

ANNUAL REPORT 2019

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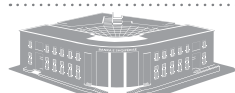


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LEGAL FRAMEWORK

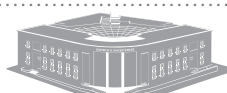
The Bank of Albania is the central bank of the Republic of Albania. Article 161 of the Constitution of Albania defines the status of the Bank of Albania and Law No. 8269, dated 27.12.1997, "On the Bank of Albania", lays down its objectives, duties, relationships with the banking system and state institutions in Albania, as well as requirements for organisation and management, financial statements, and allocation of capital and profit.

The primary objective of the Bank of Albania is to achieve and maintain price stability. The Bank of Albania is autonomous and independent from any other authority in the pursuit of its objectives and the performance of its duties.

The Bank of Albania is accountable to the Assembly of the Republic of Albania and its paid-up capital is owned exclusively by the State of Albania. The Bank of Albania is governed by the Supervisory Council, which is chaired by the Governor. The Governor also serves as the General Executive Director of the Bank.

The Bank of Albania operates in accordance with the following legislation:

- Article 161 of the Constitution of the Republic of Albania;
- Law No. 8269, dated 23.12.1997, "On the Bank of Albania", as amended;
- Law No. 9662, dated 18.12.2006, "On banks in the Republic of Albania", as amended;
- Law No. 133, dated 29.4.2013, "On payment system";
- Law No. 52, dated 19.5.2016, "On Savings and Loan Associations and their unions";
- Law No. 133, dated 22.12.2016, "On the recovery and resolution of banks in the Republic of Albania".





GENT SEJKO, GOVERNOR OF THE BANK OF ALBANIA



Bank of Albania

FOREWORD BY THE GOVERNOR

Dear reader,

The Albanian economy and financial system registered progress, despite the challenges they faced in 2019. Economic activity continued to grow, while the main indicators of economic and financial stability showed improvement.

Notwithstanding supply-side shocks, expansion in private consumption and revenues from tourism boosted aggregate production, generating an increase in employment and wages and improvement of enterprises' financial position. Nevertheless, inflation continued to undershoot the target, reflecting both a continued insufficient increase in production costs and low inflation rates globally. Looking ahead, fuller utilisation of production capacities at home and recovery of the global economy will create positive premises for the convergence of inflation towards the target, within a medium-term horizon.

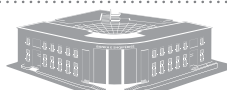
The main indicators of economic and financial stability in Albania have been improving. Both the current account deficit and the budget deficit have narrowed; the indicators of external debt sustainability improved, while public debt fell. In parallel with these developments, the financial stability of Albania strengthened. The financial system appears stable and the banking system is characterised by improvement in relation to capital, liquidity and profitability. Results from stress test analyses suggest that this sector has enhanced its ability to withstand shocks, guaranteeing a stable contribution to the country's development.

The activity of the Bank of Albania, oriented towards the fulfilment of our legal duties and medium-term institutional goals, has provided an important contribution in this regard.

We have continued to implement an accommodative monetary policy stance, which has been transmitted by maintaining minimum policy rate levels, continuing liquidity injection operations in the financial market, and transparent forward guidance for the market. This policy stance has provided for low financing costs to the private sector, has mitigated fluctuations in the financial market, and has promoted a more stable performance of the exchange rate. In particular, it has been reflected in a clearly upward trend of lending in 2019.

In parallel, the Bank of Albania has paid special attention to further improvement of its supervisory and regulatory framework, aiming at its continued approximation with European Union standards. The Bank of Albania has approved regulations to promote financial stability, strengthen banking supervision in accordance with Basel Committee principles, prevent money laundering and combat the financing of terrorism, strengthen the capacities of competences for banking resolution. This process and the rigorous monitoring of banking sector consolidation have contributed to strengthening its soundness, increasing competitiveness, and improving credit supply.

In addition to our commitment to safeguard the monetary and financial stability of Albania, the Bank of Albania has recorded many other achievements throughout 2019. We continued to make an important contribution to Albania's process of



European integration. We improved technical and regulatory infrastructure for payment services and instruments, to reduce payment costs, increase efficiency and develop markets. We improved the volume, quality and distribution of statistics in line with European Union practices. We improved the internal system for institutional governance. The issue of the new series of Lek banknotes, which are legal tender, was more visible to the public. In September 2019, the first denominations of this new series, 200 Lekë and 500 Lekë, were put into circulation. This event was accompanied by an informative and educational campaign across the Republic of Albania, employing contemporary and traditional means of promotion and presentation.

The next sections of this Report provide comprehensive information on the work of the Bank of Albania throughout 2019. The Bank of Albania aims at establishing open communication with all interests groups and the public at large. For this reason, at the end of the report, we introduce the Medium-term Development Strategy of the Bank of Albania, which will guide our work in the future.

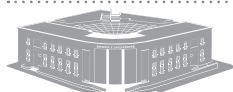
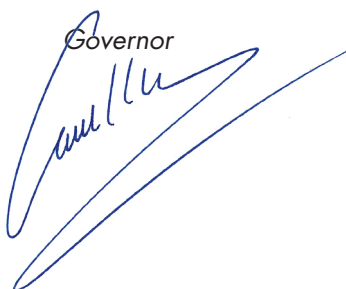
Dear reader,

Year 2019 will remain in our memory for a long time. The earthquake that hit the country on 26 November 2019, unfortunately, caused fatalities and considerable material damage. I avail myself of this opportunity - also on behalf of the Bank of Albania - to extend the most sincere condolences to all those who lost their loved ones and the fruits of lifelong endeavours and efforts, due to this disaster.

Concluding, I would like to assure you that the Bank of Albania has been working and will continue to work on safeguarding a calm and safe financial environment, creating the premises for steady and long-term growth.

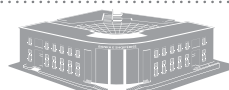
Gent SEJKO

Governor

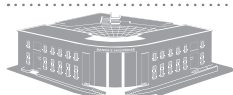


2019 YEAR IN BRIEF

- The Albanian economy continued to grow during the first nine months of 2019, mainly underpinned by private consumption and services exports. Economic growth concluded at 2.9%, down from 4.1% in the previous year. This slowdown reflected a lower production of electricity and decline in construction activity. The earthquake, which hit the country at the end of the year, has increased the uncertainties of economic growth in the short-term, while indicators of macroeconomic stability and the medium-term economic outlook remain positive.
- Annual inflation averaged 1.4%, down from 2.0% in 2018. This decline in inflation reflected transmission of exchange rate appreciation and low prices in international markets. Domestic inflationary pressures have grown, but they remain insufficient for the return of inflation to 3.0% target.
- The monetary policy of the Bank of Albania has maintained its accommodative stance and the policy interest rate has remained unchanged at 1.00%. The monetary stimulus has supported growth of the economy and response to domestic inflationary pressures. The Bank of Albania expects inflation to return to target within the next two years.
- Activities of the banking sector and the financial system were stable. The ability of the financial system to withstand its activity risks remains good. Credit risk has been mitigated. For the first time in 10 years the non-performing loans ratio fell to a single digit level, of 8.4%, from 11.1% at the end of 2018.
- The number of banks decreased to 12 from 14 banks operating at the end of 2018, due to absorption of one bank and the self-liquidation of another.
- Macro-prudential capital buffers in the banking sector, which improve the resilience of the banking sector against systemic risks of cyclical and structural nature, were approved in June. The relevant Regulation fully approximates the respective stipulations and definitions laid down in European Union legislation.
- The regulatory framework on supervision has been amended aiming at alignment with the Basel Committee principles and EU legal and regulatory acts. As part of the national plan to reduce non-performing loans, the regulatory framework for the implementation of the Tirana Approach project was approved in July. In line with MONEYVAL recommendations, the regulatory framework on the prevention of money laundering and combating the financing of terrorism was revised.
- For the first time, the Resolution Authority of Albania participated in the EU Banking Resolution Colleges.
- After 4 years of work, the Bank of Albania enabled the production of a new series of legal tender banknotes. The new Albanian banknote series consists of six denominations: 200, 500, 1000, 2000, 5000 and 10000 Lekë.



- *In November, the first private operator was licensed to settle and register securities issued by private companies. Operation of the system by this operator marks the completion of the entire structure for the functioning of capital markets in Albania.*
- *In the field of statistics, the Bank of Albania has continued to work towards alignment with the acquis communautaire standards. For the first time, the data were officially transmitted to the financial account at Eurostat, and reporting of external and government sectors to this institution was completed.*
- *Over 2019, cooperation projects were launched and several memorandums of cooperation were signed: the Twinning Project with Banca D'Italia and Deutsche Bundesbank (IPA funds) in the framework of Enhancing Bank of Albania's alignment with EU Acquis; the regional ECB project focusing on integration into the European System of Central Banks; collaboration with the London School of Economics and Political Science, finalized at the international conference on banking innovation in European countries; the Memorandum of Understanding on technical assistance with the Swiss State Secretariat for Economic Affairs; and the Memorandum of Cooperation in the field of corporate governance with the Central Bank of the Republic of Kosovo, the National Bank of North Macedonia, the Central Bank of Montenegro, the Banking Agency of the Federation of Bosnia & Herzegovina.*
- *In December, the Supervisory Council approved the Medium-term Development Strategy of the Bank of Albania for 2020-2022. In accordance with the objectives of this strategy the Supervisory Council approved the planned medium-term budget.*





SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

(left to right)

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

1. SUPERVISORY COUNCIL OF THE BANK OF ALBANIA

The decision-making process at the Bank of Albania is guided by the principles of lawfulness, professionalism, independence, and transparency.

The Supervisory Council is the highest decision-making and supervisory body of the Bank of Albania. As such, it is responsible for formulating the monetary policy and approving guidelines for its implementation.

The Supervisory Council has the ultimate responsibility for deciding on acts to fulfil the functions and duties of the institution, which include the strategy of the Bank of Albania, the appointment of heads of departments, approval of the organizational structure, as well as the fulfilment of obligations related to risk management and compliance. The Supervisory Council performs 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.

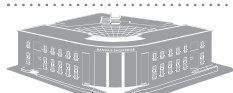
Highlights in the activity of the Supervisory Council for 2019, include (i) appointment of Ms Luljeta Minxhosi as First Deputy Governor of the Bank of Albania, (ii) appointment of the Chair and members of the Audit Committee, (iii) approval of the Regulation on macro-prudential capital buffers, and (iv) appointment of the External Auditor of Financial Statements of the Bank of Albania and Supplementary Pension Fund for the period 2019-2023.

At the end of 2019, the Supervisory Council of the Bank of Albania was composed of eight members elected and appointed by the Assembly of the Republic of Albania.

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

The Council held 15 meetings in 2019. Eight of these meetings, 4 quarterly and 4 intermediate, focused on review and approval of the monetary policy. In these meetings, after discussing economic and monetary developments at home, and their outlook, the Council decided on the policy interest rate. During this year, the Council kept key interest rates unchanged, namely, (i) the policy rate at 1.00%, (ii) the overnight deposit facility rate at 0.1%, and (iii) the overnight lending facility rate at 1.9%.

Four meetings were dedicated to financial stability and 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.

- *Decision-making*

The Supervisory Council has the power to approve all decisions, regulations and guidelines of general application, issued by the Bank of Albania.

During its activity throughout 2019, in fulfilment of its duties set out in the organic law, the Council approved 82 decisions, of which 60 were acts approved for the first time and 22 were amendments to existing acts.

- *Management and internal organisation*

The organic law defines the Supervisory Council as the body responsible for (i) approving the Statutes and internal regulations of the Bank of Albania, (ii) determining organisational structure, and (iii) approving appointments of the heads of departments and defining employment conditions at the Bank of Albania.

In December, the Council reviewed the Medium-term Development Strategy of the Bank of Albania for the period of 2019-2021, keeping the Bank of Albania's mission, vision and values unchanged.

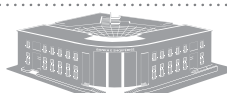
In fulfilment of its responsibilities with regard to the internal organization of the institution, in February and November, the Council adopted a number of amendments to the regulations on the organization and functioning of the Administration and Issue Departments.

Also, in December, some amendments were made to the Regulation on organization and functioning of Bank of Albania branches, aimed at improving work processes regarding delivery in monetary values from commercial banks to these branches.

- *Budget*

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

In December, the Council approved the budget of the Bank of Albania for 2020 and the planned medium-term budget for 2021-2022. The budget was drafted in accordance with the Medium-term Development Strategy of the Bank



of Albania (revised in December) and departmental projections on medium-term incomes and expenses.

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 organisational structures, (iii) improvement of security and quality of currency in circulation, as well as increasing the efficiency of currency management, (iv) reconstruction of building No 2 of the Bank of Albania and improving the work and security conditions of the institution, and (v) improvement and continuous update of information technology infrastructure.

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

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 is regularly informed by the internal and external auditors.

- *Internal audit*

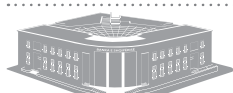
The internal audit is an activity independent of management. It includes the functions of compliance, internal auditing and risk management, carried out by providing evaluation, reporting and objective certainty.

- *Control over management*

The administrators (the Governor and the two Deputy Governors) inform the Supervisory Council on a monthly basis about 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 realisation of the operational activity of the Bank of Albania. In accordance with the organic law, the Governor is accountable to the Supervisory Council for the implementation of the approved decisions, as well as for guidance, audit and oversight of management and operations of the Bank of Albania.

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



- *The Audit Committee*

In order to increase efficiency and depth in specific areas, the functions of internal audit are delegated to the Audit Committee, which exercises its duties to support the strengthening of internal and external control lines.

The Audit 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 which are in force.

The Supervisory Council elected Ms Suela Popa (Chair) and Mr Ridvan Bode (member) to the Committee in March 2019. Members are elected for a three-year term, with the right to be re-elected only once. Administrators may not be members of the Committee.

In 2019, the Audit Committee held seven meetings, which included review of the following: (i) financial statements for 2018, along with the letter on management and the opinion of the external auditor, the Inspector General and the external KPMG auditor; (ii) the audit of financial statements for the Bank of Albania and the Pension Fund; (iii) the performance of the Project on the Bank of Albania's Business Continuity Programme ; (iv) the regular report of the Inspector General on the audit activity; (v) the Code of Conduct for the Bank of Albania; (vi) the budget of 2020 and the planned medium-term budget; and (vii) the annual work plan and internal audit commitments for 2020.

The Committee has informed the Council regularly of its activity and the implementation of its responsibilities, through specific information, presented to the Council by the Chair and the members.

- *Internal audit*

The Inspector General and the Control Department, periodically and independently (i) assess the accounts and the accounting records as well as the management and operational procedures of the Bank of Albania, in order to ensure implementation of legal and sub-legal acts; and (ii) offer reasonable insurance of the efficiency of the audit system as well as risk and processes management, in order to fulfil institutional objectives.

Based on the Internal Audit Policy, in February, the Council approved the work plan of the Control Department for 2019. The plan is based on international internal audit standards and the updated risk assessment of the identified functions in the revised audit universe. It also reflects the suggestions of the Council, the Audit Committee and administrators related to the functions and processes that need to be audited, or requests for counselling and 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 commitments. After the last report in December 2019, the Council also approved (i) the 2020 annual plan for internal audit activity, and (ii) orientation to the medium-term plan for 2020-2024, in accordance with the auditing universe cycle.

- *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 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 an opinion on the financial statements, the Committee meets with the external auditor, without the presence of the administrators, during which time the performance of the audit process is discussed.

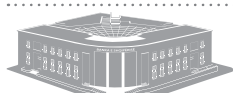
ACCOUNTABILITY AND TRANSPARENCY

In accordance with the organic law, the Supervisory Council approves all reports and recommendations that the Bank of Albania presents to the Assembly or the Council of Ministers, as well as the annual and financial reports of the Bank of Albania. Upon approval by the Council, these reports are published.

Approval of the Annual Report

In March, the Supervisory Council approved the Annual Report 2018 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.

The financial statements audited and certified by the external auditor and its opinion are an integral part of the Annual Report. The financial statements for 2018 were audited by KPMG Albania. In the opinion of KPMG Albania, the financial statements give a fair view of the Bank of Albania's financial position as of 31 December 2018, and of its financial performance and cash flows in accordance with International Financial Reporting Standards. Information on



the annual activity and results of the Control Department, for the period January-December 2018, was attached to the Annual Report. This document constitutes an additional instrument towards the accountability of the institution.

Also, this year's Report was accompanied, for the first time, by information on implementation of the Assembly's requirements for the annual reporting of the Bank of Albania, in accordance with the provisions of the Annual and Periodic Monitoring Manual of independent constitutional institutions.

Other reporting to the Assembly and the 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 threats to the stability of the financial system, half yearly.

Through compilation and publication of these reports, where the decision making of the institution and its performance in fulfilling the legal objectives are explained, the Supervisory Council has regularly fulfilled the accountability obligations of the Bank of Albania to the Parliament and the transparency obligations to the public, financial system and media.

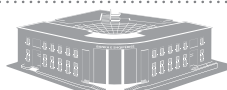
In accordance with these obligations The Supervisory Council, in February, May, August and November, approved the quarterly monetary policy reports, which constitute the main instrument of accountability and transparency in this regard. These reports present a comprehensive description of the latest macroeconomic developments and factors that affect the performance of consumer prices in Albania.

In April and September, the Supervisory Council approved the half-yearly financial stability reports. These reports present Bank of Albania's assessment on financial system developments in Albania, underline potential risks to financial stability and make recommendations in relation to 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.

Distribution of profit

In March, the Council approved the distribution of profit of the Bank of Albania for 2018. The value of net profit realized during 2018 was ALL 522,457,229.13 - the result of the difference between net income from activity (ALL 528,015,904.25) and net provisions (ALL 5,558,675.12). This profit was around 35% lower than that realised in 2017 - excluding the deduction of ALL 28 million retained for the creation of the "Expected impact from Financial Instruments" reserve fund.



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



2. THE ACTIVITY OF THE BANK OF ALBANIA

2.1. MONETARY POLICY

According to the Law “On the Bank of Albania”, our monetary policy is formulated and implemented for the purpose of achieving and maintaining price stability. The Monetary Policy Document, which details the objectives, explains the principles and lays out the monetary policy strategy, defines price stability as keeping the consumer price inflation rate at 3%, in the medium term.

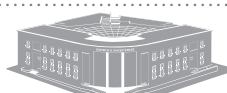
Through the fulfilment of this objective, the Bank of Albania contributes to the stable development of the economy and improvement in the welfare of Albanian citizens.

The Supervisory Council of the Bank of Albania makes monetary policy decisions. These decisions are based on the contemporary framework of analysis and forecast, which enables the formulation of a monetary policy consistent with the accomplishment of the inflation target. This framework makes use of all available information, and is based on tested econometric models and the best practices of central banking.

The Bank of Albania maintained an accommodative monetary policy stance throughout 2019. This position was underpinned by inflation values continuing below target. It aims at decreasing financial costs and establishing the premises for a calmer exchange rate, to support the growth of economy, employment and rise in wages, by helping the return of the economy to equilibrium and the convergence of inflation to target.

In compliance with this objective, the Bank of Albania kept the policy rate unchanged, at 1.00%, and continued to orient the market on maintaining the accommodative monetary policy pace in the medium-term horizon, and supplied banks and the financial sector with the necessary liquidity.

The accommodative monetary policy pace provided improvement in financing conditions, expansion of lending, improvement of the financial position of both enterprises and households, and the restriction of strengthening pressures on the exchange rate, by promoting an increase in demand for goods and services. This increase in demand drove to expansion of employment, wages and production costs, which helped maintain inflation close to the Bank of Albania’s target.



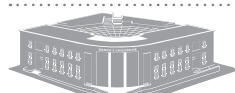
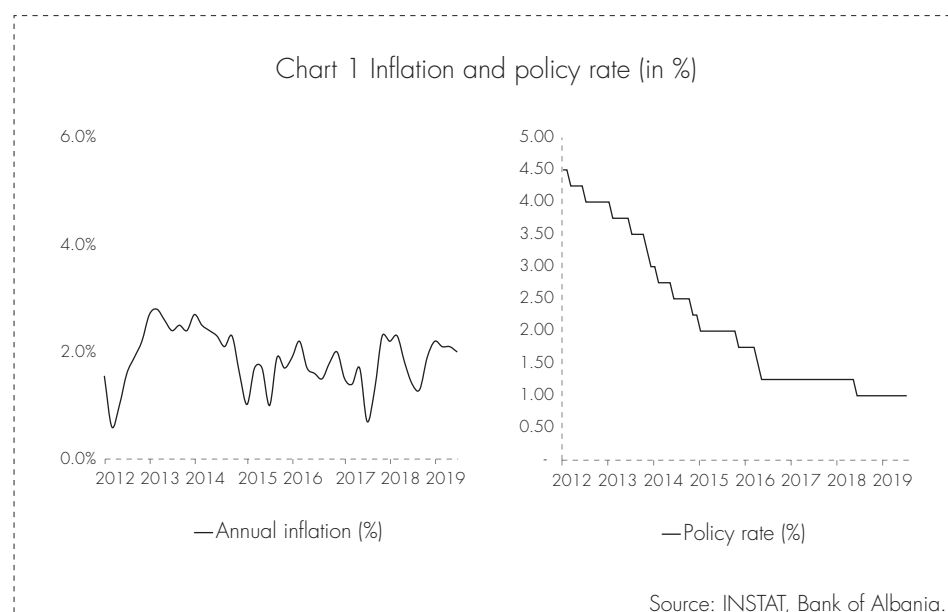
Nevertheless, both domestic and external inflationary pressures still appear insufficient for the return of inflation to target. This dictates maintaining an accommodative monetary policy stance in the medium term as well.

2.1.1 MONETARY POLICY THROUGHOUT 2019

The Albanian economy continued to grow over the course of 2019, but at a slowing pace, compared with the previous year. This performance was dictated by a set of factors, mainly transitional, such as a strong reduction in production of electrical energy, the gradual final stage of work on large energy projects, and the consequences of the earthquake that hit the country at the end of the year.

Although these shocks reduced the growth pace, they did not affect the medium-term trends of the country's development and have not impacted the main indicators of its economic and financial stability.

According to INSTAT data, in the first three quarters of 2019, the economy grew 2.9%, from 4.1% growth recorded in the same period in 2018. The expansion of consumption and an increase in the export of services, due to a continuing positive trend in tourism, were the main sources of economic growth. The increase of aggregate demand leads to better utilisation of production capacities. Employment increased, on average, 2.8% during 2019. The unemployment rate fell to 11.2% in 2019 Q4, recording an historical minimum level, while the average wage indicator increased by 3.8%. Also, enterprises reported a higher utilization rate of their production capacities, while their ability to service debt improved. These indicators suggest that the Albanian economy is moving towards its potential, and this is expected to be reflected in a gradual return of inflation to target within the next two years.

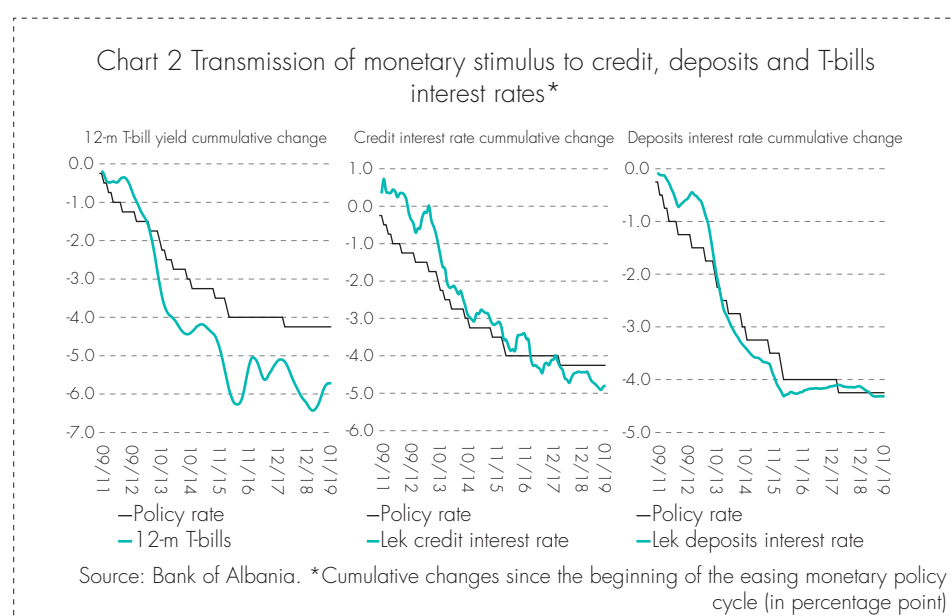


In 2019, annual inflation averaged 1.4%, down from the previous year. The reduction of inflation reflected a more complete transmission of the exchange rate appreciation and a fall in the inflation of goods in international markets. On the other hand, domestic inflationary pressures trended upwards, as shown by an increase in wages and production costs. Nevertheless, increase in costs remains slow and their transmission to consumer prices is still weak.

The still undershooting inflation values dictated maintaining an accommodative monetary policy over 2019. The monetary stimulus has been transmitted by keeping the policy rate at its historic minimum level, liquidity of supply in the banking sector, and forward guidance on the monetary policy stance.

Monetary stimulus of the Bank of Albania is transmitted through various channels.

First, the monetary stimulus drove to a decrease in credit price in lek and a reduction in financing costs to the private sector, which already appears at its historic minimum levels.



The reduction of financing costs has encouraged the growth of lending, by supporting the expansion of consumption and investments. Adjusted for written off loans, the exchange rate, credit to the private sector, and grew by around 8% during 2019. Lending to the private sector had a better sectoral composition, by showing an upward orientation towards the financing of business' needs for investment. Also, the foreign exchange structure of credit continued to improve. Credit in lek ratio to total loans grew 48.7%, from 47.2% in 2018, and 44.7% in 2017.

Second, in parallel with credit boosting, our accommodative monetary policy lead to the reduction of debt servicing costs to enterprises and households. Taking into account index prices and short-term average maturity of credit in



lek, the monetary stimulus is assessed to have reduced their debt servicing costs to the range of ALL 14-15 billion in 2019.

Third, the accommodative monetary policy has provided the premises for a more stable exchange rate in 2019. Although the Bank of Albania was not present in the domestic foreign exchange market, creation of a calm monetary environment provided for stabilisation. The positive effects of this stabilisation on the economy and inflation will be felt more completely in 2020 and beyond.

Fourth, the use of forward guidance on the monetary policy stance helped calm financial markets down, reflecting higher clarity on the trajectory of inflation and interest rates.

Through this transmission channel, our accommodative monetary policy stance has encouraged economic growth and has strengthened domestic inflationary pressures.

BOX 1 MONETARY POLICY IN ALBANIA AND ITS IMPACT ON THE ECONOMY

This box aims to provide an assessment on the impact of monetary policy on economic growth in Albania. The box is divided into three sections: the first section briefly addresses the impact of monetary policy transmission channels on the economy. The second section addresses the methodologies applied; and in the last section outcomes are presented.*

Monetary Policy Transmission Channels

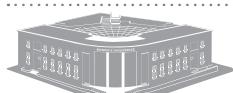
Monetary policy serves as a tool of aggregate demand management, aimed at smoothing cyclical fluctuations in the economy, controlling inflationary expectations and reducing undesirable fluctuations in the financial balance sheets of enterprises, households and the financial sector. Neither the economy's potential nor its long-term growth, which is subject to various structural changes, is affected by the monetary policy.

In a small, open economy, like Albania, monetary policy affects economic activity through three main channels:

First, through its impact on liquidity supply and interest rate levels, the monetary policy impacts new borrowing costs, credit availability and existing debt servicing costs to enterprises and households. In this way, the monetary policy serves as an instrument to boost aggregate demand and economic growth (in case of an accommodative monetary policy), and vice versa.

Second, though its impact on the relative preferences of the economic agents towards owning financial instruments, in either lek or foreign currency, the monetary policy impacts the exchange rate in the economy. In the case of an accommodative monetary policy, the exchange rate tends to decrease, by promoting the growth of exports.

Third, though its impact on the economic operators' expectations about the economic and monetary indicators, the monetary policy also impacts their decisions on consumption and investments. In case of an accommodative



monetary policy, expectations for low financing costs in the future encourage enterprises and households to apply for more bank loans and to undertake more consumption and investments.

Assessment methodology of the monetary policy impact on economic growth

Assessment of the contribution of the monetary policy to economic growth implies measurement of the impact of interest rates on the market and the real exchange rate on economic growth, which derive only as a result of the monetary policy stance.

Three exercises were conducted to obtain this assessment:

- In the first exercise, an individual assessment is made of the impact of all components which define the cyclical position of the economy, singling out the impact of real interest rates in the financial market on economic growth.
- In the second exercise, the impact of monetary policy on the nominal exchange rate is obtained. The assessed impact is used to generate an alternative exchange rate without the impact of the monetary policy. Through this alternative exchange rate effects on economic growth, apart from the impact of monetary policy on the exchange rate, are assessed.
- Finally, looking at the impact of monetary policy on economic growth and on the exchange rate, the aggregated impact on inflation rates is assessed, including future expectations for channels of economic agency.

These assessments were carried out through the macro-econometric model used by the Bank of Albania for medium-term projections.

Results

In summary, our conclusions are as follows:

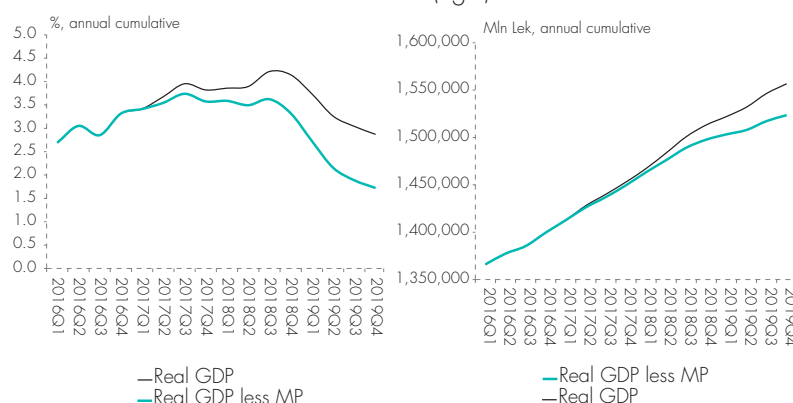
- The positive impact of monetary policy on the improvement of the cyclical position of the economy and on the acceleration of its growth pace has picked up, gradually, from 2017-2019. This performance reflects low interest rates in the financial market, reduction of risk premia and acceleration of lending to the economy. For the entire period, the positive effect on the average economic growth due to the accommodative monetary policy stance is assessed at 0.6 p.p.
- The monetary policy has an accumulative impact on the economic activity level, measured by the real GDP. The real economic activity is around 1.9 p.p. higher from an alternative GDP without the contribution of the monetary policy, up to 2019 Q3, due to the positive effect of the accommodative monetary policy implemented by the Bank of Albania.

Chart 3 shows the results of this exercise.

- The accommodative monetary policy stance has affected the generation of depreciating pressures on the nominal exchange rate. During the period of 2017-2019, the nominal exchange rate pursued an appreciating trajectory mainly in line with its long-term trend, also affected by a strong shock of appreciation during 2018. Nevertheless, without the contribution of the monetary policy, this appreciation would have been, on averagely, 0.5 p.p. stronger.



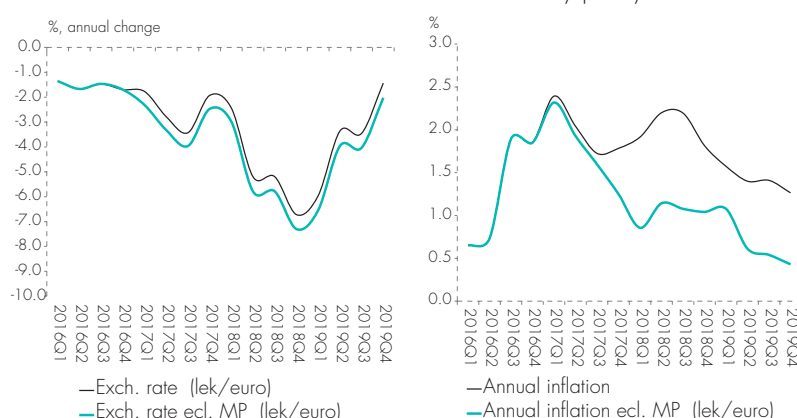
Chart 3 Cumulative economic growth, real and excluding monetary policy contribution (left); cumulative annual GDP, real and excluding monetary policy contribution (right)



Source: Bank of Albania.

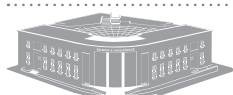
- The impact of the accommodative monetary policy on both economic growth and the exchange rate has affected higher inflationary pressures. The latter have been intensified during 2018-2019 in line with the action time of the monetary policy transmission channel. Annual inflation for 2017-2019 is assessed to be higher, by 0.2 p.p., 1.p.p. and 0.75 p.p., respectively, due to the impact of the monetary policy. The assessments show that the positive impact of monetary policy on economic growth is the dominant channel relating to the impact on inflation.

Chart 4 The exchange rate lek/euro (left) and annual inflation(right), real and without the contribution of the monetary policy



Source: Bank of Albania.

* A similar assessment is also published in the Annual Report 2017 of the Bank of Albania. For more information see "Box 1": "Monetary policy in Albania and its contribution to economic growth", Annual Report 2017, page 27.



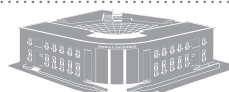
The Bank of Albania deems that maintaining an accommodative monetary policy stance will be necessary, even in the future, for the return of the economy to equilibrium and of the inflation to target. The economy is expected to continue its cyclical improvement, underpinned by the financial environment with low interest rates, an increase in employment and wages and the improvement of the financial balance sheets of the private sector. The improvement of the cyclical position of the economy is expected to lead to a better utilisation of production capacities, and to the strengthening of domestic inflationary pressures. Based on these exceptions, inflation is projected to return to target within the next two years.

The Bank of Albania has fulfilled its medium-term monetary policy priorities

The monetary policy priorities, as set forth in the Medium-term Strategy of the Bank of Albania, 2019-2021, aim at enhancing its effectiveness, flexibility and transparency, by contributing to its adequacy in a dynamic and complex economic and financial environment.

The following table summarises the progress marked in some directions, throughout 2019:

Strategic priority	Highlights in 2019
1. Developing the analysis and forecasting framework, aimed at further qualitative improvement of monetary policy formulation and implementation.	<ul style="list-style-type: none"> – Enhancement of research work, which is transmitted to the public through informative boxes in periodic reports, and working papers published on the website of the Bank of Albania; – Development and enhancement of forecasting apparatus is realised through an increase in the analysis and forecasting capacities of the available models, and an increase in the range of their output; – Improvement of the forecasting process is realised through deeper analysis of the initial conditions and more complete identification of long term behaviour trends in the economy.
2. Maintaining and developing the framework of monetary policy instruments, aiming to increase its effectiveness and flexibility.	<ul style="list-style-type: none"> – An increase in liquidity management effectiveness in the banking system, through implementation of the forecast framework of banking system needs for liquidity and publication of the short-term forecast of liquidity; – Enhancement of the effectiveness of operational decisions, through implementation of the assessment framework for adequacy of foreign reserve levels; – Involvement in initiatives for the development of financial markets.
3. Further improving communication with the public in order to enhance understanding, predictability and the effectiveness of monetary policy.	<ul style="list-style-type: none"> – Increase of published information, with a series of core inflation and inflationary expectations; – Regular meetings with interest groups, including media and banks; – Improving, enhancing and increasing the clarity and understanding of regular reports and materials. – Use of forward guidance, as a monetary policy instrument for communication.
4. Developing further communication and cooperation with domestic and foreign partners, to enhance the synergy of domestic economic policies and bolster the European integration process.	<ul style="list-style-type: none"> – Strengthening of dialogue with the Ministry of Finance and Economy with the purpose of harmonising macro-economic policies; – Fulfilling obligations for reporting to the EU, in compliance with the requirements provided by national coordinators; – Knowing and implementing obligations arising from the European integration process; – Sharing information with other central banks and international institutions, including the International Monetary Fund and the World Bank Group.



2.1.2 ECONOMIC ACTIVITY

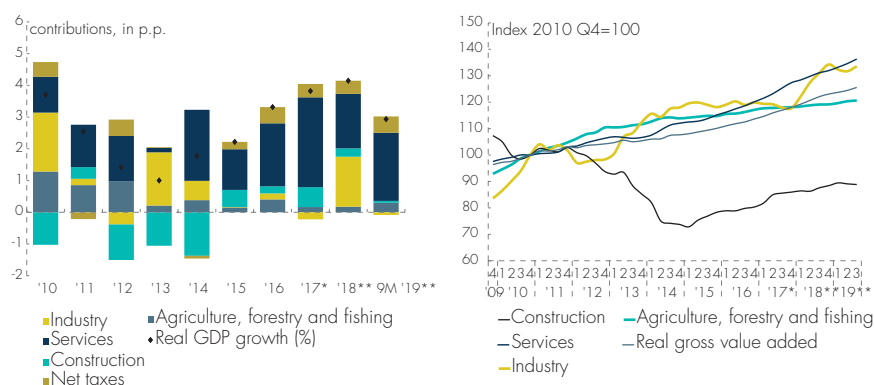
The Albanian economy continued to grow in 2019, mainly underpinned by an increase in private consumption and services exports. Nevertheless, a slowdown of investments and a reduction of goods export resulted in an overall slowdown in the pace of growth. This slowdown mainly reflected supply-side shocks, related to lower electricity production and a reduction on the pace of works in major electrical projects with foreign financing. The growth of aggregate demand led to an increase in employment, a fall of the unemployment rate to minimum historical levels and an increase in wages.

On the other hand, the unfavourable production and export situation of electricity urged the expansion of both trade and current deficit in 2019. Nevertheless, the stability indicators of the external position of Albania recorded an improvement. Last, fiscal policy continued to maintain its consolidating direction; primary deficit continued to remain in positive territory and public debt decreased, but the intensity of fiscal consolidation slowed down.

Economic growth in the first nine months of 2019 was 2.9%, lower than the growth in the same period a year earlier.¹ The information from indirect qualitative and quantitative indicators, given the materialisation of the negative impacts from the earthquake of 26 November 2019, suggests more moderate economic growth in 2019 Q4.

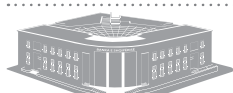
The slowdown of economic pace of growth in the first nine months of 2019 is closely related to the performance of the production sector. The reduction of the sector's contribution to 0.3 percentage point, from 2.2 percentage point

Chart 5 Real GDP growth (in %) and contributions of components (in percentage points); Trend of real gross value added in the economy and sectors*



Source: INSTAT and Bank of Albania. * Semi-final data. ** A preliminary assessment. Note: Indices of the real gross value added for the economy and its sectors are calculated as the moving sum of quarterly values for four quarters.

¹ The information published by INSTAT on gross domestic product by the method of production and expenditures cover developments to the third quarter 2019, published on 24 December 2019.



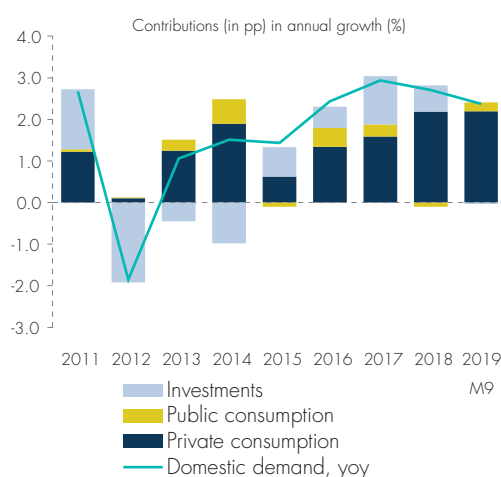
in the previous year, mainly reflected lower production of electrical energy, and to a lesser extent, the slower growth of construction activity. Electricity production affected the falling trend of annual GDP by around 0.8 percentage point, from +1.2 percentage points in the same period in 2018. Regarding construction activity, developments mainly reflected the TAP project's entry into the finalisation phase. Consequently, the positive contribution of construction to annual GDP growth was reduced to 0.1 percentage point. Meanwhile the improvement of agricultural and industrial activities was translated into a larger effect than in the same period in the previous year.

GDP growth is mainly attributed to the services sector², whose contribution is calculated at 2.1 percentage points. The value added by services, which expanded with a higher rate than the historical average, was mainly supported by the activity of the "Trade, transport, accommodation and food service" branch. The contribution of "Trade, transport, accommodation and food service", of 0.9 percentage point to economic growth, was driven by trade activity. Also, other branches of services increased their impact on GDP. Meanwhile, among a few branches having a slowdown effect on GDP is "Art, entertainment, recreation and other activities of service" which in reflection of the closure of betting ventures, experienced a contraction in value added.

Domestic demand provided the main impact on the economic growth in 2019.

Domestic demand expanded by 2.4% in the first nine months of 2019.³ Population consumption, which increased by 3.1% in annual terms, and public consumption provided the main impact. On the other hand, investments decreased by around 0.4% in annual terms.

Chart 6 Performance of domestic demand



Source: INSTAT and Bank of Albania.

Private consumption continued its upward trend in 2019

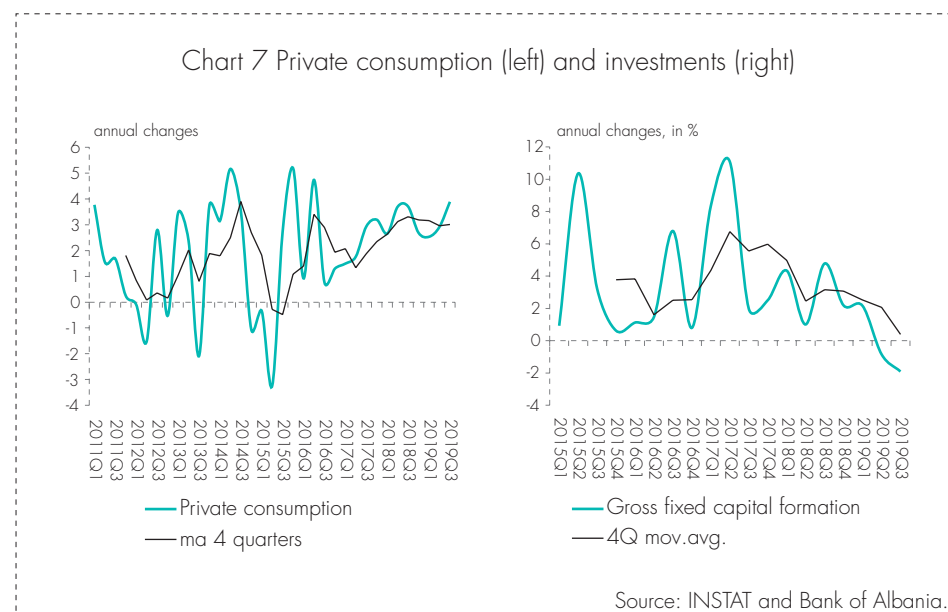
Private consumption recorded stable growth in 2019, comparable to the one in the previous year. In average terms, private consumption grew by 3.1% during the first nine months of the year, being the main contributor to the expansion of the aggregate demand. The growth of private consumption reflected a continuing increase in wages and employment, and the performance of consumer confidence, whose level, notwithstanding the short-term fluctuations,

² The main branches of services are: "Trade, transport, accommodation and food service", "Information and communication", "Financial and insurance activities", "Real estate activities", "Professional activities and administrative services", "Public administration, education and health", "Art, entertainment, recreation and other service activities".

³ Domestic demand components are final consumption (including final consumption of the population, of the public administration and of non-profit institutions) and gross fixed capital formation. In terms of national accounts, private consumption in this report refers to final consumption of the population, whereas investments are equivalent to gross fixed capital formation.



remained above the historical average. In parallel, the expansion of consumer spending was supported by low interest rates and eased financing conditions.



Investments fell slightly in 2019

The volume of investments fell by 0.4% during the first three quarters of 2019, reflecting the contraction of the private sector's investments, while public investments made a low contribution, but an increasingly positive one. The slowdown in investments reflects the Trans Adriatic Pipeline (TAP) project's entry into the completion phase of investments. Excluding this development, the volume of private and total investments appears upwards, reflecting also their supporting factors. The growth of investments continued to be positively affected by a better utilization of production capacities, stable consumer demand and eased financing conditions.

Fiscal consolidation was also present in 2019, but consolidation intensity was lower.

The fiscal policy continued a consolidating cycle in 2019. Nevertheless, the pace of fiscal consolidation was lower from the previous year. Thus, the primary surplus was about 0.2% of GDP, 0.4 percentage point lower than in the previous year. Hence, the activity of the public sector provided a positive effect on both aggregate demand and economic growth in 2019.

The budget deficit stood at ALL 31.5 billion or around 1.9% of GDP in 2019. Unlike in previous years, the deficit was entirely financed from domestic sources, by reducing foreign debt by around ALL 9.4 billion. A transfer of excess liquidity created in 2018⁴ to be used in 2019, financed the deficit by around ALL 22.8 billion. On the other hand, borrowing in the domestic market of securities increased by around ALL 17.8 billion. In 2019, new borrowing in the form

⁴ This surplus was mainly created by the issuance of Eurobond in international markets amounting around EUR 500 million.

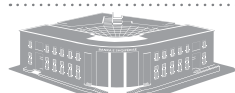
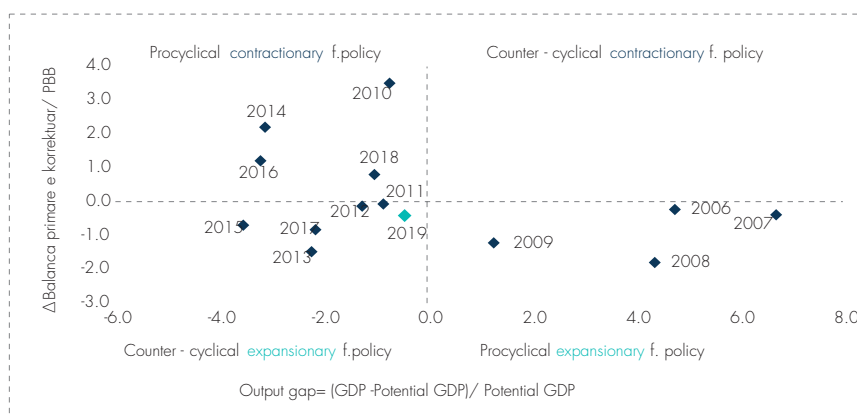


Chart 8 The nature of fiscal policy in Albania*



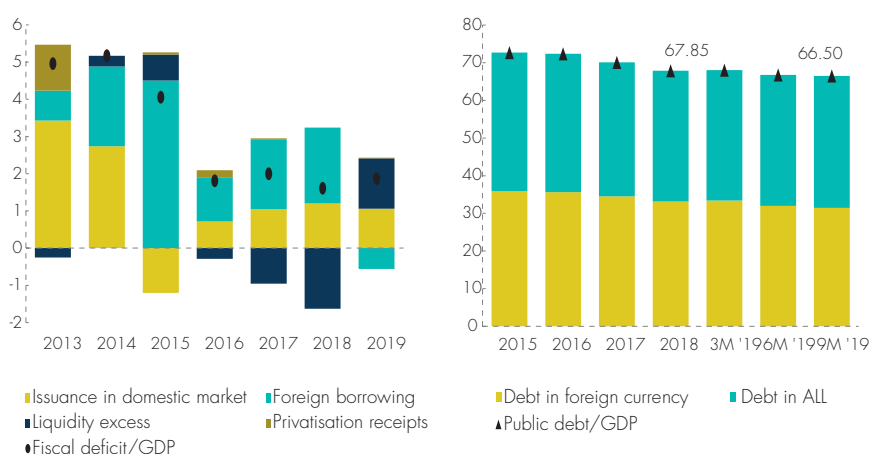
Source: Ministry of Finance and Economy, INSTAT, and Bank of Albania staff's calculations.

*For the methodological details, refer to the "Fiscal policy and business cycles" box in the Bank of Albania's Annual Report for 2017.

of government securities denominated in the domestic currency was around ALL 27.5 billion, while the Government matured both recent bonds issued in Euro in the domestic market. The new borrowing in securities denominated in the domestic currency mainly consisted in the issuance of 3-, 5-, and 10-year benchmark bonds.

According to data from the Ministry of Finance and Economy, the public debt stock is assessed at 66.5% of GDP in 2019, down from 67.8% in 2018.⁵ The fall of public debt is at its highest extent, attributable to the positive gap between economic growth and interests paid on debt. Also, the consolidating nature of fiscal policy was reflected in the reduction of debt, albeit lower than a year earlier.

Chart 9 Budget deficit and financing (left) and public debt (right) to GDP



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

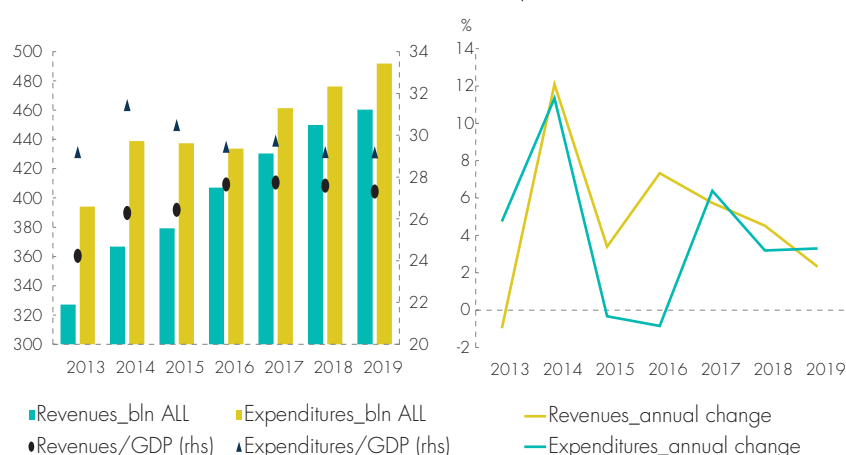
⁵ The data of public debt stock is referred to the publication of MFE for 2019 Q3.



Budgeted expenditures in 2019 resulted in ALL 491.9 billion, or around 3.3% higher than a year earlier. Expenditures for pensions, personnel and local government mainly affected the growth of expenditures. The performance of interest expenses and capital expenditures provided an opposite effect. The size of the public sector, as a ratio of total expenditure to GDP, was estimated at around 29.2%, similar to the previous year.

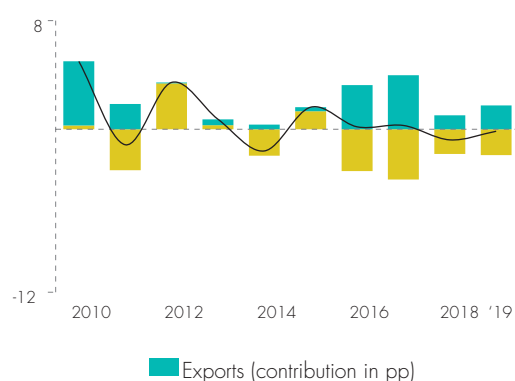
Budget revenues for 2019 amounted to around ALL 460.3 billion, or around 2.3% higher in annual terms. Tax revenues were estimated at around 27.3% of GDP, or around 0.4 percentage point lower than in the previous year. VAT revenues affected negatively the profile of tax revenues in 2019. Their contraction reflected the fiscal facilities used to support specific sectors of the economy, and higher reimbursements than a year earlier. On the other hand, tax revenues on personal income provided the highest impact, mainly affected by higher dividends paid by private companies.

Chart 10 Revenues and expenditures



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

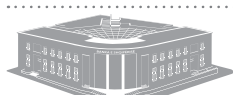
Chart 11 Contribution of net real exports in economic growth (in percentage points to GDP)



Source: INSTAT and Bank of Albania.

The balance of trade exchange with abroad worsened slightly, by providing a negative contribution in the economic growth for the first nine months of 2019.

Trade deficit expanded by around 0.2% in real terms during the first nine months of 2019. Its performance was mainly determined by an increase of imports by around 4.1%, reflecting a 3.6% increase in the import of goods and 4.9% increase in services imports. On the other hand, exports grew by 5.1% in real terms; export of services recorded a growth of 9.2%, while export of goods fell by 8.2%. The fall in the latter is mainly related to the export of electricity.



2.1.3 LABOUR MARKET

The labour market continued to show improving trends during the first nine months of 2019. The unemployment rate followed a downward trend shown since 2016, standing at its lowest historical level, around 11.4%, in 2019 Q3.⁶ This rate was 0.8 percentage point below the level recorded in the same quarter a year earlier. Unemployment fell not only by gender, but also by age group, albeit it remained higher for young people. Regarding employment in the economy, this indicator increased by 2.7% during the first nine months of 2019, from 3.5% in the same period a year earlier. The increase of employment was mainly supported by the services sector, which recorded a slightly faster growth rate, and to a lesser degree by industry.

Table 1 Quantitative labour market figures (%)

	2016	2017	2018	2019		
				Q1	Q2	Q3
Employment (15 years and older, annual changes)	6.5	3.3	3.0	1.4	3.4	3.3
- In agriculture	3.9	-2.0	0.7	-1.8	0.3	0.2
- In industry (including construction)	11.0	3.4	5.1	3.0	4.4	6.0
- In services	7.8	8.4	4.2	3.6	5.7	4.8
Employment rate (15 - 64 years old)	55.9	57.4	59.5	60.3	61.4	61.5
Labour Force Participation Rate (15-64 years old)	66.2	66.8	68.3	69.0	69.8	69.8
Unemployment rate (15 years and older)	15.2	13.7	12.3	12.1	11.5	11.4
The average monthly wage for an employee (nominal annual changes)	-0.8	3.0	3.3	4.9	4.5	3.7
The average monthly wage for an employee (Real annual changes)	-2.1	1.1	1.3	3.3	3.1	2.3

Source: INSTAT 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.

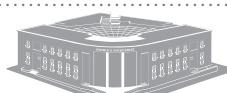
The growth of employment coupled with decisions to increase the minimum wage in Albania and of wages in certain segments of the public sector, affected the rise of wages in the economy during the first nine months of 2019. During this period, the annual increase of gross monthly wage for an employed person averaged 4.3%, from 3.0% in the first months of 2018. In real terms, this growth was around 2.9%, from around the 0.9% increase recorded in the same period a year earlier.

2.1.4 BALANCE OF PAYMENTS AND EXTERNAL POSITION OF THE ECONOMY

Current account deficit continued to show a downward trend

The current deficit to GDP ratio declined to 6.8% for the first 9 months of 2019, from 7.3% in 2018 and 10.8% in 2014. A significant contribution in this direction has been made by the decrease of the trade deficit to GDP ratio, from 19.0% in 2014, to 13.7% in 2018 and 12.8% in the first 9 months of 2019.

⁶ 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.



The performance of the trade deficit in 2019 reflected two different dynamics - an increase in trade deficit in goods and an increase in trade surplus in services. Trade deficit of goods increased by 12.8% for the first 9 months 2019, reflecting, mainly, a decrease of exports and an increase in electricity imports. As a consequence, exports of goods declined by around 7.3%, whereas imports expanded by 7.5%. On the other hand, services account surplus expanded by 11.9% in annual terms. Exports of services increased by around 9.9%, where the main impact stemmed from travel services (tourism) while imports of services increased by 8.7%.

Despite the fluctuation which characterised the period of 2018-2019, the performance of exports has followed a continuous upward trend in recent years, driven mostly by the positive performance of exports of services and travel. On the other hand, export of goods has been the main factor behind the continuous shocks presented by the overall exports structure. Regarding imports, the performance of goods has been overall stable and in line with overall economic performance and aggregate demand. A new phenomenon has been the rapid increase of imports of services, mostly related to travel services.

Primary income deficit expanded by around EUR 62.5 million in annual terms, affected by the rapid increase of outgoing income related to direct investments. On the other hand, the positive surplus of secondary income increased by 3.6%, mainly due to an annual increase of remittances by around 3.9%. Regarding remittances, over the years, a gradual decline of the importance of these flows as ratio to GDP has been observed. This ratio decreased from around 9.0% in 2009, to 5.2% in 2018 and 5.1% for the first 9 months of 2019.

Financing of the current account deficit is based on non-debt creating flows.

The flow of foreign direct investments played a key role in current deficit funding. For the first 9 months of 2019, inflows expanded by around 7.4% and are estimated at around 8.0% of GDP. In 2019 a decline of flows, related to the energy sector as result of the entry of major projects in the final stages of construction, was observed. Compensatory flows have been recorded in the extracting industry as well as information and communication sectors. Nevertheless, the energy sector ranks first in terms of sectoral structure of FDIs stock. Inflows in this sector have generated the main contributions to the significant growth of FDIs in recent years. On the other hand, projects are entering into the final stages of construction and this is expected to affect future flows of FDIs.

Regarding the origin of FDIs, in 2019, an increase of the relative share of Bulgaria at the expense of Greece was observed. This phenomenon is related to the sale of a company in the communication sector to an operator of Bulgarian origin.

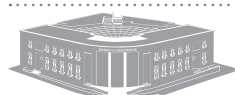
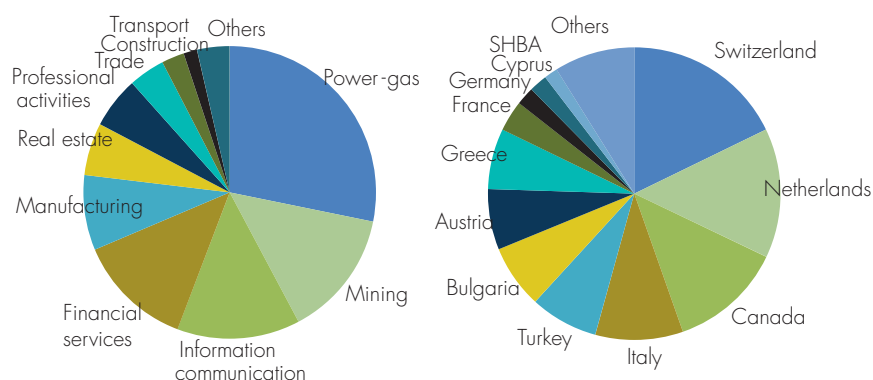


Chart 1.2 Sectoral structure (left) and by origin of FDI stock at end-2019 Q3 (% to total)



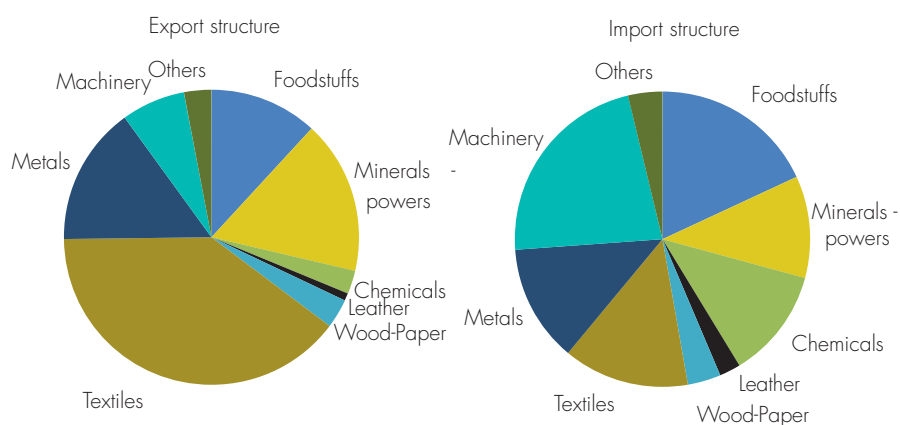
Source: Bank of Albania.

The performance of exports and imports reflected unfavourable conditions in the foreign environment as well as a downward impact on electricity output

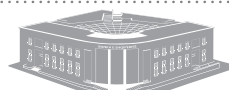
The performance of exports reflected weak international demand, low commodity prices and appreciation of the exchange rate. Exports of goods remain relatively focused in a few categories, where in 2019 the group "Textile and footwear" continues to have the main share at around 39.6% of total exports. Overall, the exports structure has not registered fundamental changes in recent years. An increase in the relative share of foods can be observed, due to the increase of exports in neighbouring countries. However, it has not been such as to overturn the existing ratios between categories.

The imports structure is more diverse, where the categories "Machinery, equipment, spare parts", "and Food, beverages, tobacco" and "Chemical and

Chart 1.3 Exports (left) and imports (right) structure for goods in 2019 (% to total)

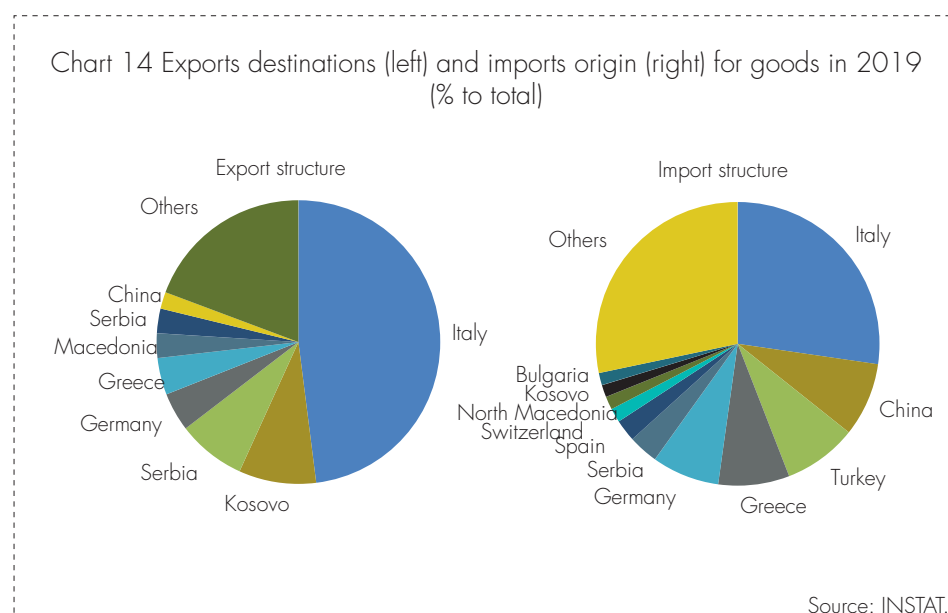


Source: INSTAT.



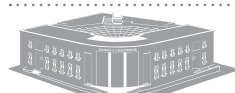
plastic products" have the main share. The share of the category "Minerals, fuel, electricity" increased in 2019, reflecting the upward imports of electricity. As for exports, overall the imports structure remained solid between years with very few changes in the relative ratios between the categories.

European Union countries, particularly Italy, remain our main trade partners. In 2019, there is a relative decrease in Italy's share due to the poor performance of exports in the category "Textile and footwear". The same is true for countries where the main export is electricity, like Switzerland. In recent years, there was a slight increase in the relative share of several neighbouring countries like, Kosovo, Serbia, North Macedonia and Montenegro. In particular, Kosovo has gradually climbed the ladder in the overall structure to become the second trade partner. The factor behind these developments has been the improved performance in exports of foods, fuel, metals and, finally, electricity to these countries.



Foreign debt stability indicators continued to improve in 2019

Foreign debt stock registered EUR 8,328 billion in 2019 Q3, expanding by 3.4% compared to the previous year. It is estimated at 61.6% of annualised nominal GDP from 65.2% at the end of 2018. In structural terms, government debt dominates with around 45.7% of the total, followed by the debt of deposit-taking corporations (17.1%) and debt related to Direct Investments (20.4%). In maturity terms, long-term debt dominates at around 80.6%. Regarding instruments, loans and currency and deposits investments constitute around 70.0%. The share of investments portfolio remains quite low. Overall, no significant changes have been observed in the debt structure over the years. On the other hand, there is a significant decline in the ratio of debt to nominal GDP from 74.4% at the end of 2015, to around 61.6% at the end of 2019 Q3.



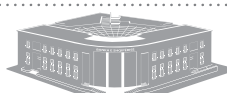
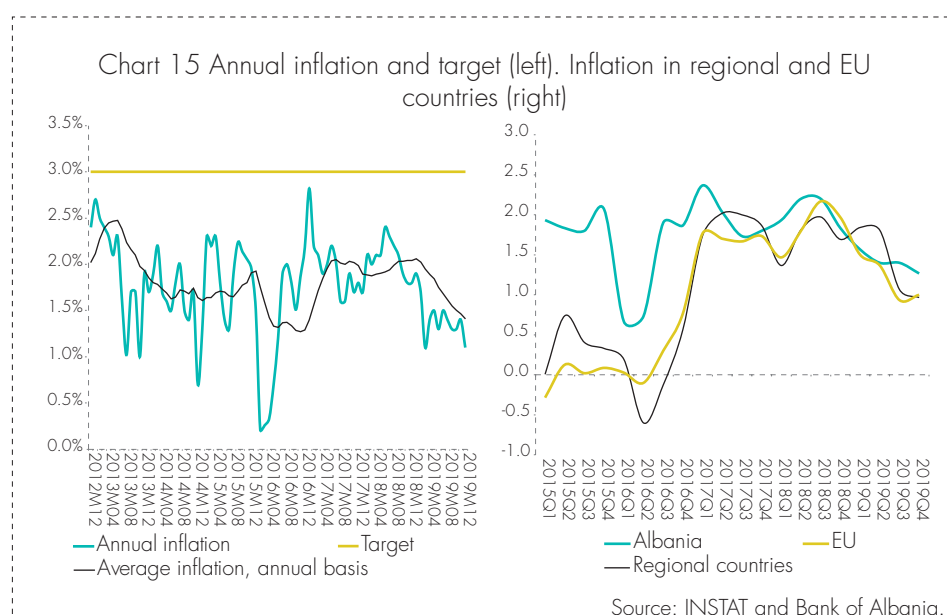
In terms of stability, there was an improvement in long-term repayment ability indicators in 2019. The ratio of debt stock to the exports of goods and services was around 156.2% at the end of 2019 Q3. Meanwhile in the previous year, this ratio stood at 161.5%. At the same time, the ratio of debt stock to fiscal revenue marked 221.5%, compared with 237.8% registered the previous year. Both stability and liquidity indicators have registered clear improving tendencies since 2015.

2.1.5 INFLATION AND ITS DEFINING FACTORS

The performance of inflation in 2019 reflected the global impact of the decline in the prices of broad commodities and a price conjecture affected by supply shocks on the downward side. Positive rates of economic growth and stabilisation of employment market indicators have mitigated the gap between current and potential output, but have not eliminated it, thus supporting the assessment that demand-side inflationary pressures still remain insufficient.

Average inflation for 2019 was 1.4%, down from 2.0% in the previous year. Inflation slowed down from 1.9% in 2019 Q1 to 1.4% in Q2 and Q3, whereas in the last quarter it registered its lowest level of 1.3%.

From a macroeconomic perspective, although the negative output gap continued to narrow, the weak performance of import prices, the prolonged appreciating performance of the exchange rate and the presence of base effects have kept inflation values below those of the previous year.



Low inflation values during the year reflected low pressures from food, fuel and housing prices.

Inflation fluctuations over the past year were largely determined by the food group. Both foods' categories formed around 80% of headline inflation. Short-term events of a seasonal nature that affect the price of the category "Unprocessed foods" have also determined fluctuations in the value of inflation. The lower seasonal intensity of prices in this category in some periods of the year caused a decline of its inflation. In the category "Processed foods" the result of slight fluctuations in the prices of the groups composing it was almost the same as in the previous year. As a consequence, the category provided the same contribution as in the previous year.

*Table 2 Contribution of key categories to annual inflation (p.p.)**

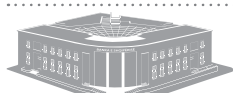
	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
Processed food	0.6	0.5	0.2	0.0	0.1	0.2	0.2	0.1	0.1	0.2	0.3	0.3
Bread and cereals	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.1
Milk, cheese and eggs	0.4	0.3	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.2	0.2
Unprocessed foods	1.3	1.1	1.2	1.3	0.9	1.1	1.0	0.9	1.3	0.8	0.7	0.8
Fruits	0.3	0.3	0.5	0.6	0.6	0.1	0.0	-0.1	-0.3	0.0	0.1	0.4
Vegetables	0.9	0.7	0.7	0.6	0.2	0.9	0.9	0.9	1.5	0.8	0.6	0.4
Services	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1
Goods with regulated prices	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0
Water supply	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0
Housing lease	0.0	0.1	0.1	0.2	0.3	0.4	0.4	0.3	0.1	0.2	0.1	0.0
Non-food consumer goods	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.1	0.2	0.1	0.0
Fuel	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.1	0.1	0.0	-0.1
Durable consumer goods	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Headline inflation (%)	2.4	2.0	1.7	1.8	1.9	2.2	2.2	1.8	1.6	1.4	1.4	1.3

Source: INSTAT and Bank of Albania.

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

The other categories have decreased their contribution to headline inflation compared with the previous year. They formed around 15% of headline inflation, compared with 40% in the previous year. The category of "Non-food consumer goods" contributed to low positive values in inflation in 2019. Its contribution finished around -0.2 percentage point lower than in the previous year. This performance has reflected inflation and the negative contribution of fuel due to a downward trend in oil prices by the end of the year; appreciation of the domestic currency; and the impact of the high comparative base of the previous year.

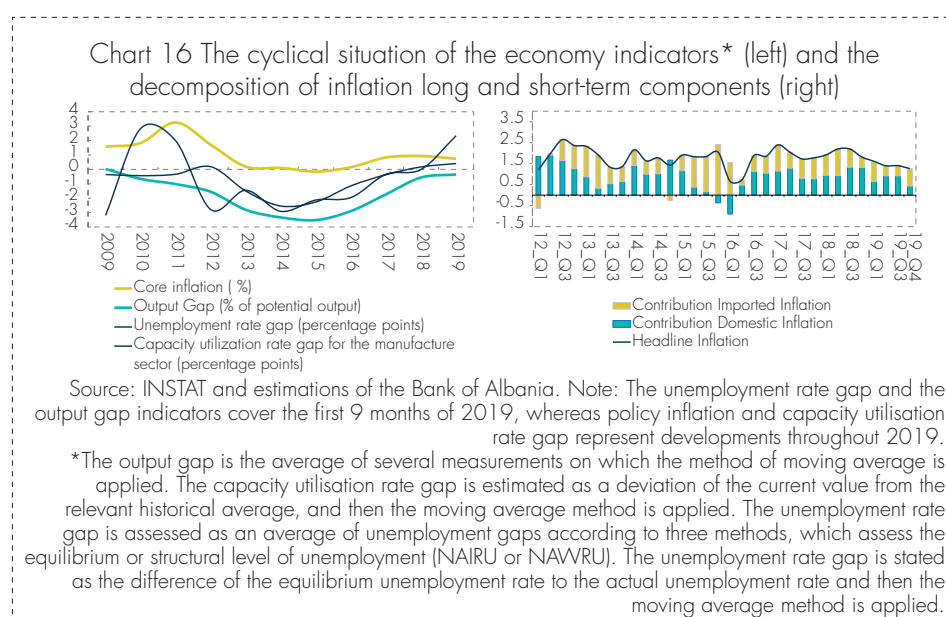
The prices of other more stable components of inflation, which include housing, services and long-term consumer goods prices, also contributed less to the formation of headline inflation compared to the previous year. The contribution of the category "Housing-rent" finished 0.3 percentage point lower, reflecting the higher comparative base impact of the previous year and the almost constant stance of the index in 2019. The category "Services" contributed slightly to headline inflation, maintaining the behaviour of the previous two years. The



contribution of the category “Long-term consumer goods” was positive, but with an almost negligible impact on headline inflation. The category “Goods and services with regulated prices” contributed 0.2 percentage point less to inflation in 2019, due to cessation of the impact of the price increase in the previous year.

The gradual improvement of the cyclical position of the economy was reflected in low domestic inflationary pressures in 2019

The improvement of the cyclical position of the economy continued during the first 9 months of 2019. The increase of employment, salaries and the capacity utilisation rate, continued to contribute into the strengthening of inflationary pressures originated by developments in the domestic economy. However, the slower reaction of policy inflation has been affected by the economy’s continuing below its potential and the appreciating behaviour of the exchange rate. Transmission of the increase of salaries into output costs continues to be insufficient as well.



Long-term inflationary pressures have trended upward in 2019. They were stable from April-December 2019, although with a lower contribution than in the previous year, by 0.5 to 0.7 percentage point, respectively. This curtailment reflected, mainly, the impact of the high comparative base from housing prices (rents), whereas the curbing impact from the exchange rate is assessed as more moderate. The decline of headline inflation in 2019 was mainly affected by the slowdown of contributions from short-term components, to 0.9, from 1.4 percentage point in 2018.

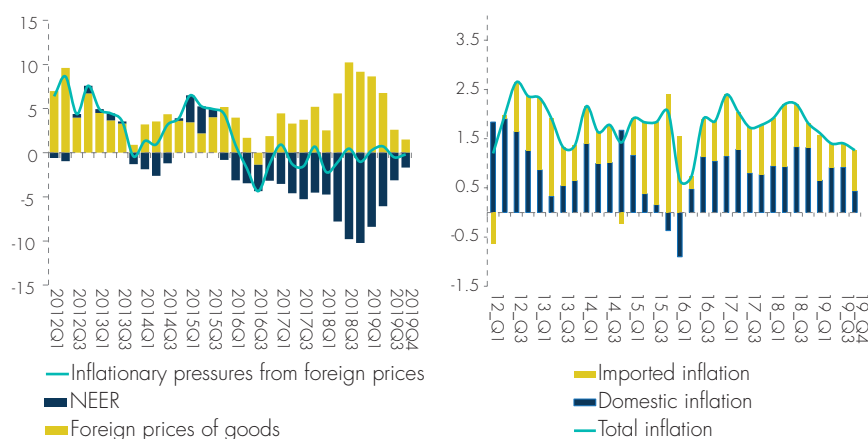
Foreign inflationary pressures showed lower volatility in 2019

The indicator “Foreign prices” expanded by 4.9% in annual terms in 2019, a slower rate compared to 2018. Meanwhile, the nominal effective exchange



rate appreciated by 4.8%. As a consequence, the imported inflation pressure index (IPI)⁷ expanded by just 0.1% in average annual terms.

Chart 17 IPI and its components' contributions (left), contribution of imported and domestic inflation (right)



Source: INSTAT and Bank of Albania's calculations.

In relation to previous developments in foreign prices and the exchange rate, the contribution of imported inflation in 2019 was relatively lower than that of domestic inflation, which remained at 48% and 52%, respectively, in average terms.

2.1.6 FINANCIAL MARKETS AND MONETARY INDICATORS

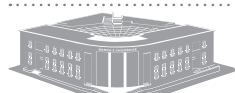
Financial markets had low risk premiums, adequate liquidity and downward trending interest rates. Historically low policy rate levels, constant communication with the market on the future orientation of monetary policy, as well as adequate levels of liquidity deficit, have all supported a decline in credit interest rates. Developments in the foreign exchange market have also been calm, characterized by mitigated appreciation of lek and low volatility.

Credit to the private sector improved, reflecting better credit conditions and structural changes in the banking sector. In particular, lending in lek made the main contribution to this improvement, supported by eased monetary conditions. The latter has contributed positively to monetary expansion throughout 2019.

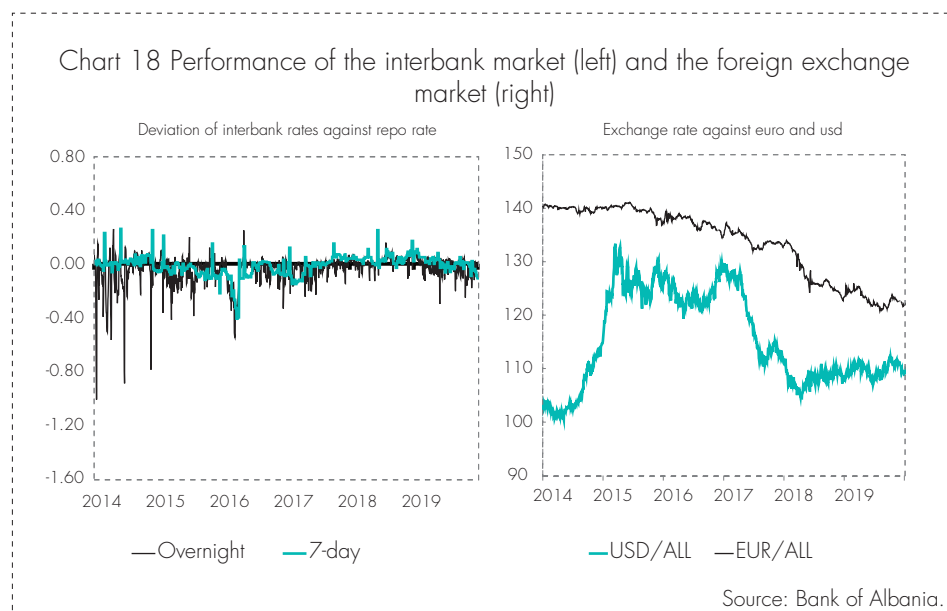
The liquidity deficit in the banking system has been at adequate levels and interest rates in the interbank market have fluctuated near the policy rate, in line with the operational objective of monetary policy.

The Bank of Albania continued to supply banks with liquidity throughout 2019, in line with their financing needs. Liquidity deficit in the system, albeit lower than in

⁷ IPI is calculated as the sum of the annual increase in import price indices and the NEER index value for the relevant periods.



the previous year⁸, was within adequate levels to ensure consistent monitoring of monetary stimulus in the interbank market and beyond. Short-term interest rates in this market marked a slight decrease compared to the previous year, maintaining the minimum difference against the policy rate and low volatility.



Appreciation pressures on lek were mitigated and trading of foreign currency was calm

The strengthening of the domestic currency waned significantly in 2019. Appreciation pressures on the lek continued to be present, but were more contained than in the previous year. They were focused mainly in the second and third quarter of the year, characterized by a better season of tourism compared to the previous year. The annual appreciation of lek against the euro, which is also the main currency for the exchange of goods and services abroad, reached 1.0% in December, from the maximum level of 7.4% recorded in December of the previous year.

The performance of the US dollar in the domestic market reflected its strengthening in the international market; lek depreciated against it by an average of 1.7% during this year.

Developments in the foreign exchange market were calm in 2019 and foreign currencies were traded within normal market parameters. Risk and volatility indicators⁹ returned to their normal values, after the shock they received in 2018. Also, no slanted expectations for appreciation or depreciation of exchange rate

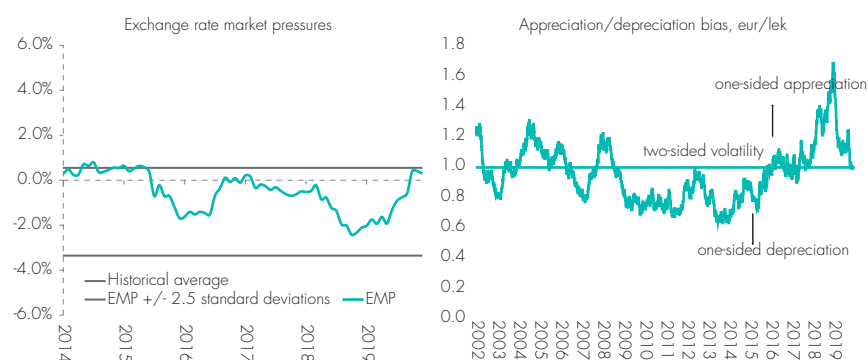
⁸ Two factors contributed to the decrease of liquidity deficit during 2019. First, the financing needs of the system were lower as a result of lower government demand in the first half of the year, dictated by the issuance of the Eurobond at the end of 2018. Second, the entry into force of the regulation on the maintenance of the required reserve in foreign currency in the original currency led to liquidity release in lek at the end of August.

⁹ Bid-ask spreads in the euro / lek exchange rate and volatility indicators have been low.



were present in the market¹⁰. The performance of these indicators shows the normalization of agents' expectations in the market and the lack of speculative positions on their part about the future performance of the exchange rate.

Chart 19 Indicators of pressures and risk in the foreign exchange market*

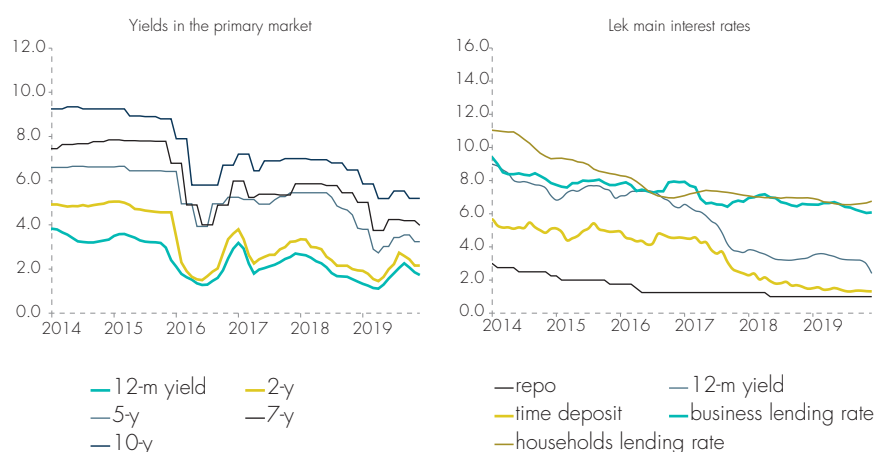


Source: Bank of Albania. *The pressure index in the foreign exchange market measures the amount of change in the exchange rate needed to amortize the imbalance between supply and demand in the foreign exchange market. Its calculation consists of stripping the change of exchange rate due to domestic and foreign monetary policy factors (the difference between the lek interest rates against the US dollar and the euro, as well as the change in the foreign exchange reserve of the Bank of Albania). Values below 0 show appreciation pressures and vice versa.

Yields on government securities were downward and yield curve flattened

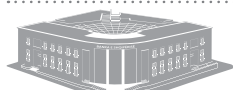
Yields on government securities fluctuated at lower levels during 2019 compared to the previous year. The 12-month yield was 1.6%, up from an average of 2.0% in 2018. A shift in the government's supply on long-term

Chart 20 Performance of yields in the primary market and interest rates in lek



Source: Bank of Albania.

¹⁰ The exchange rate appreciation/depreciation ratio is calculated as the ratio of the number of days when the lek is appreciated against the number of days when the lek is depreciated, over a moving time horizon of 250 days. The value of this indicator near 1 indicates an equal number of appreciation and depreciation cases. If this indicator is significantly and persistently above 1, there are one-sided pressures for appreciation in the market and vice versa.



securities during the year was accommodated by a higher demand in the system to invest in these securities. This development is reflected in stronger downward pressures on yields on long-term bonds and a smoothing of the yield curve slope. Reduction in yields on securities with maturity up to two years averaged 0.5 percentage point this year, compared to an average decline of 1.3 percentage point for those with maturity over two years.

Interest rates on loans and deposits in lek declined.

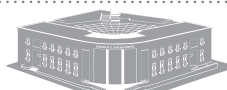
Continuation of monetary stimulus and a lack of liquidity pressures in the system created conditions for further decline in interest rates on deposits and loans in 2019. The average interest rate on time deposits in lek was 0.8%, with a marginal decrease compared to the previous year. Also, enterprises and households benefited from cheaper bank funding this year. The average interest rates for these two segments were 6.3% and 6.6%, respectively, each being 0.4 percentage point lower compared to the previous year. Short-term volatility in yields has not been transmitted to credit interest rates. The latter have maintained an average spread against the same 12-month yield in the previous year.

Growth rates of lending activity improved, supported by better conditions for credit supply and structural changes in the banking sector.

Annual growth rates of credit to the private sector¹¹ accelerated in 2019. Adjusted for the exchange rate appreciation effect, this portfolio expanded by about 7% in average annual terms. At the end of the year, credit stock to the private sector was estimated at about 36.5% of GDP, or 1.2 percentage point higher than the previous year. Lending dynamics was supported by the continuous easing of lending standards, while credit demand was volatile throughout the year. Improvement of banks' supply for loans reflected positive changes in the banking sector in 2019 - in terms of consolidating and write off of balance sheets from bad performing loans - which have dictated a more favourable approach for banks toward funding the private sector. Moreover, accommodative monetary policy supported the orientation of banks' supply to lend in domestic currency. Increased lending activity in lek has been the main contributor to expansion of the loan portfolio to the private sector, with an average annual rate of 8.7%. Credit in foreign currency also increased, increasing on average by 5.4% during the year, adjusted for exchange rate fluctuations.

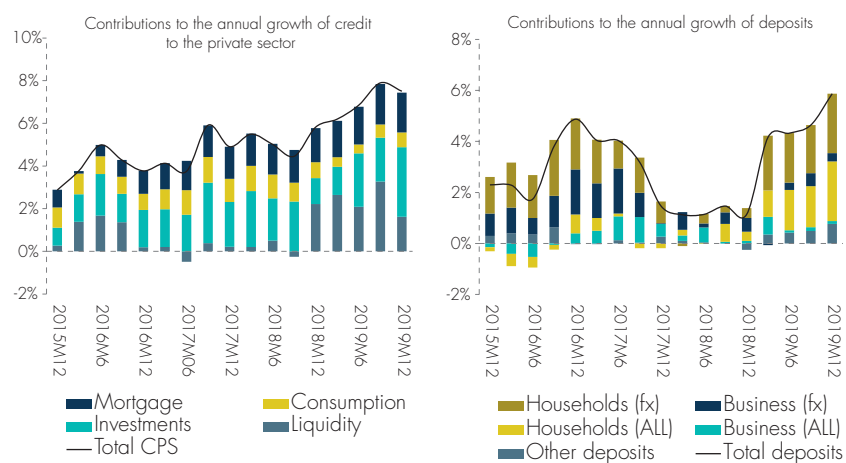
Performance by market segments shows an increase in credit to both enterprises and households. The annual growth rate of loans to enterprises improved on average by 7.2%. This portfolio made the biggest contribution to credit growth during the year, in contrast to its performance in recent years. The biggest share of growth was channelled to investment financing (about 66%), while a

¹¹ Credit data are adjusted for the effect of loan write offs from the banks' balance sheet and the exchange rate fluctuations.



smaller share to meeting the liquidity needs of enterprises. Credit to households continued to grow steadily, with an average annual rate of 6.9% over the year. The highest contribution to the growth of this portfolio - over 70% - was provided by mortgage loans, with an annual increase of the surplus by 7.4%. The consumer loan portfolio expanded on average by 5.6%, slower, compared to the previous year.

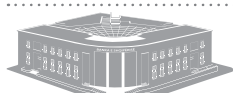
Chart 21 The performance of credit and deposits in the banking system



Source: Bank of Albania.

Broad money in the economy expanded in 2019, in contrast to its contraction in the previous year. The broad money indicator, M3 aggregate, registered an annual growth of 3.4%. The expansion of money is supported by the increase of credit to the economy and financing of the public sector through monetary tools employed by the banking system. On the liabilities side, this indicator continued to be affected by structural changes. Given low interest rates, economic agents continued to shift their savings in banks to longer-term instruments, thus benefiting more favourable interest rates. These shifts are mainly to deposits with maturity of over two years, which are not included in the calculation of broad money¹². Meanwhile, the structure of the M3 aggregate reflects a shift towards the liquid component, where there is a further increase in short-term instruments - such as demand deposits as well as holding of money in the form of cash. The ratio of demand deposits and time deposits with maturities of over two years to total deposits stands at 47% and 13.5% respectively at the end of the period. The total stock of deposits in the banking system expanded by 4.5% in average annual terms. At the end of the year, they are estimated at about 70.4% of GDP, or 1.7 percentage points higher than in 2018. The performance of deposits is mainly supported by the good performance of deposits in foreign currency. Their stock increased by 5.4% on average during the year, mainly reflecting high foreign exchange inflows. The stock of deposits in lek increased by 3.7% in average annual terms. The expansion of lek deposits has been

¹² Based on the Methodology of Drafting Monetary Statistics, the broad money indicator consists of money outside banks and deposits with maturity of up to two years (in all currencies).



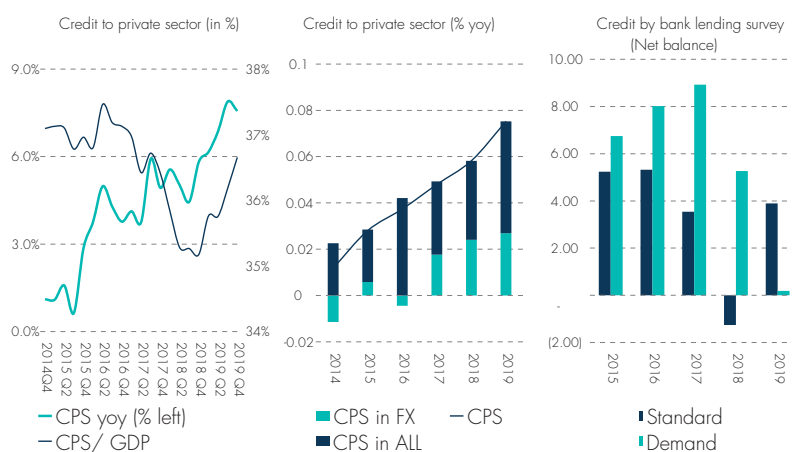
widely supported by deposits of households. The performance of deposits to enterprises was volatile, depending on their economic activity and short-term needs for liquidity.

BOX 2 FACTORS THAT SUPPORTED CREDIT RECOVERY

Credit activity of banks plays an important role in economic growth and inflation performance in the country. For these reasons, its performance has been a constant focus of the analysis and work of the Bank of Albania. These analyses address the factors that first contributed to the decline of lending in the country and the following slow recovery.

Empirical analysis shows that the low growth of lending activity in recent years has been dictated, mostly, by supply factors.¹³ In this context, analysis suggests that improvement of the growth rates of the loan portfolio in 2019 reflects both an increase in credit demand and the easing of supply conditions.

Chart 22 Bank lending to the private sector over the years



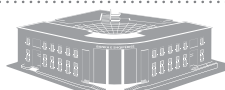
On the demand side, the revival of banks' lending activity was supported by the improvement of consumption and the labour market, economic growth and accommodative financial conditions. In terms of supply, the recovery of credit growth rates reflected the following improvements in the loan supply:¹⁴

- *Changes of ownership; the entry of new actors and consolidation in the banking sector have helped bring a more positive approach to banks for financing the economy, as seen in easing of credit standards and an increase of competition between banks. Concentration indicators of bank loans portfolio¹⁵ are lower compared to 2018, thus confirming increased competition between banks.*

¹³ Box 6: Performance of supply and demand factors for loans- Annual Report 2018, Bank of Albania.

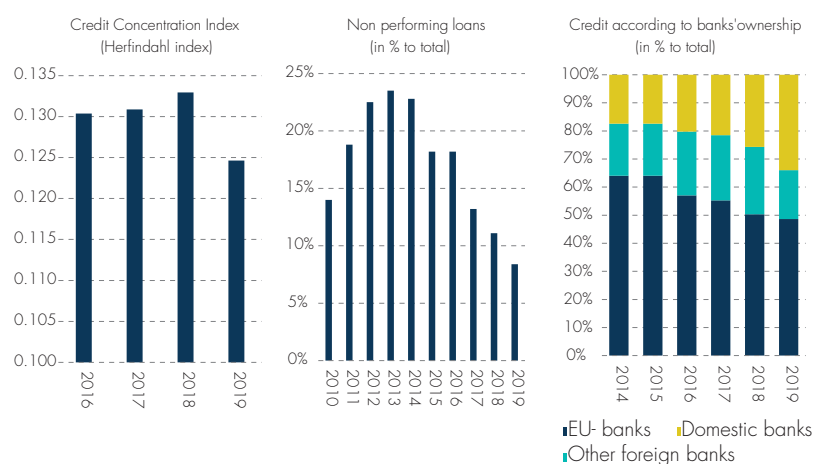
¹⁴ Box 5: Impact of demand and supply on credit performance - Annual Report 2017, Bank of Albania.

¹⁵ In the literature the two main indicators used to assess the concentration of banking activity are the Herfindahl-Hirschman indicator and the concentration indicator of the 4 largest banks in the system. Both of these indicators, calculated according to the respective methodologies for the total credit, are declining towards the optimal levels in 2019.



- Credit risk has been declining, as shown by the ratio of non-performing loans to the total, which was 8.4% at the end of 2019, the lowest level of the last decade. The decline of this indicator signals the perceived probability of default as well as that of the potential loss of the bank, affecting the willingness of banks to take risks. Reduction of credit risk is a result of the Action plan for reducing non-performing loans, adopted in late 2015. The measures outlined in this inter-institutional strategy include legal amendments regarding bankruptcy cases, changes in enforcement procedures and fiscal treatment of non-performing loans, measures taken by the Bank of Albania to restructure them, and the implementation of the scheme "Tirana Approach" for handling non-performing loans of big clients. At the same time, improvement of economic activity and business' balance sheets aided increased lending and reduction of the ratio. Write off of non-performing loans from the banks' balance sheet has also enabled banks to be more committed regarding lending.
- Reduction of the impact of tight policies dictated by "parent banks" for European banks has been another important factor in increasing credit supply. Changes in the ownership of banks that have occurred in the last two years show an increase of banks with domestic capital, and consequently, a decrease in the lending of banks with foreign capital. The change in the ownership structure of our banking sector has stimulated banks to undertake risk and consequently increase the supply of credit.

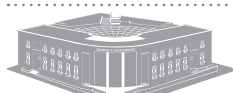
Chart 23 Supply factors for loan



Source: Bank of Albania.

The lending dynamics in the country were similar to that of the CESEE region. Credit to the private sector in the region recorded an annual growth rate of about 4.4% in 2019¹⁶. Loan portfolios to households dominate the loans of the private sector, excluding Albania, Bulgaria and Serbia. For these countries, the low ratio of loans to enterprises against GDP, among other things, is an indicator of more developed financial markets. Enterprises in these countries have access to alternative financing instruments for their activity, in addition to the banking sector. Unlike other countries in the region, bank credit is the main source of business growth in the country. Restoring banks' focus on financing the needs of enterprises is a positive and welcomed development.

¹⁶ Credit to the private sector in the region is adjusted for fluctuations in inflation and the exchange rate.



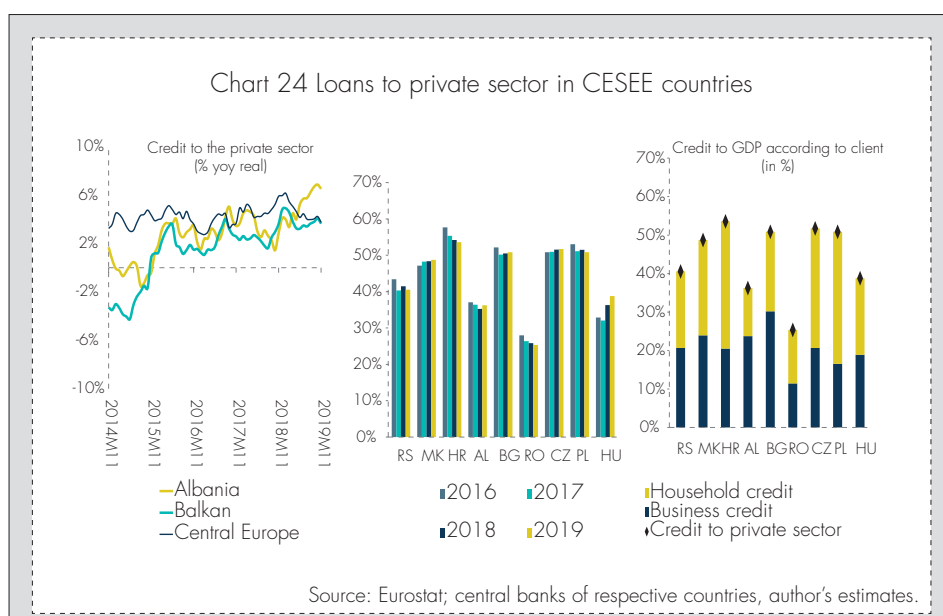


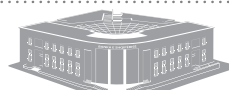
Table 3 The main macroeconomic and financial indicators

	2015	2016	2017	2018	2019*
Annual average inflation					
Headline inflation (in %)	1.9	1.3	2.0	2.0	1.4
Core inflation (in %)	-0.2	0.2	0.8	0.9	0.7
Economic growth					
Real GDP growth (annual, in %)	2.2	3.3	3.8	4.1	2.9
GDP pro capita (EUR)	3,556	4,043			
Labour Market ¹					
Participation rate in the labour force (15-64 years of age)	64.2	66.2	66.8	68.3	69.5
Unemployment rate (15-64 years of age)	17.1	15.2	13.7	12.3	11.7
Fiscal sector					
Budget balance (including grants, as a percentage of GDP)	-4.1	-1.8	-2.0	-1.6	-1.9
Budget revenues (as a percentage of GDP)	26.4	27.6	27.7	27.4	27.3
Budget expenditure (as a percentage of GDP)	30.5	29.4	29.7	29.0	29.2
Public debt (as a percentage of GDP)**	72.7	72.3	70.1	67.8	66.5
External sector					
Current account (official transfers exempted in % of GDP)	-8.7	-8.0	-8.1	-7.3	-7.1
Imports of goods (fob, as a percentage of GDP)	29.9	30.9	31.3	30.1	29.3
Exports of goods (fob, as a percentage of GDP)	7.5	6.7	6.9	7.7	6.7
FDIs (as a percentage of GDP)	8.7	8.6	7.7	7.9	8.0
Monetary and financial sector					
Repo rate (end of period)	1.75	1.25	1.25	1.00	1.00
M3 aggregate (annual growth, end of period)	1.8	3.9	0.3	-0.2	4.3
Credit to the private sector (annual growth, end of period)	2.4	3.1	3.3	1.9	6.9
Deposit/GDP	72.6	74.2	71.4	68.7	70.4
Credit/GDP	37.0	37.1	36.4	35.3	36.5
12-month average yield	3.3	1.8	2.4	2.0	1.6
ALL/USD average exchange rate	126	126.0	119.1	108.0	109.9
ALL/EUR average exchange rate	139.7	136.1	134.2	127.6	123.0
NEER	113.8	110.2	105.2	96.8	92.0
Banking Sector					
Non-performing loans ratio/total loans (%)	18.2	18.2	13.2	11.1	8.4

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 2019.

** MFE Bulletin, 2018 Q4. 1/ "Labour force survey results", published by INSTAT. 2/ The data are adjusted for written off loans. 3/ GDP assessment for 2019.



2.2. MONETARY OPERATIONS

The Bank of Albania implements its monetary policy by using indirect market instruments. These include open market operations, standing facilities and a required reserve. The main market operations are the repurchase and the reverse repurchase agreement of seven-day maturity, whose interest rate represents the policy rate.

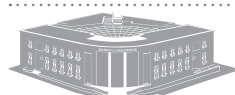
OPEN MARKET OPERATIONS

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

In 2019, the average tradable interest rate in the overnight interbank market was 0.02 percentage point under the policy rate, in contrast to an average of 0.02 percentage point above the policy rate in 2018. In both of the last two years trade was much nearer the policy rate than in the period of 2014-2017, where the average rate fluctuated, on average, between 0.03 and 0.07 percentage point under the policy rate. The interest rate in the seven-day interbank market was 0.01 above the policy rate against the average of 0.02 percentage point above the policy rate seen in 2018. This behaviour is different from that of the previous four years where the seven-day rate fluctuated below the policy rate. In 2019, liquidity shortfall returned to the average levels of the 5 previous years, at ALL 28.50 billion after being, on average, above ALL 30 billion in 2017 and 2018.

The Bank of Albania has injected permanent liquidity of around ALL 15 billion from the end of August, period when it ended the 12-month term during which part of the required foreign currency reserve was kept in lek. Also, foreign currency purchase operations by commercial banks have contributed to the increase of permanent liquidity by around ALL 19.0 billion. At the same time, the Bank of Albania has supplied foreign currency to the Ministry of Finance and Economy for the counter-value of ALL 8.20 billion, affecting the reduction of liquidity in lek in the account of the Ministry of Finance. The change in the portfolio of securities issued in Albanian lek by the Albanian government has been negligible, down by ALL 463 million.

The impact of liquidity surplus concentrated in one bank has continued to be present in the market, but at a lower share of traded volumes than before, decreasing the pressure for trading under the key interest rate.



In 2019, as well, an upward tendency of the share of collateralized lending in the trading volume of the interbank market has been maintained. Trading at longer terms than seven-day has been rare. Reflecting the downward tendency of liquidity shortfall, the share of injections from the Bank of Albania with longer than seven-day maturity, has declined to 39% in 2019 from 46% in 2018.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Main instrument	58%	74%	55%	60%	64%	55%	80.7%	61.6%	54%	61 %
Long-term liquidity	42%	26%	45%	40%	36%	45%	19.3%	39.4%	46%	39%

Source: Bank of Albania.

The Bank of Albania has carried out structural operations, aimed at increasing the share of performing operations in the secondary market. In 2019, ALL 7.8 billion of T-bills were purchased in the secondary market compared to ALL 11.50 billion in 2018 and ALL 9.30 billion in 2017. The participation of banks in these auctions has been high in first 9 months of the year, but quite low in its last quarter.

STANDING FACILITIES

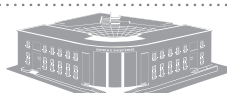
Standing facilities - overnight deposits and overnight loans at the Bank of Albania - are instruments available to commercial banks to manage liquidity on a daily basis and define a corridor in which interest rates fluctuate in the interbank market. After the narrowing of the corridor in 2018 to 1.80 percentage points, there have been no changes in the policy rate or well as in the rates of overnight deposits and loans, keeping the corridor unchanged.

The instrument of overnight deposits has been used daily with an average of ALL 6.74 billion compared to an average of ALL 4.55 billion in 2018. The use of overnight loans decreased to only 16 cases compared to 42 cases in 2018 and 20 cases in 2017. An increase in forecast quality and an increase in the limitations of banks' participation in the Bank of Albania injecting auctions have had a positive impact on reducing the use of credit.

REQUIRED RESERVE

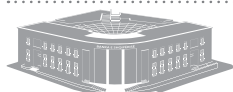
The required reserve in lek is a monetary policy instrument that aims to adjust liquidity in the banking system and enables the stabilisation of interest rates around the key interest rate of the Bank of Albania.

In 2018, within the framework of measures taken to increase the use of the domestic currency in the financial market, mobilisation rates for holding required reserves in lek, US dollar and euro changed. The mobilisation rate for the domestic currency decreased from 10% to 5.0% and 7.5%, depending on the type of liability. For foreign currencies the rate increased to 12.5% and 20%, depending on banks' level of exposure to liabilities in foreign currency, where



to banks with higher exposure a higher rate is applied. In August 2019 the 1-year period, when part of liabilities for the foreign currency reserve could be held as counter-value in lek, ended.

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 policy rate, from 70% in 2018. This decision has increased the volume of liquidity that has, as a reference to cost, the policy interest rate. The remuneration of required reserves in foreign currency accounts and of bank surpluses at the Bank of Albania has not changed. Starting from September 2016, the remuneration interest rate for the required reserve in euro is equal to the overnight deposit of the European Central Bank, which in 2019 decreased to -0.50%. 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 remained at 0% in 2019, as in the previous two years. On the other hand, the remuneration interest rate of the surplus reserve in euro remained 0.25 percentage point lower than the interest rate of the deposit of the European Central Bank.



2.3. FINANCIAL STABILITY AND MACRO-PRUDENTIAL POLICY

In accordance with the legal framework on which its activity is based, the Bank of Albania has a primary role in drafting and implementing macro-prudential policy, which has as a final objective safeguarding financial stability. Macro-prudential policy includes the analysis and assessment of systemic risk and the implementation of measures, mainly prudential, for its mitigation. According to the "Macro-prudential Policy Strategy"¹⁷, macro-prudential policy safeguards financial stability by: a) acting to prevent the accumulation of risks in the financial system; and b) strengthening the resilience of the financial system.

The framework of macro-prudential policy, which includes definitions for financial stability and systemic risk, the macro-prudential policy cycle and the decision-making process, ultimate and intermediate objectives, indicators used to monitor systemic risk and instruments that may be used to fulfil each of the intermediate objectives, as well as the principles of inter-institutional cooperation and communication and transparency, are defined and explained in the Macro-prudential Policy Strategy.

2.3.1. MACRO-PRUDENTIAL POLICY

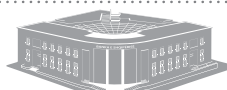
In 2019, the Bank of Albania achieved a considerable and significant part of the objectives defined in the Medium-term Strategy for 2019-2021¹⁸ towards supporting and safeguarding financial stability. All strategic objectives of the period are oriented towards developing the instruments, indicators and analytical methods that enable monitoring of systemic risks and fulfilling the intermediate objectives of macro-prudential policy. They are:

1. Mitigation and prevention of excessive credit growth and borrowing;
2. Mitigation and prevention of excessive maturity mismatch and market illiquidity;
3. Limitation of direct and indirect exposure concentrations;
4. Limitation of excessive risk-taking by systemically important financial institutions;
5. Safeguarding the stability of the financial infrastructure.

In terms of implementing the macro-prudential policy, the Bank of Albania's work focused on building and implementing capital buffers as macro-prudential instruments, and in developing a complete package of analytical indicators for monitoring systemic risks and warning on their performance.

¹⁷ The "Macro-prudential Policy Strategy" was adopted by the Decision of the Supervisory Council No 38, on 02.08.2017 and can be found at: Financial Stability/Macro-prudential Policies/ Macro-prudential Strategies.

¹⁸ "Medium-term Development Strategy of the Bank of Albania for 2019-2021".



THE REGULATION ON MACRO-PRUDENTIAL CAPITAL BUFFERS

One of the objectives set forth in the Medium-term Strategy of the framework for promoting the stability of the financial system was the implementation of macro-prudential capital buffers for the banking sector, which improve the resilience of the banking sector towards systemic risks of a cyclical and structural nature. After several months of consultation with the banking industry and relevant structures within the Bank of Albania, in June 2019, the Supervisory Council of the Bank of Albania adopted the Regulation "On macro-prudential capital buffers". The Regulation provides for the use of reserved capital buffers, countercyclical capital buffers, capital buffers for systemic banks and capital buffers for systemic risk, as macro-prudential policy instruments, and fully approximates the relevant definitions of the legislation of the European Union¹⁹. The Regulation and the accompanying methodological materials to calculate the countercyclical buffer rate for Albania, calculate the systemic importance ranking and the capital buffer for systemic banks are published²⁰.

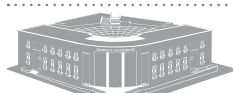
In accordance with the provisions of this Regulation, at the end of each quarter starting from the second quarter of the year, the Bank of Albania has published three decisions from the Governor²¹, which announce the requirement for capital conservation buffer, countercyclical capital buffer, as well as the list of systemically important banks and the required capital buffers for each of them. For the first time, banks must report on fulfilment of the relevant requirements for macro-prudential capital buffers starting from the end of March 2020. During 2019 H2, the Bank of Albania and the banking sector committed to build and test the reporting system by which banks will report fulfilment of macro-prudential capital buffers.

The establishment of macro-prudential capital buffers represents an important achievement towards approximation with the relevant standard of the European Union defined in the legislation of the European Parliament and the Council of Europe and with the relevant technical standards published by the European Banking Authority and the European Systemic Risk Board.

¹⁹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of Europe "On prudential requirements for credit institutions and investment firms" known as the Regulation of Capital Requirements and the Directive 2013/36/EU "On access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms".

²⁰ The Regulation approved by the Supervisory Council Decision No 41 of 05.06.2019, together with the accompanying methodology, can be found at the website of the Bank of Albania at: Financial Stability/Macro-prudential Policies/ Instruments of Macro-prudential Policy/Approved Acts.

²¹ Decision of 28.06.2019 "On the determination of the macroprudential capital buffers" and decisions of 30.09.2019 and 24.12.2019 "On the assignment of countercyclical capital buffer". The decisions are published in the website of the Bank of Albania at: Financial Stability/Macro-prudential Policies/ Instruments of Macro-prudential Policy/Instruments and Decisions.



BOX 3 MACRO-PRUDENTIAL CAPITAL BUFFERS

The objective of a capital conservation buffer is to conserve the capital of a bank. In European Union countries, this buffer has a maximum value of 2.5%. In Albania, the Regulation provides that this buffer have the value 0.5% for 2020 and will increase gradually to 2.5% starting from 1 January 2024. This buffer shall be implemented at the same value for each bank.

The purpose of a countercyclical capital buffer is to counteract the pro-cyclicality of the financial system. Implementation of the requirement for this capital buffer enables banks to collect capital during the periods when cyclical systemic risk is increasing. Capital reserve collected in this way increases the resilience of banks and creates conditions for absorbing losses in the case of future materialisation of risk. This way, volatility in the cycle of lending and the contribution of the bank to financial intermediation is more stable. In the European Union, this rate has started to be announced since 2015 and reflects developments in the financial cycle of each country. The majority of European countries currently apply a countercyclical capital buffer between 0% and 1% and a smaller number of countries apply buffers that reach up to 2.5%. In Albania, the Bank of Albania announces this rate every three months, for the relevant exposures of banks within the country.

Capital buffers that apply to systemically important institutions reflect the importance of these banks for the stability of the financial system. For systemically important financial institutions the application of requirements for capital buffers at the global levelⁱ is performed in accordance with a methodology drafted by the "Basel Committee on Bank Supervision" and their identification of the level of the particular jurisdictionⁱⁱ is realised according to a methodology developed by the European Banking Authority. The list of systemically important banks at the global level up to the end of 2019 contained 30 banks and the buffer range was 1.0% - 2.5%. The methodology used by the Bank of Albania reflects the international standard as well. Banks are ranked according to the grade of systemic importance, which reflects a combination of size, interconnection, degree of substitutability and local sensitivity. Based on the ranking, and the inclusion in relevant baskets, the capital buffer is also defined for systemically important banks.

The capital buffer for systemic risk aims to address long-term and non-cyclical systemic risks. This buffer, which as a rule may ranges from 1% to 3%, has a relatively broad spectrum of utilisation and is aimed at those risks which are not addressed sufficiently by other macro-prudential capital buffers. The Regulation of the Bank of Albania also gives broad flexibility to this measure, but currently it is not used.

ⁱ Other Systemically Important Institutions – O-SIIs.

ⁱⁱ Other Systemically Important Institutions – O-SIIs.

MACRO-PRUDENTIAL MAP OF SYSTEMIC RISKS

In 2019, the Supervisory Council of the Bank of Albania took into consideration, for the first time, the six-month analysis²²: "Developments in the macro-prudential

²² This report is prepared in the first and third quarter of the year.



map indicators". The map includes and monitors the performance of selected indicators of systemic risk, grouped by the intermediate objectives of macro-prudential policy.

For each objective, indicators are selected which better signal the systemic risk around which the objective has been built²³. Monitoring of the risk signals registered by each indicator is done by comparing the current value and performance in time of the indicator against a critical value or a comparative threshold. If a certain indicator exceeds the comparative threshold, presented in the map with a particular system of intervals, this is a signal of the accumulation of systemic risk.

Table 5 Main indicators of the macro-prudential map by intermediate objectives and relevant comparative thresholds

Intermediate objective	Name of base indicator	Comparative threshold
Mitigation and prevention of excessive credit growth and borrowing;	"Lending to the economy/GDP" ratio gap	2 pp
	Annual change of outstanding lending	9%
	Annual change of foreign currency lending unhedged from the exchange rate	0%
	Annual change in Consumer Price Index	4%
	Early complementary Warning Indicator (ECWI)	0.5%
	Bank Stress Materialisation Indicator (BSMI)	0.5%
Mitigation and prevention of excessive maturity mismatch and market illiquidity	Liquid assets to total assets	20%
	Cumulative gap up to 7 days	0%
	Interbank ALL/EUR exchange rate spread	HA/1
	Quarterly average of the interbank overnight interest rate	HA/1
Limitation of direct and indirect exposure concentrations	Excessive exposures to Tier 1 capital	200%
	Exposure to 5 main countries to bank assets	HA/1
	Liabilities of SCAs and NBFIs to banks/SCAs and NBFIs assets	20%
	Foreign currency assets to total assets	40%
Limitation of excessive risk-taking by systemically important financial institutions	Interbank exposure to total bank assets	HA/1
	Non-resident claims to total bank liabilities	8%
	Herfindahl index for substitutability (banking sector)	2200
	Herfindahl index for systemic importance grade (systemic banks)	3000

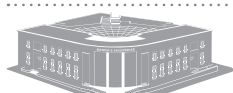
1/Historic average

In addition to the analysis of indicators and risks for each objective, the report includes a particular section with recommendations on macro-prudential measures that may be taken, modified or deactivated during the following period. Over 2019, based on analysis of the indicators of the macro-prudential map, no measure of a macro-prudential nature has been recommended except for the macro-prudential capital buffers defined in the relevant Regulation.

2.3.2. FINANCIAL STABILITY AND RISK ASSESSMENT

The financial situation of the banking sector and the financial system up to the end of 2019 remain stable with good levels of profit. Macroeconomic conditions

²³ E.g. for the first objective, which aims to mitigate and prevent the excessive increase of lending, two base indicators are "Lending to the economy/GDP" ratio gap and "Annual change of outstanding lending".



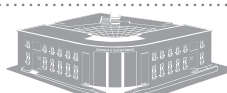
have been favourable and monetary policy has maintained an accommodative pace. The financial intermediation degree has not changed compared with the previous year, remaining at 107% of GDP, whereas a slight contraction in the share of the banking sector has been compensated by an increase in the share of non-bank financial intermediation, savings and loan associations and insurance companies. The banking sector, which has around 90% of share in financial intermediation, ended 2019 with a positive financial result, a good capitalization level, abundant liquidity at significantly higher levels than the minimum regulatory requirements, and a significant improvement of assets quality compared to the previous year. Overall, the activity of the banking sector expanded by 2% during 2019, where the main contribution came from the expansion of operations with securities. The Return on Assets (RoA) and the Return on Equity (RoE) indicators registered 1.4% and 13.5%, respectively, with a slight increase from the previous year. The Capital Adequacy Ratio registered a decline of 0.4 percentage point, to 18.3%, remaining significantly higher compared with regulatory requirements.

ASSESSMENT OF SYSTEMIC RISKS

The Bank of Albania assesses that the exposure of the banking sector to systemic risks remains contained. However, continuation for an extended period of time of an environment with low interest rates has exerted pressure on the performance of net income from interests and the structure of maturity of banking deposits. On the other hand, the use of foreign currency in the banking sector and real economy remains high, and this phenomenon exposes banking activity to foreign currency liquidity risk and to indirect exchange rate risk.

Focusing on the signals that come from the indicators of the macro-prudential map, we notice low levels of risk related to expansion of lending and increase of debt levels. For risk related to mismatch maturity and the situation of liquidity in the market the relevant indicators signal an increase of risk, but the abundant presence of liquid assets serves as a mechanism to mitigate the risk that may derive from liquidity volatility. Regarding risks related to banking activity levels of concentration, overall indicators show that the concentration of activity in the banking sector toward large borrowers, other non-bank entities and sectors of the economy is at acceptable levels. At the same time, levels of concentration by currency remain over the comparative threshold and need to continue to be monitored. Systemic risk arising from systemically important financial institutions is assessed to have declined, but the share of systemically important banks in the banking sector remains significant.

Overall, developments in the indicators of the real estate market, in the differences of medium-term maturities between assets and liabilities of the banking sector, the concentration of the exposure of the banking sector to foreign currency and the share of systemically important banks, need to be carefully and continuously monitored.



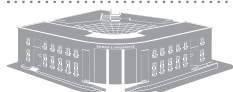
RISKS TO ACTIVITY

Credit risk is assessed to have registered a significant mitigation. The non-performing loan ratio declined to 8.4%, from 11.1% at the end of 2018, and the non-performing loan stock contracted by around 25% reflecting mainly the decline of the non-performing loan stock for enterprises, long-term and foreign currency. The hedging of outstanding loans with provisions and collateral remain at adequate levels. The improvement of lending portfolio quality has come as a result of settlements, write-offs and partial restructuring of losses and non-performing loans. The lending activity of banks is supported by the expansion of lending in the domestic currency mainly to enterprises, whereas lending in foreign currency had registered a decline in annual terms. The Bank of Albania assesses that the requirement to banks for the obligatory write-off of loans classified as lost for more than 2 years, will continue to help the decline of non-performing loan stock and the clean-up of banks' balance sheets from non-performing assets in subsequent years. At the same time, the Bank of Albania constantly instructs banks to be careful of new loans' quality and the continuous monitoring of new non-performing loans.

The interest rate risk and the direct and indirect exchange rate risk to the activity of the financial system and the banking sector remain present and have not registered significant changes compared to the previous year. The current value and performance of the gap between assets and liabilities and particularly the assessed gap for assets and liabilities with variable interest rates, suggest that the banking sector remains exposed to interest rate risk. However, a rapid and near increase of interest rates, particularly in the conditions created after the earthquake of 26 November 2019, is assessed as an event with low probability of occurrence in the short-term future. The direct exchange rate risk continues to remain limited since open foreign currency positions of the banking sector and of particular banks account for a very small share of regulatory capital and is significantly lower than the upper regulatory limits. The exposure to indirect exchange rate risk continues to be significant since foreign currency loans unhedged to the fluctuation of the exchange rate remain high (45%), despite contraction of the share of foreign currency loans against outstanding lending.

In the framework of engagement in the inter-institutional strategy to strengthen the use of the domestic currency (and decrease the use of foreign currency), the Bank of Albania has taken several measures and has continued to publish twice a year the reports provided in the Memorandum of Cooperation²⁴ on the assessment of their effectiveness. The analysis shows that the changes, although positive, have been small and may take longer to fully reveal the impact of the measures. The Bank of Albania assesses that the successful fulfilment of the objective of the inter-institutional strategy towards increasing the use of the domestic currency requires the full and continuous engagement of the responsible institutions.

²⁴ The Memorandum signed by the Ministry of Finance, the Bank of Albania and the Albanian Financial Supervision Authority No 1069 of 18.04.2017 "On the expansion of the use of domestic currency in the Albanian financial system and economy".



2.4. SUPERVISION

The supervisory function of the Bank of Albania has as its main objective the early identification and control of major risks such as lending risk, liquidity risk, operational risk, interest rate risk, capital and profitability risk, reputational risk and money laundering and financing of terrorism risk in banks. The assessment of internal audit and the effectiveness of corporative governance also constitute a particular focus in supervision, as significant factors in mitigating risk in the entire sphere of banks' activity, but also of other non-bank entities which are licensed by the Bank of Albania.

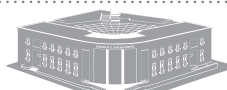
Timely action and effective regulatory measures through ongoing supervision and their implementation remain one of the most important steps to successfully finalize the ultimate goal - to preserve the soundness of financial entities.

2.4.1. MAIN DEVELOPMENTS

In 2019, the bank consolidation process, started years ago, was concluded, bringing the number of banks to 12. This process reformed the domestic banking market, which is now experiencing an increase in the presence of domestic capital, where 4 banks with a share of 29.3% in the market, are owned by this capital. In 2019, the process of ownership transfer for two banks was concluded, as well as the absorption of one bank as well and the self-liquidation of another. Specifically:

- The majority of the shares of Tirana Bank were transferred from Piraeus Bank to new shareholders, Balfin Group. This transfer was approved by the Supervisory Council of the Bank of Albania. With this transfer, the transfer of the management of the bank to the new shareholder was also concluded.
- The qualifying holding of the shares of the Societe Generale Bank Albania was transferred to the ownership of the shareholder of OTP Bank Nyrt, Hungary. After this approval the bank changed its name to OTP Bank.
- The process of full absorption of the International Commercial Bank by Union Bank was completed during the year after the transfer of 100% of the shares was previously approved.
- The licence of Credit Bank Albania was revoked, after the decision of shareholders on its voluntary liquidation.

The map of the representation of banks with branches in various regions of the country also underwent downward changes. This trend was due mainly to the consolidation of the banking system and the reduction of the number of banks.



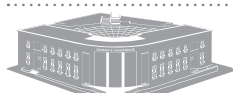
During the year, approval of the regulatory framework for the implementation of the Tirana Approach²⁵ project was finalised, having gone through a phase of intensive discussions with stakeholders, including representatives of the FinSAC project. This project aims to establish a common inter-bank platform for finding an adequate solution (out of court) for large past-due borrowers.

For the first time in 10 years the non-performing loans indicator fell to a single digit level. The value of non-performing loans reached ALL 48.2 billion, with an annual decline of 25%. The developments of the lending portfolio quality continue to remain under supervisory attention, through on-site inspections or promotion of non-judicial solutions according to the new platform, particularly in the condition of potential negative impacts from the earthquake of 26 November 2019. Meanwhile, the factor of non-performing loans write-off, particularly after the regulatory change through which banks are obliged to write-off loans classified as loss for more than 2 years (from 3 years according to the previous regulation) is expected to contribute to the decline of non-performing loans indicators.

In the framework of implementing the recommendations from the Committee of Experts of CoE on the Evaluation of Anti-Money Laundering Measures and counter Terrorist Financing (MONEYVAL), the Bank of Albania is included in the implementation of the national plan of measures, in order to improve the regulatory framework and strengthen the effectiveness of the supervisory process. Consequently, assessment of the risk exposure of entities to the prevention of money laundering and combating the financing of terrorism has been the focus of the review of the banking regulatory framework and examinations. The findings and recommendations from this process were factored in the drafting of supervisory plans for the more exposed entities, such as the Foreign Exchange Bureaus. According to these plans 97 FEBs were examined for MLP/TFP, for 31 of which supervisory and administrative measures for identified deficiencies were taken, and the licenses of 7 were revoked.

The supervisory process this year was also characterised by a series of collaborations with national and international institutions in order to achieve the objectives of the Bank of Albania and approximating with the best international standards. Among local institutions, the Bank cooperated particularly with the General Directorate for the Prevention of Money Laundering (GDPML) toward implementation of the recommendations of Moneyval and providing relevant reports to the experts of Moneyval and FAG (Financial action group), conducting joint examinations and review of the legal and regulatory framework. Also, BoA assisted the Albanian Financial Supervision Authority in various examinations in the banking sector, in order to fulfil the legal and regulatory obligations of this authority.

²⁵ Since the moment of drafting and presenting it up to its approval and implementation, this Regulation is called as "Tirana Approach", in the view of a parallelism with similar initiatives undertaken in other countries, but with specifics related to its objective and the economic and legal context to be implemented.



Cooperation with international financial institutions extended to several dimensions. During this year, participation in the supervision colleges organised by the European Central Bank was realised, in order to exchange information with some of the banks with EU origins that operate in the Albanian market.

This year communication with the National Bank of Hungary started, with a focus on signing a cooperation agreement, mainly for information exchange. The preliminary agreement is expected to be ratified in 2020.

Cooperation with the IMF has continued in the framework of the multi-year project for the development of supervisory and institutional capacities according to a risk-based approach, part of the strategy of the Bank of Albania. In this context, we particularly highlight the drafting of the internal methodology on the Supervision Review and Evaluation Process (known as SREP) as well as other regulations finalized and approved in 2019. The project will continue during the first part of 2020, which provides for the calibration of requirements for capital buffers of banks according to the second pillar of the Basel framework for capital adequacy, as well as the presentation in the banking industry of some revised, or new, regulations, according to best market practices. Also, cooperation with EBRD for the improvement project of the regulatory framework towards the sound governance of banks has continued, through the technical assistance and expertise of Deloitte London and Albania.

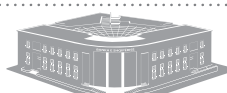
2.4.2. ON-SITE EXAMINATIONS

In 2019, 17 full-scope and partial examinations were performed, covering almost all banks, three non-bank financial institutions, one SLA and 97 Foreign Exchange Bureaus. The examinations programme also took into account the development in the structure of the banking system as well as the commitments of the Bank of Albania in the framework of fulfilling the recommendations of the experts of Moneyval.

Table 6 Number of examinations by entities and theme

Examinations carried out on entities	Strategic risk	Organisational risk	Credit risk	Liquidity risk	Interest rate risk	Market risk	Information and Communication Technology	Operational risk	Reputational risk	Profitability	Capital
2017	9	12	13	10	10	9	11	8	11	10	11
2018	8	10	9	8	8	8	9	8	48	9	8
2019	13	13	16	13	13	14	13	13	113	13	15

The examinations on banks have as an objective the on-site assessment of all risks, theme examination on the assessment of specific identified risks,



and examinations on the follow-up of the recommendations left by previous examinations.

Theme examinations were mainly focused on the management process of non-performing loan portfolios, to continuously decrease them. They were also used to assess the internal methodologies of banks on the calculation of capital requirements for internally identified risks, in accordance with the guideline "On the internal assessment process of capital adequacy".

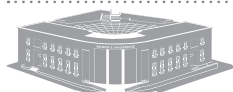
The recommendations left have identified the main risks to which banks are exposed. Their nature is related to improvement of the risk management quality through methodological improvements, the internal analyses quality of information systems, and changes in the internal regulatory and procedural framework. The objective of the recommendations has also been the improvement of bank governance, an increase in the role of the Board of Directors in bank management, as well as an increase in requirements for information and monitoring of executive structures. Meanwhile, from the other internal structures of banks, the strengthening of audit lines and the qualitative increase of the risk function were required.

Overall, banks have reacted positively to the recommendations, fulfilling a good part of them within the forecasted deadlines. At the same time, for those recommendations related to such aspects as quality of governance, adequate allocation of responsibilities, effectiveness of internal audit systems, and strengthening of risk and compliance units, the process of improvement is ongoing and continues in parallel with the increase of business volumes.

Regarding non-bank financial entities and savings and loan associations, attention in 2019 was focused on entities that carry out lending activity, leasing and microcredit. Examinations have evidenced the rapid development of these entities. Relevant recommendations highlight that the increase of the activity volume of these entities must also be accompanied by an increase of governance quality, information systems infrastructure and internal audit.

Other identified issues are related to the need for a more conservative classification of part of the lending portfolio, also creating relevant reserve funds, and ensuring complete transparency in the relations with the customers.

Part of the supervisory process is also rapid reaction in cases of potential risk identification or breaches of indicators reported by bank and non-bank entities. In 2019 as well, in addition to on-site examinations, there has been frequent correspondence and contact with all entities in response to events or developments with the potential to affect their financial situation, accompanied by specific supervisory measures and requirements. The Bank of Albania has suspended, in two cases, the activity license for entities that have not maintained the minimum required capital level. As well, in one case, an order has been issued to increase capital.



2.4.3. REVIEW OF THE LEGAL AND METHODOLOGY FRAMEWORK

In 2019, the Bank of Albania drafted several new regulatory acts, as well as a review of some current acts of banking supervision, aimed at further approximation with the latest changes in the European Union (EU) acquis (directives and regulations) and in the documents of the Basel Committee. The following are the main regulatory changes approved in 2019.

I. In relation to approximation of regulatory requirements with Basel III requirements, the following were approved, respectively:

- Amendments to the Regulation "On the regulatory capital of the banks", which approximate the requirements of the Bank of Albania on capital ratios with the requirements of Basel III.
- The new Regulation "On liquidity coverage ratio", which aims to complete the regulatory framework on liquidity risk management, through the presentation of a new indicator (liquidity coverage ratio), as well as the definition of banks' requirements on the creation of a liquidity reserve that in conditions of liquidity stress hedges net outflows, within a time horizon of 30 calendar days.
- The new guideline "On banks' stress tests" which defines the requirements and methodologies on banks carrying out stress tests, as part of their risk management process, particularly in the framework internal assessment process of capital adequacy.

II. Pursuant to implementation of the recommendations of Moneyval experts, provided during Round V of the evaluation for Albania, eight regulations on licensing and supervision regarding the prevention of money laundering and combating the financing of terrorism were reviewed. Specifically, the following regulatory amendments were adopted:

- Regulation "On licensing and carrying out the activity of banks and branches of foreign banks in the Republic of Albania";
- Regulation "On licensing and activity of non-bank financial entities";
- Regulation "On licensing and activity of savings and loan associations and their unions";
- Regulation "On licensing, organisation, activity and supervision of foreign exchange bureaus";
- Regulation "On managing risk in the activity of non-bank financial entities";
- Regulation "On the prevention of money laundering and combat the financing of terrorism";
- Regulation "On consolidated supervision";
- Regulation "On supervision of e-banking transactions".

Amendments to the licensing regulations primarily define additional requirements of the Bank of Albania for applying entities, during the licensing process related



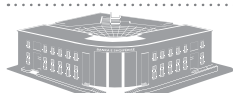
to the integrity of shareholders/partners (including indirect shareholders/partners and final beneficiaries). Focus is also expanded to persons related to shareholders/partners, if they have criminal records, and to requirements for entities in relation to continuous reassessment of the integrity of shareholders/partners when reporting results to the Bank of Albania at least once a year. Amendments to the Regulation "On risk management and activity of non-bank financial institutions" define the requirement of an internal audit function/unit and the compliance function, as independent units and an important part of the audit system, as well as the responsibilities and obligations of these functions. The amendments in the three other acts aim to further strengthen the requirements of the supervisory authority on entities, for a better risk management of money laundering and combating the financing of terrorism, at both the individual and group level.

III. In order to fulfil the commitments undertaken by the Bank of Albania in the framework of the National Plan on Addressing Non-performing Loans (Tirana Approach) the following were adopted:

- The requirements of the Regulation "On out-of-court treatment of distressed borrowers by banks", which aims to improve the treatment of distressed borrowers, through structured and efficient cooperation between banks. This Regulation is expected to serve as a cooperation platform, where banks coordinate their attempts and find solutions that reflect the nature of the borrower's difficulties by creating facilities for generation of liquidity, to continue and to recover activity and to settle liabilities with banks.
- Amendments to the Regulation "On credit risk management by banks and branches of foreign banks", which are in line with the new above-mentioned Regulation and that aim to strengthen the classification criteria and provision of restructured loans, after 1 January 2021, when these amendments enter into force, as well as define the reduction of the write-off limit of loss loans by banks from 3 years to 2 years.

IV. In 2019, several new project-acts or draft-amendments of regulatory acts in force were also prepared, which are expected to be adopted in 2020. Specifically:

- Pursuant to the continuous approximation with the requirements of the European Regulation (CRR) 575/2013/EU "On prudential requirements for credit institutions and investment firms". Several project-amendments of the Regulation "On the Capital Adequacy Ratio" were drafted, which aim mainly at presenting the method based on the assessment of credit quality by the counterparty itself, on the definition of the risk share for several particular exposures.
- Several project-amendments to the Regulation "On risk management from large exposures of banks" were drafted, based on the 2019 amendments of the relevant EU Regulation, and on the Basel documents



- on the large exposure regime.
- Work on a draft of the Regulation "On defining the conditions for granting preliminary approval on financial supporting agreements within the banking group" was finalised. This was drafted pursuant to the Law on resolution.

2.4.4. LICENSING FRAMEWORK AND APPROVALS

The Albanian banking sector continues to be dominated by EU-based banking group subsidiaries. The number of banks declined to 12 from 14 banks that were operating at the end of 2018.

The decrease of the number of banks at the end of 2019 was due to the revocation of the license of two banks, after the end of the merger by absorption of the International Commercial Bank sh.a. by the Union Bank sh.a, and completion of the voluntary liquidation process of the Credit Bank of Albania sh.a.

In 2019, the Bank of Albania issued preliminary approval for the transfer of 100% of the ownership of the shares of the International Commercial Bank sh.a. to the Union Bank sh.a. and the legal reorganisation of the Union Bank sh.a. through merger by absorption with the International Commercial Bank sh.a.; ownership of the qualifying holding of shares of three banks; increasing the financial activity in the role of insurance agent of one bank; amendments to the statutes of banks; appointments of legal auditors of all banks, the issuance or settlement of subordinate debt from banks; on signing an outsourcing agreement with third parties; on offering e-banking services.

The Bank of Albania approved 64 bank administrators, specifically by position classification, 31 members of the steering council, 13 members of audit committees and 20 executive directors and managers of the bank's internal audit.

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

	2015	2016	2017	2018	2019
Banks in Albania, of which:	16	16	16	14	12
Branches of foreign banks	-	-	-	-	-
Banks' ownership structure, by capital origin, of which:					
Majority foreign owned ¹	13	13	13	11	8
- EU-based banks	9	9	9	7	6 ²
- Turkish based	1	1	1	1	1 ³
- Majority owned by an international financial institution (Saudi Arabia)	1	1	1	1	1 ⁴
Majority Albanian owned	3	3	3	3	4 ⁵

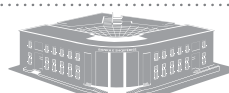
¹ The majority' is in any case a simple majority of 50 per cent of votes plus 1 vote.

² Banks with capital origin from EU countries at the end of 2019 are from: Italy (Intesa Sanpaolo Albania), Austria (Raiffeisen), Germany (Procredit), Hungary (OTP Bank, Albania), Greece (Alpha Bank Albania), and Bulgaria (First Investments Bank Albania).

³ National Commercial Bank.

⁴ United Bank of Albania.

⁵ Majority Albanian owned banks at the end of 2019 are: Union Bank, Credins Bank, American Bank of Investments and Tirana Bank.



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 (through closure, merger) for 23 branches/agencies within the country. As of the end of 2019, banks operated through 429 branches/agencies.

Based on submission of application, the Bank of Albania licensed one non-bank financial institution for the exercise of the financial activity of factoring (Tirana Capital Trade sh.p.k.) and a microcredit financial institution (Micro Credit Risk sh.p.k.). Meanwhile, the activity licenses of two non-bank financial institutions were suspended. The number of licensed non-bank financial institutions was 32 at the end of 2019. Meanwhile, part of approvals for non-bank financial institutions were preliminary approvals for 9 administrators, and approvals for the transfer of qualifying holding of capital quotes to three entities.

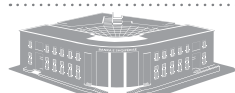
In 2019, a new savings and loan association was licensed (Tirana Invest Kredit 2000), and at the end of year there were 14 savings and loan associations and one union of savings and loan associations.

In 2019, 51 new foreign exchange bureaus were licensed, while licences were revoked for 11 existing foreign exchange bureaus. As of the end of 2019, 503 foreign exchange bureaus were operating in the foreign exchange market.

Table 8 Number of banks, non-bank financial institutions, savings and loan associations and foreign exchange bureaus licensed by the Bank of Albania (end-period)

	2015	2016	2017	2018	2019
Banks and branches of foreign banks	16	16	16	14	12
Non-bank financial institutions	27	28	31	30	32
Foreign exchange bureaus	397	428	426	463	503
Unions of Savings and Loan Associations	2	2	1	1	1
Savings and Loan Associations	111	13	13	13	14

Source: Bank of Albania.



2.5. RESOLUTION

In accordance with the Law No. 133/2016 "On the 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 2019, Resolution at the Bank of Albania has oriented its activity toward fulfilling the targets envisaged in the medium-term strategy such as:

- a) Strengthening resolution in banks;
- b) Completion of the regulatory and methodological framework for resolution;
- c) Monitoring the Resolution Fund;
- d) Enhancing human and logistical capacities.

In order to strengthen resolution capacity, the Bank of Albania is committed to drafting specific plans for each systemic bank and continuously improving the banks' reporting in this regard.

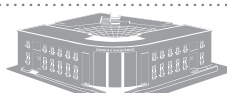
Also, an important part of the activity of this function has been the identification and evaluation of critical functions of banks and the evaluation of recovery plans drafted by banks in terms of the impact that these plans have on resolution in banks.

In order to regulate the process of resolution and in compliance with legal obligations, the Bank of Albania has drafted and approved several by-laws. The process of administration and monitoring of the Resolution Fund has been continuously improved in the framework of achieving the target level of this fund on time.

The year 2019 marks the first participation of the Resolution Authority of Albania in the Resolution Colleges at European level, which are organized by the Single Resolution Board (SRB) for European banks or banking groups which are in the jurisdiction of the SRB. This participation is important in terms of harmonizing the practices of resolution for the branches of European banks operating in Albania.

2.5.1. STRENGTHENING RESOLUTION IN BANKS AND RESOLUTION PLANS

In order to fulfil the objective of strengthening resolution in banks, in 2019, the Bank of Albania completed the first cycle of drafting resolution plans for systemic banks, according to the regulation "On the content of the resolution plans" and the information reported by the banking sector for this purpose. An important part of these plans consists in drafting a strategic analysis of the business model for each bank; identifying the functions of critical importance



that should continue to be offered even in resolution; assessing the internal and external critical interdependencies of the bank; identifying the infrastructure of financial services and critical systems that support them.

The resolution plan envisages the preferred strategy for resolution and the instrument that will carry out this strategy. It also envisages several measures to ensure financial and operational continuity that will ensure business continuity after the resolution. The plan also envisages communication with interested parties as an important element of transparency in the framework of respecting the principles of resolution. Also, an important element of the plan is the evaluation analysis of resolution, as a tool to identify possible obstacles to the implementation of resolution and pursuing measures to minimize them.

BOX 4 RESOLUTION PLAN

The Bank of Albania is responsible for drafting a resolution plan for each bank. This plan contains in detail all the necessary steps to be taken in case a bank is in a situation of insolvency.

The resolution plan aims mainly to explain how banks operate and their critical functions, important for the economy; it aims to identify possible obstacles to the implementation of the resolution plan and to prepare the entire necessary infrastructure (legal, financial, operational) for the implementation of resolution in case banks face difficulty.

The drafting of a resolution plan follows several steps which are briefly explained below.

***The first step** of the plan is to **prepare a strategic analysis** where the Bank of Albania analyses the structure of the bank, its ownership and legal framework, financial position, business model, the critical functions it offers, internal dependencies that the bank has towards the banking group that it is part of as well as external dependencies to third parties, as well as operational systems and bank infrastructure.*

***The second step** is to choose **the preferred resolution strategy**. This step is important to determine what will happen to the bank if it is unable to pay: will it be liquidated under compulsory liquidation procedures or will it be placed in resolution, where the Bank of Albania will implement one or more of the instruments defined by law for this purpose? If it is considered that the bank should be placed in resolution in fulfilment of the objectives of the law, then the Bank of Albania determines the specific strategy and instruments that it intends to use for the resolution in banks.*

***The third step** of the plan is **to ensure operational and financial continuity** in the bank, even if the bank is in difficulty. In this step, the resolution plan evaluates all the procedures that the bank must draft in order to ensure continuity of financial and operational resources, during the implementation of resolution, but also after implementing it.*

***The fourth step** is related **to access to information and communication plan**. This*



part of the resolution plan explains all the rules and procedures to ensure that the Bank of Albania has all the necessary information it will need to implement the resolution in a timely manner. The plan also includes how the plan will be communicated internally and externally, before, during and after resolution.

The fifth step consists of **summarizing the plan and assessment for resolution possibility**. In this step, all potential impediments to the implementation of the plan should be identified, notifying the bank on the entirety of the steps it must take to remove these potential impediments.

Resolution plans are drafted in cooperation with the banking sector, which is involved in providing the necessary information for the drafting of these plans and is engaged in removing potential impediments to the implementation of the relevant plan. The plan is reviewed annually by updating the relevant information in line with developments in the bank and further deepening of the operational steps for its efficient implementation.

Based on experience gained, for the second cycle of information on resolution planning, the necessary information reporting forms for drafting plans was reviewed, reflecting improvements in the information structure. Along with the forms, the guideline²⁶ for completing the resolution plan forms was reviewed as well.

In the framework of resolution planning, in September 2019, bilateral meetings with representatives of systemic banks were organized, in order for them to get acquainted with the content of the plan during which the selected strategy and instrument, the regulatory capital requirement for instruments, eligible liabilities and identified impediments for the implementation of and efficient resolution planning, were discussed.

In conclusion, since the continuity of critical functions is one of the objectives of resolution and an important part of the resolution planning process, in 2019, a detailed analysis was carried out to identify these functions based on the methodology drafted for this purpose. This methodology takes into account the impact that would have the termination of the critical function offered by a bank to third parties and the market's ability to replace it.

2.5.2. COMPLETION OF THE REGULATORY AND METHODOLOGICAL FRAMEWORK FOR RESOLUTION

In 2019, two sub-legal acts drafted pursuant to the Law no. 133/2016 "On recovery and resolution in banks in the Republic of Albania" were finalized and approved by the Supervisory Council of the Bank of Albania.

²⁶ Guidelines for completing the forms of resolution plans and the forms for gathering information needed to draft the resolution plans are available at the website of the Bank of Albania: https://www.bankofalbania.org/Resolution/Planning_the_Resolution/



Thus, the Supervisory Council approved the Regulation “On determining the level of competencies exercised by the Bank of Albania on recovery and resolution in banks”, which defines the internal units of the Bank of Albania and the heads of its organizational units, who issue individual administrative acts in compliance with the competencies of the Bank of Albania on recovery and resolution.

Also, the Supervisory Council approved the Regulation on “Valuation for the purposes of resolution” which defines the terms and conditions for selecting the independent valuer, the criteria and methodology for valuation before and after resolution and the valuation of obligations deriving from derivative products. This regulation is in line with the Regulatory Technical Standards of the European Banking Authority - EBA and the European Union Directive “On recovery resolution in credit institutions and investment firms”.

In 2019, the Bank of Albania drafted the first version of the regulation “On the minimum level requirements for capital instruments and eligible liabilities - MREL”, which is partly in accordance with the Directive “On Recovery and Resolution in Banks II”, known as BRRD II, related to the loss absorption capacity and the recapitalization of credit institutions and investment firms, as well as Regulation 2019/876 of the European Council and Parliament.

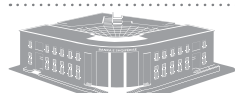
In terms of drafting a complete regulatory framework in line with the European standards recently drafted in the field of resolution, the Bank of Albania has been continuously supported by the World Bank through FINSAC²⁷.

2.5.3. RESOLUTION FUND AND MONITORING OF ITS FINANCIAL ASSETS

Law No. 133/2016 “On the recovery and resolution of banks in the Republic of Albania”, mandates the Bank of Albania to calculate the target level of the Resolution Fund and the annual contribution of each bank.

Pursuant to the Law, the target level of the Resolution Fund is 0.5% of the total liabilities of the banking sector and it is calculated as the difference between the assets and capital of banks operating in Albania, which must be built up by 2027. The target level, estimated in 2019, was ALL 6.49 billion. In April 2019, banks completed the payment of the second year of annual contributions to the Resolution Fund in the amount of ALL 650 million. These contributions, which constitute the financial assets of the Resolution Fund, are managed by the Deposit Insurance Agency in accordance with the criteria established in the investment policy of the Fund’s financial assets. At the end of 2019, the Resolution Fund reached the level of about ALL 1.3 billion.

²⁷ The Financial Sector Advisory Center (FinSAC) based in Vienna.



For the purpose of the Resolution Fund management, the Bank of Albania has continuously cooperated with the Deposit Insurance Agency, to monitor the administration of the fund's financial assets, improve and adapt the regulatory framework in accordance with the structural changes that have occurred in the banking sector, as well as the automation of banking sector reporting in the framework of calculating the target level and the annual contribution of the fund.

2.5.4. STRENGTHENING HUMAN AND LOGISTICAL CAPACITIES

An important objective of the Resolution in the Bank of Albania has been the strengthening of human and logistical capacities, which has to do with increasing the qualitative professionalism of the BoA's staff in the field of resolution, a field which is in development at the European level as well. In this regard, in 2019 the function of resolution was represented in international conferences, workshops and meetings, organized by the Single Resolution Board.

Also, during this year there has been fruitful cooperation with various units of the Bank of Albania, to achieve institutional objectives, both with the supervisory function for evaluating the recovery plans of banks, in order to evaluate the recovery options that may affect resolution in the bank, as well as with the finalization of some draft regulations with the aim of fulfilling the regulatory framework in function of the obligations of Law No. 133/2016 "On the recovery and resolution of banks in the Republic of Albania".



2.6. CURRENCY ISSUE

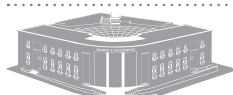
The Bank of Albania has the exclusive right for the issue and circulation of the national currency- the Albanian lek. The Bank of Albania determines the form, measure, weight, model and other features of Albanian banknotes and coins of legal tender in Albania, as well as of coins and banknotes for numismatic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

Bank of Albania objectives in the field of currency issue include improving the quality of banknotes in circulation, increasing the engagement for protection against counterfeiting and review of themes, design and security features in the Albanian banknotes series of legal tender.

After a period of more than 23 years and 4 years of work, the Bank of Albania enabled the production of a new series of banknotes of legal tender

One of the main responsibilities of the Bank of Albania is to ensure public confidence in our national currency. The central bank does this by issuing a banknote that communicates security and stability to the Albanian public. This is because banknotes represent the most tangible form of money and are at the service of all citizens.

After a period of more than 23 years and 4 years of work, the Bank of Albania enabled the production of a new series of banknotes of legal tender. The new Albanian banknote series consists of six denominations: 200 Lekë, 500 Lekë, 1000 Lekë, 2000 Lekë, 5000 Lekë and 10000 Lekë. On 30 September 2019, the first denominations of the new series, 200 Lekë and 5000 Lekë were issued and put into circulation. The printing materials for other banknotes of the series were also produced. These banknotes are expected to be put into circulation in the coming years. The 10 000 Lekë denomination banknote is expected to be put into circulation by 2020.



The primary impetus for improving the series of banknotes has been constant changes over time, related to advancements in design techniques, technology for the production of base materials and increasingly sophisticated security features. Changes have given the Albanian banknote a modern, yet durable appearance, a quality banknote with high integrity and reliability, comparable to modern standards.

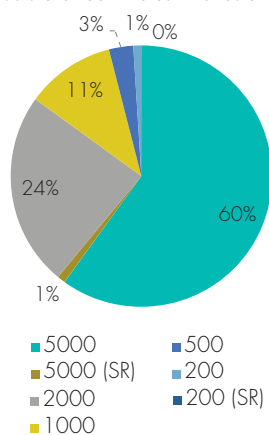
The Bank of Albania also sees the banknote as a means of communication, transmitting messages of our national identity, by taking the opportunity to evoke the most significant moments of history and honouring distinguished personalities. The theme of the existing banknotes has been retained, which follows the concept of reflecting milestones in the history of the nation, through the presentation of prominent personalities that have left a legacy in our national memory. The design of the new banknote, in addition to the portrait, includes other stylistic elements, which are related to special achievements of the portrayed historical personality.

The number and value of banknotes and coins in circulation increased in 2019

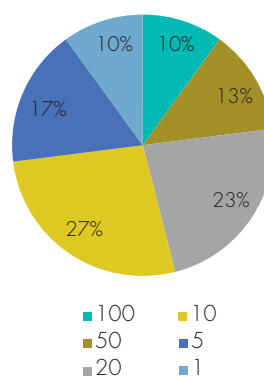
At the end of 2019, there were about 140 million notes in circulation worth about ALL 297.5 billion²⁸. Compared to 2018, the number of banknotes in circulation increased by about 3.6 million notes (2.6%), while in value there was an increase of 16.3 billion (5.8%). Change in these indicators comes as a result of the trend that the structure of money in circulation continues to favour banknotes with a nominal value of 5000 Lekë and 2000 Lekë. The average value of a banknote in circulation at the end of 2019 reached 2126 Lekë, from 2062 Lekë at the end of 2018.

Chart 25 Structure of banknotes and coins in circulation, 31 December 2019

Structure of banknotes in circulation



Structure of coins in circulation



Source: Bank of Albania.

²⁸ It is the number and value of banknotes put into circulation by the Bank of Albania.



At the end of 2019, there were 217 million coins, from 199 million at the end of 2018. The value of coins at the end of the year reached ALL 5.4 billion, from 4.8 billion at the end of 2018.

The speed of cash recirculation decreased and the quality of banknotes in circulation increased

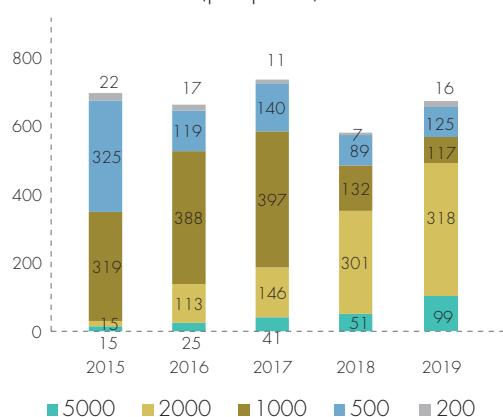
In 2019, around 93 million banknotes were processed, and were checked for authenticity and fitness for circulation. The sorting rate²⁹ was 20% compared to 24.3% in 2018. Unfit banknotes were replaced with new banknotes fit for circulation.

The banknote circulation coefficient³⁰ for 2019 was 0.67, implying that a banknote is returned to the cash desks of the Bank of Albania, on average less than once a year³¹. This coefficient is higher for 500 Lekë and 1000 Lekë banknotes (about 1.4 and about 0.98 respectively) and lower for 5000 Lekë and 200 Lekë banknotes (old series) (about 0.14 and 0.41 respectively).

Bank of Albania aims to increase and strengthen technological and administrative capacities dedicated to protecting banknotes from counterfeiting

In view of safeguarding the currency from counterfeiting, a variety of preventative actions were continuously developed and organized, focused mainly on the continuous training of professional staff who handles cash, inspections, testing and monitoring the process of authenticating and sorting machines/equipment used by staff.

Chart 26 Counterfeited banknotes trend in years (per piece)



Source: Bank of Albania.

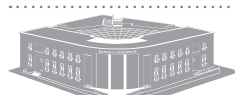
The quantity counterfeited banknotes and coins discovered in circulation during 2019, increased by 16% compared with 2018. The counterfeited amount remains insignificant compared with the amount of genuine banknotes and coins in circulation.

Unlike in previous years, the 2000 Lekë denomination has represented the largest share of total counterfeit banknotes, followed by the 500 Lekë and the 1000 Lekë denominations, differently from other years. This year the number of counterfeit 5000 Lekë banknotes increased, with a total of 99 of such banknotes identified.

²⁹ Ratio of unfit banknotes and coins to the total number of banknotes and coins sorted during 2019

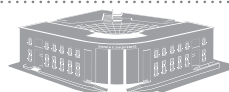
³⁰ Ratio of the number of banknotes returned to the Bank of Albania cash desks to the average annual number of banknotes in circulation.

³¹ This rate was 0.79 in 2018.



Amongst counterfeit coins, the 50 Lekë denomination (139 coins) continues to be the most counterfeited.

From the technical and/or technological aspect of counterfeiting 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 counterfeit banknotes have a low risk of being accepted as real. Only a few cases of security feature imitations in counterfeit banknotes, readable by authenticating/ sorting equipment, have been encountered.



2.7. PAYMENT SYSTEMS

The safe and effective operation of payment systems is a crucial precondition for the functioning of the economic system. Operation, oversight and reform payment systems play an essential role in ensuring security, sustainability, and efficiency of financial market infrastructure and enable exchanges between economic actors. Transmission of monetary policy and financial stability is based on the existence of reliable and efficient payment system infrastructure.

In fulfilment of these responsibilities, the Bank of Albania, beyond the stable operation of payment systems, has paid particular attention to further consolidation of the oversight role in the field of securities' settlement systems, as well as to payment systems as an integral part of these systems.

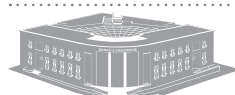
2.7.1. PAYMENT SYSTEM OVERSIGHT

An important step towards payment system oversight is regulation of the activity of the securities' settlement systems by private operators. In this framework, in 2019, the Bank of Albania approved Regulation No. 26/2019, dated 28.03.2019 "On licensing, regulation and oversight of securities' settlement operators", which sets out the terms and conditions of licensing and oversight of securities' settlement systems. Its approval created the necessary preconditions for the Bank of Albania, in November, to license the private operator which will repay and register the securities issued by private companies.

The operation of this system by ALREG sh.a completes the necessary infrastructure for the operation of the stock exchange and capital markets in Albania.

From the point of view of legal and regulatory improvements, during this year the Bank of Albania has intensified its efforts for the approval of the draft law "On payment services", which transposes in the Albanian legislation the European Union directive 2015/2366 "On payment services in the internal market ". These efforts were materialized in the adoption of the draft law by the Council of Ministers in December and its submission to the Albanian Parliament for approval.

The implementation of this draft law in the internal market will reform and modernize payment services by digitalizing them as well as by introducing innovative services in this market. These developments will encourage remote interaction of the various actors involved in the payment cycle. In this context, it is necessary to establish technical rules and standards to guarantee the security of authentication in initiating and processing electronic payments remotely.



BOX 5 NEW SERVICES PROMOTED BY THE DRAFT LAW

The new services that the draft law aims to promote, aim to facilitate the public's access to electronic payment services, both in terms of costs and ease of use, thus promoting e-commerce. These services consist of the following:

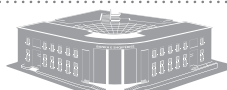
Payment initiation services which are provided mainly by Fintech companies and play the role of an intermediary between customers and businesses for the purchase of goods and services remotely. The main novelty of this service lies in the fact that consumers can make purchases remotely even though they do not own a debit or credit card, but they do have a bank account which can be accessed via the internet. On the other hand, these institutions facilitate the necessary investments undertaken by businesses to trade electronically.

Also, account information services provide consumers and businesses with an overview of their financial situation, for example, enabling consumers to consolidate various current accounts they may have with one or more banks and categorize their expenditures according to different typologies (food, energy, rent, leisure, etc.) thus selecting the most efficient services in terms of costs for each category, helping them in budgeting and financial planning. In many cases, these types of services also help identify a less costly alternative for payments.

Payment initiation and account information services will be provided by entities licensed by the Bank of Albania. These institutions will have the right to request information from the consumer bank regarding the balance of the account. This right is guaranteed to the institutions only after obtaining an approval from the consumer, an approval which will be realized by means of remote communication, and as a result requires the development of all technical conditions for guaranteeing security and proof that consent is really given by the consumer-account-holder. It is worth emphasizing that communication between the bank and these institutions will not necessarily be based on a bilateral agreement between the two parties, implying the need for banks to take the necessary measures for an in-depth customer authentication as the bank bears the brunt of responsibility to compensate the client in case of fraud.

The Bank of Albania has started to work on implementation of the technical standards created by the European Banking Authority. The implementation of these standards is necessary to promote the interaction of institutions that provide payment services in the European market.

In 2019, the Bank of Albania worked to improve the regulatory framework related to the operation of the AIPS payment system (for large-value payments) and AECH (for small-value payments). These reviews aim to accommodate the innovations of the draft law "On payment services" by enabling access for non-bank financial institutions in the AECH system and creation of conditions for the promotion of electronic payments.



2.7.2. THE REFORMATORY ROLE OF THE BANK OF ALBANIA IN PAYMENT SYSTEMS

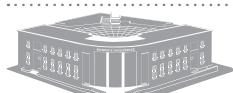
In the framework of promoting reforms in the payments market, the Bank of Albania has played an active role in the implementation of the National Retail Payment Strategy (2018-2023). More specifically, during this period a series of meetings and consultations were organized with various actors in order to implement the action plan of this strategy. Also, in October 2019 the fifth meeting of the National Payment System Committee (NPSC) was organized, in order to further promote the projects. The main results of these measures were related to the following:

- Analysis of payments of public institutions where the main needs and opportunities for intervention were identified in the framework of the use of electronic instruments for these services. In this regard, special attention was paid to the possibility of operating a centralized payroll for public administration, as well as the use of banking services for payments related to social insurance. Also, there was cooperation in the framework of formalizing the economy in relation to the implementation of the law "On invoice and turnover monitoring system", otherwise known as the "Draft Law on Fiscalization".
- Measures have also been taken in the framework of projects related to the development of infrastructures and measures to reduce the commissions of payment services such as the euro settlements' system in the country, the project for national SWITCH and instant payments, and the possibility of analysing and reduce commissions paid by merchants for card payments.
- Last, but not least, attention was paid to financial education through continuation of Project Greenback (2.0)³². Moreover, at the NPSC meeting, the need to develop a national strategy for financial education in support of the undertaken reforms was clearly evidenced.

2.7.3. PERFORMANCE OF AIPS AND AECH SYSTEMS

The main infrastructure for processing interbank payments in Albania consists of two payment systems that are operated by the Bank of Albania: AIPS (considered the core infrastructure for the settlement of payments in the national currency and of financial markets) and AECH (which accommodates the clearing of interbank transactions by banks' clients (households and enterprises)).

³² Project Greenback (2.0) is one of the main components of the SECO-funded Remittances and Payments Program (RPP) in Albania managed by the World Bank Group. The project aims at enhancing financial literacy and improving financial services for both senders and recipients; and increasing the efficiency of remittances in the market to reduce costs of these transfers.

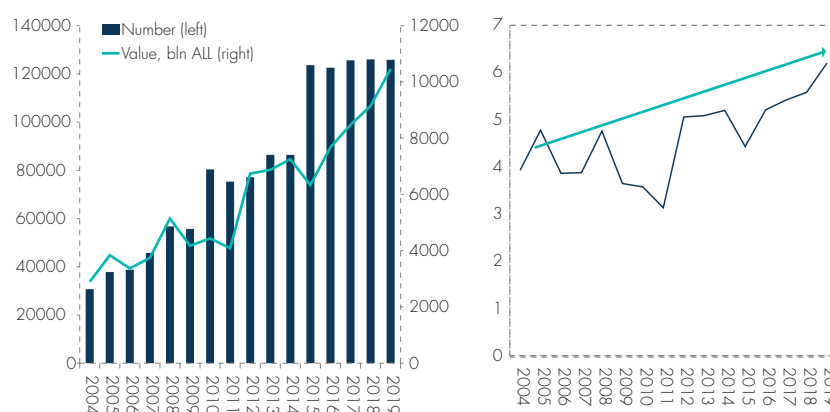


In 2019 these two systems operated safely and efficiently, offering maximum availability for AIPS and AECH, 99.46% and 99.9 % respectively.

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

A volume of 125,766 transactions was settled in AIPS, with a total liquidity circulating in the system of ALL 10,453 billion. Compared to the previous year, the volume of settled transactions decreased by about 0.2% while the value of settled transactions reflected an increase of 14%. The value of transactions processed in AIPS in relation to the GDP³³ also shows an upward trend, implying an ever-increasing use of the system and the importance of this system for the Albanian economy.

Chart 27 Performance by number and value of transactions processed in AIPS (left) and AECH (right)



Source: Bank of Albania.

Analysis of the use of this system by different transaction typologies indicates that the item "Payments for Clients" (with share of payments in terms of figures, 59%) continued to register increasing rates³⁴, compared to the previous year. The intraday loan facility (ILF), decreased in both figures and value, by 40% and 44%, respectively). This trend indicates that the exposure of the system to liquidity risk has declined.

Albanian Electronic Clearing House for retail payments (AECH)

The activity of the AECH reflected an increase compared to the previous year, in absolute terms, of the number and value of cleared payments (increased by 11.4% and 11.5%, respectively).

The chart above shows an upward trend of transactions processed in AECH, since the start of its operational activity (2005-2019).

³³ GDP in 2019 is ALL 1,685,604.16 million, source: Bank of Albania and INSTAT

³⁴ In 2018, by 5% in number and 4% in value, respectively.



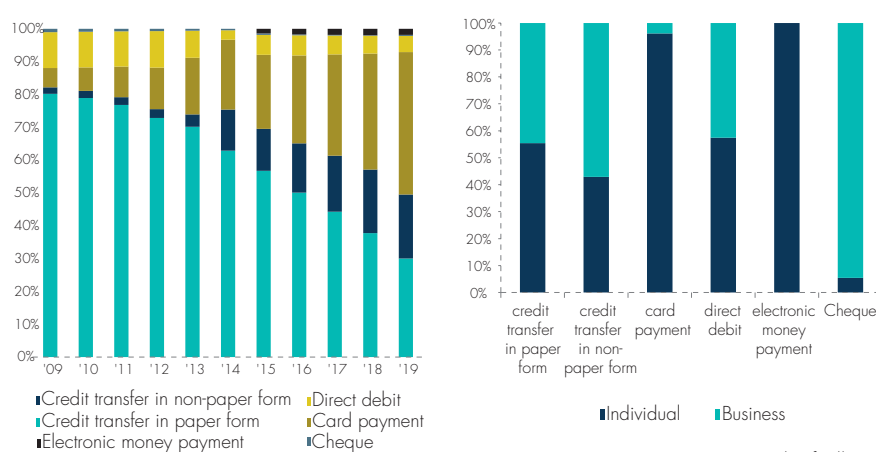
Analysis and distribution of payments according to the participants shows that the main share of transactions processed in AECH consists of payments to customers, initiated by banks. In 2019 there was an increase in the number of transactions processed by commercial banks by 16% and an increase in their value by about 15% compared to 2018, reaching a level of use of the system for this purpose of 64% of the total activity. The growing trend of the number of transactions by banks shows familiarization of the public with payment instruments and their use at the interbank level.

2.7.4. PAYMENT INSTRUMENTS

An increase in the use of payment instruments in the Albanian economy continued throughout 2019. This trend was reflected in an annual increase in the number of payments of 23.8%, reaching about 18.6 million payments in total, as well as a slight increase of their value by 3.15%.

In terms of instruments used, the payment analysis indicates a continuous expansion of electronic payments such as, bank cards, credit transfers in electronic form (home banking), as well 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 2019 accounted for around 30% of the total volume of payments.

Chart 28 Volume of payment instruments in years (left) and the use volume of payment instruments by household and enterprises (right), during 2019

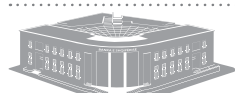


Source: Bank of Albania.

Home Banking

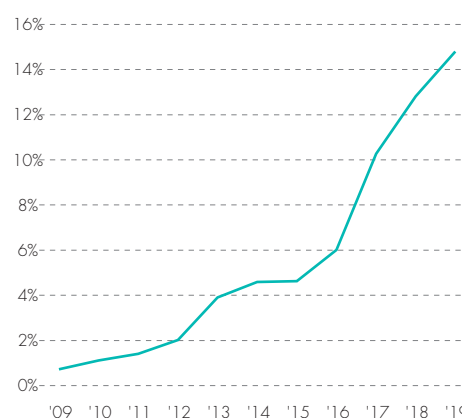
The initiation of credit transfers in electronic form is realised through "home banking"³⁵ services, which are provided by 11 of the 12 banks that operate

³⁵ These products provide remote access to the bank account, via on-line, telephone or software that the bank makes available to its clients.



in Albania. These services are both increasingly widespread in the Albanian market, and used to carry out payments, not only for basic information services for the account, but also for on-line payments. More concretely, in 2019, there was a significant increase in the volume of home banking payments, by 24.45%, and of the value of these transactions by 8.39%, compared to the previous year. Contributions to the upward trend of home banking were assessed to be the development of infrastructure and expansion of possibilities to access internet through smartphones. Also, the policies of banks, in the framework of promoting these alternative payment means, were assessed to have played a positive role, being reflected in an increase in remote accessible accounts, by 10.64% compared with the same period in 2018 and in an increase, against the total account, of 14.79% compared to the same period of the previous year.

Chart 29 Online accessible account to total accounts (right)



Source: Bank of Albania.

Bank Cards

At the end of 2019, all the banks³⁶ that operate in the Republic of Albania were licensed as card issuers, of which seven were licensed also as card accepters. The infrastructure provided by these banks has trended significantly upward in terms of the number of POS terminals, increasing by 28.29% compared with 2018. Despite the positive trend of the increase of the number of POS terminals, reflected in the POS report per 1.000.000 citizens (3.911 in 2019), their concentration continues to remain high in the region of Tirana³⁷, at 84.40%.

Positive developments were shown for ATMs, the use of which increased, to 23.18%, compared to the end of 2018. Encouraging the use of electronic money instruments is estimated to have an impact on the financial inclusion of the population by enabling access to banking services (having an electronic money account and owning a prepaid card) from categories of the population that are not able access other services, such as those who do not own a bank account.

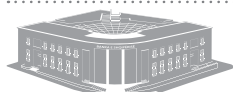
In 2019, the issue of debit and credit cards increased significantly by 7.4% and 7.9% respectively. Also, the functioning of electronic-money cards in the market remained at the same pace as in the previous year. A significant increase in the number and value of card payments in physical and virtual POS continues in 2019, by 37.6% and 23.3%, respectively. In relative terms, the number of payments carried out with prepaid cards has totalled 7.1% of the payments with debit and credit card.

³⁶ At end-2019 there were overall 12 banks in the banking system (from 14 at end-2018).

³⁷ Regions are divided according to the branches of the Bank of Albania.



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, two electronic money institutions are operating. In 2019, these institutions together have conducted a volume of around 2.78 million electronic money payments, with a value of ALL 7.734 million. In spite of the upward trend that Electronic money shows, it still remains low, creating an added value for those who do not own a bank account.



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 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, the purpose of maintaining the international reserve is implementation and support of monetary policy and exchange rate policy, as well as safeguarding of financial stability. The primary objectives of international reserve management are liquidity and security. Ensuring returns from reserve funds management represents a 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-.

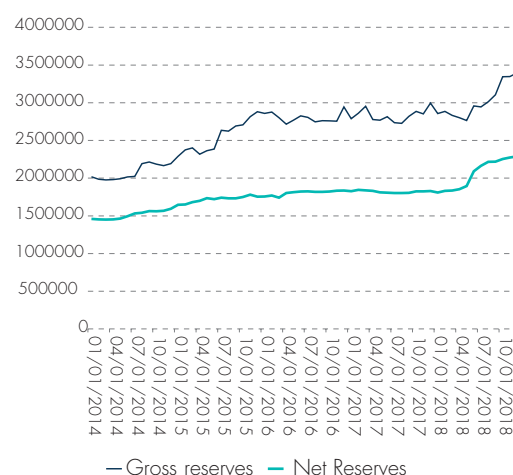
At the end of December 2019, the stock of foreign currency reserve was EUR 3,359.70 million, including monetary gold, at EUR 119.34 million, or 3.6% of the total.

The composition by currency of the gross international reserve at the end of 2019 was USD 20.0%; EUR 65.1%; GBP 2.6%; JPY 2.4%; AUD 1.4%; SDR 3.3%; AR 3.6%; RMB 1.8%.

Composition of reserve portfolio by maturity

At the end of 2019, the international reserve was invested into liquid assets, mainly with maturities of 0-3 years. The share of debt instrument with maturity over 5 years does not exceed 1.1% of the reserve portfolio. The portfolio managed by the external manager (World Bank) is invested against a reference

Chart 30 FX reserve performance



Source: Bank of Albania.

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

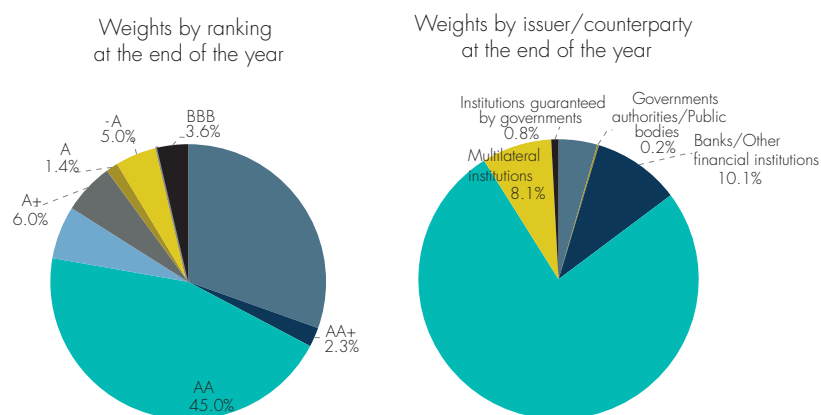


portfolio of 1-3 years, mainly in debt instruments issued by governments or government agencies.

Composition of the reserve portfolio by rating and type of issuer/counterparty

Around 84% of the international reserve portfolio has been invested in institutions with high quality rating (class AAA and AA including exposures in current accounts). By type, exposures of issuers/counter-parties are represented by governments/central banks (69.6%), followed by banks/other financial institutions (13.7%), multi-party institutions (8.8%), agencies (5.4%), government-guaranteed institutions (1.5%) and government authorities/public bodies (1.0%).

Chart 31 Shares by type of issuer/counterparty and rating classes at end-year

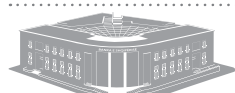


Source: Bank of Albania.

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 0.71% in 2019, compared with 0.22% in the previous year. The low return rate reflects the continuity of an environment with low interest rates on main currencies/markets, in which the foreign reserve portfolio is invested, where, in particular, the interest rates on treasury bills in euro continue to remain in negative territory. Hence, investment possibilities with a positive return rate for the part of portfolio in euro, while maintaining accepted levels of credit risk, still continue to be low.

The contribution to return of the euro, which accounts for more than 60% of the reserve portfolio, was negative reflecting the negative interest rates in the Euro area. Meanwhile, the contribution to return of the US dollar and of the other currencies was positive, as a result of the higher interest rates base in these currencies on average during the year.



Other developments related to the international reserve management function

In 2019, an assessment was made from a strategic perspective on the share of monetary gold in the foreign reserve portfolio. At the end of this assessment, in May, the Supervisory Council decided to purchase the amount of 94 gold ingot (37,600 onz or about 1,05 tons of gold). Purchases for the approved amount of monetary gold were made gradually during the period June-December.

Regarding the main developments in the framework of the relationship of the enterprises with counterparties, in 2019 the Memorandum of Understanding with the Bank for International Settlements (BIS) was renewed, for the continuity of the foreign currency credit line in the amount of Eur 500 million with this institution. The full package of documentation regarding this agreement was signed for the first time in 2018, where the Memorandum of Understanding had a 1-year term with the possibility of renewal. In the next renewal of the Memorandum of Understanding, the eligible collateral for the credit line was expanded, in the form of investment securities from the foreign reserve portfolio.

BOX 6 FLOWS AFFECTING INTERNATIONAL RESERVE IN 2019

Gross international reserve, estimated and reported in euro, decreased by around EUR 36.21 million, in 2019, standing at EUR 3,359.70 million as of the end of December. 2019 was characterised again by a high fluctuation of excess reserves in commercial banks at the Bank of Albania. The main factors that have affected the gross reserve are grouped below:

- *Transactions with the Ministry of Finance and Economy provided a negative impact, estimated at EUR 324.23 million, according to the following items:*
 - *net inflows from extension of various loans at EUR 176.60 million*
 - *transfers, including debt service, at EUR 500.83 million*
- *Commercial banks and other entities' transactions provided a positive impact, estimated at EUR 65.48 million, according to the following items:*
 - *deposits by commercial banks in their account at the Bank of Albania, for the minimum required reserve, for transactions related to the capital. EUR 1,944.16 million;*
 - *transfers at EUR 1,883.34 million;*
 - *net inflows for the account of other entities (DIA, etc.) at EUR 4.66 million.*
- *Bank of Albania transactions provided a positive impact, estimated at EUR 184.77 according to the following items:*
 - *purchasing foreign currency from commercial banks and other institutions, EUR 157.08 million:*
 - o *from commercial banks EUR 154.60 million;*
 - o *from institutions (net) EUR 2.48 million.*
 - *Receipts from interest and coupons. (calculated on a cash basis) generated from international reserve investments, at around EUR 32.51 million;*
 - *settlement of the Bank of Albania's dues to the IMF at EUR 0.27 million;*
 - *transfers at EUR 4.55 million.*
- *Market factors provided a positive impact, estimated at EUR 37.77 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, at EUR 37.46 million.
- the portfolio revaluation effect, as a result of interest rate volatility, is estimated at a slight positive value of around EUR 0.31 million².

The net effect of SWAP transactions carried out with the Ministry of Finance and Economy for 2019 is EUR 36.98 million, while the total volume of SWAP transactions (considered as purchase-sale) is EUR 196.98 million. In October 2019, with the Ministry of Finance and Economy, a sale was realized, with full rights in the amount of EUR 66 million.

² This value also contains the effect created by the issuance of securities coupons and is corrected for the actions of purchasing/selling/maturing of securities on a cash basis.

In complete accordance with the purpose of keeping the 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 respond to emergency needs for foreign currency liquidity.



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 aims 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 is a producer of statistics mainly related to financial markets, financial institutions and financial infrastructure. It produces statistics for the decision-making process and bodies. It also carries out statistical functions to serve the public, as one of the national statistics agencies in Albania.

To meet the need for an increase in the volume and quality of statistical data, the focus of BoA is on the creation of a national statistical framework, which will be integrated into the European Statistical Framework, based on modern information technology infrastructure and standardized methodology.

The activities that took place in 2019, aimed at increasing the quality, reliability and consistency of the data, produced in full compliance with national legislation, as well as with the quantitative standards of international methodologies and of the European Union, were assessed positively in IMF and Eurostat reports.

The important developments in financial accounting statistics, government finance statistics and external sector statistics made 2019 a remarkable year in statistics. For the very first time, an official data transfer to the Eurostat financial account was carried out. This transmission is a step towards approximation to the European requirements, as one of the strategic commitments of the Bank of Albania.

In 2019, the focus of statistical activities was on improvement of the quality and detail of statistics in the external sector and increased transparency of communication with the public through the dissemination of statistical data and press releases.

- In September 2019, in accordance with the timeframe envisaged in the Transmission Program of data at Eurostat, reporting of the International Trade Services (2017-2018) was realised for the first time, along with indicators such as employment income and remittances, with geographical division as envisaged in Eurostat regulation, through the SDMX platform, fulfilling obligations arising from the “Action Plan on Economic, Monetary and Financial Statistics for candidate and potential candidate countries in the EU”. Also, for the first time, detailed data by



country and by service type (export and import) were published on the Bank of Albania website.

- In accordance with the time-frame envisaged in the ESA 2010 Transmission Program³⁹, the Bank for the first time carried out data transmission on Albania's Financial Accounts in Eurostat through the SDMX platform, thus fulfilling the country's obligation in the framework of European integration. Financial account statistics are evaluated by several missions led by IMF and Eurostat experts.
- In 2019, the regular reporting deadlines for EDP⁴⁰ tables (Excessive Deficit Procedure) at Eurostat have improved, reported in April and October 2019 (thus meeting Eurostat deadlines). Under the support of the regional project "Government Finance Statistics" coordinated by the IMF, the design quality of government data improved, as a basis for compiling government debt and EDP tables. The project is expected to be finalized in April 2020, with a very important product, the building of an IT system for the automated design of government finance statistics and the development of statistics.

In the framework of consistency of statistics, the Bank of Albania is part of joint projects with national and international institutions

- The Bank of Albania is part of the IMF-EUROSTAT joint project for the Western Balkans, on foreign sector statistics.

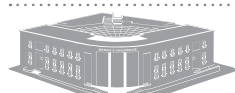
The project aims to improve data obtained at the source, the internal and inter sectoral consistency of external sector statistics with other statistics, and promotion of cooperation between producers of statistics in the country. The project will last 30 months and will end in June 2021.

- The Bank of Albania has successfully coordinated and finalized work for the development of Macroeconomic Imbalance Procedure indicators (MIP indicators) for Albania, in cooperation with INSTAT and expertise support from the European Union.

Macroeconomic Imbalance Procedure (MIP) is a system for monitoring economic policies and timely detection of potential risks to the proper functioning of the economy of the Member States and of the European Union as a whole. The MIP is part of six legislative proposals on economic governance adopted by the European Parliament and Council in November 2011, and as such it is part of the EU acquis to be adopted by candidate countries by the date of accession. In August 2019, Eurostat reported the sources of data needed to compile the main and auxiliary indicators of economic imbalances. Currently, data is available for 12 of the 14 MIP indicators. There has also been progress

³⁹ European System of Accounts - ESA 2010.

⁴⁰ EDP-Extension Deficit Procedure is an important statistical block for monitoring the soundness of public finances in member countries and candidate countries for the observation of two Maastricht criteria.



in compiling data on auxiliary indicators of the MIP platform. The expansion of time series of financial accounts remains an objective of the bank, since 2007.

- The Bank of Albania completed the range of financial stability indicators with new indicators for IMF transmission. It also continued to participate in the "Access to and Use of IMF Financial Services Survey.

The IMF's questionnaire "Access to and Use of Financial Services", FAS, gathers, annually, information on the evaluation of access and use of financial services by consumers of the economy. FAS provides geographic and demographic data on financial services provided to individuals and businesses by financial corporations. Since 2014, the questionnaire also included data on the latest developments in mobile money services. Taking into account the growing interest regarding gender statistics in financial inclusion, the latest FAS report also included data on gender statistics in financial inclusion in Albania. The data is published by the IMF (<http://data.imf.org/FAS>).

Development of new statistical fields - focus on micro data

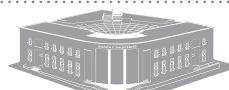
Statistics regulations and guidelines of the European Central Bank were the basis for the development of statistics in the financial sector in Albania, with important resources and international cooperation oriented toward their development.

The focus regarding the statistics in the financial sector, in recent years, has focused mainly on harmonization with ESA 2010. This does not only include the reporting of monetary and financial institutions, but also harmonization with the guidelines at non-bank institutions in terms of an increase in the detail of data. Focusing on the development of insurance and pension fund statistics in 2019 was no exception to this trend.

The project "Improvement of the Credit Register in order to increase its use and harmonize it with the methodological standards of the ECB", identified the need for evaluation and expansion of areas and functions owned by the current credit register, in order to harmonize it with the methodological standards of the ECB⁴¹ and deepen the analysis of the Bank of Albania by increasing the use of the credit register beyond supervisory needs.

On a more statistical level, development of the current system aims to group the analytical data on each credit line, in a harmonized database that will support some core functions of the Bank of Albania, such as the monetary policy decision-making process, micro-and-macroprudential supervision as well as economic research at the Bank. The use of this detailed data set will enable realization of analyses and comparisons, which cannot be provided on the basis of aggregated data.

⁴¹ Aiming the approximation with AnaCredit (Analytical Credit Report) - the newest platform created by the ECB, where all member states have the obligation to report under the same standard harmonized in methodology and definitions.



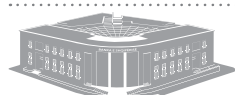
The drafting of securities statistics has significantly developed in recent years due to structural developments in the international financial markets. Detailing of the available information on securities is necessary to identify risks from cross-border and internal financial interconnection, as well as to measure the degree of risks. For this reason, in 2019, work has been done to determine the methodological framework and information sources as well as to build software for collecting and compiling fragmented data regarding securities held by credit institutions and their subsidiaries in accordance with the requirements of the ECB Regulation 2015/730.

The Bank of Albania, in cooperation with Instat, conducted for the first time in 2019, the survey on "Household Budget Survey". The main purpose of this survey is to collect detailed data at the micro level on the real and financial wealth of Albanian households, as well as on the structure of their liabilities, and income and expenses, based on a standardized methodology developed by HFCN (Household Finance and Consumption Network), led by the European Central Bank in cooperation with other central banks of EU member states.

The survey on the finances and consumption of Albanian households included a total of 2261 households in Albania, randomly selected by Instat, based on the principle of proportionality.

Modern statistics cannot be conceived without the strong support of information technology

In 2019, the "Automation of the compilation and reporting system of statistics of the External Sector" project successfully ended. The software of the system was installed in December and it is being put to the test before fully utilizing it.



2.10. RESEARCH

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

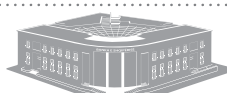
Research at the Bank of Albania has aimed at investigating hypotheses and deep economic and financial analyses; establishing and improving new models for the Albanian economy, advising and endorsing decision-making, in view of objectives related to monetary policy, financial stability, banking supervision, financial inclusion and financial education.

Scientific research activity is documented in a total of 31 research papers, scientific articles, and the drafting of two statistical survey analyses which focus on the study and empirical analysis of monetary and financial developments in the Albanian economy. Research is mainly focused on issues related to the analysis of developments in the exchange rate, monetary policy, financial stability and banking supervision, as well as their interaction.

Researches carried out in 2019, aimed at providing an assessment on spill overs of macro financial factors in the euro area and fluctuations in global liquidity to the exchange rate in the Albanian economy; measurement and assessment of effects that competitiveness, concentration and behaviour of banks have on financial system stability; investigation of the relationship between banking stability and real estate markets; the effects that micro frequency of changes in prices have on the formation of inflationary expectations and price rigidities in the economy and investigation of the mutual impact between labour market and economic growth at home.

In terms of methodology, research focused on enriching the methodologies of empirical analysis to assess shocks on the economy and the forecast of economic and financial indicators. The studies aimed at including contemporary techniques in the field of modelling with the aim to improve the portfolio of econometric models, constructed through the application of Bayesian Evaluation and Assessment methodology, and methods for the identification of structural equilibriums to enrich the autoregressive models of analysis and prediction.

Also, research in 2019 scrutinised technological developments, such as blockchain and crypto-activity and the effects they may have on the currency and financial system. The study describes the nature of these risks and addresses the disadvantages and risks that their adoption may pose to the banking system, businesses, and consumers, as well as to the functioning of the central bank.



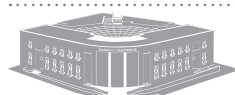
The need to regulate these activities relates not only to the challenges the may pose to the effectiveness of monetary policies and supervision of banking system, but above all, to the sustainability of the financial system.

Research has contributed to enriched statistical information for analysis and decision-making at the Bank of Albania, through two statistical surveys at the national level. The surveys aimed to look at and identify the behaviours of Albanian households in relation to investments, wealth, consumption, financial inclusion and education.

In 2019, the "Survey on the Finances and Consumption of Albanian Households" was realised for the first time, based on a questionnaire developed by the European Central Bank. The information in the survey was gathered from households and enriches the statistical information regarding various aspects of the level and structure of wealth and debt, sources and their use, employment and income, behaviour of households regarding consumption and savings. These data were not, so far, available at other official sources, Bank of Albania, INSTAT or other statistical agencies.

Also, in the framework of assessing the financial literacy of the public, a third survey, "Financial Literacy in Albania", was conducted. Like the two previous surveys, it was based on OECD/INFE methodology. Both surveys provide important statistical information to construct a national strategy for financial education and inclusion.

More complete and detailed information on the research papers of the Bank of Albania is found on the official website of the Bank of Albania in the sub-category "Publications/Research and Working papers". Other research works are published as articles in the "Economic Review" of the Bank of Albania. The semi-annual magazine "Scientific novelties at the Bank of Albania" provides information about newly completed research materials and about those in process, materials presented in the "Friday Seminars", and on other activities organized by the Bank of Albania throughout the year.



2.11. EUROPEAN INTEGRATION

Albania has continued to implement obligations stemming from the Stabilization and Association Agreement (SAA) as well as from bilateral EU-Albania meetings. Following the positive recommendation of the European Commission to open negotiations with Albania, the European Council, met in October 2019, and decided to postpone the decision on opening negotiations before the Zagreb Summit on EU-Western Balkans, to be held in May 2020.

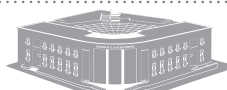
The Bank of Albania has continued to contribute to the fulfilment of obligations stemming from the Stabilization and Association Agreement, the Progress Reports of the European Commission, joint EU-Albania subcommittees and the National Plan for European Integration.

The Bank of Albania has continued to lead Two Inter-institutional Work Groups related to chapters of the European Union acquis: Chapter 17 - "Economic and Monetary Policy" and Chapter 4 - "Free movement of Capital". In addition, the Bank of Albania has actively contributed to Chapter 9 - Financial Services; Chapter - "Economic Criterion"; Chapter 18 - Statistics; and Chapter 32 - Financial Control. The Bank of Albania prepares regular reports on the performance in the field covered by the above stated chapters, and plans in the NPEI the legal and regulatory measures which contribute to approximating with EU acquis.

The Bank of Albania has participated in the annual high-level meeting of the Stabilization and Association Committee and in the meetings of two subcommittees: 1) Domestic market and competition; and 2) Economic, financial and statistical issues.

On 29 May 2019, the European Commission published the Progress Report for Albania. This document assesses the progress made by Albania from March 2018 - March 2019. In the area of monetary policy the report emphasises that the central bank fulfilled its main objective, to achieve and maintain price stability. The BoA is financially independent and has sufficient instruments, competence and administrative capacity to function effectively and to conduct an efficient monetary policy. The report underlines that progress was made in the area of payment systems, through the adoption of the policy document "payment and settlement systems" and preparation of the Strategy on Retail Payment System. With regard to banks and financial conglomerates, the Bank of Albania has continued to further align the banking regulation and supervisory manual with Basel II and Basel III. Albania has a system in place for the identification of systemically important banks that is similar to EU practice.

With regard to addressing the recommendations stemming from the EC Progress Report 2019, the Bank of Albania was focused, throughout the year,



on aligning the regulatory framework with Basel III. In more concrete terms, there the following were approved: the Regulation "On macro-prudential capital buffers"⁴² with the purpose of determining a way to implement each macro-prudential capital buffer, and their combination; the Regulation "On regulatory capital of banks"; the Regulation "On liquidity coverage ratio"⁴³, which approximates the regulatory framework of the Bank of Albania to the requirements of Basel III and European regulations 575/2013/EC and 2015/61/EU; the Guideline "On stress testing of banks"⁴⁴; Regulation "On capital adequacy ratio".

To strengthen anti-money laundering and counter-terrorist financing (AML/CFT) measures, in compliance with Moneyval recommendations for Albania, the Bank of Albania has approved a set of amendments⁴⁵ in the regulations on the banking system. These amendments aim at further strengthening the criteria that entities must meet to better manage risks related to money laundering and financing of terrorism.

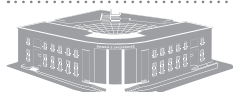
Another issue which has been revealed is the need to increase financial inclusion. For this purpose, the Bank of Albania has drafted a strategic document which aims at promoting payment instruments and systems to enable broader financial inclusion. In this framework, the Bank of Albania has undertaken two important steps: 1) compilation and submission of the Draft-Law "On Payment services (PSD2)", which transposes the revised European Union Directive 2015/2366; and 2) compilation of a draft-law which will transpose the European Union Directive on "Payment Accounts" in 2020. Another important issue concerns the performance of non-performing loans. This year, the Bank of Albania implemented the action plan called "Tirana Approach". The purpose of this plan is to deal with all large creditors with problems that are exposed to more than one bank.

⁴² Decision No.41, dated 5.6.2019 of the Supervisory Council of the Bank of Albania.

⁴³ Decision No. 27, dated 28.3.2019 of the Supervisory Council of the Bank of Albania.

⁴⁴ Decision No. 60, dated 4.9.2019 of the Supervisory Council of the Bank of Albania.

⁴⁵ Decision No. 46, No. 47, No. 48, No. 49, and 50, dated 3.7.2019 and Decision No. 78, 79, and 80, dated 18.12.2019 of the Supervisory Council of the Bank of Albania.



2.12. INTERNATIONAL COOPERATION

Relations with the International Monetary Fund

The Republic of Albania continues to have SDR 139.3 million in 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 277.31 million.

Albania's relations with the International Monetary Fund continue to focus on the Article IV consultations, which were concluded on 26 November by the IMF Executive Board. In 2019, the Bank of Albania was 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 amounting to a total of USD 718 million, under IDA (USD 35 million) and IBRD (USD 683 million) loans.

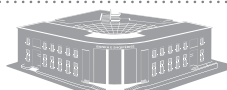
Albania is part of the constituency composed by Greece, Italy, Portugal, Malta and Timor-Leste.

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

Throughout 2019, the World Bank continued to provide assistance to the Bank of Albania in relation to payment systems, analysis of the remittances market, and banking resolution. 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 critical functions.

Technical cooperation

On October 2019, the Bank of Albania started implementation of the Twinning Project "Enhancing Bank of Albania's alignment with EU Acquis", in the framework of IPA 2015 EU funding. This project is being implemented by Banka d' Italia and Deutsche Bundesbank. The main implementation areas of

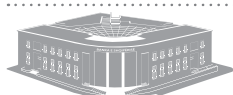


the project are: i) strengthening institutional capacities of the Bank of Albania through alignment with the model of the European System of Central banks regarding independence, accountability, transparency and internal audit; ii) Strengthening the role of supervision and financial stability in compliance with the European framework and best international practices, and the further deepening of anti-money laundering and combating the financing of terrorism; iii) Harmonising the decision-making process of the Bank of Albania's monetary policy with that implemented at the European Central Bank and the European System of Central banks, including guaranteeing the stability of the financial market and the external position of the country; and iv) Strengthening management capacities of the Bank of Albania.

The Bank of Albania, in carrying out its activity, paid special attention to cooperation with the central banks of the European Union, throughout 2019. In more concrete terms, the Bank of Albania, in collaboration with regional central banks, has started implementation of 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 project 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. The Annual Conference on "A Brave New World? The Future of Banking in Emerging Europe. Rethinking Size, Structure, Ownership, Policies and Incentives", was organised in October 2019. The purpose of the conference was to assess ongoing shifts in banking systems and more broadly in financial sectors in terms of size, origin, ownership and incentives globally and regionally, and the implications for the Albanian banking sector and the Southern-Eastern Europe (SEE) region. Among other topics, the conference investigated how banks in the SEE and in particular in Albania deal with new challenges that arise both from regulators and non-bank financial entities; how banks alter their business model; how they engage with innovative financial products; and ultimately whether they can continue operate as traditional financial intermediaries or not.

The Bank of Albania continued to cooperate with the FSVC, among others, notably, emphasising support for building the capacities of the Supervision Department to conduct necessary and adequate tests for banks and non-bank financial institutions' shareholders; and sharing the experience of FSVC experts with the Supervision department staff on best practices for licensing regulations. Also, FSVC provided its support in such areas as statistics, payment systems, and banking resolution.



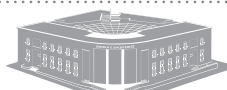
Also, in 2019, cooperation in the framework of the support of the Swiss State Secretariat for Economic Affairs (SECO) continued. This cooperation focused on research activity at the Bank of Albania for strengthening the research capacities of the Bank of Albania and in the field of monetary policy.

In the framework of technical assistance provided by the European Bank for Reconstruction and Development (EBRD), for enriching economic forecasting and modelling and enhancing the analytical capabilities of existing models, the Bank of Albania has continued to benefit from assistance provided by EBRD experts.

Participation in international conferences, forums and seminars

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

- On 15-16 January 2019, 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 28-29 January 2019, the Second Deputy Governor of the Bank of Albania, Ms. Natasha Ahmetaj, attended the conference on "Balancing Fintech Opportunities and Risks - Implementing the Bali Fintech Agenda", in Vienna Austria.
- On 15 February 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, attended the meeting of the constituency in the International Monetary Fund/World Bank Group, in Valletta, Malta. Central bank governors and ministers of finance from the constituency member countries met to discuss recent developments in the global economy and in the respective countries.
- On 25-26 March 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, attended the 41st Meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan Countries, held in Istanbul, Turkey.
- On 4 April 2019, the Governor of the Bank of Albania, Mr. Gent Sejko attended the meeting of the Europe Regional Committee (ERC). This meeting was jointly organised by the Albanian Deposit Insurance Agency (ADIA) and the International Association of Deposit Insurers (IADI), at the premises of the Bank of Albania.
- On 12-14 April 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, attended the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) in Washington D.C., USA.
- On 13-15 June 2019, the Governor of the Bank of Albania, Mr. Gent Sejko attended the annual regional summit in Bečići, Montenegro, together with governors of the central banks of Bosnia & Herzegovina, Montenegro, North Macedonia, Croatia, Kosovo and Albania, as well



as ministers of finance and tax directors from the region.

- On 15 July 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, attended the second high-level conference on "Demographics, Jobs and Growth: Navigating the Future in Central, Eastern and South-eastern Europe", organized by the Croatian National Bank and the International Monetary Fund (IMF) in Dubrovnik, Croatia.
- On 18-20 October 2019, Mr. Gent Sejko, Governor of the Bank of Albania, attended the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WB), in Washington. In these meetings organised in round tables, senior decision makers of the IMF, WBG, governors and ministers of finance from member countries, as well as representatives from academia, the business community and civil society discussed the latest developments and the outlook for the global economy.
- On 19 November 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, attended the high-level conference on "The risks and opportunities in a continuous evolving financial landscape - The way forward", organised by the Central Bank of the Republic of Kosovo (CBRK) on the occasion of its 20th anniversary in Pristina.
- On 20-22 November 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, attended the 42nd Meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan Countries. The meeting was held in Prague, attended by Governors of the central banks of the Club's members.

Memorandums of cooperation

- On 1 March 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, signed a Memorandum of Understanding, between the Swiss Secretariat for Economic Affairs (SECO) and the Bank of Albania, on implementation of the second phase of the Bilateral Assistance and Capacity Building Program for central banks for 2018-2022.
- On 19 November 2019, the Governor of the Bank of Albania, Mr. Gent Sejko, signed a "Memorandum of Cooperation" in the field of corporate governance among five banking supervisory authorities of the region: the Central Bank of the Republic of Kosovo, the Bank of Albania, the National Bank of North Macedonia, the Central Bank of Montenegro and the Banking Agency of the Federation of Bosnia & Herzegovina. The objective of this Memorandum is to set out collaboration in the fields of supervision, research, and decision making, related to corporate governance of banks in the region.



2.13. ADVISOR'S ROLE

The Bank of Albania is independent in formulating and implementing its monetary policy. In addition to its primary objective, the Bank of Albania is committed to supporting the sound and stable development of the economy of Albania. To accomplish these objectives, the Bank of Albania accords its work with various public institutions, international institutions and other interested parties. With the purpose of harmonising its decision-making with other economic and financial policies, the Bank of Albania has exercised its role as advisor by providing opinions and suggestions on the policies of partner institutions.

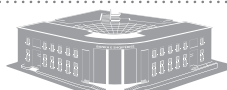
In 2019, the Bank of Albania provided its opinion on the Medium Term Debt Management Strategy (MTDS), 2020-2022. The Bank of Albania highlighted the importance of continuing with the consolidation of public debt to safeguard macro-economic stability in Albania and to reduce risk premia. Also, in its opinion, the Bank of Albania suggested maintaining the foreign debt ratio to total debt, while being attentive that this ratio does not increase. In this way the exposure of the country to shocks in foreign markets will be reduced.

At the end of year, the Bank of Albania provided its opinion on the Draft-budget 2020. In the relevant opinion, the Bank of Albania emphasised the need for coordination of fiscal and monetary policies for the purpose of macroeconomic sustainability, and observation of the budget indicator limits which are set forth in the Organic Law of the Budget.

The Bank of Albania is represented on the Domestic Debt Committee, which aims at making decisions on liquidity management in the domestic market, at a lower cost and with effective allocation. Coordination of work in this Committee serves to avoid tense situations in markets, minimise the volatility of interest rates and improve the forecast of liquidity needs from the banking system.

In the framework of its role as a member of the Financial Stability Advisory Group (FSAG), the Bank of Albania has shared information and has coordinated its actions with other authorities, which are members of FSAG. Throughout 2019, the Bank of Albania shared opinions with the Ministry of Finance and Economy and the Albania Financial Supervisory Agency on the financial situation and supervision of the financial institutions and regulated markets, as well as on the compiled draft laws. With the Deposit Insurance Agency, an institution which regularly attends the meetings of FSAG, there has been continuous collaboration in the framework of assessing the financial situation of banks and the fulfilment of legal requirements which interconnect the activities of both institutions.

The Bank of Albania chairs the National Payment System Committee (NPSC). The purpose of the Committee is to support and contribute to increasing the security, stability and efficiency of the national payment system in Albania. It gathers every year, and its recommendations serve to undertake initiatives



on regulatory changes for promoting payment systems and coordinating the activities of participant institutions in the field of payments.

In 2019, the Bank of Albania actively contributed in joint meetings and initiatives with other public institutions, with analyses and discussions, and has provided its opinion on important draft laws, which affect the activity of the Bank.



2.14. TRANSPARENCY AND PUBLIC COMMUNICATION

Public communication is an important aspect of the Bank of Albania's activity, for fulfilling its obligation to provide maximum transparency in its decision-making and effectiveness, as well for achieving the permanent objective of increasing confidence in its operations. 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

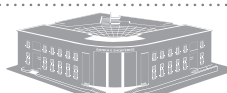
Beyond its legal obligations, the Bank of Albania communicates a variety of information to the public regarding its role and activity, from the decision-making of the Supervisory Council to its daily operational activity. This transparent communication helps increase the effectiveness of the policies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

The Bank of Albania uses a variety of communication channels, in order to more clearly explain its role, its main objective of maintaining price stability, and the means by which it seeks to realize this objective.

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 2019, during which the Governor responded to media interest on various issues related to the Bank of Albania. Press conferences were followed by publication of the Governor's speeches, and related Q&A in Albanian and in English.

Also during 2019, 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 8 editions of this publication.

The 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.



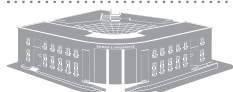
Communication with the public is tailored according to interest group, academic level and professional level of targeted groups by the Bank of Albania, among which, the media has an important role. In this framework, the media is continuously informed and sensitized on issues related to BoA and on the economic and financial performance of Albania. In 2019, media communication continued through press conferences, speeches, presentations and lectures on activities organized by the Bank of Albania or other domestic and foreign institutions, dedicated interviews or participation in TV shows, and 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. In 2019, the activity of the Bank of Albania was communicated to the public mainly through public announcements, press releases, speeches, interviews and participation in TV shows. During the year, seven of its periodic reports were presented "off-the-record" to the media. These meetings aim to guide the media to 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 enhance interaction with the public, in 2019, we continued digital communication through 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.

In 2019, a broad campaign was organised to familiarize the public with the banknotes of the new series, two of which, the denominations 200 Lekë and 5000 Lekë, were put into circulation on 30 September 2019. The launching and the issue of the new series of banknotes was a strategic objective of the Bank of Albania, both in the field of currency issue and public communication and education.

The campaign was informative and educational, taking place throughout the Republic of Albania. Traditional and contemporary means of banknote promoting and launching were also employed, by consulting the experience of other central banks in this field.

This campaign involved various communication channels, amongst which we can mention leaflets and posters available at branches of the Bank of Albania, branches of commercial banks, the Albanian Post, Offices of Civil Status, Offices of OSHEE (Electric Energy Distribution Operator; and exchange bureaus; launching of the new series and two banknotes, denominations, 200 Lekë and 5000 Lekë, on the website; creation of an application related to the security features of banknotes, presenting the security features visually and dynamically; TV and radio spots; city lights at bus stations, billboards, in buses, and at the airport., in Tirana, and in 10 other districts; posts in social networks; and presentation of a movie on the production of the Albanian banknotes.



In the framework of this campaign, the Bank of Albania organised a Moving Exhibition in Tirana and in five other districts (Kukës, Korça, Gjirokastra, Shkodra and Vlora), with the aim of informing the public on the new image and security features of the new banknotes.

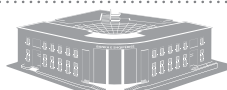
Thanks to the communication campaign, the public had the opportunity to know all the necessary information related to the new series, in order for the new banknotes to be easily accepted by the public and be used along with the current banknotes in circulation.

BOX 7 ACTIVITIES WITHIN THE COUNTRY

- On 22 February 2019, a ceremony to promote “Money, banks and society a historic journey, from genesis to modern days”, a book co-authored by Prof Dr. Aristotel Pano and Accad.Prof. Dr. Anastas Angjeli, was organized on the premises of the Bank of Albania. Members of Parliament, representatives from academia, directors of the banking system, economists, and representatives from the Bank of Albania attended.
- On 1 March 2019, the Swiss Secretariat for Economic Affairs (SECO) and the Bank of Albania signed a Memorandum of Understanding on the implementation of the second phase of the Bilateral Assistance and Capacity Building Program for central banks for 2018-2022, at the premises of the Bank of Albania. International Monetary Fund and World Bank Group. The Memorandum was signed by the Governor of the Bank of Albania, Mr. Gent Sejko and H.E. Swiss Ambassador in Albania, Mr Adrian Maître. The Bank of Albania will be part of the bilateral assistance in the field of central banking, in the framework of the new agreement.
- On 29 May 2019, the Bank of Albania met with the banking sector to discuss the “Role of the banking industry in the future development of Albania”. This meeting, which has become somewhat of a tradition, aims at further strengthening the collaboration of the Bank of Albania with the banking system. The meeting organised upon the initiative and chaired by the Governor of the Bank of Albania, Mr. Gent Sejko, was attended by senior officials from the Bank of Albania, executives of commercial banks, and representatives from the International Monetary Fund and World Bank Group.

Following the orientations from this meeting, a joint effort with the Association of Albanian Banks was made to draft an action plan on concrete objectives to boost lending in the Albanian economy in the medium term. The outcome of this work is the Platform for revitalisation of credit. This platform contains a joint plan of action where Bank of Albania and banking systems engage to undertake regulatory improvements and concrete initiatives, which aim to boost lending as the main source for economic growth and financial intermediation. The Platform for revitalisation of credit will address the lending policies implemented by banks, payment systems and financial education.

- On 15-19 July 2019, the Bank of Albania co-organised with the World Bank Treasury the Workshop on Legal Aspects of Governance and

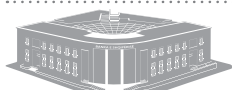


Asset Management. This event brought together representatives from the World Bank Group, the Bank of Albania, central banks from 28 countries and representatives from financial institutions. This workshop focused on dealing with legal issues related to foreign exchange reserve management.

- *On 12 September 2019, the Bank of Albania launched a new series of banknotes, in a ceremony organised for this occasion. The launching of this series is a very significant event, a special moment, not only for the Bank of Albania, also for the entire country. More than 20 years after the launching of the current series of lek banknotes, the new series comes with a refreshed design, giving the Albanian banknote a modern look. The new banknotes are more durable, are made with high-quality material, project integrity and reliability, and follow standards similar to those applied in advanced countries. They are produced with cutting-edge technologies for banknote printing, with new security features, making them safer against counterfeiting.*
- *On 1 October 2019, the National Payment Systems Committee (NPSC) held its fifth meeting, chaired by Ms. Luljeta Minxhozi, First Deputy Governor of the Bank of Albania. A set of studies and initiatives undertaken by participating institutions, were introduced in this meeting, such as: the analysis of government payments and the needs for intervention in the context of automation and digitalization, carried out by the World Bank Group; the need for intervention by the Bank of Albania to identify distant clients and the best practices in this field; a study on the informal economy and the possibilities for intervention, promotion of electronic payments in the Albanian economy, aiming to reduce informality².*
- *On 10 October 2019, 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 "A Brave New World? The Future of Banking in Emerging Europe. Rethinking Size, Structure, Ownership, Policies and Incentives". The Conference proceedings were opened by the Governor of the Bank of Albania, Mr. Gent Sejko; the Director of LSE's Institute of Global Affairs (IGA), Mr. Erik Berglof; the President of the Republic of Albania, H.E. Mr. Ilir Meta; the Minister of Finance and Economy, Ms. Anila Denaj; and the Chair of the Parliamentary Committee on Economy and Finance, Mr. Arben Ahmetaj.*

The Closing Panel with the Governors' Roundtable brought together in a discussion panel the Governor of the Bank of Albania, Mr. Gent Sejko; the Vice Governor of the Central Bank of Bosnia and Herzegovina, Ms. Želimira Raspudić; the Deputy Governor of the National Bank of Ukraine, Mr. Dmytro Sologub; the Former Governor of Bank of Estonia, Mr. Ardo Hansson; the former Governor of the Central Bank of Argentina, LSE and IDB, Mr. Mario Blejer; and the Director of the Institute of Global Affairs in the London School of Economics and Political Science (LSE), Mr. Erik Berglof. The panel was moderated by the Programme Director at the LSE Institute of Global Affairs, Ms. Piroska Nagy-Mohacsi.

- *On 5-6 December 2019, the Bank of Albania organized the 13th SEE Economic Research Workshop. For the past 13 years, this workshop has served as a discussion forum on the latest research on economic and financial issues and has promoted the exchange of views among*



researchers from the Bank of Albania, other central bankers, academia, and scholars and policy-makers in the region and beyond. This year's workshop focused on the developments of the external sector and financial stability, as well as on their implications for central banks and the economy.

- On 13 December 2019, 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. By the end of this activity, the three winners of the "Governor's Award for the Best Diploma Thesis 2019" were announced. The first prize was awarded to Mr. Olsi Pajo, a student at the University of Bonn, Germany; the second prize was awarded to Ms. Meril Canameri, student at the University of Tirana; and the third prize was awarded to Mr. Isli Kola, student at Bilkent University, Ankara, Turkey. This annual event was dedicated to Albanian students graduated this year in Albania and abroad, for scientific research on issues related to topics such as international monetary economics, price and financial stability, and economic integration.

A responsible and accountable central bank

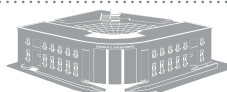
As an independent institution, the Bank of Albania aims to inform citizens, and in particular the Parliament, on all its activities.

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 April 2019, 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.

Citizens can find comprehensive and up-to-date information on the national economic and financial situation and the country's key macroeconomic developments, as well as the role of the Bank of Albania's contribution in this regard, on the official website, www.bankofalbania.org.

Throughout 2019, the Bank of Albania continued to regularly update its website, which had about 1.2 million visitors who checked our page around 3.7 million times and browsed in total about 6.4 million sections.

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



This site also offers all publications of the Bank of Albania, which summarize updated information on the Albanian and world's economy; developments in the banking and financial system; financial stability and money; amendments and enrichments to banking legislation and its regulatory framework; as well as on other issues, thus consolidating as a source of accurate and reliable information to the public.

Periodic and non-periodic publications, in 2019, consisted of about 5200 pages of analyses, statistics and research in both Albanian and English. The set of periodic reports has maintained the same structure: Annual Report, Quarterly Monetary Policy Report, Financial Stability Report (semi-annual) and Annual Supervision Report. In addition to the periodical reports, this range is further enriched with the Official Bulletin (depending on the Supervisory Council meetings), the Economic Review (half-yearly), the "Research Newsletter" at the Bank of Albania" (half-yearly), the Annual Conference Book 2018: "Monetary Policy, Economic Integration and the "New Normal"; the Second Conference Book of the Museum of the Bank of Albania on "The Role of Money in Wartime"; and various research papers and educational publications.

In 2019, the Bank of Albania continued the free distribution of all its publications, taking into account the social responsibility to reduce paper publications.

In order to inform the public, the Bank of Albania informs its citizens in writing or in electronic form, depending on how they want to receive this information. In 2019, replies were provided to 80 official requests sent to the coordinator for the right of information and about 250 e-mails to the general electronic address of the Bank of Albania, and about 350 messages with requests for information delivered at our Facebook account.



2.15. FINANCIAL EDUCATION

Financial education for the public has been an important part of the Bank of Albania's activity. This is realised through educational activities and programmes, visits to the Museum, exhibitions as well as through periodic and special publications. The focus of the Bank of Albania in this regard has been on two main objectives: presentation of the role and functions of the Bank of Albania to the public; and cultivation and strengthening of financial literacy in the Albanian society.

To implement the Parliamentary resolution, the objective of the educational campaign, throughout 2019, was to help the public not use the terminology "new lek– old lek", but simply "lek". The educational publications and temporary exhibitions in the Museum were also aimed at educating the public on this important issue.

Educational publications

In 2019, the Bank of Albania put into circulation two new banknotes, for the 200 Lekë and 5000 Lekë denominations. On this occasion, educational materials on the new banknotes, in the form of brochures, leaflets and informative posters were prepared and distributed throughout the country.

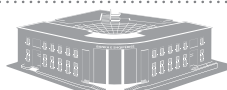
Also, the teaching text "Personal finances in your hands" continued to be distributed for 5 high schools which have chosen to deliver this subject (a total of 740 books).

Money week

On 25 March 2019, Money Week 2019 was launched at the Museum of the Bank of Albania, under the motto "Too young to speak in old lek!" The Bank of Albania participated for the sixth time in this celebration, in cooperation with the Albanian Association of Banks, and with 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 4000 children and young people, representing about 90 middle schools, in 5 cities. Educational activities included school competitions, lectures at university auditoriums and youth centres, visits to the Museum of the Bank of Albania and to commercial banks.

World Savings Day

On the occasion of World Savings Day, on 31 October 2019, the Bank of Albania in collaboration with the Albanian Association of Banks organised some educational activities. In compliance with the best principles of this area, savings should start at a young age. For this reason, under the slogan "The earlier or longer you save, the more savings you will have", activities were



organised and educational publications were provided to pupils of 9-year schools of Tirana, which aimed at educating and making them aware of principles of good management for saving money.

Second Summit of the Albanian Diaspora

The Second Summit of the Albanian Diaspora was held from 28 February– 2 March 2019. The Summit was organized by the Albanian Government and was attended by prominent Albanian personalities from business, science, art and culture communities abroad. The Bank of Albania was an integral part of the fair, opened at the premises where the Summit took place on the 1st of March 2019, in Tirana. At the fair the Bank of Albania had a dedicated booth and presented periodic and non-periodic publications of the Bank, numismatic materials, as well as educational documentaries. On 2 March 2019, the Bank of Albania's dedicated booth was opened to public at the library of Lezha, on the occasion of the activities commemorating the 575th anniversary of the League of Lezha.

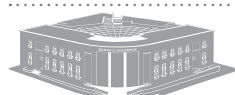
The Bank of Albania on Facebook

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 to the public, mainly the younger generation. In 2019, about 110 posts were published to inform and provide the public with educational materials, numismatic curiosities, activities and publications of the Bank.

The Museum of the Bank of Albania

Since October 2015, the Museum of the Bank of Albania has served as a communication promotor between the Bank and the public. Museum guides, interactive games and information published at the Museum provide the public with the monetary circulation history over the centuries and financial education concepts. Those who are fond of numismatic and financial and economic history also find themselves in this Museum. In 2019, the Museum of the Bank of Albania was visited by 3107 visitors, of which, 1600 were children and students and 1507 adults older than 18. Educational films dedicated to pupils of elementary schools are shown at the premises of the Museum, presentations on personal finances take place, while through electronic quizzes, and knowledge attained during visits to the Museum is tested. The teaching set includes "Çufo piglet learns to save" as well as educational brochures and materials. Already, visiting the Museum of the Bank of Albania is included in schools' programmes, turning it into one of the most required and preferred destinations.

Experts of the Bank of Albania deliver lectures to students of high schools and universities on themes chosen by them.



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 2019, the Museum organised a series of activities of historical and educational character, listed below:

Temporary exhibition "New series of Lek banknotes"

In the framework of the informative campaign on the new series of Lek banknotes, two of which were put into circulation during 2019, the Museum of the Bank of Albania opened a temporary exhibition, to inform the public on the production, security features, personalities and symbols of the new Lek banknotes. In this exhibition, attention was dedicated to the education of children through interactive materials provided to the little visitors once they had visited the exhibition.

Third Conference of the Museum of the Bank of Albania on "Museums and education in the future"

This Conference, organised on 15 November 2019, at the premises of the Bank of Albania, brought together museum staff, experts, researchers in the field of museology and education, to present and discuss their research findings or experiences in this field, focusing on the role that museums and education may have in the future on the culture and progress of Albania.

The proceedings of the Third Conference of the Museum of the Bank of Albania were opened by the First Deputy Governor of the Bank of Albania, Ms. Luljeta Minxhozi, the Minister of Culture, Ms. Elva Margariti, and the Director of the National Museum of History, Ph.D. Dorian Koçi.

International Museum Day

On the occasion of 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. A lot of visitors were informed on the numismatic collections, the history of the bank and finances and on the role and value of money.

Promoting the numismatic collection of the Bank of Albania

At the Museum of the Bank of Albania, visitors and the public at large may buy the numismatic collection of the Albanian banknotes and coins. In 2019, there was a high interest in purchasing this collection, which is collected or used as a present. The prices on the sales of numismatic collection are published on the official web page of the Bank of Albania. The numismatic collection available for sale is enriched with new issuances of the Bank of Albania. In 2019, commemorative coins were approved with the themes 110th anniversary of Normalija e Elbasanit (the first high school in the Albanian language), 1909



- 2019" and "Apollonia". The collection available for sale will be enriched with exemplars of the new denominations of banknotes, issued in circulation in 2019.



3. INTERNAL AUDIT

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

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 2019 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. 7, dated 6.2.2019.

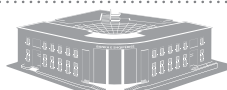
Relations with the Operational Risk Management Unit (ORM)

Collaboration with the ORM Unit continues on a 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 continuous operational risk management.

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

Implementation of recommendations from the external quality assurance and results of internal assessment

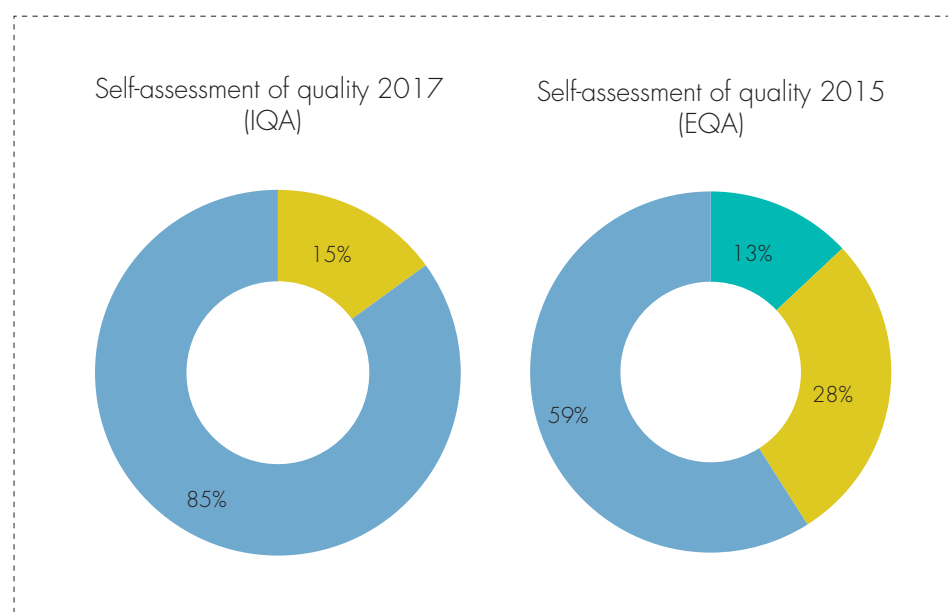
The Control Department implements the Internal Quality Assessment programme. According to this programme the External Quality Assessment was conducted by the Central Bank of the Netherlands (DNB) in May 2015. Following this assessment, the Control Department, at the end of 2017, accomplished



the engagement of the Internal Audit quality self-assessment (Internal Quality Assessment). The next assessment is projected to be realised in 2020.

Table 9 The table below shows the external assessment realised in 2015 and the self-assessment realised in 2017

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

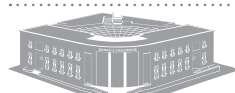


Engagements and main findings in 2019

Audit engagements in 2019 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.

In 2019, in total, 30 recommendations resulted from 9 audit engagements for security. The recommendations mainly addressed the need for a review of the regulatory base (43%); improving the processes (37%); and implementation of the regulatory base (20%).

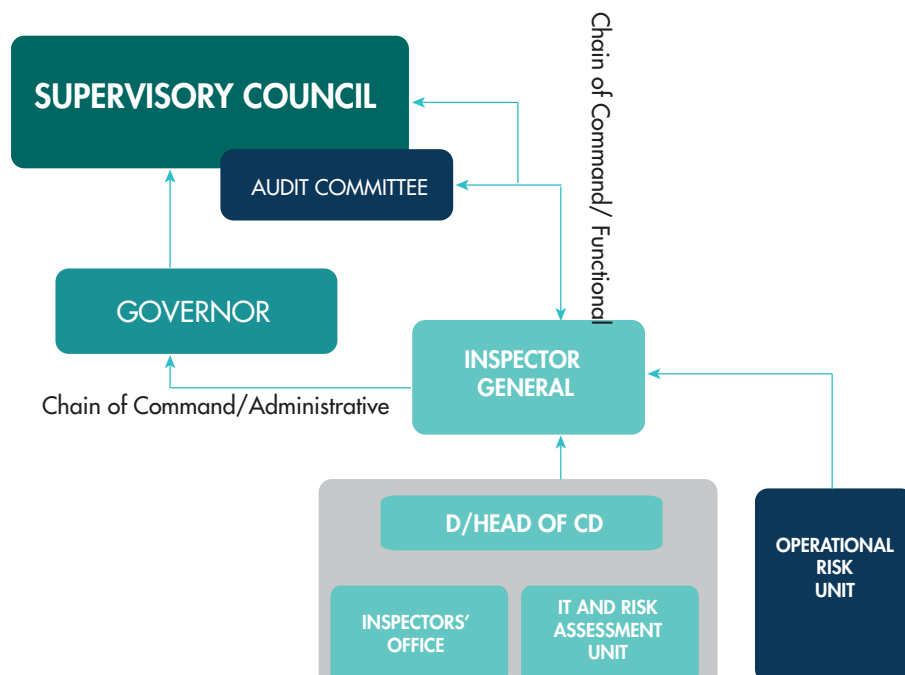
The findings and recommendations for each of the audits carried out during this period were first addressed to the heads of the units and then to the Bank of Albania's Administrators.



3.2. ABOUT THE CONTROL DEPARTMENT

In accordance with the Law "On the Bank of Albania", the status 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, with the purpose of preserving objectivity, independence, integrity of information, the efficient use of resources and the effectiveness of internal control systems at the Bank of Albania.

The organizational structures under the responsibility of the Inspector General



Professional capacity building and continuous training

In order to meet the strategic objective regarding 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.



3.3. OPERATIONAL RISK MANAGEMENT

The main objective of 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.

Developments in operational risk management

In 2019, the Operational Risk Management Unit continued to monitor and review 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. Priority was given to updating the database and consolidation of employees' knowledge on operational risk.

Assessment of Operational Risk Management by international experts

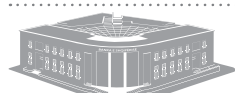
Operational Risk Management is assessed based on the methodology employed by the International Operational Risk Working Group (IORWG) for central banks, of which the Bank of Albania is also a part. Following this process, the progress of the maturity level of the Operational Risk Management has shifted from 'ad-hoc' to 'managed'. This assessment exceeds the Bank of Albania's expectations, thus overcoming the "basic" level. Currently, the major part of Central Banks that have been consolidating the Risk Management function for more than 5 years, are currently rated at this level.

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

After structural and regulatory consolidation of the operational risk management function of the Bank of Albania, the maturity level, during 2017, increased considerably to 69.22% (from 49.19% at the end of 2016). This process includes approval of the Operational Risk Tolerance by the Supervisory Council; drafting and approval of action plans by Administrators; periodic review and reassessment of operational risk database.

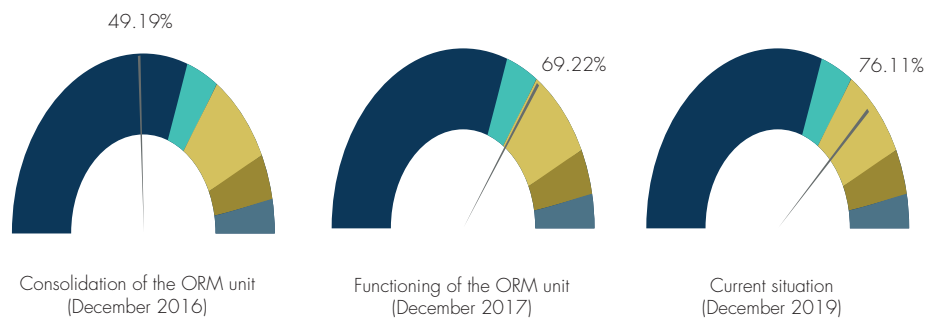
The current maturity level assessed for 2019 is 76.11%. This is based on the performance of the process on the implementation of action plans and the assessment of risks periodically reported by units. This level fully complies with the medium-term objectives of the ORM function at the Bank of Albania.

The assessment is conducted periodically based on the IORWG matrix. This sets out the design of the processes and control systems for these processes including their means of organisation and their structure, reporting results



related to the risk management and risk culture, which is a challenge that needs continuous monitoring, coherence and awareness-raising.

Chart 32 Measure of Maturity Velocity Level of Operational Risk Management



Source: IORWG matrix.

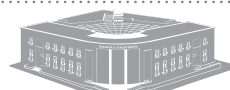
This independent assessment certifies the maturity level by an independent international organisation and shows the importance that the Bank of Albania and the Supervisory Council give to the function of Operational Risk Management at the Bank of Albania, the need for awareness and education of employees at all levels for the management of risk, and how this has affected and will affect the well-functioning and continuous improvement of the core and supportive functions in the framework of risk management. There has been notable progress related to the management of processes and reporting and strengthening of risk culture according to the international assessment.

Business continuity management at the Bank of Albania (bcm)

In 2019 Q1, the Bank of Albania finalised the Project "Compilation and Implementation of Business Continuity Management programme at the Bank of Albania". 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 response capacity, ensuring the continuation of critical processes and recovering 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 an effective BCM Program and is applicable to all institutions (including industry and relevant sectors).

Based on this Standard, "Business Continuity Management" is a process oriented to business, which sets forth a strategic and operational framework adapted to the following needs:



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

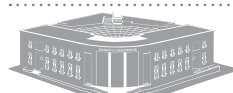
Whistleblowing function at the Bank of Albania

Consolidation of the whistleblowing function has helped 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 a) prevent and suppress corruption at the Bank of Albania; b) promote alerts on suspected corruption actions or practices; c) protect whistle-blowers who signal suspected corruption actions or practices at their workplace.

The entire regulatory base and all guidelines (annexes) and the necessary instruments were available throughout 2019 to enable the staff to signal suspect cases.

Abbreviations of terms used

IG – Inspector General
DC - Department of Control
IIA – Institute of Internal Audit
ORM– Operational Risk Management
EQA – External Quality Assessment
ChA – Chartered Auditor (Legal Auditor)
IQA – Internal Quality Assessment
IORWG - International Operational Risk Working Group (IORWG)
IPPF – International Professional Practice Framework
ACCA – Association of Chartered Certified Accountants
CIA – Certified Internal Auditor
CISA – Certified Information Systems Auditor
BCM – Business Continuity Management
KRI - Key Operational Risk Indicator

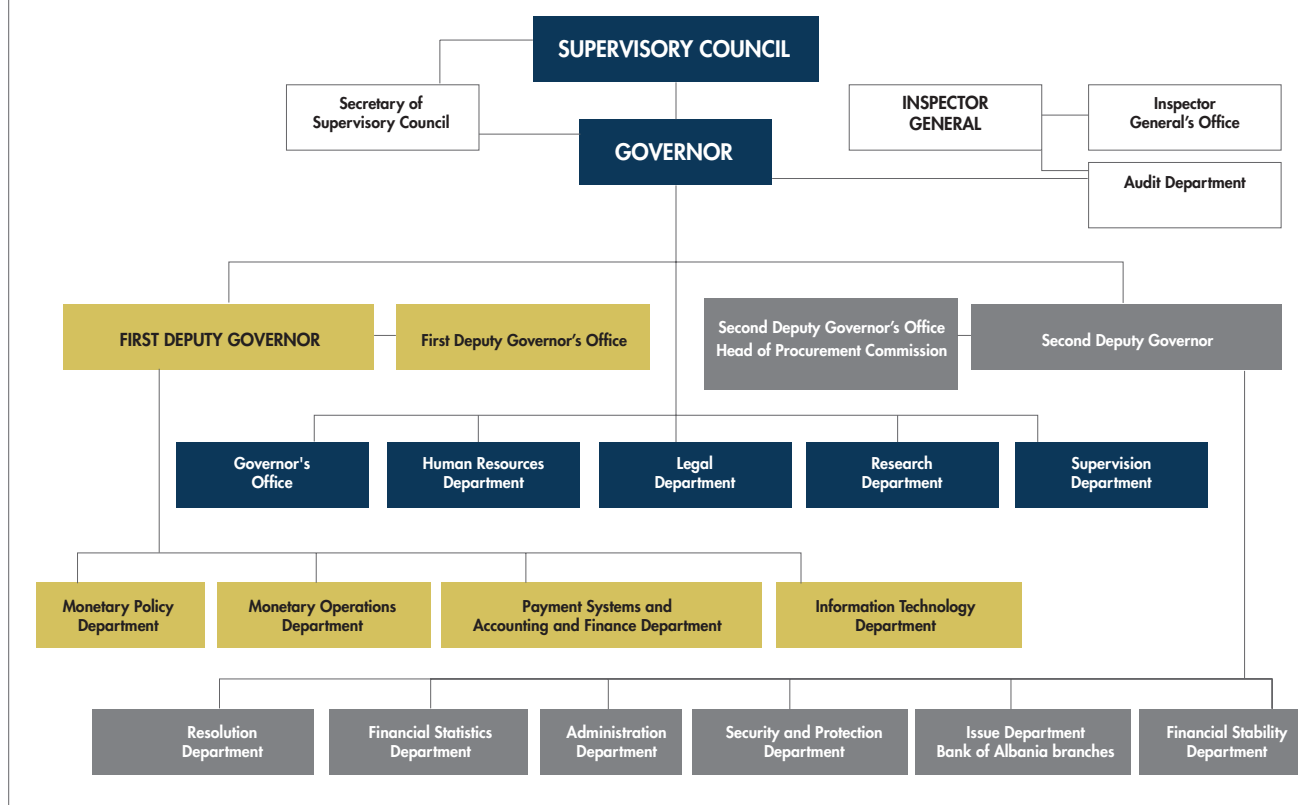


4. HUMAN RESOURCES

Development and management 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 continuously improves 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 professional increase of staff; strengthening and maintaining a motivating and accountable environment for employees; as well as the improvement of the regulatory base and structure of the Bank. This is achieved through adoption and implementation of the best practices in human resource management applied by 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. Also, 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.

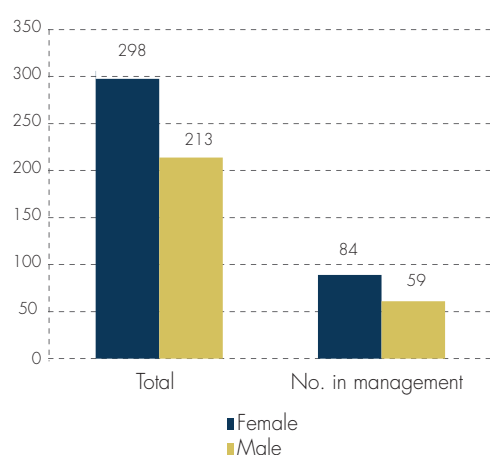
ORGANIZATIONAL STRUCTURE OF THE BANK OF ALBANIA



Effective human resource 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 58% - 42%. This ratio is also equal at the management level.

Chart 33 Female/male ratio in management

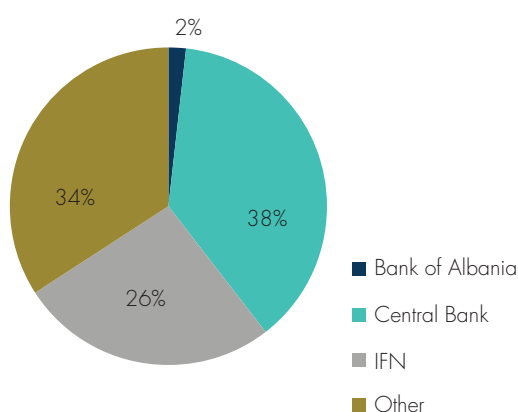


Source: Bank of Albania.

Special attention is paid to combining professional staff with new staff. The average age of the staff is 43. 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 resource policy is the identification of interpersonal and professional skills and their usage to train and build professional capacities of employees, through professional trainings they have attended in Albania and abroad. Participation in these specialized trainings, organized by central banks, international financial institutions (IFIs) or other institutions, besides increasing professional knowledge, also allow the staff of the Bank to share professional and managerial experience with representatives of other financial institutions.

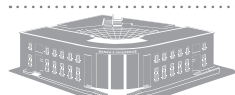
Chart 34 Participation in trainings by hosting institution



Source: Bank of Albania.

Breaking down hosting of training, 38% of trainings were offered by European central banks of countries including Germany, Turkey, the European Central Bank, the Netherlands, France Italy, and Poland. The trainings conducted by International Financial Institutions accounted for 26% of the training courses offered, hosted by the International Monetary Fund (IMF), the World Bank Group, and the Bank for International Settlements (BIS). Finally, 34% of trainings were carried out in collaboration with other organisers, namely, the European Commission, the Center of Excellence in Finance (CEF), EUROSTAT, and the Single Resolution Board.

Compared to previous years, in 2019, the Bank of Albania continued to host, organise and promote training courses, with an increase in on-line trainings



offered. The number of training courses organised abroad, also increased. Most of the professional trainings in 2019 were carried out in the field of monetary policy and operations (17, 45%), financial statistics (13, 45%), central banking (12, 36%), banking supervision (12%) and payment systems (5.82%). The rest of the training was organised in areas such as internal auditing, currency issuance and money management, accounting and finance, and economics and models. It should be noted that the largest number of professional trainings was focused on building the central bank's institutional capacity to fulfil its core functions.

Agreements and collaboration

Also, in 2019, 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, Bank of Kosovo, SECO (State Secretariat for Economic Affairs), ECB and the central Bank of Germany. Twenty-six different activities, with the participation of 73 employees, were realised in the framework of these agreements, aimed at acquiring the targeted, specific information.

BOX 8 SOCIAL POLICIES AND SOCIAL RESPONSIBILITY

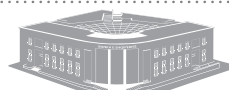
The Bank of Albania aims to maintain and to further strengthen social values, increase the awareness of its employees in terms of support for vulnerable groups and various social causes. Examples of these efforts are initiatives to support financial education, create a better environment for vulnerable communities, and volunteer activities to contribute to improving quality of life for 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 2019, employees have voluntarily contributed to various humanitarian activities as a moral response to the achievement of common community goals.

On 1 June 2019, on "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 centre for children with disabilities "Lira", Berat.

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 sick people in need. The process was managed by employees of "The Albanian Red Cross" according to respective standards.

On 2 April 2019, the Bank of Albania's central building was decked in blue to mark World Autism Day as part of common national awareness-raising efforts.

Employees of the Bank of Albania, for the purpose of solidarity with the families which were affected by the Earthquake of 26 November 2019, provided monetary contributions and material aid to address this situation.



5. MEDIUM-TERM DEVELOPMENT STRATEGY OF THE BANK OF ALBANIA 2020-2022

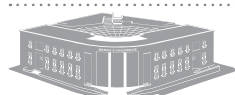
The medium-term development strategy sets out the ambition of the Bank of Albania for the period 2020 - 2022. This document is an update of the strategy for 2019-2021, through which the implementation term has been extended beyond 2021, and the main objectives for following medium-term are set forth. Extension of the term also reflects the realised objectives at the end of 2019, which are no longer reflected in the contents of the strategy. Wherever necessary new objectives are laid down or existing objectives are amended.

Revision of the strategy was indispensable for the approval of the Bank of Albania budget for 2020 and for the orienting medium-term budget for 2021-2022. The regulation "On budgeting at the Bank of Albania" conceives of budgeting as a forecast process of the Bank of Albania's income and expenses, for the accomplishment of tasks set forth in the organic law and the objectives determined in the Medium-term Strategy. This budget is divided into detailed items for the first financial budgeting year and summarised and orienting items for the second and third consecutive years. The budget is reviewed each year, in compliance with the objectives and work programs of the units. The extension of strategy duration was necessary, in order to support the orienting medium-term budget items for the years 2021 and 2022.

The mission, vision and values of the Bank of Albania in this strategy were kept unchanged. They are detailed in the text of the Strategy, in order to comply with the strategic objectives. The strategic objectives set out the general directions and priorities in the activity of the Bank of Albania. The objectives are defined in the organic law and are related to (i) price stability (the main objective); (ii) the foreign exchange system; (iii) the internal financial market; (iv) payment systems; and (v) improvement of monetary and lending conditions in support of the country's stability and economic developments. 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 external factors; and (iii) achievable within the medium-term period.

Other objectives, being conditioned by the primary objective of the Bank of Albania, promote maintenance of 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 for 2018 are automatically included in the strategic objectives, according to the respective fields.

The strategy is composed of three main parts, addressing implementation of the Mission, Vision and Values of the Bank of Albania. Each part is divided



into chapters according to the main fields of responsibility of the institution. Such organisation provides rather detailed information regarding the strategic objectives, activities and the responsible unit for their realisation. On the other hand, it serves to better monitor implementation of the activities set out in the Strategy.

The main priorities in the work of the Bank of Albania in the next three years relate to safeguarding monetary and financial stability in Albania, providing an effective payment system, fulfilling the needs of the economy for cash, and strengthening good-governance of the institution. They are detailed as follows:

a) *Maintaining monetary stability*

The monetary policy of the Bank of Albania will continue to be oriented towards maintaining price stability. The objectives for the medium-term period aim at increasing the effectiveness of monetary policy drafting, enhancing flexibility in the implementation of monetary policy, improving communication of monetary policy, and strengthening cooperation with national and international partners, for the purpose of increasing the synergy of domestic economic policies and supporting European integration of the country.

The operations performed by the Bank of Albania aim at good management of the foreign exchange reserve to meet foreign currency liquidity needs related to implementation and support of monetary and exchange rate policies, safeguard financial stability, meet the needs of the country in periods of crisis, and maintain the reserve fund. Amongst the main priorities, there are: the promotion of developments in the domestic market; and improvement of the financial result of the foreign exchange reserve investment.

b) *Promoting financial system stability*

The final objective of the macro-prudential policy is to help safeguard the stability of the entire financial system by preventing and mitigating systemic risks and strengthening the resilience of the financial system. For this reason, the Bank of Albania aims at developing the macro prudential instruments, methodologies and procedures related to sectoral risks.

Banking supervision will continue to focus on providing a sound financial system, which guarantees public confidence, ensures stability and contributes to stable economic growth. The development of a regulatory framework will continue to be oriented towards alignment with the legislation of the European Union, and with the Basel III principles. The following will also be worked on: further consolidation of risk-based supervision, reduction of non-performing loans, and implementation of technological developments and innovations, in the financial system and payment systems.



The Bank of Albania, in its capacity as Resolution Authority, aims at realising an organised intervention in troubled banks facing financial distress, by minimising its impact on real economy, public finances and financial stability. Also, during the period, focus will be on strengthening the capacity for resolution in banks, completing the regulatory and methodological framework for resolution, monitoring the Resolution Fund, and strengthening the human and logistical capacities of the Resolution Authority

c) *Promoting the smooth operation of payment systems*

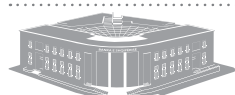
In the payment area, the Bank of Albania aims at promoting and overseeing the smooth functioning of payment systems, regulating payment instruments and services on electronic transfers, establishing a contemporary and comprehensive retail payment market, and promoting the use of electronic payment instruments.

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

Maintaining the quality of banknotes in circulation is aimed firstly at preserving their integrity, in relation to the public that uses them. The main objectives in this regard are fulfilling the needs of the economy for cash, fit for circulation; improving the security features of Albanian banknotes; protecting against counterfeiting and improving management; and strengthening the physical security of monetary values.

e) *Strengthening the good governance of the institution*

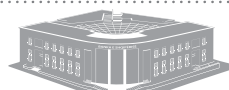
The Bank of Albania aims at fully aligning its own organic Law to the Statute of the European System of Central Banks. Good governance includes accountability related to the functions and human, physical and capital resources of the institution. It also implies further alignment with the International Financial Reporting Standards (IFRS) and improvement of interconnections of strategic and budgeting planning processes.



FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

(WITH INDEPENDENT AUDITORS' REPORT THEREON)





INDEPENDENT AUDITOR'S REPORT

To the Supervisory Council of Bank of Albania

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

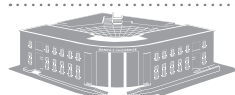
We have audited the financial statements of Bank of Albania (the "Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019 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 ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and with Institute of Authorizes Chartered Auditors of Albania Code of Ethics ("IEKA Code"), together with the ethical requirements of the Law No. 10091, dated march 5, 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.

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



OTHER MATTER

The financial statements of the Bank of Albania as at and for the year ending on 31 December 2018, were audited by another auditor, who issued an unqualified opinion on March 28, 2019.

**OTHER INFORMATION INCLUDED IN THE BANK OF ALBANIA 2019
ANNUAL REPORT**

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 IFRSs, 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.

**AUDITOR'S 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 auditor's 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 skepticism 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 of Albania's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report.
- 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 true and fair presentation.

We communicate with those charged with governance of the Bank of Albania 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.

*Ernst & Young Ekspertë Kontabël të Autorizuar,
Dega në Shqipëri*

Ernst & Young Certified Auditors

Mario Vangjel
Statutory Auditor

March 25, 2020
Tiranë, Albania

Nikolay Garnev
Partner, Audit
Ernst & Young Audit OOD

Nikolay Garnev



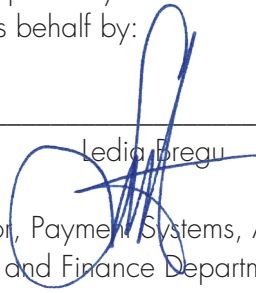
STATEMENT OF FINANCIAL POSITION

In ALL million	Note	31 December 2019	31 December 2018
ASSETS			
Cash and balances with banks	9	153,313	189,967
Trading assets	13	14,624	13,985
Monetary gold	10	14,591	6,992
Accounts with the International Monetary Fund	11	30,552	33,512
Loans to banks	12	33,956	32,318
Investment securities	14	269,065	247,604
Property, equipment, right-of-use and intangible assets	15	20,271	20,195
Other assets	16	2,960	2,474
TOTAL ASSETS		539,333	547,047
LIABILITIES			
Currency in circulation	17	302,849	286,132
Due to banks	18	130,764	137,223
Deposits and borrowings from third parties	19	3,279	5,735
Due to Government and state institutions	20	45,154	63,111
Due to the International Monetary Fund	11	24,037	23,990
Other liabilities	21	1,538	365
TOTAL LIABILITIES		507,621	516,556
CAPITAL AND RESERVES			
Capital		2,500	2,500
Reserves	22	29,212	27,991
TOTAL CAPITAL AND RESERVES		31,712	30,491
TOTAL LIABILITIES, CAPITAL AND RESERVES		539,333	547,047

The notes on pages 129 to 193 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 25 March 2020 on its behalf by:


Gent Selko
Governor


Ledia Bregu
Director, Payment Systems, Accounting
and Finance Department



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In ALL million	Note	2019	2018
Interest income calculated using the effective interest method	23	3,211	3,421
Interest expense	23	(1,072)	(1,064)
Net interest income		2,139	2,357
Fee and commission income		93	84
Fee and commission expense		(43)	(40)
Net income from fees and commissions		50	44
Net trading income	24	699	177
Net other income/(losses)	25	948	(140)
Net gain/(loss) from changes in the fair value of monetary gold	10	1,635	(299)
Net foreign exchange losses	22	(1,108)	(14,106)
Total income/(loss) from banking operations		4,363	(11,967)
Impairment losses on financial instruments, net	8(E)(vi)(b)	3	(1)
Employee benefit expenses	26	(1,411)	(1,363)
Depreciation and amortization	15	(406)	(377)
Other general and administrative expenses	27	(571)	(613)
Net result for the period		1,977	(14,321)
Other comprehensive income:			
Items that cannot be reclassified to profit or loss at a future point in time		-	-
Items that can be reclassified to profit or loss at a future point in time		639	432
Debt instruments at FVOCI – net change in fair value	22	639	432
Other comprehensive income, loss for the year		639	432
Total comprehensive income/(loss) for the year		2,615	(13,889)

The notes on pages 129 to 193 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	Retained earnings	Total
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 FVOCI)	-	-	-	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
Total comprehensive income							
Net result for the period							
Other comprehensive income	-	-	-	-	-	1,977	1,977
Fair value reserve (debt instruments FVOCI)							
Other comprehensive income, net of tax	-	-	-	639		-	639
Total comprehensive income	-	-	-	639			639
Contributions and distributions	-	-	-	639		1,977	2,616
Distribution to Government of Albania (Note 20)							
Total contributions and distributions	-	-	-	-	(52)	(1,346)	(1,398)
Transfers to reserves (Note 22)	-	-	-	-	(52)	(1,346)	(1,398)
Balance at 31 December 2019	-	-	631	(15)	18	(631)	3
Gjendja më 31 dhjetor 2019	2,500	12,500	(6,219)	865	22,066	-	31,712

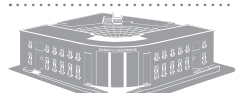
The notes on pages 129 to 193 are an integral part of these financial statements.



STATEMENT OF CASH FLOWS

In ALL million	Note	2019	2018
Cash flows from operating activities			
Net result for the period		1,977	(14,321)
Adjustments for:			
Depreciation and amortization	15	406	377
Net impairment loss on financial instruments	7(A)vii	(3)	1
Net interest income	23	(2,139)	(2,357)
Net trading income	24	(699)	(177)
(Gain)/Loss from sale of investment securities	25	(929)	169
Net loss from changes in the fair value of monetary gold	10	(1,635)	299
Net foreign exchange losses	22	1,108	14,106
Provisions	21	-	11
		(1,914)	(1,892)
Changes in:			
Trading assets		64	432
Monetary Gold	10	(5,965)	
Accounts with the International Monetary Fund	11	2,992	7,210
Loans to and deposits with banks	12	(11,922)	3,234
Other assets		(485)	(123)
Currency in circulation		16,717	11,447
Due to banks		(5,706)	(4,804)
Deposits and borrowings from third parties		(2,432)	1,715
Due to Government and state institutions		(18,558)	29,595
Due to the International Monetary Fund		43	(2,391)
Other liabilities		1,188	(104)
Reserve		(34)	-
Other		(33)	-
		(26,045)	44,319
Interest received		3,020	3,943
Interest paid		(1,063)	(1,042)
Net cash (used in)/generated from operating activities		(24,088)	47,220
Cash flows from investing activities			
Acquisition of investment securities		(213,654)	(338,331)
Proceeds from sold and matured investment securities		193,057	324,632
Acquisition of property, equipment and intangible assets		(483)	(347)
Net cash generated from investing activities		(21,080)	(14,046)
Cash flows from financing activities			
Distributions to Government	20	(576)	(901)
Net cash used in financing activities		(576)	(901)
Increase in cash and cash equivalents		(45,745)	32,273
Cash and cash equivalents at the beginning of the year		185,648	161,765
Effect of movements in exchange rates on cash held		(1,197)	(8,390)
Cash and cash equivalents at the end of the year	9	138,706	185,648

The notes on pages 129 to 193 are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

(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', as 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 IFRS16 "Leases" 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	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.

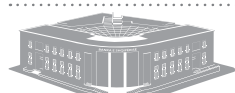
A. Judgments

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 2019 and 2018 :
 - 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 2019 and 2018:
 - 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.
- Applicable to 2019:
 - Note 7(V)- The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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 2019 is included in the following notes:



- Applicable to 2019 and 2018:
 - Note 8(E)(vi)(a) and Note 7(A)(vii) – impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information and key assumptions used in estimating recoverable cash flows;
 - Note 7(A)(vi) – determination of the fair value of financial instruments with significant unobservable inputs; and use of fair value models.
- Applicable to 2019
 - Note 7(V)- The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of the interest that the Bank would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, which requires estimation when no observable rate is available, or when they need to be adjusted to reflect the terms and condition of the lease (ex. when leases are not in functional currency). The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain adjustments to reflect term and conditions of the lease.

6. CHANGES IN ACCOUNTING POLICIES

The Bank has initially adopted IFRS 16 (refer to (A)) from 1 January 2019. The nature and effect of the changes as the result of the adoption of this new standard are described in Note 6.A below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's financial statements.

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. The effect of initially applying these standards is limited to IFRS 16 and mainly attributed to the following:

A. IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Bank applied the standard



only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for some of its office premises and IT equipment (repetitor). Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as operating leases. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

Leases previously accounted for as operating leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

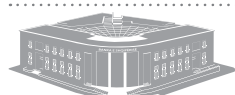
The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of ALL 101 million were recognised and presented in the statement of financial position within "Property, equipment, right-of-use and intangible assets".
- Additional lease liabilities of ALL 101 million (included in "Other liabilities") were recognised.
- The adoption of IFRS 16 had no impact on the Bank's reserves.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:



Assets	ALL million
Operating lease commitments as at 31 December 2018	108
Weighted average incremental borrowing rate as at 1 January 2019	4.51%
Discounted operating lease commitments as at 1 January 2019	101
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value assets	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	-
Lease liabilities as at 1 January 2019	101

B. Other standards and amendments

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Upon adoption of the Interpretation, the Bank considered whether it has any uncertain tax positions. The Interpretation did not have an impact on the financial statements of the Bank.

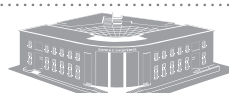
Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Bank.

The following standards were issued and effective for the annual period starting from 1 January 2019, but that do not have an impact for the Bank.

- **Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28:** the amendments clarify that an entity applies IFRS 9 to long-term



interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

- **Plan Amendment, Curtailment or Settlement - Amendments to IAS 19:** the amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.
- **Annual Improvement Process 2015 – 2017** cycle (issued in December 2017):
 - IFRS 3 Business Combinations - Previously held Interests in a joint operation;
 - IFRS 11 Joint Arrangements - Previously held Interests in a joint operation;
 - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity;
 - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization.

7. SIGNIFICANT ACCOUNTING POLICIES

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

The Bank may recognise a financial asset or liability in its balance sheet if, and only if it becomes a party to the contractual terms of the financial instruments used. The Bank derecognises a financial asset from its balance sheet:

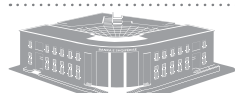
- when it loses control over the contractual rights that constitute the financial asset;
- when the obligation stated in the contract is extinguished, cancelled or expired.

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.

Financial assets and liabilities are recognised in off-balance-sheet accounts from the trade date to the date of their settlement and are recorded in the Bank of Albania's balance sheet at the settlement date (value date). The



initial recognition is at acquisition cost, i.e. the fair price paid on acquisition. Transaction costs are included in the acquisition cost of all assets and liabilities, except for financial assets and financial liabilities recorded at FVPL where transaction costs are added to, or subtracted from, this amount. From that moment on, any changes in their fair value are recognised by the Bank as income or expense.

(ii) *Classification*

On initial recognition, a financial asset is classified as measured at either one of the following categories:

- 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 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.

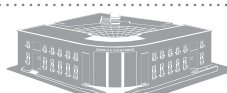
The business model of financial assets held to collect contractual cash flows includes all current accounts and deposits of the Bank with foreign correspondents, and the cash flows under the model used for these assets represent only principal and interest payments. These financial assets are measured at amortised cost.

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.

The business model of financial assets held to collect contractual cash flows and for sale includes securities and investment. Assets in this group are measured, as follows:

- securities: at fair value in other comprehensive income.



All other financial assets are classified as measured at FVTPL.

Business model assessment

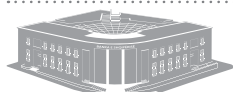
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- 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 liabilities

The Bank classifies its financial liabilities as measured at amortised cost. For details, refer to (B), (D) and (H).

(iii) Derecognition

Financial assets

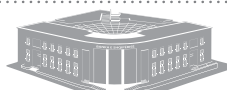
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred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

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.

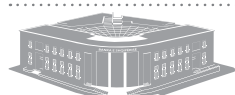
If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from 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 (refer to (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as a separate line as a "modification profit or loss" (refer to Note 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.

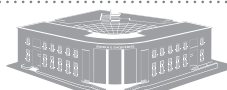
If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in 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 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*

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

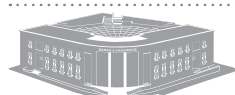
ECL are a probability-weighted estimate of credit losses and are measured as follows:

- 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;

For more details, refer to 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.

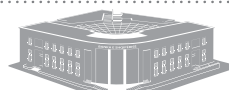
Presentation of allowance for ECL in the statement of financial position

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.

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. *Financial assets and liabilities at fair value through profit or loss (Trading assets and liabilities)*

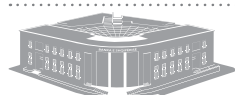
Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

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. *Financial assets and liabilities at fair value through other comprehensive income*

Financial assets and liabilities at fair value through other comprehensive income represent those for which the Bank expects to collect contractual cash flows by either holding or selling the instrument. 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.

F. *Loans and receivables*

Loans and receivables include loans measured at amortised cost (refer to 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.

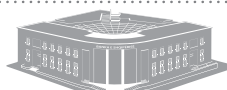
G. *Monetary Gold*

The Bank of Albania as a central bank maintains particular volumes of gold as part of Albania's international reserves. In compliance with the requirements of the Law on the Bank of Albania, the Bank may take any necessary action in connection with the acquisition, possession and sale of gross international reserves, including monetary gold. Consequently, monetary gold as part of international reserves may be immediately used by the Bank without further constraints which determines it as a monetary asset. Pursuant to the requirements of the 'General Provisions for Defining the Valuation Basis in the Financial Statements' to the IFRS, the Bank defines the recognition and valuation of the monetary gold as an asset reported at fair value through profit or loss as the most reliable and appropriate base for a subsequent valuation of this financial asset. Gold and other precious metals are measured at market value based on the London Bullion Market fixing in US dollar at the reporting date.

Gold in standard form (monetary gold) is initially recognised at acquisition cost. 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'. Unrealised gains and losses on the revaluation of the monetary gold and other gold instruments of the Bank are recognised in the income statement.

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.

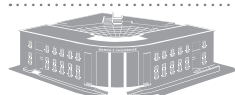
K. *Property and equipment*

(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. Adjustments to the accounting records, as well as the relevant recognition records in the revaluation reserve are reported in accordance with International Financial Reporting Standards.

(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*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:

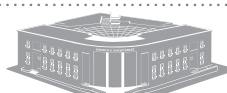
- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

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.



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, refer to Note 7(A) (vii). As at 31 December 2019 and 31 December 2018 there are no credit-impaired financial assets.

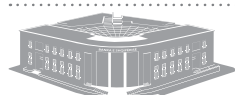
Presentation

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 (refer to Note 7(O)). Profits and losses arising from changes in the fair value of financial instruments reported at fair value through profit or loss are recognised in the income statement.

Interest income and expense are recognised on an accrual basis in accordance with the Bank's interest rate policy and concluded agreements with international financial institutions and customers of the Bank. Interest income and expense are recognised in the income statement. Interest income and expense also include the amortisation of the discount and premium calculated on the basis of the effective interest rate.



Interest income on foreign securities held in the Bank of Albania portfolio includes interest rates on interest coupons of securities issued. Interest income on deposits includes interest income on deposits in foreign currency and in gold.

Other financial income/expenses include income and expenses from sales and changes in the fair value of financial assets and liabilities held for trading and assets available for sale.

Net gains/losses from financial assets and liabilities at fair value through profit or loss include net gains from operations in securities, net gains from operations in foreign currency, net revaluation gains on securities, net gains from gold revaluation, net gains from revaluation of futures, and net gains from revaluation of assets and liabilities denominated in foreign currency.

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 at the moment the related services are performed.

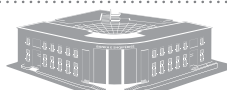
In accordance with IFRS 15, revenue from contracts with customers is recognised when the Bank has fulfilled its performance obligations by transferring the promised services to the customer. Revenue is recognised at an amount reflecting the consideration expected to be received in return. No changes in the valuation and recognition of fees and commissions have occurred as a result of the entry into effect of IFRS 15.

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. The exchange rates of the major foreign currencies as of 31 December 2019 and 31 December 2018 are disclosed in Note 8.F(ii).

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, and those arising from available-for-sale investments 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 are accumulated to 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.

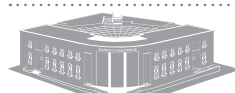
The Bank's policy of distribution of profit from banking operations is defined in the Law 'On the Bank of Albania'. According to Article 10(2) of this Law, the Bank allocates all the realised profit to the State Budget after having fulfilled its requirement for the reserve fund pursuant to the Law and 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 and Economy 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. Leases

Policy applicable before 1 January 2019

The determination of whether an arrangement is a lease, or contain a lease, is based on the substance of the arrangement and required an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. Leases that do not transfer to the Bank all of the risk and benefits incidental to ownership of the leased items are operating leases. Contingent rental payable is recognized as an expense in the period in which it is incurred.

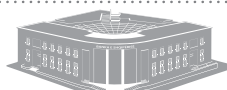
Policy applicable as of 1 January 2019

The Bank assesses at contract inception whether a contract is, or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for the short term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and Right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The Bank recognises right-of-use assets at the commencement date of the lease. Right-of use assets are measured at cost, less any depreciation or impairment



losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets include the amount of the lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated in a straight-line basis over the lease term.

The right-of-use assets are presented within Note 15 Property, equipment, right-of-use and intangible assets.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any incentive receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalty for terminating the lease, if the lease reflects exercising the option to terminate. 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*

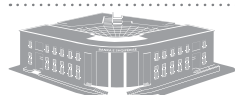
The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset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

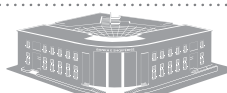
A number of new Standards and amendments to Standards are issued and become effective for annual periods beginning on or after 1 January 2020, and earlier application is permitted; however the Bank has not early adopted them in preparing these financial statements. The following amendments are not expected to have a significant impact on the Bank's financial statement

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendment is effective from 1 January 2020. The Bank does not expect a significant impact from this amendment.



The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The Bank will adopt the following standards when they become effect, but expects not to have an impact over its financial statements because these are not applicable to the Bank.

- IFRS 17 Insurance contracts, effective on or after 1 January 2021.
- Amendments to IFRS 3: Definition of a Business.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

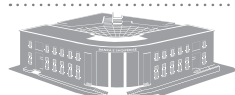
8. FINANCIAL INSTRUMENTS: CLASSIFICATION, RISK MANAGEMENT AND FAIR VALUES

A. *Classification of financial assets and financial liabilities*

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in note 7(A)(ii).

(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. 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.

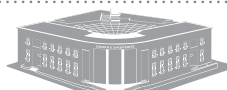
31 December 2019	FVTPL	FVOCI – debt instruments	Amortised cost	Total carrying amount
ASSETS				
Cash and balances with banks	-	-	153,313	153,313
Trading assets	14,624	-	-	14,624
Accounts with the International Monetary Fund	-	-	30,552	30,552
Loans to banks	-	-	33,956	33,956
Investment securities FVOCI	-	269,065	-	269,065
Other assets	-	-	2,136	2,136
Total financial assets	14,624	269,065	219,956	503,646
LIABILITIES				
Currency in circulation	-	-	302,849	302,849
Due to banks	-	-	130,764	130,764
Deposits and borrowings from third parties	-	-	3,279	3,279
Due to Government and state institutions	-	-	45,154	45,154
Due to the International Monetary Fund	-	-	24,037	24,037
Other liabilities	-	-	1,425	1,425
Total financial liabilities	-	-	507,508	507,508

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 at FVOCI	-	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

B. 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 Special Drawing Rights ("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.

C. *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



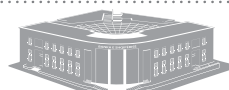
management of the liquidity risk, serve specific purposes and carry specific features.

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.

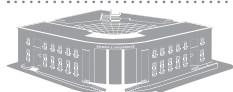
The net reserve is composed of:

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 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. 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 2019	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	133,837	4,870	11,563	3,043	-	-	-	153,313
Trading assets	49	862	984	997	11,694	27	-	14,613
Account with the IMF	9,597	-	-	-	-	-	20,955	30,552
Loans to banks	26,494	7,462	-	-	-	-	-	33,956
Investment securities	14,481	25,898	36,821	57,216	132,020	2,629	-	269,065
Other assets (note 16)	-	-	-	1	8	2,127	-	2,136
	184,457	39,092	49,368	61,257	143,723	4,783	20,955	503,635
Derivative assets								
Interest rate future contracts	-	11	-	-	-	-	-	11
Total financial assets	184,457	39,103	49,368	61,257	143,723	4,783	20,955	503,646
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	302,849	302,849
Due to banks	130,764	-	-	-	-	-	-	130,764
Deposits and borrowings from third parties	3,279	-	-	-	-	-	-	3,279
Due to Government and state institutions	43,256	-	1,398	-	-	-	500	45,154
Due to the IMF	17,050	-	-	-	-	-	6,987	24,037
Other liabilities	926	-	-	-	69	-	430	1,425
Total financial liabilities	195,275	-	1,398	-	69	-	310,766	507,508
Asset-liability maturity mismatch as at 31 December 2019	(10,818)	39,103	47,970	61,257	143,654	4,783	(289,811)	(3,862)



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



D. 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

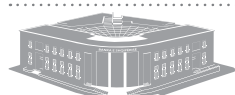
Custody risk is the risk of a loss of assets placed in custody in the case of insolvency, negligence, fraud, mismanagement or inadequate portfolio maintenance practices by the custodian. The Bank minimizes this risk by selecting for securities' custody services reputable international financial institutions 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 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Assets		
Cash and balances with banks (excluding cash on hand - Note 9)	153,282	189,949
Accounts with the IMF (Note 11)	30,552	33,512
Loans to banks (Note 12)	33,956	32,318
Trading assets (Note 13)	14,624	13,985
Investment securities (Note 14)	269,065	247,604
Other financial assets (loans to employees) (Note 16)	2,136	1,821
Total	503,615	519,189

Assets denominated in foreign currencies - 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.

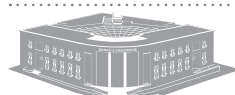
The credit risk of the portfolio of investment securities denominated in domestic currency is assessed based on historical data and assessment of the ability of the Albanian Government to meet its contractual cash flows obligations in domestic currency in the near term.

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. 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.



				2019	2018
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and balances with banks at amortised cost					
Rated AAA	10,344	-	-	10,344	8,867
Rated AA- to AA+	112,561	-	-	112,561	146,502
Rated A- to A+	27,434	-	-	27,434	18,106
Rated BBB+ and below	12	-	-	12	11
Albanian Government B+*	7	-	-	7	4
BIS Basel	2,932	-	-	2,932	16,473
	153,290	-	-	153,290	189,963
Loss allowance	(8)	-	-	(8)	(14)
Carrying amount	153,282	-	-	153,282	189,949
Accounts with IMF**					
Unrated	30,552	-	-	30,552	33,512
	30,552	-	-	30,552	33,512
Loss allowance	-	-	-	-	-
Carrying amount	30,552	-	-	30,552	33,512
Loans to banks at amortised cost					
Grade: Low-fair risk	-	-	-	-	-
Grade: Low risk	33,956	-	-	33,956	32,318
Grade: Average risk	-	-	-	-	-
Grade: Moderately high risk	-	-	-	-	-
Grade: High risk	-	-	-	-	-
	33,956	-	-	33,956	32,318
Loss allowance	-	-	-	-	-
Carrying amount	33,956	-	-	33,956	32,318
Debt investment securities at FVOCI					
Rated AAA	84,813	-	-	84,813	72,619
Rated AA- to AA+	86,821	-	-	86,821	79,090
Rated A- to A+	27,462	-	-	27,462	23,375
Rated BBB+ and below	7,948	-	-	7,948	14,812
Albanian Government (B+)*	55,165	-	-	55,165	55,587
BIS Basel	6,855	-	-	6,855	2,121
Carrying amount – fair value	269,065	-	-	269,065	247,604
Loss allowance	(18)	-	-	(18)	(15)
Carrying amount – fair value	269,065	-	-	269,065	247,604
Other financial assets at amortised cost					
Unrated	2,142	-	-	2,142	1,827
	2,142	-	-	2,142	1,827
Loss allowance	(6)	-	-	(6)	(6)
Carrying amount	2,136	-	-	2,136	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.



	2019	2018
Bonds of foreign agencies		
Rated AAA	1,790	2,446
Rated AA- to AA+	2,540	2,419
	4,330	4,865
Bonds of foreign governments and multilateral institutions		
Rated AAA	9,011	7,520
Rated AA- to AA+	1,272	1,588
	10,283	9,108
Total trading debt securities	14,613	13,973

(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 2019	31 December 2018	
Loans to banks				
Reverse repurchase agreements and overnight loans	12	100	100	Albanian Government debt securities
Other financial assets				
Loans to employees	16	100	100	Mortgage or contract guarantees

At 31 December 2019, the Bank held loans to banks of ALL 33,956 million (1 January 2019: ALL 32,318 million), for which no loss allowance is recognised because of full collateral coverage.

(vi) *Amounts arising from ECL*

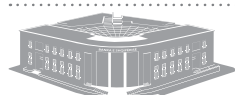
(a) *Inputs, assumptions and techniques used for estimating impairment*

For more details refer to 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

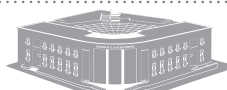
For assessing the risk of default, at initial recognition, the Bank assigns to each exposure in foreign currency the second best rating amongst Standard & Poor's, Moody's and Fitch for that particular counterparty.

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.

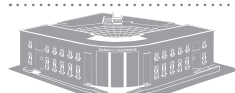
Determining whether credit risk has increased significantly

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 due instalment 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.

Definition of default

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.

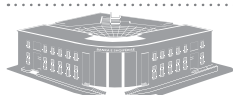
For non-sovereign issuances in foreign currency, forward-looking information is incorporated in the assessment of the probability of defaults, as the probability of the normal scenario and alternative scenario is calculated based on the probability of recession of major economies (as one of the main 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).

Measurement of ECL

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.

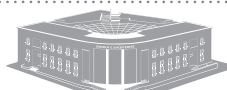
PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative 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.

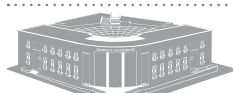
For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL comprise financial assets in foreign currency as follows:

In ALL Million	Exposure	External benchmarks used	
		PD	LGD
Cash and balances with banks (current accounts and deposits)	153,301	2nd Best Rating (from: S&P, Moody's and Fitch)	Moody's recovery studies
Investment securities in foreign currency	213,900	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).

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and balances with banks					
Balance at 1 January	14	-	-	14	13
Net remeasurement of loss allowance	(6)	-	-	(6)	1
Balance at end of the period	8	-	-	8	14
Other assets at amortised cost					
Balance at 1 January	6	-	-	6	8
Net remeasurement of loss allowance		-	-		(2)
Balance at end of the period	6	-	-	6	6
Investment debt securities at FVOCI					
Balance at the beginning of the period	16	-	-	16	14
Net remeasurement of loss allowance	2	-	-	2	2
Balance at end of the period	18	-	-	18	16
Total					
Balance at the beginning of the period	36	-	-	36	35
Net remeasurement of loss allowance	(3)	-	-	(3)	1
Balance at end of the period	33	-	-	33	36



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*

For more details refer to accounting policy in Note 7(A)(vii).

As at 31 December 2019 and 31 December 2018, 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 2019	Germany	France	Other EU countries	Switzerland	United States of America	Republic of Albania	Other	Total
Accounts and deposits with financial institutions (Note 9)	6,499	102,726	27,478	4,758	2,031	8	9,783	153,283
Trading assets	1,519	1,347	2,971	-	7,075	-	1,712	14,624
Accounts with the IMF	-	-	-	-	-	-	30,552	30,552
Loans to banks	-	-	-	-	-	33,956	-	33,956
Investment securities	23,319	12,769	108,605	6,856	48,660	55,165	13,691	269,065
Other assets (Note 16)	-	-	-	-	-	2,136	-	2,136
Total	31,337	116,842	139,054	11,614	57,766	91,265	55,738	503,616
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



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

31 December 2019	Accounts and deposits with financial institutions	Trading assets	Accounts with the IMF	Loans to banks	Investment securities	Other assets	Total
Central Bank	138,781	7,064	30,552	-	-	-	176,397
Bank for International Settlements ("BIS Basel")	2,932	-	-	-	6,855	-	9,787
Foreign governments and multilateral institutions	-	3,489	-	-	133,235	-	136,724
Foreign agencies	-	4,060	-	-	31,024	-	35,084
Commercial Banks	11,570	-	-	33,956	42,786	-	88,312
Albanian Government	-	-	-	-	55,165	-	55,165
Other	-	11	-	-	-	2,136	2,147
Total	153,283	14,624	30,552	33,956	269,065	2,136	503,616
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

E. Market risk

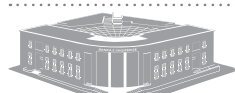
Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank of Albania's income or the value of its holdings of financial instruments. 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.

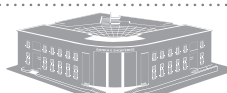
The Monetary Operations Department of the Bank monitors the interest rate risk. The Bank mitigates such risks by maintaining a significant excess of interest-bearing assets over liabilities. The Bank maintains a portfolio of interest-bearing financial assets and liabilities such that the net interest 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 Value at Risk ("VaR").

- 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 foreign 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 or high quality agency issues, depending on the specific benchmark for each currency and for non-benchmark instruments the data used encompasses changes in interest rates for 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 2019 and 2018:

	31 December 2019	31 December 2018
VaR (95%) in Lek	(2,178)	(1,459)

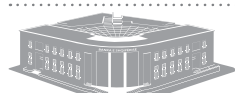
Furthermore, an important method to measure market risk is the sensitivity analysis of the value of the reserve to hypothetical changes in market factors. The data used in the sensitivity analysis calculations include the duration of portfolios and weight of each currency. The duration of the portfolio 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	2019		2018	
	100 bp	50 bp	100 bp	50 bp
Increase	(3,705)	(1,852)	(3,921)	(1,961)
Decrease	3,705	1,852	3,921	1,961

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 2019	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	153,313	131,581	1,330	4,870	14,606	926
Trading assets	14,624	893	49	742	12,940	-
Accounts with the IMF	30,552	9,597	-	-	-	20,955
Loans to banks	33,956	-	26,493	7,463	-	-
Investment securities	269,065	1,766	14,481	25,898	226,920	-
Other assets (Note 16)	2,136	-	-	-	2,136	-
Total	503,646	143,837	42,353	38,973	256,602	21,881
Interest-bearing liabilities						
Currency in circulation	302,849	-	-	-	-	302,849
Due to banks	130,764	-	130,764	-	-	-
Deposits and borrowings from third parties	3,279	-	857	-	-	2,422
Due to Government and state institutions	45,154	500	-	-	-	44,654
Due to the IMF	24,037	6,988	-	-	-	17,049
Other liabilities	1,425	-	-	-	499	926
Total	507,508	7,488	131,621	-	499	367,900
Interest-bearing financial instruments gap	(3,862)	136,348	(89,268)	38,974	256,103	(346,019)

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	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)

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 as at 31 December 2019 is ALL 11 million (2018: ALL 12 million) (see Note 13).

The nominal value of these contracts as at 31 December 2019 is composed by the following:

- buy contracts in the amount of ALL 982 million (2018: ALL 4,127 million); and
- sell contracts in the amount of ALL 2,349 million (2018: ALL 1,426 million).

(iii) *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).

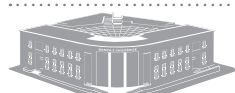
The following significant exchange rates have been applied.

ALL	Average		Year-end spot rate	
	2019	2018	2019	2018
United States Dollar (USD)	109.85	107.99	108.64	107.82
European Union Currency Unit (EUR)	123.01	127.59	121.77	123.42
British Pound (GBP)	140.25	144.21	143.00	137.42
Special Drawing Rights (SDR)	151.78	152.92	150.23	149.95
Japanese Yen (JPY)	1.00	0.98	1.00	0.98
Chinese Yuan (offshore) (CNH)	15.85	16.34	15.60	15.68

Sensitivity analysis

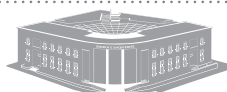
A reasonably possible strengthening (weakening) of the EUR, USD, GBP or other currencies by 10% against ALL at 31 December 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis 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 2019 and 31 December 2018 is as follows:



31 December 2019	ALL	USD	EUR	GBP	SDR	Other	Total
Assets							
Cash and balances with banks	8	2,993	137,646	2,390	-	10,276	153,313
Trading assets	-	14,624	-	-	-	-	14,624
Accounts with the IMF	-	-	-	-	30,552	-	30,552
Loans to banks	33,956	-	-	-	-	-	33,956
Investment securities	55,165	64,786	128,449	8,175	-	12,491	269,065
Other assets	2,136	-	-	-	-	-	2,136
Total assets	91,265	82,403	266,095	10,565	30,552	22,767	503,646
Liabilities							
Currency in circulation	302,849	-	-	-	-	-	302,849
Due to banks	42,636	6,895	81,233	-	-	-	130,764
Deposits and borrowings from third parties	1,201	-	2,078	-	-	-	3,279
Due to Government and state institutions	30,988	824	11,241	-	2,101	-	45,154
Due to the IMF	-	-	-	-	24,037	-	24,037
Other liabilities	517	908	-	-	-	-	1,425
Total liabilities	378,191	8,627	94,552	-	26,138	-	507,508
Net statement of financial position exposure	(286,926)	73,776	171,543	10,565	4,414	22,767	(3,862)
Sensitivity analysis							
Profit/(loss) effect: Strengthening (10%)	-	7,378	17,154	1,056	441	2,277	
Weakening (10%)	-	(7,378)	(17,154)	(1,056)	(441)	(2,277)	

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	-	1,531	-	-	-	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)	



F. Fair value of financial instruments

i) Determination of fair values

The determination of fair values of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques described in the accounting policy. For financial instruments that are traded infrequently and whose price is not transparent, the fair value is less objective and requires an expert's judgement depending on liquidity, concentration, market factors uncertainty, pricing assumptions, and other risks affecting the particular instrument.

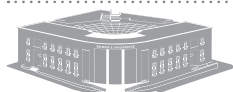
ii) Valuation of financial instruments

The Bank measures the fair value of financial instruments using the following hierarchy of methods:

- Level 1: Quoted market price or closing price for positions for which there is a reliable market.
- Level 2: Valuation techniques based on observable market information about the yield curve. This category of methods is used to measure debt securities for which there is no reliable market.
- Level 3: Valuation techniques, where inputs on financial assets and liabilities are not based on observable market data.

The fair values of financial assets and liabilities traded in international financial markets for which there is available market information are based on market quotations or closing market prices. The use of observable market prices and information reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. The availability of actual market prices and information varies depending on products and markets and changes because of specific events and the general conditions of financial markets.

The Bank determines the fair values of all other financial instruments for which there are no current market quotes by using valuation techniques. 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 net present value is computed by means of market yield curves and credit spreads, where necessary, for the relevant instrument. 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.

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.

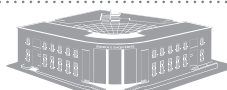
For all other financial instruments, the Bank determines fair values using valuation techniques.

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 2019	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Non-derivative trading assets	13	14,613	-	-	14,613
Derivative trading assets	13	11	-	-	11
Investments in securities	14	191,448	77,617	-	269,065
Total		206,072	77,617	-	283,689
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



Financial instruments not measured at fair value

The fair value of balances with/due to banks, balances with/due to IMF, liabilities to banks and other financial institutions and of liabilities to government institutions is approximately equal to the reporting value as they are short-term. 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.

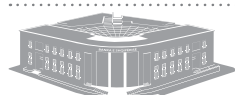
		31 December 2019		31 December 2018	
	Note	Fair value Level 2	Carrying amount	Fair value Level 2	Carrying amount
Assets					
Cash and balances with banks	9	153,313	153,313	189,967	189,967
Loans to banks	12	33,956	33,956	32,318	32,318
Accounts with IMF	11	30,552	30,552	33,512	33,512
Other financial assets	16	2,136	2,136	1,821	1,821
Liabilities					
Due to the IMF	11	24,037	24,037	23,990	23,990
Due to banks	18	130,764	130,764	137,223	137,223
Deposits and borrowings from third parties	19	3,279	3,279	5,735	5,735
Due to Government and state insitutions	20	45,154	45,154	63,111	63,111
Other liabilities	21	1,425	1,425	212	212

G. 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.

H. Maturity structure of assets and liabilities

The Bank's assets and liabilities, analysed by residual term to maturity from the date of the statement of financial position to the date of any subsequent agreement or contractual maturity, are as follows:



31 December 2019	< 12 months	>12 months	Undefined maturity	Total
ASSETS				
Cash and balances with banks	153,313	-	-	153,313
Trading assets	2,902	11,722	-	14,624
Monetary gold	-	-	14,591	14,591
Accounts with the International Monetary Fund	9,596	-	20,956	30,552
Loans to banks	33,956	-	-	33,956
Investment securities	134,416	134,649	-	269,065
Property, equipment, right-of-use and intangible assets	-	-	20,271	20,271
Other assets	161	2,503	297	2,960
TOTAL ASSETS	334,344	148,874	56,115	539,333
LIABILITIES				
Currency in circulation	-	-	302,849	302,849
Due to banks	130,764	-	-	130,764
Deposits and borrowings from third parties	3,279	-	-	3,279
Due to Government and state institutions	44,654	-	500	45,154
Due to the International Monetary Fund	17,050	-	6,987	24,037
Other liabilities	1,322	35	181	1,538
TOTAL LIABILITIES	197,069	35	310,517	507,621
Assets – Liabilities maturity mismatch	137,275	148,839	(254,402)	31,712

31 December 2019	< 12 months	>12 months	Undefined maturity	Total
ASSETS				
Cash and balances with banks	189,967	-	-	189,967
Trading assets	2,441	11,544	-	13,985
Monetary gold	-	-	6,992	6,992
Accounts with the International Monetary Fund	12,634	-	20,878	33,512
Loans to banks	32,318	-	-	32,318
Investment securities	111,225	136,379	-	247,604
Property, equipment, right-of-use and intangible assets	-	-	20,195	20,195
Other assets	168	2,008	298	2,474
TOTAL ASSETS	348,753	149,931	48,363	547,047
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	62,611	-	500	63,111
Due to the International Monetary Fund	17,025	-	6,965	23,990
Other liabilities	152	-	213	365
TOTAL LIABILITIES	222,746	-	293,810	516,556
Assets – Liabilities maturity mismatch	126,007	149,931	(245,447)	30,491



9. CASH AND BALANCES WITH BANKS

	31 December 2019	31 December 2018
Cash	30	18
Current accounts	132,484	161,131
Deposits maturing within three months	6,200	24,513
Less impairment loss allowance	(8)	(14)
Cash and cash equivalent	138,706	185,648
Deposits maturing after more than three months	14,607	4,319
Total	153,313	189,967

The interest rates for current accounts are as follows:

In %	EUR	USD	GBP	AUD	JPY	CNY	CNH
31 December 2019	(0.67)-(0.5)	0.10-2.00	0.00-0.50	0.00-0.60	(0.35)-(0.15)	0.00-2.40	0.00-2.40
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

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

In %	EUR	USD	CNH
31 December 2019	(0.50)-(0.495)	1.45	2.64
31 December 2018	(0.405)-(0.37)	3.04	2.6 – 3.24

10. MONETARY GOLD

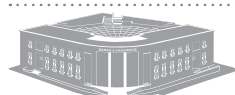
	31 December 2019	31 December 2018
Monetary gold	14,591	6,992
Total	14,591	6,992

The monetary gold is placed in current account (2018: time deposits and current account) with foreign banks.

The increase of ALL7,600 million compared to the previous year (2019 increase of ALL7,600 million compared to 2018) is a result of buying of monetary Gold (ALL 5,965 million) and of valuing the monetary gold at the market price at the reporting date (ALL 1,635 million), and is recognized in profit or loss, and accumulated to the revaluation reserve (refer to Note 22).

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

Accounts with the IMF	31 December 2019	31 December 2018
Quotas with IMF	20,955	20,878
Special Drawing Rights ("SDR") held	9,597	12,634
Total assets	30,552	33,512



Due to the IMF	31 December 2019	31 December 2018
SDR allocations	6,978	6,965
IMF securities account	14,844	14,798
IMF account No. 1	2,205	2,195
IMF account No. 2	1	1
Poverty Reduction and Growth Facility ('PRGF')	-	18
Accrued interest	9	13
Total liabilities	24,037	23,990

Quotas with the IMF of ALL 20,955 million or SDR 139 million (2018: ALL 20,878 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', as amended.

The SDR holdings of ALL9,597 million or SDR 64 million (2018: ALL12,634 million or SDR 84 million) represent deposits with the IMF. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at 31 December 2019 is 0.740% p.a. (2018: 1.103% p.a.).

SDR Allocations of ALL 6,978 million or SDR 46 million (2018: ALL 6,965 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 2019 is 0.740% p.a. (2018: 1.103% 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 which matured on 28 January 2019. At 31 December 2018, outstanding balance of EFF borrowings amount to ALL 15 million or SDR 0.1 million. 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.)

IMF pays remuneration to members with remunerated reserve tranche positions, at 0.738% p.a. (2018: 1.098% 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.

The facility of PRGF borrowing is 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 and Economy. 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 and Economy issued promissory notes in favour of the IMF. The Government started to repay the facility in October 2018. As at 31 December 2019, the facility amounted to ALL 41,730 million (2018: ALL 43,683 million).

12. LOANS TO BANKS

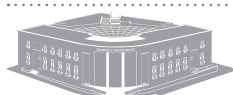
	31 December 2019	31 December 2018
Reverse repurchase agreements	32,706	32,318
Overnight loans to banks	1,250	-
Total	33,956	32,318

At 31 December 2019, reverse repurchase agreements between the Bank and commercial banks have original maturities from one week to three months (2018: from one week to three months).

13. TRADING ASSETS

Trading assets	31 December 2019	31 December 2018
Non-derivatives:		
Bonds of foreign agencies	4,330	4,865
Bonds of foreign governments and multilateral institutions	10,283	9,108
Derivatives:		
Interest rate future contracts	11	12
Foreign exchange forwards	-	-
Total	14,624	13,985

Trading assets are administrated 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 2019 and 2018 are as follows:



In %	31 December 2019	31 December 2018
USD	1.250 - 3.500	1.250 - 3.125

14. INVESTMENT SECURITIES

	31 December 2019	31 December 2018
Investment securities measured at FVOCI	269,065	247,604
Total	269,065	247,604
Expected Credit Losses (ECL)	(18)	(15)

Investment securities by type of issuer and security are presented as follows:

	31 December 2019	31 December 2018
Treasury Bills of foreign governments and multilateral institutions	7,074	3,709
Bonds of banks and other institutions	42,786	32,252
Bonds of foreign agencies	31,024	18,039
Bonds of foreign governments and multilateral institutions	133,016	138,017
Treasury Bills of the Albanian Government	55,165	55,587
Total	269,065	247,604

Expected Credit Losses (EC) by type of issuer and security are presented below:

	31 December 2019	31 December 2018
Treasury Bills of foreign governments and multilateral institutions	-	-
Bonds of banks and other institutions	(6)	(4)
Bonds of foreign agencies	(4)	(3)
Bonds of foreign governments and multilateral institutions	(8)	(8)
Treasury Bills of the Albanian Government	-	-
Total	(18)	(15)

The annual yields for each currency at 31 December 2019 and 2018 are as follows:

In %	ALL	USD	GBP	AUD	CNH	EUR
31 December 2019	1.00-1.72	1.35-2.57	0.52 - 1.14	0.91 - 1.32	2.42 - 2.54	(1.00)-0.25
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

Investment securities in ALL at 31 December 2019, represent Albanian Government treasury bills with a maturity period up to 12 months (2018: from 6 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, RIGHT-OF-USE AND INTANGIBLE ASSETS

	Land, build- ings and installations	Furniture and equi- pment	Vehi- cles	Work in prog- ress	Numismatic coins and objects	Total pro- perty and equipment	Build- ings	Re- peater	Right of Use Total Right- of use	Com- puter Software	Work in progress	Total in- tangible assets	Total
Cost or deemed cost													
At 1 January 2018	9,406	2,535	281	204	10,532	22,958	-	-	-	593	-	593	23,551
Additions	-	108	2	99	-	209	-	-	-	112	26	138	347
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	(219)	(1)	-	-	(220)	-	-	-	-	-	-	(220)
At 31 December 2018	9,406	2,424	282	303	10,532	22,947	-	-	-	705	26	731	23,678
Effect of adoption of IFRS 16	-	-	-	-	-	-	93	7	100	-	-	-	100
Additions	-	107	-	151	-	258	-	-	-	7	117	124	382
Transfers	-	140	-	-	-	140	-	-	-	-	(140)	(140)	-
Disposal	-	(108)	-	-	-	(108)	-	-	-	(1)	-	(1)	(109)
At 31 December 2019	9,406	2,563	282	454	10,532	23,237	93	7	100	711	3	714	24,051
Accumulated depreciation/amortization													
At 1 January 2018	435	2,139	197	-	-	2,771	-	-	-	554	-	554	3,325
Depreciation/amortization	145	174	19	-	-	338	-	-	-	39	-	39	377
Disposal	-	(219)	-	-	-	(219)	-	-	-	-	-	-	(219)
At 31 December 2018	580	2,094	216	-	-	2,890	-	-	-	593	-	593	3,483
Depreciation/amortization	145	173	18	-	-	336	31	2	33	36	-	36	405
Disposal	-	(107)	-	-	-	(107)	-	-	-	(1)	-	(1)	(108)
At 31 December 2019	725	2,160	234	-	-	3,119	31	2	33	628	-	628	3,780
Carrying amounts													
At 31 December 2018	8,826	330	66	303	10,532	20,057	-	-	-	112	26	138	20,195
At 31 December 2019	8,681	403	48	454	10,532	20,118	62	5	67	83	3	86	20,271



16. OTHER ASSETS

	31 December 2019	31 December 2018
Financial assets		
Loans to employees, net	2,136	1,821
	2,136	1,821
Non-financial –assets		
Numismatics (banknotes and coins)	299	300
Printing and minting costs	472	249
Inventory	21	21
Other	32	83
	824	653
Total	2,960	2,474

Loans to employees at 31 December 2019 are net of allowance for impairment of ALL 6 million (2018: ALL 6 million) (see Note 8(E)(vi)(b)).

17. CURRENCY IN CIRCULATION

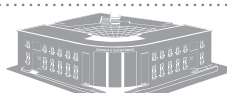
The exclusive right of issuing Albanian currency is vested with the Bank. Currency in circulation comprises domestic banknotes and coins in circulation issued by the Bank. The following banknotes and coins were in circulation as at 31 December 2019 and 2018:

Nominal value ALL	31 December 2019		31 December 2018	
	Number in thousand	Total ALL (million)	Number in thousand	Total ALL (million)
Notes:				
100	3,400	340	3,401	340
200	11,759	2,352	10,730	2,146
500	19,996	9,998	18,795	9,397
1,000	33,448	33,448	36,708	36,708
2,000	35,086	70,172	33,782	67,564
5,000	36,229	181,146	33,032	165,160
Coins (1-100)		5,393		4,817
		302,849		286,132

18. DUE TO BANKS

	31 December 2019	31 December 2018
Reserve requirement and current accounts	124,679	131,123
Deposits	6,085	6,100
Total	130,764	137,223

In accordance with the Decision of the Supervisory Council No. 39, dated 25.06.2014, amended with Decision No. 11, dated 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 2019, the interest rate is 1% (2018: 100% of the base rate or 1%).



Based on the Decision No. 11, dated 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 2019, the remuneration rate is negative at 0.4% (2018: negative at 0.4%). The reserve requirement in EUR held in ALL is not remunerated.

As at 31 December 2019 the reserve requirement in USD held in USD and in ALL are not remunerated (2018: 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 2019	31 December 2018
Deposits from the Deposit Insurance Agency	3,030	5,420
Deposits from the pension fund	229	284
Deposits from individuals for participation in Treasury Bills auctions	20	31
Total	3,279	5,735

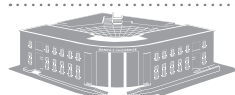
Deposits from the pension fund relate to the pension plan scheme, which is based on employees' contributions and employer's contributions. Based on the Decision No. 17, dated 26 February 2014 of the Supervisory Council the pension fund reports its financial statements separately from the Bank.

20. DUE TO GOVERNMENT AND STATE INSTITUTIONS

	31 December 2019	31 December 2018
Profit to be distributed to the Government	1,398	576
Accounts and deposits with the Government	42,608	57,201
Due to state institutions	1,148	5,334
Total	45,154	63,111

Based on the agreement between the Bank and the Ministry of Finance and Economy, 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 (2018: 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 2019 is 1% (2018: 1%).

Profit to be distributed to the Government of Albania is detailed as follows:



	Note	31 December 2019	31 December 2018
Net result for the period		1,977	(14,321)
Transfer to reserves	22	(631)	14,843
Distribution from profit of the period		1,346	522
Distribution from other reserves	22	52	54
Total to be distributed to the Government		1,398	576

The profit to be distributed at 31 December 2019 will be distributed to the Government next year, whereas the profit to be distributed at 31 December 2018 was distributed to the Government in 2019.

21. OTHER LIABILITIES

	31 December 2019	31 December 2018
Financial liabilities		
Due to international financial institutions	932	53
Due to third parties	493	159
	1,425	212
Non-financial liabilities		
Provisions for claims and litigations	111	152
Grants	2	1
	113	153
Total	1,538	365

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').

Balances due to third parties include lease liabilities for bank office premises amounting ALL 69 million as at 31 December 2019.

The movements in provisions for claims and litigations are set out below:

	31 December 2019	31 December 2018
Balance at 1 January	152	150
Provisions made during the year	-	11
Provisions used during the year	(37)	-
Provisions reversed during the year	(4)	(9)
Balance at 31 December	111	152

22. RESERVES

	31 December 2019	31 December 2018
Legal reserve	12,500	12,500
Revaluation reserve	(6,218)	(6,850)
Fair value reserve (investment securities)	865	241
Other reserves	22,065	22,100
Total	29,212	27,991



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:

	2019	2018
Net foreign exchange losses, other than from trading assets and liabilities	(1,108)	(14,106)
Net foreign exchange losses from trading assets and liabilities (Note 24)	104	(438)
Net loss from changes in the fair value of monetary gold (Note 10)	1,635	(299)
Total	631	(14,843)

The increase of ALL 631 million (2018: decrease ALL 14,843 million) in revaluation reserve is a result of the valuation of the monetary gold and depreciation of foreign currencies, and in particular EUR versus ALL (see Note 8(F)(ii)).

Movements in Fair value reserve are reflected as below:

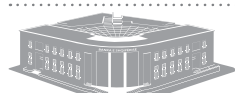
	31 December 2019	31 December 2018
Balance at 1 January	241	(206)
Change in Fair Value of Securities	639	432
Additions due to impairment for securities(ECL)	-	-
Transfers of impairment of Securities (ECL) to Other Reserves	(15)	15
Balance at 31 December	865	241

Negative revaluation reserve

Given the negative balance of the revaluation reserve at 31 December 2019 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 2020 and upon issuance of the external auditors' report on these financial statements.

Other reserves include the following:

	31 December 2019	31 December 2018
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	7,796	7,849
Reserve for impairment of Securities (ECL)	18	-
Total	22,066	22,100



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'.

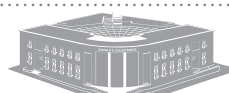
Movements in Reserve for Expected Credit Losses (ECL) are reflected as below:

	31 December 2019	31 December 2018
Balance at 1 January	-	-
Additions due to impairment for securities(ECL)	3	-
Transfers of impairment of Securities (ECL) to Other Reserves	15	-
Total	18	-

The reserve for property and equipment of ALL 7,796 million (2018:ALL 7,849 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. For the year 2019, the amount distributed to the Government of Albania is ALL 53 million. From the total reserve for property and equipment, an amount of ALL 2,347 million(2018: ALL 2,400 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.

23. NET INTEREST INCOME

	2019	2018
Interest income calculated using the effective interest method		
Investment securities	2,400	2,280
Loans to banks	307	482
Deposits and current accounts with banks	77	232
Accounts with IMF	152	173
Negative remuneration for reserve requirement	21	54
Other	254	200
Total interest income	3,211	3,421
Interest expense		
Reserve requirements	329	361
Due to the International Monetary Fund	70	67
Due to the Albanian Government	34	27
Deposits from third parties	22	42
Negative interest from deposits and current accounts with Banks	613	566
Other	4	1
Total interest expense	1,072	1,064
Net interest income	2,139	2,357



Negative interest from deposits and current accounts with banks of ALL 613 million (2018: ALL567 million) represents charges arising from negative yielding deposits and accounts placed with foreign banks.

Interest income from investment securities includes ALL 874 million (2018: ALL1,190 million) of income from treasury bills issued by the Albanian Government and ALL 1,525 million (2018: ALL 1,090 million) of income from security lending and foreign reserve investment securities after accounting for the amortization of premium/discount.

24. NET TRADING INCOME

	2019	2018
Interest income from trading assets	325	257
Net gain/(loss) from the trading assets	71	(68)
Unrealized fair value changes	99	88
Net profit from forward and future contracts	100	338
Net foreign exchange gains/(losses) from trading assets and liabilities	104	(438)
Total	699	177

25. OTHER REVENUE

See accounting policies in Notes 7(A)(iii) and 7(E).

	2019	2018
Net gain/(loss) on sale of debt investment securities	929	(169)
Other	19	29
Other net revenue/(losses)	948	(140)

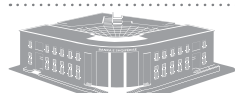
26. EMPLOYEE BENEFIT EXPENSES

	2019	2018
Employee salaries and compensations	1,180	1,147
Contributions for health and social security	108	101
Contribution for pension fund (see Note 19)	123	115
Total	1,411	1,363

As at 31 December 2019, the Bank had 574 employees (2018: 516 employees).

27. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Repair and maintenance expenses	145	154
Fees for third-party services	93	103
Information expenses	110	97
Amortization of currency printing and minting costs	62	75
Other staff expenses	64	62
Transportation fees	38	35
Operating lease expenses for office premises	1	34
Publication and membership expenses	15	13
Other expenses	43	40
Total	571	613



28. CONTINGENCIES AND COMMITMENTS

(i) *Reverse repurchase agreements*

Reverse repurchase agreements, as at 31 December 2019, represented collateralized loans (see Note 12). The nominal value of the securities used as collateral as at 31 December 2019, was ALL 34,390 million (2018: ALL 33,350 million).

(ii) *Operating leases*

The Bank has entered into operating lease agreements for its office premises for a three year period. At 31 December 2019, operating lease commitments payable within one year are ALL 67 million (2018: 33 million)

(iii) *Capital commitments*

As at 31 December 2019, the Bank has entered into capital commitments of ALL 1,699 million (2018: ALL 2,108 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 2019, is ALL 2,860 million (2018: ALL 2,492 million). At 31 December 2019, unused credit commitments for employees amount to ALL 87 million (2018: ALL 69 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 2019, the Bank acts as custodian for short-term treasury bills with maturities from 3 to 12 months, with total nominal value of ALL 197 billion (2018: ALL 199 billion) and for long-term securities with maturities varying between 2 and 10 years, with nominal value of ALL 390 billion (2018: ALL 362 billion). 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 the Bank of Albania include the directors and members of the Supervisory Council. As at 31 December 2019 and 2018, balances with related parties comprised:

	2019	2018
Loans to directors		
Directors	142	132
Total	142	132

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.

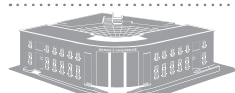
	2019	2018
Administrative expenses		
Directors and Supervisory Council members:		
Telephone expenses	4	5
Salaries and bonuses	139	142
Per diems	6	6
Directors:		
Fuel compensation	3	3
Contribution to pension plan scheme	14	14
Total of administrative expenses for related parties	166	170

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

During March 2020 a pandemic situation is present in the world due to Covid 19 spread. The spread of Covid-19 and the measures being taken to contain the virus will result in an economic impact that could be large and wide but should be temporary. The role of the Bank is cushioning economic and financial impact.

The Covid-19 pandemic and related effects is expected to have negative impact on global economic activity but due to the fact that investment portfolio of



the Bank represents exposures to high-credit quality governments and financial institutions (refer to Note 8 (D) (iv)) and as of the reporting date there are no signals from credit rating agencies on possible downgrades due to this global event, no adjustments are made in the financial statements at the reporting date.

Risk management and the tools and the methodologies applied for this purpose, especially as related to the portfolio of forex reserves, ensure full compliance at any time with the risk budget approved by the Supervisory Council of the Bank of Albania. This also applies to events that are characterized by a significant degree of volatility in the financial markets, such as the pandemic crisis.





STATISTICAL APPENDIX

DECEMBER 2019



1. ZHVILLIMET MONETARE DHE NORMAT E INTERESIT LEKË, PËRVEÇ RASTEVE KUR SHËNOHET NDRYSHJE, FUND PERIUDHE

MONETARY DEVELOPMENTS AND INTEREST RATES 1.NË MILLARDE IN BILLIONS ALL, UNLESS OTHERWISE INDICATED, END OF PERIOD

	Agregatet monetare / Monetary aggregates			Depozitat ² / Deposits ²	Kredita ³ / Credit ³	Normat e interesit / Hua ⁴ / Loans ⁴		12m / 12m interest rates (%) Bono Thesori ⁵ / T. Bills ⁵	Norma e rritjes vjetore ipave ⁶ / Weekly repurchase agreement rate ⁶
	M1	M2	M3			Depozita ¹ / Deposits ¹	6		
2015 ¹	384.1	723.0	1,216.2	985.6	546.8	7.77	1.35	2.40	1.75
2016	435.4	736.9	1,263.5	1,014.0	547.2	5.89	0.80	2.92	1.25
2017	461.6	738.9	1,266.9	1,001.7	550.3	5.98	0.75	2.63	1.25
2018	478.7	731.4	1,263.9	988.6	532.6	5.65	0.73	1.43	1.00

Burimi: Banka e Shqipërisë.

Source: Bank of Albania.

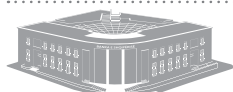
2. PRODHIMI I BRENDSHËM BRUTO, INDEKSET E ÇMIMEVE DHE TREGU I PUNËS

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				Ndryshimet vjetore të Indeksit të Çmimeve të konsumit / Yearly changes in CPI (%)	Tregu i punës ⁸ / Labor market ⁸	
		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	Të Ardhurat Kombëtare Bruto / Gross National Income		Shkalla e punësimit / Employment rate (%)	Shkalla e papunësisë / Unemployment rate (%)
2014	1.8	1,395,304.6	30,723.0	-17,930.9	1,408,096.8	0.7	50.5	17.9
2015	2.2	1,434,306.5	34,189.7	-17,189.6	1,451,306.6	2.0	52.9	17.5
2016	3.4	1,475,250.8	35,750.8	-11,837.0	1,499,164.7	2.2	55.9	15.6
2017						1.8	57.4	14.1
2018						1.8		

Burimi: INSTAT.

Source: INSTAT.



**BALANCE OF PAYMENTS⁹, RESERVES AND EXCHANGE RATE 3.
IN MILLIONS EUR, UNLESS OTHERWISE INDICATED**

FISCAL BALANCE, DOMESTIC DEBT STOCK AND EXTERNAL DEBT 4.
IN BILLIONS ALL

shënimet:

- 1) Përditësuar të dhënat për Dhjetor 2015 sipas ESA 2010.
- 2) Përfshihen vetëm llogaritë dhe depozitat që janë pjesë e parasë së gjërë.
- 3) Përfaqëson kreditë për ekonominë.
- 4) Norma mesatare e ponderuar rrethore e depozitave dhe huave të reja 12 mujore në lekë për sistemin bankar.
- 5) Të dhënat e referohen normës në fund të periudhës.
- 6) Burimi: INSTATfaqja web dt. 09.02.2019; Temat / Ekonomit dhe Financë / Llogaritë Kombëtare (GDP) / Llogaritë Kombëtare (Vjetore) / Pradhim i brendshëm bruto sipas metodës së prodhimit, 2010-2016 (2016 Gjysëm final)
- 7) Burimi: INSTATfaqja web dt. 09.02.2019; Temat / Ekonomit dhe Financë / Llogaritë Kombëtare (GDP) / Llogaritë Kombëtare (Vjetore) / Kalimi nga PBB në të ardhurat kombëtare bruto, 2010-2016 (2016 Gjysëm final)
- 8) Burimi: INSTATfaqja web dt. 09.02.2019; Temat / Tregu i Punës dhe Arsimi / Punësimi dhe popullsia / Shkalla e punësimit 2017 (grupmosha 15-64 vjeç), Shkalla e popullsë 2017 (grupmosha 15-64 vjeç) janë rishikuar të dhënat për vitin 2017.

1) Riveded the data of December 2015 according to ESA 2010.
2) Deposits included in broad money.
3) Credit to economy.
4) The annual weighted average rate of the 12 months new deposits and loans in ALL for the banking system.
5) End of period data.
6) Source: INSTAT web site dt. 09.02.2019; Themes / Economy and Finance / National Accounts (GDP) / Annual National Accounts (Vjetore) / Pradhim i brendshëm bruto sipas metodës së prodhimit, 2010-2016 (2016 Semi Final)
7) Source: INSTAT web site dt. 09.02.2019; Themes / Economy and Finance / National Accounts (GDP) / Annual National Accounts, Transition from GDP to gross national income, 2010-2016 (2016 Semi Final)
8) Source: INSTAT web site dt. 09.02.2019; Themes / Labor Market and Education / Employment and Unemployment / Employment rate 2017 (age group 15-64 years), Unemployment rate 2017 (age group 15-64 years). Data are revised for the year 2017.

SEKTORI FINANCIAR
1-1 BILANCI SEKTORIAL I BANKËS SË SHQIPËRISË
NË MILIONË LEKË, FUND PERIUDHE

FINANCIAL SECTOR 1.1
1-1 BALANCE SHEET OF BANK OF ALBANIA 1-1
IN MILLIONS ALL, END OF PERIOD

	Tutali i mjeteve / Total assets (2+3+4+5+8+12+13+14)												
	1	2	3	4	Letrat me vlerë nga aksionet / Securities shares (6+7)	Jezidentët / Nonresi- dents	Qeveria Qën- dore / Central Government	Huatë (9+ 10+ 11)	Korporatat tjera depozituese / Other depository corporations	Sektore të tjerë rezidentë / Other resi- dent sectors	Derivatet financiare / Financial derivatives	Llogaritë pritëse / Receivable accounts	Mjetet 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

	Delvrimet totale / Total liabilities (2+3+4+10+14+15+16)	Paraja në qarkullim / Currency in circulation	Depozita të përfshira në paranë e gjerë / Deposits included in broad money	Depozita të papërfshira në paranë e gjerë / Deposits excluded from broad money (5+6+7+8+9)									Llogaritë të pagësimeve / Other accounts payable	Allokimi SDR / SDR allocat ion	Aksione dhe instrumente të tjera të kapitalit / Shares and other equity	
					Jezidentët / Nonresidents	Qeveria Qendrore / Central Government	Korporatat të tjera depozituese / Other depository corporations	Korporatat të tjera financiare / Other nonfinancial corporations	Sektore të tjera rezident / Other resident sectors	Huatë / Loans (11+12+13)	Jezidentët / Nonresidents	Qeveria Qendrore / Central Govern- ment				Korporatat të tjera depozituese / Other depository corporations
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-Prill 2016 është bërë riklasifikim i anti jo monetar nga zëri "Depozita" në zërin "Mjetet 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.



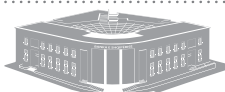
1-2 PARAQITJA MONETARE E BANKËS SË SHQIPËRISË NË MILIONË LEKË, FUND PERIUDHË

MONETARY SURVEY OF BANK OF ALBANIA 1-2 IN MILLIONS ALL, END OF PERIOD

	Mjetet valutorie në shtet / Net foreign assets* (2-3)		Minus: Detyrime ndaj përjetësdhënësve / Less: liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+8+9+10+11+12)	Pretendime ndaj ndaj Qeverisë Qëndrore / Less: Li- abilities to Central Government		Minus: Detyrime ndaj Qëndrore / Less: Li- abilities to Central Government	Pretendime ndaj korporatave të tjera deponitues / Claims on other depository corporations	Pretendime ndaj korporatave të tjera financiare / Claims on other financial corporations	Pretendime ndaj kor- poratave jo-financiare publike / Claims on public nonfinancial corporations	Pretendime ndaj korporatave të tjera jo-financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektorëve të tjerë rezidentë / Claims on other resident sectors								
	1	2			3	4							5	6	7	8	9	10	11	12
2016 / 12	389,612.7	418,562.1	28,949.4	65,915.7	34,255.6	53,279.9	19,024.3	29,934.4	-	-	-	1,725.7								
2017 / 12	390,687.6	417,605.4	26,917.8	59,998.0	18,406.7	52,839.5	34,432.8	39,871.3	-	-	-	1,720.0								
2018 / 12	412,444.5	436,487.8	24,043.3	21,779.0	-12,365.8	55,628.9	67,994.8	32,317.6	-	-	-	1,827.2								
2018 / 07	363,211.6	387,881.7	24,670.1	40,336.8	-348.1	54,986.3	55,334.4	39,007.1	-	-	-	1,677.8								
2018 / 08	373,189.1	397,982.2	24,793.1	41,386.2	-759.8	55,592.4	56,352.2	40,476.1	-	-	-	1,670.0								
2018 / 09	384,705.4	409,777.3	25,071.9	42,517.8	-5,518.1	55,539.9	61,058.0	46,372.7	-	-	-	1,663.2								
2018 / 10	410,789.8	435,455.5	24,665.7	6,464.8	-38,046.7	55,705.4	93,752.2	42,861.4	-	-	-	1,650.1								
2018 / 11	409,593.5	434,348.7	24,755.2	7,243.5	-28,418.6	54,983.5	83,402.1	33,957.8	-	-	-	1,704.3								
2018 / 12	412,444.5	436,487.8	24,043.3	21,779.0	-12,365.8	55,628.9	67,994.8	32,317.6	-	-	-	1,827.2								

	Baza monetare / Monetary base (14+15+16)	Parata në qarkullim / Currency in circulation				Detyrime ndaj korporatave të tjera deponituese / liabilities to other depository corporations		Depozita të përfshira në parancë e gjerë / Deposits included in broad money		Depozita të papërfshira në parancë e gjerë / Deposits excluded from 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	
		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										

Burimi: Banka e Shqipërisë
*Për periudhën Dhjetor 2015-Prill 2016 është bërë riklasifikim i artit jo monetar nga zëri "Depozita" në zërin "Mjetet jo financiare".
*The data of December 2015-April 2016 reflect a reclassification of nonmonetary gold from "Deposits" to "Nonfinancial assets".



1-3A BILANCI SEKTORIAL I BANKAVE PARADEPOZITUESE/ MUJETET
NË MILIONË LEKË, FUND PERIUDHE

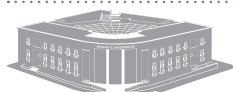
SECTORAL BALANCE SHEET OF DEPOSIT MONEY BANKS/ ASSETS 1-3A
IN MILLIONS ALL, END OF PERIOD

	Totali i mjeteve / Total assets (2+3+4+8+12+22+25+26+27)	Leta me vlerë të ndryshme nga aksionet / Securities others than shares (9+10+11)									Korporata të tjera financiare / Other nonfinancial corporations
		Arla në lekë / National currency	Arla në valutë / Foreign currency	Depozita / Deposits (5+6+7)	Jezidentët / Nonresidents	Banka Qëndrore / Central Bank	Bankat parade-pozituese / Deposit money banks	Nga të cilat / of which:			
									Jezidentët / Nonresidents	Qendra / Central Government	
	1	2	3	4	5	6	7	8	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)		Banka Qëndrore / Central Bank	Bankat parade- pozituese / Deposit money banks	Korporata të tjera financiare / Other financial corporations	Qeveria Qëndrore / Central Government	Qeveria lokale / Local govern- ment	Korporata financiare publike / Public nonfinancial corporations	Korporata të tjera financiare / Other nonfinancial corporations	Sektore të tjerë rezidentë / Other resident sectors	Aksione dhe tjetër të kapitalit / Shares and other equity (23+24)	Jezidentët / Nonresidents	Rezidentët / Residents	Derivatet financiare / Financial derivatives	Llogarit të Akreueshme / Other accounts receivable	Mjetet financiare / Nonfinan- cial 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

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)															
	Detajimet totale / Total liabilities (2+8+12+20+28+29+30)		Korporata të tjerë financiare / Other financial corporations	Qeveria lokale / Local Government	Korporata publike / Public corporations	Korporata të tjerë financiare / Other financial corporations	Sektorë të tjerë rezidentë / Other resident sectors	8	9	10	11	12	Korporata financiare / Other financial corporations	Korporata publike / Public corporations	Korporata të tjerë financiare / Other financial corporations	Sektorë të tjerë rezidentë / Other resident sectors																
1	2	3	4	5	6	7																										
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	14,912.5	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																

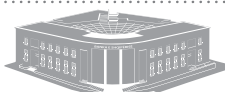
	Sektorë të tjerë resizientë / Other resident sectors			Huatë / Loans (21+22+23+24+25+26+27)													Derivatet financiare / Financial derivatives			Llogaritjet pagueshme / Other accounts payable		Aksione dhe instrumente të tjerë të kapitalit / Shares and other equity
	Korporata të tjera në tregjet të financiare / Other nonfinancial corporations	Korporata të tjera në tregjet të financiare / Other nonfinancial corporations	Korporata të tjera në tregjet të financiare / Other nonfinancial corporations	Qeveria Qëndrore / Central Government	Korporata të tjera depozituese / Other deposit- ary corporations	Banka Qendrore Central Bank	Korporata të tjera depozituese / Other deposit- ary corporations	Qeveria Qëndrore / Central Government	Korporata të tjera në tregjet të financiare / Other nonfinancial corporations	Korporata të tjera në tregjet të financiare / Other nonfinancial corporations	Sektorë të tjerë resizientë / Other resident sectors	26	27	28	29	30						
Lirrit me vlerë të ndryshme nga aksionet (18+19)	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 PARADEPOZITUESE NË MILIONË LEKË, FUND PERIUDHE

	Mjetet vlerore nëto / Net foreign assets (2-3)		Minus: Detyrime ndaj qezidentëve / Less: Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+6+9+10+11+12+13)	Pretendimet nëto ndaj Qezidentëve / Net Claims on Central Government (7-8)		Pretendimet ndaj Qezidentëve / Claims on Central Government		Minus: Detyrime ndaj Qezidentëve / Less: Liabilities to Central Government	Pretendime ndaj korporatave të tjera financiare / Claims on other financial corporations	Pretendimet ndaj qezësive lokale / Claims on local govern- ments	Pretendimet ndaj korporatave jo- financiare publike / Claims on pub- lic nonfinancial corporations	Pretendimet ndaj korporatave të tjera jo-financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektoreve të tjera / Claims on 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 paranë e gjerë / Deposits included in broad money (16+17)		Depozita të tjera / Other deposits	Depozita të pa përfshira në parancë e gjerë / Deposits not included in broad money	Leta 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 rëvesh- imi / Of which: Valuation adjustment		Detyrime të tjera nëlo / Other net liabilities	Ajustimi i konsolidimit / Consolidation adjustment
		14	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		

Qëndrimi: 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

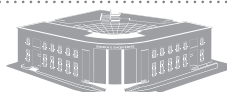
SECTORAL BALANCE SHEET OF SAVINGS AND LOAN ASSOCIATIONS 1-5
IN MILLIONS ALL, END OF PERIOD

	Totali i mjeteve (2+3+4+7+8+11+12)	Monedha dhe kartëmonedha në lekë / Notes and coins in national currency	Monedha dhe kartëmonedha 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 papërfshira në 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 kapitullit / 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

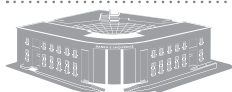
1-6 PARAQITJA MONETARE E KORPORATAVE TË TJERA DEPOZITUESE NË MILIONË LEKË, FUND PERIUDHE

	Mjetet vlerore neto / Net foreign assets (2-3)			Minus: Detyrime ndaj qendrësive / Less: Liabilities to nonresidents	Mjetet e brendshme / Domestic assets (5+6+9+10+11+12+13)	Pretendime ndaj Bankës Qendrore / Claims on Central Bank	Pretendimet neto ndaj Qendrës / Net claims on Central Government (7-8)		Minus: Detyrime ndaj Qendrës / Less: Liabilities to Central Government	Pretendime ndaj korporatave të jera financiare / Claims on other financial corporations	Pretendimet ndaj qeverisë lokale / Claims on local government	Pretendimet ndaj korporatave të jera financiare / Claims on other financial corporations	Pretendimet ndaj korporatave të jera financiare / Claims on other financial corporations	Pretendime ndaj sektorëve të tjerë resizentë / Claims on other resident sectors
	1	2	3				4	5						
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 parantë e gjere / De- posits included in broad money (16+17)	Depozita të transferueshme / Transferable deposits		Depozita të tjera / Other deposits	Depozita të pa përfshira në parantë e gjere / Deposits not included in broad money	Leira me vlerë të ndryshme nga aksionet / Securities others than shares		Huatë / Loans	Aksione dhe instrumente të tjera të kapitallit / Shares and other equity	Nga të cilat: Rezerva rritësimi / Of which: Valuation adjustment		Detyrime të tjera neto / Other net liabilities	Ajustimi i konsoli- ditimi / Consolida- tion adjustment
			15	16			17	18			19	20		
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	160,057.2	-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 PARAGJITJA MONETARE E KORPORATAVE DEPOZITUESE
NË MILIONË LEKË, FUND PERIUDHEMONETARY SURVEY OF DEPOSITORY CORPORATIONS 1-7
IN MILLIONS ALL, END OF PERIOD

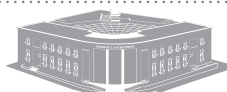
	Mjetet e neto / Net foreign assets (2+3)			Mjetet e brendshme / Domestic assets (5+8)	Pretendimet ndaj sektorëve të tjerë / Claims on other sectors (9+10+11+12+13)								
	Pren- dime ndaj jerezidentëve / Claims on nonresidents	Minus: Detyrime ndaj jerezidentëve / Less: Liabilities to nonresidents	Minus: Detyrime ndaj Qërdorë / Less: Liabilities to Central Government		Pretendimet ndaj Qërdorë / Claims on Central Government (6+7)	Minus: Detyrime ndaj Qërdorë / Less: Liabilities to Central Government	Pretendime ndaj korporatave të tjerë financiare / Claims on other financial corporations	Pretendime ndaj qeverisë lokale / Claims on local government	Pretendimet ndaj korporatave publike / Claims on public corporations	Pretendimet ndaj korporatave të tjerë financiare / Claims on other nonfinancial corporations	Pretendime ndaj sektorëve të tjerë rezidentë / Claims on other resident sectors		
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 se gjerë / Broad money / Liabilities (1+5+16)	Paraja jashtë korporat- ave depozituese / Mon- ey outside depository corporations	Depozita të përf- shira në parantë e gjërë / Deposits included in broad money (17+18)		Depozita të transferueshme / Transferable deposits	Depozita të tjera / Other deposits	Depozita të pa përfshira në parantë e gjërë / Deposits excluded from broad money	Leira me vlerë të ndryshme nga aksionet / Securities others than shares	Huajtë / Loans	Logaritë të pagueshme / Other accounts payable	Aksione dhe instrumente të tjerë të kapitullit / Shares and other equity	Nga të cilat: rezerva rëmbesimi / Of which: valua- tion adjustment	Detyrime të tjera neto / Other liabilities net	Axhustimi 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	-11,548.2	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	-11,250.4	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	-11,548.2	402.3	

Qëllimi: Banka e Shqipërisë
Source: Bank of Albania

Source: Bank of Albania.

Burimi: Banka e Shqipërisë



1-BA AGREGATËT MONETARË DHE PËRBËRËSIT E TYRE MONETARY

AGGREGATES AND THEIR COMPONENTS 1-BA

	M3 [2+7]	M2 [3+6]	M1 [4+5]	Paraia jashtë korporatave depozituesh / Currency outside depository corporations	Llogari rjedhëse dhe depozitat pa afat në lekë / Current accounts and non-term deposits in national currency	Depozitat me afat në lekë / Time deposits in national currency	Depozitat në valutë / Deposits in foreign currency
	1	2	3	4	5	6	7
Gjendja në fund të periudhës (në milionë Lekë) / Stock at end of period (in millions ALL)							
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-BB KUNDËRPARTITË E AGREGATËVE MONETARË

COUNTERPARTS OF MONETARY AGGREGATES 1-BB

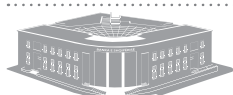
	Mjetet valutore neto / Net Foreign Assets	Mjetet e brendshme / Domestic assets [3+4]	Pretendimet ndaj Qeverisë Qëndrore neto / Net claims on Central Government	Pretendime ndaj sektorëve të tjerë* / Claims on other sectors *	Të tjera neto / Other items net
	1	2	3	4	5
Gjendja në fund të periudhës (milionë 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 Qëndrore 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.



**DENOMINATED DEPOSITS BY SECTORS' 1-9
IN MILLIONS ALL, END OF PERIOD**

**1-9 DEPOZITAT NË LEKË SIPAS SEKTORËVE'
NË MILIONË LEKË, FUND PERIUDHE**

	Totali i depozitave / Total deposits (2+8)		Llogarit rrejtëse dhe depozita pa afat / Current account and sight deposits (3+4+5+6+7)						Depozitat me afat / Time deposits (9+10+11+12+13)		Qeveria lokale / Local government				Korporatat publike / Public nonfinancial corporations		Korporata të financiare / Other financial cor- porations		Korporata të tjera financiare / Other nonfinancial corporations		Sektore të tjerë rezidentë / Other resident sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
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



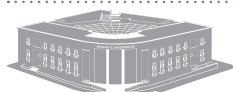
1-10 DEPOZITAT NË VALUTË SIPAS SEKTORËVE *
NË MILIONË LEKË, FUND PERIUDHE

FOREIGN CURRENCY DENOMINATED DEPOSITS BY SECTORS* 1-10
IN MILLIONS ALL, END OF PERIOD

	Totali i depozitave / Total deposits (2+8)	Llogaritjet e depozitave sipas sektorit / Current account and sight deposits by sector (3+4+5+6+7)						Depozitat me afat / Time deposits (9+10+11+12+13)	Qeveria lokale / Local government					Sektorë të tjerë rezidentë / Other resident sectors
		1	2	3	4	5	6	7	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

*Përfshihen vetëm llogaritjet dhe depozitat që janë pjesë e parës së gjërë.

Source: Bank of Albania
*Deposits included in broad money.

1-11 KREDIA PËR EKONOMINË SIPAS SEKTORIT *

NË MILIONË LËKË, FUND PERIUDHË

CREDIT TO ECONOMY BY SECTOR* 1-11

IN MILLIONS ALL, END OF PERIOD

	1	2	3	4	5	6	7	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
Total credit / Total credit (2+8)													
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

Burimi: Banka e Shqipërisë

* 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.



ECONOMIC ACTIVITY (NACE - REV.2)* 1-12"
IN MILLIONS ALL, END OF PERIOD

	Totali i huave për korporatat financiare / Total loans to nonfinancial corporations (2+3+4+5+6+7+8+9+10+11 +12+13+14+15+16+17+18 +19+20+21+22)	Bygësia, Pyet/ Peshkimi / Ag- riculture, forestry and fishing	Industria minerale / Mining and quarrying	Industria përpunuese / Manufacturing	Energjia elektrike, furnizimi me gaz, avull dhe oqir / kondicionuar / Electricity, gas, steam and air condi- tioning supply	Furnizimi me ujë, aktiviteti të trashitimit dhe menaxhimit të mbeturinave, mbetjeve / Water supply; sewerage, waste management and remediation activities	Ndërtimi / Construction	Tregtia me shumicë dhe me pakicë; Riparimi i autom- leve dhe motoçikleve / Wholesale and retail trade; repair of motor vehicles and motorcycles	Transportimi dhe magazini / 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	52,660.4	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	33,273.4	229.9	47,808.2	120,437.0	7,226.7	13,559.8	3,429.3
2018 / 08	340,910.3	5,510.0	7,956.8	51,566.6	33,253.3	245.5	46,230.8	119,988.2	7,152.1	13,553.3	3,245.3
2018 / 09	342,015.0	5,400.0	8,220.2	51,439.6	32,848.7	250.7	47,116.7	120,244.1	7,198.1	13,920.5	3,108.4
2018 / 10	338,806.2	5,247.3	8,079.6	51,562.4	32,286.3	241.5	46,979.3	119,423.8	6,993.8	13,567.2	2,855.8
2018 / 11	340,439.2	4,965.8	7,890.6	50,322.8	32,805.9	236.3	48,042.3	119,933.4	6,786.5	13,630.4	2,862.6
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
	Aktiviteti financiar dhe sigurimi / Financial and insurance activities	Aktiviteti profesional, shkencor dhe teknik / Professional, scientific and technical activities	Shërbime admini- strative dhe mbështetëse / Administrative and support service activities	Administrimi publik dhe mbrojtje; Sigurimi social / Government Public administration and defense; compulsory social security	Asimi / Education	Shëndetësia dhe aktiviteti të punës sociale / Human health and social work activities	Artë, argëtim dhe dëdhje / Arts, enter- tainment and recreation	Aktiviteti të tregia shërbimi / Other service activities	Aktiviteti të familjeve si punëshënës; Aktiviteti të prodhimit të mallrave të shërbimit / Activities of households as employers; undifferentiated goods and services pro- ducing activities of HH for own use	Aktiviteti të organizatave dhe organizmativ ndërkombëtare / Activities of extraterri- torial organisations and bodies	22
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	21	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	138.5
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	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	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	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	158.6
2018 / 10	2,595.0	991.8	685.3	5,836.8	5,368.8	3,845.8	2,304.5	25,531.1	1,394.7	153.7	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	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	153.1

* Te dëgjat e huave përfitshme të interesat e pëllëgjanit, sumit, banka e shqiptarise

* 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)								
	1	2	3	4	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	8
2016 / 12	343,070.3	131,743.5	35,650.4	30,592.0	3,730.4	32,431.8	29,220.0		119.1
2017 / 12	329,377.0	130,851.8	34,389.0	29,091.1	4,759.9	34,179.6	28,201.3		231.0
2018 / 12	317,721.9	127,999.7	38,195.2	24,286.2	6,626.7	34,125.4	24,570.0		196.3
2018 / 07	321,618.4	129,850.8	36,706.7	27,709.7	5,035.2	33,798.4	26,394.3		206.4
2018 / 08	321,167.5	129,209.7	36,560.3	27,307.6	5,268.9	33,515.0	26,355.9		202.0
2018 / 09	322,399.3	129,849.1	36,536.8	27,265.1	5,841.9	33,801.5	26,204.5		199.3
2018 / 10	319,514.4	130,190.6	36,956.1	27,037.9	5,802.6	34,069.6	26,126.0		198.3
2018 / 11	320,317.4	131,379.3	37,504.2	27,033.8	6,268.9	34,465.9	25,909.3		197.3
2018 / 12	317,721.9	127,999.7	38,195.2	24,286.2	6,626.7	34,125.4	24,570.0		196.3
Në dollarë ameri- kanë / In USD (10+11+12+13+14+15)									
	9	10	11	12	13	14	Hua për investime në instrumenta financiare/ Loans for investments in financial instruments		15
2016 / 12	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	-	3,536.8	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			-
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			-
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			-
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									
	16	17	18	19	20	21	22	23	
2016 / 12	178,567.6	40,229.6	24,731.1	475.2	60,186.1	52,945.6	-	20.8	
2017 / 12	178,095.0	46,703.0	19,315.9	1,462.1	59,303.8	51,154.9	155.21	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	217.5	1.2	
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	210.7	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	181.4	0.3	
2018 / 12	169,728.4	42,161.5	17,740.5	2,328.4	56,303.0	51,018.4	176.5	0.2	

Burimi: Banka e Shqipërisë

* Te dhënat e huave përfshijnë interesat e pëllagartur.

- 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.

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.

- Corporations to public nonfinancial corporations.



"PUBLIC NONFINANCIAL CORPORATIONS LOANS
BY PURPOSE AND CURRENCY * 1-13B"
IN MILLIONS ALL, END OF PERIOD

1-13B. HUATË E KORPORATAVE JOFINANCIARE PUBLIKE SIPAS QËLLIMIT
TË PËRDORIMIT DHE MONEDHËS*
NË MILIONË LËKË, FUND PERIUDHE

	Huatë për korporatat joфинанциаре publike / Public nonfinancial corporations loans (2+8+14+20)							Pasuri të pajisjeshme / Real estate						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2016 / 12	26,863.9	23,993.9	21,895.9	286.4	1,107.5	704.0	0.0	0.1	0.1	-	-	-	-	14
2017 / 12	34,901.3	29,680.0	27,229.8	287.7	901.8	1,260.6	0.0	0.1	0.1	-	-	-	-	15
2018 / 12	20,270.1	16,594.2	14,521.4	236.9	694.9	1,141.1	-	0.1	0.1	-	-	-	-	16
2018 / 07	19,801.8	16,883.0	14,631.6	277.0	778.3	1,196.2	-	0.1	0.1	-	-	-	-	17
2018 / 08	19,742.7	16,550.3	14,334.1	265.5	763.3	1,187.3	-	0.1	0.1	-	-	-	-	18
2018 / 09	19,615.7	16,650.3	14,470.5	256.5	746.5	1,176.9	-	0.1	0.1	-	-	-	-	19
2018 / 10	19,291.8	16,223.4	14,078.2	252.5	727.7	1,165.1	-	0.1	0.1	-	-	-	-	20
2018 / 11	20,121.9	16,674.7	14,557.3	252.9	711.6	1,152.9	-	0.1	0.1	-	-	-	-	21
2018 / 12	20,270.1	16,594.2	14,521.4	236.9	694.9	1,141.1	-	0.1	0.1	-	-	-	-	22
Në dollarë amerikanë / In USD (9+10+11+12+13)														
2016 / 12	0.1	0.1	-	-	-	-	0.0	0.1	0.1	-	-	-	-	13
2017 / 12	0.1	0.1	-	-	-	-	0.0	0.1	0.1	-	-	-	-	14
2018 / 12	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	15
2018 / 07	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	16
2018 / 08	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	17
2018 / 09	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	18
2018 / 10	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	19
2018 / 11	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	20
2018 / 12	0.1	0.1	-	-	-	-	-	0.1	0.1	-	-	-	-	21
Në euro / In EUR (15+16+17+18+19)														
2016 / 12	2,869.9	2,869.9	-	-	-	-	-	2,869.9	2,869.9	-	-	-	-	14
2017 / 12	5,221.3	5,221.3	-	-	-	-	-	5,221.3	5,221.3	-	-	-	-	15
2018 / 12	3,675.9	3,675.9	-	-	-	-	-	3,675.9	3,675.9	-	-	-	-	16
2018 / 07	2,918.7	2,918.7	-	-	-	-	-	2,918.7	2,918.7	-	-	-	-	17
2018 / 08	3,192.4	3,192.4	-	-	-	-	-	3,192.4	3,192.4	-	-	-	-	18
2018 / 09	2,965.3	2,965.3	-	-	-	-	-	2,965.3	2,965.3	-	-	-	-	19
2018 / 10	3,068.3	3,068.3	-	-	-	-	-	3,068.3	3,068.3	-	-	-	-	20
2018 / 11	3,447.1	3,447.1	-	-	-	-	-	3,447.1	3,447.1	-	-	-	-	21
2018 / 12	3,675.9	3,675.9	-	-	-	-	-	3,675.9	3,675.9	-	-	-	-	22

Burimi: Banka e Statistیکës
* Të dhënat e huave përfshijnë interesat e pëllëgatorit.
- Janë rishikuar të dhënat e periudhës Dhjetor 2017- Prill 2018, për shkak të një rklasifikimi institucional nga korporatat joфинанциаре private në korporatat joфинанциаре publike.
* 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.



1-14 HUATË E INDIVIDËVE DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS*
NË MILIONË LEKË, FUND PERIUDHE

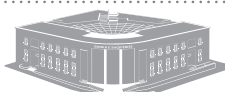
HOUSEHOLDS + NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS
LOANS BY PURPOSE AND CURRENCY* 1-14
IN MILLIONS ALL, END OF PERIOD

	Huatë për individët dhe institucionet jo me qëllim fitimi që u shërbejnë individëve / Households + Non-profit institutions serving households loans (2+9+10+23)	Në lekë / In ALL (3+4+5+6+7)	Overdraft / Overdraft	Mallra jo të qëndrueshëm / Nondurable goods	Mallra të qëndrueshëm / Durable goods	Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera / Loans for other purposes	nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status
	1	2	3	4	5	6	7	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)	Overdraft / Overdraft	Mallra jo të qëndrueshëm / Nondurable goods	Mallra të qëndrueshëm / Durable goods	Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera / Loans for other purposes	nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status	
	9	10	11	12	13	14		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)	Overdraft / Overdraft	Mallra jo të qëndrueshëm / Nondurable goods	Mallra të qëndrueshëm / Durable goods	Hua për blerje banesash / Loans for house purchase	Hua për qëllime të tjera / Loans for other purposes	nga të cilat: për të vetpënuësuarit / of which: sole proprietors; partnerships without legal status	Hua në monedha të tjera / In other currencies
	16	17	18	19	20	21	22	23
2016 / 12	67,552.2	1,146.8	1,574.7	4,564.6	56,356.4	3,909.7	574.1	275.1
2017 / 12	67,893.0	797.2	1,854.3	4,539.2	56,869.5	3,832.8	608.7	214.9
2018 / 12	64,533.5	707.1	1,721.9	4,528.1	53,406.1	4,170.3	649.0	171.0
2018 / 07	65,626.6	878.9	1,700.4	4,734.2	54,434.9	3,878.2	624.7	181.7
2018 / 08	66,072.4	877.3	1,798.0	4,530.5	54,843.2	4,023.3	619.6	184.7
2018 / 09	65,957.6	866.5	1,723.8	4,531.9	54,705.2	4,130.1	668.8	182.6
2018 / 10	65,137.5	751.9	1,742.1	4,522.0	54,112.1	4,009.3	679.4	177.3
2018 / 11	64,857.6	714.6	1,766.4	4,464.3	53,824.4	4,087.9	646.5	176.2
2018 / 12	64,533.5	707.1	1,721.9	4,528.1	53,406.1	4,170.3	649.0	171.0

Burimi: Banka e Shqipërisë

* Të dhënat e huave përfshijnë interesat e përllogarit.

* Data on loans include accrued interests.



LOANS BY DISTRICTS 1-15
IN MILLIONS ALL, END OF PERIOD

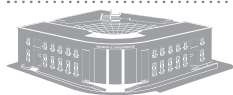
1-15 HUATË SIPAS RRETHEVE
NË MILIONË LEKË, FUND PERIUDHE

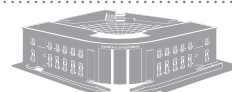
		TOBILI I KREDITËSË / Total loans (2+3+4+5+6+7+8+9+10)									
		1	2	3	4	5	6	7	8	9	10
			Tiranë / Tirana	Durrës / Durrës	Elbasan / Elbasan	Shkodër / Shkodra	Korçë / Korça	Vlorë / Vloia	Fier / Fier	Lezhë / Lezha	Të tjera / Other
2016 / IV		543,454.3	398,447.6	38,702.4	14,846.5	11,097.3	7,589.7	12,362.0	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 kreditë nuk përfshijnë interesat e përlllogarit.

Source: Bank of Albania.
1) Data on loans do not include accrued interest.





1-16 NORMAT BAZË TË INTERESIT TË BANKËS SË SHQIPËRISË* NË PËRQINDJE

BANK OF ALBANIA KEY INTEREST RATES* 1-16 IN PERCENTAGE

		Depozita njëditore / Overnight deposit		Marrëveshje riblerieje njëjtoore / 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	0.00	8.75	0.00	12.25	0.00
	12/05	3.00	-0.25	6.00	-0.25	8.50	-0.25	12.00	-0.25
	24/06	2.75	-0.25	5.75	-0.25	8.25	-0.25	11.75	-0.25
	28/07	2.50	-0.25	5.50	-0.25	8.00	-0.25	11.50	-0.25
	04/11	2.25	-0.25	5.25	-0.25	7.75	-0.25	11.25	-0.25
2005	31/03	2.00	-0.25	5.00	-0.25	7.50	-0.25	11.00	-0.25
	27/07	3.25	1.25	5.00	0.00	6.75	-0.75	11.00	0.00
2006	12/07	3.50	0.25	5.25	0.25	7.00	0.25	11.25	0.25
	30/11	3.75	0.25	5.50	0.25	7.25	0.25	11.50	0.25
2007	28/06	4.00	0.25	5.75	0.25	7.50	0.25	11.75	0.25
	27/09	4.25	0.25	6.00	0.25	7.75	0.25	12.00	0.25
	30/11	4.50	0.25	6.25	0.25	8.00	0.25	12.25	0.25
2008	24/12	4.50	0.00	6.25	0.00	7.00	-1.00	12.25	0.00
2009	28/01	4.50	0.00	6.25	0.00	7.00	0.00	12.25	0.00
	29/01	4.00	-0.50	5.75	-0.50	6.50	-0.50	11.75	-0.50
	28/10	3.50	-0.50	5.25	-0.50	6.00	-0.50	11.25	-0.50
2010	29/07	3.25	-0.25	5.00	-0.25	5.75	-0.25	11.00	-0.25
2011	03/01	3.25	0.00	5.00	0.00	6.75	1.00	11.00	0.00
	24/03	3.50	0.25	5.25	0.25	7.00	0.25	11.25	0.25
	30/09	3.25	-0.25	5.00	-0.25	6.75	-0.25	11.00	-0.25
	01/12	3.00	-0.25	4.75	-0.25	6.50	-0.25	10.75	-0.25
2012	26/01	2.75	-0.25	4.50	-0.25	6.25	-0.25	10.50	-0.25
	29/03	2.50	-0.25	4.25	-0.25	6.00	-0.25	10.25	-0.25
	10/05	2.50	0.00	4.25	0.00	6.00	0.00	8.25	-0.20
	25/07	2.25	-0.25	4.00	-0.25	5.75	-0.25	8.00	-0.25
2013	31/01	2.00	-0.25	3.75	-0.25	5.50	-0.25	7.75	-0.25
	01/08	1.75	-0.25	3.50	-0.25	5.25	-0.25	7.50	-0.25
	02/12	1.50	-0.25	3.25	-0.25	5.00	-0.25	7.25	-0.25
	16/12	1.25	-0.25	3.00	-0.25	4.75	-0.25	7.00	-0.25
2014	27/02	1.00	-0.25	2.75	-0.25	4.50	-0.25	6.75	-0.25
	02/06	0.75	-0.25	2.50	-0.25	4.25	-0.25	6.50	-0.25
	27/11	0.50	-0.25	2.25	-0.25	4.00	-0.25	6.25	-0.25
2015	29/01	0.25	-0.25	2.00	-0.25	3.75	-0.25	6.00	-0.25
	05/11	0.00	-0.25	1.75	-0.25	3.50	-0.25	5.75	-0.25
2016	06/04	0.25	0.25	1.50	0.25	2.75	0.25	5.50	0.25
	05/05	0.25	0.00	1.25	-0.25	2.25	-0.50	5.25	-0.25
2018	06/06	0.10	-0.15	1.00	-0.25	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 rregullores "Për kordinë 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

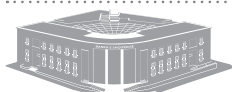
1-17 NORMAT E INTERESIT PËR DEPOZITAT E REJA TË KORPORATAVE JO-FINANCIARE, INDIVIDËVE DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE SIPAS MONEDHAVE NË PËRQINDJE

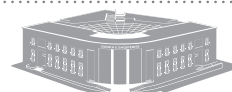
"INTEREST RATES ON NEW DEPOSITS OF NONFINANCIAL CORPORATIONS/HOUSEHOLDS AND NPISH BY CURRENCY * 1-17" IN PERCENTAGE

	Në lekë / In ALL						
	Llogari rrethëse / Current accounts	Depozita pa afat / Demand deposits	1 mujore / 1 months	3 mujore / 3 months	6 mujore / 6 months	12 mujore / 12 months	24 mujore / 24 months
2016	0.04	0.36	0.40	0.35	0.68	0.80	1.76
2017	0.10	0.28	0.86	0.28	0.65	0.75	1.48
2018	0.09	0.26	0.76	0.28	0.59	0.73	1.55
2018 / 07	0.08	0.26	0.80	0.30	0.49	0.71	1.59
2018 / 08	0.08	0.23	0.59	0.28	0.60	0.56	1.43
2018 / 09	0.09	0.29	0.67	0.29	0.49	0.64	1.56
2018 / 10	0.09	0.30	0.77	0.28	0.45	0.77	1.48
2018 / 11	0.09	0.23	0.83	0.32	0.70	0.73	1.45
2018 / 12	0.10	0.29	0.62	0.30	0.56	0.75	1.48
Në dollarë amerikanë / In USD							
2016	0.02	0.13	0.23	0.15	0.31	0.45	0.73
2017	0.01	0.13	0.23	0.12	0.29	0.39	0.83
2018	0.01	0.15	0.44	0.18	0.31	0.54	0.86
2018 / 07	0.01	0.08	0.54	0.10	0.26	0.46	1.08
2018 / 08	0.01	0.17	0.50	0.20	0.32	0.46	1.17
2018 / 09	0.01	0.18	0.51	0.23	0.23	0.55	0.97
2018 / 10	0.01	0.18	0.53	0.10	0.26	0.66	1.35
2018 / 11	0.01	0.12	0.43	0.13	0.21	0.62	0.48
2018 / 12	0.01	0.14	0.46	0.13	0.20	0.56	1.26
Në Euro / In EUR							
2016	0.04	0.11	0.09	0.06	0.12	0.19	0.56
2017	0.04	0.07	0.13	0.05	0.09	0.15	0.44
2018	0.02	0.06	0.06	0.05	0.07	0.12	0.36
2018 / 07	0.02	0.06	0.05	0.06	0.05	0.10	0.29
2018 / 08	0.02	0.06	0.07	0.06	0.05	0.11	0.37
2018 / 09	0.02	0.05	0.06	0.04	0.07	0.13	0.42
2018 / 10	0.02	0.07	0.05	0.03	0.06	0.11	0.46
2018 / 11	0.02	0.05	0.05	0.03	0.05	0.09	0.28
2018 / 12	0.01	0.06	0.05	0.05	0.07	0.13	0.26

Burimi: Banka e Shqipërisë

*Normat vjetore përfaqësojnë normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore. *Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.





1-18 NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATAVE IO-FINANCIARE, INDIVIDIVË DHE INSTITUCIONEVE JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDIVË SIPAS MONEDHAVE* 1-18 NË PËRQINDJE

INTEREST RATES ON NEW LOANS OF NON-FINANCIAL CORPORATIONS, HOUSEHOLDS AND NPISH BY CURRENCY* 1-18 IN PERCENTAGE

	Në lekë / In ALL			Në dollarë amerikanë / In USD		
	Deri në 6 muaj / Up to 6 months	6 muaj - 1 vit / 6 months - 1 year	1-3 vjet / 1-3 years	3 - 5 vjet / 3 - 5 years	Mbi 5 vjet / Over 5 years	
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	
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 PËRFAQSJOJNË NORMAT MESATARE TË PONDEHUARA VJETORE, ndërsa 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.

1-18A NORMAT E INTERESIT PËR HUATË E REJA TË KORPORATIVE JOFINANCIARE
PRIVATE SIPAS QËLLIMIT TË PËRDORIMIT DHE MONEDHËS *
NË PËRQINDJE

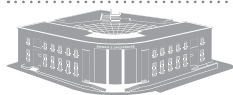
INTEREST RATES ON NEW LOANS OF PRIVATE NON-FINANCIAL
CORPORATIONS BY PURPOSE AND CURRENCY * 1-18A
IN PERCENTAGE

	Norma e interesit e huatë të reja për korporatë financiare private / Average monthly interest rates of new loans to private non-financial corporations	Overdraft / Overdraft	Kapital qarkullues / Working capital	Huatë për çelje biznesi / Loans for starting up a business	Blerje pajisjesh / Machines and appliances	Posuri të poluajtshme / Real estate	Huatë 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 VETORE PËRQËSJOJNË NORMAT MESATRE TË PONDËRUARA MËJORE.

*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 INDIVIDËVE DHE INSTITUCIONEVE
JO ME QËLLIM FITIMI QË U SHËRBEJNË INDIVIDËVE, 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 individë dhe institucione 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 vetëpunësuarit / 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 normat mesatare të ponderuara vjetore, ndërsa normat mujore përfaqësojnë normat mesatare të ponderuara mujore. * Yearly data present the annual weighted average rate, while the monthly data present the monthly weighted average rate.

**1-19 NORMAT E INTERESIT PËR BONOT E
THESARIT SIPAS AFATIT¹
NË PËRQINDJE**

**MATURITY BREAKDOWN OF TREASURY
BILLS YIELDS¹ 1-19
IN PERCENTAGE**

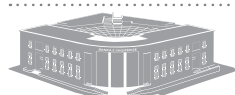
	Normat e interesit për bonot e thesarit / Maturity breakdown of Treasury bill yields		
	3 mujor / 3 months	6 mujor / 6 months	12 mujor / 12 months
2009 / 12	6.30	7.52	9.14
2010 / 12	5.29	6.41	7.09
2011 / 12	5.31	6.23	6.95
2012 / 12	5.03	5.65	6.37
2013 / 12	3.40	3.54	3.66
2014 / 12	3.15	3.16	3.33
2015 / 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

*1) Përfqësojnë normat mesatare të ponderuara të periudhës.

Source: Bank of Albania.

*1) 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	Individë / Individuals (3+4)	Kompani / Companies		Individë / 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

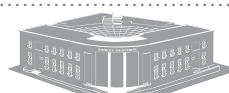
** Raportimet e bankave sipas "Metodologjisë për raportimin e instrumenteve të pagesave(2008)" e rishikuar në Janar të vitit 2014"

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 I PAGESAVE *
NË MILIONË EURO

EXTERNAL SECTOR 2.
BALANCE OF PAYMENTS 2-1 *
IN MILLION EUR

	Llogaria korrente / Current account (2+5+8+11)	Mallrat / Goods (3+4)	Kredi / Credit	Debit / Debit	Shërbimet / Services (6+7)	Kredi / Credit	Debit / Debit	Të ardhura parësore / Primary income (9-10)	Kredi / Credit	Debit / Debit	Të ardhura dytësore / Secondary income (12-13)	Kredi / Credit	Debit / Debit	Llogaria kapitale / Capital account
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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

	Llogaria financiare / Financial account (16+19+22+28)	Investimet direkte / Direct investment (17-18)	Mjete / Assets	Detyrime / Liabilities	Investime portofoli / Portfolio investment (20-21)	Mjete / Assets	Detyrime / Liabilities	Investime të tjera* / Other investment* (23-24)	Mjete / Assets	Detyrime** / Liabilities**	Gabime nëlo / Net errors and omissions	Mjete e rezervës dhe të lidhura me to / Reserve assets and related items (27-28)	Mjete e rezervës / Reserve assets	Kredi dhe hua nga FMN / Credit and loans from the IMF
	15	16	17	18	19	20	21	22	23	24	25	26	27	28
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
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

Source: Bank of Albania.
 * 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

2-3 EKSPORTI SIPAS GRUP MALLRAVE* NË MILIONË LEKË

EXPORT BY COMMODITY GROUPS* 2-3 IN MILLIONS ALL

	Gjithësi / Total (2+3+4+5+6+7+8+9+10)										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 "Databaza Statistikore" tabela "Import / Eksport sipas grupmallrave 2005:01 - 2019:01"

në faqen e internetit të INSTAT, datë 18.02.2019.

Source: INSTAT.

* 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
	Gjithësi / Total (2+3+4+5+6+7+8+9+10)	Ushqim, pije duhan / Food, beverages, tobacco	Mineralje, lëndë djegëse, ener. elek./ Minerals, fuels, electricity	Produkte kimike dhe plastike / Chemical and plastic products	Lejura dhe artikuj prej lejures / Leather and arti- cles of leather	Prodime druri dhe letre / Wood manufactures and articles of paper	Tekstile dhe këpucë / Textile and footwear	Materiale ndërtimi dhe metale / Construction materials and metals	Makinëri, pajisje dhe pjesë këmbimi / Machinery, 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

Burimi: INSTAT.
* 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 "Databaza Statistike" 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

	Borxhi i jashtëm bruto / Gross external debt (2+3+8+11+14)	Qeveria e përgjithshme / General Government (3+4)		Banka Gjendore / Central Bank (6+7)		Korporata Depozituese, me përjashtim të Bankës Gjendore / Depositing corporations, except Central Bank (9+10)		Sektorë të tjerë / Other sec- tors (12+13)		Investimi Direkt: Huatë Në kompani / Inter- company lending				
		Afatskurtyrë / Shortterm	Afatsgjatë / Long- term	Afatskurtyrë / Shortterm	Afatsgjatë / Longterm	Afatskurtyrë / Shortterm	Afatsgjatë / longterm	Afatskurtyrë / Shortterm	Afatsgjatë / Longterm	Afatskurtyrë / Shortterm	Afatsgjatë / Longterm			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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

Qëllimi: Banka e Shqipërisë.
Source: Bank of Albania

Burimi: Banka e Shqipërisë.
Për detaje referohuni tek "Shpjegues për ndryshimet në statistikat e sektorit të jashtëm sipas BPM6 (Qershor 2014)".

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 LËKË, 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 totale (2+3+4)		Të ardhura nga ndalimet / Grants		Të ardhura tatimore / Tax revenue		Të ardhura jo tatimore / Non tax revenue		Totali i shpenzimeve / Total expenditure (6+7+8)			Shpenzimet korente / Current expenditures		Shpenzime kapitale / Capital expenditures		Shpenzime të tjera / Other expenditures		Deficiti / Cash balance	Financimi i delicitit / Deficit 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 / Raportet dhe statistika fiskale mujore / Statistika fiskale mujore:

Publikimi "Statistika fiskale janar - Dhjetor 2018" tabelat:

Treguesit fiskale sipas buxhetit të konsoliduar (Vjetor në miliard lek

Shënime:

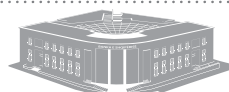
** Në kolonën "Shpenzime të tjera" janë përfshirë zërat:

- Transferime Kapitale / Fondi Rezervë, Kontingjenca / Detyrimet e Prapambetura / Transferimet të Tjera / Fondi Shpronësimi / Huadhënie në

Janar - Dhjetor 2018, Të dhëna paraprake

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 LEKË, FUND PERIUDHE, TË DHËNA PROGRESSIVE

DOMESTIC DEBT STOCK BY INSTRUMENTS 3-2
IN MILLIONS ALL, END OF PERIOD, PROGRESSIVE DATA

	Soku i borxhit të brendshëm / Domestic debt stock (2+9)	Borxhi i Qeverisë Qëndrore Buxhetore / Budgetary Central Government Debt (3+4+5+6+7+8)		Bono Tësarri / 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	Garanci Treg.Brend.	/ Domestic Guarantees
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		558,364	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 Qëndrore Buxhetore përfshin vetëm letra me vlerë të borxhit dhe nuk ka kredi të marra në tregun e brendshëm

- Borxhi i brendshëm i garantuar është afatshkurtër

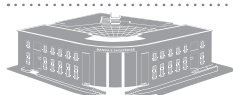
Data are as of MoF&E web page information on 11.02.2019
 Reports / Debt / Debt Indicators:

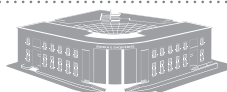
- Debt Statistical Bulletin, March 31, 2018
 - Debt Statistical Bulletin, June 30, 2018
 - Debt Statistical Bulletin, September 30, 2018

Notes:

1) Foreign Exchange Reserve Evaluation and domestic guarantees are not included

- Domestic guaranteed debt is short term





4. SEKTORI REAL
4-1 PRODHIMI 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, ujit 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	Asimimi	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, argëtim 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

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 A 19 level (INSTAT).

Notes:

* 2016 Semifinal data.

Burimi: INSTAT.

Të dhënat janë sipas tabelave në faqen e internetit të INSTAT në datën 11.02.2019.

* Data baza 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 Rev2, në nivel A 19 (INSTAT).

Shënime:

* 2016 Gjysëm-finale

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

	Indekset e çmimeve të prodhimit dhe përllogaritjeve të ndërtimit*				Indeksi i kushtimit në ndërtim (për banesa) ²		
	ICP Indeksi Total / PPI Total Index 2010=100	Industria nxjerrëse / Mining and quarrying	Industria përpunuese / Manufacturing	Energjia elektrike, gaz, avull dhe ajër i kondicionuar / Electricity, gas, steam and air conditioning	Furnizimi me ujë, aktivitetet të trajtimit dhe menaxhimit të mbeturinave / Water supply, treatment activities and waste management	Indeksi i kushtimit në ndërtim (për banesa) ² / Construction cost index T1 / 2011 = 100 (for dwellings) ² / 2011 = 100	Indeksi i kushtimit në ndërtim (për banesa) / Construction cost index (for dwellings)
	1	2	3	4	5	6	7
2015	100.7	91.6	104.7	99.4	103.3	102.3	0.31
2016	99.3	90.5	103.9	99.0	99.1	102.3	0.03
2017	101.9	103.6	105.8	99.0	99.5	103.0	0.70
2017 / IV	102.8	108.3	106.1	99.0	100.3	103.2	0.44
2018 / I	103.3	111.1	105.3	100.3	101.5	103.4	0.51
2018 / II	103.5	117.3	104.6	99.8	102.0	103.5	0.50
2018 / III	104.0	120.2	104.5	100.4	101.7	103.6	0.53

Burimi: INSTAT.

* Indeksi i Çmimeve të Prodhimit, llogaritur nga INSTAT, është mbështetur në Nomenclaturën e Aktiviteteve Ekonomike, NACE Rev 2, me periudhë referuese 2010=100.

Të dhënat tremujore të ICP sipas publikimit "Indeksi i Çmimeve të Prodhimit", INSTAT.

INSTAT publikon Indeksin e çmimeve të prodhimit (ICP) mbështetur në NVE Rev 2, ICP është indeks me periudhë bazë vitin 2010 (2010=100). Metoda e llogaritjes së indeksit është metoda zinxhir. (INSTAT).

1) Të dhënat vjetore të ICP përfaqësojnë indekse mesatare vjetore.

2) Duke filluar nga T1 2011, INSTAT llogarit IKN (për banesa) me sipërfaqe të re të materialeve dhe shpenzimeve dhe me periudhë bazë T1 2011=100.

3) Ndryshimi për të dhënat vjetore përfaqëson ndryshimin e çmimit të indekseve mesatare vjetore të vitit korrent me vitin e mëparshëm, ndryshimi vjetor për të dhënat tremujore të indeksit mat ndryshimin e çmimit të tremujorit korrent me tremujorin e njëjta 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=100.

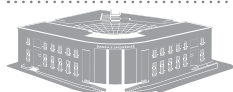
- Quarterly data of PPI according to "Producer Price Index", publication, INSTAT.

- INSTAT publishes the Producer Price Index (PPI), based on the NACE Rev. 2. PPI base year index is the year 2010 (2010=100). Calculation's method used in compiling of this index is chain - index. (INSTAT).

1) PPI annual data represent yearly average indexes.

2) Starting from Q1 2011, INSTAT calculates CCI (for dwellings) referring to the new basket of materials and expenditures, with base period Q1 2011=100.

3) Annual data change represents price changes of annual average indexes of the current year with the previous one, while the annual change for quarterly data measures the price changes of the current quarter with the same quarter of the previous year.



4-3 INDEKSI I ÇMIMEVE TË KONSUMIT

CONSUMER PRICE INDEX 4-3

	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
	1	2	3	4	5	6	7	8	9	10	11	12	13	
Totali dhejtari 2015=100 / CPI Total December 2015=100	Totali dhejtari 2015=100 / CPI Total December 2015=100													Mallat dhe shërbimet të ndryshme / Goods and various services
	1	2	3	4	5	6	7	8	9	10	11	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	99.62	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
Totali dhejtari 2015=100 / CPI Total December 2015=100	Totali dhejtari 2015=100 / CPI Total December 2015=100													Mallat dhe shërbimet të ndryshme / Goods and various services
	1	2	3	4	5	6	7	8	9	10	11	12	13	
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

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.

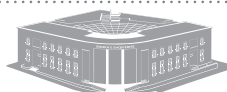
2) Të dhënat vjetore matin variacionin e indekseve të muajit dhejtari të vitit n me indeksin e muajit dhejtari të vitit n-1, ndërsa të dhënat mujore matin ndryshimet vjetore të indekseve, në përqindje.

3) Eshë mesatarja aritmetike e thjeshtë e inflacioneve vjetore të dymbëdhjetë muajve të fundit (logaritme e B.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 percentage.

3) Simple arithmetic average of annual inflation of latest twelve months (calculation of BoA).



4-4 PUNËSIMI, PAPUNËSIA DHE PAGAT¹ NË MUË, OSE NË RAST TË KUNDËRT, SIKURSE PËRÇAKTOHET

	Të punësuar sipas sektorëve ^{2,3} / Employed by sector ^{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 Statistike / Tregu i punës / Të dhëna administrative të tregut të punës / Treguesit Vjetor.
 - Databaza Statistike / Tregu i punës / Të dhëna administrative të tregut të punës / Treguesit 3 mujorë.
 - Databaza Statistike / Pagat dhe Kosta e Punës.

Tëmat / Tregu i Punës dhe Aftësi / Pagat / Paga mesatare mujore dhe Paga minimale e miratuar

2. Mësimet vjetore (të dhënat vjetore)

3. Të dhëna administrative (të dhënat vjetore)

Source: INSTAT
 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)

