOD, PROGRESSIVE DATA

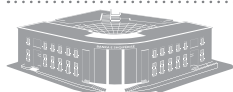
FISCAL SECTOR 3.

	Totali i të ardhurave / Total revenue (2+3+4)					Totali i shpenzimeve / Total expenditure (6+7+8)			Deficiti / Cash balance	Financimi i deficitit / Deficit financing	
	Të ardhura nga ndihmat / Grants	Të ardhura tatimore / Tax revenue	Të ardhura jo tatimore / Non tax revenue	Shpenzimet korente / Current expenditures	Shpenzime kapitale / Capital expenditures	Shpenzime të tjera / Other expenditures**	Financimi i brendshëm / Domestic financing	Financimi i huaj / Foreign financing			
	1	2	3	4	5	6	7	8	9	10	11
2016	407,021	14,639	369,884	22,498	433,697	368,720	59,478	5,499.0	-26,676	9,176	17,500
2017	430,397	11,085	398,629	20,683	461,410	382,287	68,455	10,667.3	-31,012	1,899	29,113
2018	449,390	8,072	419,343	21,974	475,910	397,147	78,395	368.0	-26,520	-6,623	33,142
2018 / 07	256,036	2,007	239,615	14,414	253,619	218,086	35,534	-	2,417	1,954	-4,371
2018 / 08	293,800	2,298	275,730	15,771	289,715	250,125	39,589	-	4,085	-871	-3,214
2018 / 09	329,223	2,729	309,290	17,204	325,988	281,471	44,517	-	3,235	-164	-3,071
2018 / 10	370,005	4,381	346,618	19,007	368,555	318,437	49,979	139	1,451	-33,582	32,131
2018 / 11	407,428	5,752	381,262	20,415	408,700	351,008	57,512	180	-1,271	-31,908	33,179
2018 / 12	449,389	8,072	419,342	21,975	475,910	397,148	78,395	368.0	-26,521	-6,621	33,142

Burimi: Ministria e Financave dhe Ekonomisë
 * Të dhënat janë sipas publikimeve në faqen e internetit të Ministrisë së Financave dhe Ekonomisë në datën 11.02.2019;
 Raportime / Programimi ekonomik-fiskal / Raporte dhe statistika fiskale mujore / Statistika fiskale mujore:
 Publikimi "Statistika fiskale janar - Dhjetor 2018" tabelat:
 Treguesit fiskalë sipas buxhetit të konsoliduar (Vjetor) në miliard Lek
 Shënime:
 ** Në kolonën "Shpenzime të tjera" janë përfshirë zërat:
 -Transferime Kapitale/Fondi Rezervë, Kontigjenca / Detyrimet e Prapambetura / Transferi të Tjera / Fond Shpronësimit / Huadhënie nelo
 Janar - Dhjetor 2018, të dhëna paraprake

* Data as of Ministry of Finance and Economy web page publications on 11.02.2019;
 Reports / Economic Fiscal program / Monthly reports and fiscal statistics / Monthly fiscal statistics:
 Publication "Fiscal indicators January - December 2018" tables:
 "Consolidated general budget (Annual)" in billion lek.

** In the column "Other expenses" are included voices:
 Capital transfers/ Reserve Fund, Contingency / Areas / Other Transfers / Expropriation Fund / Net lending
 January - December 2018, Preliminary data



3-2 STOKU I BORXHIT TË BRENDSHËM SIPAS INSTRUMENTEVE NË MILIONË LËKË, FUND PERIUDHE, TË DHËNA PROGRESSIVE

DOMESTIC DEBT STOCK BY INSTRUMENTS 3-2 IN MILLIONS ALL, END OF PERIOD, PROGRESSIVE DATA

	Stoku i borxhit të brendshëm / Domestic debt stock (2+9)	Borxhi i Qeverisë Qendrore Buxhetore / Budgetary Central Government Debt (3+4+5+6+7+8)	Banc. Tregari / Treasury bills	Obligacione dy vjeçare / 2 years Note	Obligacione tre vjeçare / 3 years Note	Obligacione pesë vjeçare / 5 years Note	Obligacione shtatë vjeçare / 7 years Note	Obligacione dhjetë vjeçare / 10 years Note	Borxhi i garantuar / Publicly guaranteed debt
	1	2	3	4	5	6	7	8	9
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
2017	577,056	546,939	195,047	95,474	24,673	103,120	71,669	56,956	30,117
2017 / IV	577,056	546,939	195,047	95,474	24,673	103,120	71,669	56,956	30,117
2018 / I	588,295	538,364	198,172	97,688	24,323	102,688	75,037	60,456	29,931
2018 / II	580,033	564,643	197,829	99,709	22,823	102,681	78,037	63,564	15,390
2018 / III	590,991	575,663	198,162	103,743	21,580	105,577	80,537	66,064	15,328

Burimi: Ministria e Financave dhe Ekonomisë
Të dhënat janë sipas informacionit të publikuar në faqen e internetit të MF&E në 11.02.2019

Raportime / Borxhi / Treguesit e borxhit:

- Buletini statistikor i borxhit, mars 31, 2018

- Buletini statistikor i borxhit, qershor 30, 2018

- Buletini statistikor i borxhit, shtator 30, 2018

Shënime:

1) Nuk përfshihen rivelesimi i valutës dhe garancitë e brendshme

- Borxhi i brendshëm i Qeverisë Qendrore Buxhetore përfshin letra me vlerë të borxhit dhe nuk ka kredi

të marra në tregun e brendshëm

- Borxhi i brendshëm i garantuar është atashkuntër

Data are as of MoF&E web page information on 11.02.2019

Reports / Debt / Debt Indicators:

- Debt Statistical Bulletin, March 31, 2018

- Debt Statistical Bulletin, June 30, 2018

- Debt Statistical Bulletin, September 30, 2018

Notes:

1) Foreign Exchange Reserve Evaluation and domestic guarantees are not included

*Budgetary Central Government Domestic debt stated in this table comprises only of debt securities and there are no loan

instruments domestically contracted.

- Domestic guaranteed debt is short term



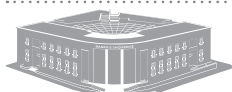
4. SEKTORI REAL
4-1 PRODIMI I BRENDSHËM BRUTO SIPAS KLASIFIKIMIT TË AKTIVITETIT EKONOMIK,
(METODA E PRODHIMIT NVE REV 2)
2013 - 2016, ME ÇMIME KORRENTE, NË MILIONË LEKË

REAL SECTOR 4.
GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITIES, (PRODUCTION
METHOD NACE REV 2) 4-1
2013 - 2016 AT CURRENT PRICES, IN MILLIONS ALL

Kodi Code	NVE Rev.2 Nace Rev.2	Aktiviteti ekonomik	2013	2014	2015	2016*	Economic activities
A1	01-03	Bujqësia, pyjet dhe peshkimi	264,140	278,924	283,709	293,674	Agriculture, forestry and fishing
A2	05-09	Industria nxjerrëse	66,516	69,784	46,714	35,953	Mining and quarrying
A3	10-33	Industria përpunuese	68,310	74,311	81,347	83,528	Manufacturing
A4	35	Energjia elektrike, gazit, avullit dhe furnizimi me ajër të kondicionuar	27,795	25,850	46,119	50,536	Electricity, gas, steam and air conditioning supply
A5	36-39	Furnizimi me ujë, aktivitetet e trajtimit dhe menaxhimit të mbeturinave, mbetjeve	9,841	10,001	10,216	9,852	Water supply, sewerage, waste management and remediation activities
A6	41-43	Ndërtimi	138,878	120,168	127,762	131,863	Construction
A7	45-47	Tregtia me shumicë dhe me pakicë, riparimi i automjeteve dhe motorcikletave	147,932	154,867	154,110	159,934	Wholesale and retail trade, repair of motor vehicles and motorcycles
A8	49-53	Transporti dhe magazinimi	42,569	41,915	43,771	45,170	Transportation and storage
A9	55-56	Akomodimi dhe shërbimi ushqimor	23,214	24,432	26,198	29,546	Accommodation and food service activities
A10	58-63	Informacioni dhe komunikacioni	37,807	39,015	42,644	45,418	Information and communication
A11	64-66	Aktivitetet financiare dhe të sigurimit	30,359	35,160	38,975	35,776	Financial and insurance activities
A12	68	Aktivitetet të pasurive të paluajtshme	85,843	85,701	85,615	85,839	Real estate activities
A13	69-75	Aktivitetet profesionale, shkencore dhe teknike	29,453	35,977	38,883	39,277	Professional, scientific and technical activities
A14	77-82	Shërbime administrative dhe mbështetëse	29,000	35,064	40,687	46,990	Administrative and support service activities
A15	84	Administrim publik dhe mbrojtja, sigurimi social i detyrueshëm	54,086	57,149	59,269	61,936	Public administration and defence; compulsory social security
A16	85	Asnjë	60,873	59,788	61,101	59,230	Education
A17	86-88	Shëndetësia dhe aktivitetet të punës sociale	34,984	37,563	38,316	40,410	Human health and social work activities
A18	90-93	Artet, argëtimi dhe lojë	11,331	16,636	16,555	16,696	Arts, entertainment and recreation
A19	94-98	Aktivitetet të tjera shërbimi	14,767	15,537	17,737	22,348	Other service activities
		Vlera e Shuar Bruto me çmime bazë	1,177,698	1,217,843	1,259,726	1,293,975	GVA at basic prices
		Taksa neto mbi produktet	172,354	177,461	174,580	181,276	Net taxes on products
		PBB ME ÇMIMET E TREGUT	1,350,053	1,395,305	1,434,307	1,475,251	GDP at market prices

Burimi: INSTAT.
 Të dhënat janë sipas tabelave në faqen e internetit të INSTAT në datën 11.02.2019.
 * Databaza Statistikore / Llogaritë Kombëtare / Treguesit Vjetorë / PBB sipas metodës së prodhimit / Treguesit sipas aktivitetit ekonomik 2011 - 2016.
 - Llogaritë Kombëtare Vjetore (Metoda e prodhimit). Rezultatet sipas klasifikimit NVE Rev.2, në nivel A19 (INSTAT).
 Shënime:
 * 2016 Gjyeshmë finale

Source: INSTAT.
 Data as of INSTAT web page tables on 11.02.2019.
 * Statistical Database / National Account / Yearly indicators / GDP by production approach / Indicators by economic activities 2011 - 2016.
 Annual National Accounts (Production Approach). Results as of NACE Rev 2 classification, at A19 level (INSTAT).
 Notes:
 * 2016 Semifinal data.



4-2 INDEKSI I ÇMIMEVE TË PRODHIMIT DHE INDEKSI I KUSHTIMIT NË NDËRTIM (PËR BANESA) INDEKS

PRODUCER PRICE INDEX AND CONSTRUCTION COST INDEX (FOR DWELLINGS) 4-2 INDEX

	ICP Indeks Total ¹ / PPI Total Index ¹ 2010=100	Indekset e çmimeve të prodhimit duke përjashtuar ndërtimin* / Producer price index, excluding construction *			Indeksi i kushtimit në ndërtim (për banesa) ² Construction cost index T1 / 2011=100 (for dwellings) ² Q1 / 2011=100		Indeksi i kushtimit në ndërtim (për banesa) / Construction cost index (for dwellings) Annual changes of the construction cost index (for dwellings) ³
		1	2	3	4	5	
2015	100.7		91.6	104.7	99.4	103.3	0.31
2016	99.3		90.5	103.9	99.0	102.3	0.03
2017	101.9		103.6	105.8	99.0	103.0	0.70
2017 / IV	102.8		108.3	106.1	99.0	103.2	0.44
2018 / I	103.3		111.1	105.3	100.3	103.4	0.51
2018 / II	103.5		117.3	104.6	99.8	103.5	0.50
2018 / III	104.0		120.2	104.5	100.4	103.6	0.53

Burimi: INSTAT.

* Indeksi i Çmimeve të Prodhimit, logaritur nga INSTAT, është mbështetur në Nomenklaturën e Aktiviteve Ekonomike, NIVE 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 NIVE Rev.2. ICP është indeks me periudhë bazë vitin 2010 (2010=100). Metoda e logaritjes së indeksit është metoda zinxhir. (INSTAT).

1) Të dhënat vjetore të ICP përfaqësojnë indekse mesatare vjetore.

2) Duke filluar nga T1 2011, INSTAT logarit IKN (për banesa) me shpërndarjen e të të

materialeve dhe shërbimeve 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, ndryshimi vjetor për të dhënat tremujore të indeksit mat ndryshimin e çmimit të tremujorit korrent me tremujorin e njëjtë të vitit të mëparshëm.

* Production Price Index by INSTAT, is based on the Nomenclature of Economic Activities, NACE Rev.2, with the reference period 2010=102.

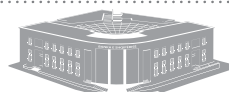
Quaterly data of PPI according to "Producer Price Index" publication, INSTAT.

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.



CONSUMER PRICE INDEX 4-3

4-3 INDEKSI I ÇMIMEVE TË KONSUMIT

	Indeksi i çmimeve të konsumit sipas grupeve kryesore 2 (në %) / Year on year consumer price index, main groups (in %)														Inflacioni mesatar vjetor ³ / Annual average inflation ³
	Ndryshimet vjetore të indeksit të çmimeve të konsumit sipas grupeve kryesore 2 (në %) / Year on year consumer price index, main groups (in %)														
Tërditja dhejore 2015=100 / CPI Total December 2015=100															Mallat dhe shërbimet Goods and various services
	1	2	3	Veshje dhe këpucë / Clothing and footwear	Qira, ujë lëndës dhe energji / Rent, water, fuel and power	Mobilim, pajisje dhe shërbime / Furniture household and maintenance	Shëndetësi / Medical care	Transporti / Transport	Komunikimi / Communication	Agjendë dhe kulturë / Recreation and culture	Shërbimi arsimor / Education service	Hotele, kafene dhe restorante / Hotels, coffee-house and restaurants	12	13	
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	101.18	
2017	103.33	107.31	101.63	97.98	101.62	99.81	100.15	100.04	100.46	102.40	100.86	100.16	103.37	103.37	
2018	105.43	110.18	103.45	99.40	104.47	99.79	99.92	102.47	101.14	105.12	101.52	101.09	103.62	103.62	
2018 / 07	104.59	108.25	103.40	98.53	104.22	99.18	99.60	102.96	101.11	105.21	101.33	101.16	103.58	103.58	
2018 / 08	104.97	109.15	103.39	98.35	104.27	99.34	99.61	103.26	101.14	105.66	101.33	101.21	103.60	103.60	
2018 / 09	105.21	109.48	103.33	98.90	104.37	99.46	99.61	103.52	101.15	107.80	101.39	101.14	103.55	103.55	
2018 / 10	105.03	108.40	103.37	99.58	105.04	99.62	99.62	104.31	101.14	106.71	102.03	101.15	103.52	103.52	
2018 / 11	104.77	107.79	103.71	99.81	105.15	99.66	99.40	103.80	101.23	104.87	102.07	101.19	103.53	103.53	
2018 / 12	105.89	110.59	104.42	99.92	105.29	100.19	99.75	102.60	101.31	104.97	102.07	101.82	103.64	103.64	
	IÇK Totali / CPI total														Mallat dhe shërbimet Goods and various services
	1	2	3	Veshje dhe këpucë / Clothing and footwear	Qira, ujë lëndës dhe energji / Rent, water, fuel and power	Mobilim, pajisje dhe shërbime / Furniture household and maintenance	Shëndetësi / Medical care	Transporti / Transport	Komunikimi / Communication	Agjendë dhe kulturë / Recreation and culture	Shërbimi arsimor / Education service	Hotele, kafene dhe restorante / Hotels, coffee-house and restaurants	13	14	
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	1.28	
2017	1.80	2.83	0.51	0.59	2.15	0.01	0.09	2.05	0.23	-0.08	0.63	0.51	0.22	1.99	
2018	1.80	2.85	2.55	-1.56	2.16	-0.01	-0.52	1.35	0.46	2.66	0.73	1.24	0.13	2.03	
2018 / 07	2.27	2.96	1.73	2.26	2.82	-0.26	-0.49	3.24	0.63	4.61	0.63	1.08	0.15	1.92	
2018 / 08	2.22	2.79	1.76	2.43	2.84	-0.18	-0.43	3.04	0.65	5.33	0.63	1.12	0.20	1.98	
2018 / 09	2.09	2.64	1.74	0.62	2.80	0.04	-0.37	3.20	0.70	5.19	0.46	1.03	0.13	2.02	
2018 / 10	1.88	1.77	1.82	-0.32	3.38	0.13	-0.35	4.29	0.71	3.25	0.77	1.03	0.11	2.02	
2018 / 11	1.77	2.00	1.94	-0.42	3.06	-0.04	-0.99	2.46	0.57	3.03	0.80	1.02	0.15	2.03	
2018 / 12	1.80	2.85	2.55	-1.56	2.16	-0.01	-0.52	1.35	0.46	2.66	0.73	1.24	0.13	2.03	

Source: INSTAT

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.

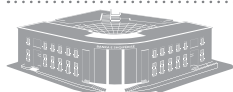
2) Të dhënat vjetore matin variacionin e indekseve të muajit dhjetor të vitit n me indeksin e muajit dhjetor të vitit n-1, ndërsa të dhënat mujore matin ndryshimet vjetore të indekseve, në përqindje.

3) Eshë mesatarja aritmetike e thjeshtë e inflacioneve vjetore të dymbëdhjetë muajve të fundit (llogaritje e B.Sh).

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 percentages.

3) Simple arithmetic average of annual inflation of latest twelve months (calculation of BofA).



4-4 PUNËSIMI, PAPUNËSIA DHE PAGAT¹ NË MUJË, OSE NË RAST TË KUNDËRT, SIKURSE PËRÇAKTOHET

EMPLOYMENT, UNEMPLOYMENT AND WAGES¹ 4-4 IN THOUSANDS, UNLESS OTHERWISE INDICATED

	Të punësuar sipas sektorëve ^{2,3} / Employed by sectors ^{2,3}			Punëkërkues të regjistruar ² / Registered jobseekers ²	Pagat ³ (në Lekë) / Wages ³ (in ALL)	
	Në sektorin shtetëror / in public sector	Në sektorin privat bujqësor / In non agricultural private sector	Në sektorin privat bujqësor / In agricultural private sector		Paga mesatare mujore në sektorin shtetëror / Average monthly wage in public sector	Paga minimale e miratuar / Approved minimum monthly wage
	1	2	3	4	5	6
2015	164	360	448	149	54,000	22,000
2016	165	412	466	120	54,488	22,000
2017	164	475	457	90	59,813	24,000
2017 / IV	164	501	457	85	61,600	24,000
2018 / I	164	502	462	85	59,728	24,000
2018 / II	171	505	462	78	60,595	24,000
2018 / III	172	518	462	72	60,494	24,000

Burimi: INSTAT

1. Të dhënat janë sipas informacionit të publikuar në faqen e internetit të INSTAT në datën 11.02.2019.

- Databaza Statistikore / Tregu i punës / Të dhëna administrative të tregut të punës / Treguesit Vjetor.

- Databaza Statistikore / Tregu i punës / Të dhëna administrative të tregut të punës / Treguesit 3 mujorë.

- Databaza Statistikore / Pagat dhe Kosta e Punës.

- Tënat / Tregu i Punës dhe Asimi / Pagat / Paga mesatare mujore dhe Paga minimale e miratuar

2. Mesatare vjetore (të dhënat vjetore)

3. Të dhëna administrative (të dhënat vjetore)

1. The data are after the informations published in INSTAT web page on 11.02.2019.

- Statistical Database / Labor Market / Administrative labor market data / Annual Indicators.

- Statistical Database / Labor Market / Administrative labor market data / Quarterly Indicators.

- Statistical Database / Salaries and Labor Costs.

- Themes / Labour Market and Education / Wages Average monthly wage in public sector and approved minimum wage

2. Annual average (annual data)

3. Administrative data (annual data)



